

**Mexican Hass Avocado Importers Association
Board Meeting Minutes
June 10, 2014**

Place

Omnicom HQ
Chicago II

Time: 8:00 AM – 3:00 PM

Board of Directors:

DIRECTORS

Ed Figueroa	Chairman (p)	Importer
Ricardo Vega	Vice Chairman (a)	Packer
Giovanni Cavaletto	Secretary (p)	Importer
Adrian Iturbide	Treasurer (a)	Grower
Tony Martinez	Director (p)	Importer
Carlos Genel	Director (p)	Producer
Jimmy Lotufo	Director (p)	Importer
Antonio Villaseñor	Director (a)	Packer

Alternates

Gahl Crane (p)
Ygnacio Valerio (p)
Doug Meyer (p)
Martin Mendoza (p)
Jon Ullric (a)
Victor Barragan (a)
Gary Caloroso (p)
Sergio Paz (a)

AMS: _____
Veronica Douglas

Officially Present: _____
Armando Lopez
Dolora Sillman
Ron Campbell
Alvaro Luque
Natalia Arias
Stephanie Browder
Ramon Paz
Mike Browne
Maggie Bezart
Kevin Hamilton
Miguel Molina
Stephanie Bazan

Members

Rito Mendoza	Jorge Hernandez	Rob Bertels
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Guests:

Emiliano Escobedo

Ed Figueroa called the meeting to order and established a quorum.

At 10:00 AM Jimmy Lotufo motioned to approve the minutes from the March 18 board meeting which was seconded by Ygnacio Valerio. Unanimous.

Treasury Report:

Cash balance total as of June 5, 2014- \$7,403,076, deposited in Citizens business bank money market account-\$5,919,082.14.

Citizens operating account = \$40,096.38 and Merrill Lynch = \$1,443,897.

The June 5 balance is inclusive of June 2 outstanding checks of \$39 thousand dollars and gross of May assessment revenue estimated at \$2 million.

Volume: Total estimated volume for the FY 2013-2014 is 1.123 billion pounds, or 23 million pounds higher than budget of 1.1 million pounds and slightly lower than last fiscal year by 6 million pounds.

Assessment revenue: Total estimated assessment revenue for the FY 2013-2014 is \$23.875 million dollars, or five hundred thousand (\$500.7K) higher than budget and one hundred nine thousand (\$109K) lower than same period of last year. Assessment is calculated at 85% of the \$0.025/lbs.

Contribution from APEAM: The estimated APEAM contribution to support the MHAIA Administrative spending is expected to reach at \$202,913 or \$55,289 lower than plan. The decrease in contribution was primary due to the budgeted legal spending that did not materialize. The actuals were paid through AFM.

Interest Income/Earned- \$8,199.66

Marketing and Promotional expenses: FY 2013-2014 Estimate-\$22.4 million or 2.25 million lower than budget. The decrease in spending was due to:

- **Lower** AFM marketing expenses by \$2.27 million-from consumer market - \$2.9 million due to the cancellation of Cinco media flight and offset by higher retail spending of \$624K.
- **Higher** MHAIA direct marketing expenses by \$147.2 thousand- extension of Digital strategist and 2012-2013 carry-over expenses.
- **Lower** MHAIA-non marketing and promotional by \$121.6 thousand- from lower crop report expenses and strategic consultant.

Administrative expenses/support: The estimated APEAM contribution to support the MHAIA Administrative expenses is expected at \$202,913.17 or 55,289 lower than plan. The decrease in contribution was primary due to legal spending budget that did materialize. The actuals were paid through AFM.

Net Change in Assets (Income or loss from operation): Estimated total for the fiscal year – **a positive of \$1,536,752** as compared to budget of **negative \$, 1,212,901**. The favorable variance of \$2,749,653 was due to higher estimated volume and lower expenses.

Cash-End of Fiscal Year- the estimated ending cash and cash equivalent is \$7,933,348. The 15% reserve is \$3,581,364 and the excess is 4,351,984.

Beginning cash-2012-2013	\$7,341,984
Add: Change in Net assets-Current year	\$1,536,752
Less: Adjustments –Inc./Dec in working capital	(945,389)
Cash at the end of the fiscal year	\$7,933,348
15% reserve	\$3,581,364
Excess	\$4,351,984

Net assets and Liabilities-\$9,796,769

Based on March 17 meeting, the Board agreed to a projected total volume of \$1.3 billion pounds. This translates to a total assessment from HAB of \$27.6 million dollars.

