CMGI INC
Form PRE 14A
October 21, 2004

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934

Filed by the Registrant x

Filed by a Party other than the Registrant ~

Check the appropriate box:

x Preliminary Proxy Statement

~ Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

~ Definitive Proxy Statement

~ Definitive Additional Materials

~ Soliciting Material Under Rule 14a-12

CMGI, Inc.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

x No fee required.

~ Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (Set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

~ Fee paid previously with preliminary materials.

~ Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

PRELIMINARY COPY

CMGI, INC.

1100 WINTER STREET

WALTHAM, MASSACHUSETTS 02451

November [   ], 2004

Dear CMGI Stockholder:

You are cordially invited to attend the 2004 Annual Meeting of Stockholders (the 2004 Meeting) of CMGI, Inc., which will be held at the offices of Wilmer Cutler Pickering Hale and Dorr LLP, 60 State Street, Boston, Massachusetts 02109, on Wednesday, December 8, 2004, at 9:00 a.m. local time. I look forward to greeting as many of our stockholders as possible. Details of the business to be conducted at the 2004 Meeting are given in the attached Notice of Annual Meeting and Proxy Statement.

Whether or not you plan to attend the 2004 Meeting, it is important that your shares be represented and voted at the 2004 Meeting. Therefore, I urge you to sign and date the enclosed proxy card and promptly return it in the enclosed envelope so that your shares will be represented at the 2004 Meeting. If you so desire, you may withdraw your proxy and vote in person at the 2004 Meeting.

I look forward to greeting those of you who will be able to attend the 2004 Meeting.

Sincerely,
Joseph C. Lawler
President and Chief Executive Officer

YOUR VOTE IS IMPORTANT.

TO VOTE YOUR SHARES, PLEASE SIGN, DATE AND COMPLETE THE ENCLOSED PROXY

CARD AND MAIL IT PROMPTLY IN THE ENCLOSED RETURN ENVELOPE. NO POSTAGE

NEED BE AFFIXED IF THE PROXY CARD IS MAILED IN THE UNITED STATES.

PRELIMINARY COPY

CMGI, INC.

1100 WINTER STREET

WALTHAM, MASSACHUSETTS 02451

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

TO BE HELD WEDNESDAY, DECEMBER 8, 2004

To the Stockholders of CMGI, Inc.:

NOTICE IS HEREBY GIVEN that the 2004 Annual Meeting of Stockholders (the 2004 Meeting) of CMGI, Inc. (the Company) will be held at the offices of Wilmer Cutler Pickering Hale and Dorr LLP, 60 State Street, Boston, Massachusetts 02109, on Wednesday, December 8, 2004, at 9:00 a.m. local time, for the following purposes:

1. To elect two Class II Directors;

2. To approve the Company s 2004 Stock Incentive Plan;

3. To authorize the Board of Directors, in its discretion, should it deem it to be appropriate and in the best interests of the Company and its stockholders, to amend the Company s Restated Certificate of Incorporation, as amended, to effect a reverse stock split of the Company s issued and outstanding shares of Common Stock by a ratio of 1-for-5, without further approval or authorization of the Company s stockholders;

4. To authorize the Board of Directors, in its discretion, should it deem it to be appropriate and in the best interests of the Company and its stockholders, to amend the Company s Restated Certificate of Incorporation, as amended, to effect a reverse stock split of the Company s issued and outstanding shares of Common Stock by a ratio of 1-for-10, without further approval or authorization of the Company s stockholders;

5. To authorize the Board of Directors, in its discretion, should it deem it to be appropriate and in the best interests of the Company and its stockholders, to amend the Company s Restated Certificate of Incorporation, as amended, to effect a reverse stock split of the Company s issued and outstanding shares of Common Stock by a ratio of 1-for-15, without further approval or authorization of the Company s stockholders;

6. To authorize the Board of Directors, in its discretion, should it deem it to be appropriate and in the best interests of the Company and its stockholders, to amend the Company s Restated Certificate of Incorporation, as amended, to effect a reverse stock split of the Company s issued and outstanding shares of Common Stock by a ratio of 1-for-20, without further approval or authorization of the Company s stockholders;

7. To ratify the appointment of KPMG LLP as the Company s independent registered public accounting firm for the current fiscal year; and

8. To transact such other business as may properly come before the 2004 Meeting or any adjournments thereof.

The Board of Directors has no knowledge of any other business to be transacted at the 2004 Meeting. Only stockholders of record at the close of business on Friday, October 22, 2004 are entitled to notice of, and to vote at, the 2004 Meeting and any adjournments thereof. A copy of the Company s Annual Report to Stockholders for the fiscal year ended July 31, 2004, which contains consolidated financial statements and other information of interest to stockholders, accompanies this Notice and Proxy Statement. All stockholders are cordially invited to attend the 2004 Meeting.

By Order of the Board of Directors,
David S. Wetherell, *Secretary*

Waltham, Massachusetts

November [ ], 2004

An admission ticket and picture identification will be required to enter the 2004 Meeting. Each stockholder will be entitled to bring a guest to the 2004 Meeting. For stockholders of record, an admission ticket is attached to the proxy card sent with this Notice and Proxy Statement. Stockholders holding stock in bank or brokerage accounts can obtain an admission ticket in advance by sending a written request, along with proof of ownership of shares (such as a brokerage statement), to the Company s Office of Investor Relations at CMGI, Inc., 1100 Winter Street, Waltham, Massachusetts 02451. An individual arriving without an admission ticket will not be admitted unless it can be verified that the individual is a CMGI stockholder. Cameras, cell phones, recording equipment and other electronic devices will not be permitted at the 2004 Meeting. The Company reserves the right to inspect any persons or items prior to their admission to the 2004 Meeting.

PRELIMINARY COPY

CMGI, INC.

1100 WINTER STREET

WALTHAM, MASSACHUSETTS 02451

PROXY STATEMENT

For the Annual Meeting of Stockholders

To Be Held December 8, 2004

General

This Proxy Statement is furnished in connection with the solicitation of proxies by the Board of Directors of CMGI, Inc., a Delaware corporation (the Company), for use at the Company s 2004 Annual Meeting of Stockholders (the 2004 Meeting), which will be held at the offices of Wilmer Cutler Pickering Hale and Dorr LLP, 60 State Street, Boston, Massachusetts 02109, on Wednesday, December 8, 2004, at 9:00 a.m. local time, and at any adjournments thereof. The Notice of Annual Meeting, this Proxy Statement, the accompanying proxy card and the Company s Annual Report to Stockholders for the fiscal year ended July 31, 2004 are being mailed to stockholders on or about November [ ], 2004. The Company s principal executive offices are located at 1100 Winter Street, Waltham, Massachusetts 02451 and its telephone number is (781) 663-5001.

Solicitation

The cost of soliciting proxies, including expenses in connection with preparing, printing and mailing this Proxy Statement, will be borne by the Company. The Company has retained MacKenzie Partners, Inc. to act as a proxy solicitor to assist in the solicitation. The Company has agreed to pay such firm $8,000, plus out-of-pocket expenses, for proxy solicitation services. Copies of solicitation materials will be furnished to brokerage houses, nominees, fiduciaries and custodians to forward to beneficial owners of the Company s Common Stock, $.01 par value per share (the Common Stock), held in their names. In addition to the solicitation of proxies by mail, the Company s directors, officers and other employees may, without additional compensation, solicit proxies by telephone, facsimile, electronic communication and personal interviews.

Record Date, Outstanding Shares and Voting Rights

The Board of Directors has fixed Friday, October 22, 2004 as the record date for determining holders of Common Stock who are entitled to vote at the 2004 Meeting. As of October 22, 2004, the Company had approximately [ ] shares of Common Stock outstanding and entitled to be voted. Each share of Common Stock entitles the record holder to one vote on each matter to be voted upon at the 2004 Meeting. A majority of the shares of Common Stock issued and outstanding and entitled to vote at the 2004 Meeting will constitute a quorum at the 2004 Meeting. Votes withheld, abstentions and broker non-votes shall be counted for purposes of determining the presence or absence of a quorum for the transaction of business at the 2004 Meeting.

The affirmative vote of the holders of a plurality of the votes cast at the 2004 Meeting is required for the election of directors (Proposal No. 1). The affirmative vote of the holders of a majority of the shares of the Company s Common Stock present or represented by proxy and voting on the matter is required to approve the Company s 2004 Stock Incentive Plan (Proposal No. 2), and to ratify the appointment of KPMG LLP as the Company s independent registered public accounting firm for the current fiscal year (Proposal No. 7). The affirmative vote of the holders of a majority of the outstanding shares of the Company s Common Stock is required to authorize the Board of Directors, in its discretion, should it deem it to be appropriate and in the best interests of the Company and its stockholders, to amend the Company s Restated Certificate of Incorporation, as amended (the Certificate of Incorporation), to effect a reverse stock split of the Company s issued and outstanding shares of Common Stock by a ratio of 1-for-5, without further approval or authorization of the

Company s stockholders (Proposal No. 3), to authorize the Board of Directors, in its discretion, should it deem it to be appropriate and in the best interests of the Company and its stockholders, to amend the Certificate of Incorporation to effect a reverse stock split of the Company s issued and outstanding shares of Common Stock by a ratio of 1-for-10, without further approval or authorization of the Company s stockholders (Proposal No. 4), to authorize the Board of Directors, in its discretion, should it deem it to be appropriate and in the best interests of the Company and its stockholders, to amend the Certificate of Incorporation to effect a reverse stock split of the Company s issued and outstanding shares of Common Stock by a ratio of 1-for-15, without further approval or authorization of the Company s stockholders (Proposal No. 5), and to authorize the Board of Directors, in its discretion, should it deem it to be appropriate and in the best interests of the Company and its stockholders, to amend the Certificate of Incorporation to effect a reverse stock split of the Company s issued and outstanding shares of Common Stock by a ratio of 1-for-20, without further approval or authorization of the Company s stockholders (Proposal No. 6).

Shares which abstain from voting on a particular matter and shares held in street name by brokers or nominees who indicate on their proxies that they do not have discretionary authority to vote such shares as to a particular matter (broker non-votes) will not be counted as votes in favor of such matter, and will also not be counted as votes cast or shares voting on such matter. Accordingly, abstentions and broker non-votes will have no effect on the voting for the election of directors, which requires the affirmative vote of a plurality of the votes cast or shares voting on the matter. Similarly, abstentions and broker non-votes will have no effect on the voting to approve the Company s 2004 Stock Incentive Plan or the voting to ratify the appointment of KPMG LLP as the Company s independent registered public accounting firm for the current fiscal year, each of which requires the affirmative vote of a majority of the votes cast or shares voting on the matter. Abstentions and broker non-votes, however, will have the same effect as a vote against each of the four reverse stock split proposals because approval of each of these proposals requires the affirmative vote of a majority of all outstanding shares of the Company s Common Stock.

To vote by mail, sign, date and complete the enclosed proxy card and return it in the enclosed envelope. No postage is necessary if the proxy card is mailed in the United States. If you hold your shares through a bank, broker or other nominee, they will give you separate instructions for voting your shares.

Revocability of Proxy and Voting of Shares

Any stockholder giving a proxy has the power to revoke it at any time before it is exercised. The proxy may be revoked by filing with the Secretary of the Company, at the principal executive offices of the Company, 1100 Winter Street, Waltham, Massachusetts 02451, an instrument of revocation or a duly executed proxy bearing a later date. The proxy may also be revoked by attending the 2004 Meeting and voting in person. If not revoked, the proxy will be voted at the 2004 Meeting in accordance with the stockholder s instructions indicated on the proxy card. If no instructions are indicated, the proxy will be voted:

FOR the election of the two Class II Director nominees named herein;

FOR the approval of the Company s 2004 Stock Incentive Plan;

FOR the approval of the proposal to authorize the Board of Directors, in its discretion, should it deem it to be appropriate and in the best interests of the Company and its stockholders, to amend the Certificate of Incorporation to effect a reverse stock split of the Company s Common Stock by a ratio of 1-for-5, without further approval or authorization of the Company s stockholders;

FOR the approval of the proposal to authorize the Board of Directors, in its discretion, should it deem it to be appropriate and in the best interests of the Company and its stockholders, to amend the Certificate of Incorporation to effect a reverse stock split of the Company s Common Stock by a ratio of 1-for-10, without further approval or authorization of the Company s stockholders;

FOR the approval of the proposal to authorize the Board of Directors, in its discretion, should it deem it to be appropriate and in the best interests of the Company and its stockholders, to amend the Certificate of Incorporation to effect a reverse stock split of the Company s Common Stock by a ratio of 1-for-15, without further approval or authorization of the Company s stockholders;

FOR the approval of the proposal to authorize the Board of Directors, in its discretion, should it deem it to be appropriate and in the best interests of the Company and its stockholders, to amend the Certificate of Incorporation to effect a reverse stock split of the Company s Common Stock by a ratio of 1-for-20, without further approval or authorization of the Company s stockholders;

FOR the ratification of the appointment of KPMG LLP as the Company s independent registered public accounting firm for the current fiscal year; and

In accordance with the judgment of the proxy holders as to any other matter that may be properly brought before the 2004 Meeting or any adjournments thereof.

Security Ownership of Certain Beneficial Owners and Management

The following table sets forth certain information, as of September 30, 2004, with respect to the beneficial ownership of shares of Common Stock by (i) each stockholder known to the Company to beneficially own more than 5% of the outstanding shares of Common Stock, (ii) the directors of the Company, including the Company s current Chief Executive Officer, (iii) the Company s former Chief Executive Officer and the three other most highly compensated executive officers who were serving as executive officers on July 31, 2004 (the Named Executive Officers), and (iv) all current executive officers and directors of the Company, as a group.

Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership(1) Number of Shares	Percent of Class(2)
5% Stockholders		
Hewlett-Packard Company(3)	24,249,767	5.1%
Directors		
David S. Wetherell(4)	32,381,970	6.7%
Anthony J. Bay(5)	155,110	*
Virginia G. Bonker(6)	215,998	*
Francis J. Jules(7)	122,665	*
Jonathan A. Kraft(8)	233,332	*
Joseph C. Lawler(9)	1,800,000	*
Michael J. Mardy(10)	103,998	*
Named Executive Officers		
Thomas Oberdorf(11)	446,414	*
Peter L. Gray(12)	539,280	*
Bryce C. Boothby, Jr.(13)	275,471	*
George A. McMillan(14)	3,349,683	*
All current executive officers and directors, as a group (13 persons)(15)	37,531,087	7.8%

* Less than 1%

(1) The number of shares beneficially owned by each director, executive officer and stockholder is determined under rules promulgated by the Securities and Exchange Commission, and the information is not necessarily indicative of beneficial ownership for any other purpose. Under such rules, beneficial ownership includes any shares as to which the individual has sole or shared voting power or investment power and also any shares which the individual has the right to acquire within 60 days after September 30, 2004 through the exercise of any stock option or other right (Presently Exercisable Options). The inclusion herein of such shares, however, does not constitute an admission that the named stockholder is a direct or indirect beneficial owner of such shares. Unless otherwise indicated, each person or entity named in the table has sole voting power and investment power (or shares such power with his or her spouse) with respect to all shares of capital stock listed as owned by such person or entity.

(2) Number of shares deemed outstanding includes 475,872,616 shares of Common Stock as of September 30, 2004, plus any shares subject to Presently Exercisable Options held by the person in question.

(3) Based on the information provided by Hewlett-Packard Company (H-P) in its Form 13-F for the quarter ended September 30, 2004 filed with the SEC on October 18, 2004. The address of H-P is 3000 Hanover Street, Palo Alto, CA 94304.

(4) Includes 5,218,732 shares which may be acquired by Mr. Wetherell pursuant to Presently Exercisable Options. Also includes 16,812,672 shares held by a limited liability company of which Mr. Wetherell owns a membership interest and which is managed by a limited liability company of which Mr. Wetherell is a manager. Mr. Wetherell disclaims beneficial ownership with respect to a total of 16,812,672 shares. Mr. Wetherell s address is c/o CMGI, Inc., 1100 Winter Street, Waltham, MA 02451.

(5) Consists of shares which may be acquired by Mr. Bay pursuant to Presently Exercisable Options.

(6) Consists of shares which may be acquired by Ms. Bonker pursuant to Presently Exercisable Options.

(7) Consists of shares which may be acquired by Mr. Jules pursuant to Presently Exercisable Options.

(8) Includes 213,332 shares which may be acquired by Mr. Kraft pursuant to Presently Exercisable Options.

(9) Mr. Lawler became President and Chief Executive Officer of the Company, and was elected to its Board of Directors, on August 23, 2004.

(10) Consists of shares which may be acquired by Mr. Mardy pursuant to Presently Exercisable Options.

(11) Includes 282,914 shares which may be acquired by Mr. Oberdorf pursuant to Presently Exercisable Options.

(12) Includes 410,830 shares which may be acquired by Mr. Gray pursuant to Presently Exercisable Options.

(13) Includes 156,165 shares which may be acquired by Mr. Boothby pursuant to Presently Exercisable Options. Mr. Boothby is also deemed the beneficial owner of 167,833 shares of the common stock, $.01 par value per share, of SalesLink Corporation, a subsidiary of the Company (SalesLink), which shares may be acquired by Mr. Boothby pursuant to Presently Exercisable Options. These shares represent approximately 1.8% of the voting power of the outstanding common stock of SalesLink.

(14) Includes 3,307,271 shares which may be acquired by Mr. McMillan pursuant to Presently Exercisable Options. Also includes 15,000 shares held by Mr. McMillan s spouse and 1,550 shares held by Mr. McMillan s minor children. Mr. McMillan was President and Chief Executive Officer, and a member of the Board of Directors, of the Company until his resignation on August 23, 2004. See Employment Agreements and Severance and Change of Control Arrangements.

(15) Includes 7,351,648 shares which may be acquired pursuant to Presently Exercisable Options. Also includes the shares as to which beneficial ownership is disclaimed by Mr. Wetherell as described in note 4 above. In addition, two current executive officers, W. Kendale Southerland and Daniel F. Beck, are members of a Section 13(d) group that, as a result of the acquisition of Modus Media, Inc. by the Company on August 2, 2004, currently owns more than 10% of the Company s Common Stock, all of which shares (other than those directly owned by Messrs. Southerland and Beck) are excluded.

PROPOSAL I

ELECTION OF DIRECTORS

The current Board of Directors has seven members and is divided into three classes. A class of directors is elected each year for a three-year term. The current term of the Company s Class II Directors will expire at the 2004 Meeting. The nominees for Class II Director are Anthony J. Bay and Virginia G. Bonker, each of whom currently serves as a Class II Director and is available for re-election. The Class II Directors elected at the 2004 Meeting will each serve for a term of three years that will expire at the Company s 2007 Annual Meeting of Stockholders and until his or her successor is elected and qualified. The persons named as proxies will vote for each of Mr. Bay and Ms. Bonker for election to the Board as Class II Director unless the proxy card is marked otherwise.

Mr. Bay and Ms. Bonker have each indicated his or her willingness to serve, if elected; however, if he or she should be unable to serve, the persons named as proxies may vote the proxy for a substitute nominee. The Board has no reason to believe that any nominee will be unable to serve if elected.

The Board of Directors recommends that the stockholders vote FOR each of the Nominees listed below.

Biographical and certain other information concerning the directors of the Company and the nominees for director is set forth below:

Class II Director Nominees for Election for a Three-Year Term Expiring at the 2007 Annual Meeting

Anthony J. Bay, age 49. Mr. Bay has served as a director of the Company since September 2002. Mr. Bay is a private venture capital investor and advisor to technology companies. From 1994 to 2000, Mr. Bay worked for Microsoft Corporation, last serving as Vice President and General Manager of Microsoft s Digital Media Division and a member of Microsoft s executive staff. Mr. Bay also serves on the Board of Directors of Loudeye Corp.

Virginia G. Bonker, age 40. Ms. Bonker has served as a director of the Company since April 2001. Ms. Bonker is the co-founder and General Partner of Blue Rock Capital, L.P., a venture capital firm that invests in information technology and service businesses. Ms. Bonker also serves as a Manager of Excelsior Absolute Return Fund of Funds, L.L.C., a registered investment company. Ms. Bonker also serves as Manager of Excelsior Absolute Return Fund of Funds Master Fund, L.L.C., a registered investment company.

Class III Directors Continuing in Office until the 2005 Annual Meeting

David S. Wetherell, age 50. Mr. Wetherell has served as Chairman of the Board and Secretary of the Company since 1986 and served as Chief Executive Officer of the Company from 1986 to March 2002. From 1986 to July 2001, Mr. Wetherell also served as President of the Company.

Jonathan A. Kraft, age 40. Mr. Kraft has served as a director of the Company since July 2001. Mr. Kraft has served as President and Chief Operating Officer of The Kraft Group, a private holding company comprised of companies involved in the paper and packaging industries, sports and entertainment and private equity investing, since January 1997. Mr. Kraft also serves as Vice Chairman of the New England Patriots, a National Football League franchise. Mr. Kraft also serves on the Board of Directors of Carmel Container Systems, Ltd.

Class I Directors Continuing in Office until the 2006 Annual Meeting

Francis J. Jules, age 47. Mr. Jules has served as a director of the Company since February 2003. Mr. Jules is the President, SBC Global Markets, a local telephone and access provider. From December 2001 to October 2002, Mr. Jules served as Chief Executive Officer of US LEC Corp., a provider of voice, data and Internet services. From August 2000 to November 2001, Mr. Jules served as President and Chief Operating Officer, and then as acting Chief Executive Officer, of Winstar Communications, Inc., a provider of telephone and data services (Winstar). In April 2001, Winstar, along with certain of its subsidiaries, voluntarily filed for protection under Chapter 11 of the U.S. Bankruptcy Code. Thereafter, in December 2001, substantially all of the assets of Winstar were acquired by IDT Corporation. From 1994 to 2000, Mr. Jules served in various executive positions at Ameritech Corporation and SBC Communications Inc., last serving as President of Business Communications Services.

Michael J. Mardy, age 55. Mr. Mardy has served as a director of the Company since May 2003. Mr. Mardy is Senior Vice President, Chief Financial Officer and Chief Technology Officer of Tumi, Inc., a retailer of prestige luggage and business accessories. From 1996 to 2002, Mr. Mardy served as Executive Vice President and Chief Financial Officer of Keystone Foods LLC, a global manufacturer of food products. From 1980 to 1996, Mr. Mardy served in various positions with Nabisco, Inc., last serving as Senior Vice President and Chief Financial Officer of Nabisco Biscuit Company.

Joseph C. Lawler, age 54. Mr. Lawler has served as a director of the Company since August 2004. Mr. Lawler became President and Chief Executive Officer of the Company in August 2004. Mr. Lawler is also President and Chief Executive Officer of ModusLink Corporation, a subsidiary of the Company (ModusLink). Mr. Lawler is also Chief Executive Officer of SalesLink. From 1995 to March 2004, Mr. Lawler served in various positions with R.R. Donnelley & Sons Company, a provider of full-service global print solutions, most recently as Executive Vice President. While at R.R. Donnelley, Mr. Lawler had management responsibilities for logistics, financial, direct mail and international operations.

Board and Committee Meetings

During the fiscal year ended July 31, 2004 (fiscal 2004), the Board of Directors held ten meetings (including by telephone conference). During fiscal 2004, each incumbent director attended at least 75% of the meetings of the Board and of the committees on which he or she served. During fiscal 2004, all of the independent directors of the Company met regularly, either in an executive session of a regularly scheduled Board meeting or as the Nominating and Corporate Governance Committee, outside of the presence of non-independent directors and executive officers of the Company. The Company s directors are strongly encouraged to attend the Company s Annual Meeting of Stockholders. Five out of seven of the Company s directors attended the 2003 Annual Meeting of Stockholders.

Audit Committee

The Board of Directors has an Audit Committee, which assists the Board of Directors in fulfilling its responsibilities to stockholders concerning the Company s financial reporting and internal controls, and facilitates open communication among the Audit Committee, Board of Directors, outside auditors and management. The Audit Committee discusses with management and the Company s outside auditors the financial information developed by the Company, the Company s systems of internal controls and the Company s audit process. The Audit Committee is solely and directly responsible for appointing, evaluating, retaining and, when necessary, terminating the engagement of the independent auditor. The independent auditors meet with the Audit Committee (both with and without the presence of the Company s management) to review and discuss various matters pertaining to the audit, including the Company s financial statements, the report of the independent auditors on the results, scope and terms of their work, and their recommendations concerning the financial practices, controls, procedures and policies employed by the Company. The Audit Committee preapproves all audit services to be provided to the Company, whether provided by the principal auditor or other firms, and all other services (review, attest and non-audit) to be provided to the Company by the independent auditor. The Audit Committee coordinates the Board of Directors oversight of the Company s internal control over financial reporting, disclosure controls and procedures and code of conduct. The Audit Committee is charged with establishing procedures for (i) the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters; and (ii) the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing

matters. The Audit Committee reviews all related party transactions on an ongoing basis, and all such transactions must be approved by the Audit Committee. The Audit Committee is authorized, without further action by the Board of Directors, to engage such independent legal, accounting and other advisors as it deems necessary or appropriate to carry out its responsibilities. The Board of Directors has adopted a written charter for the Audit Committee, a copy of which can be found under the Investor Center section of the Company s website at www.cmgi.com and is also attached hereto as Appendix V. The Audit Committee consists of Anthony J. Bay, Michael J. Mardy (Chair), Francis J. Jules and Jonathan A. Kraft, each of whom is independent as defined in applicable Nasdaq listing standards. The Audit Committee met 11 times during fiscal 2004.

Human Resources and Compensation Committee

The Board of Directors has a Human Resources and Compensation Committee, which administers the Company s 2004 Stock Incentive Plan, 2002 Non-Officer Employee Stock Incentive Plan, 2000 Stock Incentive Plan, 1986 Stock Option Plan and Amended and Restated 1995 Employee Stock Purchase Plan, as well as the Company s cash incentive plans, performance-based stock options and other equity-based awards. The Human Resources and Compensation Committee approves salaries, bonuses and other compensation arrangements and policies for the Company s officers, including the chief executive officer. The Human Resources and Compensation Committee is authorized, without further action by the Board of Directors, to engage such independent legal, accounting and other advisors as it deems necessary or appropriate to carry out its responsibilities. The Board of Directors has adopted a written charter for the Human Resources and Compensation Committee, a copy of which can be found under the Investor Center section of the Company s website at www.cmgi.com. The Human Resources and Compensation Committee consists of Anthony J. Bay, Virginia G. Bonker, Francis J. Jules (Chair) and Michael J. Mardy. The Human Resources and Compensation Committee met seven times during fiscal 2004.

