

DATED _____ 2016

(1) THE PERSONS LISTED IN SCHEDULE 1

and

(2) PSNE LIMITED

SHAREHOLDERS' AGREEMENT

Sintons
Law

BETWEEN

- (1) **THE PERSONS** whose names and addresses are set out in **Schedule 1**; and
- (2) **PSNE LIMITED** incorporated and registered in England and Wales with company number 09764592 whose registered office is at North of Tyne Local Pharmaceutical Committee, Spaceworks, Benton Park Road, Newcastle Upon Tyne, Tyne And Wear, United Kingdom, NE7 7LX ("**Company**").

RECITALS

- (A) The parties to this Agreement are the legal owners of the shares in the Company as set out in Schedule 1. The parties to this agreement hold the shares on trust for the local pharmaceutical committees referred to in Schedule 1.
- (B) The parties have agreed to enter into this Agreement as a deed for the purpose of regulating the exercise of their rights in relation to the Company.

IT IS AGREED THAT

1. INTERPRETATION

1.1 The following definitions shall apply in this agreement.

"Act"	the Companies Act 2006;
"Articles"	the articles of association of the Company;
"Board"	the board of directors from time to time of the Company;
"Business"	has the meaning given in Clause 2.1 ;
"Business Day"	a day other than a Saturday, Sunday or public holiday in England when banks in London are open for business;
"Deed of Adherence"	a deed of adherence in the form set out in Schedule 3 ;
"Encumbrance"	any interest or equity of any person (including any right to acquire, option, right of pre-emption, any agreement in respect of voting rights or commitment to give or create voting rights) or any mortgage, charge, pledge, lien, assignment, hypothecation, security interest, title retention or any other security agreement or arrangement;
"Financial Year"	each accounting reference period of the Company determined from time to time in accordance with Chapter 3 of Part 15 of the Act;

"Group"	the Company, any subsidiary or any holding company from time to time of the Company, and any subsidiary from time to time of a holding company of the Company and each company in the Group is a Group Company ;
"PSNE Member"	any person or organisation who is or becomes a [member] of the Company and pays a subscription fee for membership;
"Relevant Event"	as defined in article 7.1 of the Articles;
"Shareholder(s)"	each party from time to time to this Agreement;
"Shareholder Consent"	the prior written consent of all Shareholders;
"Shares"	shares (of any class) in the capital of the Company from time to time; and
"Territory"	within the counties of Tyne and Wear, Northumberland and Durham.

- 1.2 Clause and Schedule headings shall not affect the interpretation of this agreement.
- 1.3 References to clauses and Schedules are to clauses of and Schedules to this agreement and references to paragraphs and Parts are to paragraphs and Parts of the relevant Schedule.
- 1.4 The Schedules form part of this agreement and shall have effect as if set out in full in the body of this agreement. Any reference to this agreement includes the Schedules.
- 1.5 A reference to **this Agreement** or to any other agreement or document referred to in this Agreement is a reference to this Agreement or such other agreement or document as varied, superseded or novated (in each case, other than in breach of the provisions of this Agreement or the provisions of the agreement or document in question, as appropriate) from time to time.
- 1.6 Unless the context otherwise requires, words in the singular shall include the plural and in the plural shall include the singular.
- 1.7 Unless the context otherwise requires, a reference to one gender shall include a reference to the other genders.
- 1.8 A **"person"** includes a natural person, corporate or unincorporated body (whether or not having a separate legal personality).
- 1.9 A reference to a **party** means an original party to this agreement or any person who has executed a Deed of Adherence pursuant to **Clause 9.3.3** or **Clause 10** together with, in each case, their respective personal representatives, successors and permitted assigns.
- 1.10 A reference to a **company** shall include any company, corporation or other body corporate, wherever and however incorporated or established.

