SunOpta Inc.
Form 10-Q
May 13, 2010

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended **April 3, 2010**

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _________ to _________ .

Commission file number: 001-34198

SUNOPTA INC.
(Exact name of registrant as specified in its charter)

CANADA	**Not Applicable**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
2838 Bovaird Drive West **Brampton, Ontario L7A 0H2, Canada**	**(905) 455-1990**
(Address of principal executive offices)	(Registrant s telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes [X] No [ ]

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

Yes [ ] No [ ]

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

Large accelerated filer [ ]	Accelerated filer [X]
Non-accelerated filer [ ] (Do not check if a smaller reporting company)	Smaller reporting company [ ]

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes [ ] No [X]

Aggregate market value of the common shares held by non-affiliates of the registrant, computed using the closing price of the NASDAQ Global Select Market for the registrant s common stock on May 3, 2010 was $299,992,020. The registrant s common shares trade on the NASDAQ Global Select Market under the symbol STKL and on the Toronto Stock Exchange under the symbol SOY.

The number of shares of the registrant s common stock outstanding as of May 3, 2010 was 65,065,907.

SUNOPTA INC.

FORM 10-Q
For the quarterly period ended April 3, 2010

All financial information is expressed in United States Dollars. The closing rate of exchange on May 3, 2010 was CDN $1 = U.S. $0.9895.

Forward-Looking Statements

This report contains forward-looking statements which are based on our current expectations and assumptions and involve a number of risks and uncertainties. Generally, forward-looking statements do not relate strictly to historical or current facts and are typically accompanied by words such as anticipate, believe, expect, could, might, pl and words and phrases of similar impact and include, but are not limited to references to proposed operational consolidation, reduction of non-core assets and operations, business strategies, plant and production capacities, revenue generation potential and anticipated construction costs, competitive strengths, goals, capital expenditure plans, business and operational growth and expansion plans, anticipated operating margins and operating income increases, gains or losses associated with business transactions, cost reductions, rationalization and improved efficiency initiatives, proposed new product offerings, and references to the future growth of the business and global markets for the Company s products. These forward-looking statements are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. These forward-looking statements are based on certain assumptions and analyses we make in light of our experience and our interpretation of current conditions, historical trends and expected future developments as well as other factors that we believe are appropriate in the circumstance.

Whether actual results and developments will agree with our expectations and predictions is subject to many risks and uncertainties including, but not limited to, general economic, business, weather or market risk conditions; the achievement of business forecasts; the outcome of any pending litigation; competitive actions by other companies; changes in laws or regulations or policies of local governments in the regions where the Company operates; construction delays; and labour issues, many of which are beyond our control. Consequently all forward-looking statements made herein are qualified by these cautionary statements and there can be no assurance that our actual results or the developments we anticipate will be realized. For a fuller discussion of the risks facing us and our operations refer to Item 1A, Risk Factors, in our December 31, 2009 Form 10-K.

PART I - FINANCIAL INFORMATION

Item 1 Financial Statements

Consolidated Financial Statements

SunOpta Inc.

For the quarters ended April 3, 2010 and March 31, 2009

(Unaudited)

SunOpta Inc.
Consolidated Statements of Operations
For the quarters ended April 3, 2010 and March 31, 2009
Unaudited
(Expressed in thousands of U.S. dollars, except per share amounts)

	Quarter ended April 3, 2010 $	Quarter ended March 31, 2009 $
Revenues	**266,100**	232,074
Cost of goods sold	**217,205**	198,427
Gross profit	**48,895**	33,647
Warehousing and distribution expenses	**6,029**	4,461
Selling, general and administrative expenses	**32,171**	26,852
Intangible asset amortization	**1,443**	1,431
Other expense (income), net (note 10)	**461**	(186)
Foreign exchange (gain) loss	**(1,469)**	1,263
Earnings (loss) before the following	**10,260**	(174)
Interest expense, net	**3,121**	2,871
Earnings (loss) before income taxes	**7,139**	(3,045)
Provision for (recovery of) income taxes	**2,498**	(1,066)
Earnings (loss) for the period	**4,641**	(1,979)
Earnings (loss) for the period attributable to non-controlling interests	**28**	(322)
Earnings (loss) for the period attributable to SunOpta Inc.	**4,613**	(1,657)
Earnings (loss) per share for the period (note 4)		
Basic	**0.07**	(0.03)
Diluted	**0.07**	(0.03)

(See accompanying notes to consolidated financial statements)

SunOpta Inc.
Consolidated Statements of Comprehensive Earnings (Loss)
For the quarters ended April 3, 2010 and March 31, 2009
Unaudited
(Expressed in thousands of U.S. dollars, except per share amounts)

	Quarter ended April 3, 2010 $	Quarter ended March 31, 2009 $
Earnings (loss) for the period	**4,641**	(1,979)
Currency translation adjustment	**690**	(4,536)
Change in fair value of interest rate swap, net of tax	**120**	49
Other comprehensive earnings (loss) for the period, net of tax	**810**	(4,487)
Comprehensive earnings (loss) for the period	**5,451**	(6,466)
Comprehensive loss for the period attributable to non-controlling interests	**(199)**	(621)
Comprehensive earnings (loss) for the period attributable to SunOpta Inc.	**5,650**	(5,845)

(See accompanying notes to consolidated financial statements)

SunOpta Inc.
Consolidated Balance Sheets
As at April 3, 2010 and December 31, 2009
Unaudited
(Expressed in thousands of U.S. dollars, except per share amounts)

