

**HASS AVOCADO BOARD
BOARD MEETING MINUTES
May 14, 2009**

A meeting of the Hass Avocado Board (HAB) was held on Thursday, May 14, 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
Charley Wolk
Ed Figueroa
Galen Newhouse
Ken Roth
Ohannes Karaoghlanian
Tom Markle

Mike Browne, MHAIA, Ex Officio

MEMBERS ABSENT

Ben Drake
Jimmy Lotufo

Rick Shade, CAC, Ex-Officio

STAFF PRESENT

José Luis Obregón
Yvonne Seebach

ALTERNATES PRESENT

Alvin Gebhart
Avi Crane
Casimir Wytaniec
Ed Embly
John Lindstrom
Katie Wild
Nilda Mesistrano-Hyde

ALTERNATES ABSENT

Daniel Sanders
Elena Garcia
Jaime Johnson
Mike Parr
Pilar Charrada

OFFICIALLY PRESENT

Marlene Betts, USDA
Maureen Pello, USDA
Tom O'Brien, Counsel,
Val Weaver, HAB Administrator

GUESTS PRESENT

Adam Brohimer
Angela Fraser
Angelina Downing
April Aymami
Betty Bohrk
Connie Stukenberg
David Ruiz
Debbie Augustine
Diane Dreyer
Doug Koegeboehn
Gary Caloroso
Gary Woodworth
Gerald Mann
Jackie Bohmer
Jan DeLyser
Jeff Roberts
Jennifer Baker-Asiddao
Joe Charest
Julie Amos
Kari Bretschger
Ken Roberts
Kim Kurata
Laurie Hill
Linda Wild
Maggie Bezart
Marji Morrow
Ron Campbell
Steven Hattendorf
Steven Muro
Tom Bellamore
Troy Troxler
Wayne Brydon

CALL TO ORDER

Chairman Len Francis called the meeting to order at 10:04 am. The Chairman called roll and a quorum was established.

Introductions/ Announcements

The Chairman welcomed and/or introduced the following people: David Ruiz, MHAIA; Ron Campbell, MHAIA, Maggie Bezart, CAIA, new Chairman of MHAIA, Mike Browne, and Tom O'Brien, HAB's Legal Counsel.

AMS Marketing Specialist Reassignment

The Chairman recognized and expressed appreciation to outgoing HAB USDA-AMS Assistant Chief, Marlene Betts. The Chairman presented her with a plaque and HAB memorabilia. Ms. Betts took the microphone to convey her pleasure working with the Board. She then introduced new HAB

USDA-AMS Marketing Specialist Maureen Pello. Ms. Pello said a few words of introduction and provided some details about her previous board experience.

Minutes Approval

No corrections or amendments were made to the March 26, 2009 Minutes.

MOTION ***The Hass Avocado Board of Directors approves the March 26, 2009 Minutes as presented. (Figueroa/Markle) MSC***

FINANCE / ADMINISTRATION

2009 - Financial Update

HAB Finance Administrator Val Weaver provided a review of the Finance report.

A. 2009 Financial Report

- I. January 2009 – April 2009
 - Hass Volume = 359.8 MM lbs. --- up 63.5 MM lbs from the 296.3 MM lb. estimate.
 - HAB Revenues = \$9.0 MM dollars --- up \$1.6 MM from the \$7.4 MM estimate.
 - HAB Net Revenues = \$2.0 MM dollars --- up \$.9 MM from the \$1.2 MM estimate.

- II. January 2009 – December 2009
 - Hass Volume = 1.062 Billion lbs. --- up 150.3 MM lbs from the 912.0 MM lb. estimate.
 - HAB Revenues = \$26.6 MM dollars --- up \$3.8 MM from the \$22.8 MM estimate.
 - HAB Net Revenues = \$4.9 MM dollars --- up \$1.2 MM from the \$3.7 MM estimate.
 - HAB Reserves as of 12/31/09 = \$2.978 MM --- up \$1.188 MM from the \$1.790 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 April 2009 and grower data from California handlers through March 2009. Volume is spread by month based on estimated market trends as follows:

 - Hass volume projections for CY 2009 are 1.0623 billion lbs. --- up 68.4 MM lbs. from the March projection of 993.9 MM lbs.
 - Aggregate volume for CY 2009 is estimated at 1.1360 billion lbs. --- up 74.3 MM lbs. from the January projection of 1.0617 billion lbs.

