

HASS AVOCADO BOARD

BOARD MEETING MINUTES

A meeting of the Hass Avocado Board (HAB) was held on Thursday, September 29, 2011 at 230 Commerce, Ste. 190, Irvine, California, with the following people in attendance:

MEMBERS

Jim Donovan
Ken Roth
Jamie Johnson
Jimmy Lotufo
Casimir Wytaniec
Araceli Zanabria
Reuben Hofshi
Ohannes Karaoghlanian

Charley Wolk, Ex Officio

MEMBERS ABSENT

Giovanni Cavaletto
John Lindstrom
Mike Sanders
Barry London

STAFF

José Luis Obregón
Robert Rumph
Yvonne Seebach

ALTERNATES

Ed Embly
Katie Wild
Scott Bauwens
Tom Sowden
Henry Nader
Bob Schaar
Gahl Crane
Donna Singmaster
Will Carleton
Ramiro Ortega

ALTERNATES ABSENT

Emily Greenberg

OFFICIALLY PRESENT

Veronica Douglass, USDA
Tom O'Brien, Legal Counsel
Bob Keeney, USDA

GUESTS

Adrian Iturbide
Angelina McClellan
Brianna Mandell
Cindy Ransier
Erin Adler
Erin Barrier
Joe Charest
Laura Cubillos
Marji Morrow
Mike Parisi
Ron Campbell
Steven Murro
Tom Bellamore

CALL TO ORDER – Jim Donovan, Chairman

Hass Avocado Board (HAB) Chairman Jim Donovan called the meeting to order at 10:07 am.

Roll Call-Establish Quorum

Mr. Donovan proceeded with roll call and established a quorum.

Approve Minutes

MOTION: *The Hass Avocado Board of Directors approves the June 9, 2011 Minutes as presented. (Karoghlanian/Wytaniec) MSC*

ADMINISTRATION / FINANCE – Rumph/Lotufo

Mr. Lotufo indicated that the Finance Committee had reviewed the 2012 Outside Counsel Letter of Engagement with Tom O'Brien D.C. and was recommending the following motion to the Board.

MOTION: *The Hass Avocado Board of Directors approves the Letter of Engagement for legal representation services to be provided by Tom O'Brien D.C, for the 2012 calendar year. (Lotufo/Bauwens) MSC*

Executive Director Jose Luis Obregon gave the board a brief explanation with regard to the (\$120,000) fee for marketing services from the California Avocado Commission (CAC) that he and CAC President Tom Bellamore agreed upon. Mr. Lotufo proceeded with a recommendation from the finance committee to put forth a motion for approval of the 2012 Program Implementation Services Agreement with CAC.

MOTION: *The Hass Avocado Board of Directors approves the Program Services Agreement between the HAB and the California Avocado Commission in the amount of \$120,000 for the 2012 calendar year. (Lotufo/Karaoghlanian) MSC*

Mr. Lotufo then opened a discussion about HAB's current financial procedures and controls, affirming his confidence that they were effective and functioning as intended. He proceeded with a motion to approve the auditing services letters of engagement with Mayer, Hoffman, McCann (MHM). HAB Controller Robert Rumph, informed the Board that MHM had provided auditing services to the City of Bell and that the City's elected council and management had been accused of improprieties. He explained that he knew this could be a cause of concern for the Board and had discussed these issues with MHM. He went on to say that MHM had voluntarily participated in two peer reviews following the Bell revelations. Board members indicated the importance of seeing the peer review report prior to entering into the 2012 auditing contract. Mr. Donovan directed the Board to a peer review letter that was in the Finance packet. Board member Reuben Hofshi noted that the result of the peer review was favorable to MHM. Mr. Rumph indicated that he had confidence in the services that MHM provides and reminded them of HAB's numerous internal financial controls, policies, and procedures as well as the additional agreed upon procedures that are part of the HAB audit cycle during the year. Following a lengthy discussion about the implications of moving ahead with and without a contract with MHM, Mr. Lotufo put forward a motion recommending approval of MHM letters of engagement for auditing services.

MOTION: ***The Hass Avocado Board of Directors approves the Letter of Engagement for auditing services provided by Mayer, Hoffman, McCann, P.C. for the 2012 calendar year. (Lotufo/) 1 Abstain, Hofshi; 1 Oppose, Wytaniec***

Mr. Rumph went on to say that approval was also needed for a surprise MHM Cash and Investment Audit Report. Mr. Lotufo proceeded with a motion to accept the audit report as presented

MOTION: ***The Hass Avocado Board of Directors accepts the Mayer Hoffman McCann Cash and Investment Audit Report as presented. (Lotufo/Wytaniec) MSC***

2011 Financial Update

Mr. Rumph provided a brief summary of the current financial statements.

FINANCIAL REPORT

8 Months Ending August 2011 - Estimated

- HAB Revenues = \$19.32 MM dollars --- down \$0.26 MM from the \$19.58 MM estimate.
- HAB Net Revenues = \$3.9 MM dollars --- up \$0.9 MM from the \$3.0 MM estimate.
- HAB Reserves as of 8/31/11 = \$2.9 MM up 1.4 MM from the \$1.5 MM December 2010 ending amount.

Schedule of Cash & Investments as of August 31, 2011

- a) Cash in Bank – Checking Account = \$1,410,421
- b) Investments = \$2,450,292
- c) TOTAL CASH & INVESTMENTS = \$3,860,713

Statement of Net Assets, Revenue & Expenditures as of August 31, 2011 - Estimated

- a) Total Assets = \$5,878,378
- b) Total Liabilities = \$3,019,862
- c) Total Net Assets = \$2,858,516
- d) Total Revenues = \$19,318,019
- e) Total Expenditures = \$17,950,006
- f) Excess of Revenues Over (Under) Expenditures = \$1,368,013

2012 Revenue/ Reserve Projections

Mr. Rumph presented the 2012 planning assumptions that were approved as Scenario C at the June 9, 2011 HAB meeting.