	April 3, 2010 $	December 31, 2009 $
Assets		
Current assets		
Cash and cash equivalents (note 11)	**22,340**	20,723
Accounts receivable	**118,967**	94,241
Inventories (note 2)	**172,051**	178,140
Prepaid expenses and other current assets	**11,440**	10,813
Current income taxes recoverable	**37**	442
Deferred income taxes	**5,457**	5,457
	330,292	309,816
Property, plant and equipment	**114,699**	113,245
Goodwill	**50,270**	49,717
Intangible assets	**58,750**	60,902
Deferred income taxes	**14,661**	14,734
Other assets	**2,470**	2,876
	571,142	551,290
Liabilities		
Current liabilities		
Bank indebtedness (note 5)	**85,844**	63,481
Accounts payable and accrued liabilities	**94,457**	106,253
Customer and other deposits	**3,981**	1,436
Other current liabilities	**2,447**	1,566
Current portion of long-term debt (note 6)	**67,218**	52,455
Current portion of long-term liabilities	**181**	712
	254,128	225,903
Long-term debt (note 6)	**18,775**	34,734
Long-term liabilities	**3,326**	3,247
Deferred income taxes	**13,413**	12,708
	289,642	276,592
Preferred shares of a subsidiary company	**28,288**	28,187
Equity		
SunOpta Inc. shareholders equity		
Capital stock (note 3)	**178,901**	178,694
65,065,907 common shares (December 31, 2009 - 64,982,968)		

Additional paid in capital (note 3)	**8,734**	7,934
Retained earnings	**38,759**	34,146
Accumulated other comprehensive income	**13,116**	12,079
	239,510	232,853
Non-controlling interest	**13,702**	13,658
Total equity	**253,212**	246,511
	571,142	551,290

Commitments and contingencies (note 8)
Subsequent events (note 13)

(See accompanying notes to consolidated financial statements)

SunOpta Inc.
Consolidated Statements of Shareholders Equity
As at and for the quarters ended April 3, 2010 and March 31, 2009
Unaudited
(Expressed in thousands of U.S. dollars, except per share amounts)

	Capital stock $	Additional paid in capital $	Retained earnings $	Accumulated other comprehensive income (loss) $	Non-controlling interest $	Total $
Balance at December 31, 2009	**178,694**	**7,934**	**34,146**	**12,079**	**13,658**	**246,511**
Employee share purchase plan and compensation grants	**207**	**-**	**-**	**-**	**-**	**207**
Issuance of warrants (note 3)	**-**	**441**	**-**	**-**	**-**	**441**
Stock based compensation	**-**	**359**	**-**	**-**	**-**	**359**
Earnings for the period	**-**	**-**	**4,613**	**-**	**28**	**4,641**
Currency translation adjustment	**-**	**-**	**-**	**957**	**(267)**	**690**
Non-controlling interest contributions		**-**	**-**	**-**	**243**	**243**
Change in fair value of interest rate swap, net of tax	**-**	**-**	**-**	**80**	**40**	**120**
Balance at April 3, 2010	**178,901**	**8,734**	**38,759**	**13,116**	**13,702**	**253,212**

	Capital stock $	Additional paid in capital $	Retained earnings $	Accumulated other comprehensive income (loss) $	Non-controlling interest $	Total $
Balance at December 31, 2008	177,858	6,778	40,909	1,266	15,102	241,913
Employee share purchase plan and compensation grants	198	-	-	-	-	198
Stock based compensation	-	253	-	-	-	253
Loss for the period	-	-	(1,657)	-	(322)	(1,979)
Currency translation adjustment	-	-	-	(4,220)	(316)	(4,536)
Change in fair value of interest rate swap, net of tax	-	-	-	32	17	49
Balance at March 31, 2009	178,056	7,031	39,252	(2,922)	14,481	235,898

(See accompanying notes to consolidated financial statements)

SunOpta Inc.
Consolidated Statements of Cash Flow
For the quarters ended April 3, 2010 and March 31, 2009
Unaudited
(Expressed in thousands of U.S. dollars, except per share amounts)

	Quarter ended April 3, 2010 $	Quarter ended March 31, 2009 $
Cash provided by (used in)		
Operating activities		
Earnings (loss) for the period	**4,641**	(1,979)
Items not affecting cash		
Amortization	**4,972**	4,731
Unrealized gain on foreign exchange	**(1,092)**	(525)
Stock-based compensation	**800**	253
Deferred income taxes	**1,290**	(1,798)
Other	**889**	(728)
Changes in non-cash working capital (note 7)	**(25,835)**	(4,474)
	(14,335)	(4,520)
Investing activities		
Increase in short-term investments	**-**	(16,500)
Purchases of property, plant and equipment, net	**(6,312)**	(4,588)
Payment of deferred purchase consideration	**(500)**	(500)
Purchase of patents, trademarks and other intangible assets	**(42)**	(64)
Other	**296**	50
	(6,558)	(21,602)
Financing activities		
Increase in line of credit facilities	**23,386**	12,002
Borrowings under long-term debt	**-**	716
Proceeds from the issuance of common shares	**207**	198
Repayment of long-term debt	**(1,102)**	(4,019)
Other	**(188)**	69
	22,303	8,966
Foreign exchange gain (loss) on cash held in a foreign currency	**207**	(194)
Increase (decrease) in cash and cash equivalents during the period	**1,617**	(17,350)
Cash and cash equivalents - beginning of the period	**20,723**	24,755
Cash and cash equivalents - end of the period	**22,340**	7,405

Supplemental cash flow information (notes 7 and 11)

(See accompanying notes to consolidated financial statements)

SunOpta Inc.
Notes to Consolidated Financial Statements
For the quarters ended April 3, 2010 and March 31, 2009
Unaudited
(Expressed in thousands of U.S. dollars, except per share amounts)

1. Basis of presentation, fiscal year-end and new accounting pronouncements

Basis of presentation

The interim consolidated financial statements of SunOpta Inc. (the Company) have been prepared in accordance with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X and in accordance with accounting principles generally accepted in the United States of America. Accordingly, these financial statements do not include all of the disclosures required by generally accepted accounting principles for annual financial statements. In the opinion of management, all adjustments considered necessary for fair presentation have been included and all such adjustments are of a normal, recurring nature. Operating results for the quarter ended April 3, 2010 are not necessarily indicative of the results that may be expected for the full year ending January 1, 2011. For further information, see the Company s consolidated financial statements, and notes thereto, included in the Annual Report on Form 10-K for the year ended December 31, 2009.

The interim consolidated financial statements include the accounts of the Company and its subsidiaries, and have been prepared on a basis consistent with the financial statements for the year ended December 31, 2009. Intercompany accounts and transactions have been eliminated on consolidation.

