

HASS AVOCADO BOARD BOARD MEETING MINUTES October 20, 2004

A meeting of the Hass Avocado Board (HAB) was held on Wednesday, October 20, 2004 at the California Avocado Commission (CAC) office in Irvine, California, with the following people present:

MEMBERS PRESENT

Charley Wolk, Chairman
Scott McIntyre, Vice Chair
Alva Snider, Secretary
Robert Bednar, Treasurer
Mark Borchard
Eric Crawford
James DeMalo
Ed Figueroa
Jim Finch
Len Francis
Jerome Stehly, ex-officio

MEMBERS ABSENT

George Barnes

CAC STAFF PRESENT

Mark Affleck
Tom Bellamore
Betty Bohr
David Cruz
Jan DeLyser
Laurie Hill
Dave Howald
Michelle Spelman
Connie Stukenberg
Val Weaver
Guy Witney

ALTERNATES PRESENT

Giovanni Cavaletto
Paul Foley
Tom Markle
Don Reeder
Donna Singmaster

ALTERNATES ABSENT

Michael Browne
Ralph DeLeon
Bob Flack
Robert Perry
Dan McGrath
Luke Sears

OFFICIALLY PRESENT

Kari Bretschger,
Integrated Marketing Works
Morgan Brown, Interactivate
Irene Cabanas,
Integrated Marketing Works
Ethel Mitchell, USDA/AMS
Peggy McCormick, MMM
Steve Muro, Fusion Marketing
Jeanette O'Toole,
Integrated Marketing Works
Kendra Peavy,
Integrated Marketing Works

GUESTS PRESENT

Joe Charest
Avi Crane
Kathleen DeFreitas
Laura Eggering
Alejandro Gavito
J. Jesus Lopez Herrera
Susan Hughes
Paul Izenstark
Ohannes Karaoghlanian
Jaime Leon
Peggy McCormick
Steve Muro
Tom Pecht
Earl Rutz
Dana Thomas

CALL TO ORDER

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

Introductions/Announcements

Mr. Wolk introduced Señor Jesus Lopez and Señor Alejandro Gavito, representing the Mexican Hass Avocado Importers Association, as well as Mr. Henry Wazinsky and Mr. Anthony Allen from the Australian Avocado Board.

Minutes-Review/Approval

No corrections or amendments were made to the August 18, 2004 Minutes.

MOTION ***The Hass Avocado Board (HAB) approves the August 18, 2004 HAB Meeting Minutes as presented. (Snider/Finch) MSC Unanimous***

ADMINISTRATION

Hass Avocado Board (HAB) Administrator Tom Bellamore conducted the 2004-05 Executive Board nomination of Chairperson.

Election of Chairperson

Duties of the Chairperson were read from Article 4 of the HAB By-laws by Mr. Bellamore.

MOTION

Through a motion made by Mr. Francis, seconded by Mr. DeMalo, Mr. Charley Wolk was unanimously nominated as HAB Chairperson. Through a motion made by Mr. McIntyre, seconded by Mr. Crawford, nominations were unanimously closed. A motion to elect Mr. Wolk was made by Mr. Bednar, seconded by Mr. Finch, and a unanimous ballot was cast for Mr. Wolk to fill the HAB Chairperson seat for the 2004-05 season.

Mr. Bellamore then turned the meeting back to Mr. Wolk where he presided as Chairman. Chairman Wolk stated that he will continue to move HAB forward and mentioned that there is a great deal of work ahead to get the organization to realize its full potential.

Election of Vice Chairperson

Duties of the Vice Chairperson were read to the Board by Chairman Wolk.

MOTION

Through a motion made by Mr. McIntyre, seconded by Mr. Bednar, Mr. Francis was unanimously nominated as HAB Vice Chairperson. Through a motion made by Mr. Finch, seconded by Mr. Figueroa, nominations were unanimously closed. A motion to elect Mr. Francis was made by Mr. Bednar, seconded by Mr. DeMalo, and a unanimous ballot was cast for Mr. Francis to fill the HAB Vice Chairperson seat for the 2004-05 season.

