WESTERN ASSET MUNICIPAL PARTNERS FUND INC.
Form DEF 14A
March 02, 2017

SCHEDULE 14A

(Rule 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the

Securities Exchange Act of 1934

(Amendment No.)

Filed by the Registrant Filed by a Party other than the Registrant

Check the appropriate box:

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 Pursuant to Section 240.14a-11(c) or Section 240.14a-12

WESTERN ASSET MUNICIPAL PARTNERS FUND INC.

(Name of Registrant as Specified in Its Charter)

Payment of Filing Fee (Check the appropriate box):

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:

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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 the 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:

WESTERN ASSET MUNICIPAL PARTNERS FUND INC.

(NYSE: MNP)

620 Eighth Avenue, 49th Floor, New York, New York 10018

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

March 2, 2017

To the Stockholders:

The Annual Meeting of Stockholders (the Meeting) of Western Asset Municipal Partners Fund Inc. (the Fund) will be held at 620 Eighth Avenue (at 41st Street), 49th Floor, New York, New York, on Friday, March 31, 2017 at 10:30 a.m., New York time, for the purposes of considering and voting upon the following:

1. The election of three Class II Directors to the Fund s Board of Directors; and

2. The transaction of such other business as may properly come before the meeting or any adjournments or postponements thereof.

The Board of Directors has fixed the close of business on January 23, 2017 as the record date for the determination of stockholders entitled to notice of, and to vote at, the meeting and any adjournments or postponements thereof.

By Order of the Board of Directors

Robert I. Frenkel

Secretary

March 2, 2017

IT IS IMPORTANT THAT YOUR SHARES BE REPRESENTED AT THE MEETING IN PERSON OR BY PROXY; IF YOU DO NOT EXPECT TO ATTEND THE MEETING, PLEASE COMPLETE, DATE, SIGN AND RETURN THE PROXY CARD (which will be made available to you separately) OR PROVIDE VOTING INSTRUCTIONS BY TELEPHONE OR VIA THE INTERNET.

Instructions for Signing Proxy Cards

The following general rules for signing proxy cards may be of assistance to you and avoid the time and expense to the Fund in validating your vote if you fail to sign your proxy card properly.

1. *Individual Accounts:* Sign your name exactly as it appears in the registration on the proxy card.

2. *Joint Accounts:* Either party may sign, but the name of the party signing should conform exactly to a name shown in the registration.

3. *All Other Accounts:* The capacity of the individual signing the proxy card should be indicated unless it is reflected in the form of registration. For example:

Registration	Valid Signature
Corporate Accounts	
(1) ABC Corp	ABC Corp. (by John Doe, Treasurer)
(2) ABC Corp	John Doe, Treasurer
(3) ABC Corp., c/o John Doe, Treasurer	John Doe
(4) ABC Corp. Profit Sharing Plan	John Doe, Trustee
Trust Accounts	
(1) ABC Trust	Jane B. Doe, Trustee
(2) Jane B. Doe, Trustee, u/t/d 12/28/78	Jane B. Doe
Custodial or Estate Accounts	
(1) John B. Smith, Cust., f/b/o John B. Smith, Jr. UGMA	John B. Smith
(2) John B. Smith	John B. Smith, Jr., Executor

Instructions for Telephone/Internet Voting

Various brokerage firms may offer the convenience of providing you with voting instructions via telephone or the Internet for shares held through such firms. Instructions for Internet and telephonic voting are included with the proxy card or voting instruction form.

WESTERN ASSET MUNICIPAL PARTNERS FUND INC.

(NYSE: MNP)

620 Eighth Avenue, 49th Floor, New York, New York 10018

PROXY STATEMENT

This proxy statement is furnished in connection with the solicitation by the Board of Directors (the Board) of Western Asset Municipal Partners Fund Inc. (the Fund) of proxies to be voted at the Annual Meeting of Stockholders of the Fund to be held at 620 Eighth Avenue (at 41st Street), 49th Floor, New York, New York, on Friday, March 31, 2017 at 10:30 a.m., New York time, and at any adjournments or postponements thereof (the Meeting), for the purposes set forth in the accompanying Notice of Annual Meeting of Stockholders (the Notice).

This Proxy Statement and the accompanying materials are being made available to stockholders on or about March 2, 2017.

The Fund is organized as a Maryland corporation and is a registered investment company.

Legg Mason Partners Fund Advisor, LLC (LMPFA), whose principal business address is 620 Eighth Avenue, New York, NY 10018, is the Fund s investment adviser and administrator. Pursuant to the sub-advisory agreement with LMPFA, Western Asset Management Company (Western Asset) is the Fund s subadvisor. Western Asset has offices at 385 East Colorado Boulevard, Pasadena, California 91101 and 620 Eighth Avenue, New York, New York 10018. LMPFA and Western Asset are all wholly-owned subsidiaries of Legg Mason, Inc. (Legg Mason).

Even if you plan to attend the Meeting, please sign, date and return proxy card, or provide voting instructions by telephone or over the Internet. If you vote by telephone or over the Internet, you will be asked to enter a unique code that has been assigned to you, which is printed on your proxy card. This code is designed to confirm your identity, provide access into the voting sites and confirm that your instructions are properly recorded. If you require additional information, please call toll free at 1-866-875-8614.

All properly executed proxies received prior to the Meeting will be voted at the Meeting in accordance with the instructions marked thereon or otherwise as provided therein. Unless instructions to the contrary are marked, shares represented by the proxies will be voted FOR the election of each nominee in Proposal 1. Stockholders who execute proxies may revoke them at any time before they are voted by filing with the Fund a written notice of revocation, by delivering a duly executed proxy bearing a later date or by attending the Meeting and voting in person. In accordance with the Fund s By-Laws, a quorum is constituted by the presence in person or by proxy of the holders of record of a majority of the outstanding shares of the Fund entitled to vote at the Meeting. For purposes of determining the presence of a quorum for transacting business at the Meeting, abstentions will be treated as shares that are present but which have not been voted.

The Board has fixed the close of business on January 23, 2017 as the record date (the Record Date) for the determination of stockholders of the Fund entitled to notice of and to vote at the Meeting or any adjournment or postponement thereof. As of January 23, 2017, the Fund has two classes of shares: Common Stock, par value $.001 per share, and preferred shares, consisting of municipal auction rate cumulative

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preferred stock (ARPS) and variable rate demand preferred stock (VRDPS and together, the Preferred Shares), which have a liquidation preference in the amount of $50,000 per share (collectively with the Common Stock, the Shares). Shareholders of the Fund as of the Record Date will be entitled to one vote on each matter for each Share held and a fractional vote with respect to fractional Shares, with no cumulative voting rights. As of the Record Date, the Fund had outstanding 9,719,063 shares of Common Stock, 370 shares of ARPS outstanding and 1,330 shares of VRDPS outstanding.

Annual reports are sent to stockholders of record of the Fund following the Fund s fiscal year end. The Fund will furnish, without charge, a copy of its annual report and most recent semi-annual report succeeding the annual report, if any, to a stockholder upon request. Such requests should be directed to the Fund at 620 Eighth Avenue, 49th Floor, New York, New York 10018 or by calling toll free at 888-777-0102. Copies of annual and semi-annual reports of the Fund are also available on the Fund s website at www.lmcef.com or on the EDGAR Database on the Securities and Exchange Commission s Internet site at www.sec.gov.

Please note that only one annual or semi-annual report or Proxy Statement may be delivered to two or more stockholders of the Fund who share an address, unless the Fund has received instructions to the contrary. To request a separate copy of an annual or semi-annual report or the Proxy Statement, or for instructions as to how to request a separate copy of these documents or as to how to request a single copy if multiple copies of these documents are received, stockholders should contact the Fund at the address and phone number set forth above.

Vote Required and Manner of Voting Proxies

A quorum of stockholders is required to take action at the Meeting. A majority of the shares of the Fund entitled to vote at the Meeting, represented in person or by proxy, will constitute a quorum of stockholders at the Meeting.

Votes cast by proxy or in person at the Meeting will be tabulated by the inspector of election appointed for the Meeting. The inspector of election, who is an employee of the proxy solicitor engaged by the Fund, will determine whether or not a quorum is present at the Meeting. The inspector of election will treat abstentions and broker non-votes (i.e., shares held by brokers or nominees, typically in street name, as to which proxies have been returned but (a) instructions have not been received from the beneficial owners or persons entitled to vote and (b) the broker or nominee does not have discretionary voting power on a particular matter) as present for purposes of determining a quorum.

Broker-dealer firms holding shares of the Fund in street name for the benefit of their customers and clients will request the instructions of such customers and clients on how to vote their shares on each Proposal before the Meeting. A signed proxy card or other authorization by a beneficial owner of Fund shares that does not specify how the beneficial owner s shares should be voted on a proposal will be deemed an instruction to vote such shares in favor of Proposal 1.

If you hold shares of the Fund through a service agent that has entered into a service agreement with the Fund, the service agent may be the record holder of your shares. At the Meeting, a service agent will vote shares for which it receives instructions from its customers in accordance with those instructions. A signed proxy card or other authorization by a stockholder that does not specify how the stockholder s shares should be voted on a proposal may be deemed to authorize a service agent to vote such shares in favor of Proposal 1. Depending on its policies, applicable law or contractual or other restrictions, a service agent may be permitted to vote shares with respect to which it has not received specific voting instructions from its customers. In those cases, the service agent may, but may not be required to, vote such shares in the same proportion as those shares for which the service agent has received voting instructions. This practice is commonly referred to as echo voting.

If you beneficially own shares that are held in street name through a broker-dealer or that are held of record by a service agent and if you do not give specific voting instructions for your shares, they may not be voted at all or, as described above, they may be voted in a manner that you may not intend. Therefore, you are strongly encouraged to give your broker-dealer or service agent specific instructions as to how you want your shares to be voted.

If you hold shares directly (not through a broker-dealer, bank or other financial intermediary) and if you return a signed proxy card that does not specify how you wish to vote on a proposal, your shares will be voted FOR Proposal 1.

Required Vote

Two Directors are elected by a plurality of the votes cast by the holders of shares of the Fund s Common Stock and Preferred Shares voting together as a single class present in person or represented by proxy at a Meeting at which a quorum is present.

One Director is elected by plurality of the votes cast only by the holders of shares of the Fund s Preferred Shares.

For purposes of the election of Directors, abstentions and broker non-votes will not be considered votes cast, and do not affect the plurality vote required for the election of Directors.

If the necessary quorum to transact business or the vote required to approve Proposal 1 is not obtained at the Meeting, the chairman of the Meeting or the persons named as proxies may propose one or more adjournments or postponements of the Meeting in accordance with applicable law to permit further solicitation of proxies. If in the judgment of the chairman of the Meeting, it is advisable to defer action on the Proposal, the chairman of the Meeting may propose one or more adjournments of the Meeting with respect to the Proposal for a reasonable period or periods. The Meeting may be adjourned up to 120 days after the original record date for the Meeting without further notice other than announcement at the Meeting.

Important Notice Regarding the Availability of Proxy Materials for the Meeting to be Held on March 31, 2017

The proxy statement and related materials are available at http://proxydirect.com/wam-28525.

Proposal No. 1: Election of Directors

In accordance with the Fund s charter, the Fund s Board of Directors is divided into three classes: Class I, Class II and Class III. Under the terms of the Fund s charter, the holders of Preferred Shares are entitled as a class, to the exclusion of the holders of Common Stock, to elect two Directors of the Fund (the Preferred Share Directors); and the Fund s charter further sets forth that one of the two Preferred Share Directors shall be a Class I Director, Riordan Roett and the other shall be a Class II Director, Jane E. Trust. Ms. Trust is nominated for election at this meeting. The charter also provides that the remaining Directors shall be elected by holders of Common Stock and Preferred Shares voting together as a single class. At the Meeting, the holders of the Fund s Common Stock and Preferred Shares will be asked to elect Class II Directors. The terms of office of the Class II Directors will expire at the Annual Meeting of Stockholders in the year 2020, or thereafter in each case when their respective successors are duly elected and qualified. The terms of the remaining Class I and Class III

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Directors expire at the year 2018 and 2019 Annual Meeting of Stockholders, respectively, or thereafter until their successors have been duly elected and qualified or until they resign or otherwise removed. The effect of these staggered terms is to limit the ability of other entities or persons to acquire control of the Fund by delaying the replacement of a majority of the Board of Directors.

The persons named in the proxy intend to vote at the Meeting (unless directed not to vote) FOR the election of the nominees named below. Each of the nominees is currently a member of the Fund s Board of Directors and has indicated that he will serve if elected. However, if any nominee should be unable to serve, the proxy will be voted for any other person determined by the persons named in the proxy in their discretion.

Certain information concerning the nominees is set forth on the following page.

Persons Nominated for Election as Directors

Name, Address and Birth Year	Position(s) Held with Fund	Term of Office and Length Time Served	Principal Occupations During Past Five Years	Number of Portfolios in Fund Complex** Overseen by Director	Other Directorships Held by Director
Nominees to serve as Class II Directors until 2020 Annual Meeting of Stockholders					
NON-INTERESTED DIRECTOR NOMINEES					
Daniel P. Cronin c/o Chairman of the Fund Legg Mason & Co. LLC (Legg Mason & Co.) 620 Eighth Avenue, 49th Floor New York, NY 10018 Birth year: 1946	Director and Member of Audit, Nominating, Compensation, Pricing and Valuation Committees	Since 2002	Retired; formerly, Associate General Counsel, Pfizer, Inc.	27	None
Paolo M. Cucchi c/o Chairman of the Fund Legg Mason & Co. 620 Eighth Avenue, 49th Floor New York, NY 10018 Birth year: 1941	Director and Member of Audit, Nominating, Compensation, Pricing and Valuation Committees	Since 2007	Emeritus Professor of French and Italian at Drew University (since 2014); formerly, Professor of French and Italian at Drew University (2009 to 2014); Vice President and Dean of College of Liberal Arts at Drew University (1984 to 2009)	27	None
INTERESTED DIRECTOR NOMINEE					
Jane E. Trust, CFA* c/o Chairman of the Fund Legg Mason & Co. 620 Eighth Avenue, 49th Floor	Chairman, President and Chief Executive Officer	Since 2015	Managing Director of Legg Mason & Co. (since 2016); Officer and/or Trustee/Director of 156 funds associated with LMPFA or its affiliates (since	149	None

New York, NY 10018 Born 1962	2015); President and Chief Executive Officer of LMPFA (since 2015); formerly, Senior Vice President of LMPFA (2015). Formerly, Director of ClearBridge, LLC (formerly, Legg Mason Capital Management, LLC) (2007 to 2014); Managing Director of Legg Mason Investment Counsel & Trust Co. (2000 to 2007).

* Ms. Trust is an interested person as defined in the Investment Company Act of 1940, as amended (the 1940 Act), because she is an officer of LMPFA and certain of its affiliates.

** The term Fund Complex means two or more registered investment companies that:

(a) Hold themselves out to investors as related companies for purposes of investment and investor services; or

(b) Have a common investment adviser or have an investment adviser that is an affiliated person of the investment adviser of any of the other registered investment companies.

Name, Address and Birth Year	Position(s) Held with Fund	Term of Office and Length Time Served	Principal Occupations During Past Five Years	Number of Portfolios in Fund Complex** Overseen by Director	Other Directorships Held by Director
The following table provides information concerning the remaining Directors of the Fund:					
Class III Directors serving until the 2019 Annual Meeting of Stockholders					
NON-INTERESTED DIRECTORS					
William R. Hutchinson c/o Chairman of the Fund Legg Mason & Co. 620 Eighth Avenue, 49th Floor New York, NY 10018 Birth year: 1942	Director and Member of Audit, Nominating, Compensation, Pricing and Valuation Committees	Since 2003	President, W.R. Hutchinson & Associates Inc. (consulting)	27	Director (Non-Executive Chairman of the Board (since December 1, 2009)), Associated Banc-Corp. (since 1994)
Eileen A. Kamerick c/o Chairman of the Fund Legg Mason & Co., 620 Eighth Avenue, 49th Floor New York, NY 10018 Birth year: 1958	Director and Member of Audit, Nominating, Compensation, Pricing and Valuation Committees	Since 2013	National Association of Corporate Directors Board Leadership Fellow and financial expert; Adjunct Professor, Washington University in St. Louis and University of Iowa law schools (since 2007); formerly, Senior Advisor to the Chief Executive Officer and Executive Vice President and Chief Financial Officer of ConnectWise, Inc. (software and services company) (2015 to 2016); Chief Financial Officer, Press Ganey Associates	27	Hochschild Mining plc (precious metals company) (since 2016); Director of Associated Banc-Corp (financial services company) (since 2007); Westell Technologies, Inc. (technology company) (2003 to 2016)

(health care informatics company) (2012 to 2014); Managing Director and Chief Financial Officer, Houlihan Lokey (international investment bank) and President, Houlihan Lokey Foundation (2010 to 2012)

** The term Fund Complex means two or more registered investment companies that:

(a) Hold themselves out to investors as related companies for purposes of investment and investor services; or

(b) Have a common investment adviser or have an investment adviser that is an affiliated person of the investment adviser of any of the other registered investment companies.

Name, Address and Birth Year	Position(s) Held with Fund	Term of Office and Length Time Served	Principal Occupations During Past Five Years	Number of Portfolios in Fund Complex** Overseen by Director	Other Directorships Held by Director
Class III Director serving until the 2019 Annual Meeting of Stockholders					
Robert D. Agdern c/o Chairman of the Fund Legg Mason & Co. 620 Eighth Avenue, 49th Floor New York, NY 10018 Year of birth: 1950	Director and Member of Audit, Nominating, Compensation, Pricing and Valuation Committees	Since 2015	Member of the Advisory Committee of the Dispute Resolution Research Center at the Kellogg Graduate School of Business, Northwestern University (2002-2016); Deputy General Counsel responsible for western hemisphere matters for BP PLC from 1999 to 2001; Associate General Counsel at Amoco Corporation responsible for corporate, chemical, and refining and marketing matters and special assignments from 1993 to 1998 (Amoco merged with British Petroleum in 1998 forming BP PLC).	27	None

** The term Fund Complex means two or more registered investment companies that:

(a) Hold themselves out to investors as related companies for purposes of investment and investor services; or

(b) Have a common investment adviser or have an investment adviser that is an affiliated person of the investment adviser of any of the other registered investment companies

Name, Address and Birth Year	Position(s) Held with Fund	Term of Office and Length Time Served	Principal Occupations During Past Five Years	Number of Portfolios in Fund Complex** Overseen by Director	Other Directorships Held by Director
Class I Directors serving until 2018 Annual Meeting of Stockholders					
NON-INTERESTED DIRECTORS					
Carol L. Colman c/o Chairman of the Fund Legg Mason & Co., 620 Eighth Avenue, 49th Floor New York, NY 10018 Birth year: 1946	Director and Member of Audit, Nominating, Compensation, Pricing and Valuation Committees	Since 2002	President, Colman Consulting Co.	27	None
Leslie H. Gelb c/o Chairman of the Fund Legg Mason & Co., 620 Eighth Avenue, 49th Floor New York, NY 10018 Birth year: 1937	Director and Member of Audit, Nominating, Compensation, Pricing and Valuation Committees	Since 2001	President Emeritus (since 2003), formerly Senior Board Fellow (2003-2015) and President (prior to 2003) of The Council on Foreign Relations; formerly, Columnist, Deputy Editorial Page Editor and Editor, Op-Ed Page, *The New York Times*	27	Director of two registered investment companies advised by Aberdeen Asset Management Asia Limited (since 1994); Director, Encyclopedia Brittanica; Director, Centre Partners IV and V, LP and Affiliates
Dr. Riordan Roett c/o Chairman of the Fund Legg Mason & Co. 620 Eighth Avenue, 49th Floor New York, NY 10018 Birth year: 1938	Director and Member of Audit, Nominating, Compensation, Pricing and Valuation Committees	Since 1997	The Sarita and Don Johnston Professor of Political Science and Director of Latin American Studies, Paul H. Nitze School of Advanced International Studies, The Johns Hopkins University (since 1973)	27	None

** The term Fund Complex means two or more registered investment companies that:

(a) Hold themselves out to investors as related companies for purposes of investment and investor services; or

(b) Have a common investment adviser or have an investment adviser that is an affiliated person of the investment adviser of any of the other registered investment companies.

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Each of the Directors has served as a director of the Fund as indicated in the table above. The Directors were selected to join the Board based upon the following as to each Board Member: his or her character and integrity; such person s service as a board member of other funds in the Legg Mason fund complex; such person s willingness to serve and willingness and ability to commit the time necessary to perform the duties of a Director; as to each Director other than Ms. Trust, his or her status as not being an interested person as defined in the 1940 Act; and, as to Ms. Trust, her role with Legg Mason. No factor, by itself, was controlling.

