

Appendix 2

DATED _____ **2013**

(1) THE COUNCIL OF THE BOROUGH OF NORTH TYNESIDE

- and -

(2) NORTH TYNESIDE TRADING COMPANY LIMITED

SHAREHOLDERS AGREEMENT

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THIS AGREEMENT is made on

2013

BETWEEN

- (1) **THE COUNCIL OF THE BOROUGH OF NORTH TYNESIDE** of Quadrant, Cobalt, North Tyneside NE27 0BY (the "**Council**");
- (2) **NORTH TYNESIDE TRADING COMPANY LIMITED** of Quadrant, Cobalt, North Tyneside NE27 0BY (the "**Company**");

RECITALS

- (A) The Council is a local authority within the meaning of the Local Government Act 2000.
- (B) The provisions of the Local Government Act 2003 and the 2009 Trading Order (as defined below) allow all local authorities to trade in function related activities through the medium of a private limited company.
- (C) Having regard to its obligations and responsibilities as a publicly funded body the Council has decided that it wishes to take advantage of such trading powers
- (D) Accordingly, the Council will prepare the Business Cases and the Business Plan in order to consider and approve the provision of various function related activities currently carried on by Council departments to the Company, for the purpose of the Company providing and managing the Services to other third parties and possibly the Council.
- (E) The Company is a private company limited by ordinary shares of £1.00 each. The sole member of the Company is the Council, holding 1 ordinary share.
- (F) The parties have decided to enter into this Agreement to regulate the manner in which the Company is to be managed.

1 DEFINITIONS AND INTERPRETATION

1.1 The following words and phrases shall, where the context so requires bear the following meanings:

“2009 Trading Order” Statutory Instruments 2009 No. 2393 Local Government, England The Local Government

(Best Value Authorities) (Power to Trade)
(England) Order 2009

"Act" means the Companies Act 2006 including any duly enacted modification, re-enactment or amendment thereto, and any statutory instrument derived from it

"Agreed terms" means in a form agreed between the parties and initialled by them or their legal representatives accordingly

"Annual Budget" means the annual budget to be approved by the Board and adopted by the Company each year in accordance with the provisions of clause 5 of Schedule 2 of this Agreement

"Annual Business Plan" means the Business Plan as revised by the Board each financial year in accordance with the provisions of clause 5 of Schedule 2 of this Agreement

"Articles" the Articles of Association of the Company as amended from time to time

"Associate" means in relation to any company:

- (a) any company of which such company is a subsidiary;
- (b) any subsidiary of such company; or
- (c) any other subsidiary of such company's holding company;

"Board" means the board of directors of the Company as constituted in accordance with this Agreement

and the Articles from time to time

"Business Case"

means the business cases prepared and approved by the Council for the purpose of:

- (a) explaining and justifying the proposed objectives of the trading opportunities and assessing the associated risks;
- (b) explaining the associated investment and other resources required;
- (c) identifying the expected financial results of the trading opportunity and any other relevant outcomes;
- (d) identifying whether or not the Council should proceed with the proposal to provide the Services through the medium of the Company; and

as amended, updated, supplemented or replaced from time to time.

"Business Day"

means a day other than a Saturday, Sunday or a bank holiday in England

"Business Plan"

means the business plan approved by the Council for the purpose of setting out the objectives of the Business, how they are able to be achieved and how related standards are to be met

"Business"

means the trading business carried out or to be carried out by the Company as set out in the Business Plan

"Contribution"

means any contribution made to a surplus of the Company

"Contributor"	means any Shareholder who has contributed to a surplus of the Company
"Chairman"	means such Director as may from time to time be appointed as chairman of the Board
"Completion"	means completion of this Agreement in accordance with its terms
"Connected Party"	means in relation to any Shareholder any Associate, employee, director or authorised representative of that Shareholder
"Corporate Covenants"	means the covenants set out in Part 1 of Schedule 2
"Council Covenant"	means the covenant set out in Part 2 of Schedule 2
"Directors"	means the directors of the Company appointed in accordance with the terms of this Agreement and the Articles from time to time (each a " Director ")
"Encumbrance"	means any interest or equity of any person (including any right to acquire, option or right of pre-emption) or any mortgage, charge, pledge, lien, assignment, hypothecation, security interest (including any created by law), title retention or other security agreement or arrangement or a rental, hire purchase credit sale or other agreement for payment on deferred terms
"Indebtedness"	means any obligation for the payment or repayment of money, whether joint or several, actual or contingent, in respect of:- (a) moneys borrowed or raised (including the capitalised value of obligations under financial leases and hire purchase agreements and deposits), debit balances at bank accounts and

interest and other charges thereon or in respect thereof;

(b) any liability under any debenture, bond, note, loan stock, commercial paper or other security or under acceptance or documentary credit, bill discounting or note purchase facilities;

(c) any liability in respect of the deferred acquisition cost of property, assets or services to the extent payable after the time of acquisition or possession thereof by the party liable;

