

**HASS AVOCADO BOARD
BOARD MEETING MINUTES
January 22, 2009**

A meeting of the Hass Avocado Board (HAB) was held on Thursday, January 22, 2009 at 38 Discovery Ste.150, Irvine, California, with the following people present:

MEMBERS PRESENT

Len Francis, Chairman
Jim Donovan, Vice Chair
Don Reeder, Treasurer
Giovanni Cavaletto,
Secretary
Ben Drake
Ed Figueroa
Ohannes Karaoghlanian
Jimmy Lotufo
Tom Markle
Galen Newhouse
Ken Roth
Charley Wolk

MEMBERS ABSENT

None

STAFF PRESENT

Jose Luis Obregon

ALTERNATES PRESENT

Ed Embly
Alvin Gebhart
Daniel Sanders
Katie Wild
Casimir Wytaniec

ALTERNATES ABSENT

Pilar Charrada
Elena García
Nilda Mesistrano-Hyde

OFFICIALLY PRESENT

Jennifer Baker-Assidao
GolinHarris
Marlene Betts, USDA
Tom O'Brien
(*via teleconference*)
Steven Muro,
Fusion Marketing
Ken Roberts,
Cooper Roberts
Val Weaver, HAB
Administrator

GUESTS PRESENT

Amy Andrade
Scott Bauwens
Tom Bellamore
Zachary Benedict
Betty Bohrk
Kari Bretschger
Ron Campbell
Jan DeLyser
Angelina Downing
Diane Dreyer
Emiliano Escobedo
Angela Fraser
Laurie Hill
Jamie Johnson
Maria C. Karaoghlanian
Kim Kurata
J. Jesus Lopez
Marji Morrow
Connie Stukenberg
Sandra Wellhausen
Linda Wild

CALL TO ORDER

Chairman Len Francis called the meeting to order at 10:05 a.m. The Chairman called roll and a quorum was established.

Minutes Approval

No corrections or amendments were made to the November 13, 2008 Minutes.

MOTION: ***The Hass Avocado Board of Directors approves the November 13, 2008 Minutes as presented. (Markle/Newhouse) MSC***

Mr. Francis turned the meeting over to United States Department of Agriculture (USDA) representative, Ms. Marlene Betts, to present certificates to the new Board.

Presentation of Certificates to New Board Members/Alternates/Importers

Ms. Betts noted the outgoing Board Alternates and thanked them for the hard work, time and effort they had committed to the Board: Bob Bednar, who was an original HAB founder, Avi Crane, Bradley Miles and John Lindstrom.

She then announced and congratulated the newly appointed Board Members and Alternates, and presented them with certificates:

Producers

Ken Roth; Alternate Kay Wild
Ohannes Karaoghlanian; Alternate Edward Embly
Ben Drake; Alternate Casimir Wytanec

Importers

Jim Donovan; Alternate Pilar Charrada
Giovanni Cavaletto; Alternate Elena García

Ms. Betts stated that each of the new Members and Alternates was appointed by the Secretary of Agriculture.

She presented a new member orientation to the Board that included an overview of the Rules and Regulations. She highlighted areas and asked them to read through the Act and the Order in full. She read through the responsibilities of the Board Members. She asked each member to read and sign the paperwork for the Ethics and Fraud policies as outlined in the Rules and Regulations binder.

Ms. Betts also commented on the pending vacant seat appointments. She said she had hoped to have them prior to the changing administration. Three of the four seats expire in 2009 and may need to remain vacant until the next election; however, the remaining one vacancy with a term open until 2010 could be filled now.

The complete attachment Orientation for Hass Avocado Board Meeting dated January 22, 2009, is attached to the permanent copy of these Minutes and identified as Exhibit A.

Introductions / Announcements

The Chairman announced that Tom O'Brien, legal counsel, was in attendance via teleconference.

