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<b>UNITED STATES BANKRUPTCY COURT District of Arizona</b>		<b>PROOF OF CLAIM</b>
Name of Debtor: Nutracea, a California corporation		Case Number: 09-28817
NOTE: This form should not be used to make a claim for an administrative expense arising after the commencement of the case. A request for payment of an administrative expense may be filed pursuant to 11 U.S.C. § 503.		
Name of Creditor (the person or other entity to whom the debtor owes money or property): INGREDIENT TECHNOLOGIES, INC		<input type="checkbox"/> Check this box to indicate that this claim amends a previously filed claim. <b>FILED</b> Court Claim Number: (If known) <b>DEC 04 2009</b> Filed on: <b>UNITED STATES BANKRUPTCY COURT FOR THE DISTRICT OF ARIZONA</b>
Name and address where notices should be sent: INGREDIENT TECHNOLOGIES, INC 17705 45TH AVE NORTH MINNEAPOLIS, MN 55446-2060		
Telephone number: <b>763-208-1671</b>		
Name and address where payment should be sent (if different from above):  <b>Same as above</b>		<input type="checkbox"/> Check this box if you are aware that anyone else has filed a proof of claim relating to your claim. Attach copy of statement giving particulars. <input type="checkbox"/> Check this box if you are the debtor or trustee in this case.
Telephone number:		
1. Amount of Claim as of Date Case Filed: \$ <u>8,000.00</u>		5. Amount of Claim Entitled to Priority under 11 U.S.C. §507(a). If any portion of your claim falls in one of the following categories, check the box and state the amount.  Specify the priority of the claim. <input type="checkbox"/> Domestic support obligations under 11 U.S.C. §507(a)(1)(A) or (a)(1)(B). <input type="checkbox"/> Wages, salaries, or commissions (up to \$10,950*) earned within 180 days before filing of the bankruptcy petition or cessation of the debtor's business, whichever is earlier - 11 U.S.C. §507 (a)(4). <input type="checkbox"/> Contributions to an employee benefit plan - 11 U.S.C. §507 (a)(5). <input type="checkbox"/> Up to \$2,425* of deposits toward purchase, lease, or rental of property or services for personal, family, or household use - 11 U.S.C. §507 (a)(7). <input type="checkbox"/> Taxes or penalties owed to governmental units - 11 U.S.C. §507 (a)(8). <input type="checkbox"/> Other - Specify applicable paragraph of 11 U.S.C. §507 (a)( ).  Amount entitled to priority: \$ _____  *Amounts are subject to adjustment on 4/1/10 and every 3 years thereafter with respect to cases commenced on or after the date of adjustment.
If all or part of your claim is secured, complete item 4 below; however, if all of your claim is unsecured, do not complete item 4.		
If all or part of your claim is entitled to priority, complete item 5.		
<input type="checkbox"/> Check this box if claim includes interest or other charges in addition to the principal amount of claim. Attach itemized statement of interest or charges.		
2. Basis for Claim: <u>services performed</u> (See instruction #2 on reverse side.)		
3. Last four digits of any number by which creditor identifies debtor: <u>3375</u>		
3a. Debtor may have scheduled account as: _____ (See instruction #3a on reverse side.)		
4. Secured Claim (See instruction #4 on reverse side.) Check the appropriate box if your claim is secured by a lien on property or a right of setoff and provide the requested information.  Nature of property or right of setoff: <input type="checkbox"/> Real Estate <input type="checkbox"/> Motor Vehicle <input type="checkbox"/> Other Describe:  Value of Property: \$ _____ Annual Interest Rate _____ %  Amount of arrearage and other charges as of time case filed included in secured claim, if any: \$ _____ Basis for perfection: _____  Amount of Secured Claim: \$ _____ Amount Unsecured: \$ _____		
6. Credits: The amount of all payments on this claim has been credited for the purpose of making this proof of claim.		
7. Documents: Attach redacted copies of any documents that support the claim, such as promissory notes, purchase orders, invoices, itemized statements of running accounts, contracts, judgments, mortgages, and security agreements. You may also attach a summary. Attach redacted copies of documents providing evidence of perfection of a security interest. You may also attach a summary. (See instruction 7 and definition of "redacted" on reverse side.)  DO NOT SEND ORIGINAL DOCUMENTS. ATTACHED DOCUMENTS MAY BE DESTROYED AFTER SCANNING.  If the documents are not available, please explain:		
Date: <u>11/30/09</u>	Signature: The person filing this claim must sign it. Sign and print name and title, if any, of the creditor or other person authorized to file this claim and state address and telephone number if different from the notice address above. Attach copy of power of attorney, if any.  <u>John L Duffy</u>	<b>FOR COURT USE ONLY</b>

