



**AFM Board Meeting
Minutes
February 12, 2019**

Place:

AFM Headquarters
Culinary Center
Las Colinas, Texas

Board of Directors:

Ramon Paz, Chair
Gabriel Villasenor, Vice Chair
Mike Browne, Treasurer
Carlos Genel, Director
Jose Luis Gallardo, Director
Gary Caloroso, Director
Armando Lopez (ex-officio)
Ron Campbell, Secretary (ex officio)

AMS:

Hakim Fobia

Officially Present:

Alvaro Luque	Dolora Sillman	Michael Lemos
Kevin Brosch	Miguel Molina	
Kevin Hamilton	Stephanie Bazan	

APEAM and MHAIA Members and Guests:

Jaime Rivas	Luke Sears
Fernando Torres	Jon Ullrich
David Ruiz Vega	Aaron Acosta
Rigo Perez	Jose Luis Gallardo
Jorge Vallero Esquivel	Miguel Barceño
Mario Pachaeo	Jorge Hernandez
Dave Billings	Gustavo Rivas
Jose Alfredo Hernandez	Bob Lucy
John McGuigan	Denise Jurqueiro
Jim Donovan	Gahl Crane

Roll Call and Minutes:

Ramon Paz called the meeting to order, took the roll call and established a quorum.

Kevin Brosch counseled the board on the antitrust policy.

After introductions, Ramon requested a motion to approve the minutes of the September Annual meeting.

Mike Browne motioned to approve the minutes and Gary Caloroso seconded the motion. Unanimous.

Treasurers Report:

Treasurer, Mike Browne made some introductory statements regarding cash flow as it relates to the partial government shutdown. Mike introduced Dolora and Miguel (telephone) to present the Treasurers report.

Dolora Sillman presented AFM's financial statements and provided a copy to all board members present in the meeting with the following highlights:

- On February 9, 2019 AFM listed \$4,934,126 in cash in the bank
- YTD January 31, 2019 Financial Summary:
 - Total contributions total \$27.52 million
 - Total expenses total \$23.47 million.
 - AFM is under spending when compared to Budget; however, it is trending at the same expense rate as last year's.
 - Total Assets for AFM are \$9.25 million with a cash position of \$7.35 million.
 - Total Liabilities are \$4.51 million. This balance is driven by our \$3.64 million Accounts Payable balance as we are enforcing our 45 days payment terms.
 - AFM's equity is \$4.74 million.
 - Other statements included, a breakdown of % allocation expenses between MAHIA and APEAM, Cash Flow financial statement, and detail supplementary schedules.

Financial Summary

FY 18-19 YTD January 31,2019

Contribution					Spending				
	Actual-as of Jan 31	Budget -as of Jan 31	\$ Change- Act vs Budget	PY18-Actual-as of Jan 31		Actual-as of Jan 31	Budget -as of Jan 31	\$ Change- Act vs Budget	PY18-Actual-as of Jan 31
MHAIA	\$ 18,630,000	\$ 18,630,000	\$ -	\$ 16,391,340	AFM Marketing	\$ 17,922,106	\$ 21,090,977	\$ (3,168,871)	\$ 18,612,003
APEAM	\$ 8,757,103	\$ 8,723,625	\$ 33,478	\$ 7,876,970	AFM Marketing Admin	\$ 3,964,702	\$ 4,386,483	\$ (421,780)	\$ 3,000,216
APEAM Market Reporting	\$ 131,614	\$ 131,614	\$ 0	\$ 136,918	APEAM Market Reporting	\$ 175,028	\$ 131,614	\$ 43,414	\$ 129,447
Other income (Interest)	\$ 5,826	\$ 2,450	\$ 3,376	\$ 4,200	Total Marketing	\$ 22,061,837	\$ 25,609,074	\$ (3,547,237)	\$ 21,741,666
Total contribution	\$ 27,524,543	\$ 27,487,689	\$ 36,854	\$ 24,409,428	General Admin	\$ 1,414,213	\$ 1,576,000	\$ (161,787)	\$ 1,321,433
% Variance			0.13%	12.76%	Total Expenses	\$ 23,476,050	\$ 27,185,074	\$ (3,709,024)	\$ 23,063,099
					% Variance			-13.6%	1.79%
Change in Net Assets					Financial Position				
	Actual-as of Jan 31	Budget -as of Jan 31	PY18-Actual-as of Jan 31		Actual-as of Jan 31	Budget -as of Jan 31	PY18-Actual-as of Jan 31		
Net Change in Assets-CY				Cash & Cash Equivalents	\$ 7,349,582	\$ 3,709,747	\$ 3,879,333		
AFM	\$ 4,048,493	\$ 302,615	\$ 1,343,972	Other Assets (AR/FA)	\$ 1,908,163	\$ 2,464,116	\$ 2,071,265		
Total	\$ 4,048,493	\$ 302,615	\$ 1,343,972	Total Assets	\$ 9,257,745	\$ 6,173,862	\$ 5,950,598		
Retained Earnings	\$ 691,586	\$ 705,181	\$ 737,401	Total Liabilities	\$ 4,517,666	\$ 5,166,067	\$ 3,869,225		
Total Equity	\$ 4,740,079	\$ 1,007,796	\$ 2,081,373	Total Equity	\$ 4,740,079	\$ 1,007,795	\$ 2,081,373		
				Total Assets	\$ 9,257,745	\$ 6,173,862	\$ 5,950,598		

Crop Report:

Ramon Introduced Ron Campbell to provide a breakdown of the Crop Report.

