

HASS AVOCADO BOARD
BOARD MEETING MINUTES

January 16, 2008

A meeting of the Hass Avocado Board (HAB) was held on Wednesday, January 16, 2008 at HAB's headquarters in Irvine, California, with the following people present:

MEMBERS PRESENT

Len Francis, Chairman
Jim Donovan, Vice Chair
Ed Figueroa, Secretary
Don Reeder, Treasurer
Bob Bednar
Avi Crane
Charles Froehlich, Jr.
Jimmy Lotufo
Bradley Miles (*alt. Drake*)
Galen Newhouse
Ken Roth
Charley Wolk

Rick Shade, *CAC ex-officio*

MEMBERS ABSENT

Ben Drake

STAFF PRESENT

Jose Luis Obregón, HAB
Managing Director
Val Weaver, HAB Administrator

ALTERNATES

PRESENT

Anat Ariav
Giovanni Cavaletto
Pilar Charrada
Elena Garcia
Alvin Gebhart
John Lindstrom
Tom Markle
Nilda Mesistrano-Hyde
Daniel Sanders

ALTERNATES ABSENT

Luke Sears

OFFICIALLY PRESENT

Marlene Betts, USDA
Mark Bernheimer
Ron Campbell
Xavier Equihua

GUESTS PRESENT

Megan Abbott
David Anderson
Jennifer Baker-Asiddao
Tom Bellamore
Zachary Benedict
Maggie Bezart
Art Bliss
Betty Bohrk
Earl Bowerman
Adam Brohimer
Wayne Brydon
Sheila Carden
Juan Pablo Cerda
Jorge Covarrubias

Justin Cato
Joe Charest
Jan DeLyser
Diane Dreyer
Angela Fraser
Fred Grether
Laurie Hill
Dave Howald
Ohannes Karaoghlanian
Doug Koegeboehn
Cece Krumrine
Kim Kurata
Peggy McCormick
Dale McNiel
Marji Morrow
Steven Muro
Michael Parr
Tom Pecht
Joel Perler
Gwen Peterson
Sean Pirtle
Lori Small
Connie Stukenberg
Juan Ruiz-Tagle
Sandra Wellhausen
Mark Weinfeld
Katie Wild
Linda Wild
Guy Witney
Pamela Wolk

CALL TO ORDER

Chairman Len Francis called the meeting to order at 9:35 a.m. Roll call was delayed in order to provide a special presentation.

Introductions / Announcements

The Chairman introduced representatives from other avocado associations: Ron Campbell, Executive Director from the Mexican Hass Avocado Import Association (MHAIA), and Rick Shade, California Avocado Commission (CAC) Chairman and HAB ex-officio member. HAB's managing director Jose Luis Obregón introduced Juan Ruiz-Tagle, Chairman of Comite de Paltas Chile, Jorge Covarrubias, Chairman of the Chilean Avocado Importers Association (CAIA), Xavier Equihua, Executive Director, CAIA; Maggie Bezart, Marketing Director, CAIA and Juan Pablo Cerda, Comite de Paltas Chile.

The Chairman turned the meeting over to Mark Affleck for a special presentation for Charley Wolk, HAB's immediate past-chair. Mr. Affleck presented a special tribute video to honor Mr. Wolk for his service and dedication to the Hass Avocado Board since its inception in 2003. Mr. Wolk gave recognition to the board and thanked the staff for their support throughout the years.

The Chairman thanked Mr. Wolk and reminded the attendees that he will continue serving as a director on the board and on the HAB Executive Committee.

Roll Call

The Chairman took roll and a quorum was established. He noted that Antonio Villasenor, ex officio from MHAIA was not in attendance.

Minutes Approval

The board reviewed the November 28, 2007 minutes. No corrections or amendments were made and the Chairman declared the minutes approved as submitted.

ADMINISTRATION

Producer Alternate Seat Vacancy

The Chairman read a list of names of those who had shown interest in the open seat. He stated that two names were to be selected to be sent to USDA for final appointment by the Secretary of Agriculture.

Several of the candidates were in attendance and stood before the board to share their qualification statements and why they would like to serve on the board.

Director Don Reeder asked for a board vote to support Art Bliss and Director Ken Roth asked for a board vote to support Katie Wild. The Chairman took a roll-call vote. The first two candidates, Katie Wild and Art Bliss, each received a greater than majority vote, which meant that no other candidate could receive votes as high as these, no further votes were necessary. With a result of 10 votes for Ms. Wild and 11 votes for Mr. Bliss, the Chairman stated that due to majority vote, no other candidates would be considered. He congratulated Mr. Bliss and Ms. Wild.

