

This is an important document. You should take independent legal advice before signing

RANKING AGREEMENT

Definitions

Bank:	National Westminster Bank Plc , Company Number 929027
Bank's Floating Charge:	The Bond and Floating Charge granted by the Customer in favour of the Bank [dated] [dated on or around the date of the Customer's execution of the Ranking Agreement] [and registered in the Register of Companies in Edinburgh on []]
[Bank's Priority:]¹	[All sums due and to become due to the Bank in any way including all interest, charges and expenses]/[£ [] of principal[plus interest and expenses]/[plus 1 year's interest and expenses]/[inclusive of interest and expenses]]
[Bank's Sharing Limit]²	£[]
Bank's Standard Security:	The standard security granted by the Customer in favour of the Bank over the Property [dated on or around the date of the Customer's execution of the Ranking Agreement]/[registered in the Land Register of Scotland on []]
CFRSA:	The Conveyancing and Feudal Reform (Scotland) Act 1970
Creditors:	The Bank and the Lender
Customer:	[]
Lender:	[]
Lender's Floating Charge	The Bond and Floating Charge granted by the Customer in favour of the Lender [dated] [dated on or around the date of the Customer's execution of the Ranking Agreement] [and registered in the Register of Companies in Edinburgh on []]
[Lender's Priority:]³	[All sums due and to become due to the Lender in any way including all interest, charges and expenses]/[£[] of principal [plus interest and

¹ Only if ranking is on a priority basis.

² Only if ranking is on a sharing basis

³ Only if ranking is on a priority basis.

expenses)/[plus 1 year's interest and expenses]/[inclusive of interest and expenses]]

[Lender's Sharing Limit:]⁴ £[]

Lender's Standard Security: The standard security granted by the Customer in favour of the Lender over the Property [dated on or around the date of the Customer's execution of the Ranking Agreement]/[registered in the Land Register of Scotland on []]

Parties The Creditors and the Customer

Property ALL AND WHOLE []

Securities: The Bank's Standard Security, the Bank's Floating Charge, the Lender's Standard Security and the Lender's Floating Charge

1 Interpretation

1.1 The expressions "Bank" and "Lender" include their respective successors and assignees.

1.2 A reference to a provision of law is to that provision as amended or re-enacted.

2 Consent

The Creditors consent to the creation by the Customer of the Securities.

3 Ranking

The Parties agree that the Securities shall rank in the following order of priority:-

[Priority Limits]

3.1 the [Bank's/Lender's] Standard Security to the extent of the [Bank's/Lender's] Priority,

3.2 the [Lender's/Bank's] Standard Security to the extent of the [Bank's/Lender's] Priority, [and]

3.3 [the [Bank's/Lender's] Standard Security to an unlimited extent.]

3.4 the [Bank's/Lender's] Floating Charge to the extent of the [Bank's/Lender's] Priority,

⁴ Only if ranking is on a sharing basis

- 3.5 the [Lender's/Bank's] Floating Charge to the extent of the [Bank's/Lender's] Priority, [and]
3.6 [the [Bank's/Lender's] Floating Charge to an unlimited extent.]

[Sharing]

- 3.1 the Bank's Standard Security and the Lender's Standard Security shall rank on an equal footing so that any sums realised from the disposal of the Property shall be shared proportionally between the Creditors in the same ratio as their respective Sharing Limits. This will not limit the total amount recoverable by the Bank or the Lender from its Standard Security.
- 3.2 the Bank's Floating Charge and the Lender's Floating Charge shall rank on an equal footing so that any sums realised from them shall be shared proportionally between the Creditors in the same ratio as their respective Sharing Limits. This will not limit the total amount recoverable by the Bank or the Lender from its Floating Charge.

4 Alteration of Securities

The Ranking Agreement shall be construed and shall receive effect as:-

- 4.1 a variation within the meaning of Section 16 of CFRSA; and
4.2 an Instrument of Alteration within the meaning of section 466 of the Companies Act 1985.

5 Exclusion of legal rules

Notwithstanding:-

- 5.1 the provisions of Section 13 of CFRSA; or
5.2 the date or dates when sums may be advanced or the Securities were created or any fluctuations from time to time in the sums secured by the Securities; or
5.3 any rule of law which might operate to the contrary effect,
the provisions of Clause 3 shall be valid and effective.

6 Assignment

The Bank and the Lender shall be entitled to assign or otherwise transfer or dispose of the benefit of their respective interests in the Securities without the consent of the other Creditor provided that the assignee or transferee undertakes in writing to the Bank or to the Lender, as the case may be, to be

bound by the terms of the Ranking Agreement and to enter into all necessary documentation to give effect to that undertaking.

7 Disclosure of information

During the joint continuance of the Securities each of the Creditors may disclose to the other information concerning the Customer and its affairs in a manner and to such extent as the Creditors shall agree and the Customer consents to such disclosure.

8 Compensation

Each of the Creditors undertakes to the other that in the event of the proceeds of the sale of any assets of the Customer being distributed, whether by an insolvency practitioner or by the Customer, otherwise than in accordance with Clause 3 and the other is prejudiced as a result, it will compensate the other in order to give effect to Clause 3.

9 Preferential payments

In the event of the appointment of a receiver, monitor, administrator or liquidator of the Customer, if either the Bank or the Lender receives any preferential payment arising from the rules of Insolvency that preferential payment shall not be treated as reducing the Bank's [Priority/Sharing Limit] nor the Lender's [Priority/Sharing Limit], as the case may be.

10 Duty to Consult

10.1 Unless independent action is considered necessary by either of the Parties to protect their security interests, the Bank and the Lender will:

10.1.1 give notice to the other of their intention to enforce their Securities before any enforcement takes place.

10.1.2 consult with each other over the appointment of a suitable receiver or administrator.

10.1.3 give written notice to the other of their intention to exercise any rights under an acceleration or early termination clause or their intention to make demand for payment whilst the Customer is subject to moratorium before any right of acceleration or early termination takes place.

10.2 If independent action is considered necessary without notice or consultation, then written notice must be given immediately to the other party and in any event:

10.2.1 [[the Lender/the Bank] as postponed lender will not, without giving [the Lender/the Bank]]/[the Lender/the Bank will not, without giving the other] two business days written notice exercise any

rights under an acceleration or early termination clause or make demand for repayment whilst the Customer is subject to a moratorium.

10.2.2 [[the Lender/the Bank] as postponed lender will not, without [the Bank's/the Lender's] consent]/[the Bank or the Lender will not, without the other's consent,] apply to the court for an administration order.

10.2.3 [[the Lender/the Bank] as postponed lender will not, without giving [the Bank/the Lender]]/[the Bank or the Lender will not, without giving the other] two business days written notice:

- take steps to appoint an administrator or receiver of the Customer; or
- issue a petition for the winding up of the Customer.

11 Severability

If any provision of the Ranking Agreement is or becomes invalid, illegal or unenforceable the validity, legality or enforceability of the remaining terms of the Ranking Agreement shall not be affected.

12 Other Security

The Bank enforcing, releasing or transferring any guarantees or other securities which it may hold on account of the Customer's obligations will not affect the Ranking Agreement.

13 Governing law

The Ranking Agreement shall be governed by and construed in accordance with the law of Scotland.

14 Testing clause

The Ranking Agreement is executed as follows:

Note: block testing clauses to be added for each of the Parties.