Fiscal year-end

On March 9, 2010, the Board of Directors of the Company approved a change to the Company s fiscal year period from a fiscal year ending on December 31 to a floating year-end on the Saturday closest to December 31, based on a 52 week calendar, wherein every fiscal quarter (except for the current quarter which included two additional days) is comprised of 13 weeks or 91 days. This change is effective for fiscal 2010, resulting in a year-end of January 1, 2011 and the quarterly periods for fiscal 2010 ending on April 3, July 3 and October 2. The fiscal year of Opta Minerals Inc., (Opta Minerals), which is 66.4% owned by the Company, ends on December 31, 2010, and its quarterly periods for fiscal 2010 end on March 31, June 30 and September 30. The consolidated statements of operations, cash flows and balance sheets for the Company in the current quarter include the results of Opta Minerals through March 31, 2010.

New accounting pronouncements

In June 2009, the Financial Accounting Standards Board (FASB) issued Accounting Standards Codification (ASC) Topic 810 (formerly Statement of Financial Accounting Standard (SFAS) No. 167, Amendments to FASB Interpretation No. 46(R)). This accounting standard is a revision to a previous FASB Interpretation and changes how a reporting entity evaluates whether an entity is a variable interest entity (VIE) and which entity is considered the primary beneficiary of a VIE and is therefore required to consolidate the VIE. This accounting standard will also require continuous reassessments of which party within the VIE is considered the primary beneficiary. ASC 810 became effective January 1, 2010. As a result of adopting this standard, the Company reassessed its investments and did not change its position as the primary beneficiary of its VIE s.

In January 2010, the FASB issued Accounting Standards Update (ASU) No. 2010-06, Improving Disclosures about Fair Value Measurements, which amends ASC Topic 820, Fair Value Measures and Disclosures. ASU No. 2010-06 amends the ASC to require disclosure of transfers into and out of Level 1 and Level 2 fair value measurements, and also requires more detailed disclosure about the activity within Level 3 fair value measurements. The Company adopted the guidance in ASU No. 2010-06 on January 1, 2010, except for the requirements related to Level 3 disclosures, which will be effective for annual and interim reporting periods beginning after December 15, 2010 (January 1, 2011 for the Company). This guidance requires expanded disclosures only, and did not have any impact on the Company s consolidated financial statements.

SunOpta Inc.
Notes to Consolidated Financial Statements
For the quarters ended April 3, 2010 and March 31, 2009
Unaudited
(Expressed in thousands of U.S. dollars, except per share amounts)

2. Inventories

	April 3, 2010 $	December 31, 2009 $
Raw materials and work-in-process	**71,248**	66,058
Finished goods	**95,901**	108,623
Company-owned grain	**13,488**	13,791
Inventory reserve	**(8,586)**	(10,332)
	172,051	178,140

3. Capital stock

(a) Capital Stock

Transactions involving capital stock in the quarter ended April 3, 2010 and the quarter ended March 31, 2009 were as follows:

	Quarter ended April 3, 2010 Number		**Quarter ended April 3, 2010 Amount**	Quarter ended March 31, 2009 Number		Quarter ended March 31, 2009 Amount
Balance, beginning of period	**64,982,968**	**$**	**178,694**	64,493,320	$	177,858
Common shares exercised by employees and directors	**-**		**-**	-		-
Common shares issued as part of the Company s employee stock purchase plan	**80,439**		**207**	196,841		198
Common shares issued to the Company s Chief Executive Officer as part of an award granted February 8, 2007	**2,500**		**-**	2,500		-
Balance, end of period	**65,065,907**	**$**	**178,901**	64,692,661	$	178,056

(b) Warrants

On February 5, 2010, the Company issued warrants pursuant to an Advisory Services Agreement. A fair value of $441 was assigned to these warrants, using the Black-Scholes option pricing model, and was expensed in full during the quarter with the offset recorded as an increase to additional paid in capital. Inputs used in the Black-Scholes option pricing model for the warrants were as follows:

	Quarter ended April 3, 2010
Number of warrants issued	**250,000**
Exercise price	**$3.25**

Expected volatility	**72%**
Risk-free interest rate	**2.5%**
Dividend yield	**0%**
Expected forfeiture rate	**0%**
Expected life (in years)	**5**

SunOpta Inc.
Notes to Consolidated Financial Statements
For the quarters ended April 3, 2010 and March 31, 2009
Unaudited
(Expressed in thousands of U.S. dollars, except per share amounts)

3. Capital stock, continued

(c) Options

There were no options granted in the quarter ended April 3, 2010. For the quarter ended March 31, 2009, 40,000 options were granted, using the following inputs to the Black-Scholes option pricing model:

	Quarter ended March 31, 2009
Number of options issued	40,000
Exercise price	$0.91 - $0.97
Expected volatility	68%
Risk-free interest rate	1.8%
Dividend yield	0%
Expected forfeiture rate	15%
Expected life (in years)	6

4. Earnings (loss) per share

The calculation of basic earnings per share is based on the weighted average number of shares outstanding. Diluted earnings per share reflect the dilutive effect of the exercise of warrants and options. The number of shares for the diluted earnings per share was calculated as follows:

	Quarter ended April 3, 2010 $	Quarter ended March 31, 2009 $
Earnings (loss) for the period attributable to SunOpta Inc.	**4,613**	(1,657)
Weighted average number of shares used in basic earnings per share	**65,004,317**	64,537,618
Dilutive potential of the following:		
Employee/director stock options	**529,752**	-
Warrants	**13,173**	-
Diluted weighted average number of shares outstanding	**65,547,242**	64,537,618
Earnings (loss) per share:		
Basic	**0.07**	(0.03)
Diluted	**0.07**	(0.03)

For the quarter ended April 3, 2010, options to purchase 1,310,825 common shares have been excluded from the calculations of diluted earnings per share due to their anti-dilutive effect. Due to the net loss for the quarter ended March 31, 2009, options to purchase 1,820,875 common shares were excluded from the calculation of diluted earnings per share due to their anti-dilutive effect.

