FORTRESS REIT LIMITED

FORTRESS REIT LIMITED

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

unconditionally and irrevocably guaranteed by

CAPITAL PROPFUND PROPRIETARY LIMITED

(Incorporated in the Republic of South Africa with limited liability under registration number 2014/013211/07)

and

FORTRESS INCOME 3 PROPRIETARY LIMITED

(Incorporated in the Republic of South Africa with limited liability under registration number 2009/014323/07)

Issue of ZAR405,000,000 Senior Unsecured Floating Rate Notes due 5 August 2026

Under its ZAR20,000,000,000 Domestic Medium Term Note Programme

This Applicable Pricing Supplement must be read in conjunction with the Programme Memorandum, dated 10 January 2019, prepared by Fortress REIT Limited in connection with the Fortress REIT Limited ZAR20,000,000,000 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 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. The 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	Fortress REIT Limited
2.	Guarantors	Fortress Income 3 Proprietary Limited; and Capital Propfund Proprietary Limited.
3.	Dealer	The Standard Bank of South Africa Limited, acting through its Corporate and Investment Banking division
4.	Manager(s)	N/A
5.	Debt Sponsor	Rand Merchant Bank, a division of FirstRand Bank Limited
6.	Paying Agent	The Standard Bank of South Africa Limited, acting through its Corporate and Investment Banking division
	Specified Address	5th Floor, 3 Simmonds Street, Johannesburg, 2001

7.	Calculation Agent	Rand Merchant Bank, a division of FirstRand Bank Limited
	Specified Address	1 Merchant Place, Cnr Fredman Drive and Rivonia Road, Sandton, 2196
8.	Transfer Agent	Rand Merchant Bank, a division of FirstRand Bank Limited
	Specified Address	1 Merchant Place, Cnr Fredman Drive and Rivonia Road, Sandton, 2196
9.	Settlement Agent	The Standard Bank of South Africa Limited, acting through its Corporate and Investment Banking division
	Specified Office	5th Floor, 3 Simmonds Street, Johannesburg, 2001
10.	Issuer Agent	The Standard Bank of South Africa Limited, acting through its Corporate and Investment Banking division
	Specified Office	5th Floor, 3 Simmonds Street, Johannesburg, 2001

PROVISIONS RELATING TO THE NOTES

11.	Status of Notes	Senior Unsecured
12.	Form of Notes	The listed Notes in this Tranche are issued in uncertificated form and held by the CSD
13.	Series Number	64
14.	Tranche Number	1
15.	Aggregate Nominal Amount:	
	(a) Series	ZAR405,000,000
	(b) Tranche	ZAR405,000,000
16.	Interest	Interest-bearing
17.	Interest Payment Basis	Floating Rate
18.	Automatic/Optional Conversion from one Interest/Redemption/Payment Basis to another	N/A
19.	Issue Date	5 August 2021
20.	Nominal Amount per Note	ZAR1,000,000
21.	Specified Denomination	ZAR1,000,000
22.	Specified Currency	ZAR
23.	Issue Price	100 percent
24.	Interest Commencement Date	5 August 2021
25.	Maturity Date	5 August 2026
26.	Applicable Business Day Convention	Following Business Day
27.	Final Redemption Amount	100% of the Aggregate Nominal Amount
28.	Last Day to Register	By 17h00 on 25 January, 24 April, 25 July and 25 October in each year, or if such day is not a Business Day, the Business Day before each Books Closed Period

