

HASS AVOCADO BOARD BOARD MEETING MINUTES September 25, 2008

A meeting of the Hass Avocado Board (HAB) was held on Thursday, September 25, 2008 at HAB's headquarters in Irvine, California, with the following people present:

MEMBERS PRESENT

Len Francis, Chairman
Ed Figueroa, Secretary
Bob Bednar
Ben Drake
Alvin Gebhart (*Alt. Reeder*)
Jimmy Lotufo
Galen Newhouse
Katie Wild (*Alt. Roth*)
Charley Wolk

MEMBERS ABSENT

Avi Crane
Jim Donovan, Vice Chair
Tom Markle
Don Reeder, Treasurer
Ken Roth

STAFF PRESENT

Jose Luis Obregon,
HAB Managing Director

ALTERNATES PRESENT

Giovanni Cavaletto
Daniel Sanders
Nilda Mesistrano-Hyde

ALTERNATES ABSENT

Anat Ariav
Pilar Charrada
Elena Garcia
John Lindstrom
Bradley Miles
Luke Sears

OFFICIALLY PRESENT

Marlene Betts, USDA
Tom O'Brien, O'Brien D.C.
(*via teleconference*)
Rick Shade- (partial)
Ex-Officio CAC
Val Weaver,
HAB Administrator

GUESTS PRESENT

Jack Abbott
Amy Andrade
Jorge Aguilar
Jennifer Baker-Asiddao
Kelly Barnard
Zachary Benedict
Tom Bellamore (partial)
Maggie Bezart
Jackie Bohmer
Earl Bowerman
Ron Campbell
Jorge Covarrubias
Joe Charest
Jan DeLyser
Angelina Downing
Diane Dreyer
Stephen Eckel
Emiliano Escobedo
Xavier Equihua
Angela Fraser
Karen Gorrell
Laurie Hill
Dave Howald
Ohannes Karaoghlanian
Doug Koegeboehn
Kim Kurata
Jesus Lopez Herrera
Diana Mathias
Peggy McCormick
Marji Morrow
Steven Muro
Lori Small
Gwen Peterson
Sandra Wellhausen
Linda Wild
Sarah Williams

CALL TO ORDER

Chairman Len Francis called the meeting to order at 10:05 a.m. The Chairman took roll and a quorum was established. It was noted that Importer Alternate Luke Sears and Producer Alternate Anat Ariav will be resigning and an election announcement will be sent out to fill their vacant seats. Other vacant seats include the Producer Alternate seat vacated by Tom Markle who moved into the Producer seat upon the resignation of Charles Froehlich and the Importer Alternate seat vacated by Giovanni Cavaletto who has moved into the Importer Member seat.

Introductions / Announcements

Chairman Francis extended condolences from the Hass Avocado Board to Don Reeder and his family on the passing of Don's wife, Bonnie Reeder.

The Chairman announced guests in attendance: Jesus Lopez Herrera, Asociacion de Productores, Empacadores y Exportadores de Aguacate de Michoacan (APEAM); Emiliano Escobedo, (APEAM); Jackie Bohmer, Mexican Hass Avocado Importers Association (MHAIA); Ron Campbell, Executive Director (MHAIA); Xavier Equihua Executive Director, Chilean Avocado Importers Association (CAIA); Maggie Bezart, Marketing Director (CAIA); Jorge Covarrubias, Chairman (CAIA); and Marlene Betts, United States Department of Agriculture (USDA).

Minutes Approval

The Board reviewed the July 24, 2008 Minutes. No corrections or amendments were made and the following Motion was approved:

MOTION: *The Hass Avocado Board of Directors approves the July 24, 2008 Minutes as presented. (Drake/Figueroa) MSC*

CLOSED SESSION

The Chairman called for a Closed Session at 10:10 a.m.

OPEN SESSION

At 11:05 a.m. the Chairman reconvened the general session and announced that the Board discussed the Managing Director's annual performance.

