

SUNOPTA INC.

Moderator: Steve Bromley
August 7, 2009
9:00 am CT

Operator: Good day, ladies and gentlemen, and welcome to the SunOpta, Inc. 2009 Second Quarter Financial Results conference call. Today's conference call is being recorded.

At this time, I would now like to turn the conference over to Mr. Steve Bromley, President and Chief Executive Officer. Please go ahead, sir.

Steve Bromley: Thank you very much and good morning everyone. Welcome to our Second Quarter 2009 Shareholder conference call.

I'm joined on this call today by Tony Tavares, SunOpta's vice President and Chief Operating Officer, Eric Davis, our Vice President and Chief Financial Officer, and Ben Chhiba, the company's Vice President, General Counsel and Secretary.

Before I begin, I would like to remind listeners that, except for historical information, the matters discussed during this teleconference today may include forward-looking statements, including, without limitation, statements relating to our operating results, market and economic conditions, and expected incremental business opportunities and related contributions, cost improvements, improved operating margins, additional expected revenues from new products and reductions in working capital. All forward-looking statements reflect our current views with respect to future

events and are subject to risks and uncertainties and assumptions we have made in drawing the conclusions included in such forward-looking information.

Many factors could cause our actual results, performance or achievements to be materially different from those expressed or implied by our forward-looking statements, including those factors and assumptions set forth in the company's quarterly report on form 10-Q for the quarter ended June 30, 2009 and annual report on form 10-K for the fiscal year ended December 31, 2008 in the sections of these reports titled Forward-Looking Statements and Risk Factors. Our form 10-K for the fiscal year ended December 31, 2008 was filed earlier this year with the SEC and Canadian Securities Regulators, and we plan to file our 10-Q for the second quarter ended June 30, 2009 by no later than the close of business today, August 7, 2009. Please note that except where specifically identified, our financial results are reported in U.S. dollars and in accordance with U.S. GAAP.

I want to mention at this time that we are targeting to keep this call to about an hour. During the call, I will provide a corporate overview, Eric will provide details on the company's financial status, and Tony will provide details related to our core food operations. We will follow our presentation with a question-and-answer period.

Let me start by saying that during these tough economic conditions that we have faced over the last three quarters, we have continued to invest in a wide series of cost containment and increased productivity initiatives all designed to improve our return on assets employed. We are really pleased to have returned to profitability in the second quarter of 2009 after two consecutive quarters of operating losses.

Throughout this call, we will discuss key activities in the company. We are working hard to improve all facets of our business and strengthening our balance sheet and pursuing growth

opportunities while at the same time implementing Lean enterprise systems in an effort to eliminate waste and improve the efficiency and predictability of our operations.

For the second quarter of 2009, the company realized revenues of \$257.7 million versus second-quarter 2008 revenues of \$291.9 million, a year-over-year decrease of 11.7%. After adjusting for revenue declines in nonfood operations plus the impact on revenues due to changes in foreign exchange rates and commodity prices, food revenues declined approximately 3% in the second quarter of 2009 versus the second quarter of 2008. Earnings for the second quarter were \$1.8 million or 3 cents per diluted common share versus earnings of \$700,000 or 1 cent per diluted common share in the second quarter of 2008.

Adjusted earnings for the second quarter of 2009 were \$4.3 million or 7 cents per diluted common share versus adjusted earnings in the second quarter of 2008 of \$5.1 million or 8 cents per diluted common share. Two thousand and nine results reflect the impact of additional pretax costs of \$3.6 million incurred during the quarter, many of which are expected to provide future benefits to the company. During the second quarter, we incurred approximately \$1.5 million pretax and startup costs related to the Modesto soymilk processing and packaging facility, which commenced to commercial production in June 2009. We also incurred pretax severance and related costs of approximately \$0.7 million within a number of operating segments as we position these businesses for improved future performance. In addition, pretax costs of approximately – excuse me, \$0.7 million were incurred related to our investment in the revitalization and relaunch of a number of our company-owned natural health products brands.

And finally, we also incurred legal and professional fees of approximately \$0.7 million related to an ongoing legal action in the SunOpta BioProcess Group and costs related to matters related to the 2007 financial restatement.

Two thousand and eight adjusted earnings reflected pretax costs of \$6.4 million, which were related to the company's investigation and actions into the write down on the SunOpta fruit group

berry operations and subsequent financial restatement as well as severance. Please note that adjusted revenue, adjusted earnings and adjusted earnings per share do not have any standardized meaning prescribed by GAAP and therefore are unlikely to be comparable to similar measures presented by other companies. These non-GAAP financial measures should be considered in the context of SunOpta's GAAP results, and a full reconciliation of these amounts was provided with our press release issued last night and which is available on our Web site at www.sunopta.com.

For the 6 months ended June 30, 2009, the company realized revenues of \$489.8 million versus revenues of \$522.4 million for the 6 months ended June 30, 2008. After adjusting for the April 2008 acquisition of The Organic Corporation, revenue declines in non-core food operations and the impact on revenues due to changes in foreign exchange rates and commodity prices, food revenues have actually declined approximately 1% versus the same period in 2008.

Earnings for the 6 months ended June 30, 2009 were \$0.1 million, or 0 cents per diluted common share, versus earnings of \$2.2 million, or 3 cents per diluted common share in the comparable period in 2008.

Adjusted for earnings – adjusted earnings, pardon me, for the 6 months ended June 30, 2009 were \$4.1 million, or 6 cents per diluted common share, versus adjusted earnings in the comparable period in 2008 of \$7.5 million, or 12 cents per diluted common share.

2009 results reflect the impact of additional pretax costs of \$5.9 million. During the 6 months ended June 30, 2009, we incurred approximately \$2.5 million pretax and startup costs related to the Modesto soymilk processing and packaging facility. We also incurred pretax severance and related costs of approximately \$1.5 million in a number of our operating segments. In addition, pretax costs of approximately \$1.2 million were incurred related to our investment in the revitalization and relaunch of a number of our company-owned natural health product brands.

And finally, we also incurred approximately \$0.8 million in legal and professional fees related to the legal action in the Bioprocess Group and costs related to the ongoing matters related to the 2007 financial restatement. Two thousand and eight adjusted earnings reflected pretax costs of \$7.7 million related to the company's investigation and actions into the write down in the SunOpta fruit group berry operations and subsequent financial restatement.

At June 30, 2009, the company's balance sheet reflects a working capital ratio of 1.57 to 1, long-term debt to equity ratio of 0.47 to 1 and total debt to equity ratio of 0.8 to 1. The company has total assets of \$594 million and a net book value of \$3.56 per outstanding share. Eric will provide further details on this in a moment, but I must say that we are really pleased with our year-over-year progress in reducing our debt and working capital.

