



**AFM Annual Board Meeting  
Minutes  
May 22, 2022**

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**Place:**

AFM Headquarters  
Las Colinas, TX

**Board of Directors:**  
(All Present)

Jose Luis Gallardo	Chairman
Gary Caloroso	Treasurer
David Ruiz	Director
Jimmy Rivas	Director
Ricardo Vega Jr.	Director
Peter Shore	Vice Chair
Armando Lopez	Director (ex-officio)
Ron Campbell	Director (ex-officio)

**AMS:**

Kelly Robertson	Katie Cook	George Webster
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**Officially Present:**

Alvaro Luque	Dolora Sillman	Kevin Brosch
Pilar Osorio-Goday	Ana Ambrosi	Brad Barker
Miguel Molina	Ivonne Kinser	David Spirito
Gina Widja	Stephanie Bazan	Mitzy Cordero

**APEAM and MHAIA Members and Guests**

Jon Ullrich	Jesus Domingo	Ricardo Vega
Aaron Acosta	Rigo Perez	Miguel Barcena
Jorge Hernandez	Gahl Crane	Gustavo Rivas
Steven Fink	John McGuigan	Emiliano Escobedo
Jorge Vallero Esquivel	Rigoberto Lemus	Jesus Calderon
Ivan Alejandro Oseguera	Augustine del Rio	Dr. Antonio Ortiz
Gahl Crane	Alejandro Gavito	Keith Slattery

**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.

David Ruiz motioned to approve the minutes from our February board meeting and the motion was seconded by Gabriel Villaseñor. There was no objection.

## Treasurers Report

Miguel M. presented the financial statements for AFM for the period ending January 31, 2022.

- **Contributions:** Total YTD APEAM and MHAIA contributions match the budget. However, we are listing a \$170.63K favorable variance as MHAIA has not hired one position.
- **Spending:**
  - **AFM Marketing:** Total spending is under budget by \$6.37 Million or 19.4%. AFM is expecting to catch up on Marketing expenses in the following periods. The Consumer Branding and Market Development departments are the main drivers of the favorable balance.
  - **General Administrative:** Total General Administrative expenses are under budget by \$532.62K, or 20.2%. There has been a delay in operating costs.
- **Change in Net Assets:** Due to spending at a lower rate than our Budget, AFM presents a favorable \$8.43 million balance in the change in net assets (net income).
- **Financial Position:** AFM has a strong balance sheet.
  - **Assets:** AFM is presenting a higher than budget Cash and Equivalents balance. This favorable balance is due to a reduction in expenses compared to the budget.
  - **Liabilities and Equity:** AFM is listing a favorable balance in Total Liabilities compared to budget due to a higher intercompany payable balance. The Total Equity YTD balance is higher than the budget due to a rise in Change in Net Assets (net income).
- **Funding Allocation:** The funding allocation generally matches the agreed 2/3 MHAIA and 1/3 APEAM allocation rate. Any difference will be reconciled and adjusted during our year-end reconciliation review.

