

ERP F: Proposed revised Shareholders Agreement

SHAREHOLDERS AGREEMENT

Dated

2014

- 1) North Hertfordshire District Council**
 - 2) East Hertfordshire District Council**
 - 3) Stevenage Borough Council**
 - 4) Hertsmere Borough Council**
- and**
- 5) Hertfordshire CCTV Partnership Ltd**

SHAREHOLDERS' AGREEMENT

relating to

Hertfordshire CCTV Partnership Ltd

Note: formatting and page numbering to be finalised

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SCHEDULE 1 - PARTICULARS OF THE COMPANY

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THIS AGREEMENT is made on

20142019

BETWEEN:

- (1) **North Hertfordshire District Council** of Council Offices, Gernon Road, Letchworth Garden City, Hertfordshire SG6 3JF ("**NHDC**");
- (2) **East Hertfordshire District Council** of Wallfields, Pegs Lane, Hertford SG13 8EQ ("**EHDC**");
- (3) **Stevenage Borough Council** of Daneshill House, Danestrete, Stevenage, Hertfordshire SG1 1HN ("**SBC**");
- (4) **Hertsmere Borough Council** of Civic Offices, Elstree Way, Borehamwood, Hertfordshire WD6 1WA ("**HBC**");
- (5) **Hertfordshire CCTV Partnership Ltd** (registered company number: 9295528) of Daneshill House, Danestrete, Stevenage, Herts SG1 1HN ("**Company**").

WHEREAS:

- (A) The Shareholders have decided to establish the Company to undertake and provide CCTV services and associated services.
- (B) The Shareholders and the Company are entering into this Agreement to ensure that the Shareholders retain control over the strategic direction and key decisions of the Company.

IT IS AGREED as follows:

1 DEFINITIONS AND INTERPRETATION

1.1 In this Agreement, unless the context requires otherwise:

"Accounting Reference Date"	31 st March
"Articles"	means the articles of association of the Company as amended from time to time;
"Board"	means the Directors or those of the Directors present at a duly convened and quorate meeting of the Directors;
"Business"	has the meaning given in clause 5;
"Business Day"	means a day (other than a Saturday or Sunday) on which banks are open for business in England;
"Business Information"	means all information of whatsoever nature (whether oral, written or in any other form) containing or consisting of material of a technical, operational, administrative, economic, marketing, planning, human resources, legal, business or financial nature, or in the nature of Intellectual Property of any kind and relating to the Company or any subsidiary undertaking of the Company from time to time;

"Business Plan"	means the initial operational business plan and budget of the Company in the agreed form and adopted on the date of this Agreement and any subsequent operational business plan and budget of the Company adopted in accordance with Clause 5 from time to time;
"Companies Act"	means the Companies Act 2006;
"Confidential Business Information"	means, in relation to a person, all technical, commercial, financial or other information of whatever nature and whether disclosed orally, pictorially, in writing, by demonstration, by viewing, in machine readable form or other means which relates to that person's business, products, developments, services, trade secrets, know-how, personnel, supplies, customers already disclosed or to be disclosed by or on behalf of that person to a Shareholder (or any person associated with it) and whether or not designated as confidential;
"Deed of Adherence"	means a deed in the form or substantially in the form set out in Schedule 2;
"Director"	means a director of the Company and includes any person occupying the position of director, by whatever name called;
"Encumbrance"	includes any mortgage, charge (fixed or floating), pledge, lien, hypothecation, guarantee, trust, right of set-off or other third party right or interest (legal or equitable) including any assignment by way of security, reservation of title or other security interest of any kind, howsoever created or arising, or any other agreement or arrangement (including a sale and repurchase agreement) having similar effect;
"EIR"	the Environmental Information Regulations 2004 and any subordinate legislation made under the Regulations from time to time, together with any guidance and/or codes of practice issued by the Information Commissioner or relevant government department in relation to such legislation;
"Financial Year"	means each financial accounting period of 12 months ending on the Accounting Reference Date other than in relation to the first accounting reference period which shall run on and from incorporation of the Company to and including the Accounting Reference Date in the following calendar year, or such longer or shorter period as the Shareholders shall from time to time unanimously determine;

"FOIA"	the Freedom of Information Act 2000 and any subordinate legislation made under the Act from time to time, together with any guidance and/or codes of practice issued by the Information Commissioner or relevant government department in relation to such legislation;
"IA"	means the Insolvency Act 1986;
"Insolvency"	<p>means any of the following:</p> <ul style="list-style-type: none"> <li data-bbox="590 683 1163 907">(a) the presentation of a petition, or the convening of a meeting for the purpose of considering a resolution, for the winding up or dissolution of, the passing of any resolution for the winding up or dissolution of, or the making of a winding up order against or order for the dissolution of, a party; <li data-bbox="590 929 1163 1153">(b) the appointment of a receiver, administrative receiver, receiver and manager, administrator, sequestrator or similar officer over all or any of the assets or undertaking of a party, the making of an administration application or presentation of a petition for an administration order, or the making of an administration order, in relation to a party; <li data-bbox="590 1176 1163 1601">(c) the proposal of, application for or entry into of a compromise or arrangement or voluntary arrangement, or any other scheme, composition or arrangement in satisfaction or composition of any of its debts or other arrangement for the benefit of its creditors generally, by a party with any of its creditors (or any class of them) or any of its Shareholders (or any class of them) or the taking by any party of any action in relation to any of the same or the filing of any documentation for the purpose of obtaining a moratorium pursuant to section 1A and paragraph 7 of schedule A1 of IA in relation to a party; <li data-bbox="590 1624 1163 1758">(d) the taking by any creditor (whether or not a secured creditor) of possession of, or the levying of distress or enforcement or some other process upon, all or part of the property, assets or undertaking of a party; <li data-bbox="590 1780 1163 1879">(e) the deemed inability of a party which is a company to pay its debts within the meaning of section 123 of IA or a party which is an

individual appearing to be unable to pay a debt or to have no reasonable prospect of being able to pay a debt within the meaning of section 268 of IA;

- (f) the suspension of payment of debts by a party or the inability or admission of inability of a party to pay its debts as they fall due;
- (g) the ceasing by a party to carry on the whole or a substantial part of its business;
- (h) the presentation of a petition for bankruptcy, or the making of a bankruptcy order, in respect of a party, the occurrence of circumstances in respect of a party which would enable the presentation of a bankruptcy petition under part IX of IA or the making of an application for an interim order or the making of an interim order under section 252 of IA in relation to a party; or
- (i) the occurrence of an event or circumstance in relation to a party similar to any of those referred to in paragraphs (a) to (h) above in any jurisdiction other than England and Wales

and the term "Insolvent" shall be construed accordingly;

"Intellectual Property"

means patents, inventions, registered designs, trademarks, applications for any of the foregoing or the right to apply therefore in any part of the world; design rights including community designs, database rights, copyrights, rights in the nature of copyright, topography rights; trade names, logos, get-up, domain names; know-how and trade secrets; and any similar or equivalent rights arising or subsisting anywhere in the world;

