

HASS AVOCADO BOARD BOARD MEETING MINUTES March 19, 2008

A meeting of the Hass Avocado Board (HAB) was held on Wednesday, March 19, 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
Ben Drake
Jimmy Lotufo
Tom Markle (*Alt for Froehlich*)
Ken Roth
Charley Wolk

MEMBERS ABSENT

Charles Froehlich, Jr.
Galen Newhouse
Rick Shade, *CAC ex-officio*

STAFF PRESENT

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

ALTERNATES PRESENT

Giovanni Cavaletto
Elena Garcia
Alvin Gebhart
John Lindstrom
Bradley Miles
Daniel Sanders

ALTERNATES ABSENT

Anat Ariav
Pilar Charrada
Nilda Mesistrano-Hyde
Luke Sears

OFFICIALLY PRESENT

Marlene Betts, USDA
Ron Campbell
Xavier Equihua
Ken Roberts

GUESTS PRESENT

Jack Abbott
Jennifer Baker-Asiddao
Victor Barragan
Art Bliss
Betty Bohrk
Adam Brohimer
Wayne Brydon
Joe Charest
Jan DeLyser
Diane Dreyer
Emiliano Escobedo
Francisco Falconi
Bob Flack
Angela Fraser
Laurie Hill
Adrian Iturbide
Ohannes Karaoghlanian
Doug Koegeboehn
Kim Kurata
Francisco Luna
Liz Lynch
Peggy McCormick
Victor Moreno
Marji Morrow
Steven Muro
Adolfo Ochagavia
via videoconference
Ken Roberts
Sean Pirtle
Jeffery Shaw
Lori Small
Connie Stukenberg
Katie Wild

CALL TO ORDER

Chairman Len Francis called the meeting to order at 10:00 a.m. The Chairman took roll and a quorum was established. Francis noted that Tom Markle was sitting in for Charles Froehlich who was absent.

Introductions / Announcements

The Chairman introduced guests in attendance: Adolfo Ochagavía, President of Comité de Paltas in Chile, via videoconference; Xavier Equihua, Chilean Avocado Importers Association (CAIA) Executive Director; Ron Campbell, Executive Director of the Mexican Hass Avocado Importers Association (MHAIA); Francisco Falconi, Francisco Luna, Victor Moreno, Victor Barragan, Emiliano Escobedo and Adrian Iturbide from the Asociacion de Productores, Empacadores y Exportadores de Aguacate de Michoacan (APEAM); and Marlene Betts, United States Department of Agriculture (USDA).

Minutes Approval

The Board reviewed the January 16, 2008 Minutes. No corrections or amendments were made and the following Motion was made:

MOTION ***The Hass Avocado Board of Directors approves the January 16, 2008 Minutes as presented. (Markle/Donovan) MSC Ben Drake abstained due to not being in attendance at the January meeting.***

Producer Alternate Seat Vacancy

The Chairman announced to the Board that the USDA Secretary of Agriculture had not announced a member to fill the vacant Producer Alternate seat. Ms. Betts said all information had been submitted to the Secretary of Agriculture. She said as soon as she is informed of the Secretary's appointment to HAB she will notify the Board.

2008 HAB Election Schedule/ Process

The Chairman turned over the election update to HAB Managing Director Jose Luis Obregón. Mr. Obregón read the names of those whose terms will be expiring on October 31, 2008 which are as follows:

Producers: Bob Bednar, Ben Drake and Ken Roth. Producer Alternates: John Lindstrom and Bradley Miles. He noted that Bob Bednar would not be eligible to run for a member seat, but can run for an alternate seat. Ms. Betts noted that he is completing his two consecutive terms as stated in the Order.

Importers: Jim Donovan and Avi Crane. Importer Alternates: Pilar Charrada and Elena Garcia.

The Hass Avocado Board 2008 Election Timeline is attached to the permanent copy of these Minutes and identified as Exhibit A.

ADMINISTRATION & FINANCE

2008 Financial Report

HAB Administrator Val Weaver reported that four months of Customs and Assessment Reports have been received (November 2007 – February 2008). In all cases, actual volume, gross revenue, net revenue and reserves are all higher than budget.

Outlook for the fiscal year shows the following:

- Hass Volume = 1.0387 billion pounds --- up 109.7 MM lbs. from the 929.0 MM lb. estimate.
- HAB Revenues = 25.9 MM --- up \$2.7 MM from the \$23.2 MM estimate.
- HAB Net Revenue = \$4.8 MM --- up \$1.1 MM from the \$3.7 MM estimate.
- HAB Reserves as of 10/31/08 = \$3.0 MM --- up \$1.1 MM over the \$1.9 MM estimate.