Penalty for presenting fraudulent claim: Fine of up to \$500,000 or imprisonment for up to 5 years, or both. 18 U.S.C. §§ 152 and 3571.

# **Ingredient Technologies, Inc.**

*Creating Real Value through Applications*

**To:** US Bankruptcy Court – District of Arizona  
**From:** John Duffy  
**Date:** December 1, 2009  
**Re:** Summary for Proof of Claim – Case 09-28817

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In accordance with the proof of claim, I am providing a brief summary of moneys owed to Ingredient Technologies by Nutracea, the debtor in the case noted above.

The amount owed is for services rendered resulting from two separate projects that were performed for Nutracea by Ingredient Technologies (IT). Ingredient Technologies, Inc provides business development services to functional ingredient companies that operate in the food and nutraceutical industries. On two occasions in 2009, Nutracea contracted with IT for specific development and market research work which was completed and subsequently invoiced. The following information is included:

- Proof of Claim
- Invoices for Each Project
  - o \$7000 for Cake Donut Case Study
  - o \$1000 for Frying Oil Competitive Review
- Completed Reports and/or Documents from the Projects
- Signed Project Confirmation for the Cake Donut Project
- Correspondence from Nutracea referring to Payments Being In Process in the AP System

Any questions related to the information herein can be directed to:

John Duffy  
President  
Ingredient Technologies, Inc  
763-208-1671  
[johnlduffy@comcast.net](mailto:johnlduffy@comcast.net)

Best regard,

John

**ITI**

**Ingredient Technologies, Inc**

**INVOICE**

17705 45<sup>th</sup> Ave N  
Plymouth, MN 55446

(763) 208-1671

Invoice No. 5065

Invoice Date Mar 12, 2009

Invoice Due On Receipt

Client: \_\_\_\_\_

ATTN: Leo Gingras  
Nutracea

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Applications Development

Cake Donuts

- Final Install -- Per Agreement \$7000

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Total \$7000

***Ingredient Technologies - Creating Real Value***

# Ingredient Technologies, Inc.

*Creating Real Value through Applications*

**To:** Paul Mathewson  
**From:** John Duffy  
**CC:** Michael Crane  
**Date:** October 31, 2008  
**Re:** Applications Development Proposal – Krispy Kreme Cake Donuts

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We are pleased to have the opportunity to present a proposal to you for the Krispy Kreme cake donut application for your defatted rice bran (DRB) ingredient. Based on our initial project and continued research, we are very excited about the far-reaching applications of your ingredient and its potential in the marketplace. Ingredient Technologies (IT) is uniquely qualified to support your applications development needs as our relevant experience and expertise in this area has led to a proven record of success.

Based on our initial discussions, I have outlined the key areas relative to the scope of work, compensation structure, and timing for the project below.

## **Scope of Work**

The scope of work is detailed below. The end result of the scope will be to provide the optimal formula for replacing a percentage of flour with DRB in Krispy Kreme's cake donut formula and provide product samples and a fact based case study highlighting all applicable performance based value drivers for use in the sales process.