- 1.11 A reference to a **holding company** or a **subsidiary** means a holding company or a subsidiary (as the case may be) as defined in section 1159 of the Act.
- 1.12 A reference to "**writing**" or "**written**" includes faxes but no other electronic form.
- 1.13 Any words following the terms "**including**", "**include**," "**in particular**" or "**for example**" or any similar expression shall be construed as illustrative and shall not limit the sense of the words, description, definition, phrase or term preceding those terms.
- 1.14 Where the context permits, **other** and **otherwise** are illustrative and shall not limit the sense of the words preceding them.
- 1.15 A reference to a statute or statutory provision is a reference to it as amended, extended or re-enacted from time to time provided that, as between the parties, no such amendment, extension or re-enactment made after the date of this agreement shall apply for the purposes of this agreement to the extent that it would impose any new or extended obligation, liability or restriction on, or otherwise adversely affect the rights of, any party.
- 1.16 A reference to a statute or statutory provision shall include all subordinate legislation made from time to time under that statute or statutory provision.
- 1.17 Any obligation on a party not to do something includes an obligation not to allow that thing to be done.
- 1.18 Unless otherwise provided in this agreement all, covenants, undertakings, warranties and other obligations given or entered into by more than one party in this agreement are given or entered into severally.
- 1.19 Unless the context otherwise requires, words and expressions defined in the Articles shall have the same meaning when used in this agreement.

2. BUSINESS OF THE COMPANY

- 2.1 The business of the Company is [to promote community pharmacy in the Territory and to provide a contracting body for services on behalf of each LPC in the Territory], subject to variation from time to time in accordance with the provisions of this Agreement ("**Business**").
- 2.2 Subject to **Clause 3** and **4**, each Shareholder shall use his reasonable endeavours to promote (so far as is lawfully possible in the exercise of his rights and powers as a shareholder of the Company) the success of and develop the Business, in each case for the benefit of the Company's shareholders as a whole.
- 2.3 Each Shareholder shall use his reasonable endeavours to procure (so far as is lawfully possible in the exercise of his rights and powers as a shareholder of the Company) that the Business is carried on in accordance with the objects in the Articles.

3. COMPANY OBLIGATIONS

- 3.1 The Company shall not take any of the actions set out in **Schedule 2** without Shareholder Consent.

4. SHAREHOLDER OBLIGATIONS

- 4.1 Each Shareholder shall not, and shall procure that the Company does not take any of the actions set out in **Schedule 2** without Shareholder Consent.

5. NOMINEE OBLIGATIONS

- 5.1 Each of the Shares will be held on trust by a nominee on trust for the relevant Shareholder.
- 5.2 The nominee has no beneficial interest in the Shares.
- 5.3 The nominee shall exercise as the Shareholder may from time to time direct (but not otherwise) all voting and other rights, powers and privileges attaching to the Shares or otherwise vested in the nominee as the registered holder of the Shares.
- 5.4 [Do we want to include restrictions on the identity of the nominee shareholder e.g. a requirement that they are an LPC committee member]

6. REPORTING AND INFORMATION

- 6.1 The Company will prepare and send to the Shareholders the following:
- 6.1.1 **Monthly financial reports** – by the 15th day of the following month to which they relate, financial reports for the Company made up to the end of the preceding month and for the avoidance of doubt shall include but are not limited to:
- (a) the Company's management accounts comprising a profit and loss account of the Company;
 - (b) any agreed Key Performance Indicators (KPIs);
 - (c) if specifically requested by a Shareholder for the relevant month, a management report on the activities and performance of the Company for the period of the management accounts;
- 6.1.2 **Annual accounts** – annual accounts for the Company within two months of the end of the financial year to which they relate;
- 6.1.3 **Material changes** - as soon as they are available, full details of any actual or prospective material change in the financial position or business of the Company; and
- 6.1.4 **Other information** - promptly upon a request being made by a Shareholder (other than Aimi Dunstan), such other information relating to the affairs of the Company.
- 6.2 The parties shall procure that the auditors or reporting accountants of the Company prepare the annual accounts of the Company in accordance with UK GAAP and on a consistent basis with previous financial years subject to any changes required to comply with UK GAAP.

7. MEETINGS

The Company shall hold a meeting of the Board once every two calendar months.

8. APPOINTMENT AND REMOVAL OF DIRECTORS

- 8.1 Each Shareholder shall each have the right, for so long as they are each a Shareholder of the Company, to appoint and maintain in office one natural person as a director of the Company (including himself) and to remove any director so appointed and, upon his removal whether by his appointor or otherwise, to appoint another person to act as a director in his place, provided that any director appointed is either (a) a committee member [or employee] of an LPC or (2) an employee of a member of the Company.
- 8.2 An appointment or removal in accordance with **Clause 8.1** shall be made by giving notice in writing to the Company, to each other Shareholder and, in the case of removal of a director, to the director being removed. 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.
- 8.3 Any removal of a director pursuant to **Clause 8.1** shall be without prejudice to any claim for breach of contract under any employment agreement between the Company and the director so removed.

