New Residential Investment Corp.
Form 10-Q
November 12, 2013

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2013

or

o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____________ to _____________

Commission File Number: 001-35777

New Residential Investment Corp.
(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	45-3449660 (I.R.S. Employer Identification No.)
1345 Avenue of the Americas, New York, NY (Address of principal executive offices)	10105 (Zip Code)

(212) 798-3150
(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes x No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulations S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required

to submit and post such files).
Yes x No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer o Accelerated filer o Non-accelerated filer x (Do not check if a smaller reporting company) Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes No x

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the last practicable date.

Common stock, $0.01 par value per share: 253,186,279 shares outstanding as of November 8, 2013.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This report contains certain "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, which statements involve substantial risks and uncertainties. Such forward-looking statements relate to, among other things, the operating performance of our investments, the stability of our earnings, and our financing needs. Forward-looking statements are generally identifiable by use of forward-looking terminology such as "may," "will," "should," "potential," "intend," "expect," "endeavor," "seek," "anticipate," "estimate," "overestimate," "under "could," "project," "predict," "continue" or other similar words or expressions. Forward-looking statements are based or certain assumptions, discuss future expectations, describe future plans and strategies, contain projections of results of operations or of financial condition or state other forward-looking information. Our ability to predict results or the actual outcome of future plans or strategies is inherently uncertain. Although we believe that the expectations reflected in such forward-looking statements are based on reasonable assumptions, our actual results and performance could differ materially from those set forth in the forward-looking statements. These forward-looking statements involve risks, uncertainties and other factors that may cause our actual results in future periods to differ materially from forecasted results. Factors which could have a material adverse effect on our operations and future prospects include, but are not limited to:

reductions in cash flows received from our investments;

our ability to take advantage of investment opportunities at attractive risk-adjusted prices;

our ability to take advantage of investment opportunities in excess mortgage servicing rights ("Excess MSRs");

our ability to deploy capital accretively;

our counterparty concentration and default risks in Nationstar Mortgage LLC ("Nationstar"), Springleaf Finance, Inc. ("Springleaf") and other third-parties;

a lack of liquidity surrounding our investments which could impede our ability to vary our portfolio in an appropriate manner;

the impact that risks associated with subprime mortgage loans and consumer loans, as well as deficiencies in servicing and foreclosure practices, may have on the value of our residential mortgage-backed securities ("RMBS") and consumer loan portfolios;

the risks that default and recovery rates on our real estate securities, residential mortgage loans and consumer loans deteriorate compared to our underwriting estimates;

changes in prepayment rates on the loans underlying certain of our assets, including, but not limited to, our Excess MSRs;

the risk that projected recapture rates on the portfolios underlying our Excess MSRs are not achieved;

the relationship between yields on assets which are paid off and yields on assets in which such monies can be reinvested;

the relative spreads between the yield on the assets we invest in and the cost of financing;

changes in economic conditions generally and the real estate and bond markets specifically;

adverse changes in the financing markets we access affecting our ability to finance our investments;

the quality and size of the investment pipeline and the rate at which we can invest our cash;

changing risk assessments by lenders that potentially lead to increased margin calls, not extending our repurchase agreements or other financings in accordance with their current terms or entering into new financings with us;

changes in interest rates and/or credit spreads, as well as the success of any hedging strategy we may undertake in relation to such changes;

impairments in the value of the collateral underlying our investments and the relation of any such impairments to our judgments as to whether changes in the market value of our securities or loans are temporary or not and whether circumstances bearing on the value of such assets warrant changes in carrying values;

the availability and cost of capital for future investments;

competition within the finance and real estate industries;

the legislative/regulatory environment, including, but not limited to, the impact of the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank Act"), U.S. government programs intended to stabilize the economy, the federal conservatorship of the Federal National Mortgage Association ("Fannie Mae") and the Federal Home Loan Mortgage Corporation ("Freddie Mac") and legislation that permits modification of the terms of loans;

our ability to maintain our qualification as a real estate investment trust ("REIT") for U.S. federal income tax purposes and the potentially onerous consequences that any failure to maintain such qualification would have on our business;

our ability to maintain our exemption from registration under the Investment Company Act of 1940 (the "1940 Act") and the fact that maintaining such exemption imposes limits on our operations; and

other risks detailed from time to time below, particularly under the heading "Risk Factors," and in our other reports filed with or furnished to the Securities and Exchange Commission (the "SEC").

Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements. The factors noted above could cause our actual results to differ significantly from those contained in any forward-looking statement. New risks and uncertainties arise from time to time, and it is impossible for us to preduct those events or how they may affect us.

We caution that you should not place undue reliance on any of our forward-looking statements, which reflect our management's views only as of the date of this report. Except as required by law, we are under no obligation (and expressly disclaim any obligation) to update or alter any forward-looking statement, whether written or oral, that we may make from time to time, whether as a result of new information, future events or otherwise.

SPECIAL NOTE REGARDING EXHIBITS

In reviewing the agreements included as exhibits to this Quarterly Report on Form 10-Q, please remember they are included to provide you with information regarding their terms and are not intended to provide any other factual or disclosure information about the Company or the other parties to the agreements. The agreements contain representations and warranties by each of the parties to the applicable agreement. These representations and warranties have been made solely for the benefit of the other parties to the applicable agreement and:

- should not in all instances be treated as categorical statements of fact, but rather as a way of allocating the risk to one of the parties if those statements prove to be inaccurate;
- have been qualified by disclosures that were made to the other party in connection with the negotiation of the applicable agreement, which disclosures are not necessarily reflected in the agreement;
- may apply standards of materiality in a way that is different from what may be viewed as material to you or other investors; and
- were made only as of the date of the applicable agreement or such other date or dates as may be specified in the agreement and are subject to more recent developments.

Accordingly, these representations and warranties may not describe the actual state of affairs as of the date they were made or at any other time. Additional information about the Company may be found elsewhere in this Quarterly Report on Form 10-Q and the Company's other public filings, which are available without charge through the SEC's website at http://www.sec.gov.

The Company acknowledges that, notwithstanding the inclusion of the foregoing cautionary statements, it is responsible for considering whether additional specific disclosures of material information regarding material contractual provisions are required to make the statements in this report not misleading.

NEW RESIDENTIAL INVESTMENT CORP.
FORM 10-Q

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES (formerly known as NIC MSR LLC)

CONSOLIDATED BALANCE SHEETS
(dollars in thousands)

	September 30, 2013 (Unaudited)	December 31, 2012
Assets		
Real estate securities, available-for-sale	$ 1,861,200	$ 289,756
Investments in excess mortgage servicing rights, at fair value	307,568	245,036
Investments in excess mortgage servicing rights, equity method investees, at fair value	358,032	—
Investments in consumer loans, equity method investees	192,498	—
Residential mortgage loans, held-for-investment	33,060	—
Cash and cash equivalents	172,203	—
Other assets	7,283	84
	$ 2,931,844	$ 534,876
Liabilities and Equity		
Liabilities		
Repurchase agreements	$ 1,467,934	$ 150,922
Trades payable	149,181	—
Due to affiliates	7,109	5,136
Dividends payable	44,308	—
Accrued expenses and other liabilities	2,276	462
	1,670,808	156,520
Commitments and contingencies		
Stockholders’ Equity		
Common Stock, $0.01 par value, 2,000,000,000 shares authorized, 253,186,279 issued and outstanding at September 30, 2013	2,532	—
Additional paid-in capital	1,157,040	362,830
Retained earnings	85,776	—
Accumulated other comprehensive income	15,688	15,526
Total Stockholders’ Equity	1,261,036	378,356
	$ 2,931,844	$ 534,876

See notes to consolidated financial statements.

NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES (formerly known as NIC MSR LLC)

CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)
(dollars in thousands, except per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
Interest income	$21,885	$12,295	$61,075	$18,811
Interest expense	3,443	298	6,993	298
Net Interest Income	18,442	11,997	54,082	18,513
Impairment				
Other-than-temporary impairment (“OTTI”) on securities	—	—	3,756	—
Net interest income after impairment	18,442	11,997	50,326	18,513
Other Income				
Change in fair value of investments in excess mortgage servicing rights	208	1,774	43,899	6,513
Change in fair value of investments in excess mortgage servicing rights, equity method investees	20,645	—	41,741	—
Earnings from investments in consumer loans, equity method investees	24,129	—	60,293	—
Gain on settlement of securities	11,213	—	11,271	—
	56,195	1,774	157,204	6,513
Operating Expenses				
General and administrative expenses	2,538	686	5,859	2,363
Management fee allocated by Newcastle	—	1,317	4,134	1,733
Management fee to affiliate	4,484	—	6,747	—
Incentive compensation to affiliate	4,470	—	5,348	—
	11,492	2,003	22,088	4,096
Net Income	$63,145	$11,768	$185,442	$20,930
Income Per Share of Common Stock				
Basic	$0.25	$0.05	$0.73	$0.08
Diluted	$0.24	$0.05	$0.72	$0.08
Weighted Average Number of Shares of Common Stock Outstanding				
Basic	253,072,788	253,025,645	253,041,532	253,025,645
Diluted	259,889,285	253,025,645	256,549,947	253,025,645

Dividends Declared per Share of Common Stock	$0.175	$—	$0.245	$—

See notes to consolidated financial statements.

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NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES (formerly known as NIC MSR LLC)

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)
(dollars in thousands)

	Three Months Ended September 30, 2013	2012	Nine Months Ended September 30, 2013	2012
Net income	$63,145	$ 11,768	$ 185,442	$ 20,930
Other comprehensive income:				
Net unrealized gain (loss) on securities	7,687	7,313	7,677	7,313
Reclassification of net realized (gain) loss on securities into earnings	(11,213)	—	(7,515)	—
Other comprehensive income (loss)	(3,526)	7,313	162	7,313
Comprehensive income	$59,619	$ 19,081	$ 185,604	$ 28,243

See notes to consolidated financial statements.

NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES (formerly known as NIC MSR LLC)

CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY (UNAUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2013
(dollars in thousands)

	Common Stock					
	Shares	Amount	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total Stockholders' Equity
Equity - December 31, 2012	—	$—	$362,830	$—	$ 15,526	$ 378,356
Dividends declared	—	—	—	(62,020)	—	(62,020)
Capital contributions	—	—	893,466	—	—	893,466
Contributions in-kind	—	—	1,093,684	—	—	1,093,684
Capital distributions	—	—	(1,228,054)	—	—	(1,228,054)
Issuance of common stock	253,025,645	2,530	(2,530)	—	—	—
Option exercise	160,634	2	(2)	—	—	—
Net income	—	—	37,646	147,796	—	185,442
Other comprehensive income	—	—	—	—	162	162
Equity - September 30, 2013	253,186,279	$2,532	$1,157,040	$85,776	$ 15,688	$ 1,261,036

See notes to consolidated financial statements.

NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES (formerly known as NIC MSR LLC)

CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
(dollars in thousands)

	Nine Months Ended September 30,	
	2013	2012
Cash Flows From Operating Activities		
Net income	$ 185,442	$ 20,930
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Change in fair value of investments in excess mortgage servicing rights	(43,899)	(6,513)
Change in fair value of investments in excess mortgage servicing rights, equity method investees	(41,741)	—
Distributions of earnings from excess mortgage servicing rights, equity method investees	23,659	—
Earnings from consumer loan equity method investees	(60,293)	—
Distributions of earnings from consumer loan equity method investees	60,293	—
Accretion of discount and other amortization	(8,008)	(2,030)
(Gain) / loss on settlement of investments (net)	(11,271)	—
Other-than-temporary impairment (“OTTI”)	3,756	—
Changes in:		
Other assets	(7,145)	(58)
Due to affiliates	1,973	1,647
Accrued expenses and other liabilities	1,752	1,406
Reduction of liability deemed as capital contribution by Newcastle	11,515	—
Other operating cash flows:		
Cash proceeds from investments, in excess of interest income	41,435	19,021
Net cash proceeds deemed as capital distributions to Newcastle	(52,888)	(34,403)
Net cash provided by (used in) operating activities	104,580	—
Cash Flows From Investing Activities		
Purchase of Agency ARM RMBS	(292,980)	—
Purchase of Non-Agency RMBS	(202,484)	—
Acquisition of investments in excess mortgage servicing rights	(46,421)	—
Acquisition of investments in excess mortgage servicing rights, equity method investees	(226,837)	—
Principal repayments from Agency ARM RMBS	219,187	—
Principal repayments from Non-Agency RMBS	50,878	—
Proceeds from sale of investments	123,130	—

Return of investments in excess mortgage servicing rights	15,132	—
Return of investments in excess mortgage servicing rights, equity method investees	4,018	—
Return of investments in consumer loan equity method investees	52,923	—
Principal repayments from residential mortgage loans	2,400	—
Net cash provided by (used in) investing activities	(301,054)	—

Continued on next page

NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES (formerly known as NIC MSR LLC)

CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
(dollars in thousands)

	Nine Months Ended September 30,			
	2013		2012	
Cash Flows From Financing Activities				
Repayments of repurchase agreements		(1,283,567)		—
Margin deposits under repurchase agreements		(210,507)		—
Payment of deferred financing fees		(166)		—
Common stock dividends paid		(17,712)		—
Borrowings under repurchase agreements		1,425,413		—
Return of margin deposits under repurchase agreements		210,158		—
Capital contributions		245,058		—
Net cash provided by (used in) financing activities		368,677		—
Net Increase (Decrease) in Cash and Cash Equivalents		172,203		—
Cash and Cash Equivalents, Beginning of Period		—		—
Cash and Cash Equivalents, End of Period	$	172,203	$	—
Supplemental Disclosure of Cash Flow Information				
Cash paid during the period for interest expense	$	6,853	$	280
Supplemental Schedule of Non-Cash Investing and Financing Activities Prior to Date of Cash Contribution by Newcastle				
Cash proceeds from investments, in excess of interest income	$	41,435	$	19,021
Acquisition of real estate securities		242,750		34,619
Acquisition of investments in excess mortgage servicing rights		—		218,642
Deposit paid on investment in excess mortgage servicing rights		—		25,200
Purchase price payable on investments in excess mortgage servicing rights		—		3,250
Acquisition of investments in excess mortgage servicing rights, equity method investees at fair value		125,099		—
Acquisition of investments in consumer loan equity method investees		245,421		—
Acquisition of residential mortgage loans, held-for-investment		35,138		—
Borrowings under repurchase agreements		1,179,068		60,772
Repayments of repurchase agreements		3,902		1,126

Capital contributions by Newcastle		648,408		278,461
Contributions in-kind by Newcastle		1,093,684		164,142
Capital distributions to Newcastle		1,228,054		94,049
Supplemental Schedule of Non-Cash Investing and Financing Activities Subsequent to Date of Cash Contribution by Newcastle				
Dividends declared but not paid	$	44,308	$	—

See notes to consolidated financial statements.

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NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES (formerly known as NIC MSR LLC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
SEPTEMBER 30, 2013
(dollars in tables in thousands, except share data)

1. GENERAL

New Residential Investment Corp. (formerly known as NIC MSR LLC) (together with its subsidiaries, "New Residential") is a Delaware corporation that was formed as a limited liability company in September 2011 for the purpose of making real estate related investments and commenced operations on December 8, 2011. On December 20, 2012, New Residential was converted to a corporation. Newcastle Investment Corp. ("Newcastle") was the sole stockholder of New Residential until the spin-off (Note 10), which was completed on May 15, 2013. Newcastle is listed on the New York Stock Exchange under the symbol "NCT."

Following the spin-off, New Residential is an independent publicly traded real estate investment trust ("REIT") primarily focused on investing in residential mortgage related assets. New Residential is listed on the New York Stock Exchange under the symbol "NRZ."

As of September 30, 2013, New Residential had acquired, or committed to acquire, directly and through equity method investees, excess mortgage servicing rights ("Excess MSRs") on twelve pools of residential mortgage loans from Nationstar Mortgage LLC ("Nationstar"), a leading residential mortgage servicer. Furthermore, New Residential had acquired real estate securities, residential mortgage loans, and consumer loans.

New Residential intends to elect and qualify to be taxed as a REIT for U.S. federal income tax purposes for the tax year ending December 31, 2013. As such, New Residential will generally not be subject to U.S. federal corporate income tax on that portion of its net income that is distributed to stockholders if it distributes at least 90% of its REIT taxable income to its stockholders by prescribed dates and complies with various other requirements.

New Residential has entered into a management agreement (the "Management Agreement") with FIG LLC (the "Manager"), an affiliate of Fortress Investment Group LLC ("Fortress"), under which the Manager advises New Residential on various aspects of its business and manages its day-to-day operations, subject to the supervision of New Residential's board of directors. For its services, the Manager is entitled to management fees and incentive compensation, both defined in, and in accordance with the terms of, the Management Agreement. For a further discussion of the Management Agreement, see Note 12. The Manager also manages Newcastle and investment funds that own a majority of Nationstar.

As of September 30, 2013, New Residential operated in the following business segments: (i) investments in Excess MSRs, (ii) investments in real estate securities and loans, (iii) investments in consumer loans and (iv) corporate.

The consolidated financial statements for periods prior to May 15, 2013 have been prepared on a spin-off basis from the consolidated financial statements and accounting records of Newcastle and reflect New Residential's historical results of operations, financial position and cash flows, in accordance with U.S. GAAP. As presented in the Consolidated Statements of Cash Flows, New Residential did not have any cash balance during periods prior to April 5, 2013, which is the first date Newcastle contributed cash to New Residential. All of its cash activity occurred in Newcastle's accounts during these periods. The consolidated financial statements for periods prior to May 15, 2013 do not necessarily reflect what New Residential's consolidated results of operations, financial position and cash flows would have been had New Residential operated as an independent company prior to the spin-off.

Certain expenses of Newcastle, comprised primarily of a portion of its management fee, have been allocated to New Residential to the extent they were directly associated with New Residential for periods prior to the spin-off on May 15, 2013. The portion of the management fee allocated to New Residential prior to the spin-off represents the product of the management fee rate payable by Newcastle (1.5%) and New Residential's gross equity, which management believes is a reasonable method for quantifying the expense of the services provided by the employees of the Manager to New Residential. The incremental cost of certain legal, accounting and other expenses related to New Residential's operations prior to May 15, 2013 are reflected in the accompanying consolidated financial statements. New Residential and Newcastle do not share any expenses following the spin-off.

The accompanying consolidated financial statements and related notes of New Residential have been prepared in accordance with accounting principles generally accepted in the United States for interim financial reporting and the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, certain information and footnote disclosures normally included in financial statements prepared under U.S. generally accepted accounting principles have been condensed or omitted. In the opinion of management, all adjustments considered necessary for a fair presentation of New Residential's financial position, results of operations and cash flows have been included and are of a normal and recurring nature. The operating results presented for interim periods are not necessarily indicative of the results that may be expected for any other interim period or for the entire year. These financial statements should be read in conjunction with New Residential's consolidated financial statements for the year ended December 31, 2012 and notes thereto included in New Residential's Registration Statement on Form 10 filed with the Securities and Exchange Commission. Capitalized terms used herein, and not otherwise defined, are defined in New Residential's consolidated financial statements for the year ended December 31, 2012.

NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES (formerly known as NIC MSR LLC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
SEPTEMBER 30, 2013
(dollars in tables in thousands, except share data)

Recent Accounting Pronouncements

In February 2013, the FASB issued new guidance regarding the reporting of reclassifications out of accumulated other comprehensive income. The new guidance does not change current requirements for reporting net income or other comprehensive income in the financial statements. However, it requires companies to present the effects on the line items of net income of significant amounts reclassified out of accumulated OCI if the item reclassified is required to be reclassified to net income in its entirety during the same reporting period. Presentation should occur either on the face of the income statement where net income is presented or in the notes to the financial statements. New Residential has adopted this accounting standard and presents this information in Note 13.

The FASB has recently issued or discussed a number of proposed standards on such topics as consolidation, financial statement presentation, revenue recognition, financial instruments, hedging, and contingencies. Some of the proposed changes are significant and could have a material impact on New Residential's reporting. New Residential has not yet fully evaluated the potential impact of these proposals, but will make such an evaluation as the standards are finalized.

2. SEGMENT REPORTING

New Residential conducts its business through the following segments: (i) investments in Excess MSRs, (ii) investments in real estate securities and loans, (iii) investments in consumer loans, and (iv) corporate. The corporate segment consists primarily of general and administrative expenses, the allocation of management fees by Newcastle until the spin-off on May 15, 2013, and the management fees and incentive compensation owed to the Manager by New Residential following the spin-off.

