

Rolling Stocks

Authorised by :

Investment Club

(ProShare reference number 12707)

RULES OF THE CLUB

1. THE AFFAIRS OF THE CLUB

- a) The affairs of the club shall be conducted in accordance with the letter and spirit of the constitution laid down by the members.
- b) The constitution may only be changed by agreement of not less than 75% of current members of the club.

2. OFFICERS

- a) The affairs of the club shall be managed by three officers, chairperson, honorary secretary and honorary treasurer who shall be elected by a simple majority of members attending the annual general meeting of the club.
- b) These officers shall resign at the following annual general meeting but shall be eligible for re-election.
- c) If an officer should leave the club, die or otherwise be unable to continue to carry out his/her duties, a replacement may be elected at a subsequent ordinary meeting of members.
- d) Other officers may be elected from time to time to assist the three main officers.

3. MEETINGS

- a) In each year there should be held 11 monthly meetings and one annual general meeting, at which all members shall be entitled to be present. It is not necessary for all meetings to be physical meetings – ‘virtual’ meetings are acceptable should circumstances demand.
- b) Only members that have attended at least 3 meeting since joining the club are entitled to vote on resolutions.
- c) Members that are entitled to vote will have equal voting rights on all matters, irrespective of the number of units held.
- d) Resolutions of the club can only be carried at a properly constituted meeting.
- e) Votes may be cast directly by attendees of the meeting or, for specific issues publicised prior to a meeting, a non-attending member may communicate his or her vote in writing to an attending member.
- f) Resolutions are carried by simple majority of votes cast, provided that at least half of the members entitled to vote have voted
- g) Dates and venues of meetings shall be agreed in advance and members notified in writing
- h) An extraordinary general meeting may be convened by not less than three members for the purposes of resolving special items of club business subject to a written request



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being submitted to the secretary who will without undue delay then give at least 21 days notice to all members, unless otherwise agreed by all members¹

- i) Decisions to buy or sell shares can be taken outside properly constituted meetings as long as the following process is followed :-
- any club member can initiate a buy/sell proposal
 - the proposing club member must make reasonable endeavours to notify each of the other club members of the proposal (using email, phone as necessary)
 - all club members must attempt to notify the club Treasurer (or nominated deputy) of their acceptance/rejection of the proposal within 3 days of the notification
 - club Treasurer (or nominated deputy) must action the proposal if acceptance has been received from at least 66% of the current membership of the club within 3 days of notification

4. MEMBERSHIP

In accordance with the constitution the membership of the club shall not exceed 20 persons at any time.

5. ELECTION OF NEW MEMBERS

- a) The election of a new member can only take place at a properly constituted meeting of the club
- b) The prospective member must be proposed and seconded by two existing members of the club, and the proposal, which must contain the name and address of the prospective member, communicated to all existing members at least 21 days prior to the meeting that will consider the proposal
- c) The election of the new member is conditional upon there having been no objection from any member at the time the application is considered.
- d) The club reserves the right to refuse admission to any person without giving a reason.
- e) On admission to the club, a new member shall pay the entry fee within 14 days and arrange for a standing order to be set up in time for the next monthly subscription payment cycle. These sums will purchase for the new member a number of units calculated according to club rules and the unit value prevailing at the next monthly meeting following their election.

6. JOINING FEE

- a) All new members will pay a joining fee of £100 which will rank on par with monthly subscriptions in that it will purchase for that member an appropriate number of units

¹This type of meeting is primarily used to agree rule changes and dismissals.



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according to the unit value prevailing at the next monthly meeting following their election.

7. SUBSCRIPTIONS

- a) A subscription of at least £25 per calendar month shall be paid into the club's bank/building society account by all members on or before the 1st day of each month by means of a standing order from a bank, building society or similar source.
- b) Each member shall give the Treasurer 1 month notice before changing their subscription level
- c) Each member's subscription will purchase for that member an appropriate number of units (or fractions thereof) according to the unit value declared at the monthly meeting following the date when the subscription was paid.
- d) There shall be no club brokerage applied to the purchase of units
- e) The treasurer shall notify members at their monthly meeting if any member is in arrears.

8. CAPITAL ACCOUNT

- a) The club's assets shall be valued monthly by the treasurer, normally no more than 2 business days prior to the club meeting, and a report shall be presented at the next meeting.
- b) The value of investments shall be based on 'bid' closing prices on the stockbroker's website or other reliable source of stockmarket information and will be adjusted to be a reasonable estimate of net realisable value (i.e. reductions will be made for selling expenses).
- c) The treasurer's monthly report shall include:
 - the current value of each of the club's investments together with a total value of such investments;
 - a statement of unpaid accounts and cash in hand on the aforesaid day;
 - the total value of the club's assets and the current unit value which shall be determined by dividing the total net asset value by the total number of units issued to members.