9. TRANSFER OF SHARES

- 9.1 No Shareholder shall create any Encumbrance over, transfer or otherwise dispose of or give any person any rights in or over any Share or any interest in any Share, except as permitted or required by this Agreement and the Articles or with Shareholder Consent.
- 9.2 Subject to **Clause 9.3.3**, the Board shall register any duly stamped transfer made in accordance with this Agreement and the Articles, unless it suspects that the proposed transfer may be fraudulent.
- 9.3 If, following a transfer of Shares in accordance with this Agreement and the Articles, a Shareholder will hold no further Shares (excluding any Shares held by his personal representatives, successors and permitted assigns):
- 9.3.1 the Shareholder shall deliver, or procure that there are delivered, to the Company his resignation as a director of the Company and resignations from any directors appointed by him, such resignations to take effect at completion of the sale of the Shares; and
- 9.3.2 on completion of the sale of Shares the Shareholder shall, subject to:
- (a) **Clause 9.3.3**; and
- (b) those provisions of this Agreement referred to in **Clause 14.2**, which shall continue in force in relation to that Shareholder,
- automatically cease to be a party to this Agreement, but such cessation shall not affect any rights, remedies, obligations or liabilities of that Shareholder which existed at or before the date of cessation.
- 9.3.3 Subject to **Clause Error! Reference source not found.**, no Shareholder shall, except with Shareholder Consent, sell, transfer or otherwise dispose of any Shares to any person who is not a party to this Agreement without first obtaining from that person a Deed of Adherence in favour of the other parties.

10. ISSUE OF FURTHER SHARES

Except with Shareholder Consent, the Shareholders shall procure that the Company shall not, and the Company undertakes that it shall not, allot, issue, sell, transfer or otherwise dispose of any Shares or other equity securities (within the meaning of section 560(1) of the Act) (including any Shares held in treasury from time to time) to any person, unless that person is a party to this Agreement or has executed and delivered a Deed of Adherence in favour of the other parties to this Agreement.

11. RESTRICTIONS ON THE PARTIES

11.1 Except with Shareholder Consent, no Shareholder shall, during the times specified below, carry on or be employed, engaged or interested in any business in the Territory which would be in competition with any part of the Business, including any developments in the Business after the date of this Agreement. The times during which the restrictions apply are:

11.1.1 any time when the party in question is a Shareholder; and

11.1.2 for a period of 12 months after the party in question ceases to be a Shareholder.

11.2 Except with Shareholder Consent, no Shareholder shall, during the times specified below, offer employment to, enter into a contract for the services of, or attempt to solicit or seek to entice away from the Company any individual who is at the time of the offer, or attempt, a director, officer or employee with the Company or procure or facilitate the making of any such offer or attempt by any other person. The times during which the restrictions apply are:

11.2.1 any time when the party in question is a Shareholder; and

11.2.2 for a period of 12 months after the party in question ceases to be a Shareholder.

11.3 The undertakings in this clause are given by each Shareholder to each other Shareholder and to the Company and apply to actions carried out by each Shareholder in any capacity and whether directly or indirectly, on the Shareholder's own behalf, on behalf of any other person or jointly with any other person.

11.4 Nothing in this clause prevents a Shareholder from holding for investment purposes only:

11.4.1 any units of any authorised unit trust; or

11.4.2 not more than 5% of any class of shares or securities of any company traded on a recognised investment exchange (within the meaning of the Financial Services and Markets Act 2000).

11.5 Each of the covenants in this clause is considered fair and reasonable by the parties.

12. EXPULSION OF A SHAREHOLDER FOR DEFAULT

12.1 Without prejudice to any other remedy available, any of the Shareholders may be expelled as a shareholder of the Company on written notice to that effect being given to him by all of the remaining Shareholders such notice to take effect on the date of

service. The circumstances in which notice of expulsion may be given are where in relation to the Shareholder concerned:

- 12.1.1 any distress, execution, sequestration or other process is levied or enforced upon or sued out against the property of the relevant Shareholder and is undischarged within 21 days of being levied; or
- 12.1.2 a petition is presented for his bankruptcy or winding up whether by himself or by some other party so entitled under the Insolvency Act 1986;
- 12.1.3 the Shareholder concerned fails properly to materially comply with his obligations under this Agreement or the Articles which in the case of a breach which is capable of remedy is not so remedied within 14 days of a notice to him specifying such breach;
- 12.1.4 the relevant Shareholder fails to pay to the Company within three months of being requested in writing any material sum legally owed by him to the Company;
- 12.1.5 the relevant Shareholder fails to pay to any of the other Shareholders within three months of being requested in writing any material sum legally owed by him to them or any of them.

