

**HASS AVOCADO BOARD
BOARD MEETING MINUTES
March 16, 2005**

A meeting of the Hass Avocado Board (HAB) was held on Wednesday, March 16, 2005 at the California Avocado Commission (CAC) office in Irvine, California, with the following people present:

MEMBERS PRESENT

Charley Wolk, Chairman
Len Francis, Vice Chair
Alva Snider, Secretary
Robert Bednar, Treasurer
George Barnes
Ed Figueroa
Bob Flack (alt.)
Dan McGrath (alt.)
Don Reeder
Donna Singmaster (alt.)
Scott McIntyre, ex-officio

MEMBERS ABSENT

Mark Borchard
Eric Crawford
James De Malo
Jim Finch

CAC STAFF PRESENT

Mark Affleck
David Anderson
Tom Bellamore
Betty Bohr
Sheila Carden
David Cruz
Jan DeLyser
Angela Fraser
Laurie Hill
CeCe Krumrine
Aria Lukman
Michelle Spelman
Connie Stukenberg
Val Weaver
Guy Witney

ALTERNATES PRESENT

Mike Browne
Giovanni Cavaletto
Ralph DeLeon
Paul Foley
Tom Markle
Robert Perry

ALTERNATES ABSENT

Luke Sears

OFFICIALLY PRESENT

Jack Abbot, Interactivate
Kari Bretschger,
Integrated MarketingWorks
Margaret Irby,
USDA/AMS
Peggy McCormick, MMM
Steven Muro,
Fusion Marketing
Kendra Peavy,
Integrated MarketingWorks
Gwen Peterson
Liz Wilkins,
Integrated MarketingWorks

GUESTS PRESENT

Justin Alcantara
Irene Cabanas
Ron Campbell
Joe Charest
Jose M. Carmona
Avi Crane
Barbara Davies
Kathleen DeFreitas
Angelina Downing
Diane Dreyer
Juanita Gaglio
Benjamin Grayeb
J. Jesus Lopez Herrera
Jaime Leon
Ohannes Karaoghlanian
Robin Osterhues
Tom Pecht
Bryn Punt
Jeffrey Shaw
Carol Steed
Jerome Stehly
Chris Tully

CALL TO ORDER

Mr. Charley Wolk called the meeting to order at 10:00 a.m. and a quorum was established.

Introductions/Announcements

No introductions or announcements.

MINUTES APPROVAL

No corrections or amendments were made to the January 19, 2005 Minutes.

MOTION: *The Hass Avocado Board (HAB) approves the January 19, 2005 HAB Meeting Minutes as presented. (Snider/Francis) MSC Unanimous*

ADMINISTRATION

Finance Committee Appointments

Mr. Wolk announced that he needed the Board's approval to appoint two new members to the Finance Committee—Mr. Paul Foley and Mr. Jim DeMalo.

MOTION: *The Hass Avocado Board of Directors approves the Finance Committee appointments as presented: Bob Bednar; Chairman, Jim DeMalo, Paul Foley and Alva Snider. (Bednar/Figueroa) MSC Unanimous*

CAC Contract Services/Fees

Mr. Bednar announced that Administrator Val Weaver conducted a review of the percentage of administrative time spent on CAC versus HAB. Ms. Weaver found that the secured fee from HAB is satisfactory. CAC believes they can do the job within the time/fees allowed. Assistance is needed with avoHQ.com and this topic will be addressed later in the meeting. Staff will keep records to use for review of rates at contract renewal.

FINANCE

Financial Report

November to February Highlights

Hass volume is higher at 252.1 million pounds, up 27.2 million pounds over the estimation of 224.8 million pounds. HAB revenues are higher at \$6.3 million, up \$700,000 over the estimation of \$5.6 million. HAB net revenues are higher at \$1.3 million, up \$300,000 over the estimation of \$1 million.

November 04 to October 05 Current Fiscal Year

Hass volume, revenues, net revenues and reserves are primarily higher for the year due to additional volume from California (48MM lbs.) and Chile (43MM lbs.).

Hass volume is 796.1 million pounds, up 89.6 million over the annual estimate of 706.5 million pounds. HAB revenues are at \$19.9 million, up \$2.2 million over the annual estimate of \$17.7 million. HAB net revenues are \$3.4 million, up \$500,000 over the annual estimate of \$2.8 million. HAB reserves are \$1.2 million, up \$600,000 over the annual estimate of \$600,000 dollars.

The Financial Report Highlights Page is attached to the permanent copy of these Minutes and identified as Exhibit A.

The Final 2004/05 Projected Volume and Financial Overview is attached to the permanent copy of these Minutes and identified as Exhibit B.