(d) any guarantee or other assurance against financial loss in respect of any of the indebtedness specified in this definition;

(e) any cost or liability under any interest rate or currency hedging agreement; and

(f) any other transaction having the commercial effect of the borrowing or raising of money

"Law"

means:

(a) any applicable statute or proclamation or any delegated or subordinate legislation;

(b) any enforceable community right within the meaning of section 2 (1) European Communities Act 1972;

(c) any applicable guidance, direction or determination with which the Parties or some of them are bound to comply to the extent that the same are published and publicly available or the existence or the contents of them have been notified to the Company by

the Shareholders; and

(d) any applicable judgement of a relevant court of law which changes binding precedent in England and Wales,

in each case in force in England and Wales

"Memorandum" means the memorandum of association of the Company

"Ordinary Shares" means the ordinary shares of £1 each in the capital of the Company

"Parties" means the parties to this Agreement

"Project Documents" means this Agreement, the Services Agreement and the Articles

"Project" means any project undertaken by the Company in accordance with the Business Plan or as otherwise agreed to be undertaken by the Council

"Services Agreement" means the services agreement entered into between the (1) the Council and (2) the Company in respect of the making available and/or provision of the various business support services and other function related activities by the Council to the Company for the purposes of the Business

"Services" means the various business support services and other function related activities to be provided and managed by the Company to other third parties and possibly the Council.

"Shares" means issued shares in the capital of Company of any class

"Shareholder" means the Council of the Borough of North Tyneside or any person holding Shares from time

to time

- 1.2 This Agreement shall be interpreted according to the following provisions, unless the context requires a different meaning:
- 1.2.1 The headings and marginal notes and references to them in this Agreement shall be deemed not to be part of this Agreement and shall not be taken into consideration in the interpretation of this Agreement.
 - 1.2.2 Except where the context expressly requires otherwise, references to clauses, sub-clauses, paragraphs, sub-paragraphs, parts and Schedules are references to clauses, sub-clauses, paragraphs, sub-paragraphs and parts of and Schedules to this Agreement and references to Sections, Appendices and Attachments (if any) are references to Sections, Appendices and Attachments to or contained in this Agreement.
 - 1.2.3 The Schedules to this Agreement are an integral part of this Agreement and a reference to this Agreement includes a reference to the Schedules.
 - 1.2.4 Words importing persons shall, where the context so requires or admits, include individuals, firms, partnerships, trusts, corporations, governments, governmental bodies, authorities, agencies, unincorporated bodies of persons or associations and any organisations having legal capacity.
 - 1.2.5 Where the context so requires words importing the singular only also include the plural and vice versa and words importing the masculine shall be construed as including the feminine or the neuter or vice versa.
 - 1.2.6 The language of this Agreement is English. All correspondence, notices, and information shall be in English.
 - 1.2.7 References to any Law are to be construed as references to that Law as from time to time amended or to any Law from time to time replacing, extending, consolidating or amending the same.
 - 1.2.8 References to a public organisation shall be deemed to include a reference to any successor to such public organisation or any organisation or entity which has taken over either or both the functions and responsibilities of such public organisation.

- 1.2.9 The words in this Agreement shall bear their natural meaning. The parties have had the opportunity to take legal advice on this Agreement and no term shall, therefore, be construed contra proferentem.
- 1.2.10 In construing this Agreement, the rule known as the ejusdem generis rule shall not apply nor shall any similar rule or approach to the construction of this Agreement and accordingly general words introduced or followed by the word "other" or "including" or "in particular" shall not be given a restrictive meaning because they are followed or preceded (as the case may be) by particular examples intended to fall within the meaning of the general words.
- 1.2.11 Reference to a document being in Agreed Form is a reference to the form of the relevant document agreed between the parties and for the purpose of identification initialled by each of them or on their behalf.
- 1.2.12 Where this Agreement states that an obligation shall be performed "**no later than**" or "**within**" or "**by**" a stipulated date or event which is a prescribed number of Business Days after a stipulated date or event the latest time for performance shall be noon on the last Business Day for performance of the obligations concerned.
- 1.2.13 A reference to a "**subsidiary**" or "**holding Company**" in this Agreement shall have the meaning given to them respectively in the Act.
- 1.2.14 In the event of conflict between the terms of this Agreement and the Articles, the terms of this Agreement shall prevail and, in the event of such conflict, the Shareholders shall procure at the request of any of the Shareholders such modification to the Articles as shall be necessary to remedy such conflict.
- 1.2.15 A person, being a company, shall be "controlled" by another person if that other person owns a majority of the voting equity of that person or controls the majority of the votes at meeting of the board of directors of that person.

2 COMPLETION

- 2.1 Completion shall take place immediately upon the execution of this Agreement by each of the parties.
- 2.2 At Completion:

- 2.2.1 the Company shall procure that the necessary board and/or Shareholder resolutions are passed to adopt the Articles with immediate effect and enter into this Agreement and the Services Agreement; and
- 2.2.2 the Council shall procure that the necessary steps are taken to approve the entry into this Agreement and the Services Agreement.