Summary financial data on New Residential's segments is given below, together with a reconciliation to the same data for New Residential as a whole:

	Excess MSRs	Real Estate Securities and Loans	Consumer Loans	Corporate	Total
Three Months Ended September 30, 2013					
Interest income	$9,761	$12,120	$—	$4	$21,885
Interest expense	—	3,443	—	—	3,443
Net interest income	9,761	8,677	—	4	18,442
Impairment	—	—	—	—	—
Other income	20,853	11,213	24,129	—	56,195
Operating expenses	82	104	1	11,305	11,492
Net income (loss)	$30,532	$19,786	$24,128	$(11,301)	$63,145

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NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES (formerly known as NIC MSR LLC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
SEPTEMBER 30, 2013
(dollars in tables in thousands, except share data)

	Excess MSRs	Real Estate Securities and Loans	Consumer Loans	Corporate	Total
Nine Months Ended September 30, 2013					
Interest income	$30,541	$30,492	$—	$42	$61,075
Interest expense	—	6,993	—	—	6,993
Net interest income	30,541	23,499	—	42	54,082
Impairment	—	3,756	—	—	3,756
Other income	85,640	11,271	60,293	—	157,204
Operating expenses	178	256	1,952	19,702	22,088
Net income (loss)	$116,003	$30,758	$58,341	$(19,660)	$185,442

	Excess MSRs	Real Estate Securities and Loans	Consumer Loans	Corporate	Total
September 30, 2013					
Investments	$665,600	$1,894,260	$192,498	$—	$2,752,358
Cash and cash equivalents	—	—	—	172,203	172,203
Other assets	—	6,563	—	720	7,283
Total assets	665,600	1,900,823	192,498	172,923	2,931,844
Debt	—	1,467,934	—	—	1,467,934
Other liabilities	82	149,352	—	53,440	202,874
Total liabilities	82	1,617,286	—	53,440	1,670,808
GAAP book value	$665,518	$283,537	$192,498	$119,483	$1,261,036
Investments in equity method investees	$358,032	$—	$192,498	$—	$550,530

	Excess MSRs	Real Estate Securities and Loans	Consumer Loans	Corporate	Total
Three Months Ended September 30, 2012					
Interest income	$9,903	$2,392	$—	$—	$12,295
Interest expense	—	298	—	—	298
Net interest income	9,903	2,094	—	—	11,997
Other income	1,774	—	—	—	1,774
Operating expenses	994	—	—	1,009	2,003
Net income (loss)	$10,683	$2,094	$—	$(1,009)	$11,768

NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES (formerly known as NIC MSR LLC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
SEPTEMBER 30, 2013
(dollars in tables in thousands, except share data)

	Excess MSRs	Real Estate Securities and Loans	Consumer Loans	Corporate	Total
Nine Months Ended September 30, 2012					
Interest income	$16,419	$2,392	$—	$—	$18,811
Interest expense	—	298	—	—	298
Net interest income	16,419	2,094	—	—	18,513
Other income	6,513	—	—	—	6,513
Operating expenses	2,141	—	—	1,955	4,096
Net income (loss)	$20,791	$2,094	$—	$(1,955)	$20,930

3. INVESTMENTS IN EXCESS MORTGAGE SERVICING RIGHTS AT FAIR VALUE

Pool 1. On December 13, 2011, Newcastle announced the completion of the first co-investment between New Residential and Nationstar in Excess MSRs related to mortgage servicing rights acquired by Nationstar. New Residential invested approximately $43.7 million to acquire a 65% interest in the Excess MSRs on a portfolio of government-sponsored enterprise (“GSE”) residential mortgage loans (“Pool 1”). Nationstar has co-invested on a pari passu basis with New Residential in 35% of the Excess MSRs and is the servicer of the loans, performing all servicing and advancing functions, and retaining the ancillary income, the servicing obligations and liabilities associated with this portfolio as the servicer. Under the terms of this investment, to the extent that any loans in the portfolio are refinanced by Nationstar, the resulting Excess MSRs are shared on a pro rata basis by New Residential and Nationstar, subject to certain limitations.

Pool 2. On June 5, 2012, Newcastle announced the completion of a co-investment between New Residential and Nationstar in Excess MSRs related to mortgage servicing rights Nationstar acquired from Bank of America. New Residential invested approximately $42.3 million to acquire a 65% interest in the Excess MSRs on a portfolio of residential mortgage loans (“Pool 2”), comprised of loans in GSE pools. Nationstar has co-invested on a pari passu basis with New Residential in 35% of the Excess MSRs and is the servicer of the loans, performing all servicing and advancing functions, and retaining the ancillary income, servicing obligations and liabilities associated with this portfolio as the servicer. Under the terms of this investment, to the extent that any loans in the portfolio are refinanced by Nationstar, the resulting Excess MSRs are shared on a pro rata basis by New Residential and Nationstar, subject to certain limitations.

Pools 3, 4 and 5. On June 29, 2012, Newcastle announced the completion of a co-investment between New Residential and Nationstar in Excess MSRs related to mortgage servicing rights Nationstar acquired from Aurora Bank FSB, a subsidiary of Lehman Brothers Bancorp Inc. New Residential invested approximately $176.5 million to acquire a 65% interest in the Excess MSRs on a portfolio of residential mortgage loans, comprised of approximately 25% conforming loans in Fannie Mae (“Pool 3”) and Freddie Mac (“Pool 4”) GSE pools as well as approximately 75% non-conforming loans in private label securitizations (“Pool 5”). Nationstar had co-invested on a pari passu basis with New Residential in 35% of the Excess MSRs and is the servicer of the loans, performing all servicing and advancing functions, and retaining the ancillary income, servicing obligations and liabilities associated with this portfolio as the servicer. In September 2013, New Residential invested an additional $26.6 million to acquire an additional 15%

interest in the Excess MSRs related to Pool 5 from Nationstar. Under the terms of this investment, to the extent that any loans in the portfolio are refinanced by Nationstar, the resulting Excess MSRs are shared on a pro rata basis by New Residential and Nationstar, subject to certain limitations.

NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES (formerly known as NIC MSR LLC)

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Pool 11. On May 20, 2013, New Residential entered into an excess spread agreement with Nationstar to purchase a two-thirds interest in the Excess MSRs on a portion of the loans in the pool which are eligible to be refinanced by a specific third party for a period of time for $2.4 million, with Nationstar retaining the remaining one-third interest in the Excess MSRs and all servicing rights. After this period expires, Nationstar will have the ability to refinance all of the loans in the pool. See Note 6 for information on our other agreements with Nationstar with respect to Pool 11.

Pool 12. On September 23, 2013, New Residential invested approximately $17.4 million to acquire a 40% interest in the Excess MSRs on a portfolio of residential mortgage loans (“Pool 12”), comprised of loans in private label securitizations. Fortress-managed funds also acquired a 40% interest in the Excess MSRs and the remaining 20% interest in the Excess MSRs is owned by Nationstar. Nationstar performs all servicing and advancing functions, and it retains the ancillary income, servicing obligations and liabilities associated with this portfolio as the servicer. Under the terms of this investment, to the extent that any loans in the portfolio are refinanced by Nationstar, the resulting Excess MSRs are shared on a pro rata basis by New Residential, the Fortress-managed funds and Nationstar, subject to certain limitations.

As described above, New Residential has entered into a “Recapture Agreement” in each of the Excess MSR investments to date. Under the Recapture Agreements, New Residential is generally entitled to a pro rata interest in the Excess MSRs on any initial or subsequent refinancing by Nationstar of a loan in the original portfolio.

New Residential elected to record its investments in Excess MSRs at fair value pursuant to the fair value option for financial instruments in order to provide users of the financial statements with better information regarding the effects of prepayment risk and other market factors on the Excess MSRs.

NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES (formerly known as NIC MSR LLC)

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The following is a summary of New Residential's direct investments in Excess MSRs:

	September 30, 2013						Nine Months Ended September 30, 2013
	Unpaid Principal Balance ("UPB") of Underlying Mortgages	Interest in Excess MSR	Amortized Cost Basis (A)	Carrying Value (B)	Weighted Average Yield	Weighted Average Life (Years) (C)	Changes in Fair Value Recorded in Other Income (D)
MSR Pool 1	$ 7,171,426	65.0 %	$ 27,255	$ 37,907	12.5 %	4.9	$ 4,914
MSR Pool 1 - Recapture Agreement	—	65.0 %	2,230	4,629	12.5 %	11.3	1,893
MSR Pool 2	8,217,751	65.0 %	30,806	35,592	12.5 %	5.2	3,742
MSR Pool 2 - Recapture Agreement	—	65.0 %	1,934	5,882	12.5 %	12.3	3,767
MSR Pool 3	8,066,890	65.0 %	25,250	34,063	12.5 %	4.8	5,958
MSR Pool 3 - Recapture Agreement	—	65.0 %	3,608	5,231	12.5 %	11.6	1,699
MSR Pool 4	5,222,892	65.0 %	10,032	13,743	12.5 %	5.2	2,693
MSR Pool 4 - Recapture Agreement	—	65.0 %	2,509	3,446	12.5 %	11.6	951
MSR Pool 5	38,315,786	80.0 %	121,544	142,387	12.7 %	5.4	18,864
MSR Pool 5 - Recapture Agreement	—	80.0 %	9,277	4,779	12.7 %	12.5	(656)
MSR Pool 11 - Recapture Agreement	—	66.7 %	2,391	2,391	12.5 %	10.2	—
MSR Pool 12	5,321,060	40.0 %	16,963	17,032	16.4 %	4.6	69
MSR Pool 12 - Recapture Agreement	—	40.0 %	479	486	16.4 %	13.6	5
	$ 72,315,805		$ 254,278	$ 307,568	12.9 %	5.8	$ 43,899

(A) The amortized cost basis of the Recapture Agreements is determined based on the relative fair values of the Recapture Agreements and related Excess MSRs at the time they were acquired.

(B) Carrying Value represents the fair value of the pools or Recapture Agreements, as applicable.

(C) Weighted Average Life represents the weighted average expected timing of the receipt of expected cash flows for this investment.

(D) The portion of the change in fair value of the Recapture Agreements relating to loans recaptured to date is reflected in the respective pool.

NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES (formerly known as NIC MSR LLC)

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The table below summarizes the geographic distribution of the underlying residential mortgage loans of the direct investments in Excess MSRs at September 30, 2013:

State Concentration	Percentage of Total Outstanding	
California	30.3	%
Florida	10.1	%
New York	4.7	%
Texas	4.2	%
Washington	4.1	%
Arizona	3.7	%
Maryland	3.6	%
Colorado	3.3	%
New Jersey	3.3	%
Virginia	3.1	%
Other U.S.	29.6	%
	100.0	%

Geographic concentrations of investments expose New Residential to the risk of economic downturns within the relevant states. Any such downturn in a state where New Residential holds significant investments could affect the underlying borrower’s ability to make mortgage payments and therefore could have a meaningful, negative impact on the Excess MSRs.

4. INVESTMENTS IN REAL ESTATE SECURITIES

During 2013, New Residential acquired $661.2 million face amount of Non-Agency RMBS for approximately $450.0 million and $413.2 million face amount of Agency ARM RMBS for approximately $437.3 million. In addition, Newcastle contributed $1.0 billion face amount of Agency ARM RMBS to New Residential during this period. New Residential sold $153.5 million face amount of Non-Agency RMBS for approximately $123.1 million and recorded a gain of $11.3 million.

During the third quarter of 2013, Nationstar exercised their cleanup call option related to four Non-Agency RMBS deals, in which Nationstar was the master servicer. New Residential owned $2.6 million face amount of Non-Agency RMBS in these deals. New Residential received par on these securities, which had an amortized cost basis of $2.1 million prior to the repayment, and recorded interest income of $0.6 million related to these securities in the third quarter of 2013.

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The following is a summary of New Residential's real estate securities at September 30, 2013, all of which are classified as available-for-sale and are, therefore, reported at fair value with changes in fair value recorded in other comprehensive income.

			Gross Unrealized				Weighted Average				
Asset Type	Outstanding Face Amount	Amortized Cost Basis	Gains	Losses	Carrying Value (A)	Number of Securities	Rating (B)	Coupon	Yield	Life (Years) (C)	Principal Subordination (D)
Agency ARM RMBS (E) (F)	$1,203,293	$1,285,532	$1,480	$(7,562)	$1,279,450	95	AAA	3.15%	1.30%	3.0	N/A
Non-Agency RMBS	851,504	559,980	28,089	(6,319)	581,750	95	CC	0.82%	5.20%	4.2	9.1 %
Total/Weighted Average (G)	$2,054,797	$1,845,512	$29,569	$(13,881)	$1,861,200	190	BBB	2.18%	2.48%	3.5	

(A) Fair value, which is equal to carrying value for all securities. See Note 9 regarding the estimation of fair value.

(B) Represents the weighted average of the ratings of all securities in each asset type, expressed as an S&P equivalent rating. For each security rated by multiple rating agencies, the lowest rating is used. Ratings provided were determined by third party rating agencies, and represent the most recent credit ratings available as of the reporting date and may not be current.

(C) The weighted average life is based on the timing of expected principal reduction on the assets.

(D) Percentage of the outstanding face amount of securities and residual interests that is subordinate to New Residential's investments.

(E) Includes securities issued or guaranteed by U.S. Government agencies such as the Federal National Mortgage Association ("Fannie Mae") or the Federal Home Loan Mortgage Corporation ("Freddie Mac").

(F) Amortized cost basis and carrying value include principal receivable of $10.7 million.

(G) The total outstanding face amount was $16.4 million for fixed rate securities and $2.0 billion for floating rate securities.

Unrealized losses that are considered other than temporary are recognized currently in earnings. During the nine months ended September 30, 2013, New Residential recorded other-than-temporary impairment charges ("OTTI") of $3.8 million with respect to real estate securities held prior to the spin-off on May 15, 2013. Based on Newcastle management's analysis of these securities, Newcastle determined it did not have the intent to hold the securities past May 15, 2013. Any remaining unrealized losses on New Residential's securities were primarily the result of changes in market factors, rather than issue-specific credit impairment. New Residential performed analyses in relation to such securities, using management's best estimate of their cash flows, which support its belief that the carrying values of such securities were fully recoverable over their expected holding period. New Residential has no intent to sell, and is not more likely than not to be required to sell, these securities.

NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES (formerly known as NIC MSR LLC)

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The following table summarizes New Residential's securities in an unrealized loss position as of September 30, 2013.

		Amortized Cost Basis						Weighted Average			
Securities in an Unrealized Loss Position	Outstanding Face Amount	Before Impairment	Other-Than-Temporary Impairment (A)	After Impairment	Gross Unrealized Losses	Carrying Value	Number of Securities	Rating	Coupon	Yield	Life (Years)
Less than Twelve Months	$1,015,349	$995,953	$ (2,653)	$993,300	$(13,676)	$979,624	85	A	2.72 %	2.00 %	3.2
Twelve or More Months	30,939	33,451	(411)	$33,040	*						

LibertyView Special Opportunities Fund, L.P. (2)

600,000

600,000

-

*

LibertyView Socially Responsible Fund, L.P. (2)

120,000

120,000

-

*

LibertyView Funds, L.P. (2)

780,000

780,000

-

*

Trust D (for a portion of the assets of the Kodak Retirement Income Plan) (3)

300,000

300,000

-

*

Fort Mason Partners, L.P. (4)

146,160

146,160

-

*

Fort Mason Master, L.P. (4)

2,253,840

2,253,840

-

1.67

%

Enable Opportunity Partners L.P. (5)

357,941

180,000

177,941

*

Enable Growth Partners L.P. (5)

2,403,529

1,530,000

873,529

1.77

%

RHP Master Fund, Ltd. (6)

600,000

600,000

-

*

Pandora Select Partners, L.P. (7)

600,000

600,000

-

*

Whitebox Intermarket Partners, L.P. (7)

1,200,000

1,200,000

-

*

Capital Ventures International (8)

1,800,000

1,800,000

-

1.33

%

Cranshire Capital, L.P. (9)

1,800,000

1,800,000

-

1.33

%
Evolution Master Fund, Ltd., SPC, Segregated Portfolio M (10)

1,800,000

1,800,000

-

1.33
%
Highbridge International, LLC (11)

1,800,000

1,800,000

-

1.33
%
Midsummer Investment, Ltd. (12)

1,800,000

1,800,000

-

1.33
%
QVT Fund L.P. (13)

1,800,000

1,800,000

-

1.33
%
Radcliffe SPC, Ltd. , for and on behalf of the Class A Segregated Portfolio (14)

1,800,000

1,800,000

-

1.33
%

Sandelman Partners Multi-Strategy Master Fund, Ltd. (15)	1,800,000	1,800,000	-	1.33 %
Alexandra Global Master Fund, LTD (16)	2,400,000	2,400,000	-	1.78 %
Credit Suisse Securities (USA) LLC (17)	2,400,000	2,400,000	-	1.78 %
Silver Oak Capital, LLC (18)	2,400,000	2,400,000	-	1.78 %
Rodman & Renshaw, LLC (19)	1,200,000	1,200,000	-	*
EXI International Inc. (20)				

	75,000
	75,000
	-
	*
ITV Global (21)	
	350,000
	350,000
	-
	*
White Sales and Marketing, Inc. (22)	
	200,000
	200,000
	-
	*
White, Jeff (23)	
	75,000
	75,000
	-
	*
Wolfe Axelrod Weinberger Associates, LLC (24)	
	300,000
	50,000
	250,000
	*
Bi-Coastal Pharmaceutical Corp. (25)	

100,000

100,000

-

*

* Represents holdings of less than one percent

66

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(1) Securities beneficially owned by Pierce Diversified Strategy Master Fund LLC includes 205,882 shares of common stock underlying warrants immediately exercisable and 30,000 shares of common stock underlying warrants exercisable as of August 16, 2007. The natural person who has voting and dispositive power for these shares is Mitch Levine, managing member of Pierce Diversified Strategy Master Fund LLC. Mr. Levine disclaims beneficial ownership of the shares except for his pecuniary interest.

(2) Securities beneficially owned by LibertyView Capital Management represent shares of common stock, of which 400,000 are held of record by LibertyView Special Opportunities Fund, L.P., 80,000 are held of record by LibertyView Socially Responsible Fund, L.P. and 520,000 are held of record by LibertyView Funds, L.P. In addition, securities beneficially owned by LibertyView Capital Management include shares of common stock underlying warrants exercisable as of August 16, 2007, of which 200,000 shares are held of record by LibertyView Special Opportunities Fund, L.P., 40,000 are held of record by LibertyView Socially Responsible Fund, L.P. and 260,000 are held of record by LibertyView Funds, L.P. The natural person who has voting and dispositive power for the funds named above is Richard A. Meckler. LibertyView Capital Management and Mr. Meckler disclaim beneficial ownership of the shares except to the extent of its or his pecuniary interest therein. The selling security holder has indicated to the issuer that it may be considered an affiliate of a broker-dealer. The selling security holder has represented to the issuer that the securities were acquired in the ordinary course of business, and that at the time of the acquisition of securities, the selling security holder had no agreements or understandings, directly or indirectly, with any party to distribute the securities.

(3) Securities beneficially owned by Trust D (for a portion of the assets of the Kodak Retirement Income Plan) represent 100,000 shares of common stock underlying warrants exercisable as of August 17, 2007. LibertyView Capital Management is the general manager of the fund and the natural person who has voting and dispositive power for these shares is Richard A. Meckler. LibertyView Capital Management and Mr. Meckler disclaim beneficial ownership of the shares except to the extent of its or his pecuniary interest.

(4) The shares listed herein are owned by Fort Mason Master, L.P, and Fort Mason partners, L.P. (Collectively, the "Fort Mason Funds"). 751,280 shares of common stock underlying warrants exercisable as of August 16, 2007 are held of record by Fort Mason Master, L.P. and 48,720 of common stock underlying warrants exercisable as of August 16, 2007 are held of record by Fort Mason Partners, L.P. Fort Mason Capital, LLC serves as the general partner of each of the Fort Mason Funds and, in such capacity, exercises sole voting and investment authority with respect to such shares. Mr. Daniel German serves as the sole managing member of Fort Mason Capital, LLC. Fort Mason Capital, LLC and Mr. German disclaim beneficial ownership of the shares, except to the extent of its or his pecuniary interest, if any.

(5) Securities beneficially owned by Enable Partners represent shares of common stock, of which 1,020,000 are held of record by Enable Growth Partners LP and 120,000 are held of record by Enable Opportunity Partners LP. In addition, Enable Partners represents shares of common stock underlying warrants immediately exercisable of which 873,529 shares are held of record by Enable Growth Partners LP and 177,941 shares are held of record by Enable Opportunity Partners LP and shares of common stock underlying warrants exercisable as of August 16, 2007 of which 510,000 are held of record by Enable Growth Partners LP and 60,000 are held of record by Enable Opportunity Partners LP. The natural person who has voting and dispositive power for the shares held by both funds named above is Mitch Levine, who is managing member of both funds. Enable Partners and Mr. Levine disclaim beneficial ownership of the shares except to the extent of its or his pecuniary interest.

(6) Securities beneficially owned by RHP Master Fund, Ltd. represent 200,000 shares of common stock underlying warrants exercisable as of August 17, 2007. RHP Master Fund, Ltd. is a party to an investment management agreement with Rock Hill Investment Management, L.P., a limited partnership of which the general partner is RHP General partner, LLC. Pursuant to such agreement, Rock Hill Investment Management directs the voting and disposition of shares owned by RHP Master Fund. Messrs. Wayne Bloch and Peter Lockhart own all of the interests in RHP General Partner. The aforementioned entities and individuals own all of the interests in RHP General Partner. The aforementioned entities and individuals disclaim beneficial ownership of the Company's Common Stock owned by the RHP Master Fund.