Nominating and Corporate Governance Committee

The Board of Directors has a Nominating and Corporate Governance Committee, which makes recommendations to the Board of Directors concerning all facets of the director-nominee selection process, develops and recommends to the Board corporate governance principles applicable to the Company and oversees the evaluation of the Board and management. The Nominating and Corporate Governance Committee has the authority to engage such independent legal and other advisors as it deems necessary or appropriate to carry out its responsibilities. The Nominating and Corporate Governance Committee is responsible for overseeing an annual self-evaluation of the Board of Directors to determine whether it and its committees are functioning effectively and determines the nature of the evaluation, supervises the conduct of the evaluation and prepares an assessment of the performance of the Board of Directors, which is discussed with the Board of Directors. The Nominating and Corporate Governance Committee, at the request of the Board of Directors, periodically reviews and makes recommendations to the Board of Directors relating to management succession planning, including policies and principles for chief executive officer selection and performance review, as well as policies regarding succession in the event of an emergency or the retirement of the chief executive officer. The Nominating and Corporate Governance Committee presents an annual report to the Board of Directors on succession planning. The Board of Directors has adopted a written charter for the Nominating and Corporate Governance Committee, a copy of which can be found under the Investor Center section of the Company s website at www.cmgi.com

In recommending candidates for election to the Board of Directors, the Nominating and Governance Committee considers nominees recommended by directors, officers, employees, stockholders and others, using the same criteria to evaluate all candidates. The Nominating and Governance Committee reviews each candidate s qualifications, including whether a candidate possesses any of the specific qualities and skills desirable in certain members of the Board of Directors. Evaluations of candidates generally involve a review of background materials, internal discussions and interviews with selected candidates as appropriate. Upon selection of a qualified candidate, the Nominating and Governance Committee would recommend the candidate for consideration by the full Board of Directors. The Nominating and Governance Committee may engage consultants or third-party search firms to assist in identifying and evaluating potential nominees. The Board of Directors requires that all nominees for the Board of Directors have a reputation for integrity, honesty and adherence to high ethical standards. In addition, nominees should also have demonstrated business acumen, experience and ability to exercise sound judgments in matters that relate to the current and long-term objectives of the Company and should be willing and able to contribute positively to the decision-making process of the Company. The Nominating and Corporate Governance Committee will consider nominees for the Board of Directors recommended by stockholders.

Stockholders wishing to propose director candidates for consideration by the Nominating and Corporate Governance Committee may do so by writing to the Secretary of the Company and providing information specified in the Company s By-Laws, including the candidate s name, biographical data and qualifications. The Company s By-Laws set forth further requirements for stockholders wishing to nominate director candidates for consideration by stockholders including, among other things, that a stockholder must give timely written notice of an intent to make such a nomination to the Secretary of the Company. See Proposals of Stockholders for 2005 Annual Meeting. The Nominating and Corporate Governance Committee consists of Anthony J. Bay, Virginia G. Bonker (Chair), Michael J. Mardy, Francis J. Jules and Jonathan A. Kraft, each of whom is independent as defined in applicable Nasdaq listing standards. The Nominating and Corporate Governance Committee met 15 times during fiscal 2004.

Technology Committee

The Board of Directors has a Technology Committee, which provides strategic guidance and oversight to the Company on use of technology in its core businesses and evaluates and approves investment proposals made by the Company s venture capital affiliates which invest funds on the Company s behalf. The Technology Committee consists of Anthony J. Bay (Chair), Virginia G. Bonker, Francis J. Jules, David S. Wetherell and Joseph C. Lawler. The Technology Committee met two times during fiscal 2004.

Stockholder Communications with the Board of Directors

Stockholders may send written communications to the Board of Directors or any individual member to the following address: Board of Directors, c/o Secretary, CMGI, Inc., 1100 Winter Street, Waltham, MA 02451. The Company will forward all such correspondence accordingly, except for mass mailings, job inquiries, surveys, business solicitations or advertisements, or patently offensive or otherwise inappropriate material.

PROPOSAL 2

APPROVAL OF THE 2004 STOCK INCENTIVE PLAN

On October 15, 2004, the Board of Directors of the Company adopted, subject to stockholder approval, the 2004 Stock Incentive Plan (the 2004 Plan). Up to 15,000,000 shares of common stock (subject to adjustment in the event of stock splits and other similar events) may be issued pursuant to awards granted under the 2004 Plan.

The Board of Directors believes that the future success of the Company depends, in large part, upon the ability of the Company to maintain a competitive position in attracting, retaining and motivating key personnel. **Accordingly, the Board of Directors believes approval of the 2004 Plan is in the best interests of the Company and its stockholders and recommends a vote FOR the approval of the 2004 Plan.**

Summary of the 2004 Plan

The following is a brief summary of the 2004 Plan. The following summary is qualified in its entirety by reference to the 2004 Plan, a copy of which is attached as Appendix VI to the electronic copy of this Proxy

Statement filed with the SEC and may be accessed from the SEC s home page (www.sec.gov). In addition, a copy of the 2004 Plan may be obtained from the Secretary of the Company.

Types of Awards

The 2004 Plan provides for the grant of incentive stock options intended to qualify under Section 422 of the Internal Revenue Code of 1986, as amended (the Code), non-statutory stock options, restricted stock awards, stock appreciation rights and other awards that are valued in whole or in part by reference to, or are otherwise based on, shares of common stock or other property (collectively, Awards).

Incentive Stock Options and Non-Statutory Stock Options. Optionees receive the right to purchase a specified number of shares of common stock at a specified stock option price and subject to such other terms and conditions as are specified in connection with the stock option grant. Stock options may not be granted at an exercise price less than 100% of the fair market value of the common stock on the date of grant or for a term in excess of ten years. Stock options shall be exercisable at such times and subject to such terms and conditions as the Board of Directors may specify in the applicable stock option agreement. The 2004 Plan permits the following forms of payment of the exercise price of stock options: (i) payment by cash, check or in connection with a cashless exercise through a broker, (ii) except as the Board may otherwise provide in an option agreement, by surrender to the Company of shares of common stock, (iii) to the extent permitted by applicable law and by the Board, delivery to the Company of a promissory note, (iv) by payment of other lawful consideration as the Board may determine, or (v) any combination of these forms of payment.

In connection with a merger or consolidation of an entity with the Company or the acquisition by the Company of property or stock of an entity, the Board may grant stock options in substitution for any options or other stock or stock-based awards granted by such entity or an affiliate thereof. Substitute stock options may be granted on such terms as the Board deems appropriate in the circumstances.

Unless such action is approved by the Company s stockholders: (i) no outstanding stock option granted under the 2004 Plan may be amended to provide an exercise price per share that is lower than the then-current exercise price per share of such outstanding stock option (other than adjustments in the event of stock splits and other similar events), and (ii) the Board may not cancel any outstanding stock option and grant in substitution therefor new Awards under the 2004 Plan covering the same or a different number of shares of common stock and having an exercise price per share lower than the then-current price per share of the cancelled stock option.

Restricted Stock Awards. Restricted Stock Awards entitle recipients to acquire shares of common stock, subject to the right of the Company to repurchase all or part of such shares from the recipient in the event that the conditions specified in the applicable Award are not satisfied prior to the end of the applicable restriction period established for such Award. In certain circumstances, such Awards may also be subject to performance conditions.

Stock Appreciation Rights. Under the 2004 Plan, the Board of Directors has the right to grant Stock Appreciation Rights entitling the holder, upon exercise, to receive an amount in cash or common stock or a combination thereof determined in whole or in part by reference to appreciation, from and after the date of grant, in the fair market value of a share of common stock. Stock Appreciation Rights may be based solely on appreciation in the fair market value of common stock or on a comparison of such appreciation with some other measure of market growth such as appreciation in a recognized market index. The date as of which such appreciation or other measure is determined shall be the exercise date unless another date is specified by the Board.

Other Stock-Based Awards. Under the 2004 Plan, the Board of Directors has the right to grant other Awards of shares of common stock or Awards valued in whole or in part by reference to, or otherwise based on, shares of common stock or other property, including Awards entitling recipients to receive shares of common stock to be delivered in the future.

Eligibility to Receive Awards

Employees, officers, directors, consultants and advisors of the Company and its subsidiaries are eligible to be granted Awards under the 2004 Plan. Under present law, however, incentive stock options may only be granted to employees of the Company and its subsidiaries. The maximum number of shares with respect to which stock options may be granted to any participant under the 2004 Plan may not exceed 6,000,000 shares per calendar year. The maximum number of shares with respect to which Awards other than stock options and stock appreciation rights may be granted under the 2004 Plan shall be 5,000,000 shares.

Plan Benefits

As of October 1, 2004, the Company had approximately 4,133 employees, including the Company s eight executive officers, and five non-employee directors, all of whom are eligible to receive Awards under the 2004 Plan. The granting of Awards under the 2004 Plan is discretionary, and the Company cannot now determine the number or type of Awards to be granted in the future to any particular person or group.

On November [ ], 2004, the last reported sale price of the Company s common stock on the Nasdaq National Market was $[ ].

Administration

The 2004 Plan is administered by the Board of Directors. The Board of Directors has the authority to adopt, amend and repeal the administrative rules, guidelines and practices relating to the 2004 Plan and to interpret the provisions of the 2004 Plan. Pursuant to the terms of the 2004 Plan, the Board of Directors may delegate authority under the 2004 Plan to one or more committees or subcommittees of the Board of Directors, and one or more officers of the Company. The Board of Directors has authorized the Human Resources and Compensation Committee to administer certain aspects of the 2004 Plan, including the granting of Awards to executive officers. The Board of Directors has also authorized the Company s Chief Executive Officer and Chief Financial Officer to administer certain aspects of the 2004 Plan, including the granting of stock options to employees of the Company other than executive officers.

Subject to any applicable limitations contained in the 2004 Plan, the Board of Directors, the Human Resources and Compensation Committee, or any other committee to whom the Board of Directors delegates authority, as the case may be, selects the recipients of Awards and determines (i) the number of shares of common stock covered by stock options and the dates upon which such stock options become exercisable, (ii) the exercise price of stock options, (iii) the duration of stock options, (iv) the number of shares of common stock subject to any restricted stock Awards and the terms and conditions of such Awards, including conditions for repurchase, issue price and repurchase price, (v) the terms and conditions of any Stock Appreciation Rights, and (vi) the terms and conditions of any other stock-based Award. The Board of Directors may also defer delivery of shares of common stock subject to any Awards to such time or times, and on such conditions, as the Board of Directors may specify.

The Board of Directors is required to make appropriate adjustments in connection with the 2004 Plan and any outstanding Awards to reflect stock splits, stock dividends, recapitalizations, spin-offs and other similar changes in capitalization. The 2004 Plan also contains provisions addressing the consequences of any Reorganization Event, which is defined as (i) any merger or consolidation of the Company with or into another entity as a result of which all of the common stock of the Company is converted into or exchanged for the right to receive cash, securities or other property, (ii) any exchange of all of the common stock of the Company for cash, securities or other property pursuant to a share exchange transaction, or (iii) any liquidation or dissolution of the Company. Upon the occurrence of a Reorganization Event, the Board shall take any one or more of the following actions as to all or any outstanding Awards other than restricted stock Awards on such terms as the Board determines: (i) provide that Awards shall be assumed, or substantially equivalent Awards shall be substituted, by the acquiring or succeeding corporation, (ii) provide that unexercised stock options or other unexercised Awards shall become exercisable in full and will terminate immediately prior to the consummation of such Reorganization Event unless exercised within a specified period following the date of such notice, (iii) provide that outstanding Awards shall become realizable or deliverable, or restrictions applicable to an Award shall lapse, in whole or in part prior to or upon such Reorganization Event, (iv) in the event of a Reorganization Event under the terms of which holders of common stock will receive upon consummation thereof a cash payment for each share surrendered in the Reorganization Event, make or provide for a cash payment in exchange for the termination of such stock options or other Awards, (v) provide that, in connection with a liquidation or dissolution of the Company, Awards shall convert into the right to receive liquidation proceeds, and (vi) any combination of the foregoing.

Upon the occurrence of a Reorganization Event other than a liquidation or dissolution of the Company, the repurchase and other rights of the Company under each outstanding restricted stock Award will inure to the benefit of the acquiring or succeeding corporation. The Board of Directors will specify the effect of a liquidation or dissolution of the Company on any restricted stock Award at the time the Award is granted.

If any Award expires or is terminated, surrendered, canceled or forfeited, the unused shares of common stock covered by such Award will again be available for grant under the 2004 Plan, subject, however, in the case of incentive stock options, to any limitations under the Code.

Amendment or Termination

No Award may be made under the 2004 Plan after October 15, 2014, but Awards previously granted may extend beyond that date. The Board of Directors may at any time amend, suspend or terminate the 2004 Plan, except that no Award designated as subject to Section 162(m) of the Code by the Board of Directors after the date of such amendment shall become exercisable, realizable or vested (to the extent such amendment was required to grant such Award) unless and until such amendment shall have been approved by the Company s stockholders.

If stockholders do not approve the adoption of the 2004 Plan, the 2004 Plan will not go into effect, and the Company will not grant any Awards under the 2004 Plan. In such event, the Board of Directors will consider whether to adopt alternative arrangements based on its assessment of the needs of the Company.

Federal Income Tax Consequences

The following generally summarizes the United States federal income tax consequences that generally will arise with respect to Awards granted under the 2004 Plan. This summary is based on the tax laws in effect as of the date of this proxy statement. Changes to these laws could alter the tax consequences described below.

Incentive Stock Options

A participant will not have income upon the grant of an incentive stock option. Also, except as described below, a participant will not have income upon exercise of an incentive stock option if the participant has been employed by the Company or its corporate parent or 50% or more-owned corporate subsidiary at all times beginning with the stock option grant date and ending three months before the date the participant exercises the stock option. If the participant has not been so employed during that time, then the participant will be taxed as described below under Nonstatutory Stock Options. The exercise of an incentive stock option may subject the participant to the alternative minimum tax.

A participant will have income upon the sale of the stock acquired under an incentive stock option at a profit (if sales proceeds exceed the exercise price). The type of income will depend on when the participant sells the stock. If a participant sells the stock more than two years after the stock option was granted and more than one year after the stock option was exercised, then all of the profit will be long-term capital gain. If a participant sells the stock prior to satisfying these waiting periods, then the participant will have engaged in a disqualifying disposition and a portion of the profit will be ordinary income and a portion may be capital gain. This capital gain will be long-term if the participant has held the stock for more than one year and otherwise will be short-term. If a participant sells the stock at a loss (sales proceeds are less than the exercise price), then the loss will be a capital loss. This capital loss will be long-term if the participant held the stock for more than one year and otherwise will be short-term.

