



**AFM Board Meeting
Minutes
March 3, 2020**

Place:

AFM Headquarters
Culinary Center
Las Colinas, Texas

Board of Directors:

Gary Caloroso, Chair
David Ruiz, Vice Chair
Gabriel Villasenor, Treasurer
Jaime Rivas, Director
Jose Luis Gallardo, Director
Jim Donovan, Director
Armando Lopez (ex-officio)
Ron Campbell, Secretary (ex officio)

AMS:

Vicky Carpenter

Officially Present:

| | | |
|----------------|-----------------|-------------------|
| Alvaro Luque | Dolora Sillman | Michael Lemos |
| Kevin Brosch | Brad Barker | Miguel Molina |
| Kevin Hamilton | Stephanie Bazan | Stephanie Browder |

APEAM and MHAIA Members and Guests:

| | | |
|------------------------|------------------------|----------------|
| Fernando Torres | Jon Ullrich | Jesus Domingo |
| Aaron Acosta | Rigo Perez | Miguel Barcena |
| Jorge Hernandez | Dave Billings | Gahl Crane |
| Gustavo Rivas | Giovanni Cavaletto | Peter Shore |
| Jorge Vallero Esquivel | Jose Alfredo Hernandez | Miguel Barcena |
| Jose Domingo Calderon | Sergio Chavez | Ivan Quintero |
| Marco Hernandez | Elizabeth Ayala | Russell Faulks |
| Ramon Paz Vega | | |

Roll Call and Minutes:

Chairman Caloroso called the meeting to order, took the roll call, established a quorum and introduced Kevin Brosch to read the antitrust policy to the board.

Jaime Rivas motioned to approve the minutes of the September meeting and Gabriel Villasenor seconded the motion. Unanimous.

Treasurers Report:

The treasurer Gabriel Villasenor introduced Miguel Molina to present the AFM Treasurers Report. for the period ending on February 29, 2020. Here are the

Financial Highlights:

- The cash balance as of March 1, 2020, was \$9,981,593 with the following breakdown:

| Account | Balance \$ |
|--|-------------------|
| AFM Executive Retention Program Money Market | 788,049 |
| MHAIA Money Market | 5,166,716 |
| APEAM Money Market | 3,733,423 |
| AFM Operating Checking | 290,905 |
| Petty Cash | 2,500 |
| Total | \$9,981,593 |
| | |

- [Change in Net Assets \(Income Statement\)](#)

| | Actual, YTD Feb20 | Budget YTD Feb20 | Variance | Comments |
|---------------------------------|----------------------------------|---------------------------------|----------------------|--|
| Contributions | | | | |
| MHAIA | 29,484,668 | 29,484,669 | (1) | |
| APEAM | 15,415,307 | 15,415,308 | (1) | |
| MHAIA – Payroll | 0 | \$270,812 | (270,812) | MHAIA’s personnel have not been hired. |
| Other Income | 6,844 | \$7,880 | (1,036) | |
| Total Contributions | \$44,906,819 | \$45,178,669 | (\$271,850) | |
| Spending | | | | |
| Marketing | 29,380,050 | 32,380,903 | (3,000,853) | 1.30 M Food Service 1.70 M delay on marketing programs |
| Marketing Admin | 4,341,762 | 6,740,960 | (2,399,198) | 2.0 M reserve transferred to Marketing \$380K delay in hiring Marketing personnel |
| MHAIA Payroll | 0 | 270,812 | (270,812) | MHAIA’s personnel have not been hired. |
| General Admin | 5,642,423 | 5,965,433 | (323,010) | \$161K delay in hiring Admin Personnel \$161K Admin Operational Exp. |
| Total Spending | \$39,364,235 | \$45,358,108 | (\$5,993,872) | |
| AFM Net Change in Assets | \$5,542,584 | (\$179,439) | \$5,722,022 | |