ADMINISTRATION & FINANCE

Cash & Investment Audit Report

HAB Administrator Val Weaver reported that HAB had a surprise cash and investment audit conducted during the month of August. She introduced Audit Manager Matt Lenton of Mayer Hoffman McCann (MHM) who gave an overview on the findings of the audit. He reported that were performed that ensured the accuracy and timely reporting of cash and investments as of July 31, 2008. All records were in order and entries were properly recorded with no exceptions noted. Bank statements were properly reconciled and all records were identified with proper support. He also said that the online bank statements were reviewed by the auditors to insure their accuracy. Mr. Lenton noted that no unusual transactions were found and all investment instruments were held in accordance with HAB's policies and USDA guidelines.

MOTION: ***The Hass Avocado Board accepts the Independent Accountants' Report on Applying Agreed-Upon Procedures as presented. (Bednar/Lotufo) MSC***

The Independent Accountants' Report is attached to the permanent copy of these Minutes and identified as Exhibit A.

Nov-Dec. 2008 and CY 2009 Office of General Counsel / Memo of Understanding

Ms. Weaver outlined the first of five agreements that come up for renewal each year. The Office of General Counsel (OGC) Memorandum of Understanding (MOU) permits HAB to hire the services of outside legal counsel for routine business matters. After Board discussion the following motion was made:

MOTION: ***The Hass Avocado Board (HAB) approves extending the Memorandum of Understanding (MOU) between the HAB and the Office of General Counsel (OGC), United States Department of Agriculture, permitting HAB to hire outside legal counsel for the period of November – December 2008 and calendar year January 1 - December 31, 2009. (Drake/Figueroa) MSC***

The HAB MOU and OCG is attached to the permanent copy of these Minutes and identified as Exhibit B.

Nov-Dec. 2008 and CY 2009 Outside Legal Counsel Letter of Engagement

Ms. Weaver outlined the legal services that would be provided to the organization by Tom O'Brien pertaining to everyday HAB operations (i.e. contracts, rules, regulations, bylaws and being the liaison between HAB and OGC). She mentioned that Mr. O'Brien's hourly rates remain unchanged from the prior year. After Board discussion the following motion was made:

MOTION: ***The Hass Avocado Board (HAB) approves the Letters of Engagement for legal representation services to be provided by Tom O'Brien for the period of November – December 2008 and calendar year January 1 - December 31, 2009. (Drake/Lotufo) MSC***

The Letter of Engagement for Legal Representation is attached to the permanent copy of these Minutes and identified as Exhibit C.

Nov-Dec. 2008 and CY 2009 Auditing Services Letter of Engagement

Ms. Weaver outlined the services that would be provided to the organization by Mayer, Hoffman, McCann, an independent Certified Public Accounting firm. Services provided are the annual financial statement audit, surprise cash and investment audit, California handler audits, and the election process/audit. She mentioned that Mayer, Hoffman, McCann's hourly rates remain unchanged from the prior year. After Board discussion the following motion was made:

MOTION: *The Hass Avocado Board (HAB) approves the Letters of Engagement for the auditing services provided by Mayer, Hoffman, McCann P.C. for the period of November – December 2008 time period and for the 2009 calendar year. (Bednar/Lotufo) MSC*

The Letter of Engagement for Auditing Services is attached to the permanent copy of these Minutes and identified as Exhibit D.

Nov-Dec. 2008 and CY 2009 Administrative Services Agreement

Ms. Weaver outlined the administrative and accounting services that would be provided to the organization by the California Avocado Commission (CAC). She mentioned that Fixed Fees were increasing due to additional meetings and equipment expenses related to the hiring of the Managing Director but that the Administration/Accounting fees were decreasing due to the reduction of time/expense of the CAC President, CAC Sr. Vice President/Corporate Counsel and CAC staff. Overall there is a net decrease in the calendar year fees by \$27,362. After Board discussion the following motion was made:

MOTION: *The Hass Avocado Board (HAB) approves the Administrative Services Agreement between the HAB and the California Avocado Commission for the November – December 2008 time period and for the 2009 calendar year. (Figueroa/Bednar) MSC*

The Administrative Services Agreement is attached to the permanent copy of these Minutes and identified as Exhibit E.