Nonstatutory Stock Options

A participant will not have income upon the grant of a nonstatutory stock option. A participant will have compensation income upon the exercise of a nonstatutory stock option equal to the value of the stock on the day the participant exercised the stock option less the exercise price. Upon sale of the stock, the participant will have capital gain or loss equal to the difference between the sales proceeds and the value of the stock on the day the stock option was exercised. This capital gain or loss will be long-term if the participant has held the stock for more than one year and otherwise will be short-term.

Restricted Stock

A participant will not have income upon the grant of restricted stock unless an election under Section 83(b) of the Code is made within 30 days of the date of grant. If a timely 83(b) election is made, then a participant will have compensation income equal to the value of the stock less the purchase price. When the stock is sold, the participant will have capital gain or loss equal to the difference between the sales proceeds and the value of the stock on the date of grant. If the participant does not make an 83(b) election, then when the stock vests the participant will have compensation income equal to the value of the stock on the vesting date less the purchase price. When the stock is sold, the participant will have capital gain or loss equal to the sales proceeds less the value of the stock on the vesting date. Any capital gain or loss will be long-term if the participant held the stock for more than one year and otherwise will be short-term.

Stock Appreciation Rights and Other Stock-Based Awards

The tax consequences associated with stock appreciation rights or any other stock-based Award granted under the 2004 Plan will vary depending on the specific terms of such Award. Among the relevant factors are whether or not the Award has a readily ascertainable fair market value, whether or not the Award is subject to forfeiture provisions or restrictions on transfer, the nature of the property to be received by the participant under the Award and the participant s holding period and tax basis for the Award or underlying common stock.

Tax Consequences to Us

There will be no tax consequences to the Company except that the Company will be entitled to a deduction when a participant has compensation income. Any such deduction may be subject to the limitations of Section 162(m) of the Code.

Equity Compensation Plan Information as of July 31, 2004

The following table sets forth certain information regarding the Company s equity compensation plans, other than the 2004 Plan, as of July 31, 2004:

Plan Category	(a) Number of securities to be issued upon exercise of outstanding options, warrants and rights	(b) Weighted-average exercise price of outstanding options, warrants and rights	(c) Number of securities available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity compensation plans approved by security holders	15,013,690	$ 14.75	6,855,665(1)
Equity compensation plans not approved by security holders	2,044,381	$ 1.26	15,728,650
Total	17,058,071	$ 13.13	22,584,315(1)

(1) Includes 1,192,495 shares available for issuance under the Company s Amended and Restated 1995 Employee Stock Purchase Plan, as amended.

PROPOSAL 3

TO AUTHORIZE THE BOARD OF DIRECTORS, IN ITS DISCRETION, SHOULD IT DEEM IT TO BE APPROPRIATE AND IN THE BEST INTERESTS OF THE COMPANY AND ITS STOCKHOLDERS, TO AMEND THE COMPANY S CERTIFICATE OF INCORPORATION TO EFFECT A REVERSE STOCK SPLIT OF THE COMPANY S ISSUED AND OUTSTANDING SHARES OF COMMON STOCK BY A RATIO OF 1-FOR-5, WITHOUT FURTHER APPROVAL OR AUTHORIZATION OF THE COMPANY S STOCKHOLDERS

Overview

The Company may consider effecting a reverse split of its issued and outstanding shares of Common Stock (reverse stock split or reverse split) on or prior to the date of the Company s next annual meeting of stockholders following the 2004 Meeting if such action is deemed appropriate and in the best interests of the Company and its stockholders. Such action may be taken, among other reasons, in order to preserve the listing of the Company s Common Stock on the Nasdaq National Market, to meet listing requirements for other trading markets or exchanges, or for reasons related to capital markets generally, including attracting institutional investors. Given the time and expense associated with convening a special meeting of stockholders, which would be required to consider this issue at a later time, the Board of Directors has determined that it is most efficient and in the best interests of the Company s stockholders to seek approval and authorization of a reverse stock split at the 2004 Meeting.

At the Company s 2003 Annual Meeting of Stockholders (the 2003 Meeting), the stockholders approved a proposal authorizing the Board of Directors, in its discretion, should it deem it to be appropriate and in the best interests of the Company and its stockholders, to effect a reverse stock split of the Company s issued and outstanding shares of Common Stock by a ratio of between 1-for-2 and 1-for-25, inclusive, without further approval or authorization of the Company s stockholders. The Board has not determined to effect a reverse stock split pursuant to the authority conferred on it by the stockholders at the 2003 Meeting. Accordingly, as of December 8, 2004, the date of the 2004 Meeting, that authority will expire and be without any further effect.

The Company has determined to submit a series of proposals, none of which are conditioned on any other submitted proposal, that would grant authority to the Board of Directors to effect a reverse split, with such authority to be exercised, if at all, in accordance with the parameters of such proposals, at any time prior to the Company s next annual meeting of stockholders following the 2004 Meeting. If some or all of such proposals are approved by the Company s stockholders at the 2004 Meeting or at an adjournment thereof, the Board of Directors would then have the discretion to implement a reverse stock split, within the parameters of the authority granted at the 2004 Meeting, at any time on or prior to the date of the Company s next annual meeting of stockholders following the 2004 Meeting, without seeking further approval or authorization of the Company s stockholders.

General

The Company s stockholders are being asked to approve four different reverse stock split proposals at the ratios of 1-for-5, 1-for-10, 1-for-15 and 1-for-20. If any or all of such proposals are approved, the Board of Directors may subsequently effect, in its discretion, one of the reverse stock splits in the event that it determines that such reverse stock split is appropriate and in the best interests of the Company and its stockholders. The Board of Directors has adopted resolutions, (i) declaring the advisability of each reverse stock split, subject to stockholder approval, (ii) in connection therewith, amending the Company s Certificate of Incorporation (the Amendment), to effect each reverse stock split, subject to stockholder approval, and (iii) authorizing any other action it deems necessary or appropriate to effect each reverse stock split, without further approval or authorization of the Company s stockholders, at any time on or prior to the date of the Company s next annual meeting of stockholders following the 2004 Meeting.

In Proposal No. 3, the Company s stockholders are being asked to authorize the Board of Directors, in its discretion, to amend the Company s Certificate of Incorporation to effect a 1-for-5 reverse stock split, without further approval or authorization of the Company s stockholders, at any time prior to the next annual meeting of stockholders.

If approved by the Company s stockholders, and the Board of Directors determines that a reverse stock split is appropriate and in the best interests of the Company and its stockholders, one of the four proposed reverse stock splits could become effective on any date selected by the Board of Directors on or prior to the date of the Company s next annual meeting of stockholders **SUNOPTA INC.**

SunOpta Inc.
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3.

Capital stock and additional paid in capital continued

(f)

In conjunction with a promotion, the Company s Chief Executive Officer received an award of 10,000 common shares of the Company s stock in the first quarter of 2007. One-quarter of the total award was granted on February 8, 2007, with the remaining three-quarters of the total award to be issued in equal instalments on the anniversary through February 8, 2010. As a result, 2,500 common shares were issued from treasury in the first quarter of 2007. Due to the delay in filing these first quarter financial statements, there were no shares granted in the first quarter of 2008, and there was no stock based compensation recognized (2007 - $29). The 2,500 common shares that were to be granted on February 8, 2008 will be granted to the Chief Executive Officer after this delinquent first quarter report on Form 10-Q is filed.

4.

Earnings 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:

	Three months ended	
	March 31, 2008	**March 31, 2007**
	$	**$**
Earnings for the period	**1,486**	1,055
Weighted average number of shares used in basic earnings per share	**64,164,200**	60,419,948
Dilutive potential of the following:		
Employee/director stock options	**143,711**	774,602
Diluted weighted average number of shares outstanding	**64,307,911**	61,194,550
Earnings per share:		
Basic	**0.02**	0.02
Diluted	**0.02**	0.02

Options to purchase 965,299 (March 31, 2007 100,000) common shares have been excluded from the calculations of diluted earnings per share due to their anti-dilutive effect.

SunOpta Inc.

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5.

Bank indebtedness

	March 31, 2008 $	December 31, 2007 $
Canadian Line of Credit Facility (a)	**11,477**	15,132
U.S. Line of Credit Facility (b)	**46,000**	37,685
Opta Minerals Canadian Line of Credit Facility (c)	**5,481**	5,989
	62,958	58,806

The Company has certain financial covenants that are calculated quarterly and annually. See note 6 for discussion of the Company s compliance with respect to these financial covenants.

(a)

Canadian Line of Credit Facility:

The Company has a Canadian line of credit of Cdn $25,000 (US $24,355). As of March 31, 2008, $11,477 (2007 - $15,182) of this facility was utilized, including $nil (2007 - $50) 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 March 31, 2008, the interest rate on this facility was 5.75%, calculated as Canadian prime plus a premium of 0.50%. 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 March 31, 2008, 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 $60,000. As at March 31, 2008, $46,033 (2007 - $37,685) of this facility was utilized, including $33 (2007 - $nil) 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 March 31, 2008, the weighted average interest rate on this facility was 6.84%, based on U.S. LIBOR loans plus a premium of 2.00%. 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 March 31, 2008, the borrowing base supported draws to the maximum line of credit.

The Canadian and U.S. line of credit facilities are subject to annual extensions, and were extended on July 14, 2008 for another year to June 30, 2009.

The above facilities and long-term loans (note 6) are collateralized by a first priority security against substantially all of the Company s assets in both Canada and the United States, with the exception of Opta Minerals and SunOpta

BioProcess.

(c)

Opta Minerals Canadian Line of Credit Facility:

Opta Minerals has a line of credit facility of $12,177 (Cdn $12,500). At March 31, 2008, $6,514 (2007 - $6,995) of this facility has been utilized, including letters of credit in the amount of $1,033 (2007 - $1,006). 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 March 31, 2008, the weighted average interest rate on this facility was 5.56%.

Opta Minerals line of credit facility, along with its unused portion of the revolving acquisition facility (note 6(d)), is subject to annual extensions, and were extended on July 17, 2008 through June 30, 2009.

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6.

Long-term debt

	March 31, 2008 $	**December 31, 2007 $**
Syndicated Lending Agreement:		
Term Loan Facility (a)	**45,000**	45,000
Non-revolving Acquisition Facility (b)	**7,200**	7,500
Revolving Acquisition Facility (c)	**18,525**	9,500
Other Long-Term Debt:		
Opta Minerals Term Loan Facility (d)	**11,568**	12,610
Opta Minerals Revolving Acquisition Facility (e)	**12,666**	10,481
Promissory Notes (f)	**7,573**	12,626
Term Loan Payables (g)	**408**	654
Capital Lease Obligations (h)	**288**	343
	103,228	98,714
Less: Current Portion	**11,423**	13,119
	91,805	85,595

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

(a)

Term Loan Facility:

The term loan facility balance at March 31, 2008 was $45,000 (2007 - $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 50 basis points based on certain financial ratios of the Company. As at March 31, 2008, the interest rate was 6.69%.

(b)

Non-revolving Acquisition Facility:

The non-revolving acquisition facility balance at March 31, 2008 was $7,200 (2007 - $7,500). Minimum quarterly repayment amounts in 2008 and 2009 are $300, with any remaining outstanding principal balance due October 31, 2009. At March 31, 2008, the interest rate on this facility was 6.84%, calculated as LIBOR plus a premium of 2.00%.

(c)

Revolving Acquisition Facility:

The revolving acquisition facility balance at March 31, 2008 was $18,525 (2007 - $9,500). Principal payments on this facility are payable quarterly equal to the greater of (a) 1/20 of the initial drawdown amount of the facility, or (b) 1/20 of the outstanding principal amount as of the date of the last draw. At March 31, 2008, the interest rate on this facility was 6.65%, calculated as LIBOR plus a premium of 2.00%. The Company borrowed $10,000 on the revolving acquisition facility in the first quarter in advance of closing the acquisition of The Organic Corporation B.V. (see note 11(a)).

The above term loan facility, non-revolving acquisition facility, revolving acquisition facility and the U.S. line of credit facility (note 6(b)), are collateralized by a first priority security against substantially all of the Company s assets in Canada, the United States and Mexico with the exception of the assets of Opta Minerals and SunOpta BioProcess Inc.

SunOpta Inc.

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6.

Long-term debt continued

(d)

Opta Minerals Term Loan Facility:

The term loan facility has a maximum available borrowing amount of $12,177 (Cdn $12,500). This facility matures on July 30, 2012, is renewable at the option of the lender and Opta Minerals, and has quarterly principal repayments of $304 (Cdn $312). The outstanding balance on the term loan facility at March 31, 2008 was $11,568 (Cdn - $11,875), and was fully drawn at December 31, 2007. At March 31, 2008, the weighted average interest rate on this facility was 5.78%.

(e)

Opta Minerals Revolving Acquisition Facility:

The revolving acquisition facility has a maximum available borrowing amount of $19,484 (Cdn $20,000) 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 outstanding balance on the revolving acquisition facility at March 31, 2008 was $12,666 (Cdn $13,002) (2007 - $10,481 (Cdn $10,390)). At March 31, 2008, the weighted average interest rate on this facility was 5.34%.

The unused portion of the term loan facility and the revolving acquisition facility is subject to annual extensions. The 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 (US - $16,756) 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, 2008 was a loss of $926 (December 31 2007 loss of $539). The incremental loss in fair value has been recorded in other comprehensive loss for the period.

(f)

Promissory Notes:

Promissory notes consist of notes issued to former shareholders as a result of business acquisitions bearing a weighted average interest rate of 5.6% (2007 5.5%), unsecured, due in varying installments through 2010 with principal repayments of $3,415 due in the next 12 months.

(g)

Term Loans Payable:

Term loans payable bear a weighted average interest rate of 4.6% (2007 4.5%) due in varying installments through 2010 with principal payments of $253 due in the next 12 months.