SunOpta Inc.
Notes to Consolidated Financial Statements
For the quarters ended April 3, 2010 and March 31, 2009
Unaudited
(Expressed in thousands of U.S. dollars, except per share amounts)

5. Bank indebtedness

	April 3, 2010 $	December 31, 2009 $
Canadian line of credit facility (a)	**-**	-
U.S. line of credit facility (b)	**59,760**	44,130
Opta Minerals Canadian line of credit facility (c)	**4,368**	3,355
TOC line of credit facilities (d)	**21,716**	15,996
	85,844	63,481

(a) Canadian Line of Credit Facility:

The Company has a Canadian line of credit of Cdn $20,000 (U.S. - $19,833). As at April 3, 2010, $nil (2009 - $nil) of this facility was utilized, and there were no amounts committed through letters of credit. Interest on borrowings under this facility accrues at the borrower s option based on various reference rates including Canadian or U.S. bank prime, or Canadian bankers acceptances, plus a margin based on certain financial ratios. At April 3, 2010, the interest rate on this facility was 4.75%, calculated as Canadian prime plus a premium of 2.50%. The maximum availability of this line is based on a borrowing base which includes certain accounts receivables and inventories of the Company s Canadian business as defined in the Credit Agreement. At April 3, 2010, the borrowing base supported draws to the maximum line of credit.

(b) U.S. Line of Credit Facility:

The Company has a U.S. line of credit of $80,000. As at April 3, 2010, $62,135 (2009 - $45,754) of this facility was utilized, including $2,375 (2009 - $1,624) committed through letters of credit. Interest on borrowings under this facility accrues at the borrower s option based on various reference rates including U.S. bank prime, or U.S. LIBOR, plus a margin based on certain financial ratios. At April 3, 2010, the weighted average interest rate on this facility was 3.75%, based on LIBOR plus a premium of 3.50%. The maximum availability of this line is based on the borrowing base which includes certain accounts receivables and inventories of the Company s U.S. business as defined in the Credit Agreement. At April 3, 2010, the borrowing base supported draws to the maximum line of credit.

The above line of credit facilities as well as certain long-term debt balances (note 6) are collateralized by a first priority security against substantially all of the Company s assets in both Canada and the United States, excluding the assets of Opta Minerals, SunOpta BioProcess and The Organic Corporation.

The Company has certain financial covenants that it is measured against quarterly. See note 6 for a discussion of the Company s compliance with respect to these covenants.

(c) Opta Minerals Canadian Line of Credit Facility:

Opta Minerals has a line of credit facility of Cdn $15,000 (U.S. - $14,717). At April 3, 2010, Cdn $5,555 (U.S. - $5,509) (2009 - Cdn $4,686 (U.S. - $4,459)) of this facility has been utilized, including letters of credit in the amount of Cdn $1,150 (U.S. - $1,141) (2009 - Cdn $1,160 (U.S. - $1,104)). Interest on borrowings under this facility accrues at the borrower s option based on various reference rates including prime, U.S. dollar base rate, bankers acceptances or LIBOR plus a margin based on certain financial ratios of the Company. At April 3, 2010, the weighted average interest rate on this facility was 6.84% (2009 - 7.50%).

Opta Minerals line of credit facility, along with its unused portion of the revolving acquisition facility (note 6(c)), is subject to annual extensions, and were extended on July 30, 2009 to August 17, 2010.

SunOpta Inc.
Notes to Consolidated Financial Statements
For the quarters ended April 3, 2010 and March 31, 2009
Unaudited
(Expressed in thousands of U.S. dollars, except per share amounts)

5. Bank indebtedness, continued

(d) TOC Line of Credit Facilities:

The Organic Corporation (TOC) has a line of credit facility of €30,000 (U.S. - $40,671). At April 3, 2010, €17,770 (U.S. - $24,091) (2009 - €12,746 (U.S. - $18,247) of this facility had been utilized, including letters of credit in the amount of €2,347 (U.S. - $3,184) (2009 - €2,119 (U.S. - $3,034)). Interest on borrowings under this facility accrues at the borrower s option based on various reference rates including U.S. LIBOR and Euro LIBOR plus a premium of 1.85%. At April 3, 2010, the weighted average interest rate on this facility was 2.25%. The maximum availability of this line is based on a borrowing base which includes certain accounts receivables and inventories of TOC and its subsidiaries. At April 3, 2010, the borrowing base securing this facility supported draws to €18,418 (U.S. - $24,969) (2009 - €17,019 (U.S. - $24,364)).

A less-than-wholly owned subsidiary of TOC has line of credit facilities with availability of $1,377 (2009 - $1,394) which are fully guaranteed by TOC. As at April 3, 2010, $809 (2009 - $783) of these facilities had been used. Interest on borrowings under these facilities accrues at a base rate of 0.4% plus a premium of 6.00%, and a fixed rate of 9.75%. At April 3, 2010, the weighted average interest rate on these facilities was 8.4% (2009 - 8.6%) and TOC is in compliance with all requirements under this facility.

6. Long-term debt

	April 3, 2010 $	December 31, 2009 $
Syndicated Lending Agreement:	**45,000**	45,000
Term loan facility (a)		
Other Long-Term Debt:		
Opta Minerals term loan facility (b)	**9,105**	8,830
Opta Minerals revolving acquisition facility (c)	**12,279**	12,362
Subordinated debt to former shareholders of TOC (d)	**4,681**	4,944
Promissory notes (e)	**14,524**	15,504
Other long-term debt (f)	**247**	380
Term loan payables (g)	**51**	52
Capital lease obligations (h)	**106**	117
	85,993	87,189
Less: Current portion	**67,218**	52,455
	18,775	34,734

Details of the Company s long-term debt are as follows:

(a) Term loan facility:

The term loan facility balance at April 3, 2010 was $45,000 (2009 - $45,000). The entire loan principal is due December 20, 2010 and, at that time, is renewable at the option of the lender and the Company. Interest on the term loan facility is payable at a fixed rate of 6.44% plus a margin of up to 360 basis points based on certain financial ratios of the Company. As at April 3, 2010, the interest rate was 9.54% (2009 - 9.74%).