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

Ms. Weaver reported that the U.S. aggregate volume outlook for FY 2007-08 for all varieties has been updated to reflect import data received from Customs through February 2008 and grower data from California handlers through January 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 higher by 58.4 MM lbs. and is now tracking at 1.1064 billion lbs. from the January 2008 estimate of 1.0480 billion lbs. due to additional volume from Chile (+47.3 MM lbs.), Mexico (+8.9 MM lbs.) and Florida (+2.2 MM lbs.).

2007 Calendar Year U. S. Aggregate Avocado Volume - FINAL

Ms. Weaver mentioned that aggregate avocado volume for all varieties in the U.S. for Calendar Year 2007 ended the year at a record high of 1.0615 billion lbs. which is an historic record. Hass volume totaled 973.9 MM lbs., down 1.5 MM lbs. from the prior year record-high of 975.4 MM lbs.

2008 Calendar Year U. S. Aggregate Avocado Volume

Aggregate avocado volume outlook for all varieties for Calendar Year 2008 was provided showing a projection of 1.0819 billion lbs. which is 53.8 MM lbs. higher than the January 2008 forecast of 1.0281 billion lbs. This is mainly due to an increase in volume of seasonal Hass fruit from Chile (+45.3 MM lbs.) and Mexico (+8.5 MM lbs.).

Investment Summary

Ms. Weaver reported that as of February 29, 2008, HAB has five Certificates of Deposits with a market value of \$496,000 and yielding between 3.55% - 5.47%.

Cash & Investment Policy Review

Treasurer Don Reeder reported that the HAB Finance Committee reviewed HAB's Cash Management Procedures & Investment Policy to ensure that the Policy adequately reflected the investment philosophy and goals of the Committee and the Board. No changes were recommended to the Board and he stated that the Policy will be reviewed again next year.

Draft Fraud / Ethics Policy

Ms. Weaver mentioned that Certified Public Accounting firm Mayer, Hoffman & McCann recommended in mid-January 2008 that a fraud and ethics policy be created to establish guidelines, best practices and enforcement. A draft policy is currently being developed and will be presented at the next meeting for review.

Budget Amendment #1

Budget Amendment #1 was presented by Ms. Weaver and she reported it had been updated to include restatement of actual beginning reserves in the amount of \$3,343,606, as approved by the Board on January 16, 2008 during the acceptance of audited financial statements for the year ending October 31, 2007. USDA approved the Amendment on February 20, 2008.

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

*The complete **HAB Cash Management & Investment Policy** is attached to the permanent copy of these Minutes and identified as Exhibit C.*

*The **HAB Budget Amendment #1** is attached to the permanent copy of these Minutes and identified as Exhibit D.*

Bylaw Amendment / Executive Committee

The Chairman reported that after he appointed the immediate Past-Chairman to the Executive Committee, HAB's legal counsel, Mike McLeod, advised that it was not written in the Bylaws to allow this. The Chairman proposed a change to the HAB Bylaws to include the immediate Past-Chairman to be appointed at the Chairman's discretion. The following motion was then made:

MOTION *The Hass Avocado Board of Directors approves amending the HAB Bylaws to include under the Executive Committee Section, that the Executive Committee will include, at the discretion of the Chairperson, the immediate Past -Chairman.*
(Drake/Crane) MSC

*The **Proposed Change to the HAB Bylaws** is attached to the permanent copy of these Minutes and identified as Exhibit E.*

CHAIRMAN'S REPORT

Executive Committee Meeting Report

The Chairman reported an Executive Committee meeting was held on March 18, 2008. He noted that the Committee had discussed a number of topics and would present three recommendations to the Board.

HAB's Informational Paper

The Chairman informed the members that as directed by the Board at its January 2008 meeting, Mr. Obregón drafted and distributed an Informational Brief regarding possible

changes to the Hass Avocado Promotion, Research and Information Act (Act). After various comments on the document, the Committee agreed that it served its purpose and was written as specified.

*The **HAB Informational Brief** is attached to the permanent copy of these Minutes and identified as Exhibit F.*

The Chairman also informed the Board that he and Mr. Obregon traveled to Washington, D.C. in early February to meet with HAB's legal counsel, Kenneth Vail from USDA's Office of General Counsel and USDA's Sonia Jimenez, Chief, Research and Promotion Branch, Fruit and Vegetable Programs. The purpose of the trip was to discuss the Informational Document and to obtain clarification on future actions by HAB. After separate meetings, all parties concurred that HAB is not the correct vehicle to implement or pursue any changes to the Act via recommendations on changes to the Hass Avocado Promotion, Research and Information Order (Order) and that it was recommended that apart from being a facilitator and mediator, HAB should not be involved any further in the process.