Material Shareholding Matter
"Material Increase or Decrease"

means any matter which a Shareholder believes if it were to be addressed would result in that Shareholder's proportion of shares being 10% more or less than at present. For avoidance of doubt, the percentage change should be calculated by dividing the difference in the estimated resulting share and current share percentages by the current share percentage; it is not simply the estimated change itself in the percentage of shares held; fluctuation, by 10% or more, of the number of CCTV cameras provided by any Shareholder for use by the Company in the Business;

Comment [JG1]: It is proposed to reconsider the mechanism for reviewing the allocation of shares in the future. Officers believe a little more work on this is required

"Public Body"

means a contracting authority as such term is defined in the Public Contracts Regulations 2006 (as may be amended from time to time);

"Reserved Matters"

means the matters specified in Schedule 3;

"Service Contract"

means the service contact in relation to the Business entered into or to be entered into between the Company and private clients;

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"Shareholder"	means either NHDC, EHDC, SBC or HBC or any additional Shareholder admitted in accordance with this Agreement;
"Special Resolution"	has the meaning given in section 283 of the Companies Act 2006;
"Trading Company Contract"	means the contract entered into between each of the Shareholders and the Company, in which the Shareholders provide resources to the Company to enable the Company to provide services to third parties;
<u>"Unanimous Shareholder Approval"</u>	<u>means that each and every Shareholder has made known its approval, regardless of whichever individual, individuals, group or body within a Shareholder body has the authority to determine such approval</u>
"Working Day"	means any day on which the Shareholders' offices are normally open for business;
"Working Hours"	means 9.00 a.m. to 5.00 p.m. on a Business Day.

Comment [JG2]: Proposed new defined term to capture proposal that all shareholder decision-making shall be on the basis of unanimous approval

1.2 In this Agreement, unless the context requires otherwise:

- 1.2.1 references to clauses, paragraphs, recitals and Schedules are references to clauses and paragraphs of, and recitals and schedules to, this Agreement. The Schedules form part of this Agreement and shall have the same force and effect as if expressly set out in the body of this Agreement, and any reference to this Agreement shall include the Schedules. The recitals and headings to clauses and Schedules are for convenience only and shall not affect the construction or interpretation of this Agreement;
- 1.2.2 a reference to a statute or a statutory provision includes a reference to:
 - 1.2.2.1 the statute or statutory provision as modified or re-enacted or both from time to time (whether before or after the date of this Agreement); and
 - 1.2.2.2 any subordinate legislation made under the statute or statutory provision (whether before or after the date of this Agreement),
 provided that any such modification, re-enactment or legislation made after the date of this Agreement does not materially change the relevant provision;
- 1.2.3 references to a "**person**" shall be construed so as to include any individual, firm, corporation, government, state or agency of a state or any joint venture, trust, association or partnership (whether or not having separate legal personality);
- 1.2.4 references to any gender shall include every gender, and the singular shall include the plural and vice versa;
- 1.2.5 a person shall be deemed to be "**connected**" with another if that person is connected with that other within the meaning of section 1122 Corporation Tax Act 2010;

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- 1.2.6 words and expressions defined in the Companies Acts shall have the same meanings when used in this Agreement;
- 1.2.7 references to writing or written shall include any mode of reproducing words in a legible and non-transitory form;
- 1.2.8 references to a "**party**" or the "**parties**" are to a party or the parties to this Agreement from time to time and any person who agrees to be bound by the provisions of this Agreement from time to time but, for the avoidance of doubt, shall not refer to any person who has ceased to have any obligations under this Agreement from time to time;
- 1.2.9 in construing this Agreement, the rule known as 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(s) 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;
- 1.2.10 references to a "**month**" shall be construed as a reference to a period starting on one day in a calendar month and ending on the numerically corresponding day in the next calendar month or, if there is no numerically corresponding day in the next calendar month, the last day in the next calendar month;
- 1.2.11 any requirement upon a Shareholder to procure a particular matter or thing shall be deemed to include an obligation to exercise its powers as a Shareholder, and to use its reasonable endeavours to procure that any Director appointed by it shall (subject to his fiduciary and other legal duties owed to the Company) exercise his powers as a director, to procure such matter or thing;
- 1.2.12 references to a document in the "**agreed form**" are to a document in a form agreed by the parties and initialled by or on behalf of each of them for the purpose of identification; and
- 1.2.13 references to a holding company or subsidiary means a holding company or a subsidiary (as the case may be) as defined in section 1159 of the Companies Act 2006 and for the purposes only of the membership requirement contained in sections 1159(1)(b) and (c), a company shall be treated as a member of another company even if its shares in that other company are registered in the name of (a) another person (or its nominee), by way of security or in connection with the taking of security, or (b) its nominee.

2 FINANCING THE COMPANY

- 2.1 The Company will be funded through the advance payment from private clients of the Business for the delivery of services. For the avoidance of any doubt, Shareholders will not be funding the company with public funds.
- 2.2 Individual costs associated with the delivery of services under the Service Contracts will be borne by the income received from the Service Contracts.

- 2.3 Any additional operating costs will be borne by the Company.
- 2.4 Any operational savings will be dealt with in accordance with the Business Plan.
- 2.5 If the Company requires finance or debt funding in addition to that already provided pursuant to this Agreement, it shall endeavour to seek and obtain such debt funding or finance for such amount and on such terms from third party sources as set out in the Business Plan or as otherwise determined by the Shareholders. Such further finance may be by way of grants or borrowing from a third party subject to compliance of the Reserved Matters.

3 MANAGEMENT OF THE COMPANY

- 3.1 With the exception of the Reserved Matters, the Business and all affairs of the Company shall be managed by the Board. To that end but subject to those exceptions, the Board shall have full and complete authority, power and discretion to direct, manage and control the Business and the affairs and properties of the Company, to make all decisions regarding those matters and to perform any and all other acts or activities customary or incidental to the management of the Business.
- 3.2 The Shareholders and the Company agree to maintain the Board for the duration of this Agreement and agree (and agree to procure) that the Board shall operate in accordance with the provisions of this Agreement and the Business Plan then in force.
- 3.3 Adoption of a Business Plan in accordance with clause 5, other than the Business Plan adopted on the date of this Agreement, requires the unanimous approval of the Shareholders.
- 3.4 Other than where specifically included within the Business Plan the Board shall obtain the prior unanimous approval of the Shareholders before taking any decision in relation to any of the Reserved Matters.
- 3.5 Once a Business Plan has been so approved, as regards the matters specifically contained in the Business Plan or any matter which has been delegated through the Business Plan for decision-making purposes to the Board or any other person:
 - 3.5.1 clause 3.6 shall cease to have effect; and
 - 3.5.2 any reference in this Agreement to the unanimous approval of the Shareholders (or similar wording) shall be amended so that it is a reference to the approval of the Board or the approval of that other person, as the case may be,

and the Company shall not undertake any business or action which is inconsistent with the Business Plan then in force or omit to undertake any action which is required by that Business Plan except with the unanimous approval of the Shareholders.

