

Experimental Aircraft Association, Inc.
Minutes of the Annual Membership Meeting, July 22, 2020

EAA CEO and Chairman of the Board Jack J. Pelton called the meeting to order at 8:30 a.m. on Wednesday, July 22, 2020. Due to the cancellation of AirVenture 2020 and the Wisconsin social-distancing restrictions associated with COVID-19, we were unable to admit EAA members and others into the EAA headquarters in Oshkosh, Wisconsin. The meeting was broadcast live through www.EAA.org and the EAA YouTube channel.

Determination of Quorum/Secretary's Report

Pelton called on Jim Phillips to report on the number of people present in person or by proxy, for the purpose of determining a quorum. Phillips reported on the members present. As finally determined, after verification of proxies, the numbers were: two present in person, have not submitted a proxy; 29,731 present by proxy held by Jack Pelton and Jim Phillips. There being only 250 members necessary for a quorum, Phillips declared that a quorum was present.

Notice of the Meeting

Phillips confirmed that the Notice of the Annual Meeting of the Corporation was published in the June 2020 issue of *EAA Sport Aviation* magazine, which was mailed to all U.S. resident members and posted on the corporation's website at least 20 days prior to the meeting as required by the bylaws of the corporation.

Election

Phillips announced the inspectors of the election: Judy Reader, Carleen Murphy, and Dave Goelzer. Seven Class I directors were to be elected. The names of the nominees were published in the May 2020 issue of *EAA Sport Aviation* magazine as required by the association bylaws. They were: Richard Beattie, Ben Diachun, Mike Goulian, Keith Kocourek, Daniel Majka, David Pasahow, and Charlie Precourt.

Resolution for Consideration

Pelton stated that the minutes of the board of director's meetings held since the last annual meeting were available on the website. He then asked for approval of the following resolution:

Resolved, that the reading of the minutes of the July 2019 annual membership meeting shall be waived, and such minutes will be made available to anyone present at the meeting who might desire to read them; and

Resolved further, that such minutes should be and are hereby approved.

The motion carried by voice vote.

Resolved, that all acts, decisions, and proceedings by the board of directors of the association since the last annual membership meeting, and the fiscal 2020 Annual

Report presented by the chairman of the corporation, should be and are hereby approved and ratified.

The motion carried by voice vote.

Election Results

Pelton called on Phillips to present the election results for Class I directors (three-year term).

The Class I directors elected are:

Richard Beattie
Ben Diachun
Mike Goulian
Keith Kocourek
Daniel Majka
David Pasahow
Charlie Precourt

Treasurer's Report

Pelton called on EAA Treasurer Stuart Auerbach to present the audited financial report for the fiscal year ended February 29, 2020, for the Experimental Aircraft Association and the EAA Aviation Foundation (which is referred to collectively as EAA).

Good morning, fellow EAA members and guests.

I am Stuart Auerbach, EAA's treasurer. While we all would have preferred to be doing this in person together in the Theater in the Woods, it is my pleasure to present to you my prerecorded Annual Financial Report for the Experimental Aircraft Association and EAA Aviation Foundation, which I will refer to collectively as EAA.

The information I am reporting is from EAA's audited financial statements for the fiscal year ended February 29, 2020 (or fiscal 2020). Copies of these financial statements are available on our website at www.eaa.org.

Overall, fiscal 2020 was an outstanding financial year for EAA, as significant positive results were achieved in operations, fundraising, and investments.

EAA generated a total income of \$53.2 million in fiscal 2020, an increase of \$6.1 million, or 12.9 percent from fiscal 2019.

EAA benefited again this past year from the favorable investment market, with \$2 million of gains in fiscal 2020 compared with \$1.2 million of gains the prior year, an increase of \$800,000, or 68.9 percent.

Excluding investment returns, a more meaningful way to monitor the health of the organization, fiscal 2020 had operating income of \$51.2 million, an increase of \$5.3 million, or 11.6 percent over FY2019.

Looking at EAA's operating income in more detail, AirVenture continues to be EAA's largest single source of income, generating \$20.9 million, or 37 percent of EAA's total operating income in fiscal 2020. Despite having heavy rain in the days leading up to the event, which affected camping and aircraft parking at the start of the event, we still saw revenue increase by 7.2 percent, or \$1.4 million, over the prior year.