3 COVENANTS

- 3.1 The Company covenants with the Council in the terms of the Corporate Covenants set out in Part 1 of Schedule 2.
- 3.2 The Council covenants with the Company in the terms of the Council Covenant set out in Part 2 of Schedule 2.

4 FURTHER CAPITAL

- 4.1 The Council shall not be required to subscribe for any further Shares or to provide any additional funding for the Company.
- 4.2 If, in the opinion of the Board the Company requires further funding, the Board shall, having consulted the Council, determine how the Company should obtain such additional funding, whether by way of the allotment of further Shares, by obtaining additional debt finance, or such other means as the Board may determine, provided always that the Board shall obtain prior written consent from the Council in accordance with the Corporate Covenants.
- 4.3 The Company may only allot Shares with the requisite agreement of the Shareholders pursuant to Schedule 2 (Shareholder Consent Matters).
- 4.4 In any circumstances where the holding of any Shares by the Council becomes unlawful as a result of a change of Law (or may become unlawful as a result of a proposed change of Law should such proposed change of Law become effective) then the Board will convene as soon as is practicable after such notice. The purpose of such meeting is to discuss in good faith and, so far as is reasonably possible, agree amendments to the Shareholders Agreement which do not prejudice the interests of the Shareholder or the Company but which allow the Council to continue to participate in the Company as a Shareholder following the proposed change of Law.

5 WARRANTY

- 5.1 The Company warrants and represents to the Council that it is duly incorporated under the law of England and Wales and has the corporate power to enter into and to exercise its rights and perform its obligations under the Project Documents to which it is a party and has not traded prior to the date of this Agreement.

6 PURPOSE AND MANAGEMENT

- 6.1 The primary purpose of the Company will be to develop the Business in accordance with the Business Plans and each subsequent Annual Business Plan thereafter. At all times during the term of this Agreement:

- 6.1.1 the business of the Company will consist exclusively of the Business;
- 6.1.2 with the exception of those matters reserved to the Council pursuant to the Corporate Covenants, all the business of the Company, other than routine day to day business, shall be undertaken and transacted by the Directors;
- 6.1.3 no payment will be made by the Company and no cheque or payment instruction of the Company shall be signed other than in accordance with the mandates (general or specific) authorised by the Board from time to time;
- 6.1.4 the Company will conduct the Business and its affairs in a proper and efficient manner and for its own benefit and in accordance with the Business Plan;
- 6.1.5 the Company shall not carry out any activity which would be reasonably likely to render the holding of Shares by the Shareholder unlawful provided that where a proposed change of Law would render such shareholding unlawful the Shareholder will use its reasonable endeavours to take such steps as are necessary to allow it to continue lawfully to hold its Shares and, if it is unable to do so the provisions of clause 4.4 shall apply;
- 6.1.6 The Company will, if it requires any approval, consent or licence for the carrying on of its business in the places and manner in which it is from time to time carried on or proposed to be carried on, use all reasonable endeavours to obtain and maintain the same in full force and effect.

7 BOARD AND MEETINGS

- 7.1 The minimum number of Directors shall be four.

- 7.2 The maximum number of Directors shall be nine.
- 7.3 The persons nominated and appointed to act as the initial Directors are:
- 7.3.1 2 Cabinet Members;
- 7.3.2 2 Members of Senior Leadership Team;
- 7.4 Any Director who is not an employee of the Company shall be appointed upon the terms and conditions set out in Schedule 4 or such other terms as the Board may agree from time to time.
- 7.5 The quorum for Board meetings shall be two consisting of at least one Cabinet Member and one member of the Senior Leadership Team. At Board meetings each Director shall have one vote.
- 7.6 The Chairman shall be a Director appointed by a resolution of the Board. If the Chairman is unable to attend any meetings of the Board, the alternate appointed by the Chairman (if any) shall act in his place. If no alternate is appointed the Chairman shall be appointed by the Board for the purposes of that meeting. If at any Board meetings the numbers of votes for and against a proposal are equal, the Chairman (or other Director chairing the meeting) shall have a casting vote.
- 7.7 Resolutions of the Board shall be determined by a simple majority of votes cast for or against each resolution.
- 7.8 Unless otherwise agreed by all of the Directors, the Directors shall be given not less than 10 Business Days' notice (or such other period of notice as may be agreed from time to time by all of the Directors) of each meeting of the Board, specifying the date, time and place of the meeting. All meetings of the Board shall take place at such location as the Board shall agree.
- 7.9 Unless otherwise agreed by the Board:
- 7.9.1 meetings of the Directors shall be held at least quarterly on such dates as they may agree (and failing such agreement on such day as the Chairman shall decide);
- 7.9.2 a telephone conference call or video conference or a combination of the same, at which all participants are able to speak to and hear each of the other participants and at which for all times at that meeting a quorum of the Directors is able to so participate, shall be valid as a meeting of the Directors;