Contribution	Actual-YTD	Budget-YTD	\$ Change-	Actual-YTD	\$ Change-	Spending	Actual-YTD	Budget-YTD	\$ Change-	Actual-YTD	\$ Change-
	Jan 31, 2022	Jan 31, 2022	Act vs Budget	Jan 31, 2021	vs PY		Jan 31, 2022	Jan 31, 2022	Act vs Budget	Jan 31, 2021	vs PY
MHAIA	\$30,224,500	\$30,224,500	\$ -	\$25,757,205	4,467,295	AFM Marketing	\$ 26,399,802	\$ 32,767,200	\$ (6,367,398)	\$ 21,519,412	\$ 4,880,389
APEAM	\$10,499,070	\$10,499,071	\$ (1)	\$10,570,478	(71,408)	AFM Marketing Admin	\$ 3,786,146	\$ 4,471,969	\$ (685,823)	\$ 3,355,844	\$ 430,302
MHAIA Com/Analytics	\$ 85,681	\$ 255,219	\$ (169,538)	\$ -	\$ 85,681	MHAIA Analytics	\$ 85,681	\$ 255,219	\$ (169,538)	\$ -	\$ 85,681
Other income (Interest)	\$ 3,393	\$ 4,480	\$ (1,087)	\$ 5,978	(2,585)	<b>Total Marketing</b>	<b>\$ 30,271,628</b>	<b>\$ 37,494,388</b>	<b>\$ (7,222,760)</b>	<b>\$ 24,875,257</b>	<b>\$ 5,396,371</b>
<b>Total contribution</b>	<b>\$40,812,643</b>	<b>\$40,983,270</b>	<b>\$ (170,626)</b>	<b>\$36,333,661</b>	<b>\$ 4,478,982</b>	<b>General Admin</b>	<b>\$ 2,109,735</b>	<b>\$ 2,642,353</b>	<b>\$ (532,618)</b>	<b>\$ 1,933,538</b>	<b>\$ 176,197</b>
<b>% Variance</b>			<b>-0.4%</b>		<b>12.3%</b>	<b>Total Expenses</b>	<b>\$ 32,381,363</b>	<b>\$ 40,136,741</b>	<b>\$ (7,755,378)</b>	<b>\$ 26,808,795</b>	<b>\$ 5,572,568</b>
						<b>% Variance</b>			<b>-19.3%</b>		<b>20.8%</b>
Change in Net Assets	Actual-YTD	Budget-YTD	\$ Change-	Actual-YTD	\$ Change-	Financial Position	Actual-YTD	Budget-YTD	\$ Change-	Actual-YTD	\$ Change-
	Jan 31, 2022	Jan 31, 2022	Act vs Budget	Jan 31, 2021	vs PY		Jan 31, 2022	Jan 31, 2022	Act vs Budget	Jan 31, 2021	vs PY
Net Change in Assets-CY	\$ 8,431,281	\$ 846,529	\$ 7,584,752	\$ 9,524,866	(1,093,586)	Cash & Cash Equivalents	\$ 10,568,321	\$ 4,598,591	\$ 5,969,730	\$ 9,869,783	\$ 698,539
Retained Earnings	\$ 299,948	\$ 338,021	\$ 637,969	\$ 489,206	(189,258)	Other Assets (AR/FA)	\$ 9,016,974	\$ 2,809,397	\$ 6,207,577	\$ 5,446,633	\$ 3,570,342
<b>Total Equity</b>	<b>\$ 8,731,229</b>	<b>\$ 1,184,550</b>	<b>\$ 8,222,720</b>	<b>\$10,014,072</b>	<b>(1,282,844)</b>	<b>Total Assets</b>	<b>\$ 19,585,296</b>	<b>\$ 7,407,989</b>	<b>\$ 12,177,307</b>	<b>\$ 15,316,415</b>	<b>\$ 4,268,881</b>
						<b>Total Liabilities</b>	<b>\$ 10,854,067</b>	<b>\$ 6,223,440</b>	<b>\$ 4,630,628</b>	<b>\$ 5,302,343</b>	<b>\$ 5,551,724</b>
						<b>Total Equity</b>	<b>\$ 8,731,229</b>	<b>\$ 1,184,550</b>	<b>\$ 7,546,679</b>	<b>\$ 10,014,072</b>	<b>(1,282,844)</b>
						<b>Total Net Assets/Liabilities</b>	<b>\$ 19,585,296</b>	<b>\$ 7,407,989</b>	<b>\$ 12,177,308</b>	<b>\$ 15,316,415</b>	<b>\$ 4,268,881</b>

## Accounting and Systems Update

- Miguel presented an update on the Accounting and Information systems projects. All administrative projects are aligned to the department's strategic framework.
  - **Productive and a modern and secure workplace:**
    - AFM completed a quarterly IT help desk review process to understand our IT services and implement best practices in the department.
    - We completed our Digital Approval Asset application review. We concluded that its current cost is reasonable compared to other products in the market, and it is best to stay with the current provider to avoid disrupting the day-to-day operation.
    - We decided to hold a process improvement project with HR and Accounting until we hire the Business Analytics position.
  - **Intelligence and Analytics:**
    - AFM is placing on hold the following two projects. We will resume the projects when we hire the Business Analytics position:
      - Consolidating MHAIA's data into AFM's data model
      - Analyze and optimize the AFM data model
    - We have completed the implementation of an Excel Budget add-in with a direct connection to our Budget application for Windows PCs.
    - AFM is working with the trade retail and shopper group to test a new ROI model and analytics for Coupons and Trade programs for FY21.
  - **Compliance and Operational Excellence:**
    - We completed our analysis for AppZen. AppZen is an application to automate the Procure to Pay process with an Artificial Intelligent module. We concluded that the cost is too high compared to our volume of invoices, and we will not proceed with this application.
    - AFM is making progress with some special projects, including implementing a Lease Accounting module in our accounting system.
    - We successfully completed our transition from a Fiscal to a Calendar year for all benefits. All benefits will start now in January of each calendar year.

