

HASS AVOCADO BOARD BOARD MEETING MINUTES

A meeting of the Hass Avocado Board (HAB) was held on Thursday, June 24, 2010 at 230 Commerce, Ste. 190, Irvine, California, with the following people in attendance:

MEMBERS PRESENT

Jim Donovan
Giovanni Cavaletto
John Lindstrom
Ken Roth
Charley Wolk
Jamie Johnson
Ohannes Karaoghlanian

MEMBERS ABSENT

Don Reeder
Ed Figueroa
Jimmy Lotufo
Barry London

STAFF PRESENT

José Luis Obregón
Robert Rumph
Yvonne Seebach

ALTERNATES PRESENT

Alvin Gebhart
Casimir Wytaniec
Daniel Sanders
Ed Embly
Katie Wild
Scott Bauwens
Tom Sowden

ALTERNATES ABSENT

Emily Greenberg
Hugo Gonzalez

OFFICIALLY PRESENT

Maureen Pello, USDA
Matt Lenton, MHM
Tom O'Brien
Adolfo Ochagavia, Comité de
Paltas (via video conf)
Sonia Jimenez, USDA (via audio
conf)

GUESTS PRESENT

Angela Fraser
Angelina Downing
Aria Lukman
Diane Dreyer
Jennifer Baker-Asiddao
Jim McCormac
Kim Kurata
Marji Morrow
Mark Dreher
Ramiro Ortega
Ron Campbell (via audio conf)
Sandra Wellhausen
Sarah Williams
Shawn Miller
Steven Muro
Tom Bellamore

CALL TO ORDER- Jim Donovan, Chairman

Hass Avocado Board (HAB) Chairman Jim Donovan called the meeting to order at 10:08 am.

Establish Quorum

Mr. Donovan proceeded with roll call and established a quorum.

Approve January Minutes

No corrections or amendments were made to the April 8, 2010 Board meeting Minutes.

MOTION: *The Hass Avocado Board of Directors approves the April 8, 2010 Minutes as presented. (Karaoghlanian/Lindstrom) MSC*

Fill Vice Chair Seat and Vacancies

Mr. Donovan pointed out that two members expressed an interest in filling the Vice Chair seat, Ken Roth and Ohannes Karaoghlanian. He then gave them opportunity to address the membership and explain their interest in the position. Members requested that the vote be taken by closed ballot. Ballots were distributed, collected and counted. USDA representative Maureen Pello announced that ten votes were cast with seven (7) for Ken Roth and three (3) for Ohannes Karaoghlanian.

The Hass Avocado Board of Directors elects Ken Roth as Vice Chairman of the Board for 2009-10.

Mr. Donovan continued by opening up the meeting to anyone in the audience who was interested in fill one producer alternate or two importer alternate vacancies. There was no response and it was decided that HAB Managing Director, Jose Luis Obregon would send out a notice prior to the September board meeting, that anyone interested in filling a vacant seat should attend the meeting, or put their name forward before the meeting.

NEW BUSINESS

Mr. Obregon introduced USDA-AMS Research and Promotion Branch Chief Deputy Sonia Jimenez, who attended via conference call.

He then directed members to a copy of a letter (in their packet) that was sent to him on June 22 via email, from USDA-AMS Deputy Administrator Bob Keeney. Mr. Obregon proceeded with a summary of the letter's contents, stating that following a meeting with the Chilean Avocado Importers Association (CAIA), the USDA Office of General Counsel, initiated a change in the interpretation of Section 1205h(9)(B) of the Act and Section 1219.54(l) of the order, to redefine importer association membership.

Mr. Donovan explained that the reinterpretation, and resulting new policy, which the USDA is proposing, would have a direct impact on the assessments that HAB currently collects. Consequently, the assessments from non-members will cease coming to HAB and will go directly to CAIA and to the Mexican Hass Avocado Importers Association (MHAIA). It was clarified in the ensuing discussion that HAB's yearly budget is based on the 15% that is retained from the rebates and as the non-members monies vary year to year, it is not included in the HAB budget, but goes toward reserves and is typically used to augment marketing and promotions. The amount received from non-members is generally about 1.2 million per year.

Board member Charley Wolk voiced a concern that Mr. Keeney's letter clearly shows that USDA-AMS changed the policy without consulting or communicating with HAB in any way, until after the decision was made. He explained the reason "member" was chosen when the Act was written, and his belief that this reinterpretation would eliminate the opportunity for non-member importers to form their own associations. Mr. Wolk pointed out that the reinterpretation automatically makes them members of their country's current association, though there is a provision to opt out.

Mr. Wolk proposed three motions to initiate official action; to direct HAB general counsel Tom O'Brien to meet with Ken Vail at the USDA Office of General Counsel and discuss the rationale and process behind the policy decision and change; to send a HAB representative to meet with the USDA Undersecretary to appeal the decision and process of unilateral action by AMS without any HAB involvement; and finally, to send an official letter from the Board to Ken Vail at the USDA Office of General Counsel requesting an explanation of the process and rationale of how this decision was made.