We believe we have made solid progress over the last two quarters in addressing our markets and operations and have confidence in our business's focus on natural, organic and specialty foods and natural health products. We expect to benefit from a number of long-term trends, including the growing interest in health and wellness around the world, the increasing awareness of the relationship between foods consumed and quality of life, the staggering increase in long-term health costs and the need to address this at many levels, and the demand for sustainable and environmentally responsible business practices and products. When combined with our efforts to strengthen our balance sheet and our focus on the returns from our operation, we believe this all bodes well for our future.

At this time, I'd like to turn the call over to Eric Davis, our chief financial officer. Eric will provide specifics related to the company's financial position and certain balance sheet items. Eric.

Eric Davis: Thanks, Steve, and good morning.

Based on the seasonality of our operations, we traditionally consume cash during the second quarter. But due to the focus on our improved asset utilization, we're able to reverse this in 2009. For the second quarter of 2009, operating activities generated cash of \$11.5 million as compared with \$6.3 million that was consumed in the same period last year. This reflects a \$17.8 million improvement versus the second quarter of 2008 and reflects our commitment to capital reduction and cash generation. Of this amount, the company generated \$1.6 million from working capital compared with a usage of \$13.8 million last year. This is indicative of the organization's effort to reduce our use of working capital, and we believe this trend will continue.

During the quarter, inventories increased to \$194.9 million from \$190.4 million last quarter. Our total accounts receivable increased to 106 million versus 101.4 million for Q1. When compared with the second quarter of 2008, inventories have declined \$44.1 million from \$239 million, and accounts receivable have declined by \$25.7 million from \$131.7 million. Day sales have – outstanding have decreased by 1.1 days compared with the prior year, and inventory turns have increased to 4.5 turns versus 4.1 in 2008. The food group increased inventory turns to 4.8 versus 4.2 in 2008. Total working capital, excluding cash, at the end of the second quarter of 2009 was \$107.2 million versus \$138.2 million at the end of June 2008, an increase of approximately 22%.

Investing activities, excluding short-term investments, utilized \$7.7 million as compared to \$7.4 million in the second quarter of 2008. Including the cash consumed – included in the cash consumed was \$4.3 million in capital expenditures primarily related to the new Modesto soymilk plant and the Colorado Mills vegetable oil refining project, expenditures for two new minerals facility in the Southern U.S., and the expansion of a pilot plant capabilities in SunOpta Bioprocess. Also included in investing activities in the quarter were \$2.3 million primarily related to deposits for the Colorado Mills vegetable oil refining project, which are expected to be recovered when lease arrangements are finalized later this year.

I would like – I would now like to address our current debt status. As previously announced at the end of April 2009, we reached an agreement with our lending syndicate to extend the term on our core operating facilities – operating facilities scheduled for renewal on June 30, 2009 through – to December 31, 2009. As part of this agreement, we negotiated a waiver of financial covenants for the first quarter of 2009 and amended certain covenants for the balance of physical – of a physical year. As of June 30, 2009, the company is compliance with these amended financial covenants. We have started the process to convert our current syndicate operating lines to facilities which we anticipate will provide more flexibility and better utilize the company's strong asset base, and we believe we are currently on target to complete this process no later than the end of the current physical year. At the end of Q2, we had total debt, excluding cash balances, of \$185.5 million, and increase of \$1.9 million over our first quarter of 2009 balance of 44.3 – I'm sorry, of our first-quarter 2009 balance but \$44.3 million lower when compared to the same period in the prior year.

Our main facility is held by a banking syndicate and services our core food operations, excluding Europe, and totaled \$113.9 million at the end of the quarter versus \$132.2 for the same period in 2008. Our European sourcing and trading operations are financed via asset-backed operating lines, which totaled \$20.6 million at the end of Q2. Opta Minerals, Inc. is financed via standalone operations and long-term debt facilities of \$29.1 million. Both the European and minerals facilities due not have recourse to the core North American food operations or assets.

In late July, Opta Minerals and its lenders negotiated certain amendments to its banking facilities and is in compliance with the covenants in the agreement. In addition, the company also has promissory notes due to various parties related primary to companies acquired. These are subordinate to the company's banks.

In conclusion, we continue to make progress in strengthening our balance sheet and reducing debt levels and are encouraged by our progress in this regard. I'll now turn it back to Steve.

Steve Bromley: Thanks, Eric.

We are most fortunate to be operating in food business segments with growth potential, as we believe health-conscious consumers will remain committed to natural and organic foods and natural health products. In hand with this, we continue to streamline our operations aimed at improving earnings and return on assets employed. We are implementing Lean enterprise systems across our organization and are starting to realize the benefits of this initiative. Tony will speak further about this in a moment.

As we move forward, our company's primary focus remains the improvement of operating margins and return on assets employed.

Our non-core operations, Opta Minerals, Inc. and SunOpta BioProcessing, which now represent approximately less than 6% of our annualized revenues, are both strategically important businesses within the sectors where they compete.

Opta Minerals was significantly impacted again in the second quarter by the decline in the global economy, and especially the steel and foundry sectors. During the quarter, Opta incurred approximately \$450,000 of severance and other costs specifically related to cost rationalization and streamlining activities. Over the last 18 months, management have implemented annualized cost savings of approximately \$6 million, including \$4.3 million in compensation costs. They are also focusing on a number of new product introductions plus establishing new operations in Florida and Texas, which will improve the company's sourcing and supply capabilities for silica-free abrasives in the southern regions of the United States. We are hopeful that with the announced infrastructure spending by governments, steel inventories at record lows and the industry to show some signs of rebound, this business will show improved performance in the back half of the year.

SunOpta BioProcess remains focused from the utilization of its technologies and the production of cellulosic ethanol. The opportunities in this sector are attractive as the world looks to reduce its dependence on fossil fuels and reduce greenhouse gas emissions. While production of cellulosic ethanol in North America is very small, the renewable fuel standards in the U.S. call for 16 billion gallons of cellulosic ethanol by 2022, a great opportunity for SBI's expertise.

Government assistance programs are being made available, and we are hopeful that this will provide a much-needed stimulus for a number of projects. The group continues in its efforts to further refine its technologies and applications and has completed the expansion of a new pilot facility and continues in its joint venture initiatives focused on the development of commercial-scale production capabilities.