(7) Securities beneficially owned by White Box Advisors, LLC represent shares of common stock, of which 400,000 are held of record by Pandora Select Partners, L.P. and 800,000 are held of record by Whitebox Intermarket Partners, L.P. In addition, White Box Advisors, LLC represents shares of common stock underlying warrants exercisable as of August 16, 2007, of which 200,000 shares are held of record by Pandora Select Partners, L.P. and 400,000 are held of record by Whitebox Intermarket Partners, L.P. The natural person who has voting and dispositive power for the shares held by both funds named above is Jonathan Wood, Director of White Box Advisors, LLC. White Box Advisors, LLC and Mr. Wood disclaim beneficial ownership of the shares except to the extent of its or his pecuniary interest.

(8) Securities beneficially owned by Capital Ventures International represent 600,000 shares of common stock underlying warrants exercisable as of August 17, 2007. Heights Capital Management, Inc. is the authorized agent of the fund and the natural person who has voting and dispositive power for these shares is Martin Kobinger, investment manager of Heights Capital Management, Inc. Heights Capital Management, Inc. and Mr. Kobinger disclaim beneficial ownership of the shares except to the extent of its or his pecuniary interest. The selling security holder has indicated to the issuer that it may be considered an affiliate of a broker-dealer. The selling security holder has represented to the issuer that the securities were acquired in the ordinary course of business, and that at the time of the acquisition of securities, the selling security holder had no agreements or understandings, directly or indirectly, with any party to distribute the securities.

(9) Securities beneficially owned by Cranshire Capital, L.P. represent 600,000 shares of common stock underlying warrants exercisable as of August 17, 2007. Downsview Capital, Inc. is the general manager of the fund named above and the natural person who has voting and dispositive power for these shares is Mitchell Kopin, the President of Downsview Capital Inc. Downsview Capital, Inc. and Mr. Kopin disclaim beneficial ownership of the shares except to the extent of its or his pecuniary interest.

(10) Securities beneficially owned by Evolution Master Fund, Ltd., SPC, Segregated Portfolio M represent 600,000 shares of common stock underlying warrants exercisable as of, August 17, 2007. Evolution Capital Management, LLC is the general manager of the fund and the natural person who has voting and dispositive power for these shares is Adrian John Brindle, Director of Evolution Capital Management, LLC. Evolution Capital Management, LLC and Mr. Brindle disclaim beneficial ownership of the shares except to the extent of its or his pecuniary interest. The selling security holder has indicated to the issuer that it may be considered an affiliate of a broker-dealer. The selling security holder has represented to the issuer that the securities were acquired in the ordinary course of business, and that at the time of the acquisition of securities, the selling security holder had no agreements or understandings, directly or indirectly, with any party to distribute the securities.

(11) Securities beneficially owned by Highbridge International, LLC represent 600,000 shares of common stock underlying warrants exercisable as of August 17, 2007. Highbridge Capital Management, LLC is the trading manager of Highbridge International LLC and has voting and investment discretion over the securities held by Highbridge International LLC. Glenn Dubin and Henry Swieca control Highbridge Capital Management, LLC. Each of Highbridge Capital Management, LLC, Glenn Dubin and Henry Swieca disclaims beneficial ownership

of the securities held by Highbridge International LLC.

(12) Securities beneficially owned by Midsummer Investment, Ltd. represent 600,000 shares of common stock underlying warrants exercisable as of August 17, 2007. The natural persons who have voting and dispositive power for these shares are Michael Amsalem and Scott D. Kaufman. Messrs. Amesalem and Kaufman disclaim beneficial ownership of the shares except to the extent of each of their respective pecuniary interests.

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(13) Management of QVT Fund L.P. is vested in its general partner, QVT Associates GP LLC. QVT Financial L.P. is the investment manager for WVT Fund L.P. and shares voting and investment control over the Company securities held by QVT Fund L.P. QVT Financial GP LLC is the general partner of QVT Financial L.P. and as such has complete discretion in the management and control of the business affairs of QVT Financial L.P. The managing members of WVT Financial GP LLC are Daniel Gold, Lars Bader, Tracy Fu and Nicholas Brumm. Each of WVT Financial L.P., QVT Financial GP LLC, Daniel Gold, Lars Bader, Tracy Fu and Nicholas Brumm disclaims beneficial ownership of the Company's securities held by QVT Fund L.P., of which 600,000 shares of common stock underlying warrants exercisable as of August 17, 2007.

(14) Pursuant to an investment management agreement, RG Capital Management, L.P. ("RG Capital") serves as the investment manager of Radcliffe SPC, LTd.'s Class A Segregated Portfolio. RGC Management Company, LLC ("Management") is the general partner of RG Capital. Steve Katznelson and Gerald Stahlecker serve as the managing members of Management. Each of RG Capital, Management and Messrs. Katznelson and Stahlecker disclaims beneficial ownership of the securities owned by Radcliffe SPC, Ltd., for and on behalf of the Class A Segregated Portfolio, of which 600,000 shares of common stock underlying warrants exercisable as of August 17, 2007.

(15) Securities beneficially owned by Sandelman Partners Multi-Strategy Master Fund, Ltd. represent 600,000 shares of common stock underlying warrants exercisable as of August 17, 2007. Sandelman Partners, L.P. is the general partner of the fund and the natural person who has voting and dispositive power for these shares is Jonathan Sandelman, managing member of Sandelman Partners, L.P. Sandelman Partners, L.P. and Mr. Sandelman disclaim beneficial ownership of the shares except to the extent of its or his pecuniary interest.

(16) Securities beneficially owned by Alexandra Global Master Fund, LTD represent 800,000 shares of common stock underlying warrants exercisable as of August 17, 2007. Alexandra Investment Management, LLC is the investment advisor of the fund and the natural person who has voting and dispositive power for these shares is Mikhail Filimonov. Alexandra Investment Management, LLC and Mr. Filimonov disclaim beneficial ownership of the shares except to the extent of its or his pecuniary interest.

(17) Securities beneficially owned by Credit Suisse Securities (USA) LLC represent 800,000 shares of common stock underlying warrants exercisable as of August 17, 2007. The natural person who has voting and dispositive power for these shares is Jeff Andreski, Managing Director of Credit Suisse Securities (USA) LLC. Mr. Andreski disclaims beneficial ownership of the shares except for his pecuniary interest. The selling security holder has indicated to the issuer that it is a broker-dealer. The selling security holder has represented to the issuer that it did not receive the securities as compensation for investment banking services to the issuer and the securities were acquired in the ordinary course of business, and that at the time of the acquisition of securities, the selling security holder had no agreements or understandings, directly or indirectly, with any party to distribute the securities.

(18) Securities beneficially owned by Silver Oak Capital, LLC represent 800,000 shares of common stock underlying warrants exercisable as of August 17, 2007. The natural persons who have voting and dispositive power for these shares are John M. Angelo and Michael L. Gordon. Messrs. Angelo and Gordon disclaim beneficial ownership of the shares except to the extent of each of their respective pecuniary interests. The selling security holder has indicated to the issuer that it may be an affiliate of a broker-dealer. The selling security holder has represented to the issuer that the securities were acquired in the ordinary course of business, and that at the time of the acquisition of securities, the selling security holder had no agreements or understandings, directly or indirectly, with any party to distribute the securities.

(19) Thomas G. Pinou holds voting and/or dispositive power over the securities held by the selling stockholder. Rodman & Renshaw, LLC ("Rodman") is a NASD member broker-dealer. We do not have any arrangement with

Rodman for it to act as a broker-dealer for the sale of the shares included herein for the selling stockholders. Rodman may be deemed to be an underwriter with respect to its respective sales of shares to be offered by them by this registration statement. Rodman served as placement agent in connection with our financing in February 2007 pursuant to which the registration statement is being filed. Listed shares consist of 1,200,000 shares of common stock underlying warrants exercisable as of August 17, 2007 issued for compensation for services provided to us in connection with the February 2007 private placement.

(20) Securities beneficially owned by EXI International Inc. represent 50,000 shares of common stock underlying warrants which expire as of December 1, 2009 and 25,000 shares of common stock underlying warrants which expire as of December 1, 2009. The natural person who has voting and dispositive power for these shares is Akos Jankura. Mr. Jankura disclaims beneficial ownership of the shares except to his pecuniary interest.

(21) Securities beneficially owned by ITV Global, Inc. represent 100,000 shares of common stock underlying warrants which expire as of November 15, 2009, 150,000 shares of common stock underlying warrants which expire as of August 23, 2010, 50,000 shares of common stock underlying warrants which expire as of August 23, 2010 and 50,000 shares of common stock underlying warrants which expire as of August 23, 2010. The natural person who has voting and dispositive power for these shares is Christopher A. Wood, President of ITV Global, Inc. ITV Global and Mr. Wood disclaim beneficial ownership of the shares except to the extent of its or his pecuniary interest.

(22) Securities beneficially owned by White Sales and Marketing, Inc. represent 100,000 shares of common stock underlying warrants which expire as of January 10, 2009 and 100,000 shares of common stock underlying warrants which expire as of January 10, 2009. The natural person who has voting and dispositive power for these shares is Jeffrey R. White. Mr. White disclaims beneficial ownership of the shares except to his pecuniary interest.

(23) The natural person who has voting and dispositive power for these shares is Jeffrey R. White. Securities beneficially owned by Mr. White represent 75,000 shares of common stock underlying warrants which are exercisable after March 31, 2007. Mr. White disclaims beneficial ownership of the shares except for his pecuniary interest.

(24) Securities beneficially owned Wolfe Axelrod Weinberger Associates, LLC represent 50,000 shares of common stock underlying warrants which expire as of September 6, 2009. The natural person who has voting and dispositive power for these shares is Stephen D. Axelrod. Mr. Axelrod disclaims beneficial ownership of the shares except for his pecuniary interest.

(25) Securities beneficially owned by Bi-Coastal Pharmaceutical Corp. represent 100,000 shares of common stock underlying an outstanding warrant received subject to a service agreement. The natural person who has voting and dispositive power for these shares is Ralph Mess Jr. Mr. Messa disclaims beneficial ownership of the shares except for his pecuniary interest.

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PLAN OF DISTRIBUTION

Each of the selling shareholders, and any of their donees, pledgees, transferees or other successors-in-interest selling shares of common stock or interests in shares of common stock received after the date of this prospectus from a selling shareholder as a gift, pledge, partnership distribution or other transfer, may, from time to time, sell, transfer or otherwise dispose of any or all of their shares of common stock or interests in shares of common stock on any stock exchange, market or trading facility on which the shares are traded or in private transactions. These dispositions may be at fixed prices, at prevailing market prices at the time of sale, at prices related to the prevailing market price, at varying prices determined at the time of sale, or at negotiated prices. A selling shareholder will act independently of NutraCea in making decisions with respect to the timing, manner and size of each sale.

A selling stockholder may use any one or more of the following methods when selling shares:

- ordinary brokerage transactions and transactions in which the broker-dealer solicits purchasers;
- block trades in which the broker-dealer will attempt to sell the shares as agent but may position and resell a portion of the block as principal to facilitate the transaction;
- purchases by a broker-dealer as principal and resale by the broker-dealer for its account;
- an exchange distribution in accordance with the rules of the applicable exchange;
- privately negotiated transactions;
- settlement of short sales entered into after the effective date of the registration statement of which this prospectus is a part;
- broker-dealers may agree with the selling stockholders to sell a specified number of such shares at a stipulated price per share;
- through the writing or settlement of options or other hedging transactions, whether through an options exchange or otherwise;
- a combination of any such methods of sale; or
- any other method permitted pursuant to applicable law.

The selling stockholders may also sell shares under Rule 144 under the Securities Act, if available, rather than under this prospectus.

Broker-dealers engaged by the selling stockholders may arrange for other brokers-dealers to participate in sales. Broker-dealers may receive commissions or discounts from the selling stockholders (or, if any broker-dealer acts as agent for the purchaser of shares, from the purchaser) in amounts to be negotiated, but, except as set forth in a supplement to this Prospectus, in the case of an agency transaction not in excess of a customary brokerage commission in compliance with NASDR Rule 2440; and in the case of a principal transaction a markup or markdown in compliance with NASDR IM-2440.

In connection with the sale of the common stock or interests therein, the selling stockholders may enter into hedging transactions with broker-dealers or other financial institutions, which may in turn engage in short sales of the Common Stock in the course of hedging the positions they assume. The selling stockholders may also sell shares of the common stock short and deliver these securities to close out their short positions, or loan or pledge the common stock to broker-dealers that in turn may sell these securities. The selling stockholders may also enter into option or other transactions with broker-dealers or other financial institutions or the creation of one or more derivative securities which require the delivery to such broker-dealer or other financial institution of shares offered by this prospectus, which shares such broker-dealer or other financial institution may resell pursuant to this prospectus (as supplemented or amended to reflect such transaction).

The selling stockholders and any broker-dealers or agents that are involved in selling the shares may be deemed to be "underwriters" within the meaning of the Securities Act in connection with such sales. In such event, any commissions received by such broker-dealers or agents and any profit on the resale of the shares purchased by them may be deemed to be underwriting commissions or discounts under the Securities Act. Discounts, concessions, commissions and similar selling expenses, if any, that can be attributed to the sale of securities will be paid by the selling stockholders and/or the purchasers. Each selling stockholder has informed the Company that it does not have any written or oral agreement or understanding, directly or indirectly, with any person to distribute the Common Stock. In no event shall any broker-dealer receive fees, commissions and markups which, in the aggregate, would exceed eight percent (8%).

The Company is required to pay certain fees and expenses incurred by the Company incident to the registration of the shares. The Company has agreed to indemnify the selling stockholders against certain losses, claims, damages and liabilities, including liabilities under the Securities Act.

Because selling stockholders may be deemed to be "underwriters" within the meaning of the Securities Act, they will be subject to the prospectus delivery requirements of the Securities Act including Rule 172 thereunder. In addition, any securities covered by this prospectus which qualify for sale pursuant to Rule 144 under the Securities Act may be sold under Rule 144 rather than under this prospectus. Each selling stockholder has advised us that they have not entered into any agreements, understandings or arrangements with any underwriter or broker dealer regarding the sale of the resale shares. There is no underwriter or coordinating broker acting in connection with the proposed sale of the resale shares by the selling stockholders.

We agreed to keep this prospectus effective until the earlier of (i) two years after the initial sale of the resale shares, (ii) the date on which the shares may be resold by the selling stockholders without registration and without regard to any volume limitations by reason of Rule 144(k) under the Securities Act or any other rule of similar effect or (iii) all of the shares have been sold pursuant to this prospectus or Rule 144 under the Securities Act or any other rule of similar effect. The resale shares will be sold only through registered or licensed brokers or dealers if required under applicable state securities laws. In addition, in certain states, the resale shares may not be sold unless they have been registered or qualified for sale in the applicable state or an exemption from the registration or qualification requirement is available and is complied with.

Under applicable rules and regulations under the Exchange Act, any person engaged in the distribution of the resale shares may not simultaneously engage in market making activities with respect to the common stock for the applicable restricted period, as defined in Regulation M, prior to the commencement of the distribution. In addition, the selling stockholders will be subject to applicable provisions of the Exchange Act and the rules and regulations thereunder, including Regulation M, which may limit the timing of purchases and sales of shares of the common stock by the selling stockholders or any other person. We will make copies of this prospectus available to the selling stockholders and have informed them of the need to deliver a copy of this prospectus to each purchaser at or prior to the time of the sale (including by compliance with Rule 172 under the Securities Act).

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LEGAL MATTERS

Weintraub Genshlea Chediak Law Corporation will pass upon legal matters in connection with the validity of the shares of common stock offered hereby for us.

EXPERTS

The consolidated financial statements of NutraCea as of December 31, 2005, and for each of the years in the two-year period ended December 31, 2005, have been included in the prospectus in reliance upon the report of Malone & Bailey, PC, independent auditor, appearing elsewhere herein, and upon the authority of said firm as experts in accounting and auditing.

The consolidated financial statements appearing in this Prospectus and Registration Statement have been audited by Perry-Smith, LLP, an independent registered public accounting firm, to the extent and for the periods indicated in their report appearing elsewhere herein, and are included in reliance upon such report and upon the authority of such firm as experts in accounting and auditing.

WHERE YOU CAN FIND MORE INFORMATION

We file annual, quarterly and special reports, proxy statements and other information with the Securities and Exchange Commission. You may read and copy any reports, statements or other information filed by us at the SEC's public reference room at 450 Fifth Street, N.W., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. Our filings with the SEC are also available to the public from commercial document retrieval services and at the SEC's web site at "http://www.sec.gov."

This prospectus is part of a registration statement we have filed with the SEC relating to the securities that may be offered by the selling shareholders. As permitted by SEC rules, this prospectus does not contain all of the information we have included in the registration statement and the accompanying exhibits and schedules we file with the SEC. You may refer to the registration statement, the exhibits and schedules for more information about our securities and us. The registration statement, exhibits and schedules are available at the SEC's Public Reference Room.

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INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors
NutraCea and subsidiaries
El Dorado Hills, California

We have audited the accompanying consolidated balance sheet of NutraCea and subsidiaries (the “Company) as of December 31, 2006, and the related consolidated statements of operations, comprehensive income (loss), changes in stockholders’ equity, and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2006, and the consolidated results of their operations and their cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

/s/ Perry-Smith LLP

Perry-Smith LLP
Sacramento, California

March 30, 2007

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**REPORT OF INDEPENDENT REGISTERED
PUBLIC ACCOUNTING FIRM**

Board of Directors
NutraCea and subsidiaries
El Dorado Hills, California

We have audited the accompanying consolidated balance sheet of NutraCea as of December 31, 2005 and the related statements of operations, comprehensive loss, changes in stockholders' equity, and cash flows for each of the two years then ended. These financial statements are the responsibility of NutraCea's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of NutraCea as of December 31, 2005, and the results of its operations and its cash flows for each of the two years then ended, in conformity with accounting principles generally accepted in the United States of America.

/s/ MALONE & BAILEY, PC

MALONE & BAILEY, PC
www.malone-bailey.com
Houston, Texas

March 15, 2006

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NUTRACEA AND SUBSIDIARIES
Consolidated Balance Sheets

	As of December 31, 2006	2005
ASSETS		
Current assets:		
Cash and cash equivalants	$ 14,867,000	$ 3,491,000
Marketable securities	368,000	145,000
Trade accounts receivables, net	7,093,000	2,515,000
Inventories	796,000	594,000
Notes receivable, current portion	1,694,000	-
Deposits and other current assets	1,383,000	82,000
Total current assets	26,201,000	6,827,000
Restricted marketable securities	-	145,000
Notes receivable, net of current portion	682,000	-
Property and equipment, net	8,961,000	5,493,000
Patents and trademarks, net of accumulated amortization of $439,000 and $119,000	5,097,000	2,418,000
Goodwill	32,314,000	32,581,000
Total assets	$ 73,255,000	$ 47,464,000
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	$ 2,778,000	$ 1,247,000
Notes payable, current portion	-	6,000
Due to related parties	-	3,000
Deferred revenue	103,000	5,000
Total current liabilities	2,881,000	1,261,000
Long-term liabilities:		
Notes payable, net of current portion	-	9,000
Total liabilities	2,881,000	1,270,000
Commitments and contingencies		
Convertible, series B preferred stock, no par value, $1,000 stated value 25,000 shares authorized, 470 and 7,850 shares issued and outstanding	439,000	7,301,000
Convertible, series C preferred stock, no par value, $1,000 stated value 25,000 shares authorized, 5,468 and 0 shares issued and outstanding	5,051,000	-
Shareholders' equity:		
Common stock, no par value, 200,000,000 shares authorized, 103,792,827 and 67,102,079 shares issued and outstanding	114,111,000	89,783,000
Accumulated deficit	(49,305,000)	(48,800,000)
Accumulated other comprehensive income, unrealized gain (loss) on marketable securities	78,000	(2,090,000)
Total shareholders' equity	64,884,000	38,893,000
Total liabilities and shareholders' equity	$ 73,255,000	$ 47,464,000

The accompanying notes are an integral part of these financials

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NUTRACEA AND SUBSIDIARIES
Consolidated Statement of Operations

	For the years ended December 31,		
	2006	**2005**	**2004**
Revenues			
Net product sales	$ 17,105,000	$ 5,545,000	$ 1,010,000
Royalty, label and licensing fees	985,000	19,000	215,000
Total revenue	18,090,000	5,564,000	1,225,000
Cost of goods sold	9,130,000	2,878,000	600,000
Gross Profit	8,960,000	2,686,000	625,000
Research and development expenses	377,000	191,000	127,000
Selling, general and administrative expenses	6,032,000	3,862,000	11,644,000
Professional fess	1,504,000	1,627,000	12,405,000
Total operating expenses	7,913,000	5,680,000	24,176,000
Income (loss) from operations	1,047,000	(2,994,000)	(23,551,000)
Other income (expense)			
Interest income	545,000	18,000	5,000
Interest expense	(7,000)	(896,000)	(28,000)
Net income (loss)	1,585,000	(3,872,000)	(23,574,000)
Cumulative preferred dividends	-	-	(8,000)
Net income (loss) available to common shareholders	$ 1,585,000	$ (3,872,000)	$ (23,582,000)
Net income (loss) per share:			
Basic	$ 0.02	$ (0.10)	$ (1.18)
Diluted	$ 0.02	$ (0.10)	$ (1.18)
Weighted average number of shares outstanding	76,691,550	38,615,000	19,906,000