### *Application Planning & Positioning*

- Application Planning
  - o Krispy Kreme Cake Donuts
- Formulation Development
  - o Replace Approximately 10% of Flour with DFB
  - o Achieve Acceptable Variance from Control
    - Eating Quality & Mouthfeel
    - Flavor & Texture
  - o Optimal Formulation & Ingredient Adjustments
- Product Trial and Analytical Testing
  - o Krispy Kreme Control vs. Optimal DFB Formula
    - Qualitative Data
      - Texture & Flavor
      - Formulation Tolerance
      - Machinability

- Quantitative Data
  - Yield Gain
  - Cost Impact
  - Oil Uptake Reduction
  - Nutritional Impact
  - Impact on Frying Time
- Value Proposition Development
  - Value Drivers to the Manufacturer
  - Economic Modeling
  - Marketable Advantages
    - Functionality
    - Cost Savings
    - Nutritional Content

### Applications Development Deliverables

- Commercial Protocol & Formulation Development
  - Final Lab Samples (Control vs. Test)
  - Final Process
  - Final Test Formula
- Case Study Development
  - Articulate the Value Proposition
    - Acceptable Product with Limited Barriers to Adoption
    - Functional & Financial Advantages
  - Outline Comparative Performance Metrics
  - Two Versions
    - Krispy Kreme Specific
    - Generic for Donut Wholesale Manufacturers
- Opportunity Assessment
  - Market Potential
    - Wholesale Bakery Donut Manufacturers
    - Retail Donut Manufacturers

VP

- Yield increase 12.6%
- Cost savings
- oil
- yield
- Nutrition
- less oil
- very similar early quality to control

### Additional Criteria

- All data, methods, statistics etc. will be provided to NutraCea in both an interim and a final report. Any useful samples will also be provided.
- All data, special methods and any other information of an IP nature belongs to and will be provided to NutraCea.

### Timing & Compensation

NutraCea would retain the full service of Ingredient Technologies for the execution of the scope as defined above for a total cost of \$14,000. The project will require approximately 6-8 weeks to complete. The compensation would be broken up into two equal installments based on the following milestone deliverables:



# Cake Donuts with Nutracea® DRB

## Product Application Case Study

### Case Study Objectives

- To Replace Flour with De-Fatted Rice Bran (DRB) In Cake Donuts
- To Determine the Nutritional Differences
- To Evaluate the Effects on Finished Product Quality
- To Quantify Yield and Economic Effects

### Materials and Methods

- Replace 10% of Flour with DRB
- Mix, Prepare, & Fry Cake Donuts
- Fry at 375 F for 50 Seconds on Each Side
- Cool on Baking Rack
- Sensory and Yield Evaluation

<b>Standard Formulation</b>			
Pounds	Ingredient	Cost/lb	Formula
.7958	Sugar	\$.29	.23
.108	Shortening	.68	.07
.0396	Salt	.09	.004
.388	Patent Flour	.28	.11
1.594	Pastry Flour	.27	.43
0	DRB	.25	0
.1102	Whey	2.15	.24
.0617	Baking Powder	.85	.05
.1367	Dry Egg Yolk	3.39	.46
.0110	Vanilla	1.10	.01
.0110	Butter Flavor	1.70	.018
.8730	Water	0	0
4.129	<b>Total</b>	<b>Total</b>	<b>\$1.622</b>
Formula Cost = \$.393 per lb			

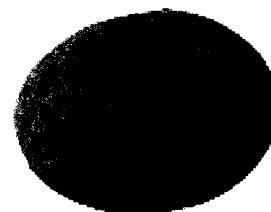
<b>Formulation With DRB</b>			
Pounds	Ingredient	Cost/lb	Formula
.7958	Sugar	\$.29	.23
.108	Shortening	.68	.07
.0396	Salt	.09	.004
.3483	Patent Flour	.28	.09
1.4330	Pastry Flour	.27	.38
.1984	DRB	.25	.05
.1102	Whey	2.15	.24
.0617	Baking Powder	.85	.05
.1367	Dry Egg Yolk	3.39	.46
.0110	Vanilla	1.10	.01
.0110	Butter Flavor	1.70	.018
1.0714	Water	0	0
4.3251	<b>Total</b>	<b>Total</b>	<b>\$1.602</b>
Formula Cost = \$.370 (5.9% Savings)			

