

**UNITED STATES OF AMERICA**  
**Before the**  
**SECURITIES AND EXCHANGE COMMISSION**

**SECURITIES EXCHANGE ACT OF 1934**  
**Release No. 62988 / September 24, 2010**

**ACCOUNTING AND AUDITING ENFORCEMENT**  
**Release No. 3189 / September 24, 2010**

**ADMINISTRATIVE PROCEEDING**  
**File No. 3-14068**

**In the Matter of**

**SUNOPTA, INC.,  
STEVEN R. BROMLEY, CGA, and  
JOHN H. DIETRICH, CA,**

**Respondents.**

**ORDER INSTITUTING CEASE-AND-DESIST  
PROCEEDINGS PURSUANT TO SECTION  
21C OF THE SECURITIES EXCHANGE ACT  
OF 1934, MAKING FINDINGS, AND  
IMPOSING A CEASE-AND-DESIST ORDER**

**I.**

The Securities and Exchange Commission (“Commission”) deems it appropriate that cease-and-desist proceedings be, and hereby are, instituted pursuant to Section 21C of the Securities Exchange Act of 1934 (“Exchange Act”) against SunOpta, Inc. (“SunOpta”), Steven R. Bromley, (“Bromley”), and John H. Dietrich (“Dietrich”) (collectively “Respondents”).

**II.**

In anticipation of the institution of these proceedings, Respondents have submitted Offers of Settlement (the “Offers”) which the Commission has determined to accept. Solely for the purpose of these proceedings and any other proceedings brought by or on behalf of the Commission, or to which the Commission is a party, and without admitting or denying the findings herein, except as to the Commission’s jurisdiction over them and the subject matter of these proceedings, which are admitted, Respondents consent to the entry of this Order Instituting Cease-and-Desist Proceedings Pursuant to Section 21C of the Securities Exchange Act of 1934, Making Findings, and Imposing a Cease-and-Desist Order (“Order”), as set forth below.

### III.

On the basis of this Order and Respondents' Offers, the Commission finds<sup>1</sup> that:

#### Summary

In 2007, SunOpta, a Canadian health food company, filed inaccurate quarterly financial reports as a result of internal control problems in inventory accounting at its California-based subsidiary, Cleugh's Frozen Foods ("CFF"), after CFF implemented a new accounting software system. SunOpta's chief executive officer ("CEO"), Steven R. Bromley, and chief financial officer ("CFO"), John H. Dietrich became aware of CFF's problems and took steps to address those difficulties and correct its accounts throughout the year. However, these efforts were inadequate to address the scope of CFF's problems. Later restatements show that CFF's errors caused SunOpta to overstate its consolidated earnings for the first three quarters of 2007 by approximately 103%, 42%, and 65%, respectively.<sup>2</sup> In addition, during 2007, SunOpta did not disclose any material changes to its internal controls over financial reporting, as is required under Item 308(c) of Regulation S-K promulgated pursuant to the Sarbanes-Oxley Act.

#### Respondents

1. SunOpta, Inc., a Canadian corporation headquartered in Ontario, operates throughout North America in the natural and organic food, supplements, and health and beauty markets. SunOpta stock is registered with the Commission under Section 12(b) of the Exchange Act, and it trades on the Nasdaq Global Select Market.

2. Steven R. Bromley, Certified General Accountant ("CGA"), age 51 and a resident of Ontario, Canada, has been SunOpta's president since January 2005, and a board member and CEO since February 2007. He previously served as SunOpta's CFO and chief operating officer. Bromley has been licensed as a CGA in Canada since 1987.

3. John H. Dietrich, Chartered Accountant ("CA"), age 45 and a resident of Ontario, Canada, was SunOpta's CFO and vice president from September 2003 until March 2009. He is now a vice president of corporate development. Dietrich has been licensed as a CA in Canada since 1989.

#### Facts

4. SunOpta has several business groups and consolidates their financial information for its public filings. SunOpta's "Fruit Group" segment provides fruit and vegetable products to the private label retail and industrial markets. In 2005, SunOpta's Fruit Group acquired CFF.

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<sup>1</sup> The findings herein are made pursuant to Respondents' Offers of Settlement and are not binding on any other person or entity in this or any other proceeding.

<sup>2</sup> As used in this Order, "consolidated earnings" means SunOpta's reported earnings before taxes, interest expense, other expenses, foreign exchange gain/loss, and minority interest gain/loss.