The accompanying notes are an integral part of these financials

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NUTRACEA AND SUBSIDIARIES
Consolidated Statement of Comprehensive Income (Loss)

	For the years ended December 31, 2006	2005	2004
Net Income (loss) available to common shareholders	$ 1,585,000	$ (3,872,000)	$ (23,582,000)
Other comprehensive loss:			
Unrealized gain (loss) on marketable securities	78,000	(78,000)	(2,012,000)
Net and comprehensive income (loss)	$ 1,663,000	$ (3,950,000)	$ (25,594,000)

The accompanying notes are an integral part of these financials

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NUTRACEA AND SUBSIDIARIES
Consolidated Statement of Changes in Stockholders' Equity

	Convertible, Redeemable Series A, B, C Preferred		Common Stock			Other		
	Shares	**Amount**	**Shares**	**Amount**	**Deferred Compensation**	**Comprehensive Loss**	**Accumulated Deficit**	**Total**
Balance, January 1, 2004	670,000	$ 351,000	11,773,842	$ 20,980,000	$ (122,000)	$ -	$ (21,345,000)	$ (487,00
Amortization of deferred compensation					57,000			57,00
Common stock cancelled			(50,000)					
Common stock issues for								
accounts payable			168,626	58,000				58,00
marketable securities			7,000,000	2,380,000				2,380,00
patent incentive plan			180,000	239,000				239,00
services rendered			4,407,950	3,470,000				3,470,00
settlements			5,780,000	8,839,000				8,839,00
Common stock repurchased			(344,956)	(230,000)				(230,00
Preferred dividends converted to common stock		(6,000)	5,759	6,000				6,00
Preferred stock converted to common stock	(540,000)	(348,000)	630,000	348,000				348,00
Preferred stock dividends		9,000					(9,000)	(9,00
Preferred stock dividends paid		(48,000)						
Preferred stock repurchased	(130,000)							
Reclass of options to preferred stock		63,000		(63,000)				(63,00
Reversal of stock options				(49,000)	49,000			
Stock options cancelled								
Stock options exercised for			6,579,323	2,776,000				2,776,00

cash								
Stock options issued for								
notes payable				786,000				786,00
services rendered				8,583,000				8,583,00
Other comprehensive loss						(2,012,000)		(2,012,00
Net loss							(23,574,000)	(23,574,00
Balance, December 31, 2004	-	$ 21,000	36,130,544	$ 48,123,000	$ (16,000)	$ (2,012,000)	$ (44,928,000)	$ 1,167,00
Amortization of deferred compensation					81,000			81,00
Common stock issues for								
consultants service rendered			1,904,805	907,000				907,00
patent incentive plan			30,000	13,000				13,00
officers and directors			70,000	30,000				30,00
settlements			97,000	98,000				98,00
Preferred stock issued	7,850	7,301,000						7,301,00
RiceX acquisition		(21,000)	28,272,064	40,029,000				40,029,00
Stock options/warrants exercised for								
cash			531,000	104,000				104,00
cashless			66,666					
Stock options/warrants issued for								
consultants				349,000				349,00
employees				130,000	(65,000)			65,00
Other comprehensive loss						(78,000)		(78,00
Net loss							(3,872,000)	(3,872,00
Balance, December 31, 2005 as originally reported	7,850	7,301,000	67,102,079	89,783,000	-	(2,090,000)	(48,800,000)	38,893,00
Implementation of SAB 108						2,090,000	(2,090,000)	

Beginning balance, January 1, 2006 as adjusted	7,850	7,301,000	67,102,079	89,783,000	-	-	(50,890,000)	$ 38,893,00
Common stock issues for consultants service rendered			29,999	30,000				30,00
Preferred stock issued, net of expense	17,560	15,934,000						
Preferred stock conversions								
series B	(7,380)	(6,862,000)	14,760,000	6,862,000				6,862,00
series C	(12,092)	(10,883,000)	14,225,854	10,883,000				10,883,00
Asset acquisition			297,108	350,000				350,00
RiceX options cancelled				(642,000)				(642,00
Stock options/warrants exercised for								
cash			5,635,064	5,784,000				5,784,00
cashless			1,742,723					
Stock options/warrants issued for								
consultants				375,000				375,00
employees and directors				686,000				686,00
Other comprehensive income (loss)						78,000		78,00
Net income							1,585,000	1,585,00
Balance, December 31, 2006	5,938	5,490,000	103,792,827	114,111,000	-	78,000	(49,305,000)	64,884,00

The accompanying notes are an integral part of these financials

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NUTRACEA AND SUBSIDIARIES
Consolidated Statement of Cash Flows

	For the years ended December 31, 2006	2005	2004
Cash flow from operating activities:			
Net income (loss)	$ 1,585,000	$ (3,872,000)	$ (23,582,000)
Adjustments to reconcile net income (loss) to net cash from operating activities:			
Depreciation and amortization	1,150,000	1,091,000	38,000
Non-cash issuances of common stock		1,017,000	12,366,000
Non-cash issuance of stock, options and warrants	1,091,000	510,000	9,306,000
Modifications of options and warrants, non-employees		-	63,000
Modifications of options and warrants, employees		-	(49,000)
Net changes in operating assets and liabilities:			
(Increase) decrease in			
Trade accounts receivable	(4,578,000)	(2,094,000)	23,000
Inventories	(202,000)	107,000	(234,000)
Deposits and other current assets	(1,301,000)	(106,000)	(16,000)
Increase (decrease) in:			
Accounts payable, accrued liabilities	1,531,000	140,000	(79,000)
Advances from related parties	(3,000)	(71,000)	56,000
Deferred compensation	-	-	106,000
Customer deposits	98,000	(100,000)	-
Net cash used in operating activities	(629,000)	(3,378,000)	(2,002,000)
Cash flows from investing activities:			
Notes receivables	(2,376,000)	-	-
Purchase of The RiceX Company, net of $546,148 cash received		33,000	-
Purchase of property and equipment	(4,682,000)	(14,000)	(117,000)
Purchase of other assets	(2,640,000)	(82,000)	(56,000)
Net cash used in investing activities	(9,698,000)	(63,000)	(173,000)
Cash flows from financing activities:			
Proceeds from notes payable, net		-	1,635,000
Private placement financing, net	15,934,000	7,301,000	-
Principle payments on notes payable, net of discount	(15,000)	(2,402,000)	-
Payment of preferred dividends		-	(48,000)
Repurchase of preferred and common stock		-	(360,000)
Proceeds from exercise of common stock options and warrants	5,784,000	105,000	2,776,000
Net cash provided by financing activities	21,703,000	5,004,000	4,003,000
Net increase (decrease) in cash and cash equivalents	11,376,000	1,563,000	1,828,000
Cash and cash equivalents, beginning of period	3,491,000	1,928,000	100,000

Cash and cash equivalents, end of period	$	14,867,000	$	3,491,000	$	1,928,000
Cash paid for interest	$	3,000	$	137,000	$	1,000
Cash paid for income taxes	$	5,000	$	2,400	$	2,400
Non-cash disclosures:						
Purchase of Langley PLC shares with common stock	$	-	$	-	$	2,380,000
Payments for patents with common stock	$	-	$	13,000	$	239,000
Conversions of preferred stock to common stock	$	17,835,000	$	-	$	354,000
Common stock issued to acquire assets related to equine feed supplement business	$	350,000	$	-	$	-
Adjustment to allocation of RiceX purchase price of property and equipment	$	375,000	$	-	$	-
Reduce goodwill for RiceX options cancelled	$	642,000	$	-	$	-
Change in fair value of marketable securities	$	78,000	$	-	$	-

The accompanying notes are an integral part of these financials

NUTRACEA AND SUBSIDIARIES
Notes to Consolidated Financial Statements

NOTE 1 - ORGANIZATION AND LINE OF BUSINESS

General

We are a health-science company focused on the development and distribution of products based upon the use of stabilized rice bran and proprietary rice bran formulations. Rice bran is the outer layer of brown rice which until recently was a wasted by-product of the commercial rice industry. These products include food supplements and medical foods which provide health benefits for humans and animals (known as "nutraceuticals") based on stabilized rice bran, rice bran derivatives and the rice bran oils.

On October 4, 2005, we consummated the acquisition of The RiceX Company (“RiceX”) pursuant to the terms of an Agreement and Plan of Merger, dated April 4, 2005. RiceX survived the merger as a wholly-owned subsidiary of NutraCea. RiceX stockholders received .076799 of NutraCea common stock for each share of RiceX common stock. RiceX shareholders received 28,272,064 shares of NutraCea common stock, valued at $29,120,000 and NutraCea assumed the outstanding RiceX options and warrants to purchase 11,810,496 shares NutraCea common stock, valued at $11,422,000.

In December of 2006, a wholly-owned subsidiary of NutraCea, Nutramercials, became a member of Infomaxx, LLC. Upon formation of the LLC, each party received a 50% voting interest. The purpose of Infomaxx is to create and promote infomercials for the marketing of NutraCea’s and the other member’s products. All product net revenues will be spilt with Nutramercials expecting to receive 55% of net revenues. As of December 31, 2006, $464,042 of assets and $200,000of liabilities have been included in our audited consolidated balance sheet as a result of determining Informaxx, LLC is a variable interest entity in accordance with FIN 46 (R), “Consolidation of Variable Interest Entities, an Interpretation of ARB No. 51”

Due to the acquisition of RiceX, and the subsequent reorganization, NutraCea and its subsidiaries are operating as one segment.

Our corporate offices are located at 1261 Hawk's Flight Court, El Dorado Hills, California 95762. Our corporate offices are scheduled to be moved to Phoenix, Arizona on or about the first week of April 2007 (see Note 9).

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation - The consolidated financial statements include the accounts of NutraCea and its wholly-owned subsidiaries, NutraCea Technologies Incorporated, NutraGlo® incorporated, The RiceX Company, as well as Nutramercial’s interest in Infomaxx, LLC (collectively, the "Company"). All significant inter-company accounts and transactions are eliminated in consolidation.

Revenue Recognition - We derive our revenue primarily from product sales. Product is shipped when an approved purchase order is received. Products shipped by us are generally sold FOB Origin, with the customer taking title to the product once it leaves our plant via common carrier. At this point, the price to the customer is fixed and determinable, and collectibility is reasonably assured. On occasion, we receive purchase orders for multiple product deliveries. In these situations, each delivery is individually evaluated to determine appropriate revenue recognition. Each delivery is generally considered to be a separate unit of accounting for the purposes of revenue recognition and, in all instances, persuasive evidence of an arrangement, delivery, pricing and collectibility must be determined or accomplished, as applicable, before revenue is recognized. In addition, if the purchase order includes customer acceptance provisions, no revenue is recognized until customer acceptance occurs. Revenue is accounted for at the point of shipment FOB Origin, unless accompanied by a memorandum of understanding detailing the requirement of customer acceptance in order to transfer title, in which case revenue is recognized at the time of such acceptance.

Occasionally, we will grant exclusive use of our labels by customers in specific territories in exchange for a nonrefundable fee. Under *EITF 00-21, Revenue Recognition with Multiple Deliverables,* each label licensing provision is considered to be a separate unit of accounting. Each grant is then individually evaluated to determine appropriate revenue recognition in accordance with *Staff Accounting Bulletin No. 104, Revenue Recognition (SAB 104))*, SAB 104 requires that four basic criteria must be met before revenue can be recognized: (1) persuasive evidence of an arrangement exists; (2) delivery has occurred; (3) the selling price is fixed and determinable; and (4) collectibility is reasonably assured. Determination of criteria (3) and (4) are based on management's judgments regarding the fixed nature of the selling prices of the products delivered and the collectibility of those amounts. Provisions for allowances and other adjustments are provided for in the same period the related sales are recorded. If all criteria are met, revenue is recognized in the period in which the sale occurred and recorded in the financial statements as label fees.

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Our royalty fees are generally recognized when it is probable that an economic benefit will flow to us, the amount of the benefit can be reliably measured and collectibility is reasonably assured.

Cash and Cash Equivalents - We consider all highly liquid investments purchased with an original maturity of three months or less at the time of purchase to be cash equivalents. As of December 31, 2006, the Company maintains its cash and cash equivalents with a major investment firm and a major bank. At December 31, 2006, we have $1,000,000 in the form of an irrevocable letter of credit for one year as a security deposit for our new corporate headquarters in Phoenix, AZ.

Cash Concentration **-** We maintain its cash in bank accounts, which at times may exceed federally insured limits. We have not experienced any losses on such accounts.

Short-Term Investments - As part of our cash management program, we maintain a portfolio of commercial paper. The securities are investment grade (AAA) and maturity in thirty days.

Accounts Receivable - Accounts receivable consists of amounts due from customers for product sales, net of an allowance for losses. We determine the allowance for doubtful accounts by reviewing each customer account and specifically identifying any potential for loss. The allowance for doubtful accounts at December 31, 2006 and 2005 is $20,000. Uncollected accounts are written off after the customer has been past due in excess of twelve months. Past due status is determined based on contractual terms. Actual losses related to collection of accounts receivable for the years ended December 31, 2006, 2005 and 2004 were insignificant.

Marketable Securities - Marketable securities are marked to market at each period end. Any unrealized gains and losses on the marketable securities are excluded from operating results and are recorded as a component of Other Comprehensive Income (Loss). If declines in value are deemed other than temporary, losses are reflected in Net Income (Loss).

Inventory - Inventory is stated at the lower of cost (first-in, first-out) or market and consists of stabilized rice bran manufactured by RiceX, and nutraceutical products manufactured by NutraCea. We employ a full absorption procedure using standard cost techniques. The standards are customarily reviewed and adjusted annually. While the Company has an inventory of these products, any significant prolonged shortage of these ingredients or of the supplies used to enhance these ingredients could materially adversely affect the Company's results of operations.

Property and Equipment - Property and equipment are stated at cost. The Company provides for depreciation using the straight-line method over the estimated useful lives as follows:

Furniture and equipment	3-7	years
Automobile	5	years
Software	3	years
Leasehold Improvements	2.4-7	years
Property and equipment	7-10	years

Expenditures for maintenance and repairs are charged to operations as incurred while renewals and betterments are capitalized. Gains or losses on the sale of property and equipment are reflected in the statements of operations.

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Impairment of Long-Lived Assets **-** We assess the carrying value of long-lived assets which includes property, plant and equipment, intangible assets and goodwill annually or whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Factors we consider important which could trigger an impairment review include the following:

- significant adverse change in legal factors or in the business climate;
- unanticipated competition
- a loss of key personnel
- significant changes in the manner of our use of the asset;
- significant negative industry or economic trends; and
- our market capitalization relative to net book value.

Annually and upon the existence of one or more of the above indicators of impairment, we would test such assets for a potential impairment. The carrying value of a reporting unit, including goodwill, is considered impaired when the fair value is less than the asset's carrying value. In that event, an impairment loss is recognized based on the amount by which the carrying value exceeds the fair market value of goodwill. Fair market value is determined primarily using quoted market prices and cash flow projections. We have determined that there is no impairment as of December 31, 2006 and 2005.

Patents and Trademarks - In addition to patents filed and acquired directly by the Company, the Company owns several patents, which were acquired from independent third parties and a related party. All costs associated with the patents are capitalized. Patents acquired from related parties are recorded at the carryover basis of the transferor. The Company paid cash as consideration for all patents and trademarks acquired, except the Via-Bran registered trademark, which was acquired for 21,409 shares of common stock valued at $21,000.

In conjunction with the RiceX acquisition, NutraCea has been assigned five U.S. patents relating to the production or use of Nutraceutical or HVF products. The patents include:

(1) Patent Number 5,512,287 "PRODUCTION OF BETA-GLUCAN AND BETA-GLUCAN PRODUCT," which issued on April 30, 1996;

(2) Patent Number 5,985,344 "PROCESS FOR OBTAINING MICRONUTRIENT ENRICHED RICE BRAN OIL," which issued on November 16, 1999;

(3) Patent Number 6,126,943 "METHOD FOR TREATING HYPERCHOLESTEROLEMIA, HYPERLIPIDEMIA, AND ATHEROSCLEROSIS," which issued on October 3, 2000;

(4) Patent Number 6,303,586 B1 "SUPPORTIVE THERAPY FOR DIABETES, HYPERGLYCEMIA AND HYPOGLYCEMIA," which issued on October 15, 2001; and

(5) Patent Number 6,350,473 B1 "METHOD FOR TREATING HYPERCHOLESTEROLEMIA, HYPERLIPIDEMIA AND ATHEROSCLEROSIS," which issued on February 26, 2002.

We plan to apply for additional patents in the future as new products, treatments and uses are developed.

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Patents and trademarks are stated at cost. Amortization is computed on the straight-line method based on estimated useful lives as follows:

Patents (Domestic)	17	years
Patents (International)	20	years
Trademarks (Domestic)	10	years
Trademarks (International)	7	years

Deferred Compensation - Deferred compensation at December 31, 2005 represents the intrinsic value of options previously issued to employees that have not been vested. All such options have vested as of December 31, 2005.

Fair Value of Financial Instruments - The fair value of the Company's financial instruments approximated carrying value at December 31, 2006, 2005 and 2004. The Company's financial instruments include cash, marketable securities and accounts receivables for which the carrying value amount approximates fair value due to the short maturity of the instrument.

Research and Development **-** Research and development expenses include internal and external costs. Internal costs include salaries and employment related expenses and allocated facility costs. External expenses consist of costs associated with product development. All such costs are charged to expense as incurred.

Stock and Warrants Issued to Third Parties - If none of the Company's agreements have a disincentive for nonperformance, the Company records a charge for the fair value of the stock and the portion of the warrants earned from the point in time when vesting of the stock or warrants becomes probable. The fair value of certain types of warrants issued to customers is recorded as a reduction of revenue to the extent of cumulative revenue recorded from that customer. The Company has not given any stock based consideration to a customer.

Stock-Based Compensation - Management estimates the fair value of each option award as of the date of grant using a Black-Scholes-Merton option pricing model. Expected volatility is based on the historical volatility of the Company's common stock. The expected term represents the period that the stock-based awards are expected to be outstanding. The risk free interest rate for the expected term of the option is based on the U.S. Treasury yield curve in effect at the time of grant. The expected dividend yield was not considered in the option pricing formula because the Company has not paid cash dividends historically and had no plans to do so at the grant date. In addition to these assumptions, management makes estimates regarding pre-vesting forfeitures that will impact total compensation expense recognized under the Plan.

As of January 1, 2006, we adopted the provisions of Statement of Financial Accounting Standards ("SFAS") No. 123 (R), *Accounting for Stock-Based Compensation*. Under the provisions of SFAS 123 (R), we are required to measure the cost of services received in exchange for an award of equity instruments based on the grant-date fair value of the award. That cost is recognized over the period during which services are provided in exchange for the award, known as the requisite service period (usually the vesting period). The Company applied the alternative transition method in calculating its pool of excess tax benefits available to absorb future tax deficiencies as provided by FSP FAS 123®-3, *Transition Election Related to Accounting for the Tax Effects of Share-Based Payment Awards.* Prior to January 1, 2006, the Company accounted for those plans under the recognition and measurement provisions of APB "Opinion" No. 25, *Accounting for Stock Issued to Employees*, and related Interpretations, as permitted by FASB Statement No 123, *Accounting for Stock-Based Compensation.*

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We have made the transition to SFAS 123 (R) using the modified prospective method. Under the modified prospective method, SFAS 123 (R) is applied to new awards and to awards modified, repurchased, or cancelled after January 1, 2006. Additionally, compensation cost for the portion of awards for which the requisite service has not been rendered (such as unvested options) that are outstanding as of January 1, 2006 are being recognized over the period that the remaining requisite services are rendered. The compensation cost relating to unvested awards at January 1, 2006 is based on the grant-date fair value of those awards. Under this method of implementation, no restatement of prior periods has been made.

As a result of adopting Statement 123 (R) on January 1, 2006, the Company's net income for the year ended December 31, 2006 is $1,907,711 lower than if it had continued to account for share-based compensation under Opinion 25. Basic and diluted earnings per share for the year ended December 31, 2006 would have been $(0.26), if the Company had not adopted Statement 123 (R), compared to reported basic and diluted earnings per share of $(0.29). Diluted earnings per share would not have changed. We have not recorded income tax benefits related to equity-based compensation expense as deferred tax assets are fully offset by a valuation allowance. As a result, the implementation of SFAS 123 (R) did not impact the Statement of Cash Flows for the year ended December 31, 2006.

The following table illustrates the effect on net loss and loss per share if the Company had applied the fair value recognition provisions of Statement 123 to options granted under the company's stock option plans for the years ended December 31, 2005 and 2004. For purposes of this pro forma disclosure, the value of the options is estimated using a Black-Scholes option-pricing model and amortized to expense over the options' vesting periods.