Nov-Dec. 2008 and CY 2009 Program Services Agreement

Ms. Weaver outlined the marketing program services that would be provided to the organization by the California Avocado Commission (CAC). She mentioned that the 10% fee remains the same and is a very competitive rate in the marketplace (i.e. 15%+). After Board discussion the following motion was made:

MOTION: *The Hass Avocado Board (HAB) approves the Program Services Agreement between the HAB and the California Avocado Commission for the November – December 2008 time period and for the 2009 calendar year. (Drake/Gebhart) MSC*

The Program Services Agreement is attached to the permanent copy of these Minutes and identified as Exhibit F.

Ms. Weaver then continued with the financial update.

2007-08 Financial Report

Ms. Weaver reported that revenues were running ahead of budget for the year. She gave an overview of the current volume, revenues, net revenues and reserves as follows:

November 2007 – October 2008 (FY – Twelve Month Outlook)

Hass Volume = 949.8 MM lbs. --- up 20.8 MM lbs from the 929.0 MM lb. estimate.
HAB Revenues = \$23.7 MM dollars --- up \$.5 MM from the \$23.2 MM estimate.

HAB Net Revenues = \$5.0 MM dollars --- up \$1.3 MM from the \$3.7 MM estimate.
HAB Reserves as of 10/31/08 = \$3.1 MM --- up \$1.2 MM over the \$1.9 MM estimate.

She mentioned that HAB had sufficient funds and cash flow through the rest of the year to meet payable obligations and would end up with approximately \$3.1 MM in reserves.

U. S. Aggregate Volume by Month Fiscal Year 2007-08:

The U.S. aggregate volume outlook for FY 2007-08 for all varieties has been updated to reflect import data received from Customs through August 2008 and grower data from California handlers through July 2008. Volume is spread by month based on estimated market trends as follows:

U.S. aggregate volume of all varieties in the domestic market place is slightly lower by 3.0 MM lbs. and is now tracking at 1.0433 billion lbs. from the July 2008 estimate of 1.0463 billion lbs.

Balance Sheet, Revenue & Expenditures as of August 31, 2008

Ms. Weaver presented the following amounts:

- a) Total Assets = \$5,193,156
- b) Total Liabilities = \$27,233
- c) Total Net Assets = \$5,165,923 (Beg. N.A. of \$3,343,603 + \$1,822,320)
- d) Total Revenues = \$18,647,781
- e) Total Expenditures = \$16,825,464
- f) Excess of Revenues Over (Under) Expenditures = -\$1,822,317

Schedule of Cash & Investments as of August 31, 2008

- a) Cash in Bank – Checking Account = \$1,238,780
- b) Money Market Accounts = \$3,439,714
- c) Investments = \$496,000
- d) TOTAL CASH & INVESTMENTS = \$5,174,494

Nov.-Dec. 2008 and CY 2009 Administration Budget

Weaver reported that the Finance Committee reviewed the Administration Budget and the Committee consensus was to accept the budget as presented. The Chairman stated that the Administration Budget will be approved later in the day when the Board discusses the full operating budget.

2008-09 Revenue/Reserve Projections

Ms. Weaver presented a November – December 2008 outlook. She projected Hass avocado volume of 157 MM lbs., generating revenues of \$3,925,000 using 2.5 cents per lb., interest income of \$15,000, an operating expenditure budget of \$3,934,747, beginning reserves of \$3,200,000 and ending reserves of \$3,205,253. Cash flows showed sufficient funds to cover expenditures for the two-month period.

She then presented the calendar year (CY) outlook as follows: Hass avocado volume of 912.0 MM lbs., generating revenues of \$22,800,000 using 2.5 cents per lb., interest income of \$100,000, an operating expenditure budget of \$24,835,678, beginning reserves of \$3,200,000 and ending reserves of \$1,264,322. Cash flows showed sufficient funds to cover expenditures for the 12-month period.