In addition to the information provided in the table included above, each Director possesses the following attributes: Mr. Agdern, experience in business and as a legal professional; Ms. Colman, experience as a consultant and investment professional; Mr. Cronin, legal and managerial experience; Mr. Cucchi, experience as a college professor and leadership experience as an academic dean; Mr. Gelb, academic and world affairs and foreign relations experience and service as a board member of other registered investment companies; Mr. Hutchinson, experience in accounting and working with auditors, consulting, business and finance and service as a board member of another highly regulated financial services company; Dr. Roett, expertise in Latin and South American societies and economies and academic leadership experience; Ms. Kamerick, experience in business and finance, including financial reporting, and experience as a board member of another highly regulated financial services company; and Ms. Trust, investment management and risk oversight experience as an executive and portfolio manager and leadership roles within Legg Mason and affiliated entities. References to the qualifications, attributes and skills of the Directors are pursuant to requirements of the Securities and Exchange Commission, do not constitute holding out of the Board or any Director as having any special expertise or experience, and shall not impose any greater responsibility or liability on any such person or on the Board by reason thereof.

Security Ownership of Management

The following table provides information concerning the dollar range of equity securities owned beneficially by each Director and nominee for election as Director as of December 31, 2016:

Name of Director/Nominee	Dollar Range(1) of Equity Securities in the Fund	Aggregate Dollar Range(1) of Equity Securiti in all Funds Overseen by Director/Nominee in Family of Investment Companies(2)
NON-INTERESTED DIRECTORS		
Robert D. Agdern	C	E
Carol L. Colman	D	E
Daniel P. Cronin	D	E
Paolo M. Cucchi	A	C
Leslie H. Gelb	A	A
William R. Hutchinson	E	E
Eileen A. Kamerick	C	E
Dr. Riordan Roett	B	C
INTERESTED DIRECTOR		
Jane E. Trust	A	E

(1)

The dollar ranges are as follows: A = None; B = $1-$10,000; C = $10,001-$50,000; D = $50,001-$100,000; E
Over $100,000.

(2) The term, Family of Investment Companies , means any two or more registered investment companies that share the same invest- ment adviser or principal underwriter or hold themselves out to investors as related companies for purposes of investment and investor services.

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At January 23, 2017, the nominees, Directors and officers of the Fund as a group beneficially owned less than 1% of the outstanding shares of the Fund s Common Stock and Preferred Shares.

No Director or nominee for election as Director who is not an interested person of the Fund as defined in the 1940 Act, nor any immediate family members, to the best of the Fund s knowledge, had any interest in the Fund s investment adviser, or any person or entity (other than the Fund) directly or indirectly controlling, controlled by, or under common control with Legg Mason as of December 31, 2016.

Director Compensation

Under the federal securities laws, and in connection with the Meeting, the Fund is required to provide to stockholders in connection with the Meeting information regarding compensation paid to the Directors by the Fund, as well as by the various other investment companies advised by LMPFA. The following table provides information concerning the compensation paid to each Director by the Fund during the fiscal year ended November 30, 2016 and the total compensation paid to each Director during the calendar year ended December 31, 2016. The Directors listed below are members of the Fund s Audit, Nominating, Compensation and Pricing and Valuation Committees, as well as committees of the boards of certain other investment companies advised by LMPFA. Accordingly, the amounts provided in the table include compensation for service on all such committees. The Fund does not provide any pension or retirement benefits to Directors. In addition, no remuneration was paid during the fiscal year ended November 30, 2016 by the Fund to Ms. Trust who is an interested person as defined in the 1940 Act.

Name of Directors	Aggregate Compensation from the Fund for Fiscal Year Ended 11/30/16 ($)	Total Compensation from the Fund and Fund Complex(1) for Calendar Year Ended 12/31/16 ($)
Directorships(2)		
Robert D. Agdern	4,534	259,232
Carol L. Colman	5,088	290,880
Daniel P. Cronin	5,088	290,880
Paolo M. Cucchi	4,811	276,056
Leslie H. Gelb	4,811	276,056
Willian R. Hutchinson	5,733	325,471
Eileen A. Kamerick	5,364	305,705
Dr. Riordan Roett	4,811	276,056

(1) Fund Complex means two or more Funds (a registrant or, where the registrant is a series company, a separate portfolio of the registrant) that hold themselves out to investors as related companies for purposes of investment and investor services or have a common investment adviser or have an investment adviser that is an affiliated person of the investment adviser of any of the other Funds.

(2) Each Director currently holds 27 investment company directorships within this Fund Complex.

Responsibilities of the Board of Directors

The Board of Directors is responsible under applicable state law for overseeing generally the management and operations of the Fund. The Directors oversee the Fund s operations by, among other things, meeting at their regularly scheduled meetings and as otherwise needed with the Fund s management and evaluating the performance of the Fund s service providers including LMPFA, Western Asset, the custodian and the transfer agent. As part of this process, the Directors consult with the Fund s independent auditors and with their own separate independent counsel.

The Directors review the Fund s financial statements, performance, net asset value and market price and the relationship between them, as well as the quality of the services being provided to the Fund. As part of this process, the Directors review the Fund s fees and expenses in light of the nature, quality and scope of the services being received while also seeking to ensure that the Fund continues to have access to high quality services in the future.

The Board of Directors has four regularly scheduled meetings each year, and additional meetings may be scheduled as needed. In addition, the Board has a standing Audit Committee, Corporate Governance and Nominating Committee (the Nominating Committee), Compensation Committee and Pricing and Valuation Committee that meet periodically and whose responsibilities are described below.

During the fiscal year ended November 30, 2016, the Board of Directors held four regular meetings and three special meetings. Each Director attended at least 75% of the aggregate number of meetings of the Board and the committees for which he or she was eligible. The Fund does not have a formal policy regarding attendance by Directors at annual meetings of stockholders.

Each of the Audit Committee, the Nominating Committee, Compensation Committee and Pricing and Valuation Committee is comprised of all Directors who have been determined not to be interested persons of the Fund, LMPFA, Western Asset or their affiliates within the meaning of the 1940 Act, and who are independent as defined in the New York Stock Exchange listing standards (Independent Directors), and is chaired by an Independent Director. The Board in its discretion from time to time may establish *ad hoc* committees.

The Board of Directors is currently comprised of nine directors, eight of whom are Independent Directors. Jane E. Trust is Chairman of the Board. Ms. Trust is an interested person of the Fund. The appointment of Ms. Trust as Chairman reflects the Board s belief that her experience, familiarity with the Fund s day-to-day operations and access to individuals with responsibility for the Fund s management and operations provides the Board with insight into the Fund s business and activities and, with her access to appropriate administrative support, facilitates the efficient development of meeting agendas that address the Fund s business, legal and other needs and the orderly conduct of board meetings. Mr. Hutchinson serves as Lead Independent Director. The Chairman develops agendas for Board meetings in consultation with the Lead Independent Director and presides at all meetings of the Board. The Lead Independent Director, among other things, chairs executive sessions of the Independent Directors, serves as a spokesperson for the Independent Directors and serves as a liaison between the Independent Directors and the Fund s management between Board meetings. The Independent Directors regularly meet outside the presence of management and are advised by independent legal counsel. The Board also has determined that its leadership structure, as described above, is appropriate in light of the size and complexity of the Fund, the number of Independent Directors (who constitute a super-majority of the Board s membership) and the Board s general oversight responsibility. The Board also believes that its leadership structure not only facilitates the orderly and efficient flow of information to the Independent Directors from management, including Western Asset, the Fund s subadviser, but also enhances the independent and orderly exercise of its responsibilities.

Audit Committee

The Fund s Audit Committee is comprised entirely of all of the Independent Directors: Mses. Colman and Kamerick and Messrs. Agdern, Cronin, Cucchi, Gelb, Hutchinson and Roett. Ms. Kamerick serves as the Chair of the Audit Committee and has been determined by the Board to be an audit committee financial expert. The principal functions of the Audit Committee are: to (a) oversee the scope of the Fund s audit, the Fund s accounting and financial reporting policies and practices and its internal controls and enhance the quality and objectivity of the audit function;
(b) approve, and recommend to the Independent Board Members (as such term is defined in the Audit Committee Charter) for their ratification, the selection, appointment, retention or termination of the Fund s independent registered public accounting firm, as well as approving the compensation thereof; and (c) approve all audit and permissible non-audit services provided to the Fund and certain other persons by the Fund s independent registered public accounting firm. This Committee met two times during the fiscal year ended November 30, 2016. The Fund s Board of Directors most recently reviewed and adopted an Audit Committee Charter at a meeting held on February 10, 2017, a copy of which is attached as Annex A to the Fund s proxy statement.

Nominating Committee

The Fund s Nominating Committee, the principal function of which is to select and nominate candidates for election as Directors of the Fund, is comprised of all of the Independent Directors: Mses. Colman and Kamerick and Messrs. Agdern, Cronin, Cucchi, Gelb, Hutchinson and Roett. Mr. Cronin serves as the Chair of the Nominating Committee. The Nominating Committee may consider nominees recommended by the stockholder as it deems appropriate. Stockholders who wish to recommend a nominee should send recommendations to the Fund s Secretary that include all information relating to such person that is required to be disclosed in solicitations of proxies for the election of Directors. A recommendation must be accompanied by a written consent of the individual to stand for election if nominated by the Board of Directors and to serve if elected by the stockholders. The Nominating Committee met once during the fiscal year ended November 30, 2016. The Fund s Board of Directors most recently reviewed and adopted a Corporate Governance and Nominating Committee Charter at a meeting held on February 12, 2016, a copy of which was attached as Annex B to the Fund s proxy statement dated March 2, 2016.

The Nominating Committee identifies potential nominees through its network of contacts, and in its discretion may also engage a professional search firm. The Nominating Committee meets to discuss and consider such candidates qualifications and then chooses a candidate by majority vote. The Nominating Committee does not have specific, minimum qualifications for nominees and has not established specific qualities or skills that it regards as necessary for one or more of the Fund s Directors to possess (other than any qualities or skills that may be required by applicable law, regulation or listing standard). However, as set forth in the Nominating Committee Charter, in evaluating a person as a potential nominee to serve as a Director of the Fund, the Nominee Committee may consider the following factors, among any others it may deem relevant:

- whether or not the person is an interested person as defined in the 1940 Act and whether the person is otherwise qualified under applicable laws and regulations to serve as a Director of the Fund;

- whether or not the person has any relationships that might impair his or her independence, such as any business, financial or family relationships with Fund management, the investment manager of the Fund, Fund service providers or their affiliates;

whether or not the person serves on boards of, or is otherwise affiliated with, competing financial service organizations or their related mutual fund complexes;

whether or not the person is willing to serve, and willing and able to commit the time necessary for the performance of the duties of a Director of the Fund;

the contribution which the person can make to the Board and the Fund (or, if the person has previously served as a Director of the Fund, the contribution which the person made to the Board during his or her previous term of service), with consideration being given to the person s business and professional experience, education and such other factors as the Committee may consider relevant;

the character and integrity of the person; and

whether or not the selection and nomination of the person would be consistent with the requirements of the Fund s retirement policies.

The Nominating Committee does not have a formal diversity policy with regard to the consideration of diversity in identifying potential director nominees but may consider diversity of professional experience, education and skills when evaluating potential nominees for Board membership.

Pricing and Valuation Committee

The Fund s Pricing and Valuation Committee is composed of all of the Independent Directors. The members of the Pricing and Valuation Committee are Mses. Colman and Kamerick and Messrs. Agdern, Cronin, Cucchi, Gelb, Hutchinson and Roett. Ms. Colman serves as Chair of the Fund s Pricing and Valuation Committee. The principal function of the Pricing and Valuation Committee is to assist the Board with its oversight of the process for valuing portfolio securities in light of applicable law, regulatory guidance and applicable policies and procedures adopted by the Fund. The Pricing and Valuation Committee met four times during the fiscal year ended November 30, 2016.

Compensation Committee

The Fund s Compensation Committee is composed of all of the Independent Directors. The members of the Compensation Committee are Mses. Colman and Kamerick and Messrs. Agdern, Cronin, Cucchi, Gelb, Hutchinson and Roett. Mr. Cucchi serves as Chair of the Fund s Compensation Committee. The principal function of the Compensation Committee is to recommend the appropriate compensation of the Independent Directors for their service on the Board and the committees of the Board. The Fund s Compensation Committee was formed on January 1, 2016. The Compensation Committee met once during the fiscal year ended November 30, 2016. The Fund s Board of Directors have reviewed and adopted a Compensation Committee Charter, a copy of which is attached as Annex C.

Risk Oversight

The Board s role in risk oversight of the Fund reflects its responsibility under applicable state law to oversee generally, rather than to manage, the operations of the Fund. In line with this oversight responsibility, the Board receives reports and makes inquiry at its regular meetings and as needed regarding the nature and extent of significant Fund risks (including investment, compliance and valuation risks) that potentially could have a materially adverse impact on the business operations, investment performance or reputation of the Fund, but relies upon the Fund s management (including the Fund s portfolio managers) and Chief Compliance

Officer, who reports directly to the Board, and LMPFA to assist it in identifying and understanding the nature and extent of such risks and determining whether, and to what extent, such risks may be eliminated or mitigated. In addition to reports and other information received from Fund management and LMPFA regarding the Fund s investment program and activities, the Board as part of its risk oversight efforts meets at its regular meetings and as needed with the Fund s Chief Compliance Officer to discuss, among other things, risk issues and issues regarding the policies, procedures and controls of the Fund. The Board may be assisted in performing aspects of its role in risk oversight by the Audit Committee and such other standing or special committees as may be established from time to time by the Board. For example, the Audit Committee of the Board regularly meets with the Fund s independent public accounting firm to review, among other things, reports on the Fund s internal controls for financial reporting.

The Board believes that not all risks that may affect the Fund can be identified, that it may not be practical or cost-effective to eliminate or mitigate certain risks, that it may be necessary to bear certain risks (such as investment-related risks) to achieve the Fund s goals, and that the processes, procedures and controls employed to address certain risks may be limited in their effectiveness. Moreover, reports received by the Directors as to risk management matters are typically summaries of relevant information and may be inaccurate or incomplete. As a result of the foregoing and other factors, the Board s risk management oversight is subject to substantial limitations.

Officers

The Fund s executive officers are chosen each year at a regular meeting of the Board of Directors of the Fund, to hold office until their respective successors are duly elected and qualified. Officers of the Fund receive no compensation from the Fund, although they may be reimbursed by the Fund for reasonable out-of-pocket travel expenses for attending Board meetings. In addition to Ms. Trust, the Fund s Chairman, CEO and President, the executive officers of the Fund currently are:

Name, Address and Age	**Position(s) Held with Fund**	**Length of Time Served**	**Principal Occupation(s) During Past 5 years**
Richard F. Sennett Legg Mason & Co. 100 International Drive Baltimore, MD 21202 Birth year: 1970	Principal Financial Officer	Since 2011	Principal Financial Officer and Treasurer of certain mutual funds associated with Legg Mason & Co. or its affiliates (since 2011 and 2013); Managing Director of Legg Mason & Co. and Senior Manager of the Treasury Policy group for Legg Mason & Co. s Global Fiduciary Platform (since 2011); formerly, Chief Accountant within the SEC s Division of Investment Management (2007 to 2011); formerly, Assistant Chief Accountant within the SEC s Division of Investment Management (2002 to 2007)

Name, Address and Age	Position(s) Held with Fund	Length of Time Served	Principal Occupation(s) During Past 5 years
Ted P. Becker Legg Mason & Co. 620 Eighth Avenue, 49th Floor New York, NY 10018 Birth year: 1951	Chief Compliance Officer	Since 2006	Director of Global Compliance at Legg Mason (since 2006); Managing Director of Compliance at Legg Mason, (since 2005); Chief Compliance Officer with certain mutual funds associated with Legg Mason (since 2006); Managing Director of Compliance at Legg Mason or its predecessors (2002-2005). Prior to 2002, Managing Director Internal Audit & Risk Review at Citigroup Inc.
Jenna Bailey Legg Mason & Co. 100 First Stamford Place, Stamford, CT 06902 Birth year: 1978	Identity Theft Prevention Officer	Since 2015	Identity Theft Prevention Officer of certain mutual funds associated with Legg Mason & Co. or its affiliates (since 2015); Compliance Officer of Legg Mason & Co. (since 2013); Associate Compliance Officer of Legg Mason & Co. (2011-2013); Assistant Vice President of Legg Mason & Co. (since 2011); formerly, Risk Manager of U.S. Distribution of Legg Mason & Co. (2007 to 2011).
Steven Frank Legg Mason & Co. 620 Eighth Avenue 49th Floor New York, NY 10018 Birth Year: 1967	Treasurer	Since 2010	Director of Legg Mason & Co. (since 2015); Treasurer of certain mutual funds associated with Legg Mason & Co. or its affiliates (since 2010); formerly Vice President of Legg Mason & Co. and Legg Mason & Co. predecessors (2002 to 2015); formerly, Controller of certain mutual funds associated with Legg Mason & Co. or its affiliates (prior to 2010)
Robert I. Frenkel Legg Mason & Co. 100 First Stamford Place Stamford, CT 06902 Birth year: 1954	Secretary and Chief Legal Officer	Since 2003	Managing Director and General Counsel of U.S. Mutual Funds for Legg Mason and its predecessor (since 1994); Secretary and Chief Legal Officer of mutual funds

associated with Legg Mason (since 2003); formerly, Secretary of CFM (2001-2004)

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934, as amended (the 1934 Act) and Section 30(h) of the 1940 Act in combination require the Fund s Directors and officers and persons who own more than 10% of the Fund s common stock, as well as LMPFA, Western Asset and certain of their affiliated persons, to file reports of ownership and changes in ownership with the Securities and Exchange Commission (SEC) and the New York Stock Exchange, Inc. (NYSE). Such persons and entities are required by SEC regulations to furnish the Fund with copies of all such filings. Based solely on its review of the copies of such forms received by it, or written representations from certain reporting persons, the Fund believes that, during the fiscal year ended November 30, 2016, all such filing requirements were met with respect to the Fund, with the exception of initial statements of beneficial interest on Form 3 for John D. Kenney, Thomas Merchant and Jennifer Murphy, which were filed late due to an administrative oversight.

Report of the Audit Committee

Pursuant to a meeting of the Audit Committee on January 19-20, 2017, the Audit Committee reports that it has: (i) reviewed and discussed the Fund s audited financial statements with management; (ii) discussed with KPMG LLP (KPMG), the independent registered public accounting firm of the Fund, the matters required to be discussed by Statement on Auditing Standards No. 61, as amended, as adopted by the Public Company Accounting Oversight Board in Rule 3200T; and (iii) previously received written confirmation from KPMG that it is independent and written disclosures regarding such independence as required by the Public Company Accounting Oversight Board Standard No. 1, and discussed with KPMG the independent registered public accounting firm s independence.

Pursuant to the Audit Committee Charter adopted by the Fund s Board, the Audit Committee is responsible for conferring with the Fund s independent registered public accounting firm, reviewing annual financial statements and recommending the selection of the Fund s independent registered public accounting firm. The Audit Committee advises the full Board with respect to accounting, auditing and financial matters affecting the Fund. The independent registered public accounting firm is responsible for planning and carrying out the proper audits and reviews of the Fund s financial statements and expressing an opinion as to their conformity with accounting principles generally accepted in the United States of America.

The members of the Audit Committee are not professionally engaged in the practice of auditing or accounting and are responsible for oversight. Moreover, the Audit Committee relies on and makes no independent verification of the facts presented to it or representations made by management or the independent registered public accounting firm. Accordingly, the Audit Committee s oversight does not provide an independent basis to determine that management has maintained appropriate accounting and financial reporting principals and policies, or internal controls and procedures, designed to assure compliance with accounting standards and applicable laws and regulations. Furthermore, the Audit Committee s considerations and discussions referred to above do not provide assurance that the audit of the Fund s financial statements has been carried out in accordance with generally accepted accounting standards or that the financial statements are presented in accordance with generally accepted accounting principles.

Based on the review and discussions referred to in items (i) through (iii) above, the Audit Committee recommended to the Board of Directors (and the Board has approved) that the audited financial statements be included in the Fund s annual report for the Fund s fiscal year ended November 30, 2016.