HAB Revenue (2.5 cents per pound)	36,000,000
Rebates	30,281,250
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HAB Net Revenue	5,718,750
Estimated Reserves 12/31/11	\$1,300,000
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Available Resources	\$7,018,750
2012 Marketing Plan	4,868,750
2012 Administrative Costs	1,050,000
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Estimated Reserves 12/31/12	\$1,100,000
2012 Volume Projections in Lbs.	
Mexico	700,000,000
Chile	300,000,000
California	350,000,000
Peru	75,000,000
Others	15,000,000
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Total Pounds	1,440,000,000

Approve 2012 Assessment Rate

Mr. Lotufo opened a discussion regarding the 2.5 assessment rate review. A discussion ensued with regard to avocado consumption data, and Mr. Obregon indicated that every five years a program review is required.

MOTION: *The Hass Avocado Board of Directors approves the assessment rate of 2.5 cents per pound for fiscal year 2012, with no change to the assessment of Lamb Hass variety. (Lotufo/Karaoghlanian) MSC*

Review and approve 2012 Administration Budget

Mr. Obregon reviewed the increases and reductions within the Administration budget, adding that the overall change from 2011 is an increase of \$12,000 for FY 2012. Mr. Lotufo proceeded with a recommendation from the Finance committee to approve the 2012 administration budget.

MOTION: *The Hass Avocado Board of Directors approves the January 1, 2012 through December 31, 2012 administration budget in the amount of \$1,050,000 as presented. (Lotufo/Crane) MSC*

Election update

Mr. Obregon provided an update of the election process along with the names that had been submitted to the USDA, and indicated that no appointments had been made at.

2012 HAB Board Meeting Schedule

Mr. Donovan tabled this item until the November meeting to allow the new chairman to set and obtain Board approval for the 2012 schedule.

Executive Director Search Update

Mr. Donovan conveyed information about the recruitment process and that the Mixtec group has been retained, by RFP, to represent HAB and proceed with a search for potential candidates. Mr. Donovan also presented the idea putting together a transitional team.

Board members requested a copy of the Executive Director's job description and position summary and Mr. Obregon encouraged members to reach out to qualified candidates and direct them toward Mixtec.

Mr. Donovan proceeded to read the motion that was voted upon and passed, via email, which gave the Executive Committee approval to hire a search firm.

Motion: *The Hass Avocado Board gives authority to the Executive Committee to retain an Executive Search firm to fill the position of Executive Director and to set the compensation level according to the HAB salary structure approved in November 2010. (Donovan/Cavaletto) 9-yes, 1-no, London*

The complete attachment Vote Record 2011- Executive Director Search is attached to the permanent copy of these records and identified as Exhibit A.

COMMITTEE REPORTS

Marketing – Cavaletto

In Marketing Committee Chairman Giovanni Cavaletto's absence, Mr. Obregon presented the Marketing Committee report. He confirmed the value of having the association marketing directors as part of the committee and how it helps with clarifying roles and preventing overlaps between programs.

Nutrition – Johnson

Nutrition Committee Chairman, Jamie Johnson addressed the group about need to continue to drive demand and maintain a long-term perspective toward future [nutrition research] endeavors. He encouraged members to review a summary document provided to the members regarding the HAB sponsored nutrition research projects. It was suggested that the Board should receive quarterly updates about the research progress.

World Avocado Brainstorming Discussion

Mr. Obregon asked Board Member Rueben Hofshi to provide a report of the 2011 Brainstorming Session, to which the HAB was a contributing sponsor. Mr. Hofshi proceeded with an overview with regards to international avocado genome and other research that is currently being funded, and he also provided a summary hand-out for the Board.

The complete attachment Summary of Brainstorming Meeting is attached to the permanent copy of these records and identified as Exhibit B.

LUNCH The meeting was convened for lunch at 12 noon

RECONVENE The Chairman reconvened the meeting at 12:50 pm

EXECUTIVE DIRECTOR'S REPORT– Obregón

2012 Marketing Program and Budget

Mr. Obregon began his presentation by introducing the contracted agency representatives as the professionals who will be implementing the marketing plan. He then continued with an overview and context of the strategic direction and marketing plan He reminded the board that the three primary objectives: promotion - research and information, had been developed 2 years ago by him and the marketing directors

Hass Avocado Board
September 29, 2011

from the 3 associations, in conjunction with the HAB agencies. And, that the concurring strategies and tactics he would present as part of the marketing plan were derived from those objectives.

Following a brief question and answer period, the Board passed the following motion:

MOTION: *The Hass Avocado Board of Directors approves the 2012 Marketing Plan and Budget in the amount of \$4,868,750 as presented. (Lotufo/Schaar) MSC*

NEW BUSINESS

Mr. Donovan presented a plaque of appreciation to Mr. Obregon for his leadership within the avocado industry.

PUBLIC COMMENT

There was no public comment.

ADJOURN

Mr. Donovan adjourned the meeting at 1:45 pm

The next meeting will be held on Thursday, November 10, 2011.

Respectfully submitted,

Yvonne Seebach, Hass Avocado Board Staff

I certify that the above is a true and accurate statement of the September 29, 2011 Minutes approved by the HAB Board of Directors on:

Hass Avocado Board member