	For the years ended December 31, 2005	2004
Net loss, reported:	$ (3,872,000)	$ (23,583,000)
Deduct: stock-based compensation expense included in reported net loss, net of $0 related tax benefits	1,511,000	20,998,000
(Add): stock-based compensation determined under fair value based method for all awards, net of $0 related tax benefits	(387,000)	(2,372,000)
Pro forma net loss	$ (2,748,000)	$ (4,957,000)
Basic loss per common share (basic and diluted):		
As reported	$ (0.10)	$ (1.18)
Pro forma	$ (0.07)	$ (0.25)

Shipping and Handling Expenses - All expenses relating to shipping and handling are expensed and reported as selling expenses.

Advertising Expense - The Company expenses all advertising costs, including direct response advertising, as they are incurred. Advertising expense for 2006, 2005 and 2004 was $307,000, $8,000 and $22,000, respectively.

Income Taxes - The Company accounts for its income taxes by recording a deferred tax asset or liability for the recognition of future deductible or taxable amounts and operating loss and tax credit carryforwards. Deferred tax expense or benefit is recognized as a result of timing differences between the recognition of assets and liabilities for book and tax purposes during the year.

Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Deferred tax assets are recognized for deductible temporary differences and operating loss, and tax credit carryforwards. A valuation allowance is established, when necessary, to reduce that deferred tax asset if it is “more likely than not” that the related tax benefits will not be realized.

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Net Loss per Common Share - Basic earnings per share is computed using the weighted average number of common shares outstanding during the period. Diluted earnings per share is computed using the weighted average number of common and potentially dilutive shares outstanding during the period. Potentially dilutive shares consist of the incremental common shares issuable upon the exercise of stock options and warrants. Potentially dilutive shares are excluded from the computation if their effect is antidilutive. We had a net loss for 2005 and 2004 presented herein; therefore, none of the stock options and warrants outstanding during each of the periods presented, as discussed in Notes 12 and 13, were included in the computation of diluted loss per share as they were antidilutive. For 2006, the dilutive effect of 5,873,738 net share outstanding options, 14,666,449 net share outstanding warrants, 940,000 convertible Series B preferred stock, and 6,430,368 convertible Series C preferred stock is calculated using the treasury stock method. Additionally, 2,083,114 net shares outstanding warrants and options there is no dilutive effect because the average market price of the common stock during the period is less than the exercise price of the warrants and options for 2006.

Estimates -The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Concentrations of Credit Risk and Major Customers - On August 24, 2005, NutraCea signed an agreement with a direct response marketing company to market and sell products through infomercials. The agreement is for two years and may be extended for an additional year. The agreement covers pricing of specific products at wholesale prices which will be private labeled for direct sale by the marketing company. During the term of the agreement, NutraCea will not sell its products through any other infomercials so long as the marketing company maintains minimum quarterly orders beginning October 1, 2005 of $500,000. Additionally, NutraCea granted the company an option to purchase 250,000 shares of restricted common stock at a price of $1.275 per share. The options vest 50,000 shares upon payment in full of the contract quarter minimum purchase orders during the term of the agreement. At December 31, 2006, 100,000 options are fully vested. For the year ended December 31, 2005, sales to this customer totaled $3,013,000 or 54% of total sales and receivables were $1,910,000, or 76% of total receivables. For the year ended December 31, 2006, sales to this customer totaled $8,057,000 or 48% of total sales and receivables were $3,516,000, or 49% of total receivables.

Reclassifications - Certain reclassifications have been made to the prior year statement of operations to conform to the current year presentation.

Recently Issued Accounting Pronouncements - In June 2006, the FASB issued Interpretation No.48, “Accounting for Uncertainty in Income Taxes — An Interpretation of FASB Statement No. 109”, (FIN 48). FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise’s financial statements in accordance with FASB Statement No. 109, “Accounting for Income Taxes”. FIN 48 also prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return that results in a tax benefit. Additionally, FIN 48 provides guidance on de-recognition, statement of operations classification of interest and penalties, accounting in interim periods, disclosure, and transition. This interpretation is effective for fiscal years beginning after December 15, 2006. The Company will adopt FIN 48 as of January 1, 2007, as required. The Company has determined that there is no impact in adopting FIN 48.

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In September 2006, the SEC staff issued Staff Accounting Bulletin No. 108 (SAB 108), "Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements," which addresses how uncorrected errors in previous years should be considered when quantifying errors in current-year financial statements. SAB 108 requires companies to consider the effect of all carry over and reversing effects of prior-year misstatements when quantifying errors in current-year financial statements and the related financial statement disclosures. SAB 108 must be applied to annual financial statements for the first fiscal year ending after November 15, 2006. The impact of adopting SAB 108 is in Note 3.

In September 2006, the FASB issued Statement of Financial Accounting Standards No. 157, "Fair Value Measurement", (FAS 157). This Standard defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair value measurements. FAS 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007 and interim periods within those fiscal years. We have not determined the effect that the adoption of FAS 157 will have on our consolidated results of operations, financial condition or cash flows.

NOTE 3 - IMPLEMENTATION OF STAFF ACCOUNTING BULLETIN NO. 108

In preparing the financial statements management undertook an evaluation for the purposes of implementing Staff Accounting Bulletin No. 108 (SAB 108). During this evaluation, management identified an uncorrected misstatement in its 2004 financial statements. Management had incorrectly classified impairment in an investment as temporary impairment due to incomplete evaluation of the facts and circumstances existing at that time. Management evaluated the error and determined that while it is significant quantitatively, in relation to the significant loss incurred in that period, it was not considered material. In accordance with the guidance outlined in SAB 108, at the beginning of the current fiscal year, we have increased accumulated other comprehensive income by $2,090,000 and we have reduced beginning retained earnings by $2,090,000.

NOTE 4 - MARKETABLE SECURITIES

On September 8, 2004, NutraCea purchased 1,272,026 shares of Langley Park Investment Trust, PLC, a United Kingdom closed-end mutual fund, which is actively traded on a London Stock Exchange. NutraCea paid with 7,000,000 shares of its own common stock. Per the Agreement, NutraCea may sell 636,013 shares of Langley at any time, and the remaining 636,013 shares of Langley and the 7,000,000 shares of NutraCea are escrowed for a 2-year period. At the end of the period, Langley's NutraCea shares are measured for any loss in market value and if so, NutraCea must give up that pro-rata portion of its Langley shares up to the escrowed 636,013 shares.

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As of December 31, 2006, the NutraCea shares had not lost any value. However, the Langley shares are marked down to their fair market value of $368,000. At December 31, 2005, the Langley shares were valued at their fair market value of $290,000.

Any unrealized holding gains and losses on the marketable securities are excluded from operating results and are recognized as other comprehensive income. The fair value of the securities is determined based on prevailing market prices

On September 8, 2006, the Company filed a complaint in the United States District Court for the Eastern District of California, Sacramento Division, against Langley for, among other causes of action, securities fraud, breach of contract and rescission relating to this transaction, The company also filed a placeholder complaint in the State of New York to preserve its rights relative to venue and jurisdictional issues. The Company is seeking rescission of the Stock Purchase Agreement and return of all of the Company's shares issued to and held by Langley, in addition to injunctive relief to prevent the transfer of the shares held by Langley. The Company is also seeking compensatory damages representing the loss in value as well as attorneys' fees and costs incurred in the litigation.

On March 27, 2007, NutraCea and Langley settled this matter. Pursuant to the settlement, NutraCea will receive $1,250,000 from Langley and NutraCea will retain all 1,272,026 shares of Langley common stock.

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31:

	2006	**2005**
Land	$ 9,000	$ 5,000
Furniture and equipment	916,000	697,000
Automobile	73,000	73,000
Software	389,000	367,000
Leasehold improvements	430,000	396,000
Property and plant	4,197,000	4,511,000
Construction in progress	4,392,000	0
Subtotal	10,406,000	6,049,000
Less accumulated depreciation	1,445,000	556,000
Total	**$ 8,961,000**	**$ 5,493,000**

Depreciation expense was $889,000, $241,000 and $315,000 for 2006, 2005 and 2004 respectively.

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NOTE 6 - PATENTS AND TRADEMARKS

Patents and trademarks consisted of the following at December 31:

		2006		2005
Patents	$	2,540,000	$	2,457,000
Trademarks		2,787,000		80,000
Subtotal		5,327,000		2,537,000
Less Accumulated Amortization		430,000		119,000
Total	**$**	**4,897,000**	**$**	**2,418,000**

Amortization expense was $302,000 and $70,000 for 2006 and 2005, respectively. Amortization expense for the next five years will be approximately $1,555,000.

NOTE 7 - NOTES RECEIVABLE

At December 31, 2006, we have seven secured promissory notes outstanding to the Company with an aggregate amount of $2,376,000, $1,694,000 reported as current and $682,000 reported as long-term. These secured promissory notes bear interest at annual rates of either five (5%) or eight (8%) with the principals and all accrued interest due and payable to us at dates ranging from February 2007 to October 2012.

We determined the note receivable of 5% to bear an interest rate that is lower than the current market rate. Therefore, we have recorded a discount on this note of $5,500, assuming market rate of 8.5%, and is accreting this discount using the effective interest method over the life of the note.

NOTE 8 - NOTES PAYABLE

In December 2004 we executed three promissory notes to third party investors totaling $2,400,000. The notes were for a one year term, bear interest at 7% interest compounded quarterly and were secured by all of our assets. The holders were issued warrants to purchase a total of 2,400,000 shares of our common stock at an exercise price of $0.30 per share. The warrants are immediately exercisable and expire in seven years from the date of issuance. A discount on the debt of $786,000 was recorded for these warrants and was being amortized over the life of the notes. At October 4, 2005, the principle and interest on the three promissory notes were paid in full.

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NOTE 9 - INCOME TAXES

Income tax expense is reported in selling, general and administrative expenses and consists of $5,000, $2,400 and $2,400 for the years ended December 31, 2006, 2005 and 2004, respectively.

Deferred tax assets (liabilities) are comprised of the following at December 31:

	2006	2005
Net operating loss carryforward	$ 14,860,000	$ 10,330,000
Marketable securities	801,000	833,000
Stock options and warrants	-	587,000
Other	39,000	14,000
Intangible assets	(275,000)	10,000
Property and equipment	(1,341,000)	(1,790,000)
	14,084,000	9,984,000
Less valuation allowance	(14,084,000)	(9,984,000)
	$ -	$ -

Deferred taxes arise from temporary differences in the recognition of certain expenses for tax and financial reporting purposes. At December 31, 2006 and 2005, management determined that realization of these benefits is not assured and has provided a valuation allowance for the entire amount of such benefits. At December 31, 2006, net operating loss carryforwards were approximately $25,018,000 for federal tax purposes that expire at various dates from 2011 through 2020 and $12,230,000 for state tax purposes that expire in 2010 through 2015.

The Company has an income tax benefit of $14,100,000 resulting from the exercise of options and warrants during 2006. This benefit can only be recognized if the net operating losses are used in future periods or if net operating losses expire and will be recorded in equity.

Utilization of net operating loss carryforwards may be subject to substantial annual limitations due to the “change in ownership” provisions of the Internal Revenue Code of 1986, as amended, and similar state regulations. The annual limitation may result in the expiration of substantial net operating loss carryforwards before utilization.

The provision for income taxes differs from the amount computed by applying the U.S. federal statutory tax rate (34%) to income taxes as follows for the year ended December 31:

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	2006	2005	2004
Income tax expense (benefit) at federal statutory rate	$ 541,000	$ (1,316,000)	$ (8,017,000)
Increase (decrease) resulting from:			
State franchise tax expense (benefit), net of federal tax effect	92,000	(224,000)	(1,368,000)
Change in valuation allowance	(608,000)	(3,202,000)	8,584,000
Other, net	(25,000)	32,000	801,000
RiceX acquisition	-	4,710,000	-
	$ -	$ -	$ -

NOTE 10 - COMMITMENTS AND CONTINGENCIES

Employment contracts

Minimum future payments for key employees as of December 31are as follows:

2007	$ 1,126,000
2008	272,000
Total	**$ 1,398,000**

Generally, if we terminate these agreements without cause or the employee resigns with good reason, as defined, we will pay the employees' salaries, bonuses, and benefits payable for the remainder of the term of the agreements.

Leases

We lease our office, laboratory and warehouse space in El Dorado Hills, California under a lease agreement with Roebbelen that expires in February 2007 and requires monthly payments of $6,442. We also lease warehouse spaces in West Sacramento, California which expire in July of 2007 for $5,440 per month. RiceX leases office space in Burley, Idaho at a rate of $550 per month, expiring in May of 2009.

On November 14, 2006, NutraCea signed a 63-month lease with Transwestern for 26,147 square fee of office space at 5090 North 40th Street, Phoenix, Arizona in anticipation of moving our corporate headquarters to Phoenix, Arizona in early 2007. The monthly lease payments escalate from $58,830.75 to $67,546.42 during the lease term.

The lease for the 26,147 square-foot office expires in 2012 with escalating monthly lease payments from $59,000 to $68,000. Future minimum payments under these leases at December 31, 2006 were as follows:

Year Ending December 31,	
2007	$ 605,000
2008	729,000
2009	750,000
2010	775,000

2011		801,000
2012		371,000
Total	**$**	**4,031,000**

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Rent expense was $124,000, $111,000 and $65,000 for the years ended December 31, 2006, 2005 and 2004, respectively.

Litigation

On July 16, 2002, the Company was summoned to answer a Complaint filed by Faraday Financial, Inc. ("Faraday") in District Court, County of Salt Lake, Utah (Case No. 020906477). The Complaint alleges that the Company issued convertible promissory notes totaling $450,000 and a promissory note totaling $50,000. On December 13, 2001, Faraday entered into a settlement agreement with the Company, whereby Faraday agreed to cancel the promissory notes in exchange for 735,730 shares of preferred stock. Faraday claims that the settlement agreement required that the Company effect a registration statement covering the preferred stock by June 30, 2002, which the Company failed to do, and demands the Company immediately forfeit to Faraday 735,730 shares of common stock owned by the Chief Executive Officer of the Company. Faraday has filed its fourth claim for relief for a judgment against the Company for $500,000, plus accrued, but unpaid interest, attorneys' fees and costs, and other such costs. A Settlement Agreement was executed on December 10, 2003. In consideration for the mutual releases, Faraday converted 735,730 preferred into 735,730 common shares and $90,000 of accrued preferred dividends into 1,201,692 common shares. Within the next year, if Faraday cannot realize $552,000 and approximately $10,000 in legal expenses from the sale of the common shares, NutraCea will make up any deficiency. If stock sale exceeds $562,000, Faraday is entitled to keep any excess. Subsequent to December 31, 2003, the Company issued an additional 250,000 shares to Faraday. Concurrently, with the executed Settlement Agreement, a joint stipulated motion to stay all proceedings was filed with the Court. After all the above conditions are met, if Faraday has not lifted the stay within 18 months of December 10, 2003, NutraCea shall deliver to Faraday an executed stipulation for dismissal with prejudice of the Complaint and Counterclaim. In 2005, we issued the final 97,000 shares, valued at $98,000, to Faraday to settle in full the executed Settlement Agreement.

NutraCea commenced a lawsuit on September 8, 2006 against Langley Park Investments, PLC, a United Kingdom Corporation ("Langley") in the United States District Court for the Eastern District of California, Sacramento Division. The factual basis underlying that case involved a private-placement transaction in which NutraCea exchanged 7 million restricted shares of its common stock for 1,272,026 ordinary shares of Langley common stock (the "Langley Shares"), half of which were immediately saleable by NutraCea and half of which were placed in escrow subject to certain conditions. After the commencement of the litigation, the parties entered into a Pre-Settlement/Escrow Agreement, pursuant to which they agreed that the proceeds from Langley's sale of certain NutraCea shares, totaling $2.5 million, would be deposited into an escrow account. The matter has now been settled. Pursuant to the settlement, NutraCea will receive $1.25 million from the $2.5 million held in escrow (Langley will receive the remainder), and NutraCea will retain all of the Langley Shares.

In addition to the matter discussed above, from time to time we are involved in litigation incidental to the conduct of our business. While the outcome of lawsuits and other proceedings against us cannot be predicted with certainty, in the opinion of management, individually or in the aggregate, no such lawsuits are expected to have a material effect on our financial position or results of operations.

NOTE 11- THE RICEX ACQUISITION

On October 4, 2005, NutraCea merged with RiceX. The stockholders of RiceX received 28,272,064 shares of NutraCea common stock in exchange for 100% of the shares of RiceX common stock, and NutraCea assumed the outstanding options and warrants to purchase 11,810,496 shares of RiceX common stock.

On October 4, 2005, certain investors purchased an aggregate of 7,850 shares of Series B Convertible Preferred Stock at a price of $1,000 per share. Additionally, the investors were issued warrants to purchase an aggregate 7,850,000 shares of common stock at an exercise price of $0.70 per share. An advisor for the financing received a customary fee based on aggregate gross proceeds received from the investors and a warrant to purchase 1,099,000 shares of common stock at an exercise price per share of $0.50 per share.

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The acquisition was accounted for using the purchase method of accounting. The purchase price allocation included within these Consolidated Financial Statements is based on a purchase price of $40,542,000 calculated as follows:

NutraCea shares issued		28,272,064
Price per share (NutraCea closing price, October 4, 2005)	$	1.03
Aggregate value of NutraCea common stock consideration	$	29,120,000
Value of the RiceX warrants and options assumed		11,422,000
Total consideration	$	40,542,000
Fair value of identifiable net assets acquired:		
Estimate of fair value adjustment of property, plant and equipment	$	5,600,000
Acquired other net tangibles assets		611,000
Estimate of fair value adjustment of RiceX intellectual property		2,000,000
Goodwill		32,331,000
Total	**$**	**40,542,000**

The purchase price allocation is based on estimates and assumptions. This information is presented for informational purposes only.

The accompanying unaudited pro forma condensed combined consolidated statement of operations for the year ended December 31, 2005 is presented for illustrative purposes only and does not give effect to any cost savings, revenue synergies or restructuring costs which may result from the integration of NutraCea and RiceX's operations. In addition, actual results may be different from the projections set forth in this unaudited pro forma condensed combined consolidated statement of operations.

Unaudited Pro Forma Condensed Combined Consolidated
Statement of Operations
Year Ended December 31, 2005

	HISTORICAL				PRO FORMA				
Income Statement		NutraCea		RiceX		Adjustment			Combined
Revenues									
Net sales	$	4,569,000	$	3,838,000	$	(325,000)	(a)	$	8,082,000
Total Revenues	$	4,569,000	$	3,838,000	$	(325,000)		$	8,082,000
COGS	$	2,523,000	$	1,533,000	$	(325,000)	(b)	$	3,731,000
Gross Profit	$	2,046,000	$	2,305,000	$	-		$	4,351,000,
Sales, General and Administrative	$	2,853,019	$	5,085,000	$	(55,000)	(c)	$	7,883,019
Research and Development	$	262,000	$	267,000				$	529,000
	$	1,511,000	$	-				$	1,511,000

Stock, Option and Warrant Expense					
Investor Relations	$ -	$ 41,000			$ 41,000
Professional Fees	$ 109,000	$ 914,029			$ 1,023,029
Loss From Operations	$ (2,689,019)	$ (4,002,029)	$ (55,000)		$ (6,636,048)
Interest Income	$ -	$ 10,000	$ -		$ 10,000
Interest Expense	$ (878,000)				$ (878,000)
Provision for income tax	$ -	$ (2,000)			$ (2,000)
Total other income (expense)	$ (878,000)	$ 8,000	$ -		$ (870,000)
Net Loss	$ (3,567,019)	$ (3,994,029)	$ 55,000		$ (7,506,048)
Cumulative Preferred dividends	$ -	$ -			$ -
Net Loss Available to Common Shareholders	$ (3,567,019)	$ (3,994,029)	$ 55,000		$ (7,506,048)
Basic and Diluted Loss per share	$ (0.10)	(0.01)			$ (0.11)
Basic Shares Outstanding	38,830,015		28,272,064	(d)	67,102,079

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(a) Represents the elimination of intercompany sales
(b) Represents the elimination of intercompany cost of sales
(c) Represents the elimination of intercompany rent expense of sublease
(d) Represents the net change in total combined common stock outstanding

NOTE 12 - PREFERRED AND COMMON STOCK

Convertible, Redeemable Series A Preferred Stock

Our Series A preferred stock was convertible at the option of the holder at $1 per share into our common stock, subject to certain anti-dilution provisions. In addition, the Series A preferred stock will automatically convert into common stock in the event of a qualified public trading benchmark, which is defined as (i) the common stock is listed on a national exchange at twice its conversion price or (ii) the common stock is quoted on the over-the-counter bulletin board at an average bid price of at least $1.25 per share over any 30-day trading period. At December 31, 2004, all the outstanding preferred stock was either repurchased or converted under option (ii) above.

During the year ended December 31, 2004, we:

Repurchased 130,000 shares of preferred stock for $130,000;

Converted 540,000 shares of preferred stock into 630,000 shares of common stock valued at $348,000; and,

Issued 5,759 shares of common stock in payment of preferred stock dividends due in the amount of $6,000.