13. CONSEQUENCES OF EXPULSION AS REGARDS ANY SHAREHOLDER

13.1 If a Shareholder (in this clause called "**the Expelled Shareholder**") receives notice under **Clause 12** the following provisions will apply:

- 13.1.1 the Expelled Shareholder will forthwith resign any directorship of the Company not later than the date of his expulsion; and
- 13.1.2 a Transfer Notice (as defined in the Articles) shall be deemed to have been served by or on behalf of the Expelled Shareholder and the provisions of **Article 6** of the Articles shall apply and the Sale Price for all such Shares shall be calculated in accordance with **Article 6.7** and the Shareholders shall all carry out such steps to ensure that the requisite share transfers are completed stamped and registered with the minimum delay; and
- 13.1.3 all sums shown in the books of the Company as being due to the Expelled Shareholder will be paid to the Expelled Shareholder by the Company within 6 months after the Expelled Shareholder ceases to be a Shareholder in the Company less any amounts due either to such companies or to the remaining Shareholders from the Expelled Shareholder.

13.2 The Expelled Shareholder irrevocably appoints the Company and any person nominated by the Company jointly and severally to be the attorney of the Expelled Shareholder with the power to act in his name and on his behalf and to sign or execute all deeds instruments and documents which the Company requires or deems necessary under the provisions of this Agreement and the Expelled Shareholder agrees to ratify and confirm anything such attorney shall lawfully and properly do.

14. TERMINATION

14.1 Subject to **Clause 14.2**, this Agreement shall terminate:

- 14.1.1 when a resolution is passed by the shareholders or creditors of the Company, or an order is made by a court or other competent body or person instituting a process that shall lead to the Company being wound up and its assets being distributed among the Company's shareholders, creditors or other contributors; or
- 14.1.2 the appointment of a receiver, administrator or administrative receiver over the whole or any part of the assets of the Company or the making of any arrangement with the creditors of the Company for the affairs, business and property of the Company to be managed by a supervisor.
- 14.2 On termination of this Agreement, the following clauses shall continue in force **Clause 1** (Interpretation); **Clause 11** (Restrictions on the parties); this **Clause 14**; **Clause 16** (Confidentiality); **Clause 17** (Assignment and other dealings); **Clause 18** (Entire agreement); **Clause 19** (Variation and waiver); **Clause 20** (No partnership); **Clause 21** (Notices); **Clause 22** (Severance); **Clause 25** (Governing law and jurisdiction).
- 14.3 Termination of this Agreement shall not affect any rights, remedies, obligations or liabilities of any of the parties that have accrued up to the date of termination, including the right to claim damages in respect of any breach of the agreement which existed at or before the date of termination.
- 14.4 Where, following an event referred to in **Clause 14.1.1**, 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, before dissolution:
- 14.4.1 all existing contracts of the Company are performed to the extent that there are sufficient resources;
- 14.4.2 the Company shall not enter into any new contractual obligations; and
- 14.4.3 the Company's assets are distributed as soon as practical.

15. STATUS OF THIS AGREEMENT

- 15.1 Each Shareholder shall, to the extent that he is able to do so, exercise his voting rights and other powers of control lawfully available to him as a shareholder of the Company to procure that the provisions of this Agreement are properly and promptly observed and given full force and effect according to the spirit and intention of the agreement.
- 15.2 If there is an inconsistency between any of the provisions of this Agreement and the provisions of the Articles, the provisions of this Agreement shall prevail as between the parties.

16. CONFIDENTIALITY

- 16.1 Except to the extent required by law or any legal or regulatory authority of competent jurisdiction or except with the prior written consent of the Board (acting with Shareholder Consent):
- 16.1.1 no party shall at any time during this Agreement and for a period of 2 years after termination of this Agreement disclose to any person (other than his professional advisers) the terms of this Agreement or any trade secret or other confidential information relating to the Company (or any other Group

Company), or make any use of such information other than to the extent necessary for the purpose of exercising or performing his rights and obligations under this Agreement; and

16.1.2 no party shall make, or permit any person to make, any public announcement, communication or circular concerning this Agreement except with the prior written consent of the Board (acting with Shareholder Consent).