During 2007, CFF's inventory represented approximately 26% of SunOpta's consolidated inventory balance.

5. At the time of its acquisition, CFF was a family-owned business, and its accounting controls were largely manual and informal. Accordingly, to improve internal control over financial reporting, SunOpta implemented an Oracle accounting system at CFF in early March 2007.

6. Almost immediately, and continuing throughout 2007, information CFF input into Oracle was unreliable and did not accurately depict the value of CFF's inventory. These accounting errors affected virtually every aspect of CFF's inventory accounting. Specifically, CFF improperly accounted for inventory in the following areas:

a. Costing. When CFF initially loaded the value of its pre-existing inventory into Oracle, CFF incorrectly increased the recorded costs of that inventory. In addition, the bills of materials CFF input into Oracle throughout the year to document inventory costs frequently incorporated incorrect rates of overhead, materials used, units of measure, and other data.

b. Quantity. During 2007, CFF stored the majority of its inventory in warehouses owned by third parties. However, CFF did not reconcile the quantity of inventory recorded in Oracle with the quantity of inventory recorded by the third-party warehouses for the first and second quarters of 2007. CFF's reconciliation for the third quarter was not properly completed.

c. Unsupported Manual Adjustment. When CFF received products from growers before growers invoiced CFF, CFF tracked this inventory in an accrual account called "Goods Received Not Invoiced" ("GRNI"). However, CFF often failed to relieve this account when it later received invoices from the growers and completed its accounting for the transaction. When the GRNI account ballooned during the second quarter, CFF made a large adjustment to the account based on incomplete data.

d. Net Realizable Value. During the first three quarters of 2007, CFF did not timely input information in Oracle that would show that the cost of much of its inventory exceeded the market price for these products. CFF also failed to otherwise review relevant data and, as a result, it failed to identify necessary downward adjustments to account for such inventory at its net realizable value.

7. Because of CFF's inaccurate inventory accounting, the financial statements CFF generated for each of the first three quarters of 2007 were not fairly stated. These errors in turn caused SunOpta to overstate its consolidated earnings for the first three quarters of 2007 by a total of approximately 103%, 42%, and 65%, respectively, in Forms 10-Q and Forms 8-K that SunOpta filed with the Commission. These errors also caused SunOpta to report misstatements for its Fruit Group segment, changing the segment's previously-reported earnings to a loss for both the first and third quarters, and substantially reducing the previously-reported earnings for the second quarter. Both Bromley and Dietrich participated in the drafting of these filings with the Commission.

8. Bromley and Dietrich knew about, and took steps to remedy, problems with CFF's inventory accounting during 2007. They documented these issues, created plans to address them, and made attempts to correct CFF's accounting at each quarter-end. However, these efforts were insufficient to address the scope of the inventory accounting problems at CFF and produce fairly stated financial statements.

9. In the Forms 10-Q it originally filed for the first three quarters of 2007, SunOpta stated that there had been "no change in the company's internal control over financial reporting" that has "materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting." Both Bromley and Dietrich signed certifications with each Form 10-Q filing attesting that any such changes had been disclosed. When SunOpta filed its restated financial statements for each quarter, its amended Forms 10-Q included the revised disclosure that there had been material changes to its internal controls relating to the "manual procedures and adjustments" that had "supplanted certain system control processes relating to the purchasing, payables, sales, receivables, and inventory accounting cycles."

10. Both Bromley and Dietrich sold SunOpta stock during the time period covered by the restatements. When those sales occurred, SunOpta's stock price was inflated due, in part, to its incorrectly reported financial results that were attributable to internal control issues at CFF. At the time of their sales, Bromley and Dietrich were aware of certain of CFF's internal control issues.

### **Violations**

11. SunOpta violated Section 13(a) of the Exchange Act and Rules 12b-20, 13a-11, and 13a-13 thereunder by filing Forms 10-Q and Forms 8-K for the first three quarters of 2007 that materially misstated SunOpta's financial statements, and by filing Forms 10-Q for these periods that did not disclose material changes to SunOpta's internal control over financial reporting as required by Item 308(c) of Regulation S-K. As described above, Bromley and Dietrich were a cause of SunOpta's violations of these provisions.