Election of Secretary

Duties of the Secretary were read to the Board by Chairman Wolk.

MOTION

Through a motion made by Mr. Figueroa, seconded by Mr. Francis, Mr. Finch was nominated as HAB Secretary. Mr. Finch declined the nomination stating conflicting obligations.

Through a motion made by Mr. Francis, seconded by Mr. Borchard, Mr. Snider was unanimously nominated as HAB Secretary. A motion to elect Mr. Snider was made by Mr. Francis, seconded by Mr. Finch, and a unanimous ballot was cast for Mr. Snider to fill the HAB Secretary seat for the 2004-05 season.

Election of Treasurer

Duties of the Treasurer were read to the Board by Chairman Wolk.

MOTION

Through a motion made by Mr. Francis, seconded by Mr. McIntyre, Mr. Bednar was nominated unanimously as HAB Treasurer. A motion to elect Mr. Bednar was made by Mr. McIntyre, seconded by Mr. Figueroa, and a unanimous ballot was cast for Mr. Bednar to fill the HAB Treasurer seat for the 2004-05 season.

Committee Appointments

Chairman Wolk kept all committee appointments the same for the 2004-05 season, except for the Strategy Committee to which he appointed Mr. Francis to replace Mr. McIntyre.

Chairperson/Vice Chair/Secretary/Treasurer-Functions/Responsibilities

Chairman Wolk requested that the Board review the *Officer of the Board Functions/Responsibilities Draft* for approval at the January 2005 meeting.

The Officer of the Board Functions/Responsibilities Draft is attached to the permanent copy of these Minutes and identified as Exhibit A.

Mr. Bellamore announced that staggered appointments were made when the initial board was seated, with terms ranging from two years to four years. He noted the following terms will expire after the 2004-05 season:

Member seats - Barnes, Bednar, Finch, and Crawford
Alternate seats - DeLeon, Perry, Singmaster, and McGrath

A HAB Nomination Procedure draft has been developed and was distributed for Board review. The draft procedures presently allow HAB staff to conduct an election among importers and another one among domestic producers to arrive at two names for each open seat to be submitted to the Secretary. To ensure the credibility of the election process, an independent, outside accounting firm will be used to count ballots. The Board was asked to review the policy and give approval in January 2005.

The HAB Nomination Procedure Draft is attached to the permanent copy of these Minutes and identified as Exhibit B.

FINANCE

Bob Bednar, Finance Committee Chair, stated that a new financial summary has been added to the financial report.

Administrator Val Weaver reported that the current fiscal year numbers for Volume, Revenues, Net Revenues and Reserves are estimated higher. Hass Volume is estimated at 704 million pounds, up 51.9 million pounds over projection. HAB Revenues are estimated at \$17.6 million, up \$1.3 million over budget, and Net Revenues are estimated at \$3.4 million as of October 31, 2004, up \$.09 million over budget. HAB Reserves are estimated at \$2.3 million, up \$.09 million over budget. These increases are due to more Mexican and California fruit and a decrease in Chilean fruit.

The complete 2004 HAB Financial Overview is attached to the permanent copy of these Minutes and identified as Exhibit C.

The September 2004 HAB YTD Actual vs. Annual Budget Memorandum is attached to the permanent copy of these Minutes and identified as Exhibit D.

Fleishman/Audit—Billing Review/Update

HAB's relationship with Fleishman-Hillard (FH) was terminated due to concerns regarding over billing allegations that were made by the Los Angeles Department of Water and Power. The Board was concerned that FH would not be able to focus on HAB business while the firm is in litigation. An audit was conducted of all FH invoices. Chairman Wolk stated that it was crucial this audit take place to ensure that HAB was not being over charged.

Finance Committee Chair Bob Bednar reported that Conrad & Associates found that Fleishman-Hillard (FH) was sloppy in their billing to HAB. The net result was an over billing of \$710 in a program of \$455,000. The audit cost HAB approximately \$4,000 to conduct. The Board will continue to review existing vendors with audits conducted by Conrad & Associates to ensure correct billing. HAB will also ensure audit provisions in contracts with existing vendors.