- 3.6 If a Reserved Matter is either not specifically contained in the Business Plan then in force or not delegated through the Business Plan for decision-making purposes to the Board or any other person, the Shareholders shall procure that such Reserved Matter shall not be undertaken by the Company (or any subsidiary of the Company from time to time) without the unanimous approval of the Shareholders (and a

reference to the Company in Schedule 3 shall include a reference to each such subsidiary from time to time).

3.7 The Shareholders shall procure that the Company and any subsidiary of the Company from time to time, and (in so far as it may legally do so) the Company agrees that it, shall:

3.7.1 carry on and conduct its business and affairs in accordance with:

3.7.1.1 the Business Plan;

3.7.1.2 the Articles;

3.7.1.3 all laws relating to companies as amended from time to time;

3.7.1.4 sound governance and good business practice; and

3.7.1.5 in a proper and efficient manner, for its own benefit;

3.7.2 use all reasonable endeavours to obtain and, if necessary, maintain in full force and effect all licences (including statutory licences), consents and authorities necessary to own and operate its assets and to carry on its business properly and effectively and in accordance with the Business Plan.

4 BOARD OF DIRECTORS

4.1 Each Shareholder agrees to procure that the number of Directors of the Company shall not be less than four (4).

4.2 Each Shareholder shall be entitled to appoint and remove two (2) Directors to the Board.

4.3 A Shareholder may appoint a Director, and remove or replace a Director whom it appointed, by giving notice to the Company and the other Shareholders. The appointment or removal takes effect on the date on which the notice is received by the Company or, if a later date is given in the notice, on that date.

4.4 Any Shareholder removing a Director appointed by it shall indemnify and keep indemnified the Company against any claim connected with the Director's removal from office.

4.5 The parties intend that meetings of Directors shall take place at least two times each year with a period of not more than six (6) months between any two (2) meetings.

4.6 The parties shall use their respective reasonable endeavours to ensure that any meeting of the Board (or meeting of a committee of the Board) has the requisite quorum.

5 THE BUSINESS PLAN AND COMPLIANCE WITH THE BUSINESS PLAN

5.1 The business of the Company (the "Business") shall be:

- 5.1.1 to provide CCTV services and associated services to third party clients;
- 5.1.2 during any period for which a Business Plan has been adopted and is in force, to undertake such other business(es) as is or are set out in that Business Plan; and
- 5.1.3 to undertake such other business(es) as the Shareholders may from time to time determine.
- 5.2 The Shareholders shall procure that the Board prepares in respect of each Financial Year a Business Plan to include (in relation to the next Financial Year to which it relates):
- 5.2.1 an operating revenue budget and capital expenditure requirements (including funding source);
- 5.2.2 a cash-flow statement giving an estimate of the working capital requirements of the Company;
- 5.2.3 a monthly projected profit and loss account;
- 5.2.4 a balance sheet forecast;
- 5.2.5 a 5 year medium term financial strategy projection;
- 5.2.6 a management report giving business objectives and activities for the ~~Year~~year, presented in such a way that Shareholders can clearly understand (a) the number, length and value of contracts held at the start of the financial year preceding the financial year to which the Business Plan relates, (b) any known or anticipated changes in the number, length and/or value of contracts between the beginning and end of the financial year preceding the financial year to which the Business Plan relates and (c) any anticipated changes to the number, length and/or value of contracts in the financial year to which the Business Plan relates;
- ~~5.2.7~~ key performance indicators with previous performance and targets for the coming financial year;
- ~~5.2.8~~ estimates, assumptions regarding reinvestment of profits, distribution of dividends and capitalisation of profits for the coming financial year including the amounts it will be prudent to retain in order to meet operational costs in the coming financial year and the amounts available for distribution to the Shareholders; and
- 5.2.97 any Reserved Matters specifically approved ~~as part of the through the Business Plan approval process.~~ as part of the through the Business Plan approval process.
- 5.3 The Business Plan for the first Financial Year shall be adopted on the date of this Agreement.
- 5.4 The Business Plan for every Financial Year subsequent to the first Financial Year shall be:

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Comment [JG3]: Proposal to oblige the company to provide more comprehensive details of contracts in the business plan

Comment [JG4]: Proposal to oblige the company to include PI data in the business plan

Comment [JG5]: Proposal to oblige the company to include proposals regarding profits and their use in the business plan

5.4.1 prepared by the Board in accordance with the budget process timetables of the Shareholders as notified by the Shareholders or by ~~at least no later than~~ the ~~31st~~-30th day of ~~December~~-November in the Financial Year preceding the start of the Financial Year to which it relates; and

Comment [JG6]: Proposal to align the business planning timetable more closely to councils' budget setting timetables

5.4.2 adopted and approved by the Shareholders, subject to any agreed changes or revisions as proposed by the Shareholders, either in writing or at a general meeting as soon as possible after it has been prepared.

5.5 The Shareholders agree to work together in good faith to procure that the Business Plan for each subsequent Financial Year is prepared in accordance with this clause 5.

~~5.6 For any period when a proposed Business Plan presented under clause **Error! Reference source not found.** has not been approved in accordance with clause 5.4 and adopted by the Company in accordance with this Agreement the relevant existing Business Plan shall continue to be the Business Plan of the Company.~~

Comment [JG7]: Proposed clarification that the company's existing business plan should still apply until the shareholders approve a revised one

6 SHAREHOLDER VOTING

~~6.1 All For any decision or resolution or Special Resolution reserved for the Shareholders to determine, s of the Shareholders it shall except for Reserved Matters (which require unanimous Unanimous Shareholder approval/Approval) shall be required to be approved as Special Resolutions.~~

~~6.2 In respect of Special Resolutions of the Company, Shareholder voting shall be weighted and each Shareholder is the registered owner of shares in proportion to its respective percentage of voting weight as follows:~~

~~6.2.1 SBC to hold 37 percent of the vote;~~

~~6.2.2 NHDC to hold 27 percent of the vote;~~

~~6.2.3 EHDC to hold 22 percent of the vote; and~~

~~6.2.4 HBC to hold 14 percent of the vote.~~

Comment [JG8]: Proposal to introduce the requirement for unanimous approval by all shareholders on all matters. Without this, SBC and NHDC can, in effect, acting on their own veto any matter requiring 75% approval. This is not concerned to be in the spirit of the overall Partnership Agreement which itself gave rise the establishment of the company

7 SHAREHOLDER ACCESS TO INFORMATION

7.1 The Company shall provide to each Shareholder:

7.1.1 monthly management accounts;

7.1.2 quarterly trading statements to be provided within 30 days of each quarter end;

7.1.3 draft annual accounts, including annual governance statement (or any substitute thereof) to be provided by 15 May in each Financial Year;

7.1.4 final audited annual accounts, including an annual governance statement (or any substitute thereof) to be provided by 15 June in each Financial Year;

7.1.5 copies of Board meeting papers prior to the meeting of the Board to which they relate and minutes of Board meetings twenty (20) days after the relevant Board meeting to which they relate;

7.1.6 copies of annual general meeting minutes twenty (20) days after the relevant Board meeting; and

7.1.7 other information reasonably required by a Shareholder from time to time.

