

RSM Richter

**Sixth Report of RSM Richter Inc.
in its Capacity as Proposal Trustee
Re: Retrocom Growth Fund Inc.**

RSM Richter Inc.
Toronto, February 7, 2008

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ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

IN THE MATTER OF THE PROPOSAL OF
RETROCOM GROWTH FUND INC. PURSUANT
TO THE *BANKRUPTCY AND INSOLVENCY ACT* (CANADA)

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

February 7, 2008

1. INTRODUCTION

This report has been prepared in order to provide further information with respect to an outstanding motion before the *Ontario* Superior Court of Justice (Commercial List) (the “Court”). This report is filed by RSM Richter Inc. (“Richter”) in its capacity as Proposal Trustee (“Trustee”) of Retrocom Growth Fund Inc. (the “Company” or “Retrocom”).

1.1 Proposal Proceedings

The Company filed a Notice of Intention to Make a Proposal (“NOI”) with the Office of the Superintendent of Bankruptcy on August 1, 2006 (“Filing Date”) under the *Bankruptcy and Insolvency Act* (“BIA”). On August 2, 2006, the Trustee served notice of the NOI filing (the “Notice”) on the Company’s creditors. A copy of the Notice is attached as Appendix “A” hereto.

On August 30, 2006, the Court granted the Company an initial extension of the time required to file its proposal, to October 16, 2006. This Honourable Court granted the Company three further extensions of the time required to file its proposal, ultimately to January 31, 2007. On that date, the Company filed a proposal pursuant to the BIA (the “Proposal”). A copy of the Proposal, which is expected to be amended significantly, is provided in Appendix “B”. Richter consented to act as Trustee under the Proposal.

1.2 Limited Interim Receivership

By Order dated October 13, 2006, Richter was appointed interim receiver (the “Interim Receiver”) of the Company pursuant to Section 47.1 of the BIA (the “Interim Receivership Order”), with its powers limited to controlling the Company’s receipts and disbursements, controlling the Company’s books and records and engaging certain personnel (“Personnel”) who had previously been engaged by Retrocom Investment Management Inc. (“RIMI”). RIMI had previously managed the affairs of the Company, and the Personnel had knowledge of the assets still owned by the Company, and of the Company’s tax and financial affairs. A copy of the Interim Receivership Order is attached as Appendix “C”.

1.3 Pre-NOI Engagement of Richter

On February 27, 2006, prior to the NOI, Richter was engaged as financial advisor by a special committee of the Company’s Board of Directors to review the financial affairs of the Company. This engagement was due to the decline in Retrocom’s reported asset values and its apparent lack of liquidity. On June 1, 2006, Richter was further engaged to review the reported asset values of Retrocom. The principal purpose of this engagement was to determine whether Retrocom had overpaid management fees to RIMI based on the overstatement of asset values.

1.4 Purpose of Report

The purposes of this report (“Report”) are to:

- Provide details of the solicitation process undertaken in respect of the potential sale of the Company’s shares as contemplated in the Proposal; and
- Recommend that this Honourable Court authorize the Company to enter into an agreement with the Rose Corporation (the “Agreement”) which would form the basis for the Company to be able to make an amended proposal to creditors.

1.5 Terms of Reference

The information in this Report has been obtained from the Company’s books and records and from discussions with the Personnel. We have not performed an audit or other verification of the information provided by the Company or other parties. Any use which a third party makes of this Report, or any reliance or decisions based on this Report, are the responsibility of such third party.

1.6 Confidential Appendices

As discussed further in this Report, the Company’s Proposal (and amendments to same) is premised on the sale of the Company whereby the primary benefit to the purchaser is access to the Company’s accumulated non-capital tax losses. A solicitation and marketing process was undertaken in this regard in order to identify potential purchasers and solicit offers for the Company’s shares. Attached as Confidential Appendix “D” to this Report is a list of the potential purchasers contacted as part of this marketing process, and attached as Confidential Appendix “E” is a summary of the offers made by the Original Purchaser (as defined below) and Rose Corporation with respect to the purchase of the shares of the Company. These Confidential Appendices contain competitive bidding information and also identify the potential purchasers

and offerors. The Trustee respectfully requests that the Confidential Appendices be sealed by this Honourable Court in order to prevent disclosure of the information therein.

2. BACKGROUND

The Company was established to invest in small and medium-sized companies involved in construction and real estate development. The Company is amalgamated under the laws of Canada and is registered as a labour-sponsored investment fund corporation under the *Community Small Business Investment Funds Act* (Ontario), and as a labour-sponsored venture capital corporation under the *Income Tax Act* (Canada). Retrocom's investments were primarily, but not exclusively, in the real estate sector. In addition, Retrocom primarily invested in companies that engaged or employed members of Retrocom's sponsors' labour unions.

In lieu of hiring its own employees, the Company has relied on third parties to manage its affairs. As such, the Company previously entered into a management agreement with RIMI, under which RIMI was engaged to manage the Company and to provide, among other things, investment, project advisory, monitoring and promotional services to the Company.

2.1 Financial Difficulties

The Company generated negative cash flows from operations and incurred net losses for four (4) out of the five (5) fiscal years in which it operated prior to filing the NOI. The Company typically invested funds in real estate ventures by way of secured debt. In numerous cases, the subject investments did not generate cash flows sufficient to service the debt owed to Retrocom. In many of these cases, Retrocom advanced further funds to the subject investment with the view that short term funding would see the project through to completion, at which time the subject investment would be able to generate sufficient cash flow to service the initial and subsequent advances made by the Company.

Often when the Company made the determination that an investment could not generate sufficient cash flows to repay its debt, Retrocom would assume ownership of the subject investment by various means, anticipating that the project could be brought to completion and profitability under Retrocom's control. Few of Retrocom's investments ever generated positive cash flows.

In 2005, the (Ontario) Ministry of Finance introduced legislation to phase out the provincial tax credit program for investors of labour-sponsored investment funds. This legislation significantly accelerated the rate at which the Company received redemption requests from its unit holders and contributed to the Company's overall cash flow difficulties. As a result of these redemption requests, which the Company could not meet from its cash flows, it began the process of realizing on its assets.

All of these factors, together, have led to the Company's current financial difficulties, the filing of the NOI and ultimately to the filing of the Proposal.

Additional background information for the Company is included in the previous five (5) reports of the Trustee (the "Previous Reports"). The Previous Reports, related motion materials and Court Orders are in the Court record and are available on the Trustee's website at www.rsmrichter.com.

3. PROPOSAL

As a result of the challenges discussed in Section 2.1, in the spring of 2006, Retrocom embarked on an orderly realization of its assets in order to maximize the recovery for its stakeholders.

Various properties have been sold by Retrocom, the mortgagees or receivers.

The remaining assets of Retrocom consist primarily of the following:

Description	Estimated Value ¹	Comments
Funds on hand	\$266,654	\$202,000 of this amount is subject to an ownership claim by the Retrocom Mid-Market REIT
Mortgage receivable	\$300,000	Co-mortgagee manages the mortgage and recovery is not assured
Chilliwack land	\$80,000	Unregistered interest in a land-locked parcel of land adjacent to the Chilliwack Mall in Chilliwack, B.C.
Smithers land	\$400,000	Unregistered interest in a land-locked parcel of land adjacent to the Smithers Mall in Smithers, B.C. Tenant in the mall has an option to purchase the property in September, 2008
Other receivable	\$75,000	Related to a holdback from the closing of a real estate sale in 2007

The above assets (the “Remaining Assets”) would likely have the same value whether the Company successfully implemented a proposal or became a bankrupt.

Due to the losses incurred by Retrocom in its business dealings, the Company has significant losses for tax purposes that, under certain circumstances, could be applied against future taxable income (the “Tax Losses”). Value to the Company’s creditors would be realized if another party acquired the shares of Retrocom and made a payment for the potential savings of the Tax Losses. However, the benefit of the Tax Losses would only be available to a party who conducts the same business as Retrocom. It is also necessary for the Company to be carrying on business when the change of control occurs. In order to preserve the Tax Losses, the Company has continued its ownership of the Remaining Assets.

¹ Values are based on discussions with the Personnel and estimates of realizable value without consideration for costs of realization, which may be significant.

3.1 Initial Solicitation Process

As set out in the Trustee's first report to Court dated August 24, 2006, during the time immediately preceding the Filing Date through August 24, 2006, the Trustee held several discussions with six parties having expressed interest in acquiring the Company's remaining investments and tax losses via a merger or amalgamation with the Company. In the Trustee's experience, a targeted marketing process is needed to effect the sale of tax losses. Selective solicitation is made of parties that conduct similar business to that in which the Tax Losses were generated. The six parties solicited were in a business similar to Retrocom, had dealings with it or were familiar with its business. The names of these six parties were provided by the Personnel and by the Trustee.

Of the six interested parties, three signed confidentiality agreements and reviewed documentation related to the Company. After reviewing preliminary information concerning the Company, none of the six parties submitted an offer for the Company.

Since the initial solicitation had not yielded a transaction, both the Trustee and counsel to the Company, Bennett Jones LLP ("Bennett Jones"), identified certain other parties (including clients) that were in the same business as the Company and might be able to utilize the Tax Losses.

As set out in the Trustee's fourth report to Court dated January 9, 2007, the Trustee and Bennett Jones had been in contact with a total of nine parties regarding a transaction with the Company (one of the previous six, and eight new parties). A list of all fourteen parties solicited is attached as Confidential Appendix "D". One of the parties was a consultant who represented thirty-four (34) other parties that might have had an interest in the Tax Losses (the "Intermediary").

3.2 Invitation for Offers to Purchase

On November 2, 2006, an invitation for offers to purchase was sent to all nine of the interested parties. The invitation for offers to purchase requested that offers for the Company be submitted to the Trustee no later than 1 p.m. on November 21, 2006 (the “Invitation”). A copy of the Invitation is attached as Appendix “F”. During the period between November 2, 2006 and November 21, 2006, the Trustee and Bennett Jones engaged in discussions with the interested parties regarding the Company and the Tax Losses; however, the Trustee did not receive any expressions of interest on or before November 21, 2006.

Although no responses were received pursuant to the Invitation, certain of the nine interested parties continued to correspond with the Trustee and Bennett Jones regarding the Company. On December 14, 2006, the Company, via Bennett Jones, again requested that interested parties submit offers for the Tax Losses and Remaining Assets, in this instance, by 4:00 p.m. on December 20, 2006. A copy of the e-mail communication in that regard is attached as Appendix “G”. In response to the second solicitation for offers, the Company received three letters of interest (“LOI”). 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 Tax 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 parties in order to clarify the terms and conditions of the LOI’s. Ultimately, two of the parties submitted offers for the Company (the “Purchasers”). The terms offered by the Purchasers are summarized in Confidential Appendix “E”.

After extensive negotiations with the Purchasers, the Company's Board of Directors chose to proceed with a specific purchaser (the "Original Purchaser")². The Original Purchaser provided, in the opinion of Retrocom and the Trustee, the best potential transaction for the benefit of Retrocom's creditors, which included a purchase price in excess of \$2 million, subject to various conditions including due diligence. Rose Corporation ("Rose") provided the other LOI, which was second-best in terms of purchase price, and which was not accepted at that time.

Prior to the submission of offers, the Trustee disclosed to the Company that Rose, who had been introduced to this opportunity by the Intermediary, was a client of the Trustee's accounting affiliate, RSM Richter LLP.

3.3 Due Diligence and Delays

A definitive agreement with the Original Purchaser could not be reached prior to the deadline for filing the Proposal, being January 31, 2007. Accordingly, a Proposal was filed and a meeting of creditors was called. However, the Trustee's letter to creditors dated February 6, 2007, advised that Retrocom would seek an adjournment of the meeting in order to allow the agreement with the Original Purchaser to be finalized, provide sufficient time to allow the Company to bring its tax filings and financial statements up to date (a condition of the LOI received from the Original Purchaser) and, in all likelihood, to file an amended Proposal. The Company had been delinquent in updating its financial statements and tax filings for some time and it was expected that it would take several months to complete the work required.

² The Original Purchaser is identified in Confidential Appendices "D" and "E", but did not wish its name to be made public.

The delays necessitated that the meeting of creditors be re-called and re-adjournd on five separate occasions, in each case, with the approval of the Company's creditors. At each meeting a brief update was provided as to progress and the reasons for the delays.

As set out in the Trustee's letter to the Company's creditors dated September 12, 2007, subsequent to the second adjournment, Retrocom was informed by the Original Purchaser, upon its completion of due diligence, that due to the nature of the business activities of Retrocom, the Original Purchaser would only be able to utilize a portion of the Tax Losses and would only complete a transaction if there was a significant price reduction. A copy of the Trustee's letter of September 12, 2007 in that regard is attached as Appendix "H". The reduced price offered by the Original Purchaser was considerably less than the amount that had been offered by Rose in its LOI. This reduced price (offered by the Original Purchaser) was not acceptable to the Company, and it made the decision to terminate the transaction with the Original Purchaser, and to proceed, if possible, with another offeror.

3.4 Dealings with Aylesworth LLP

Aylesworth LLP ("Aylesworth") was formerly counsel to the Company and at the Filing Date was a creditor to the Company for approximately \$64,000, according to the Company's records. In addition, Aylesworth is counsel to RIMI who claims to be a creditor of the Company. The Company is of the view that RIMI is not a creditor and that it is the Company which is a net creditor of RIMI for a number of reasons, including overpayment of past management fees.