This was followed by an extensive discussion with regard to the interpretation of Mr. Keeney's letter. The primary concern agreed upon is that the Board was not informed of the discussion that was going on between the USDA, OGC, and CAIA, prior to the decision.

MOTION: *The Hass Avocado Board of Directors approves directing HAB counsel Tom O'Brien to meet with Ken Vail at the USDA Office of General Counsel to discuss the rationale and process behind the policy decision and proposed change. (Wolk/Karaoghlanian) 5 Yes, 4 No, 1 Abstain, Cavaletto; Motion failed.*

(Bylaws require that motion must pass with more that 50% of members voting yes.)

MOTION: *The Hass Avocado Board of Directors approves sending an official letter to Ken Vail at the USDA Office of General Counsel, requesting an explanation of the process and rationale of how the decision to reinterpret Section 1205(h)(9)(B) of*

the Hass Avocado Promotion Research and Information Act and Section 1219.54(I) of the Hass Avocado Promotion Research and Information Order was made. (Wolk/Karaoghlanian) MSC

MOTION: ***The Hass Avocado Board of Directors approves arranging a meeting with the Undersecretary to formally appeal the process of unilateral action by the Office of General Counsel/AMS without informing the Board. (Wolk/Karaoghlanian). 5 Yes, 5 No, Motion did not pass.***

FINANCIAL REPORT – Rumph

Mr. Rumph provided an explanation about the absence of Board Treasurer Jimmy Lotufo and proceeded with the finance report.

Handler Audit Report - Matt Lenton, Mayer Hoffman McCann

Mr. Rumph introduced Matt Lenton, Manager with Mayer Hoffman McCann (MHM). Mr. Lenton gave a presentation of the Handler audit processes and procedures, and summarized the details of the audit findings with regard to the annual California Handler Assessment audit. He went on to provide an overview of the documents and samplings that were examined during the audit and then gave a summary of the results.

MOTION: ***The Hass Avocado Board accepts the Independent Accountants' Report on Applying Agreed-Upon Procedures for the Handler Assessment audit as presented. (Lindstrom/Wytaniec) MSC***

The Mayer Hoffman McCann of Handler Assessment Audit is attached to the permanent copy of these Minutes and identified as Exhibit A.

Financial Update

- 5 Months Ending May 2010 - Estimated
 - Hass Projected YTD Volume = 543.7 MM lbs. --- down 140.8 MM lbs from the 684.5 MM lb. estimate.
 - HAB Revenues = \$13.45 MM dollars --- down \$0.9 MM from the \$14.36 MM estimate.
 - HAB Net Revenues = \$2.87 MM dollars --- UP \$0.6 MM from the \$2.27 MM estimate.
 - HAB Reserves as of 5/31/10 = \$3.34 MM up 0.55 MM from the \$2.79 MM December 2009 ending amount.
- Schedule of Cash & Investments as of May 31, 2010
 - a) Cash in Bank – Checking Account = \$99,544
 - b) Investments = \$3,647,253
 - c) TOTAL CASH & INVESTMENTS = \$3,746,796
- Statement of Net Assets, Revenue & Expenditures as of May 31, 2010 - Estimated
 - a) Total Assets = \$6,340,883
 - b) Total Liabilities = \$3,000,042
 - c) Total Net Assets = \$3,340,841
 - d) Total Revenues = \$13,456,116
 - e) Total Expenditures = \$12,908,217
 - f) Excess of Revenues Over (Under) Expenditures = \$547,899

CHAIRMAN'S REPORT – Donovan
Report on Country Association Meeting

Mr. Donovan began with a report on a meeting he arranged in April with the following associations represented: Asociación de Productores y Empacadores Exportadores de Aguacate de Michoacán (APEAM), MHAIA, CAC, CAIA, Comité de Paltas and HAB.

The purpose of this meeting was to discuss common issues and goals and to promote dialogue between the stakeholders and gain their perspective on HAB's role.

The Associations were given opportunity to express their interests and concerns and the following items were brought up:

- Continuation of joint promotions
- Importance of coordinating messages and activities
- Independence from CAC (Program Management)
- All-inclusive membership to import associations
- The use of assessment funds for administration expenses
- Creation of a global "AMRIC"

Although consensus was not reached on all of the points, Mr. Donovan expressed that it was a valuable meeting and provided an opportunity for open communication among members.

HAB - CAC Marketing Contract Analysis

Mr. Obregon gave an overview and provided a context for the HAB-CAC contract analysis that he and Mr. Donovan had reviewed and decided to present to the board for discussion. He explained that the HAB Act mandates that HAB must use the California Avocado Commission (CAC) for marketing programs, but that it does not indicate a rate, scope, or depth of contracted services. He said that the current rate is 10% of HAB's annual marketing budget. CAC President Tom Bellmore addressed the board, saying that it was disconcerting to him and to the Commission when he opened the Board packet, and saw what he believes is inaccurate information, without being formally approached with the information prior to the meeting. Mr. Donovan and Mr. Obregon affirmed that their primary intent in providing this data, which was supplied by CAC, was to open up the subject to discussion prior to contract planning in the fall. Board member Ohannes Karaoghlanian said that he felt the data and numbers were incorrect and proposed that the pages be removed from the meeting record until there was further inquiry into their accuracy.