<b>Nutrition Facts</b>	
Serving Size (55g)	
Calories 200 From Fat 170	
<b>Total Fat</b> 18g	28%
<b>Sat Fat</b> 6g	30%
<b>Trans Fat</b> 1g	
<b>Cholesterol</b> 50 mg	17%
<b>Sodium</b> 350 mg	15%
<b>Total Carb</b> 24g	8%
<b>Dietary Fiber</b> 1g	4%
<b>Sugars</b> 14g	
<b>Protein</b> 4g	
Vitamin A 0% - Vitamin C 20%	
Calcium 8% - Iron 4%	
Percent Daily Values are based on a 2,000 calorie diet. Your daily values may be higher or lower depending on your calorie needs.	

**Control**

<b>Nutrition Facts</b>	
Serving Size (55g)	
Calories 200 From Fat 180	
<b>Total Fat</b> 20g	31%
<b>Sat Fat</b> 6g	30%
<b>Trans Fat</b> 1.5g	
<b>Cholesterol</b> 50 mg	17%
<b>Sodium</b> 340 mg	14%
<b>Total Carb</b> 20g	7%
<b>Dietary Fiber</b> 2g	8%
<b>Sugars</b> 14g	
<b>Protein</b> 4g	
Vitamin A 0% - Vitamin C 20%	
Calcium 8% - Iron 4%	
Percent Daily Values are based on a 2,000 calorie diet. Your daily values may be higher or lower depending on your calorie needs.	

**With DRB**



## Value Proposition

- 4.8% Increase in Product Yield
- 5.9% Reduction in Costs
- 13% Increase in Moisture for Improved Taste and Texture
- 100% More Fiber



**ITI**

**Ingredient Technologies, Inc**

**INVOICE**

17705 45<sup>th</sup> Ave N  
Plymouth, MN 55446

(763) 208-1671

Invoice No. 5062

Invoice Date Feb 6, 2009

Invoice Due On Receipt

Client: \_\_\_\_\_

ATTN: Jerry Eggenberger  
Nutracea

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Rice Bran Oil Competitive Review

- Per Agreement \$1000

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Total \$1000

***Ingredient Technologies - Creating Real Value***

# Ingredient Technologies, Inc.

*Creating Real Value through Applications*

**To:** Jerry Eggenberger  
**From:** John Duffy  
**CC:** Michael Crane  
**Date:** February 6, 2009  
**Re:** Rice Bran Oil Competitive Analysis

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## Competitive Frying Oils

The following are the most common competitive cooking/frying oils sold in the Foodservice channel.

- Canola Oil
- Soybean Oil
- Sunflower Oil
- Palm Oil
- Cottonseed Oil
- Olive Oil
- Vegetable Oil
- Corn Oil
- Corn/Canola Blend
- Peanut Oil

## Packaging Formats

The following are the key packaging formats for competitive cooking oils

- 50 Lb Pail
- **35 Lb Pail in Box (Most Common)**
- 2/17.5 Lb Plastic Jars
- 10/5 Lb Plastic Jars
- 4/5 Quart Plastic Jars

## Primary Suppliers

The following are the key suppliers of frying/cooking oils to the foodservice market. The major players are in bold.

