SUNOPTA INC.

Moderator: Steve Bromley
November 6, 2008
9:00 a.m. CT

Operator: Good day and welcome to the SunOpta Third Quarter 2008 Results conference call. Please note that today's conference is being recorded.

At this time, I would like to turn the conference to Mr. Steve Bromley, President and CEO. Please go ahead, sir.

Steve Bromley: Thanks very much. Good morning, ladies and gentlemen. Welcome to the third quarter 2008 Shareholder Conference Call for SunOpta, Inc.

I'm joined on this call today by Jeremy Kendall, Chairman of the Board of Directors; John Dietrich, Vice President and Chief Financial Officer; and Ben Chhiba, the company's Vice President and General Counsel and Secretary.

Before I begin, I would like to remind listeners that except for the historical information the matters discussed during this conference call may include forward-looking statements, including statements related to our operating earnings that may involve a number of risks and uncertainties that could cause actual results to differ materially from those anticipated in the forward-looking statement.

These risk factors are detailed in SunOpta's filings with the Securities and Exchange Commission. Please note that our financial results are reported in U.S. dollars and in accordance with U.S. GAAP.

We plan to file our 10-Q for the quarterly period ending September 30th, 2008 by no later than the close of business tomorrow.

Before we discuss our third quarter results and ongoing operations, I would like to call on Jeremy Kendall to address the executive level changes which have been approved by our Audit Committee and Board of Directors and were included in our announcement at the close of business yesterday. Jeremy?

Jeremy Kendall: Thanks, Steve. Good morning everybody.

As you're aware. our company was impacted by a series of events in 2007 which lead to the write-down of inventories in the SunOpta Fruit Group Berry operations in fiscal 2007 and then the subsequent restatement of our quarterly financials for that period.

As a result of our Audit Committee conducted a thorough internal review of this event and in doing so provided a series of recommendations to the Board of Directors. Each of these recommendations have been fully implemented or are in the process of being implemented.

We believe these recommendations will enhance our corporate oversight, enhance the due diligence process for our prospective acquisitions as well as the integration of those acquisitions, strengthen our legal department and internal audit department functions, increase the number of independent directors to the Board, and improve inventory controls.

After a thorough review of the actions taken to date and the future direction of the company, the Audit Committee and the Board of Directors have decided to reverse its position on certain of the recommendations as I will now discuss.

So in this regard, Steve Bromley will remain in his position as President and Chief Executive Officer and it is planned that he will be renominated to the Board of Directors at the next annual meeting as this decision has been taken to reverse its previously announce plan for Mr. Bromley to transition from his executive position by December of this year.

Mr. Bromley has been with the company since 2001 and has served in a number of key operating roles since that time including Chief Financial Officer, Chief Operating Officer, and most recently Chief Executive Officer.

Secondly, the Board of Directors has reversed its decision to require the Chairman of the Board to be independent and thus I will be continuing in this role until such time as the Board wishes me to step aside.

The Company continues to search for a new Vice President and Chief Financial Officer and is now entering the final interview phase and consistent with the Audit Committee recommendations it expects to have a new candidate in place by the end of this fiscal year and this calendar year.

John Dietrich, the current Chief Financial Officer, has agreed to an extended transition period through March 2009 to assist the new Chief Financial Officer through the 2008 year-end audit. Subsequent to this transition and Mr. Dietrich is expected to assume a non-financial role within the organization.

We will continue to update you on the progress in finalizing our search for a new, a CFO but at this time, I can tell you that we have some absolutely excellent candidates.

Our SEC Counsel have notified the SEC of the changes and we continue to cooperate fully with the SEC. We believe these developments are in the best interest of our organization, our employees, and our shareholders.

Let me assure you that we remain fully committed to strong corporate governance and to continue to improve our processes and practices in this regard. This is of utmost importance to our organization.

Now I'll pass this call back to Steve Bromley.

Steve Bromley: Thanks, Jeremy. For the three months ended September 30, 2008, the Company realized its 44th consecutive quarter of increased revenue growth versus the same quarter in the previous year.

Revenues in the third quarter of 2008 increased by 41.2 percent to $287.7 million as compared to $203.8 million in the third quarter of 2007 and these revenues included a 21.4 percent internal growth rate.

Third quarter 2008 revenues in the SunOpta Food Group increased 41.3 percent to $257.8 million versus $182.5 million in Q3 2007, driven by internal growth of 20.7 percent and the impact of the acquisition of The Organic Corporation B.V. known as (Tradin Organics) in April 2008 which contributed revenues in the third quarter of approximately $37.6 million.

Revenues in Opta Minerals Inc. increased 43.7 percent to $29.4 million for the quarter and revenues in the SunOpta BioProcess Group decreased to $474,000 versus $779,000 in the third quarter of 2007.

Earnings for the quarter were $3,904,000 or $0.06 per diluted common share as compared to 2007 third quarter earnings of $3,042,000 or $0.05 per diluted common share.
Third quarter 2008 results include professional and related fees and severance costs of $1,827,000 related to the Company's investigation into the write-down in the SunOpta Fruit Group Berry Operations, as discussed by Jeremy, offset by the reversal of a previously recorded severance accrual reversal of $1.812 million related to the CEO and CFO changes.

The net impact of these costs are, in effect have a zero effect for the quarter essentially thus the earnings per share after inclusion of these items remains at $.06 per diluted common share.

Without these professional fees and the severance accrual reversal as well as a number of non-recurring start-up, operational and legal costs, adjusted earnings for the quarter would have been $5,237,000, representing an increase in earnings of approximately 72 percent versus Q3 2007.

These nonrecurring start up, operational, and legal costs include costs of $315,000 related to the commissioning of our Modesto Soy Processing Facility expected to start up later in the second quarter of 2009.

Lost profits of approximately $525, 000 due to the Q2 flood and affect on our fiber facilities within the Ingredients group, legal fees of approximately $400,000 for our arbitration case related to Abener arbitration and additional costs of approximately $420,000 related to the commissioning of our equipment at the Verenium Plant, steam explosion equipment at the Verenium Plant in Louisiana directly related to workmanship issue from a supplier.

We expect to receive compensation from our insurance provider for some of our lost profit due to the flooding and also expect to collect from the subcontractor on the Verenium equipment. Any of these benefits have not been included in our Q3 results.

For the nine months ended September 30, 2008, the Company has realized revenues of $810.1 million versus $592.7 million in the first nine months of 2007, an increase of 36.7 percent.

Consolidated internal growth for the first nine months was 20.7 percent. Earnings for the nine month period in 2008 were $6,109,000 or $0.09 per diluted common share versus $7,501,000 or $0.12 per diluted common share in 2007.

These results include net professional and related fees and severance costs of $7.6 million related to the Company's investigation into the results for year ended December 31, 2007. Without these professional, severance, and related costs, earnings for the nine months were approximately $11,336,000 or $0.18 per diluted common share.

After accounting for the year-to-date impact of the non-recurring costs plus these legal and related costs, non-recurring costs of which I ‘ll speak about later, earnings for the first nine months of 2008 would have been $13,491,000, representing an increase in earnings of approximately 80 percent versus the same quarter in – the same period in 2007.

Operating income for the first third quarter was $9,434,000 as compared to $5,762,000 in Q3 2007, an increase of approximately 64 percent. Segment operating income within the SunOpta fruit group – Food Group, pardon me – increased 9.7 percent to $5.6 million and operating income in Opta Minerals increased 13.4 percent to $2,536,000.