As the demand for pilot-scale cellulosic ethanol development increases, SBI recently introduced a state-of-the-art module or pretreatment pilot system, which can operate at a scale which is smaller than current pilot equipment available from the group, and at an attractive price point. As part of this development, SunOpta Bioprocess has been awarded a grant from the Canadian Government of up to \$800,000 Canadian to support the development and optimization of this equipment.

I'd now like to turn the call over to Tony Tavares, our chief operating officer, who will discuss activities in the SunOpta Food Group. Tony?

Tony Tavares: Thanks, Steve, and good morning, ladies and gentlemen.

As Steve mentioned earlier, the food group results continue to be adversely effected by the poor economy.

The second-quarter operating income of \$7.8 million is improved from the first quarter but is less than the \$9.1 million operating income we achieved last year. Year-to-date operating income is \$10.5 million versus the prior year of \$15.3 million. A brief sales rally in the month of April provided some optimism early in the quarter but proved to be short-lived, and revenues for the quarter were below year-ago levels in most of the operating divisions.

The poor economy has masked some good progress in several of the operations. We remain confident that improvements achieved through our Lean continuous improvement initiatives and our focus on working capital management should result higher operating margins and cash generation.

I'll now make some specific comments on the operating results of the groups in our food operations.

The Grains and Foods Group second-quarter operating income of \$5.2 million is only slightly below last year's operating income of \$5.6 million. Year-to-date operating income of \$9.1 million is also below last year's \$11.1 million. The second-quarter results include approximately \$1.5 million in startup costs related to the Modesto facility, and year-to-date results include approximately \$2.5 million. Excluding these startup costs, the grains and foods group results for the quarter and year-to-date are ahead of last year.

Strong sales and margins of soybeans combined with increased prices of in shell sunflower continue to be offset by weaker sales and margins on corn, dairy food ingredients, vegetable oil, bakery kernel and high oleic kernel.

Aseptic revenues, margins and operating income for the quarter were ahead of last year as a result of new sales to food service customers, offsetting generally lower sales to their retail channel.

The Modesto plant began production the week of June 8, behind our May 18 target due to delays in obtaining government permits, certificates and license. The Modesto plant is operating well, and sales are within our expectations. The Colorado Mills vegetable oil refining plant is expected to be completed by the beginning of October.

Lower retail sales for soymilk will likely remain a challenge for the second half of 2009 as a result of general market conditions and the loss starting late in the third quarter of a refrigerated non-aseptic pack soymilk customer. The Modesto facility's expected to provide a strong foundation for future growth. A team is already working a number of new product initiatives to take advantage of the new aseptic capacity.

The group's roasting and packaging operations results continue to be below last year. The business is being repositioned to do more bulk sales to generate necessary volumes to make the plant run more efficiently, and a thorough rationalization of existing retail sales customers and distribution is under way.

The Lean initiatives are at the initial stages within the grains and foods group, and we are also hopeful we can see improvements from Lean in the fourth quarter.

Overall, the grains and foods division is performing well, and the outlook remains positive.

Second-quarter operating income for the Ingredients Group of \$1.9 million was well ahead of last year's \$600,000, and year-to-date income of \$2.7 million is also ahead of the \$1.6 million achieved last year. The improved results are primarily attributable to improved selling prices, process improvements and cost-reduction programs offset by lower sales volumes. Natural gas and caustic costs have dropped from last year – from last – from year-end levels, but year-to-date are actually higher than last year by approximately \$200,000.

We have recently been successful in landing some large new fiber sales contracts. As I mentioned in the first-quarter earnings call, fiber sales are actually lower than last year. The shortfall to last year was less in the second quarter, and the sales from the new contracts should have a positive impact on the second-half results. Costs of natural gas and caustic are also expected to be below last year in the second half. The group has recently started with Lean, but a number of initiatives are already underway and expected to contribute in the second half. We're also realizing benefits as we continue to make inroads with innovation in new products and other initiatives. As a result of all of these factors, we believe the outlook for the group is very good, and we expect continued improved performance over last year.

The Fruit Group had a second-quarter operating income of \$623,000 compared to a loss last year of \$1.9 million and a year-to-date loss of \$534,000 compared to a loss last year of \$5.9 million. The year-to-date numbers include severance costs related to the closure of Salinas plant and the global trading sales offices as well as write-offs and rework costs related to old inventory. These items account for approximately \$224,000 in the quarter and \$1.1 million year-to-date.

The improvement from last year is being driven by stronger performance at the healthy fruit snacks and fruit-based operations as well as continued progress at the berry operations. These improvements have been offset by a lower retail demand for frozen fruit, reflecting overall industry performance for this category caused by the economic downturn, inventory rationalizations on the part of retailers and the existing high penetration of private label sales. The retail category is also losing share to club stores. This is a sales channel we currently do not sell a great deal to because we do not have the equipment required to produce the packaging formats they sell. We will be making these investments in an attempt to be ready by the end of the year.

The retail sales drop off in May and June combined with the earlier production plant have also resulted in more inventory on hand than we had planned at the end of June. As Steve and Eric mentioned, inventory levels are substantially reduced from last year. Only a very minor part of

the reduction is related to frozen fruit. We are adjusting production purchases and our sales deal activity accordingly to bring our inventories in line with targets, and we expect substantially reduced inventory levels for the year end.

Although we expect continued improvement and results in the second half, we believe we will need to make further changes to our processing model in order to achieve acceptable profit levels and plan to continue to rationalize and streamline our operations. Lean activities have also begun to take hold, and a number of projects are under way. We are confident there are additional substantial savings and efficiencies to be realized within the Food Group operations.

The turnaround in Healthy Food Snacks fortunes is being driven principally by improved pipe operations resulting from our Lean initiatives as well as reductions in raw material prices and utility costs. Sales demand is expected to remain steady in the second half of the year, and the team is working diligently to compensate for the number of other initiatives, including new product ideas arising from our Blue Ocean strategy sessions. We believe fruit snacks have great potential for kids, teens, adults and seniors markets, and these products will be at the center of our innovation and marketing initiatives next year.

The International Trading and Sourcing Group's second-quarter operations were essentially at breakeven compared to an operating income last year of \$1.6 million and a year-to-date loss of \$1.2 million as over \$3 million behind last year's income. The results reflect increased demand and lower margins for organic industrial ingredients in the United States and Europe as a result of the economic downturn. The lower margins also reflect our efforts to sell older parts as well as a number of quality issues and costs created by suppliers who renege on contracts. These items account for approximately \$230,000 in the quarter and \$870,000 year-to-date.