Advertising Insurance Update

Ms. Weaver announced that Brown & Brown has researched advertising insurance for HAB to purchase. This advertising insurance will cover HAB if a claim is filed against the Board over promotional messaging. The premium from the National Casualty Company, including website coverage, would be \$5,738. This policy would cover CAC and all programs they oversee. Price will be split, by HAB and CAC, with both paying \$2,900 each.

MOTION: *The Hass Avocado Board of Directors approves the purchase of \$1 million in advertising insurance coverage. (Bednar/Reeder)*
MSC Unanimous

The CAC Advertiser's Liability Policy is attached to the permanent copy of these Minutes and identified as Exhibit C.

CHAIRMAN'S REPORT

Mexico Summit Meeting

Mr. Wolk stated that the Mexico Summit Meeting was a success. HAB is getting to the point of a continued dialogue with participants by gathering CAC, HAB and MHAIA together and feels CAIA will eventually have the same dialogue with HAB. The whole program is moving forward, however, Mr. Wolk reminded Board members that they must be patient.

STRATEGY

Marketing

Vice President of Marketing, Jan DeLyser announced that President Affleck was named one of the top 25 leaders in the industry in the latest issue of *The Packer*. Ms. DeLyser commended him for his work and voiced how fortunate the organization is to have his leadership.

AvoHQ/NMC

Mr. Jack Abbott of Interactivate announced there have been 676 users to date on avoHQ.com and that there is an increase in usage across all sectors. Individuals can see archived information as well as the most recent programs and statistical data. Mr. Abbott also announced that the Network Marketing Center is now open five days a week, while avoHQ.com is available 24 hours, seven days a week, 365 days a year.

Mr. Abbott announced that the avocadocentral.com website gained over 12,500 new email subscribers and over 4.2 million impressions from allrecipes.com during Super Bowl. In addition, the St. Patrick's Day site garnered 1.8 million impressions.

Consumer Communications

Ms. Liz Wilkins of Integrated MarketingWorks announced that Super Bowl media outreach was a success with over 35 million media impressions. Ms. Wilkins also

announced the spring programs for HAB including Think Green, Easter/Spring, and Cinco de Mayo efforts. HAB will also be launching the new celebrity online effort at the International Association of Culinary Professionals in April.

Retail Trade

Mr. Steven Muro of Fusion Marketing announced the trade shows HAB is participating in and discussed the multiple collaborations going on with key organizations like Produce for Better Health, Ripe Audits and the Southeast Produce Council. HAB's merchandising team is also sponsoring Category Reviews and conducting Ripe Audits that help retailers build business. Mr. Muro also announced hits in key merchandising publications, including *Produce Merchandising* and *Fresh Digest* which focus on avocados and offer multiple page articles.

Foodservice

Ms. Peggy McCormick of MMM Marketing announced that a new avocado spring promotion with Aramark is underway and that JBX, a new Jack in the Box subsidiary, is continuing to expand their avocado menu items. Ms. McCormick shared additional information regarding HAB public relations efforts geared for Cinco de Mayo and announced that a new e-newsletter is scheduled for release this month. Also, a foodservice page is being added to avocadocentral.com.

Team Hass Unity

Ms. Kari Bretschger of Integrated MarketingWorks stated that the third Team Hass advertisement continues to run. She announced that the fourth installment will appear in May. Ms. Bretschger noted that media efforts launching avoHQ.com continue in key publications and that Phase II of media outreach for avoHQ.com is about to begin. HAB's *AvoAction* e-newsletter continues to update producers on the latest HAB marketing activities. Both the Annual Report and the Crisis Report were mailed to HAB members since the last meeting.

Mr. Affleck stated that providing these Rapid Reports is a new strategy to give the Board the most current information on the latest programs.

The HAB Marketing Report PowerPoint Presentation is attached to the permanent copy of these Minutes and identified as Exhibit D.

The HAB Marketing Program Report to the Board of Directors is attached to the permanent copy of these Minutes and identified as Exhibit E.

INFOTECH

Mr. Abbott announced that future enhancements are underway for avoHQ.com and introduced Gwen Peterson from Data Designers, who developed and helped implement CAC's Avocado Marketing, Research and Information Center (AMRIC) program, to present the upcoming changes. Ms. Peterson walked the Board through the upcoming changes that offer more raw data, additional time feature options and time segments. The information on avoHQ.com will be downloadable into Excel and will allow the user to create graph overlays. The Board stated that they were impressed with the changes.

Board discussion ensued regarding the accuracy of the information and the timeliness of the updates. It was announced that information is updated on a weekly basis and that this information comes from a variety of sources. Ms. Peterson announced that the objective is to continue to gather more information to enhance the site's usefulness.