Convertible, Series B Preferred Stock

On October 4, 2005, certain investors purchased an aggregate of 7,850 shares of Series B Convertible Preferred Stock at a price of $1,000 per share pursuant to the Purchase Agreement. The preferred shares can be converted to shares of common stock at a conversion rate of 2,000 shares of common stock for each preferred share issued in the transaction. Additionally, pursuant to the Purchase Agreement, the investors were issued warrants to purchase an aggregate 7,850,000 shares of common stock at an exercise price of $0.70 per share, valued at $7,690,000. The warrants have a term of five years and are immediately exercisable.

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An advisor for the financing received a customary fee based on aggregate gross proceeds received from the investors and a warrant to purchase 1,099,000 shares of common stock at an exercise price per share of $0.50 per share valued at $1,086,000

During the year ended December 31, 2006, fourteen Series B shareholders converted 7,380 shares of preferred stock into 14,760,000 shares of common stock. The preferred shares converted at a conversion rate of 2,000 shares of common stock for each preferred shares.

Convertible, Series C Preferred Stock

On May 12, 2006, we sold an aggregate of 17,560 shares of our Series C Convertible Preferred Stock at a price of $1,000.00 per share in connection with a private placement for aggregate gross proceeds of approximately $17,560,000 ($15,934,000 net after offering and related expenses). The Series C preferred shares can be converted to shares of our common stock at a conversion rate of approximately 1,176 shares of common stock for each preferred share. Additionally, the investors were issued warrants to purchase an aggregate of 10,329,412 shares of our common stock at an exercise price of $1.35 per share. The warrants have a term of five years and are immediately exercisable.

Halpern Capital, Inc. acted as advisor and placement agent for the financing and received a customary fee based on aggregate gross proceeds received from the investors and a warrant to purchase 500,000 shares of NutraCea's common stock at an exercise price per share of $1.35. The warrants have a five-year term and are immediately exercisable.

During the year ended December 31, 2006, thirty Series C Shareholders converted 12,092 shares of preferred stock into 14,225,854 shares of common stock. The preferred shares converted at a conversion rate of 1,176 shares of common stock for each preferred shares.

Common Stock

On March 25, 2004, we established the NutraCea Patent Incentive Plan, which grants 15,000 shares of common stock to each named inventor on each granted patent, which is assigned to NutraCea. Under the terms of this plan during the year ended December 31, 2004, NutraCea issued 180,000 shares of common stock valued at $239,000. During the year ended December 31, 2005, the Company issued 30,000 shares of common stock valued at $13,000.

During the year ended December 31, 2004, we:

Issued 280,000 shares of common stock to two consultants in settlement of contractual agreements valued at $478,000;

Issued 5,500,000 shares of common stock valued at $8,360,000 to Patricia McPeak, our former Chief Executive Officer for services and cancellation of indebtedness;

Repurchased 344,956 shares of common stock valued at $230,000 from Patricia McPeak the former Chief Executive Officer of NutraCea pursuant to a repurchase agreement;

Converted preferred dividends in the amount of $6,000 into 5,759 shares of common stock;

Issued 3,767,950 shares of common stock to consultants for services rendered valued at $2,542,000;

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Issued 640,000 shares of common stock to officers and directors for services rendered valued at $928,000;

Issued 168,626 shares of common stock to vendors in payment of accounts payable totaling $58,000;

Issued 6,579,323 shares of common stock pursuant to the exercise of stock options for cash totaling $2,776,000; and

Converted 540,000 shares of preferred stock to 630,000 shares of common stock pursuant to the Mandatory Conversion paragraph of the Private Placement Memorandum dated November 9, 2001.

On September 8, 2004, NutraCea and Langley Park Investments PLC ("Langley") signed a Stock Purchase Agreement under which NutraCea agreed to sell 7,000,000 shares of its common stock to Langley. The transaction will close at the time that Langley's shares are trading on the London Stock Exchange for anticipated consideration to NutraCea (i) immediately following the closing of approximately $1,190,000 U.S.D. in Langley stock, and (ii) additional consideration of that number of Langley shares which, as of the closing, will have a value of approximately $1,190,000 (the "Langley Shares"). NutraCea has agreed to hold the Langley Shares in escrow for two years from the date of closing. After the two-year holding period, the Langley Shares will be subject to possible reduction in number if NutraCea's common shares are trading at a value of less than $0.34 U.S.D. After such reduction, if any, the remaining Langley Shares may be sold by NutraCea at their then current value. Pursuant to the Purchase Agreement, Langley has agreed that it will not sell, transfer or assign any or all of the NutraCea shares for a period of two years following the closing without the prior written consent of NutraCea, which consent may be withheld by NutraCea in its sole discretion.

During the year ended December 31, 2005, we:

Issued 1,904,805 shares of common stock to seven consultants for services rendered, valued at $907,000;

Issued 70,000 shares of common stock to two officers and directors, valued at $30,000;

Issued a total of 30,000 shares of common stock to two consultants under the Patent Incentive Plan, valued at $13,000; and

Issued 97,000 shares of common stock, valued at $98,000, to Faraday, which was the last required payment to Faraday under the Settlement Agreement dated December 10, 2003.

During the year ended December 31, 2006, we:

Issued 29,999 shares of common stock to a consultant for services rendered, valued at $30,000;

Issued 1,742,723 shares of common stock for the cashless exercise of options/warrants.

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Issued 14,156,443 shares of common stock to thirty Series C shareholders converting 12,092 shares of preferred stock.

NOTE 13 - STOCK OPTIONS AND WARRANTS

Expense for stock options and warrants issued to consultants is calculated at fair value using the Black-Scholes valuation method.

On October 31, 2003, the Board of Directors approved and adopted the 2003 Stock Compensation Plan and authorized the President of the Company to execute a registration statement under the Securities Act of 1933 for 10,000,000 shares of common stock. As of December 31, 2005, 9,966,208 shares of common stock and no options have been granted under the 2003 Stock Compensation Plan. As of December 31, 2006, 9,996,207 shares of common stock and no options have been granted under the 2003 Stock Compensation Plan.

The expense, if any, of stock options issued to employees is recognized over the shorter of the term of service or vesting period. The expense of stock options issued to consultants or other third parties are recognized over the term of service. In the event services are terminated early or no specific future performance is required by the Company, the entire amount is recognized.

During the year ended December 31, 2004, we:

Issued 6,998,493 warrants with exercise prices between $0.001 and $5.00 per share to consultants, which were valued at $7,762,000, which expire at varying times between six months and five years;

Issued 25,000 employee stock options with an exercise price of $0.20, which expire in five years;

Issued 8,000,000 stock options to two officers with an exercise price of $0.30, expiring in 10 years; and

Issued 2,400,000 warrants with an exercise price of $0.30, in conjunction with notes payable issued by us during the quarter. The warrants are immediately exercisable and expire seven years from the date of issuance. A total of $786,000 of accrued debt discount expense was recorded relating to the issue of these warrants and was amortized over the term of the notes payable.

During the year ended December 31, 2005, we:

Assumed 11,810,496 options and warrants with exercise prices between $0.15 and $1.66 per share relating to the acquisition of RiceX. The warrants expire at varying times between 9 months and 10 years;

Issued 1,305,000 options and warrants to purchase common stock to ten consultants valued at $349,000; The warrants expire from three-five years, and have exercise prices between $0.30 and $1.275 per share;

Issued 1,099,000 warrants to purchase common stock valued at $1,086,000, for commissions to the underwriter relating to the private placement of Series B preferred stock. The warrants have an exercise price of $0.50 and expire in five years;

Issued 7,850,000 warrants to purchase common stock to 17 investors in conjunction with the Series B preferred stock private placement, valued at $7,690,000, exercisable for $0.70 and expiring in five years;

Issued 2,200,000 options to 3 employees, which are exercisable between $0.30 and $0.46 per share, expiring in ten years;

Exercised 531,000 options and warrants for common stock for cash in the amount of $105,000; and,

Issued 66,666 shares of common stock in exchange for 100,000 options and warrants for a cash less exercise.

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During the year ended December 31, 2006, we:

Issued 17,560 shares of our Series C convertible Preferred Stock at a price of $1,000 per share in connection with a private placement for aggregate gross proceeds of approximately $17,560,000 ($15,934,000 net, after offering and related expenses).

Issued 10,329,411 warrants to purchase common stock to 33 investors in conjunction with the series C preferred stock private placement, valued at $13,524,000, immediately exercisable for $1.35 and expiring in five years;

Issued 500,000 warrants to purchase common stock, valued at $655,000, for commissions relating to private placement of series C preferred stock. The warrants are immediately exercisable at $1.35 and expire in five years;

Issued a total of 1,600,000 options to purchase common stock to 17 employees, non-employee directors and a medical advisor to the board of directors, vesting from immediately to 2 years, expiring in 3-10 years, with exercise prices of $1.00 to $2.50 per share;

Issued a total of 700,000 warrants to purchase common stock to 12 consultants, vesting from immediately to performance contingencies, expiring in 3-4 years, with exercise prices of $1.00 to $2.40 per share;

Canceled and/or expired 869,150 options and warrants, including 626,030 RiceX options.

Exercised 5,635,064 options and warrants for common stock for cash in the amount of $5,784,000; and

Issued 1,842,723 shares of common stock in exchange for 2,520,000 options and warrants for a cashless exercise.

Issued 297,108 shares of common stock in connection with our equine feed assets purchase, valued at $350,000;

Issued 5,635,064 shares of common stock for the exercise of options and warrants for cash in the amount of $5,784.000;

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The Company's stock options and warrants outstanding, exercisable, exercised and forfeited are as follows:

Stock option and warrant transactions:	Options Employee, Directors Weighted Average Exercise Price	Options Employee, Directors Number of shares	Warrants Consultants, Investors Weighted Average Exercise Price	Warrants Consultants, Investors Number of shares
Outstanding balance January 1, 2004	$ 0.56	764,700	$ 0.98	3,196,819
Granted	$ 0.30	8,025,000	$ 0.62	9,598,493
Expired or canceled	$ -	-	$ 4.94	(220,833)
Exercised	$ 0.01	(500,000)	$ 0.43	(6,479,323)
Outstanding balance December 31, 2004	$ 0.34	8,289,700	$ 0.85	6,095,156
Exercisable balance December 31, 2004	$ 0.34	8,289,700	$ 0.85	5,846,156
Outstanding balance January 1, 2005	$ 0.34	8,289,700	$ 0.85	6,095,156
Granted	$ 0.31	2,200,000	$ 0.67	10,554,000
Expired or canceled	$ -	-	$ 0.01	(135,004)
Exercised	$ -	-	$ 0.12	(531,000)
Outstanding balance December 31, 2005	$ 0.34	10,489,700	$ 0.75	15,983,152
Exercisable balance December 31, 2005	$ 0.35	16,837,465	$ 0.74	19,115,894
Outstanding balance January 1, 2006	$ 0.34	10,489,700	$ 0.75	15,983,152
Granted	$ 1.36	1,600,000	$ 1.35	11,629,411
Expired or canceled	$ 0.32	(693,244)	$ 0.54	(175,906)
Exercised	$ -	-	$ 0.65	(8,155,064)
Outstanding balance December 31, 2006	$ 0.43	11,396,456	$ 1.03	19,281,593
Exercisable balance December 31, 2006	$ 0.35	17,589,504	$ 1.01	22,443,726

The Company determines fair value at grant date using the Black-Scholes option pricing model that takes into account the stock price at the grant date, the exercise price, and the expected life of the option, the volatility of the underlying stock and the expected dividend yield and the risk-free interest rate over the expected life of the option.

The weighted average assumptions used in the pricing model are noted in the table below. The expected term of options is derived using the simplified method, which is based on the average period between vesting term and expiration term of the options. The risk free rate for periods within the contractual life of the option is based on the U.S. Treasury yield curve in effect at the time of the grant. Expected volatility is based on the historical volatility of the Company's stock over a period commensurate with the expected term of the options. The Company believes that historical volatility is indicative of expectations about its future volatility over the expected term of the options.

For options granted after January 1, 2006, and valued in accordance with FAS 123R, the Company expenses the fair value of the option on a straight-line basis over the vesting period for each separately vesting portion of the award. The Company estimates forfeitures and only recognizes expense for those shares expected to vest. Based upon historical evidence, the Company has determined that an expected forfeitures rate ranging from 5% to 10%.

In the years ended December 31, 2005 and 2004, the fair value of compensation expense relating to non-employees stock option grants was estimated on the date of the grant in accordance with FAS123, using
The Black-Scholes option-pricing model and the following weighted average assumptions:

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	2006	2005	2004
Weighted average fair value of options granted	$ 1.35	$ .54	$ .69
Risk-free interest rate (2005 & 2004)		2.0%	2.0%
Federal reserve treasury rates (2006)	3.83-5.08%		
Expected life (years)	2-5	2-10	3-8
Expected volatility	124-305%	112-166%	77-251%
Expected dividends	0	0	0

A summary of option activity under our equity-based compensation plans as of December 31, 2006, and changes during the year then ended is presented below:

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value
Outstanding at January 1 , 2006	38,283,359	$ 0.55	4.99	$ 7,556,294
Granted	13,229,411	$ 1.35		
Exercised	8,155.064	$ 0.65		
Forfeited/Expired	869,150	$ 0.36		
Outstanding at December 31, 2006	42,488,556	$ 0.76	4.86	$ 79,110,887
Exercisable at December 31, 2006	40,033,230	$ 0.72	4.35	$ 74,146,637

Shares issued to non-employees reflected in the table above include 19,745,894 outstanding at January 1, 2006, 11,629,411 granted, 175,906 forfeited or canceled, and 8,155,064 exercised during the year ended December 31, 2006, resulting in 23,044,335 shares outstanding and 22,443,721 exercisable at December 31, 2006.

The weighted-average grant-date fair value of options granted during 2006 was $1.35. The weighted-average grant-date fair value of options calculated in accordance with FAS 123 granted during 2005 and 2004 was $0.67 and $0.47, respectively. The total intrinsic value of options exercised during the years ended December 31, 2006, 2005, and 2004 was $6,329,380, $575,364, and $1,297,178, respectively. The total fair value of options vested during the years ended December 21, 2006, 2005, and 2004 was $733,000, $479,000, and $7,762,000, respectively.

Non-vested shares relating to non-employees reflected are 630,000 shares outstanding at January 1, 2006, 432,500 shares granted, 181,886 vested shares, 280,000 forfeited or expired shares during the year ended December 31, 2006, resulting in 600,614 non-vested shares outstanding at December 31, 2006.

As of December 31, 2006, there was $1,799,000 of total unrecognized compensation cost related to non-vested options granted under the plans. That cost is expected to be recognized over a weighted average period of one year.

Cash received from warrant and stock options exercises for the years ended December 31, 2006, 2005, and 2004 was $5,780,000, $105,000, and $2,776,000, respectively.

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There is no tax effect on the exercise of options in the statement of cash flows because the Company has a full valuation allowance against its deferred income tax assets.

The Black-Scholes option valuation model requires the input of highly subjective assumptions, including the expected life of the stock-based award and stock price volatility. The assumptions listed above represent management's best estimates, but these estimates involve inherent uncertainties and the application of management judgment. As a result, if other assumptions had been used, the Company's recorded stock-based compensation expense could have been materially different from that previously reported in proforma disclosures. In addition, the Company is required to estimate the expected forfeiture rate and only recognize expense for those shares expected to vest. If the Company's actual forfeiture rate is materially different from the estimate, the share-based compensation expense could be materially different.

NOTE 13 - RELATED PARTY TRANSACTIONS

In November 2004, the Board of Directors resolved to purchase a new automobile valued at $73,000 for use by Patricia McPeak, the former Chief Executive Officer. Ms. McPeak waived a car allowance in exchange for use of the automobile.

In 2004, two directors received 100,000 shares of common stock each, to serve as the Chairman of the Medical Advisory Board and the Corporate Medical Director.

Also, in 2004, a director-owned partnership received 300,000 shares of common stock and options to purchase 300,000 shares of common stock, exercisable at $1.00, with 100,000 options vesting immediately and the remaining 200,000 options vesting at 50,000 options per year.

In the first quarter of 2005, 70,000 shares of common stock, valued at $30,000, were issued to two directors.

In April 2005, a direct response marketing company agreed to compensate our former Chief Executive Officer, Patricia McPeak, whereby she will receive a royalty per unit sold resulting from infomercials that will demonstrate specific products of ours. Pursuant to this agreement, Ms. McPeak should have earned approximately $1,176,000 and $270,000 in 2006 and 2005, respectively from this direct marketing company. The agreement provides for royalty payments to be made for two years by the direct response marketing company and is not an obligation of ours.

In February 2006, we issued a warrant to purchase 100,000 shares of common stock to a member of our Board of Directors for services rendered. The warrant expires in five years, has an exercise price of $1.00 per share, and was charged to stock, stock option and warrant expense in the amount of $100,000.

In May 2006, we issued to each of our six non-employee directors an option to purchase 35,000 shares (totaling 210,000 option shares). The options expire in ten years, have an exercise price of $1.14 per share, vest on a twelve-month prorated basis and were charged to stock, option and warrant expense in the amount of $119,000 for the year ending December 31, 2006.

In May 2006, we issued 381,996 shares of common stock to a customer in an asset purchase agreement related to their trademarks associated with the equine market valued at $450,000.

In December 2006, we issued 75,000 warrant shares of common stock to a member our limited liability company, contingent upon certain performance. A portion of these warrants were deemed to be probable of vesting. The value of the 25,000 probable vesting warrant shares was $16,000 and had an exercise price of $2.38. They will expire in December of 2009.

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NOTE 14 - 401(K) PROFIT SHARING PLAN

At the time of the merger with RiceX, we adopted RiceX's 401(k) profit sharing plan (the "Plan") for the exclusive benefit of eligible employees and their beneficiaries. Substantially all employees are eligible to participate in the Plan. Safe harbor contributions to the Plan are a mandatory 3% of the qualified employees' gross salary, whether or not the employee is a participant in the Plan. Also, in addition to any safe harbor contributions, the Company may contribute to the Plan matching contributions, discretionary profit sharing contributions and Qualified Non-Elective Contributions. For 2006, 2005 and 2004, we made matching contributions of $69,000, $41,000 and $16,000 respectively.

NOTE 15 - SUBSEQUENT EVENTS

Preferred Stock Conversion

In January of 2007, three Series B shareholders converted 250 shares of preferred stock into 500,000 shares of common stock at a rate of 1 preferred share to 2,000 common shares.

In January of 2007, fourteen Series C shareholders converted 1,266 shares of preferred stock into 1,488,816 shares of common stock at a rate of 1 preferred share to 1,176 common shares.

In February of 2007, one Series B shareholder converted 220 shares of preferred stock into 440,000 shares of common stock at a rate of one preferred share to 2,000 common shares.

In February of 2007, three Series C shareholders converted 4,200 shares of preferred stock into 4,941,175 shares of common stock at a rate of one preferred share to 1,176 common shares.
At March 2, 2007, the number of Series B preferred Stock outstanding was zero and the number of Series C Preferred outstanding was two.

Note Receivable

On February 6, 2007, we signed with the direct response marketing company, the Eighth Amendment to the Private Supply and Strategic Alliance Agreement, dated August 24, 2005. The parties agreed to consolidate the terms of payment under this agreement and a Promissory Note into a single Restated Promissory Note in the amount of $3,966,000, at an annual rate of 7% payable over a period of approximately one year. The note is current with payments as scheduled.

Private Placement

On February 16, 2007 we sold an aggregate of 20,000,000 shares of our common stock at a price of $2.50 per share in connection with a private placement for aggregate gross proceeds of $50,000,000. Additionally, the investors were issued warrants to purchase an aggregate of 10,000,000 shares of our common stock at an exercise price of $3.25 per share. The warrants have a term of five years and are immediately exercisable.

Rodman & Renshaw, LLC acted as advisor and placement agent for the financing and received a 6% cash-fee based on aggregate gross proceeds received from the investors, and reasonable expenses. They also received warrants to purchase 6% of the aggregate number of shares placed in the Offering, at an exercise price per share of $3.25. The warrants have a five-year term and are immediately exercisable.

Warrants Exercised

In January of 2007, we issued 75,000 warrants to purchase common stock to one individual at an exercise price of $2.38, expiring in 3 years, vesting after March 31, 2007, and valued at $130,000. Also, five warrant holders exercised 477,547 common shares for cash in the amount of $374,000.

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Also in February, 2007, 25 warrant holders exercised 2,544,412 common shares for cash in the amount of $2,975,000.

NOTE 16 - QUARTERLY FINANCIAL DATA (UNAUDITED)

	2006			
	First Quarter	**Second Quarter**	**Third Quarter**	**Fourth Quarter**
Revenues	$ 3,782,000	$ 4,166,000	$ 4,946,000	$ 5,196,000
Operating income (loss)	(254,000)	290,000	460,000	552,000
Net Income (loss)	(233,000)	399,000	641,000	778,000
Basic net income (loss) per common share	0.00	0.01	0.01	0.01
Diluted net income (loss) per common share	0.00	0.01	0.01	0.01

	2005			
	First Quarter	**Second Quarter**	**Third Quarter**	**Fourth Quarter**
Revenues	$ 459,000	$ 299,000	$ 302,000	$ 4,504,000
Operating income (loss)	(643,000)	(1,658,000)	(801,000)	108,000
Net Income (loss)	(865,000)	(1,810,000)	(1,036,000)	(161,000)
Basic net income (loss) per common share	(0.02)	(0.05)	(0.03)	0.00
Diluted net income (loss) per common share	(0.02)	(0.05)	(0.03)	0.00

The quarterly presentation is made because of the 2005 fourth quarter significant event, merger with The RiceX Company. Quarter information for 2005 represent four quarterly performance for NutraCea and one quarter performance for The RiceX Company.