The SunOpta BioProcess segment incurred an operating loss of $1,541,000, largely driven by the increase in project costs and legal fees as previously mentioned. The corporate segment had increased operating income of $3,608,000 over the same period in 2007, due to net foreign exchange gains in the amount of $4,345,000 offset by incremental operating costs to support continued growth in the business.

The SunOpta Foods Group reported segment operating income of $5,598,000 versus $5,105,000 in Q3 2007. The improved segment operating income was driven by the SunOpta Berry operations and SunOpta International Sourcing and Trading groups, which realized increases of 62.4 percent and 209.8 percent respectively, due to strong sales – and interoperating income due to strong sales, improving operating margins and the impact of Tradin Organics acquisition.

The improvement in the Berry operations segment continues a trend that was realized in the second quarter of 2008, reflecting improved results as inventories that were written down in 2007 to net realizable valuable are sold through. Improved pricing and reduced storage costs are realized in hand with the benefits of the new management team and improved internal processes.

Offsetting these increases in operating income were lower income in the SunOpta Grains and Foods Group, due to lower market prices versus the same quarter in 2007, increased input costs and certain non-recurring start-up costs of approximately $315,000 related to Modesto, which we noted earlier.

Lower income in the SunOpta ingredients group was due to increased input costs and the impact of flooding in the Midwest that occurred in June 2008, which had an impact of approximately $525,000 in the quarter.

There was also slightly lower operating income in the SunOpta Distribution Group, due to the impact of the lower Canadian – the lower value of the Canadian dollar and increased freight and logistics costs in the third quarter of 2008 relative to the third quarter of 2007.

Opta Minerals realized segment operating income in the third quarter of 2008 of $2,536,000 as compared to $2,236,000 in Q3 2007, an increase of 13.4 percent driven by strong sales of abrasive products in the U.S., combined with the increased sales of magnesium desulfurization products to the steel industry.

And the 2007 acquisition of Newco, the Company's industrial minerals operation located in Slovakia, as well as the July 9, 2008 acquisition of MCP of France. Segment operating results in the SunOpta BioProcess group for the third quarter recorded a loss of $1,541,000 versus a loss of $812 in 2007, reflecting the negative impact of the approximately $820,000 of project costs and legal fees, which were previously described.

The group continues to work on a number of projects that are expected to utilize its technology in the production of cellulosic ethanol. It should also be noted that we have provided separate segmentation of results for SunOpta Bioprocess in our financial statements.

It should also be noted that this group is separately financed and has a current cash position of approximately $25 million, so they are well positioned to move forward in the continued development of their technology.

And there certainly does appear to be a strong interest in that technology and their equipment for the pretreatment of biomass for the production of cellulosic ethanol. At September 30, 2008, the Company's balance sheet reflects a current working capital ratio of 1.74 to one, long-term debt to equity ratio of 0.45 to one and total debt to equity ratio of 0.8 to one.

During the third quarter of 2008, cash provided by operations was $23,704,000 versus 2007 where we utilized $11,489,000, indicative of the Company's efforts to maximize cash generation.

A bulk of the change in the quarter has come from inventory reductions due to reduced commodity prices and volumes in the Grains and Foods Group as they prepare to receive their 2008 crop.

However, we also had reductions within all the other food groups, including Berry operations, which just came through its season of building supply. This increase compares to a $14 million investment in working capital in 2007, for a net improvement of over $30 million.

We continue to reduce – work to reduce our inventory levels, especially in these uncertain economic times that we find ourselves in. The Company has total assets of $634.8 million and a net book value of $3.97 per outstanding share.

In the first half of the year, the Company has obtained amendments to certain covenants for the fiscal quarters ended June 30, 2008, September 30, 2008, December 31, 2008 and March 31, 2009, and is in compliance with these revised covenants – in compliance with these revised covenants at the end of September.

The results of the third quarter reflect both the strong growth in the Company's operations plus the impact of the extensive turnaround efforts in the Berry operations, and obviously, the positive impact of the acquisition of Tradin Organics.

Our operations continue to grow and when combined with a continued focus on improved internal processes, are well positioned for the future. Having said that, these are unprecedented economic times driven by slowing economies around the world, tight credit conditions, and volatile foreign exchange markets.

We expect our core food operations to hold up very well in these markets, but feel our non-core operations and specifically Opta Minerals will be significantly impacted due to the nature of their businesses.

In addition, we expect to be unfavorably impacted by the translation of foreign denominated operations into U.S. dollars for reporting purposes. Over the past several months, the Canadian dollar and euro have dropped approximately 20 percent versus the U.S. dollar.

This has been fast and very unprecedented. Based on this, we can reconfirm our expectation that we will realize revenues in excess of a billion dollars for fiscal 2008, but have revised our 2008 earnings guidance to a range of $0.19 to $0.23 per diluted common share.

Respecting – reflecting, pardon me, the expected downturn in non-core businesses and the impact of foreign currency. Beyond that, our core food business is expected to operate well through the fourth quarter.

For your information, our diluted shares for the quarter were $64,763,000 and year-to-date are $64,753,000. I'll now get into a little bit more detail on each of the operating groups.

Within the Grains and Foods Group, revenues were $88.2 million in the third quarter, and increase of 35.7 percent over the same quarter in 2007. This increase was attributed to internal growth due to higher demand for non-GMO organic grains and ingredients,

And obviously higher commodity prices on soy, corn, and sunflower products when compared to the same period last year. The group also realized increased sales of aseptic soy and extended shelf life soy beverages due to the continued growth in volumes from existing contracts and new business.

The impact of this growth was partially offset by operational inefficiencies during the quarter, in part due to the expansion of the aseptic filling facility located in Alexandria, Minnesota.

Revenues in the sunflower-based businesses were also higher, due to increased demand for in-shell and bakery kernel sunflower products. For the nine months, revenues were $247.2 million in this group, an increase of over 35 percent versus the prior year, again due to internal growth and the increased commodity prices.

Segment operating income decreased by $1,198,000 or 27.4 percent in the third quarter of 2008 as compared to the third quarter of 2007 as a result of lower gross margins of $910,000, due mostly to increased input costs, delayed pricing and period costs related to the Modesto facility that we're in the process of building.

In addition, inefficiencies at our Minnesota facility impacted margins as the plant expansion was finalized and the processing lines were commissioned during the period. The third quarter of 2007 was the best third quarter this group had ever realized, and while the earnings are down versus 2007's third quarter, it should be noted that this is the second best third quarter that the SunOpta Grains and Foods Group has ever posted.

Year to date, the segment operating income increased by $1,906,000 or about 15.4 percent, reflecting higher gross margins, higher volumes, and improved margins from higher commodity pricing offset by increases in SG&A to support continued business growth.

Completion of the expansion at our aseptic packaging facility in Minnesota, in addition to price increases passed on to current customers during the third quarter, are expected to result in increased aseptic packaged revenues and margins in the fourth quarter.

The Heuvelton facility and Alexandria expansion projects both became fully operational during the third quarter. Grain margins are expected to remain relatively strong through the balance of 2008.

The Grains and Foods Group will continue to incur period costs related to rent, labor, property taxes, and travel related to its new Modesto facility through the balance of 2008, as well as similar costs, although at a lower level with regards to the Colorado Mills expansion of oil refining capabilities.

The sunflower crop this year is above average in the high and southern plains region. Combined with an extension of our sourcing area, we estimate strong increases in production for our Kansas plant, which will allow us to meet strong demand for our sunflower seeds in Europe.