- 7.9.3 a resolution in writing signed by all the Directors entitled to receive notice of a meeting and vote at the meeting shall be as valid and effectual as if it had been passed at a meeting of Directors duly convened and held; and
- 7.9.4 any Director shall by notice to the Company and each other Director be entitled to convene a meeting of the Directors on not less than 10 Business Days notice.
- 7.10 Unless otherwise agreed by all of the Directors, an agenda (and copies of any relevant supporting documents) for each meeting of the Board shall be sent to all Directors not less than 5 Business Days prior to the relevant meeting and, unless otherwise agreed by all of the Directors, draft minutes of meetings of the Board will be sent to each Director as soon as practicable after the holding of the relevant meeting.
- 7.11 All Directors shall be appointed by the Shareholder and the Shareholder shall appoint a replacement Director should the office of a Director appointed by it be vacant at any time for whatever reason. Any such appointments or removals shall be in writing, served on the Company and signed by or on behalf of the Council and otherwise effected in accordance with the provisions of this Agreement and the Articles.
- 7.12 The Company shall not remove or purport to remove any Director as a director of the Company or any of its subsidiaries without the prior written consent of the Shareholder.
- 7.13 The Company expressly acknowledges that, where Directors are employees of the Council, those Directors will act in accordance with their legal and general responsibilities as directors and not (for the avoidance of doubt) in their capacity as employees of the Council.

8 SHAREHOLDERS

- 8.1 The role of the Shareholder shall not be operational and shall be the means by which the Shareholder shall:
- 8.1.1 appoint all Directors, and approve best practice policies in relation to such appointments, the constitution of the Board and the employment and recruitment of staff;
- 8.1.2 review the Business Plan and each Annual Business Plan;
- 8.1.3 review the financial performance of the Company;

- 8.1.4 communicate the practical application of the Council's Sustainable Community Strategy to the Board and how the Company is able to contribute to it being attained;
- 8.1.5 exercise the functions flowing from its ownership of Shares;
- 8.1.6 review the policies of the Company relating to procurement and ensure the appropriate policies are in place;
- 8.1.7 the past and future business activities of the Company;
- 8.1.8 the performance by all parties of their respective obligations under the Project Documents; and
- 8.1.9 the Directors' response to any queries previously raised by the Shareholder.

8.2 The Board will send a report at least twice per year to the Shareholder. The Directors shall provide all information reasonably required for the Shareholder to conduct an effective review.

8.3 The Shareholder will not have any executive authority over the Company but shall allow the Parties to make representations to one another in relation to (inter alia) the Company's performance under this Agreement, and the Council and the Company's satisfaction of their respective obligations under any Services Agreement.

9 DISTRIBUTIONS

9.1 For each accounting reference period of the Company in respect of which its annual audited accounts show that the Company has surplus contributions available, the Company shall, unless the Council otherwise determines, procure that such surplus shall be applied in the following manner:

- (a) the provision of capital to finance the continuing operations and internal growth of the business of the Company in accordance with an Annual Business Plan;
- (b) retention of profits consistent with the normal commercial requirements of a business similar to that carried on by the Company;
- (c) the distribution of any surplus to Contributors on the basis of their respective contributions to such surplus.

Any surpluses which remain undistributed may be distributed to the Shareholders as deemed appropriate by the Directors.

10 DATA PROTECTION, FREEDOM OF INFORMATION AND ANTI-BRIBERY

10.1 The Company shall:

10.1.1 comply with its obligations under the Data Protection Act 1998 (including where appropriate giving notification to the Information Commissioner thereunder), the Computer Misuse Act 1990, Human Rights Act 1998, Freedom of Information Act 2000 and the Bribery Act 2010;

10.1.2 provide the Council with such information as the Council may require to satisfy itself that the Company is complying with the obligations referred to in Clause 10.1.1;

10.1.3 provide the Council with all such assistance as the Council may require to enable it to comply with its obligations under the Freedom of Information Act 2000;

10.1.4 notify changes to the registrable particulars of the Company and take such other steps as may be necessary to afford the Council access to information which is required by the Council in connection with any of its statutory duties and responsibilities and for any purpose connected with this Agreement.

10.2 Neither party shall knowingly do anything which places the other in breach of its respective obligations under the Computer Misuse Act 1990, Data Protection Act 1998, Human Rights Act 1998, the Freedom of Information Act 2000 or the Bribery Act 2010.

11 CONFIDENTIALITY

11.1 For the purposes of this clause 11, "**Confidential Information**" means all information (whether marked as confidential or not) of a confidential nature disclosed (whether in writing, verbally or by any other means and whether directly or indirectly) by one party (the "**Disclosing Party**") to another party (the "**Receiving Party**") whether before or after the date of this Agreement including, without limitation, any information relating to the Disclosing Party's, operations, processes, plans or intentions, know-how, design rights, trade secrets, market opportunities and business affairs.

