

**Cornwood Inn Action Group Limited**  
**Shareholder Loan Agreement**

- Parties:**
- (1) Cornwood Inn Action Group Limited, a community benefit society, with its registered office at The Coach House, Uppaton Lane, Ivybridge, PL21 9HS and registered with the Financial Conduct Authority under society number [insert].
  - (2) [Name].

**THE PARTIES AGREE THAT:**

**Meanings**

- 1) In this contract, certain words and phrases start with upper-case letters or have a special meaning. The following meanings apply to those words and phrases:

- CIAG** has the meaning given above in the "Parties" section.
- Default Interest** means interest payable on overdue sums under this agreement, as set out in clause 14) below, at the same rate as that which would apply under the Late Payment of Commercial Debts (Interest) Act 1998 (at the time of writing, 8.75% annually).
- Insolvency Event** means:
- (a) any property of CIAG becomes subject to any forfeiture or to any procedure for another person taking control of that property, including where a mortgagee takes possession of (or exercises (or seeks to exercise) any power of sale, or power to appoint a receiver in relation to, that property);
  - (b) CIAG ceases or threatens to cease to carry on, or disposes or threatens to dispose of, its business or a material part of its business;
  - (c) CIAG makes a proposal for a voluntary arrangement under the Insolvency Act 1986 Part I or enters, or seeks to enter, into any other form of composition or arrangement with its creditors, whether in whole or in part;
  - (d) CIAG becomes subject to a notice of an intended appointment of an administrator, or an application is made to any court, or any meeting of directors or members is called, in each case with a view to CIAG entering into administration;

- (e) an administrative receiver is appointed in respect of the whole or any part of the undertaking of CIAG; or
- (f) a petition is presented in any court or a meeting is convened for the purpose of considering a resolution for the winding-up of CIAG (except in the case of a reconstruction or amalgamation that has your prior express approval).

<b>Litigation</b>	means any litigation, administrative or arbitration proceeding before (or of) any court, governmental authority, other tribunal, arbitrator or other third party.
<b>Loan</b>	has the meaning given in clause 4) below.
<b>Loan Date</b>	has the meaning given in clause 7) below.
<b>working day</b>	means a day other than Saturday, Sunday or any public holiday in England.
<b>you, your</b>	and similar terms refer to the person entering into this agreement with CIAG, named above in the "Parties" section.

- 2) Any words following "including", "includes", "for example", "in particular" or any similar expression are illustrative only and do not change the sense of the wider clause they are used in.

#### **Eligibility**

- 3) To be eligible to enter into this agreement, you must, at the time of entering into it, have bought or committed to buy at least £2,500-worth of community shares in CIAG. If the value of community shares you hold in CIAG falls below that number before the Loan is repaid, that does not affect this agreement.

#### **The Loan**

- 4) You agree to lend CIAG the sum of £[insert]. This is referred to in the rest of this agreement as "the Loan".
- 5) You will pay the Loan money to CIAG within 3 working days of entering into this agreement.
- 6) You will pay the money either:
  - a) as a bank transfer to the bank account CIAG tells you about; or
  - b) as a cheque made payable to Cornwood Inn Action Group Limited.
- 7) The date the Loan is received by CIAG as cleared funds in CIAG's bank account is the Loan Date.

#### **Repayment**

- 8) CIAG will repay the amount of the Loan to you in full no later than the date falling 7 years after the Loan Date. If that date is not a working day, the repayment will instead be on the next working day.

- 9) CIAG's repayment will be to the bank account from which you paid the Loan amount, unless you request payment to a different account in your name (and CIAG, acting reasonably, accepts that request).
- 10) CIAG may choose to repay all or part of the Loan amount at any time before the repayment date described in clause 7) above, but only after at least 3 years have passed since the Loan Date. Where CIAG chooses to make this type of early repayment and only repays part of the Loan, references in the rest of this agreement to "the Loan amount" will be treated as references to whatever is left of the original Loan amount after CIAG's partial repayment.
- 11) You are also entitled to require CIAG to repay the Loan in full if any Insolvency Event happens.

#### **Interest**

- 12) CIAG will pay interest on the Loan amount at the annual rate of 2%, for each day that the Loan amount remains outstanding. Interest will be paid as close as reasonably possible to each anniversary of the Loan Date, but CIAG has the right to bring forward or delay interest payments by a reasonable amount in order to group together interest payments under multiple shareholder loan agreements on the same date.
- 13) Interest will only be paid on the Loan amount – no interest is payable on interest (apart from where CIAG is late to pay interest, in which case clause 14) below applies).

#### **Your Rights and Remedies**

- 14) If CIAG is late to pay any amount due under this agreement (either a repayment of the Loan amount or a payment of interest under clause 12) above), Default Interest will apply to the sum in question for each whole day of delay in payment.
- 15) The Loan is unsecured. This means (along with any other legal consequence of the Loan being unsecured) that you have no right to force any of CIAG's assets to be sold or passed over to you in order to repay the Loan, and you rank alongside all other unsecured creditors (people to whom CIAG owes money) if CIAG becomes insolvent.
- 16) To give you an additional level of protection against decisions which may negatively affect the chances of the Loan being repaid to you, CIAG is not entitled to implement any of the following types of decision without your express prior approval:
  - a) any decision which would, or would be materially likely to, result in the total level of debt secured against the property owned by CIAG exceeding £140,000 (or, if higher, 50% of the independently-assessed valuation of that property, on a "Market Value – Closed" basis);
  - b) any decision which would, or would be materially likely to, result in the ratio of CIAG's total debt to CIAG's total shareholding and shareholder loans exceeding 50%; or
  - c) any decision which would, or would be materially likely to, result in an Insolvency Event.

17) You must not unreasonably withhold an approval under clause 16), and if your approval has been requested and you have not answered within 5 working days of that request you will be deemed to have given your approval.

#### **Use of the Loan**

18) CIAG may use the Loan money for any purpose. This does not affect your rights under clause 16) above.

#### **Legal Matters**

19) CIAG makes the following promises (in legal terms, represents and warrants) to you:

- a) CIAG entering into and complying with this agreement does not and will not contravene any charge, mortgage, lease, loan facility or other agreement;
- b) at the time of entering into this agreement, CIAG is not insolvent and knows of no circumstances that would entitle any creditor to appoint a receiver or administrator, to petition for winding-up, or to exercise any rights over or against the assets of CIAG;
- c) no Litigation which could materially and adversely affect CIAG's ability to repay the Loan or otherwise comply with this agreement is presently taking place, pending or (to the best of the knowledge, information and belief of CIAG) threatened against CIAG; and
- d) CIAG entering into and complying with this agreement does not and will not contravene any of the provisions of its constitution.

20) You are not allowed to transfer or assign any of your rights under this agreement to anyone else.

21) All the provisions of this agreement are distinct from each other; if a provision is (or becomes) invalid, illegal or unenforceable, that does not affect the other provisions.

22) English law applies to this agreement, its subject matter and its formation, and the English Courts have exclusive jurisdiction over any disputes arising about those things.

Signed:

Name:

Date:

Signed:

Al Goodwin

Director

Date: [insert]

For and on behalf of Cornwood Inn Action Group Limited