- Contributions
 - MHAIA and APEAM contributions are matching the budget.
 - MHAIA has not hired the two positions authorized by the Board; therefore, MHAIA has not transferred the necessary funds to AFM to run payroll for these positions and the MHAIA-Payroll line is \$270K under budget.
- Spending
 - Marketing is 3.0 Million under budget.
 - 1.3 million are due to delays in Food Service programs, including the AvoEatery restaurant, and the remaining 1.70 million are due to delay in marketing programs.
 - We are expecting to catch up on Marketing expenses in the following periods.
 - Marketing Admin is 2.4 million under budget.
 - September’s budget included a Reserve for Marketing Opportunities balance for 2.0 million. The Board approved transferring the reserve to to regular Marketing expenses.
 - The Marketing Admin is listing \$380K under budget as we experienced delays in hiring Marketing positions.

- MHAIA Payroll: MHAIA has not hired two open positions. Our budget is reflecting \$270K in savings when compared to budget.
 - General Admin is \$323,010 under budget:
 - The budget is listing \$161K under budget as the accounting team is experiencing delays in hiring two administrative positions.
 - Operating expenses are \$161K under budget. We are expecting to catch up on most of these expenses by the end of the fiscal year.
 - Net Change in Assets (Net Income): In summary, we are 5.72 million dollars under budget.
- **Financial Position (Balance Sheet)**
 - YTD actual total assets for the YTD February period are 16.40 million.
 - Cash and cash equivalents 9.95 million
 - Other Assets are 6.45 million, including a 5.80 million in MHAIA's intercompany receivables balance and \$528K in Fixed Assets.
 - YTD actual liabilities and net assets are 16.40 million.
 - Total Liabilities are 10.16 million, including 9.1 million is Accounts Payable. This large balance in Payables is due to Superbowl related invoices.

| | Actual, YTD Feb20 | Budget YTD Feb20 | Variance | Comments |
|-----------------------------------|----------------------------------|---------------------------------|---------------------|-----------------|
| Cash & Cash Equivalents | 9,959,411 | 4,508,146 | 9,496,629 | |
| Other Assets | 6,450,451 | 4,683,075 | 6,085,687 | |
| Total Assets | \$16,409,862 | \$9,191,221 | \$15,582,316 | |
| Total Liabilities | 10,162,119 | 8,665,500 | 9,081,198 | |
| Total Equity | 6,247,743 | 525,721 | 6,501,118 | |
| Total Liabilities + Equity | \$16,409,862 | \$9,191,221 | \$15,582,316 | |

- Net Assets (Equity) is 6.24 million.
- **Statement of Cash Flows**
 - Miguel Molina presented the Financial of Cash Flow and its reconciliation matching the total Cash and Cash Equivalent at the end of the period.
- **Fund Allocation**

- The actual fund allocation ratio is at 35% for APEAM, and 65% for MHAIA .
- AFM and MHAIA reconcile its books at the end of the fiscal year, and AFM balances its percentage allocation between the parties as necessary to match the 1/3 APEAM, and 2/3 MHAIA percentage agreed and listed in the Mutual of Understanding (MOU).

Upon conclusion of the Treasurers report, Gary introduced Miguel Molina, AFM CFO, and Michael Lemos, HR Manager, to present a status on the Accounting and administration projects:

- Miguel Molina gave an update on the new Contract Management application:
 - The number of contracts and amendments have increased year over year.
 - AFM is proactively implementing new software to automate and improve the contract approval cycle and managing the future growth on the number of documents.
 - AFM selected DocuSign-CLM software and is working on the design and implementation of the new application.
 - The target is to go live in May 2020 for contracts for the Fiscal Year 2021.
- Michael Lemos gave an update on the Human Resources related projects.
 - **Employee Coaching:** AFM completed Cohort 1.0. Cohort 2.0 it is ongoing right now, and AFM is going to select the next 3.0 cohort in April to get ready for a new launch in June of 2020 to finish in June of 2021.
 - **Payroll and HR:** Insperity, the new HR, payroll, paid time off, and benefits system is up and running. We completed the project in January 2020, and we have improved the employee and administrator experience.
 - **Employee Engagement Survey:** The why we were doing an employee engagement survey was announced, and Qualtrics and Decision Wise were introduced as our vendors that will help us run the engagement Survey. The timeline for the survey was shared, and it was shared that it had launched, that it would be completed in March, and as a company we would announce the results to the company. Furthermore, we would take some of the findings from the survey as initiatives to improve the satisfaction and employee experience.
 - **360 Competencies Survey:** In the same section as the engagement survey, the process for the 360 survey was announced. The methodology, scoring, and timeline was shared in order to launch the 360 survey in June of 2020. In addition, it was shared that