(h)

Capital Lease Obligations:

Capital lease obligations due in monthly payments, with a weighted average interest rate of 6.6% (2007 6.5%)

The long-term debt and capital leases described above have required repayment terms in the next five years ending March 31, as follows:

2009	$11,423
2010	11,194
2011	63,944
2012	2,566
2013	14,101
Thereafter	-
	$103,228

SunOpta Inc.

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6. Long-term debt continued

As part of its lending agreements, the Company is required to maintain compliance with certain financial covenants. As a result of the adjustments and provisions recorded in the SunOpta Fruit Group in 2007, the Company was not in compliance with these covenants at March 31, 2008 and at December 31, 2007. The Company received a permanent waiver to these covenants which allowed the Company to be in compliance at March 31, 2008 and at December 31, 2007. The Company was not required to recalculate these financial covenants for previous periods based on restated quarterly financial statements. In addition, the Company has negotiated amended financial covenants for June 30, 2008, September 30, 2008, December 31, 2008 and March 31, 2009. As a result of the Company s expectation of compliance with these amended covenants the term loan of $45,000 and the non-current portion non-revolving and revolving acquisition facilities totaling $20,625 continue to be classified as non-current. Should the Company fail to comply with any one of these or other covenants the lenders would have the option to accelerate repayment of outstanding balances, or enforce their security rights against the Company, which would result in these amounts would being reclassified to current liabilities.

7.

Supplemental cash flow information

	Three months ended March 31, 2008 $	March 31, 2007 $
Changes in non-cash working capital:		
Accounts receivable	**(14,779)**	(14,269)
Inventories	**(2,265)**	(1,930)
Income tax recoverable	**590**	1,826
Prepaid expenses and other current assets	**(623)**	30
Accounts payable and accrued liabilities	**3,561**	(18,255)
Customer and other deposits	**2,089**	426
	(11,427)	(32,172)
Cash paid for:		
Interest	**2,799**	1,981
Income taxes	**10**	398

8.

Commitments and contingencies

(a)

Subsequent to the Company s press release on January 24, 2008, in which it downgraded previously issued earnings expectations and announced the restatement of prior quarterly financial statements due to a significant write-down and other adjustments, the Company and certain officers (one of whom is a director) and a former director were named as defendants in several proposed class action lawsuits in the United States. These lawsuits were filed in the United

States District Court for the Southern District of New York on behalf of shareholders who acquired securities of the Company between May 8, 2007 and January 25, 2008. The lawsuits allege, among other things, violations of United States federal securities laws, misrepresentations and insider trading. These lawsuits are in a preliminary phase and are expected to be consolidated in one class action with a lead plaintiff. Similarly, a 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 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 Ontario s Securities Act. The Canadian Action claims damages of Cdn $100,000 plus punitive damages of Cdn $10,000 and other monetary relief. This action is also in its preliminary phase and, may be consolidated if additional class actions are commenced. Management intends to vigorously defend these actions. These claims and possible claims are at an early stage and 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.

SunOpta Inc.
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8.

Commitments and contingencies continued

(b)

The Company announced suit on January 17, 2008 against Abengoa New Technologies Inc. (Abengoa) and a former employee of SunOpta Inc for theft of trade secrets, breach of contract, tortuous interference with contract and civil conspiracy, along with motions for expedited discovery and a preliminary injunction. Abengoa has filed a counterclaim alleging breach of contract, misappropriation of trade secrets and other contractual violations. The United States District Court, Eastern District of Missouri, recently referred the core claims to arbitration and stayed the rest pending outcome of the arbitration. While management is confident in its position, the outcome of this matter cannot be predicted at this time.

In January 2008, a customer of the Company, Abener Energia S.A. (an affiliate of Abengoa) terminated a contract for the delivery of equipment and related services, forcing the matter into arbitration under the contract s provisions. Both parties have alleged violations under the contract. Arbitration proceedings on this matter have commenced, as both parties filed claims in the courts on June 30, 2008. The outcome of this arbitration cannot be predicted at this time.

(c)

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.

(d)

The Company enters into Canadian dollar, U.S. dollar and Euro forward foreign exchange contracts to reduce its exposure to fluctuations in foreign currency exchange rates. The open forward foreign exchange contracts at March 31, 2008 were marked-to-market (since they do not qualify as hedges for accounting purposes) resulting in a loss of $697 (2007 - $nil) which is included in foreign exchange (loss) gain on the Condensed Consolidated Statements of Earnings and Comprehensive Income.

SunOpta Inc.

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9.

Segmented information

The Company operates in three industries divided into six operating segments as follows:

(a)

SunOpta Food Group (Food Group) 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 four segments in the Food Group:

i)

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

ii)

SunOpta Ingredients Group (Ingredients Group) works closely with its customers to identify product formulation, cost and productivity opportunities, and focuses on transforming raw materials into value-added food ingredient solutions, with a focus on insoluble oat and soy fiber products;

iii)

S**unOpta Fruit Group (Fruit Group)** focuses on providing natural and organic frozen fruits, vegetables and related products to the private label retail, food service and industrial markets; and

iv)

SunOpta Distribution Group (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 health and beauty aids, vitamins, supplements and neutraceutical distribution network in Canada.

(b)

Opta Minerals processes, sells and distributes silica-free loose abrasives, roofing granules, industrial minerals specialty sands, and recycles inorganic materials 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 own numerous 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, and food industries.

The Company s assets, operations and employees are located in Canada, the United States, Mexico and Slovakia. Revenues from external countries are allocated to the United States, Canada and Other external markets based on the location of the customer. Other expense, net, interest expense, net, recovery of income taxes and minority interest are not allocated to the segments.

Effective January 1, 2008, two divisions previously included within the SunOpta Ingredients Group have been transferred, one to the SunOpta Grains and Foods Group and the other to the SunOpta Distribution Group. The segmented information for the comparative three month period ended March 31, 2007 has been updated to reflect the current periods segment presentation.

SunOpta Inc.

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9.

Segmented information continued

				Three months ended March 31, 2008
	Food Group	Opta Minerals	SunOpta BioProcess and Corporate	Consolidated
	$	$	$	$
External revenues by market:				
United States	119,878	4,397	132	124,407
Canada	76,504	14,828	-	91,332
Other	12,560	2,145	-	14,705
Total revenues from external customers	208,942	21,370	132	230,444
Segment earnings before other expense, net	6,228	2,004	(2,834)	5,398
Other expense, net				-
Earnings before the following				5,398
Interest expense, net				(2,900)
Provision for income taxes				649
Minority interest				363
Earnings for the period				1,486

The SunOpta Food Group has the following segmented reporting:

					Three months ended March 31, 2008
	Grains and Foods Group	Ingredients Group	Fruit Group	Distribution Group	Food Group
	$	$	$	$	$
External revenues by market:					
United States	58,666	14,726	46,355	131	119,878
Canada	3,740	1,329	2,077	69,358	76,504
Other	10,149	893	1,465	53	12,560
Total revenues from external customers					

	72,555	16,948	49,897	69,542	208,942
Segment earnings before other expense, net	5,493	1,018	(3,808)	3,525	6,228

SunOpta Inc.

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9.

Segmented information continued

	Three months ended March 31, 2007			
	Food Group	Opta Minerals	SunOpta BioProcess and Corporate	Consolidated
	$	$	$	$
External revenues by market:				
United States	97,674	12,609	698	110,981
Canada	60,510	3,685	-	64,195
Other	8,138	169	17	8,324
Total revenues from external customers	166,322	16,463	715	183,500
Segment earnings before other expense, net	3,781	1,447	(1,406)	3,822
Other expense, net				189
Earnings before the following				3,633
Interest expense, net				(1,911)
Provision for income taxes				464
Minority interest				203
Earnings for the period				1,055

The SunOpta Food Group has the following segmented reporting:

	Three months ended March 31, 2007				
	Grains and Foods Group	Ingredients Group	Fruit Group	Distribution Group	Food Group
	$	$	$	$	$
External revenues by market:					
United States	43,284	14,828	39,306	256	97,674
Canada	2,442	1,360	2,064	54,644	60,510
Other	7,302	712	124	-	8,138
Total revenues from external customers					

	53,028	16,900	41,494	54,900	166,322
Segment earnings before					
other expense, net	2,939	700	(2,699)	2,841	3,781

SunOpta Inc.

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10.

Cash and cash equivalents

Included in cash and cash equivalents is $26,250 (December 31, 2007 - $26,556) of cash relating to SunOpta BioProcess that was raised as a result of a preferred share issuance in 2007. These funds are specific to SunOpta BioProcess and can only be used by 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. Also included in cash and cash equivalents are funds of $3,904 (December 31, 2007 - $2,336) that are specific to Opta Minerals.

These funds of $30,194 (December 31, 2007 - $28,892) are consolidated for financial statement reporting purposes due to the Company s ownership; however, these funds cannot be utilized by the Company for general corporate purposes and are maintained in separate bank accounts of the legal entities.

11.

Subsequent events

(a)

Acquisition of The Organic Corporation B.V.

On April 2, 2008, the Company completed the previously announced acquisition of The Organic Corporation B.V., operating as Tradin Organic Agriculture B.V. ("Tradin"). At closing, the Company paid € 6,000 (US - $9,417) and issued a promissory note for € 1,000 (US - $1,570), bearing interest at 7%, payable March 31, 2010. Additional consideration payable on March 31, 2010 is equal to the greater of € 8,000 (US - $12,556) or 2.5 times 2009 EBITDA (as defined in the Purchase and Sale Agreement).

Tradin is one of the world's leading providers of globally sourced organic food ingredients, and a key supplier of a wide variety of organic products including frozen fruits and vegetables, dried fruits, coffee, cocoa, cereals, rice, soy, beans and more. The acquisition is expected to lead to further integrated sourcing and processing opportunities around the globe, and will position the Company as one of the dominant suppliers to the rapidly growing organic foods industry.

(b)

Flood in the Ingredients Group

In June 2008, as a result of flooding in the midwestern United States, a facility in the Ingredients Group located in Cedar Rapids, Iowa was unable to operate until July 16, 2008. In addition to not operating, supply to another facility located in Louisville, Kentucky has also been disrupted, negatively impacting their ability to operate. The Company is in the process of filing business interruption insurance for the period these plants are unable to operate.

(c)

Acquisition of MCP Mg-Serbian SAS

On July 10, 2008, Opta Minerals Inc announced that it had acquired 67% of the outstanding common shares of MCP Mg-Serbian SAS (MCP) of France for $1,100 in cash. Included in the acquisition is the option for Opta Minerals to acquire the remaining 33% minority interest under similar terms. Opta Minerals has also secured an option to purchase a majority position in an associated company located in Europe. MCP sells ground magnesium products to a variety of industries in Europe including integrated steel mills. The addition of MCP increases Opta Minerals position as a service provider to the steel industry.

(d)

Investigation at Berry Operations

During 2008, the Company incurred professional fees, including legal, accounting and advisory fees, related to the investigation within the Berry Operations. In the first quarter of 2008 approximately $1,368 were incurred and are included in selling, general and administrative expense. Approximately $4,332 of these fees have been incurred in the second quarter, which will impact earnings for that period. In addition to the professional fees, the Company will incur a minimum of approximately $1,700 in the second quarter in severance costs relating to the Company s Chief Executive Officer and Chief Financial Officer.

PART I - FINANCIAL INFORMATION

Item 2

Management s Discussion and Analysis of Financial Condition and Results of Operations

Significant Developments

Corporate Developments

The Company received Staff Determination notices on April 2, 2008 and May 20, 2008 from The Nasdaq Stock Market (Nasdaq) stating that the Company was not in compliance with the Nasdaq Marketplace Rules as a result of the delay in the filing of its Annual Report on Form 10-K for the fiscal year ended December 31, 2007 and its Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2008, and that as a result the Company s securities could be delisted. The Company appealed the determination to delist the Company s securities, and a Listing Qualifications Panel of Nasdaq notified the Company that it would continue to list the Company s securities if (1) the Company reported to the Panel the findings of the Audit Committee investigation by July 20, 2008, and (2) the Company filed delinquent reports by July 31, 2008. The Company has reported the Audit Committee s findings to the Panel, has filed its delinquent annual report on Form 10-K, on July 22, 2008 and as a result of this filing, has filed its delinquent quarterly report on Form 10-Q.

The Company has also received letters from the Securities and Exchange Commission and from the Ontario Securities Commission requesting additional information related to the write-down and restatements described in its January 24, 2008 press release and it received an additional request from the Ontario Securities Commission for information regarding its stock option granting process. The Company is cooperating with the requests from these agencies.

Subsequent to the Company s press release on January 24, 2008, in which it downgraded previously issued earnings expectations and announced the restatement of prior quarterly financial statements due to a significant write-down and other adjustments, the Company and certain officers (one of whom is a director) and a former director were named as defendants in several proposed class action lawsuits in the United States. These lawsuits were filed in the United States District Court for the Southern District of New York on behalf of shareholders who acquired securities of the Company between May 8, 2007 and January 25, 2008. The lawsuits allege, among other things, violations of United States federal securities laws, misrepresentations and insider trading. These lawsuits are in a preliminary phase and are expected to be consolidated in one class action with a lead plaintiff. Similarly, a 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 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 Ontario s Securities Act. The Canadian Action claims damages of Cdn $100,000,000 plus punitive damages of Cdn $10,000,000 and other monetary relief. This action is also in its preliminary phase. Management intends to vigorously defend these actions.

On April 24, 2008, the Company announced the appointment of Mr. Tony Tavares to the position of Vice President and Chief Operating Officer, effective June 2, 2008. In this role, Mr. Tavares will assume operational and strategic responsibility for the SunOpta Food Group operations and global supply chain initiatives. Mr. Tavares brings over 20 years of food industry experience to this role.