Our soybean and corn harvests have been slightly delayed due to wet weather but supply will be at 2008 levels and sufficient to meet demand from our customers. All in all, a good crop.

The SunOpta Ingredients Group contributed revenues in the quarter of about $16.6 million as compared to 17.4 million in 2007 a five percent decrease. Reduced revenues resulted primarily from lower dairy and other ingredient blending volumes, very similar to prior quarters and lower selling prices on dairy blends offset by higher oat and soy fiber volumes which in this particular quarter increased by $535,000.

Year-to-date revenues are 50.3 million as compared to 51.6 million in 2007 a decrease of 2.5 percent primarily attributable to the same factors which I discussed for the third quarter.

Segment operating income in the third quarter was 700,000 verses 1.478 million last year. This decrease is due to plant inefficiencies resulting from plant shut downs and subsequent start ups.

Following the series of floods that impacted the Midwest of the United States costs of approximately $525,000 were incurred in the quarter relating to these shut downs and start ups. As I mentioned earlier we are pursing Business Interruption Insurance but at this time have taken nothing back to our financial statements. The group is currently completing that interruption claim and will be filing it.

Higher raw materials – higher costs of raw materials and freight costs also impacted the business throughout the quarter. The decrease in segment operating income of 1.362 million for the first nine months really reflects many of the same factors as I just noted.

The SunOpta Ingredients Group continues to focus on diversifying its fiber and ingredient portfolio by a combination of internal development, value added blends, distribution agreements, and joint ventures.

The group executed price increases late in the third quarter to offset higher input costs and also expects to recover some of the costs of the insurance related to our business interruption.

The group continues to target operating margins of 12 to 15 percent and expects to realize these levels over time through a combination of pricing, cost reduction, and value added initiative.

During the month of September, we started to see the impact of the incremental pricing and September was the best month this business has had so far in 2008 and we look forward to a positive fourth quarter.

Effective July 1, 2008 the company has realigned its segment reporting within the SunOpta Food Group to divide the former SunOpta Fruit Group into fruit group – pardon me, into two new operating segments SunOpta Berry Operations and Other and the SunOpta International Sourcing and Trading Group.

SunOpta Berry Operations and Other is comprised of the 2003 acquisition of Kettle Valley Dried Fruit the acquisitions later of Cleugh's Frozen Foods and Pacific Fruit Processors and the acquisition of the Hess Food Group along with the 2000 Mexican acquisitions which were completed on the berry processing side.

Revenues for the SunOpta Berry Operations and Other were 39.3 million in the third quarter of 2008 as compared to 34.7 million in 2007, a 13.3 percent increase attributed mainly to internal growth of $767,000 and $2 million due to a change in business in our brokerage operations that led to reporting revenue on a gross basis rather than on a net brokerage basis.

Our Healthy Fruit Snacks Division increased revenues by 2.6 million as a result of additional customers and the increased capacity brought on by the new bar forming equipment partially off set by lower sales and other parts of the Berry Operations.

Revenues for the first nine months in the Berry and Other Operations are 117.9 million as compared to 101.6 million in 2007, a 16 percent increase due mostly to increased revenues of $9.3 million in the Healthy Fruit Snacks and the acquisition of the Mexican Berry Operations in May 2007 which contributed 5.8 million in incremental revenues.

Segment operating income in the Berry Operations and Other category approved, improved by 1.775 million to a loss of 1,068,000 in the third quarter as compared to a loss of 2.843 million in the third quarter of 2007.

Due to the increase in gross margin of 2.587 million and a reduction in bad debt expense of 287,000. This was partially off set by increases in compensation costs of $955,000 due to severance, increased head count to support the expanded business, new industrial programs, and initiatives to improve internal processes.

Gross margin improved one million and 63 thousand in our brokerage Healthy Fruit Snacks and Fruit Topping Operations due to increased revenues as a result of expanded product offerings.

The balance of the increased margin in the quarter results from improved plant efficiencies and increased selling prices in the Berry Operations. Partially off set by increased storage costs as a result of excess inventory.

Segment operating income in the Berry Operations increased by 1.254 million to a loss of 7.021 million in the nine months ended September as compared to a loss of 8,275,000 in the same period in 2007.

The improvement in year-to-date results is caused by improved customer pricing in the Berry Operations and increased margins in our brokerage, Fruit Snacks, and Topping Operations.

These improvements were partially off set by plant inefficiencies in the berry plants in the first half 2008 as a result of lower production volumes due to our efforts to sell excess inventories which existed at December 31st 2007.

It should be noted that of the $54 million of inventories in the Berry Ops in the end of 2007 this amount has been reduced to 11 million at the end of the third quarter. And will be further reduced over the fourth quarter.

In summary we should be through the bulk of our excess berry inventory issue by the end this year. The Berry Operations continued to work through that inventory. We've taken pricing on a number of the products in this business through out the back half, later in the third quarter, and we expect that to assist and improve the results as we move forward.

Going forward as well, as the Berry Operations transition, to a more favorable sales mix of new products combined with plant efficiencies and price increases, we do expect to see significant improvement and a move into profitability once again in 2008.

The SunOpta International Sourcing and Trading Group is comprised of the Organic Ingredients Acquisition in 2004 and the Tradin Organics Acquisition in 2008. Revenues for the SunOpta International Sourcing and Trading Group were 51.1 million in the third quarter as compared to 12.5 million in 2007, a 308 percent increase.

The acquisition of Tradin on April 2nd provided 37.6 million of the $38.6 million increase with the balance coming from our existing global sourcing and trading operations which was driven primarily by increased private label sales.

For the first nine months the SunOpta International Trading Group had revenues of 116.4 million as compared to 40.4 million in 2007 an increase of 188.5 percent. Internal growth within the group was 15.3 percent, which includes growth on Tradin's base business and obviously our base business which existed prior to the acquisition of Tradin.

Gross margins in the SunOpta International Sourcing and Trading Group increased by 7.6 million during the nine months ended September to 14.4 million or 12.3 percent of revenue as compared to 16.8 percent of revenue in the same period in 2007.

Of this increase 7.5 million is due to the acquisition of Tradin. Segment operating income increased by 795,000 to 1.174 million in the third quarter. The increased operating income results from the acquisition of Tradin offset by lower margins in our previously existing global sourcing operation caused by higher raw material distribution and storage costs as well as increased SG&A to support expanded business operations.

For the nine months segment operating income was 3.038 million as compared to operating income of $1.975 million during the first nine months of 2007. The increased operating income results from the acquisition of Tradin offset by increased SG&A costs and additional corporate management fees.

The April 2nd 2008 acquisition of Tradin has significantly expanded the supply channel and product offerings available to this group and is expected to drive synergies across our businesses.

Strategic expansions of the group's network are evidenced by the recent joint venture to set up an organic sesame seed hulling operation in Ethiopia. As well as assuming control of the organic coffee sourcing and processing assets of Alanheri Produkten BV. These two ventures are expected to add profitable revenues of approximately $10 million to our business.

The SunOpta Distribution Group contributed revenues of 62.7 million in the third quarter of 2008 an increase of 9.8 million or 18.5 percent over the same quarter of the prior year. Internal growth within the group was 16.8 percent due to increases in natural organic grocery sales and increased revenues from the natural health sector.

For nine months revenues are 201.1 million an increase of 42.4 million or 26.7 percent in increase over the prior year. Internal growth with in the distribution group including internal growth on acquired companies is 24.8 percent year-to-date.