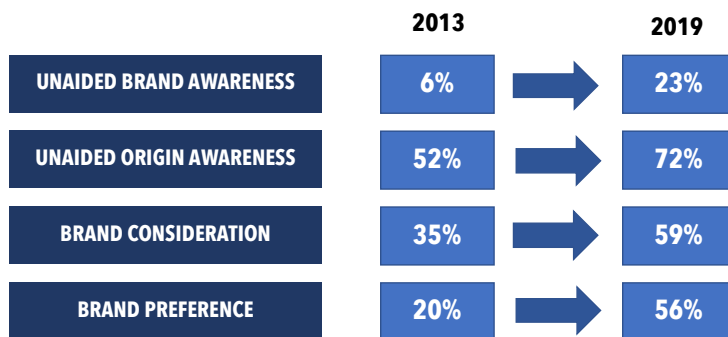
Decision Wise and Qualtrics was a vendor and that they will also help us do a pre webinar to prep everyone to give feedback, a post to learn to read the reports, and do 10 coaching's for a few employees to help them improve their scores after the results were released.

- **Employee Recruiting Update:** We provided the following update that we as a company, internally we recruited for the following positions: Staff Accountant, Executive Assistant, and the Sr. Power BI position. We also announced that Quintin Rohrbaugh started in the Staff Accountant position and that we had a prospect by the name of Nick Lytle that could possibly accept the Sr. Power BI Analyst. Furthermore, we also shared that we had a prospect for the Executive Assistant role.

Super Bowl Point Of View (POV):

Alvaro Luque presented a POV on upcoming Super Bowl programs including the following:

AFM Brand Metrics have a positive trend & results and we think the Super Bowl has a lot to do with these positive results:



Our six Super Bowl participations have given us 34 billion brand impressions in 5 key topics that are building a brand story through time. Also, this initiative is resulting in important volume increases: from Super Bowl 2014 to Super Bowl 2019 we have grown our imported volume 73% in lbs.

One of the biggest benefits of the Super Bowl is the excitement post-event that has given us the opportunity of keeping a good momentum for the brand in the weeks coming out of the event. We've seen a 91% increase in supply volume increases from 2014 to 2019 for those 4 weeks after the Super Bowl.

On the contrary, our lowest increase compared to 2014 is in the fall period with only 58% more lbs. in supply. Last year, this time of the year saw an

important increase in supply thanks to an aggressive retail promotional program in Sep - Oct.

The proposed and agreed plan for FY21 is to step out of the Super Bowl, being a CBS event, and dedicate an important part of our SB investment to create a strong October, November, December (OND) program around guac & football and try to set this up around a national partnership with the NFL and College Football Playoffs.

The presented plan for OND FY21 includes the following:



The consumer team will be able to create for the first time a media plan that is not tied up to a Super Bowl match. That will give us more flexibility and effectiveness in our media placement.

The final plan considerations include the proposal of keeping this strong OND program for FY22 but coming back to the Super Bowl that will be aired through NBC that is a very good media partner for us.

