

## **FOUNDING A TYPE CLUB** Workgroup members (Robbie Culver, Chair)

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## **Overview**

Type clubs are a popular and effective way to build a community of aircraft owners, share the challenges and successes of ownership, and teach others how to build, own and/or operate the aircraft type safely and affordably. Type clubs have dramatic differences in formality from small groups with minimal structure and overhead, to large, very structured groups with many more resources available.

Some type clubs are formed when the manufacturer no longer supports the type, such as antique or vintage airplanes, others are formed while the aircraft is still in production. There are type clubs for experimental aircraft, certified aircraft, new aircraft and vintage/antique aircraft. Type clubs can emerge from online chat groups, informal discussions, chance meetings, or just about any need for a formal structure. Type clubs are a valuable asset to the GA community. Research shows that type club members have lower accident rates than non-members flying the same kind of aircraft. Sharing information in type clubs is helpful in improving safety, maintainability and pleasure in operating the aircraft.

## **Why start a type club?**

Type clubs offer technical resources, guidance for owners or builders, and a social setting to share common experiences. Owning a certified airplane is sometimes easier than an experimental, simply because of the quantity built. Of course, there are exceptions to this with less common examples or older models with no existing factory support. Experimental aircraft fall into several broad categories – plans-built, or kits that continue to enjoy factory support. And of course, there are types, either plans-built or kits that have become orphaned with the loss of designer or factory support.

Regardless of the legal status of the type (certified or experimental) a type club offers the chance to share information, knowledge, best practices, maintenance and safety among those who share the enthusiasm and experience.

## Let's look at a few examples of type clubs and how they started.

### Example 1 –

In early 2013, three experimental aircraft builders and owners decided the time was right to form a type club. Various models were and continue to be sold by an established kit manufacturer. Due to factory support, the type club was more aimed at technical expertise and camaraderie for builders and owners. What the organizers experienced when they tried to find advice on how to, and a way to start the type club are certainly worth sharing.

Initial conversations focused on how to legally organize the type club, what its goals should be, and what to name it. The organizers decided on a 501(c)(3) tax exempt status to ensure no one could criticize that the club was created for personal profit or gain, and to ensure the long term viability of the group.

A litmus test that the founders of this type club continually brought forward during the process of starting the club was “is this necessary?” They questioned themselves why a type club was needed for such a small community with a viable factory. Experience told them that it was needed. Their immediate focus was to be on transition training, which has been an ongoing theme and challenge for the community.

As the line of aircraft was produced by a kit factory that is still in business, organizers approached them initially to get their blessing. The manager told them “your most difficult task will be managing the relationship with the factory.” This proved to be true. At first, this was easy – the aircraft had a great reputation, stellar safety record, and online chat group. The relationship was cooperative and cordial – even friendly. After a series of unfortunate accidents, things in the community changed dramatically. These aircraft were now viewed in a new light by the aviation community, the insurance community, and both the NTSB and FAA. The emerging type club's relationship with the factory also changed. The founders sought to choose the best approach for this unique group and the people administering it. As the club matured, the leadership continued to manage the relationships required to keep the group active and focused.

A word of advice: be prepared to “sell” the idea to the community – healthy skepticism is a good thing and will make the organization stronger, more diverse, and more likely to succeed.

Once the organizers wrote the goals and started the website, they still had to sell the idea to the community. Several existing forums existed for the community so they posted on them to gauge interest. Again, they met with lukewarm results. At this point, with little assistance, some initial resistance from the factory, and a so-so reaction from the community it would have been easy to become discouraged and give up on the idea. They did not simply because they knew the effort was important and the mission was real.

They say timing is everything and they certainly found that they had good timing - their initial goal was writing a transition training syllabus, and it turned out the kit manufacturer was doing the same thing at the same time. They collaborated on the effort and released the syllabus together.

Since that initial success, growth has continued and the type club has been in the right place at the right time with the right message during some challenging times for the community. The joint success has been a pleasant surprise to all involved. The initial idea worked and the mission statement and goals provided a good framework for the club's growth.

They were lucky in being able to partner with a new online forum, where technical conversations and a general question and answer conversation could be initiated. All three of our founding members were active participants, and the forum administrator was savvy enough to partner with them. When they began the type club, the kit manufacturer had been hosting a Yahoo group chat for their aircraft - just over a year after start-up, they found the manufacturer wanted to stop running the forums and turned to them for assistance. The result was a surge in their membership.