16.2 The undertakings in **Clause 16.1** are given by each party to each other party and apply to actions carried out by each Shareholder in any capacity and whether directly or indirectly, on the Shareholder's own behalf, on behalf of any other person or jointly with any other person.

17. ASSIGNMENT AND OTHER DEALINGS

17.1 No party shall assign, transfer, mortgage, charge, subcontract, declare a trust over or deal in any other manner with any or all of his rights and obligations under this Agreement (or any other document referred to in it) without Shareholder Consent (such consent not to be unreasonably withheld or delayed).

17.2 Each party confirms that he is acting on his own behalf and not for the benefit of any other person.

18. ENTIRE AGREEMENT

18.1 This Agreement (together with the documents referred to in it) constitutes the entire agreement between the parties and supersedes and extinguishes all previous discussions, correspondence, negotiations, drafts, agreements, promises, assurances, warranties, representations, arrangements and understandings between them, whether written or oral, relating to their subject matter.

18.2 Each party acknowledges that in entering into this agreement (and any documents referred to in it), he does not rely on, and shall have no remedies in respect of, any statement, representation, assurance or warranty (whether made innocently or negligently) that is not set out in this agreement or those documents.

18.3 Nothing in this clause shall limit or exclude any liability for fraud.

19. VARIATION AND WAIVER

19.1 No variation of this Agreement shall be effective unless it is in writing and signed by or on behalf of each party for the time being.

19.2 A waiver of any right or remedy under this agreement or by law is only effective if it is given in writing and is signed by the party waiving such right or remedy. Any such waiver shall apply only to the circumstances for which it is given and shall not be deemed a waiver of any subsequent breach or default.

19.3 A failure or delay by any party to exercise any right or remedy provided under this Agreement or by law shall not constitute a waiver of that or any other right or remedy, nor shall it prevent or restrict any further exercise of that or any other right or remedy.

19.4 No single or partial exercise of any right or remedy provided under this Agreement or by law shall prevent or restrict the further exercise of that or any other right or remedy.

19.5 A person that waives a right or remedy provided under this Agreement or by law in relation to one person, or takes or fails to take any action against that person, does not affect its rights or remedies in relation to any other person.

20. NO PARTNERSHIP OR AGENCY

Nothing in this Agreement is intended to, or shall be deemed to, establish any partnership or joint venture between the parties or constitute any party the agent of another party.

21. NOTICES

21.1 A notice given to a party under or in connection with this Agreement shall be in writing and shall be delivered by hand or sent by pre-paid first-class post, recorded delivery or special delivery in each case to that party's address, as specified in **Clause 21.2** (or to such other address as that party may notify to the other party in accordance with this Agreement).

21.2 The addresses for service of notices are:

21.2.1 in the case of the Company its registered office address for the time being; and

21.2.2 in the case of a Shareholder address: as set out opposite that Shareholder's name in **Schedule 1**.

21.3 A party may change his details for service of notices as specified in **Clause 21.2** by giving notice to the other parties. Any change notified pursuant to this **Clause 21** shall take effect at 9.00 am on the later of the date (if any) specified in the notice as the effective date for the change or 5 Business Days after deemed receipt of the notice.

21.4 Delivery of a notice is deemed to have taken place (provided that all other requirements in this **Clause 21** have been satisfied) if delivered by hand, at the time the notice is left at the address, or if sent by pre-paid first class post, recorded delivery or special delivery on the second Business Day after posting unless, in each case, such deemed receipt would occur outside business hours (meaning 9.00 am to 5.30 pm Monday to Friday on a day that is not a public holiday in the place of deemed receipt), in which case deemed receipt will occur at 9.00 am on the day when business next starts in the place of deemed receipt (and, for the purposes of this **Clause 21**, all references to time are to local time in the place of deemed receipt).

21.5 This **Clause 21** does not apply to the service of any proceedings or other documents in any legal action.

22. SEVERANCE

If any provision or part-provision of this Agreement is or becomes invalid, illegal or unenforceable, it shall be deemed modified to the minimum extent necessary to make it valid, legal and enforceable. If such modification is not possible, the relevant provision or part-provision shall be deemed deleted. Any modification to or deletion of a provision or part-provision under this clause shall not affect the validity and enforceability of the rest of this Agreement.

23. THIRD PARTY RIGHTS

23.1 A person who is not a party to this Agreement shall not have any rights under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this Agreement.