29. Books Closed Period(s)	The Register will be closed from 26 January to 4 February, 25 April to 4 May, 26 July to 4 August and 26 October to 4 November (all dates inclusive) in each year until the Maturity Date
30. Default Rate	N/A
31. Interest Payment Date(s)	5 February, 5 May, 5 August and 5 November, or, if such day is not a Business Day, the Business Day on which interest will be paid, as determined in accordance with the Applicable Business Day Convention with the first Interest Payment Date being 5 November 2021, or, if such day is not a Business Day, the Business Day on which interest will be paid, as determined in accordance with the Applicable Business Day Convention (as specified in this Applicable Pricing Supplement)
32. Interest Periods	Each period from, and including, the applicable Interest Payment Date and ending on, but excluding, the following Interest Payment Date, the first Interest Period commences on (and includes) the Interest Commencement Date and ends on (but excludes) the first Interest Payment Date (each Interest Payment Date is as adjusted in accordance with the Applicable Business Day Convention)
FIXED RATE NOTES	N/A
FLOATING RATE NOTES	
33. (a) Definition of Business Day (if different from that set out in Condition 1) (*Interpretation*)	N/A
(b) Minimum Rate of Interest	N/A
(c) Maximum Rate of Interest	N/A
(d) Other terms relating to the method of calculating interest (e.g.: Day Count Fraction, rounding up provision)	Actual/365
34. Rate of Interest and the manner in which the Rate of Interest is to be determined	Screen Rate Determination (Reference Rate plus Margin)
35. Margin	Subject to paragraph 2 of Appendix 1 and paragraph 1.4 of Appendix 3, 240 basis points to be added to the Reference Rate
36. If ISDA Determination	N/A
37. If Screen Rate Determination:	
(a) Reference Rate (including relevant period by reference to which the Rate of Interest is to be calculated)	3 month ZAR-JIBAR-SAFEX

(b)	Interest Rate Determination Date(s)	5 February, 5 May, 5 August and 5 November (or the first Business Day of each Interest Period) of each year until the Maturity Date, with the first Interest Rate Determination Date being 29 July 2021
(c)	Relevant Screen Page and Reference Code	Reuters page SAFEY MNY MKT code 0#SFXMM: or any successor page
38.	If Rate of Interest to be calculated otherwise than by ISDA Determination or Screen Rate Determination, insert basis for determining Rate of Interest/Margin/ Fallback provisions	N/A
39.	Calculation Agent responsible for calculating amount of principal and interest	Rand Merchant Bank, a division of FirstRand Bank Limited
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		
40.	Redemption at the Option of the Issuer:	No
41.	Redemption at the option of the Senior Noteholders:	No
42.	Redemption in the event of a Change of Control at the election of Noteholders pursuant to Condition 11.5 (*Redemption in the event of a Change of Control*) or any other terms applicable to a Change of Control.	Yes
43.	Redemption in the event of a failure to maintain JSE Listing and Rating at the election of the Noteholders pursuant to Condition 11.6 (*Redemption in the event of a failure to maintain JSE Listing and Rating*).	Yes
44.	Early Redemption Amount(s) payable on redemption for taxation reasons pursuant to Condition 11.2 (*Redemption for Tax Reasons*), on Event of Default pursuant to Condition 17 (*Events of Default*), on a Change of Control pursuant to Condition 11.5 (*Redemption in the event of a Change of Control*) or in relation to a failure to maintain a JSE Listing and Rating pursuant to Condition 11.6 (*Redemption in the event of a failure to maintain JSE Listing and Rating*) (if	N/A

required or if different from that set out in the relevant Conditions).

GENERAL

45.	Financial Exchange	Interest Rate Market of the JSE
46.	Additional selling restrictions	N/A
47.	ISIN No.	ZAG000178500
48.	Bond Code	FIFG02
49.	Stabilising manager	N/A
50.	Provisions relating to stabilisation	N/A
51.	Method of distribution	Private Placement
52.	Rating assigned to the Issuer	Global Credit Rating Co.: National: Short term A1+(za) Long term AA-(za) Moody's: National: Short term P-1.za Corporate Family Rating - National: Long term Aa2.za
53.	Applicable Rating Agency	Global Credit Rating Co. and Moody's Investors Service South Africa (Pty) Ltd
54.	Governing law (if the laws of South Africa are not applicable)	N/A
55.	Other provisions	See Appendix 1 headed "*Additional Terms and Conditions relating to the FIFG02 Notes - ESG*"; and See Appendix 2 headed "*Additional Terms and Conditions relating to the FIFG02 Notes - Redemption in the event of a breach of Loan to Value Financial Covenant*"; and See Appendix 3 headed "*Additional Terms and Conditions relating to the FIFG02 Notes - Step-Up Margin in the Event of a Breach of Asset Cover Financial Covenant*".