With total revenue from HAB of \$27.6 million plus the estimated excess cash from Fiscal year 2013-2014 of \$4.3 M, MHAIA can spend up to a maximum of \$31.2 million marketing and promotional programs. The 31.2 million will be allocated to AFM 2/3 contribution of \$30.48 M and MHAIA direct marketing and non- marketing of \$750 thousand.

The ending cash reserve is \$4,143,750 at 15% of the assessment. If MHAIA estimated 2014-2015 2/3 contribution to AFM is \$30.48 million dollars, the APEAM 1/3 share is \$15,239,873 not including the \$175 thousand APEAM market support in the US.

AFM presentation:

Cash in bank-balance as of June 6-\$3.9M, Adjusted \$4.2M not including the AP run of \$1.69M and June contributions.

Amended 2013-2014

Total contribution-\$32.6 M plus market support of \$141K or a total of \$32.72M less total expenses of including admin 32.72 M. The total spending is 3.451 lower than plan due

Decrease in consumer spending:

\$4.8 M decrease in ad and media due to the cancellation of media flight and digital media

\$367K decrease in social media

\$655 increase consumer research

\$58K increase in food service program

\$410 increase in total wages including consulting fee, settlement fee and two additional headcount from 3 to 5

Higher Retail and Trade expenses \$536 K

1.3M increase in seasonal promotion from NFL, soccer programs and summer grilling and NFL programs.

182K decrease in flex

245 decrease in trade exhibits/ad

110K decrease in shopper's events, continuity program, and sales data

255 decrease in salaries- (budget includes e Serena 100% AFM – actual 20% only), consultant position eliminated last Oct.

Higher Admin expenses \$58K

Hiring of Finance Director -40K

New Admin assistant - 4.4

Extended accounting serv- 14K

FY 2014-2015

AFM is expected to spend a total of \$44.9 M marketing including a \$175K market support and \$990 administrative expenses or a total spending of \$45.9 M.

Please note that the expected volume for the fiscal year 2014-2015 is 1.3 billion pounds and the MHAIA share of \$30.4 million includes an accumulated excess reserve of \$4.3 million. If without the excess reserve MHAIA can contribute up to a maximum of \$26.8M

Ygnacio Valerio motioned to accept the treasury report as presented and Jimmy Lotufo seconded the motion. There was no objection.

MHAIA Budget- Jimmy Lotufo motioned to approve MHAIA's amended budget for 2013-14 that adds 23mm lbs. or an additional \$480K and a proposed cash scenario for 2014-15 of 1.3 billion pounds equaling \$27.6 MM. Giovanni Cavaletto seconded the motion without objection.

AFM Budget – Jimmy Lotufo motioned to approve AFM's amended budget for 2013-14 to add \$48K based on the 23mm lb. increase. Giovanni Cavaletto seconded the motion without objection.

There was an additional discussion on the MHAIA / APEAM MOU. Jimmy lotufo motioned to amend the MOU so that APEAM's 1/3 contribution includes MHAIA's administrative expenses. Tony Martinez seconded the motion without objection. MHAIA will continue billing APEAM as usual and reconcile the books at the end of the fiscal year.

Finally, a discussion took place regarding the creation of a Finance Committee to help to institutionalize monetary policy between the organizations. Giovanni Cavaletto motioned to create a Finance Committee comprised of three treasurers, two Finance Directors and two executive Directors. Jimmy Lotufo seconded the motion without objection.

Miguel Molina, Director of Finance, presented an update on all Accounting and Administrative programs and tools to comply with internal controls and USDA regulations. The programs included the following implementations.

Office 365: Group licenses for all AFM employees to implement a business class mail and access to office programs

Docu-sign: Electronic signature program to document all internal and board approvals, including, Marketing contracts, Payroll and Payables funding requests and internal HR forms.

Concur: AFM will acquire and implement a business license to ensure compliance on expense reports and payables invoices.

QBO: AFM will move its accounting system to Quick Books Online

Risk Management: The company will increase its insurance coverage, including Workers Compensation, General Liability policy up to \$2Million, Key Man Insurance for Alvaro Luque, and a 401K bond insurance.

Benefits: AFM selected True North as its benefits brokers to implement and administrate its Health, Life/disability and a Safe Harbor 401-K program.

Paychex will be functioning as its 3rd party record keeper administrator to manage employee and company benefits deductions. AFM also, expanded its services with Paychex to better manage vacations, and provide a HR portal to all employees.