23.2 The rights of the parties to terminate, rescind or agree any variation, waiver or settlement under this Agreement are not subject to the consent of any other person.

24. COUNTERPARTS

24.1 This Agreement may be executed in any number of counterparts, each of which when executed and delivered shall constitute a duplicate original, but all the counterparts shall together constitute the one agreement.

24.2 No counterpart shall be effective until each party has executed at least one counterpart.

25. GOVERNING LAW AND JURISDICTION

25.1 This Agreement and any dispute or claim arising out of or in connection with it or its subject matter or formation (including non-contractual disputes or claims) shall be governed by and construed in accordance with the law of England.

25.2 Each party irrevocably agrees that the courts of England shall have exclusive jurisdiction to settle any dispute or claim that arises out of or in connection with this Agreement or its subject matter or formation (including non-contractual disputes or claims).

EXECUTED AS A DEED by the parties on the date set out above.

SCHEDULE 1

THE SHAREHOLDERS

Beneficial Owner	Class of shares	Number of shares
North of Tyne Local Pharmaceutical Committee for the benefit of subscribed members in their locality	Ordinary	1
Gateshead and South Tyneside Local Pharmaceutical Committee for the benefit of subscribed members in their locality	Ordinary	1
County Durham and Darlington Local Pharmaceutical Committee for the benefit of subscribed members in their locality	Ordinary	1

SCHEDULE 2

MATTERS REQUIRING SHAREHOLDER CONSENT

The matters requiring Shareholder Consent are as follows:

1. vary in any respect its memorandum or articles of association or the rights attaching to any of its shares; or
2. permit the registration (upon subscription) of any person as a member of the Company; or
3. increase the amount of its authorised or issued share capital, grant any option or other interest (in the form of convertible securities or in any other form) over or in its share capital, redeem or purchase any of its own shares or effect any other reorganisation of its share capital; or
4. issue any loan capital or enter into any commitment with any person with respect to the issue of any loan capital; or
5. incur any borrowing and it shall ensure that its banking facilities do not enable it to have more than £10,000 in aggregate borrowed at any one time; or
6. apply for the listing or trading of any shares or debt securities on any stock exchange or market; or
7. pass any resolution for its winding up or present any petition for its administration (unless it has become insolvent); or
8. engage in any business other than the Business or
9. defray any monies other than in good faith for the purposes of or in connection with the carrying on of such business[es] in the UK; or
10. form any Subsidiary or acquire shares in any other Company or participate in any partnership or joint venture (incorporated or not); or
11. close down any business operation or dispose of or dilute its interest in any of its Subsidiaries for the time being; or
12. amalgamate or merge with any other Company or business undertaking; or
13. alter its name or registered office; or
14. enter into any transaction or arrangement of any nature whatsoever with any of the Company's members or directors or any person who is connected (within the meaning of section 839 of the Income and Corporation Taxes Act 1988 or sections 993 and 994 of the Income Tax Act 2007) to any of its members or directors whether or not any other person shall be party to such transaction or arrangement; or
15. enter into any commitment by way of a transaction or series of related transactions (including without limitation any leasing transaction) which would involve the Company in the payment or receipt of consideration having an aggregate value in excess of £10,000; or

16. enter into any arrangement, contract or transaction outside the normal course of its business or otherwise than on arm's length terms; or
17. give notice of termination of any arrangements, contracts or transactions which are of a material nature in the context of its business, or materially vary any such arrangements, contracts or transactions; or
18. without prejudice to any other provision of this clause:
 - 18.1 enter into, as lessor or as lessee, any operating lease (as defined in Statement of Standard Accounting Practice 21); or
 - 18.2 grant any rights (by licence or otherwise) in or over any intellectual property owned or used by the Company; or
19. create or permit to be created any mortgage, charge, encumbrance or other security interest whatsoever on any asset or its business in whole or in part or any of its shares other than:
 - 19.1 liens arising in the ordinary course of business; or
 - 19.2 any charge arising by the operation or purported operation of title retention clauses and in the ordinary course of business; or
20. adopt or amend its annual Business Plan, or enter into any contract or commitment not provided for in the Business Plan under which it may incur costs in excess of £5,000, or which may not be fulfilled or completed within the period of [one year]; or
21. change either:
 - 21.1 its auditors; or
 - 21.2 its financial year end; or
22. make or permit to be made any material change in the accounting policies and principles adopted by the Company in the preparation of its annual accounts and management accounts [except as may be required to ensure compliance with relevant accounting standards under the Companies Acts or any other generally accepted accounting principles in the United Kingdom]; or
23. declare or pay any dividend, or make any other distribution (by way of capitalisation, repayment or in any other manner) out of its distributable profits or any of its reserves; or
24. make any loan (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 (other than in the normal course of trading) or give any guarantee (other than in the normal course of trading) or indemnity; or
25. give any guarantee, suretyship or indemnity to secure the liability of any person or assume the obligations of any person; or
26. either:
 - 26.1 open or close any bank account;