Board member Al Gebhart said he believed the contract analysis holds validity and warranted further exploration and discussion to determine what, if any, action needed to be taken.

Two motions were put forth.

MOTION: *The Hass Avocado Board of Directors approves further exploring the HAB-CAC Marketing Contract Analysis to determine what board direction needs to be taken. (Gebhart/Cavaletto)MSC*

MOTION: *The Hass Avocado Board of Directors approves removing the HAB-CAC Marketing Contract Analysis pages 17 and 18 from the Board packet. (Karaoghlanian/Roth) 5 yes, 5 no. Motion did not pass.*

HAB Organizational Structure Evaluation Update

Mr. Donovan told members that four compensation/organizational design companies had submitted proposals in response to a "Request-for-Proposals" which was distributed. He went on to say that the Executive committee will make a selection and proceed with the evaluation. He plans to have the report for the Board at the September meeting.

Election Update

Deadline for votes is June 30. MHM will tally and send the final count to HAB, typically mid-July. Mr. Obregon will then forward the results to the USDA and to the Board.

ADJOURN FOR LUNCH-Chairman Donovan adjourned the meeting for lunch at 12:30

RECONVENE-The Chairman reconvened the meeting at 1:10 pm

COMMITTEE REPORTS

Marketing – Cavaletto

Marketing Committee Chair Giovanni Cavaletto informed the Board about a committee meeting that he recently had via conference call in his office. He said the primary discussion was in relation to joint promotions, but that they also discussed:

- The need for improved long term planning
- Developing a 3-year plan in order to be more proactive in the future
- Establishing quarterly marketing meetings

Mr. Donovan, who also participated in the meeting, added there was agreement that the marketing direction for HAB needed to have more of an “umbrella effect” among the associations, with a lesser amount of last minute planning. Mr. Obregon said committee members agree that there needs to be a clearer definition of HAB’s role.

Nutrition – Wolk

Mr. Wolk gave a brief summary of the committee’s activities in working toward finalizing the research projects.

Mr. Wolk presented three motions recommended by the Nutrition Committee: approval of Phase 1 of the nutrition research projects, approval of the research-funding calendar along with a budget amendment for \$107,633, and to approve using \$23,600 from reserves to begin for Phase 2 planning.

MOTION: *The Hass Avocado Board of Directors approves proceeding with Phase 1 of HAB’s nutritional research program which consists of studies in Heart Health at The Pennsylvania State University, Healthy Living at The Ohio State University and Diabetes and Weight Management at Loma Linda University. (Wolk/Lindstrom) MSC*

MOTION: *The Hass Avocado Board of Directors approves the financial calendar as presented, support of Phase 1 of HAB’s nutritional research program, and a Budget Amendment for \$107,633 to cover the 2010 shortfall in Phase 1 of HAB’s nutritional research program. (Wolk/ Karaoghlanian) MSC*

MOTION: *The Hass Avocado Board of Directors approves that staff request a proposal from Foodminds for Phase 2 planning of HAB’s nutritional research program at a cost of \$23,600. (Wolk/Karaoghlanian)MSC*

MANAGING DIRECTOR’S REPORT – Obregón

Update on Fall Promotions

Mr. Obregon reviewed the discussion and funds approval that took place at the April board meeting with regard to a proposed fall joint promotion. He confirmed that the general response from the associations was positive and that the plan is for a total media of buy of \$1.5 million, with commitments from CAIA for \$200,000 and CAC for \$300,000, and the remainder from HAB. He showed the Board a draft of the kick-off sell-sheets that gave examples of the various promotion activities.

New Logo Presentation

Mr. Obregon summarized the objectives and steps that were taken in developing the new consumer logo. He then presented the final logo options to the Board.

Following a lively discussion, the board decided that the staff in and agency would make the final decision on the new logo.

2011 Planning Timeline/Review 2011 Strategic Frame

Mr. Obregon gave a broad presentation of the 2011 proposed strategic framework, general budget parameters and planning timeline, indicating that he wanted to focus on three main objectives: promotions, research and information. He pointed out that he will be conducting stakeholder outreach during the coming months as a way to obtain input for the development of the 2011 Business Plan.

The 2011 Proposed Strategic Framework and 2011 planning timeline is attached to the permanent copy of these Minutes and identified as Exhibit B.

PUBLIC COMMENT

There were no public comments,

ADJOURN

Chairman Donovan adjourned the meeting at 2:20 pm.

The next meeting will be held on Thursday, September 23 2010.

Respectfully submitted,

Yvonne Seebach

I certify that the above is a true and accurate statement of the June 24, 2010 Minutes approved by the HAB Board of Directors on _____

Giovanni Cavaletto (for Hass Avocado Board Secretary, Ed Figueroa)