During the period when the Original Purchaser was in the process of conducting its due diligence, the Trustee and its counsel met and communicated with Aylesworth on several occasions. Among the topics discussed was the price being offered by the Original Purchaser for the Tax Losses, which was disclosed to Aylesworth (and other Proposal Creditors) in general

terms. Aylesworth indicated that it may have clients/contacts that would pay significantly more than was being offered. The Trustee's counsel and Bennett Jones requested, a number of times, that Aylesworth provide the Trustee with the details of an alternative transaction and to arrange a meeting with any potential purchasers it had identified. Aylesworth has been non-responsive in that regard.

Aylesworth further indicated that it was of the view that the Tax Losses could be utilized by mutual fund companies and that those parties should be canvassed to gauge their interest. Mutual fund companies had not been solicited by the Trustee due to tax advice to the effect that mutual fund companies would not be able to utilize the Tax Losses. After meeting with Aylesworth, the Trustee again consulted with its internal tax advisors, and with a tax lawyer at Ogilvy Renault LLP ("Ogilvy"), each of whom indicated that the Tax Losses could not be utilized by mutual fund companies.

Attached as Appendix "I" are copies of some correspondence among Aylesworth, Ogilvy (the Trustee's counsel) and Bennett Jones. In addition to this correspondence, various meetings and e-mail exchanges took place, in which Aylesworth was also asked to provide details with respect to other alternatives that it claimed were available.

Aylesworth and RIMI were also asked on several occasions to submit a proof of claim in the Proposal estate, if they were making a claim. Such claims were not received by the Trustee until after the current motion was brought, some 18 months into these proceedings. Copies of these claims, without exhibits, are attached as Appendix "J". The Trustee has not yet responded to these claims (there are other claims filed that also have not been responded to, in order to limit costs until the need for such review for purposes of considering/voting on the Proposal is more

imminent). As noted above, the Company is of the view that RIMI is not a creditor of the Company.

3.5 The Rose Transaction

Subsequent to the termination of the agreement with the Original Purchaser, the Company was faced with the option of procuring a replacement transaction or terminating the NOI process and becoming a bankrupt. In the case of bankruptcy, there would be little chance of recovery for the Company's creditors other than from the Remaining Assets. The Trustee contacted Rose to determine if it would still be interested in acquiring the Company and counsel to the Company contacted a number of other potentially interested sources, including the principal of the Intermediary, who had since changed firms. None of those approached by the Company's counsel was interested. The Trustee updated Rose on the developments, since Rose's LOI had been declined in January, 2007. Among other things, the Trustee advised that Aylesworth and RIMI had indicated that they were not supportive of a transaction at amounts offered by the Original Purchaser and Rose, and that Aylesworth had suggested that a higher amount could be obtained.

Rose indicated that it would be interested in negotiating an agreement to acquire the Company on terms similar to that contained in its LOI, but given its concerns that Aylesworth/RIMI might attempt to upset any transaction, or that the creditors might reject its offer (by not accepting a proposal from the Company), it wanted certain protection for the costs it would incur. Rose also wanted to have a "break fee" negotiated in the event that a significantly better offer was made to the Company.

As Rose was a client of the Trustee's affiliate, the negotiations of the Agreement were conducted by Bennett Jones; these negotiations and the finalization of the Agreement were not concluded by Rose and Bennett Jones for approximately four months. During this time, neither Aylesworth nor RIMI offered any contact information, with respect to any other potential purchasers.

In essence the Agreement with Rose, if approved by this Honourable Court, contemplates the following:

- The creditors would receive \$1.5 million, which is to be provided by Rose;
- The creditors would receive the net proceeds of the Remaining Assets;
- Rose would conduct due diligence;
- Under certain circumstances, if the Agreement is not completed after Rose commits to proceed following due diligence, Rose would be entitled to reimbursement of its due diligence expenses, up to \$75,000; and
- If a competing offer is made, which is in excess of Rose's offer, and is accepted by the Company, Rose would be entitled to a break fee of \$75,000, in addition to reimbursement of its expenses (as above), up to \$75,000.

Provisions relating to break fees and costs are neither unusual nor surprising in a transaction of this sort, especially one that is subject to a creditors' vote, Court approval, and the need for many steps, including consolidation of subsidiaries' proposal proceedings and the like.

3.6 Current Financial Position

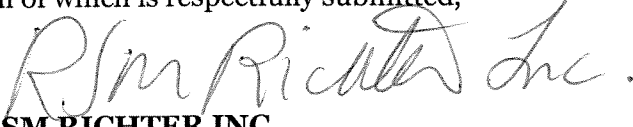
Attached as Appendix “K” is a statement of receipts and disbursements (“R&D Statement”) in respect of the Interim Receiver’s estate account for the Company. The R&D Statement indicates a cash balance of \$266,654 of which approximately \$202,000 is reserved pending an outstanding dispute with a party claiming entitlement to the funds. There also exists approximately \$270,000 of unpaid legal and professional fees and additional unbilled fees which have not been quantified.

4. CONCLUSION AND RECOMMENDATION

It is the Trustee’s view that a transaction with Rose is the Company’s best and currently its only available means of implementing a successful proposal and providing a distribution to its creditors well in excess of that available in bankruptcy.

Given the foregoing, the Trustee respectfully recommends that this Honourable Court issue an order authorizing the Company to enter into the Agreement and granting Rose the protection given by section 4.4 of the Agreement with respect to the “break fee” and costs.

All of which is respectfully submitted,


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

August 2, 2006

RSM Richter Inc.
200 King St. W., P.O. Box 48
Toronto, ON M5H 3T4
Tel: 416.932.8000 Fax: 416.932.6200
www.rsmrichter.com

To: Creditors of Retrocom Growth Fund Inc. (the "Fund")

We are writing to advise you that on August 1, 2006, the Fund filed a Notice of Intention to Make a Proposal ("NOI") pursuant to the provisions of Section 50.4 of the *Bankruptcy and Insolvency Act* ("Act"). A copy of the NOI is enclosed. RSM Richter Inc. ("Richter") has consented to act as Trustee under the NOI.

Although the NOI proceeding is pursuant to the Act, it is important to note that the Fund is not bankrupt.

At present, creditors are not required to file a proof of claim. Richter will provide you with further information and a proof of claim form in due course, if applicable.

The Fund wishes to thank all of its creditors for their support during this difficult period.

Yours very truly,



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

FORM 33

Notice of Intention to Make a Proposal
[Subsection 50.4(1)]

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

TAKE NOTICE THAT:

1. RETROCOM GROWTH FUND INC., an insolvent person, pursuant to subsection 50.4(1) of the *Bankruptcy and Insolvency Act*, intends to make a proposal to its creditors.
2. RSM RICHTER INC. of 200 King Street West, Suite 1100, Toronto, Ontario, a licensed trustee, has consented to act as trustee under the proposal and a copy of the consent is attached hereto.
3. A list of the names of the known creditors with claims amounting to \$250 or more and the amounts of their claims is attached.
4. Pursuant to Section 69 of the *Bankruptcy and Insolvency Act*, all proceedings against Retrocom Growth Fund Inc. are stayed as of the date of filing this notice with the Official Receiver in its locality.

DATED at Toronto, Ontario this 31st day of July, 2006

RETROCOM GROWTH FUND INC.

Per: 
Name: Robert Blakely
Title: Director

Filing Date: Aug 1, 2006


OFFICIAL RECEIVER

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

CONSENT

RSM RICHTER INC. hereby consents to act as Trustee under the Notice of Intention to Make a Proposal and/or Proposal to be filed by Retrocom Growth Fund Inc.

DATED at Toronto, Ontario this 26th day of July, 2006.

RSM RICHTER INC.

Per: 

Name: Robert Harlang

Title: Authorized Signing Officer

Retrocom Growth Fund Inc.
Creditors Listing
As at August 1, 2006

Company	Contact	Address	Telephone Number	Amount Owed
<u>Secured:</u>				
Fasken Martineau DuMoulin LLP	Anil Aggarwal	66 Wellington St. W., Ste. 4200 Toronto, ON M5K 1N6	Ph: 416-366-8381 Fax 416-364-7813	50,000
Piccin Bottos	Frank Piccin	4370 Steeles Ave. W., Ste. 201 Woodbridge, ON L4L 4Y4	Ph: 905-850-0155 Fax 905-850-0498	2,722,105
Firm Capital Mortgage Fund Inc.		c/o Firm Capital Mortgage Corp. 1244 Caledonia Road Toronto, ON M6A 2X5	Ph: 416-635-0221 Fax 416-635-1713	1,500,000
Total Secured				4,272,105
<u>Unsecured:</u>				
Aylesworth LLP	Trevor Whiffen	P.O. Box 124, 18th Fl., 222 Bay St. Toronto, ON M5K 1H1	Ph: 416-777-0101 Fax 416-865-1398	114,734
Citigroup Fund Services Canada Inc.	Joe Lacapo	Suite 900, 2920 Matheson Blvd. E. Mississauga, ON L4W 5J4	Ph: 905-624-9889 Fax 905-214-8100	107,628
Cole Valuation Partners Limited	Scott Davidson	80 Richmond St. W., Ste. 2000 Toronto, ON M5H 2A4	Ph: 416-364-9700 Fax 416-364-9707	7,837
Commerce Capital Inc.	Gerald W. Roman	912-294 Portage Ave. Winnipeg, MB R3C 0B9	Ph: 204-953-5500 Fax 204-953-5505	36,597
Fasken Martineau DuMoulin LLP	Anil Aggarwal	66 Wellington St. W., Ste. 4200 Toronto, ON M5K 1N6	Ph: 416-366-8381 Fax 416-364-7813	146,509
FundServ Inc.	Ron Taggart	130 King St. W., 17th Fl. Toronto, ON M5X 1E5	Ph: 416-350-2536 Fax 416-362-3193	3,379
IBEW Local 353	Joe Fashion	1377 Lawrence Ave. E. Toronto, ON M3A 3P8	Ph: 416-510-3530 Fax 416-510-1418	1,003,373
Loopstra Nixon LLP	John C. Hubble	135 Queens Plate Drive, Ste. 600 Toronto, ON M9W 6V7	Ph: 416-746-4710 Fax 416-746-8319	4,606
Province of Nova Scotia Dept. of Finance	Kevin Redden	P.O. Box 187 Halifax, NS B3J 2N3	Ph: 902-424-7379 Fax 902-424-0590	305,610
RBC Dexia Investor Services	Mariena Di Fonzo	20 King St. West, 3rd Floor Toronto, ON M5H 1C4	Ph: 416-955-5306	912
Smith, Nixon & Co. LLP	Ken Maiden	390 Bay St., Ste. 1900 Toronto, ON M5H 2Y2	Ph: 416-361-1622 Fax 416-367-1238	32,614
Stewart McKelvey Stirling Scales	Mark S. Bursey	P.O. Box 977 Halifax, NS B3J 2X2	Ph: 902-420-3200 Fax 902-420-1417	1,933
Taylor & Co.	Blair Taylor	23 Bromley Crescent Etobicoke, ON M9A 3X1	Ph: 416-234-1994	21,400
Paul F. Black	Paul F. Black	135 Queens Plate Drive, Suite 400 Toronto, ON M9W 6V1	Ph: 416-745-5775	1,000
Victory Vertabim		Ernst & Young Tower, 220 Bay Street Suite 900, Toronto ON M5K 1H6	Ph: 416-360-6117 Fax 416-360-6482	912
CNW Group	Andrew Collins	20 Bay Street, Suite 1500 Toronto, ON M5J 2N8	Ph: 416-863-5780 Fax 416-863-1214	1,366
Total Unsecured				1,779,207
<u>Guarantees</u>				
Piccin Bottos Barristers and Solicitors (Re: Laurentian Centre)	Frank Piccin	c/o Piccin Bottos 4370 Steeles Ave. W., Ste. 201	Ph: 905-850-0155 Fax 905-850-0498	3,720,000
CIBC Mortgage Inc. (Re: Rushview)	Mana Accomando	P.O. Box 115 Commerce Court Postal Station Toronto, ON, M5L 1E5	Ph: 416-865-0411 ex 5149	7,500,000
IF Propco (Re: Ice Gardens)	Eugene Fraser	83 Campbell Avenue East P.O. Box 487, Campbellville ON, L0P 1B0	Ph: 905-854-4783 Fax: 905-854-4593	2,000,000
RBC Re: (Bowling Equipment Loan - Cornwall)	Mrs. Hetu c/o Kenneth L. Kallish	c/o Minden Gross Grafstein & Greenstein LLP 111 Richmond Street West, Suite 700 Toronto, ON M5H 2H5	Ph: 1-800-679-0792 Xn.3 Tel: (416) 369-4124 Fax: (416) 864-9223	660,000
Total Guarantees				13,880,000

**In the Matter of the Proposal of Retrocom Growth Fund Inc.,
a Corporation Duly Incorporated under the Laws of Canada,
of the City of Toronto, in the Province of Ontario**

PROPOSAL

Retrocom Growth Fund Inc. hereby submits the following proposal under Part III, Division I of the *Bankruptcy and Insolvency Act* (Canada).