### Example 2 –

In the late 1960s, an individual bought a used, certificated aircraft which had already become obsolescent and was no longer supported by the manufacturer for about fifteen years. Soon he discovered that parts and knowledge about the type were often challenging and decided that he liked the airplane enough to do something about it.

The individual requested, and received, from FAA the listing of all registered owners of the type and sent out several hundred postcards inviting them to join him a club. Many responded and for a modest annual membership fee began to receive periodic mailings sharing the word for parts and maintenance sources. Later an annual fly-in event was scheduled for the members of this group to meet personally. For many years, that was the sole reason for the group's existence. The club was mostly social, but also hosted a forum to share information. The founder served as President; there were no other identified officer roles or responsibilities. He authored what became to be a quarterly newsletter and scheduled the fly-ins and made himself available by mail or phone to help find answers for owners in need.

As time went on, the founder became weary of being the only resource for the group and the needs of owners began to increase, since he was the only person who could provide qualified answers to owners' questions. Radial-engine, tailwheel-equipped airplanes were increasingly considered to be oddballs, way outside of the norm.

Beginning early in the first decade of the 2000s the club began a metamorphosis from an autocratic social group into what today would be considered a Type Club. It incorporated, developed an elected slate of unpaid volunteer officers and staff. A website was created to take advantage of the rapidly expanding trend of *social media*. The tradition of a periodic newsletter continued, but now was circulated for free by the club's website inside of the previous costly and labor intensive mailings. But to a large degree, the true soul of the club became its online presence. A forum, moderated by club officers, proved itself to be a quick and effective way to deal with questions from prospective or existing owners. Appropriate representation from suppliers of parts, services and training helped get the word out for the needs of members.

The club created standards for social events, like fly-ins and other activities such as regional gatherings. A calendar of maintenance clinics was publicized on the website, encouraging new and experienced owners to gather and share maintenance information.

These activities are felt to have improved the safety and economy of ownership and promote high quality initial/transition training and recurrent training. In addition the club has developed many solutions to ongoing maintenance issues and techniques.

### Example 3 –

Another type club began with five individuals who incorporated in the state of Oregon in 2008. The new type club was founded to reduce the fatal accident rate in the community of its particular Type when 12 aircraft and 20 people were lost in one year. The FAA was poised to pull the rug on the Type, potentially grounding the fleet. Insurance companies were abandoning the market across the board. The newly formed type club board went to the FAA leadership and to the insurance market and asked for a chance to improve their safety record. They granted the request. It was not easy. A comprehensive training plan was created and peer-reviewed with other instructors. Ultimately, it was approved by the FAA and industry and since that time many of the fleet's owners have been trained, initially and on a recurring basis. The type club also joined the General Aviation Joint Steering Committee in 2011 and has worked ever since to reduce the GA fatal accident rate. The club hosts an annual event and includes key seminars on operations, training, Phase 1 flight testing and more. Research shows that the fatal accident rate of type club members is half that of the fliers operating the same Type, but who are not members. The club participates as an NTSB party to accidents involving the Type. The end result is the dramatic drop in fatal accident rate which, of course, was the primary objective.

For many years the type club operated as a "for profit" business, although it had little revenue. The club had bylaws, an online website and hosted a dinner at Sun N' Fun and AirVenture. At one point it began hosting an annual multi-day event dedicated to safety training. After a number of years the type club's leadership reexamined its business model and decided it would be best to change to a "not for profit" 501(c)3 entity.

## Tips and Techniques:

### General Membership Organizational considerations:

Choices, choices, choices ..... In each of the previous examples, choices were made that determined some of the characteristics of the newly formed type club.

Now that you've decided to shepherd your developing group of enthusiasts to a more formalized entity, you'll find many opportunities to make choices that will determine the shape and personality of the new organization. A major decision is choosing the form that the legal entity will assume. Your decisions here will affect the basic structure of the type club and will determine how it will be administered and managed from now on.

Should you choose to incorporate? To operate as a Limited Liability Company? Should it be a non-profit? How about a 501(c)3 charitable organization? What about transitioning from one legal entity type to another?

Each of these is a reasonable choice, it all depends on what the objectives and goals of the organization are. As a type club matures its mission and objectives may evolve; occasionally the club may be better served by an organizational change. Most often, the changes can be accommodated within a club's existing organizational type. An exception is a change from a for-profit organization to a non-profit or vice versa

Each State in the U.S. has different requirements and benefits, so it's not practical to provide a concise comparison of possible avenues to consider in a general document like this. Your best course is to consult with a lawyer familiar with your own State's laws to make an informed choice that will best suit your present needs and planned growth.