Committee Appointments

Marketing Committee: The Chairman moved this discussion to later in the meeting.

Strategy Committee: Strategy Committee Chairman Jim Donovan gave the names of the other members that the HAB Chairman had appointed to serve on the committee: John Carroll, Manuel Castillo, Jorge Covarrubias, Len Francis, Ed Figueroa, Adrian Iturbide, Rick Shade, Dana Thomas, Charley Wolk and Don Reeder.

MOTION: ***The Hass Avocado Board of Directors approves the Strategy Committee appointments as presented: Jim Donovan; Chairman, John Carroll, Manuel Castillo, Jorge Covarrubias, Len Francis, Ed Figueroa, Adrian Iturbide, Rick Shade, Dana Thomas, Charley Wolk and Don Reeder. (Froehlich/Reeder) MSC Unanimous***

The HAB Chairman mentioned that many representatives attended the Strategy Committee meeting and thanked those who were willing to serve.

Finance Committee: Finance Committee Chairman Don Reeder announced the members of those who accepted their appointment by the HAB Chairman to serve: Jim Donovan, Ben Drake, Elena Garcia and Ken Roth.

MOTION: ***The Hass Avocado Board of Directors approves the Finance Committee appointments as presented: Don Reeder; Chairman, Jim Donovan, Ben Drake, Elena Garcia and Ken Roth. (Donovan/Lotufu) MSC Unanimous***

2008 HAB Board Schedule

The Chairman stated that at a meeting of the Executive Committee in December, it was proposed to add another meeting to the schedule and to move the Board meetings to the fourth week of the month. The tentative meeting dates for the Board to approve were: November 28, 2007, January 16, 2008, March 19, 2008, May 22, 2008, July 24, 2008 and September 25, 2008.

With there being no disagreement on the proposed 2007-08 Hass Avocado Board meeting schedule, the Chairman declared it approved as submitted.

The 2007-08 HAB Board Schedule chart is attached to the permanent copy of these Minutes and identified as Exhibit A.

FINANCE / ADMINISTRATION

2007 Financial Statement/Audit Report

HAB Administrator Val Weaver reported that the October 31, 2007 year-end financial statements have been finalized and audited by the independent accounting firm of Mayer Hoffman McCann. Ms. Weaver introduced CPA's Mike Harrison, Partner, and Ron Lopez, Manager of the Audit from Mayer Hoffman McCann. Mr. Harrison reviewed the

Independent Auditors' Report, Management's Discussion and Analysis and Basic Financial Statements. He explained that management was cooperative and made available all financial records and related data. The audit was performed in accordance with Government Auditing Standards, which was required by the U.S. Department of Agriculture. Financial highlights include \$5.2 million in total assets, \$1.9 million in total liabilities and 3.3 million in net assets, an increase of \$902,534 from 2006. Mr. Harrison announced that he communicated the audit report to the Finance Committee, at which time they reviewed and asked questions about the audit and financial statements. Mr. Harrison announced that an unqualified or "clean" audit opinion was given on the financial statements and that there were no weaknesses or compliance issues found during the HAB audit. After discussion, the following motion was made:

MOTION: *The Hass Avocado Board of Directors accepts the audited Financial Statements and Independent Auditors' Report for year-end October 31, 2007 as presented. (Reeder/Crane) MSC Unanimous*

Mr. Harrison mentioned that auditing standards have changed and they are recommending that several policies and procedures be developed over the next year to formalize policies and procedures as follows: Develop an Ethics Policy, Develop Accounting Policies, and have the Finance Committee review the Investment Policy annually. The board directed staff to move forward with the recommended policies and procedures.

The complete HAB Basic Financial Statements are attached to the permanent copy of these Minutes and identified as Exhibit B.

2007 Final Financial Statistics

- Final Hass avocado volume for the year November 2006 – October 2007 was 968.9 MM lbs. --- down 19.5 MM lbs. from the original projection of 988.4 MM lbs. Prior year was 971.6 MM lbs.
- Total Revenue was \$24.2 MM --- down \$.5 MM from the original estimate of \$24.7 MM.
- Net Revenue, after Rebates, was \$5.7 MM --- up \$1.8 MM over the original estimate of \$3.9 MM.

2006/07 FY U. S. Aggregate Avocado Volume

Final Hass aggregate avocado volume in the U.S., for FY 2006-07, ended the year at a record high of 1.0550 billion lbs., up 14.6 MM lbs. over the prior year of 1.0404 billion lbs. which was the last historic record. Hass volume totaled 968.9 MM lbs., down 2.7 MM lbs. from the prior year record high of 971.6 MM lbs.