7.2 The Company shall provide the reports set out in clause 7.1 above in accordance with each Shareholder's accounting policies as updated from time to time.

7.3 Each Shareholder and its authorised representatives (including internal and external auditors and other inspection bodies) may at any time by notice in writing to the Company request access to any accounting or other records or information of the Company. The Company shall comply with any request for access so received as soon as reasonably practicable following receipt of such notice, including providing copies of any records or information where the same have been so requested.

8 TRANSFER OF SHARES

- 8.1 ~~Subject to the provisions of clause 9.3, n~~No Shareholder shall sell, transfer, assign, pledge, charge or otherwise dispose of any share or any interest in any share in the capital of the Company without the prior unanimous written consent of all other Shareholders.
- 8.2 The transfer of shares in the capital of the Company by a Shareholder to a prospective Shareholder shall be subject to the Shareholder transferring all its shares in the Company and the prospective Shareholder signing a Deed of Adherence prior to such transfer.
- 8.3 In the event that a Shareholder ("Departing Shareholder") proposes to transfer its shares in the capital of the Company to a prospective Shareholder ("Receiving Shareholder") (~~"Departing Shareholder"~~) the Departing Shareholder shall:
- 8.3.1 notify the Company six (6) months prior to such proposed transfer date;
 - 8.3.2 use its reasonable endeavours to procure that its rights and obligations under the Trading Company Contract of which it is a party are transferred to the remaining Shareholders as agreed unanimously by the remaining Shareholders;
 - 8.3.3 execute and deliver a stock transfer form to transfer such shares.
- 8.4 In the event that a Shareholder wishes to cease being a Shareholder and such Shareholder does not wish to or cannot transfer his shares to a prospective Shareholder, such Shareholder shall:
- 8.4.1 notify the Company six (6) months prior to the date on which he wishes to cease being a Shareholder;
 - 8.4.2 use its reasonable endeavours to procure that its rights and obligations under the Trading Company to which it is a party Contract are transferred to the remaining Shareholders as agreed unanimously by the remaining Shareholders;
 - 8.4.3 execute and deliver a stock transfer form to transfer all shares it holds in the Company to one of the continuing Shareholders, as nominated to the Shareholder by the Company ("Recipient Shareholder"), at the price of £1 per share.

9 ISSUE OF FURTHER SHARES

- 9.1 Subject to clause 9.3, the Company may only issue further shares with ~~the prior unanimous approval of all~~ Shareholders Unanimous Approval.
- 9.2 The issuing of shares in the capital of the Company to a new Shareholder shall be subject to the prospective Shareholder signing a Deed of Adherence.
- 9.3 Upon a Shareholder transferring its shares in accordance with clause 8.3 ~~or 8.4~~, the company shall issue all the Departing Shareholder's shares to the Receiving Shareholder or if there is unanimous approval of all Shareholders except the Departing Shareholder to transfer fewer of the Departing Shareholder's share to the

~~Receiving Shareholder the Company shall transfer the lower number of shares to the Receiving Shareholder and transfer the remaining Departing Shareholder's shares to the other Shareholders in proportion to the their existing shareholdings.~~

Comment [JG9]: Proposal to make the situation clearer regarding the transfer of a shareholder's share to a new shareholder

~~9.4 Upon a Shareholder transferring its shares in accordance with clause 8.4, the Company shall issue such number of new shares to the Shareholders in proportion to the their existing shareholdings. Shareholders as is necessary to ensure that each Shareholder holds a percentage of the registered shares and weighted voting rights in the Company in proportion to the actual number of CCTV cameras each Shareholder is providing for business use by the Company.~~

Comment [JG10]: Proposed clarification of wording. Of note, retains the split in share but also accommodate unanimous voting

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9.4 The Shareholders and the Company acknowledge that the allocation of Shares in ~~the Company is determined by the Articles of Association of the Company. Schedule 3 of this Shareholder Agreement reserves for the Shareholders any matters regarding amendments to shareholdings. Any Shareholder believing there is a Material Shareholding Matter may seek a review of the apportionment and a determination of the terms of a reapportionment. If Unanimous Shareholder Approval is granted to amend the relative proportion of shares, clause 6.2 reflects the number of CCTV cameras each Shareholder is providing for business use by the Company. Each year, the Company and Shareholders shall review the number of CCTV cameras each Shareholder is providing for business use by the Company. In the event that there is a Material Increase or Decrease in such number, then the Company shall issue new shares shall be issued to the Shareholders (as applicable) to achieve the new apportionment and amend the Articles of Association to reflect the new apportionment~~ an extent to ensure that the percentages of registered shares and weighted voting rights, as set out in clause 6.2, are changed to reflect the actual number of CCTV cameras each Shareholder is providing for business use by the Company.

Comment [JG11]: If the partners' cameras are no longer managed by the company, the link between the proportion of cameras managed and the number of shares falls away. Therefore, it is here proposed the any shareholder may seek a consideration of reapportionment if there is a Material Shareholding Matter – see defined terms

Comment [JG12]: Introduces the explicit requirement for the company to amend the articles in line with a reapportionment of shares

~~9.5 In the event that the percentages of registered shares and weighted voting rights is varied pursuant to clause 9.3 and 9.4, a deed of variation shall be executed by all Shareholders in order to substitute clause 6.2 for a clause setting out the new allocation of registered shares and weighted voting rights.~~

Comment [JG13]: As the proposal is that the shareholders agree to unanimous decision-making on all matters, this clause falls away

10 DISTRIBUTIONS AND LIABILITIES OF SHAREHOLDERS

10.1 The parties agree that the Company shall not make any dividends or distributions of assets to the Shareholders in relation to the Business other than in accordance with the Business Plan and Articles.

10.2 Any such distribution of dividends or assets shall be made in accordance with the ~~weightings for Shareholder voting, and~~ percentage share allocations, ~~as set out in clause 6.2~~ as set out in the Articles of Association.

Comment [JG14]: Links the dividend distribution more clearly the shareholdings

10.3 Any repayment of borrowing or liabilities of the Shareholders shall be allocated between the Shareholders in accordance with the ~~weightings for Shareholder voting, and~~ percentage share allocations, as set out in ~~clause 6.2~~ the Articles of Association.

Comment [JG15]: As above

11 TERMINATION

11.1 Subject to the provisions of clause 11.4, the provisions of this Agreement shall continue in force until the Shareholders agree in writing to terminate it.