Just to begin the thought process, though, here are some fundamental characteristics of Incorporated Corporations and Limited Liability Company to help.

### Incorporation:

Each State in the United States has its own requirements for Incorporation, but generally there are similar requirements including:

- Business purpose – what will the club provide or do? This can be a very general statement.
- Corporation name
- Registered agent – who is tasked with receiving legal communications regarding the club?
- Directors – must be listed and reported annually
- Officers – same as directors
- Legal address of the company/corporation

There is a cost required to initially register a Corporation with its state and usually annual renewal fees. Due to changes of Officers and Directors arising from periodic elections, many type clubs choose to appoint a permanent registered agent. That individual's responsibility is simply to act as a point of contact for the club and would receive tax documents, written communiques from the State or legal notices. The registered agent must ensure that all such items are properly delivered to the current leadership of the club. You may outsource this role to a professional organization for a fee, but many clubs simply engage a reliable member to permanently serve in this role. The most significant legal benefit of incorporation is that it protects the assets of the club's leadership and members from claims of creditors and lawsuits. Note: this does not protect any officer, director or even member from being sued for some perceived negligence, but it does protect them from responsibility for any judgements against the club itself.

Additionally, the corporation can enter into contracts and may have its own bank accounts, assume debt and own assets which makes the day to day operations much more feasible than depending on individuals.

In some states, corporations are taxed at a lower rate than individuals. The formation of a corporation occurs in its home state and usually requires Articles of Incorporation, Corporate Bylaws and other related materials.

### Voluntary Organization/LLC

Many type clubs have organized as voluntary organizations, or as a group of individuals who have organized together, usually as volunteers, to perform a function. One US-specific form of this is a Limited Liability Company (LLC). Requirements and rights vary by State, but a LLC is a hybrid legal entity, having some characteristics of a corporation and some of a partnership. The primary characteristic that it shares with a corporation is limited liability and the primary characteristic shared with a partnership is flexibility. Instead of being incorporated, LLCs are organized and a less stringent requirements apply. There is a lessened requirement for administrative paperwork and record-keeping. Much flexibility is allowed in the structure of a LLC. For example, in most states, they are not required to have a board of directors or officers.

Depending on the jurisdiction, organization and renewal fees may be more expensive than for a corporation.

## **“Legal entity” considerations- For-profit vs. not for-profit organizations:**

Some clubs are formed as a 501(c)3, but other type clubs emerge from online lists or forums as LLC's. There are advantages and disadvantages to each. One choice was to make a “not for profit” group that could perpetuate long after start-up, but other type clubs have gone the route of forming an LLC, or just going it informally.

What will a 501(c)3 tax exempt status do for you? It will preserve your funds from federal taxes—however you must meet federal standards for becoming one. You can also apply for tax exempt status from state sales and income taxes. That is easier in most states but requires you be a tax exempt organization federally. This will also save you considerable money. You must be a charitable organization to be a 501(c)3 – which many type clubs could qualify for. In one club's case, their charitable efforts are centered around public education, training and safety. If you do go this route, you should be reminded that commercial ventures within the 501(c)3 are prohibited. Also, you cannot support a “for profit” company in their commercial enterprise. The IRS has information on their website about the do's and don'ts for 501(c)3's.

Forming a club via an LLC or a 501(c)3 takes time, adds cost and complexity, and requires legal assistance to form. Officers are required and choosing the right participants can be both tricky and critical to long term success. Unfortunately, finding those with the time, energy, and persona can be very difficult.

## **For-profit *transitioning* to not for-profit:**

One type club that began as a “for profit” LLC decided that its matured role would be better served if it were to transition to a “not for profit” 501(c)3 entity. Leaders consulted with an attorney who specialized in these sorts of things having been involved with many EAA chapters helping them to become 501(c)3 tax exempt organizations. The application process was straightforward but lengthy and the legal help was welcome. If you are thinking about a tax-exempt status—do it from the start. It is much easier to do it out of the box rather than having to reconstruct your financial and business records if you convert later. Fortunately, this club had fairly good records to do so.