November 1 to December 31, 2007

- Hass Volume = 143.9 MM lbs --- up 17.4 MM lbs from the 126.5 MM lb. estimate.

- HAB Revenues = \$3.6 MM dollars --- up \$.4 MM dollars from the \$3.2 MM dollar estimate.
- HAB Net Revenues = \$1.1 MM dollars --- up \$.5 MM from the \$.6 MM dollar estimate.
- HAB Reserves as of 10/31/08 = \$2.5 MM dollars --- up \$1.78 MM dollars over the \$.7 MM dollar projection due to an \$1.14 MM increase in beginning reserves and a \$.64 MM increase in Net Revenues.

Schedule of Investments

As of December 31, 2007, HAB has five Certificates of Deposits with a market value of \$496,000 and yielding between 4.85% - 5.47%.

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

2008 Schedule of Insurance

HAB's business insurance coverage for fiscal year 11/1/07 – 10/31/08 has been distributed to the board. Ms. Weaver mentioned that the Finance Committee had reviewed the coverage and had directed staff to receive quotes for increasing the deductible on HAB's crime coverage and adding an advertising coverage policy. She reported that insurance premiums total \$25,343, which is a slight increase of \$2,179 over the \$23,164 premium from the previous year.

The HAB Schedule of Investments is attached to the permanent copy of these Minutes and identified as Exhibit D.

CHAIRMAN'S REPORT

Executive Committee Meetings

Chairman Francis reported that two Executive Committee meetings have been held since last November. The first one was immediately after the November 28, 2007 Board meeting and again on December 12, 2007. He noted that the urgency to hold the November Executive Committee was to appoint members to the Strategy Committee; with Jim Donovan being Chair of that Committee. The Chairman outlined the Executive Committee minutes and read from the Order to remind the board of their responsibilities.

Strategy Committee Meeting

This was moved to later in the meeting

Uruapan Trip Report

The Chairman reported that he had just finished his first trip as HAB's chairman to Michoacan Mexico. He mentioned that during the trip he met with leaders from the Asociacion de Productores, Empacadores y Exportadores de Aguacate de Michoacan (APEAM) and MHAIA and reported that the main purpose of the trip was to acknowledge the importance of the Mexican industry and to invite their leaders to continue with open lines of communication with HAB. He stated that he and Mr. Obregón toured various packing houses and avocado orchards and that he was very impressed with all the protocols that are in place.

MEDIA TRAINING PRESENTATION

Mark Bernheimer, MediaWorks gave an overview of the media training that he recently conducted for several board members. He announced that he was a former CNN reporter. His career later transformed into helping professionals prepare for media interviews. He provided a presentation that covered some of the topics that are taught in his training sessions.

Bernheimer covered the two main objectives that should be accomplished in an interview:

1. Satisfy your own objectives: *getting your message across*
2. Help the reporter satisfy his/hers

A copy of the Media Training Presentation is attached to the permanent copy of these Minutes and identified as Exhibit E.

Strategy Committee (continued from earlier)

Strategy Committee Chairman Jim Donovan gave a summary of yesterday's Strategy meeting. He reported that nearly 20 guests representing California and all countries that send fruit to the US were in attendance and that discussions were on long-term strategy of where HAB is today and its future. Mr. Donovan said that he asked them to share the top issues that are a concern for each association.

Donovan recapped the 6 main issues that were discussed:

- Use of rebate money for administrative costs by HAB recognized associations
- Separation of HAB from CAC
- Equal representation at the Board
- Potential to change rules about membership for HAB recognized associations
- Assessment amount
- Referendum Equivalency

It was stated that all of these changes require changes to the Hass Avocado Promotion, Research and Information Act. USDA representative Marlene Betts cautioned the board to be careful in moving forward. She stated that USDA cannot change the law or the Act and reminded the Board that it is prohibited from influencing government or legislative action. Ms. Betts read some of the rules and regulations.

She noted that the Hass Avocado Board cannot take further steps to make these changes and should remain neutral, but suggested that individual associations such as Comite de Paltas from Chile, APEAM from Mexico, and CAC could use their own funds to lobby for these changes.

It was concluded that while HAB could discuss these issues, they could not take action or position. It was also recommended that since there are multitude of opinions, USDA's Office of General Council should specify what HAB can or cannot do regarding these changes.

Mr. Donovan stated that the Strategy Committee made two motions to be presented for board consideration:

1. To restructure the HAB Marketing Committee in order to create synergy and efficiencies in the marketing plans of all recognized associations.
2. For HAB to develop an informational paper laying out the 6 proposals by Mexico and Chile and distribute them to APEAM, Comite de Palta and CAC for discussion by their boards with a response due back by the March 2008 board meeting.

