
APPLICABLE PRICING SUPPLEMENT



HOSPITALITY PROPERTY FUND LIMITED

(Incorporated in the Republic of South Africa with limited liability under registration number 2009/016487/06)

Issue of ZAR100,000,000 Senior Secured Floating Rate Notes due 17 February 2017

Under its ZAR2,000,000,000 Domestic Medium Term Note Programme

This Applicable Pricing Supplement must be read in conjunction with the Programme Memorandum, dated 28 March 2013, prepared by Hospitality Property Fund Limited in connection with the Hospitality Property Fund Limited ZAR2,000,000,000 Domestic Medium Term Note Programme, as amended and/or supplemented from time to time (the **Programme Memorandum**).

Any capitalised terms not defined in this Applicable Pricing Supplement (including Appendix "A" headed "*Description of Security Arrangements*" and Appendix "B" headed "*Additional Terms and Conditions*") shall have the meanings ascribed to them in the section of the Programme Memorandum headed "*Terms and Conditions of the Notes*".

This document constitutes the Applicable Pricing Supplement relating to the issue of Notes described herein and which shall be referred to hereinafter as **First Ranking Senior Secured Notes**. The First Ranking Senior Secured Notes described herein are issued on and subject to the Terms and Conditions as amended and/or supplemented by the Terms and Conditions contained in this Applicable Pricing Supplement. To the extent that there is any conflict or inconsistency between the contents of this Applicable Pricing Supplement and the Programme Memorandum, the provisions of this Applicable Pricing Supplement shall prevail.

PARTIES

1.	Issuer	Hospitality Property Fund Limited
2.	Dealer	FirstRand Bank Limited (acting through its Rand Merchant Bank division)
3.	Managers	N/A
4.	Debt Sponsor	FirstRand Bank Limited (acting through its Rand Merchant Bank division)
5.	Paying Agent	FirstRand Bank Limited (acting through its Rand Merchant Bank division)
	Specified Address	1 Merchant Place, Cnr Fredman Drive and Rivonia Road, Sandton, 2196, South Africa
6.	Calculation Agent	FirstRand Bank Limited (acting through its Rand Merchant Bank division)
	Specified Address	1 Merchant Place, Cnr Fredman Drive and Rivonia Road, Sandton, 2196, South Africa
7.	Transfer Agent	FirstRand Bank Limited (acting through its Rand Merchant Bank division)
	Specified Address	1 Merchant Place, Cnr Fredman Drive and Rivonia Road, Sandton, 2196, South Africa

PROVISIONS RELATING TO THE NOTES

8.	Status of Notes	Senior Secured <i>See Appendix "A" for a description of the security structure</i>
9.	Form of Notes	Listed Notes
10.	Series Number	4
11.	Tranche Number	2
12.	Aggregate Nominal Amount:	
	(a) Series	ZAR400,000,000
	(b) Tranche	ZAR100,000,000
13.	Interest	Interest-bearing
14.	Interest Payment Basis	Floating Rate
15.	Automatic/Optional Conversion from one Interest/ Redemption/ Payment Basis to another	N/A
16.	Form of Notes	The First Ranking Senior Secured Notes in this Tranche are issued in uncertificated form and held by the CSD
17.	Issue Date	23 April 2014
18.	Nominal Amount per Note	ZAR1,000,000
19.	Specified Denomination	ZAR1,000,000
20.	Specified Currency	ZAR
21.	Issue Price	101.35619 %
22.	Interest Commencement Date	17 February 2014
23.	Maturity Date	17 February 2017
24.	Applicable Business Day Convention	Following Business Day
25.	Final Redemption Amount	ZAR100,000,000
26.	Last Day to Register	By 17h00 on 6 February, 6 May, 6 August and 6 November in each year until the Maturity Date
27.	Books Closed Period(s)	The Register will be closed from 7 February to 16 February, 7 May to 16 May, 7 August to 16 August and from 7 November to 16 November (all dates inclusive) in each year until the Maturity Date
28.	Default Rate	N/A

FIXED RATE NOTES

N/A

FLOATING RATE NOTES

29.	(a) Floating Interest Payment Date(s)	17 February, 17 May, 17 August and 17 November in each year until the Maturity Date with the first Interest Rate Payment Date being 17 May 2014
	(b) Interest Period(s)	Each period beginning on (and including) one Floating Interest Payment Date and ending on (but excluding) the next Floating Interest