- AirVenture admissions/registrations income was \$10.6 million, an increase of 9 percent over FY2019, the result of another year of record-setting attendance;
- Exhibit and sponsorship income totaled \$8.7 million, an increase of 3 percent; and
- Commission income was \$1.4 million, an increase of 17 percent.

Donations represent nearly 22 percent of EAA's income and are a critical source of support for activities that advance our mission of growing participation in aviation. In fiscal 2020, donations of cash, property and services were \$11.2 million, which is \$2 million, or 21.3 percent, higher than the prior year.

Of particular note is another generous donation of \$1.4 million by the James C. Ray Foundation to start Project 21, a multiphase capital campaign to transform the museum into a vibrant, year-round, 21st-century education and training facility. The James C. Ray Foundation also continues to support the Ray Aviation Scholarship program with annual support of over \$1 million. For the second year, these scholarships have been implemented in concert with local chapters that will assist in mentoring the scholars, thereby increasing the likelihood that the scholars will successfully complete their training. EAA also received a significant non-cash donation of collection items collectively valued at over \$1 million from one of America's most iconic astronauts, Frank Borman.

All other income sources amounted to \$19.1 million, or 41 percent of total income, up \$1.9 million, or 11 percent.

The significant contributors to the other income category were from membership dues and subscriptions (\$5.9 million); admissions/registrations, which includes flight experiences (\$4 million); merchandise sales (\$3.1 million); and advertising (\$2.7 million).

Beyond these financial results, we are pleased to report that EAA's membership increased by 11.3 percent last year to approximately 244,000 members. We had healthy increases in all categories:

- Individuals make up 61 percent.
- Lifetime members make up 3 percent.
- Students make up 21 percent.

- Family and all others make up 15 percent. Membership dues and subscription income, which represents about \$5.9 million, or 11 percent of EAA's revenue, was up 1.4 percent versus the prior year.

On the expense side, EAA incurred \$45.6 million of operating expenses in fiscal 2020, an increase of \$2.8 million, or 6.6 percent over the prior year.

EAA has programming that runs throughout the year in areas of education, information resources, advocacy initiatives, and a range of services that support builders, restorers, aircraft owners, and aviation enthusiasts of all kinds. The organization is also engaged in a number of strategic initiatives focused on increasing participation in aviation by creating clear pathways for new enthusiasts to engage in aviation and by promoting innovation and pilot proficiency.

Program expenses, excluding AirVenture and membership services, in fiscal 2020 were \$16.5 million, representing 36 percent of EAA's total expenses. Strategic investments in fiscal year 2020 included continued engagement with youth through the Aviore superhero comic books, expanding flight experiences through the restoration of EAA's B-25, and focused effort to engage our chapter network to provide pathways to flight. These pathways included the previously mentioned Ray Aviation Scholarship program, which funded over 100 scholars and is projecting to have an 85 percent or higher completion rate. Initiatives also included supporting Flying Start events, Build and Fly programs, and Flying Clubs. The chapter office also was able to expand support, such as the addition of a tool crib program, roster management tool, expansion of leadership training, chapter recognition program, and a new chapter website offering.

AirVenture is the largest single undertaking and source of operating expenses for the organization. In 2020, EAA incurred \$13.5 million in AirVenture expenses, representing 30 percent of total expenses for the year. AirVenture continues to be the premier global general aviation event in terms of programming, features, and attractions — and, in turn, attendance.

In order to assist us in developing a plan to improve the AirVenture site transportation systems and services, EAA completed a major study with the Northwestern University Transportation Center (NUTC), one of the foremost authorities on this subject. This study was designed to respond to the strain on our infrastructure from the tremendous growth of the event, and visitor feedback on the need to address and improve in this area. We have already begun making site changes for what would have been AirVenture 2020 and have incorporated further improvements in the capital plan for the coming years. Our thanks go out to all those who participated and completed many of the data-gathering requests.

Membership service expenses were \$5.5 million, or 12 percent of total expenses this past year. These expenses fund some of our most valued member offerings, including our publications, advocacy, government affairs efforts, and member call center.