Avocado Market Overview:

Stephanie Bazan presented a Market Overview based on Nielsen and InfoScout data including the following conclusions:

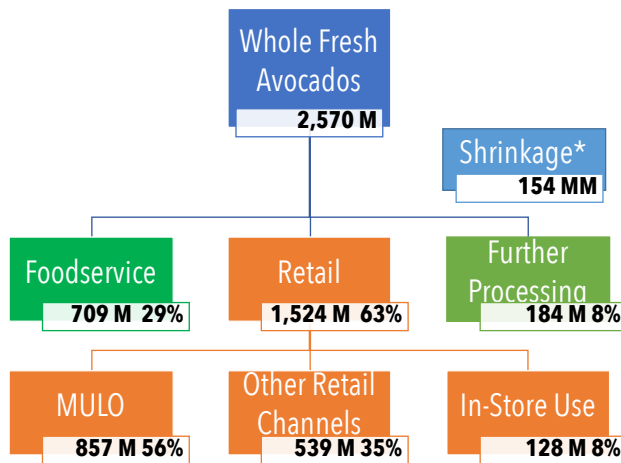
- 65% of avocado shopper are Boomers & Gen X-ers.
- Opportunity exists in E-comm avocado shoppers, but size is still small.
- Mid-week is an opportunity to drive higher share of wallet.
- Avocado shoppers are spending more per trip.
- Grocery is still king with the highest HH penetration (89%) & buy rate (\$24.63)
- Avocado shopping trips are mostly pantry stock ups, and their shopper have the highest spend in this type of trips.
- Average basket spend is 2X bigger with avocados.

Foodservice Market Overview:

David Spirito presented a Foodservice Market Overview based on our Technomic Volumetric study data including the following:

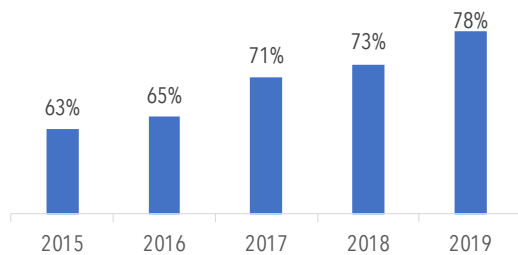
Updated volumetric tree assigns 29% of the volume to foodservice, 63% to retail and 8% to processing:

2019 US Whole Fresh Avocado Market By Channel (in Lbs)



Based on the report, avocados have grown in Foodservice 17% in the last 4 years. In that same time AFM has gained 15 percentage points in market share to end up 2019 with 78% of the Foodservice market.

Mexico Avocados Share Increasing In Foodservice***



Top growing segments for Foodservice in the last year are Fast Casual (+8%), Healthcare (+6%) and Colleges/ Universities (+6%).

Flag Concessions and AvoEatery Update:

David Spirito & team presented an update on our Concession Program including the following:

American Airlines Center: fresh avocado sales have grown 50% vs prior year, but new stand did not launch until October 2019.

Hard Rock Arena: fresh avocado sales have grown 300% vs prior year. New Miami Open activation will include larger footprint & menu. Client is offering us a much bigger branded stand with three serving windows for next fiscal year.

David presented new partnership with the Boston Red Sox that will start on March 2020 with the new baseball season. Deal includes:

- The right to use Fenway Park and Red Sox logo with the designation of: Proud partner of the Boston Red Sox.
- Branded message inclusion on right field video board.
- Suite menu inclusion. Possible guac trays & guac carts.
- Fresh avocado integrations throughout the stadium with branded representation on wall menus.
- One full branded concession stand and a branded nacho kiosk.
- Suite nights and ticket bank.
- Launch menu: Green Monster Dog, Loaded Nachos and Hot Pretzel with Guac & Queso.

David presented status on AvoEatery including launching events that delivered almost a billion brand impressions. Ivonne Kinser presented new campaign AvoArt to support restaurant launch and innovative menu recipes.

New Business:

Alvaro will include translators to our monthly JEC update meetings.

There being no additional new business, David Ruiz motioned to adjourn which was seconded by Which was seconded by Gabriel. All were in favor.

Respectfully Submitted

Ron Campbell
Secretary, AFM