As of February 6, Mexico shipped 1.182 billion lbs. and there is an estimated 1.231 billion lbs. left for the season. From February 6 to the 12th, Mexico shipped about 100 million lbs. leaving an estimated 1.1 billion left for the season.

Therefore, there is an estimated excess of \$1 million over budget.

Mike questioned the APEAM team the if the remaining crop will last through July.

Gabriel Villaseñor acknowledged that most of this remaining crop will be

harvested this season or an average of 50.7 million lbs. per week harvested through June. This has created an overall excess of excess of \$4.2 million.

Nevertheless, Mike Browne recommended that the group remain conservative.

Alvaro agreed and stated that AFM is not looking for additional funds however additional funds will be useful for additional Cinco de Mayo promotions, office expansion and in the Summer months.

Mike motioned to recommend an increase to the AFM budget by 3.2 million with a restricted \$750,000 increase to have in the budget if we need it. Gary seconded the motion and the AFM board were all in favor.

Ramon introduced Miguel Molina to present an update on AFM's administrative projects:

- Budget Control Application.
 - AFM has completed the implementation of Adaptive for Marketing and Administrative expenses.
 - The goal is to replace Excel and automate the budget control process for AFM
 - Next steps are to continue improving reporting capabilities and to complete the financial statements and to consolidate the data with MHAIA's financial statements.
- Concur – Travel and Expense Software Application.
 - AFM has completed the implementation of Concur's Travel Expense module
 - Concur is an application that is connected to AFM's accounting system ("SAP") and it incorporates our travel policy.
 - AFM decided not to implement Concur's Supplier Invoice Billing module. This module is not currently directly connected to SAP and it increases complexity in the process. We will re-evaluate this module in the future.
- Payroll, Benefits and HR external audit.
 - Miguel presented a project status on AFM's payroll, benefits and HR audit.
 - The goal of the audit was to request an independent accounting firm to review AFM's processes, implement best practices, and develop a relationship with a local CPA firm
 - The accounting team evaluated two mid-size CPA firms and selected WhitleyPenn.
 - WhitleyPenn reviewed AFM's 2018 payroll, benefits and employee handbook.
 - The audit is expected to be completed by the end of February 2019.
 - However, based on preliminary results, AFM is in compliance with Payroll, Benefits, and HR requirements, with some minor, non-material, findings related to documenting our payroll process, and improving some statements listed in our Employee handbook.
- Cybersecurity.
 - Cybersecurity is a general concern and a growing threat in the business landscape. AFM implemented Mimecast and Trend Micro to improve its email security and antivirus-malware protection; however, best practices include a secure identity management with multi-factor authentication.
 - Miguel is working on a project to bring best practices to AFM and implement an Identity management solution with a 2-factor authentication.

Michael Lemos updated the group on Human resource initiatives including an executive coaching program and possible Summer internships in partnership with Southern Methodist University.

Finally, Alvaro Luque presented a proposal for an office expansion in our building in Dallas:

GENERAL DETAILS: (pending negotiation)

- Additional 2,845 square feet.
- Same rate and schedule mirroring our last expansion.
- 99 months lease. We lose the early exit clause we had in 2024.
- 4 months lease abatement (last time we got 6 months)
- \$75 a month parking (8 additional spaces). No abatement. (last time we got 18 months)
- \$36.70 construction allowance (based on hard construction costs). C&M suggests to ask ownership for \$40.
- Leverage to negotiate an upgrade in restrooms and lobby.

Alvaro explained that we are expecting a out of pocket investment of \$160,000 to complete the expansion based on the following exercise:

Office Expansion - Year 1	
Items	Amount
Office Construction (30% over)	\$31,312
Office Furniture, AV and Phones	\$95,500
Cabling	\$15,000
Firewall AS5512	\$5,000
Network Switch	\$2,000
Security Cameras, Access Control	\$12,000
Total Construction, Furniture and Fixtures	\$160,812

Mike Browne motioned to persue an increase in office space and set aside \$175,000 of administration funds for the project and Gabriel Villaseñor seconded the motion. All were in favor.

Alvaro asked Michael Lemos to present the new AFM Culture Committee to the group.

Alvaro Luque presented a packaging proposal to include AFM branding in bags and cases.

The board agreed to continue pursuing this program and use the AFM Inside concept. AFM will contact packers directly to coordinate this effort.



New Business:

David Ruiz, presented the idea of using the brand on processed products.

Armando Lopez and Gabriel Villaseñor presented a breakdown of APEAM's new office proposal. The land has already been purchased and a video of the proposal was presented. In addition, the group discussed adding some flexibility to the MOU to allow APEAM to utilize a portion of their one third funding of AFM in Mexico for the good of the industry.

Ramon Paz announced that this will be his last meeting as Chairman of AFM. He has accepted an opportunity to start a farming project in Mexico and will be leaving APEAM. He thanked both boards for support and friendship and board wished him well.

There being no new business, Mike Browne motioned to adjourn which was seconded by Gary Caloroso. All were in favor.

Respectfully Submitted

Ron Campbell
Secretary, AFM