Finally, Miguel requested a motion from the board to increase email retention for an additional two years. Jaime Rivas made the motion which was seconded by Gary Caloroso. There was no objection.

## **Human Resources**

Alvaro Luque presented the HR status with the following updates:

- Michael Lemos left the company on Feb 7<sup>th</sup>.
- Allison Hamm took over most HR responsibilities with supervision and support from Alvaro Luque and Miguel Molina.
- Recruiting service is in place. We will start interviewing soon. Based on how difficult the labor market is, the position will be open at a Director level.

## **Top Projects Update:**

- Engagement Survey 3.0 will launch in April 2022 with Decision Wise.
- Alvaro working on AMBO improvement plan and HR web development.
- Miguel working on HSA/ HDHP final implementation and office expansion.
- Gallup consultancy project on Culture is confirmed and was moved to June 2022.
- AFM Life intranet and Leveling Guides for new remuneration process on hold for FY23.
- Allison and Alvaro will work on AFM Performance Calendar & plan. 360 evaluations are in scheduled with Decision Wise for June 2022.
- Allison working on recruiting two open positions: Business Intelligent Manager and Market Analytics Manager.

## **Office Expansion**

Alvaro Luque presented the main reasons for the office expansion proposal:

- With the pending hires, AFM offices will be almost maxed out in space.
- We have an opportunity to expand with the building at a slight lower cost of what we have right now. The building is giving us two options for expansion (Option 1 is 3,207 SQ and Option2 is 2,919 SQ)
- New expansion will give us the opportunity to include new service areas needed for the company size and the added space: Second Break Room and IT Room.
- We are working on a new proposal to renovate the Culinary Center and take more advantage of it with clients & partners. (FY23 project)

Miguel Molina presented the numbers for both expansion options, including possible Capex impact for this fiscal year and the following:

### Office Expansion Options

	Current	Option A: On-Robot +2 Years Extension	Option B: Vacant
<b>LEASE SUMMARY</b>		Incremental	Incremental
Rentable Square Feet (RSF)	14,377	3,207	2,919
Lease Commencement Date	10/01/22	10/01/22	10/01/22
Lease Expiration Date	09/30/27	09/30/29	09/30/27
Initial Lease Term (Years)	5	7	5
Lease Type	NNN	Gross - Base Year + Electric	Gross - Base Year + Electric
Months of Free Rent	0	4	4
Average Base Rental Rate	\$37.56	\$37.89	\$35.04
Estimated NNN Expenses @ LCD*	\$1.47	\$0.00	\$0.00
<b>Gross Average Rental Rate (excl. Electric)</b>	<b>\$39.03</b>	<b>\$37.89</b>	<b>\$35.04</b>
Estimated Tenant Electric Cost @ LCD	\$0.98	\$0.98	\$0.98
Reserved / Unreserved Parking Spaces	0/0	0/0	0/0
<b>CONSTRUCTION COST SUMMARY</b>			
Estimated Construction Costs / RSF		\$75.00	\$75.00
Proposed TI Allowance / RSF		-\$42.00	-\$30.00
Net Construction Costs Funded by Tenant / RSF		\$33.00	\$45.00
<b>Net Construction Costs Funded by Tenant \$</b>		<b>\$105,831</b>	<b>\$131,355</b>
<b>CULINARY CENTER</b>			
Estimated Construction Costs / RSF		\$20.00	\$20.00
Proposed TI Allowance / RSF		\$0.00	\$0.00
Net Construction Costs Funded by Tenant / RSF		\$20.00	\$20.00
Applicable RSF		14,377	14,377
<b>Estimate Construction Cost</b>		<b>\$287,540</b>	<b>\$287,540</b>