**ARTICLE I
DEFINITIONS**

1.01 Definitions

In this Proposal:

"Act" means the *Bankruptcy and Insolvency Act*, R.S.C. 1985, B-3, as amended;

"Administrative Fees and Expenses" means:

- (a) all proper fees and expenses of the Trustee incurred both before and after the filing by the Debtor of this Proposal pursuant to the Act; and
- (b) all reasonable fees and disbursements of counsel to the Trustee and counsel and financial advisors of the Debtor with respect to any proceedings relating to or arising out of the Proposal, the preparation of the Proposal and negotiations in connection therewith, the performance by the Debtor of its obligations hereunder, and advice to the Debtor with respect thereto, all up to and including the Effective Date;

"Affected Claim" means any Claim except for an Unaffected Claim;

"Affected Creditor" means any Creditor with an Affected Claim, but only with respect to and to the extent of such Affected Claim;

"Affected Creditors Class" means the class of Affected Creditors entitled to vote on this Proposal at the Creditors' Meeting;

"Affiliate" means any affiliate body corporate, as that term is defined in the *Canada Business Corporations Act*, of the Debtor. For greater certainty, neither Retrocom REIT nor RIMI shall be treated hereunder as an Affiliate;

"Articles of Reorganization" means the articles of reorganization to be filed in respect of the Debtor pursuant to the CBCA to give effect to the Reorganization, substantially in the form attached as Schedule "A" to this Proposal;

"CBCA" means the *Canada Business Corporations Act*, R.S.C. 1985, c. C-44, as amended;

"Claim" means any right or claim of any Person that may be made in whole or in part against the Debtor, whether or not asserted, in connection with any indebtedness, liability or obligation of any kind, which indebtedness, liability or obligation is in existence or which is based on an event, act or omission that occurred, or a condition that existed, in whole or in part prior to the Filing Date or that arises after the Filing Date as a result of or in connection with the repudiation of any Contract and any interest that may accrue thereon up to the Filing Date (or to the date of the repudiation of such Contract, where applicable) for which there is an obligation to pay, and amounts which such Person would be entitled to receive, pursuant to the terms of any Contract with such Person at law or in equity, by reason of the commission of a tort (intentional or unintentional), any breach of duty (including, without limitation, any legal, statutory, equitable or fiduciary duty), any right of ownership of or title to property or assets or to a trust or deemed trust (statutory, express, implied, resulting, constructive or otherwise) or for any other reason whatsoever against any property or assets, whether or not reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured, unsecured, perfected, unperfected, present, future, known, or unknown, by guarantee, surety or otherwise, and whether or not such right is executory or anticipatory in nature, or any right or ability of any Person to advance a claim for contribution or indemnity or otherwise with respect to any matter, action, cause or chose in action, whether existing at present or commenced in the future, based in whole or in part on facts which existed prior to the Filing Date (or to the date of the repudiation of such Contract, where applicable), together with any other rights or claims not referred to above that, in whole or part, would have been claims provable in bankruptcy had the Debtor become bankrupt at the Filing Date (or the date of the repudiation of such Contract, if applicable), together with any other rights or claims, whether or not asserted, made after the Filing Date in any way, directly or indirectly related to any action taken or power exercised prior to the Filing Date;

"Contract" means any contract, agreement, lease (including any lease of personal, real, movable or immovable property), permit, license or arrangement;

"Court" means the Ontario Superior Court of Justice (Commercial List);

"Court Approval Date" means the date upon which the Court makes an order approving this Proposal;

"Creditor" means any Person having a Claim and may, where the context requires, include the assignee of a Claim or a trustee, interim receiver, receiver, receiver and manager, liquidator or other Person acting on behalf of such Person;

"Debtor" means Retrocom Growth Fund Inc.;

"Effective Date" shall mean the date on which the transactions and agreements provided for in this Proposal, including the Reorganization Steps set out in Schedule "A" hereto, become effective, which shall be the date on which the certificate of the Trustee referenced in Section 2.02 is filed with the Court;

"Filing Date" means August 1, 2006, being the date upon which a notice of intention to make a proposal was filed by the Debtor with the Official Receiver in accordance with the Act;

"Governmental Authority" means any government, municipality, regulatory authority, governmental department, agency, commission, bureau, official, minister, agent, Court, board, tribunal, dispute settlement panel or body or other law, rule or regulation-making entity:

- (a) having or purporting to have jurisdiction on behalf of any nation, province, state or other geographic or political subdivision thereof; or
- (b) exercising, or entitled or purporting to exercise any administrative, executive, judicial, legislative, policy, regulatory or taxing authority or power.

"Inspector" means any inspector appointed pursuant to Section 6.01 hereof;

"Legislation" means the legislation referred to in subsection 60(1.1) of the Act;

"Litigation Claims" means any and all claims, rights or choses in action that the Debtor may have against any Person, including, without limitation, RIMI;

"Litigation Fund" means a separate bank account, maintained by the Trustee, comprised of monies set aside from time to time, at the direction of the Inspectors, from the Proposal Fund, provided that sufficient funds are available in the Proposal Fund after reserving for the amounts contemplated in this Proposal;

"New Shares" means the new class of common shares in the capital of the Debtor to be created pursuant to the Articles of Reorganization;

"New Share Purchase Agreement" means the agreement to be entered into before February 28, 2007 between the Debtor and the New Share Purchaser for the purchase and sale of the New Shares;

"New Share Purchaser" means the purchaser of the New Shares pursuant to the New Share Purchase Agreement;

"Old Equity" means all of the issued and outstanding equity in the capital of the Debtor, including, without limitation, all issued and outstanding ordinary shares, common shares and preferred shares, and any option, warrant or agreement or right to purchase such equity, save and except for the New Shares;

"Person" means any individual, sole proprietorship, partnership, unincorporated association, unincorporated syndicate, unincorporated organization, trust, corporation, body corporate or Governmental Authority;

"Preferred Claim" means a Claim enumerated in Section 136(1) of the Act;

"Preferred Creditor" means the holder of a Preferred Claim but only with respect to, and to the extent of, that Preferred Claim;

"Proposal" means this Proposal of the Debtor, as may be amended or altered in accordance with the terms hereof;

"Proposal Fund" means the fund created pursuant to and described in Article V of this Proposal;

"Reorganization" means the reorganization of the Debtor pursuant to Section 191 of the CBCA, for which approval of the Court will be sought on the Court Approval Date, as described in Section 7.01 of this Proposal;

"Retained Assets" means the assets of the Debtor to be retained by the Debtor subsequent to the Effective Date pursuant to the terms of the New Share Purchase Agreement, and not transferred to the Trustee;

"Retrocom REIT" means Retrocom Mid-Market Real Estate Investment Trust;

"RIMI" means Retrocom Investment Management Inc.;

"Secured Claims" means any Claim or portion thereof which was, as of the Filing Date, and still is, secured by a validly attached and existing security interest on the real or personal property of the Debtor, including security which was duly and properly perfected under the *Personal Property Security Act* (Ontario) at the Filing Date, to the extent, and only to the extent, of the lesser of: (a) the amount of such Claim as agreed to by the Debtor or as finally determined by a court of competent jurisdiction, and (b) the realizable value of the remaining property of the Debtor subject to such security interest having regard to, among other things, the priority of such security;

"Secured Creditor" means a creditor holding a Secured Claim, but only with respect to, and to the extent of, such Secured Claim. For greater certainty, any other claim by such creditor shall be an unsecured claim.

"Superintendent's Levy" means the levy payable to Superintendent of Bankruptcy pursuant to Section 147 of the Act;

"Trustee" means RSM Richter Inc., in its capacity as trustee in respect of this Proposal;

"Unaffected Claim" means only the following Claims and such other Claims as may be designated in this Proposal (or any amendments thereto) as not being affected by this Proposal and which are listed in the books and records of the Debtor or of which the Debtor and the Trustee have received actual notice:

- (i) claims for amounts due for goods or services actually supplied to the Debtor after the Filing Date;
- (ii) Secured Claims;
- (iii) Claims of the Trustee and its counsel, and Claims of the Debtor's counsel; and
- (iv) Crown claims referred to in Section 4.03.

"Unaffected Creditor" means a creditor holding an Unaffected Claim, but only with respect to, and to the extent of such Unaffected Claim.

ARTICLE II

CONDITIONS PRECEDENT AND TRUSTEE'S CERTIFICATE

2.01 Conditions Precedent

The implementation of this Proposal shall be conditional upon the fulfillment of all of the following conditions:

- (a) The Proposal shall be approved by the Affected Creditors in accordance with the Act; and
- (b) The Proposal and the Reorganization shall be approved by the Court and all appeal periods with respect to the approval orders in respect thereof shall have expired or the Debtor shall have decided to implement and complete the Proposal prior to the expiry of such appeal periods.

2.02 Trustee's Certificate

Upon the satisfaction (or, where applicable, waiver) of the conditions set out in Section 2.01, the Trustee shall file with the Court a certificate which states that all conditions precedent set out in Section 2.01 of this Proposal have been satisfied, and that the Effective Date has occurred. In so certifying that the conditions precedent set out in Section 2.01 of this Proposal have been satisfied, the Trustee shall be entitled to rely upon certificates, representations and confirmations from the Debtor or any director or officer thereof and the Trustee shall incur no liability in connection with its reliance thereon.

ARTICLE III

CLASSES OF CREDITORS

3.01 Class of Creditors

There shall be one class of Creditors for the purpose of voting on the Proposal, being the Affected Creditors Class.

ARTICLE IV

TREATMENT OF CREDITORS' CLAIMS

4.01 Preferred Claims

All proven Preferred Claims, as contemplated by Sections 136(1)(c) to 136(1)(i) of the Act, if any, will be paid without interest from the Filing Date in full from the Proposal Fund in priority to all Unsecured Claims but after reserving for the amounts set out in Section 5.01(b) of

this Proposal, provided however that Preferred Claims of employees and former employees equal to the amounts that they would be qualified to receive under paragraph 136(1)(d) of the Act if the Debtor became bankrupt on the Filing Date, shall be paid by the Trustee from the Proposal Fund immediately after approval of this Proposal by the Court. For greater certainty, amounts due or which may become due pursuant to this paragraph do not include claims for severance or termination.

4.02 Affected Claims

Affected Claims, other than Preferred Claims shall be dealt with as follows:

Each Affected Creditor who, on the Effective Date, holds Affected Claims shall receive, in full and final satisfaction of its Affected Claims, payment of its *pro rata* share of the Proposal Fund in respect of its proven Affected Claims in accordance with Article V hereof.

4.03 Crown Claims

After the Court Approval Date, the Trustee shall pay from the Proposal Fund Her Majesty in Right of Canada and in Right of Ontario all amounts of a kind that could be subject to a demand under the Legislation, provided however that any such claims shall be paid from the Proposal Fund within six months after the Court Approval Date.

4.04 Interest on Claims

Interest shall not accrue or be paid on any Affected Claims after the Filing Date, and holders of Affected Claims shall only be entitled to interest accruing on or before the Filing Date on any such Affected Claims. All Claims in respect of interest on Affected Claims after the Filing Date shall be discharged and extinguished on the Effective Date.

ARTICLE V PAYMENT OF DISTRIBUTIONS TO CREDITORS

5.01 Composition and Distribution of Proposal Fund

Subject to Section 2.01, the Trustee shall distribute from time to time in accordance with the provisions of this Proposal to each holder of a proven Affected Claim its *pro rata* share of the remaining Proposal Fund, which shall comprise:

- (a) the aggregate of the following amounts:
 - (i) all assets of the Debtor as of the Effective Date, other than the Retained Assets;
 - (ii) payments received by the Trustee pursuant to the New Share Purchase Agreement; and

- (iii) any proceeds received by the Trustee from Litigation Claims pursued by the Trustee for the benefit of the Affected Creditors, including, without limitation, any proceeds resulting from any judgment, order or settlement in respect of such Litigation Claims;

less:

- (b) the aggregate of the following amounts:
 - (i) the amount owing to the holders of Secured Claims with valid and enforceable security over the property of the Debtor, to the extent of such Secured Claims, as may be reduced from time to time by agreement of the holders of such Secured Claims;
 - (ii) a reasonable reserve, in an amount determined by the Trustee, on account of costs and expenses to be incurred by the Trustee after the Effective Date in carrying out the provisions of this Proposal and the Reorganization and including, without limitation, Administrative Fees and Expenses;
 - (iii) a reasonable reserve, in an amount to be determined by the Trustee, on account of goods or services actually supplied to the Debtor after the Filing Date;
 - (iv) the amounts paid pursuant to Section 4.03 hereof;
 - (v) the Litigation Fund, to the extent, if any, determined by the Inspectors to be allocated therefor in accordance with Article VI; and

The Trustee will only make distributions from the Proposal Fund if the amount available to be distributed makes such distributions economically practical, as determined by the Trustee, acting reasonably (having regard to, among any other considerations that the Trustee considers appropriate, the amount of liquid funds available to be distributed, any reserves or prior claims, the number of Persons to whom the distribution is to be made and the time at which further funds are expected to become available for distribution), which determination will be final and non-reviewable.

5.02 Disputed Claims

In the case of any Disputed Claim that has not been finally determined on the date of any distribution to Affected Creditors pursuant to this Proposal, the Trustee will reserve sufficient cash from the Proposal Fund to distribute to the Affected Creditor its pro-rata share in respect of such Disputed Claim in the event that such Disputed Claim becomes a proven Affected Claim. If the Disputed Claim becomes a proven Affected Claim in whole or in part in accordance with the Act after the applicable distribution date, the cash reserved in respect of such Disputed Claim (or an appropriate portion thereof) will be distributed to such Affected Creditor. If the Disputed Claim is ultimately disallowed in whole or in part in accordance with the Act after such distribution date, any cash reserved in respect of such Disputed Claim (or the appropriate portion thereof) will become available again for distribution from the Proposal Fund.