The Independent Accountants' Report on Applying Agreed-Upon Procedures is attached to the permanent copy of these Minutes and identified as Exhibit E.

2004-05 Insurance Review/Renewal

Committee Chair Bednar reviewed the current insurance policies with the Board. Mr. Bednar reported that HAB is reviewing other coverage options like Terrorist and Advertising Insurance to ensure HAB is fully covered.

The Schedule of Insurance for HAB is attached to the permanent copy of these Minutes and identified as Exhibit F.

USDA Billing Review/Update

Mr. Bednar and Ms. Weaver are scheduled to review USDA/AMS billings invoiced to HAB October 27-28, 2004 in Washington D.C. They will review all expenses and supporting documentation being charged to the Board and will prepare a Summary Report of their findings at the next HAB meeting, scheduled for January 2005.

Treasurer Functions & Responsibilities/Review

HAB Treasurer Functions & Responsibilities have been developed and distributed to the Finance Committee and the Board. The Finance Committee reviewed the document and reported they found the document satisfactory. They recommended approval of the document after a review by the Board.

CHAIRMAN'S REPORT

PMA/Hass Producers & Importers Breakfast

The Produce Marketing Association (PMA) Conference provided the opportunity for representatives from all participating Hass organizations to have an informal breakfast meeting prior to the PMA Convention. Representatives from all Hass Marketing groups were invited: California Avocado Commission (CAC), Mexican Hass Avocado Importers Association (MHAIA), Chilean Avocado Importers Association (CAIA), Asociación de Productores y Empacadores Exportadores de Aguacate de Michoacán (APEAM), New Zealand (NZ), Dominican Republic (DR) and Comite de Palta. NZ and DR were unable to attend. The group had an open forum discussion of issues, concerns, and questions regarding the HAB program. Chairman Wolk confirmed that this event helped HAB achieve one of its original goals in establishing an open line of communication between organizations.

Kari Bretschger of Integrated MarketingWorks (IMW) presented a slide presentation with an overview of the topics discussed, including HAB strategy, industry challenges and the industry's future. CAC President Mark Affleck stated that this event was an historic moment in time with all boards in the same room at the same time sharing open dialogue with unified goals. It was reported that there was a strong spirit of cooperation among the group.

The PMA Breakfast Presentation is attached to the permanent copy of these Minutes and identified as Exhibit G.

Summit Meeting/Timeframe

Chairman Wolk reviewed next steps including a summit meeting of all associations in an effort to gain follow-up comments and continue to address challenges and opportunities. Board discussion ensued and it was determined that a meeting should take place when all participants have fruit in the marketplace. It was also suggested that it should happen soon to maintain the momentum of such a successful first meeting, and that the number of attendees at each event should remain small in an effort to maintain the intimacy and quality of information exchanged by the industry's leaders.

It was reported that videoconferencing capabilities may be available at future summits to allow for all of the participating representatives to attend.

In-Country Audits

Ms. Bretschger and Irene Cabanas of Integrated Marketing Work, along with Morgan Brown of Interactivate, presented a summary of the recently completed In-Country Technology Audits of Mexico, Dominican Republic, New Zealand, and Chile. The goal was to introduce AvoHQ to the other players and to assess their technical needs to bring it to fruition. The results of the In-Country Technical Audits are as follows:

Mexico

HAB representatives Chairman Wolk, Ms. Cabanas, and Mr. Peter Feldman of Interactivate met with over 20 representatives from MHAIA and APEAM. The Network Marketing Center (NMC) DVD and avoHQ.com were presented. Attendees were very interested in the program. During the technology audit, it was determined that an installation of an all-in-one portable conference unit would bring their technology capabilities to the necessary level in which to fully participate with the NMC. Tours of both groves and packinghouses took place.