The U. S. Aggregate Avocado Volume chart was reviewed which showed distribution by region, by month. Total volume for CY 2009 for all varieties is estimated at 973 MM lbs.

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

CHAIRMAN'S REPORT

Executive Committee Report

The Chairman reported that the Executive Committee met on September 9 and discussed the marketing programs and operating budget. After an in-depth discussion, the Executive Committee recommended that the Board approve the November-December 2008 and the CY 2009 Marketing Program business plan and Budgets.

He noted that they reviewed the Managing Director's performance and stated that the Board was in consensus on salary and benefits for him during the closed session. He also reported discussions regarding a new hire for Mr. Obregon which would be talked about later in the meeting.

The Chairman reported that he attended a Foodservice Program in Monterey and said he learned a lot about the HAB Foodservice Team. He noted that he was able to observe consumer responses and said that all of the comments received were positive regarding HAB recipes and information distributed. He concluded that the Foodservice Team is highly respected in the produce and foodservice industry.

2009 Meeting Dates

The Chairman stated that the proposed meeting dates for the next fiscal year were in the Board packets. Ms. Betts noted that November 13, 2008 was a concern as USDA will not be available to attend in person, but could attend via videoconference.

It was stated that the November 2008 meeting will seat the newly appointed members. The proposed dates for the 2009 HAB meeting schedule are as follows: January 22, March 26, May 14, July 15, September 24, and November 18.

The 2009 HAB Board Meeting Schedule is attached to the permanent copy of these Minutes and identified as Exhibit H.

Meeting Locations / Board Member Trips

It was mentioned that the Executive Committee investigated having HAB meetings offsite in other parts of the country. It was found that it would be a minimum of \$30,000 for the cost of airfares, lodging, meeting room, audio/video, and meals above current costs and therefore they decided it would be too costly. An alternative suggestion was to offer educational field trips to four members at a time to visit ports of entry and other pertinent locations relevant to the industry. The Chairman noted this would be a good way to inform members about the market and \$20,000 was added to the budget to cover this program. It was reiterated that there is value for the Board to see all the ports distribution systems and how they work.

There was consensus to move forward with small educational field trips including a recommendation to add to the HAB web site an area where the board can provide input about areas of the U.S. they would like to visit.

MOTION: *The Hass Avocado Board (HAB) approves group educational tours for Board Members for calendar year 2009. (Drake/Figueroa) MSC*

The Chairman stated that if a member were unable to attend, an alternate could go in the member's place. It was noted that if the overall budget were approved, this would be implemented.

ADJOURN FOR LUNCH

The Chairman adjourned the Board for lunch at 12:00 p.m. and reconvened at 1:00 p.m.

HAB Pension Plan

The Chairman continued his report by requesting Ms. Weaver to give an overview of the HAB Pension Plan. It was reported that the HAB Pension Plan is a defined contribution plan, called a profit sharing plan, where the HAB contribution is 10% of an employee's compensation.

Ms. Weaver reported that the Board approved establishing its own payroll and pension plan for its employees and the draft Pension Plan Summary had been distributed for review. The Gellar group was also approved by the Board to draft, administer, and act as the investment advisor of the Plan. She reviewed additional highlights of the Plan noting that employees must complete one year of service to be eligible for entry into the Plan. She pointed out that vesting in the Plan is tiered with 25% vesting after 3 years; 75% vesting after 4 years; and 100% vesting after 5 years service. She stated that the Managing Director's years of service with the California Avocado Commission will be counted in the HAB Plan. When HAB hired Mr. Obregon as their Managing Director last year, it made him ineligible to stay in the CAC pension plan and he had to forfeit the contribution that had been paid by HAB. Reimbursement of the amount forfeited is being evaluated to see how those funds can be placed in his HAB pension account.

The Trustees of the Plan are designated as the HAB Treasurer, the HAB Managing Director and the HAB Administrator. Ms. Weaver recommended that Counsel Tom O'Brien review the plan before it is signed.