9. MEMBER'S ACCOUNTS

An account shall be kept for each member of the club showing:

- the total investment made by each member by means of subscription and joining fee;
- the total of withdrawals made by each member who has sold back units to the club;
- the total number of units currently held by the member and the current value of his/her holding.



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10. MEMBER LEAVING THE CLUB

- a) Resignations from membership must be submitted in writing to the chairperson, treasurer or secretary not less than seven days before the monthly meeting at which the resignation is to take effect.
- b) A member may have their membership terminated as provided by Clauses 15 and 16 of the Constitution.
- c) Members leaving the club, whether by resignation/termination of their membership, or as the result of the death of the member, shall be deemed to sell back to the club their entire holding of units.
- d) Rule 11 shall be followed when determining the amount to be paid to the member leaving the club.

11. SELLING BACK UNITS TO THE CLUB

- a) Requests from members to sell back all or part of their interest in the club must be submitted in writing to the chairperson, treasurer or secretary not less than 7 days before the monthly meeting at which the sale is to take effect
- b) Any request which would take the member's remaining holding below 100 units will be rejected, unless the member is leaving the club and therefore selling back all their holding
- c) To strengthen the principle that funds invested in the club should be there for the long term, brokerage will be applied to the selling back of units, as per the following conditions:-
 - A member's units will be sold back on an "oldest units first" basis
 - A brokerage of 5% will be applied to the sale of units
 - The brokerage will be waived for those units where :-

Either
 - The member has not sold any other units back to the club during the previous 12 months
AND
 - The units being sold have been held for > 2 years
Or
 - A resolution is proposed and carried to waive the brokerage for the transaction
- d) An estimate of the amount to be paid to a member selling back units to the club shall be calculated by multiplying the number of units being sold by the unit value declared by the treasurer at the club meeting at which the request was accepted. This shall then be subject to the brokerage defined in clause 11 c) above.



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- e) The amount payable to the member will also be subject to any legal fees incurred by the club in connection with the withdrawal of the member
- f) A plan setting out how the funds will be made available to pay the member will be agreed at the club meeting at which the estimate is produced.
- g) Payment to the member shall be made as soon as possible and ideally from cash in hand (whilst retaining an anticipatory balance) and in any case within 90 days of the request being accepted
- h) If settlement is not possible from cash in hand then immediately prior to settlement, a spot re-valuation will be carried out to assess whether the club's unit value has moved significantly since the meeting at which the estimate was produced. This re-valuation will be used as follows:-
 - If the re-valuation is within 5% of the original estimate then no adjustment will be applied
 - If the re-valuation is not within 5% of the original estimate and the plan agreed under clause 11 f) has been followed then settlement will be concluded using a unit value that is at the mid-point between the original estimate unit value and the revaluation unit value
 - If the re-valuation is not within 5% of the original estimate and the plan agreed under clause 11 f) has not been followed for any reason, then the club will propose an adjusted settlement value, using the principle that neither the individual nor the club will be unfairly disadvantaged, and will contact the member to confirm that the settlement should proceed

12. ADDITIONAL UNITS

- a) Additional funds from members to purchase additional units in the club must be received by the club together with notification in writing to the chairperson, treasurer or secretary not less than 7 days before the monthly meeting at which the purchase is to take effect
- b) The number of additional units to be purchased by the member shall be calculated by dividing the additional funds received from the member by the unit value declared by the treasurer at the club meeting at which the request was accepted
- c) There shall be no club brokerage applied for the purchase of additional units

13. RUNNING COSTS

- a) No member of the club shall be compensated for providing services to the club.
- b) Expenses incurred in managing the club shall be recorded in the club's cash account which shall be funded from the club's subscription and other income.
- c) The treasurer shall maintain a full and accurate record of all expenditure to submit to the auditors annually.



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14. BANKING

- a) The club's bankers/building society shall be determined annually at the annual general meeting but may be changed by agreement of a majority of members at an extraordinary general meeting called in accordance with Rule 3.
- b) All cheques drawn on the club's account(s) shall require any two authorised signatures. Where possible one of the signatories of cheques should be the chairperson. In the event of one authorised signatory being unavailable for an extended period, the officers of the club may authorise a further signatory for the period involved.
- c) All income shall be paid direct in to the club's bank/building society account(s) except where members have approved an arrangement whereby their stockbroker retains funds from the sale of one or more investments pending the purchase of other investments.
- d) The club shall not enter into any overdraft facility or other loans.