NOTE 17 - GEOGRAPHIC OPERATIONS

For purposes of geographic reporting, revenues are attributed to the geographic location of the sales organization. The following table presents net revenues and long-lived assets by geographic area:

Fiscal Year Ended December 31,	2006	2005	2004
Net revenue from customers:			
United States	$ 17,748,000	$ 5,545,000	$ 1,010,000
International	342,000	-	-
Total reveunes	$ 18,090,000	$ 5,545,000	$ 1,010,000
Property, plant and equipment, net:			

United States	$	8,961,000	$	5,493,000	$	120,000
Other countries		-		-		-
Total property, plant and equipment	$	8,961,000	$	5,493,000	$	120,000

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PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

Item 13: **Other Expenses of Issuance and Distributions.**

The estimated expenses of this offering in connection with the issuance and distribution of the securities being registered, are as follows:

Registration Fee	$	3,000
Blue Sky Fees		2,500
Printing		2,000
Legal Fees and Expenses		40,000
Accounting Fees and Expenses		25,000
Miscellaneous		4,000
Total	$	76,500

Item 14: **Indemnification of Directors and Officers.**

The California General Corporation Law and our Restated Articles of Incorporation and Bylaws provide that we may indemnify our officers, directors, employees or agents or former officers, directors, employees or agents, against expenses actually and necessarily incurred by them, in connection with the defense of any legal proceeding or threatened legal proceeding, except as to matters in which such persons shall be determined to not have acted in good faith and in our best interest. This means that if indemnity is determined by the Board of Directors to be appropriate in any case we and not the individual might bear the cost of any suit that is filed by a shareholder against the individual officer, director or employee unless the court determines that the individual acted in bad faith. These provisions are sufficiently broad to permit the indemnification of such persons in certain circumstances against liabilities arising under the Securities Act.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to our directors and officers, and to persons controlling our company pursuant to the foregoing provisions, we have been informed that in the opinion of the Securities and Exchange Commission, such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable.

Item 15: **Recent Sales of Unregistered Securities.**

The following issuances of stock, warrants, and other equity securities were made without any public solicitation to a limited number of investors or related individuals or entities in separately negotiated transactions. Each investor represented to us that the securities were being acquired for investment purposes only and not with an intention to resell or distribute such securities. Each of the individuals or entities had access to information about our business and financial condition and was deemed capable of protecting their own interests. The stock, warrants and other securities were issued pursuant to the private placement exemption provided by Section 4(2) or Section 4(6) of the Securities Act of 1933. These are deemed to be “restricted securities” as defined in Rule 144 under the 1933 Act and the warrant certificates and the stock certificates bear a legend limiting the resale thereof.

(a) During 2004 we issued an aggregate of 168,626 shares of our common stock to three venders in payment of $57,944 in accounts payable for goods and services.

(b) During 2004 we issued an aggregate of 280,000 shares of our common stock to two consultants in settlement of $477,816 of contractual payments.

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(c) In January 2004, the Company sold an aggregate of 1,897,143 shares of its common stock to eight individuals for total proceeds to the Company of $656,221.

(d) In February 2004, the Company sold an aggregate of 616,452 shares of its common stock to four individuals for total proceeds to the Company of $272,614.

(e) In March 2004, the Company sold an aggregate of 1,539,262 shares of its common stock to five individuals for total proceeds to the Company of $810,143.

(f) On March 24, 2004, we issued 5,500,000 shares of common stock to our then Chief Executive Officer, Ms. Patricia McPeak, in exchange for services rendered.

(g) In April 2004, the Company sold an aggregate of 1,347,299 shares of its common stock to four individuals for total proceeds to the Company of $514,973.

(h) In May 2004, the Company sold an aggregate of 125,000 shares of its common stock to two individuals for total proceeds to the Company of $12,475.

(i) In September 2004, the Company sold an aggregate of 25,000 shares of its common stock to one individual for total proceeds to the Company of $4,500.

(j) On September 8, 2004, the Company and Langley Park Investments PLC ("Langley") signed a Stock Purchase Agreement under which the Company agreed to sell 7,000,000 shares of its common stock to Langley. The transaction will close at the time that Langley's shares are trading on the London Stock Exchange for anticipated consideration to NutraCea (i) immediately following the closing of approximately $1,190,000 in Langley stock, and (ii) additional consideration of that number of Langley shares which, as of the closing, will have a value of approximately $1,190,000.

(k) In December 2004, the Company sold an aggregate of 25,000 shares of its common stock to one individual for total proceeds to the Company of $5,000. There were no underwriting discounts or commissions associated with this sale.

(l) In December 2004, the Company issued warrants to purchase an aggregate of 2,400,000 shares of the Company's common stock in connection with a Promissory Note and Warrant Purchase Agreement entered into with three investors for an aggregate purchase amount of $2,400,000. A commission of $242,846 as paid to Sandgrain Securities upon consummation of the financing and a finders fee of $25,000 was paid.

(m) During 2004, we issued 3,048,315 shares of our common stock to 15 consultants in lieu of contractual payments in the amount of $2,192,013 pursuant to consulting contracts.

(n) During 2004, we issued warrants to purchase 9,598,493 shares of our common stock valued at $7,761,516 to 14 consultants pursuant to consulting agreements. The warrants are exercisable at prices between $.01 and $5.00 per share and expire at varying times between six months and five years from the date of issuance.

(o) During the year ended December 31, 2005, we:

- issued 70,000 shares of common stock to two officers and directors, valued at $30,100;

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issued a total of 30,000 shares of common stock to two consultants under the Patent Incentive Plan, valued at $12,600;

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- issued 97,000 shares of common stock, valued at $97,655, to Faraday, which was the last required payment to Faraday under the Settlement Agreement dated December 10, 2003; and

- issued 33,000 shares of common stock to three consultants, valued at $21,800.

(p) During 2005, we issued options and warrants to purchase an aggregate of 700,000 shares of our common stock to seven consultants, valued at $301,598.

(q) During 2005, we issued options to purchase an aggregate of 2,200,000 shares of our common stock to three employees, valued at $130,000 and exercisable at between $0.30 and $0.46 per share. These options expire in ten years.

(r) During the quarter ended June 30, 2005, NutraCea issued 29,786 shares of its common stock valued at $15,000 to a web design consultant in respect of unpaid fees.

(s) During the quarter ended June 30, 2005, NutraCea issued 1,222,222 shares of its common stock to repurchase technology and marketing rights valued at $550,000.

(t) During the quarter ended June 30, 2005, NutraCea issued 359,183 shares of common stock to a consulting company for patent and license analysis. One half of the shares vested upon signing of the agreement while the balance will vest upon certain milestones being achieved. The vested shares are valued at $110,000.

(u) During the quarter ended June 30, 2005, NutraCea issued options to purchase 360,000 shares of its common stock to a technology firm for assistance in developing an internet marketing system for NutraCea. The options have an exercise price of $0.60 per share and became exercisable over 21 months. The option was valued at $118,165 and expires in five years. The contract was terminated on August 31, 2005 with 105,000 option shares vested.

(v) On August 24, 2005, NutraCea entered into a Private Label Supply Agreement and Strategic Alliance (“Supply Agreement”). In connection with the Supply Agreement and in return for an agreement to purchase a minimum of $500,000 in NutraCea products, NutraCea issued to ITV Global, Inc. an option to acquire up to 250,000 shares of the Company’s common stock.

(w) On October 4, 2005, NutraCea completed a private placement of its securities to certain investors for aggregate gross proceeds of approximately $7,850,000. NutraCea issued an aggregate of 7,850 shares of Series B Convertible Preferred Stock at a price of $1,000 per share, which may be converted to shares of NutraCea common stock at a conversion rate of 2,000 shares of commons stock for each Preferred Share. Additionally, NutraCea issued warrants to purchase an aggregate of 7,850,000 share of NutraCea common stock at an exercise price of $0.70 per share. The placement agent for the transaction, Halpern Capital, Inc., was paid a commission consisting of $549,500 and warrants to purchases up to an aggregate of 1,099,000 shares of NutraCea common stock at an exercise price of $0.50 per share.

(x) In January and February 2006, we issued options to purchase and aggregate of 410,000 shares of our common stock to four consultants and one director, valued at $168,394.

(y) In February 2006, we issued options to purchase an aggregate of 530,000 shares of our common stock to two employees valued at $10,000.

(z) On May 12, 2006, NutraCea completed a private placement of its securities to certain investors for aggregate gross proceeds of approximately $17,560,000. NutraCea issued an aggregate of 17,560 shares of Series C Convertible

Preferred Stock at a price of $1,000 per share, which may be converted to shares of NutraCea common stock at a conversion rate of approximately 1,176 shares of commons stock for each Preferred Share. Additionally, NutraCea issued warrants to purchase an aggregate of 10,329,412 share of NutraCea common stock at an exercise price of $1.35 per share. The placement agent for the transaction, Halpern Capital, Inc., was paid a commission consisting of $1.35 and warrants to purchases up to an aggregate of 500,000 shares of NutraCea common stock at an exercise price of $1.35 per share.

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(aa) In May 2006, NutraCea entered into a Supply Agreement and Asset Purchase Agreement (collectively, the "Agreements") with Natural Glo Investors, L.P. In connection with the Agreement, NutraCea issued to certain affiliates of Natural Glo Investors, L.P. 369,761 shares, some of which are subject to forfeiture.

(bb) During the quarter ended June 30, 2006, NutraCea issued to a consultant a warrant to purchase 25,000 shares of common stock for consulting services. The warrant has a per share exercise price of $1.35 and a term of three years.

(cc) In May 2006, NutraCea issued options to purchase 25,000 shares to each of six non-employee directors (totaling 210,000 option shares). Each of these options expire in 10 years, has an exercise price of $1.14 per share and vests over 12 months.

(dd) During the quarter ended September 30, 2006, NutraCea issued 381,996 shares of common stock in connection with its acquisition of the equine feed supplement business.

(ee) During the quarter ended September 30, 2006, NutraCea issued to a consultant a warrant to purchase 50,000 shares of common stock. The warrant vests over 12 months and has a per share exercise price of $1.20 and a term of three years.

(ff) During the quarter ended September 30, 2006, NutraCea issued to one employee an option to purchase 50,000 shares of common stock, which starts to vest 90 days after the date of employment over a two year period. The option expires 10 years from the date of grant and has a per share exercise price of $1.20.

(gg) During the quarter ended December 31, 2006, NutraCea issued to a consultant a warrant to purchase 25,000 shares of common stock. The warrant vests over 5 months and has a per share exercise price of $2.30 and a term of three years.

(hh) During the quarter ended December 31, 2006, NutraCea issued to three entities incentive and performance warrants to purchase 275,000 shares of common stock. The shares will vest at various intervals when certain benchmarks are achieved. The warrants expire three years from the date of grant and have a per share exercise price ranging from $2.31 to $2.38.

(ii) During the quarter ended December 31, 2006, NutraCea issued to six employee options to purchase an aggregate 370,000 shares of common stock, which start to vest 90 days after their employment dates over a two year period. The options expire 10 years from the date of grant and have a per share exercise price ranging from $1.39 to $2.38.

(jj) During the quarter ended December 31, 2006, NutraCea issued to a medical advisor to the board of directors an option to purchase 240,000 shares of common stock. The shares will vest monthly over a 12 month period and have a per share exercise price of $1.63 and a term of three years.

The following issuances of stock were made without any public solicitation upon exercise of options and warrants. Each holder of an option or warrant represented to us that the securities were being acquired for investment purposes only and not with an intention to resell or distribute such securities. Each of the individuals or entities had access to information about our business and financial condition and was deemed capable of protecting their own interests. As such, the stock was issued pursuant to the private placement exemption provided by Section 4(2) of the Securities Act of 1933. These are deemed to be "restricted securities" as defined in Rule 144 under the 1933 Act and the stock certificates bear a legend limiting the resale thereof.

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(a) During 2004, we issued an aggregate of 509,323 shares of our common stock upon exercise of outstanding options and warrants.

(b) During 2005, we issued an aggregate of 531,000 shares of our common stock upon exercise of outstanding options and warrants.

(c) From January 1, 2006 to March 3, 2006, we issued 42,576 shares of our common stock upon the cashless exercise of outstanding options and warrants.

(d) From March 4, 2006 to May 23, 2006, we issued 1,214,051 shares of our common stock upon the cashless exercise of outstanding options and warrants.

(e) From April 1, 2006 to June 30, 2006, we issued an aggregate of 655,610 shares of our common stock upon the cashless exercise of outstanding options and warrants.

(f) From July 1, 2006 to September 30, 2006, we issued an aggregate of 300,000 shares of our common stock upon exercise of outstanding options and warrants for the aggregate exercise price of $172,500.

(g) From October 1, 2006 to December 31, 2006, we issued an aggregate of 5,335,064 shares of our common stock upon exercise of outstanding warrants for the aggregate exercise price of $5,611,588.

The following issuances of stock, warrants, and other equity securities were exchanged by us with our existing security holders exclusively in transactions in which no commission or other remuneration was paid or given directly or indirectly to any person. As such, the issuance of the following securities was exempt from registration under Section 3(a)(9) of the Securities Act of 1933, as amended.

(a) During 2004, the Company issued 5,759 shares of common stock in payment of preferred dividends in the amount of $5,986.

(b) During 2004, we issued an aggregate of 540,000 shares of our common stock pursuant to the conversion provisions of 630,000 shares of our Series A Preferred Stock.

(c) In February of to March 3, 2006, we issued a total of 1,200,000 shares of our common stock upon conversion our 600 shares of our Series B Convertible Preferred Stock. From March 4, 2006 to May 23, 2006, we issued a total of 2,250,000 shares of our common stock upon conversion our 1,125 shares of our Series B Convertible Preferred Stock.

(d) From April 1, 2006 to June 30, 2006, we issued a total of 2,100,000 shares of our common stock upon conversion of 1,050 shares of our Series B Convertible Preferred Stock.

(e) From July 1, 2006 to September 30, 2006, we issued a total of 4,550,000 shares of our common stock upon conversion of 2,275 shares of our Series B Convertible Preferred Stock.

(f) From July 1, 2006 to September 30, 2006, we issued 8,053,513 shares of our common stock upon conversion of 6,854 shares of our Series C Convertible Preferred Stock.

(g) From October 1, 2006 to December 31, 2006, we issued 5,360,000 shares of our common stock upon conversion of 2,680 shares of our Series B Convertible Stock.

(h) From October 1, 2006 to December 31, 2006, we issued 6,162,341 shares of our common stock upon conversion of 5,238 shares of our Series C Convertible Preferred Stock.

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The following issuances of stock and assumption of options and warrants were made pursuant to an exemption provided by Section 3(a)(10) of the Securities Act of 1933 after a fairness hearing before the California Department of Corporations.

(a) On October 4, 2005, NutraCea completed its merger with The RiceX Company. In connection with the merger, NutraCea issued 28,272,064 shares of its common stock to holders of RiceX common stock. In addition, NutraCea assumed each outstanding option and warrant to purchase RiceX common stock and converted those options and warrants into options and warrants to purchase an aggregate of 11,810,507 shares of NutraCea common stock.

ITEM 16: EXHIBITS

Exhibit Number	Exhibit Description
2.01(1)	Plan and Agreement of Exchange.
2.02(2)	Agreement and Plan of Merger and Reorganization, dated as of April 4, 2005, by and among the NutraCea, The RiceX Company and Red Acquisition Corporation.
3.01.1(3)	Restated and Amended Articles of Incorporation as filed with the Secretary of State of California on December 13, 2001.
3.01.2(4)	Certificate of Amendment of Articles of Incorporation as filed with the Secretary of State of California on August 4, 2003.
3.01.3(5)	Certificate of Amendment of Articles of Incorporation as filed with the Secretary of State of California on October 31, 2003.
3.01.4(4)	Certificate of Amendment of Articles of Incorporation as filed with the Secretary of State of California on September 29, 2005
3.02(6)	Certificate of Designation of the Rights, Preferences, and Privileges of the Series A Preferred Stock as filed with the Secretary of State of California on December 13, 2001.
3.03(7)	Certificate of Determination, Preferences and Rights of Series B Convertible Preferred Stock as filed with the Secretary of State of California on October 4, 2005.
3.04(8)	Certificate of Determination, Preferences and Rights of Series C Convertible Preferred Stock as filed with the Secretary of State of California on May 10, 2006.
3.05(23)	Bylaws of NutraCea.
4.01(7)	Form of warrant issued to subscribers in connection with NutraCea's October 2005 private placement.
4.02(8)	Form of warrant issued to subscribers in connection with NutraCea's May 2006 private placement.
4.03(25)	Form of warrant issued to subscribers in connection with NutraCea's February 2007 private placement
5.1*	Opinion of Weintraub Genshlea Chediak Law Corporation

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10.01(9)	NutraCea 2003 Stock Compensation Plan
10.02(4)	NutraCea 2005 Equity Incentive Plan
10.03(7)	Securities Purchase Agreement, dated September 28, 2005, by and among NutraCea and the investors named therein.
10.04(7)	Registration Rights Agreement, dated September 28, 2005, by and among NutraCea and the investors named therein.
10.05(8)	Securities Purchase Agreement, dated May 12, 2006, by and among NutraCea and the investors named therein.
10.06(8)	Registration Rights Agreement, dated May 12, 2006, by and among NutraCea and the investors named therein.
10.07(10)±	Private Label Supply Agreement and Strategic Alliance between NutraCea and ITV Global.
10.08(4)	Employment Agreement between NutraCea and Patricia McPeak.
10.09(4)	Restricted Stock Agreement between NutraCea and Patricia McPeak
10.10(11)	Executive Employment Agreement between NutraCea and Bradley D. Edson.
10.11(11)	Executive Employment Agreement between NutraCea and Margie D. Adelman.
10.12(4)	Executive Employment Agreement between The RiceX Company and Todd C. Crow.
10.13(4)	Amendment No. 1 to Employment Agreement between NutraCea, Todd C. Crow and The RiceX Company.
10.14(4)	Executive Employment Agreement between The RiceX Company and Ike E. Lynch.
10.15(4)	Amendment No. 1 to Employment Agreement between NutraCea, Ike E. Lynch and The RiceX Company.
10.16(12)	Form of Affiliate Agreement between certain affiliates of RiceX and NutraCea dated April 4, 2005
10.17(11)±	W.F. Young Distribution Agreement.
10.18(11)±	W.F. Young Technology Agreement.
10.19(13)	Stock Purchase Agreement between NutraCea and Langley Park Investments PLC
10.20(4)±	Production Facility Development and Rice Bran Supply and Purchase Agreement dated September 13, 2005 between NutraCea and Food Trading Company Dominicana, S.A.
10.21(4)±	Assignment dated April 12, 2005 from W.F. Young, Inc. to NutraCea

10.22(4)±	Distribution Agreement dated April 12, 2005 between W.F. Young, Inc. and NutraCea
10.23(4)	Manufacturing Agreement dated April 12, 2005 between W.F. Young, Inc. and NutraCea

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10.24(4)±	Supply and Distribution Agreement dated November 4, 2005 between NutraCea and T. Geddes Grant.
10.25(14)	Commercial Lease and Deposit Receipt between Roebbelen Land Company and The RiceX Company dated December 23, 1991.
10.26(14)	First Amendment of Lease between Roebbelen Land Company and The RiceX Company dated January 19, 1994.
10.27(14)	Second Amendment of Lease between Roebbelen Land Company and The RiceX Company dated July 11, 1996.
10.28(14)	Third Amendment of Lease Agreement between Roebbelen Land Company and The RiceX Company dated February 1, 1998.
10.29(14)	Lease Agreement between Roebbelen Land Company and The RiceX Company dated July 11, 1996.
10.30(14)	First Amendment of Lease between Roebbelen Land Company and The RiceX Company dated September 1996.
10.31(14)	Second Amendment of Lease Agreement between Roebbelen Land Company and The RiceX Company dated February 1, 1998.
10.32(15)	Agreement on Exclusive Distribution in Europe between The RiceX Company and KREGLINGER EUROPE N.V. dated October 1, 2002**.**
10.33(16)±	Stabilized Rice Bran Processing, Sales, and Marketing Agreement between Farmers' Rice Cooperative and The RiceX Company dated May 1, 2002.
10.34(17)	The RiceX Company 1997 Stock Option Plan
10.35(14)	Form of Directors Stock Option Agreement for The RiceX Company.
10.36(14)	Form of Non-statutory Stock Option Agreement not issued under The RiceX Company 1997 Stock Option Plan, governing options granted to The RiceX Company employees.
10.37(18)	Form of non-statutory Stock Option Agreement issued under The RiceX Company 1997 Stock Option Plan between The RiceX Company and The RiceX Company employees dated October 1, 1999.
10.37(18)	Form of non-statutory Stock Option Agreement issued under The RiceX Company 1997 Stock Option Plan between The RiceX Company and Ike Lynch dated November 1, 1999. Identical Agreements with Daniel McPeak, Jr. and Todd C. Crow.
10.39(19)	Form of Board Member Non-statutory Stock Option Agreement issued under The RiceX Company 1997 Stock Option Plan between The RiceX Company and the Board Members of the RiceX Company dated February 22, 2001, September 23 and 29, 2001.
10.40(16)	Form of Non-statutory Stock Option Agreement issued under The RiceX Company 1997 Stock Option Plan between The RiceX Company and employees dated January 2, 2000.