Management and general expenses amounted to nearly \$8.1 million, or 16 percent of total expenses this past year. These expenses also support our strategic planning for

membership growth through membership development initiatives in acquisitions and renewals. Related investments have been made in information technology to advance the state of automation and quality of member support systems.

Fundraising expenses were \$2.1 million, or 6 percent of total expenses this past year. During fiscal 2020, the organization has continued its strategic focus on fundraising through the EAA Aviation Foundation, Inc. as the dedicated fundraising arm for EAA.

The overall result for EAA's fiscal 2020 activities was an increase in net assets of \$7.5 million, or 9.1 percent.

Finally, here are a few comments on EAA's financial position.

At fiscal year-end, EAA had total assets of more than \$114.2 million, a significant portion of which is available to cover our debt repayment, operating reserves, and investments in AirVenture infrastructure and programs that further the organization's mission.

EAA's net property and equipment increased nearly \$2.7 million, or 9.6 percent in fiscal year 2020. Significant investments were made across the organization; AirVenture-related investments included finishing a major redevelopment of the Homebuilt community area, expanding aircraft camping with infrastructure improvements to the south (South 40), and strengthening the Wi-Fi bandwidth and availability in the most active areas of our grounds. Aircraft investments included overhauls of the B-17 and B-25 engines, and acquiring three new Van's RV aircraft to support many program flying operations.

EAA had total liabilities at year-end of \$24 million, an increase of 1.9 percent. This increase primarily reflects higher prepayments from commercial partners and growth in lifetime and multiyear memberships, offset by the annual \$600,000 debt service payment on the IRB.

EAA's net assets at fiscal year-end were \$90.2 million, \$7.5 million above the prior year as previously discussed. Of this amount, \$63 million, or 70 percent, is unrestricted as to use; and \$27 million, or 30 percent, is subject to donor restrictions.

In conclusion, EAA's management and the board believe that the organization continues to be in a very solid financial position and has an appropriate level of liquidity. Fiscal 2020 financial results were consistent with EAA's long-term plan to improve the financial strength of the organization and invest in programs and activities that bring value to our membership and drive measurable progress toward our mission.

Almost immediately following the close of FY20, which occurred at the end of February, we began to be impacted by the spreading COVID-19 pandemic. Decisions that the organization made both operationally and with regard to canceling the AirVenture 2020 gathering will have a significant and adverse impact on this fiscal year's operating results. That said, I join our leadership team and board in believing that the organization's

focus on sound and responsible operational and financial management has positioned EAA to weather the impact of the COVID-19 pandemic while continuing to provide the full range of permitted programs, activities, services, and resources that our membership values and to prepare for a terrific AirVenture in 2021.

Chairman of the Board Report

Pelton presented the Chairman of the Board Report.

The team at EAA has immense pride in the accomplishments that took place in fiscal year 2020. It was a record year.

The pandemic has certainly made our standards a lot tougher to achieve this year. But everyone has resolved that we will work through it. We will continue to provide programs and member support that make us the excellent organization we are.

I hope most of you have read the decision-making process we went through to cancel AirVenture 2020. It was a very difficult, grueling period of time between mid-March and the beginning of May. After considering our volunteers, exhibitors, community, and restrictions, we understood the event could not happen this year. We also had to take a look at all of our programs and revenue sources for the remainder of the year.

The team decided to fill the week of AirVenture with what we are calling the Spirit of Aviation Week. We recognize you can't replace AirVenture. You have to be here to understand all the dynamics, visuals, sites, and scenes — and most importantly, the family of EAA members getting together for the family reunion, which cannot be replaced virtually.

We have a lot of content, and years of forums, resources, and webinars — things our members can enjoy in their homes during these interesting times. We put on a full court press effort to get it rolled out. What we're doing today is a part of Spirit of Aviation Week. I hope everyone is taking advantage of a full calendar of events this week. The content will help everyone stay engaged in EAA's programs and missions.

We have not wavered from our strategic plan. Adjustments have been made to account for the stay-at-home order that occurred from March to the end of May. This includes restrictions, working changes, financial resources, and people through the remainder of the year.