- IV. Schedule of Cash & Investments as of April 30, 2009
 - a) Cash in Bank – Checking Account = \$163,444
 - b) Money Market/Institutional Funds = \$3,565,354
 - c) Investments = \$99,000
 - d) TOTAL CASH & INVESTMENTS = \$3,827,798**

- V. Statement of Net Assets, and Revenue & Expenditures as of April 30, 2009

- a) Total Assets = \$3,840,980
- b) Total Liabilities = \$42,371
- c) Total Net Assets = \$3,798,608 (Beg. N.A. of \$3,726,232 + \$72,376)
- d) Total Revenues = \$6,642,727
- e) Total Expenditures = \$6,570,351
- f) Excess of Revenues Over (Under) Expenditures = \$72,376

Finance Committee Report

Finance Committee Chairman and Treasurer Don Reeder began his report by summarizing the details of proposed Budget Amendment #2 and provided the committee recommendation and motion for Board approval.

MOTION ***The Hass Avocado Board of Directors approves Budget Amendment #2, which increases Total Expenditures by \$30,200 for a total of \$24,865,878, dated May 14, 2009. (Reeder/Roth) MSC***

HAB Employee Handbook

The Finance Committee Chair continued by reviewing the committee discussion about revisions to the Hass Avocado Board Employee Handbook that will align the sick and disability leaves, vacation accruals and paid time off with the USDA employee policies, as recommended by the Board at the March board meeting. The committee was satisfied with the proposed alignment. The Finance Committee Chair stated that some members of the committee expressed concern about the wording of the Alcohol policy. Only exception adding the bolded words as follows: (Section 22.3.2) “The following acts are prohibited and will result in discipline up to and including discharge **after review by the Executive Committee**”

MOTION ***The Hass Avocado Board of Directors approves the HAB Employee Handbook with the presented changes. (Reeder/Figueroa)MSC***

Letter of Engagement Approval: Customs Assessment Processing

The Finance Committee Chair provided an update of how the Finance Committee is not, at this time, recommending approval of the Letter of Engagement from Gelman and Associates for the Customs Assessment Processing. He explained that Managing Director Jose Luis Obregon found it difficult to secure CPA firms who were interested in submitting bids and that only two Requests For Proposals (RFP) were sent out. The Committee has asked Mr. Obregon to proceed with wider distribution of the RFP and to acquire no less than three qualified bids for the Customs Assessment Processing.

The Finance Committee Chair continued with his report indicating that the Finance Committee will be working to develop a Contract and Bidding policy (HAB does not currently have one). The first step will be that Mr. Obregon will contact other Federal Boards for information about their policies and provide recommendations to the Finance Committee.

CHAIRMAN’S REPORT

2009 HAB Election Update

The Chairman deferred to Mr. Obregon who provided a summary of nomination totals, reminded the group of the May 15 deadline and listed the names of nominees.

Relocation Committee Update

Relocation Committee Chairman Avi Crane thanked the Committee and provided a brief summary of the minutes and discussion:

- Outsource AR/AP/GL/ Customs Assessment, Mr. Obregon will put together RFPs
- Mr. Obregon is developing a job description to hire one full time Controller/Financial Manager
- Look for 1500-2000 square feet of office space in South Orange County, with no Board Room
- Implement 2-day board meetings-“roving” in various parts of the U.S., and possibly Mexico and Chile.
- Committee to meet early June to prepare recommendations for the July Board meeting

Chairman Francis appointed Board alternate Katie Wild to the Relocation Committee. He then informed the Board that it has been suggested that a formal motion be passed to confirm HAB separation from CAC. Discussion continued regarding the location of HAB offices and the 3rd employee.

Board member Ed Figueroa posed questions about the cost efficiency of having an office with a boardroom, compared to dealing with the expense of hotels, traveling, etc. Mr. Obregon said the Committee weighed out the options and the cost of paying for the extra square footage and setting up a Boardroom which is used only 6-7 times a year with. The Chairman clarified that discussion is about having the option of meeting elsewhere-whether roving or local and not locked into always having it at HAB offices. But others concurred with Mr. Figueroa’s concerns regarding cost.