During the quarter operating income decreased by 101,000 to 1,621,000 as a result of the impact of higher logistics and freight costs. Year-to-date increased in segment operating income of 27.8 percent or 1.8 million to 8.3 million total reflects the increases in gross margins off set by increase SG&A and warehousing and delivery to support this increase.

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.

OptaMinerals in which we own 66.6 percent realized 29.4 million in revenue in the third quarter, a 43.7 percent increase verses the comparable 2007 period representing approximately 10.2 percent of SunOpta's consolidated revenues.

The increase in revenue was driven by the July 2007 acquisition of the businesses in Slovakia, the build out of new production facilities in Laval, Quebec and increased revenues in magnesium based products sold to the mill, foundry and abrasive industries.

Quarterly segment operating increase of 13.4 percent to 12.536 million versus 2.236 million in 2007 reflecting the gross margin on increased sales offset by higher SG&A and related costs to support the business operations and the impact of a foreign exchange loss on European based operations.

Year-to-date OptaMinerals has realized revenues of 76.1 million versus 55.3 million in the first three quarters of 2007, an increase of 37.4 percent. And operating earnings have also increased 37.4 percent to 7.9 million.

As we mentioned earlier during the quarter OptaMinerals completed the acquisition of MCP Mg-Serbia of France. MCP sells ground magnesium products to a variety of industries in Europe and really expands OptaMinerals European operating platform, a key strategic initiative of that company.

The results of the third quarter in year-to-date have been extremely strong for this business and they have continued to develop a strong operating business based on sound fundamentals.

Unfortunately the recent global economic downturn will have an impact on these operations. As one the core customers groups is the steel industry, as I am sure you are aware the steel industry has very recently announced a precipitous downturn in their business outlook and have implemented temporary idling and rationalization of manufacturing operations.

We expect this to continue into the late, into the first half of 2009. Fortunately the non-steel customer base appears to be doing quite well at this time.

SunOpta BioProcess continues to focus on the development and implementation of its technology in the production of cellulosic ethanol. The group continues to work on a number of equipment supply contracts and hope to finalize these efforts in the near future.

The group has been active over the last few months with the installation and commissioning of equipment supply to a cellulosic ethanol facility located in Jennings, Louisiana.

As previously noted, additional costs were incurred during the quarter as we had to repair a key piece of equipment which failed due to a manufacturing defect during startup.

We're pursuing the supplier of the equipment to collect these amounts. In the meantime, commissioning of the entire plant continues including our installations and we're looking forward to the completion of this activity and the successful startup of that plant.

In addition, the group continues to expand its technology base through the addition of new patents and is also heavily involved in the feasibility phase of their joint venture to build a 10 million gallon cellulosic ethanol plant with central Minnesota Ethanol Co-op.

The first phase of the project has been completed and the second phase of the schedule has now commenced.

During the third quarter the arbitration hearings related to the failed Spanish contract with Abener were completed and final submissions have been presented. We expect a final decision on this in December 2008. The patent infringement arbitration against the former customer is ongoing and a decision is not expected in this regard until mid next year.

In closing, we want to thank you for your continued support. We're fully committed to continue our efforts to build a strong and vibrant company and are most fortunate to have a wonderful company with exceptional growth opportunities and a strong balance sheet supported by a wonderful management team and the support of over 2200 employees.

With that we would like to open the call to questions. But we want to remind you that we will not be commenting on the events leading to restatement or the Audit Committee's investigation. The events surrounding the restatement are the subject matter of litigation before the courts in Canada and the U.S. and therefore, it is not appropriate to comment further at this time. Thanks very much and we'll now take calls.

Operator: Thank you, sir. Ladies and gentlemen, if you do have any questions at this time, please press star and then one on your touchtone phone. But remember if using a speakerphone, it is always better to lift the handset first. To withdraw a question already answered, please press the pound sign. Please press star one now if you do have any questions.

And our first question will come from Ed Aaron of RBC Capital Markets.

Edward Aaron: Thanks, good morning, guys.

Steve Bromley: Good morning, Ed.

Edward Aaron: So, first I was hoping you could talk a little bit more about the minerals business and the context of the press release you put out no to long ago talking about you know different levers you may look at in order to create more value, I mean that was one that stood out as something you could do and with changes that we are seeing now in that business.

I mean as you reassess the idea of unlocking more value that might be reflected in the stock. I mean what's the next generation of that in your mind as you look forward?

Steve Bromley: Well, yes, sure. Thanks Ed. You know obviously the downturn in this steel industry came very quickly. And you know on our call last week the president of one of the largest steel companies in the world talked about how quickly this had changed.

So, it's come upon us rather quickly after three really good strong quarters, a great development and growth in the business. As you indicated and as we've indicated we have been looking at various options to unlock shareholder value in that business. And have studied a number of those including the potential disposition of the business.

We continue to assess a number of those opportunities and will continue to do so. Obviously, with the downturn in the business now is probably not the time to be you know out there trying to market a business of that since of this type.

Good news is that it’s a solid business although we don’t expect you know real good earnings in the fourth quarter. They’ll have still post at record earnings for the year even what we expect in the fourth quarter.

So we’re continuing to look at those options but quite frankly you know given the current credit environment and also the current state of the business with the economic down turn probably now is probably not the time to be looking at selling it.

Edward Aaron: Thanks and on your debt (covenance) you have some amendments in place that carry through I think through the first quarter of 2009.

Steve Bromley: Right.

Edward Aaron: As you contemplate the changes in the, you know that the minerals business and some just of the broader uncertainties in the market, I guess I’m trying to handicap the risks of you might of you not being in compliance with the covariance once the amendments are taken off.

Steve Bromley: Ed, the debt covariance applied to what I would call the core banking agreements. OptaMinerals has its own financing platform and the syndicate in place, one. Two, Bioprocess have their own banking agreements in place and obviously they’re being a little bit impacted by the economic times and Tradin Organics also. So the core business that you know really is implacable to those covariance we fell is in good shape.

Edward Aaron: OK, and then finally I'm still, I know there are a number reasons that you sited for the margin weakness and the greens in food business. I'm still having a little bit of a hard time reconciling the reported the operating ((inaudible)) to the sales. Because the sales went up I think 25 million roughly but the operating profit was down I mean.

Can you, maybe I missed some of this from the call but can you break down kind of the components to reconcile that, to where you're operating profit one think you know should have been relative to the sales growth?

Steve Bromley: Sure. Well we talked about some of the non-recurring costs that were going on in that group and you know that included the costs specific to the Modesto operation. We also talked about we are doing the insulation of the new equipment and finalizing that at the Alexandria, Minnesota. So there was some costs involve there which rolled through.

We took pricing later in the quarter and of course you know a lot of higher priced commodities were being utilized during the quarter. And then most importantly the third quarter is always the quarter where we close a lot of our positions for the year. We've moved into the new crop. And John, sort of net costs there would've been over $500,000.

John Dietrich: Yes. That's right.

Steve Bromley: And we hedge that by the corporate initiatives to edge our currency at the same time but it was really a combination of all of those factors. And you know this is the quarter where we get down to the bottom of the bins and we know what's in the bottom of the bins and we adjust all of our positions accordingly. So that was all factored in during the third quarter as is most third quarters.

Edward Aaron: And how would you think about the margin progression from Q3 to Q4 in the grains– is this true?

Steve Bromley: Yes, no as I've indicated that we think that we have good grain margins going into the forth quarter at this stage of the game. And beyond, you know we've completed the commissioning of our Minnesota facility. That's now done. You know we're producing anywhere from 230 to 265 thousand cases a week.