10.41(20)	Form of Non-statutory Stock Option Agreement issued September 23, 2002 between The RiceX Company and the members of The RiceX Company's Board of Directors.

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10.42(20)	Form of Non-statutory Stock Option Agreement issued July 1, 2004 between The RiceX Company and Edward McMillan.
10.43(21)	Form of Non-statutory Stock Option Agreement issued October 18, 2004 between The RiceX Company and two members of The RiceX Company Board Directors.
10.44(22)	Form of Non-statutory Stock Option Agreement issued under the 1997 Stock Option Plan between The RiceX Company and certain non-employee RiceX Directors dated March 31, 2005.
10.45(22)	Form of Non-statutory Stock Option Agreement issued under the 1997 Stock Option Plan between The RiceX Company and certain employees of RiceX dated March 31, 2005.
10.46(4)	Form of Option Assumption Agreement between NutraCea and Option Holders relating to assumed Options granted under The RiceX Company 1997 Stock Option Plan.
10.47(4)	Form of Option Assumption Agreement between NutraCea and Option Holders relating to assumed non-plan RiceX Options.
10.48(4)	Form of Option Assumption Agreement between NutraCea and former Directors of The RiceX Company.
10.49(4)	Form of Resale Restriction Agreement entered into between NutraCea and each of Todd C. Crow and Ike E. Lynch.
10.50(4)	Form of Resale Restriction Agreement entered into between NutraCea and each of James Lintzenich, Edward McMillan and Steven Saunders.
10.51(4)	Form of Resale Restriction Agreement entered into between NutraCea and each of Bradley Edson, Patricia McPeak, Margie Adelman, Eliot Drell and David Bensol.
10.52(10)	Warrant Agreement between NutraCea and Steven Saunders dated February 27, 2006.
10.53(24)	Form of non-statutory Stock Option Agreement between NutraCea and the non-employee members of the Board of Directors dated May 23, 2006.
10.54(25)	Securities Purchase Agreement, dated February 15, 2007, by and among NutraCea and the investors named therein.
10.55(25)	Registration Rights Agreement, dated February 15, 2007, by and among NutraCea and the investors named therein.
10.56(26)	Employment Agreement between NutraCea and Kody Newland.

21.01	List of subsidiaries
23.1	Consent of Malone & Bailey, PC, Independent Registered Public Accounting Firm.
23.2	Consent of Perry-Smith LLP, Independent Registered Public Accounting Firm.
24.1	Power of Attorney (See signature page.)

± Confidential treatment granted as to certain portions.

* To be filed by amendment.

(1)	incorporated herein by reference to exhibits previously filed on Registrant's Current Report on Form 8-K, filed on November 19, 2001.
(2)	incorporated herein by reference to exhibits previously filed on Registrant's Current Report on Form 8-K, filed on April 4, 2005.
(3)	incorporated herein by reference to exhibits previously filed on Registrant's Annual Report on Form 10-KSB, filed on April 16, 2002.
(4)	incorporated herein by reference to exhibits previously filed on Registrant's Registration Statement on Form SB-2, filed on November 18, 2005.
(5)	incorporated herein by reference to exhibits previously filed on Registrant's Quarterly Report on Form 10-QSB, filed on November 19, 2003.
(6)	incorporated herein by reference to exhibits previously filed on Registrant's Registration Statement on Form SB-2, filed on June 4, 2002.
(7)	incorporated herein by reference to exhibits previously filed on Registrant's Current Report on Form 8-K, filed on October 4, 2005.
(8)	incorporated herein by reference to exhibits previously filed on Registrant's Current Report on Form 8-K, filed on May 15, 2006.
(9)	incorporated herein by reference to exhibits previously filed on Registrant's Registration Statement on Form S-8, filed on November 18, 2003.
(10)	incorporated herein by reference to exhibits previously filed on Registrant's Quarterly Report on Form 10-QSB, filed on May 15, 2006.
(11)	incorporated herein by reference to exhibits previously filed on Registrant's Annual Report on Form 10-KSB, filed on March 31, 2005.
(12)	incorporated herein by reference to exhibits previously filed on The RiceX Company's Report on Form 8-K, filed on April 4, 2005.
(13)	incorporated herein by reference to exhibits previously filed on Registrant's Current Report on Form 8-K, filed on September 14, 2004.
(14)	incorporated herein by reference to exhibits previously filed on The RiceX Company's Registration Statement No. 000-24285, filed on May 18, 1998.
(15)	incorporated herein by reference to exhibits previously filed on The RiceX Company's Report on Form 10-KSB, filed on March 31, 2003.
(16)	incorporated herein by reference to exhibits previously filed on The RiceX Company's Report on Form 10-QSB, filed on August 12, 2002.
(17)	

incorporated herein by reference to exhibits previously filed on The RiceX Company's Registration Statement Number Statement No. 000-24285, filed on May 18, 1998.

(18) incorporated herein by reference to exhibits previously filed on The RiceX Company's Report on Form 10-KSB, filed on March 30, 2000.

(19) incorporated herein by reference to exhibits previously filed on The RiceX Company's Report on Form 10-QSB, filed on August 10, 2001.

(20) incorporated herein by reference to exhibits previously filed on The RiceX Company's Report on Form 10-QSB, filed on November 15, 2003.

(21) incorporated herein by reference to exhibits previously filed on The RiceX Company's Report on Form 10-KSB, filed on March 30, 2005.

(22) incorporated herein by reference to exhibits previously filed on The RiceX Company's Report on Form 10-QSB, filed on May 16, 2005.

(23) incorporated herein by reference to exhibits previously filed on Registrant's Registration Statement on Form SB-2, filed on June 12, 2006.

(24) incorporated herein by reference to exhibits previously filed on Registrant's Quarterly Report on Form 10-QSB, filed on August 14, 2006.

(25) incorporated herein by reference to exhibits previously filed on Registrant's Current Report on Form 8-K, filed on February 20, 2007.

(26) Incorporated herein by reference to exhibits previously filed on Registrant's Annual Report on Form 10-K, filed on March 30, 2007.

Item 17: **Undertakings.**

The undersigned registrant will:

(1) File, during any period in which it offers or sells securities, a post-effective amendment to this registration statement to:

(i) include any prospectus required by Section 10(a)(3) of the Securities Act;

(ii) reflect, in the prospectus any facts or events arising after the effective date of the Registration Statement (or the most recent post-effective amendment thereof), which, individually or in the aggregate, represent a fundamental change in the information in the Registration Statement. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the Commission pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price represent no more than a 20% change in the maximum aggregate offering price set forth in the "Calculation of Registration Fee" table in the effective registration statement; and

(iii) include any additional or changed material information on the plan of distribution.

(2) For determining liability under the Securities Act, treat each post-effective amendment as a new registration statement of the securities offered, and the offering of the securities at that time to be the initial bona fide offering.

(3) File a post-effective amendment to remove from registration any of the securities that remain unsold at the end of the offering.

Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable.

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In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

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SIGNATURES

In accordance with the requirements of the Securities Act of 1933, the Registrant has duly caused this Registration Statement to be signed on its behalf by the undersigned thereto duly authorized, in the City of El Dorado Hill, State of California, on this 30th day of March, 2007.

NUTRACEA

BY: /s/ Bradley D. Edson
Bradley D. Edson
Chief Executive Officer

POWER OF ATTORNEY

KNOW ALL BY THESE PRESENTS that each individual whose signature appears below constitutes and appoints Bradley D. Edson and Todd C. Crow, and each of them, his attorneys-in-fact, and agents, each with the power of substitution, for him and in his name, place and stead, in any and all capacities, to sign any and all amendments (including post-effective amendments and registration statements filed pursuant to Rule 462 of the Securities Act) to this Registration Statement, and all post-effective amendments thereto, and to file the same, with all exhibits thereto and all documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or any of them, or his or their substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement has been signed by the following persons in the capacities and on the dates indicated.

Signature	Title	Date
Principal Executive Officer:		
/s/ Bradley D. Edson Bradley D. Edson	President, Chief Executive Officer and Director	March 30, 2007
Principal Financial Officer and Principal Accounting Officer:		
/s/ Todd C. Crow Todd C. Crow	Chief Financial Officer	March 30, 2007
Additional Directors:		
/s/ David Bensol David Bensol	Director	March 30, 2007
/s/ James C. Lintzenich James C. Lintzenich	Director	March 30, 2007

/s/ Edward L. McMillan Edward L. McMillan	Director	March 30, 2007
 Patricia McPeak	Director	
/s/ Steven W. Saunders Steven W. Saunders	Director	March 30, 2007
/s/ Kenneth L. Shropshire Kenneth L. Shropshire	Director	March 30, 2007

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Exhibit Number	Exhibit Description
2.01(1)	Plan and Agreement of Exchange.
2.02(2)	Agreement and Plan of Merger and Reorganization, dated as of April 4, 2005, by and among the NutraCea, The RiceX Company and Red Acquisition Corporation.
3.01.1(3)	Restated and Amended Articles of Incorporation as filed with the Secretary of State of California on December 13, 2001.
3.01.2(4)	Certificate of Amendment of Articles of Incorporation as filed with the Secretary of State of California on August 4, 2003.
3.01.3(5)	Certificate of Amendment of Articles of Incorporation as filed with the Secretary of State of California on October 31, 2003.
3.01.4(4)	Certificate of Amendment of Articles of Incorporation as filed with the Secretary of State of California on September 29, 2005
3.02(6)	Certificate of Designation of the Rights, Preferences, and Privileges of the Series A Preferred Stock as filed with the Secretary of State of California on December 13, 2001.
3.03(7)	Certificate of Determination, Preferences and Rights of Series B Convertible Preferred Stock as filed with the Secretary of State of California on October 4, 2005.
3.04(8)	Certificate of Determination, Preferences and Rights of Series C Convertible Preferred Stock as filed with the Secretary of State of California on May 10, 2006.
3.05(23)	Bylaws of NutraCea.
4.01(7)	Form of warrant issued to subscribers in connection with NutraCea's October 2005 private placement.
4.02(8)	Form of warrant issued to subscribers in connection with NutraCea's May 2006 private placement.
4.03(25)	Form of warrant issued to subscribers in connection with NutraCea's February 2007 private placement
5.1*	Opinion of Weintraub Genshlea Chediak Law Corporation
10.01(9)	NutraCea 2003 Stock Compensation Plan
10.02(4)	NutraCea 2005 Equity Incentive Plan
10.03(7)	Securities Purchase Agreement, dated September 28, 2005, by and among NutraCea and the investors named therein.
10.04(7)	Registration Rights Agreement, dated September 28, 2005, by and among NutraCea and the investors named therein.

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10.05(8)	Securities Purchase Agreement, dated May 12, 2006, by and among NutraCea and the investors named therein.
10.06(8)	Registration Rights Agreement, dated May 12, 2006, by and among NutraCea and the investors named therein.
10.07(10)±	Private Label Supply Agreement and Strategic Alliance between NutraCea and ITV Global.
10.08(4)	Employment Agreement between NutraCea and Patricia McPeak.
10.09(4)	Restricted Stock Agreement between NutraCea and Patricia McPeak
10.10(11)	Executive Employment Agreement between NutraCea and Bradley D. Edson.
10.11(11)	Executive Employment Agreement between NutraCea and Margie D. Adelman.
10.12(4)	Executive Employment Agreement between The RiceX Company and Todd C. Crow.
10.13(4)	Amendment No. 1 to Employment Agreement between NutraCea, Todd C. Crow and The RiceX Company.
10.14(4)	Executive Employment Agreement between The RiceX Company and Ike E. Lynch.
10.15(4)	Amendment No. 1 to Employment Agreement between NutraCea, Ike E. Lynch and The RiceX Company.
10.16(12)	Form of Affiliate Agreement between certain affiliates of RiceX and NutraCea dated April 4, 2005
10.17(11)±	W.F. Young Distribution Agreement.
10.18(11)±	W.F. Young Technology Agreement.
10.19(13)	Stock Purchase Agreement between NutraCea and Langley Park Investments PLC
10.20(4)±	Production Facility Development and Rice Bran Supply and Purchase Agreement dated September 13, 2005 between NutraCea and Food Trading Company Dominicana, S.A.
10.21(4)±	Assignment dated April 12, 2005 from W.F. Young, Inc. to NutraCea
10.22(4)±	Distribution Agreement dated April 12, 2005 between W.F. Young, Inc. and NutraCea
10.23(4)	Manufacturing Agreement dated April 12, 2005 between W.F. Young, Inc. and NutraCea
10.24(4)±	Supply and Distribution Agreement dated November 4, 2005 between NutraCea and T. Geddes Grant.
10.25(14)	Commercial Lease and Deposit Receipt between Roebbelen Land Company and The RiceX Company dated December 23, 1991.

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10.26(14)	First Amendment of Lease between Roebbelen Land Company and The RiceX Company dated January 19, 1994.
10.27(14)	Second Amendment of Lease between Roebbelen Land Company and The RiceX Company dated July 11, 1996.
10.28(14)	Third Amendment of Lease Agreement between Roebbelen Land Company and The RiceX Company dated February 1, 1998.
10.29(14)	Lease Agreement between Roebbelen Land Company and The RiceX Company dated July 11, 1996.
10.30(14)	First Amendment of Lease between Roebbelen Land Company and The RiceX Company dated September 1996.
10.31(14)	Second Amendment of Lease Agreement between Roebbelen Land Company and The RiceX Company dated February 1, 1998.
10.32(15)	Agreement on Exclusive Distribution in Europe between The RiceX Company and KREGLINGER EUROPE N.V. dated October 1, 2002.
10.33(16)±	Stabilized Rice Bran Processing, Sales, and Marketing Agreement between Farmers' Rice Cooperative and The RiceX Company dated May 1, 2002.
10.34(17)	The RiceX Company 1997 Stock Option Plan
10.35(14)	Form of Directors Stock Option Agreement for The RiceX Company.
10.36(14)	Form of Non-statutory Stock Option Agreement not issued under The RiceX Company 1997 Stock Option Plan, governing options granted to The RiceX Company employees.
10.37(18)	Form of non-statutory Stock Option Agreement issued under The RiceX Company 1997 Stock Option Plan between The RiceX Company and The RiceX Company employees dated October 1, 1999.
10.37(18)	Form of non-statutory Stock Option Agreement issued under The RiceX Company 1997 Stock Option Plan between The RiceX Company and Ike Lynch dated November 1, 1999. Identical Agreements with Daniel McPeak, Jr. and Todd C. Crow.
10.39(19)	Form of Board Member Non-statutory Stock Option Agreement issued under The RiceX Company 1997 Stock Option Plan between The RiceX Company and the Board Members of the RiceX Company dated February 22, 2001, September 23 and 29, 2001.
10.40(16)	Form of Non-statutory Stock Option Agreement issued under The RiceX Company 1997 Stock Option Plan between The RiceX Company and employees dated January 2, 2000.
10.41(20)	Form of Non-statutory Stock Option Agreement issued September 23, 2002 between The RiceX Company and the members of The RiceX Company’s Board of Directors.
10.42(20)	Form of Non-statutory Stock Option Agreement issued July 1, 2004 between The RiceX Company and Edward McMillan.

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10.43(21)	Form of Non-statutory Stock Option Agreement issued October 18, 2004 between The RiceX Company and two members of The RiceX Company Board Directors.
10.44(22)	Form of Non-statutory Stock Option Agreement issued under the 1997 Stock Option Plan between The RiceX Company and certain non-employee RiceX Directors dated March 31, 2005.
10.45(22)	Form of Non-statutory Stock Option Agreement issued under the 1997 Stock Option Plan between The RiceX Company and certain employees of RiceX dated March 31, 2005.
10.46(4)	Form of Option Assumption Agreement between NutraCea and Option Holders relating to assumed Options granted under The RiceX Company 1997 Stock Option Plan.
10.47(4)	Form of Option Assumption Agreement between NutraCea and Option Holders relating to assumed non-plan RiceX Options.
10.48(4)	Form of Option Assumption Agreement between NutraCea and former Directors of The RiceX Company.
10.49(4)	Form of Resale Restriction Agreement entered into between NutraCea and each of Todd C. Crow and Ike E. Lynch.
10.50(4)	Form of Resale Restriction Agreement entered into between NutraCea and each of James Lintzenich, Edward McMillan and Steven Saunders.
10.51(4)	Form of Resale Restriction Agreement entered into between NutraCea and each of Bradley Edson, Patricia McPeak, Margie Adelman, Eliot Drell and David Bensol.
10.52(10)	Warrant Agreement between NutraCea and Steven Saunders dated February 27, 2006.
10.53(24)	Form of non-statutory Stock Option Agreement between NutraCea and the non-employee members of the Board of Directors dated May 23, 2006.
10.54(25)	Securities Purchase Agreement, dated February 15, 2007, by and among NutraCea and the investors named therein.
10.55(25)	Registration Rights Agreement, dated February 15, 2007, by and among NutraCea and the investors named therein.
10.56(26)	Employment Agreement between NutraCea and Kody Newland.
21.01	List of subsidiaries
23.1	Consent of Malone & Bailey, PC, Independent Registered Public Accounting Firm.
23.2	Consent of Perry-Smith LLP, Independent Registered Public Accounting Firm.
24.1	Power of Attorney (See signature page.)

± Confidential treatment granted as to certain portions.

* To be filed by amendment.

(1) incorporated herein by reference to exhibits previously filed on Registrant's Current Report on Form 8-K, filed on November 19, 2001.

(2) incorporated herein by reference to exhibits previously filed on Registrant's Current Report on Form 8-K, filed on April 4, 2005.

(3) incorporated herein by reference to exhibits previously filed on Registrant's Annual Report on Form 10-KSB, filed on April 16, 2002.

(4) incorporated herein by reference to exhibits previously filed on Registrant's Registration Statement on Form SB-2, filed on November 18, 2005.

(5) incorporated herein by reference to exhibits previously filed on Registrant's Quarterly Report on Form 10-QSB, filed on November 19, 2003.

(6) incorporated herein by reference to exhibits previously filed on Registrant's Registration Statement on Form SB-2, filed on June 4, 2002.

(7) incorporated herein by reference to exhibits previously filed on Registrant's Current Report on Form 8-K, filed on October 4, 2005.

(8) incorporated herein by reference to exhibits previously filed on Registrant's Current Report on Form 8-K, filed on May 15, 2006.

(9) incorporated herein by reference to exhibits previously filed on Registrant's Registration Statement on Form S-8, filed on November 18, 2003.

(10) incorporated herein by reference to exhibits previously filed on Registrant's Quarterly Report on Form 10-QSB, filed on May 15, 2006.

(11) incorporated herein by reference to exhibits previously filed on Registrant's Annual Report on Form 10-KSB, filed on March 31, 2005.

(12) incorporated herein by reference to exhibits previously filed on The RiceX Company's Report on Form 8-K, filed on April 4, 2005.

(13) incorporated herein by reference to exhibits previously filed on Registrant's Current Report on Form 8-K, filed on September 14, 2004.

(14) incorporated herein by reference to exhibits previously filed on The RiceX Company's Registration Statement No. 000-24285, filed on May 18, 1998.

(15) incorporated herein by reference to exhibits previously filed on The RiceX Company's Report on Form 10-KSB, filed on March 31, 2003.

(16) incorporated herein by reference to exhibits previously filed on The RiceX Company's Report on Form 10-QSB, filed on August 12, 2002.

(17) incorporated herein by reference to exhibits previously filed on The RiceX Company's Registration Statement Number Statement No. 000-24285, filed on May 18, 1998.

(18) incorporated herein by reference to exhibits previously filed on The RiceX Company's Report on Form 10-KSB, filed on March 30, 2000.

(19) incorporated herein by reference to exhibits previously filed on The RiceX Company's Report on Form 10-QSB, filed on August 10, 2001.

(20) incorporated herein by reference to exhibits previously filed on The RiceX Company's Report on Form 10-QSB, filed on November 15, 2003.

(21) incorporated herein by reference to exhibits previously filed on The RiceX Company's Report on Form 10-KSB, filed on March 30, 2005.

(22) incorporated herein by reference to exhibits previously filed on The RiceX Company's Report on Form 10-QSB, filed on May 16, 2005.

(23) incorporated herein by reference to exhibits previously filed on Registrant's Registration Statement on Form SB-2, filed on June 12, 2006.

(24) incorporated herein by reference to exhibits previously filed on Registrant's Quarterly Report on Form 10-QSB, filed on August 14, 2006.

(25) incorporated herein by reference to exhibits previously filed on Registrant's Current Report on Form 8-K, filed on February 20, 2007.

(26) Incorporated herein by reference to exhibits previously filed on Registrant's Annual Report on Form 10-K, filed on March 30, 2007.