Humanistic Consulting was hired on a short term assignment to assist AFM on HR, state and federal compliance, including an employee handbook, annual performance review and other policies and procedures.

2014-2015 Programs:

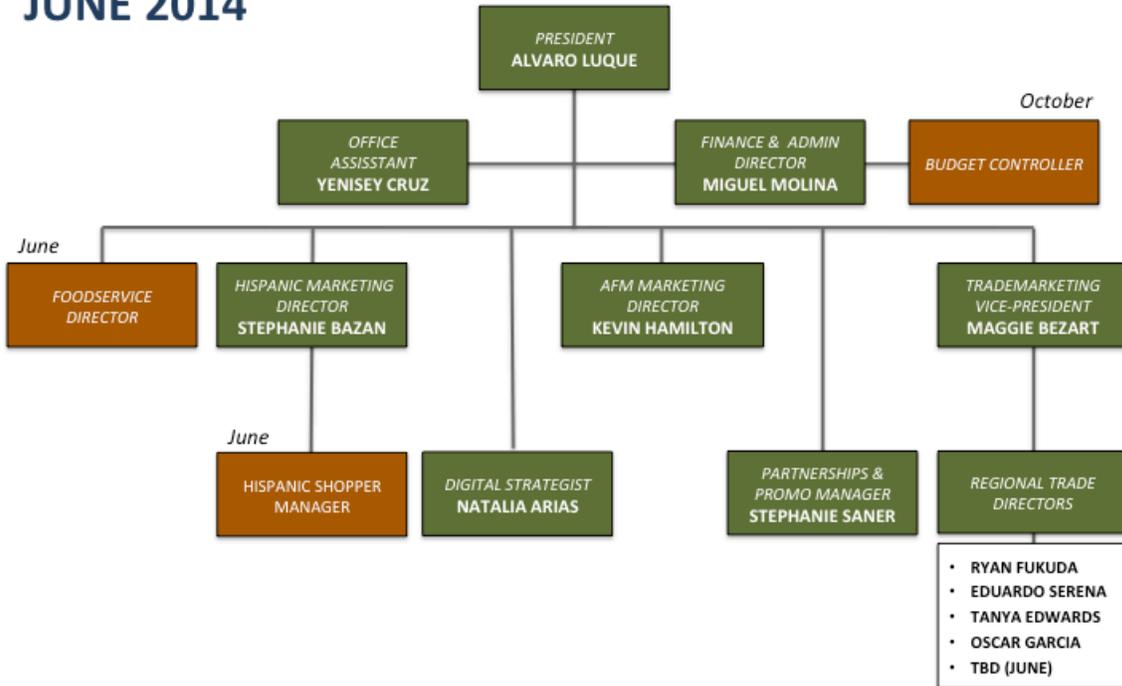
AFM will implement a Marketing-CRM program to improve its campaign management and its annual budget.

AFM will implement a reporting and analytics tool to improve its Business Intelligence programs and data visualization.

Other programs include a secured intranet portal to improve its communications with board members and a better system to back-up company files.

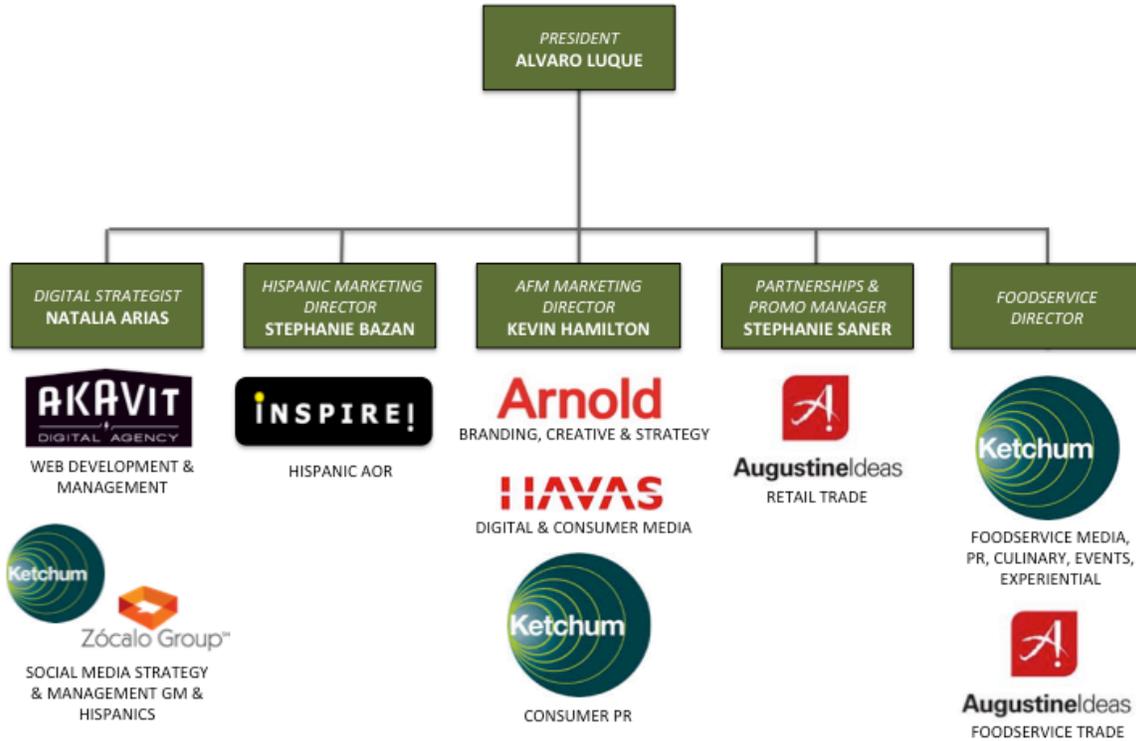
Alvaro Luque presented an update on the AFM Organizational Chart, where the upcoming hiring will concentrate in the Foodservice Director and the Hispanic Shopper Marketing Manager positions.