Mike Browne, MHAIA Board Chairman remarked that HAB is becoming a “beacon of the future” in the Avocado industry and he believes that the Board needs to take a longer view as to where HAB is moving. He also affirmed MHAIA’s desire to continue to meet in HAB offices, adding that MHAIA is currently the largest HAB contributor. Mr. Browne conveyed his belief in the concept of having a community arena, and that the current board composition is primarily California-based stakeholders but the Committee needs to consider the broader stakeholders in the overall HAB relocation plan.

Board member Charley Wolk concurred with Mr. Browne’s comment and said the process needs to be “depersonalized” and planning must include HAB purposes in conjunction with the associations, and to be careful not to diminish the current collaborative progress the associations have begun.

Chairman Francis requested that Mr. Obregon (and the committee) review the numbers and provide comparative breakdown of relocation options. The Chairman ended the discussion by indication that much information had been provided to the committee that needs to be considered at their next meeting.

CAIA, MHAIA, and CAC Program Updates

In a letter sent in April to MHAIA, CAIA and CAC Board Chairs, Chairman Francis requested their marketing teams to present a quick overview of their upcoming activities at the May 14th HAB board meeting.

Maggie Bezart, CAIA Marketing Director, presented an overview of CAIA’s current marketing and promotion programs as did Jackie Bohmer, MHAIA Marketing Director, who introduced her program update saying that their goal is to change avocado non-users into users. Finally, Jan Delyser, CAC VP of Marketing, presented their strategy focused in the West in response to crop size and included current marketing initiatives and goals.

Mr. Browne expressed concern about redundancy in the three associations’ presentations and hoped that future efforts can be better coordinated-“less focus on branding and origin-more focus to

grow the category". Mr. Wolk encouraged future discussions about single-entity media buys as adding value to dollars. He proposed that HAB needs to focus on coordinating these efforts.

The CAIA, MHAIA, and CAC Program Update presentations are attached to the permanent copy of these Minutes and identified as Exhibit A.

MANAGING DIRECTOR'S REPORT

Fall Joint Promotion Presentation

Mr. Obregon reminded the Board of the motion that was made at the March 2009 Board meeting, in where he was directed to work with MHAIA to determine how to support their Fall Baseball promotion. He mentioned that after that meeting, CAIA leadership showed interest in participating in the program. He also mentioned that this would now become a HAB program that would be administered by HAB, CAIA and MHAIA. He went on to provide an overview of the Promotion strategy, purpose and tactics. He particularly focused on Turner media events and spots, indicating a greater overall impact and increased media buy with all associations providing funding.

He then explained that HAB will support the media buy by increasing its PR program and refocusing its retail-merchandising outreach. Ms. Bezart suggested that the message needs to get out to the trade element. Mr. Obregon then gave an overview of the estimated results, budget and funding sources

The Fall Joint Promotion Presentation is attached to the permanent copy of these Minutes and identified as Exhibit B

A motion was made to approve the \$1.030 million for the promotion activities. Board members discussed the merits of this promotion. Mr. Roth suggested that perhaps money would be better used "piggy-backing" on other associations programs and supporting those and that HAB may be moving ahead too quickly. Chairman Francis and board member Cavalletto disagreed, stating previous marketing committee meeting discussions called for the associations to jump in and work collaboratively, and this has been 6 years in coming.

Board member Ed Figueroa urged that this is the opportunity for HAB to fulfill its mission and take the next step. With increased fruit volume the promotional efforts need to match in order to insure that the fruit moves through the market.

MOTION *The Hass Avocado Board of Directors approves the \$1.030 million for the Fall Joint Promotional Activities and the projected budget that would also increase by that amount. (Donovan/Cavalletto) MSC*

ADJOURN FOR LUNCH

Chairman Francis adjourned the Board for lunch at 12:18 p.m.

Board reconvened at 12: 55 p.m.

Julie Upton Nutritionist (Via Videoconference) Update on Nutritional Research Program

Ms. Upton summarized findings from UC Davis researchers Drs. Keen and Zindenberg-Cherr. The first step to their study was to review every piece of scientific literature to see what's been published about Avocado research, which resulted in years of research statistics. Initial insights will be presented in a paper coming out the week May 18.