Dominican Republic

Ms. Weaver, Ms. Cabanas and Mr. Feldman met with representatives of the Dominican Republic to share information on the NMC and avoHQ.com. The presentation offered an intimate meeting of three representatives from MACAPI Agrotovestal to review the HAB information. Those in attendance manage 95 percent of Hass production in the Dominican Republic. They were very interested in the HAB program. The technology audit found that, since their offices were in Santo Domingo, they could use an all-in-one portable local conference center or make use of the hotels that have videoconferencing capabilities. Grove tours took place.

New Zealand

Chairman Wolk, Ms. Bretschger and Mr. Feldman attended the New Zealand In-Country Audits. They presented the HAB program, NMC DVD and avoHQ.com that were very well received. The technology audit found that this group of importers has a very modern office, with a small conference room perfect for a permanent videoconferencing unit. The New Zealanders were very excited about the videoconferencing elements. In addition to the meeting, attendees were taken on a tour through groves and a packinghouse. A second day of meetings included over 65 attendees with whom the history of the HAB was reviewed, along with the NMC DVD and avoHQ.com.

Chile

Chile's meeting took place in Irvine at the NMC. Mr. Affleck, Ms. Bretschger and Mr. Feldman presented information to members from CAIA and the Comite de Paltas. The group reviewed the NMC DVD and avoHQ.com. The Chileans were moderately interested in videoconferencing technology. They have a spread-out system of offices in which a portable unit may not work. But they have high-speed access to the Internet and would be able to make use of avoHQ.com.

Overall

There is a willingness to participate from all sides and HAB will continue to follow up with the associations in an effort to generate more communication and sharing of information. All Countries have indicated a willingness to share their information. Initial investment of hardware to implement the technological changes was an issue of concern.

The In-Country Audit Presentation is attached to the permanent copy of these Minutes and identified as Exhibit G.

ADJOURN FOR LUNCH

Chairman Wolk adjourned the Board for lunch at 12:05 p.m. and the Board reconvened at 12:50 p.m.

ISSUES

Litigation Update

The U.S. Court of Appeals ruled on June 18, 2004 that the Hass Avocado Promotion, Research & Information Act does not require the importers to exhaust their administrative remedies before seeking judicial review. The Court of Appeals said, however, that the District Court judge could exercise her discretion and require exhaustion. It then remanded the case for further proceedings. On October 6, 2004, the District Court stayed all arguments until the Supreme Court makes a decision on the Beef Case. Oral arguments for the Beef Case are to take place December 8, 2004.

It is difficult to predict what the judges will rule regarding the Beef Case and how it will affect HAB. Most individuals believe that the judges will speak with clarity on the issue to avoid further litigation. But there are many arguments in which individuals can make their case based upon government speech, commercial speech or ideologically on First Amendment grounds. After the oral arguments for the Beef Case, HAB will have a better sense of what may come.

Quality Task Force

Mr. Dana Thomas gave a brief background on the Quality Task Force. The group reviewed several options to establish grades and standards for Hass avocados. The Quality Task Force believes the best plan of action is to implement a *voluntary* standard. This approach would mean that each organization would agree to live by these grades and standards. The USDA would then inspect Hass avocados against these grades and standards when requested.

Counsel in Washington D.C. has stated that the development of standards is not within HAB's jurisdiction. Thus, the Task Force must go to the producing country associations and ask each of them to appoint a representative and financial backing to form an ad-hoc, non-HAB committee.

Mr. Thomas stated that everyone has agreed with this approach, but felt that it was too soon to bring everyone together by the Board meeting date. Individuals from all associations are hoping to meet at the first of the year.

MARKETING

Marketing Program Update

The NMC was included in the Produce Marketing Association's (PMA) Convention Tour. Ms. Bretschger reported over 100 people participated in a tour of the AvoHQ headquarters. A brief overview was shown to the Board that included images of individuals participating in the event.

Consumer Communication

HAB teamed with spokesperson Tasha Noriega to promote avocados as the perfect ingredient for at home spa treatments. Media outreach extended to long-lead Latina magazines, Hispanic newspapers and television. Efforts resulted in over 4.8 million media impressions.