Submitted by the Audit Committee

of the Fund s Board of Directors

Robert D. Agdern

Carol L. Colman

Daniel P. Cronin

Paolo M. Cucchi

Leslie H. Gelb

William R. Hutchinson

Eileen A. Kamerick

Riordan Roett

January 19-20, 2017

Board Recommendation and Required Vote

Two Directors are elected by a plurality of the votes cast by the holders of shares of the Fund s Common Stock and Preferred Shares voting together as a single class and one Director is elected only by the holders of shares of the Fund s Preferred Shares present in person or represented by proxy at a meeting at which a quorum is present. For purposes of the election of Directors, abstentions and broker non-votes will not be considered votes cast, and do not affect the plurality vote required for Directors.

The Board of Directors, including the Directors who are not interested persons unanimously recommends that stockholders of the Fund vote FOR each of the nominees for Director.

Disclosure of Fees Paid to Independent Registered Public Accounting Firm

Audit Fees. The aggregate fees billed in the last two fiscal years ended November 30, 2015 and November 30, 2016 for professional services rendered by KPMG for the audit of the Fund s annual financial statements, or services that are normally provided in connection with the statutory and regulatory filings or engagements in those fiscal years, were $51,950 and $52,450, respectively.

Audit-Related Fees. The aggregate fees billed by KPMG in connection with assurance and related services related to the annual audit of the Fund and for review of the Fund s financial statements, other than the Audit Fees described above, for the fiscal years ended November 30, 2015 and November 30, 2016 were $64,000 and $24,000, respectively.

In addition, there were no Audit Related Fees billed in the fiscal years ended November 30, 2015 and November 30, 2016 for assurance and related services by KPMG to LMPFA and any entity controlling, controlled by or under common control with LMPFA that provides ongoing services to the Fund (LMPFA and such other entities together, the Service Affiliates), that were related to the operations and financial reporting of the Fund.

Tax Fees. The aggregate fees billed by KPMG for tax compliance, tax advice and tax planning services, which include the filing and amendment of federal, state and local income tax returns, timely regulated investment company qualification review and tax distribution and analysis planning to the Fund for the fiscal years ended November 30, 2015 and November 30, 2016 were $3,880 and $3,920, respectively.

There were no fees billed by KPMG to the Service Affiliates for tax services for the fiscal years ended November 30, 2015 and November 30, 2016 that were required to be approved by the Fund s Audit Committee.

All Other Fees. There were no other fees billed for other non-audit services rendered by KPMG to the Fund for the fiscal years ended November 30, 2015 and November 30, 2016.

There were no other non-audit services rendered by KPMG to the Service Affiliates in the fiscal years ended November 30, 2015 and November 30, 2016.

Generally, the Audit Committee must approve (a) all audit and permissible non-audit services to be provided to the Fund and (b) all permissible non-audit services to be provided to the Service Affiliates that relate directly to the operations and financial reporting of the Fund. The Audit Committee may implement policies and procedures by which such services are approved other than by the full Committee but has not yet done so.

The Audit Committee approved 100% of the Audit Related Fees, Tax Fees and Other Fees, if any, for each of the fiscal years ended November 30, 2015 and November 30, 2016.

The Audit Committee shall not approve non-audit services that the Committee believes may impair the independence of the registered public accounting firm. As of the date of the approval of the Audit Committee Charter, permissible non-audit services include any professional services (including tax services), that are not prohibited services as described below, provided to the Fund by the independent registered public accounting firm, other than those provided to the Fund in connection with an audit or a review of the financial statements of the Fund. Permissible non-audit services may not include: (i) bookkeeping or other services related to the accounting records or financial statements of the Fund; (ii) financial information systems design and implementation; (iii) appraisal or valuation services, fairness opinions or contribution-in-kind reports; (iv) actuarial services; (v) internal audit outsourcing services; (vi) management functions or human resources; (vii) broker or dealer, investment adviser or investment banking services; (viii) legal services and expert services unrelated to the audit; and (ix) any other service the Public Company Accounting Oversight Board determines, by regulation, is impermissible.

Pre-approval by the Audit Committee of any permissible non-audit services is not required so long as: (i) the aggregate amount of all such permissible non-audit services provided to the Fund, LMPFA and any Covered Service Provider constitutes not more than 5% of the total amount of revenues paid to the independent registered public accounting firm during the fiscal year in which the permissible non-audit services are provided to (a) the Fund, (b) LMPFA and (c) any entity partially controlled by or under common control with LMPFA that provides ongoing services to the Fund during the fiscal year in which the services are provided that would not have to be approved by the Committee; (ii) the permissible non-audit services were not recognized by the Fund at the time of the engagement to be non-audit services; and (iii) such services are promptly brought to the attention of the Audit Committee and approved by the Audit Committee (or its delegate(s)) prior to the completion of the audit.

The aggregate non-audit fees billed by KPMG for non-audit services rendered to the Fund and Service Affiliates for the fiscal years ended November 30, 2015 and November 30, 2016 were $0 and $0, respectively.

The Audit Committee has considered whether the provision of non-audit services to the Service Affiliates that were not pre-approved by the Audit Committee (because they did not require pre-approval) is compatible with maintaining KPMG s independence. All services provided by KPMG to the Fund or to the Service Affiliates that were required to be pre-approved by the Audit Committee were pre-approved.

A representative of KPMG, if requested by any stockholder, will be present via telephone at the Meeting to respond to appropriate questions from stockholders and will have an opportunity to make a statement if he or she chooses to do so.

5% Beneficial Ownership

At January 23, 2017, to the knowledge of management, the registered stockholders who owned of record or owned beneficially more than 5% of the Fund s capital stock outstanding is noted in the table below. As of the close of business on January 23, 2017, Cede & Co., a nominee for participants in the Depository Trust Company, held of record 9,419,414 shares, equal to approximately 97% of the Fund s outstanding shares and 1,700 Preferred Shares or 100% of the Fund s Preferred Shares, including the shares shown below.

Class	Percent	Name	Address
Common	14.89%[(1)]	First Trust Advisors L.P. and affiliates	120 East Liberty Drive Suite 400 Wheaton, IL 60187

(1) Based upon information obtained from Schedule 13G/A filed with SEC on January 13, 2017.

Submission of Stockholder Proposals and Other Stockholder Communications

All proposals by stockholders of the Fund that are intended to be presented at the 2018 Annual Meeting of Stockholders must be received by the Fund for inclusion in the Fund s proxy statement and proxy relating to that meeting no later than November 2, 2017. Any stockholder who desires to bring a proposal at the 2018 Annual Meeting of Stockholders without including such proposal in the Fund s proxy statement must deliver written notice thereof to the Secretary of the Fund (addressed to c/o Legg Mason, 100 First Stamford Place, 6th Floor, Stamford, CT 06902) during the period from December 31, 2017 to January 30, 2018. However, if the Fund s 2018 Annual Meeting of Stockholders is held earlier than March 1, 2018 or later than May 30, 2018, such written notice must be delivered to the Secretary of the Fund no earlier than 90 days before the date of the 2018 Annual Meeting of Stockholders and no later than the later of 60 days prior to the date of the 2018 Annual Meeting of Stockholders or 10 days following the public announcement of the date of the 2018 Annual Meeting of Stockholders. Stockholder proposals are subject to certain regulations under the federal securities laws.

The Fund s Audit Committee has established guidelines and procedures regarding the receipt, retention and treatment of complaints regarding accounting, internal accounting controls or auditing matters (collectively, Accounting Matters). Persons with complaints or concerns regarding Accounting Matters may submit their complaints to the Chief Compliance Officer (CCO). Persons who are uncomfortable submitting complaints to the CCO, including complaints involving the CCO, may submit complaints directly to the Fund s Audit Committee Chair (together with the CCO, Complaint Officers). Complaints may be submitted on an anonymous basis.

The CCO may be contacted at:

Legg Mason & Co., LLC

Compliance Department

620 Eighth Avenue, 49th Floor

New York, New York 10018

Complaints may also be submitted by telephone at 1-800-742-5274. Complaints submitted through this number will be received by the CCO.

The Fund s Audit Committee Chair may be contacted at:

Western Asset Municipal Partners Fund Inc.

Audit Committee Chair

c/o Robert K. Fulton, Esq.

Stradley Ronon Stevens & Young, LLP

2600 One Commerce Square

Philadelphia, PA 19103

A stockholder who wishes to send any other communications to the Board should also deliver such communications to the Secretary of the Fund at 100 First Stamford Place, 6th Floor, Stamford, CT 06902. The Secretary is responsible for determining, in consultation with other officers of the Fund, counsel, and other advisers as appropriate, which stockholder communications will be relayed to the Board.

Expenses of Proxy Solicitation

The costs of preparing, assembling and mailing material in connection with this solicitation of proxies will be borne by the Fund and are expected to be approximately $20,000. Proxies may also be solicited in-person by officers of the Fund and by regular employees of LMPFA or its affiliates, or other representatives of the Fund or by telephone, in addition to the use of mails. Brokerage houses, banks and other fiduciaries may be requested to forward proxy solicitation material to their principals to obtain authorization for the execution of proxies, and will be reimbursed by the Fund for such out-of-pocket expenses.

Other Business

The Fund s Board of Directors does not know of any other matter that may come before the Meeting. If any other matter properly comes before the Meeting, it is the intention of the persons named in the proxy to vote the proxies in accordance with their judgment on that matter.

By Order of the Board of Directors,

Robert I. Frenkel

Secretary

March 2, 2017

IT IS IMPORTANT THAT PROXIES BE RETURNED PROMPTLY. STOCKHOLDERS WHO DO NOT EXPECT TO ATTEND THE MEETING ARE THEREFORE URGED TO COMPLETE AND SIGN, DATE AND RETURN THE PROXY CARD AS SOON AS POSSIBLE IN THE ENCLOSED POSTAGE-PAID ENVELOPE.

ANNEX A

Audit Committee Charter

Establishment and Purpose

This document serves as the Charter for the Audit Committee (the Committee) of the Board of each registered investment company (the Fund) advised by Legg Mason Partners Fund Advisor, LLC or one of its affiliates (Adviser) listed on Appendix A hereto (each such Charter being a separate Charter). The primary purposes of the Committee are to (a) assist Board oversight of (i) the integrity of the Fund s financial reporting, (ii) the Fund s compliance with legal and regulatory requirements (iii) the qualifications and independence of the Fund s independent registered public accountants and (iv) the performance of the Fund s internal audit function and independent registered public accountants; (b) approve, and recommend to the Independent Board Members (as such term is defined below) for their ratification, the selection, appointment, retention or termination of the Fund s independent registered public accountants, as well as approving the compensation thereof; (c) approve all audit and permissible non-audit services provided to the Fund and certain other persons by the Fund s independent registered public accountants; and (d) for each closed-end Fund, prepare the report required to be prepared by the Committee pursuant to the rules of the Securities and Exchange Commission for inclusion in the Fund s annual Proxy Statement.

Duties and Responsibilities

The Fund s independent registered public accountants are accountable to the Committee.

The Committee shall:

1. Bear direct responsibility for the appointment, compensation, retention and oversight of the Fund s independent registered public accountants, or of any other public accounting firm engaged for the purpose of performing other audit, review or attest services for the Fund.

2. Confirm with any independent registered public accountants retained to provide audit services that the independent registered public accountants has ensured the appropriate rotation of the lead audit partner pursuant to applicable regulations.

3. Approve (a) all audit and permissible non-audit services[1] to be provided to the Fund and (b) all permissible non-audit services to be provided by the Fund s independent registered public accountants

[1] The Committee shall not approve non-audit services that the Committee believes may impair the independence of the independent registered public accountants. As of the date of the approval of this Audit Committee Charter, permissible non-audit services include any professional services (including tax services), that are not prohibited services as described below, provided to the Fund by the independent registered public accountants, other than those provided to the Fund in connection with an audit or a review of the financial statements of the Fund. Permissible non-audit services may not include: (i) bookkeeping or other services related to the accounting records or financial statements of the Fund; (ii) financial information systems design and implementation; (iii) appraisal or valuation services, and fairness opinions; (iv) actuarial services; (v) internal audit services; (vi) management functions; (vii) human resources; (viii) broker or dealer; (ix) legal services; (x) expert services unrelated to the

audit; and (xi) any other service the Public Company Accounting Oversight Board determines, by regulation, is impermissible.

Pre-approval by the Committee of any permissible non-audit services is not required so long as: (i) the aggregate amount of all such permissible non-audit services provided to the Fund, the Adviser and any service providers controlling, controlled by or under common control with the Adviser that provide ongoing services to the Fund (Covered Service Providers) constitutes not more than 5% of the total amount of revenues paid to the independent registered public accountants during the fiscal year in which the permissible non-audit services are provided to (a) the Fund, (b) the Adviser and (c) any entity controlling, controlled by or under common control with the Adviser that provides ongoing services to the Fund during the fiscal year in which the services are provided that would have to be approved by the Committee; (ii) the permissible non-audit services were not recognized by the Fund at the time of the engagement to be non-audit services; and (iii) such services are promptly brought to the attention of the Committee and approved by the Committee (or its delegate(s)) prior to the completion of the audit.

to the Adviser and any Covered Service Providers if the engagement relates directly to the operations and financial reporting of the Fund. The Committee may implement policies and procedures by which such services are approved other than by the full Committee.

4. Discuss with the independent registered public accountants any disclosed relationships or services that may diminish the objectivity and independence of the independent registered public accountants and, if so determined by the Committee, recommend that the Board take appropriate action to ensure the independence of the independent registered public accountants.

5. Review, in consultation with the independent registered public accountants, the proposed scope of the Fund s audit each year, including the audit procedures to be utilized in the review of the Fund s financial statements.

6. Inquire of the Adviser and the independent registered public accountants as to significant tax and accounting policies elected by the Fund (including matters affecting qualification under Subchapter M of the Internal Revenue Code).

7. Review with the independent registered public accountants any problems or difficulties the registered public accountants may have encountered during the conduct of the audit and management s response, including a discussion with the independent registered public accountants of the matters required to be discussed by Statement on Auditing Standards No. 61, 89, 90 or any subsequent Statement, relating to the conduct of the audit.

8. Review, in consultation, as appropriate, with the independent registered public accountants and significant Fund service providers, matters relating to internal controls over financial reporting and disclosure controls and procedures of the Fund and of the Fund s significant service providers.

9. Request, receive and/or review from the independent registered public accountants such other materials as deemed necessary or advisable by the Committee in the exercise of its duties under this Charter; such materials may include, without limitation, any other material written communications bearing on the Fund s financial statements, or internal or disclosure controls, between the independent registered public accountants and the Fund, the Adviser or other Fund service providers, such as any management letter or schedule of unadjusted differences, and any comment or deficiency letter (to the extent such letters relate to financial reporting) received from a regulatory or self-regulatory organization addressed to the Fund or the Adviser that relates to services rendered to the Fund.

10. For each closed-end Fund, establish procedures regarding the receipt, retention and treatment of complaints that the Fund may receive regarding Fund accounting, internal accounting controls or auditing matters, including procedures for the confidential or anonymous submission by Fund officers, employees, stockholders or service providers of concerns regarding questionable accounting or auditing matters related to the Fund.

11.

For each closed-end Fund, obtain and review a report by the Fund s independent registered public accountants describing (i) the auditing firm s internal quality-control procedures; (ii) any material issues raised by the most recent internal quality-control review, or peer review, of the auditing firm, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the auditing firm, and any steps taken

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to deal with any such issues; and (iii) (to assess the auditor s independence) all relationships between the independent registered public accountants and the Fund.

12. For each closed-end Fund, discuss policies with respect to risk assessment and risk management.

13. For each closed-end Fund, review hiring policies for employees or former employees of the Fund s independent registered public accountants.

14. For each closed-end Fund, discuss with management and the Fund s independent registered public accountants the Fund s audited financial statements, including any narrative discussion by management concerning the Fund s financial condition and investment performance and, if appropriate, recommend the publication of the Fund s annual audited financial statements in the Fund s annual report in advance of the printing and publication of the annual report.

15. For each closed-end Fund, discuss with management, prior to the printing and distribution of the Fund s semi-annual report, the Fund s unaudited financial statements, including any narrative discussion by management concerning the Fund s financial condition and investment performance. The Committee may delegate the foregoing to a sub-committee of the Committee composed of two or more members (the Sub-Committee), as may be determined by the Committee and reflected in the Committee s minutes.

16. For each closed-end Fund, discuss the Fund s earnings press releases, as well as financial information and earnings guidance provided to analysts and rating agencies;

17. For each closed-end Fund, review and evaluate annually the performance of the Committee and the adequacy of this Charter and recommend any proposed changes to the Charter to the Board for approval.

The Committee shall have the resources and authority appropriate to discharge its responsibilities, including the authority to retain, as it deems necessary to carry out its duties, special counsel and other experts or consultants at the expense of the Fund. The Fund shall provide appropriate funding, as determined by the Committee, for the Committee to carry out its duties and its responsibilities, including (a) for compensation to be paid to, or services to be provided by, the Fund s independent registered public accountants or other public accounting firm providing audit, review or attest services for the Fund, (b) for payment of compensation to any outside legal, accounting or other advisors, counsel or consultants employed by the Committee and (c) for the ordinary administrative expenses of the Committee (and the Sub-Committee). In performing its duties, the Committee and Sub-Committee shall consult as it deems appropriate with the members of the Board, officers and employees of the Fund, the Adviser, the Fund s sub-adviser(s), if any, the Fund s counsel, counsel to the Independent Board Members and the Fund s other service providers.

COMPOSITION

The Committee shall be composed of each Board member who has been determined not to be an interested person, as that term is defined in Section 2(a)(19) of the Investment Company Act of 1940, as amended (1940 Act), of the Fund (the Independent Board Members), or such lesser number as the Board of the Fund may specifically determine and reflect in the Board s minutes, each of whom shall be financially literate and at least one of whom shall have accounting or related financial management expertise as determined by the Fund s Board in its business judgment.

Each member of the Committee must also meet the independence and experience requirements as set forth in the New York Stock Exchange s Listed Company Manual or as set forth in the American Stock Exchange s listing standards, as applicable, and the independence requirements applicable to investment companies set forth in the Securities Exchange Act of 1934. For those Funds listed on the New York Stock Exchange, no member of the Committee may serve on the audit committees of more than three public companies, including the Funds, unless the Board determines that such simultaneous service would not impair the ability of such member to serve on the Committee effectively. The Committee shall elect a Chairperson, who shall preside over Committee meetings. The Chairperson shall serve for a term of three years, which term may be renewed from time to time.

MEETINGS

The Committee shall meet on a regular basis, but not less frequently than twice a year. Special meetings may also be held upon reasonable notice to the members of the Committee. An agenda shall be established for each meeting. The Committee may request any officer or employee of the Fund, the Fund s counsel, counsel to the Independent Board Members, the Adviser, the Fund s independent registered public accountants or other interested persons to attend a meeting of the Committee or to meet with any members of, or consultants to, the Committee. The Committee will meet periodically with the Fund s independent registered public accountants outside the presence of the Fund s and the Adviser s officers and employees. The Committee will also meet periodically with the Fund s management outside the presence of the Fund s independent registered public accountants. Meetings of the Committee may be held in person, by telephone or by other appropriate means.

One-third of the Committee s members, but not fewer than two members, shall constitute a quorum. At any meeting of the Committee, the decision of a majority of the members present and voting shall be determinative as to any matter submitted to a vote.

For purposes of the Sub-Committee and its review of the semi-annual reports as set forth under paragraph 15 above, the Sub-Committee shall meet with such frequency and at such dates as may be necessary for each Fund s semi-annual report (meeting dates to be coordinated with each Fund s management). The Sub-Committee may request any officer or employee of the Fund, the Fund s counsel, counsel to the Independent Board Members, the Adviser, the Fund s independent registered public accountants or other interested persons to attend a meeting of the Sub-Committee or to meet with any members of, or consultants to, the Sub-Committee. The Sub-Committee shall report regularly to the Committee as to its activities.

REPORTING

The Chairperson shall report regularly to the Board on the result of the Committee s deliberations and make such recommendations as deemed appropriate.