She reported that 80 Published studies were found, with numerous initial explorations into Avocado health claims area, but with no focus, resulting in large gaps. It became clear that more research in

specific area needs to happen in order to solidify any claims, and added that the Avocado industry is behind in this area, in comparison to other agricultural boards.

She suggested a possible focus on few key areas such as:

1. Absorption studies: currently several clinical trials being worked on that indicate Lutein may prevent prostate cancer
2. The cardiovascular benefits of unsaturated fats.

Ms. Upton concluded her update and indicated that Dr. Sheri Zidenberg-Cherr, of the UC Davis Center for Health & Nutritional Research will present their findings at the July 15th Board meeting.

Consumer Research Tracking Studies-Ken Roberts (Avocado Tracking Study-Spring 2009)

A report was given by Ken Roberts, Cooper Roberts Research on both the General Market and Hispanic Market tracking studies that were completed in February/ early March 2009

Mr. Roberts gave an overview of the survey results which covered purchasing habits, consumption frequency, demographic profile, usage patterns, and country-of-origin and taste expectations.

The Avocado Tracking Study is attached to the permanent copy of these Minutes and identified as Exhibit D

MANAGING DIRECTOR'S REPORT cont

2010 Planning

Mr. Obregon indicated that her will soon be drafting a planning assignment memorandum. He then proceeded with an overview of 2010 Planning schedule. He stated that a planning meeting will take place in June and he will be present a preliminary plan in July.

The 2010 Planning schedule is attached to the permanent copy of these Minutes and identified as Exhibit C

Chile Trip Report

Mr. Obregon summarized the objective for this trip and who he met with. He affirmed that he was well received by the industry and plans to make a similar trip to Mexico in June, and Texas soon afterwards. He pointed out that it was an excellent opportunity to connect with various groups, and provided the opportunity to discuss marketing coordination as well as joint promotional activities.

NEW BUSINESS

Chairman Francis asked HAB Legal Counsel Tom O'Brien to provide a short Washington DC update. Mr. O'Brien noted personnel changes in the USDA that would likely affect programs. He added that USDA-AMS may take a closer look and review of current programs, which could result in increased oversight.

-Mr. Wolk suggested that Mr. Obregon consider scheduling another visit to the Dominican Republic.

-Mike Browne brought up a concern on behalf of the MHAIA Finance Committee and Board with regards to the Hass Avocado Promotion Research and Information Act which prohibits the use of assessments for administrative costs. A discussion ensued about changing the Act so that rebate monies can be used for administrative costs. It was also brought up that HAB should look into or reimbursing the associations for their administrative costs.

Ms. Betts addressed the group regarding the procedural steps; HAB can request changes to the order and submit to USDA, who then forwards the request to the Secretary. After some discussion, it was clarified that although HAB can submit requests of this nature, is not allowed to lobby policymakers. Chief Counsel O'Brien added that once the request is submitted, it is the Secretary's discretion on what action is taken.

Mr. Browne commented that perhaps if it was in the Act for a reason, it may have outlived its usefulness and it was time to seek a change. Mr. Wolk indicated that the initial purpose of HAB was marketing development. When the initiative was submitted to the USDA-they were the ones who determined that the administrative fees would not be included, as they sought to ensure fairness among the associations. California has an assessment from the growers (aside from the HAB assessment) while other associations did not have that option.

Chairman Francis requested that Maureen Pello and Tom O'Brien research this issue and provide information to the Board. Ron Campbell of MHAIA encouraged the HAB to take a prominent position toward communicating their point of view with those in Washington DC. Ms. Pello suggested that HAB form a task force or steering committee to tackle this issue and reminded the group that the USDA will look for broad based consensus from stakeholders. Mr. Obregon will coordinate with Ms. Pello and Mr. O'Brien with regard to the next steps

PUBLIC COMMENT

None

ADJOURN

Chairman Francis adjourned the Hass Avocado Board 3:00 p.m. The next meeting will be held on Wednesday, July 15, 2009.

Respectfully submitted,

Yvonne Seebach

I certify that the above is a true and accurate statement of the May 14, 2009 Minutes approved by the HAB Board of Directors on July 15, 2009.

Giovanni Cavaletto, Hass Avocado Board Secretary