Sales and income in the quarter year-to-date were also adversely affected by lower sales of Ethiopian organic fair trade coffee because new government regulations created a backlog of

product coming to market. We expect to make up for lost ground in the second half and anticipate coffee sales to be ahead of last year by year-end.

Private label sales have increased approximately 15% year-to-date due to sales to new customers more than offsetting lower sales to existing customers.

The International Trading Team has embraced our working capital reduction initiatives, and inventories at the end of June were approximately \$17.8 million less than a year ago after adjusting for the effects of currency exchange. Inventories for the group were still well above target levels, and we expect further reductions over the next several months. Accounts receivable have also improved as a result of collection efforts and tighter terms, and we have changed purchasing protocols to address some of the quality and supply issues encountered in the past year.

The organic markets have been especially hard hit as a result of the economic downturn. Demand for organic ingredients showed improvement in the month of June, and we are hopeful that this will continue in the second half. There will be some challenges as we reduce inventory, and we also expect our private-label orange juice sales to be soft in the second half. The end result of all these competing factors is that we expect a better second-half performance.

The Distribution Group operating income for the quarter and year-to-date are well below last year.

There are several factors creating these results. The first is that the poor economy is having an impact on demand. When adjusted for price increases, sales in Canadian dollars are below last year. In general, the items which we sell are higher-priced than conventional items, and the sluggish economy appears to be having an impact both on our distributed and owned brand products. Margins are also lower than last year as price increases from suppliers and the

decrease in the Canadian dollar have resulted in higher product costs, which we have not been – which have not been offset by higher selling prices.

The Blue Ocean Sessions with the Distribution Group in early May produced a number of key insights and a revised strategy. Rather than trying to be all things to all people and carrying multiple SKUs of the same or similar products within the category, we will focus on fewer items going forward and will attempt to have more consistency in our listings across the country. The objective will be to pattern the operations on less SKUs, more local suppliers and more focus on exclusive supply agreements. We also plan to develop the very successful bulk bakery programs that are Quebec based Aux Mille et une Saison operations and introduced them across the country.

The year-to-date results reflect approximately \$1.4 million in cost resulting from write downs in liquidations relating to older inventory and excess spoilage. Weak new product launch procedures, inadequate sales planning and too-large initial production runs and purchases have all contributed to excess inventory. We have made changes to a number of inventory processes to prevent this from reoccurring.

The team has strongly endorsed Lean, and we expect further cost and inventory reductions will result as we aggressively review our inventory and rationalize our product portfolios. Another major factor is the costs associated with the branding initiative for the Vivitas, Quest and Herbon product lines. The year-to-date results reflect \$1.2 million in costs of product returned from warehouses, the rework costs and discounts given to retailers to move products on shelf with old packaging in addition to the related marketing costs and listing fees. The year-to-date results also reflect approximately \$600,000 of one-time costs associated with packaging redesign product development, market research and other relaunch costs.

The branding relaunch continues to be exceptionally well received by retailers. The second half of the year is expected to see significant expenditures on advertising, promotions and listing fees. The sales list is expected to occur starting in September, when the advertising programs will be in full swing.

We strongly believe that the relaunches and the branding spend are the right things to do, and we expect to see strong benefits coming out of this year. Unfortunately, the poor economy has resulted in lower sales, and when combined with higher product returns and the impact of one-time listing fees, 2009 will not be as positive as we had planned.

As I hope you can see, there are a number of positive changes taking place within SunOpta. Although economic conditions will likely remain challenging in the short term, we are confident that our core food operations are well positioned. Interest in health and wellness is not a fad; it is a trend and continues to grow worldwide. As the positive cumulative effects of our continuous improvement and working capital initiatives take hold, we expect to take full advantage of these trends and generate superior returns for our shareholders.

And I'll pass it back to Steve.

Steve Bromley: Thanks, Tony.

In closing, the last 9 months have certainly been a challenging time for our industry and SunOpta, perhaps the most difficult times in memory. Having said that, it has also been a time for our organization to invest in our people and processes, to focus on cost control, productivity improvements and improved asset utilization, all keys to our future success.

We are implementing Lean across our organization, and these efforts continue with a goal to realized annualized profit improvements of \$10 million by year end, with more to follow. We have

implemented Blue Ocean strategies in an effort to grow our markets and broaden the applications for our products and services. We continue to reduce our use of working capital and debt through improved and rationalized working capital practices. The success of these initiatives is evident in the cash generated from operations over the last quarter and year-to-date and our return to profitability after two quarters of losses.

While we have made improvements, we believe there is still much that can be done, providing continued opportunities to improve our profitability. Tough economic conditions will continue to be a challenge for the company in the short term, but we are confident we are on the right track.

With that, we would like to open the call to questions. But I want to remind you that we will not be commenting on the events leading to the restatement of our 2007 quarterly financial statements. These events surround – the events surrounding the restatement are the subject matter of litigation before the courts in Canada and the U.S., and therefore it is not appropriate to comment further at this time.

Thanks very much and we'll open the call to questions.

Operator: Thank you. Ladies and gentlemen, if you would like to ask a question now, please press star 1 on your touchtone phone. To withdraw your question, press the pound sign and if you are using a speakerphone, please lift your handset before entering your request. And now please stand by while we assemble the queue.

And our first question comes from Peter Prattas of Fraser MacKenzie. Please go ahead.

Peter Prattas: Good morning and congratulations on returning to profitability.

Steve Bromley: Thanks, Peter.

Peter Prattas: And I just wanted to focus on your adjusted earnings, and if you could go over each one of the one-time components there and talk about to what extent they may continue, in particular the startup costs there. With Modesto now up and running, will there be any costs further going forward on that?

Steve Bromley: All right, so specifically with Modesto, that plant started on June 8 commercial production. So the bulk of these costs were all incurred leading up to that point in time, and we do not expect any you know material startup costs going forward. As far as severance costs and facility rationalization costs, I think you can expect to continue to see that.

As Tony had mentioned you know we continue to work hard at streamlining our cost base and improving our operations. So inevitably, as improvements are – continue to be made, I think it's reasonable to assume that you know these costs will continue. I couldn't give you a definitive guidance as to what that might be, but you know ((inaudible)) that as we continue to improve our operations.

Marketing costs and – in support of the brand relaunches, these products are now in the initial stages of coming to market, and we'll continue to see some of those costs through the third quarter and likely a little bit into the fourth quarter as well. In professional fees, there will be professional fees going forward, but we wouldn't expect them to be any bigger than they were here in the second quarter at this stage. But it's hard to predict. It depends on the outcome of some of the actions that are ongoing.