\* Quoted operating expenses have been grossed up by 3% per annum to arrive at the Estimated NNN Expenses at the Lease Commencement Date

### Capital Investment ( Capex) by Fiscal Year

Investment	Option A: On-Robot +2 Years Extension	Option A: On-Robot + 5 Years Extension
Office Expansion	105,831	48,105
Culinary Center	287,540	158,147
20% Incidentals	78,674	41,250
<b>Total Tenant Improvement</b>	<b>472,045</b>	<b>247,502</b>
Office Furniture	109,718	109,718
IT Services & Equipment	136,128	136,128
<b>Total Furniture + IT</b>	<b>245,847</b>	<b>245,847</b>
<b>Grand Total</b>	<b>717,892</b>	<b>493,349</b>
Fiscal Year 2022	126,997	57,726
Fiscal Year 2023	590,895	435,623
<b>Grand Total</b>	<b>717,892</b>	<b>493,349</b>

Board approved to move forward and negotiate with the building the expansion on both areas offered to prepare for the future. AFM will negotiate with the building and will present numbers and plan back to the board for final approval.

### Crisis Management Update

Ana Ambrosi presented an overview on how the crisis story broke out and how it escalated for a week. Coverage about the issue generated more than 20 billion impressions across online and broadcast outlets throughout the week

Once the issue was resolved, two positive press releases, one from APEAM and the other from AFM/ MHAIA and a proactive pitching by the agency helped us reach +40 top tier media with the positive news that the avocado ban was lifted, and the industry was back in track.

Ana presented opportunities for a recovery plan that included:

- Assessment on impact on reputation.
- Proactive media outreach and direct traffic to the Avocado Institute of Mexico.

- Partner with top media outlet to generate a positive editorial piece on our origin.

Alvaro Luque presented general company implications for the business and the possible action plan:

- Even though the crisis generated a strong buzz the company didn't face important promotional implications. Big programs are still in place, but the biggest impact might be in the Summer when Peru is in the market.
- International Paper was the only vendor who put us in credit hold one business day after the market suspension. Alvaro recommended to move away from IP and give Nysco an opportunity as our main vendor/ and start developing a second one immediately.
- Through social listening we will monitor consumer sentiment vs the brand to assess if it's necessary to develop a recovery plan with consumers.
- For FY23 Alvaro recommended to develop for the first time an important investment in paid Corporate Communications.

The Board agrees with AFM recommendations moving forward.

## Super Bowl Update

Stephanie Bazan presented a recap of the Super Bowl retail promotion results for 2022, starting with an overview of the avocado market where pricing hit record levels leading to the event, with 123% over the same weeks previous year. Thanks to that price situation, the promotional ads for the event decreased more than 10% compared to 2021.

Stephanie explained that regardless of the price situation, the Super Bowl promotion, using Drew Brees as our celebrity integration, had a record breaking sell in with over 106,000 additional merchandising bins in-store.



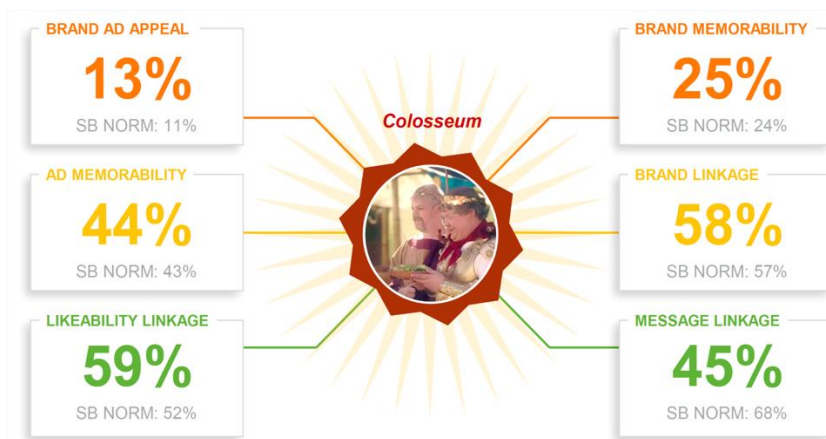
Ivonne Kinser presented the marketing results for the Super Bowl highlighting that this year the company did a true 360 marketing campaign that included advertising, digital, e-com, shopper, experiential and PR.

