

**HASS AVOCADO BOARD
BOARD MEETING MINUTES**

October 1, 2009

A meeting of the Hass Avocado Board (HAB) was held on Thursday, October 1, 2009 at 38 Discovery, Ste. 150, Irvine, California, with the following people in attendance:

MEMBERS PRESENT

Len Francis, Chairman
Jim Donovan, Vice Chair
Don Reeder, Treasurer
Giovanni Cavaletto, Secretary
Ben Drake
Charley Wolk
Galen Newhouse
Jimmy Lotufo
Ken Roth
Ohannes Karaoghlanian
Tom Markle

Mike Browne, MHAIA, Ex-Officio

MEMBERS ABSENT

Rick Shade, CAC, Ex-Officio
Ed Figueroa

ALTERNATES PRESENT

Alvin Gebhart
Avi Crane
Casimir Wytaniec
Daniel Sanders
Ed Embly
Jamie Johnston
John Lindstrom
Katie Wild
Mike Parr
Nilda Mesistrano-Hyde

ALTERNATES ABSENT

Pilar Charrada
Elena Garcia

OFFICIALLY PRESENT

Maureen Pello, USDA
Tom O'Brien, Counsel

STAFF PRESENT

José Luis Obregón
Yvonne Seebach
Robert Rumph

GUESTS PRESENT

Adam Brohimer
Alan Thorn
Alfredo Rodriguez
Angelina Downing
Aria Lukman
Dave Howald
David Botsford
Diane Dreyer
Gwen Peterson
Ilene Smith
Jackie Bohmer
James McCormac
Jeannine Embly
Jennifer Baker-Asiddao
John Carroll
Julie Schumacher
Kari Bretschger
Kim Kurata
Lori Small
Marji Morrow
Ron Campbell
Sandra Wellhausen
Scott Bauwens
Steven Muro
Tom Bellamore
Troy Troxler
Xavier Equihua

CALL TO ORDER

The Hass Avocado Board (HAB) Chairman Len Francis called the meeting to order at 10:06 am. He took roll and a quorum was established.

Introductions/ Announcements

Mr. Francis welcomed the following people: MHAIA Chairman, Mike Browne; USDA representative Maureen Pello; MHAIA Marketing Director Jackie Bohmer and HAB Counsel Tom O'Brien, New Zealand visitors Alan Thorn and John Carroll.

Mr. Francis proceeded by reading a letter from former HAB Administrator Val Weaver, where she thanked the Board. He then introduced the new HAB Controller/Financial Manager Robert Rumph.

Minutes Approval

No corrections or amendments were made to the July 15, 2009 Minutes.

MOTION: *The Hass Avocado Board of Directors approves the July 15, 2009 Minutes as presented. (Drake/Karaoghlanian)MSC*

FINANCE / ADMINISTRATION Reeder/Rumph

2009 Financial Update

A. 2009 Financial Report

I. January 2009 – July 2009

Hass Volume = 633.6 MM lbs. ---up 116.9 MM lbs from the 516.7 MM lb. estimate.
HAB Revenues = \$15.8 MM dollars ---up \$2.9 MM from the \$12.9 MM estimate.
HAB Net Revenues = \$3.3 MM dollars ---up \$1.3 MM from the \$2.0 MM estimate.

II. January 2009 – December 2009

Hass Volume = 1.0525 Billion lbs. ---up 140.5 MM lbs from the 912.0 MM lb. estimate.
HAB Revenues = \$26.3 MM dollars ---up \$3.5 MM from the \$22.8 MM estimate.
HAB Net Revenues = \$5.1 MM dollars ---up \$1.4 MM from the \$3.7 MM estimate.
HAB Reserves as of 12/31/09 = \$1.89 MM ---up \$1.418 MM from the \$.471 MM estimate.

III. U. S. Aggregate Volume by Month

Calendar Year 2009: The U.S. aggregate volume outlook for CY 2009 for all varieties has been updated to reflect import data received from Customs through August 2009 and grower data from California handlers through July 2009. Volume estimates are spread by month based on estimated market trends as follows:

Hass volume projections for CY 2009 are 1.0524 billion lbs. ---up 0.8 MM lbs. from the July projection of 1.0516 billion lbs.
Aggregate volume for CY 2009 is estimated at 1.1237 billion lbs. ---up 3.5 MM lbs. from the July projection of 1.1202 billion lbs.

IV. Schedule of Cash & Investments as of August 31, 2009

- a) Cash in Bank – Checking Account = \$336,736
- b) Money Market/Institutional Funds = \$3,244,548
- c) Investments = \$344,000
- d) TOTAL CASH & INVESTMENTS = \$3,925,284

V. Statement of Net Assets, and Revenue & Expenditures as of August 31, 2009

- a) Total Assets = \$5,658,708
- b) Total Liabilities = \$1,417,895
- c) Total Net Assets = \$4,240,812 (Beg. N.A. of \$3,726,233 + \$514,579)
- d) Total Revenues = \$17,591,978
- e) Total Expenditures = \$17,077,399
- f) Excess of Revenues Over (Under) Expenditures = \$514,579

HAB Treasurer Don Reeder introduced a number of motions that had been reviewed in the Finance Committee meeting, and put forth for Board approval.