Peter Prattas: OK and Tony had mentioned that investment basically through to the year end in pursuing the club stores. Can we talk about what sort of investment we're talking about, and is that more of an operating expense or a capital expense, or ...

Tony Tavares: It's a – it's a capital expense. It's approximately a half a million dollars, and we're hopeful it'll be in before the end of the year.

Peter Prattas: OK, great. Thanks very much.

Steve Bromley: Thanks, Peter. Take care.

Peter Prattas: Thank you.

Operator: And our next question comes from (Brandt Jacks) of RBC Capital Markets. Please go ahead.

(Brent Jallin): Hi, guys. It's (Brent Jallin) on for (Ed Aaron). Good quarter.

Steve Bromley: Hey. Thanks, (Brent). Nice to talk to you.

(Brent Jallin): Quick question on kind of margins and sustainability of margins. Trying to get some sense of – I mean obviously operating margins in the Ingredients Group were really good. They were also you know pretty good in grains and fruits, and there's been some kind of improvement in pretty much – in pretty much all the businesses. I'm trying to get a sense for how sustainable those margins are for the rest of the year and into next year and where you guys feel like kind of a general operating margin sort of target area is for 2010. I know you don't want to give any guidance, but I guess we're just trying to get some sense of where you think – you know what your goals would be and maybe you know what you think that range looks like.

Steve Bromley: Yes, you're right; we're not giving guidance. But you know I think we've been quite public about you know our objective of getting the business to 8% operating margins, and that's where we're heading. You know we'd like to see sequential improvement as we work with all of

our businesses you know and that's what we're targeting is – and I know that's not what you asked me.

(Brent Jallin): Is there any seasonality that we should keep in mind with respect to the – to the operating margin? I mean is there any reason why they wouldn't continue to get better you know from a – from a seasonal perspective?

Tony Tavares: It's Tony Tavares. What I'd say to that is that there's a large and ever-growing number of initiatives to improve what – how we do things across the company, from you know from finance to ordering to producing, you name it. It's being reviewed. Over time, we fully expect that to have benefits. You take out costs, you streamline; things will improve.

As I said before, unfortunately, a lot of those things that are beginning to happen are coming – are happening at a time when the general economy isn't doing very well and serve the (mass) in progress. The other thing is that as we clean up inventory and sort of reduce it, rationalize, bring it in line you know focus more on less items, certain items you liquidate and clear out, we think we've done a lot of the heavy lifting. But as Steve mentioned, there's still more to do.

So I would say to fully expect things to improve over time. I personally don't have a target. It's just never enough. And you know sort of in a – I guess a competent way or sort of a – how do I put it, not a – not a discouraging way, you always question what you do and you expect to do better.

So other than that, I don't think we're really prepared to answer more than that. Hopefully that's good enough.

(Brent Jallin): OK. I appreciate it. Thanks, guys.

Steve Bromley: Take care, (Brent).

Operator: Thank you. And our next question comes from Bob Gibson of Octagon Capital. Please go ahead.

Bob Gibson: Good morning, everybody.

Steve Bromley: Good morning.

Tony Tavares: Good morning, Bob.

Bob Gibson: Shoot. Pardon me.

Operator: Pardon me. We'll go to the next question, which is ...

Steve Bromley: What happened to Bob? What happened to Bob?

Tony Tavares: Oh, we get ((inaudible)). OK.

Operator: We'll take the next question from Chris Krueger of Northland Securities. Please go ahead.

Chris Krueger: Hi. Good morning, guys.

Steve Bromley: Good morning, Chris.

Tony Tavares: Hi.

Chris Krueger: A couple of questions ago in your presentation you talked about investments to go out to the club store, I believe frozen fruit.

Steve Bromley: Yes.

Chris Krueger: Can we assume that there's some things in the works where you know that it'll be put to use right away, or what leads you to ...

Steve Bromley: You know I think – Chris, this is – this is a certain technology that you know we can use in many places and that what we – that we feel will lead to incremental opportunities in those formats.

Tony Tavares: Yes, it's sort of an investment and increased opportunity in existing customers, we believe, and it also provides an opportunity to go after customers that we can't service right now.

Chris Krueger: OK. You also mentioned a loss of an aseptic refrigerated contract. What is the timing of that loss?

Steve Bromley: The loss is sort of late in the third quarter. This isn't for product that we directly produce ourselves. We use third parties so it doesn't effect our existing you know internal operations ...

Tony Tavares: Aseptic.

Steve Bromley: ... on the aseptic side at all. But sort of it'll transition itself late third quarter.

Chris Krueger: OK, and on that – on that note, on the aseptic note, in Modesto, I know it's just the first couple of months into it, but have you been able to expand any of your existing aseptic accounts, add new ones? Is it positive for margins so far?

Steve Bromley: Yes, I would say it's – I said its operating and sales are within our expectations. You know the slow economic conditions as the result – the sales results aren't quite as robust but still well within what we expected. We're going to be operating from here to the end of the year probably at 2/3 capacity in those two lines, and next quarter you know inching up to maybe 80% in the fourth quarter, and the real good news to recall is that there's room for six more lines in that facility, and even with the two lines we're operating now at the run rates we're achieving, we're pretty much at breakeven. So although it's not a tremendous upside or a lift this year, anyone on the call who sort of understands operations when you've got two out of eight possible lines and you're near breakeven, we're pretty confident that thing long-term is going to be a winner.

Chris Krueger: OK, and then as far as adding new accounts and things like that, have you ...

Steve Bromley: Lots of products, lots of ideas, lots of – lots of lines in the water.

Tony Tavares: But we have added some new accounts, Chris, and they're being produced now.

Chris Krueger: OK. All right, and then just in general, besides the customer loss you indicated, had there been any other you know sort of significant gains or losses in recent months?

Steve Bromley: Tony mentioned earlier that there's been some you know incremental fiber opportunities that have been realized. We're not at liberty to discuss who those accounts are. So that's been positive. That would be sort of the largest – that would be the biggest on the gaining side.

Chris Krueger: OK, then last, as far as the commodity environment and you know and the impact that that can have on you know time to hedge things or just the overall sense of predictability and control over that aspect of the business, how has that been this year versus the last couple of years?

Steve Bromley: We feel it's under pretty – you know under control. I mean where we can hedge, we do.

Where we can't hedge, we try and make sure that we have back-to-backs in place so that we're not you know exposing ourself, and obviously, with our efforts to reduce inventory that – you know not only does that improve the balance sheet, it obviously removes some risk from the balance sheet in the event that you know you end up long on a product. So I'd say the environment is well under control.