11.2 During the term of this Agreement and after termination or expiry of the Agreement for any reason whatsoever, the Receiving Party shall:

- 11.2.1 keep Confidential Information confidential;
 - 11.2.2 not disclose Confidential Information to any other person other than with the written consent of the Disclosing Party or in accordance with this Agreement; and
 - 11.2.3 not use Confidential Information for any purpose other than the performance of its obligations under this Agreement and the other Project Documents
- 11.3 During the term of this Agreement, the Receiving Party may disclose Confidential Information to its employees, contractors, sub-contractors, agents and advisers under conditions of confidentiality in each case to the extent that it is reasonably necessary for the purposes of this Agreement, or any other Project Document and may disclose Confidential Information to its funders, prospective funders, prospective Shareholders of the Company or prospective purchasers of its assets under conditions of confidentiality. In each case the permitted recipient of such Confidential Information shall be known as a "**Recipient**".
- 11.4 The Receiving Party shall so far as practicable procure that each Recipient is made aware of and complies with all the Receiving Party's obligations of confidentiality under this Agreement as if the Recipient were a party to this Agreement.
- 11.5 The obligations contained in clauses 11.2 and 11.4 shall not apply to any Confidential Information which:
- 11.5.1 is at the date of this Agreement in, or at any time after the date of this Agreement comes into, the public domain other than through a breach of this Agreement by the Receiving Party or any Recipient;
 - 11.5.2 can be shown by the Receiving Party to the reasonable satisfaction of the Disclosing Party to have been known by the Receiving Party before disclosure by the Disclosing Party to the Receiving Party;
 - 11.5.3 subsequently comes lawfully into the possession of the Receiving Party from a third party who is not bound by duties of confidentiality; or
 - 11.5.4 is required by Law or a regulatory authority or body or any Government department or by the Project Documents to be disclosed.

12 COMPLIANCE WITH LAWS

- 12.1 The parties agree that they shall not use the trading powers pursuant to the Local Government Act 2003 to authorise trading in anything or service which the Council is statutorily obliged to do or provide in relation to any person.
- 12.2 Nothing in this Agreement shall be deemed to, or shall require the Council to fetter its discretion in relation to any matter whatsoever.
- 12.3 The Company will keep proper books of account and make true and complete entries of all its dealings and transactions of and in relation to its Business.
- 12.4 The Company shall not carry out any activity which would or could render the holding of Shares by the Council unlawful provided that where a proposed change of Law would render such shareholding unlawful the Council will use its reasonable endeavours to take such steps as are necessary to allow it to continue lawfully to hold its Shares; and
- 12.5 The Company will if it requires any approval, consent or licence for the carrying on of its business in the places, and in the manner in which it is from time to time carried on or proposed to be carried on, use all reasonable endeavours to maintain the same in full force and effect.

13 GOVERNING LAW AND JURISDICTION

- 13.1 This Agreement shall be subject to the laws of England and Wales.
- 13.2 The parties agree that the courts of England and Wales shall have exclusive jurisdiction to hear and settle any action, suit, proceeding or dispute in connection with this Agreement and irrevocably submit to the jurisdiction of those courts.

14 FURTHER ASSURANCE

Each party will execute any document and do any thing and use all reasonable endeavours to procure that any third party (where necessary) executes any deed or document and does any thing reasonably necessary to implement the terms of this Agreement.

15 COSTS

15.1 Each party shall bear its own costs in relation to the drafting, negotiating and implementation of the Project Documents.

16 DURATION

16.1 Forthwith upon it ceasing to hold any Shares the Council shall cease to have any rights or obligations under this Agreement save that its obligations under clause 11(Confidentiality) shall not be affected.

16.2 Save as provided in clauses 16.1, 16.4 and 16.5 this Agreement shall continue in full force and effect until the earliest of the following dates:

16.2.1 the date on which an effective resolution is passed or a binding order is made for the winding-up of the Company; or

16.2.2 the date on which the parties agree in writing to terminate this Agreement.

16.3 In the event of a termination occurring other than in accordance with clause 16.2.2, the Company shall (if not already in liquidation) be placed into voluntary liquidation and after payment of liabilities, its assets shall be distributed to in the same proportions as the members holdings of Shares at the time of the determination.

16.4 The provisions of this Agreement shall nevertheless continue to bind the parties after termination of this Agreement to such extent and for so long as may be necessary to give effect to the rights and obligations embodied herein.

16.5 Nothing in this Agreement shall operate so as to prejudice any rights which one party may have against another and which may have accrued before its termination.

17 ASSIGNMENT

17.1 This Agreement, shall be binding on, and shall ensure to the benefit of, each of the parties and their respective successors.

17.2 No party shall assign, transfer, sub-contract or otherwise dispose of any interest in this Agreement.

18 ENTIRE AGREEMENT

Except where expressly provided otherwise in this Agreement, this Agreement constitutes the entire agreement between the parties in connection with its subject matter and supersedes all prior representations, communications, negotiations and understandings concerning the subject of this Agreement.