The term loan facility, and the U.S. line of credit facility (note 5), are collateralized by a first priority security against substantially all of the Company s assets in Canada, the United States and Mexico, excluding the assets of Opta Minerals, SunOpta BioProcess and TOC.

SunOpta Inc.
Notes to Consolidated Financial Statements
For the quarters ended April 3, 2010 and March 31, 2009
Unaudited
(Expressed in thousands of U.S. dollars, except per share amounts)

6. Long-term debt, continued

(b) Opta Minerals Term Loan Facility:

The term loan facility has a maximum available borrowing amount of Cdn $9,280 (U.S. - $9,105). This facility matures on July 30, 2012, is renewable at the option of the lender and Opta Minerals, and has quarterly principal repayments of Cdn $312 (U.S. - $309). At March 31, 2010, the term loan facility was fully drawn (2009 - Cdn $9,280 (U.S. - $8,830)). At March 31, 2010, the weighted average interest rate on this facility was 8.24% (2009 - 7.50%).

(c) Opta Minerals Revolving Acquisition Facility:

The revolving acquisition facility has a maximum available borrowing amount of Cdn $14,043 (U.S. - $13,926) to finance future acquisitions and capital expenditures. Principal is payable quarterly equal to 1/40 of the drawdown amount. Any remaining outstanding principal under this facility is due upon maturity. The facility is revolving for one year, with a five year term out option. The outstanding balance on the revolving acquisition facility at March 31, 2010 was Cdn $12,515 (U.S. - $12,279) (2009 - Cdn $12,992 (U.S. - $12,362)). At March 31, 2010, the weighted average interest rate on this facility was 8.07% (2009 - 6.99%).

The Opta Minerals   credit facilities described above are collateralized by a first priority security against substantially all of the Opta Minerals assets in both Canada and the United States.

Opta Minerals entered into a cash flow hedge in 2007. The cash flow hedge entered into exchanged a notional amount of Cdn $17,200 (U.S. - $17,057) from a floating rate to a fixed rate of 5.25% from August 2008 to August 2012. The estimated fair value of the interest rate swap at March 31, 2010 was a loss of $1,216 (2009 - loss of $1,387). The incremental gain in fair value of $120 (net of income taxes of $51) has been recorded in other comprehensive loss for the period. The fair value liability is included in long-term liabilities on the consolidated balance sheets.

(d) Subordinated debt to former shareholders of TOC:

In conjunction with the acquisition of TOC on April 2, 2008, its former shareholders provided a subordinated loan to TOC in the amount of   3,000 (U.S. - $4,067). The loan bears interest at 7% payable to the former shareholders on a semi-annual basis. The subordinated loan, as well as   453 (U.S. - $614) previously loaned to TOC, is repayable in full on March 31, 2011.

(e) Promissory Notes:

Promissory notes consist of notes issued to former shareholders as a result of business acquisitions. As consideration in the acquisition of TOC, the Company issued a total of   9,000 (U.S. - $12,201) in promissory notes which are secured by a pledge of the common shares of TOC. Of the   9,000 (U.S. - $12,201) issued,   1,000 (U.S. - $1,356) was paid in cash on April 5, 2010, with the remaining   8,000 (U.S. - $10,845) due March 31, 2011. Due to TOC s opening balance sheet not meeting pre-determined working capital targets, and an undisclosed liability that existed prior to the Company s April 2, 2008 acquisition,   654 (U.S. - $887) of the promissory notes due March 31, 2011 will not be paid.

In addition, $3,000 remains owing to various former shareholders at a weighted average interest of 5.3%. Of the $14,524 in total promissory notes, $14,099 are due in the next 12 months, with the remaining balances due in varying installments through 2012.

(f) Other long-term debt

A less-than-wholly owned subsidiary of TOC has a maximum borrowing amount of 6,500 Ethiopia Birr (ETB) (U.S. - $490). The outstanding balance at April 3, 2010, was $247 (2009 - $380). At April 3, 2010, the weighted average interest rate on borrowed funds was 10.3% (2009 - 10.1%).

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6. Long-term debt, continued

(g) Term Loans Payable:

Term loans payable bear a weighted average interest rate of 5.3% (2009 - 5.3%) due in varying installments through 2013 with principal payments of $13 due in the next 12 months.

(h) Capital Lease Obligations:

Capital lease obligations are due in monthly payments, with a weighted average interest rate of 7.1% (2009 - 7.1%).

The long-term debt and capital leases described above have required repayment terms in the next five years ending April 3, as follows:

2011	$	67,218
2012		3,314
2013		3,046
2014		2,816
2015		2,804
Thereafter		6,795
	$	85,993

At April 3, 2010, the Company was in compliance with its covenants, which relate to the Canadian line of credit facility, the U.S. line of credit facility (notes 5(a) and (b)), as well as the term loan facilities. In addition, Opta Minerals was in compliance with its financial covenants which relate to the Canadian Line of Credit Facility (note 5(c)), as well as the term loan facility and revolving acquisition facility.

7. Supplemental cash flow information

	Quarter ended April 3, 2010 $	Quarter ended March 31, 2009 $
Changes in non-cash working capital:		
Accounts receivable	**(24,817)**	(7,410)
Inventories	**5,943**	7,549
Income tax recoverable	**405**	114
Prepaid expenses and other current assets	**363**	(457)
Accounts payable and accrued liabilities	**(10,274)**	(5,644)
Customer and other deposits	**2,545**	1,374
	(25,835)	(4,474)
Cash paid (received) for:		
Interest	**2,563**	2,643
Income taxes	**817**	(337)

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8. Commitments and contingencies