5.03 Transfer to Trustee

On the Effective Date, all assets of the Debtor, including Litigation Claims but excluding the Retained Assets, shall be, and shall be deemed to be, transferred and assigned by the Debtor to the Trustee for the benefit of the holders of proven Affected Claims.

ARTICLE VI
INSPECTORS

6.01 Appointment and Powers of Inspectors

At any meeting of the Affected Creditors to be held to consider the Proposal, the Affected Creditors may appoint one or more, but not exceeding five, Inspectors whose powers shall include, in addition to the powers conferred to the Inspectors pursuant to the Act:

- (i) advising and directing the Trustee from time to time with respect to any matter that the Trustee may refer to them;
- (ii) advising the Trustee concerning any dispute that may arise as to the validity of claims of the Affected Creditors which the Trustee may refer to them; and
- (iii) considering the Litigation Claims and determining what Litigation Claims, if any, are to be pursued and, in consultation with the Trustee, overseeing and administering any such Litigation Claims, including, without limitation, the following:
 - (A) commencing or continuing any litigation, action, application or other proceeding or any step in connection therewith;
 - (B) retaining any counsel, advisor or professional in connection with the litigation, action, application or proceeding commenced or contemplated, and to instruct such counsel, advisors or professionals;
 - (C) determining the amount of funds that are reasonably required to pursue any step, litigation, action, application or proceeding, including any fees or costs payable to counsel, advisors or professionals in respect thereof, and providing directions to the trustee to retain such funds from the Proposal Fund, if and when such funds become available, for the Litigation Fund;
 - (D) authorizing any settlement, resolution, discontinuance or dismissal of any litigation, action, step or proceeding, whether commenced prior to or after the implementation of this Proposal, in respect of Litigation Claims; and

- (iv) directing the Trustee concerning any matter raised with the Inspectors by the Trustee related to the New Share Purchase Agreement and the Transactions contemplated thereby.

6.02 Referral of Decisions of Inspectors to the Court

Any decision, direction or act of the Inspectors may be referred to the Court by the Trustee and the Court may confirm, reverse or modify the decision, direction or act and make such order as it thinks just.

6.03 Directions to Debtor and Trustee

The Trustee shall be entitled to rely upon the decision of a majority in number of the Inspectors with respect to any direction, including, without limitation, in respect of any matter in relation to the Litigation Claims, and neither the Debtor nor the Trustee nor their respective legal counsel shall have any liability for acting in accordance with the decision of the Inspectors in respect thereof.

6.04 Discharge of Inspectors

The authority and term of office of the Inspectors shall terminate upon the discharge of the Trustee.

ARTICLE VII REORGANIZATION

7.01 Reorganization

In order to realize value for Affected Creditors from the remaining property of the Debtor in accordance with the New Share Purchase Agreement, on the Court Approval Date, the Debtor will concurrently seek an Order of the Court to approve and effect the Reorganization in order to, *inter alia*:

- (a) Create the New Shares; and
- (b) cancel all of the issued and outstanding Old Equity in the capital of the Debtor,

all as more particularly set out in the Articles of Reorganization. Holders of Old Equity will not be entitled to any payment or compensation with respect to the cancellation of the Old Equity.

7.02 Coordinated Restructuring, Reorganization and Proposal

This Proposal contemplates a coordinated reorganization of the Debtor together with a compromise of Affected Claims against the Debtor. Therefore all of the actions, documents, agreements and funding necessary to implement each of the Reorganization and this Proposal must be in place and be final and irrevocable on or prior to the Effective Date.

ARTICLE VIII
AMENDMENT TO THE PROPOSAL

8.01 Amendment, Modification or Restatement of Proposal

This Proposal and any term hereof may be amended, modified or restated by the Debtor, including, without limitation, to the extent necessary to give effect to or facilitate the New Share Purchase Agreement and the transactions contemplated therein, or by the Affected Creditors with the consent of the Debtor, at or prior to the meeting of Creditors called to consider the same or at or prior to any adjournment thereof or, if made after the meeting of Creditors, any such amendment, restatement or modification may be made unilaterally by the Debtor if, in the opinion of the Debtor and the Trustee, it concerns a matter which is administrative in nature and required to better give effect to the implementation of the Proposal and the Reorganization or to cure any errors, omissions or ambiguities and is not materially adverse to the financial or economic interests of the Affected Creditors, or with the approval of the Court in any other case.

ARTICLE IX
EFFECT OF PROPOSAL

9.01 Binding Effect of Proposal

On the Effective Date, the Proposal shall be implemented by the Debtor and shall be fully effective and binding on the Debtor and all Persons affected by the Proposal. Without limitation, the treatment of Claims under the Proposal shall be final and binding on the Debtor, the Affected Creditors and all Persons affected by the Proposal and their respective heirs, executors, administrators, legal representatives, successors and assigns. For greater certainty, this Proposal shall not affect the Unaffected Creditors.

9.02 Amendments to Agreements and Paramountcy of Proposal

Notwithstanding the terms and conditions of all agreements or other arrangements with Affected Creditors entered into before the Filing Date, for so long as an event of default under this Proposal has not occurred, all such agreements or other arrangements will be deemed to be amended to the extent necessary to give effect to all the terms and conditions of this Proposal. In the event of any conflict or inconsistency between the terms of such agreements or arrangements and the terms of this Proposal, the terms of this Proposal will govern and be paramount.

9.03 Deemed Consents and Authorizations of Affected Creditors

Upon approval of this Proposal by Affected Creditors and the Court in accordance with the Act, all Affected Creditors will be deemed to have given such consents and authorizations and to have taken such steps as are necessary to give effect to the terms of this Proposal.

ARTICLE X
SUPERINTENDENT'S LEVY AND ADMINISTRATIVE FEES AND EXPENSES

10.01 Superintendent's Levy

All monies payable under the Proposal shall be paid by the Debtor to the Trustee and notwithstanding any other provision hereof, all payments or distributions made by the Trustee in respect of Affected Claims pursuant to the terms hereof shall be made net of the Superintendent's Levy required to be paid pursuant to Sections 147 and 60(4) of the Act.

10.02 Administrative Fees and Expenses

Administrative Fees and Expenses will be paid from the Proposal Fund in priority to all Claims of Preferred Creditors and Affected Creditors, claims pursuant to Section 4.03, payments to the Litigation Fund, and all other Claims of any Person.

ARTICLE XI
RELEASE OF CLAIMS

11.01 Proposal Releases

Upon the implementation of this Proposal on the Effective Date, the following Persons (being herein referred to individually as a "**Released Party**"): (i) the Debtor, its Affiliates and their respective various legal counsel; (ii) RSM Richter Inc., in all capacities, and its legal counsel; (iii) present and former directors and officers of the Debtor and its Affiliates in such capacities; (iv) the current legal counsel of the directors and officers of the Debtor; and (v) any Person claimed to be liable derivatively through any or all of the foregoing Persons; shall be released and discharged from any and all demands, claims, actions, causes of action, counterclaims, suits, debts, sums of money, accounts, covenants, damages, judgments, expenses, executions, liens and other recoveries on account of any liability, obligation, demand or cause of action of whatever nature which any Person may be entitled to assert, including, without limitation, any and all Claims in respect of statutory liabilities of present and former directors, officers and employees of any of the Related Entities, and any alleged fiduciary or other duty, whether known or unknown, matured or unmatured, foreseen or unforeseen, existing or hereafter arising, based in whole or in part on any act or omission, transaction, duty, responsibility, indebtedness, liability, obligation, dealing or other occurrence existing or taking place on or prior to the Effective Date in any way relating to, arising out of or in connection with Claims, the business and affairs of the Debtor and its Affiliates, this Proposal and the Reorganization to the full extent permitted by law, and all claims arising out of such actions or omissions shall be forever waived and released (other than the right to enforce the Debtor's obligations under the Proposal or any related document), provided that nothing herein:

- (a) shall release or discharge a Released Party from or in respect of its obligations under this Proposal;
- (b) shall affect the right of any Person:

- (i) to recover indemnity from any insurance coverage under which that Person is an insured, or
- (ii) to obtain recovery on a Claim against a Released Party from any insurer that has provided insurance coverage pursuant to which that Released Party is an insured Person, but, for certainty, any Claim to which an insurer is or would otherwise be subrogated is released hereunder such that the insurer shall not have any Claim against a Released Party, and the recovery to which such Person shall be entitled shall be limited to the proceeds of insurance actually paid by the insurer with respect to the Claim;
- (c) shall release or discharge present or former directors of any of the Related Entities with respect to matters set out in section 50(14) of the Act;
- (d) shall release or discharge RIMI or Retrocom REIT or any of their present or former directors or officers, in such capacity; or
- (e) shall release any Claim that the Debtor has or may have against any of its Affiliates.

11.02 Extinguishment of Claims

As and from the Effective Date, the treatment of Affected Claims under this Proposal shall be final and binding on all Persons affected by this Proposal (and their respective heirs, executors, administrators, legal personal representatives, successors and assigns) and, upon implementation of this Proposal on the Effective Date, all Affected Claims shall be forever discharged and released, excepting only the obligations to make distributions in respect of such Affected Claims in the manner and to the extent provided for in this Proposal.

ARTICLE XII

TRUSTEE, CERTIFICATE OF COMPLETION AND DISCHARGE OF TRUSTEE

12.01 Proposal Trustee

RSM Richter Inc., shall be the Trustee pursuant to this Proposal. The Trustee is acting in its capacity as Trustee under this Proposal, and not in its personal capacity and shall not incur any liabilities or obligations in connection with this Proposal or in respect of the business, liabilities or obligations of the Debtor, whether existing as at the Filing Date or incurred subsequent thereto.

12.02 Discharge of Trustee

Upon completion of the distribution of the Proposal Fund by the Trustee in accordance with this Proposal, this Proposal shall be satisfied and all conditions and requirements fulfilled and met and the Trustee shall be entitled to be discharged.

ARTICLE XIII
GENERAL

13.01 Construction

In this Proposal, unless otherwise expressly stated or the context otherwise requires:

- (a) the division of the Proposal into Articles and Sections and the use of headings are for convenience of reference only and do not affect the construction or interpretation of the Proposal;
- (b) the words "hereunder", "hereof" and similar expressions refer to the Proposal and not to any particular Article or Section and references to "Articles" or "Sections" are to Articles and Sections of the Proposal;
- (c) words importing the singular include the plural and vice versa and words importing any gender include all genders;
- (d) the word "including" means "including without limiting the generality of the foregoing";
- (e) a reference to any statute is to that statute as now enacted or as the statute may from time to time be amended, re-enacted or replaced and includes any regulation made thereunder;
- (f) references to dollar amounts are to Canadian dollars unless otherwise specified; and
- (g) references to times are to local time in Toronto, Ontario.

13.02 Valuation

For purposes of proofs of claim, voting and distribution, all Claims shall be valued as at the Filing Date.

13.03 Successors and Assigns

The Proposal shall be binding on and shall enure to the benefit of the heirs, administrators, executors, legal personal representatives, successors and assigns of each Affected Creditor and each and every other person named in or subject to the Proposal.

13.04 Governing Law

The Proposal shall be governed by and construed in accordance with the laws of Ontario and the federal laws of Canada applicable therein. Any disputes as to the interpretation or application of the Proposal and all proceedings taken in connection with the Proposal shall be subject to the exclusive jurisdiction of the Court.

Dated at Toronto, this 30th day of January, 2007.

RETROCOM GROWTH FUND INC.

Per: _____



Name: JOE FASHION

Title: SIGNING OFFICER

SCHEDULE "A"



Industry Canada Industrie Canada
Canada Business Corporations Act Loi canadienne sur les sociétés par actions

FORM 14 ARTICLES OF REORGANIZATION (SECTION 191)

FORMULAIRE 14 CLAUSES DE RÉORGANISATION (ARTICLE 191)

1 -- Name of Corporation - Dénomination sociale de la société RETROCOM GROWTH FUND INC.	2 -- Corporation No. - N° de la société 3751112
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3 -- In accordance with the order for reorganization, the articles of Incorporation are amended as follows: Conformément à l'ordonnance de réorganisation, les statuts constitutifs sont modifiés comme suit :

- A. To create an unlimited number of a new class of shares, designated as ordinary shares, with the rights, privileges, restrictions and conditions attaching thereto as set forth in Schedule "A" hereto;
- B. Effective following the issuance of no less than one (1) ordinary share, to cancel all issued Class A Series I Shares, Class A Series II Shares, Class A Series III Shares, Class A Series IV Shares, Class B Shares, Class C Series 1 Shares, Class C Series 2 Shares, Class C Series 3 Shares, Class C Series 4 Shares, Class C Series 5 Shares, Class C Series 6 Shares, Class C Series 7 Shares, Class C Series 8 Shares, Class C Series 9 Shares, Class C Series 10 Shares and Class C Series 11 Shares.
- C. Effective following the issuance of no less than one (1) ordinary share, to remove from the Corporation's capital the Class A Series I Shares, Class A Series II Shares, Class A Series III Shares, Class A Series IV Shares, Class B Shares, Class C Series 1 Shares, Class C Series 2 Shares, Class C Series 3 Shares, Class C Series 4 Shares, Class C Series 5 Shares, Class C Series 6 Shares, Class C Series 7 Shares, Class C Series 8 Shares, Class C Series 9 Shares, Class C Series 10 Shares and Class C Series 11 Shares, and all rights, privileges, restrictions and conditions attaching thereto;
- D. To cancel all issued and outstanding warrants, options and agreements or other rights granted by the Corporation to purchase Class A Series I Shares, Class A Series II Shares, Class A Series III Shares, Class A Series IV Shares, Class B Shares, Class C Series 1 Shares, Class C Series 2 Shares, Class C Series 3 Shares, Class C Series 4 Shares, Class C Series 5 Shares, Class C Series 6 Shares, Class C Series 7 Shares, Class C Series 8 Shares, Class C Series 9 Shares, Class C Series 10 Shares and Class C Series 11 Shares, whether vested or not; and
- E. To declare that the capital of the Corporation after giving effect to the foregoing consists of an unlimited number of ordinary shares with the rights, privileges, restrictions and conditions attaching thereto as set for in Schedule "A".