19 NOTICES

19.1 All notices under this Agreement shall be in writing and all certificates, notices or written instructions to be given under the terms of this Agreement shall be served by sending the same by first class post, facsimile, electronic mail or by hand, leaving the same at the addresses set out for each party at the beginning of this Agreement.

19.2 Any party to this Agreement may change its nominated address or facsimile number by prior notice to the other parties.

19.3 Notices given by post shall be effective upon the earlier of (i) actual receipt, and (ii) five (5) Business Days after mailing. Notices delivered by hand shall be effective upon delivery. Notices given by facsimile shall be deemed to have been received where there is confirmation of uninterrupted transmission by a transmission report and where there has been no telephonic communication by the recipient to the senders (to be confirmed in writing) that the facsimile has not been received in legible form:

19.3.1 within two (2) hours after sending, if sent on a Business Day between the hours of 9am and 4pm; or

19.3.2 by 11am on the next following Business Day, if sent after 4pm, on a Business Day but before 9am on that next following Business Day.

20 CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

It is agreed for the purposes of the Contracts (Rights of Third Parties) Act 1999 that this Agreement is not intended to, and does not, give to any person who is not a party to this Agreement any rights to enforce any provisions contained in this Agreement.

21 WAIVER

- 21.1 No exercise or failure to exercise or delay by either party in exercising any right, power or remedy under this Agreement shall constitute a waiver by that party of any such other right, power or remedy.
- 21.2 If there is any conflict between the provisions of this Agreement and the Articles, the terms of this Agreement shall prevail.

22 SEVERABILITY

- 22.1 If any provision of this Agreement shall be declared invalid, unenforceable or illegal by the courts of any jurisdiction to which it is subject, such provision may be severed and such invalidity, unenforceability or illegality shall not prejudice or affect the validity, enforceability or legality of the remaining provisions of this Agreement.

23 NO AGENCY

- 23.1 Nothing in this Agreement shall be construed as creating a partnership.
- 23.2 No party shall be deemed to be, an agent of any other party and no party shall hold itself out as having authority or power to bind any other party in any way.

24 AMENDMENTS

This Agreement may not be varied except by an agreement in writing signed by duly authorised representatives of the parties.

IN WITNESS WHEREOF the parties have executed this Agreement the day and year first above written

SIGNED (but not delivered until the date hereof) as a
DEED by **NORTH TYNESIDE TRADING COMPANY**
acting by

a director.....

in the presence of:

WITNESS:

Signature:

Address:

.....

.....

Occupation:

SIGNED (but not delivered until the date hereof) as a **DEED** by **THE COUNCIL OIF THE BOROUGH OF NORTH TYNESIDE** by affixing the common seal acting by

in the presence of:

Chair:

Authorised

Signatory:

SCHEDULE 1

Details of the Company

Name	North Tyneside Trading Company Limited
Date of incorporation	
Place of incorporation	England and Wales
Company number	
Registered office	Quadrant, Cobalt Business Park, North Tyneside NE27 0BY
Directors	
Accounting reference date	30 March
Auditors	

SCHEDULE 2

Part 1 - Corporate Covenants

1 SHAREHOLDER CONSENTS

- 1.1 The Company undertakes to the Council that it shall not, (save as set out in or as required by this Agreement) without the prior written consent of the Council carry out any of the matters referred to in paragraph 1.2 of this Schedule 2.
- 1.2 The matters referred to in paragraph 1.2 of this Schedule 2 are:
- 1.2.1 making any changes to the Business Plan or any Annual Business Plan, such changes being to the Services and/or Projects to be undertaken by the Company, to the management structure of the Company and/or the Business, and/or the transfer of council employees to or from the Company (whether or not any such transfer is subject to the Transfer of Undertakings (Protection of Employment) Regulations 2006 or otherwise);
 - 1.2.2 the approval of any Business Plan or Annual Business Plan;
 - 1.2.3 the allotment of any further share capital of the Company;
 - 1.2.4 a variation of any rights, including class rights, attaching to any shares of the Company;
 - 1.2.5 the re-purchase or cancellation by the Company of any Shares, or the reduction of the amount (if any) standing to the credit of its share premium account or capital redemption reserve (if any) or any other reserve of the Company;
 - 1.2.6 the re-purchase, repayment, redemption or cancellation of any loan stock issued by any company controlled by the Company other than in accordance with their terms;
 - 1.2.7 the formation of any subsidiary undertaking;
 - 1.2.8 the entering into of any joint venture agreement with any third party;
 - 1.2.9 acquire any interest in the share capital or instruments convertible into share capital of any other company or body corporate;
 - 1.2.10 amendments to the Articles;