- 11.2 This Agreement shall, unless the Shareholders otherwise agree, automatically terminate on the first to occur of the following dates:
- 11.2.1 the effective date of a winding up of the Company; or
 - 11.2.2 the date on which the Company is owned by a single Shareholder;
- 11.3 At the point at which a Shareholder ceases to hold a share in the Company that Shareholder's position as a contracting party to this Agreement shall terminate.
- 11.4 Termination of this Agreement in respect of any Shareholder for whatsoever reason shall not affect any accrued rights or liabilities of any person or any liability or obligation arising under or pursuant to the Articles or any other agreement or arrangement between any of the parties hereto and save where this Agreement expressly provides to the contrary, affect the provisions of:

- 11.4.1 Clause 1 (Definitions and Interpretation);
- 11.4.2 this Clause 11 (Termination);
- 11.4.3 Clause 16 (Assignment and Subcontracting);
- 11.4.4 Clause 18 (Remedies and Waivers);
- 11.4.5 Clause 19 (Entire Agreement);
- 11.4.6 Clause 21 (Conflict with the Articles);
- 11.4.7 Clause 22 (Severance);
- 11.4.8 Clause 23 (Confidentiality);
- 11.4.9 Clause 25 (Notices);
- 11.4.10 Clause 26 (Costs and Expenses);
- 11.4.11 Clause 27 (Set-off);
- 11.4.12 Clause 28 (No Partnership or Agency);
- 11.4.13 Clause 29 (Counterparts); and
- 11.4.14 Clause 31 (Governing Law and Jurisdiction),

which shall continue in full force and effect after termination.

- 11.5 Where the Company is to be wound up and its assets distributed, the parties shall agree a suitable basis for dealing with the interests and assets of the Company and shall endeavour to ensure that:
 - 11.5.1 all existing contracts of the Company are performed to the extent that there are sufficient resources;
 - 11.5.2 the Company shall not enter into any new contractual obligations;
 - 11.5.3 the Company is dissolved and its assets are distributed as soon as practical;
 - 11.5.4 any Intellectual Property and Confidential Business Information belonging to or originating from a party shall be returned to it by the other parties or the Company and all such Intellectual Property and Confidential Business Information shall be erased from the computer systems (to the extent possible) of the Company and the party who is returning it; and
 - 11.5.5 provision is made for such services to be instead provided as agreed by the Shareholders.
- 11.6 Where any party is required by any law, regulation or governmental or regulatory authority to retain any information (or copies of such information) of the other parties

or the Company, it shall notify the other party in writing of such retention giving details of the information that it has been required to retain.

12 DISPUTES

- 12.1 For the purposes of this Agreement, a dispute shall have occurred when any of the following events occur:
- 12.1.1 the Shareholders by reason of a disagreement between themselves are unable to approve any of the following decisions within ten (10) Working Days of the date on which the matter for decision was first presented to them:
 - 12.1.1.1 the approval and acceptance of a Business Plan, presented to the Shareholders by the Company; or
 - 12.1.1.2 the approval of a Reserved Matter; or
 - 12.1.2 any one or more Shareholders (Non-Defaulting Member(s)) notify/ies a Member (Defaulting Member) that they believe the Defaulting Member to be in material breach of this Agreement.
- 12.2 Save where (and to the extent) provided otherwise in this Agreement, any dispute shall be resolved in accordance with Part 1 (Escalation), Part 2 (Mediation) and Part 3 (Arbitration) of Schedule 5 (dispute resolution procedure).

13 ENFORCEMENT OF THE COMPANY'S RIGHTS

- 13.1 The Company undertakes with the Non-Defaulting Shareholders that if any Defaulting Shareholder or any person connected with any such Shareholder is in material breach of any obligation which the Defaulting Shareholder owes to the Company (whether under this Agreement, or otherwise) or has misapplied or retained or become liable or accountable for any money or property of the Company or any subsidiary of the Company from time to time, or has been guilty of any misfeasance or breach of fiduciary or other duty in relation to the Company or any such subsidiary or is under any obligation to indemnify the Company or any such subsidiary against any liability, the prosecution of any right of action of the Company or any such subsidiary in respect thereof shall be passed to the Directors of the Non-Defaulting Shareholders who shall have full authority to negotiate, litigate and settle any claim arising therefrom and the Defaulting Shareholder shall take all steps within its power to give effect to the provisions of this clause 13.1.

14 UNLAWFUL FETTER ON THE COMPANY'S POWERS

- 14.1 Notwithstanding any other provision contained in this Agreement the Company shall not be bound by any provision of this Agreement to the extent that it would constitute an unlawful fetter on any statutory power of the Company, but any such provision shall remain valid and binding as regards all other parties to which it is expressed to apply.

15 WARRANTIES

- 15.1 Each Shareholder warrants to the other Shareholders and to the Company that it has full power and authority to enter into and perform this Agreement and all other

agreements or documents which it is required to enter into pursuant to this Agreement and such other agreements and documents will when executed constitute, binding obligations of such Shareholder.

16 ASSIGNMENT AND SUB-CONTRACTING

- 16.1 This Agreement is personal to the parties and neither party shall assign, transfer, subcontract or deal in any other manner with any of its rights and obligations under this Agreement. Each party hereby undertakes and represents to the other parties that it is entering into this Agreement only for its own benefit.
- 16.2 This Agreement shall be binding on and shall endure for the benefit of each party's successors.

17 FURTHER ASSURANCE

- 17.1 The parties shall agree a communications protocol from incorporation of the company and prior to commencement of service delivery to Shareholders.
- 17.2 Each party shall at its own cost and expense, on being required to do so by another party now or at any time in the future, do or procure the doing of all such acts and things and/or execute or procure the execution of all such deeds and documents in a form satisfactory to such other party which such other party may reasonably consider necessary for giving effect to this Agreement.

18 REMEDIES AND WAIVERS

- 18.1 No delay by any party in exercising, or failure by any party to exercise, any right, power or remedy provided by law or under this Agreement or any document referred to in it shall:
- 18.1.1 operate as a waiver of that or any other right, power or remedy; or
 - 18.1.2 affect the other terms of this Agreement or any document referred to in it.
- 18.2 The single or partial exercise of any right, power or remedy provided by law or under this Agreement or any document referred to in it shall not preclude any other or further exercise of it or the exercise of any other right, power or remedy.
- 18.3 A waiver of any breach of or default under this Agreement or any document referred to in it shall not constitute a waiver of any other breach or default and will not prevent a party from subsequently requiring compliance with the waived obligation.
- 18.4 The rights, powers and remedies provided in this Agreement or any document referred to in it are in addition to and (subject as otherwise provided in this Agreement) not exclusive of any rights, powers and remedies provided by law.

19 ENTIRE AGREEMENT

- 19.1 This Agreement and the documents referred to in it (including the Articles and any Deed of Adherence) constitute the entire agreement between the parties relating to the Company and supersede all previous agreements between the parties relating to such matters.

19.2 Each of the parties acknowledges that in agreeing to enter into this Agreement it has not relied on any representation, warranty, collateral contract or other assurance (except those set out in this Agreement and/or the documents referred to in it) made by or on behalf of any other party before the signature of this Agreement. Each of the parties waives:

19.2.1 all rights and remedies which, but for this clause 19.2, might otherwise be available to it in respect of any such representation, warranty, collateral contract or other assurance; and

19.2.2 all rights and remedies, other than remedies for breach of contract available in respect of a breach of this Agreement and/or the documents referred to in it, which, but for this clause 19.2, might otherwise be available to it in respect of the falsity of any representation or warranty set out in this Agreement and/or the documents referred to in it,

provided that nothing in this clause 19.2 shall limit or exclude any liability for fraud or dishonesty on the part of any party.