The Chairman mentioned to the Board that after the trip to D.C., news was published that California Avocado Commission (CAC) and APEAM were supporting language to amend the Act in the current Farm Bill. These proposed changes would increase the assessment rebate to HAB recognized associations from 85% to 95%; it would allow the use of assessments to pay for administrative expenses; and would extend the rebate to all avocados imported from the country-of-origin represented by the importer association. Board members expressed their disappointment that Industry Associations had made these proposed changes without any further discussions through the HAB Strategy Committee platform as it was originally planned in January.

Board discussion ensued. It was mentioned that HAB can make recommendations to the Secretary on changes to the Order, even though those changes require subsequent changes to the Act. However, it is not recommended to go down this path, since USDA would not be able to take action on those recommendations. The Chairman mentioned that making a recommendation on issues HAB knows USDA cannot take any action on would reduce the integrity of the Board. Ms. Betts confirmed that the Hass Avocado Board can make recommendations to the Secretary, but nothing further could be done to change the Act, and that an official position could be considered lobbying.

The Chairman announced the following recommendation from the Executive Committee:

After investigating all avenues and aspects of proposed changes to the HAB Act and Order and having confirmed with private legal counsel, USDA's Office of General Counsel and USDA's Agricultural Marketing Service, a consensus has been reached that HAB is not the correct vehicle for pursuing these changes. HAB's Executive Committee recommends to the Board that HAB should go no further than the current Informational Brief and not take a position on any of the proposed changes.

After further discussion the following Motion was made:

MOTION *The Hass Avocado Board of Directors accepts the Executive Committee's recommendation to take no position on the proposed changes to the Hass Avocado Promotion Research and Information Act. (Bednar/Lotufo) MS vote carries 8-2 (Nays: Figueroa, Markle)*

Adrian Iturbide indicated his disappointment that HAB would not take an official position on the proposed changes to the Act. Ron Campbell wanted to state for the record that in the past HAB has stated its position on proposed changes. He mentioned that at the June 2007 meeting, Immediate Past-Chairman Charley Wolk stated that HAB was against changes to the Act. Charley Wolk did not agree with his comment and requested that the June Minutes be searched for Charley's statement. The statement could not be found in the June 2007 Minutes.

Xavier Equihua noted that the CAIA Board felt the proposed changes to the Act should have been done collectively through the Strategy Committee and not only by APEAM and CAC.

A consensus of support was sought through discussion. It was noted that the HAB could not lobby for changes and that it is up to Comite de Paltas, APEAM, CAC, CAIA and MHAIA to lobby in favor of changing the Act, as long as non-assessed dollars are used. Board Member Ben Drake stated that the Avocado Industry Associations from Mexico, Chile and California need to get together and coordinate among themselves to implement changes to the Act.

Re-Export Protocol

Mr. Obregon reminded the Board that at the January HAB Board meeting, he was directed to obtain private legal counsel on the implementation of a Re-Export Protocol that had been requested by USDA. He explained that legal counsel advised that, since there is no provision in the Law and Order to address the situation of imported avocados that are exported, the only way this could be done is for the Board to make a decision that the equitable thing to do would be to develop a procedure for a refund in such case, and ask the USDA if they believe it is appropriate and permissible under the Law and Order. Under a broad reading of the Law, the USDA might agree that the Hass Avocado Board could exercise its discretion to develop a procedure whereby re-exported avocados are made eligible for a refund of assessments. It was also recommended that proper evidence be presented to obtain a credit/ refund for those assessments.

Mr. Obregon explained that USDA has already expressed its interest in implementing such a protocol and that he proceeded to develop a draft Re-Export Overpayment Credit Procedures for Board review. He mentioned that this document was developed with input from HAB's legal counsel, auditing firm, administrative staff, avocado importers and USDA.

Additional Board discussion followed. It was noted that if approved by the Board, implementation would begin as of April 1.

Chairman Francis stated that the Executive Committee had reviewed and discussed the document and that it recommends approval to the Hass Avocado Board (HAB) of the Re-Exported Avocado Protocol as presented. Finance Committee Chairman Don Reeder also mentioned that his Committee had reviewed the document and reached a consensus to approve as presented with the inclusion of the following statement: "THESE PROCEDURES CAN CHANGE AT ANY TIME AT THE DISCRETION OF THE HASS AVOCADO BOARD."