Chris Krueger: All right. That's all I got. Thanks.

Steve Bromley: Thanks, Chris. Bye-bye.

Operator: Thank you. And our next question comes from Scott Van Winkle with Canaccord Adams.

Please go ahead.

Scott Van Winkle: Thank you. So Tony, when you're talking about fiber being down from a year ago, it's fair to say that you haven't lost any customers there. It's just a lower level of activity on the customers you currently have?

Tony Tavares: Yes. I would – it was – I mentioned in the last earnings call, it was one of the surprises in the first quarter that you know our fiber sales year-over-year with existing customers actually down slightly, and as I mentioned earlier, that gap sort of closed, and second quarter was pretty even to last year, call it. Going forward, we've gained some new business, as Steve just mentioned, so you know the outlook on the volumes side looks a lot – looks a lot better in the second half.

The other – the other thing is that we expect fairly significant pronouncements from people in the industry on new uses for fiber, and that's a trend that is definitely there. So even though the –

you know the first quarter, second quarter demand was lower and kind of caught us off guard, we're still very bullish on how it looks going forward.

Scott Van Winkle: Is it – is it soy or oat that seems to be – that the new business might be coming into?

Tony Tavares: Yes, I – we've actually landed nice sales contracts on both. But the belief here is that the potential for oat fiber is – outpaces soy quite a bit.

Scott Van Winkle: Is there any impact on your supply of you know oat holes coming out of you know Quaker Oats or whoever it may be?

Tony Tavares: No, we've – with – you know with the additional volumes we're looking at, we've had several planning sessions, and you know supply shouldn't be an issue at all.

Scott Van Winkle: Do you guys have kind of a big picture thought about the soymilk category overall? I think the last thing I heard or the conversation I had with somebody in that industry is that it was relatively flat. Like someone else told me it was – it was down. I'm wondering what you guys see, not just your business but kind of overall. Obviously you know what's going on in the category?

Steve Bromley: Yes, sales I mentioned sort of sales in general were you know were sluggish in soymilk. I mean what we're doing, we're – you know we have accounts there. We – you know there's new opportunities for new accounts in soymilk. The aseptic lines as well you know are flexible. So you can run a lot of other products on those lines, and we're focusing a lot of R&D initiatives to do just that.

Scott Van Winkle: OK, and I know you don't want to give guidance, but this third quarter's always you know the choppy you know possibilities, I always use a term you know kind of bottom-of-the-

barrel when you get to the end of last year's crop cycle. Is there anything we should kind of be watching out for? Is – you know are you running out to the spot market in some ingredients? I would assume not with the lower demand. Is there – is there anything we have to you know kind of keep an eye on?

Steve Bromley: Interesting question. I – let's see, I don't think there's anything that you know is a specific concern. I mean I don't think we're sitting exposed in any of the – I don't think so, Scott. That's a tough one to answer, but no.

Tony Tavares: Yes, I mean there's nothing that's out of sync. I mean we're going to continue to hammer away on the themes that we talked about.

Steve Bromley: Yes.

Tony Tavares: ... but that's – you know there's nothing. So we're not aware of anything.

Scott Van Winkle: OK, great. Thank you very much.

Steve Bromley: Thanks, Scott.

Operator: Thank you. And our next question comes from Sarah Lester of Sidoti & Company. Please go ahead.

Sarah Lester: Good morning.

Steve Bromley: Good morning, Sarah.

Tony Tavares: Morning. Morning.

Sarah Lester: Just had one question with respect to the vegetable oil refining plant in Colorado. Are there going to be startup costs there like we saw with the Modesto plant, and if so, how much?

Tony Tavares: Won't be – won't be anywhere near the – you know the size of Modesto. It's not anywhere near the size of investment or facility. But there will be some in the – late in the third quarter.

Sarah Lester: OK. OK, that's all. Thank you.

Steve Bromley: Thank you.

Operator: Thank you, and our next question comes from Keith Howlett of HR Desjardin. Please go ahead.

Keith Howlett: Yes, just on the beverage category, are the trends in rice and almond drinks, are they similar to soymilk?

Steve Bromley: I think that they're showing – you know they're – those categories are not as mature or developed, and so I think there's still some growth occurring in those categories.

Keith Howlett: And I see sort of a proliferation. I don't know if the volume's big enough of beverages made from you know other nuts or other products. Are those all things that you could do ...

Steve Bromley: Yes.

Keith Howlett: ... at Modesto, or ...

Steve Bromley: Yes, we do a lot of them at Alexandria today and certainly could be accommodated and will – some of them will be accommodated at Modesto. So you know just to keep in mind, we pack beyond soy, we do ...

Tony Tavares: Soups ...

Steve Bromley: ... soups – well, we do rice, we do almond, we do teas. So we do a lot of other products as well, and Tony was talking about the flexibility of those – of the equipment that we have and the processes that we have. So it's certainly an area of opportunity for us.

Tony Tavares: Without sort of being too comical, literally from soup to nuts as I sort of smile at Steve here. But there's a lot of flexibility in those lines as long as the – and my limited understand, as long as the viscosity of the product is a certain – is below a certain amount, you can do quite a bit there.

Keith Howlett: Yes, I'll play (Harpo Marx), yes. The – on the – on the contract you lost, did you say it was refrigerated aseptic?

Steve Bromley: No, refrigerated soymilk.

Keith Howlett: Just refrigerated. OK.

Steve Bromley: Yes, aseptic's the 1-year shelf life, and refrigerated's the dairy ...

Keith Howlett: Right. So you were just making the concentrate for that, is that it?

Tony Tavares: Right. Right, soy-based.

Keith Howlett: And just on the – on a completely unrelated topic, is there any new news on the – on the talks with the China Petroleum company or the China Ethanol Agency on the Bioprocess?

Steve Bromley: Yes. No, there hasn't been much progress. You know we continue to get pretty much the same message, that it's in the budget and the plans are there, but when they decide to move forward is not known, and so unfortunately we don't have a lot of progress to report there.

Keith Howlett: And then just is it possible – is it – is there any early indication on the new launches as to how the customers are receiving them ...

Steve Bromley: The ...

Keith Howlett: ... and I'm thinking of the health and wellness and (Cavon) product and things.

Tony Tavares: Yes, it's still – it's still too early to determine that you know the pull-through at the consumer level. As I said, the customer reaction at the – you know the chains has been really outstanding. We have a lot of – we have a lot of confidence that their products will be well received, but it is – you know they're coming to market at a soft – at a soft time, and so you know the impact this year, as I mentioned, won't be as positive as we had planned. We're still very confident it's the right thing to do and that it should have a lot of impact going forward. But too early to tell at the consumer level ...