Discussion ensued and the following motion was made:

MOTION: *The Hass Avocado Board (HAB) approves the HAB Profit Sharing Plan as presented with a contingency for final approval by Counsel Tom O'Brien. (Gebhart/Lotufo) MSC*

The 2009 HAB Profit Sharing Plan is attached to the permanent copy of these Minutes and identified as Exhibit I.

The Chairman brought up the discussion regarding the educational Board Member trips and asked the Board to consider Alternates having the opportunity to attend.

Alternate Katie Wild suggested that this opportunity should be open to Alternates as well and noted that they could write it off on their taxes as a business education expense. After further discussion the following motion was made:

MOTION: *The Hass Avocado Board agrees that Alternates can attend the educational field trips at HAB's expense. (Wolk/Figueroa) MSC 1 nay-Lotufu*

Mr. Obregon said the budget could be amended later if needed to accommodate the educational field trips. It was confirmed by the Chairman that spouses are not covered.

New Hire

The Board discussed the benefits of adding an administrative assistant for the Managing Director with compensation up to \$50,000/ year and offering basic health benefits.

MOTION: *The Hass Avocado Board approves proceeding with hiring an administrative assistant, with compensation rates to be reviewed in the market place. (Wolk/Drake) MSC*

Board discussion ensued. The Managing Director will research the prevailing rate in today's labor market in order to evaluate the compensation to be offered. The Finance Committee requested further details of the whole package that will be presented to a new hire.

A copy of the Administrative Assistant/Special Projects Coordinator Job Description is attached to the permanent copy of these Minutes and identified as Exhibit J.

MANAGING DIRECTOR'S REPORT

Marketing Committee Report

Mr. Obregon reported that the Marketing Committee met yesterday. He noted that originally they had recommended presenting two budgets and two plans. The Chairman, with support from the Executive Committee, suggested presenting only one plan. He stated that both the Marketing Committee and the Executive Committee recommended the current Marketing Program plan to the Board.

Obregon said that it was a very productive meeting with a lot of information sharing and communication.

Approve Assessment Rate

Board Discussion ensued and there was no recommendation to make a change to the assessment. It was agreed that all budgeting be based on the current 2.5 cents per pound assessment.

MOTION: *The Hass Avocado Board of Directors (HAB) approves the assessment rate of 2.5 cents per pound for period starting November 1, 2008 through December 31, 2009, with no change to the assessment on Lamb Hass variety avocados. (Drake/Newhouse) MSC*

Present / Approve 2009 HAB Marketing Program Business Plan

Mr. Obregon presented the Business Plan and noted that it had already been reviewed by the Executive Committee. He noted that during the planning period they came up with the strategic process of making Hass avocados a “must have” in America’s kitchens. He summarized the strategic frame and the input that came in developing the plan.

He expressed the importance of the inventory trend analysis and the focus periods, noting that the Marketing Committee recommended steering away from the holiday activities due to CAIA and MHAIA covering this time period while focusing on maximizing dollars being spent in the market.

He assured the Board that the combined marketing strategy will continue which complements the trade outreach, information technology and public relations.

He gave an overview of the Plan that covered the following areas:

- Consumer Communications
- Trade Outreach
- Industry Communications
- Data Research
- Information Technology.

Mr. Obregon mentioned there were discussions at the previous board meeting about reducing / eliminating the merchandiser program but realized that it was important to keep them in the field. In order to avoid confusion and to maintain separation from the CAC merchandiser team, Obregon stated that HAB will only have merchandising presence in the developing markets of the Northeast, Southeast and Midwest. It was mentioned that HAB will rely on CAC and CAIA merchandisers in the west to transmit HAB activities. On the other hand, HAB merchandisers will be available as a resource for all recognized associations.

The HAB Merchandisers will report directly to Mr. Obregon and he will travel with them to gain more knowledge on the program.