AFM TEAM JUNE 2014



Alvaro presented the final agency roster for AFM and the fee negotiations to take each one of them to a blended rate that will save the company approximately \$1.250.000 a year in agency fees including the savings from the digital pitch that was done in Q2 2014.

AGENCY ROSTER



AGENCY RATES

AVERAGE		\$109	\$142	\$235	5.3% FIXED
BLENDED	\$95	\$105	\$125	\$210	5% COMM 60% VARIABLE



Alvaro Luque presented the updated plan for AFM 2014 2015 based on a \$45.9 million budget that includes \$3.45 million projected roll over from the 2013- 2014 fiscal year.

GENERAL MARKET	
AD AND MEDIA	\$19,665,000
<i>Working Media</i>	\$15,270,000
<i>Agency Fee</i>	\$2,045,000
<i>Production/ Out of Pocket</i>	\$2,350,000
CONSUMER PR	\$2,043,000
<i>PR Fee</i>	\$500,000
<i>PR OOP</i>	\$1,543,000
FOODSERVICE PROGRAMS	\$2,500,000
<i>Foodservice Fee</i>	\$90,000
<i>Foodservice OOP</i>	\$2,410,000
TOTAL CONSUMER (GEN MKT)	\$24,208,000

HISPANIC	
AD AND MEDIA	\$2,335,000
<i>Working Media</i>	\$1,285,000
<i>Agency Fee</i>	\$450,000
<i>Production/ Out of Pocket</i>	\$600,000
CONSUMER/ PR	\$1,000,000
<i>Consumer Programs</i>	\$1,000,000
SHOPPER MARKETING	\$2,440,000
<i>Seasonal Programs Hispanics</i>	\$2,190,000
<i>Flex Funds Hispanic</i>	\$250,000
OTHER	\$146,438
TOTAL CONSUMER (HISPANIC)	\$5,921,438

CONSUMER RESEARCH	\$885,000
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DIGITAL	
DIGITAL/SOCIAL - GEN MKT	\$163,513
DIGITAL/SOCIAL - HISPANIC	\$149,438
PAID SOCIAL	\$473,550
WEB SITE DEVELOPMENT	\$133,000
DIGITAL AGENCY FEES	\$407,000
TOTAL DIGITAL	\$1,326,500

TRADE MARKETING	
SEASONAL PROGRAMS	\$3,320,795
CONTINUITY MATERIALS	\$25,000
MERCHANDISING	\$300,000
FLEX FUNDS	\$1,750,000
RETAIL SALES DATA	\$250,000

SHOPPER RESEARCH	\$175,000
TRADE EXHIBITS & SPONSORSHIPS	\$661,400
TRADE ADVERTISING	\$230,000
AGENCY FEES	\$188,480
TOTAL TRADE MARKETING	\$6,900,675
TOTAL EXPERIENTIAL MARKETING	\$500,000
AFM BRANDING POS	\$2,000,000
BOARD AND COMMITTEE MEETINGS	\$70,000
ADMINISTRATIVE EXPENSES	\$4,083,462
TOTAL BUDGET	\$45,895,075