LIMITS ON ROLE OF COMMITTEE

The function of the Committee is oversight. The Fund s management is responsible for (i) the preparation, presentation and integrity of the Fund s financial statements, (ii) the maintenance of appropriate accounting and financial reporting principles and policies and (iii) the maintenance of internal controls and procedures designed to assure compliance with accounting standards and applicable laws and regulations. The independent registered public accountants are responsible for planning and carrying out proper audits and reviews. In fulfilling their responsibilities hereunder, it is recognized that members of the Committee are not employees of the Fund. As such, it is not the duty or responsibility of the Committee or its members to conduct field work or other types of auditing or accounting reviews or procedures or to set auditor independence standards. Each member of the Committee shall be entitled to rely on (i) the integrity of those persons and organizations within and outside the Fund from which it receives information and (ii) the accuracy of the financial and other information provided to the Committee by such persons and organizations absent actual knowledge to the contrary (which shall be promptly reported to the Fund s Board) and (iii) statements made by the officers and employees of the Fund, the Adviser or other third parties as to any information technology, internal audit and other non-audit services provided by the independent registered public accountants to the Fund. The designation of a person as an audit committee financial expert, within the meaning of the rules adopted and implemented under Section 407 of the Sarbanes-Oxley Act of 2002, shall not impose any greater responsibility or liability on that person than the responsibility and liability imposed on such person as a member of the Committee, nor does it decrease the duties and obligations of other Committee members or the Board.

In carrying out its responsibilities, the Committee s policies and procedures shall be adapted, as appropriate, in order to best react to a changing environment.

AMENDMENTS

This Charter may be amended by a vote of a majority of the Board members.

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Appendix A

amended as of February 10, 2017

ClearBridge American Energy MLP Fund Inc. (CBA)

ClearBridge Energy MLP Fund Inc. (CEM)

ClearBridge Energy MLP Opportunity Fund Inc. (EMO)

ClearBridge Energy MLP Total Return Fund Inc. (CTR)

Legg Mason BW Global Opportunities Fund Inc. (BWG)

Legg Mason Funds Trust (LMFT)

Legg Mason Permal Alternatives Fund Inc.*

LMP Capital and Income Fund Inc. (SCD)

LMP Corporate Loan Fund Inc. (TLI)

ClearBridge Real Estate Opportunities Fund (CRO)

EnTrustPermal Hedge Strategies Fund I (PHSF I)

EnTrustPermal Hedge Strategies Fund II (PHSF II)

EnTrustPermal Hedge Strategies Portfolio (PHSP)

Western Asset Emerging Markets Debt Fund Inc. (EMD)

Western Asset Global Corporate Defined Opportunity Fund Inc. (GDO)

Western Asset Global High Income Fund Inc. (EHI)

Western Asset High Income Fund II Inc. (HIX)

Western Asset High Income Opportunity Fund Inc. (HIO)

Western Asset High Yield Defined Opportunity Fund Inc. (HYI)

Western Asset Intermediate Muni Fund Inc. (SBI)

Western Asset Investment Grade Defined Opportunity Trust Inc. (IGI)

Western Asset Managed Municipals Fund Inc. (MMU)

Western Asset Middle Market Debt Fund Inc. (XWAMX)

Western Asset Middle Market Income Fund Inc. (XWMFX)

Western Asset Mortgage Defined Opportunity Fund Inc. (DMO)

Western Asset Municipal Defined Opportunity Trust Inc. (MTT)

Western Asset Municipal High Income Fund Inc. (MHF)

Western Asset Municipal Partners Fund Inc. (MNP)

Western Asset Opportunistic Income Fund Inc.*

Western Asset Variable Rate Strategic Fund Inc. (GFY)

* Has not yet commenced operations. The Fund s registration statement has not yet been declared effective by the SEC.

ANNEX C

BOARD OF DIRECTORS/TRUSTEES

LEGG MASON CLOSED-END FUNDS

COMPENSATION COMMITTEE CHARTER

ORGANIZATION

The Compensation Committee (the Committee) of each registered investment company listed on Appendix A hereto (each, a Fund and together, the Funds) shall be composed solely of Directors/Trustees (Directors) who are not interested persons of the Fund as defined in Section 2(a)(19) of the Investment Company Act of 1940, as amended (the 1940 Act) and, with respect to those Funds listed on the New York Stock Exchange, Inc. (NYSE), who are independent as defined in the NYSE listing standards (Independent Directors). The Board of Directors of the Fund (the Board) shall appoint the members of the Committee and shall designate the Chairperson of the Committee. The Chairperson shall preside at each meeting of the Committee.

RESPONSIBILITIES

The Committee shall evaluate periodically, but not less than annually, Independent Director compensation and shall recommend any changes that are appropriate, in the Committee s judgment, to the Independent Directors as a group and to the Board. Compensation of the Independent Directors shall include such components as the Committee, in its judgment, shall regard as appropriate, including, but not limited to:

- annual Board membership retainers;
- compensation for any Independent Director who may be designated from time to time by the Board as the Chairperson or Lead Independent Director;
- attendance fees for in-person and conference call meetings of the Board and its committees;
- compensation for the chairpersons of the committees of the Board;
- compensation for any Independent Directors whom the Board may designate from time to time as Board Liaisons ; and
- compensation for extraordinary or special requirements or assignments applicable to, or assumed or undertaken by, any one or more Independent Directors, including demands imposed by participation in any regulatory or judicial investigations, inquiries, or proceedings.

In its evaluation, the Committee may take into consideration such factors as it deems relevant in its judgment, which may include, without limitation:

the number of Funds;

total Fund assets;

the structures of the Funds;

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the complexity of the Funds investment programs, including the Funds use of derivatives strategies and leverage;

information regarding mutual fund industry director compensation practices and trends;

facts and circumstances of any one or more of the Funds placing special responsibilities or burdens of a permanent or temporary nature upon the Board or any one or more of the Independent Directors; and

legal and regulatory standards or requirements applicable to the Independent Directors or the Board under state or federal laws, rules, or regulations, as well as the regulations of the NYSE.

OTHER POWERS AND RESPONSIBILITIES

The Committee shall have such additional powers and responsibilities in addition to those set forth in this Charter as may be delegated from time to time by the Board.

The Committee shall have the resources and authority appropriate to discharge its responsibilities, including authority to retain special counsel and other experts or consultants at the expense of the Funds.

The Committee may request, and management shall provide, such information and analyses and access to Fund officers, agents, representatives, and service providers as shall be reasonably necessary for the Committee to carry out its responsibilities.

The authority, powers, and rights of the Committee as described in this Charter are not intended, and shall not operate, to reduce, restrict, limit or otherwise modify in any manner whatsoever the authority, powers, and rights which are granted to the Board and Committees thereof, including the Committee, under the Declaration of Trust, Charter, Bylaws, or other organizational documents of any Fund. In the event of any inconsistency between this Charter and any such organizational documents, the provisions of the latter shall be given precedence.

QUORUM

A majority of the members of the Committee shall constitute a quorum for the transaction of business, and the act of a majority of the members of the Committee present at any meeting at which there is a quorum shall be the act of the Committee.

MEETINGS

The Committee may meet with such frequency and at such times as it shall deem appropriate, in its judgment, for carrying out its responsibilities. The Committee may meet on its own or in conjunction with meetings of the Board. Meetings of the Committee may be held in person, by video conference, or by conference telephone. The Committee may take action by unanimous consent in lieu of a meeting.

REPORTING

The Committee shall report to and consult with the Board with such frequency and at such times as it shall deem appropriate, as well as to Fund counsel and counsel to the Independent Directors.

Adopted: , 2016

C-2

Appendix A

ClearBridge American Energy MLP Fund Inc. (CBA)

ClearBridge Energy MLP Fund Inc. (CEM)

ClearBridge Energy MLP Opportunity Fund Inc. (EMO)

ClearBridge Energy MLP Total Return Fund Inc. (CTR)

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Permal Hedge Strategies Fund I (PHSF I)

Permal Hedge Strategies Fund II (PHSF II)

Permal Hedge Strategies Portfolio (PHSP)

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Western Asset Global High Income Fund Inc. (EHI)

Western Asset High Income Fund II Inc. (HIX)

Western Asset High Income Opportunity Fund Inc. (HIO)

Western Asset High Yield Defined Opportunity Fund Inc. (HYI)

Western Asset Intermediate Muni Fund Inc. (SBI)

Western Asset Investment Grade Defined Opportunity Trust Inc. (IGI)

Western Asset Managed Municipals Fund Inc. (MMU)

Western Asset Middle Market Debt Fund Inc. (XWAMX)

Western Asset Middle Market Income Fund Inc. (XWMFX)

Western Asset Mortgage Defined Opportunity Fund Inc. (DMO)

Western Asset Municipal Defined Opportunity Trust Inc. (MTT)

Western Asset Municipal High Income Fund Inc. (MHF)

Western Asset Municipal Partners Fund Inc. (MNP)

Western Asset Opportunistic Income Fund Inc.*

Western Asset Variable Rate Strategic Fund Inc. (GFY)

* Has not yet commenced operations. The Fund s registration statement has not yet been declared effective by the SEC.

EVERY STOCKHOLDER S VOTE IS IMPORTANT

EASY VOTING OPTIONS:

VOTE ON THE INTERNET
Log on to:
www.proxy-direct.com
or scan the QR code
Follow the on-screen instructions
available 24 hours

VOTE BY PHONE
Call 1-800-337-3503
Follow the recorded instructions
available 24 hours

VOTE BY MAIL
Vote, sign and date this Proxy Card and return in the postage-paid envelope

VOTE IN PERSON
Attend Stockholder Meeting
620 Eighth Avenue, 49th Floor
New York, New York
on March 31, 2017

Please detach at perforation before mailing.

PROXY **WESTERN ASSET MUNICIPAL PARTNERS FUND INC.**
PROXY FOR THE ANNUAL MEETING OF COMMON STOCKHOLDERS
TO BE HELD ON MARCH 31, 2017

THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS. The undersigned hereby appoints Robert I. Frenkel, George P. Hoyt, Michael Kocur and Barbara Allen and each of them, attorneys and proxies for the undersigned, with full power of substitution and revocation to represent the undersigned and to vote on behalf of the undersigned all shares of Common Stock of Western Asset Municipal Partners Fund Inc. (the Fund) which the undersigned is entitled to vote at the Annual Meeting of Stockholders of the Fund to be held at 620 Eighth Avenue, 49th Floor, New York, New York on March 31, 2017, at 10:30 a.m. Eastern Daylight Time and at any adjournments thereof (the Meeting). The undersigned hereby acknowledges receipt of the Notice of Meeting and accompanying proxy statement and hereby instructs said attorneys and proxies to vote said shares as indicated hereon. In their discretion, the proxies are authorized to vote upon such other business as may properly come before the Meeting. A majority of the proxies present and acting at the Meeting in person or by substitute (or, if only one shall be so present, then that one) shall have and may exercise all of the power and authority of said proxies hereunder. The undersigned hereby revokes any proxy previously given.

This proxy, if properly executed, will be voted in the manner directed by the stockholder. If no direction is made, this proxy will be voted FOR the election of the nominees as directors.

VOTE VIA THE INTERNET:
www.proxy-direct.com

VOTE VIA THE TELEPHONE: 1-800-337-3503

CHANGE OF ADDRESS

PLEASE MARK, SIGN, DATE AND RETURN THIS PROXY PROMPTLY USING THE ENCLOSED ENVELOPE.

MNP_28525_021317

EVERY STOCKHOLDER S VOTE IS IMPORTANT

Important Notice Regarding the Availability of Proxy Materials for the

Annual Meeting of Stockholders to Be Held on March 31, 2017.

The Proxy Statement and Proxy Card are available at:

https://www.proxy-direct.com/wam-28525

Please detach at perforation before mailing.

If no specific instructions are provided, this proxy will be voted FOR the proposal and in the discretion of the proxies upon such other business as may properly come before the meeting.

TO VOTE MARK BLOCKS BELOW IN BLUE OR BLACK INK AS SHOWN IN THIS EXAMPLE:

A Proposal The Board of Directors unanimously recommends a vote FOR for the following proposal.

1. Election of Class II Directors, to serve until the 2020 Annual Meeting of Stockholders:	**FOR ALL**	**WITHHOLD ALL**	**FOR ALL EXCEPT**
01. Daniel P. Cronin 02. Paolo M. Cucchi			

INSTRUCTIONS: To withhold authority to vote for any individual trustee nominee(s), mark the FOR ALL EXCEPT box and write the name of the nominee(s) for which you would like to withhold authority on the following line.

Any other business that may properly come before the Meeting.

B Authorized Signatures This section must be completed for your vote to be counted. Sign and Date Below

/dd/yyyy) Please print date below Signature 1 Please keep signature within the box Signature 2 Please keep signature w

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EVERY STOCKHOLDER S VOTE IS IMPORTANT

EASY VOTING OPTIONS:

VOTE ON THE INTERNET
Log on to:
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Follow the on-screen instructions
available 24 hours

VOTE BY PHONE
Call 1-800-337-3503
Follow the recorded instructions
available 24 hours

VOTE BY MAIL
Vote, sign and date this Proxy Card and return in the postage-paid envelope

VOTE IN PERSON
Attend Stockholder Meeting
620 Eighth Avenue, 49th Floor
New York, New York
on March 31, 2017

Please detach at perforation before mailing.

PROXY **WESTERN ASSET MUNICIPAL PARTNERS FUND INC.**
PROXY FOR THE ANNUAL MEETING OF PREFERERD STOCKHOLDERS
TO BE HELD ON MARCH 31, 2017

THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS. The undersigned hereby appoints Robert I. Frenkel, George P. Hoyt, Michael Kocur and Barbara Allen and each of them, attorneys and proxies for the undersigned, with full power of substitution and revocation to represent the undersigned and to vote on behalf of the undersigned all shares of Auction Rate Cumulative Preferred Stock and Variable Rate Demand Preferred Stock of Western Asset Municipal Partners Fund Inc. (the Fund) which the undersigned is entitled to vote at the Annual Meeting of Stockholders of the Fund to be held at 620 Eighth Avenue, 49th Floor, New York, New York on March 31, 2017, at 10:30 a.m. Eastern Daylight Time and at any adjournments thereof (the Meeting). The undersigned hereby acknowledges receipt of the Notice of Meeting and accompanying proxy statement and hereby instructs said attorneys and proxies to vote said shares as indicated hereon. In their discretion, the proxies are authorized to vote upon such other business as may properly come before the Meeting. A majority of the proxies present and acting at the Meeting in person or by substitute (or, if only one shall be so present, then that one) shall have and may exercise all of the power and authority of said proxies hereunder. The undersigned hereby revokes any proxy previously given.

This proxy, if properly executed, will be voted in the manner directed by the stockholder. If no direction is made, this proxy will be voted FOR the election of the nominees as directors.

VOTE VIA THE INTERNET:
www.proxy-direct.com

VOTE VIA THE TELEPHONE: 1-800-337-3503

CHANGE OF ADDRESS

PLEASE MARK, SIGN, DATE AND RETURN THIS PROXY PROMPTLY USING THE ENCLOSED ENVELOPE.

MNP_28525_021317_Pref

EVERY STOCKHOLDER S VOTE IS IMPORTANT

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https://www.proxy-direct.com/wam-28525

Please detach at perforation before mailing.

If no specific instructions are provided, this proxy will be voted FOR the proposal and in the discretion of the proxies upon such other business as may properly come before the meeting.

TO VOTE MARK BLOCKS BELOW IN BLUE OR BLACK INK AS SHOWN IN THIS EXAMPLE:

A Proposal The Board of Directors unanimously recommends a vote FOR for the following proposal.

1. Election of Class II Directors, to serve until the 2020 Annual Meeting of Stockholders:	**FOR ALL**	**WITHHOLD ALL**	**FOR ALL EXCEPT**
01. Daniel P. Cronin 02. Paolo M. Cucchi 03. Jane Trust			

INSTRUCTIONS: To withhold authority to vote for any individual trustee nominee(s), mark the FOR ALL EXCEPT box and write the name of the nominee(s) for which you would like to withhold authority on the following line.

Any other business that may properly come before the Meeting.

B Authorized Signatures This section must be completed for your vote to be counted. Sign and Date Below

/dd/yyyy) Please print date below Signature 1 Please keep signature within the box Signature 2 Please keep signature w

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Investing activities

Acquisition of companies, net of cash acquired	(19,584)	-	-	(19,584)
Purchases of property, plant and equipment, net	(21,924)	-	-	(21,924)
Purchase of patents, trademarks and other intangible assets	(922)	-	-	(922)
Other	(1,613)	-	-	(1,613)
	(44,043)	-	-	(44,043)
Financing activities				
Increase in line of credit facilities	40,589	-	-	40,589
Borrowings under long-term debt	23,081	-	-	23,081
Repayments of long-term debt	(18,288)	-	-	(18,288)
Proceeds from the issuance of common shares, net of issuance costs	54,016	-	-	54,016
Proceeds from the issuance of preference shares by subsidiary	27,880	-	74	27,954
Payment of deferred purchase consideration	(1,468)	-	-	(1,468)
Other	(45)	-	-	(45)
	125,765	-	74	125,839
Foreign exchange gain on cash held in a foreign currency	475	-	-	475
Increase in cash and cash equivalents during the period	32,410	-	-	32,410
Cash and cash equivalents beginning of the period	954	-	-	954
Cash and cash equivalents end of the period	33,364	-	-	33,364

SunOpta Inc.

Restated Notes to Condensed Consolidated Financial Statements
For the three and nine months ended September 30, 2007 and 2006
Unaudited
(Expressed in thousands of U.S. dollars, except per share amounts)

3.

Business Acquisitions

During the nine months ended September 30, 2007, the Company completed three acquisitions. All of these acquisitions have been accounted for using the purchase method of accounting and the condensed consolidated financial statements include the results of operations for these businesses from the date of acquisition. The following are the preliminary purchase allocations for these acquisitions:

	Newco a.s.	Congeladora del Rio S.A. de C.V. and Global Trading Inc.	Baja California Congelados, S.A. de C.V.	Total
	(a)	**(b)**	**(c)**	
	$	$	$	$
				(Restated note 2)
Net assets acquired:				
Current assets	1,547	3,826	3,785	9,158
Property, plant and equipment	839	4,381	2,688	7,908
Goodwill	-	2,501	-	2,501
Intangible assets	13,637	74	-	13,711
Other long-term assets	-	605	-	605
Current liabilities	(481)	(798)	-	(1,279)
Deferred income tax liabilities	(2,740)	(236)	-	(2,976)
	12,802	10,353	6,473	29,628
Consideration paid:				
Cash	6,204	6,853	6,473	19,530
Issuance of Opta Minerals shares	3,181	-	-	3,181
Note payable	2,662	3,500	-	6,162
Other consideration	755	-	-	755
	12,802	10,353	6,473	29,628

As a result of the restatement described in note 2, the allocation of consideration paid to net assets acquired has been adjusted.

a)

Newco a.s.

On July 30, 2007, Opta Minerals., a subsidiary of the Company, acquired 100% of the outstanding common shares of

Newco a.s. ("Newco") of Konica, Slovakia for total consideration of $12,802 including cash and acquisition costs net of cash acquired of $6,204, one million common shares of Opta Minerals fair valued at $3,181, a non-interest bearing note payable of $2,662 due in February 2008 and other consideration valued at $755. No additional consideration is payable under the agreement. The intangible assets consisting of a customer relationship acquired in this acquisition are not deductible for tax purposes and are being amortized over its estimated useful life of 23 years.

Newco operates a production facility in Kosice, Slovakia. This company employs approximately 22 people. The addition of Newco further increases Opta s position in the industrial minerals business and further expands its current position as a key service provider to the steel industry.

The acquisition expands Opta s business capabilities into Europe and complements existing operations which supply a wide range of desulphurization products in both the United States and Canada from operations in Indiana and Ontario.

SunOpta Inc.
Restated Notes to Condensed Consolidated Financial Statements
For the three and nine months ended September 30, 2007 and 2006
Unaudited
(Expressed in thousands of U.S. dollars, except per share amounts)

3.

Business Acquisitions continued

b)

Congeladora del Rio S.A. de C.V. and Global Trading Inc.

On May 14, 2007, SunOpta Inc. announced that it had completed the acquisitions of the net operating assets of Congeladora del Rio, S.A. de C.V. ("Del Rio"), and all of the outstanding shares of Global Trading Inc., ("Global") for total consideration of $10,353. Consideration included cash of $6,853 including acquisition costs and notes payable of $3,500. No additional consideration is payable under the agreement. The promissory notes payable to former shareholders bear an interest rate of 6% and are payable in quarterly installments over the next three years. The goodwill acquired in this acquisition is not deductible for tax purposes.

Del Rio operates a fruit processing facility in Irapuato, Mexico. The facility processes strawberries, peaches, mangos, bananas, pineapples, honeydew melons and other fruits, into individually-quick frozen, block frozen and purees for the food service, industrial and retail markets. Under the terms of the agreement, SunOpta purchased all of the net operating assets, including working capital, equipment, land and buildings.

Global, the U.S.-based marketing agent for Del Rio located in Greenville, South Carolina, markets the fruits processed at Del Rio. Global's offices include sales, customer service and accounting support.