Ivonne explained that for the first time, the Super Bowl was used to launch our regular brand campaign. For that matter the SB ad will run in linear TV and OTT until April when we switch to the Cinco campaign.

The new campaign is based on the concept “Always Good” and it will unveil the new brand image, color, logo and tagline. The chosen ad was Colosseum Tailgate that scored the highest in the consumer pre-testing with Millward Brown/Kantar. The ad also performed extremely well in the evaluations with Acemetrix before final edits.

The ad aired in the first quarter of the game and garnered the 21<sup>st</sup> position in the USA Today Ad Meter among 66 Super Bowl ads. This is the second highest position ever for AFM in the Ad Meter.

Ivonne presented the results of Phoenix as the post-Super Bowl research to determine the campaign effectiveness. Colosseum Tailgate ranked #18 between all Super Bowl campaigns and performed very well with all metrics above or at norm, except for Message Linkage that was below the Super Bowl norm.



Ivonne presented the digital program for Super Bowl 2022 anchored in the House of Goodness platform that concentrated all the traffic coming from the different programs implemented through media, partnerships, influencers and social media. The digital program results exceeded AFM’s initial goals:



The digital program generated a total of 4.8 billion impressions making it the most successful Super Bowl digital campaign for AFM. Ivonne explained that since 2016, the company has generated 26 billion impressions through its digital Super Bowl campaigns.

Ana Ambrosi presented AFM’s strategy, plan and results for our Super Bowl PR campaign. The plan was developed through a 5-step approach to keep the brand narrative fresh and engaging throughout the months leading to the game:



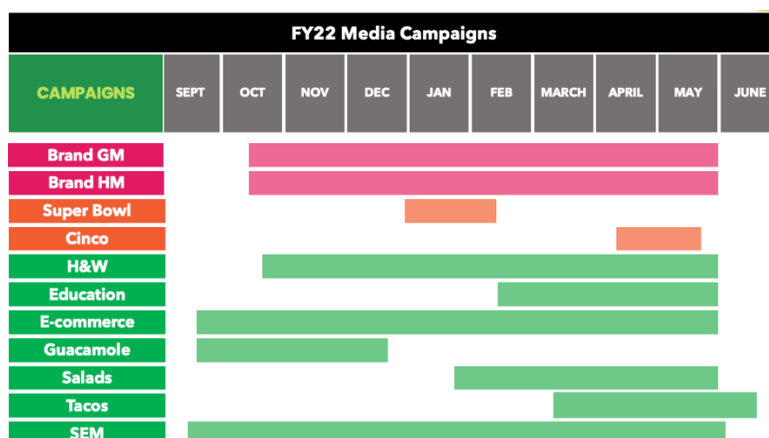


The campaign ended up delivering more than 6 billion brand impressions making it the most successful Super Bowl digital campaign in our history.

## Marketing Update

### Brand Marketing:

Ivonne Kinser presented an overview of AFM's marketing campaigns including the most updated media calendar:



Ivonne presented a recap of AFM's new brand visuals and communication strategy, anchored in the concept Always Good that will drive all brand communications moving forward:





Ivonne presented the extensions for the new Always Good campaign that include a new Cinco ad based on the Renaissance and a new brand ad based on the Wild West. Both ads follow the same creative idea of the Super Bowl supporting the Always Good message.

### **Foodservice:**

David Spirito explained that AvoEatery closed in December 2021 after almost two years open. The closing came as a request from the operational partner Trinity Groves. David presented an assessment on AvoEatery to analyze the benefits for AFM on this program. Main business benefits were the following:

- Immersive restaurant experience was engaging and allowed us to showcase the best in AFM innovation and allowed us to teach.
- Introduced over 30+ innovative menu items that were tested in real life environments.
- It led to multiple volume-driving programs (5+) and permanent menu placements in Jason's deli, Another Broken Egg and Twin Peaks.
- Allowed us to create a lab for testing multiple aspects of our business:
  - o *Menu items (including untraditional items such as alcoholic beverages)*
  - o *Innovative cooking techniques*
  - o *Marketing tactics (delivery via Toast, Waze media, loyalty/rewards, airport marketing)*
  - o *Culinary thought leadership*
  - o *Fresh messaging via Fresh Seal*
  - o *How to deal with COVID in FS*
- Good marketing results. The program generated almost 1 billion impressions, 5.9 million engagements and 5.8 million views of the AvoArt program used in AvoEtaery's launch.