On June 26, 2008, the Company announced that its Board of Directors had accepted recommendations of its Audit Committee regarding changes to a number of internal processes and procedures and certain management positions. It announced that Steve Bromley, CEO, and John Dietrich, CFO, would transition from their current positions by December 31, 2008. During this transition period the Company will search for suitable replacements. Steve Bromley will continue to serve on the Board of Directors until his term ends at the Annual Meeting in 2009.

On July 11, 2008, the Company received a waiver from its lenders for its inability to achieve certain ratios required under its syndicated lending agreement for the three month period ended March 31, 2008 and the year ended December 31, 2007. The Company also amended its lending agreement with its lending syndicate, primarily to adjust certain covenant ratio calculations and ratio targets.

Strategic Agreements

On March 11, 2008 the Company announced that it had entered into an agreement to establish a joint venture with Colorado Mills LLC (Colorado Mills) of Lamar, Colorado, to build and operate an organic and natural vegetable oil refining facility. The venture will operate as Colorado Sun Oil Processing LLC and will be owned 50% by SunOpta and 50% by Colorado Mills. The processing facility will be located in Lamar, Colorado, adjacent to Colorado Mills existing crude oil processing facility, and will be capable of refining approximately 35 million pounds annually of natural and organic sunflower, soybean and canola oils. The refining facility is expected to be operational in early 2009.

Acquisition of Tradin Organics

On April 2, 2008, the Company announced that it had acquired all of the outstanding shares of Tradin Organics Agriculture (Tradin), a global supplier of a wide variety of globally sourced organic food ingredients including frozen and fresh fruits and vegetables, dried fruits, coffee, cocoa, cereals, rice, soy, beans, pulses, seeds, nuts, oils, dairy products, seasonings, sweeteners and more. Tradin s organic foods sourcing and processing expertise complements the Company s broad natural and organic foods platform, sourcing and processing from diverse geographies and serving a global customer base. The combination of these capabilities is expected to lead to further integrated sourcing and processing opportunities around the globe. The Company paid €6,000,000 (U.S. $9,417,000) in cash and issued a promissory note for €1,000,000 (U.S. $1,570,000) bearing interest at 7% and payable March 31, 2010. Additional consideration is payable on March 31, 2010 in the amount of the greater of €8,000,000 (U.S. $12,556,000) or 2.5 multiplied by 2009 earnings before interest, taxes, depreciation and amortization.

Acquisition of MCP Mg-Serbien SAS

In July 2008, Opta Minerals acquired 67% of MCP of France. The transaction included an option to acquire the remaining 33% minority interest on similar terms. For fiscal 2007 MCP recorded revenues of approximately $6,300,000 selling ground magnesium products to a variety of industries in Europe including integrated steel mills. This acquisition expands business capabilities in Europe and complements existing operations in the U.S., Canada and Eastern Europe. Opta Minerals also secured an option to purchase a majority position in an associated company located in Europe which is focused on the production of magnesium ingots.

Working Capital

The Company s working capital increased to $156,049,000 during the quarter versus $146,210,000 at December 31, 2007. A number of business factors drove this increase including an increase in accounts receivable, offset by increases in bank indebtedness, accounts payable and accrued liabilities and customer and other deposits. The accounts receivable increase of $13,789,000 (15.7%) in the first quarter of 2008 was the result of an increase in sales of 9.6% compared to the fourth quarter of 2007, as well as a 0.4 day increase in days sales outstanding (DSO) from December 31, 2007 (DSO - 36.6 days) to March 31, 2008 (DSO - 37.0 days). Inventories remained stable at March 31, 2008 compared to December 31, 2007, even though sales in the first quarter of 2008 exceeded sales in the fourth quarter of 2007 by approximately $21,000,000 or 10%. This stability of inventory levels is consistent with the Company s efforts to reduce working capital across all divisions, and reflects efforts within the SunOpta Fruit Group s Berry Operations to sell through excess inventory that was written down to net realizable value at December 31, 2007.

Operations for the Three Months ended March 31, 2008 Compared With the Three Months Ended March 31, 2007

Consolidated

	March 31, 2008 $	March 31, 2007 $	Change $	Change %
Revenue				
SunOpta Food Group	208,942,000	166,322,000	42,620,000	25.6%
Opta Minerals	21,370,000	16,463,000	4,907,000	29.8%
SunOpta BioProcess	132,000	715,000	(583,000)	(81.5%)
Total Revenue	**230,444,000**	**183,500,000**	**46,944,000**	**25.6%**
Operating Income[1]				
SunOpta Food Group	6,228,000	3,781,000	2,447,000	64.7%
Opta Minerals	2,004,000	1,447,000	557,000	38.5%
SunOpta BioProcess & Corporate	(2,834,000)	(1,406,000)	(1,428,000)	(101.6%)
Total Operating Income	**5,398,000**	**3,822,000**	**1,576,000**	**41.2%**
Other expense, net	-	(189,000)	(189,000)	(100.0%)
Interest expense	2,900,000	1,911,000	989,000	51.8%
Income tax provision	649,000	464,000	185,000	39.9%
Minority interest	363,000	203,000	160,000	78.8%
Earnings for the period	**1,486,000**	**1,055,000**	**431,000**	**40.9%**

[1] (Operating Income is defined as Earnings before the following excluding the impact of Other expense, net)

Revenues for the first quarter in 2008 as compared to the first quarter of 2007 increased by 25.6% to $230,444,000 based on consolidated internal growth of 20.9% and acquisition revenues of $7,149,000. Internal growth includes growth on base business plus growth on acquisitions from the date of acquisition over the previous year. Revenue growth continues to be driven by the SunOpta Food Group which realized internal revenue growth of 21.9% in 2008.

Operating income in the first quarter of 2008 increased to $5,398,000, representing an increase of 41.2% versus the first three months of 2007. The SunOpta Food Group s operating income increased by $2,447,000 as increases within the SunOpta Grains and Foods Group, the SunOpta Ingredients Group and the SunOpta Distribution Group were offset by declines within the SunOpta Fruit Group. Operating improvements of $557,000 were realized in Opta Minerals. SunOpta BioProcess and corporate realized increased losses and costs of $1,428,000. Approximately $1,368,000 of this loss was due to professional fees incurred as a result of the restatement of prior quarters and investigation into the Berry Operations. Further details on revenue and operating income, including the impact of the corporate cost allocations, are provided by operating group below.

Interest expense increased by 51.8% to $2,900,000 for the three months ended March 31, 2008 as compared to the first quarter of 2007 due to increased average long-term debt and operating lines of approximately $24,000,000. The increase in debt is primarily related to acquisitions completed during the previous year and additional working capital utilized to fund internal growth. The average interest rate for the quarter was approximately 6.4%, which was higher than the prior year s first quarter of 5.5%. Bank indebtedness is approximately 22.2% of accounts receivable and inventory, which is used to finance operating lines.

Other expense for the three months ending March 31, 2007 of $189,000 was mainly related to certain restructuring costs incurred during the quarter mainly relating to the consolidation in the SunOpta Distribution Group.

The income tax rate for the first three months of 2008 is approximately 26.0% which is lower than the first three months of 2007 at 26.9%. Rates are lower than statutory rates due primarily to the benefit of certain beneficial tax structures.

Based on the results of the first quarter, continued expected internal growth in core operations, and the acquisition of Tradin Organics in April 2008, the Company expects to achieve previous 2008 revenue guidance of annualized revenues in excess of $1 billion, and earnings per share of $0.25 to $0.30, before the impact of professional fees and severance costs related to the independent investigation and related recommendations and costs attributable to the defence of the class action lawsuits.

Segmented Operations Information

(Note: Certain prior year figures have been adjusted to conform with current year presentation and segmented reporting.)

SunOpta Food Group

	March 31, 2008 $	March 31, 2007 $	Change $	Change %
Revenue				
SunOpta Grains & Foods	72,555,000	53,028,000	19,527,000	36.8%
SunOpta Ingredients	16,948,000	16,900,000	48,000	0.3%
SunOpta Fruit	49,897,000	41,494,000	8,403,000	20.3%
SunOpta Distribution	69,542,000	54,900,000	14,642,000	26.7%
Food Group Revenue	**208,942,000**	**166,322,000**	**42,620,000**	**25.6%**
Operating Income[1]				
SunOpta Grains & Foods	5,493,000	2,939,000	2,554,000	86.9%
SunOpta Ingredients	1,018,000	700,000	318,000	45.4%
SunOpta Fruit	(3,808,000)	(2,699,000)	(1,109,000)	(41.1%)
SunOpta Distribution	3,525,000	2,841,000	684,000	24.1%
Food Group Operating Income	**6,228,000**	**3,781,000**	**2,447,000**	**64.7%**
SunOpta Food Group Segment Margin %	**3.0%**	**2.3%**		**0.7%**

[1] (Operating Income is defined as Earnings before the following excluding the impact of Other expense, net)

The SunOpta Food Group contributed $208,942,000 or 90.7% of total Company consolidated revenues in the first three months of 2008 versus 90.6% in the same period in 2007. This was based on internal growth of 21.9% and acquisition revenues of $5,124,000. The increase in consolidated revenues of 25.6% in the SunOpta Food Group reflects strong sales volume from the SunOpta Grains & Food Group due to strong sales and increased commodity prices of grains and grains based ingredients and refrigerated and aseptic soymilk, strong increases in the SunOpta Distribution group due to improving demand for natural and organic grocery and natural health products, and strong internal growth from the SunOpta Fruit Group driven by increased demand for natural and organic frozen fruits and related ingredients.

Operating income in the SunOpta Food Group in the first quarter of 2008, as compared to the first quarter of 2007, increased by $2,447,000 or 64.7% to $6,228,000, including the impact of $879,000 in higher corporate cost allocations. The increase in operating income is mainly related to favourable results from the SunOpta Grains and Foods Group who realized an increase of 86.9%, due to strong volumes of refrigerated and aseptic soymilk, in addition to strong volumes and prices of soybeans, corn and sunflower. The SunOpta Ingredients Group generated $318,000 in improved operating income based on stable revenues and margins and reduced selling, general and administrative expenses (SG&A) costs. The SunOpta Distribution Group generated $684,000 in improved operating income due to strong volumes of natural and organic grocery and natural health products in addition to the cost rationalization of an eastern Canada distribution centre. Offsetting the improvements was decreased operating income of $1,109,000 in the Fruit Group, mainly due to higher SG&A including management fees from Corporate.

Effective January 1, 2008, two divisions previously reported within the SunOpta Ingredients Group were transferred, one to the SunOpta Grains and Foods Group and the other to the SunOpta Distribution Group. The impact of these transfers on the three month period ended March 31, 2007 from the previously disclosed comparatives are as follows:

	SunOpta Grains and Foods Group $	SunOpta Ingredients Group $	SunOpta Distribution Group $	SunOpta Food Group $
Revenue	437,000	(1,078,000)	641,000	-
Gross Margin	231,000	(360,000)	129,000	-
Segment Operating Income[1]	231,000	(319,000)	88,000	-

[1] (Segment Operating Income is defined as Earnings before the following excluding the impact of Other expense, net .)

The segmented information that follows for the comparative three month period ended March 31, 2007 has been updated to reflect the revised segmented disclosure noted previously.

SunOpta Grains & Foods Group:

	March 31, 2008 $	March 31, 2007 $	Change $	Change %
Revenue	72,555,000	53,028,000	19,527,000	36.8%
Gross Margin	9,976,000	6,325,000	3,651,000	57.7%
Gross Margin %	13.7%	11.9%		1.8%
Segment Operating Income[1]	5,493,000	2,939,000	2,554,000	86.9%
Segment Margin %	7.6%	5.6%		2.0%

[1] (Segment Operating Income is defined as Earnings before the following excluding the impact of Other expense, net .)

The SunOpta Grains and Foods Group contributed $72,555,000 in revenues for the first quarter of 2008, a $19,527,000 or 36.8% increase over the same quarter in 2007. This increase was attributed to internal growth and a continued rise in commodity prices on soy, corn and sunflower products. The Group realized increases in revenues related to higher demand and prices for non-genetically modified and organic grains and grains based food ingredients, including organic oils, sweeteners and dairy products totaling $13,923,000. The Group also realized increases of $3,408,000 in aseptic soy and extended shelf life beverage products due to growth in volumes from existing contracts with major resellers and retailers and increased pricing. Revenues in the sunflower based businesses were $1,927,000 higher than 2007 due to increased demand for its in-shell and bakery kernel sunflower products. The roasted products snack food business also had increases of $269,000 versus the prior year.

Gross margin in the SunOpta Grains and Foods Group increased by $3,651,000 to $9,976,000 in the three month period ended March 31, 2008 as compared to the three month period ended March 31, 2007. Gross margin as a percentage of revenue of 13.7% was favourable to the prior year s first quarter by 1.8%. Continued strong market demand for the various products, favorable inventory positions in commodity markets as well as operating efficiencies across the operations have led to increased margins of $4,318,000. This was offset by unfavourable margins of $667,000 related to the roasted products operations due to higher supply costs and product mix as compared to the prior year.

Segment operating income increased by $2,554,000 or 86.9% in the first quarter of 2008 as compared to the first quarter of 2007. The operating income increase was the result of higher gross margins offset by foreign exchange losses of $367,000, increased corporate cost allocations of $348,000 and higher SG&A of $382,000. The increase in SG&A was attributed to higher variable selling costs directly related to increased sales volumes, increased headcount in support of business growth, and higher bonus accruals.

The SunOpta Grains and Foods Group is targeted to realize operating margins between 6 - 8% for 2008. An expansion at its aseptic packaging facility in Minnesota will see increased aseptic packaged revenues and margins in the latter half of the year as the Group brings on additional customers and works through its current backlog of orders. Grain prices and margins are expected to remain strong through 2008.