The acquisitions of Del Rio and Global provide additional capacity plus other potentially synergistic opportunities to the SunOpta Fruit Group. In addition, the acquisition completes the group's vertically integrated model for other fruit varieties, noted above, and expands its core production capabilities.

c)

Baja California Congelados, S.A. de C.V.

On May 4, 2007, SunOpta completed the acquisition of certain assets, including inventory, machinery and equipment, from Baja California Congelados, S.A. de C.V. ("BCC"), of Rosarito, Baja California, Mexico for total consideration of $6,473. Consideration consisted entirely of cash and no additional consideration is payable under the agreement.

BCC is a frozen strawberry processor in Baja California, Mexico. Under the terms of the agreement, SunOpta purchased all of the physical assets of the production facility located in Rosarito and also assumed a long-term lease for the facility, located 20 miles south of San Diego, California. In addition, SunOpta entered into five year supply agreements with Andrew & Williamson Sales Co., ("Andrew Williamson") the San Diego-based former parent of BCC. The agreements provide for the supply of strawberries from both the Baja California and Oxnard, California growing regions to the Rosarito facility in addition to SunOpta's existing California facilities.

d)

Contingent consideration on companies acquired prior to 2007

Additional consideration of $54 was paid related to the acquisition of Cleugh s Frozen Foods Inc. ("Cleugh s").The amount was recorded in relation to Cleugh s achieving predetermined earnings targets.

4.

Preferred Shares Issued by Subsidiary (Restated note 2)

On June 7, 2007, the Company s subsidiary, SunOpta BioProcess Inc. ("SunOpta BioProcess"), completed a private placement for the sale of 1,500,000 non-dividend bearing, convertible preferred shares of SunOpta BioProcess for gross proceeds of $30,000. SunOpta BioProcess incurred issuance costs of approximately $2,808 in relation to this preferred share offering including the fair value (non-cash) of $762 assigned to warrants of SunOpta Inc. granted to investors as part of the financing. These issuance costs have been offset against the carrying value of the preferred shares. The preferred shares do not bear any dividend rate and contain a conversion feature that allows the holders to convert the preferred shares to common shares of SunOpta BioProcess at any time on a one for one basis. At any time following the seventh anniversary of the closing date of (June 8, 2014) or upon the occurrence of a change in control, holders of the majority of preferred shares will have the right to require SunOpta BioProcess to redeem all of the preferred shares for a cash payment equal to the original issue price ($20 per share and in aggregate $30,000). Should SunOpta BioProcess complete a qualified initial public offering (defined in the preferred share agreement as greater than $50,000), the preferred shares would automatically be converted into common shares of SunOpta BioProcess upon closing of the transaction, resulting in a dilution of SunOpta Inc. s interest from 100% to approximately 86%. In the event a qualified initial public offering (defined in the preferred share agreement as greater than $50,000) does not occur prior to the seventh anniversary (June 8, 2014) the preferred shares would then represent a liability of SunOpta BioProcess, as the preferred shareholders would have the option to redeem their shares for a cash payment equal to the original issue price of $20 per share.

SunOpta Inc.

Restated Notes to Condensed Consolidated Financial Statements
For the three and nine months ended September 30, 2007 and 2006
Unaudited
(Expressed in thousands of U.S. dollars, except per share amounts)

4.

Preferred Shares Issued by Subsidiary (Restated note 2) continued

Included in issuance costs discussed above is the fair value of $762 attributed to warrants to purchase 648,300 common shares of SunOpta Inc. at a price of $11.57 (exercisable anytime over six months from the date of closing) that were granted to the SunOpta BioProcess preferred share investors upon the closing of the transaction. The fair value of these warrants was determined using the Black-Scholes option-pricing model (using a volatility of 40.2%, risk-free rate of 4.99% and a six month life) and the fair value attributed to them was $762.

The preferred shares are presented net of issuance costs (with no associated tax benefit) and the value of the preferred shares will be accreted to the $30,000 redemption value over a seven year period using the effective interest method. Included in interest expense during the three and nine month periods ended is $96 and $121 respectively, of the accretion expense.

In conjunction with the private placement, SunOpta BioProcess granted 800,000 Restricted Stock Units ("RSU") and 800,000 stock options (with an exercise price of $20 per share) in SunOpta BioProcess common shares to certain employees of SunOpta BioProcess. The RSU s allow for a cash payment or the grant of shares to certain employees equal to the issuance price in a future initial public offering (to a maximum of $20 per share). The RSU s and the stock options granted only vest if a change of control of SunOpta BioProcess occurs, or SunOpta BioProcess completes a qualified initial public offering and as such these units are considered performance based awards under SFAS No. 123(R). Accordingly, no expense is recorded in the consolidated financial statements until the contingent element of the award has been resolved. RSU s expire ten days after vesting whereas unless terminated earlier in accordance with SunOpta BioProcess stock option plan, the stock options expire on the seventh anniversary of the closing date (i.e. June 7. 2014). Should SunOpta BioProcess complete a qualified initial public offering, the preferred shares and RSU s could be converted into common shares of SunOpta BioProcess upon closing of the transaction, resulting in a dilution of SunOpta Inc. s wholly owned interests in SunOpta BioProcess to 75% (if all shares and options are issued). In the event a qualified initial public offering (defined in the preferred share agreement as greater than $50,000) does not occur prior to the seventh anniversary (June 8, 2014) the preferred shares would then represent a liability of SunOpta BioProcess, as the preferred shareholders would have the option to redeem their shares for a cash payment equal to the original issue price of $20 per share.

At the date of the grant, the Company has estimated that the fair value associated with the stock option grant is $11,025 and RSU s is $14,400. The fair value of the options was calculated using the Black-Scholes option-pricing model with the assumptions of a dividend yield of 0%, an expected volatility based on industry peers of 81.25%, a risk-free interest rate of 5.11% and an estimated useful life of up to 7 years. The fair value is based on estimates of the number of options that management expects to vest which was estimated to be 90%. The fair value of the RSU s is calculated using the maximum $20 per share that could be paid. Given that no market exists for SunOpta BioProcess common shares, there exists significant measurement uncertainty in assessing the fair values of the RSU s and stock options.

As a result of the restatement described in note 2, the amount of preferred shares issued by subsidiary has been increased from $27,074 to $27,325.

SunOpta Inc.

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5.

Inventories

	September 30, 2007 $ (Restated note 2)	December 31, 2006 $
Raw materials and work in process	29,733	33,182
Finished goods	134,803	85,700
Grain	16,213	7,854
	180,749	126,736
Grain inventories consist of the following:		
Company owned grain	15,907	7,637
Unrealized gain (loss) on		
Sale and purchase contracts	2,609	1,340
Future contracts	(2,303)	(1,123)
	16,213	7,854

As a result of the restatement described in note 2, finished goods inventories have been reduced from $142,639 to $134,803.

6.

Capital stock and additional paid in capital

	September 30, 2007 $ **(Restated note 2)**	December 31, 2006 $
Capital Stock		
Common shares	167,254	112,318
Warrants	762	-
Capital Stock	168,016	112,318
Additional paid in capital	5,165	4,188

As a result of the restatement described in note 2, additional paid in capital has been increased from $4,831 to $5,165 and capital stock has decreased from $168,276 to $168,016.

(a)

On February 13, 2007, the Company issued 5,175,000 common shares in a public offering at a price of $10.40 per common share and received gross proceeds of $53,820. The Company incurred share issuance costs of $1,938, net of a $920 tax benefit, for net proceeds of $51,882.

(b)

In the nine months ended September 30, 2007, employees and directors exercised 393,625 (September 30, 2006 723,375) common share options and an equal number of common shares were issued for net proceeds of $2,404 (September 30, 2006 - $3,196).

(c)

In the nine months ended September 30, 2007, 59,799 (September 30, 2006 64,835) common shares were issued for net proceeds of $593 (September 30, 2006 - $438) as part of the Company s employee share purchase program.

(d)

In the nine months ended September 30, 2007, 494,000 (September 30, 2006 38,500) options were granted to employees at a price between $10.86 - $12.36 (September 30, 2006 - $5.36 - $10.00). The fair value of the options granted were $2,601 (September 30, 2006 - $176) estimated using the Black-Scholes option-pricing model with the assumptions of a dividend yield of 0% (2006 0%), an expected volatility of 53.5% (2006 55%), a risk-free interest rate of 4.5% (2006 4.0%), forfeiture rate of 15% (2006 10%) and an expected life of five to six years.

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6.

Capital stock and additional paid in capital continued

(e)

In conjunction with his promotion to Chief Executive Officer, Steve Bromley received an award of 10,000 shares of the Company s stock. The stock was granted 25% on February 8, 2007, plus an additional 25% will be issued on the anniversary for the next three years. Accordingly, 2,500 shares were issued from treasury and the Company recognized stock based compensation costs of $29 in the first quarter.

(f)

Based on the terms of his contract, Joe Riz, SunOpta s Executive Vice President, received an award of 10,000 shares of the Company s stock. The stock was granted 25% on July 3, 2007, plus an additional 25% will be issued on the anniversary for the next three years. Accordingly, 2,500 shares were issued from treasury and the Company recognized stock based compensation costs of $28 in the third quarter.

(g)

In the nine months ended September 30, 2007, the Company recognized stock based compensation of $643 (September 30, 2006 - $166) related to the Company s stock options plans including the plan within Opta Minerals.

(h)

In the nine months ended September 30, 2007, no warrants were exercised; however, in the nine months ended September 30, 2006, 35,000 common shares were issued upon exercise of warrants for proceeds of $60.

7.

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		**Nine months ended**	
	September 30, 2007	**September 30, 2006**	**September 30, 2007**	**September 30, 2006**
	$	**$**	**$**	**$**
	(Restated note 2)		(Restated note 2)	
Earnings for the period	3,042	1,524	7,501	8,879

Weighted average number of shares used in basic earnings per share	63,161,688	57,339,332	62,218,571	57,054,678
Dilutive potential of the following:				
Employee/director stock options	782,255	676,611	700,432	594,525
Dilutive Warrants	53,939	-	8,843	-
Diluted weighted average number of shares outstanding	**63,997,882**	**58,015,943**	**62,927,846**	**57,649,203**
Earnings per share:				
Basic	0.05	0.03	0.12	0.16
Diluted	0.05	0.03	0.12	0.15

Options to purchase nil and 244,000 common shares in the three and nine months ended September 30, 2007 respectively (September 30, 2006 221,800 and 321,800), have been excluded from the calculation of diluted earnings per share due to their anti-dilutive nature. For the three and nine months ended September 30, 2007 and 2006, all warrants have been included in the determination of diluted weighted average shares outstanding.

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8.

Other expense, net

	Three months ended		Nine months ended	
	September 30, 2007	**September 30, 2006**	**September 30, 2007**	**September 30, 2006**
	$	$	$	$
Law suit (a)	506	24	506	49
Other	(133)	(9)	273	245
	373	15	779	294

(a)

In relation to a lawsuit awarded in 2004 (note 12(a)), a charge was taken in the third quarter of 2007 for legal fees under appeal.

9.

Dilution gain (restated note 2)

On July 30, 2007, the Company s subsidiary, Opta Minerals Inc., acquired 100% of the outstanding shares of Newco (note 3). As part of the consideration for the purchase, Opta Minerals Inc. issued one million common shares. As a result of the issuance of common shares, the Company recorded a non-taxable dilution gain of $693 and the percentage of common shares held by the Company of Opta Minerals was reduced from approximately 70.4% to 66.6%.

As a result of the restatement described in note 2, the dilution gain has decreased from $793 to $693.

10.

Supplemental cash flow information

	Three months ended		Nine months ended	
	September **30,** 2007	September **30,** 2006	September 30, 2007	September **30,** 2006
	$	$	$	$
	(Restated note 2)		(Restated note 2)	
Changes in non-cash working capital:				
Accounts receivable	3,595	(1,287)	(18,085)	(9,133)
Inventories	(10,216)	(3,840)	(43,259)	(11,198)
Recoveries of income taxes	-	-	1,829	1,847
Prepaid expenses and other current assets	(2,746)	(80)	(2,064)	184

Accounts payable and accrued liabilities	(4,624)	(6,414)	(1,556)	307
Customer and other deposits	(142)	(101)	(529)	(196)
	(14,133)	(11,722)	(63,664)	(18,189)
Cash paid for:				
Interest	2,280	1,767	6,206	4,905
Income taxes	269	1,166	1,368	1,992

As a result of the restatement described in note 2, changes in non-cash working capital, net of businesses acquired has been adjusted from ($17,123) to ($14,133) for the three months ended September 30, 2007 and has been adjusted from ($75,446) to ($63,664) for the nine months ended September 30, 2007.

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11.

Long-term debt and banking facilities

	September 30, 2007 $	December 31, 2006 $
Term loan (a)(i)	45,000	45,000
Term loan (a)(ii)	8,000	10,000
Other long-term debt (c)	37,082	22,827
	90,082	77,827
Less: current portion	(11,089)	(8,433)
	78,993	69,394

On July 4, 2007, the Company completed the expansion of its existing credit facilities adding additional lenders to its lending syndicate. As part of this facility expansion, the operating line of credit in the United States was increased by $30,000, as well as an increase of $20,000 in the acquisition facility available for future strategic acquisitions. The additional operating line of credit replaces other credit facilities that were eliminated earlier in 2007.

On February 28, 2007 the Company repaid $1,890 in term debt and repaid and terminated its $20,000 asset based line of credit arrangement, both of which were secured by the assets of Cleugh s Frozen Foods, Inc. The assets of Cleugh s Frozen Foods, Inc. have now been pledged as collateral under the syndicated lending agreement.

As of September 30, 2007 the syndicated lending agreement was as follows:

(a)

Syndicated Lending Agreement

i)

Term loan facility:

The term loan facility is at $45,000 (December 31, 2006 - $45,000). The entire loan principal is due on maturity. The term loan matures on December 20, 2010 and is renewable at the option of the lender and the Company.

ii)

Revolving acquisition facility:

The Company has an acquisition facility of $29,000, of which $8,000 (December 31, 2006 - $10,000) has been utilized. The facility is payable in equal quarterly installments of the greater amount 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. Any remaining outstanding principal under this facility is due on October 31, 2009.

iii)

Canadian line of credit facility:

The Company has a line of credit facility in Canada with a maximum draw of Cdn $25,000 ($25,131). At September 30, 2007, $15,583 (December 31, 2006 - $nil) of the facility was utilized including outstanding cheques plus an additional $50 (December 31, 2006 - $172) was committed through letters of credit.

iv)

US line of credit facility:

The US line of credit facility has a maximum borrowing of $60,000. As at September 30, 2007 $54,585 (December 31, 2006 - $13,000) of this facility was utilized, however, including outstanding cheques the total bank indebtedness in US funds total $61,631. Interest on borrowings under this facility accrues at the borrower s option based on various reference rates including U.S. bank prime rate, or U.S. LIBOR, plus a margin based on certain financial ratios.

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11.

Long-term debt and banking facilities continued

All of the above facilities 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.

(b)

Other long-term debt consists of the following:

	September 30, 2007 $	**December 31, 2006 $**
Opta Minerals, Inc. entered into a new banking arrangement on July 30, 2007. At that time the company paid off its existing bank indebtedness and drew Cdn $12,500 ($12,565) on its new operating facility. In addition, Opta Minerals drew Cdn $10,390 ($10,444) on its Cdn $20,000 ($20,104) acquisition line to assist with the purchase of Newco (note 2(c)). The loans have a weighted average interest rate of 5.8% (December 31, 2006 8.1%) and require quarterly principal payments of Cdn $572 ($575).	23,009	9,429
Promissory notes issued to former shareholders bearing a weighted average interest rate of 4.3% (December 31, 2006 - 4.7%), unsecured, due in varying instalments through 2010 with principal payments of $6,305 due in the next 12 months.	12,939	10,027
Term loans payable bearing a weighted average interest rate of 4.26% (December 31, 2006 7.1%) due in varying instalments through December 2009 with principal payments of $354 due in the next 12 months.	710	2,631
Capital lease obligations due monthly with a weighted average interest rate of 6.8% (December 31, 2006 7.9%)	424	740
	37,082	**22,827**

(c)

Additional Credit Facilities

Included in bank indebtedness are the lines of credit of the Company as described in 9(a) above and lines of credit of the Company s subsidiaries as follows:

i)

Opta Minerals Inc.:

In addition to the term loan facility described above in 9(b), Opta Minerals, Inc. has a line of credit of Cdn $12,500 ($12,565). As of September 30, 2007 Opta Minerals, Inc. has utilized $6,517 (December 31, 2006 - $7,645) of the line of credit, including letters of credit outstanding of $1,011.

These facilities have been collateralized by a priority security interest against substantially all of the Opta Minerals Inc. s assets.

Cash on deposit with lending institutions has also been netted against borrowings under the lines of credit with the same institution.

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12.

Commitments and contingencies

(a)

One of the Company s subsidiaries, SunRich LLC filed a claim against a supplier for failure to adhere to the terms of a contract. In 2004 Sunrich was awarded the trial judgement and in the fall of 2006, the decision of the Appellate Court confirmed this judgement. In 2006, the Company collected $2,014 in satisfaction of the judgement. The Company also has filed an appeal for the recovery of legal fees, this matter is currently outstanding with the Court.

(b)

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.

13.

Segmented information

Industry segments

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

(a)

the 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 identity 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)

SunOpta 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.

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 owns 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 paper, food and biofuel industries.

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13.

Segmented information continued

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 markets based on the location of the customer. Other expense, net, dilution gain, interest expense, net, provision for income taxes and minority interest are not allocated to the segments.

				Three months ended September 30, 2007 **(Restated note 2)**
	Food Group	Opta Minerals	SunOpta BioProcess and Corporate	Consolidated
	$	$	$	$
External revenues by market:				
United States	114,897	14,044	88	129,029
Canada	58,071	5,127	-	63,198
Other	10,046	1,314	691	12,051
Total revenues from external customers	183,014	20,485	779	204,278
Segment earnings before other expense , net	5,105	2,236	(1,579)	5,762
Other expense, net				373
Earnings before the following				5,389
Dilution Gain				693
Interest expense, net				(2,350)
Provision for income taxes				250
Minority interest				440
Earnings for the period				3,042

As a result of the restatement described in note 2, Food Group segment earnings before other expense have been reduced from $8,480 to $5,105, and SunOpta BioProcess and Corporate have been increased from ($1,691) to ($1,579) and as a result Consolidated earnings before other expense has been reduced from $9,025 to $5,762.

The SunOpta Food Group has the following segmented reporting:

					Three months ended September 30, 2007 (Restated note 2)
	Grains and Foods Group	Ingredients Group	Fruit Group	Distribution Group	Food Group
	$	$	$	$	$

External revenues by market:					
United States	55,011	15,714	43,809	363	114,897
Canada	1,587	2,026	2,065	52,393	58,071
Other	8,226	502	1,318	-	10,046
Total revenues from external customers	64,824	18,242	47,192	52,756	183,014
Segment earnings before other expense, net	4,205	1,735	(2,464)	1,629	5,105

As a result of the restatement described in note 2, Fruit Group segment earnings have been reduced from $911 to ($2,464) and as a result Food Group segment earnings have been restated from $8,480 to $5,105.

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Segmented information continued

	Three months ended September 30, 2006			
	Food Group $	Opta Minerals $	SunOpta BioProcess and Corporate $	Consolidated $
External revenues by market:				
United States	85,935	11,644	340	97,919
Canada	33,065	4,798	-	37,863
Other	8,003	445	1,233	9,681
Total revenues from external customers	127,003	16,887	1,573	145,463
Segment earnings before other expense , net	2,625	2,020	(1,098)	3,547
Other expense, net				(15)
Earnings before the following				3,532
Interest expense, net				(1,746)
Recovery of income taxes				(66)
Minority interest				328
Earnings for the period				1,524

The SunOpta Food Group has the following segmented reporting:

	Three months ended September 30, 2006				
	Grains and Foods Group $	Ingredients Group $	Fruit Group $	Distribution Group $	Food Group $
External revenues by market:					
United States	39,929	12,435	33,523	48	85,935
Canada	91	1,786	1,974	29,214	33,065
Other	5,720	1,047	1,236	-	8,003
Total revenues from external customers	45,740	15,268	36,733	29,262	127,003
Segment earnings before other expense, net	(616)	382	2,392	467	2,625

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13.