20 VARIATION

20.1 No variation to the terms of this Agreement shall be effective unless made in writing and signed by each of the parties and any person who agrees to be bound by this Agreement.

21 CONFLICT WITH THE ARTICLES

21.1 If any provision of this Agreement is inconsistent with a provision of the Articles, then the terms of this Agreement shall prevail and the Shareholders agree to procure the making of any amendment to the Articles at the next general meeting of the Company required in order to make them consistent with the provisions of this Agreement.

22 SEVERANCE

22.1 If any provision of this Agreement shall be found by any court or administrative body of competent jurisdiction to be invalid or unenforceable, such invalidity or unenforceability shall not affect the other provisions of this Agreement which shall remain in full force and effect.

22.2 Without prejudice to the generality of clause 22.1, if any provision of this Agreement or the Articles shall be found by any court or administrative body of competent jurisdiction to be unenforceable against or by the Company, the Shareholders shall procure that the provision is nevertheless put into effect to the greatest extent possible.

22.3 If any provision of this Agreement is found to be invalid or unenforceable but would be valid or enforceable if some part of the provision were deleted, the provision in question shall apply with such deletions as may be necessary to make it valid or enforceable.

22.4 The parties agree, in the circumstances referred to in clause 22.1 and if clause 22.3 does not apply, to attempt to substitute for any invalid or unenforceable provision a valid or enforceable provision which achieves to the greatest extent possible the

same effect as would have been achieved by the invalid or unenforceable provision but for such invalidity or unenforceability.

23 CONFIDENTIALITY

- 23.1 Each Shareholder undertakes that it will not at any time on or after the date of this Agreement use or disclose to any person, except in the proper course of its duties as a local authority any Confidential Business Information which may have or may in future come to its knowledge, provided that a Shareholder may share such information:
- 23.1.1 with its professional advisers or to those of its directors, Shareholders, officers, employees, advisers and representatives who are directly concerned with the Company (or any subsidiary of the Company from time to time) or the Business; or
 - 23.1.2 as may be required by any applicable law or by any supervisory or regulatory body with whose rules it is necessary for that party to comply; or
 - 23.1.3 in connection with any proceedings arising out of or in connection with this Agreement,
 - 23.1.4 once it enters the public domain otherwise than by reason of a breach of this clause 23.1;
- 23.2 Each Shareholder shall use its reasonable endeavours to prevent the use or disclosure of any Confidential Business Information otherwise than in accordance with this clause 23.
- 23.3 Notwithstanding the restrictions in clauses 23.1, each Shareholder may use Confidential Business Information for the purpose of the promotion of the Business and the existence of the association between the Shareholders in connection with their participation in the Business can be divulged in the interests of the promotion of the Business.
- 23.4 Each Director shall be entitled to disclose to the Shareholder who appointed him all information to which such Shareholder is entitled pursuant to clause 7.2 from time to time.
- 23.5 Each Shareholder shall use its reasonable endeavours to procure that any of its elected members of councillors, directors, officers, employees, advisers and representatives coming into receipt of Confidential Business Information shall be informed upon receipt that such information is confidential and (so far as such Shareholder is able to procure the same) shall comply with the provisions of this clause 23.5 in respect of such Confidential Business Information as if they were Shareholders.

- 23.6 Any decision by the Company to offer any Services that may be subject to the Regulation of Investigatory Powers Act 2000 and any associated secondary legislation or statutory guidance is subject to the prior approval of the Shareholders as to the policy, practices and procedures to be followed in offering such Services.
- 25.7 The Shareholders and the Company acknowledge that the Company may be subject to the requirements of the Data Protection Act 1998 ("Act") and will ensure that the Company is managed strictly in compliance with all requirements of the Act. In this respect, all Service Contracts will incorporate provisions to ensure compliance with the Act and allocate responsibilities accordingly.

24 FREEDOM OF INFORMATION

- 24.1 The Shareholders and the Company acknowledge that the Shareholders are subject to the requirements of the FOIA and the EIR and the Shareholders and the Company shall, where reasonable, assist and co-operate (at their own expense) with the Shareholder receiving the request for information to enable the Shareholder to comply with these information disclosure obligations.
- 24.2 Where the Company receives a request for information under either the FOIA or the EIR in relation to information which it is holding on behalf of a Shareholder in relation to the joint arrangements, it shall:
- 24.2.1 transfer the request for information to the Shareholder as soon as practicable after receipt and in any event within two (2) Working Days of receiving a request for information;
 - 24.2.2 provide the Shareholder with a copy of all information in its possession or power in the form that the Shareholder requires within ten (10) Working Days (or such longer period as the Shareholder may specify) of the Shareholder requesting that information; and
 - 24.2.3 provide all necessary assistance as reasonably requested by the Shareholder to enable the Shareholder to respond to a request for information within the time for compliance set out in the FOIA or the EIR.
- 24.3 Where a Shareholder receives a request under FOIA or EIR which relates to the operations of the Company, it shall notify the other Shareholders and afford them an opportunity to make any comments or representations in respect of the disclosure of the information sought. The other Shareholders shall respond within five (5) Working Days of receipt of this notification. The Shareholder responding to the request shall take into account any such comments or representations in so doing and shall not respond to the request until the 5 day response period referred to above has passed.

25 NOTICES

- 25.1 Any notice or other communication to be served under this Agreement shall be delivered or sent by first class post or electronic communication to the party to be served at its address or email address as set out in Schedule 4 or in any Deed of Adherence (as the case may be).

25.2 Subject to clause 25.3 and in the absence of earlier receipt, any notice or communication shall be deemed to have been served:

25.2.1 if delivered personally, at the time of delivery;

25.2.2 if sent by first class post, two (2) Working Days after the date of posting; and

25.2.3 if sent by email, forty eight (48) hours after the time of sending

25.3 Any notice or communication served under this Agreement outside Working Hours in the place to which it is addressed shall be deemed not to have been served until the start of the next period of Working Hours in such place.

25.4 In proving service of a notice or communication, it shall be sufficient to prove that delivery was made or that the envelope containing the notice or communication was properly addressed and posted as a prepaid first class letter or in the case of electronic communication, that it was sent in accordance with the guidance issued by the Institute of Chartered Secretaries and Administrators.

26 COSTS AND EXPENSES

26.1 Subject to clause 26.2, all costs and expenses in relation to the negotiation, preparation, execution and carrying into effect of this Agreement and all other documents referred to in it shall be borne by Stevenage Borough Council, save for any private advice sought by any Shareholder which shall be for the cost of that Shareholder.

26.2 All costs and expenses in relation to the incorporation of the Company shall be borne by the Shareholders in proportion to the actual number of CCTV cameras each Shareholder is providing for business use by the Company.