Signature	Printed Name - Nom en lettres mouillées	4 -- Capacity of - En qualité de	5 -- Tel. No. - N° de tél.
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FOR DEPARTMENTAL USE ONLY - À L'USAGE DU MINISTÈRE SEULEMENT
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SCHEDULE "A"
ORDINARY SHARES

Voting Rights

Each holder of ordinary shares shall be entitled to receive notice of and to attend all meetings of shareholders of the Corporation and to vote thereat, except meetings at which only holders of a specified class of shares (other than the ordinary shares) or specified series of shares are entitled to vote. At all meetings of which notice must be given to the holders of the ordinary shares, each holder of ordinary shares shall be entitled to one vote in respect of each ordinary share held by such holder.

Dividends

The holders of the ordinary shares shall be entitled, subject to the rights, privileges, restrictions and conditions attaching to any other class of shares of the Corporation, to receive any dividend declared by the Corporation.

Liquidation, Dissolution or Winding-up

The holders of the ordinary shares shall be entitled, subject to the rights, privileges, restrictions and conditions attaching to any other class of shares of the Corporation, to receive the remaining property of the Corporation on a liquidation, dissolution or winding-up of the Corporation, whether voluntary or involuntary.

Court File No. 31-452496

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

THE HONOURABLE *MR.*) FRIDAY, THE 13TH DAY
JUSTICE LEDERMAN)
) OF OCTOBER, 2006



**IN THE MATTER OF THE PROPOSAL OF
RETROCOM GROWTH FUND INC. PURSUANT
TO THE BANKRUPTCY AND INSOLVENCY ACT (CANADA)**

ORDER
(Extension of Time to File Proposal and Appointment of Interim Receiver)

THIS MOTION made by Retrocom Growth Fund Inc. ("Retrocom") for an order substantially in the form as appended to the motion record herein was heard on this day at 393 University Avenue, Toronto, Ontario.

ON READING the Notice of Motion, the affidavit of Robert R. Blakely (sworn October 10, 2006) and exhibits thereto, and upon hearing the submissions of counsel for Retrocom and counsel for RSM Richter Inc.:

1. THIS COURT ORDERS THAT the time for service of the notice of motion is hereby abridged.
2. THIS COURT ORDERS THAT the time by which Retrocom may file a proposal to its creditors is hereby extended by 45 days from its previous expiry date of October 16, 2006 to December 1, 2006.

3. THIS COURT ORDERS THAT RSM Richter Inc. is hereby appointed as interim receiver (the "Interim Receiver") of Retrocom, in addition to its role as proposal trustee pursuant to the *Bankruptcy and Insolvency Act* (Canada), for the limited purpose of supervising and controlling Retrocom's receipts and disbursements, books, records and documents, and proceeds of sale from Retrocom's properties and other assets, and associated matters thereto. Retrocom's receipts, its books, records, and documents, and the proceeds of sale from Retrocom's properties and other assets are herein defined as the "Property".

DUTY TO PROVIDE ACCESS AND CO-OPERATION TO THE INTERIM RECEIVER

4. THIS COURT ORDERS THAT (i) Retrocom, (ii) all of its current and former directors, officers, employees, agents, accountants, legal counsel and shareholders, and all other persons acting on its instructions or behalf, and (iii) all other individuals, firms, corporations, governmental bodies or agencies, or other entities having notice of this Order (all of the foregoing, collectively, being "Persons" and each being a "Person") shall forthwith advise the Interim Receiver of the existence of any Property in such Person's possession or control, shall grant immediate and continued access to the Property to the Interim Receiver, and shall deliver all such Property to the Interim Receiver upon the Interim Receiver's request.

5. THIS COURT ORDERS THAT all Persons shall forthwith advise the Interim Receiver of the existence of any books, documents, securities, contracts, orders, corporate and accounting records, and any other papers, records and information of any kind related to the business or affairs of Retrocom, and any computer programs, computer tapes, computer disks, or other data storage media containing any such information (the foregoing, collectively, the "Records") in that Person's possession or control, and shall grant possession of such original Records to the

Interim Receiver and grant to the Interim Receiver unfettered access to and use of accounting, computer, software and physical facilities relating thereto, provided however that nothing in this paragraph 5 or in paragraph 6 of this Order shall require the delivery of Records, or the granting of access to Records, which may not be disclosed or provided to the Interim Receiver due to the privilege attaching to solicitor-client communication or due to statutory provisions prohibiting such disclosure.

6. THIS COURT ORDERS THAT if any Records are stored or otherwise contained on a computer or other electronic system of information storage, whether by independent service provider or otherwise, all Persons in possession or control of such Records shall forthwith give unfettered access to the Interim Receiver for the purpose of allowing the Interim Receiver to recover and fully copy all of the information contained therein whether by way of printing the information onto paper or making copies of computer disks or such other manner of retrieving and copying the information as the Interim Receiver in its discretion deems expedient, and shall not alter, erase or destroy any Records without the prior written consent of the Interim Receiver. Further, for the purposes of this paragraph, all Persons shall provide the Interim Receiver with all such assistance in gaining immediate access to the information in the Records as the Interim Receiver may in its discretion require including providing the Interim Receiver with instructions on the use of any computer or other system and providing the Interim Receiver with any and all access codes, account names and account numbers that may be required to gain access to the information.

NO PROCEEDINGS AGAINST THE INTERIM RECEIVER

7. THIS COURT ORDERS THAT no proceeding or enforcement process in any court or tribunal (each, a "Proceeding"), shall be commenced or continued against the Interim Receiver except with the written consent of the Interim Receiver or with leave of this Court.

INTERIM RECEIVER TO HOLD FUNDS

8. THIS COURT ORDERS THAT all funds, monies, cheques, instruments, and other forms of payments received or collected by the Interim Receiver from and after the making of this Order from any source whatsoever, shall be deposited into one or more new accounts to be opened by the Interim Receiver (the "Post Interim Receivership Accounts") and the monies standing to the credit of such Post Interim Receivership Accounts from time to time, net of any disbursements provided for herein, shall be held by the Interim Receiver to be paid in accordance with the terms of this Order or any further Order of this Court.

LIMITATION ON THE INTERIM RECEIVER'S LIABILITY

9. THIS COURT ORDERS THAT the Interim Receiver shall incur no liability or obligation as a result of its appointment or the carrying out the provisions of this Order, save and except for any gross negligence or wilful misconduct on its part. Nothing in this Order shall derogate from the protections afforded the Interim Receiver by section 14.06 of the *Bankruptcy and Insolvency Act* (Canada), or by any other applicable legislation.

INTERIM RECEIVER TO ENGAGE CONTRACTORS AND PERSONS

10. THIS COURT ORDERS THAT the Interim Receiver is hereby expressly empowered and authorized to engage such contractors and other persons from time to time and on whatever basis, including on a temporary basis, to assist with the exercise of the powers and duties conferred by this Order.

INTERIM RECEIVER'S ACCOUNTS

11. THIS COURT ORDER THAT any expenditure or liability which shall properly be made or incurred by the Interim Receiver, including the fees and disbursements of the Interim Receiver and the fees and disbursements of its legal counsel, incurred at the standard rates and charges of the Interim Receiver and its counsel, shall be allowed to it in passing its accounts and shall form a charge on the Property (the "Interim Receiver's Charge").

12. THIS COURT ORDERS THAT the Interim Receiver and its legal counsel shall pass their accounts from time to time, and for this purpose the accounts of the Interim Receiver and its legal counsel are hereby referred to a judge of the Commercial List of the Ontario Superior Court of Justice.

13. THIS COURT ORDERS THAT prior to the passing of its accounts, the Interim Receiver shall be at liberty from time to time to apply reasonable amounts, out of the monies in its hands, against its fees and disbursements, including legal fees and disbursements, and against the fees and disbursements of counsel for Retrocom, provided that with respect to payments made to the Interim Receiver or its counsel, such amounts shall constitute advances against the remuneration and disbursements of the Interim Receiver when and as approved by this Court.

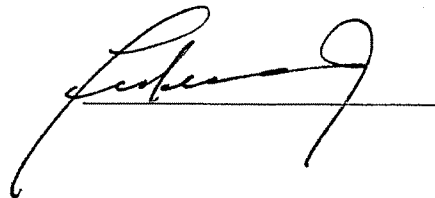
GENERAL

14. THIS COURT ORDERS THAT the Interim Receiver may from time to time apply to this Court for advice and directions in the discharge of its powers and duties hereunder.
15. THIS COURT ORDERS THAT nothing in this Order shall prevent the Interim Receiver from acting as a trustee in bankruptcy of Retrocom.
16. THIS COURT HEREBY REQUESTS the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or in the United States to give effect to this Order and to assist the Interim Receiver and its agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Interim Receiver, as an officer of this Court, as may be necessary or desirable to give effect to this Order or to assist the Interim Receiver and its agents in carrying out the terms of this Order.
17. THIS COURT ORDERS THAT the Interim Receiver be at liberty and is hereby authorized and empowered to apply to any court, tribunal, regulatory or administrative body, wherever located, for the recognition of this Order and for assistance in carrying out the terms of this Order.
18. THIS COURT ORDERS THAT any interested party may apply to this Court to vary or amend this Order on not less than seven (7) days' notice to the Interim Receiver and to any other party likely to be affected by the order sought or upon such other notice, if any, as this Court may order.

ENTERED AT / INSCRIT À TORONTO
 ON / BOOK NO:
 LE / DANS LE REGISTRE NO.:

OCT 13 2006

AS DOCUMENT NO.:
 À TITRE DE DOCUMENT NO.:
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IN THE MATTER OF THE PROPOSAL OF RETROCOM GROWTH FUND INC. PURSUANT TO THE *BANKRUPTCY AND INSOLVENCY ACT*
(CANADA)

Court File No. 31-452496

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

ORDER
(Extension of Time to File Proposal and
Appointment of Interim Receiver)

BENNETT JONES LLP
Suite 3400, P.O. Box 130
One First Canadian Place
Toronto, Ontario
M5X 1A4
Fax: (416) 863-1716

S. Richard Orzy (LSUC #23181I)
(416) 777-5737
orzyr@bennettjones.ca

Robyn Ryan Bell (LSUC #28345F)
(416) 777-4874
ryanbellr@bennettjones.ca

Intentionally Omitted

Intentionally Omitted

INVITATION FOR OFFER TO PURCHASE

RETROCOM GROWTH FUND INC.

NOVEMBER 2, 2006

RETROCOM GROWTH FUND INC.

TO PARTIES INTERESTED IN THE TAX LOSSES OF RETROCOM GROWTH FUND INC.

1. INTRODUCTION

On August 1, 2006, RSM Richter Inc. ("Richter") was named Proposal Trustee of Retrocom Growth Fund Inc. ("RGF" or the "Company") pursuant to the Company's Notice of Intention to make a Proposal under the *Bankruptcy and Insolvency Act*. On October 13, 2006, Richter was appointed Interim Receiver of RGF pursuant to an order of the Ontario Superior Court of Justice (the "Court").

This communication is intended to provide interested parties with directions regarding offers to be submitted to acquire Retrocom Growth Fund Inc. for the purposes of utilizing its taxation losses. It is anticipated that a purchase of the Company would be in conjunction with a successful proposal to creditors pursuant to the Company's filing of a Notice of Intention to Make a Proposal to Creditors on August 1, 2006.

2. RESTRICTIONS

The enclosed information is solely for the convenience of prospective purchasers. The information herein has been derived from the books and records of the Company and from discussions with management. The recipient of this information shall be deemed to have relied on his/her own judgement, inspection and investigation. Richter shall not be held liable for any incorrect description, default, defects or condition of the information contained herein. No warranty is provided by Richter as to merchantability, quality or any other matter related to the assets.

3. COMPANY BACKGROUND

The Company was established to invest in small and medium-sized companies involved in innovative building technologies and construction and real estate development. The Company is amalgamated under the laws of Canada and is registered as a labour sponsored investment fund corporation under the *Community Small Business Investment Funds Act* (Ontario) and as a labour-sponsored venture capital corporation under the *Income Tax Act* (Canada), and is a prescribed labour-sponsored venture capital corporation by regulation under the *New Brunswick Income Tax Act*.

In lieu of hiring its own employees, the Company has relied on third parties to manage its affairs. As such, the Company previously entered into a management agreement with Retrocom Investment Management Inc. (the “Manager” or “RIMI”), under which the Manager was engaged to manage the Company and to provide, among other things, investment and project advisory services and monitoring and promotional services to the Company.