Segmented information continued

				Nine months ended September 30, 2007 (Restated note 2)
	Food Group $	Opta Minerals $	SunOpta BioProcess and Corporate $	Consolidated $
External revenues by market:				
United States	333,202	40,382	1,079	374,663
Canada	176,256	13,303	-	189,559
Other	27,543	1,657	734	29,934
Total revenues from external customers	537,001	55,342	1,813	594,156
Segment earnings before other expense , net	16,205	5,744	(5,556)	16,393
Other expense, net				779
Earnings before the following				15,614
Dilution gain				693
Interest expense, net				(6,079)
Provision for income taxes				1,763
Minority interest				964
Earnings for the period				7,501

As a result of the restatement described in note 2, Food Group segment earnings before other expense have been reduced from $27,825 to $16,205, and SunOpta BioProcess and Corporate have been decreased from ($5,166) to ($5,556) and as a result Consolidated earnings before other expense has been reduced from $28,403 to $16,393.

The SunOpta Food Group has the following segmented reporting:

					Nine months ended September 30, 2007 (Restated note 2)
	Grains and Foods Group $	Ingredients Group $	Fruit Group $	Distribution Group $	Food Group $
External revenues by market:					
United States	152,585	46,609	133,065	943	333,202
Canada	5,884	6,251	6,806	157,315	176,256
Other	23,564	1,855	2,124	-	27,543
Total revenues from external customers	182,033	54,715	141,995	158,258	537,001

Segment earnings before other expense, net	11,608	4,726	(6,300)	6,171	16,205

As a result of the restatement described in note 2, Fruit Group segment earnings have been reduced from $5,320 to ($6,300) and as a result Food Group segment earnings have been restated from $27,825 to $16,205.

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13.

Segmented information continued

	Nine months ended September 30, 2006			
	Food Group $	Opta Minerals $	SunOpta BioProcess and Corporate $	Consolidated $
External revenues by market:				
United States	252,761	32,191	340	285,292
Canada	102,582	15,242	15	117,839
Other	28,218	759	2,412	31,389
Total revenues from external customers	383,561	48,192	2,767	434,520
Segment earnings before other expense , net	17,622	5,414	(4,686)	18,350
Other expense, net				294
Earnings before the following				18,056
Interest expense, net				(4,893)
Provision for income taxes				3,424
Minority interest				860
Earnings for the period				8,879

The SunOpta Food Group has the following segmented reporting:

	Nine months ended September 30, 2006				
	Grains and Foods Group $	Ingredients Group $	Fruit Group $	Distribution Group $	Food Group $
External revenues by market:					
United States	113,201	38,835	100,575	150	252,761
Canada	2,262	4,668	4,836	90,816	102,582
Other	19,293	7,016	1,909	-	28,218
Total revenues from external customers	134,756	50,519	107,320	90,966	383,561
Segment earnings before other expense, net	3,450	3,862	6,762	3,548	17,622

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14.

Proforma data (unaudited)

Condensed proforma income statement, as if the acquisitions completed in 2006 and 2007 had occurred at the beginning of 2006, is as follows:

	Three months ended		Nine months ended	
	September 30, 2007	**September 30, 2006**	**September 30, 2007**	**September 30, 2006**
	$	**$**	**$**	**$**
	(Restated note 2)		(Restated note 2)	
Pro-forma revenue	204,616	169,902	604,641	515,941
Pro-forma earnings	3,074	2,015	8,029	10,457
Pro-forma earnings per share:				
- Basic	0.05	0.04	0.13	0.18
- Diluted	0.05	0.03	0.13	0.18

15.

Cash and cash equivalents

Included in cash and cash equivalents is $27,941 of cash relating to SunOpta BioProcess that was raised in the preferred share issuance (note 4). These funds can only be used by SunOpta BioProcess, which will use the 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 $3,999 that can only be used by Opta Minerals.

These funds 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.

16.

New Accounting Policy

In June 2006, the FASB issued FIN No. 48, "Accounting for Uncertainty in Income Taxes, an interpretation of FASB Statement No. 109" ("FIN 48"). FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise s financial statements in accordance with FASB Statement No. 109, "Accounting for Income Taxes" ("SFAS 109"). The interpretation prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 also provides accounting guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. FIN 48 is effective for fiscal years beginning after December 15, 2006. SunOpta adopted the provisions of FIN 48 which includes uncertain tax positions and tax returns not audited by tax authorities. The cumulative effect of adopting FIN 48 was an increase in opening retained earnings of $100.

17.

Subsequent Events

(a)

SunOpta BioProcess Lawsuit Against Abengoa and Abener Arbitration

The Company commenced suit on January 17th, 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 its provisions. Both parties have alleged violations under the contract. The matter is currently scheduled for arbitration which is expected to commence in July 2008. The outcome of this arbitration cannot be predicted at this time.

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17.

Subsequent Events continued

(b)

Fire in the Grains and Foods Group

On January 19, 2008, a fire occurred at the Company s Breckenridge, Minnesota sunflower facility. The fire destroyed a seed conditioning operation, a warehouse used to clean seeds prior to hulling in the facility s main building and inventory stored in these two facilities with a total carrying value of $276. The Company has filed claims with its insurance carriers for damaged property, business interruption and inventory losses.

(c)

Class Action Lawsuits

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 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.

(d)

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.

(e)

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 has been unable to operate. In addition to not operating, supply to another facility located in Louisville, Kentucky has also been disrupted, negatively impacting their ability to produce. The Company is in the process of determining the impact on the consolidated financial statements, including filing business interruption insurance for the period these plants are unable to operate.

(f)

Banking Facilities

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 in the SunOpta Fruit Group the Company was not in compliance with these covenants at December 31, 2007 and March 31, 2008. The Company received a permanent waiver to these covenants which allowed the Company to be in compliance for the December 31, 2007 and March 31, 2008 periods, and was not required to recalculate the covenants for previous periods based on restated quarterly numbers. In addition, the Company has obtained amended covenants for June 30, 2008, September 30, 2008, December 31, 2008 and March 31, 2009 reporting periods for which the Company is required to comply with. 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 of the non-revolving and revolving acquisition facilities totaling $13,800 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 these outstanding balances and / or enforce their security rights against the Company and accordingly, these amounts would be reclassified to current liabilities.

SunOpta Inc.

Restated Notes to Condensed Consolidated Financial Statements
For the three and nine months ended September 30, 2007 and 2006
Unaudited
(Expressed in thousands of U.S. dollars, except per share amounts)

17.

Subsequent Events continued

(g)

Acquisition of MCP Mg-Serbien SAS

On July 10, 2008, the Opta Minerals Inc. announced that it had acquired 67% of the outstanding common shares of MCP Mg-Serbien 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. The addition of MCP increases Opta Minerals position in the industrials minerals business and expands its position as a service provider to the steel industry.

(h)

Investigation at Berry Operations

Subsequent to year-end, the Company has incurred approximately $5,500 in professional fees, including legal, accounting and advisory fees, related to the investigation within the Berry Operations that will impact earnings in 2008. The Company will also incur a minimum of approximately $1,700 in severance costs in 2008 related to the Company s Chief Executive Officer and Chief Financial Officer

18.

Comparative Balances

The comparative balances for Intangible Asset Amortization have been reclassified from Selling, General and Administrative expenses and reported separately to conform to the current year s financial statement presentation. In addition, $1,246 was reclassified from intangible assets to goodwill as at December 31, 2006 that related to a business acquisition that occurred in 2006.

PART I - FINANCIAL INFORMATION

Item 2 Management's Discussion and Analysis of Financial Condition and Results of Operations

Significant Developments

Bank Facility Expansion

On July 30, 2007, in conjunction with the acquisition of Newco a.s., as noted below, Opta Minerals, a subsidiary of the Company, refinanced its credit facilities, adding approximately Cdn $16,500,000 in new available financing. Total credit facilities include an operating line of credit in the amount of Cdn $12,500,000; a term loan facility in the amount of Cdn $12,500,000 and an acquisition facility in the amount of Cdn $20,000,000.

On July 4, 2007, the Company completed the expansion of existing credit facilities adding two international banks to the lending syndicate. As part of this facility expansion, the Company increased its operating line of credit in the United States by $30,000,000 and added a $20,000,000 acquisition facility available for future strategic acquisitions and capital investments. The additional operating line replaces other credit facilities that were eliminated earlier in 2007.

Preferred Shares of SunOpta BioProcess Inc.

On June 7, 2007, the Company completed a private placement for a minority position in SunOpta BioProcess Inc., formerly the SunOpta BioProcess Group. In aggregate, SunOpta raised $30,000,000 before related placement costs through the issuance of non-dividend bearing, convertible preferred shares of SunOpta BioProcess Inc.

The preferred shares entitle holders to one vote per share, are non-dividend bearing, redeemable in specified circumstances and convertible into common shares of SunOpta BioProcess Inc. on a one for one basis (subject to customary anti-dilution adjustments). Investors in the private placement were also issued warrants to purchase 648,300 common shares of SunOpta Inc. at any time for a period of six months following closing, at an exercise price of $11.57 per share. The net proceeds of $27,192,000 will be used for commercialization of SunOpta BioProcess patented technology used to convert cellulosic biomass to ethanol.

Business Acquisitions

Newco a.s.

On July 30, 2007, Opta Minerals Inc., a subsidiary of the Company, acquired 100% of the outstanding common shares of Newco a.s. ("Newco") of Kosice, Slovakia. The acquisition included consideration of $12,965,000. Consideration included cash and acquisition costs net of cash acquired of $6,204,000, one million common shares of Opta Minerals Inc. fair valued at $3,344,000, notes payable of $2,662,000 due in February 2008 at face value and other consideration valued at $755,000. No additional consideration is payable under the agreement. The intangibles consisting of a customer relationship acquired in this acquisition are not deductible for tax purposes and are being amortized over 23 years.

Newco operates a production facility in Kosice, Slovakia. This company employs approximately 22 people and maintains a very high level of customer specific technical service. The addition of Newco further increases Opta s position in the industrial minerals business and further expands its current position as a key service provider to the steel industry.

The acquisition expands Opta s business capabilities into Europe and complements existing operations which supply a wide range of desulphurization products in both the United States and Canada from operations in Indiana and Ontario.

Congeladora del Rio S.A. de C.V. and Global Trading Inc.

On May 14, 2007, SunOpta Inc. announced that it completed the acquisitions of the net operating assets of Congeladora del Rio, S.A. de C.V. ("Del Rio"), and all of the outstanding shares of Global Trading Inc., ("Global") for total consideration of $10,353,000. Consideration included a combination of cash, notes payable and acquisition costs. No additional consideration is payable under the agreement. The promissory notes payable to former shareholders bear an interest rate of 6% and are payable in quarterly installments over the next three years.

Del Rio operates a fruit processing facility in Irapuato, Mexico. The high quality facility processes strawberries, peaches, mangos, bananas, pineapples, honeydew melons and other fruits, into individually-quick frozen, block frozen and purees for the food service, industrial and retail markets. Under the terms of the agreement, SunOpta purchased all of the net operating assets, including working capital, equipment, land and building. Global, the U.S.-based marketing agent for Del Rio located in Greenville, South Carolina, markets the fruits processed at Del Rio. Global's offices include executive management, sales, customer service and accounting support. The acquisitions of Del Rio and Global provide additional capacity plus other synergistic opportunities to the SunOpta Fruit Group. In addition, the acquisition completes the Group's vertically integrated model for other fruit varieties, noted above, and expands its core production capabilities.

Baja California Congelados, S.A. de C.V.

On May 4, 2007, SunOpta completed the acquisition of certain assets, including inventory, machinery and equipment, from Baja California Congelados, S.A. de C.V. ("BCC"), of Rosarito, Baja California, Mexico for total consideration of $6,473,000. Consideration consisted entirely of cash and no additional consideration is payable under the agreement.

BCC is the leading frozen strawberry processor in Baja California, Mexico. Under the terms of the agreement, SunOpta purchased all of the physical assets of the production facility located in Rosarito and also assumed a long-term lease for the facility, located 20 miles south of San Diego, California. In addition, SunOpta entered into five year supply agreements with Andrew & Williamson Sales Co., ("Andrew Williamson") the San Diego-based former parent of BCC. The agreements provide for the supply of strawberries from both the Baja California and Oxnard, California growing regions to the Rosarito facility in addition to SunOpta's existing California facilities.

Public Offering

On February 13, 2007, the Company completed its previously announced public offering of common shares. As the underwriters of the offering exercised their over-allotment option in full upon closing, a total of 5,175,000 common shares were issued to the public at a price of US$10.40 per share for aggregate gross proceeds of $53,820,000 or $51,882,000 net of costs.

The net proceeds of the offering were used to repay outstanding bank indebtedness and certain term debts and to fund internal expansion projects and working capital requirements.

Strategic Agreements

On March 27, 2007, the Company announced, through the SunOpta Fruit Group, that it had entered into strategic agreements with reputable local fruit industry leaders in Argentina and Chile to develop supply opportunities in the organic and natural frozen fruit industry. The agreements increase SunOpta's supply of natural and organic strawberries, raspberries and blueberries, apple and pear purees and fruit and vegetable concentrates from an important counter cyclical supply region.

In this regard, the Company entered into a five year exclusive supply agreement with Baby's Best Infant Food Ingredients S.A.("Baby s Best"), a producer of organic and natural purees and concentrates in Mendoza, Argentina. Under the terms of the agreement, the Company provided a loan of $850,000, of which $814,000 is outstanding as at September 30, 2007, to enable Baby's Best to expand production, in turn receiving an option to purchase Baby s Best at a predetermined price in March 2009.

The Company also entered into a three year exclusive organic supply agreement with a leading processor of organic and natural frozen fruits in Chile. Under the terms of the agreement SunOpta financed a capital expansion for $800,000, of which $698,000 is outstanding as at September 30, 2007, to further develop growth in critical organic fruit supply.

Working Capital

The Company s working capital, excluding SunOpta BioProcess cash, increased to $114,344,000 during the first nine months of the year versus $80,000,000 at December 31, 2006. A number of business factors have driven this increase including the rapid growth in inventory in the Company s global sourcing programs which often requires payment for raw materials in advance of shipping to North America, a significant increase in strawberry and other fruits to support growth in the business, the rapid increase in the costs of certain grains and fruits due to market pricing conditions, significant appreciation of the Canadian dollar against the U.S dollar and changes in the number of days certain products remain in hold for quality testing within the SunOpta Fruit Group. In addition, traditional farmer payments which normally straddle the year-end were significantly higher in 2007 due to increased volumes and higher commodity prices for corn and soybeans.

Operations for the Three Months ended September 30, 2007 Compared With the Three Months Ended September 30, 2006

Consolidated

	(Restated) September 30, 2007 $	September 30, 2006 $	Change $	Change %
Revenue				
SunOpta Food Group	183,014,000	127,003,000	56,011,000	44.1%
Opta Minerals	20,485,000	16,887,000	3,598,000	21.3%
SunOpta BioProcess	779,000	1,573,000	(794,000)	(50.5%)
Total Revenue	204,278,000	145,463,000	58,815,000	40.4%
Operating Income[1]				
SunOpta Food Group	5,105,000	2,625,000	2,480,000	94.5%
Opta Minerals	2,236,000	2,020,000	216,000	10.7%
SunOpta BioProcess & Corporate	(1,579,000)	(1,098,000)	(481,000)	(43.8%)
Total Operating Income	5,762,000	3,547,000	2,215,000	62.5%
Other expense, net	373,000	15,000	358,000	2386.7%
Dilution Gain	693,000	-	693,000	n/a
Interest Expense	2,350,000	1,746,000	604,000	34.6%
Provision for (recovery of) income taxes	250,000	(66,000)	316,000	478.8%
Minority Interest	440,000	328,000	112,000	34.1%
Earnings for the period	3,042,000	1,524,000	1,518,000	99.6%

1

(Operating Income is defined as earnings before other income (expense), interest expense (net), income taxes and minority interest)

Revenues in the three months ending September 30, 2007 increased by 40.4% to $204,278,000 based on internal growth of 20.6% and acquisition revenues of $23,872,000. Internal growth includes growth on base business plus growth on acquisitions from the date of acquisition over the previous year. The majority of the growth came from the SunOpta Food Group with both acquisition and internal growth contributing to the increase.

Operating income increased to $5,762,000, representing an increase of 62.5% versus the three months ended September 30, 2006. Growth in operating income was primarily due to growth in the SunOpta Food Group. This growth can be attributed to the continued strength within the SunOpta Grains and Foods Group driven by strong demand for natural and organic grains and grain based ingredients and packaged soymilk products, combined with the turnaround in the group s sunflower business. SunOpta Ingredients and SunOpta Distribution operations also experienced strong operating income growth from prior year. These gains in the SunOpta Food Group were offset by decreased operating income within the SunOpta Fruit Group of $4,856,000 primarily related to reduced margins due to increased commodity and processing costs within the Fruit Group Berry Operations. Improved operating income was also partially attributed to increases in Opta Minerals Inc. from prior and current year acquisitions. Growth was offset by decreased operating income within SunOpta BioProcess Inc. and Corporate. Further details on revenue and operating income are provided below by operating group.

Interest expense increased by 34.6% to $2,350,000 for the three months ended September 30, 2007 due to an increase in average long-term debt and operating lines of approximately $48,000,000. The increase in debt is primarily related to acquisitions completed during the last quarter of 2006 and the first nine months of 2007, plus increases in working capital, to support future internal growth.

Other expense for the quarter ending September 30, 2007 of $373,000 includes the write off of legal fees recoverable of $506,000 and other items totalling $133,000.

The dilution gain of $693,000 resulted from the dilution in the Company s ownership in Opta Minerals due to shares issued in conjunction with the acquisition of Newco a.s. ("Newco").

The income tax rate for the three months ended September 30, 2007 was approximately 6.7%. The provision for income taxes in the three months ended September 30, 2007 is lower than the year to date rate due to significantly lower earnings before taxes in the SunOpta Food Group and the non-taxable dilution gain recognized in the period.

Segmented Operations Information

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

SunOpta Food Group:

For the three month period ended

	(Restated) September 30, 2007 $	September 30, 2006 $	Change $	Change %
Revenue				
SunOpta Grains and Foods	64,824,000	45,740,000	19,084,000	41.7%
SunOpta Ingredients	18,242,000	15,268,000	2,974,000	19.5%
SunOpta Fruit	47,192,000	36,733,000	10,459,000	28.5%
SunOpta Distribution	52,756,000	29,262,000	23,494,000	80.3%
Food Group Revenue	183,014,000	127,003,000	56,011,000	44.1%
Segment Operating Income[1]				
SunOpta Grains and Foods	4,205,000	(616,000)	4,821,000	(782.6%)
SunOpta Ingredients	1,735,000	382,000	1,353,000	354.2%
SunOpta Fruit	(2,464,000)	2,392,000	(4,856,000)	(203.0%)
SunOpta Distribution	1,629,000	467,000	1,162,000	248.8%
Food Group Operating Income	5,105,000	2,625,000	2,480,000	94.5%
Segment Operating Margin %	2.8%	2.1%		**(0.7%)**

1

(Segment Operating Income is defined as earnings before other income (expense), interest expense (net), income taxes and minority interest)

The SunOpta Food Group contributed $183,014,000 or 89.6% of total Company consolidated revenues in the three months ended September 30, 2007 versus 87.3% in the same period in 2006. The revenue increase of 44.1% within SunOpta Food Group reflects very strong sales growth from the SunOpta Grains and Foods Group due to the robust demand for soybean, corn and sunflower based products and packaged soymilk sales. Revenue growth can also be attributed to the SunOpta Distribution Group and the SunOpta Fruit Group due to internal growth and acquisitions.

Segment operating income in the SunOpta Food Group increased by 94.5% to $5,105,000, including the impact of $1,657,000 in higher corporate costs allocations compared to the prior year. The increase in segment operating income reflects improved operating results of $4,821,000 in the SunOpta Grains and Foods Group due to strong demand for organic grains and grains based ingredients and packaged soymilk as well as the turnaround in the sunflower business. The sunflower business had net gross profit losses of $2,100,000 in the third quarter of 2006 which included inventory write downs. The SunOpta Ingredients Group contributed $1,353,000 of improved segment operating income as demand for oat and soy fiber products and dairy blending products continued to grow. The SunOpta Distribution Group improved segment operating income by $1,162,000 due to strong demand for natural and organic foods and natural health product, acquisitions completed in 2006, and the impact of ongoing margin improvement initiatives. This was offset by a decline of $4,856,000 in the SunOpta Fruit Group segment operating income. This decline was primarily a result of the Berry Operations acquiring significant amounts of inventory during a period of rising commodity and processing costs. Selling prices were not updated in a timely manner to adequately pass these increased commodity and processing costs on to our customers, which ultimately had a negative impact on margins.