- **ADM**
- **Bunge**

- **Con Agra (Wesson, Crystal Brands)**
- **Cargill (Crisco Professional Line)**
- Ventura Foods
- Whole Harvest (Niche Health Brand)
- Welch, Holme & Clark

### Top 10 Leading Users of Foodservice Frying Oils (Chains)

1. McDonalds
2. Burger King
3. Wendy's
4. KFC
5. Applebee's
6. Dunkin Donuts
7. Arby's
8. Outback
9. Sonic
10. Dairy Queen

### Wholesale Pricing

#### Distributor Pricing to Chains and Key Accounts

- Canola Oil                      \$0.55 – \$0.59 per pound
  - Soybean Oil                    \$0.50 - \$0.55 per pound
  - **Sunflower Oil                \$0.90 - \$0.95 per pound**
  - Palm Oil                        \$0.65 - \$0.75 per pound
  - **Cottonseed Oil                \$1.40 - \$1.75 per pound**
  - **Olive Oil                        \$2.10 - \$2.30 per pound**
  - Vegetable Oil                 \$0.56 - \$0.60 per pound
  - Corn Oil                        \$0.55 - \$0.59 per pound
  - Corn/Canola Blend            \$0.55 - \$0.59 per pound
  - **Peanut Oil                      \$1.00 - \$1.25 per pound**
- Distributor is marking up on average of 20% from manufacturer
  - Street FS pricing tends to be 10-15% more than above
  - Premium oils in boldface type

### Market Trend

According to Technomic (leading Foodservice research arm) the market is supposed to remain flat to minor growth over the next 5 years with a slight increase in premium oils (trans fat free oils are expected to outpace all growth and could be significant if additional municipalities pass bans on trans fats in restaurants).

## John Duffy

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**From:** Joanne Kline [jkline@nutracea.com]  
**Sent:** Friday, April 24, 2009 1:20 PM  
**To:** John Duffy  
**Cc:** Jerry Eggenberger  
**Subject:** RE: Follow Up

John,

Thank you for your patience. Your invoices are in our payables system.

As you may know, we are in the process of restating our financials, which means we are in a tight situation right now. We anticipate that within 30-60 days, we will be able to be current with you again. You can check back with us after that time if you would like an update.

If I can get payment (or partial payment) to you sooner, I will.

Thanks,  
Joanne

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**From:** John Duffy [mailto:johnlduffy@comcast.net]  
**Sent:** Friday, April 24, 2009 10:34 AM  
**To:** Joanne Kline  
**Subject:** RE: Follow Up

Joanne,

Here are the attachments. Please let me know if they don't come through.

Thanks for the prompt processing as they are from early Feb and early March, respectively.

John Duffy  
Ingredient Technologies, Inc  
763-208-1671

**From:** Joanne Kline [mailto:jkline@nutracea.com]  
**Sent:** Friday, April 24, 2009 12:04 PM  
**To:** John Duffy  
**Subject:** RE: Follow Up

John,

I didn't get the attachment, so I'm not sure what company you are with? Please forward attachments and I'll research.

Thanks,  
Joanne

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**From:** John Duffy [mailto:johnlduffy@comcast.net]  
**Sent:** Friday, April 24, 2009 9:50 AM  
**To:** Jerry Eggenberger  
**Cc:** Joanne Kline  
**Subject:** RE: Follow Up

Jerry,

Thanks for your help!

Safe travels...

John

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**From:** Jerry Eggenberger [mailto:jeggenberger@nutracea.com]  
**Sent:** Wednesday, April 22, 2009 12:28 AM  
**To:** Joanne Kline  
**Cc:** John Duffy  
**Subject:** FW: Follow Up

Good Morning Joanne,

If you have already seen this request, my apologies...I was attempting to forward with my PDA, but it didn't look like it went through. Can you please coordinate some relief for John...he has been very patient. Thanks!



Gerald "Jerry" Eggenberger  
Vice President,  
Domestic Food Ingredients  
Office: (763) 208-6789  
Cell: (952) 457-1311  
E-Mail: [jeggenberger@nutracea.com](mailto:jeggenberger@nutracea.com)

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**From:** John Duffy [mailto:johnlduffy@comcast.net]  
**Sent:** Tuesday, April 21, 2009 5:09 PM  
**To:** Jerry Eggenberger  
**Subject:** Follow Up

Jerry,

I hope your world travels aren't taking too much of a toll on you! Just a follow-up. The attached two invoices are the ones I am hoping to track down payment on.

Thanks as always for your assistance.

John