4. TAXATION LOSSES

During the time immediately preceding the Notice of Intention filing and since that time, RIMI has complied, and provided to Richter, an analysis of RGF’s tax losses which is attached as Appendix “A”. The analysis shows that RGF has approximately \$63,026,000 in accumulated non-capital tax losses with expiry dates ranging from 2010 to 2014 as detailed in Appendix “A”.

5. DUE DILLIGENCE

Parties wishing to conduct further due diligence on the Company and the applicability of the taxation losses are required to execute a confidentiality agreement (“CA”). Upon completion and return of the CA, an appointment will be arranged at the Company’s data room.

6. SUBMISSION OF OFFERS

Retrocom Growth Fund Inc. has requested that any parties interested in making an Offer to Purchase the Company for purposes of utilizing its taxation losses to do so in writing no later than 1:00pm (EST) on Tuesday November 21, 2006. Offers should be marked “Offer to purchase Retrocom Growth Fund Inc. - do not open until 1:00pm EST November 21, 2006”. Offers should be submitted to the following address:

RSM Richter Inc.,
Proposal Trustee and Interim Receiver of Retrocom Growth Fund Inc.
200 King St. W., Suite 1100,
Toronto, ON M5H 3T4
Attention: Daniel Sobel

Parties interested in obtaining more information regarding the taxation losses should contact Mr. Daniel Sobel of Richter at (416) 932-8300 x.6404.

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

Retrocom Growth Fund Inc.
Summary of Tax Losses
25-Aug-06
Unaudited
(000's)

Appendix "A"

Investment	Status	Estimated Proceeds	Prior Debt	Estimated Net Proceeds	Estimated Tax Loss (non-capital)
Dundurn Street Lofts	Offer received, not executed	\$ 1,250	\$ (650)	\$ 600	\$ 960
Finchwood Plaza	Third party receiver	11,500	(9,000)	2,500	2,743
Leading Edge Medical	Write-off	0	0	0	25
Midland	Sold, not closed	1,900	(1,800)	100	7,267
Cambridge	Sold and closed	3,595	(3,595)	0	3,920
Cornwall		0	0	0	3,347
Cornwall II	Offer of \$2 million subject to due diligence	2,000	(1,250)	750	2,319
Ice Gardens at York University	Sold, proceeds in dispute	11,200	(11,200)	0	6,610
PrimeTime Bowl	To be sold with building Laurentian Lanes	0	0	0	559
Commerce Capital Mortgage	Full recovery expected	343	0	343	0
Laurentian Centre	Default judgment	2,000	(3,600)	(1,600)	3,016
Lauridon Sports Management	Write-off	0	0	0	4,935
Sarnia Sports Entertainment	In LSMI	0	0	0	752
Town of Whitby,	In LSMI	0	0	0	100
Norman James		5		5	695
N.A.S.S.A.	In LSMI	0	0	0	100
World Pitch & Putt	In LSMI	0	0	0	1,426
Ozz Corporation	Full recovery expected	150		150	100
Rushview Holdings Inc.	Sold, not closed	2,800	(1,545)	1,255	3,838
Retrocom REIT		2,010	(905)	1,105	1,895
Land Chilliwack		400		400	200
Land Smithers		450		450	343
Estevan Mall	Sold, received proceeds	500		500	1,894
Sahali Mall	Sold, received proceeds			0	2,141
Maple Park - Mall	Sold, received proceeds			0	2,512
		\$ 40,103	\$ (33,545)	\$ 6,558	\$ 51,697

Accumulated non-capital tax losses (As at February, 2004)	13,554
Estimated non-capital tax losses (year ended February, 2005)	3,199
Estimated non-capital tax losses (6 months ended August, 2005)	3,473
Realized (gain) loss on sale of investments (year ended August, 2004)	(13,199)
Realized (gain) loss on sale of investments (year ended August, 2005)	4,302
Total Tax Losses	<u>\$ 63,026</u>

Schedule of expiry of non-capital losses:

2010	355
2012	7,501
2013	3,473
2014	51,697
	<u>\$ 63,026</u>

The above information is provided solely for the convenience of prospective purchasers. The information herein has been derived from the books and records of the Company and from discussions with management. The recipient of this information shall be deemed to have relied on his/her own judgement, inspection and investigation. Richter shall not be held liable for any incorrect description, default, defects or condition of the information contained above. No warranty is provided by Richter as to merchantability, quality or any other matter related to the assets or taxation losses.

Sobel, Daniel

From: S. Richard Orzy [ORZYR@bennettjones.ca]
Sent: December 14, 2006 4:56 PM
To: S. Richard Orzy
Cc: Sobel, Daniel
Subject: Retrocom Growth Fund Inc. ("RGFI")

We are writing to you because each of you has expressed an interest in acquiring RGFI and its current tax and other attributes. Some of you have dealt directly with us and others have been dealing primarily with RSM Richter Inc.

We previously spoke of the need to receive letters of intent by December 15. In light of the number of interested parties that have been identified and some delays that were encountered in dealing with getting the necessary information, a decision has been made now to seek to receive letters of intent by **4:00 p.m. on Wednesday, December 20, 2006**. By that time, we would hope to be able to identify with which of the interested parties RGFI wishes to negotiate the terms of a final deal.

Our timing is such that we must have a firm deal at the latest by the end of the first week of January, which will be made all the more difficult by the intervening holidays. Accordingly, we ask that, if it is your intention to submit a letter of intent, it be as specific and unconditional as possible. It would also be preferable to RGFI to receive the letter as soon as possible, rather than waiting until December 20. In RGFI's review of the letters of intent submitted, it will necessarily consider, in addition to overall value proposed (including value ascribed to the assets that are requested to remain in the company), the likelihood that a transaction contemplated by a particular letter of intent can be implemented expeditiously as part of the bankruptcy Proposal process. Accordingly, significant further due diligence periods will be problematic, which was one of the reasons why the possibility of an "earnout" type of structure was raised initially. However, if such a structure is utilized in a particular letter of intent, it should not apply to the value relating to the assets that will remain in the company. That value must be addressed on closing.

If you have any questions about structure (including how we envisage the Proposal and deal process proceeding), please do not hesitate to contact me.

Please submit any and all letters of intent to us as counsel for RGFI, with a copy to Mr. Sobel of RSM Richter Inc (he is copied on this email).

Thank you very much for your cooperation. We look forward to hearing from you as soon as possible, but in any event before 4:00 p.m. next Wednesday.

Yours truly,

Rick Orzy

S. Richard Orzy
Bennett Jones LLP
(416) 777-5737 (phone)

(416) 863-1716 (fax)
(416) 602-5737(cell)

The contents of this message may contain confidential and/or privileged subject matter. If this message has been received in error, please contact the sender and delete all copies. Like other forms of communication, e-mail communications may be vulnerable to interception by unauthorized parties. If you do not wish us to communicate with you by e-mail, please notify us at your earliest convenience. In the absence of such notification, your consent is assumed. Should you choose to allow us to communicate by e-mail, we will not take any additional security measures (such as encryption) unless specifically requested.

September 12, 2007

To: the Unsecured Creditors of Retrocom Growth Fund Inc. ("RGFI" or "Company"):

Re: Proposal to Creditors

The purpose of this letter is to update the unsecured creditors on certain material events relating to the Company.

Termination of Agreement

On July 25, 2007, the creditors in RGFI's Proposal voted to further adjourn the continued meeting of creditors (the "Continued Meeting"). The adjournment was required to permit the prospective purchaser ("Purchaser") of RGFI additional time to complete its due diligence. After completion of its due diligence, the Purchaser requested a significant reduction in the purchase price. RGFI considered the request and decided to terminate its agreement with the Purchaser.

New Negotiations

With the approval of RGFI, we have communicated with one of the other parties who expressed interest in the Company during the sales process that took place in the later part of 2006. This other party has indicated that it is interested in pursuing a transaction to acquire RGFI. Negotiations are currently being conducted in an effort to conclude a sale of the Company, which would present a reasonable prospect of the creditors receiving a meaningful distribution. The good news is that the accounting and tax work has now been completed, suggesting that the due diligence process for this new potential deal should not take too long.

The Continued Meeting has been adjourned to a date no later than September 28, 2007. It is likely that a further adjournment would be required if a Proposal is to be successfully implemented. However, RGFI has indicated that it will not seek a further adjournment unless, by September 25, 2007, there is reason to believe that a new deal will be possible.

Accordingly, please be advised that the Continued Meeting will be reconvened at 11:00 a.m. on September 26, 2007 at the offices of RSM Richter Inc., 200 King St. W., Suite 1100, Toronto, Ontario, at which time it is currently proposed to adjourn the Continued Meeting for a further nine-week period in order to allow the details of this new transaction to be finalized.

It is expected that a motion will be made at the outset of the Continued Meeting in respect of this Proposal, to further adjourn the Continued Meeting to a date to be specified, but not later than November 30, 2007. It is expected that no other business will be conducted at the Continued Meeting, and accordingly you may wish to complete and return the attached Proxy in favour of Mr. R. Orzy of Bennett Jones LLP, counsel to RGFI, rather than attending the Continued Meeting in person. THE PROXY WILL BE VOTED ONLY FOR THE MOTION TO ADJOURN THE CONTINUED MEETING. Alternatively, you may wish to complete the attached Voting Letter. In order for the Proxy or the Voting Letter to be effective,

RSM Richter is an independent member firm of RSM International,
an affiliation of independent accounting and professional firms.

if you have not already done so, you will need to file a completed Proof of Claim form with the Trustee, which is also attached.

Please also note that if RGFI determines that a new transaction (or a transaction with the original purchaser) cannot be completed in a timely manner, RGFI will not request a further adjournment of the Continued Meeting, and there will therefore be no need for a meeting to proceed on September 26, 2007. We will notify you by e-mail if this occurs, and if the meeting is being cancelled.

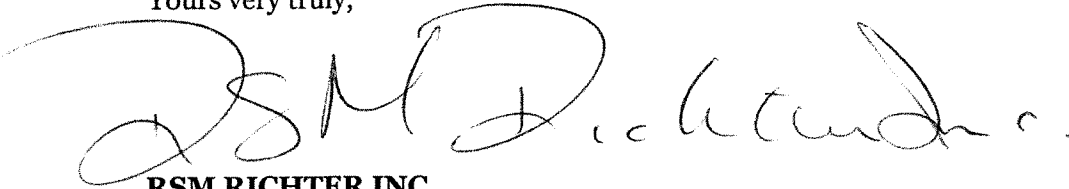
Please also note that, if RGFI does not request an adjournment of the Continued Meeting, it would likely terminate the Proposal process in the near future, and make an assignment into bankruptcy.

Materials Relating to the Proposal

You will find materials relating to the Proposal lodged with the Trustee by RGFI and all of the relevant documents filed with the Court in these proceedings on the Trustee's website at "www.rsmrichter.com".

The Trustee Under Proposal will provide an update to RGFI's creditors as events warrant.

Yours very truly,

A handwritten signature in black ink, appearing to read "RSM Richter Inc.", written in a cursive, flowing style.

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

Estate No.: 31-452496

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

**NOTICE OF CONTINUATION OF THE GENERAL MEETING OF CREDITORS
TO CONSIDER THE PROPOSAL OF RETROCOM GROWTH FUND INC.**

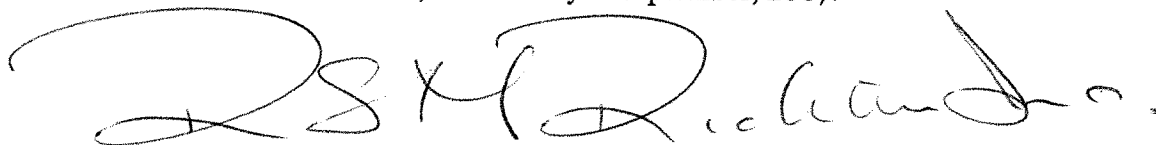
TAKE NOTICE THAT Retrocom Growth Fund Inc. has lodged with the Trustee a proposal under the *Bankruptcy and Insolvency Act*.

A copy of the proposal, a statement of estimated financial position and a list of the creditors affected by the proposal are available on the website of the Trustee Under Proposal at www.rsmrichter.com.

The adjourned first general meeting of the creditors was held on July 25, 2007 and was adjourned at that time (the "Meeting"). The Meeting will be resumed and continued on the 26th day of September, 2007, at the hour of 11:00 a.m., at the offices of the Trustee Under the Proposal, RSM Richter Inc., 200 King Street West, Suite 1100, Toronto, Ontario.

Proofs of claim, proxies and voting letters intended to be used at the meeting must be lodged with the trustee prior thereto.

DATED at Toronto, this 12th day of September, 2007.



RSM RICHTER INC.
TRUSTEE UNDER THE PROPOSAL OF
RETROCOM GROWTH FUND INC.

Estate No.: 31-452496

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

**VOTING LETTER
Bankruptcy and Insolvency Act
(Paragraphs 51(1)(f) and 66.15(3)(c))**

I/We, _____, creditor,
of _____

a creditor in the above matter for the sum of \$_____, hereby
request the trustee acting with respect to the proposal of Retrocom Growth Fund Inc. to
record my vote

PLEASE TICK OFF OR INDICATE YOUR VOTE AS FOLLOWS:

For _____

Against _____

the adjournment of the Continued Meeting of Creditors to no later than November 30, 2007.

DATED at _____, this ____ day of _____, 2007.