There are six key initiatives that we are focusing on through the remainder of the year.

Project 21 will be a significant addition to our museum. It will have a brand new look and feel, and can be leveraged on a year-round basis to help facilitate our mission. The first floor will have simulators to train and host events, and it will continue to improve the general aviation safety records through training and proficiency.

The second floor of the facility is for youth education, with simulators and hands-on learning labs for youth of all ages. We will be able to engage local schools and summer

programs, which we believe will have a broad impact on young people's interest in aviation.

Aero Educate is a web-based resource for youth, parents, teachers, and chapter leaders. It helps students find pathways to aviation and aerospace careers. In addition to being a resource they can access from home, we aim to also provide educators the best in classroom aviation-themed activities. Features include a badging program designed to help cultivate interest and reward youth for being engaged in aviation. Our goal is this will be a funnel for youth to self-identify and foster careers in aviation.

EAA Chapters and Pathways has been our focus for the last two years. Our EAA chapters and chapter office need to be robust. We have created programs that are meaningful and successful at the chapter level. It's our responsibility to keep our chapters vibrant. The Flying Start and Flying Club initiatives continue to grow. We have had more than 80 Flying Start events, which is an opportunity at the community level to bring people in and show them the pathway to learn to fly. We have formed 20 new flying clubs and 19 new EAA chapters across the nation.

Our Build and Fly program is a partnership with the American Modeling Association in which our chapters partner with their local AMA clubs to teach kids how to fly RC airplanes. Our participation at the chapter level has created an all-inclusive kit kids can use to build the RC airplane, with help from the chapter members, and then partner with the AMA club to learn to fly it. We believe it goes back to our roots and it's useful to young people. Twenty-two chapters have already partnered.

Our breakthrough program has certainly been the Ray Aviation Scholarship offering. James C. Ray has been a supporter of EAA for many years. Our Air Academy Lodge on campus and many of our other programs are a direct result of James C. Ray personally seeing the value EAA offers in our various programs. James is no longer with us, but his foundation is carrying out his intent to bring young kids into aviation and help them get their pilot certificates. This program was personal for James. His story as he told it was one of a misguided youth without focus. He decided to learn to fly at a young age, and that provided the discipline and structure he needed in his life. After serving in World War II, he put his skills to work in business and became a very successful person. Over the years, he has donated more than \$1 million, which allows us to give 100 scholarships of \$10,000, enough for each student to earn a private pilot certificate.

James' stipulation was rather interesting. If you look at the flight training process today, there is an 80 percent drop-off rate, meaning 80 percent don't succeed. James had such a strong belief in our chapter networks, he wanted Ray scholarships to be a chapter program; in order to apply, young people must be involved and engaged in a chapter, and self-select aviation as their interest.

The chapters' responsibilities include signing up and mentoring the scholar through the process. In doing so, the belief is the rate is significantly better. We are proud to say we have flipped the success rate, and there is now an 80 percent success rate for all of our Ray scholars in getting through their pilot certificates. The stories are remarkable, and the

young people are remarkable. Equally important, the chapters' dedication to help these kids has been remarkable. We will continue to work on that year after year and continue to expand it to chapters.

MOSAIC Rulemaking

On the advocacy front, we have done a lot over the years when you look at the history of EAA. We have led on many of the general aviation advocacy efforts. We have a significant piece of rulemaking that EAA is taking the lead on. As most government advocacy programs, regulatory programs, or anything that goes on in Washington, there's always a memorable acronym; this one is called MOSAIC. It seems appropriate, because there are various pieces coming together in this particular rulemaking that affect different parts of our community.

The biggest piece of it is LSA reform. There is a big piece of the rulemaking that will expand the category of LSA aircraft. We can't get into the specifics of how it is going to happen, but we know it's going to be a performance-based standard that should allow aircraft with better capabilities in the existing definition of LSA aircraft to be able to fly under the LSA rules.

There also are benefits for the experimental community, and other areas that are loosening up standards. There will be policy that's created that is not part of the rulemaking itself.