Keith Howlett: And ...

Tony Tavares: ... not until the fourth quarter. The fourth quarter we're going to get a good indication of what the pool is like.

Keith Howlett: And just on a housekeeping, do you happen to have the basic and diluted share count?

Steve Bromley: Yes ...

Male: Excuse me.

Tony Tavares: Some scrambling will ...

Steve Bromley: We've got it here. The basic number is 64,736 – 64,737. And the diluted is 64,852.

Keith Howlett: Great. Thank you very much.

Steve Bromley: Thanks, Keith. Hello?

Operator: Hello. Our next question comes from (William Dittle) of (Gatto Group). Please go ahead, sir.

(William Dittle): Gentlemen, good morning.

Steve Bromley: Good morning.

Tony Tavares: Good morning.

(William Dittle): Yes, congratulations on the turnaround.

Steve Bromley: Thank you.

(William Dittle): Just regarding the organic certification standards, on the equivalency factor between
Canada and the U.S.

Steve Bromley: Right.

(William Dittle): Does SunOpta foresee any advantages in sourcing or margins in the ingredients group there?

Steve Bromley: I wouldn't say that we see any improvement in margins. We're pleased to see the equivalency standards be accepted. You know it takes a level of complexity and confusion out for consumers. So that's all – that's all real good. But I don't think that we benefit in a margin basis.

(William Dittle): OK, and then regarding, let's see, the retail inventories and you know lower accounts receivables, are you guys seeing more efficiency on quicker turnover, more often turnover on products?

Steve Bromley: You're asking for operations?

(William Dittle): Yes, just when shipping out and you know you guys are ...

Steve Bromley: Yes, sure. It's just – it's just less – you know less items to build, more – you know everything improves if you can achieve sales, the same amount of sales with fewer items. It just drives everything, and it's – you know so far you know the rationalizations have been – you know it's that old 80/20 rule and you know that's what we're doing. But we're still early on in the – in the process, and we expect to see quite a bit more going forward.

(William Dittle): OK.

Steve Bromley: But everything improves when you can make the same sales on less items.

(William Dittle): OK, and then going back to fruit snacks, are you guys seeing improvements in margins now? I know you guys talked about coming on with some new products. You know it's like a real large growth area for all segments of the people, demographics. Are you guys still seeing improved margins? I know you guys hit profitability there a couple of quarters ago.

Steve Bromley: I mean the margins are, as I mentioned, are principally improved because of changes in the operations and the efficiencies we made through – you know mostly through the Lean initiatives, and you know the team there you know has really done a great job turning around that operation from a – from a client perspective. Going forward, we think that's a category that's very underdeveloped. You know really it's a category to be developed, so you know a lot of the customers that we have, they're first entries into the marketplace and we think there's a lot of potential to use fruit snacks as a – as a way to deliver a lot of other nutrition and other benefits to consumers of all ages. So there's a lot of items in progress, and as I said, it's really a category that we intend to put at the forefront of our innovation and marketing.

(William Dittle): OK, moving over to (bell) process, what can investors expect from the Central Minnesota Ethanol Collaborative Partners Project in the next 6 months? I know you guys said you're closing in on a feasibility study in the third quarter. Is there anything else you guys can shed some light on there?

Steve Bromley: Well, no. You know we're in the – deep in the midst of the feasibility study. It's scheduled to be completed you know over the next 6 months, and you know at that stage of the game you know we'll have a very clear direction on how we move forward.

(William Dittle): OK, and then in regards to the work you guys are doing with University of Toronto, do you guys see anything kind of coming out of that in terms of you know a good dual licensing agreement or something like that similar to what we saw with the University of Florida and Verenum. Do you guys – is there any kind of potential for joint work there, or ...

Steve Bromley: You're talking about the lab work that we're doing with – through the Bioprocess Group?

(William Dittle): Yes, and would you – would we see kind of like a dual licensing or kind of situation there if anything really good came out of that or ...

Steve Bromley: I suppose that could happen, but that's really not the focus of what it is that we're doing.

(William Dittle): And then can you guys just talk about anything with the Xylitol project. You guys have been doing – going with that for a while. How – what's the progress there, and then what is that looking like?

Steve Bromley: Well you know we've been working with and have been provided laboratory services to an organization involved in the potential production of Xylitol, and I think we've made good progress in that regard, and there'll be some interesting applications. I really can't comment on the current status of that, but we're making progress.

(William Dittle): OK, great. Thanks, guys.

Steve Bromley: Take care. Thanks.

Operator: Thank you, and our next question comes from Ron Rubin of Rubin Enterprises. Please go ahead.

Ron Rubin: Hey, guys. How are you?

Steve Bromley: Good, Ron. How you doing?

Ron Rubin: All right. I guess I wanted to find out a little bit more as far as the commercial plant that you were building I guess with the partnership. What stage is it at at this point?

Steve Bromley: Yes, that was the last question, Ron, and that's the feasibility study that's ongoing with CMEC Central Minnesota Ethanol Partners, and we're involved with two other parties, and we're – you know there's a lot of pilot plant work being done at this time to prove out and you know make a determination on how and when to go forward.

Ron Rubin: OK, and as far as – I know you mentioned before in regards to the China Resource and Alcohol, you don't really have any progress on that. But what about some of the other contracts in China? Is there anything else developed at all, or ...

Steve Bromley: No, they're all kind of in that same zone.

Ron Rubin: OK and I know in the past you were talking about potentially, or eventually spinning off the Bioprocess Group you know once I guess it becomes a little bit more stable. Is that still in the cards you know with the I guess the new plan that's been – the profit margins plan that you guys have, or is that something that you don't – you're not really thinking about right now?

Steve Bromley: Well you know we've often said that we feel that you know we need to allow the cellulosic ethanol business to continue to develop, and we need to have demonstrable processes and operations, and at that time you know some sort of a transaction makes some sense. So we're sort of working true, and that's the longer-term objective.

Ron Rubin: OK. OK, that's it.

Steve Bromley: Great. Thanks a lot, Ron.

Ron Rubin: Thank you.

Operator: Thank you. And our next question comes from (Ron Pott), private investor. Please go ahead.

(Ron Pott): Morning.

Steve Bromley: Good morning.

Tony Tavares: Good morning.

(Ron Pott): You've mentioned that China, all is quiet on that cellulosic front. Do you have any lines in the water here in the states or in other countries regarding potential contracts?

Steve Bromley: Yes, we do.