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

56. Paragraph 3(5)(a)

The "*ultimate borrower*" (as defined in the Commercial Paper Regulations) is the Issuer.

57. Paragraph 3(5)(b)

The Issuer is a going concern and can in all circumstances be reasonably expected to meet its commitments under the Notes.

58. Paragraph 3(5)(c)

The auditor of the Issuer is Deloitte & Touche.

59. Paragraph 3(5)(d)

As at the date of this issue:

(a) the Issuer has issued ZAR10,387,600,000 (excluding this issue and the FIFG01 Notes) Commercial Paper (as defined in the Commercial Paper Regulations); and

(b) the Issuer estimates that it will issue ZAR1,000,000,000 (excluding this issue) additional Commercial Paper during the current financial year, ending 30 June 2022.

60. 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 Notes is contained in the Programme Memorandum and the Applicable Pricing Supplement.

61. 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.

62. Paragraph 3(5)(g)

The Notes issued will be listed.

63. Paragraph 3(5)(h)

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

64. Paragraph 3(5)(i)

The payment obligations of the Issuer in respect of the Notes are guaranteed in terms of the Guarantee provided by the Guarantors but are otherwise unsecured.

65. Paragraph 3(5)(j)

Deloitte & Touche, the statutory auditors of the Issuer, have confirmed that nothing has come to their attention to indicate that this issue of Notes issued under the Programme does not comply in all material respects with the relevant provisions of the Commercial Paper Regulations.

Additional Disclosure

The Dealer and its affiliates have a lending relationship with the Issuer and from time to time have performed, and in the future will perform, banking, investment banking, advisory, consulting and other financial services for the Issuer and its affiliates, for which it may receive customary advisory and transaction fees and expenses reimbursement.

In addition, in the ordinary course of their business activities, the Dealer and its affiliates may make loans or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such loans, investments and securities activities may involve securities and/or instruments of the Issuer or the Issuer's affiliates (including the Notes). The Dealer or its affiliates may hedge their credit exposure to the Issuer consistent with their customary risk management policies.

Responsibility:

The Issuer certifies that to the best of its knowledge and belief there are no facts that have been omitted from this Applicable Pricing Supplement which would make any statement false or misleading, that all reasonable enquiries to ascertain such facts have been made and that the Programme Memorandum as read together with this Applicable Pricing Supplement contains all information required by law and the Debt Listings Requirements of the JSE. The Issuer accepts full responsibility for the accuracy of the information contained in the Programme Memorandum, this Applicable Pricing Supplement and all documents incorporated by reference (see the section of the Programme Memorandum headed "*Documents Incorporated by Reference*"), except as otherwise stated therein.

The JSE takes no responsibility for the contents of the Programme Memorandum, the annual reports, which include the annual financial statements and this Applicable Pricing Supplement of the Issuer and any amendments or supplements to the aforementioned documents. The JSE makes no representation as to the accuracy or completeness of the Programme Memorandum, the annual reports, which include the annual financial statements and this Applicable Pricing Supplement of the

Issuer and any amendments or supplements to the aforementioned documents and expressly disclaims any liability for any loss arising from or in reliance upon the whole or any part of the aforementioned documents. The JSE's approval of the registration of the Programme Memorandum and listing of the Notes is not to be taken in any way as an indication of the merits of the Issuer or of the Notes and that, to the extent permitted by law, the JSE will not be liable for any claim whatsoever.

Programme Amount:

As at the date of this Applicable Pricing Supplement, the Issuer confirms that the authorised Programme Amount of ZAR20,000,000,000 has not been exceeded.