Mr. Obregón stated that one of the objectives of restructuring the Marketing Committee was to make it more operational and recommended that its members should be marketing professionals from APEAM, CAIA, MHAIA and CAC. After some discussion, the board agreed on restructuring the Marketing Committee and Chairman Francis appointed Mr. Obregón to be its Chairman.

The board also reached consensus on the development of the informational paper and agreed that it should also be distributed to the HAB Board of Directors.

ADJOURN FOR LUNCH

The Chairman adjourned the board for lunch at 12:08 p.m. The board reconvened at 12:55 p.m.

STRATEGY

2008/2009 Planning Schedule Changes

Mr. Obregón reviewed a timeline for the 2008-09 HAB Business plan. He said that due to the new meeting schedule, planning has to start sooner than usual to meet all of the deadlines for USDA submission.

A copy of the 2008-09 Planning Schedule is attached to the permanent copy of these Minutes and identified as Exhibit F.

MARCOM / INFOTECH

Big Game Activities

Mr. Obregón gave an overview of the activities planned for the 2008 Super Bowl. He mentioned that this is one of the four integrated marketing campaigns that HAB will be conducting during the 2007-2008 year. This, as with Tailgating and Holidays, will encompass all of HAB's marketing disciplines. He reported that former professional football player Marshal Faulk will be the spokesperson this year, with his call to action to "go beyond guacamole." The following items were also highlighted:

--Public Relations

Broadcast outreach and print media outreach. Online game day materials on avocadocentral.com, online promotions, online recipes,

--Foodservice

News releases for restaurant magazines and food management

--Trade Relations

Merchandising ads to benefit the retailers. Co-marketing with Miller Lite. In store supplies and coupons on the avocados. Retail promotions with audio in store messaging, demos and sales contests.

A copy of the Big Game Day 2008 – Guacamole and Beyond! Presentation is attached to the permanent copy of these Minutes and identified as Exhibit G.

HAB Merchandising Team

Mr. Obregón introduced HAB's merchandisers David Anderson, Sheila Carden and Cece Krumrine. It was stated that one of the comments shared at the Strategy Committee meeting was the industry's marketing inefficiencies and how HAB could improve its effectiveness. It was suggested that the avocado industry would benefit with one united voice in the merchandising arena. Mr. Obregón suggested that this very issue should be an agenda item for the Marketing Committee.

ISSUES

Re-Export Protocol

Mr. Obregon reported that USDA-AMS was asked to look at the issue of avocados exported from the U.S. and whether they pay assessments to the Avocado program. There are few companies that import avocados into the U.S. and the assessment is collected by Customs and remitted to the HAB. Sometimes those avocados are sent to ripening facilities and then re-shipped to Canada. The avocados sometimes get re-packed at the ripening facilities. The product is in the ripening facility around 8-10 days. Those avocados are not sold or consumed in the U.S. Some of the avocados stay in the U.S. and others are re-exported to Canada.

He mentioned that USDA has asked the board to develop procedures for crediting companies for avocados that are imported into the U.S. and then are re-exported to other countries (most likely Canada).

After some discussion, the board directed Mr. Obregon to discuss this with HAB's private counsel for direction on this issue. There was concern by the board on the administrative burden that this would entail. It was also requested that HAB staff should provide an estimated cost of implementing and enforcing this protocol. Ms. Weaver commented that this protocol would require additional hours of work and detailed record keeping.

MOTION: *The Hass Avocado Board of Directors recommends that staff should discuss this issue with HAB's private counsel and their comments/direction should be brought back to the Board. (Wolk/Froehlich)
MSC Unanimous*

NEW BUSINESS

It was recognized that the board received a letter from Reuben Hofshi requesting that the board should consider conducting a study that monitors the performance of Hass avocados from producer to consumer, to identify, quantify, and prioritize the main problems of avocado in the area of quality.

The Chairman asked for ideas from the board regarding a response. John Lindstrom suggested that the Marketing Committee should study and review his request and come back to the board with a suggestion.

Mr. Obregón mentioned that there is merit to this study and stated that the Mango Board is doing something similar but didn't feel that this year's budget could sustain it. He recommended that this should be discussed at the Marketing Committee level while they are developing the 2008-2009 business plan.

Treasurer Reeder also noted that the Finance Committee should be involved since it would be an important investment to conduct such a study.

ADJOURN

Chairman Francis adjourned the HAB meeting at 1:50 p.m. The next meeting will be held on March 19, 2008.

Respectfully submitted,

Laurie Hill

I certify that the above is a true and accurate statement of the January 16, 2008 Minutes approved by the HAB Board of Directors on March 19, 2008.

Ed Figueroa, HAB Board Secretary