15. BROKERS

- a) The club's brokers shall be determined annually at the annual general meeting but may be changed by agreement of a majority of members at an extraordinary general meeting called in accordance with Rule 3.
- b) The club's brokers shall be instructed that
 - only two named officers are authorised to buy or sell investments on behalf of the club
 - no member is authorised to commit the club beyond the cash accessible by the broker
 - all cheques due to the club's accounts are to be made out to the club's name on non-transferable cheques

16. COMMITMENTS

No club member shall make any commitment on behalf of the club or commit club funds without written authority to do so.

17. TRUSTEES

Trustees will be appointed as required in accordance with the constitution.

18. AMENDMENTS OF RULES

The rules of the club may be amended or rescinded via a resolution at any properly constituted meeting of the club in accordance with Rule 3 above, but subject to agreement by at least 75% of the members entitled to vote, rather than by simple majority.



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19. MINUTES

Minutes of the club meetings shall be kept and shall be available for inspection by any member of the club at any reasonable time.

20. DISPUTES

- a) Any disputes as to the interpretation of these rules shall be decided by the chairperson unless notice is properly served requesting that the matter should be resolved by an extraordinary general meeting of club members.
- b) Any disputes relating to the valuation of a member's share in the assets of the club or his/her entitlement to that share shall be decided by a chartered accountant (to be appointed by majority vote) of at least seven years' standing whose certificate of decision shall be final.
- c) Fees incurred in handling the dispute shall be paid by the party to the dispute against whom the decision is made, or in the case of this not being clear the fees shall be shared between the club and the member or ex-member concerned.

21. WINDING UP

The club shall be wound up and all assets divided among members (after payment of club expenses) in accordance with the number of units held by each member if a resolution to that effect is passed at an extraordinary general meeting in accordance with Rule 3 above, but subject to agreement by at least 75% of the members entitled to vote, rather than by simple majority.

22. TAX LIABILITY

Membership of the club implies acceptance of proportional tax liability on trading profits made by the club in any tax year. Proportionality will be based on the number of units held per month of income and capital gains made by the club in that tax year.



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APPENDIX A : PROCEDURE FOR PROCESSING MEMBER SUBSCRIPTIONS

This note provides guidance on how subscriptions are applied to the accounts of the investment club. It is intended to supplement and not replace the rules of the club by providing detailed interpretation.

Payment of Subscriptions

Subscriptions must be paid by the first of the relevant month. This means that whenever we hold the meeting in the month then everyone will be a fully paid up member.

Payment is deemed to be made when cleared funds are received in the clubs accounts. It is recommended that payments are made by standing order and therefore to achieve this deadline payments should be timed for 23rd of the month or earlier. In consequence the subscription for February must be sent in January & etc.

When a meeting is held towards the end of the month it is thus likely that some subscriptions have already been received for the following month. These are termed “forward subscriptions” and are deducted from the current funds when determining the current net asset value for unit valuation. Should a member resign, or the club decide to wind up, in these circumstances these payments would be returned as cash (in full) without ever having being converted to/from club units.

All “normal subscriptions”, i.e. those made in the previous month and therefore applicable to the current month, will be converted in club units on a date between the 1st of the month and the date of the club meeting. Normally this will be around two days before the club meeting to ensure the valuation is relatively up-to-date whilst allowing some time for review prior to the meeting.

Conversion of Subscriptions into Units

The conversion to units is made as follows:

1. All stocks/other financial instruments are valued at their estimated realisable value on immediate disposal, i.e. usually current selling price less expenses (or valued at the discretion of the Treasurer if suspended or otherwise not tradable).
2. To this aggregate value are added all cash funds owned by the club.
3. From the total “forward subscription” and any other known liabilities are deducted (e.g. outstanding Llama prizes, fees).
4. Finally the amount of the “normal subscriptions” (i.e. the monthly subscriptions plus any additional funds from members to purchase additional unit) is deducted.
5. The remaining total represents the current value of the units already “issued” by the club. It is divided by the total number of units previously issued and not cancelled. This determines the new unit value (in pence) for the current month.
6. Member subscriptions are then converted into new units at this rate.
7. Units are cancelled when a member withdraws all or part of their investment in the club (as provided within the rules of the club).
8. Calculations of unit value and members unit holdings are made to an accuracy of 3 decimal places (truncated not rounded).