SunOpta Ingredients Group

	March 31, 2008 $	March 31, 2007 $	Change $	Change %
Revenue	16,948,000	16,900,000	48,000	0.3%
Gross Margin	2,937,000	2,987,000	(50,000)	(1.7%)
Gross Margin %	17.3%	17.7%		(0.4%)
Segment Operating Income[1]	1,018,000	700,000	318,000	45.4%
Segment Margin %	6.0%	4.1%		1.9%

[1] (Segment Operating Income is defined as Earnings before the following excluding the impact of Other expense, net .)

The SunOpta Ingredients Group contributed revenues of $16,948,000 in the first quarter of 2008 as compared to $16,900,000 in 2007, a 0.3% increase. Higher sales of oat and soy fiber of $975,000 were offset by lower dairy blending volumes and prices of $685,000, and a decrease in contract manufacturing and blending operations of $242,000.

In the quarter, gross margin in the SunOpta Ingredients Group decreased by $50,000 and the margin rate decreased by 0.4% to 17.3% of revenue. The decrease in gross margin was due to increased input costs beyond what was passed through in pricing to customers within the quarter.

Segment operating income increased by $318,000 to $1,018,000 in the first quarter of 2008 compared to the first quarter of 2007. Offsetting the decrease in gross margins of $50,000 as noted above, operating income was positively impacted by reduced SG&A costs of $294,000. This was due to reduced compensation costs and other cost saving initiatives. In addition, corporate allocated costs were reduced by $74,000.

The SunOpta Ingredients Group continues to focus on expanding its fiber and ingredient portfolio via a combination of internal development and acquisition/co-manufacturing. The group continues to target operating margins of 12-15% and expects to increase these levels over time through a combination of pricing, cost reduction and value added initiatives.

SunOpta Fruit Group

	March 31, 2008 $	March 31, 2007 $	Change $	Change %
Revenue	49,897,000	41,494,000	8,403,000	20.3%
Gross Margin	2,515,000	1,847,000	668,000	36.2%
Gross Margin %	5.0%	4.5%		0.5%
Segment Operating Income[1]	(3,808,000)	(2,699,000)	(1,109,000)	(41.1%)
Segment Margin %	(7.6%)	(6.5%)		(1.1%)

[1] (Segment Operating Income is defined as Earnings before the following excluding the impact of Other expense, net .)

The SunOpta Fruit Group contributed revenues of $49,897,000 in the first three months of 2008 as compared to $41,494,000 in the first quarter of 2007, a 20.3% increase or $8,403,000. Internal growth within the group was 8.9%. The acquisition of the Mexican operations provided $3,678,000 in additional revenues. Additional customers and the commissioning of the new bar forming equipment increased revenues by $3,481,000 in our healthy fruit snacks operations. Global sourcing and brokerage operations contributed $485,000 of the increase primarily due to gains in private label sales offset by lower industrial sales of organic fruit and fruit purees. Revenues increased by $759,000 in Berry operations over and above the acquired revenues with the Mexican acquisitions.

Gross margins in the SunOpta Fruit Group increased by $668,000 in the three months ended March 31, 2008 to $2,515,000 or 5.0% of revenue, as compared to 4.5% of revenues in the first quarter of 2007. An increase of $325,000 was related to the healthy fruit snack operations from higher volumes resulting from the new bar forming equipment that had been commissioned. The acquisition of SunOpta Mexico provided additional margins of $306,000. Price increases in the Berry Operations resulted in better margins than 2007 but were offset by higher production, storage and operating costs which resulted in net improved margins of $7,000. The remaining improvement of $30,000 in net margins was attributable to our global sourcing and brokerage operations.

Segment operating income in the SunOpta Fruit Group declined by $1,109,000 to a loss of $3,808,000 in the three months ended March 31, 2008 as compared to operating losses of $2,699,000 in the first quarter of 2007. Offsetting the increase in gross margin of $668,000 noted above, operating income was negatively impacted by an increase in SG&A costs of $1,539,000 and an increase in corporate allocated costs of $501,000. The remaining period over period change in segment operating income is a foreign exchange gain of $263,000. The increase in selling, general and administrative costs is due primarily to higher compensation of $865,000 related to additional headcount to support expanded business development, new industrial product programs, initiatives to improve internal processes as well as severance costs. The acquisition of SunOpta Mexico contributed $741,000 of the increased SG&A costs. The remaining net savings in SG&A of $67,000 is due to the various cost saving initiatives.

Both Berry Operations and the healthy fruit snack operations are in transition years. We expect operating losses within Berry Operations to reduce as the Company reduces the amount of excess inventory, price increases are realized throughout the year, operations are repositioned and restructured, and a reduction in SG&A as the operation becomes more efficient. Healthy fruit snack operations will improve as efficiencies on the new bar forming equipment are realized. The acquisition of Tradin Organics at the beginning of the second quarter will help global sourcing operations expand their supply network and product offering as well as drive synergies.

SunOpta Distribution Group

	March 31, 2008 $	March 31, 2007 $	Change $	Change %
Revenue	69,542,000	54,900,000	14,642,000	26.7%
Gross Margin	19,250,000	15,326,000	3,924,000	25.6%
Gross Margin	27.7%	27.9%		(0.2%)
Segment Operating Income[1]	3,525,000	2,841,000	684,000	24.1%
Segment Margin %	5.1%	5.2%		(0.1%)

[1] (Segment Operating Income is defined as Earnings before the following excluding the impact of Other expense, net .)

The SunOpta Distribution Group contributed revenues of $69,542,000 in the first quarter of 2008, an increase of $14,642,000 or 26.7% over the same quarter of the prior year. Internal growth within the Group was 24.9%. The Neo-Nutritionals Inc. acquisition resulted in increases of $866,000 over the same quarter of the prior year. In addition, revenues were favourably impacted by an increase in natural and organic grocery sales of $7,684,000 due to an increase in natural and organic product lines and new listings at a major retailer. The natural health sector of the group increased $4,991,0000 due to increased revenue from new listings, new product lines and increased capabilities in western Canada. The produce business increased $1,101,000 due to the growth in the western region.

Gross margin in the Distribution Group increased by $3,924,000 in the first quarter of 2008 to $19,250,000, or 27.7% of revenue compared to the first quarter of 2007. As a percentage of revenues, gross margin decreased by 0.2% due to the timing of the Passover holiday sales, which have higher inherent margins and will be realized in the second quarter of 2008 versus the first quarter of 2007. The acquisition of Neo-Nutritionals Inc contributed $312,000 of higher gross margins. Higher gross margins were also realized from stronger revenues in the natural and organic groceries segment of $1,843,000 and in the natural health operations of $1,551,000. The remaining margin growth of $218,000 is related to rationalization of the eastern Canadian produce operations.

Combined SG&A and warehousing and distribution costs (W&D) increased by $3,001,000 to $15,479,000 as compared to the same quarter in the previous year. As a percentage of revenues these expenses decreased to 22.3% of revenues versus 22.7% in the same quarter of the prior year. The December 2007 acquisition of Neo-Nutritionals added SG&A and W&D of $220,000, or 25.4% of their revenue. Higher variable SG&A and W&D of $3,079,000 was incurred as a result of the stronger revenues. The increase included costs related to a new grocery distribution centre in western Canada, higher freight and storage costs associated with larger volumes. These costs were partly offset by $402,000 of savings relating to the rationalization of the eastern Canadian produce business. The remaining SG&A variance of $104,000 is related to higher corporate cost allocations.

The increase in segment operating income of 24.1% or $684,000 to $3,525,000 reflects the noted increase in adjusted gross margins of $3,924,000 offset by increased costs related to W&D and SG&A of $3,001,000 and an unfavourable F/X loss of $239,000.

The strengthening of the Canadian dollar versus the U.S. dollar to near par in the first quarter of 2008 as compared to the first quarter of 2007 contributed to the growth in revenues and operating income once converted to U.S. dollars.

The SunOpta Distribution Group continues to focus on growing its customer base and maximizing warehouse utilization in its facilities, the expansion of exclusive brands and introduction of new brands through all distribution channels, the reduction of spoilage and achieving other operating efficiencies through continuous improvement.

Opta Minerals Inc.

	March 31, 2008 $	March 31, 2007 $	Change $	Change %
Revenue	21,370,000	16,463,000	4,907,000	29.8%
Gross Margin	5,555,000	4,066,000	1,489,000	36.6%
Gross Margin	26.0%	24.7%		1.3%
Segment Operating Income[1]	2,004,000	1,447,000	557,000	38.5%
Segment Margin %	9.4%	8.8%		0.6%

[1] (Segment Operating Income is defined as Earnings before the following excluding the impact of Other expense, net .)

Opta Minerals contributed $21,370,000 or 9.3% of the total Company consolidated revenues in the first three months of 2008, versus $16,463,000 or 9.0% in the first quarter of 2007. Revenues increased by $2,402,000 due to the acquisition of Newco in July of 2007 and a new production facility in Laval Quebec. In addition to these expansion initiatives, net revenues increased by $1,460,000 due to higher magnesium prices and new customers in the related to the Magtech and Bimac operations. The remaining net increase of $1,045,000 in revenues is a result of favourable mill and foundry sales and favourable volumes in Canadian abrasive products, offset by lowered demand from the US abrasive operations.

Gross margins were $5,555,000 in the three months ending March 31, 2008 or 26% of revenue versus $4,066,000 or 24.7% in the three months ended March 31, 2007. The increase in the margin rate was mainly due to the acquisition of Newco, which increased gross margins by $1,348,000. A net increase of $141,000 was attributable to higher margins in the other operations.

The increase in operating income of $557,000 to $2,004,000 reflects the noted increase in gross margins of $1,489,000 offset by an increase in SG&A of $806,000 and foreign exchange losses of $126,000. Included in the increased SG&A are costs attributed to the acquisitions of Newco and the production facility in Laval totalling $316,000, and an increase of $490,000 attributable to incremental audit, tax, consulting, regulatory fees and employee costs. The remaining difference is due to a foreign exchange loss of $126,000 driven by a Slovak Koruna denominated promissory note owed by SunOpta Minerals to the former owners of Newco.

The Company continues to develop and introduce new products into the marketplace. In 2008, Opta Minerals introduced a staurolite based abrasive into the North American market as well as other new products and has continued to expand its platform in Europe with the July 2008 acquisition of MCP Mg-Serbien SAS (MCP). Note that SunOpta owns 66.6% of Opta Minerals, segment operating income is presented prior to minority interest expense.

SunOpta BioProcess and Corporate Groups

	March 31, 2008 $	March 31, 2007 $	Change $	Change %
Revenue	132,000	715,000	(583,000)	(81.5%)
Gross Margin	(32,000)	169,000	(201,000)	(118.9%)
Gross Margin	(24.2%)	23.6%		(47.8%)
Segment Operating Loss[1]	(2,834,000)	(1,406,000)	(1,428,000)	(101.6%)

[1] (Segment Operating Income is defined as Earnings before the following excluding the impact of Other expense, net .)

Revenues were $132,000 for the three months ended March 31, 2008 versus $715,000 in same period in 2007. Revenues in the quarter were derived from equipment sales. Revenues in the first quarter of 2007 were derived from the percentage of completion on a steam explosion equipment supply contract with a key customer.

Gross margins in SunOpta BioProcess were ($32,000) in the three months ended March 31, 2008 versus $169,000 in the same period in the prior year. The margins realized reflect the loss on a project within the BioProcess Group attributable to the percentage of completion on an equipment supply contract.

Operating income in the SunOpta BioProcess and Corporate Groups decreased by $1,428,000 in the first quarter of 2008 compared to the first quarter of 2007. This decrease is comprised of reduced gross margins of $201,000 noted above and increased selling, general and administrative expenses of $1,337,000, offset by a foreign exchange gain of $110,000. The increase in SG&A costs is the result of increased professional fees of $1,710,000 that were incurred that related to the 2007 financial restatement and investigation processes ($1,368,000), business development activities and the ongoing legal costs regarding the collectibility of a receivable related to a cellulosic ethanol demonstration facility located in Spain. Also contributing to the increase in SG&A was approximately $684,000 due to additional personnel hired to support additional activity within SunOpta BioProcess and additional corporate personnel as the Company expands its corporate support functions in the areas of shared administrative services, logistics, and human resources. Offsetting these increases were additional management fees of $879,000 allocated to the Operating Groups and a decrease in other SG&A of approximately $178,000 compared to 2007.

SunOpta BioProcess continues to focus on business development and the commercialization of cellulosic ethanol. Interest in cellulosic ethanol continues to increase as many countries become more responsive to environmental concerns and desire to reduce their dependence on crude oil. As oil prices continue to increase, the demand for alternatives is expected to continue to grow.

Liquidity and Capital Resources (at March 31, 2008)

The Company obtains its short term financing through a combination of cash generated from operating activities, cash and cash equivalents, and available operating lines of credit. At March 31, 2008, the Company has aggregate availability under its lines of credit of approximately $32,548,000 (2007 $37,967,000). Revolving acquisition lines are also available to the Company and Opta Minerals with maximum draws of up to $1,475,000 (2007 - $10,500,000) and $6,728,000 (2007 $9,695,000), respectively.

The Company obtains its long term financing through its credit agreement with a syndicate of lenders. The Company may expand this credit agreement, and/or obtain additional long term financing for internal expansion uses, acquisitions or other strategic purposes as required.

The Company has the following sources from which it can fund its operating 2008 cash requirements:

- Cash and cash equivalents.
- Available operating lines of credit.
- Cash flows generated from operating activities.
- Cash flows generated from exercise of options currently in-the-money.
- Additional long term financing based on securitization of existing assets.
- Sale of non-core divisions.

In order to finance significant acquisitions that may arise in the future, the Company may need additional sources of cash which it could attempt to obtain through a combination of additional bank or subordinated financing, a private or public offering, or the issuance of shares in relation to an acquisition or a divestiture. The Company intends to maintain a target long term debt to equity ratio of approximately 0.60 to 1.00 versus the current position of 0.40 to 1.00.