	Payment Date, with the first Interest Period beginning on (and including) the Interest Commencement Date
(c) Definition of Business Day (if different from that set out in Condition 1) (<i>Interpretation</i>)	N/A
(d) Minimum Rate of Interest	N/A
(e) Maximum Rate of Interest	N/A
(f) Other terms relating to the method of calculating interest (e.g.: Day Count Fraction, rounding up provision)	N/A
30. Manner in which the Rate of Interest is to be determined	Screen Rate Determination
31. Margin	200 basis points to be added to the relevant Reference Rate
32. If ISDA Determination	N/A
33. If Screen Determination:	
(a) Reference Rate (including relevant period by reference to which the Rate of Interest is to be calculated)	ZAR-JIBAR-SAFEX with a designated maturity of 3 months
(b) Interest Rate Determination Date(s)	Each Floating Interest Payment Date save for the First Interest Determination Date being 17 February 2014
(c) Relevant Screen Page and Reference Code	Reuters page or any applicable successor page
34. If Rate of Interest to be calculated otherwise than by ISDA Determination or Screen Determination, insert basis for determining Rate of Interest/Margin/ Fallback provisions	N/A
35. Calculation Agent responsible for calculating amount of principal and interest	N/A
ZERO COUPON NOTES	N/A
PARTLY PAID NOTES	N/A
INSTALMENT NOTES	N/A
MIXED RATE NOTES	N/A
INDEX-LINKED NOTES	N/A
DUAL CURRENCY NOTES	N/A
EXCHANGEABLE NOTES	N/A
OTHER NOTES	N/A
PROVISIONS REGARDING REDEMPTION/MATURITY	
36. Redemption at the Option of the Issuer:	No

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|-----|---|---|
| 37. | Redemption at the Option of the Senior Noteholders: | Yes (See Appendix B for additional redemption events relating to the First Ranking Senior Secured Notes). |
| 38. | Redemption in the event of a Change of Control at the election of Noteholders pursuant to Condition 11.5 (<i>Redemption in the event of a Change of Control</i>) or any other terms applicable to a Change of Control | Yes |
| 39. | Early Redemption Amount(s) payable on redemption for taxation reasons or on Event of Default (if required). | Yes |

GENERAL

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|-----|--|---|
| 40. | Financial Exchange | Interest Rate Market of the JSE Limited |
| 41. | Additional selling restrictions | N/A |
| 42. | ISIN No. | ZAG000112459 |
| 43. | Stock Code | HPF04 |
| 44. | Stabilising manager | N/A |
| 45. | Provisions relating to stabilisation | N/A |
| 46. | Method of distribution | Private Placement |
| 47. | Credit Rating assigned to the Notes | A(ZA) National Scale indicative rating assigned as at February 2014 |
| 48. | Applicable Rating Agency | Global Credit Rating Co. Proprietary Limited |
| 49. | Governing law (if the laws of South Africa are not applicable) | N/A |
| 50. | Other provisions | <i>See Appendix "B" for Additional Terms and Conditions relating to the First Ranking Senior Secured Notes.</i> |

DISCLOSURE REQUIREMENTS IN TERMS OF PARAGRAPH 3(5) OF THE COMMERCIAL PAPER REGULATIONS IN RELATION TO THIS ISSUE OF NOTES

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|-----|--|
| 51. | <u>Paragraph 3(5)(a)</u>
The " <i>ultimate borrower</i> " (as defined in the Commercial Paper Regulations) is the Issuer. |
| 52. | <u>Paragraph 3(5)(b)</u>
The Issuer is a going concern and can in all circumstances be reasonably expected to meet its commitments under the First Ranking Senior Secured Notes. |
| 53. | <u>Paragraph 3(5)(c)</u>
The auditor of the Issuer is KPMG Inc. |
| 54. | <u>Paragraph 3(5)(d)</u>
As at the date of this issue:

(i) the Issuer has issued Commercial Paper (as defined in the Commercial Paper Regulations) in an aggregate amount of ZAR770,000,000 (Seven Hundred and Seventy Million Rand) (exclusive of the Notes issued in terms of this issue); and |

- (ii) the Issuer estimates that it will not issue any additional Commercial Paper during the current financial year, ending 30 June 2014.

55. Paragraph 3(5)(e)

All information that may reasonably be necessary to enable the investor to ascertain the nature of the financial and commercial risk of its investment in the First Ranking Senior Secured Notes is contained in the Programme Memorandum and the Applicable Pricing Supplement.