(Signature of Witness)

(Signature of individual creditor or person
signing on behalf of corporate creditor)

(Print name and title of person signing on
behalf of creditor)

S. Richard Orzy
Direct Line: 416.777.5737
e-mail: orzyr@bennettjones.ca

September 6, 2007

Via E-mail

Aylesworth LLP
222 Bay Street
18th Floor
Toronto, Ontario
M5K 1H1

Attention: James W. Spence

Dear Sirs:

Re: Retrocom Growth Fund Inc. ("RGFI")

I am writing further to my latest voicemail to you on August 28, 2007.

It has been many months since we met on a number of occasions to discuss concerns raised and allegations made initially by Mr. Jones of your firm. As agreed, we did not reply formally to those concerns and allegations and we both suspended any and all legal proceedings between your client and RGFI for the time being in the hope that, in light of all the circumstances, a mutually satisfactory result could be obtained more efficiently and at far less cost through meetings than through litigation. Of course, the entire question of whether or not there was any value to be had for anyone depended at least in part upon a determination of whether or not the tax losses could be sold for a significant value in accordance with the agreement that had been worked out and discussed at the Creditors' Meetings (the "Pending Agreement").

We recall specifically that you and Mr. Jones were particularly opposed to the Pending Agreement and indicated that RIMI could instead provide a much greater realization for the tax losses than the approximately \$2.1 million expected to be realized from the Pending Agreement, as a result of certain connections you or RIMI had with interested parties. You will recall that RGFI and Richter expressed significant doubt that a better deal was possible, particularly because, prior to RGFI having entered into the Pending Agreement, Richter had conducted a process to determine and seek out interest in the tax losses from potential interested parties. The Pending Agreement was the result of that process and was the most promising potential transaction to emerge from that process. Further, as we noted in our various conversations, there is a huge difference between the monetary

level at which a party might express interest in a tax-loss purchase transaction and the amount that it is prepared to pay once it conducts due diligence. The \$2.1 million figure was the result of an initial round of due diligence and, as you are aware, we have been awaiting the result of the final due diligence in order to finalize that transaction.

Having said all of that, neither Richter nor RGFI had or has any personal stake in pursuing that particular transaction, particularly as delays were encountered with the purchaser. To that end, both we and Richter contacted you on many occasions over the past months trying to elicit from you details of a specific proposal from this unnamed alternative tax loss purchaser. Nevertheless, despite our attempts and those of Richter to pursue that with you, we have had no concrete or useful response.

We have now reached the point at which the potential purchaser has completed its due diligence and has come back to us wanting a significant reduction of the purchase price because, in its view, a very significant portion of the losses that it was counting upon are unusable. Richter, after consultation with RGFI, has informed the purchaser that such a reduction is unacceptable and that RGFI considers itself free to pursue alternative transactions. Richter is now going back to the party that produced the second highest offer for the tax losses from the original process to see whether it is still interested.

All of this means that we are now at virtually the last point at which, if your client truly has someone to bring forward as the purchaser of these tax losses, it should do so immediately and in concrete fashion. The current situation is that there is no binding agreement for the sale of the tax losses and that the only offer currently on the table is considered by the Board of RGFI to be insufficient to merit completing the transaction.

RGFI will not be seeking a further adjournment of the Creditors' Meeting in late September unless it has in its hands a reasonable alternative proposal to bring sufficient funds to the table to make such a transaction worthwhile. If a further adjournment is not sought, RGFI will simply become a bankrupt. That will make the utilization of the tax losses much more difficult, if not impossible, and will substantially reduce any chance of realizing significant value in that regard.

Accordingly, if your client truly has something to bring to the table, the time to do so is now. Both RGFI and the Trustee have spent literally months trying to realize substantial value for the creditors and virtually all of the funds of the estate have been exhausted dealing with the filing of tax returns and other work that was necessary in order to facilitate that deal. Of course, no one could have known going in that there would be utilization problems relative to the tax losses, although that was certainly a concern in light of the fact that tax returns had not been filed for years and that there were all sorts of bookkeeping and delinquent filing issues of which your client is aware.

If it is truly your client's intention to see that the creditors realize real value from RGFI, it will certainly step up with a real proposal from a real purchaser. We are well past the point at which it makes sense for RGFI and RIMI to be engaging in allegations and litigation that cannot result in any significant recovery for either and that will simply produce more and more legal and Trustee's fees.

Aylesworth LLP
September 6, 2007
Page Three

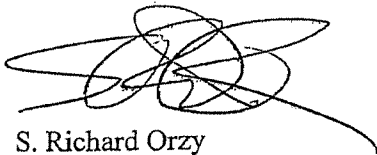
Therefore, I urge you to see whether or not your client in fact has a potential purchaser for these tax losses and to bring that person to the Trustee's attention as soon as possible so that the matter can be pursued immediately. We understand that there is a certain level of mistrust on both sides of this matter. However, we see no reason why, for example, someone from your firm or your client could not be present for any discussions between the Trustee and the potential purchaser, if that would ease any discomfort. We can assure you that neither RGFI nor the Trustee has any intention of doing anything other than determining whether or not a better transaction is possible in order to produce the highest possible realization for the creditors.

I would appreciate hearing from you as soon as possible in this regard.

Thank you very much for your cooperation.

Yours very truly,

BENNETT JONES LLP



S. Richard Orzy

SRO:jeb

c: RGFI Board
Tony Reyes (Ogilvy Renault LLP)
Robert Harlang (RSM Richter Inc.)



December 12, 2007

Richard B. Jones
416-777-4022
rjones@aylaw.com

**SENT VIA EMAIL
ORIGINAL BY MAIL**

Tony Reyes, Esq.
Ogilvy Renault LLP
Barristers & Solicitors
Suite 3800, Royal Bank Plaza, South Tower
200 Bay Street
P.O. Box 84
Toronto, ON M5J 2Z4

Dear Tony:

**Re: Retrocom Growth Fund Inc. Proposal
Our File 12028-3**

We have been advised that the proposed transaction, under which a third party would become the owner of Retrocom Growth Fund Inc. and fund the Proposal, has been terminated. We understand that this was due to the Purchaser's difficulties of realizing upon the discrete non-capital loss carry forwards in the multitude of subsidiaries and investee corporations beneath Retrocom Growth Fund Inc.

It is now clear that the tax loss situation was offered only to persons engaged in the real estate development business, notwithstanding that such persons would only be able to utilize the tax losses in a complex and indirect manner. It is still our view that the non-capital loss carry forwards of Retrocom Growth Fund Inc. itself are losses incurred in the operation of its venture investment business and that such losses might be utilizable by persons engaged in that business.

Now that the debtor and the proposal trustee are relieved of their obligations under the previous agreement, Jamie Spence and I would like to meet with you and Bob Harlang to review again the state of this insolvency and possible approaches that could maximize the recovery for unsecured creditors. We also have become aware of other assets that may be accessible to Retrocom Growth Fund Inc. There appear to have been overlooked by incumbent management.

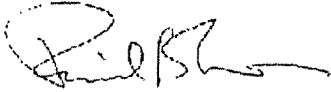
CLIENT FOCUSED - SINCE 1861
P.O. Box 124, 18th Floor, 222 Bay Street, Toronto, Ontario M5K 1H1
Tel: 416-777-0101 Fax: 416-865-1398 Web: www.aylesworth.com





We would like to address all of these matters with you and look forward to hearing from you to arrange such a meeting.

Yours very truly,



Richard B. Jones
Counsel, Head of the Insolvency and Restructuring Practice Group

RBJ/mw

cc: *(by email)*
James W. Spence, Esq.

W:\Retrocom Investment Management - 12028\0003 - Retrocom Growth Fund Inc. Proposal\Letter\Reyes eltr Dec 12-07.doc

**OGILVY
RENAULT**

LLP / S.E.N.C.R.L., s.r.l.

Direct Dial: (416) 216-4825
Direct Fax: (416) 216-3930
trcyes@ogilvyrenault.com

SENT BY E-MAIL

Toronto, December 13, 2007

Richard B. Jones
Aylesworth LLP
P.O. Box 124
18th Floor
222 Bay Street
Toronto, Ontario M5K 1H1

Dear Mr. Jones:

RE: Retrocom Growth Fund Inc. ("Retrocom")

I received your letter dated December 12, 2007.

In that letter, you noted correctly that the first proposed tax loss transaction had been terminated, as Mr. Orzy advised in early September. In a letter to you at that time, dated September 6, 2007, Mr. Orzy also noted that it was Retrocom's and Richter's intention to go back to the party that had submitted the second highest offer in the original process, to see if it was still interested in a transaction. Mr. Orzy asked for a response from you, if you or your client had any viable alternative to discuss. So far as I am aware, Mr. Orzy did not receive any response from you.

As well, in its notice to creditors of Retrocom dated September 12, 2007, RSM Richter Inc. as Proposal Trustee advised that it had communicated with the other party (the second-highest bidder), and that negotiations were being conducted with that party. A copy of this notice was provided to your firm.

You will also recall that I sent e-mails to you in July and August, asking for details and/or contact information for the mutual funds that you and Mr. Spence had previously approached. We did not hear back from you.

Barristers & Solicitors,
Patent Agents & Trade-mark Agents

Suite 3800
Royal Bank Plaza, South Tower
200 Bay Street
P.O. Box 84
Toronto, Ontario M5J 2Z4
Canada

Telephone (416) 216-4000
Fax (416) 216-3930

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DOCSTOR: 139436412

Toronto • Montréal • Ottawa • Québec • London


Accordingly, as was indicated in Mr. Orzy's letter and Richter's notice to creditors, negotiations have been ongoing with the second-highest bidder in the original process, and it is our understanding that a transaction with that bidder is now in its final stages, in terms of a negotiated agreement and initial due diligence. This transaction is being handled by Bennett Jones LLP, counsel for Retrocom.

Your December 12th letter indicates that you would like to meet with Mr. Harlang and me to discuss "possible approaches that could maximize the recovery for unsecured creditors". As the above indicates, your request for a general discussion of this nature is not timely, since Retrocom is very far down the road that it indicated it was going to take in early September. For this reason, I am not sure that such a general discussion would be fruitful or appropriate at this time.

However, your letter also indicated that you "have become aware of other assets that may be accessible to Retrocom", and which "appear to have been overlooked by incumbent management". This is of course of interest to us, and we would appreciate some details with respect to these assets.

If a meeting is the best way to exchange information, Mr. Harlang and I are happy to meet in our offices or yours. Please advise what dates and times work best for you and Mr. Spence.

Yours very truly,

A handwritten signature in cursive script, appearing to read "Tony Reyes".

Tony Reyes

JAR/mmcg

cc: Robert Harlang, RSM Richter Inc.

BANKRUPTCY AND INSOLVENCY ACT **PROOF OF CLAIM FORM**

Subsections 50.1(1) and 65.2(4), Paragraphs 51(1)(e) and 66.14(b), Subsections 81.2(1), 102(2), 124(2) and 128(1) of the Act

Provide the complete address, including postal code, to which any notice or correspondence is to be forwarded.

All notices or correspondence regarding this claim are to be forwarded to the following address: Aylesworth LLP, P.O. Box 124, 18th Floor, 222 Bay Street, Toronto, Ontario, M5K 1H1 Attention: Eric Kay

IN THE MATTER OF THE PROPOSAL OF

Retrocom Growth Fund Inc., ("Retrocom")

(NAME OF DEBTOR)

of Toronto, Ontario

(CITY & PROVINCE)

and the claim of Retrocom Investment Management

Inc. ("RIMI")

(NAME OF CREDITOR)

I, Edward Holko, residing in the City of Burlington in the Province of Ontario

Ensure you attach a Schedule "A" consisting of relevant documents. The amount on Schedule "A" must correspond with the amount on your Proof of Claim.

DO HEREBY CERTIFY THAT:

1. I am Vice President Finance and Administration of RIMI

(POSITION OR TITLE)

(NAME OF CREDITOR)

2. I have knowledge of all circumstances connected with the claim referred to below.

3. The debtor was, at the date of the bankruptcy (or the date of the receivership or, in the case of a proposal, the date of the notice of intention or of the proposal if no notice of intention was filed), namely the 1st day of August 2006, and still is indebted to the above-named creditor in the sum of \$ _____ as specified in the affidavit or solemn declaration) attached and marked Schedule "A" after deducting any counterclaims to which the debtor is entitled. (The attached statement of account or affidavit or solemn declaration must specify the vouchers or other evidence in support of the claim.)

4. Complete appropriate category:

A. UNSECURED CLAIM of \$986,379.41

That in respect of this debt, I do not hold any assets of the debtor as security and:

☐ Regarding the amount of \$ _____ I do not claim a right to a priority.

☒ Regarding the amount of \$ _____ I claim a right to a priority under Section 136 of the Act.

B. CLAIM OF LANDLORD FOR DISCLAIMER OF A LEASE of \$ _____

That I hereby make a claim under Subsection 65.2(4) of the Act, particulars of which are as follows: (Attach full particulars of the claim, including calculations upon which the claim is based.)

C. SECURED CLAIM of \$ \$36,566.98

That in respect of this debt, I hold assets of the debtor valued at \$ _____ as security, particulars of which are _____ as follows: Claim for lien on all property of Retrocom in possession of RIMI, for storage costs pursuant to Repair and Storage Lien Act (Ontario).

D. CLAIM BY FARMER, FISHERMAN or AQUACULTURIST of \$ _____

That I hereby make a claim under Subsection 81.2(1) of the Act for the unpaid amount of \$ _____ (Attach a copy of the sales agreement and delivery receipts.)