FINANCE / ADMINISTRATION

2007-08 Financial Review

Ms. Weaver reported the following financial information:

November 2007 – December 2008 (14-Month Outlook)

- Hass Volume = 1.149 Billion lbs. --- up 28.9 MM lbs from the 1.0860 Billion lb. estimate.
- HAB Revenues = \$27.6 MM dollars --- up \$.4 MM from the \$27.2 MM estimate.
- HAB Net Revenues = \$5.7 MM dollars --- up \$1.3 MM from the \$4.4 MM estimate.
- HAB Reserves as of 12/31/08 = \$3.2 MM and tracking on target.

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 December 2008 and grower data from California handlers through November 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 tracking at 1.1149 Billion lbs. for the 14-month time period.

Schedule of Cash & Investments as of October 31, 2008

- a) Cash in Bank – Checking Account = \$256,818
- b) Money Market Accounts = \$3,252,628
- c) Investments = \$522,000
- d) TOTAL CASH & INVESTMENTS = \$4,031,44

Statement of Net Assets, and Revenue & Expenditures as of October 31, 2008

- a) Total Assets = \$6,045,478
- b) Total Liabilities = \$2,520,511
- c) Total Net Assets = \$3,524,967 (Beg. N.A. of \$3,343,604 + \$181,363)
- d) Total Revenues = \$24,251,884
- e) Total Expenditures = \$24,070,521
- f) Excess of Revenues Over (Under) Expenditures = \$181,363

Schedule of Insurance

HAB's business insurance coverage for fiscal year 11/1/08 – 10/31/09 has been reviewed by the Finance Committee and an Insurance Schedule and Premium Summary are included in the packet for Board & Alternate members. Insurance premiums total \$22,688, which is a decrease of \$2,655 from the \$25,343 premium from the previous year. The Committee is reviewing deductibles and insurance levels for additional savings and coverage.

2009 Financial Report

Hass volume projections for calendar year (CY) 2009 are 911.1 MM lbs., which is unchanged from the November 2008 projection.

Aggregate volume for CY 2009 in the U.S. is estimated at 977.0 MM lbs.

Board discussion ensued regarding educational meetings and Board Member travel expenses.

It was asked what HAB is doing in light of the California Avocado Commission (CAC) audit and if there will be establishment of an auditing committee. HAB Finance Committee Chairman and Treasurer Don Reeder said they have been discussing development of a list of accounting processes and procedures for auditors to dig deeper during the annual or surprise cash and investment audit. He stated that, as Treasurer, he

personally reviews closely all expense reports of Board members and staff. The Finance Committee is also looking into spending within line item budgets and that all issues will be reviewed, whether the activities are over or under budget.

The Chairman reported that there were discussions with USDA Branch Chief Sonia Jimenez and Representative Marlene Betts, HAB's Legal Council Tom O'Brien and Jose Luis Obregon, regarding spending concerns of some of the Federal Boards and the California Department of Food and Agriculture (CDFA) audit of CAC.

Ms. Betts explained that she did a management review a few years back to be sure that HAB was abiding by its policies and procedures, and that it is done every three years. She noted that HAB and CAC were due for another review in 2009.

There was discussion on internal audits and the benefits of having an audit committee versus outside auditors. It was suggested that there should be internal audits, with the accounting firm conducting deeper reviews if needed.

There was discussion as to whether or not to post the cash disbursement journal on the HAB website. It was noted that a review of cash disbursements each month by the Finance Committee would be good fiscal oversight.

After further discussion the following motion was made:

MOTION: *The Hass Avocado Board of Directors approves the Finance Committee review of the cash disbursement journal each month. (Cavaletto/Wolk) MSC (11 Yes, 1-No (Roth))*

A question was asked about the current policy of approving expenditures. Ms. Weaver noted that two signatures are required for any amount of \$1,000 or more. In addition, there is an added layer of oversight for any expense over \$500 where a purchase order (PO) is developed, as well as acquiring approval of an Executive Committee member for all PO's in excess of \$1,000. A Request Summary Sheet is attached to the PO that explains the purpose and identifies the bids if appropriate. Procedures will be developed on this process and brought to the Finance Committee and the Board.