Cash Flows from Operating Activities

Net cash and cash equivalents increased by $2,699,000 during first three months of 2008 to $33,001,000 as compared to a decrease of $505,000 in the first three months of 2007.

Cash flows provided by operations for the first three months of 2008 before working capital changes was $6,777,000 as compared to $3,894,000 in the first three months of 2007, which is an increase of $2,883,000 or 74.0%. The increase was due primarily to stronger operating results for the quarter, non-cash amortization of intangible assets and property, plant and equipment and non-cash deferred income taxes.

Cash used by operations after working capital changes was $4,650,000 for the three months ended March 31, 2008 as compared to a use of $28,278,000 in the three months ended March 31, 2007. This represents a use of funds for non-cash working capital of $11,427,000 in the first three months of 2008 as compared to $32,172,000 in the same period in 2007. This decrease in cash utilized is the result of an increase in accounts payable and accrued liabilities in the three months ended March 31, 2008 of $3,561,000 compared to a decrease of $18,255,000 in the same period in 2007. Also impacting the decrease in non-cash working capital, to a lesser extent, was an increase in customer and other deposits of $2,089,000 compared to $426,000 in the first quarter of 2007, and an increase in prepaid expenses and other current assets of $623,000 in 2008 compared to a decrease of $30,000 in 2007. The remaining difference in non-cash working capital in the first three months of 2008 compared to the first three months of 2007 are comprised of increases in accounts receivable and inventories and a decrease in income taxes recoverable resulting in a net usage of cash of $16,454,000 for the three months ended March 31, 2008, compared to a net use of $14,373,000 for the three months ended March 31, 2007.

Cash Flows from Investing Activities

Cash used in investing activities of $2,404,000 in the first three months of 2008 (2007 $7,507,000), reflects cash used to purchase property, plant and equipment of $2,366,000 (2007 $5,377,000) and the acquisition of patents, trademarks and licenses of $90,000 (2007 - $799,000). In the first quarter of 2007, the Company used a total of $1,331,000 to secure the supply of organic fruits and sunflower oil through strategic agreements with suppliers.

Cash Flows from Financing Activities

Cash provided by financing activities was $9,773,000 in the first three months of 2008 compared to $35,528,000 in 2007. The cash provided in 2008 is the result of an increase in the line of credit facilities of $4,852,000 (2007 repayment of $10,572,000), net long-term debt borrowings of $5,118,000 (2007 net repayment of $4,486,000), and payment of deferred purchase consideration of $500,000 (2007 - $1,143,000). In the first quarter of 2007, the Company received total proceeds of $51,729,000 as a result of an equity offering.

Item 3

Quantitative and Qualitative Disclosures about Market Risk

Interest rate risk

The primary objective of our investment activities is to preserve principal and limit risk. To achieve this objective, the Company maintains its portfolio in a variety of securities, including both government and corporate obligations and money market funds. These securities are generally classified as cash and cash equivalents or short-term investments and are recorded on the balance sheet at fair value with unrealized gains or losses reported through profit and loss. As at March 31, 2008 all of SunOpta s excess funds were held in cash and cash equivalents with a maturity less than 90 days.

Debt in both fixed rate and floating rate interest carry different types of interest rate risk. Fixed rate debt may have their fair market value adversely affected by a decline in interest rates. In general, longer date debts are subject to greater interest rate risk than shorter dated securities. Floating rate term debt gives less predictability to cash flows as interest rates change. As at March 31, 2008, the weighted average interest rate of the fixed rate term debt was 6.3% (December 31, 2007 6.0%) and $71,272,000 (December 31, 2007 - $77,324,000) of the Company s outstanding term debt is at fixed interest rates. Variable rate term debt of $31,956,000 (December 31, 2007 - $21,390,000) at an interest rate of 6.5% (December 31, 2007 6.5%) is partially hedged by variable rate cash equivalent investments. The Company looks at varying factors to determine the percentage of debt to hold at fixed rates including, the interest rate spread between variable and fixed (swap rates), the Company s view on interest rate trends, the percent of offset to variable rate debt through holding variable rate investments and the companies ability to manage with interest rate volatility and uncertainty. For every 1% increase (decrease) in interest rates the Company s after tax earnings would (decrease) increase by approximately $195,000 (2007 ($142,000).

Foreign currency risk

All U.S. subsidiaries use the U.S. dollar as their functional currency and the United States dollar is also the Company s reporting currency. The Company is exposed to foreign exchange rate fluctuations as the financial results of the Company and its Canadian subsidiaries are translated into U.S. dollars on consolidation. The Canadian dollar has depreciated against the U.S. dollar in the first quarter of 2008, compared to an appreciation in the first quarter of 2007. Closing rates moving from Cdn $0.9913 at December 31, 2007 to Cdn $1.0265 at March 31, 2008, compared to $1.1654 at December 31, 2006 to $1.1546 at March 31, 2007 for each U.S. dollar. The net effect of this depreciation has been an exchange loss of $1,022,000 included in Accumulated Other Comprehensive Income (2007 gain of $665,000) related to the Canadian net assets. During the first quarter of 2008, the Company had an increase of $7,867,000 (2007 - $3,867,000) in net Canadian assets. A 10% movement in the levels of foreign currency exchange rates in favour of (against) the Canadian dollar with all other variables held constant would result in an increase (decrease) in the fair value of the Company s net assets by $9,556,000 (2007 $9,014,000).

The Company enters into forward foreign exchange contracts to reduce its exposure to fluctuations in foreign currency exchange rates. The open forward foreign exchange contracts were marked-to-market at March 31, 2008 resulting in a loss of $697,000 (2007 - $nil) which is included in foreign exchange on the consolidated statement of earnings. In 2008, the Company began taking a more active role in an attempt to reduce its exposure to foreign currency exchange rates by entering into forward foreign exchange contracts. The contracts entered into are in Canadian dollars, U.S. dollars and Euros.

The functional currency of all operations, located in Canada, is the Canadian dollar. For these operations all transaction gains or losses in relation to the U.S. dollar are recorded as foreign exchange gain (loss) in the Consolidated Statement of Earnings while gains (losses) on translation of net assets to U.S. dollars on consolidation are recorded in the Currency Translation Adjustment account within Shareholders Equity. The functional currency of the corporate head office is the Canadian dollar. Transaction gains or losses as well as translation gains and losses on monetary assets and liabilities are recorded within Foreign Exchange gains (losses) on the Consolidated Statement of Earnings. U.S. based Food Group operations have limited exposure to other currencies since almost all sales and purchases are made in U.S. dollars. It is the Company s intention to hold excess funds in the currency in which the funds are likely to be used, which will from time to time potentially expose the Company to exchange rate fluctuations when converted into U.S. dollars.

Commodity risk

The Food Group enters into exchange-traded commodity futures and options contracts to hedge its exposure to price fluctuations on grain transactions to the extent considered practicable for minimizing risk from market price fluctuations. Futures contracts used for hedging purposes are purchased and sold through regulated commodity exchanges. Inventories, however, may not be completely hedged, due in part to the Company s assessment of its exposure from expected price fluctuations. Exchange purchase and sales contracts may expose the Company to risk in the event that a counter-party to a transaction is unable to fulfill its contractual obligation. The Company manages its risk by entering into purchase contracts with pre-approved producers.

The Company has a risk of loss from hedge activity if a grower does not deliver the grain as scheduled. Sales contracts are entered into with organizations of acceptable creditworthiness, as internally evaluated. All futures transactions are marked to market. Gains and losses on futures transactions related to grain inventories are included in cost of goods sold. At March 31, 2008 the Company owned 792,734 (2007 518,785) bushels of corn with a weighted average price of $5.30 (2007 - $3.38) and 751,818 (2007 588,295) bushels of soy beans with a weighted average price of $12.04 (2007 - $8.10). The Company has at March 31, 2008 net short positions on soy beans of (10,561) (2007 (2,940)) and a net long position on corn of 560,730 (2007 85,165) bushels. An increase/decrease in commodity prices of either soy or corn of 10% would not be material to the Company. There are no futures contracts in the other SunOpta Food Group segments, Opta Minerals, the Bio Process Group or related to Corporate office activities.

Item 4

Disclosure Controls and Procedures

Evaluation of disclosure controls and procedures

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of our disclosure controls and procedures, as such term is defined under Rule 13a-15(e) promulgated under the Securities Exchange Act of 1934, as amended (the Exchange Act). Based on this evaluation, our principal executive officer and our principal financial officer concluded that, due to the existence of material weaknesses, our disclosure controls and procedures were not effective as of March 31, 2008. Refer to Management s Report on Internal Control over Financial Reporting as contained in Item 9A. Controls and Procedures in the Company s Form 10-K the fiscal year ended December 31, 2007 for a description of the material weaknesses that have been identified.

Changes in Internal Control Over Financial Reporting

SunOpta s management, with the participation of SunOpta s Chief Executive Officer and Chief Financial Officer, has evaluated whether any change in SunOpta s internal control over financial reporting occurred during the first quarter of fiscal 2008. Based on that evaluation, management concluded that, aside from the remediation efforts described in Item 9A. Controls and Procedures in the Company s Form 10-K for the fiscal year ended December 31, 2007, there were no changes in SunOpta s internal control over financial reporting during the first quarter of 2008.

PART II - OTHER INFORMATION.

Item 1

Legal proceedings

Subsequent to the Company s press release on January 24, 2008, in which it downgraded previously issued earnings expectations and announced the restatement of prior quarterly financial statements due to a significant write-down and other adjustments, the Company and certain officers (one of whom is a director) and a former director were named as defendants in several proposed class action lawsuits in the United States. These lawsuits were filed in the United States District Court for the Southern District of New York on behalf of shareholders who acquired securities of the Company between May 8, 2007 and January 25, 2008. The lawsuits allege, among other things, violations of United States federal securities laws, misrepresentations and insider trading. These lawsuits are in a preliminary phase and are expected to be consolidated in one class action with a lead plaintiff. 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 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 Ontario s Securities Act. The Canadian Action claims damages of Cdn $100,000,000 plus punitive damages of Cdn $10,000,000 and other monetary relief. This action is also in its preliminary phase and, may be consolidated if additional class actions are commenced. Management intends to vigorously defend these actions.

The Company received Staff Determination notices on April 2, 2008 and May 20, 2008 from The Nasdaq Stock Market (Nasdaq) stating that the Company was not in compliance with the Nasdaq Marketplace Rules as a result of the delay in the filing of its Annual Report on Form 10-K for the fiscal year ended December 31, 2007 and its Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2008, and that as a result the Company s securities could be delisted. The Company appealed the determination to delist the Company s securities, and a Listing Qualifications Panel of Nasdaq notified the Company that it would continue to list the Company s securities if (1) the Company reported to the Panel the findings of the Audit Committee investigation by July 20, 2008, and (2) the Company filed delinquent reports by July 31, 2008. The Company has reported the Audit Committee s findings to the Panel, has filed its delinquent annual report on Form 10-K, and as a result of this filing, has filed its delinquent quarterly report on Form 10-Q.

The Company has also received letters from the Securities and Exchange Commission and from the Ontario Securities Commission requesting additional information related to the write-down and restatements described in its January 24, 2008 press release, and it received an additional request from the Ontario Securities Commission for information regarding its stock options granting process. The Company is cooperating with the requests from these agencies.

The Company commenced a suit on January 17, 2008, against Abengoa New Technologies Inc. (Abengoa), and a former employee of SunOpta Inc. for theft of trade secrets, breach of contract, tortuous interference with contract and civil conspiracy, along with motions for expedited discovery and a preliminary injunction. Abengoa has filed a counterclaim alleging breach of contract, misappropriation of trade secrets and other contractual violations. The United States District Court, Eastern District of Missouri, recently referred the core claims to arbitration and stayed the rest pending outcome of the arbitration. While management is confident in its position, the outcome of this matter cannot be predicated at this time.

In January 2008, a customer of the Company, Abener Energia S.A. (an affiliate of the above mentioned Abengoa) terminated a contract valued at approximately $7,000,000 for the delivery of equipment and related services, forcing the matter into arbitration under its provisions. Both parties have alleged violations under the contract. Arbitration proceedings have commenced, as both parties filed claims on June 30, 2008. The outcome of this arbitration cannot be predicated at this time.

One of the Company s subsidiaries, SunRich LLC previously filed a claim in the U.S. District Court for the District of Oregon against a supplier for failure to adhere to the terms of a contract. On July 29, 2004, Sunrich was awarded the trial judgment, and in the fall of 2006, the decision of the appellate court confirmed the judgment in Sunrich s favour. In December 2006, the Company collected approximately $2,014,000 in satisfaction of the trial judgment. The Company has also filed an application for the recovery of certain legal fees which is still outstanding with the Court.

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.

Item 1A Risk Factors

Certain risks associated with our operations are discussed in our Annual Report on Form 10-K for the year ended December 31, 2007, under the heading Risk Factors in Item 1A of that report. There have been no material changes in these previously reported risk factors as of the date of this quarterly report.

Item 2

Unregistered Sales of Equity, Securities and Use of Proceeds None

Item 3

Defaults upon Senior Securities - None

Item 4

Submission of Matters to a Vote of Security Holders None

Item 5

Other Information

(a)

None

Item 6

Exhibits

(a)

Exhibits -

31.1	Certification by Steven Bromley, President and Chief Executive Officer pursuant to Rule 13(a) 14(a) under the Exchange Act. **
31.2	Certification by John Dietrich, Chief Financial Officer pursuant to Rule 13(a) 14(a) under the Exchange Act. **
32	Certifications by Steven Bromley, President and Chief Executive Officer and John Dietrich, Vice President and Chief Financial Officer pursuant to Section 18 U.S.C Section 1350. **
**	Filed herewith

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

SUNOPTA INC.

Date July 28, 2008

/s/ John Dietrich

by John Dietrich

Vice President and Chief Financial Officer

SunOpta Inc.