- 1.2.11 incurring any material expenditure or liability of a capital nature exceeding £10,000 (including for this purpose the acquisition of any asset under lease or hire purchase);
- 1.2.12 borrowing any money or obtain any advance or credit in any form other than normal trade credit or other than on normal banking terms for unsecured overdraft facilities or vary the terms and conditions of any borrowings or bank mandates;
- 1.2.13 entering into any material contract or arrangement outside the ordinary course of its business;
- 1.2.14 selling, transfer, lease, licence or in any other way dispose of any of its assets otherwise than in the ordinary course of its business;
- 1.2.15 factor or assign any of its book debts;
- 1.2.16 pay any remuneration or expenses to any person other than as proper remuneration for work done or services provided as proper reimbursement for expenses incurred in connection with its business;
- 1.2.17 the making of any charitable or political donations or sponsorship;
- 1.2.18 commence any legal or arbitration proceedings (other than in the ordinary course of business);
- 1.2.19 settle any claim made by any third party otherwise than in the ordinary course of business;
- 1.2.20 make any claim, disclaimer, surrender, election or consent of a material nature for tax purposes;
- 1.2.21 acquire or make any investment in another company or business or incorporate any subsidiary;
- 1.2.22 create or allow to subsist any Encumbrance over any of its assets;
- 1.2.23 give any guarantee, indemnity or security in respect of the obligations of any other person;
- 1.2.24 the charging policy in connection with the Services other than as set out in the Business Plan or an Annual Business Plan;

- 1.2.25 change the accounting policies of the Company;
- 1.2.26 change the accounting reference date of the Company;
- 1.2.27 vary the emoluments of any of its Directors or of any Shareholder or of any Associate of a Director or Shareholder;
- 1.2.28 enter into or vary any contract or arrangement (whether legally binding or not) with any of its Directors or any Shareholder or with any Associate of a Director or Shareholder;
- 1.2.29 the devolution or transfer of management control to persons outside the Board save as set out in the Business Plan or an Annual Business Plan;
- 1.2.30 the appointment or dismissal of any Director otherwise than those whose names appear in clause 8.3 of this Agreement or the amendment of any rights to appoint certain numbers of Directors;
- 1.2.31 the commencement of any winding-up or dissolution or of the appointment of any liquidator, administrator or administrative receiver of the Company or any of its assets unless it shall have become insolvent, and no party shall present or cause to be presented or allow any act which would result in the winding up or the presentation of any petition for the winding up of the Company;
- 1.2.32 a change of name, registered office or principal place of business of the Company;
- 1.2.33 any change in the status of the Company as a limited liability company;
- 1.2.34 the commencement by the Company of any new business not being ancillary to or in connection with the Business
- 1.2.35 the making of any material change to the nature of the Business by the Company;
- 1.2.36 lend any money to any person (otherwise than by way of deposit with a bank or other institution the normal business of which includes the acceptance of deposits) or grant any credit to any person (except to its customers in the normal course of business);
- 1.2.37 the capitalisation of profits or reserves of the Company;
- 1.2.38 a listing of the Company's entire share capital;

- 1.2.39 the Company participating in any activity which is detrimental to and/or incompatible with the Business;
- 1.2.40 the Company participating in any activity which is detrimental to and/or incompatible with the Council Sustainable Community Strategy;
- 1.2.41 the agreement of and the declaration and payment of any dividends by the Company save where such declaration and distribution is made in accordance with this Agreement;
- 1.2.42 acquire the assets and/or undertaking of any other business entity; and
- 1.2.43 enter into any negotiations concerning:
 - 1.2.43.1 the sale or issue of any shares of the Company or any of its subsidiaries;
 - 1.2.43.2 the sale of any material part of the business, undertaking or assets of the Company, or any of its subsidiaries;
 - 1.2.43.3 the refinancing of the Company or any of its subsidiaries.

2 **POSITIVE OBLIGATIONS**

- 2.1 The Company undertakes to the Council that:-
 - 2.1.1 any expansion development or evolution of the Business will only be effected through the Company or a wholly owned subsidiary of the Company;
 - 2.1.2 the Company shall, and shall procure that its subsidiaries shall, insure with a reputable insurance office and keep so insured at all times:-
 - 2.1.2.1 all their respective insurable assets and undertakings which a prudent company would insure against loss (including loss of profits or business interruption), damage and such other risks as a prudent company would insure against; and
 - 2.1.2.2 all their respective insurable potential liabilities in respect of which a prudent company would insure; and
 - 2.1.2.3 all their respective directors and officers in respect of any potential liability arising in respect of them in their personal capacity;

all in such manner and to such extent as shall be in accordance with good commercial practice with regard to assets and liabilities of a like character and in comparable circumstances;

2.1.3 the Company shall observe, perform and comply with the terms of the Project Documents,

2.1.4 the Company shall adopt and maintain policies in respect of its employees equivalent to those adopted by the Council in respect of the Council employees;

2.1.5 the Company shall adopt and maintain environmentally friendly working practices.

3 MANAGEMENT

3.1 The Company shall procure that all decisions made by or on behalf of the Company or any of its subsidiaries which are material to the Company and its subsidiaries as a whole are approved either at a properly convened meeting of the Board or by a resolution in writing signed by or otherwise approved in writing by all of the Directors of the Company.