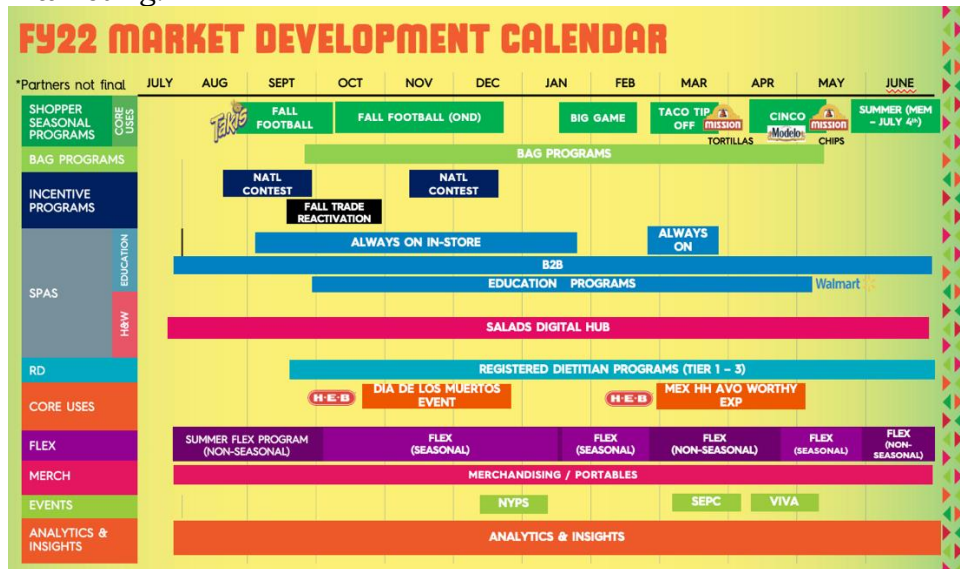
David Spirito presented new marketing program AvoPossible that was created to connect with top tier accounts that don't carry fresh avocados and make them aware of the product and the brand. Some of the chains impacted by this program are Burger King, Wendy's, Applebee's, Shake Shack and Panera. David presented AFM's completed LTO promotions with Potbelly, Del Taco, Which Wich, Rubio's, Mooyah and Another Broken Egg. He also presented the upcoming promotions with Abuelo's, Farmers Fridge and Jason's Deli.

For the non-comm side, David presented the clients that have completed or are in the process of promoting AFM, including Sysco, PFG, Aramark, Compass and Worldwide Produce.

For the Concessions program, David explained that Fenway deal is going to be extended with new concession space, Global Life Field (Texas Rangers) will start in March and the team is in final conversations with the Angel's Stadium in Anaheim to have a concession experience in the West coast.

## Shopper & Trade:

Stephanie Bazan presented the updated promotional calendar for Shopper marketing:



Stephanie presented the upcoming promotion Taco Tip Off with Mission Foods for the months of February and March 2022. The promotion had a record sell in number with 50,000 displays that represent a 32% increase vs previous year. The trade team will start selling the new promotion for Cinco de Mayo. The promotion will launch under the concept of CINCOMG and will be in stores by the second week of April. AFM will be partnering with Mission Foods and Modelo for this promotion.

The last promotion of the year will be Summer that will focus on grilling occasions and will be in market by the third week of May 2022. Stephanie presented the packaging initiatives that will be impacting the market after Super Bowl:



Stephanie presented the promotional programs in key accounts for Mexican hand-helds, including: HEB AvoWorthy program (Mar- Apr), Albertsons Taco Night bins (Mar) and Food Lion Taco Night Bag Rack (Mar)

Finally, after lunch, Alvaro introduced Economist Arjun Chakavarti to provide his post-covid economic assessment for the United States.

**New Business:**

There being no additional business David Ruiz motioned to adjourn and Jaime Rivas seconded. There was no objection.

Respectfully Submitted

Ron Campbell  
Secretary, AFM