56. Paragraph 3(5)(f)

There has been no material adverse change in the Issuer's financial position since the date of its last audited financial statements.

57. Paragraph 3(5)(g)

The First Ranking Senior Secured Notes issued will be listed.

58. Paragraph 3(5)(h)

The funds to be raised through the issue of the First Ranking Senior Secured Notes are to be used by the Issuer for its general corporate purposes.

59. Paragraph 3(5)(i)

The obligations of the Issuer in respect of the First Ranking Senior Secured Notes are secured.

60. Paragraph 3(5)(i)

KPMG Inc, the statutory auditors of the Issuer, have confirmed that nothing has come to their attention to indicate that this issue of First Ranking Senior Secured Notes issued under the Programme will not comply in all respects with the relevant provisions of the Commercial Paper Regulations.


Responsibility:


The Issuer accepts full responsibility for the information contained in this Applicable Pricing Supplement. To the best of the knowledge and belief of the Issuer (who has taken all reasonable care to ensure that such is the case) the information contained in this Applicable Pricing Supplement is in accordance with the facts and does not omit anything which would make any statement false or misleading and all reasonable enquiries to ascertain such facts have been made. This Applicable Pricing Supplement contains all information required by law and the debt listings requirements of the JSE.

Application is hereby made to list this issue of First Ranking Senior Secured Notes on 23 April 2014.

SIGNED at Rosebank on this 17th day of April 2014.

For and on behalf of
HOSPITALITY PROPERTY FUND LIMITED


Name: Andrew Stuart Rogers
Capacity: Director
Who warrants his/her authority hereto


Name: Ridwaan Asmal
Capacity: Director
Who warrants his/her authority hereto

APPENDIX "A"

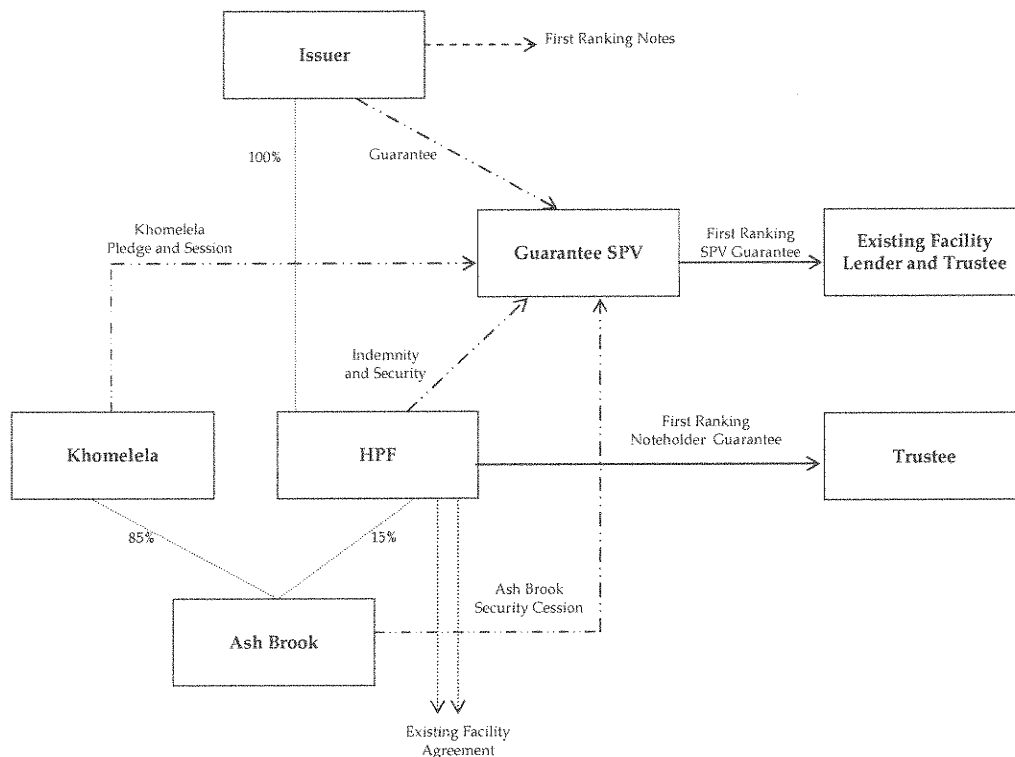
DESCRIPTION OF SECURITY ARRANGEMENTS

APPENDIX “A” – DESCRIPTION OF SECURITY ARRANGEMENTS

The below is a brief description of the security arrangements in respect of the First Ranking Senior Secured Notes and does purport to form part of the Terms and Conditions.