The Treasurer noted that the Managing Director's salary and benefit package was approved during a closed session in September 2008. He noted that the Board needs to be informed of that outcome in open session. The Chairman said he would review the notes from the Closed Session Minutes and bring this item back to the Board after lunch.

The complete attachment Administration & Financial Report Memorandum is attached to the permanent copy of these Minutes and identified as Exhibit B.

RESEARCH PRESENTATIONS/ UPDATES

Awareness and Usage Tracking Study- Ken Roberts, Cooper-Roberts

Mr. Obregon stated that HAB had been involved with the usage and tracking study for a few years. He introduced Ken Roberts, Coopers & Roberts, who provided an overview of the avocado tracking study for the regional and national regions since 1997.

The study showed a current decrease in key measures:

- Awareness is down due to a decrease in advertising expense
- Household penetration is down due to economic belt tightening

Mr. Roberts noted, however, that there is continued opportunity in the West to maintain and grow the number of avocado purchases per household.

The complete attachment Avocado Tracking Study dated January, 2008 is attached to the permanent copy of these Minutes and identified as Exhibit C.

ADJOURN FOR LUNCH

Chairman Francis adjourned the Board for lunch at 12:20 p.m. The Board reconvened at 1:00 p.m.

Price Sensitivity Study – Steven Muro, Fusion Marketing

Steven Muro, Fusion Marketing, provided a presentation of a price sensitivity study.

It was summarized that:

- Large Hass avocados respond well to promotion and discounts.
- Small Hass avocado volume is not significantly impacted by promotions or everyday price changes.
- Increasing the everyday price of small Hass avocados does not easily persuade consumers to purchase larger sizes of Hass avocados.

The complete attachment Hass Avocado Price Sensitivity Study is attached to the permanent copy of these Minutes and identified as Exhibit D.

Nutrition Research Program Update– Jennifer Baker-Assidao, GolinHarris

Ms. Baker-Assidao reviewed a timeline of the first step of HAB's nutrition research program. She noted that a baseline for previous years of nutrition research information is being established through a literary review process. From that review process, a long term research strategy will be developed. It was noted that the Food and Drug Administration (FDA) must approve health claims before they can be communicated. Ms. Betts noted that it will take time to achieve the end result. Wolk believed it would be a minimum of five years to secure a health claim.

The complete attachment Nutrition Research Program Update is attached to the permanent copy of these Minutes and identified as Exhibit E.

CHAIRMAN'S REPORT

Francis restated the Board Motion that was made in September 2008 during a Closed Session: *The Hass Avocado Board (HAB) Board of Directors approves the following compensation package for HAB's Managing Director: Annual Salary of \$175,000, a monthly auto allowance of \$890 and an annual Health and Wellness Benefit of \$1,200.*

Committee Appointments

The Chairman reported the Committees that he has appointed:

Executive Committee: Len Francis, Chairman; Jim Donovan, Vice Chair; Don Reeder, Treasurer; and Giovanni Cavaletto, Secretary

Finance Committee: Don Reeder, Chairman; Jim Donovan; Ben Drake; Al Gebhart; Ken Roth; and Elena Garcia

Marketing Committee: Jose Luis Obregon, HAB Managing Director as Chairman; the Marketing Director of each association - Jackie Bohmer, MHAIA; Maggie Bezart, CAIA; Jan DeLyser, CAC; and Emilio Escobedo, APEAM

He noted that soon he would like to establish a Nutrition Committee.

MOTION: ***The Hass Avocado Board of Directors approves the 2009 Committee List as presented. (Karaoghlanian/Drake) MSC***

Board Reapportioning Analysis Results

Francis reported that Pursuant to section 1219.30(c) of the Hass Avocado Promotion, Research, and Information Order (Order), HAB completed the review of domestic production and import data volumes from calendar years 2006, 2007 and 2008 for the purpose of making a recommendation regarding the reapportionment of the three swing seats that may be held by either producers or importers depending on market share.