Grains and Foods Group

For the three month period ended

	September 30, 2007	September 30, 2006	Change	Change
	$	$	$	%
Revenue	64,824,000	45,740,000	19,084,000	41.7%
Gross Margin	8,045,000	2,209,000	5,836,000	264.2%
Gross Margin %	12.4%	4.8%		7.6%
Segment Operating Income[1] (loss)	4,205,000	(616,000)	4,821,000	782.5%
Segment Operating Margin %[2]	6.5%	(1.3%)		7.8%

1

(Segment Operating Income (loss) is defined as earnings before other income (expense), interest expense (net), income taxes and minority interest)
[2] (Segment Operating Margin is operating income[1] as a percentage of revenue)

The SunOpta Grains and Foods Group contributed $64,824,000 in revenues during the third quarter, a $19,084,000 or 41.7% increase over the same quarter in the previous year. This increase was attributed entirely to internal growth. The Group realized significant revenue increases related to higher demand and prices for non-GMO and organic grains and grains based food ingredients totaling $10,269,000. Higher volumes relating to the new extended shelf life (ESL) and aseptic soy beverage product contracts awarded in 2006 contributed $5,331,000 of the revenue growth. Sunflower products sales were $3,165,000 higher than last year due to the strong shipments of high oleic kernels, bird food and inshell products. Roasted products and snack foods increased $319,000, due primarily to the timing of revenues from last quarter.

Gross margin in the Grains and Foods Group increased by $5,836,000 to $8,045,000 in the three months ended September 30, 2007. Gross margin as a percentage of revenues was favorable compared to the prior year quarter by 7.6% to 12.4%. In 2006, the Group realized gross margin losses of $2.1 million related to the sunflower business. Net of this loss, gross margin as a percent of sales increased 3% year over year. Price increases and plant efficiencies along with a strong rebound from prior year's crop issues have increased sunflower gross margin by $3,597,000. Higher volumes and commodity prices of grains and ingredient products resulted in increased gross margin of $1,826,000. As well, a net increase of $413,000 in gross margin relates to higher aseptic and ESL soymilk volumes as well as roasted products margin rates.

The increase in segment operating income of $4,821,000 to $4,205,000 reflects the increase in gross margin noted above, offset by an increase in corporate allocated costs of $600,000 and a net increase of $339,000 related to selling, general and administrative expense (SG&A). The increase in SG&A was attributed to increased staffing levels to support business growth and higher variable SG&A associated with our higher sales volumes. Foreign exchange losses in the third quarter were higher than the prior year by $76,000, due to losses related to certain Euro foreign exchange contracts.

SunOpta Ingredients Group

For the three month period ended

	September 30, 2007	September 30, 2006	Change	Change
	$	$	$	%
Revenue	18,242,000	15,268,000	2,974,000	19.5%
Gross Margin	3,786,000	1,730,000	2,056,000	118.9%

Gross Margin %	20.8%	11.3%		9.5%
Segment Operating Income[1]	1,735,000	382,000	1,353,000	354.2%
Segment Operating Margin %[2]	9.5%	2.5%		7.0%

1

(Segment Operating Income is defined as earnings before other income (expense), interest expense (net), income taxes and minority interest)
2 (Segment Operating Margin is operating income[1] as a percentage of revenue)

The SunOpta Ingredients Group contributed revenues of $18,242,000 in the third quarter of 2007 as compared to $15,268,000 in 2006, a 19.5% increase. The increase is attributable to higher sales volumes of oat and soy fiber of $1,617,000, higher dairy blending and ingredient volumes of $1,077,000, an increase in contract manufacturing of $179,000, and a net increase of $101,000 related to other ingredient and blending operations.

In the quarter, gross margin in the SunOpta Ingredients Group increased by $2,056,000 and the margin rate increased by 9.5% to 20.8% of revenue. The increase in margin is primarily attributable to higher volumes and processing efficiencies of oat and soy fiber totalling $1,117,000, margin on dairy blending and ingredient products of $326,000 and an increase in contract manufacturing margins of $307,000. It should be noted that during the third quarter of 2006 the Group had a number of plant efficiency issues related to the rapid growth of soy fiber which was a new product line during the year. The remaining $306,000 of net margin growth was attributed to a net increase in soy, specialty processing and other ingredient products.

The increase in segment operating income of $1,353,000 to $1,735,000 reflects the increase in gross margin noted above; offset by higher SG&A costs due to additional headcount related to the improvement of plant efficiencies of $503,000 and increased corporate cost allocations of $200,000.

SunOpta Fruit Group

For the three month period ended

	(Restated) September 30, 2007 $	September 30, 2006 $	Change $	Change %
Revenue	47,192,000	36,733,000	10,459,000	28.5%
Gross Margin	3,076,000	5,928,000	(2,852,000)	(48.1%)
Gross Margin %	6.5%	16.1%		(9.6%)
Segment Operating Income[1]	(2,464,000)	2,392,000	(4,856,000)	(203.0%)
Segment Operating Margin %[2]	(5.2%)	6.5%		(11.7%)

1

(Segment Operating Income is defined as "earnings before other income (expense), interest expense (net), income taxes and minority interest)
[2] (Segment Operating Margin is as a percentage of revenue)

The SunOpta Fruit Group contributed revenue of $47,192,000 in the third quarter of 2007 as compared to $36,733,000 in 2006, a 28.5% increase. Internal growth within the Group was 14.7% in the quarter. Increased sales of individually quick frozen (IQF) fruits and frozen strawberries accounted for $1,244,000 of the increased revenue. This increase was primarily driven by strong sales of organic IQF fruits to the private label retail market and strawberry sales to the food service market. The acquisitions of Congeladora del Rio S.A. de C.V (Del Rio), Global Trading Inc (Global), Baja California Congelados, S.A. de C.V. (BCC) in May 2007 and the Hess Food Group (Hess) in November 2006 accounted for increased revenue of $4,143,000. Increased volumes related to healthy fruit snacks contributed $2,322,000 of increased revenue due to new private label programs and expanded product offerings. The continued strength of global sourcing operations contributed $2,409,000, mainly from sales to private label retail customers and bulk organic industrial sales. The continued demand for the group s fruit toppings and organic fruit bases contributed $341,000 of the increased revenue.

Gross margin in the SunOpta Fruit Group decreased by $2,852,000 in the three months ended September 30, 2007 to $3,076,000 or 6.5% of revenue, as compared to 16.1% in 2006. The substantial decrease is due to higher inventory costs resulting in lower margins within the Berry Operations. More specifically, the lower margins were isolated in the Berry Operations excluding Hess Food Group LLC and the Mexican acquisition, ("California Berry Operations") of the Fruit Group and is described in further detail below. The other components of the Fruit Group, excluding the healthy fruit snacks operations, increased. The acquisitions of the Mexican operations and Hess accounted for increased gross margin of $614,000. Margins in Mexico were partially impacted by the unusual peach freeze experienced earlier in the year. The global sourcing operations contributed $152,000 to margins, largely as a result of the increase in volume. The healthy fruit snacks operations had significantly reduced gross margin rates due to plant efficiency and other operational issues associated with the commissioning of the new bar forming equipment. These installations also impaired the ability to price certain customers until production capacity could catch up to customer demand. This investment is positioning the group as a leader in the growing healthy fruit snacks market. Overall on $2,409,000 in higher sales volumes within the fruit snack business, gross margin declined $495,000 as a result of these issues.

Gross margin declined by $3,123,000 within the California Berry Operations. The decline was as a result of an aggressive purchasing strategy which occurred during a time of increasing raw material and input prices. Selling prices were not updated in a timely manner to adequately pass these increased commodity and processing costs on to our customers, which ultimately had a negative impact on gross profit. Margins were further eroded by higher storage costs, increased temporary labor costs and higher overheads, much of which was a direct function of the rise in purchasing volume. Additional operational inefficiencies associated with capital expansion and turnover of key personnel also contributed to the decline in margin. The increase in carrying value and volume of inventory on hand in relation to a market with abundant supply ultimately resulted in provisions being required to reduce the investment in inventory to NRV. These provisions were concentrated mainly in bulk industrial and bi-product inventory. At the time of this report, management is currently working through the existing inventory and has curtailed purchases in order to reduce on-hand inventory.

Segment operating income in the SunOpta Fruit Group declined by $4,856,000 in the three months ended September 30, 2007, to a loss of $2,464,000. In addition to the gross margin decreases noted above, SG&A in the SunOpta Fruit Group increased $853,000 due to an increase in headcount. The increase was required to support the rapid growth in operations, quality control resources to ensure product quality and safety, additional travel required for integration activities and commissions on additional revenues. Additional SG&A of $547,000 was incurred as a result of the acquisitions noted above. Additionally, corporate cost allocations increased by $522,000, and there were incremental FX losses of $82,000.

SunOpta Distribution Group

<u>For the three month period ended</u>

	(Restated) September 30, 2007	**September 30, 2006**	**Change**	**Change**
	$	**$**	**$**	**%**
Revenue	52,756,000	29,262,000	23,494,000	80.3%
Gross Margin	14,861,000	7,384,000	7,477,000	101.3%
Gross Margin %	28.2%	25.2%		3.0%
Segment Operating Income (loss)[1]	1,629,000	467,000	1,162,000	248.8%
Segment Operating Margin %[2]	3.1%	1.6%		1.5%

1

(Segment Operating Income (loss) is defined as earnings before other income (expense), interest expense (net), income taxes and minority interest)

2 (Segment Operating Margin is operating income[1] as a percentage of revenue)

The SunOpta Distribution Group contributed revenues of $52,756,000 in the third quarter of 2007, an increase of $23,494,000 or 80.3% over the prior year. Internal growth excluding the impact of acquired companies within the Group was 15.6%. An increase of $19,986,000 was due to the acquisitions of Purity Life Health Products (Purity), Quest Vitamins (Quest) and Aux Mille et une Saisons Inc. (Aux Mille). Revenues were favourably impacted by an increase in grocery and retail sales of $3,734,000 primarily due to strong sales in Western Canada and an increase in natural and organic product lines in eastern Canada. Strength in the western Canadian produce market was offset by the rationalization of certain produce customers in eastern Canada and Quebec for a net decrease of $226,000.

Gross margin in the SunOpta Distribution Group increased by $7,477,000 in the three months ended September 30, 2007 to $14,861,000 or 28.2% of revenues. The increase in the gross margin rate of 3.0% was primarily attributable to higher margins associated with the acquired businesses and improvements in base business operations. Gross profit increased by $6,218,000 due to the acquisitions of Purity, Quest and Aux Mille, higher margins of $787,000 were realized within grocery operations and favourable margins of $472,000 were realized from produce operations due to rationalization of certain customers in eastern Canada and Quebec.

Combined SG&A, warehousing and distribution (W&D) costs increased by $6,472,000 to $13,383,000 as compared to the same quarter in the previous year. As a percentage of revenues, SG&A and W&D have increased to 25.4% of revenues versus 23.6% in the comparative period. SG&A and W&D related to the acquisitions totalled $5,885,000, or 27.5% of revenue and reflects the requirement for additional marketing and promotion funds within their product lines as many of the acquired products are SunOpta owned brands. The remaining increase includes the allocation of incremental corporate costs totalling $335,000 plus other increases of $252,000 related mainly to the increase in volume freight costs due to product mix (frozen).

The increase in segment operating income of 248.8% or $1,162,000 to $1,629,000 reflects the noted increase in gross margin of $7,477,000 offset by increased costs of $6,472,000 related to W&D and SG&A. The remaining positive variance of $157,000 is attributable to foreign exchange gains realized in the quarter.

Opta Minerals Inc.

For the three month period ended

	September 30, 2007	September 30, 2006	Change	Change
	$	$	$	%
Revenue	20,485,000	16,887,000	3,598,000	21.3%
Gross Margin	5,138,000	4,555,000	583,000	12.8%
Gross Margin %	25.1%	27.0%		(1.9%)
Segment Operating Income[1]	2,236,000	2,020,000	216,000	10.7%
Segment Operating Margin %[2]	10.9%	12.0%		(1.1%)

1

(Segment Operating Income is defined as earnings before other income (expense), interest expense (net), income taxes and minority interest)

2 (Segment Operating Margin is operating income[1] as a percentage of revenue)

Opta Minerals contributed $20,485,000 or 10.0% of total Company consolidated revenues in the third quarter of 2007, versus $16,887,000 or 11.6% in 2006. Opta Minerals revenue increased by $3,024,000 due to the net impact of the acquisitions of Bimac, Inc., the Laval production facility and Newco a.s. during the current quarter. The remaining increase of $574,000 is due to improved sales volumes throughout the Group s other facilities.

Gross margin was $5,138,000 in the three months ended September 30, 2007 versus $4,555,000 in the three months ended September 30, 2006. The positive variance of $1,165,000 was due in most part to the acquisitions noted above. This was offset by a margin decline of $582,000 in the base business due to weakness during the quarter on higher margin foundry, abrasive and steel products in both the Canadian and US operations, driven in part by the rapid increase in the value of the Canadian dollar and customer mix in the U.S.

The increase in segment operating income of $216,000 to $2,236,000 reflects the noted increase in gross margin of $583,000 offset by net increase in SG&A of $454,000. Included in the increased SG&A are intangible amortization costs attributed to the acquisition of Bimac, the Laval facility and Newco a.s. totalling $336,000. A bad debt write-off of $102,000 also occurred within the quarter plus other increases of $16,000. The remaining positive segment operating income variance of $87,000 is attributable to a foreign exchange gain realized in the quarter.

Note: since SunOpta owns 66.6% of Opta Minerals, segment operating income is presented prior to minority interest expense.

SunOpta BioProcess and Corporate

For the three month period ended

	(Restated) September 30, 2007	September 30, 2006	Change	Change
	$	$	$	%
Revenue	779,000	1,573,000	(794,000)	(50.5%)
Gross Margin	(495,000)	886,000	(1,381,000)	(155.9%)
Gross Margin %	(63.5%)	56.3%		(119.8%)
Segment Operating Income[1]	(1,579,000)	(1,098,000)	(481,000)	(43.8%)

1

(Segment Operating Income is defined as earnings before other income (expense), interest expense (net), income taxes and minority interest)

Revenues were $779,000 for the three months ended September 30, 2007 versus $1,573,000 in the same period in 2006. Revenues in the quarter were derived from the percentage of completion on equipment supply contracts in the BioProcess business whereas in the prior year the quarterly revenue was attributed to the sale of a cellulosic ethanol pilot plant and equipment contract revenue.

Gross margin in SunOpta BioProcess was negative $495,000 in the three months ended September 30, 2007 versus a positive margin of $886,000 in the prior year. The negative margin in the quarter reflects costs associated with incremental material costs on projects, additional project costs due to scope changes, and certification costs that are not reimbursable by the client. The strong margin in the prior year reflects the sale of a cellulosic ethanol pilot plant.

Selling, general and administrative expenses were $1,444,000 for the third quarter of 2007 as compared to $1,882,000 for the same period in 2006. The increase was as a result of an increase of $1,010,000 related to additional personnel to support development activities within the BioProcess Group, additional personnel in the corporate office as new functions (logistics and human resources) were added to the corporate management team, plus additional positions within the shared services group as more operations are brought onto the Oracle operating platform. Incremental costs of $209,000 were incurred primarily related to higher public company costs. Offsetting the increases noted are additional management fee allocations of $1,657,000. The increases noted above include the impact of the increase in the Canadian dollar on Canadian denominated expenses.

Operating losses of $1,579,000 increased by $481,000 from the same quarter in the previous year. The incremental loss was due primarily to the factors noted above in gross margin and selling, general and administrative expenses offset by an increase of $462,000 in foreign exchange gains realized in the quarter. The foreign exchange gain realized in the third quarter in the prior year was attributed to the increased value of the corporate Canadian denominated assets reported in U.S. dollars.

Operations for the Nine Months ended September 30, 2007 Compared With the Nine Months Ended September 30, 2006

Consolidated

	(Restated) September 30, 2007 $	September 30, 2006 $	Change $	Change %
Revenue				
SunOpta Food Group	537,001,000	383,561,000	153,440,000	40.0%
Opta Minerals	55,342,000	48,192,000	7,150,000	14.8%
SunOpta BioProcess	1,813,000	2,767,000	(954,000)	(34.5%)
Total Revenue	594,156,000	434,520,000	159,636,000	36.7%
Operating Income[1]				
SunOpta Food Group	16,205,000	17,622,000	(1,417,000)	(8.0%)
Opta Minerals	5,744,000	5,414,000	330,000	6.1%
SunOpta BioProcess & Corporate	(5,556,000)	(4,686,000)	(870,000)	(18.6%)
Total Operating Income	16,393,000	18,350,000	**(1,957,000)**	**(10.7%)**
Other expense	779,000	294,000	485,000	165.0%
Dilution Gain	693,000	-	693,000	n/a
Interest Expense	6,079,000	4,893,000	1,186,000	24.2%
Income Tax Provision	1,763,000	3,424,000	(1,661,000)	(48.5%)
Minority Interest	964,000	860,000	104,000	12.1%
Net earnings	7,501,000	8,879,000	**(1,378,000)**	**(15.5%)**

1

(Operating Income is defined as earnings before other expense (income), interest expense, (net), income taxes and minority interest)

Revenues in the nine months ending September 30, 2007 increased by 36.7% to $594,156,000 based on consolidated internal growth of 17.4% and acquisition revenues of $71,755,000. 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, primarily from internal growth year to date of 20.8% and the impact of acquisitions in the SunOpta Fruit Group and SunOpta Distribution Group.

Operating income decreased by $1,957,000, representing a decrease of 10.7% versus the nine months ended September 30, 2006. Included in the results of the Food Group is a decline in operating income of $13,062,000 within the Fruit Group primarily related to reduced margins due to increased raw material costs within the Fruit Group Berry Operations. Additionally the SunOpta Food Group s operating income includes an increase in allocated costs from Corporate of $4,151,000 for increased information technology services as well as back office functions provided to divisions using the Oracle ERP system. 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 24.2% to $6,079,000 for the nine months ended September, 2007 due to increased average long-term debt and operating lines of approximately $48,000,000. The increase in debt is primarily related to acquisitions completed during 2006 and the first nine months in 2007, and to fund working capital required to support internal growth within the various operating groups.

Other expense for the nine months ending September 30, 2007 of $779,000 includes certain legal fees and certain restructuring costs incurred during the first half of 2007.

The dilution gain of $693,000 resulted from the dilution in the Company s ownership in Opta Minerals due to shares issued in conjunction with the acquisition of Newco a.s. ("Newco").

The income tax rate for the first nine months of 2007 was approximately 17.2% as compared to 26% in the first nine months of 2006. The reduced rate is due to lower earnings in the Food Group, as a result of the significantly reduced operating income in the Fruit Group.

Segmented Operations Information

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

SunOpta Food Group:

	(Restated) September 30, 2007 $	September 30, 2006 $	Change $	Change %
Revenue				
SunOpta Grains and Foods	182,033,000	134,756,000	47,277,000	35.1%
SunOpta Ingredients	54,715,000	50,519,000	4,196,000	8.3%
SunOpta Fruit	141,995,000	107,320,000	34,675,000	32.3%
SunOpta Distribution	158,258,000	90,966,000	67,292,000	74.0%
Food Group Revenue	537,001,000	383,561,000	153,440,000	40.0%
Segment Operating Income[1]				
SunOpta Grains and Foods	11,608,000	3,450,000	8,158,000	236.4%
SunOpta Ingredients	4,726,000	3,862,000	864,000	22.4%
SunOpta Fruit	(6,300,000)	6,762,000	(13,062,000)	193.2%
SunOpta Distribution	6,171,000	3,548,000	2,623,000	73.9%
Food Group Operating Income	16,205,000	17,622,000	**(1,417,000)**	**(8.0%)**
Segment Operating Margin	3.0%	4.6%		

1

(Segment Operating Income is defined as earnings before other income (expense), interest expense (net), income taxes and minority interest)

The SunOpta Food Group contributed $537,001,000 or 90.4% of total Company consolidated revenues in the first nine months ended September 30, 2007 versus 88.3% in the same period in 2006. The revenue increase of 40.0% within SunOpta Food Group reflects favorable sales including internal growth of 20.8% from the food business. The SunOpta Grains and Foods Group continues to experience strong results associated with strong demand for non-GMO and organic grains and grain based ingredients, aseptic and ESL packaged products and improved demand for sunflower products. The SunOpta Distribution Group realized very strong results due to improving natural and organic grocery sales and the impact of 2006 acquisitions. As well, revenue growth in the SunOpta Fruit Group was driven by strong internal growth and acquisitions completed in 2006 and 2007.

