

UNITED STATES BANKRUPTCY COURT District of Arizona

PROOF OF CLAIM

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):

KNOX APPRAISAL SERVICE

Name and address where notices should be sent:
KNOX APPRAISAL SERVICE
305 S. ARIZONA STREET
DILLON, MT 59725-3001

FILED BY
RECEIVED
DEC 03 2009

Check this box to indicate that this claim amends a previously filed claim.

Court Claim Number: _____
(if known)

Filed on: _____

Telephone number: _____

Name and address where payment should be sent (if different from above):

UNITED STATES
BANKRUPTCY COURT
FOR THE DISTRICT OF ARIZONA

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.

Check this box if you are the debtor or trustee in this case.

Telephone number: _____

1. Amount of Claim as of Date Case Filed: \$ 3,526.48

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.

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.

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.

Domestic support obligations under 11 U.S.C. §507(a)(1)(A) or (a)(1)(B).

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).

Contributions to an employee benefit plan - 11 U.S.C. §507(a)(5).

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).

Taxes or penalties owed to governmental units - 11 U.S.C. §507(a)(8).

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.

2. Basis for Claim: Service Performed (Appraisal)
(See instruction #2 on reverse side.)

3. Last four digits of any number by which creditor identifies debtor: 8W9N

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: Real Estate Motor Vehicle 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: 11/30/09

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.

FOR COURT USE ONLY

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.

KNOX APPRAISAL SERVICE

William L. Knox
305 S Arizona ST
Dillon, MT 59725

November 30, 2009

United States Bankruptcy Court
Attn: Clerk of the Bankruptcy Court
Brian D. Karth
230 North First Avenue, Suite 101
Phoenix, AZ 85003-1727

Dear Mr. Karth,

Attached please find my Claim and supporting documents as a Creditor in Case Number 09-28817, the debtor is Nutracea, Inc.

In regards to appraisal services I performed for this company, I feel it important to offer the following comments:

- 1) When I was engaged by the debtor to provide appraisals several months ago I was informed that the purpose of the reports were for providing market evidence to potential investors.
- 2) At the same time, the debtor was obviously well into the process of filing bankruptcy, which was never disclosed to me.
- 3) My appraisal reports were based on market value after normal exposure times and marketing, not for a bankruptcy or foreclosure situation which typically has a negative affect on market value.
- 4) I expected final payment on my invoice within a reasonable time, and in the months immediately following delivery of my report the debtor ignored all inquiries regarding payment. At the time the officers of Nutracea were making preparations to file bankruptcy, knowing full well most debts incurred prior to the filing would be less likely to be paid.

I feel the debtor in this case has used the system to postpone payment on my fees until after filing with the court for bankruptcy protection. I am aware the chances of my ever receiving any payment whatsoever are slim.

I am a one man small business, and non-payment of the fees for my professional work will be most difficult for me to recover from. I simply cannot afford the loss of two weeks income due to what appears to be manipulation of the system by a multi-national corporation which boasts assets of \$83.8 million and liabilities of \$18.9 million, according to their restructuring information posted on the company website.

Sincerely,



William L. Knox

Attachments:
Proof of Claim Form
Invoice

INVOICE

FROM:

Knox Appraisal Service
William L. Knox
305 S Arizona ST
Dillon, MT 59725

Telephone Number: (406)683-2536

Fax Number: (406)683-2536

C0908W9N

November 10, 2009

Original Invoice September 3, 2009

TO:

Leo Gingras, C.O.O.
Nutracea Inc
5090 N 40th ST
Suite 400
Phoenix, AZ 85018
Telephone Number: (916)371-8301
Alternate Number:

Fax Number:

E-Mail: lgingras@nutracea.com

Internal Order #:

Lender Case #:

Client File #:

Main File # on form:

Other File # on form:

Federal Tax ID: 517562226

Employer ID:

Lender: Nutracea Inc

Client: Nutracea Inc

Purchaser/Borrower:

Property Address: East Bench Road

City: Dillon

County: Beaverhead

State: Montana

Zip: 59725

Legal Description:

Complete Appraisal - Summary Appraisal Report - Commercial Property, Dillon MT

LATE FEE 5% BALANCE DUE (\$3,300 X .05)

INTEREST AT 10% 9/3/2009 TO 11/10/2009

THIS ACCOUNT IS PAST DUE. LATE FEES AND INTEREST HAVE BEEN INCURRED PER TERMS.

Terms of this account are 30 days net, 5% late fee over 30 days, 10% APR on unpaid balance until paid in full.

5,000.00

165.00

61.48

SUBTOTAL

5,226.48

Check #: Date: Description: Retainer Recieved

1,700.00

Check #: Date: Description:

Check #: Date: Description:

SUBTOTAL

1,700.00

TOTAL DUE

\$ 3,526.48