Security Structure Diagram

1.1.1.1



1. Interpretation

Terms and expressions defined in the Common Terms Agreement (as defined in Appendix “B” (*Additional Terms and Conditions*)) and not otherwise defined in this Appendix “A” (*Description of Security Arrangements*) shall have the same meanings in this Appendix “A” (*Description of Security Arrangements*). In addition, unless inconsistent with the context:

1.1 **Existing Facility Agreement** means the Nedbank Facility Agreement; and

1.2 **Existing Facility Lender** means Nedbank.

2. Description of Security Arrangements

2.1 The First Ranking Senior Secured Notes constitute direct, senior, unconditional and secured indebtedness, but *pari passu* amongst themselves and *pari passu* with any indebtedness incurred to the Existing Facility Lender

under the Existing Facility Agreement.

2.2 The Issuer may issue second ranking Notes in the future.

2.3 The obligations of the Issuer under the First Ranking Senior Secured Notes will be directly guaranteed and indirectly secured as set out below.

3. **Direct Guarantees**

3.1 *Direct Guarantee by the Guarantee SPV*

The Guarantee SPV has irrevocably guaranteed, by way of first ranking guarantee, the obligations of HPF to:

3.1.1 the Existing Facility Lender under the Existing Facility Agreement; and

3.1.2 the Noteholder Trustee (acting for the benefit of the First Ranking Senior Noteholders) under the First Ranking Noteholder Guarantee.

3.2 *Direct Guarantee by HPF*

HPF has irrevocably guaranteed, by way of a first ranking guarantee, the Issuer's obligations under the First Ranking Senior Secured Notes, in favour of the Noteholder Trustee (acting for the benefit of the First Ranking Senior Secured Noteholders).

4. **Security and Guarantee**

4.1 *HPF*

4.1.1 In terms of the Indemnity, HPF indemnifies the Guarantee SPV against claims made by the Existing Facility Lender and/or the Noteholder Trustee against the Guarantee SPV under the Guarantee SPV Guarantees.

4.1.2 The obligations of HPF under the Indemnity are secured by:

4.1.2.1 the Share Block Pledge;

4.1.2.2 the Borrower Security Cession;

4.1.2.3 the Borrower Pledge and Cession; and

4.1.2.4 the Mortgage Bonds.

4.2 *Issuer*

4.2.1 In terms of the Hospitality Guarantee, the Issuer guarantees the obligations owed by HPF to the Guarantee SPV under the Indemnity.

4.3 *Khomelela*

4.3.1 The obligations of Khomelela under the Khomelela Pledge and

Cession and the Borrower under the Indemnity are be secured by the Khomelela Pledge and Cession.

4.4 *Ash Brook*

4.4.1 The obligations of Ash Brook under the Ash Brook Security Cession and the Borrower under the Indemnity are be secured by the Ash Brook Security Cession.

5. **Risks relating to the Security Structure**

5.1 As set out above, the Security will not be granted directly in favour of the First Ranking Senior Secured Noteholders. Instead, the Security will be granted in favour of the Guarantee SPV.

5.2 As a result, neither the Noteholder Trustee (acting for the benefit of the First Ranking Senior Noteholders) nor the First Ranking Senior Secured Noteholders will have the right to realise the Security directly. Instead, the Noteholder Trustee (acting on the instructions of the First Ranking Senior Secured Noteholders) must in accordance with Intercreditor Agreement, instruct the Security Agent, to call a meeting of the Secured Creditors where the voting Secured Creditors would be required to vote in favour of any realisation of Security in accordance with the terms and conditions of the Intercreditor Agreement. This indirect claim in respect of the Security may result in a delay in realisation or could involve voting Secured Creditors voting against the realisation of the Security.