12. SunOpta violated Section 13(b)(2)(A) of the Exchange Act by keeping books and records with inaccurate entries related to SunOpta's inventory balances during the first three quarters of 2007. The company violated Section 13(b)(2)(B) by failing to devise and maintain an effective system of internal controls when accounting for CFF's inventory after conversion to the Oracle accounting system. As described above, Bromley and Dietrich were a cause of SunOpta's violations of these provisions.

13. Exchange Act Rule 13a-14 requires an issuer's CEO and CFO to certify that they have disclosed in the issuer's quarterly report any change in the issuer's internal control over financial reporting that occurred during the most recent fiscal quarter that has materially affected, or is likely to materially affect, the issuer's internal control over financial reporting. Because SunOpta's quarterly reports for the first three quarters of 2007 did not disclose material changes to its internal control over financial reporting, Bromley and Dietrich violated Rule 13a-14.

#### IV.

In view of the foregoing, the Commission deems it appropriate to impose the sanctions agreed to in Respondents' Offers.

Accordingly, pursuant to Section 21C of the Exchange Act, it is hereby ORDERED that:

- A. Respondent SunOpta cease and desist from committing or causing any violations and any future violations of Sections 13(a), 13(b)(2)(A), and 13(b)(2)(B) of the Exchange Act and Rules 12b-20, 13a-11, and 13a-13 thereunder;
- B. Respondent Bromley cease and desist from committing or causing any violations and any future violations of Sections 13(a), 13(b)(2)(A), and 13(b)(2)(B) of the Exchange Act and Rules 12b-20, 13a-11, 13a-13, and 13a-14 thereunder;
- C. In connection with his sale of SunOpta stock as referenced above, Respondent Bromley shall, within 21 days of the entry of this Order, pay disgorgement of \$40,905 and prejudgment interest of \$5,294.77 to the United States Treasury. If timely payment is not made, additional interest shall accrue pursuant to SEC Rule of Practice 600. Payment shall be: (A) made by wire transfer, United States postal money order, certified check, bank cashier's check or bank money order; (B) made payable to the Securities and Exchange Commission; (C) hand-delivered or mailed to the Office of Financial Management, Securities and Exchange Commission, Operations Center, 6432 General Green Way, Stop 0-3, Alexandria, VA 22312; and (D) submitted under cover letter that identifies Bromley as a Respondent in these proceedings, the file number of these proceedings, a copy of which cover letter and money order or check shall be sent to Noel M. Franklin, Division of Enforcement, Securities and Exchange Commission, 1801 California Street, Suite 1500, Denver, CO 80202;
- D. Respondent Dietrich cease and desist from committing or causing any violations and any future violations of Sections 13(a), 13(b)(2)(A), and 13(b)(2)(B) of the Exchange Act and Rules 12b-20, 13a-11, 13a-13, and 13a-14 thereunder; and

E. In connection with his sale of SunOpta stock as referenced above, Respondent Dietrich shall, within 21 days of the entry of this Order, pay disgorgement of \$5,780 and prejudgment interest of \$1,011.90 to the United States Treasury. If timely payment is not made, additional interest shall accrue pursuant to SEC Rule of Practice 600. Payment shall be: (A) made by wire transfer, United States postal money order, certified check, bank cashier's check or bank money order; (B) made payable to the Securities and Exchange Commission; (C) hand-delivered or mailed to the Office of Financial Management, Securities and Exchange Commission, Operations Center, 6432 General Green Way, Stop 0-3, Alexandria, VA 22312; and (D) submitted under cover letter that identifies Dietrich as a Respondent in these proceedings, the file number of these proceedings, a copy of which cover letter and money order or check shall be sent to Noel M. Franklin, Division of Enforcement, Securities and Exchange Commission, 1801 California Street, Suite 1500, Denver, CO 80202.

By the Commission.

Elizabeth M. Murphy  
Secretary

## Service List

Rule 141 of the Commission's Rules of Practice provides that the Secretary, or another duly authorized officer of the Commission, shall serve a copy of the Order Instituting Cease-and-Desist Proceedings Pursuant to Section 21C of the Securities Exchange Act of 1934, Making Findings, and Imposing a Cease-and-Desist Order ("Order"), on the Respondents and their legal agents.

The attached Order has been sent to the following parties and other persons entitled to notice:

Honorable Brenda P. Murray  
Chief Administrative Law Judge  
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