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Exceptional Circumstances

In the event that the club receives a windfall (e.g. a competition win, but not a dividend payment) then, unless overruled by a properly constituted vote, these will be divided equally between all members of the club and treated as “bonus” normal subscriptions. Conversion into units will use the method described above.



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DOCUMENT AMENDMENT HISTORY

Issue	Date	Author	Summary of Change
1	05/05/98	Dave G.	New document
2	08/10/98	Dave G.	Rule 3 (f) added to allow buy/sell decisions outside meetings. Amendment History added and format tidied.
	20/10/98	Dave G.	Minor modification to rule 3(f) as agreed at 20/10/98 meeting.
	22/10/98	Dave G.	Corrected 2nd bullet in rule 3(f) as agreed at 20/10/98 meeting (incorrectly applied as part of 20/10/98 update)
3	20/01/99	Dave G.	Amendment to rule 11, and new rule 12 in order that selling back of part holdings to the club is explicitly covered in the rules. Wording discussed as part of 13/01/99 meeting,
4	01/06/99	Dave G.	Rule 8(a) changed to allow subscription fee to be within a £25 to £50 band as proposed at meeting 10/05/99. Rule 8 (b) added. Header amended to provide space for authorisation signature by chair.
	11/06/99	Dave G.	Footer amended to remove path from filename (should have been done as part of previous update).
5	14/02/00	Dave G.	Rule 9(a) expanded to include statement on net realisable value. Wording as agreed at meeting of 11/01/00.
	02/04/00	Dave G.	Rule 9(a) amended to suggest valuation prior to meeting rather than within two days of it. Wording as agreed at meeting of 22/03/2000.
6	19/01/04	Dave G.	Appendix A to rules added covering procedure for processing member subscriptions as agreed at meeting of 18/12/2003
7	03/03/04	Dave G.	Rule 8(a) changed to allow upper limit on subscription fee to be raised from £50 to £80 as proposed at meeting 27/02/2004
8	06/01/05	Dave G.	Rule 8(a) changed to remove upper limit on subscriptions and rule 13 changed to now allow members to buy additional units. Both changes proposed at meeting of 06/01/2005.
	07/01/05	Dave G.	Rule 9(a) amended following email discussion about how the treasurer's report presents the valuation using bid price rather than mid price.



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9	08/06/07	Dave G.	<p>Various changes following review at EGM of 17th May 2007. Changes are as below:-</p> <ul style="list-style-type: none">▪ Rule 15(a) and 15(b) changed as per description in the minutes of the EGM▪ All sub-clauses of rules to be individually lettered▪ Various cosmetic changes▪ Rule 3 to include 'virtual' meetings▪ Rule 3 to restrict voting to members attending 3 meetings▪ Rule 3 to allow meeting date to be changed by agreement▪ Rule 3 to allow 21 day notice to be overridden by agreement▪ Rule 5 to clarify notice periods for nominating new members▪ Rule 6 (Withdrawal of Membership) to be merged with Rule 11 (Member Leaving the Club) (which, as a result, becomes rule 10)▪ Rule 7 (now 6) to remove special restriction on changing joining fee▪ Rule 8 (now 7) to explicitly state brokerage level▪ Rule 12 (now 11) amended to remove brokerage for one trade per year on units held for more than 2 years. Also amended to be clearer on agreeing a plan for determining the amount to be paid in 'exceptional' market conditions▪ Rule 16 (now 15) revised to cover how broker can be changed and to recognise that the direct debit means that it should be cash accessible to the broker, not cash held by the broker▪ Rule 19 (now 18) amended to refer to Rule 3 about resolutions being passed by members entitled to vote▪ Rule 21 (now 20) to appoint accountant by majority vote rather than simply by chairperson▪ Rule 22 (now 21) amended to refer to Rule 3 about resolutions being passed by members entitled to vote▪ Appendix A amended to define "normal subscriptions" as monthly subs plus additional funds to buy additional units
	21/06/07	Dave G.	<p>Changes following review at EGM of 21st June 2007. Changes are as below:-</p> <ul style="list-style-type: none">▪ Rule 3(g) to state that members shall be notified in writing▪ Footnote in Rule 3(h) moved to end of sentence▪ Rule 10(b) to also refer to clause 16 of constitution▪ Rule 10(d) to refer to rule 11 rather than rule 12▪ The sentence "Any surplus cash held to the member's credit will be added" removed from Rule 11(e) as we use fractional units▪ Rule 11(h) revised to take the mid-point between original and revised unit valuations in exceptional market circumstances