## **Club Leadership:**

Getting key people is a critical part of successfully launching a type club. Put experts in charge of your organization – find good GA experts – not every pilot is an expert. Find someone with a good financial skill set, an IT and/or web savvy person, and good writers. Having someone with great social and organizational skills also helps. Will the organization be all-volunteer? Or will there be paid directors? All of this must be considered.

Seek out a variety of experience and backgrounds in the leadership of the type club to make sure a depth and breadth of viewpoints and opinions are part of the structure. Don't be afraid to include those outside the initial core constituency of the community. Plan for turnover on your board. Have regular elections and get new blood involved periodically. You need to promote from within!

### **Club “Branding” Considerations:**

Pick a good name that reflects the mission. Choose a name to reflect the inclusiveness of the group and to reflect the focus of the club on those building, maintaining, and flying the aircraft. Design a logo for your organization that reflects your purpose. Use it on letterhead, web site, t-shirts, etc.

Decide on a membership model, write bylaws and a mission statement, review it, edit it, and reword it until it fits. Run it by your attorney, especially if you are a 501(c)3. Write the articles of incorporation initially so there is a basis for the organization. Be ready to clearly and concisely state what you are and what you are not trying to do so everyone has a clear picture of the focus. Very simply, make sure you know what you are trying to do and then do it. Be prepared to explain your mission and why it matters.

### **General Membership Meeting considerations:**

When founding a type club, be prepared up front for your first member meeting and communications and be prepared to react calmly when prospective members, the factory, or the community resist your idea. If the idea is a good one, it will work and grow of its own accord.

### **Club Leadership Meeting Considerations:**

Often, type clubs begin their existence by holding ad hoc sort of meetings whenever necessary with no set goals or budget. Soon they realized these tools will not keep the organization on track

An effective board of directors should meet regularly. One board meets telephonically on the first Sunday of every month and meets in person at Airventure and at its Fly-in event. Another board meets quarterly, but is careful to ensure that meetings are scheduled regularly and publicized to all members. Review and follow Robert's Rules of Order for effective meetings.

Good management will drive the club's leadership to publish a set of goals and an annual budget to support the goals that meets your mission statement. The board should follow an outline for every meeting and publish a set of meeting notes that can be read and understood by the general membership. This fosters transparency and membership confidence and helps it to meet its goals.



To meet the legal requirements of the not-for-profit with paying members, you should hold an annual membership meeting. What better place to do this than at the world's largest aviation gathering? So each year one club hosts a member meeting at Oshkosh, where voting members (those that choose to pay an annual fee) can participate in electing the organization's leadership. Other clubs may hold annual meetings at fly-in events or annual conventions.

## **Membership Communications: Setting up the technology infrastructure.**

Some Clubs use a domain name registration service and web hosting service. Keeping with the theme of low overhead, one club chose to use GoDaddy. Since no one with advanced web skills was available, this approach worked well. It allowed multiple domain names to point to one website, multiple email addresses, a membership signup form, and an RSS feed from an online forum.

One club started a web site and hosted several annual get togethers. A forum pre-existed the formation of the type club so this club elected to not start another forum. After several years the forum host retired and another individual stepped up to start a new forum. At that time the club did not have the bandwidth to host a forum itself. Consider keeping communications like a forum in house if you have the resources.

## **Finances –**

Forming a board of directors or advisors. One emerging club was started when three founding members pitched in to form a 501c(3), opened a bank account and found an independent treasurer. It was founded with minimal overhead - basically the fees to start it, a web site, and some incidental costs such as shirts and business cards. To keep costs down, the annual meeting was planned to convene on the flight line at Oshkosh, and the only real social event was planned to be an offsite picnic on the east side of Wittman field at a member's house.

One club used the 501c(3) structure to obtain a tax ID; the founders donations for initial funding; and established a bank account managed by a member who had no personal involvement in running the organization (for transparency). Very quickly it was realized this was still going to cost some money to initiate. The initial estimate of about \$1000 was fairly accurate. To do this, they had the three founding members agree to kick in the initial investment. Be prepared for a steep initial investment to provide the legal framework for the group, start a website, and pay various fees and registrations. Also, if you are preparing to apply as a not-for-profit 501(c)(3) be prepared for a very long process. The IRS took 15 months to complete and approve an application.

The expected costs were largely registration fees and application fees plus the cost of founding a website and miscellaneous stuff like business cards, a banner, and

setting up a bank and PayPal account. After 30 months in existence, one newly-formed type club had over 430 members and \$2000 in the bank.