27 SET-OFF

27.1 All amounts falling due under this Agreement shall be paid in full without any set-off or counterclaim.

28 NO PARTNERSHIP OR AGENCY

28.1 Nothing in this Agreement is intended to or shall operate to create a partnership between the parties or any of them, or to authorise any party to act as agent for any other party, and no party shall have authority to act in the name or on behalf of or otherwise to bind any other party in any way.

29 COUNTERPARTS

29.1 This Agreement may be executed in any number of counterparts, and by the parties on separate counterparts, but shall not be effective until each person who is a party at the date hereof has executed at least one counterpart.

29.2 Each counterpart shall constitute an original of this Agreement, but all the counterparts shall together constitute but one and the same instrument.

30 CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

30.1 The parties to this Agreement do not intend that any of its terms should be enforceable, by virtue of the Contracts (Rights of Third Parties) Act 1999, by any person who is not a party to this Agreement.

31 GOVERNING LAW AND JURISDICTION

31.1 This Agreement is governed by and shall be construed in accordance with the laws of England and each party submits to the exclusive jurisdiction of the courts of England for all purposes relating to this Agreement.

31.2 Each party irrevocably consents to any process in any legal action or proceedings arising out of or in connection with this Agreement being served on it in accordance with the provisions of clause 25. Nothing contained in this Agreement shall affect the right to serve process in any other manner permitted by law.

AS WITNESS the hands of the parties or their duly authorised representatives the day and year first before written

**THE COMMON SEAL OF
NORTH HERTFORDSHIRE
DISTRICT COUNCIL** affixed in the
presence of:

.....
Authorised Signatory

**THE COMMON SEAL OF
EAST HERTFORDSHIRE
DISTRICT COUNCIL**
affixed in the presence of:

.....
Authorised Signatory

**THE COMMON SEAL OF
STEVENAGE BOROUGH COUNCIL**
affixed in the presence of:

.....
Authorised Signatory

**THE COMMON SEAL OF
HERTSMERE BOROUGH COUNCIL**

affixed in the presence of:

.....

Authorised Signatory

Signed by

a director for and on behalf of

HERTFORDSHIRE CCTV PARTNERSHIP LTD

SCHEDULE 1 - PARTICULARS OF THE COMPANY

1. Registered number: 9295528
2. Date of incorporation: 4th November 2014
3. Place of incorporation: England and Wales
4. Class of company: Private company limited by shares
5. Registered office: Daneshill House, Danestrete, Stevenage, Herts SG1 1HN
6. Accounting reference date: 31st March

SCHEDULE 2 - DEED OF ADHERENCE

THIS DEED is made on [] 20[]

BY [] of [] (the "Covenantor") in favour of the persons whose names are set out in the schedule to this deed and is SUPPLEMENTAL to the Shareholders' Agreement dated [] 20[] made by (1) [], (2) [], (3) [], (4) [] and (5) [] Limited (company number: []) (the "Shareholders' Agreement")

THIS DEED WITNESSES as follows:

1. The Covenantor confirms that it has been given and read a copy of the Shareholders' Agreement and covenants with each person named in the schedule to this deed to perform and be bound by all the terms of the Shareholders' Agreement, [except Clauses [] and [],] as if the Covenantor were a Shareholder who is party to the Shareholders' Agreement.
2. This deed is governed by the laws of England and Wales.

IN WITNESS WHEREOF this deed has been executed by the Covenantor and is intended to be and is hereby delivered on the date first above written.

THE COMMON SEAL of

[]
was affixed to this deed
in the presence of:

[affix common seal here]

.....
[Authorised signatory]

.....
[Authorised signatory]

SCHEDULE 3 - RESERVED MATTERS

All Reserved Matters shall be considered at a general meeting of the Company and shall only be effective if approved unanimously by the Shareholders.

The following matters are Reserved Matters unless (where relevant) they have been approved in advance by the Shareholders under the Business Plan:

- 1 Varying in any respect the Articles or the rights attaching to any of the shares in the Company.
- 2 Permitting the registration of any additional Shareholder of the Company.
- 3 Passing any resolution for its winding up or presenting any petition for its administration (unless it has become insolvent).
- ~~4~~ Forming any subsidiary or acquiring shares in any other company or participating in any partnership or joint venture (incorporated or not).
- ~~4~~
- ~~5~~
- ~~6~~ Amalgamating or merging with any other company or business undertaking.
- ~~5~~
- ~~7~~
- ~~6~~ ~~Entering into any arrangement, contract or transaction with either a capital or revenue value over £1 million.~~ The execution, modification, termination or renewal of any agreement, arrangement or transaction between the Company or any Subsidiary Undertaking of the Company and any third party which:
 - has an annual contract value in excess of [£100,000] (or the equivalent amount in any other currency); or
 - has an effective term which exceeds six months (unless the annual contract value is less than [£100,000]); or
 - is outside the ordinary course of the Company's business or is otherwise there on arm's length terms; or
 - is a transaction or arrangement with the Shareholder or any Director or any person who is connected (within the meaning of section 1122 of the Corporation Tax Act 2010) to the Shareholder or any Director; or
 - grants any rights (by licence or otherwise) in or over any intellectual property owned or used by the Company
- ~~87~~ Increasing, reducing, sub-dividing, consolidating, re-denominating, cancelling, purchasing or redeeming any of the capital of, or allotting or issuing any shares or other securities in the capital of, the Company.
- ~~98~~ Altering any rights attaching to any class of share in the capital of the Company, or creating any option, warrant or any other right to acquire or subscribe for any shares or other securities in the capital of the Company.
- ~~109~~ The sale, transfer, assignment, pledge, charge or other disposal of any share or any interest in any share in the capital of the Company.

Comment [JG16]: Officers believe that delegation to the company directors of decision-making on contracts / transaction of up to £1m is too high a threshold; £100,000 is proposed but members' views are sought on this

Comment [JG17]: Proposal to make more explicit what matters are reserved for shareholders regarding the company's contracts and transactions

4410 Appointing or removing a chairman of the board of directors.

- 11 Approval and/or a ~~Adoption of or amending~~ the Business Plan or annual budget or any variation of the Business Plan or annual budget from time to time. This includes any matters related to the retention, distribution or capitalisation of the Company's profits.
- 12 The incurring of any borrowings or other indebtedness (other than normal trade credit) or the giving of any guarantees.
- 13 The approval of the annual audited accounts of the Company.
- 14 The grant of any pension rights to any director, employee, former director or employee, or any member of such person's family.
- 15 The dismissal of any Director, officer or employee in circumstances in which the Company or any Subsidiary Undertaking of the Company incurs or agrees to bear redundancy or other costs in excess of £5,000 in total.
- 16 The remuneration (by payment of fees, the provision of benefits-in-kind or otherwise) of any officer of or consultant to the Company or any Subsidiary Undertaking of the Company at a rate in excess of £20,000 per annum or the increase in remuneration of any such person to a rate in excess of £20,000 per annum.
- 17 The institution, settlement or compromise of any material legal proceedings (other than debt recovery proceedings in the ordinary course of business) instituted or threatened against the Company or any Subsidiary Undertaking of the Company of the submission to arbitration or any dispute involving the Company or any Subsidiary Undertaking of the Company.
- 18 Transactions between the Company and any Shareholder or a Shareholder's Associates where a pecuniary or other financial interest would arise other than circumstances where such an interest directly relates to the Company providing a CCTV management service for that Shareholder or the Shareholder's Associates.