After Board discussion, the following motion was offered:

**MOTION: *The Hass Avocado Board of Directors approves the Re-Export Overpayment Credit Procedures as presented. (Markle/Donovan)*
*MSC Unanimous***

The **HAB Re-Export Overpayment Credit Procedure** is attached to the permanent copy of these Minutes and identified as Exhibit G.

HAB Payroll Changes

Ms. Weaver reported that on August 15, 2007 the HAB Board approved promoting Jose Luis Obregon to HAB Managing Director, reporting to the Board of Directors. With this event, Mr. Obregon became a common-law employee of HAB no longer under the control and direction of CAC. He should not have remained on CAC's payroll after that date and no longer became eligible to be in the CAC pension plan. To correct this situation, he must be immediately terminated from CAC's payroll and HAB pay him from its own payroll. In addition, HAB needs to establish its own pension plan benefit which can be accomplished for under \$10,000. Mr. Obregon's pension account balance, which HAB funded, is forfeited under the CAC pension plan because he was not vested. HAB will need to address reimbursement of those funds with CAC.

The Chairman mentioned that the Executive Committee recommends to the Board to remove HAB's Managing Director from CAC's payroll, establish an independent HAB payroll, and maintain his current benefit structure. They also recommend to establish HAB's own pension plan/benefit for HAB's Managing Director, keeping him whole based on value of current the plan. Vice-Chairman Jim Donovan mentioned this brings HAB one step closer to its separation from CAC.

**MOTION: *The Hass Avocado Board of Directors approves establishing its own payroll and pension plan benefit for HAB employees. (Reeder/Drake)*
*MSC Unanimous***

The Chairman informed the Board that he added three additional members to the Finance Committee and asked if there were any objections. Seeing none, the following motion was offered:

MOTION: *The Hass Avocado Board of Directors approves three additional Finance Committee members as follows: Al Gebhart, John Lindstrom*

***and Bradley Miles as appointed by the Finance Committee Chairman.
(Drake/Figueroa) MSC Unanimous***

HAB Meeting Location

The Chairman noted that, in the spirit of the HAB and CAC separation, he wanted to get a consensus on whether or not the Board preferred to have their meetings outside of the CAC office.

Mr. Obregon stated that the incremental costs of having a meeting in a different part of the country (i.e. Dallas) would be in the range of \$30,000 per meeting. He also mentioned that the incremental costs of having a meeting at a hotel in Southern California would be in the range of \$4,000 per meeting.

The overall agreement was that HAB dollars were better spent in advertising. It was recommended that the Board use the technology that is already at this location. Ron Campbell from MHAIA also agreed and mentioned that they utilize the CAC facilities for most of their meetings. It was suggested that having an offsite meeting once a year at an East Coast venue might be of interest to the Board.

Adolfo Ochagavía stated that independence is very important in this process. He suggested that a neighborhood hotel is a good first step. Mr. Obregon noted that video conference would not be available unless additional costs were incurred.

The discussion was dismissed for a later date.

ADJOURN FOR LUNCH

The Chairman adjourned the Board for lunch at 12:00 p.m. The Board reconvened at 12:45 p.m.

AVOCADO TRACKING STUDY

A report was given by Ken Roberts, Cooper Roberts Research. Mr. Roberts reported that the web-based survey was completed in September of 2007 and that a new wave of surveys is now taking place.

Mr. Roberts gave an overview of the survey results which covered purchasing habits, consumption frequency, demographic profile, usage patterns, country-of-origin and taste expectations. Mr. Roberts stated the overall consensus was that consumers don't care where avocados come from as long as they are quality avocados.

He concluded by saying there is an opportunity to expand the avocado user base on a national basis and that consumers embrace avocados for a wide variety of menu options not just Mexican dishes.

A copy of the Roberts Avocado Tracking Study is attached to the permanent copy of these Minutes and identified as Exhibit H.

MARCOM / INFOTECH

Consumer Nutrition Outreach Roll-Out

Mr. Obregón gave an overview of the activities planned for the 2008 Consumer Nutrition Outreach program. 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, Holidays and Superbowl, will encompass most of HAB's marketing disciplines.

A copy of the Health & Nutrition Consumer Outreach Presentation is attached to the permanent copy of these Minutes and identified as Exhibit I.

NEW BUSINESS

There was no new business

ADJOURN

Chairman Francis adjourned the HAB meeting at 1:45 p.m. The next meeting will be held on Thursday May 22, 2008.

Respectfully submitted,

Laurie Hill

I certify that the above is a true and accurate statement of the March 19, 2008 Minutes approved by the HAB Board of Directors on May 22, 2008.

Ed Figueroa, HAB Board Secretary