(a) Securities class action lawsuits

The Company and certain officers (one of whom is a director) and a former director were named as defendants in proposed class action lawsuits in the United States. These lawsuits were filed between January 28, 2008 and March 19, 2008 in the United States District Court for the Southern District of New York. These actions were also filed against two Company Officers, one of whom is a director, as well as a former director who was named in certain actions. The Company was alleged to have violated Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder by the United States Securities and Exchange Commission (SEC). Additionally, the named officers and directors (one of whom is a former director) were alleged to have violated Section 20(a) of the Securities Exchange Act of 1934. The complaints alleged different proposed class periods. On January 28, 2009, the Court appointed Western Washington Laborers-Employers Pension Trust and Operating Engineers Construction Industry and Miscellaneous Pension Fund (the Pension Funds) as the lead plaintiffs in one consolidated class action aggregating the various class action lawsuits. On April 14, 2009, the lead plaintiffs filed their consolidated and amended complaint in the US District Court in the Southern District of New York. The new complaint included new allegations under Sections 11, 12 and 15 of the Securities Act of 1933 as well as four new individual defendants, two of whom are former senior management employees (one also a former director and officer), a current director and chairman and a current senior employee. The new complaint also added three corporate defendants namely, Cleugh s Frozen Foods, Inc. and Pacific Fruit Processors, Inc. (each of which are now part of the merged subsidiary, SunOpta Fruit Group, Inc.) and Organic Ingredients, Inc. (which is now known as SunOpta Global Organic Ingredients, Inc.).

Similarly, one proposed class action lawsuit has also been filed in Canada in the Ontario Superior Court of Justice on behalf of shareholders who acquired securities of the Company between May 8, 2007 and January 25, 2008 (and further amended to cover the period from February 23, 2007 and to January 27, 2008) against the Company and certain officers (one of whom is a director), alleging misrepresentation and proposing to seek leave from the Ontario court to bring statutory misrepresentation civil liability claims under the Ontario Securities Act. On August 29, 2008, the plaintiff filed a motion to amend the claims against the Company to include additional allegations. The Canadian plaintiffs claim compensatory damages of Cdn $100,000 and punitive damages of Cdn $10,000 and other monetary relief.

On September 24, 2009 the Company announced that it entered into a tentative agreement to settle all claims raised in these proposed class action proceedings. In return for the dismissal of the class actions and releases from proposed class members of settled claims against the Company and other named defendants, the settlement agreement provides for a total cash contribution of $11,250 to a settlement fund, the adoption of certain governance enhancements to the Company s Audit Committee charter and Internal Audit Charter and the adoption of an enhanced information technology conversion policy. The settlement has been entirely funded by the Company s insurers. The settlement is conditional upon the Courts approval and subject to SunOpta s option to terminate it in the event of valid opt-outs by proposed class members that exceed a pre-agreed threshold.

Class members wishing to opt out of the settlement had until April 12, 2010 to do so. Based on information available to the Company, the Company has determined that the number of class members electing to opt-out of the settlement will not cause it to terminate the settlement agreement. Accordingly, the Company intends to request final court approval of the settlement.

The Ontario Superior Court and U.S. District Court each granted preliminary approval of the settlement agreement and, for the purposes of the settlement only, have certified the lawsuits as class actions. The courts have scheduled hearings on May 3, 2010 (Canada) and May 17, 2010 (US) to determine whether they will grant final approval of the proposed settlement agreement. The Canadian hearing was held as scheduled on May 3, 2010 and the presiding judge has requested time to review the final order, which he expects to be completed in advance of the U.S. hearing on May 17, 2010. Class members have until June 11, 2010 to file claims related to the proposed settlement.

In the event the proposed settlement agreement is not approved by the courts, the settlement agreement will be void and management s intention is to vigorously defend these actions. Given the current status of the class actions it is not possible to determine the probability of liability, if any, or estimate the loss, if any, that might arise from these lawsuits. Accordingly, no accrual has been made at this time for these contingencies.

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8. Commitments and contingencies, continued

(b) Formal investigation by the SEC

In 2008 the Company received letters from the SEC requesting additional information in connection with the restatement of the Company s filings for each of the quarterly periods ended March 31, 2007, June 30, 2007, and September 30, 2007. Additionally, the SEC has conducted interviews with certain current and past employees, current and former members of the Company s Audit Committee, as well as the Company s previous external auditors. The Company continues to cooperate with the requests from the SEC in connection with its formal investigation. An enforcement action by the SEC could result in expense in the form of sanctions, fines or other levies. Management cannot conclude whether the prospect of an unfavourable outcome in this matter is probable, or estimate the loss, if any, that might arise from any enforcement action taken against the Company or its officers. Accordingly, no accrual has been made at this time for this contingency.

(c) SunOpta BioProcess lawsuit against Abengoa and Abener arbitration

The Company commenced a suit on January 17, 2008, against Abengoa New Technologies Inc. (Abengoa) and a former employee of the Company alleging theft of trade secrets, breach of contract, tortious interference with contract and civil conspiracy, and filed motions for expedited discovery and a preliminary injunction. Abengoa filed a counterclaim alleging breach of contract, misappropriation of trade secrets and other contractual violations. The United States District Court, Eastern District of Missouri, referred the core claims to arbitration and stayed the other claims pending the outcome of the arbitration. The arbitration was held during the period of July 20 to July 24 and October 19 to October 23 inclusive, in St. Louis before a single arbitrator. The arbitrator issued a ruling on February 1, 2010 denying all monetary damage claims, but also holding that the Company could independently commercialize, without payment of royalty or other obligation to Abengoa, the dilute acid hydrolysis technology the Company developed with Abengoa and implemented at Abengoa s cellulosic ethanol facility in Salamanca, Spain. Prior to the arbitrator s ruling, Abengoa had exclusive use, and rights to exploit, the jointly developed technology in the field of fermentable sugars and cellulosic ethanol production.

In January 2008, a customer of the Company, Abener Energia S.A. (an affiliate of Abengoa), terminated a contract valued at approximately $7,000 for the delivery of equipment and related services, forcing the matter into arbitration under its provisions. In December 2008, the arbitrator rendered his final decision, partially allowing Abener s claim and awarding Abener approximately 1,329 (U.S. - $1,903) in damages. During the quarter ended April 3, 2010, the Company paid all outstanding amounts related to this award.

