

Minutes

PML Aero Cub
February 28, 2009

Attendees: Larry Jobe, Tom Martin, Allen Craig, Leon Liebster, Dave Morgan, Dennis Smith, Jim Goodrich,

Absent: Elizabeth Lindeburg, Michael Lindeburg, Bob Hornauer

I. Discussion on Preference Survey

1. Should we spend more than we have in the bank on an airplane?
 - a. Yes, with additional surcharge collected from all members as an hourly rate based on 300 flight hours per year.
 - b. Maybe. Only borrow money from club members, say, up to \$4,000, paid back by \$25 per hour surcharge paid by non-“founding” members, and pay it back within one year.
 - c. No. We should learn to live within our means.

Consensus: Yes, with additional surcharge collected from all members as an hourly rate sufficient to service debt. All initial club members would be co-signers on loan. **NOTE:** I ran a calculation for payment costs for a \$40,000 principle amount financed for a term of 120 months: at 7.5%=\$475/mo; at 9.0% = \$507/mo.

2. How long should we wait to buy a plane?
 - a. Wait until we have enough money in the bank to purchase a 1974+, low total time (less than 4,000 hours, and less than 1,000 on engine.
 - b. Wait until <Month> and purchase whatever we can afford at that time.
 - c. Buy whatever we can afford with what we have in the bank now.

Consensus: Wait for the right plane to come along = Mid- to Late-1970s, Airframe hours less than 4,000 hours, up to mid-time engine, good radios.

3. Should \$4,000 initial contribution or \$25 per hour surcharge be considered an asset that can be recovered by the member at a later date or should it be a contribution to the club that will not be recovered by the member?
 - a. The contribution is a non-recoverable contribution.
 - b. The contribution can be treated as a member asset that can be sold to a third party.

Consensus: The contribution can be treated as a member asset that can be sold to a third party.

4. If the member contributions are considered a recoverable salable asset, ...:
 - a. Should the member be able to sell his contribution (\$4,000 or the accumulation of the \$25/hr account) to someone outside the club?
 - b. Should the club be liable to reimburse the “retiring” club member’s contribution?

Consensus: a: YES b: Club should have option to buy out retiring member, but no obligation.

5. If the member contribution is considered a recoverable asset and sold to a third party, should the club have veto power over accepting the new member? **YES NO**

Consensus: YES

6. Should the club be an LLC (S Corp), or 501(c)(7) or 501(c)(3) non-profit (largely depends on answers above)? The following are some facts about each. **LLC 501(c)(7) 501(c)(3)**
 - a. LLC will cost \$800 a year to maintain.
 - b. In an LLC, the assets can be disbursed back to the members if the club folds.

- c. 501(c)(7) is a non-profit especially for social/recreational clubs.
- d. Member cannot receive tax deduction for contributions to 501c7.
- e. If 501c7 is disbanded, then assets must be disbursed to another 501, or to the federal or state government.
- f. No annual cost to maintain a 501c7.
- g. No more than 15% of annual revenue can come from outside the membership in a 501c7.
- h. If the club formed as a 501(c)(3), it would have to be as an “educational” organization, formed as a flying school. However, this is a tough sell to the IRS.

Consensus: The consensus was to form a 501(c)(7). However, decision will depend on what lending institution will allow. If bank doesn't care, the consensus was to form a 501(c)(7) in order to save \$800 per year taxes. Liability protection slightly favors 501(c)(7).

7. Should the club consider lease backs at this time?

- a. Yes. It's a good way to add many new aircraft quickly to the planes available to fly.
- b. Maybe. Only if the cost to “lease” the plane is on an hourly basis that is paid entirely by those who are qualified and wish to fly the leased aircraft. How is the insurance and annual/100-hour inspections paid for? **THE CLUB THOSE FLYING AIRCRAFT**
- c. Maybe. But let's wait until after our first plane is purchased.
- d. No. Because money paid for use of these planes leaves the club and cannot be used to increase the plane inventory owned by the club.
- e. Yes, but only after until the club has accumulated enough funding to purchase its own plane.

Consensus: Maybe. But let's wait until after our first plane is purchased. Unless a lease back walks through the door prior to us buying our first aircraft, we will concentrate on purchasing the first aircraft. Also, consensus was that those who fly a lease back aircraft should pay for it, with club only responsible for managing the plane's use.

Further Discussion & Consensus: The members felt that the \$4,000 “buy-in” should be reduced (\$1,000 was discussed). This lower buy-in would be considered non-refundable to the members by the club, but a retiring member could sell his share to an outside party. Further, we would only have one class of membership (no \$150 buy-ins). The reason for this is two-fold. First, more people would likely join if the club at the lower rate. Second, since the consensus is that we should take out a loan for the purchase of the first plane, the money collected would be used for the down payment. Assuming that \$10,000 is the down payment on a \$50,000 purchase price, then money collected after the first ten members would be held for future aircraft purchases.

II. Actions

1. Find out if banks care whether the club is an LLC or a 501(c)(7) when it comes to making loans for the purchase of an aircraft.
2. Club members will “pitch” the club at the PML Aviation Association next Saturday, soliciting members to join at \$1,000 initiation fee.
3. If the banks will consider lending to a 501 corporation, then Bob will oversee changing the by-laws back to a non-profit.
4. If the banks prefer an LLC for lending purposes, then Tom will process the LLC formation paperwork.
5. Jim will expand the search for an aircraft to include higher priced planes, not to exceed asking price of \$60,000, with the goal of purchasing a plane (with tax) for \$50,000.

III. **Adjourn:** 11:00am