4 INFORMATION OBLIGATIONS

4.1 The Company shall:-

4.1.1 keep the Council informed of material matters relating to the progress of its Business and that of every subsidiary of the Company to such extent and in such form and detail as the Council may from time to time reasonably require and shall supply to the Council such written particulars of any matters concerned with and arising out of the activities of the Company and any of its subsidiaries as the Council may from time to time reasonably require;

4.1.2 without limiting the generality of paragraph 4.1.1 above, deliver within 15 Business Days of the end of every three month period (such period to commence on the date of this Agreement) to the Council an information pack comprising monthly management accounts including:-

4.1.2.1 profit and loss account for month and year to date with comparison to budget;

4.1.2.2 cash flow for month and year to date with comparison to budget;

4.1.2.3 balance sheet with comparison to budget;

4.1.3 Without limiting the generality of paragraph 4.1.1 of this Schedule above, deliver forthwith upon the same becoming available and not in any event later than 120 days after the end of each relevant financial year to the Council copies of the audited profit and loss accounts and audited balance sheets of the Company and any of its subsidiaries and the audited consolidated profit and loss account and the audited consolidated balance sheet of the Company and its subsidiaries all in respect of each financial year of the Company and any of its subsidiaries;

5 ANNUAL BUSINESS PLAN

5.1 The Company shall prepare and deliver to the Council at least 45 Business Days before (but not sooner than 60 Business Days before) the commencement of each of its financial years an Annual Business Plan in respect of the forthcoming financial year and the Company shall agree the content of such Annual Business Plan with the Council prior to so delivering it and shall in any event procure that the Annual Budget included in each such Annual Business Plan shall be in such form at and detail as the Council shall reasonably require from time to time;

5.2 If the Company fails to comply with the information obligations set out in this Schedule the Council shall be entitled to instruct a firm of chartered accountants to prepare and submit to the Council and the Company at the cost of the Company such information as should have been supplied to the Council pursuant to this paragraph and such other financial information concerning the Company and its subsidiaries as the Council shall reasonably require and the Company shall (and shall procure that its subsidiaries shall) give such accountants all reasonable access to its financial records and premises and all reasonable assistance which such accountants may request for this purposes;

6 PROPERTY OBLIGATIONS

The Company shall advise the Council forthwith upon the Company or any of its subsidiaries becoming aware of the same of any discovery on any premises owned, leased, occupied or controlled by the Company or any of its subsidiaries of any substance capable of causing pollution of the environment in circumstances where such pollution is likely to materially adversely affect the value of such premises or the businesses of any of the Company and its subsidiaries.

SCHEDULE 2

Part 2 – Council Covenant

- 1 The Council undertakes to the Company other that it will generally act in a manner that will promote the Business and the best interests of the Company and act at all times in good faith towards the Company, subject at all times to its statutory and common law duties.

SCHEDULE 3

Letters of appointment of Nominated Directors

[on the headed notepaper of the Company]

[name and address of Nominated Director]

Dear

NORTH TYNESIDE TRADING COMPANY LIMITED ("Company")

1. This letter contains the terms which we have discussed and agreed for your appointment as a non-executive director of the Company, as the nominated director of []. Your appointment is made pursuant to and is subject to the terms and conditions set in the Shareholders' Agreement dated 2013 and made between, (1) The Council of the Borough of North Tyneside and (2) the Company (the "**Shareholders Agreement**").
2. You will be expected to attend the Board Meetings and General Meetings of the Company. You will receive details of all such meetings in advance.
3. You will not, whether during the appointment or after its termination, except in the proper course of your duties or as required by law, use or divulge, and shall use all reasonable endeavours to prevent the use or disclosure of, any trade or business secrets or any information concerning the business or finances of the Company or of any dealings, transactions, or affairs of the Company or any client, customer or supplier of the Company which comes to your knowledge during the course of this appointment and will comply with the provisions of clause 12 (Confidentiality) of the Shareholders Agreement as if it applied to you. You will, however, be entitled to disclose information to the Shareholder appointing as permitted under the Shareholders Agreement.
4. The appointment will automatically cease in relation to the Company in the event that you resign as a director or are removed from office in relation to the Company. In particular, in signing this letter, you acknowledge that your office is subject to the terms of the Shareholders' Agreement and the Company's Articles of Association (the "**Articles**") and may be determined as permitted under the terms of the Shareholders' Agreement and the

Articles and that such termination will not give rise to any claim against the Company whatsoever.

5. On termination of your appointment, you agree that you will promptly return to the Company Secretary all papers and property of the Company which are in your possession or under your control.

Please indicate your acceptance and acknowledgement of these terms by signing the attached copy.

Yours sincerely

.....

SIGNATORY

I agree to and acknowledge the terms and conditions set out above relating to my appointment as director of North Tyneside Trading Company Limited.

Signed

Dated