(d) Vargas Class Action

In September 2008, a single plaintiff and a former employee filed a wage and hour dispute, against SunOpta Fruit Group, Inc., as a class action alleging various violations of California s labour laws (the Vargas Class Action). On July 16, 2009, the parties attended a mediation in San Francisco, and no settlement was reached. A second mediation was held on January 15, 2010. A tentative settlement of all claims was reached at mediation, subject to agreement on final terms of the settlement, including a plan of distribution, and approval of the settlement by the court. The parties are in the process of finalizing details related to the settlement and will then present the final settlement agreement to the court for approval. As a result of the tentative settlement, the Company accrued a liability of $1,200 as at December 31, 2009.

(e) Colorado Sun Oil Processors, LLC dispute

Colorado Mills LLC (Colorado Mills) and Sunrich LLC, a wholly-owned subsidiary of the Company, organized a joint venture in 2008 to construct and operate a vegetable oil refinery next to Colorado Mills sunflower seed crush plant located in Lamar, Colorado. During the relationship, disputes arose between the parties concerning management of the joint venture, record-keeping practices, certain unauthorized expenses incurred on behalf of the joint venture by Colorado Mills, procurement of crude oil by Sunrich from Colorado Mills for processing at the joint venture refinery, and the contract price of crude oil offered for sale under the joint venture agreement.

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8. Commitments and contingencies, continued

The parties initiated a dispute resolution process as set forth in the joint venture agreement, which Colorado Mills aborted prematurely through the initiation of suit in Colorado State Court. Subsequent to the filing of that suit, and after expiration of a contractual standstill period, Sunrich initiated suit against Colorado Mills in federal court in Colorado to compel arbitration. Sunrich has also moved to dismiss the premature state court action filed by Colorado Mills. That motion is pending. No discovery has yet been taken or exchanged in either lawsuit. Management cannot conclude whether the prospect of an unfavourable outcome in this matter is probable, or estimate the loss, if any, that might arise from an unfavourable outcome. Accordingly, no accrual has been made at this time for this contingency.

(f) Other claims

In addition, various claims and potential claims arising in the normal course of business are pending against the Company. It is the opinion of management that these claims or potential claims are without merit and the amount of potential liability, if any, to the Company is not determinable. Management believes the final determination of these claims or potential claims will not materially affect the financial position or results of the Company.

9. Segmented information

The Company operates in three industries divided into eight operating segments:

(a) **SunOpta Foods** sources, processes, packages, markets and distributes a wide range of natural, organic, kosher and specialty food products and ingredients with a focus on soy, corn, sunflower, fruit, fiber and other natural and organic food and natural health products. There are five operating segments within SunOpta Foods:

i) **Grains and Foods Group** is focused on vertically integrated sourcing, processing, packaging and marketing of grains, grain-based ingredients and packaged products;

ii) **Ingredients Group** is focused on insoluble oat and soy fiber products and works closely with its customers to identify product formulation, cost and productivity opportunities aimed at transforming raw materials into value-added food ingredient solutions;

iii) **Fruit Group** consists of berry processing and fruit ingredient operations that process natural and organic frozen strawberries, peaches, mangos and other fruits and vegetables into bulk, ingredients and packaged formats for the food service, private label retail and industrial ingredient markets. The group also includes the healthy fruit snacks operations which produce natural and organic fruit snacks;

iv) **International Sourcing and Trading Group (IST)** sources raw material ingredients, as well as trades organic commodities and provides natural and organic food solutions to major global food manufacturers, distributors and supermarket chains with a variety of industrial and private label retail products; and

v) **Distribution Group** represents the final layer of the Company s vertically integrated natural and organic foods business model. This group operates a national natural, organic and specialty foods and natural health products distribution network in Canada and also processes and packages retail natural health products.

(b) **Opta Minerals** processes, distributes and recycles silica-free loose abrasives, roofing granules, industrial minerals and specialty sands for the foundry, steel, roofing shingles and bridge and ship-cleaning industries.

(c) **SunOpta BioProcess** provides a wide range of research and development and engineering services and owns a number of patents on its proprietary steam explosion technology. It designs and subcontracts the manufacture of these systems, which are used for processing biomass for use in the biofuel, paper, food and other industries.

(d) **Corporate Services** provide a variety of management, financial, information technology, treasury and administration services to the operating segments from the head office in Ontario, Canada, and information and shared services offices in Minnesota, U.S.A.

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9. Segmented information continued

The Company s assets, operations and employees are principally located in Canada, the United States, Mexico, Europe, China and Africa. Revenues are allocated to the United States, Canada and Europe and other external markets based on the location of the customer. Other expense (income) net, interest expense, net, and provision for (recovery of) income taxes are not allocated to the segments.

Quarter ended April 3, 2010

	SunOpta Foods $	Opta Minerals $	SunOpta BioProcess $	Corporate Services $	Consolidated $
External revenues by market:					
United States	137,035	12,010	-	-	149,045
Canada	70,120	3,150	-	-	73,270
Europe and other	40,392	2,771	622	-	43,785
Total revenues from external customers	247,547	17,931	622	-	266,100
Segment earnings (loss) before the following:	12,528	1,713	(497)	(3,023)	10,721
Other expense, net					461
Interest expense, net					3,121
Provision for income taxes					2,498
Earnings for the period					4,641

SunOpta Foods has the following segmented reporting:

Quarter ended April 3, 2010

	Grains and Foods Group $	Ingredients Group $	Fruit Group $	IST $	Distribution Group $	SunOpta Foods $
External revenues by market:						
United States	62,560	15,327	41,876	16,626	646	137,035
Canada	1,139	1,879	1,285	803	65,014	70,120
Europe and other	15,146	944	139	23,896	267	40,392
Total revenues from external customers	78,845	18,150	43,300	41,325	65,927	247,547
Segment earnings (loss)	5,016	4,212	1,855	1,642	(197)	12,528

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9. Segmented information continued