Segment operating income in the SunOpta Food Group decreased by 8.0% to $16,205,000, The decrease in segment operating income is primarily due to reduced operating margins of $13,062,000 in the Fruit Group which is primarily a function of the Berry Operations acquiring significant amounts of inventory during a period of rising commodity and processing costs. Selling prices were not updated in a timely manner to adequately pass these increased commodity and processing costs on to our customers, which ultimately had a negative impact on margin. Excluding this decrease in operating income, the other groups increased by $11,645,000. This increase in operating income reflects an increase in operating income of $8,158,000 in the SunOpta Grains and Foods Group due to strong demand for grains based products as well as the continued turnaround in the sunflower business. The SunOpta Distribution Group improved operating income by $2,623,000 due to the impact of acquisitions and strength in natural and organic grocery sales. The SunOpta Ingredients Group realized increased operating margins of $864,000 due to improved margins as a result of higher volumes of higher margin oat and soy fiber, dairy blends and processing improvements.

SunOpta Grains and Foods Group

For the nine month period ended

	September 30, 2007 $	September 30, 2006 $	Change $	Change %
Revenue	182,033,000	134,756,000	47,277,000	35.1%
Gross Margin	22,312,000	11,998,000	10,314,000	86.0%
Gross Margin %	12.3%	8.9%		3.4%
Segment Operating Income[1]	11,608,000	3,450,000	8,158,000	236.4%
Segment Operating Margin %[2]	6.4%	2.6%		3.8%

1

(Segment Operating Income is defined as earnings before other income (expense), interest expense (net), income taxes and minority interest)
[2] (Segment Operating Margin is operating income[1] as a percentage of revenue)

The SunOpta Grains and Foods Group contributed $182,033,000 in revenues in the first nine months, an increase of $47,277,000 or a 35.1% increase over the same period in the previous year. This increase was attributable entirely to internal growth. The Group realized significant revenue increases of $22,466,000 due to higher demand and commodity prices for non-GMO and organic grains and grains based food ingredients. Revenues were also favorably impacted by a $16,603,000 increase in soymilk based product sales due to new ESL contracts and improved aseptic volumes. Sunflower products sales contributed $8,278,000 of increased revenue due to higher pricing, volumes and product mix. Offsetting the increases above were decreased revenues of $70,000 relating to the timing of revenues within roasted products and snack foods.

Gross margin in the SunOpta Grains and Foods Group increased by $10,314,000 in the nine months ended Sept. 30, 2007 to $22,312,000 or 12.3% of revenue, as compared to 8.9% in the same period of 2006. Sunflower product margins have increased $5,364,000 due to improved pricing, plant efficiencies and improvement in overall crop quality. During 2006 the sunflower business had inventory write downs and reduced margins on sales due to a poor 2005 crop year. Higher sales volumes and commodity prices have improved margins in non-GMO and organic grains and grains based food ingredient products by $3,140,000. Higher net margin rates of $1,810,000 were realized on soymilk and roasted grain products due to increased volumes and plant efficiencies associated with the higher volumes.

Segment operating income increased by $8,158,000 or 236.4% reflecting higher volume, pricing, a turnaround in the Group s sunflower business, and a decrease in foreign exchange losses of $97,000 related to Euro hedges. Offsetting these improvements were higher corporate cost allocations of $1,380,000, and an increase of $873,000 in SG&A, mainly due to additional headcount, variable SG&A associated with higher sales, and higher self-insurance benefit costs.

SunOpta Ingredients Group

For the nine month period ended

	September 30, 2007 $	September 30, 2006 $	Change $	Change %
Revenue	54,715,000	50,519,000	4,196,000	8.3%
Gross Margin	11,094,000	8,524,000	2,570,000	30.2%
Gross Margin %	20.3%	16.9%		3.4%
Segment Operating Income[1]	4,726,000	3,862,000	864,000	22.4%
Segment Operating Margin %[2]	8.6%	7.6%		1.0%

1

(Segment Operating Income is defined as earnings before other income (expense), interest expense (net), income taxes and minority interest)
[2] (Segment Operating Margin is operating income[1] as a percentage of revenue)

The SunOpta Ingredients Group contributed revenues of $54,715,000 in the first three quarters of 2007 as compared to $50,519,000 in 2006, an 8.3% increase. The increase is attributable to higher dairy ingredient blended product sales of $3,129,000 and higher sales of oat and soy fiber of $3,318,000. These improvements were offset by lower revenues of $2,338,000 due to the loss of a specialty soluble fiber manufacturing contract which was announced in May of 2006. The remaining net increase related to the technical processing of starch, molasses and other ingredients products which increased revenues by $87,000.

In the first nine months of 2007, gross margin in the SunOpta Ingredients Group increased by $2,570,000 and the margin rate increased by 3.4% to 20.3% of revenue. The increase in margin is attributable to continued demand and cost improvements related to our oat and soy fiber product lines of $1,491,000 and increased volumes of our dairy blended product gross margin of $760,000. As well, improved volumes related to specialty processing of tea, soy and other products improved margins by $557,000. These were offset by lower volumes related to technical and specialty processing of ingredients of $238,000.

The increase in segment operating income of $864,000 to $4,726,000 reflects the increase in gross margin of $2,570,000, offset by an increase in SG&A of $1,106,000 due to increased headcount required to drive operational efficiency improvements realized on the gross margin line plus a higher corporate cost allocation of $600,000.

SunOpta Fruit Group

For the nine month period ended

	(Restated) September 30, 2007	September 30, 2006	Change	Change
	$	$	$	%
Revenue	141,995,000	107,320,000	34,675,000	32.3%
Gross Margin	9,937,000	16,787,000	(6,850,000)	(40.8%)
Gross Margin %	7.0%	15.6%		(8.6%)
Segment Operating Income[1]	(6,300,000)	6,762,000	(13,062,000)	(193.2%)
Segment Operating Margin %[2]	(4.4%)	6.3%		(10.7%)

1

(Segment Operating Income is defined as earnings before other income (expense), interest expense (net), income taxes and minority interest)
[2] (Segment Operating Margin is operating income[1] as a percentage of revenue)

The SunOpta Fruit Group contributed revenues of $141,995,000 in the first nine months of 2007 as compared to $107,320,000 in 2006, a 32.3% increase or $34,675,000. Internal growth within the group was 23.6% in the first nine months of 2007. Revenue increased by $9,215,000 due to continued strength in the sale of IQF fruits and frozen strawberries. Global sourcing operations contributed $8,486,000 of the increase primarily due to gains in bulk organic industrial products and private label retail sales. Also contributing to the improved revenue growth was increased healthy fruit snacks revenue of $6,583,000 due to the continued roll out of new private label programs and innovative products. The acquisitions of the Mexican operations (Global, Del Rio and BCC) and Hess contributed $7,442,000 to increased revenue. The fruit topping and base operations improved by $2,949,000 due expanded fruit toppings and organic fruit base sales.

Gross margin in the SunOpta Fruit Group decreased by $6,850,000 in the nine months ended September 30, 2007 to $9,937,000 or 7.0% of revenue, as compared to 15.6% of revenues in 2006. The substantial decrease is due to higher inventory costs resulting in lower margins within the California Berry Operations as described in further detail below. Excluding the California Berry Operation s decline of $9,433,000, the other components of the Fruit Group, excluding the healthy fruit snack operations, increased. An increase of $1,219,000 was attributable to the global sourcing operations due to gains in bulk organic industrial ingredients and private label retail sales. The acquisitions of the Mexican operations and Hess provided additional margins of $2,011,000. Margin within the healthy fruit snack operations declined by $647,000 despite significant revenue increases as the Company continued to invest in the growth and operating efficiencies of the operations.

Gross margin declined by $9,433,000 within the California Berry Operations. The decline was as a result of an aggressive purchasing strategy which occurred during a time of increasing raw material and input prices. Selling prices were not updated in a timely manner to adequately pass these increased commodity and processing costs on to our customers, which ultimately had a negative impact on gross profit. Margins were further eroded by higher storage costs, increased temporary labor costs and higher overheads, much of which was a direct function of the rise in purchasing volume. Additional operational inefficiencies associated with capital expansion and turnover of key personnel also contributed to the decline in margin. The increase in carrying value and volume of inventory on hand in relation to a market with abundant supply ultimately resulted in provisions being required to reduce the investment in inventory to NRV. These provisions were concentrated mainly in bulk industrial and bi-product inventory. At the time of this report, management is currently working through the existing inventory and has curtailed purchases in order to reduce on-hand inventory.

Segment operating income in the SunOpta Fruit Group declined by $13,062,000 to a loss of $6,300,000 for the nine months ended September 30, 2007. In addition to the margin decreases noted above, SG&A costs increased $3,282,000 due to additional headcount required to support rapidly expanding operations, quality control resources to ensure the quality and safety of products, travel to support integration activities and advertising and commission costs to support new products and programs. In addition, higher SG&A costs associated with the acquisitions were $1,500,000 and corporate cost allocations increased by $1,166,000. The remaining negative variance of $264,000 is attributable to higher foreign exchange losses.

SunOpta Distribution Group

For the nine month period ended

	(Restated) September 30, 2007 $	September 30, 2006 $	Change $	Change %
Revenue	158,258,000	90,966,000	67,292,000	74.0%
Gross Margin	44,434,000	23,739,000	20,695,000	87.2%
Gross Margin %	28.1%	26.1%		2.0%
Segment Operating Income[1]	6,171,000	3,548,000	2,623,000	73.9%
Segment Operating Margin %[2]	3.9%	3.9%		0.0%

1

(Segment Operating Income is defined as earnings before other income (expense), interest expense (net), income taxes and minority interest)
[2] (Segment Operating Margin is operating income[1] as a percentage of revenue)

The SunOpta Distribution Group contributed revenues of $158,258,000 for the first three quarters of 2007, an increase of $67,292,000 or 74.0% over the prior year. Internal growth excluding the impact of acquired companies within the Group was 9.5%. The acquisitions of Purity, Quest and Aux Mille resulted in increases of $59,772,000 over the prior year. In addition, revenues were favourably impacted by an increase in natural and organic grocery sales of $10,219,000, primarily due to strong sales in western Canada and an increase in natural and organic product lines in eastern Canada. These increases were offset by the rationalization of certain produce customers and operations totalling $2,699,000, primarily in eastern Canada and Quebec.

Gross margin in the SunOpta Distribution Group increased by $20,695,000 in the first three quarters of 2007 to $44,434,000 or 28.1% of revenues. The increase in the gross margin rate of 2.0% was attributable to higher margins associated with the acquisitions of $18,141,000 and higher margins of $2,090,000 related to the revenue growth in natural and organic groceries. Very strong margin rates in the Western produce business more than offset the losses due to rationalization within the eastern business for a net increase of $464,000.

Combined SG&A and warehousing and distribution costs increased by $18,532,000 to $38,790,000 as compared to the same period in the previous year. As a percentage of revenues, these expenses have increased to 24.5% of revenues versus 22.3% in the comparative period. Incremental SG&A and W&D related to the acquisitions totalled $16,872,000, or 28.2% of revenue reflecting higher marketing and promotion expenses inherent to company owned product lines. The remaining increase includes the allocation of incremental corporate costs totalling $1,004,000 plus other SG&A increases of $656,000 primarily related to increases in volume and increased freight costs due to product mix (frozen).

The increase in segment operating income of 73.9% or $2,623,000 to $6,171,000 reflects the noted increase in gross margin of $20,695,000 offset by increased costs related to W&D and SG&A. The remaining positive variance of $460,000 is attributable to foreign exchange gains realized during the year.

Opta Minerals Inc.

For the nine month period ended

	September 30, 2007 $	September 30, 2006 $	Change $	Change %
Revenue	55,342,000	48,192,000	7,150,000	14.8%
Gross Margin	13,639,000	11,850,000	1,789,000	15.1%
Gross Margin %	24.6%	24.6%		0.0%
Segment Operating Income[1]	5,744,000	5,414,000	330,000	6.1%
Segment Operating Margin %[2]	10.4%	11.2%		(0.8%)

1

(Segment Operating Income is defined as earnings before other income (expense), interest expense (net), income taxes and minority interest)
[2] (Segment Operating Margin is operating income[1] as a percentage of revenue)

Opta Minerals contributed 55,342,000 or 9.3% of the Company s consolidated revenues for the nine months ending September 30, 2007, versus $48,192,000 or 11.1% in 2006. Opta Minerals revenues increased by $6,919,000 due to the acquisitions of Bimac Inc, the Laval Production facility and Newco a.s. Revenues improved by $2,091,000 due to the acquisition of Magtech in February of 2006. This was offset by revenue declines of $1,860,000 in the Canadian foundry and abrasives business due to reduced cyclical demand within the industry, and a decline in demand from the US steel industry.

Gross margin was $13,639,000 or 24.6% of revenues in the nine months ended September 30, 2007 versus $11,850,000 or 24.6% of revenues in the 2006. The increase was mainly attributable to the acquisitions with a net margin increase of $2,405,000. The remaining margin decline of $616,000 in the base business reflects the weakness on higher margin foundry and abrasive products in both the Canadian and US operations. However, this decline was minimized primarily due to price increases and plant efficiencies.

The increase in segment operating income of $330,000 to $5,744,000 reflects the noted increase in gross margin of $1,789,000, offset by a net increase related to SG&A of $1,446,000 and a reduction of exchange gains of $13,000. Included in the increased SG&A and intangible amortization are net increases in costs attributed to the acquisitions of Newco and Bimac totalling $880,000 including an increase in non-cash intangible amortization of $205,000. The remaining net increase of $464,000 is primarily related to a bad debt write-off of $102,000 and the impact of the appreciation of the Canadian dollar versus the U.S. dollar as the majority of SG&A costs are denominated in Canadian dollars.

SunOpta BioProcess and Corporate

For the nine month period ended

	(Restated) September 30, 2007 $	September 30, 2006 $	Change $	Change %
Revenue	1,813,000	2,767,000	(954,000)	(34.5%)
Gross Margin (loss)	(734,000)	768,000	(1,502,000)	(195.6%)
Gross Margin %	(40.5%)	27.8%		(68.3%)
Segment Operating Income[1]	(5,556,000)	(4,686,000)	(870,000)	(18.6%)

1

(Segment Operating Income is defined as earnings before other income (expense), interest expense (net), income taxes and minority interest)

Revenues were $1,813,000 for the nine months ended September 30, 2007 versus $2,767,000 in the same period of 2006. Revenues during the period were derived from equipment supply contracts utilized in the production of cellulosic ethanol.

Gross margin in SunOpta BioProcess was negative $734,000 in the nine months ended September 30, 2007 versus a positive margin of $768,000 in the comparable period of the previous year. The negative margin in the current year reflects the cumulative impact of incremental internal costs on projects and certification costs which were not reimbursable.

Selling, general and administrative expenses were $5,388,000 for the first nine months of 2007 as compared to $5,717,000 for the same period in 2006. The decrease was a result of incremental management fees of $4,152,000 charged to the SunOpta Food Group for consolidated back-office and IT functions. Offsetting the impact of the cost allocations is an increase of $2,807,000 resulting from additional personnel to support the increased activities within the BioProcess Group and additional personnel in the corporate offices as new functions (shared services, logistics and human resources) are added. Incremental costs of $1,016,000 were primarily related to the costs associated with the financing and business development activities, in addition to the centralization of information technology services and additional Oracle consulting fees for the continued rollout. The increases noted include the impact of the strengthening Canadian dollar as most of the Corporate and BioProcess expenses are born in Canada.

Operating losses of $5,556,000 increased by $870,000 from the same quarter in the previous year. The increased loss was due primarily to the factors noted above in gross margin and SG&A offset by an increase of $303,000 in foreign exchange gains realized.

Liquidity and Capital Resources (at September 30, 2007)

Sources of Liquidity

The Company obtained its short term financing through a combination of cash generated from operating activities, cash and cash equivalents, and available operating lines of credit. At September 30, 2007, the Company had availability under certain lines of credit approximately $15,000,000. In addition the Company had lines available of approximately $20,000,000 to be used for acquisitions and capital expenditures. The Company s subsidiary Opta Minerals also had available lines of credit of $6,000,000 and available acquisition lines of approximately $10,000,000.

The Company obtained 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. Under its credit agreement, the Company is required to maintain compliance with certain covenants which are calculated on a quarterly basis. The Company is currently in compliance with these covenants.

The Company had the following sources from which it can fund its 2007 and beyond cash operating requirements:

- Cash and cash equivalents to the extent available.
- Available operating lines of credit.
- Cash flows generated from operating activities.
- Cash flows generated from receipts of options and warrants currently in-the-money.
- Additional long term financing

In order to finance significant acquisitions, the Company may need additional sources of cash which could be obtained 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 maximum long term debt to equity ratio of 0.60 to 1.00 versus the current position of approximately 0.36 to 1.00.

Cash Flows from Operating Activities

Net cash and cash equivalents increased $32,410,000 during first nine months of 2007 (2006 ($1,398,000)) to $33,364,000 as at September 30, 2007 (2006 - $4,057,000). The increase in cash and cash equivalents is due primarily to the SBI preferred share financing as described in note 4. Those funds relate to SBI and are not available to SunOpta for general corporate purpose.

Cash flows provided by operations for the first nine months of 2007 before working capital changes was $13,803,000 (2006 $19,436,000), a decrease of $5,633,000 or 29.0%. Cash provided (used) by operations after working capital changes was ($49,861,000) for the nine months ended September 30, 2007 (2006 $1,247,000), reflecting the use of funds for non-cash working capital of $63,664,000 (2006   ($18,189,000)). This utilization consists principally of an increase in accounts receivable of ($18,085,000) (2006 $9,133,000), an increase in inventories of ($43,259,000) (2006 - $11,198,000), a decrease in accounts payables and accrued liabilities of ($1,556,000) (2006   ($307,000)), a strategic increase in prepaid expenses and other current assets of ($2,064,000) (2006   ($184,000)) and a decrease in customer deposits of ($529,000) (2006 $196,000) partially offset by a decrease in recoveries of income taxes of $1,829,000 (2006 $1,847,000). The usage of cash flows to fund working capital in 2007 reflects the increase in working capital requirements to fund growth through the purchase of grains within the SunOpta Grains and Foods Group, organic and conventional fruit in the SunOpta Fruit Group and seasonal products within the SunOpta Distribution Group. The absence of change in accounts payable reflects increased payments to grain farmers and international sourcing which requires payment at the point of delivery.

Cash Flows from Investing Activities

Cash provided (used) by investment activities of ($44,043,000) in the first nine months of 2007 (2006 ($27,308,000)), reflects cash used to acquire companies of ($19,584,000) (2006 ($20,147,000)), the purchase of property, plant and equipment of ($21,924,000) (2006 ($6,967,000)), and the acquisition of patents, trademarks and other investments of ($2,535,000) (2006 - $194,000).

Cash Flows from Financing Activities

Cash provided (used) by financing activities was $125,839,000 in the first nine months of 2007 (2006 $24,788,000), consisting primarily of net proceeds from the issuance of common shares of $54,016,000 (2006 - $3,694,000), net proceeds from the issuance of preference shares by a subsidiary of $27,954,000 (2006 - $nil) an increase in bank indebtedness of $40,589,000 (2006 - $12,233,000) and additional long-term borrowings of $23,081,000 (2006 - $13,262,000), offset by repayment of term debt ($18,288,000) (2006 ($3,638,000)) and payment of deferred purchase consideration of ($1,468,000) (2006 ($763,000)).

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 as a result of the need to restate the condensed consolidated financial statements as at and for the three and nine month periods ended September 30, 2007, our disclosure controls and procedures were not effective as of September 30, 2007. Refer to "Management s Report on Internal Control over Financial Reporting" as contained in Item 9A. Controls and Procedures in the Company s most recently filed Form 10-K 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 third quarter of fiscal 2007. Based on that evaluation, management concluded that there was a material change in SunOpta s internal control over financial reporting during the third quarter of fiscal 2007. Specifically, in response to a financial systems conversion for a reporting unit within the Fruit Group that took place in the first quarter of fiscal 2007, manual procedures and adjustments supplanted certain system control processes relating to the purchasing, payables, sales, receivables, and inventory accounting cycles.

PART II - OTHER INFORMATION.

Item 1A. Risk Factors

Refer to the most recently filed Form 10-K under the heading "Risk Factors in Item 1A of that report for a list of certain risks associated with our operations.

Item 5. Exhibits

(a)

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, Vice President and Chief Financial Officer pursuant to Rule 13(a) 14(a) under the Exchange Act. **

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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 21, 2008

/s/ John Dietrich
By John Dietrich
Vice President and Chief Financial Officer
SunOpta Inc.