And those volumes are up and we continue to bring on new business. I would expect to see a sequential improvement in the fourth quarter, heading back more to the range that we are year-to-date.

Edward Aaron: OK, thanks, one final question if I could just on the FX. You know you had that one time of gain four points something million obviously it was offset by some lot, by some …

Steve Bromley: Absolutely.

Edward Aaron: Negative in the translation. In the second, what would that be, if current exchangeries hold, what would that gain look like in the fourth quarter?

Steve Bromley: If current exchange rates hold, we probably have …

John Dietrich: It's really hard to say because it's been so volatile because …

Steve Bromley: As of today we are probably you know break even to flush 500 thousand.

Edward Aaron: OK. Thank you.

Steve Bromley: Great, thanks.

Operator: Thank you. Our next question will now come from Chris Krueger of Northland Securities. Please go ahead.

Chris Krueger: Hi, Good morning.

Steve Bromley: Hi, Chris.

Chris Krueger: I missed the first part of the last guy's questions, do you go over the stringent review of the non core businesses and where you're at with that? And if you already went over that I'll just check the replay but …

Steve Bromley: Yes, no I just basically said that we've taken a look at a number of various options. Obviously one of them was to look at the divesture of the business. With the downturn in that business as quick as it is you know we have to stand back ask if now is the time and quite likely we'll take a pause on that.

But we sort of assessed a number of options that concluded on where we think we can create the most value. But with the markets the way they are it just may not be the time to do that. In the meantime, it's a good business and you know.

Chris Krueger: OK, in the OptaMinerals business if things are pretty tough in the steel, especially the steel-related stuff, if that were to carry into the next year and throughout the year, are there a lot of moves they can make on operating expenses there to not to be too much of a loss or a drag?

Steve Bromley: Yes, and then, Chris we're actually doing that now. You know this group has always been very adapt that at adjusting and sizing their business you know in a very expedite manner.

They have a very you know proactive management group and so their in the process of doing that now.

This just came so just you know this came so fast that they …

Chris Krueger: …Yes.

Steve Bromley: are doing it now. Under normal circumstances if they would've had a better view into the pipeline they probably would've you know been able to do that a littler quicker.

Chris Krueger: And if stayed at these type of, if the conditions remain roughly the same, I mean will they be able to do a break even next year or would it be a loss, do you think?

Steve Bromley: Oh no, I suspect that they will be profitable.

Chris Krueger: OK.

Steve Bromley: Just not the record profits that they realize this year.

Chris Krueger: True, OK, in your Canadian distribution with the price of oil being cut in half, does that have any nice impact at all on the transportation related expenses and what knot?

Steve Bromley: Yes. You know as you saw in the third quarter I mean that was one of the issues the prices were way up there so we should start to see the benefit of that for sure.

Chris Krueger: OK, that's all I got, Thank you.

Male: Thanks, Chris.

Operator: Thank you, our next question is now coming from Bob Gibson of Octagon Capital. Please go ahead.

Robert Gibson: Morning Everybody.

Steve Bromley: Hi, Bob.

Robert Gibson: Welcome back. I guess no vacations for you guys.

Steve Bromley: No.

Robert Gibson: Too bad, hey. A couple of quick questions, I guess primarily have you given any thought to what to 2009 might look like as far as top line or bottom line?

Steve Bromley: Yes, you know, Bob, we are going through that whole process right now. And of course we're going through that process seems like we're going through it on a regular basis just trying to assess what all these, what this all means as the economy bounces around. You know we talked about translation and what do you translate European and Canadian operations into U.S. dollars.

I mean the dollar dropped 20 percent in two months and the euro as well. So you know we're sort of struggling with all that. We're going to have growth. I wouldn't want to comment on the exact number until we really get it nailed down but there's no reason to believe that our core food operations aren't going to show continued growth.

There's just no reason to think that at this stage. That's not what we are seeing from the trends. You know we are seeing some change in the food trends. You know we're seeing people shifting away from some of the really high end super antioxidant products and more in to the I'd call the center of the plate products. So rather than buying organic (goggleberry) juice you know people are buying organic straw/blueberry type stuff or orange juice and that type of product.

So we are seeing that but you know as long as they are consuming it's not a major difference for us. We're seeing consumers shift into the big retail formats verses some of the smaller niche type operations but we're happy to serve either one of them, so.

Those are really, and we are seeing a shift of more private label products, so we are pretty confident that we will see some good growth in to next year. As I indicated you know we'll provide 2009 guidance first thing in the new year.

Robert Gibson: OK and I might have missed this but this professional fee number …

Steve Bromley: Yes.

Robert Gibson: When's that going to end?

Steve Bromley: It's in a period of decline and it'll just keep declining here as everything gets wrapped up.

Robert Gibson: So …

Steve Bromley: I'm not going to commit to exactly when it ends because that's just a number we don't know but it's just going to get smaller and smaller all the time.

Robert Gibson: Oh OK, so there could be some in 2009 then?

Steve Bromley: They will be small but there will be you know little things that go on.

John Dietrich: Dribs and drabs.

Steve Bromley: But I think it will be small enough that starting next year we won't be talking about it. It'll be at that level.

Robert Gibson: OK and I guess lastly maybe a little more color on your fruit bar, the machine, what's going on with all of that, how it's running?

Steve Bromley: Sales are up 100 percent. That's the good news.

Robert Gibson: Yes.

Steve Bromley: The semi good news is that we are continuing to drive improvements off the system. Our yields are improving. Our new product and our ability to develop and effectively produce some of the new products are improving.

Our new Chief Operating Officer (Tony Deferis) is having that group report directly to him. They are doing a lot of work together. We are making good progress in this stage of the game and certainly expect you know to have this behind us come next year.

Robert Gibson: So are you making the funny little shapes?

Steve Bromley: Right now the major product that we are producing because it has the most demand has been is in sort of licorice style products, the ropes or twist as people like to call them, we are doing those for a number of people. Behind that, comes shapes and peels.

Robert Gibson: So you are producing all of that stuff. Cool. All right, that's it, thank you.

Steve Bromley: Thanks a lot.

Operator: Thank you, our next question will come from Keith Howlett from Desjardins Securities.

Keith Howlett: Yes, I have a question on the forecast for this year; I was just trying to determine what is the three or nine month run rate? Is it the number in the supplemental statement of …

Steve Bromley: I said it on the call Keith its $0.18.

Keith Howlett: OK I see so is that …

Steve Bromley: $0.1755, I believe.

Keith Howlett: I see, so the supplemental statement of the 13.5 that's just sort of another number or? Like you've got supplemental statement where you have the nine month earnings at 13.5, I'm just…

Steve Bromley: …Yes …

Keith Howlett: …trying to determine how does that number of 13.5 relate to your run rate relative to your forecast?

Steve Bromley: Well what we had indicated was that in our guidance for the year, our earnings were you know we estimated our earnings and said we would add back the one-time professional related fees from the audit committee. OK

Keith Howlett: Right.

Steve Bromley: So the nonrecurring cost which is now substantial and felt should be disclose to give you a better insight into the operations. We never ever indicated that we would be adding those back for guidance purposes. OK so what I had indicated when I went through is that the 13.5 is with all of those one times backed out of there.

But for guidance purposes we were taking the nonrecurring numbers. When I went through I indicated that our earnings were 11.336 million …

Keith Howlett: OK …

Steve Bromley: …before the nonrecurring cost so the number that we would've been guiding upon was 11.336 million or 18 cents per diluted common share. If …

Keith Howlett: Sorry.