Consider that it is not necessary to have a non-board member manage finances and bank accounts. What is required, whether or not you are a 501(c)3, is a person (treasurer) skilled in finance and accounting principles. Savings, checking and credit card, Square and or Paypal accounts are required. Receipts for all expenditures should be provided to the treasurer within a few days of purchases. A Quickbooks or similar accounting software is recommended. If you register new members online a Paypal account is helpful. Monthly profit/ loss statements and an annual report should be provided by the treasurer to the board for review and approval. If you are a 501(c)3 you should review the IRS regulations for additional limitations on board member remunerations.

You may have started the club for fun, but unless you want to constantly underwrite the expenses out your own pocket you will have to run the organization like a business. Obviously, you must take in more revenue than you spend, no matter if you are tax exempt or not. Drafting an annual budget that supports your annual goals will help to keep your club on financial track.

### **Managing Risk / Is Insurance needed for the Club?**

Some type clubs, but not all, have liability coverage. For some the coverage just extends to certain events—say a cookout. For others, the liability coverage may cover flying activities. In other cases the policy may only cover Directors and Officers (D&O) for certain claims against them.

D&O coverage is the least costly (less than \$1500 per annum) but usually only offers coverage for fiduciary lapses, employee claims and other limited claims. If you have a D&O policy that you purchased for your organization and believe it offers general liability coverage review it carefully. If you do not have employees and have a trustworthy treasurer then you likely do not need D&O coverage. D&O covers you for fiduciary claims and employee (harassment) claims. One club had an employee years ago who made off with hundreds of thousands of dollars nearly wiping out the organization. D&O covers those kinds of events.

You may elect to have a fly-in or social gathering at Airventure or SNF. How are you protected while at those club-sponsored events? Event coverage may just cover a very limited time and location for a club gathering and may or may not include coverage for alcoholic beverages. You may elect to rent vehicles to carry your members to and from the airport to a hotel or event. The most affordable coverage in that case is the insurance offered by the rental car company.

Broad liability coverage for a type club that includes flying activities may be very expensive for even a small amount of coverage. One club found this type of liability coverage unaffordable. So they elected to limit their exposure to liability by limiting

activities that could attract a claim. Flying races, landing contests? No. When you look for liability coverage for that you are insuring the entire fleet and the lowest common denominator pilot.

Several type clubs have observed that getting General Coverage or Event Insurance can be problematic. Managing risk for the organization is an important role of the type club's leadership. At a club sponsored event, even something as simple as a van shuttle's involvement in an accident can have costly impact on the club or its leadership. If a type club has exposure through events like fly-ins or training or even if it could be associated with activities such as disbursement of information that affects safety, it is good to consider obtaining insurance and to have the policy reviewed by an appropriate person knowledgeable in that area.. NOTE: Ground training generally does not attract liability.

### **Safety and Data Collection/Management:**

Some clubs track safety data on every accident and incident involving aircraft of their Type. If a primary or even secondary goal is to improve safety in your fleet you must track the data in order to make improvements in the safety realm. The NTSB and FAA websites track accident and incident data going back decades and are easily searchable.

### **About EAA's Type Club Coalition (TCC)**

This white paper is the result of several EAA Type Club Coalition (TCC) members; individuals who have had first-hand experience in the creation of successful type clubs. Collectively, they have managed to lead all-volunteer groups to organize and create meaningful improvements in their Types' safety record, not to mention better building and maintenance experiences for their memberships. They have found ways to create a social environment that fits their membership's needs and personalities.

After reading these pages, TCC urges individuals or small group to explore some of the additional resources that are available in the TCC portion of EAA's website. TCC has assembled example documents and other materials that may be helpful in your getting started on your own custom route to a type club that can be a wonderful forum for like-minded builders and owners.

If you are part of the leadership of a successful type club, TCC invites you to help the cause by contributing experiences, lessons or most importantly, what you believe is best-in-class programs or tips to help type club brothers and sisters as we all share in that same basic common goals and needs.

We all want safety, economy and the freedom to enjoy our fellowship together. We can help all of these by sharing, learning and mentoring each other.

Please consider joining EAA's Type Club Coalition. There are no dues, no reports, no red tape. You'll simply become a part of a growing network of personal General Aviation aviators! We share type club documents and stories through quarterly webinars and newsletters as well as host an annual TCC meeting at EAA AirVenture Oshkosh, attended by dozens of type clubs, FAA, and NTSB officials.

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