(Ron Pott): You've talked in the past about discussions with large biocompanies. Is that ongoing, and if so, was there any progress?

Steve Bromley: Yes, we're having ongoing discussions with a number of parties that are very logical from a strategic perspective, and those continue.

(Ron Pott): Is the business model the same as it's been, or with the lack of contracts that seem to be progressing, is there focus more in other areas of that industry?

Steve Bromley: Well you know we continue to have the two-front model, one you know being a provider of services, both pilot lab and technology. You know that's one part of the business model that we have.

The second model is entering into a strategic ventures and joint ventures that allow us to get into the production of cellulosic ethanol and to prove out the technology further, and that model hasn't changed. You know, clearly – and as I indicated in our comments, on the base side, being the production of equipment and the provision of services you know we've just recently launched a modular smaller-scale, pilot-scale system, which we – which we truly believe is better suited for where the markets are today.

You know, there are a lot of people wanting to get into this category, but the costs of entry are quite high, and so coming up with this smaller-scale, lower-cost modular system really makes a lot of sense. It's been well received in the initial stages, and we hope that that will be one of a number of items that we have in place that will allow us to draw more attention to both our technology and to the category.

(Ron Pott): You mentioned the government's 16 billion gallon target. Given the lack of progress industry-wide and getting commercial plants built, is that figure still what you're using in your business model, or do you think it's going to be something less?

Steve Bromley: Well, that's what they're building into the standards you know and I think I've been clear that that's a lot of – that's a lot of production capability to come on line in 13 years. It's going to take a lot of money and a lot of people focused on it. You know those standards ramp up very slowly. So it's not like you know the governments are looking for you know 5 billion gallons in the next year. I don't have the ramp-up in front of me, but it's very small in the initial days. So you know we still think it's – that's what we're looking at.

Male: I don't – I'm not directly involved in this, but you know sort of participate in some sessions. I think the focus here is to really try to get a large segment of the pilot plant activity, which is where we believe the majority of the activity will be for the next little while, and then the timing, as it goes to

commercial, is perhaps a little bit down the roads. But we'll hopefully we'll make some inroads and have the technology that people want to use.

(Ron Pott): On the CMEC feasibility study, of the work that's been done to date, has everything been positive, or have there been any hiccups that have come along?

Steve Bromley: I'm not aware of any major problems that they've encountered.

(Ron Pott): OK, and do you have a timeframe on the litigation environment process for resolution?

Steve Bromley: That – you know as we have disclosed, that was scheduled for arbitration in July, the last week of July. It did take place in the last week of July. It wasn't completed, so I believe that the second phase is late in the fall, in the October time period ...

(Ron Pott): Thank you very much.

Steve Bromley: ... after that.

Operator: Thank you.

Steve Bromley: Great.

Operator: And our next question comes from (George Harvey), private investor. Please go ahead.

(George Harvey): Yes, good morning.

Steve Bromley: Good morning.

Tony Tavares: Good morning, certainly.

(George Harvey): My question concerns past occurrences of loss due to issues with inventory control, contamination through not following quality control procedures, which at that time were established. And what I'm looking for today is to see if you can speak to what risk-adverse programs are now in place to avoid those past missteps and mishaps that led to loss or significant impact and damage to the corporate stock issue.

Male: As I mentioned – as I mentioned before, there's a lot of factors involved, and you know the – you know three-way part of it was a – was a minor part of it. But just on the QA piece, specifically with purchases from overseas, just a change in the protocol and in the level of testing done you know prior to, emphasis is a lot more on prevention rather than testing after the fact. So there's specific changes that are made, and things always – you know can always happen. We believe we've taken a lot of steps to reduce that dramatically.

As far as the other pieces, it's – you know sales climbing process, sales forecasts and how much you produce to that, how much you put up and the type of business we are, that's not necessarily an easy process, and again, it's a process that we continue to improve. There's been a lot of Lean activities in the various divisions that have been dedicated to that, and it's really about getting down to the details and improving sales forecasts and doing a lot of that stuff you know – you know more properly. It's also about addressing issues a lot more quickly. So for example you know rather than jumping on a – on a potential inventory issue after 6 months, sort of address it after 2. You get a lot of – it's a lot of that type of directional changes that we've made.

(George Harvey): So would you say that currently you have revamped the risk practices, policies and control measures to avoid the possibility of these occurrences to a significant degree?

Steve Bromley: (George), we're continually revising our practices and standards and improving them.

We believe we've made excellent progress with our QA procedures, with our risk management procedures. We're always working to improve them. You know as Tony would tell you, what's good today isn't good enough tomorrow, and let's continually improve and raise the bar, and we're doing that.

Tony Tavares: Yes, but I honestly believe that – I mean we've got better process today certainly than before, and it will continue to get better.

(George Harvey): One last question, if I may. Coming to the end of the year, do you anticipate that your relationship going forward with your banking syndicate will be normalized?

Steve Bromley: Eric, do you want to take ...

Eric Davis: Yes, what do you mean by normalized?

(George Harvey): Well, there have been certain arrangements made during this current year that abrogate the prior relationship or the understanding between you and the funding syndicate. There have been certain concessions made, and I assume that you're paying some price for that. Do you anticipate going into the New Year, that there'll be a normalized relationship that won't require these special considerations?

Eric Davis: Yes. You know as you know in the first quarter we did have that waiver on the covenants, two of the covenants anyway, and amendments for the covenants for the remaining part of this year, and I believe that's what you're referring to. We are currently in process, and we've been working directly with our syndicate and having good results on this on redoing the main operating part of our loan. That's the one that was usually – came due every June each year, and it got extended out to December of this year, and you know certainly the results that we had in this

quarter are certainly not going to hurt our relationships with the banks and certainly will strengthen them. We're in contact you know if not on a monthly basis, weekly basis with the syndicate, and we'll have this all finalized here, as we mentioned in the call earlier, well before the end of this year. So we've got a really good working relationship with the syndicate right now.

(George Harvey): Thank you very much for responding to my questions, and I hope you gentlemen are very successful going forward on what you've been trying to do and what you've outlined this morning.

Steve Bromley: Great. Thank you ...

Eric Davis: Thank you very much ...

Steve Bromley: ... take care.

Operator: Thank you. And there are no further questions at this time. Please continue.

Steve Bromley: Well, great. Thank you very much. I thank everyone for joining the call today and for your continued interest in the company, and as always, should you wish to speak to any of the senior management, please don't hesitate to call, and we look forward to chatting with you, if not before, when we report our results for the third quarter.

Take care, and thank you.

END