Steve Bromley: …you add back that nonrecurring items you know then you would get the 13.491, the number that you're referring to.

Keith Howlett: Great, thanks. That's great. And the next question that is your forecast implies earnings of the fourth quarter of one cent to five cents, I guess it is.

Steve Bromley: Yes.

Keith Howlett: In which seems very light, well seemed light relative to what I was expecting, does that mean is that is OptaMinerals expected to post a significant loss or and I know it's the foreign exchange in distribution, is there something behind schedule in the other divisions.

Steve Bromley: No, the OptaMinerals posting a loss and sort of the reduced earnings that we get just from translating a number of the non-denominative businesses.

Keith Howlett: Right, OK great. And then – and so the OptaMinerals, I know they've got a call tomorrow, but we should be anticipate they'll struggle in a similar manner, subject to some reduction of their cost structure in the first half of next year, is that the way you're looking at it or?

John Dietrich: Yes we are, Keith.

Steve Bromley: Unless everybody goes out and I encourage everybody to go to your car dealer and buy a car immediately and use up some steel.

Keith Howlett: Yes, I encourage that also. It's pretty desperate out there. And then – just had a question on the Cash Flow Statement – the two items related to the unrealized loss on foreign exchange and the forward – foreign currency contract, are those the after tax impact of the 4.345 million that's mentioned in the text, or is there anything else?

John Dietrich: Those keys are just foreign exchange gains that haven't been turned into cash yet. So they relate to some dept denominated in Euros and that basically we benefited from the depreciation in Euros.

Keith Howlett: Both of those relate to the Euros?

Steve Bromley: There is the foreign – there's one call foreign – forward foreign currency contracts and there's one called unrealized loss.

John Dietrich: The other amounts are just amounts of cash that were received in October. The first of – the unrealized is amounts that are more long term in nature and the other components is cash that will be – it's kind of like a receivable. It's just cash that we will reflect or have reflected in October.

Keith Howlett: I see, these are …

John Dietrich: It's just broken out from – it's just because it was significant, it was broken out from non cap j- non-working capital items. It's really more or less like a non-working capital item.

Keith Howlett: I see, it's not really an operating item?

John Dietrich: Right.

Keith Howlett: I see. OK, and in terms of the – my understanding going forward, instead of the 4.3 million in foreign exchange gain that we had this quarter, that you think it might and I know this is a bit of a shock, but in response to the prior question, it's about 0.5 million in the fourth quarter you think we'll get…

Steve Bromley: No, what we've said is you know right now, based on what we know today, which you know Bank of England dropped interest rates a point and a half today, so I don't know what all that'll mean. You know we think we'll be between zero and 500,000.

Keith Howlett: Versus the 4.3 in this quarter.

Steve Bromley: Yes, right.

Keith Howlett: OK great. Sorry?

Steve Bromley: But, early, you know.

Keith Howlett: Yes, each day is different that's for sure.

Steve Bromley: That's my point, yes.

Keith Howlett: Great, thanks very much.

Steve Bromley: Thanks, Keith.

Operator: And our next question will come from (William Dittle) of the (Getto Group), please go ahead.

(William Dittle): Hey gentlemen, good morning.

Male: Good morning, (Will).

(William Dittle): Just on the doubling of the okara output, I'll put that you guys are going to see from the Modesto facility, do you guys kind of see that as being beneficial towards you know grain margins going forward and do you guys have a market for all that okara?

Steve Bromley: OK you're talking about the by-product okara?

(William Dittle): Yes.

Steve Bromley: Yes. Our plan right now, (William), obviously you know the drying facility that we've developed is located in Minnesota and there is no human possible economic way that we could ever haul the okara to the new – to that facility to dry – it's just too far.

We'd burn up more gas than any of the economic impact. At this stage of the game, there is a market in California for the okara just in the form that it comes off the line at, for some feed applications.

So in the first phase of the project, we're not going to invest in the actual drying of the okara, but sell it in its fort of raw form and then we'll be looking at drying the okara probably in the second phase of the project.

(William Dittle): OK.

Steve Bromley: The okara side of our business is going extremely well. As you'll recall, we implemented the dryer in – well it's going really well and not so well. Unfortunately, we had a, sort of a malfunction in the dryer that's had us down for a while.

But we'll be back in business here. We haven't shorted any customers. But we've been able to move the okara from feed applications into food applications and you know the okara is now being used in a number of food applications by very large food manufacturers. So that's going quite well for us. It's been great to turn a waste produce into a value add organic product.

(William Dittle): OK and I noticed that the Bay Food is really looking – going to be like a really strong driver for organics coming up here. Are you guys – do you have every intention of exercising the purchase right of Baby's Best, in March of 2009?

Steve Bromley: Well Baby's Best, interestingly enough, don't be tricked by the baby. They're really just the name of the company. They produce fruit purees and fruit purees are used in all types of applications from you know bars through various food ingredients and also in baby food.

So you know we continue to see a lot of ingredients into baby food. Baby food is one of the faster growing categories in organics, because you know people when they convert to organic, like to convert and have their children at young ages you know eat organically to remove the pesticides and the GMOs from their diet.

So, you know, I think that baby food remains a very good category for us and we serve a number of people in that business. The Baby's Best relationship has been a difficult one and you know I wouldn't comment one way or another on whether or not we'll exercise in 2009.

(William Dittle): OK.

Steve Bromley: But we'll continue to do business in one form or another and continue to serve the baby market industries.

(William Dittle): OK, yes in terms of growth through 2010, I think you guys are pretty much on line – organic trades associations has 18 percent growth through 2010. Some of the retailers up in Canada are showing really significant growth.

Moving over to bio-process – after initially co-authoring some of the sale offs of gas in our legislation, our new U.S. President Elect, is intending to fund 220 cellulosic ethanol bio-refineries at the rate of $15 billion per year for 10 years.

Because Congressional support is so strong, bi-partisan wise, how do you guys intend to pursue the funding?

Steve Bromley: Well you know obviously we will find out exactly how these funds are going to be allocated and we will be aggressively pursuing all of these opportunities. We think that the new President's initiatives speak very well for the opportunities for bio-process.

(William Dittle): OK, and just kind of taking a look at you know the industry, we're seeing some consolidation here – we're seeing some fresh on margins with some of the corn ethanol producers, especially recently.

And just looking at some of the – their strategic partnerships you know we have DuPont in this goal, we've got Chevron, Warehouse – would you guys consider a strategic partner of considerable size, you know given the environment that we're in and maybe long term development there for commercial application?

Steve Bromley: Yes, absolutely (William). And quite frankly, it's one of the items that we've worked on through our strategic review of that business and yes, we would and we are.

(William Dittle): Great. Thank you very much, guys.

Operator: Thank you. Our next question will now come from (Ronald Emmerman) of RMC Group. Please go ahead.

(Ronald Emmerman): Hi Steve. First, it is ((inaudible)) is a benefit that your continued services will be with the company and I applaud the people who made that decision.

Steve, in view of the economic pressures that the world is experiencing, what kind of resistance are you getting when trying to increase your prices, especially with your private Playboy?

Steve Bromley: Well you know Ron; I have to coach all of this because it changes quite rapidly, but we went through an extensive period of increased pricing. That we you know from commodity prices, through natural gas and fuels and oils and it has impacted us as we have gone through the year.

We have been pretty good at passing those prices along, but you know there is always a drag there that you do experience.