State of the business

Mr. Affleck stated that his job is to create value. The steps to creating value began with creating the Hass Avocado Board and then having a vision and raising money to deploy an interactive program to link all participating organizations together. Now, HAB must decide how best to unify all groups and obtain users to receive input and improve the program.

Mr. Affleck stated that with the completion of the Network Marketing Center (NMC) and launch of AvoHQ.com late last year, the time is right now to acquire a full-time person who would be solely accountable for avoHQ.com and the NMC. This person would take the unified vision and promote it among stakeholders around the world. Mr. Affleck read from the Executive Recruiting Brief and reviewed the multiple functions and requirements of this position. The person will be bilingual, with a produce industry background and capable of travel in order to unify all participating organizations. He stated that staff's recommendation is to hire someone immediately, if the Board approves this action.

Board discussion ensued regarding the importance of this position in making avoHQ.com and the NMC a success.

Mr. Bednar stated that HAB has an increase of \$600,000 in reserves due to an increase in volume. This position is expected to cost approximately \$130,000 dollars, including moving costs and recruiting fees, for the remainder of the 2005 fiscal year and only \$130,000 for the following year.

Mr. Wolk stated that HAB needs to make the investment. The person would be hired as a CAC employee and HAB would pay all costs. He announced that he plans to form a search committee that includes both U.S. and offshore producers to help find the best representative.

MOTION: *The Hass Avocado Board (HAB) of Directors approves hiring a person, as a California Avocado Commission (CAC) employee, to fill the position as generally described in the Executive Recruiting Brief with HAB reimbursing all expenses to CAC. (Reeder/Bednar)*
MSC Unanimous

MOTION: *The Hass Avocado Board of Directors approves up to \$130,000 from Reserves to fund the position as generally described in the Executive Recruiting Brief for the fiscal year 2005. (Bednar/Figueroa)*
MSC Unanimous

VIDEOCONFERENCING/TELECONFERENCING - Postponed until after lunch.

ADJOURN FOR LUNCH

Chairman Wolk adjourned the Board for lunch at 11:45 a.m. and the Board reconvened at 12:30 p.m.

VIDEOCONFERENCING/TELECONFERENCING

Mr. Jack Abbott described the program plan that entails mid-level systems for video conferencing capabilities. The estimated costs for the system and training implementation are approximately \$10,000.

Mr. Bob Bednar, Chair of the Finance Committee, recommended the Board set aside \$40,000 for the implementation of this program. Board discussion ensued regarding HAB's plan to own the equipment, leasing opportunities by participating countries and distribution issues. Mr. Bellamore stated that to conduct a videoconference costs far less than telephone conferencing.

MOTION: *The Hass Avocado Board of Directors approves providing video conferencing support to producing/participating countries with assistance by staff. (Bednar/Snider) MSC Unanimous*

MOTION: *The Hass Avocado Board of Directors approves funding of up to \$40,000 from Reserves for the HAB videoconferencing equipment. (Bednar/Snider) MSC Unanimous*

ISSUES

Litigation Update

Mr. Bellamore stated there is no new news regarding litigation. All proceedings have been stayed until a U.S. Supreme Court decision on the Beef Case is handed down. Mr. Bellamore stated that the ruling will probably be announced in April or May 2005. Board discussion ensued regarding speculation of the outcome. Mr. Bellamore stated that legal issue centers on litigants not agreeing with marketing messages. Ms. Margaret Irby of USDA stated that seventeen national commodity programs currently exist.

Substantial Activity Definition

Ms. Irby stated that she anticipates publication of a decision on this subject within the next two to three weeks in the *Federal Register*.

Nomination Procedures

Mr. Bellamore stated that USDA approved HAB's nominating procedures with minor adjustments. The partial term for Alternate members who gain a seat due to a vacancy will be counted toward term limits if more than a year is remaining in their term. The USDA also approved the Bylaw change to move the election date to July 31.

Mr. Wolk announced that no alternate has been chosen yet due to the change in the Secretary of Agriculture.

Quality Task Force

Mr. Dana Thomas was not present. Mr. Wolk announced that Mr. Thomas continues to work on establishing an adhoc committee to review quality standards.

Strategy

Mr. Affleck passed out the Strategy 2005-06 packet to the Board and requested that they review the information. He stated that detailed reports will be mailed in late May or early June to Board members for review.

The 2005-06 HAB Strategy is attached to the permanent copy of these Minutes and identified as Exhibit F.

NEW BUSINESS

No new business.

ADJOURNMENT

The Board was adjourned at 1:30 p.m.

Respectfully submitted,

Kendra Peavy

I certify that the above is a true and accurate statement of the March 16, 2005 Minutes approved by the HAB Board of Directors on June 15, 2005.

Alva Snider, HAB Board Secretary