Comment [JG18]: Proposal to reserve for shareholders variations to the business plan

Comment [JG19]: Proposal to reserve for the shareholders any matters relating to the company borrowing or incurring indebtedness (other than normal trade credit)

Comment [JG20]: Proposal to explicit make approval of accounts a matter for the shareholders

Comment [JG21]: Proposal to extend reserved matters relating to remuneration of officers of the company

Comment [JG22]: As above

Comment [JG23]: As above

Comment [JG24]: As above

Comment [JG25]: Proposal to reserve for shareholders decision on transactions between the company and individual shareholders, other than where the company is providing CCTV management services to a particular shareholder

SCHEDULE 4 - CONTACT DETAILS

North Hertfordshire District Council

Address: Council Offices, Gernon Road, Letchworth Garden City, Hertfordshire SG6 3JF

For the attention of: David Scholes

Email address: david.scholes@north-herts.gov.uk

East Hertfordshire District Council

Address: Wallfields, Pegs Lane, Hertford SG13 8EQ

For the attention of: Simon Drinkwater

Email address: Simon.Drinkwater@eastherts.gov.uk

Stevenage Borough Council

Address: Daneshill House, Danestrete, Stevenage, Hertfordshire SG1 1HN

For the attention of: Peter Bandy

Email address: peter.bandy@stevenage.gov.uk

Hertsmere Borough Council

Address: Civic Offices, Elstree Way, Borehamwood, Hertfordshire WD6 1WA

For the attention of: Glen Wooldridge

Email address: Glen.Wooldrige@hertsmere.gov.uk

or, in each case, such other address as may be notified by the relevant party to the other parties from time to time.

SCHEDULE 5 - DISPUTE RESOLUTION PROCEDURE

PART 1 - ESCALATION

1 APPLICATION OF PART 1

This Part 1 applies to any dispute.

2 ESCALATION PROCEDURES

- 2.1 The Shareholders shall use all reasonable endeavours to resolve the dispute on an amicable basis within fifteen (15) Working Days of the same arising (the first day of that 15 Working Day period being the first Working Day after any Member has given notice in writing to the other Shareholders stating that, in its belief, a dispute has arisen) (such period being the **Member Resolution Period**).
- 2.2 If the Shareholders have not resolved the dispute prior to the expiry of the Member Resolution Period, the **Senior Representatives** (being the senior representative of each Member with the authority to settle the dispute) shall meet in good faith in an effort to resolve the dispute.
- 2.3 If the Senior Representatives have resolved the dispute within fifteen (15) Working Days of the expiry of the Member Resolution Period (the **Senior Representatives Resolution Period**) (the first day of that 15 Working Day period being the first Working Day after the expiry of the Member Resolution Period), they shall issue a joint written statement to the Shareholders informing the Shareholders of their decision. The Shareholders shall be bound by that decision.

PART 2 - MEDIATION

3 APPLICATION OF PART 2

This Part 2 shall apply if:

- 3.1 the dispute is one which this Agreement states may be resolved by means of mediation;
- 3.2 the Senior Representatives have not resolved the dispute prior to the expiry of the Senior Representatives Resolution Period in accordance with Part 1; and
- 3.3 any Member which is a party to the dispute serves a notice in writing on the other Member referring the dispute to mediation (a **Mediation Referral Notice**) within 15 Working Days of the expiry of the Senior Representatives Resolution Period (the first day of that 15 Working Day period being the first Working Day after the expiry of the Senior Representatives Resolution Period).

4 MEDIATION

- 4.1 On the service of a Mediation Referral Notice, the Shareholders shall jointly appoint a mediator to mediate the dispute, the cost of which shall be borne by the Company.
- 4.2 If:
 - 4.2.1 the Shareholders do not agree on the appointment of a mediator under paragraph 2.1 within fifteen (15) Working Days of service of the Mediation

Referral Notice (the first day of that 15 Working Day period being the first Working Day after the service of the Mediation Referral Notice); or

4.2.2 the person appointed or to be appointed is unable or unwilling to act,

the mediator shall be appointed by the Chief Executive for the time being of CEDR following a request made by any Member to the Chief Executive for that purpose.

- 4.3 The mediation shall be conducted in London in the English language in accordance with the then current CEDR Model Mediation Procedure, which is deemed to be incorporated in this Agreement.
- 4.4 If an agreement is reached on the dispute during the mediation, that agreement shall be reduced to writing and, once signed by the parties to the dispute, shall be binding on all parties.
- 4.5 Unless concluded with a written legally binding agreement, the mediation shall be concluded in confidence and without prejudice to the rights of any of the parties in any further Proceedings.

PART 3 - ARBITRATION

5 APPLICATION OF PART 3

This Part 3 shall apply if:

- 5.1 the dispute is one which this Agreement states may be resolved by means of arbitration;
- 5.2 either:
- 5.2.1 no Mediation Referral Notice is served in accordance with Part 2; or
- 5.2.2 a Mediation Referral Notice is served in accordance with Part 2, but the dispute is not settled within forty (40) Working Days after the appointment of the mediator (the first day of that 40 Working Day period being the first Working Day after the day on which the mediator is appointed) (the **Mediator Resolution Period**); and
- 5.2.3 any Member which is a party to the dispute serves a notice in writing on the other Shareholders which are also parties to the dispute referring the dispute to arbitration in accordance with the International Court of International Arbitration (an **Arbitration Referral Notice**).

6 ARBITRATION

- 6.1 The arbitration shall be governed by the provisions of the Arbitration Act 1996.
- 6.2 The procedural rules of the London Court of International Arbitration in force as at the date on which the Arbitration Referral Notice was served shall be applied and are deemed to be incorporated into this Agreement by reference.
- 6.3 The tribunal shall consist of a sole arbitrator.
- 6.4 On the service of an Arbitration Referral Notice, the Shareholders shall jointly appoint an arbitrator to arbitrate the dispute, the cost of which shall be borne by the Company.

- 6.5 If:
- 6.5.1 the Shareholders do not agree on the appointment of an arbitrator under paragraph 2.1 within fifteen (15) Working Days of service of the Arbitration Referral Notice (the first day of that 15 Working Day period being the first Working Day after the service of the Arbitration Referral Notice); or
 - 6.5.2 the person appointed or to be appointed is unable or unwilling to act,
 - 6.5.3 the arbitrator shall be appointed by the President or Vice President of the Chartered Institute of Arbitrators following a request made by any Member to the President or Vice President for that purpose.
- 6.6 The decision of the arbitrator shall be binding on all parties in the absence of manifest error or fraud.
- 6.7 The arbitration proceedings shall take place in London and in the English language.
- 6.8 The arbitration proceeding shall be governed by English law.