Material Change:

As at the date of this Applicable Pricing Supplement, and after due and careful enquiry, there has been no material change in the financial or trading position of the Issuer and its Subsidiaries since the date of the Issuer's latest condensed unaudited consolidated interim financial statements. As at the date of this Applicable Pricing Supplement, there has been no involvement by Deloitte & Touche in making the aforementioned statement.

Listing:

Application is hereby made to list this issue of Notes on 5 August 2021.

SIGNED at MORNINGSIDE on this 30 day of July 2021

For and on behalf of
FORTRESS REIT LIMITED

Name: IAN VORSTER.
Capacity: Director
Who warrants her/his authority hereto

Name: Steven Brown
Capacity: Director
Who warrants her/his authority hereto

APPENDIX 1

ADDITIONAL TERMS AND CONDITIONS RELATING TO THE FIFG02 NOTES - ESG

*The following are the additional terms and conditions (the **Additional Terms and Conditions**) which shall apply to the FIFG02 Notes (the **FIFG02 Notes**) and which will be incorporated by reference into each FIFG02 Note.*

In addition to the below, all references in the Programme Memorandum to the Notes shall be deemed to be references to the FIFG02 Notes.

Terms and expressions defined in the Terms and Conditions shall, unless otherwise defined in these Additional Terms and Conditions, have the same meanings in these Additional Terms and Conditions.

1. Interpretation

Terms and expressions defined in the Terms and Conditions shall, unless otherwise defined in these Additional Terms and Conditions, have the same meanings in these Additional Terms and Conditions. In addition, unless inconsistent with the context:

1.1 **Additional Solar PV Installation Condition** means the sustainability performance targets to be achieved in respect of the installation of additional solar photovoltaic systems measured in mWP in the volume and on the dates set out in paragraph 1.8 (*Margin Adjustment Table*);

1.2 **Initial Margin** means the Margin specified in item 35 (*Margin*) of this Applicable Pricing Supplement;

1.3 **KPI Auditors** means an internationally recognised firm of independent auditors or consultants licensed to practice in South Africa;

1.4 **KPI Condition** means the Additional Solar PV Installation Condition as verified by the KPI Auditors in the Sustainability Certificate;

1.5 **Margin Adjustment Event** means the notification by the KPI Auditors through the Sustainability Certificate as to whether or not the Group has achieved the KPI Condition within the timeframes prescribed in paragraph 1.8 (*Margin Adjustment Table*);

1.6 **Margin Adjustment Date** means the day after the Interest Period following the relevant Margin Adjustment Deadline, being the date on which the Step Down Margin or the Step Up Margin, as the case may be, will become effective subject to the occurrence of the Margin Adjustment Event;

1.7 **Margin Adjustment Deadline** means, the day falling 120 days after the last day of the Issuer's financial years ending:

1.7.1 30 June 2022 in respect of SPT 1; and

1.7.2 30 June 2024 in respect of SPT 2;

1.8 **Margin Adjustment Table** means, in relation to the KPI Condition, the margin adjustment value set out in the table below headed "*Price Adjustment Mechanism*":

KPI Condition	**Baseline as at 30 June 2021**	**SPT 1 to be achieved on 30 June 2022**	**Price Adjustment Mechanism for SPT1**		**SPT 2 to be achieved on 30 June 2024**	**Price Adjustment Mechanism for SPT2**	
			Step Down Margin	**Step Up Margin**		**Step Down Margin**	**Step Up Margin**
Additional Solar PV Installation Condition	4.735mWP	2.20 mWP	10bps	5bps	3.6 mWP (additional relative to 30 June 2022 Additional Solar PV Installation Condition reported)	5bps	5bps

1.9 **mWP** means mega Watt peak, being the rated nominal power output of solar power systems;

1.10 **SPT** means either of SPT 1 or SPT 2, as the case may be;

