



18 March 2008

Satara Co-operative Group Limited  
Chairman – Andrew Fenton  
Washer Road  
Te Puke  
New Zealand

CC: Murray Gough  
CC: Paul Moriarty  
CC: Graeme Milne

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ELEVATION CAPITAL



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Andrew,

Please find detailed below our proposals submitted under Section 29 of the constitution for the upcoming ASM in April.

We would like to reiterate that we are not supportive of Jenny Natusch seeking re-election to the Board of Directors at the ASM as we believe that it is time for some new blood and fresh eyes on the Board of our company. Should Jenny Natusch decide to stand for re-election we reserve the right to actively oppose her re-election by means of additional ordinary resolutions against her re-election or to remove her from office under section 30.14 of the constitution.

We hope that the Board agrees with us that it is time for adding new perspectives to the Board and therefore we are open to the idea of supporting any new Grower Directors that the Board may wish to propose and would seek to engage in constructive dialogue with the Board on this prior to any nominations being made.

#### **Shareholder Resolution #1:**

That the Board resolves that for the purposes of rotation of Directors under Listing Rule 3.2.6 all Directors, with the exception of one Director who is also an employee of the company, must retire on a yearly basis and stand for re-election.

Explanation: The election of a company's board of directors is one of the most fundamental rights held by shareholders of the company. Given that Satara's directors retire by rotation, each individual director faces re-election roughly only once every three years and shareholders vote on roughly one third of the board each year. Such a system serves to insulate the Board from shareholder input and the consequences of poor performance.

Annual elections of all directors enable shareholders to register their views annually on the performance of the Board of Directors and each individual director. We feel this will promote a culture of responsiveness and dynamism at the Company, qualities necessary to meet the challenge of increasing value for growers and shareholders in an ever changing environment and the current environment of falling returns.

Therefore, we submit that by introducing annual elections of all directors, the Board of Directors will be more accountable to all shareholders and our Company will be better equipped to enhance shareholder value and provide enhanced returns to growers.

For the above reasons and to ensure the implementation of outstanding corporate governance practices at our company we urge a vote FOR the resolution.

### **Shareholder Resolution #2:**

That all Directors receive 50% of their remuneration by way of Investor Shares purchased on market in lieu of cash and that Management receives 50% of performance based remuneration by way of Investor Shares purchased on market in lieu of cash. Directors and Management are restricted from selling these shares for three years from date of acquisition. The performance based remuneration is to be tied directly to growth in after rebates and after tax return on assets, growth in investor dividend per share and Growers receiving an OGR above industry average before the payment of rebates.

Explanation: We believe that our Company's compensation policies should encourage the ownership of stock by the directors and senior executives in order to align their interests with those of shareholders. The best way to achieve this, without diluting value for existing shareholders, is for a portion of remuneration to be paid by way of Investor Shares purchased on market.

In the recent past the Board rejected a takeover approach that valued the Company at \$1.40 per share as it was their opinion this significantly undervalued the Company. Therefore, we believe that if the Board and management have confidence in their plans and ability to create value for all shareholders, they should be wholly supportive of receiving part of their remuneration, (50% of total remuneration in the case of directors and 50% of performance based remuneration in the case of senior executives), by way of Investor Shares purchased on market at the currently depressed share price.

Additionally, we submit that to further ensure management's alignment of interests with growers and shareholders their performance based remuneration be tied directly to Growers receiving an OGR above industry average before the payment of rebates, shareholders receiving growth in dividend per investor share and the financial performance of the firm as measured by post rebates and tax return on assets, improving.

For the above reasons we urge a vote FOR the resolution.

### **Shareholder Resolution #3:**

That if the company is not able to achieve a Return on Assets after rebates and tax of above 5.5% in the current year the Board immediately put the company up for sale, merger or other strategic alternatives.

Explanation: The kiwifruit industry has changed significantly over the past 6 – 8 months and while the outlook is unclear at the moment, the Board and Management of Satara have been working towards implementing the company's five year strategic plan and continue to grow the business.