- 26.2 alter any mandate given to the Company's bankers relating to any matter concerning the operation of the Company's bank accounts; or
- 26.3 change its bankers; or
27. factor or assign any of the book debts of the Company; or
28. adopt or amend any standard terms of business (including prices) on which the Company is prepared to provide goods or services to third parties; or
29. establish or amend any profit-sharing, share option, bonus or other incentive scheme of any nature for directors, officers or employees; or
30. establish or amend any pension scheme or grant any pension rights to any director, officer, employee, former director, officer or employee, or any member of any such person's family; or
31. dismiss any director, officer or employee in circumstances in which it incurs or agrees to bear redundancy or other costs in excess of £2,000 in total; or
32. agree to remunerate (by payment of fees, the provision of benefits-in-kind or otherwise) any officer of or consultant to the Company at a rate in excess of £2,000 per annum or increase the remuneration of any such person to a rate in excess of £500 per annum; or
33. enter into or vary any contract of employment providing for the payment of remuneration (including pension and other benefits) in excess of a rate of £2,000 per annum or increase the remuneration of any staff (including pension and other benefits) to a rate in excess of £500 per annum; or
34. institute, settle or compromise any legal proceedings (other than debt recovery proceedings in the ordinary course of business) instituted or threatened against the Company or submit to arbitration or alternative dispute resolution any dispute involving the Company; or
35. make any agreement with any revenue or tax authorities or make any claim, disclaimer, election or consent for tax purposes in relation to the Company or its business.

Each of the shareholders and the Company shall procure that no Subsidiary takes any action which would constitute a breach of any provision in clause 1.1 as if any reference in this clause (express or implied) to the Company were construed as a reference to each Subsidiary for the time being.

SCHEDULE 3

DEED OF ADHERENCE

THIS DEED of ADHERENCE is made on [] by [] of []
("the Covenantor")

RECITALS

This Deed is supplemental to the Shareholders Agreement between (1) North of Tyne Local Pharmaceutical Committee (2) Gateshead and South Tyneside Local Pharmaceutical Committee (3) County Durham and Darlington Local Pharmaceutical Committee (4) PSNE Limited dated XXXX 2016 ("**the Original Agreement**") and as modified by any other document modifying the Original Agreement ("**the Modifying Documents**") together referred to as the "**Shareholders Agreement**".

AND IT IS AGREED as follows:

1. The Covenantor hereby confirms that it has been supplied with a copy of the Original Agreement and the Modifying Documents and hereby covenants with each of the other parties to the Shareholders Agreement from time to time to observe perform and be bound by all the terms of the Shareholders Agreement which are capable of applying to the Covenantor and which have not been performed at the date of this Deed to the intent and effect that the Covenantor shall be deemed with effect from the date on which the Covenantor is registered as a member of the Company to be a party to the Shareholders Agreement and to be a Shareholder (as defined in the Shareholders Agreement).
2. The Covenantor hereby undertakes with the person which has transferred shares in the Company to the Covenantor being [] of [] ("**the Transferor**") that it will enter into such guarantees and/or indemnities to third parties in connection with the Company and/or its business and affairs which the Transferor may have entered into and shall with the written consent of the other Shareholders use its reasonable endeavours to obtain the Transferor's release therefrom as soon as reasonably practicable. Until such release is obtained the Covenantor undertakes to indemnify the Transferor and keep the Transferor fully and effectively indemnified on demand against all liabilities which the Transferor may incur in respect of such guarantees or indemnities.
3. The construction validity and performance of this Deed will be governed by the laws of England.
4. The parties hereby submit to the exclusive jurisdiction of the English Courts.

EXECUTED as a **DEED** by **PSNE**)
LIMITED acting by a director in the)
presence of:)
)

Director

Witness signature: _____
Witness name: _____
Witness address: _____