The Board reviewed and proceeded with passing the following motions:

2010 Outside Counsel Letter of Engagement

MOTION: *The Hass Avocado Board approves the Letter of Engagement for legal representation services to be provided by O'Brien D.C. for the 2010 calendar year. (Reeder/Drake)MSC*

MOTION: *The Hass Avocado Board approves the Letter of Engagement for auditing services provided by Mayer, Hoffman, McCann P.C. for the 2010 calendar year. (Reeder/Karaohglanian) MSC*

2010 Program Implementation Services Agreement

MOTION: *The Hass Avocado Board approves the Program Services Agreement between the HAB and the California Avocado Commission for the 2010 calendar year. (Reeder/Markle) 1 abstain - Roth*

There was a brief discussion among Board members about CAC's role, responsibilities and current influence on HAB' services and how it is changing, referring to Attachment A, specifically the wording of "support" of the HAB Managing Director rather than direct responsibility for certain items. Mr. Wolk asked for examples of "support". Mr. Obregon explained that he works with the Board to develop the plan, but the CAC marketing staff do the labor, maintain timelines, etc.

Corporate Insurance Coverage

MOTION: *The Hass Avocado Board approves the increase of the Crime Policy annual deductible from \$5,000.00 to \$10,000.00 for a savings of 21-22% and the decrease of the Umbrella Policy coverage from 5 million to 4 million, a savings of 14%. (Reeder/Crane) MSC*

Review and Approval of 2010 Administration Budget.

Board member Ben Drake addressed the 5% cost of living increase that is budgeted and provided details about the Finance Committee discussion and that the committee reached the consensus that following Mr. Francis' annual performance review of HAB Managing Director Jose Luis Obregon, he will present his recommendation to the Board.

Mr. Wolk referred to the budget design and how items have been moved around, specifically previous line items under CAC, which are labeled differently on the HAB budget. Mr. Obregon explained that the annual budgeted "fixed costs" from CAC were transferred into the "out of pocket" expenses category.

Mr. Francis proceeded with a roll call vote for approval of the 2010 Administrative Budget.

MOTION: *The Hass Avocado Board approves the January 1, 2010 through December 31, 2010 Administration Budget in the amount of \$1,028,260, as presented. (Reeder/Drake) MSC*

Review /Recommend Approval of 2010 Assessment rate

MOTION: *The Hass Avocado Board of Directors approves the assessment rate of 2.5 cents per pound for the period starting January 1, 2010 through December 31, 2010, with no change to the assessment on Lamb Hass variety avocados. (Donovan/Cavaletto) MSC*

Relocation Budget Update

Mr. Reeder explained that Managing Director Obregon had presented the Finance Committee with a proposed budget reallocation that would take funds from certain administration accounts to the moving costs account. He explained that these funds would be used to cover part of the move to HAB's new offices.

MOTION: *The Hass Avocado Board approves the HAB Administrative Budget Reallocation as presented. (Reeder/Karoghlian) MSC*

CHAIRMAN'S REPORT

2009 HAB Election Update

Mr. Francis asked Ms. Pello to provide comment on pending election/appointments. She indicated that the selection processes are moving rather slowly in the USDA offices and that it's unlikely that the HAB election package will be approved in time to seat new Board members at the November meeting.

Mr. Francis mentioned details about a discussion in the September 23 Executive Committee meeting that if new members are not appointed this year, the existing Board will continue serving until the new members are selected and seated. As a result, the November meeting may be cancelled, as historically, the primary focus of this meeting has been to seat the new members. Mr. Donovan affirmed that the meeting should remain on the calendar, and Mr. Obregon will notify members at least 2 weeks before the November 18 whether it will be cancelled.

Relocation Update

Mr. Francis opened the discussion by commending Board alternate Avi Crane on his leadership of the Relocation Committee. Mr. Obregon proceeded with a brief presentation about the process to obtain the office that was subsequently leased at 230 Commerce in Irvine, and provided a visual presentation of the new office. He described the layout and functions for each room and assured the group that parking will be sufficient.

Mr. Obregon thanked the various people involved in the process of obtaining the new office space and urged every association to use the office facility for meetings.

Association Administrative Cost Reimbursement

Mr. Francis provided background information about the Association administrative cost reimbursement and proceeded to read the letter from USDA Agricultural Marketing Services (AMS) Deputy Administrator Robert Keeney, which concluded that HAB assessment dollars cannot be used for the MHAIA, Chilean Avocado Importers Association (CAIA) or any others association's administrative costs.

Ms. Pello added that USDA had some policy concerns and that it would not want HAB to be viewed as a "bank" for associations to draw from.

Mr. Browne thanked the HAB members for the time and effort that was put into this issue.

