

FORTRESS CARIBBEAN PROPERTY FUND PROPOSAL

Frequently Asked Questions

What is the proposal that shareholders are being asked to approve?

The proposal is to split the Fund and its assets into two parts:

1. One fund to hold the income producing properties ("Value Fund"), and
2. One fund to hold the development properties ("Development Fund").

This will be accomplished by converting Fortress Caribbean Property Fund Limited, the existing fund, into a Segregated Cell Company. Each of the two funds will be a "cell", and the assets and liabilities of the fund will be divided between those two cells. Under the proposal, shareholders will receive one share of each of the Value Fund and Development Fund for every share they hold in the Fortress Caribbean Property Fund.

Why change things now?

Since 2008, the Fund's net asset value (NAV) has declined marginally, reflecting difficult business conditions in the Caribbean. During this same period, however, the Fund's share price on the Barbados Stock Exchange (BSE) has dropped by more than 50%. As of July 31, 2013, the Fund's shares were trading at a 62% discount to the Fund's NAV. This large and persistent divergence between the underlying value of the Fund's shares and their trading price on the stock market is the primary reason for suggesting a change.

The Fund's Board concluded that a structural reorganization of the Fund was likely to support an improvement in the share price relative to NAV, because dividend policy for the whole fund is being constrained and diluted by the portion of assets being held for development and resale. After consulting extensively with shareholders, legal, accounting and corporate advisors, the Board unanimously agreed that the proposed separation of the Fund's assets (together with corresponding liabilities) could be a significant step towards improving the value of shareholders' investment in both the short and long term.

How will the proposed changes improve shareholder value?

The underlying net asset value (NAV) of what the shareholder owns will not change – in total it will be the same as it was before the split. The splitting of the assets in the manner mentioned above, however, should enable the Value Fund to pay meaningful dividends, and as a result, should reduce the discount between its share price and the NAV. We expect, over time, that the Development Fund's capital will gradually be returned to shareholders who will be free to invest it as they wish.

What are the potential benefits of the proposal?

We expect four main benefits for shareholders if the proposal is approved:

1. **Better dividends** – the Value Fund shares will target a dividend payment of 75% of distributable profits, which at current operating levels would be approximately \$0.04 per share per year. Dividends for the Fund in recent years have been only \$0.02 per share.
2. **Reduced discount** – offering a fund with only income producing properties and, we expect, a consistent dividend payout, is likely to attract pension funds and other long term investors who value consistency. This demand could move the share price up closer to its underlying value (NAV).
3. **Share buybacks** – Share buybacks and the eventual return of capital to the Development Fund shares, as opportunities are taken to sell development properties.
4. **More choice for investors** – after the split, investors will be able to choose the fund or combination of funds that best suits them.

What potential risks are there?

Most of the risks related to the investments in the fund are already present in its current structure. Some specific risks may come into play after the split, however, and they are worth bearing in mind:

1. The funds will be smaller in size, and this may reduce market liquidity.
2. There will be a greater concentration of assets, reducing the diversification of each fund.
3. There is the risk that the objective of enhancing shareholder value will not be achieved, and that trading prices of the Value Fund and Development Fund shares remain depressed, despite the efforts of Management and the Board.

Will the two funds have the same objective?

No, they will have different objectives. The objective of the Value Fund will be to produce annual income and long term capital gains from a portfolio of income producing properties. It will seek to maintain and grow its assets over time, and will target a dividend payout of 75% of distributable profits. The objective of the Development Fund will be to realise value in the medium term on its portfolio of development properties, and to return capital to investors via share buybacks, share redemptions or other means.

If I don't want my Development Fund share can I sell it and purchase a Value Fund share and vice versa?

Yes. Both shares will be listed on the stock exchange. As with any listed share, the amount of liquidity and available prices may vary depending on the market conditions at the time you wish to transact.

What is a Segregated Cell Company (SCC), and why use that structure?

A Segregated Cell Company (SCC) is a company which may create one or more cells for the purpose of segregating and protecting certain assets and liabilities. Assets and liabilities designated and/or attributable to a particular cell can be kept separate from those assets and liabilities designated to another cell and from the general assets of the company. The creation of cells in a cell company is an efficient and cost-effective way of dividing assets and liabilities so that each cell can, in this case, pursue an independent investment and dividend policy.

Does this mean that there will be two companies after the split?

There will still be only one company after the proposed conversion, even though two cells are created by the company. Each cell is not a standalone legal person/entity separate from the company. In practical terms, though, yes, each cell's affairs may be conducted distinctly and separately from those of the other. The two cellular funds (Value Fund and Development Fund) will each trade separately on the stock exchange.

Are there more fees/costs involved?

The fee structure of the Value Fund will not change. The fee structure of the Development Fund will be altered to reduce the ongoing burden to the fund, and provide an incentive to the fund manager and investment adviser to realise sales at fair value and return capital to Development Fund shareholders.

Are my shareholder's rights affected by the split?

No. The new structure will not affect the rights, privileges and restrictions of both classes of shareholders. The Board of Directors and Management shall continue to operate, direct and govern the newly created cellular company in the best interest of shareholders. A new prospectus will be filed with securities regulators as soon as practicable after the conversion is approved.

Will there be tax consequences?

In Barbados and Trinidad, where there is no capital gains tax, there should be no tax impact at all for investors to the proposed changes. There is no tax impact to the Fund itself.

When will this all happen?

The date set for shareholders to vote on the proposal is **September 26th, 2013 at the Hilton Hotel, Needham's Point, St. Michael, Barbados at 5:00 P.M.** If the proposal is approved by shareholders, it is expected that the existing Fund will be converted into the new segregated cell company with the two new cellular funds commencing on October 1st, 2013. It is hoped that the shares of the two new cellular funds will be trading on the Barbados Stock Exchange and Trinidad & Tobago Stock Exchange (TTSE) very soon thereafter.

How can shareholders be sure that their interests are being safeguarded?

The Companies Act, the Securities Act, the Financial Services Commission of Barbados, Trinidad and Tobago Securities and Exchange Commission, as well as the various rules and regulations outlined by the BSE and TTSE, provide the parameters within which a company must comply when proposing a transaction such as this.

How can I learn more about the proposal?

Shareholders can read the Information Memorandum and letter from the Fund's Chairman that were sent to all shareholders, and posted on www.fortressfund.com on September 4th, 2013. Shareholders should also feel free to contact the representatives of the Fund below directly, or seek advice from any of the local stockbrokers or their accountant or financial adviser.

Roger Cave	roger@fortressfund.com	Tel: 246-431-2198
Terry Hanton	terry.hanton@altmanbarbados.com	Tel: 246-432-8912