Mr. Obregon stated the all three swing seats will remain with the importers. No action is required, but it is necessary to share the information with the Board. Obregon will convey in a letter to the Department of Agriculture that swing seat evaluation has been completed and board seats will remain *status quo*. USDA will publish a notice that the Hass Avocado Board did its due diligence in reviewing the seat distribution and its mandatory requirement has been completed.

The Hass Avocado Board Annual Crop Statistics for Calendar years 2006-2008 is attached to the permanent copy of these Minutes and identified as Exhibit F.

MANAGING DIRECTOR'S REPORT

New Hire Update

Mr. Obregon reminded the Board that in the memo he sent on the Board Packet, he explained that during the interview process for the approved position of Administrative Assistant/Special Projects coordinator, he found a highly qualified individual whose skills exceed the requirements of the offered position. He stated that this individual has worked on HAB business with a previous marketing agency, has produce industry marketing experience and that her expertise would be beneficial for the Hass Avocado Board. Mr. Obregon explained that in order to bring her onboard, HAB would have to match her current salary of \$75,000 which is a \$25,000 increase over the approved original salary for the administrative assistant position. He also recommended changing the job description and title to Marketing/ Special Projects Coordinator. He requested Board support to accept the expanded position and increase in salary.

A Motion made by Markle, seconded by Donovan to change the job description and accept Obregon's recommendation was withdrawn after further discussion. Several board members expressed their concern of changing the approved job description without having gone through an interview process for that proposed position and without strategically analyzing the need for such a position. After additional discussion, Obregon stated that he would continue the interview and hiring process for the original approved position of Administrative Assistant/ Special Projects Coordinator.

The New Hire Memorandum is attached to the permanent copy of these Minutes and identified as Exhibit G.

Customs Assessment Processing Update

Obregon mentioned that a Request for Proposal was being sent out to outside firms for the processing of the import assessment information. While the firm is selected and the proposals are received, the process will be done in-house. No action at this meeting.

HAB Evaluation Update

During the upcoming March 2009 board meeting, results of HAB's Evaluation for generic commodity promotion programs will be presented.

Board Member Educational Trips

Discussion ensued regarding board members' educational trips in the U.S. that had been approved in the September 2008 HAB Board meeting. Cavaletto recommended that in search for fiscal responsibility, the board could visit local sites such as the Port of Long Beach and the Los Angeles wholesale produce market instead of traveling to the East Coast and South Texas.

Following discussion, this Motion was offered:

MOTION: ***The Hass Avocado Board of Directors agrees to postpone the September 25, 2008 approved Board Motion for 2009 group educational field trips around the United States and, instead, schedule***

***local trips around the Calendar Year 2009 Board Meetings.
(Karaoghlanian/Drake) MSC***

2008 Tailgating Results

Obregon noted that the one of HAB's main activities is the Tailgating Integrated Marketing Campaign. A video was shown showcasing the success of this promotion.

NEW BUSINESS

There were concerns about the association between HAB and CAC due to the recent CDFA Audit Report about CAC.

Mr. Drake said he would like to look into a process that separates HAB's administration from CAC. Currently, HAB contracts with CAC to provide administration services. Vice Chairman Donovan requested details, e.g. costs of relocation and timelines, to be presented at the next HAB meeting. Obregon stated that he would bring back a detailed analysis on short and mid-term requirements.

PUBLIC COMMENT

None.

ADJOURN

Chairman Francis adjourned the HAB meeting at 3:25 p.m. The next meeting will be held on Thursday, March 26, 2009.

Respectfully submitted,

Laurie Hill

I certify that the above is a true and accurate statement of the January 22, 2009 Minutes approved by the HAB Board of Directors on March 26, 2009.

Giovanni Cavaletto, HAB Board Secretary