1.11 **SPT 1** means the relevant sustainability performance target to be achieved in respect of the Additional Solar PV Installation Condition on the date set out in the Margin Adjustment Table in paragraph 1.8 (*Margin Adjustment Table*);

1.12 **SPT 2** means the relevant sustainability performance target to be achieved in respect of the Additional Solar PV Installation Condition on the date set out in the Margin Adjustment Table in paragraph 1.8 (*Margin Adjustment Table*);

1.13 **SPT 1 Margin** means the margin adjustment effected in accordance with the Margin Adjustment Table as at the Margin Adjustment Date in respect of SPT 1;

1.14 **Step Down Margin** means the margin adjustment specified in the Margin Adjustment Table as may be applied in accordance with paragraph 2.1.1 below;

1.15 **Step Up Margin** means the margin adjustment specified in the Margin Adjustment Table as may be applied in accordance with paragraph 2.1.2 below;

1.16 **Sustainability Structuring Agent** means The Standard Bank of South Africa Limited, acting through its Corporate and Investment Banking division; and

1.17 **Sustainability Certificate** means a certificate signed in the form set out in Schedule 1 attached hereto by the KPI Auditors and the Issuer that shows the calculation or quantification of the KPI Condition and whether or not the Group has achieved the SPT set out in the table in paragraph 1.8 (*Margin Adjustment Table*) by no later than the Margin Adjustment Deadline.

2. Sustainability Margin Adjustments

2.1 In respect of SPT 1, for any Interest Period commencing on or after the Margin Adjustment Date following the occurrence of the Margin Adjustment Event:

2.1.1 the Initial Margin shall be decreased by the Step Down Margin on achieving the targets set out in paragraph 1.8 (*Margin Adjustment Table*); or

2.1.2 the Initial Margin shall be increased by the Step Up Margin on failing to achieve the targets set out in paragraph 1.8 (*Margin Adjustment Table*) or upon the Issuer's failure to deliver the Sustainability Certificate,

in either case as may be notified by the KPI Auditors in the Sustainability Certificate.

2.2 In respect of SPT 2, for any Interest Period commencing on or after the Margin Adjustment Date following the occurrence of the Margin Adjustment Event:

2.2.1 the SPT 1 Margin shall be decreased by the Step Down Margin on achieving the targets set out in paragraph 1.8 (*Margin Adjustment Table*); or

2.2.2 the SPT 1 Margin shall be increased by the Step Up Margin on failing to achieve the targets set out in paragraph 1.8 (*Margin Adjustment Table*) or upon the Issuer's failure to deliver the Sustainability Certificate,

in either case as may be notified by the KPI Auditors in the Sustainability Certificate.

2.3 The Issuer will cause the occurrence of a Margin Adjustment Event to be notified to the Dealer, Sustainability Structuring Agent and Noteholders, in accordance with Condition 19 *(Notices)* and the Applicable Procedures, as soon as reasonably practicable after such occurrence or satisfaction (as applicable) and in no event later than the relevant Margin Adjustment Deadline. Such notice shall be irrevocable and shall:

2.3.1 specify the applicable margin and the Margin Adjustment Date;

2.3.2 be signed by two directors or authorised officers of the Issuer; and

2.3.3 be accompanied by a Sustainability Certificate. Neither the Dealer, the Sustainability Structuring Agent nor the Noteholders shall be obliged to monitor or inquire as to whether a Margin Adjustment Event has occurred and the Dealer and the Sustainability Structuring Agent shall be entitled to rely absolutely on any notice given to them by the Issuer without further enquiry or liability.

Schedule 1 to Appendix 1

To: [Issuer]

[Noteholders]

CC: Dealer and Sustainability Structuring Agent

[insert date]

Dear Sirs,

1. We refer to the FIFG02 Notes. This is a Sustainability Certificate as contemplated in the applicable pricing supplement dated [•] (the **FIFG02 APS**). Terms and expressions defined in the FIFG02 APS shall, unless otherwise defined in this Suitability Certificate, have the same meanings in this Suitability Certificate, unless inconsistent with the context.