					Quarter ended March 31, 2009
	SunOpta Foods $	Opta Minerals $	SunOpta BioProcess $	Corporate Services $	Consolidated $
External revenues by market:					
United States	112,017	9,682	13	-	121,712
Canada	63,197	2,993	-	-	66,190
Europe and other	42,122	2,050	-	-	44,172
Total revenues from external customers	217,336	14,725	13	-	232,074
Segment earnings (loss) before the following:	2,746	(752)	(758)	(1,596)	(360)
Other income, net					186
Interest expense, net					2,871
Recovery of income taxes					(1,066)
Loss for the period					(1,979)

SunOpta Foods has the following segmented reporting:

						Quarter ended March 31, 2009
	Grains and Foods Group $	Ingredients Group $	Fruit Group $	IST $	Distribution Group $	SunOpta Foods $
External revenues by market:						
United States	56,834	10,867	33,324	10,858	134	112,017
Canada	2,444	1,820	1,468	947	56,518	63,197
Europe and other	15,061	853	2,810	23,378	20	42,122
Total revenues from external customers	74,339	13,540	37,602	35,183	56,672	217,336
Segment earnings (loss)	3,935	822	(1,157)	(1,172)	318	2,746

10. Other expense (income), net

During the fourth quarter of 2009, the Board of Directors of the Company approved the decision to permanently close a distribution center in Toronto, Canada, consolidate manufacturing facilities from British Columbia, Canada to Omak, Washington, and cease processing of fresh fruit at a leased facility in Buena Park, California.

The Company closed the distribution center in Toronto, Canada in the first quarter of 2010. In addition, the consolidation of the British Columbia manufacturing facility is expected to occur by the end of June 2010, and additional severance, lease termination and property, plant and equipment dismantling, moving and installation costs are expected to be incurred. Future costs related to involuntary severance will be recorded at the communication date with employees, and lease termination costs will be recorded at the cease-use date for leased facilities and other associated costs will be recorded as incurred. The Company also ceased production of fresh fruit processing at a leased facility in Buena Park, California, during the fourth quarter of 2009 and incurred costs to move assets to another facility during the first quarter of 2010.

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10. Other expenses, net, continued

A summary of the expected total costs, and costs incurred to date included in other expense with respect to each of the rationalizations, is included below:

	Costs recognized in 2009	Costs recognized in the quarter ended April 3, 2010	Further costs expected to be Recognized in 2010	Total Expected Rationalization Costs
	$	$	$	$
Toronto, Canada closure	348	146	154	648
British Columbia, Canada consolidation	287	87	936	1,310
California, cease fresh processing	1,016	64	-	1,080
	1,651	297	1,090	3,038

Costs recognized in other expense in the quarter ended April 3, 2010 include $87 for severance, a $35 non-cash loss on disposal of property, plant and equipment, and $64 of period costs to transfer property, plant and equipment to another location, and $111 of other closure costs recorded as incurred.

Of the total costs incurred of $297, $146 relates to the Distribution Group and $151 relates to the Fruit Group.

As at April 3, 2010, there was an $87 accrual for severance to be paid at the termination date for the British Columbia facility consolidation.

In addition to the rationalization costs noted above, the Company incurred a non-cash impairment charge of $164 for the write-off of long-lived assets within the Ingredients Group. Other income of $186 for the quarter ended March 31, 2009 related to the sale of redundant assets at Opta Minerals.

11. Cash and cash equivalents

Included in cash and cash equivalents is $21,476 (2009 - $19,735) in funds that cannot be utilized by the Company for general corporate purposes, and are maintained in separate bank accounts of the legal entities.

SunOpta BioProcess has $19,620 (2009 - $18,954) of cash, which is specific to SunOpta BioProcess, who will use these funds for the continued development of biomass conversion technologies and to build and operate commercial-scale facilities for the conversion of cellulosic biomass to ethanol. Of the $19,620, $5,000 (2009 - $nil) is held in a money market term deposit maturing on June 22, 2010. This term deposit earns interest at a rate of 0.22% annually, and has been classified as held for trading.

Also included in cash and cash equivalents is $1,856 (2009 - $781) that is specific to Opta Minerals.

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12. Derivative financial instruments and fair value measurement

Effective January 1, 2008, the Company adopted the provisions of ASC 820-10-55 (formerly FASB FSP 157-2/SFAS 157, Effective Date of FASB Statement No. 157) applicable to financial assets and liabilities and to certain non-financial assets and liabilities that are measured at fair value on a recurring basis. Additionally, the Company applies the provisions of this standard to financial and non-financial assets and liabilities. This standard defines fair value, establishes a consistent framework for measuring fair value and expands disclosure requirements about fair value measurements. In addition, this standard requires the Company to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

This standard also provides a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Company s assumptions with respect to how market participants would price an asset or liability. These two inputs used to measure fair value fall into the following three different levels of the fair value hierarchy:

- Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that are observable
- Level 2: Quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities that are non-active; inputs other than quoted prices that are observable and derived from or are corroborated by observable market data
- Level 3: Valuations derived from valuation techniques in which one or more significant inputs are unobservable due to little or no market activity

This hierarchy requires the use of observable market data when available.

The following table presents for each of the fair value hierarchies, the assets and liabilities that are measured at fair value on a recurring basis as of April 3, 2010:

	Fair Value Asset (Liability) $	Level 1 $	Level 2 $
(a) Commodity futures and forward contracts			
Unrealized short-term derivative gain	2,674	1,019	1,655
Unrealized long-term derivative gain	4	-	4
Unrealized short-term derivative loss	(2,447)	-	(2,447)
Unrealized long-term derivative loss	(34)	-	(34)
(b) Inventories carried at market	7,653	-	7,653
(c) Interest rate swap	(1,216)	-	(1,216)
(d) Forward foreign currency contracts	244	-	244

(a) On the consolidated balance sheet, unrealized short-term derivative gain is included in prepaid expenses and other current assets, unrealized long-term derivative gain is included in other assets, unrealized short-term derivative loss is included in other current liabilities and unrealized long-term derivative loss is included in long-term liabilities.

(b) Inventories carried at market are included in inventories on the consolidated balance sheet.
(c) The interest rate swap is included in long-term liabilities on the consolidated balance sheet.
(d) The forward foreign currency contracts are included in accounts receivable on the consolidated balance sheet.