We have the bulk of the pricing that we are taking in place you know. Over time we will see how the consumer reacts to that pricing and obviously there is a lot of pressure coming to the consumers. But at this stage of the game retailers have passed that pricing through because those are the realities.

We haven't seen a massive slowdown in consumers. The desire to have natural organic foods, but what we have seen is a shift in their channels and shifts some of the products around as I mentioned earlier, so….

It is an ongoing dialogue every day. Interestingly enough though, retailers have been looking for private label options, because they get a lower cost option into the marketplace.

When we are going out there, even though the costs are higher normally, a private label offering can be a little less expensive you know than many of the brands, so that works. And of course, with good volumes on those products you can get quite efficient and offer some very competitive pricing.

(Ronald Emmerman): I see. On a different subject regarding the, did I hear correctly regarding Abener that there will be a decision made in December of this year?

Steve Bromley: The arbitrator has indicated that he will be ready to rule by December 1st but call back in December.

(Ronald Emmerman): Can you expand on what is involved in terms of dollar amount?

Steve Bromley: Sure. You will keep in mind that we wrote off $3.3 million at the end of last year on over contract on amounts that were receivables. And you what we are asking for is to be paid for the equipment that we delivered, net off what we can take back and utilize on other projects. So that is the amounts that we are trying to recover.

(Ronald Emmerman): So, if you are totally successful, am I led to believe that $3.3 million will come to you in cash?

Steve Bromley: Yes, and we hope we could also recover the legal fees but we will …

(Ronald Emmerman): And then because you have said you have written this receivable off, I take it that the hopefully successful conclusion will all come down into income in the fourth quarter?

Steve Bromley: Yes. I do not want to jinx myself but that would be the conclusion, the happy conclusion.

(Ronald Emmerman): Thank you. Continued good luck.

Steve Bromley: Thank you (Ron).

Operator: Thank you. And our next question will now come from (Ron Rubin) of (Rubin) Capital Investments.

(Ron Rubin): How you doing, guys?

Steve Bromley: Good morning.

(Ron Rubin): In regards to the China Resource and Alcoholic contract, is there anything, any type of update that you can give us. I mean I know you mentioned in the last quarter that you hoped to get prior to the end of the year but obviously – have there been any new developments?

Steve Bromley: The actual project that we hope to get before the end of the year in China wasn't China and Alcohol – wasn't Cosco …

(Ron Rubin): Oh, OK.

Steve Bromley: Its another potential application over there. We're also continuing to work Cosco are running the plowed system and continuing their development work and discussions are you know ongoing as to the next step for them.

(Ron Rubin): OK, I mean have they mentioned any resistance or you know maybe taking a step back as far as what their original plan was to do with you guys because of the economic environment?

Steve Bromley: I haven't heard much from an economic environment situation from China, so no, I don't think economics are – I don't think that's the issue there.

(Ron Rubin): OK. Now as far as the Aberner lawsuit, you mentioned that you wrote off about three million and you hope to get the legal fees back. Do you have an estimate of how much legal fees have accumulated to at this point?

Steve Bromley: Well, as I indicated we spent 400,000 in the quarter. So you can assume that its probably – how much, Ben? How much have we spent on the Aberner …

Benjamin Chhiba: I'd say it's about half.

Steve Bromley: About a half million so far.

(Ron Rubin): And I mean to spend a half million to get three million, I mean do you, are you – I guess I'm assuming you're very confident you'll get the three million or is the –is spending that much money on a lawsuit really more for future protection rather than just getting the money itself right now.

Steve Bromley: Yes, (Ron), we just think that you know there is a time and place when you need to defend yourself and this is one of those situations for a number of reasons and we hate to spend the legal fees but feel that it is absolutely the right thing especially given the fact that there is also an ongoing litigation in the U.S. with regards to patents, right.

(Ron Rubin): OK.

Steve Bromley: Well yes we do think it's the right thing to do.

(Ron Rubin): All right. Then the next thing as far as the shareholder plan that you mentioned earlier in October, I guess was there anything that specifically drove you guys to go to that extent. I mean there is …

Steve Bromley: Well, yes, you know the word around the Board mat and you know just felt at the time and the situation has changed a little bit but at the time the company was trading in multiples that were kind of at the lower end of the peer group and also you know obviously very low compared to anything that the company had traded at in the past period of time.

And they felt that you know it would be in the shareholders best interest to make sure that there is a plan in place that really allowed anyone who wanted to bid for company to do so in an organized manner you know a permitted bid and the only two provisions on a permitted bid are that if somebody wanted to buy the organization and its clearly the Board – the Board has to do whatever it needs to do in order to maximize shareholder value and protect the interest of shareholders.

That if anyone wanted to bid for the company, there is no problem you just have to bid for all of the shares of the company and treat all shareholders equally and the Board would get 60 days to response rather than 45 days to response to that bid.

And then with an additional 15 days based on certain provisions. That's all that it was. In the event that non-solicited bidder wasn't acting in the best interest of all the shareholders, there would be a right to sign to the balance of the shareholders where they could dilute already if it wasn't in the best interest and the Board would have to make a decision on that.

So it's in there. It's for the best interests of the shareholders. Hopefully, it never has to be utilized but its there in the event that there was some sort of an event that the Board felt was in the best interests to act on.

(Ron Rubin): OK.

Steve Bromley: Thanks, (Ron).

(Ron Rubin): Thanks a lot and have a great fourth quarter.

Steve Bromley: Yes, thanks. You take care.

(Ron Rubin): You too.

Operator: Thank you. Our next question will now come from (Steve Krueger) of Foresite Investing. Please go ahead.

(Steve Krueger): Good morning.

Steve Bromley: Good morning.

(Steve Krueger): In 2007, Steve, the Department of Energy announced six commercial scale bio refinery projects that they were going to be investing almost $400 million in. Then in 2008, early this year, they announced another four small scale bio refinery projects for another 100 million or so.

I think one or two of the six commercial scale has been cancelled but there is still eight or nine projects representing the investment by the DOE of almost $500 million. Which of those projects plans to use the pretreatment process of your bio process division?

Steve Bromley: Well you're right. The two have been cancelled or two have backed away and my understanding right now is there may be a third that's backing down. The projects that are existing from the original round of financing I believe are using different – like they're not on the sugar platform as I – you know they're using different processes. Gasification and that type of thing.

So my understanding on the first round is that none of those use our technology.

(Steve Krueger): From the six commercial scale. How about the four small scale projects?

Steve Bromley: I don't know.

(Steve Krueger): One of those is Pacific – three of them using bio chemicals so which …

Steve Bromley: Right, yes, so we're– that's why I would say probably none of those.

(Steve Krueger): So with such a large investment made by the DOE and you're not involved in any of those. What your basis for saying that interest is strong in your pretreatment process?

Steve Bromley: Well, there are a lot of organizations that aren't you know looking for DOE funding from petrochemical companies through food names, not food manufacturers but manufacturers that are processing sugar.

You know many, many companies interestingly enough, (Steve), aren't pursuing that type of grant money for a number of reasons. You know one of the things that we're seeing is that its one thing to get the grant. It's another thing to be able to utilize those funds.

So you know there are many organizations out there that aren't you know part of that group of nine.

(Steve Krueger): Can you give us anymore visibility as to what significant projects are planning to use the bio process pretreatment …

Steve Bromley: Sure. You know I talked about the fact that there are a number of projects in China right now that you know we've been working on and hope to bring to conclusion.