2. We confirm that as at [insert relevant testing date] the KPI Condition [has been/ has not been] achieved by the Issuer.

   [Insert table above once finalised with a placeholder to indicate satisfaction or not with SPT]

For and on behalf of
[KPI Auditors]

____
Name: [•]
Capacity: [•]
Who warrants her/his authority hereto

APPENDIX 2

ADDITIONAL TERMS AND CONDITIONS RELATING TO THE FIFG02 NOTES - REDEMPTION IN THE EVENT OF A BREACH OF LOAN TO VALUE FINANCIAL COVENANT

1. **Redemption in the event of a breach of Loan to Value Financial Covenant**

1.1 The Issuer shall, for as long as the FIFG02 Notes remain Outstanding, maintain the Loan to Value Financial Covenant.

1.2 The Issuer shall be required to test the Loan to Value Financial Covenant within 90 (ninety) Days of the end of each interim financial period or financial year, as the case may be.

1.3 If a breach of Loan to Value Financial Covenant (as defined below) occurs at any time while any FIFG02 Note remains Outstanding, then the Issuer shall within 20 (twenty) Days after the Issuer becoming aware of a breach of Loan to Value Financial Covenant take reasonable steps to remedy such breach of Loan to Value Financial Covenant, failing which, the Issuer shall promptly give notice to the Noteholders in accordance with Condition 19 (Notices) specifying the nature of the breach of Loan to Value Financial Covenant and the circumstances giving rise to it and the procedure for exercising the option contained in paragraph 1.4 below (**Breach of Loan to Value Financial Covenant Notification**).

1.4 Such option shall be exercisable by the Noteholders by the delivery of a written notice (a **Breach of Loan to Value Financial Covenant Redemption Notice**) to the Issuer at its registered office within 30 (thirty) Days after the receipt by the Noteholders of the Breach of Loan to Value Financial Covenant Notification, unless prior to the delivery by that Noteholder of its Breach of Loan to Value Financial Covenant Redemption Notice the Issuer gives notice to redeem the FIFG02 Notes.

1.5 Subject to paragraph 1.4, the Issuer shall redeem all FIFG02 Notes held by the Noteholders at its Early Redemption Amount together with accrued interest (if any) within 15 (fifteen) Days of having received a Breach of Loan to Value Financial Covenant Redemption Notice from the Noteholders to redeem such FIFG02 Notes.

1.6 In the event of any dispute in respect of any calculation relating to the Loan to Value Financial Covenant referred to in paragraph 1.7, 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 Noteholders. The cost of such independent auditors in resolving such dispute shall be borne by the Issuer.

1.7 For the purposes of this paragraph 1 (*Redemption in the event of a breach of Loan to Value Financial Covenant*):

1.7.1 **Loan to Value Financial Covenant** means the Loan to Value Ratio (as defined below) to be maintained by the Issuer for as long as any FIFG02 Notes remain Outstanding under the Terms and Conditions, whereby such Loan to Value Ratio shall not exceed 50% (fifty percent).

1.7.2 **Loan to Value Ratio** means in respect of the Issuer, whilst any FIFG02 Notes remain Outstanding:

1.7.2.1 the secured and unsecured debt plus any sureties or guarantees secured by the assets of the Fortress Group, provided by the Fortress Group for any liability or obligation of the Fortress Group after the Programme Date;

1.7.2.2 divided by the sum of the market value of the property portfolio and the listed stock portfolio of the Fortress Group, expressed as a percentage.

APPENDIX 3

ADDITIONAL TERMS AND CONDITIONS RELATING TO THE FIFG02 NOTES - STEP-UP MARGIN IN THE EVENT OF A BREACH OF ASSET COVER FINANCIAL COVENANT

1. **Step-Up Margin in the event of a breach of Asset Cover Financial Covenant**

1.1. The Issuer shall, for as long as the FIFG02 Notes remain Outstanding, maintain the Unencumbered Asset Coverage Ratio Financial Covenant (as defined below).

