

RSM Richter

**Fourth Report of RSM Richter Inc.
in its Capacity as Proposal Trustee**

Re: Retrocom Growth Fund Inc.

RSM Richter Inc.
Toronto, January 9, 2007

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

**IN THE MATTER OF THE
PROPOSAL OF RETROCOM GROWTH FUND INC.
OF THE CITY OF TORONTO, IN THE PROVINCE OF ONTARIO**

**FOURTH REPORT OF
RSM RICHTER INC.
AS PROPOSAL TRUSTEE**

January 9, 2007

1. INTRODUCTION

This report is filed by RSM Richter Inc. ("Richter") in its capacity as Proposal Trustee ("Trustee") of Retrocom Growth Fund Inc. (the "Company" or "RGF"), pursuant to the Company's Notice of Intention to Make a Proposal ("NOI") filed by the Trustee with the Office of the Superintendent of Bankruptcy on August 1, 2006 ("Filing Date") under the *Bankruptcy and Insolvency Act* ("BIA"). The Company was granted an initial extension of the time required to file its proposal to October 16, 2006 by the *Ontario* Superior Court of Justice (the "Court") on August 30, 2006. The Company was granted two further extensions of the time required to file its proposal to December 1, 2006 and January 15, 2007 by the Court on October 13, 2006 and November 29, 2006, respectively.

On October 13, 2006, Richter was appointed interim receiver (the “Interim Receiver”) of the Company pursuant to Section 47.1 of the BIA, with its powers limited to controlling the Company’s receipts and disbursements, controlling the Company’s books and records and engaging certain management personnel.

1.1 Purpose of this Report

This report (“Fourth Report”) is filed in support of the Company’s motion for an extension of the time required to file its proposal for a further fourteen (14) days. This report outlines the activities of the Company and the Interim Receiver since the Trustee’s third report dated November 27, 2006 (“Third Report”) and the anticipated transactions of the Company involving assets that are either directly or indirectly owned by the Company.

2. BACKGROUND OF THE COMPANY

Background information for the Company is included in the previous three reports of the Trustee. These reports, related motion materials and Court Orders are in the Court record and are available on the Trustee’s website, at <http://www.rsmrichter.com/Restructuring/Retrocom.aspx>.

3. ACTIVITIES OF THE COMPANY SINCE THE PREVIOUS ORDER

Since the previous Order was granted on November 29, 2006, the Company’s efforts have principally focused on negotiating and finalizing the sale of the Company’s real estate interests and tax losses.

3.1 Pending Real Estate Transactions

The Company has negotiated the sale of two of its real estate interests, both of which are scheduled to close in January, 2007.

3.1.1 Cornwall Property

This property is the Bowling Palace of Cornwall, located in Cornwall, Ontario. A conditional purchase and sale agreement was accepted by the Company with a purchase price of \$2 million. As a result of information obtained by the purchaser during the due diligence period, the purchaser revised its offer to reflect a purchase price of \$1.6 million. The Company consulted with its real estate agent regarding the reduced price. If the property were put back on the market, it would likely take three (3) to four (4) months before a new transaction would be completed. In addition, there would be no certainty to the ultimate price that would be achieved. After a series of negotiations, the purchaser and the Company ultimately agreed to a purchase price of \$1.65 million and an unconditional agreement of purchase and sale was accepted by the Company. A closing date for this transaction is scheduled for January 29, 2007. It is expected that the sale will yield approximately \$400,000 to RGF after payment of the mortgage, realty taxes and other adjustments.

3.1.2 Dundurn Property

Negotiations for the disposition of this real estate interest are essentially complete. Upon the completion of this transaction, there would be a \$435,000 reduction in the indebtedness to one of RGF's secured creditors. The property is located at 220 Dundurn Street South, Hamilton, Ontario.

3.1.3 Midland Property

Located in Midland, Ontario (the "Midland Property"), this property is owned by Newton Building Corporation ("Newton") (a wholly-owned subsidiary of the Company). The Midland Property consists of thirty-eight (38) serviced lots for residential development.

An agreement of purchase and sale had previously been executed with a purchase price of \$1.9 million. A closing date for this sale was originally scheduled for June 17, 2006; however, due to the non-filing of corporate tax returns in prior years, Newton's corporate charter had lapsed. As a result, the closing of this transaction was delayed several times while the Company considered its various options on how to complete the sale. The Company and the purchaser attempted to restructure the transaction in a manner which would have enabled the sale to be completed in December, 2006. As a result of the purchaser being unable to obtain financing, the transaction has been aborted. The mortgagee has since indicated that it intends to enforce on its security and sell the property under its mortgage.

As additional security for this mortgage, 200,000 shares of the Retrocom Mid-Market Real Estate Investment Trust ("RMMR") were pledged as collateral. Since the filing date, with the authorization of the mortgagee, the Company sold the shares and remitted the funds to the mortgagee to pay down the mortgage. Net proceeds of these share sales were approximately \$1.3 million. Overall, the mortgagee is expected to suffer a shortfall of approximately \$250,000 in respect of the mortgage on the Midland Property and may have an unsecured claim against the Company.