(Steve Krueger): Are any of those at this point – have any of those decided to move to commercial scale with your process?

Steve Bromley: None of them are at commercial scale but they're above pilot scale and they're sort of into the commercial demonstration level.

(Steve Krueger): And then there is (Prevadin) I know that. How about any others?

Steve Bromley: We have project going on in Minnesota with, which we've talked about and I only want about the ones that we spoke of, central Minnesota Ethanol Co-op and the potentially utilization of the technology there.

We had discussions with companies in India wanting to use the technology in a number of applications. So there is a good amount of interest.

(Steve Krueger): So China’s the furthest along?

Steve Bromley: I would say China the furthest along in the next sort of step.

(Steve Krueger): And what information, data or evidence do you have from China that you can – they can produce cellulosic ethanol at a competitive cost?

Steve Bromley: Well, I don’t think anybody can produce cellulosic ethanol today at a competitive cost, especially at the volumes and size that the operations are running at.

(Steve Krueger): Yes

Steve Bromley: But you know these are all – if I can, (Steve), these are all a step in the – on the road to getting to competitive costs. You know first you’re at pilot scale and then you’re at commercial demonstration then you get to commercial scale and then you know you scale from there. So I think we’re in the process of seeing that unfold.

(Steve Krueger): Yes

Steve Bromley: But I would say right now nobody is in a position where they're you know economically competitive today.

(Steve Krueger): Yes. OK. Thanks, Steve.

Steve Bromley: See you (Steve).

Operator: Thank you. Our next question will now come from (Ron Pollock), private investor. Please go ahead.

(Ron Pollock): Good morning.

Steve Bromley: Hi (Ron).

(Ron Pollock): Hi. Can you describe the interviewing process that took place for a new CEO when ((inaudible)) offers extended before the decision was made to bring you back?

Jeremy Kendall: It's Jeremy Kendall. The answer is that no, no offers were made for a CEO. For the CFO the process involved forming a committee of the board to do the search. The definition of the job in some detail and discussion then followed by an analysis of a number of search firms. The selection of an international search firm, advertising throughout the country and the U S.

The identification of a long list. A short list. Interviewing of the top eight people. Identification of eight people reviewed by the committee of the top eight people. Selection of four for interviewing. Those interviews have been completed. The second round interviews are underway as we speak and hopefully a decision would be reached within the next two weeks.

(Ron Pollock): Can you provide some color as to what led to the reversal of the decision and then the decision to bring Steve back?

Jeremy Kendall: Well, sure. I think Steve has demonstrated enormous responsibility in actions since this particular problem was identified back in the January of 2007. He has, as I said, stepped up and taken responsibility. He moved immediately to make corrections in the operations. We are now seeing it moving towards profitability. He has total support throughout the company of his senior management group.

He has total support from our banking group which is a gain very important in today's environment. He's had overwhelming support from share holders. So, we really felt that he was the best man for the job and that's way the decision was reversed.

(Ron Pollock): At the time that you took the original ((inaudible)) committees recommendation you also announced there was going to be a slow down in acquisitions. Does that continue to be the case or has that changed as well?

Jeremy Kendall: No, that is still true. We have made a number of very small acquisitions that Steve talked about you know such as the Sesame Seed operation in Ethiopia, ((inaudible)) operation in Holland and these are very, very small acquisitions.

We've also bought you know an operation that supplying organic products from Guatemala and Central American. Again, these were very small acquisitions and so where we have an opportunity to tuck something in you know like that you know that's directly allied with our business really it's just an extension of our existing business.

We do – are looking at that but the answer is we're spending absolutely normal amount in there and not spending a lot of time on it.

(Ron Pollock): Moving on it …

Jeremy Kendall: ((inaudible))

Steve Bromley: … moving tons of things, I might say. I know tons of things coming in the door. We, frankly, expect that within – over the next year or so as life continues in this somewhat you know erratic way, that there will be even greater opportunities for acquisitions.

But at this particular point in time our focus is entirely now on improving our profitability, raising our gross margins, integrating our business.

(Ron Pollock): Moving on to bio-process, you had previously indicated that you thought you would have the China contract in – signed by now. Can you …

Male: ((inaudible))

(Ron Pollock): … describe the way and where things actually stand?

Steve Bromley: Yes. The answer is that you know we do still expect that contract to be signed eminent and the only thing that had been waiting was that they had to get an environmental review of the site.

That requires – it's all been approved but – they haven't got the actual certificate yet and I guess they go daily to the, you know, the ministry to seek that certificate so they anticipate it very shortly.

At that point in time our Executive VP of that division will immediately go to China to finalize that contract and sign it. That's our anticipation.

(Ron Pollock): And the ((inaudible)) feasibility study, I believe the time line previously given was December. Is that still when you expect it to be completed or has that changed?

Steve Bromley: You're talking about the second phase?

(Ron Pollock): Phase two.

Steve Bromley: Phase two. No, it goes on until May or June of next year.

(Ron Pollock): OK. If the results of that feasibility study give you a green light can you give a blueprint for what happens next?

Steve Bromley: Well, sure. You know assuming that we have the green light on the feasibility study we'll you know review the financing options, the funding options to one of the questions earlier, what monies can be available from the government, et cetera.

So, it would be financing and lining up the joint venture partners to move ahead with that.

(Ron Pollock): You have a target for when you hope to break ground or is that too early to say?

Steve Bromley: I think it's a little bit too early to say. I mean, we would want to move relatively quickly but we also have to pay attention to, you know

Ben Chhiba: We wouldn't fund ((inaudible)) start up until at least the end of 2010.

Steve Bromley: 2010?

(Ron Pollock): You talked a little about ((inaudible)) with the Jennings plant. Can you talk about discussion you may have had with them, given their new partnership with (BP).

Steve Bromley: Well, no. The only – We haven't had any specific discussions other than you know obviously they've got a great partner with them who isn't in this to build one plant and you know stop there. So you know that's good news for us and obviously we want to be key supplier to their future endeavors.

Jeremy Kendall: It's a complicated plant and it's not our equipment. It's slow in start up and it's not – certainly not our equipment that is delaying that in any way. So.

(Ron Pollock): Is there anything new to report regarding your discussion with various oil companies?

Steve Bromley: No.

(Ron Pollock): Nothing new to report? OK. And last question, where does the ((inaudible)) capital review of ways to increase share holder value stand?

Steve Bromley: OK. So as I had indicated early, (Ron), you know we've completed the –essentially completed the bulk of review on our non core operations and you know we assessed a number of different options on unlocking share holder values for ((inaudible)) minerals.

Obviously, with the down turn in ((inaudible)) minerals, given the you know the economic environment over there right now, that's going to delay, slow down if you will some of our initiatives in that regard. In the meantime, it's a great – it's a very good business and you know we're happy to you know have that opportunity in front of us and on the bio-process side we've done a lot of work around lightly candidates and partnership arrangements and we're working on those.

(Ron Pollock): Thank you very much.

Steve Bromley: Thank you.

Operator: Thank you. At this time, I would like to turn the call back over to Mr. Bromley for closing remarks.

Steve Bromley: Great. Thank you very much. Once again I want to thank everyone for joining us on the call today. Thank you for your interest in the company and as always encourage you if you have questions that you would like to address, feel free to call and we'll get back to you.

I hope everyone has a good day. Thanks.

Operator: Thank you. Ladies and gentlemen, this does conclude the conference call for today. Once again thank you for participating. And at this time, we ask that you please disconnect your lines.

Have yourself a great day.

END