1.2. The Issuer shall be required to test the Unencumbered Asset Coverage Ratio Financial Covenant within 90 (ninety) Days of the end of each interim financial period or financial year, as the case may be.

1.3. If a breach of the Unencumbered Asset Coverage Ratio Financial Covenant occurs at any time while any FIFG02 Note remains Outstanding, then the Issuer shall within 20 (twenty) Days after the Issuer becoming aware of a breach of the Unencumbered Asset Coverage Ratio Financial Covenant take reasonable steps to remedy such breach of the Unencumbered Asset Coverage Ratio Financial Covenant, failing which, such breach will result in a ratchet event (a **Ratchet Event**), then the Issuer shall promptly (but in any event within 5 (five) days of such Ratchet Event) give notice (a **Ratchet Event Notice**) to the Calculation Agent specifying the nature and particulars of the Ratchet Event. The Calculation Agent shall promptly (but in any event within 5 (five) days of receipt of the Ratchet Event Notice) make available a copy of the Ratchet Event Notice to Noteholders at the registered office of the Issuer and the Issuer shall give notice to Noteholders of the Ratchet Event in accordance with Condition 19 (*Notices*).

1.4. With effect from the immediately following Interest Period (provided the relevant Ratchet Event still subsists as at the first day of such Interest Period), the Margin to be added to the Reference Rate shall be increased by the number of basis points equal to 1% (one percent) of such Margin as set out in Item 35 of this Applicable Pricing Supplement (the **Step-up Margin**).

1.5. The Step-up Margin shall prevail until the end of the Interest Period during which the Ratchet Event is cured (the **Reset Date**). The Issuer shall promptly (but in any event within 5 (five) days of the Reset Date) give notice to the Calculation Agent and to Noteholders in accordance with Condition 19 (*Notices*) specifying the nature and particulars in terms of which the Ratchet Event was cured.

1.6. With effect from the Interest Period immediately following the Reset Date (provided that the relevant Ratchet Event remains cured as at the first day of such Interest Period), the Margin shall be as set out in item 35 of this Applicable Pricing Supplement.

1.7. For the avoidance of doubt it is recorded that:

1.7.1. once a Ratchet Event has occurred and for so long as same subsists and is not cured, no further Ratchet Event can occur; and

1.7.2. no Ratchet Event shall constitute an Event of Default.

1.8. In the event of any dispute in respect of any calculation relating to the Unencumbered Asset Coverage Ratio Financial Covenant referred to in paragraph 1.9, 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 Noteholders. The cost of such independent auditors in resolving such dispute shall be borne by the Issuer.

1.9. For the purposes of this Appendix 3 (*Step-Up Margin in the event of a breach of Asset Cover Financial Covenant*):

1.9.1. **Security** means any mortgage, lien, charge, pledge or security interest.

1.9.2. **Unencumbered Asset Coverage Ratio Financial Covenant** means the Unencumbered Asset Coverage Ratio to be maintained by the Issuer for as long as any Notes remain Outstanding under the Terms and Conditions, whereby such Unencumbered Asset Coverage Ratio shall not be less than 2.5 times.

1.9.3. **Unencumbered Asset Coverage Ratio** means in respect of the Fortress Group, whilst any Notes remain Outstanding, the ratio that the aggregate of the Unencumbered Asset Value of the Fortress Group bears to the Unsecured Debt of the Fortress Group.

1.9.4. **Unencumbered Asset Value** means the sum of the:

1.9.4.1. market value of unencumbered property;

1.9.4.2. market value of unencumbered listed stock portfolio; and

1.9.4.3. unrestricted cash,

that are unencumbered by any Security.

1.9.5. **Unsecured Debt** means the debts of the Fortress Group that are not secured by any Security.