There was discussion to have HAB conduct nutritional research to benefit the category. Mr. Obregon pointed out that a budget item of \$135,000 is in place for long-term nutritional development, and the HAB will be seeking proposals to determine which studies may be the best.

The Chairman reiterated that there is a wealth of information on nutrition and HAB will seek out and determine which area of analysis should be studied.

It was suggested that all available research studies on avocado nutrition should be collected and reviewed so that HAB efforts are not duplicated.

Mr. Newhouse noted that MHAIA has discussed conducting research, but it was noted that HAB can take on that role for all of the associations. Currently MHAIA is doing research – seeking to find a health claim. If HAB will take the leadership role, all

associations can use the same information. Antioxidants were mentioned and how consumers thrive to find a food to provide that health benefit. It was suggested that just one message needs to be identified for consumer outreach on health claims.

Mr. Obregon continued in his summary with the integrated marketing campaigns.

He discussed budget variations 2009 vs. 2008 and gave a breakdown of each line item. He reminded the Board that the Budget included the cost of a new employee. He also stated that it had been reviewed by the Executive Committee and the Finance Committee and there was consensus to proceed as presented.

MOTION: The Hass Avocado Board of Directors (HAB) approves the 2009 Marketing Plan as presented. (Gebhart/Wolk) MSC roll call vote unanimous

A copy of the 2009 HAB Marketing Plan is attached to the permanent copy of these Minutes and identified as Exhibit K.

Present / Approve Nov.-Dec. 2008 and 2009 Budget

After discussions on the Budget, the following motions were made and passed by a unanimous vote:

MOTION: The Hass Avocado Board of Directors (HAB) approves the November – December 2008 Budget as presented with estimated revenues totaling \$3,940,000; expenditures totaling \$3,934,747; \$3,200,000 carried forward from 2007-08; and reserves at the end of the two-month period totaling \$3,205,253. (Drake/Newhouse) MSC

MOTION: The Hass Avocado Board of Directors (HAB) approves the 2009 calendar year (CY) Budget as presented with estimated revenues totaling \$22,900,000; expenditures totaling \$24,835,678; \$3,200,000 carried forward from 2008; and reserves at the end of the year totaling \$1,264,322. (Lotufo/Figueroa) MSC

The November-December 2008 and the Calendar Year 2009 Budget are attached to the permanent copy of these Minutes and identified as Exhibit L.

NEW BUSINESS

Marlene Betts, USDA announced the recent appointments from the USDA Secretary of Agriculture. She reported the newly appointed Commissioners and Alternates:

Producer Member Ken Roth and Alternate Katie Wild
Producer Member Ohannes Karaoghaninan and Alternate Ed Embly
Producer Member Ben Drake and Alternate Casimir Wytaniac
Importer Member Jim Donovan and Alternate Pilar Charrada
Importer Member Giovanni Cavaletto and Alternate Elena Garcia

Ms. Betts stated that they will be seated at the November 13 Board meeting with their 3-year terms continuing through 2011.

Ms. Betts also announced the new vacancies: Charles Froehlich Jr. resigned his Producer seat, moving his Alternate Tom Markle up to the Producer Member seat. Anat Ariav resigned her Producer Alternate position. The two vacant Producer Alternate seats terms expire October 31, 2009.

Importer Giovanni Cavaletto was appointed to an Importer Member seat, leaving his previous seat vacant, expiring October 31, 2010. Luke Sears resigned, with his Importer Alternate seat expiring October 31, 2009.

She noted that the HAB will be sending out vacancy notices in the next few weeks to seek nominations to fill seats by the January meeting.

Ms. Betts also reported that Bob Bednar has served his full term and that this would be his last meeting as a Producer Member.

PUBLIC COMMENT

There were no public comments.

ADJOURN

The Chairman adjourned the HAB meeting at 2:10 p.m. The next meeting will be held on Thursday, November 13, 2008.

Respectfully submitted,

Laurie Hill

I certify that the above is a true and accurate statement of the September 25, 2008 Minutes approved by the HAB Board of Directors on November 13, 2008.

HAB Board Secretary