(Note: Administration line item includes both AFM and agency expenses)

- Based on the market situation and the lower crop for California this season, AFM will launch its plan a little earlier with a Hispanic promotion in September celebrating Hispanic Heritage month. This promotion will be on a national level including California. The General Market plan will still kick off in October. AFM will work on a PR support to communicate the launch of these two programs.
- Alvaro presented Arnold's development process for the new AFM campaign, including the final Brand Manifesto video that will be used as a strategic guide for agencies and internal team on what the brand needs to communicate and the way we want it to look & feel. Alvaro also presented the three final creative concepts that are currently testing with the consumer. Based on preliminary results, it seems like the concept "Made with Love" tested higher with consumers. Based on the final results of this study, AFM will proceed to shoot the final campaign for the new fiscal year and have it ready to launch in October 2014.
- Alvaro presented the opportunity for AFM to sponsor the new Miami Beach Bowl to be held in the Marlins Stadium December 22 at 2 pm. The Bowl is managed by the AAC League and has BYU as a confirmed team for the game and will be broadcasted nationally by ESPN. Alvaro presented an analysis made by Havas where the projected media value of this event will be at least \$3 million for an investment of approximately \$600,000. AFM will move forward in the final negotiations for this sponsorship and approved the opportunity of exploring a multi-year contract that will secure this venue for 2 to 3 years where it can potentially go up in cost as it gets more established in the College Bowls programming. Alvaro will present final negotiations before signing a sponsorship agreement.

- Alvaro presented the status of the Super Bowl where approximately 70% of the inventory is sold or committed and the current cost of the :30 ad is \$4,250,000 plus an NBC match of another \$4 million to be placed on their different banners and shows. Alvaro also presented the media plan leading up to the Super Bowl that includes media programming in the NFL Network, NBC Sports, MLS Playoffs, NBC Sunday Night Football and Notre Dame game broadcasting. AFM will have one :30 spot in the first quarter at the end of the commercial cut. We will also secure a more flexible NBC match that could potentially free up \$500,000 to use across other media platforms. Alvaro will inform the Board when we have this deal signed and secured. Doug Meyer suggested that AFM conduct research to evaluate the effectiveness of the Super Bowl campaign with consumers and the impact on their future consumption of avocados.
- To support sales after the Super Bowl, Alvaro presented the Fanwich promotion that includes a national consumer program that will take 10 winners to the NFL Draft and a trade specific offer with a TBD partner. Ed Figueroa suggested that we should include some additional prizes for a female oriented target to round out this promotion and be sure that we include some incentives for the significant others of the winners. The Board approved the promotional concept and Giovanni Cavaletto suggested that we should look into doing something to promote avocado sandwiches the day after Thanksgiving.
- Alvaro presented the complete media campaign including TV, cable, digital, social and print. The projected results for this campaign include a 53% more impressions with a 26% lower CPM. He also presented the new social videos to be launched in July 2014.

- Alvaro presented the projected promotional calendar including the following:



Giovanni Cavaletto motioned to approve the marketing and media plan as proposed and dedicate \$30,480,00 of MHAIA funds to support it. Carlos Genel provided a second to the motion, which passed unanimously.

Ron presented the announcement of elections.

Ed Figueroa announced that the next meeting will be in Dallas on September 9 followed by a strategic planning session starting on the afternoon of the 9th and ending following day. Jimmy lotufo motioned to hire Mark Burrell and the WestMark Group to facilitate the meeting. Gary Caloroso provided a second. Unanimous. Alvaro will coordinate the logistics for this meeting.

New Business:

There was a discussion on putting a sticker on the fruit to achieve brand recognition at the point of sale. Alvaro will form a committee of importers to develop the program.

Ed mentioned some of the issues surrounding the recent FDA actions. Emiliano Escobedo from the Hass Avocado board addressed the group.

Ron requested that the board approve an additional 23K for the added crop report conducted by SUMAC during fiscal 13-14. Ed motioned to approve the expenditure and Gary Caloroso seconded the motion. There was no objection.

Closed Session employee performance evaluation.

There being no other new business, Ed motioned to adjourn and the motion was seconded by Carlos Genel. All in favor.

Respectfully Submitted,

Ron Campbell, MHAIA Executive Director

I certify that the above is a true and accurate statement of the March 18, 2014 MHAIA Board of Directors Meeting.

Giovanni Cavaletto, MHAIA Board Secretary