3.2 Completed Asset Disposition

Since the filing of the Third Report the Company has completed the sale of one of its real estate assets. This transaction is discussed below.

3.2.1 Belleville Property

This property is a mall located in Belleville, Ontario. The property is a co-ownership with title to the property held by a wholly-owned subsidiary of the Company, Rushview Holdings Inc. (“Rushview”), on behalf of itself and its co-owner.

Rushview and its co-owner negotiated and executed an agreement of purchase and sale with a purchase price of \$13.3 million. The closing of the sale was previously scheduled to take place on October 16, 2006; however, due to various complications including the fact that Rushview’s corporate charter had lapsed, the closing of this transaction has been delayed several times. The Company has taken the steps necessary to have Rushview’s corporate charter reinstated and the closing of the transaction occurred on January 4, 2007. After debt encumbrances RGF received net proceeds of \$385,000 in respect of this transaction.

3.3 Tax Losses

During the time immediately preceding the Filing Date and since that time, the Trustee and counsel to the Company have held discussions with nine (9) parties that have expressed interest in the Company’s tax losses through an acquisition of the Company. The tax losses are estimated to be approximately \$63 million. In addition, one of the interested parties represents approximately thirty-four (34) other parties that may have an interest in the Company’s tax losses.

Each of the interested parties was required to sign a confidentiality agreement before information related to the Company was released. The Company requested that interested parties submit offers for the Company’s tax losses and remaining assets by 4:00 p.m. on December 20, 2006. In response to the request for offers, the Company received three letters of interest (“LOI”) in respect of its tax losses and remaining assets. The LOI’s varied in form but

generally included an up-front cash payment and an earn-out proposal whereby the prospective purchaser would pay additional amounts as the losses are utilized. The LOI's also included several conditions related to the status of the Company's tax filings, restructuring activities, remaining assets and appeal periods related to the tax losses.

The Company, its counsel and the Trustee reviewed the LOI's and held separate discussions with the three interested parties in order to clarify the terms and conditions of the LOI's. The intent is to come to a definitive deal with one of the three parties to the LOI's by January 22, 2007, in order to file the proposal by the end of January, 2007. It is believed that negotiations with these parties will continue past January 15, 2007, but the Company is optimistic that an appropriate transaction can be achieved. A bankruptcy of the Company would eliminate the possibility of such a transaction proceeding.

If the Company is able to realize value with respect to the tax losses, there is likely to be significant additional value ultimately available to creditors; the realization of such value is dependent upon a successful proposal being implemented.

4. ACTIVITIES OF RICHTER

Since the commencement of the NOI proceedings and the appointment of the Interim Receiver, Richter's activities in its capacities as Trustee and Interim Receiver have included:

- Assuming the responsibility of administering the Company's receipts and disbursements;
- Arranging for the funds held at the Company's various banking institutions to be transferred to an estate trust account maintained by the Interim Receiver;
- Assisting the Company to complete its various real estate transactions;
- Assisting the Company in its efforts to secure a purchaser for its tax losses and remaining assets;

- Speaking routinely with prospective purchasers for the Company's tax losses;
- Corresponding routinely with counsel for the Company in respect of the Company's tax losses, asset dispositions and various other matters;
- Posting a copy of various Court materials, including the motion materials, the Trustee's reports, and associated Court Orders, on the Trustee's website;
- Responding to numerous inquiries from the Company's unit-holders and creditors in respect of the Company's NOI proceedings; and
- Other matters pertaining to the administration of this mandate.

5. CASH FLOW

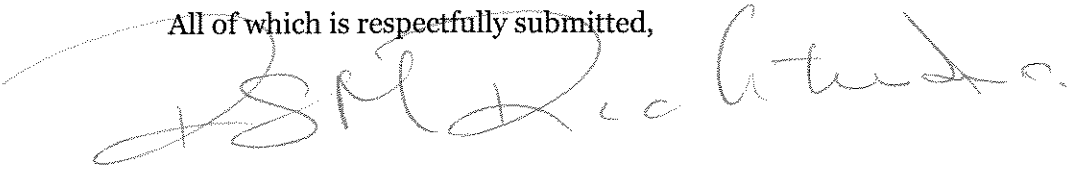
The Company has updated its projected cash flow to March 2, 2007. The updated cash flow is set out in Appendices "1" and "1-1".

6. CONCLUSION AND RECOMMENDATION

The Company is acting in good faith and with due diligence in taking steps to deal with its assets and put together a viable proposal to its creditors. It is the Trustee's view that an extension will not adversely affect any group of creditors. The extension would afford interested parties the time necessary to negotiate a transaction in respect of one of the LOI's. If such a transaction can be negotiated, there would be an enhanced recovery for the Company's creditors.

Accordingly, the Trustee supports the Company's motion for an extension of the time required to file its proposal.

All of which is respectfully submitted,



RSM RICHTER INC.
IN ITS CAPACITY AS PROPOSAL TRUSTEE OF
RETROCOM GROWTH FUND INC.
AND NOT IN ITS PERSONAL CAPACITY

RSM Richter