APPENDIX "B"

ADDITIONAL TERMS AND CONDITIONS

ADDITIONAL TERMS AND CONDITIONS

*The following are additional terms and conditions (the **Additional Terms and Conditions**) which apply to the HPF04 Notes (the **First Ranking Senior Secured Notes**) and which will be incorporated by reference into each First Ranking Senior Secured Note.*

In addition to the below, (i) all references to notice to the Noteholders and rights and/or discretions to be exercised by the Noteholders shall for the purposes of the First Ranking Senior Secured Notes, be deemed to be references to notice to the Noteholder Trustee and the First Ranking Senior Secured Noteholders and rights and/or discretions to be exercised by the Noteholder Trustee in accordance with the instructions of the relevant majority of First Ranking Senior Secured Noteholders or such other person as prescribed in relation to any particular matter under the Notes Trust Deed, as the case may be; and (ii) all references in the Programme Memorandum to Senior Notes shall be deemed to be references to the First Ranking Senior Secured Notes.

1. Interpretation

Terms and expressions defined in the Common Terms Agreement (as defined below) and not otherwise defined in the Terms and Conditions and/or these Additional Terms and Conditions shall have the same meanings in these Additional Terms and Conditions. In addition, unless inconsistent with the context:

- 1.1. **Common Terms Agreement** means the written agreement entitled "*Amended and Restated Common Terms Agreement*" entered into, amongst others, Absa, Nedbank, the Guarantee SPV, the Obligors and the Noteholder Trustee, as amended, amended and restated and/or substituted from time to time;
- 1.2. **HPF** means HPF Properties Proprietary Limited (registration number 2005/020743/07), a private company duly incorporated in accordance with the laws of South Africa; and
- 1.3. **Obligors** means the Issuer and HPF.

2. Undertakings

- 2.1. The Issuer shall, for so long as any First Ranking Senior Secured Note remains Outstanding:
 - 2.1.1. ensure that the First Ranking Senior Secured Notes are listed on the Interest Rate Market of the JSE; and
 - 2.1.2. maintain a Rating in respect of such First Ranking Senior Secured Notes.
- 2.2. If a breach of the undertakings set out in paragraph 2.1 above occurs, then the Issuer shall redeem all the First Ranking Senior Secured Notes at the Early Redemption Amount calculated in accordance with Condition 10.6 (*Early Redemption Amounts*) together with accrued interest (if any) within 15 (fifteen) Days of having received a

written notice from the Noteholders to redeem the First Ranking Senior Secured Notes in accordance with Condition 19 (*Notices*).

3. Guarantees

3.1. The occurrence of one or more of the following events set out in this paragraph 3 (*Guarantees*) shall constitute an Event of Default as set out in Condition 17.1.1.9 (*Other*):

3.1.1. the First Ranking Guarantee SPV Guarantee and/or the First Ranking Noteholder Guarantee is not in full force and effect and such failure has continued for more than 30 (thirty) days following service on the Guarantee SPV and/or HPF (as applicable) and the Issuer of a written notice requiring that failure to be remedied; or

3.1.2. it is or becomes unlawful for the Guarantee SPV and/or HPF, to perform any of its obligations under the First Ranking Guarantee SPV Guarantee and/or the First Ranking Noteholder Guarantee (as applicable); or

3.1.3. the Guarantee SPV and/or HPF repudiates the First Ranking Guarantee SPV Guarantee and/or the First Ranking Noteholder Guarantee (as applicable) or evidence an intention to repudiate the First Ranking Guarantee SPV Guarantee and/or the First Ranking Noteholders Guarantee (as applicable).

4. Financial Covenants

4.1. The Issuer shall, for as long as any First Ranking Senior Secured Note remains Outstanding, and during each Measurement Period ensure that:

4.1.1. the Loan to Value Ratio does not exceed 45% (forty five percent); and

4.1.2. the Interest Cover Ratio is not less than 2:1 (two to one),

(each a **Financial Covenant** and collectively, the **Financial Covenants**).

4.2. The Issuer shall be required within 90 (ninety) days after each Measurement Date to:

4.2.1. test the Financial Covenants as at each Measurement Date; and

4.2.2. provide the Noteholder Trustee with a certificate signed by any two directors of the Issuer setting out each Financial Covenant together with the calculations thereof (a **Compliance Certificate**).

4.3. If a breach of the Financial Covenant set out in:

4.3.1. paragraph 4.1.1 above (a **LTV Financial Covenant Breach**) occurs while any First Ranking Senior Secured Note remains Outstanding, then the Issuer shall within 15 (fifteen) days after the date on which the relevant Compliance Certificate is delivered pursuant to paragraph 4.2.2 above, (the **LTV Remedy Period**), take steps to remedy such LTV Financial Covenant Breach; and

4.3.2. paragraph 4.1.2 above occurs, such breach shall constitute an Event of Default as

set out in Condition 17.1.1.9 (Other) with effect from the relevant Measurement Date.

