



Satara Co-operative Group Limited  
Attn: Andrew Fenton  
PO Box 243  
Te Puke  
Bay of Plenty

Cc Murray Gough  
Cc Paul Moriarty

18 January 2008

Andrew,

[www.elevationcapital.co.nz](http://www.elevationcapital.co.nz)

Thank you for arranging the pre-Christmas meeting with Murray, Paul and yourself. It was most informative and helped answer a lot of the questions we had posed in our recent letters to the Board and Management of Satara.

We understand the industry has changed significantly in the last 6 – 8 months and while the outlook is unclear the Board and Management of Satara are working hard to implement the five year strategic plan and grow the business.

Elevation Capital has always understood that some of the issues are beyond Satara's direct control and are an industry wide issue e.g. exchange rate and returns from green fruit. However, in Satara's case, a key question is should it continue to invest in organic growth while this generates suboptimal returns on equity and assets.

Over the Christmas break we have carefully considered the case that Satara management put forward for continuing to invest in additional capacity to grow market share in the face of declining returns. Respectfully, Elevation Capital as the largest shareholder disagrees with this approach. We believe that given the unclear outlook for the industry it does not make commercial sense for all/any pack house industry players to invest in growth and replicate costly asset bases on which adequate returns may never be generated.

Satara, as a stand alone entity, should solely concentrate on improving returns to all shareholders while consolidating its current position. The Board should immediately seek to engage in talks with other pack house industry players to explore ways and means to strategically aggregate and rationalize the industry. This in our view would provide the best long term growth and returns to both transactor and investor shareholders.

Indeed, it is Elevation Capital's stance that if Satara is unable to generate an adequate return on assets by the end of the 2008 financial year and the Board has not been able to put to shareholders a compelling plan that would achieve strategic consolidation of Satara with another key industry player then Satara should be put up for sale.

We also request that executive remuneration is tied directly to return on assets and dividend growth to ensure the alignment of interests of executives with shareholders.

We would like to take you up on the offer of Elevation Capital, as the largest shareholder, recommending one or more potential candidates for the vacant position of Commercial Director. We will provide you with the candidates' details on a confidential basis before the end of January. Any recommendations will be of persons who are independent of Elevation Capital.

We would reiterate that Elevation Capital's 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.

**Christopher Swasbrook**  
**Managing Director**  
**Elevation Capital Management Limited**