We're also dealing with parts obsolescence. One of the things we advocate for is the affordability of flying airplanes, whether it's an Aeronca Champ or an old Cessna 172. Some are becoming more and more difficult to maintain. The cost of entry is at a good price point, but parts are becoming difficult to find. There are many off-the-shelf substitute parts, but sometimes those are not certified parts. The FAA has come around to recognizing the need to keep these planes flying. That's very important to general aviation's long-term viability.

This is how they're looking at it: Does the part have the same fit, form, and function as the standard category part that was on it? This would be a pathway to get those parts onto your certified airplane. It's very exciting. If you look at some of these parts, they all use a carb air box like on a Cessna 150. From the manufacturer, that costs a fortune. You can get the same part aftermarket for probably 10 percent of the factory price. Those little things make a big difference in allowing someone to maintain and fly their airplane.

We are very pleased with our engagement with the FAA and their support. They continued to work with a large team of about 60 people, even during the pandemic, to get this rulemaking out. They are looking at the final release of that rule to happen in 2023. Prior to that, there will be a public comment period, and we encourage our members to comment when that happens.

Membership Development

We know recognizing growing membership is really important. We hope that you, as an important part of this organization, value your membership and what we do. We are

asking for your help on a new program we've launched. There is an article in the July issue of *EAA Sport Aviation* magazine that talks about our legacy and member referral program. It's really a call-out to you. The idea is that EAA provides value, so why not engage friends who may be unaware of us or who have not yet thought of joining? It's a challenge to see how many people you can help sign up to be a part of EAA. We will recognize you for that, so I encourage you to read the article and understand what it's all about.

AirVenture Site Development

There are lots of folksy sayings for when you're having a crisis or other issue. In our case, we're going to call this "turning lemons into lemonade" in our AirVenture site development update. The site is closed and we can't let volunteers on the premises. We have initiated effective protocols to protect our employees as they come back to work. Our facilities team is making significant improvements all over the site, including adding some asphalt transportation routes and paths to help facilitate getting cars and people around the site in a more expeditious manner.

We are hardening our campgrounds to help avoid what happened last year on Sunday, when a downpour started flooding out roads and campsites. We looked at this as an opportunity to start moving dirt around and adding matting to prevent roadways from dissolving under the rain, when the inevitable inclement weather happens in Wisconsin every summer. We did similar work to our grass taxiways and parking areas, based on the lessons we learned during AirVenture 2019. Without AirVenture this year, we're taking the opportunity during this optimum time to do this kind of work, getting it planted, growing, and recovered through the remainder of summer before the ground hardens in fall.

These are big strategic initiatives that we remain committed to and are allocating our resources to accomplish. We hope that you, as a member, continue to see value in these benefits and more.

When you step back (and I certainly have stepped back in these times), maybe you have not been able to be as active as you want and there are things you haven't been able to do. I look at what EAA has been able to provide. We have the best publications of any aviation group out there in the industry, including the stand-alone aviation publications. We haven't missed a beat. Every issue has been on time, on schedule, and of the highest quality. This includes *EAA Sport Aviation*, *Vintage Airplane*, *Warbirds*, and the IAC's *Sport Aerobatics* magazines; our weekly *eHotline* newsletter and *ChapterGram*; and lots of social media content. By the way, we track the number of people viewing and participating in our social media content, which is staggeringly high and has taken the lead over many of the other groups out there.

For a long time, we have had our webinar series. We have decided to go to a more frequent webinar offering. We are thrilled by your feedback, and the number of people taking advantage of these webinars has been record-setting. It's encouraging that you believe we have the right content and topics of interest. We will continue to make that a norm as we go forward, not only this time, but also when we get past this virus issue.

For the remainder of the year we will continue to be challenged. We know that, with this pandemic. Our plan to open the museum on August 3 was a benchmark of other museums across the nation, including the Smithsonian. We have put processes in place that will allow a reduced number of people inside the museum. We won't be able to have school groups or air academies. We will start slowly to reopen the facility for our members.

We will have to continue to monitor the situation as the year unfolds. These were the big strategic items I wanted to share.

Member Question & Answer Session

I want to spend some time addressing a few topics and questions you submitted in advance. You do have the ability to submit questions as I'm standing before you today.

Some of the questions you asked were all really top of mind, and rather than include them in my remarks today, I wanted to address each one individually.