Avocadocentral.com features recipes, promotion information, nutrition benefits as well as information for the media in Spanish. The site is now live and will be expanded in 2005.

HAB's Public Relation's team partnered with *Associated Press* writer Joan Brunskill for a healthy and innovative fish taco recipe for celebrating Hispanic Heritage Month, September 15 to October 15. Brunskill's article featured the heart-health benefits of tilapia fish and avocados and to date has surfaced in over 120 print and Internet publications. Three recipes were also sent over Hispanic PR wire for additional coverage. The combined efforts have resulted in over 3.2 million media impressions to date. Additional clips are anticipated.

Trade Communication

Retail meetings and activities continued at a fast pace during the August to October period. Meetings with key retail produce personnel took place in several markets. Meetings focused on communicating the year-round, global supply of Hass avocados with the goal of building retail promotional confidence. Key accounts received updates on programs, resources, category management and best practices merchandising information.

The Kroger Data Lab project progressed with HAB's lead data analyst being trained by Kroger Corporate personnel to operate and utilize Kroger's internal Kroger Category Management System data warehouse.

HAB executed in-store merchandising audits for Albertsons divisions in Boston, Philadelphia, Chicago and Florida. The tabulated audits and findings were delivered to Albertsons Corporate personnel which is used to set market-level targets for percentages of avocado ripeness, size mix, display size, sales goals and other key measurements.

HAB and its core message of industry unity was featured in *The Packer* "Global Avocado Section." The lead article highlighted Hass avocado year-round availability with seamless supplies affording expanded promotional growth for category growth. This section also featured shipper/handler updates, crop information, and other important Hass avocado messages. Documents were also developed to communicate successes and key messages of the HAB at PMA.

Team Hass

Copies of the recently released HAB advertisements (Unity/Opportunity) were made available at PMA. Team Hass advertisements are receiving phenomenal retail support. The 365-days campaign is encouraging retailers to promote during non-traditional time periods and is building retail confidence for marketing 365 days a year.

Trade Relations—Foodservice

Several chains (California Pizza Kitchen, Pick-up Stix and Togo's) have added new Hass avocado menu items supported by merchandising programs. Other chains (Jack in the Box and El Pollo Loco) are in test or development with new applications.

A foodservice press kit and promotion guide were mailed to foodservice editors in January 2004. The HAB Foodservice Promotion Guide was completed and mailed to foodservice editors as well as distributed to foodservice chain accounts in July 2004.

HAB participated in several food services conferences, including the Menus 2004 Conference, the PMA Foodservice Conference and the Chain Leader Live Conference. Also the first e-newsletter was transmitted to 4435 foodservice operators in April 2004 in which it announced the formation of HAB, provided nutritional information about avocados and featured operators using avocados in new and unique ways. Team Hass ads are currently in all major restaurant news publications.

In-Country Audits

Materials were developed for the in-country audits including a bilingual fact sheet, the DVD and a registration card.

HAB successfully completed the in-country audits and is now able to provide recommendations for technology solutions to connect all associations. HAB also conducted the NMC Open House meetings.

Info-Tech

Info-Tech is almost complete with the development of several new items including 2004-05 planning calendars and the addition of the NMC DVD located on the site. The site will recognize individuals when they log-on and will offer weather alerts and have enhanced graph capabilities. Highlights of the site are being sent to pre-registered users. All materials created for the in-country audits are available on the site as well.

Marketing Plan Approval

Mr. Bellamore stated that USDA approved the Marketing Plan for the 2004-05 season.

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

The HAB Marketing Program Gross Impression is attached to the permanent copy of these Minutes and identified as Exhibit I.

ADJOURNMENT

There being no new business. Chairman Wolk adjourned the HAB meeting at 1:30 p.m.
The next meeting will be held on January 19, 2005.

Respectfully submitted,

Kendra Peavy

I certify that the above is a true and accurate statement of the October 20, 2004 Minutes approved by the HAB Board of Directors on January 19, 2005.

Alva Snider, HAB Board Secretary