4.4. Should the Issuer:

4.4.1. remedy the LTV Financial Covenant Breach within the LTV Remedy Period, the LTV Financial Covenant Breach shall be deemed not to have occurred; or

4.4.2. fail to remedy the LTV Financial Covenant Breach within the LTV Remedy Period, the LTV Financial Covenant Breach shall constitute an Event of Default as set out in Condition 17.1.1.9 (Other) with effect from the relevant Measurement Date.

4.5. In the event of any dispute in respect of any calculation relating to any Financial Covenant, such dispute shall be determined by the Issuer's independent auditors, acting as experts and not as arbitrators (taking into account the Terms and Conditions), whose determination will, in the absence of manifest error, be final and binding on the Issuer and First Ranking Senior Secured Noteholders. The cost of such independent auditors in resolving such dispute shall be borne by the Issuer.

4.6. For the purposes of paragraph 4.1:

4.6.1. **Financial Indebtedness** means any indebtedness for or in respect of:

4.6.1.1. moneys borrowed;

4.6.1.2. any amount raised by acceptance under any acceptance credit facility or dematerialised equivalent;

4.6.1.3. any amount raised pursuant to any note purchase facility or the issue of bonds, notes, debentures, loan stock or any similar instrument;

4.6.1.4. the amount of any liability in respect of any lease or hire purchase contract which would, in accordance with IFRS, be treated as a finance or capital lease;

4.6.1.5. receivables sold or discounted (other than any receivables to the extent they are sold on a non-recourse basis);

4.6.1.6. any amount raised under any other transaction (including any forward sale or purchase agreement) having the commercial effect of a borrowing;

4.6.1.7. any derivative transaction entered into in connection with protection against or benefit from fluctuation in any rate or price (and, when calculating the value of that derivative transaction, only the marked to market value (or, if any actual amount is due as a result of the termination or close-out of that derivative transaction, that amount) shall be taken into account), including for the avoidance of doubt, any interest rate swap transactions relating to financial indebtedness secured by the Properties;

4.6.1.8. any amount raised by the issue of shares which are redeemable;

4.6.1.9. any counter-indemnity obligation in respect of a guarantee, indemnity, bond,

standby or documentary letter of credit or any other instrument issued by a bank or financial institution; and

4.6.1.10. the amount of any liability in respect of any guarantee or indemnity for any of the items referred to in paragraph 4.6.1.1 to 4.6.1.9 above;

4.6.2. **Measurement Date** means each Semi Annual Date;

4.6.3. **Measurement Period** means each period of 6 (six) months ending on a Measurement Date; and

4.6.4. **Semi Annual Date** means each of 31 December and 30 June of each year or such other dates which accord with the Issuer's financial half year or financial year end, as the case may be.

4.7. For the purposes of paragraph 4.1.1 above:

4.7.1. **Loan to Value Ratio** means the ratio between the Financial Indebtedness of the Obligors in relation to the Properties and the Secured Property Portfolio Value; and

4.7.2. **Secured Property Portfolio Value** means the market value of the Properties.

4.8. For the purposes of paragraph 4.1.2 above:

4.8.1. **EBITDA** means in respect of each Measurement Period, the consolidated net operating income of the Obligors derived from the Properties, for such period before taking into account:

4.8.1.1. gains or losses from exceptional or extraordinary items;

4.8.1.2. liability for income and other tax;

4.8.1.3. interest charged or received;

4.8.1.4. amortisations in respect of intangible assets;

4.8.1.5. any profit or loss arising on a revaluation of fixed assets; and

4.8.1.6. depreciation in respect of fixed assets,

4.8.1.7. and excluding any fair value adjustments which result in no cash flow implications on a going concern basis, including but not limited to any adjustments in accordance with any accounting adjustments to rental income which differ from the cash flows in respect of such rental income;

4.8.2. **Interest Cover Ratio** means the ratio between EBITDA and Net Interest; and

4.8.3. **Net Interest** means in relation to each Measurement Period, the aggregate of all interest incurred by the Obligors in respect of Financial Indebtedness in relation to the Properties (including all net payments due under all derivative transactions) less the aggregate of all interest received by the Obligors in respect of Financial Indebtedness in relation to the Properties.