Document description

This document outlines a bond funding mechanism adopted by Booker Gliding Club to provide funds using a bond system. It is offered for use by other clubs but has not been subject to any formal professional review.

Bond Funding Mechanism

The Club would issue 25 bonds each of £2,000. Members could purchase bonds as a syndicate. No interest would be payable, but each holder of a bond would be entitled to three free launches (2,000 ft.) per annum.

The cash raised would be held in a separate bank account and only used for major capital expenditure approved by the committee. The bonds would be secured on the value of the gliders purchased or refurbished. Bonds would be repaid over ten years and a redemption fund would be set up to achieve this. In the event of the death of a member, bonds would be repayable within six months. Normal repayment of bonds would be decided by drawing lots for the choice of the 10% of bonds repayable in any one year.

Establishment of Bond issue

Regulations

1. Introduction

The committee of [Enter Name] Gliding Club (The Club) have decided to raise money for the operation of The Club by issuing bonds only to individual members. Such Bonds will be at £2,000 each. Members may form a syndicate to raise monies from other club members, but the Bond will be issued to one member only, only this member will be entitled to the benefits of The Bond and to attend meetings.

2. Administration

The money raised from the bond issue will be administered by three trustees (The Trustees). Two of The Trustees will be elected by the bond holders and the third will be the Treasurer of The Club.

Purpose of Bonds

The cash raised by the issue of Bonds will be used solely for the funding of major capital projects which will include (but not exclusively) the purchase or refurbishment of Gliders and Tugs.

Meetings

The Bond Holders will hold an Annual meeting on the same day as The Club’s AGM and notice of such meeting will be given at the same time as The Club’s AGM.

At the request of 60% of Bond holders additional meetings may be called by giving 21 days notice to all Bond holders.

At the Annual meeting the following matters will be conducted:

1. Election of Trustees

2. Report by Trustees covering, in respect of the previous 12 months:

A) Money spent on projects

B) Cash from additional Bonds issued

C) Cash paid out for repayment of Bonds

D) Other relevant matters

3. Drawing of lots to determine which Bond holders are repaid.

4. Issue of new Bonds

5. Future Projects

6. Amendments to these regulations. Approval will require a two thirds majority of those voting)

7. Any other business requested by Bond holders.

Trustees’ Powers

The trustees will be responsible for the administration of the money raised by the issue of The Bonds. In particular they will administer the Bank account and pay The Club for approved projects.

Security of Bond money

The Bond money and the projects funded by the Bonds will be secured by a loan agreement given by The Committee of The Club and by a lien on such assets as will be agreed between The Trustees and The Committee of The Club. The detailed terms are set out in the attached schedule. The assets used as security must be insured by The Club and the money owing to the Trustees will take precedence over all other claims. This includes cash received from an insurance claim.

Repayment of Bond money

1. Between April and September The Club will pay to the Trustees a sum equal to 10% of the original value of Bonds issued.

2. In the event of the death of a Bond holder, The Trustees shall pay within six months to the holder’s estate the outstanding value of their Bond.

3. At the Annual meeting the Trustees will draw lots to determine which Bond holders will be repaid in full and pay such Bond holders within one month of the Annual meeting.

4. In the event of repayment under the terms of the Loan agreement, then Bond holders will be repaid in full any sums outstanding.

5. Bond holders will not be entitled to any repayment except as set out in clauses 1 to 4 as above.

Entitlement of Bond Holders

1. The Club agrees to provide to each Bond holder whose Bond (s) are outstanding at the 1st April three free launches (to 2,000 feet each) during the following 12 months. The Bond holder may nominate another member of the Club to receive this benefit.

2. Repayment of their Bond as set out above.

3. Bond holders are not entitled to interest or any other privileges except as set out above.

Meeting held on [date]

1. The first Trustees will be [names here].

2. It was agreed that Bond holders would pay 50% of the monies due (£1,000 per Bond) by 1st October and the balance (£1,000 per Bond) when requested by The Trustees

3. New Bonds may be issued to raise further cash when other projects are approved.

4. The second project WT) was approved as follows:

[Scope of work or purchases]

Approved and accepted by the Committee of [Name here] Gliding Club on [date]

Schedules [Example]

1. Initial Bond Issue

At 20th September 2014 some 21 members had agreed to take up bonds at £2,000 each, thus giving a potential sum of £42,000. This was on the understanding that the money was payable on the 1st October.

At the moment only one project has been fully costed, namely the refurbishment of [asset] and this amounts to £16,600 (allowing a contingency of £1,000).

There is no point in receiving money from members and for it then to sit idle in the Trustee’s bank account, on the other hand the Trustees must be sure that they will get the next tranche of the £2,000 without any hassle.

It is proposed that Bond holders pay 50 % now and the other will await the Trustees who will give a minimum of two months’ notice. (This was agreed at the meeting on 21st September)

2. First Project

We have received quotes from [contractor]. There are some unquantified extras for materials which can only be assessed after dismantling. I have allowed E 1,500. I am uncertain as to VAT, but have allowed 23%. The quote includes transport. This totals E 19,000. To this must be added our costs to Calais and a contingency, in all totalling £16,600.

Final payment will depend on invoices being presented by The Club and approved by the Trustees.

3. Second Project

It was noted that there was a second project proposed (WT) and this was accepted in principle as per the notes of the meeting on 21st September.

4. Further Projects

The Bond holders noted that there could be further projects and anticipated issuing further Bonds to meet these demands. Future Projects would be subject to the same criteria.

4. Loan Agreement and security

I currently have a personal loan agreement being drawn up (nothing to do with the Club). I propose using the same solicitor (I am happy to bear the cost of this) to prepare a similar loan agreement between the Club and the Trustees.

Once this is done, it can be registered as a charge with the CAA.

The essential clauses will be:

A) Secured on [asset] (The security cover should be reviewed at the same time as the next project).

B) Insurance against all risks to be maintained by The Club. In the event of an insurance claim, The Trustees will be entitled to any monies paid out and may transfer such monies as they think fit to The Club for repairing of the glider.

C) To maintain the glider in good and airworthy condition and fulfil all requirements of the CAA including an annual inspection and maintaining an ARC.

D) Trigger points for repayment e.g. Liquidation, Administration, Failure to meet repayment schedule

Approved and accepted by the Committee of [name here] Gliding Club on [date here]

Chairman…..