The first question asked, and asked frequently, is: What is the status of AirVenture 2021? We took this week to grieve the absence of AirVenture. When we made the decision in May, we moved into planning for AirVenture 2021. With AirVenture 2020 features and offerings already planned, we began working with those performers, exhibitors, forums presenters, and more, on their commitment for 2021. We are well on our way to making AirVenture 2021 a tremendous year of attractions. Although the Snowbirds had canceled in 2020, even if we did have the event, they now are doing everything they can to come back as the lead military air show demonstration team.

We kept pricing in place, so there will be no increases in 2021. We also have been able to maintain, with the support of the Boeing Company, the youth admission for 2021. We feel really good about heading into 2021 relative to programs, features, and what it will look like. We just need to get through issues like getting a vaccine in place and how crowds will be able to gather again in July 2021. For now, we're full steam ahead and will continue to monitor it.

During the stay-at-home orders, there was a lack of information regarding Young Eagles rallies and the flying of Young Eagles. We get a lot of questions regarding the ability to do that. Initially, it was pretty much a stand-down because of the stay-at-home orders. Now, as states have put into place recommendations from the CDC, we are asking people to follow those guidelines. The trickiest one is the Young Eagles rally, which can attract a much larger group of people. We recommend you check with your local city and county ordinances on what their recommendations are and stick to those orders. That should dictate the size of the rally. As far as individual flights, taking precautions, like sanitization and masks, is always recommended, and that shouldn't limit your ability to fly Young Eagles. You, the Young Eagles, and their families are equally important.

Similarly, we get questions about chapter, IMC, and VMC club meetings. I have been very impressed with the number of chapters that have been able to stay engaged virtually, using Zoom meetings, Skype conferences, and those kinds of things. At some point,

when things start to become clear on social distancing and gathering sizes, the guidance remains to look at your local requirements. What we've learned from this is how to continue to socialize and get content out using tools like Zoom. I encourage you to continue to use that as a healthy alternative.

One of our revenue sources has been the flight experiences with our Tri-Motor and B-17, with plans this year to add the B-25. I know it's important to the chapters, because they help host these events and get lots of benefits from them. When we did our replanning for the year, we tentatively planned for the end of September as the date we would like to see our touring airplanes back on the road. As of today, we think September is going to be a little early, and we're looking at a couple factors that will determine whether or not we can tour. First, where is the airplane going? What is the situation in that state? Two, does the chapter who is hosting and supporting it have a volunteer core that is willing and able to do that? Third, do our own sanitization protocols (which we do have documented, if chapters are interest in viewing it) affect how a tour stop would occur?

We have decided that the best thing to do is have just flights, not ground tours, in order to keep the crowds down. This seems the best solution as we look at how, when, and where these events can happen. There will be more to come, so stay tuned. The B-25 for this year will not be included on any schedule, because we were not able to do the adequate training in advance.

The last question at top of mind is what Stuart talked about from a business accounting perspective: How is EAA going to survive without having AirVenture 2020, recognizing that it's a major source of financial revenue that supports the organization? Clearly, membership dues do not pay for everything we do, as you can see from the financials.

I am very proud of what our senior leadership team has done over the last seven years. They were developing strategies early on. One of the things we focused on was sustainability as an organization. Knowing that back in the lean years, you didn't want to get in a position where any major event could cause you to financially not be able to continue on. The scenarios we looked at certainly did not include a pandemic, but we did look at major weather events that could rain out AirVenture, as well as terrorist activity. You have to do the normal risk assessment kinds of activities. The pandemic was not one of them.

As a result, we worked very hard to create financial reserves, understanding that we had to manage or costs, reinvest in ourselves, and create the ability to carry on if something were to happen. That's why the leadership team is here to manage. My team has taken that to heart. As a result, we're coming out of this pandemic a little bit nervous, a little bit shaky, but certainly well positioned to continue to be sustainable. We're going to tighten our belts and eliminate any costs that don't make sense over the next year or so. We're here for the long haul, and you can count on that. That is what we're focused on.

Adjournment

With there being no further business to discuss and a motion duly made and seconded, the meeting was adjourned at 9:15 a.m.