We have always understood that some of the issues currently facing the industry are beyond Satara's direct control and are industry wide; e.g. exchange rate and returns from green fruit. However, given the unclear outlook for the industry, it does not make commercial sense for all/any pack house industry players to continue to invest in growth and replicate costly asset bases on which adequate returns may never be generated.

Satara, as shown in the table below, has historically generated suboptimal and uneconomic Returns on Assets when compared to other pack house industry players.

<b>RETURN ON ASSETS*</b>	<b>ON AVE.</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>
<b>SATARA</b>		2.54%	-0.46%	1.34%
<b>SEEKA**</b>		4.96%	4.94%	2.82%
<b>EASTPACK</b>		10.39%	10.64%	2.29%

\* Return on Assets is calculated as: NPAT / Average Gross Assets

\*\* Seeka 2005 NPAT includes \$2.14 million gain on sale of assets

We believe that Return on Assets after rebates and tax is the most appropriate benchmark as it better reflects the ultimate return on assets to shareholders.

Therefore, we believe that in the current year, Satara, as a stand alone entity should solely concentrate on improving returns to Growers and Shareholders while consolidating its current position. If at the end of the current year Satara has not been able to generate adequate returns for all shareholders, then the Board should immediately put the company up for sale, merger or other strategic alternatives.

Our vision is for a profitable and strong kiwifruit industry. However, in our opinion, for this to be achieved it needs to be run in a transparent, accountable and commercial manner.

For the above reasons we urge a vote FOR the resolution.

#### **Shareholder Resolution #4:**

That any shareholder or group of shareholders be permitted to hold a number of Investor Shares being more than 10% of the number of Investor Shares on issue at the time and that the Board may no longer declare these shares to be a restricted holding.

Explanation: The ability of the Board to unilaterally declare any holding by a shareholder that is more than 10% of the number of Investor Shares on issue at the time to be a restricted holding is a type of anti-takeover device. This injures shareholders by adversely affecting shareholder value and reducing management accountability.

While the Board of Directors should have appropriate tools to ensure that all shareholders benefit from any proposal to acquire the company, we do not believe that this justifies the unilateral declaration of a holding to be restricted by the Board. In the event of any takeover proposal eventuating we believe all shareholders rights will be more than adequately protected by the Takeovers Code which will apply and the fact that Investor Shares have only 40% of the voting rights in Satara.

It is a fundamental right of every shareholder to be able to vote every share that they own and the Board should not be permitted to impinge on this right and thereby reduce shareholder value or enable the entrenchment of underperforming management.

Elevation Capital does not currently intend to acquire more than 10% of the number of Investor Shares on issue.

Therefore, for the above reasons and to ensure the implementation of strong corporate governance practices at our company we urge a vote FOR the resolution.

**Shareholder Resolution #5:**

That the Board immediately form a sub-committee comprised of a majority of Commercial Directors to actively engage in talks with other pack house industry players to explore ways and means to strategically aggregate and rationalize the industry and consider any takeover approaches.

Explanation: Given the unclear outlook for the industry we believe that the Board, keeping in mind its fiduciary responsibility to protect and enhance value for all shareholders, should form a “Strategic Alternatives” sub-committee with the mandate to immediately engage in talks with other pack house industry players and other interested parties, to explore ways and means to strategically aggregate and rationalize the industry.

Additionally, this sub-committee should employ the services of a suitably qualified and well recognized investment bank to assist it in carrying out its mandate and to prepare an independent experts report on ways and means to enhance value for all Shareholders.

We would reiterate that our vision is for a profitable and strong kiwifruit industry. However, in our opinion, for this to be achieved it needs to be run in a transparent, accountable and commercial manner.

For the above reasons we urge a vote FOR the resolution.

We hope you find these resolutions constructive and supportive of the Boards plans for the year ahead.

Regards,



Christopher Swasbrook  
Managing Director  
Elevation Capital Management Limited