HAB Assessment Organic Exemption

Mr. Francis referred the group to letters in their packets from packers/handlers who maintain that they did not have the complete information about organic fruit assessments/exemptions and were requesting that HAB waive the assessment fees, interest and penalties. Mr. Francis presented points to consider in resolving this issue and affirmed that it is the handler's responsibility to be familiar with the regulations that pertain to organic assessments. There was discussion among the Board members, who agreed that proper information and letters had been sent to the registered handlers and waiving interest fees and penalties could not be justified. It was also brought up that it is not up to the Board to make this determination because the Act and the Order specify that interest and penalties must be collected. They asked Mr. Rumph to communicate their decision to the Handlers.

2010 HAB Board Meeting Schedule

Mr. Obregon opened a discussion about the 2010 Board meeting schedule and his proposal to reduce the number of annual meetings to five. Mr. Donovan felt that reducing the number could make the meetings more efficient. The question came up about the field trips that had been previously discussed and Mr. Francis indicated that the "field trip" issue needs to be put on a future agenda if Board members want to revisit it. It was pointed out that the 2010 schedule does not contain locations and these could be added at a later date.

There was Board consensus that the meetings would be reduced to five per year at this point.

Nomination Committee

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Mr. Francis told the group that following an Executive Committee discussion he had decided to appoint a Nomination Committee tasked with determining which members are interested in running for an officers position after the new Board is seated. He asked for volunteers and said he would follow-up with phone calls to those present.

Production Research

Mr. Francis introduced this section and indicated that a Board member had put forth this issue on the agenda. Mr. Francis then asked Ms. Pello to address the group with information she ascertained from discussions at the USDA and in a meeting with the USDA attorney, that confirmed that the Act and Order contain a set definition of what kind of research that can be conducted, and production research is not authorized. She read the USDA definition of projects that could be considered for HAB research funds and added that there could be some flexibility within those parameters.

Some members expressed concern that with the limited funds HAB has for marketing, redirecting funds into research may not benefit the industry. Some added that while it is not in HAB's purview to go into quality standards, production research could potentially fall into an acceptable post-harvest category,

Ken Roth, the member who asked that this be added to the agenda, went on to explain his reasoning that the research he was proposing would be a worldwide post-harvest view. Mr. Donovan expressed his concern that HAB not take its "eye off the ball" in terms of the marketing mandate. Mr. Wolk reminded the group that Ms. Pello's indicated that according to the Act, production research is not allowed, he then proceeded to make a motion that the Production Research consideration be tabled.

MOTION: *The Hass Avocado Board approves a motion to table any and all investigations into methods of providing HAB funds for Production Research. (Wolk/ Crane) 2 opposed, Roth, Francis.*

Australia/New Zealand Avocado Conference Report

Mr. Francis introduced Alan Thorn and John Carroll from the New Zealand Avocado Industry. They proceed with a brief overview of the New Zealand Hass Avocado Market and industry.

ADJOURN FOR LUNCH

Chairman Francis adjourned the Board for lunch at 12:25 p.m.

The Board reconvened at 1:18 p.m.

MANAGING DIRECTOR'S REPORT

Assessment Rate Analysis Proposal

Mr. Obregon began by giving the background information on what the Board asked him to accomplish with regard to facilitating an assessment rate analysis. Mr. Obregon pointed out that Dr. Hoy Carman from UC Riverside has indicated that the study to do the Assessment Rate Analysis Proposal would cost \$5,800.00. There was a discussion about the nature of this analysis and alternatives in how proceed.

MOTION: *The Hass Avocado Board accepts the Assessment Rate Analysis Proposal, by Hoy Carman, with the requirement that Dr. Carman removes any restrictions he places on the assessments and volume parameters, other than what is required by law. (Donovan/Cavaletto) 1 opposed-Roth*

Present and Approve 2010 Business Plan and Budget

Mr. Obregon began his presentation with a brief introduction about his approach to his 2010 Business Plan and Budget and provided a context for the how he chose to structure it. He continued with presenting three objectives, their activities and corresponding budgets, which include a breakdown by objective and line items budgets.

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Mr. Obregon followed his presentation with a opportunity for questions and discussion. Following extensive discussion, Mr. Francis indicated that the Executive Committee had reviewed and plan and budget during their September 23rd meeting and had agreed upon recommending Board approval.

MOTION: *The Hass Avocado Board approves the 2010 Marketing Plan and Budget in the amount of \$5,384,753, as presented. (Donovan/Drake) MSC*

NEW BUSINESS

No new business.

PUBLIC COMMENT

No public comments.

ADJOURN

Chairman Francis adjourned the meeting at 3:25 p.m. The next meeting will be held on Thursday, January 28, 2010.

Respectfully submitted,

Yvonne Seebach

I certify that the above is a true and accurate statement of the October 1, 2009 Minutes approved by the HAB Board of Directors on _____

Giovanni Cavaletto, Hass Avocado Board Secretary