E. CLAIM AGAINST DIRECTOR of \$ _____ (To be filed when a proposal provides for the compromise of claims against directors).

That I hereby make a claim under Subsection 50(13), particulars of which are as follows: (Attach full particulars of the claim, including the calculations upon which the claim is based.)

5. To the best of my knowledge and belief, I AM ☐ / AM NOT ☒ related to the debtor within the meaning of Section 4 of the Act.

6. The following are the payments I have received from and the credits I have allowed to the debtor within the three months (or, if the creditor and the debtor are related within the meaning of Section 4 of the Act within the twelve months) immediately before the date of the initial bankruptcy event within the meaning of Section 2 of the Act: (Attach details of payments and credits.)

Dated at _____, Ontario _____, this 4th day of December, 2007

(City & Province)



(SIGNATURE OF INDIVIDUAL COMPLETING THIS FORM)

416-777-0101

(CREDITOR'S PHONE NUMBER)



(SIGNATURE OF WITNESS)

416-865-1398

(CREDITOR'S FACSIMILE NUMBER)

You must indicate if you are /are not claiming a priority. Ensure you tick the appropriate box. Section 136 may provide a priority to certain creditors such as employees and landlords.

If you are a Secured Creditor, you must provide a certified true copy of your registered security and provide full details.

Ensure you indicate whether you or your company are related to the debtor.

Provide a listing of all monies or credits received from the debtor within three months prior to bankruptcy.

Insert city, province, and date. Sign the document and have someone witness your signature. Insert your phone number and facsimile number.

PROXY

WHERE A CREDITOR IS A CORPORATION, THE PROXY MUST BE COMPLETED AND SIGNED IN THE CORPORATE NAME

IN THE MATTER OF THE PROPOSAL OF Retrocom Growth Fund Inc. (NAME OF DEBTOR)

I, Retrocom Investment Management Inc., of the City of Toronto, in the Province of Ontario
(NAME OF CORPORATION) (CITY) (PROVINCE)

a creditor in the above matter, hereby appoint James Spence of Toronto, Ontario
(NAME OF PROXY) (CITY & PROVINCE)

to be my general proxy in the above matter except as to the receipt of dividends with / without power to appoint another general proxy in his / her place.

Dated at the City of Toronto in the Province of Ontario, this 4th day of December, 2007

Retrocom Investment Management Inc.
(CORPORATE NAME)

B. Sena
(SIGNATURE OF WITNESS)

c/o Aylesworth LLP, 18th Floor, 222 Bay Street, Toronto, Ontario M5K 1K1
(ADDRESS)

E. Holko
(SIGNATURE OF PROXY GRANTOR)

W:\r\Retrocom Investment Management - 12028\0003 - Retrocom Growth Fund Inc. Proposal\Document\Proofs of Claim\Proof of Claim - Ed Holko Nov 07.doc

THIRD PARTY COSTS LEGALS

Costs incurred by RIMI dealing with Retrocom Growth Fund
Wind-up and all O.S.C. issues concerning Retrocom Growth
Fund

Aylesworth				
Date	Invoice Number	Invoice Number	Amount Billed	Revised Amount
31-Aug-06	92580		23,673.45	
31-Oct-06	93837		3,216.86	
31-Dec-06	95357		35,805.83	
TOTAL AMOUNT			62,696.14	\$32,273.95
Wardle Daley				
Date	Invoice Number	Invoice Number	Amount Billed	Amount Outstanding
31-Aug-06	1361		9,635.14	9,635.14
20-Oct-06				10,000.00
TOTAL AMOUNT			19,635.14	19,635.14
TOTAL LEGAL				\$82,331.28
				\$78,799.40

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

**IN THE MATTER OF THE PROPOSAL OF
RETROCOM GROWTH FUND INC. PURSUANT TO
THE *BANKRUPTCY AND INSOLVENCY ACT* (CANADA)**

**AFFIDAVIT OF EDWARD HOLKO
(sworn December , 2007)**

I, **EDWARD HOLKO**, of the City of Burlington in the Regional Municipality of Halton, in the Province of Ontario, MAKE OATH AND SAY:

1. I am the Vice President Finance and Administration of Retrocom Investment Management Inc., ("RIMI") and, as such, have knowledge of the matters to which I hereinafter depose, unless the same are stated to be based upon information provided to me by others, in which case I believe such information to be true.
2. I make this affidavit in support of the proof of claim submitted by RIMI under the Bankruptcy and Insolvency Act, R.S.C., 1985, c.B-3 ("BIA"), in proceedings commenced by Retrocom Growth Fund Inc. ("Retrocom").

MANAGEMENT FEES

3. On May 2, 2001, RIMI and Retrocom entered into a Management Agreement which became effective upon the mandatory ratification of the Agreement at a shareholders' meeting held on or about June 8, 2006. The Agreement was subsequently amended by separate agreements dated January 16, 2002 and January 14, 2003 (collectively, the "Agreement"). Attached hereto and marked collectively as Exhibit "A" is a copy of the Agreement. I know of no subsequent resolution that varies the Agreement.
4. Pursuant to the Agreement, a management fee of 3.25% of the Net Asset Value of Retrocom (as defined in the Agreement) is payable to RIMI by Retrocom for

management services. The management fee is to be calculated daily based on the Net Asset Value of Retrocom on each day in the month and paid monthly in arrears.

5. No management fees have been paid by Retrocom to RIMI from February 1, 2006 to the present. On December 22, 2005, the Net Asset Value of Retrocom as approved by the valuation committee of Retrocom responsible for reviewing the value of Retrocom's assets was \$21.1 million.
6. RIMI claims unpaid management fees owing by Retrocom to RIMI in the amount of \$340,056.84, based upon 3.25% of \$21.1 million, for the 181 days between February 1, 2006 and August 1, 2006, plus interest thereon at the prejudgment interest rate accrued up to August 1, 2006, in the amount of \$7,588.39.

REIMBURSEMENT FOR EXPENSES

7. The Agreement provides in Article 7.2 that Retrocom will bear full responsibility for reimbursement to RIMI for certain expenses, including:
 - (a) Legal fees and disbursements of Retrocom;
 - (b) brokerage commissions and expenses on purchases and sales of securities by or for the account of Retrocom;
 - (c) Fees payable to a custodian of Retrocom's securities, a trust company acting as trustee for RRSP's, and any company providing registry and transfer agency services, shareholder administration and record-keeping services; and
 - (d) Other expenses not related to functions assumed by the manager.
8. As at August 1, 2006, RIMI had incurred the following reimbursable expenses, to be reimbursed by Retrocom pursuant to Article 7.2 of the Agreement, which remain outstanding:
 - (a) \$5,103.91 on account of commissions on purchases and sales of securities by and for the account of Retrocom;
 - (b) \$6,976.40 on account of Trustee fees for Retrocom;
 - (c) \$73,413.86, plus interest and costs due and owing by RIMI to Maxium Financial Services Inc. ("Maxium") in respect of funds borrowed to pay trustee fees and brokerage commissions on securities' trades by or for the account of Retrocom;

- (d) \$36,566.98 for storage costs with respect to storage by RIMI of Retrocom property;
 - (e) \$5,000.00 for costs relating to assembly, boxing and delivery of Retrocom files; and
 - (f) \$5,000.00 for costs of segregating, copying and removing files from server.
9. With respect to amounts owing to Maxium, pursuant to an Acknowledgment dated March 14, 2005 in favour of RIMI and Maxium, a true copy of which is attached hereto as Exhibit "B", Retrocom has expressly assumed direct liability for the obligations of RIMI to Maxium, and waived all claims of set-off which Retrocom may have against RIMI with respect to amounts owing to Maxium.
10. With respect to the amount of \$36,566.98, for storage costs, RIMI has a lien upon all property of Retrocom in its possession pursuant to the Repair and Storage Lien Act (Ontario).

INDEMNIFICATION

11. Pursuant to Article 8.3 of the Agreement, Retrocom agreed to indemnify RIMI from and against any and all liabilities and expenses whatsoever arising out of RIMI's actions pursuant to the Agreement, other than those arising out of a failure by RIMI to comply with the Agreement or, bad faith, gross negligence or willful misconduct on the part of RIMI.
12. As at August 1, 2006, RIMI had incurred the following expenses arising out of its role as Manager pursuant to the Agreement, and claims indemnity in respect thereof from Retrocom pursuant to Article 8.3 of the Agreement:
- (a) Legal fees and expenses of Aylesworth LLP and Wardle Daley LLP incurred by RIMI in dealing with and responding to inquiries made by the Ontario Securities Commission ("OSC") concerning the financial collapse of Retrocom. The total amount of these legal expenses accrued as at August 1, 2006 was \$200,404.30, and particulars with respect to the accounts are as follows:

Law Firm	Date of Account	Amount of Account	
Aylesworth LLP	March, 2006	\$10,403.08	

	April, 2006	\$24,532.98	
	May, 2006	\$29,087.52	
	June, 2006	\$32,583.31	
	July, 2006	\$15,605.13	
Total Aylesworth LLP			\$112,212.02
Wardle Daley	March, 2006	\$20,000.00	
	May, 2006	\$25,588.78	
	June, 2006	\$32,101.87	
	July, 2006	\$10,501.63	
Total Wardle Daley			\$88,192.28
Total Legal:			\$200,404.30

13. RIMI has not paid certain of the amounts owing to Aylesworth LLP and Wardle Daley LLP in respect of the foregoing accounts. In respect of such unpaid balances owing to Aylesworth LLP and Wardle Daley LLP, the respective law firms claim a right of subrogation and entitlement to look to Retrocom directly for payment of the outstanding balances owing to them by RIMI on those accounts.
14. In addition, as at August 1, 2006 RIMI had incurred costs and expenses of its own personnel in responding to the investigation and inquiries made by the Ontario Securities Commission relating to Retrocom. The total amount of \$317,835.71 was owing to RIMI by Retrocom in respect of RIMI's personnel costs and related disbursements as at August 1, 2006, particulars of which are itemized in Exhibit "C" hereto.
15. Finally, I am informed by Michael Steplock, the President and Chief Executive Officer of RIMI, that Canadian Imperial Bank of Commerce ("CIBC") alleges that RIMI and Mr. Steplock have guaranteed, in favour of CIBC, payment of the indebtedness owing to it by Lauridon Sports Management Inc., in the approximate amount of \$25,000.00. I am informed by Mr. Steplock that neither he nor RIMI has ever granted any guarantee in favour of CIBC with respect to the indebtedness or obligations of Lauridon Sports Management Inc. and each of them has denied all liability to CIBC in respect thereof. Nevertheless, in the event that RIMI or Mr. Steplock should incur any liability to CIBC, they claim full indemnity in respect thereof from Retrocom, together with all costs and expenses incurred in relation thereto.

Proof of Claim (Form 31)

BANKRUPTCY AND INSOLVENCY ACT
PROOF OF CLAIM FORM

Subsections 50.1(1) and 65.2(4), Paragraphs 51(1)(e) and 66.14(b), Subsections 81.2(1), 102(2), 124(2) and 128(1) of the Act

Provide the complete address, including postal code, to which any notice or correspondence is to be forwarded.

All notices or correspondence regarding this claim are to be forwarded to the following address: Aylesworth LLP, P.O. Box 124, 18th Floor, 222 Bay Street, Toronto, Ontario, M5K 1H1

IN THE MATTER OF THE PROPOSAL OF

Retrocom Growth Func Inc.,

(NAME OF DEBTOR)

of Toronto, Ontario

(CITY & PROVINCE)

and the claim of Aylesworth LLP

(NAME OF CREDITOR)

I, W. Eric Kay, residing in the City of Toronto in the Province of Ontario

DO HEREBY CERTIFY THAT:

Ensure you attach a Schedule "A" consisting of relevant documents. The amount on Schedule "A" must correspond with the amount on your Proof of Claim.

You must indicate if you are /are not claiming a priority. Ensure you tick the appropriate box.

Section 136 may provide a priority to certain creditors such as employees and landlords.

If you are a Secured Creditor, you must provide a certified true copy of your registered security and provide full details.

Ensure you indicate whether you or your company are related to the debtor.

Provide a listing of all monies or credits received from the debtor within three months prior to bankruptcy.

Insert city, province, and date. Sign the document and have someone witness your signature. Insert your phone number and facsimile number.

1. I am the managing partner of Aylesworth LLP
(POSITION OR TITLE) (NAME OF CREDITOR)
2. I have knowledge of all circumstances connected with the claim referred to below.
3. The debtor was, at the date of the bankruptcy (or the date of the receivership or, in the case of a proposal, the date of the notice of intention or of the proposal if no notice of intention was filed), namely the 1st day of August 2006, and still is indebted to the above-named creditor in the sum of \$298,454.33 as specified in the statement of account (or affidavit or solemn declaration) attached and marked Schedule "A" after deducting any counterclaims to which the debtor is entitled. (The attached statement of account or affidavit or solemn declaration must specify the vouchers or other evidence in support of the claim.)
4. Complete appropriate category:
 - A. **UNSECURED CLAIM of \$298,454.33**
That in respect of this debt, I do not hold any assets of the debtor as security and:
☐ Regarding the amount of \$ _____ I do not claim a right to a priority.
☒ Regarding the amount of \$39,440.13, I claim a right to a priority under Section 136 of the Act.
 - B. **CLAIM OF LANDLORD FOR DISCLAIMER OF A LEASE of \$ _____**
That I hereby make a claim under Subsection 65.2(4) of the Act, particulars of which are as follows: (Attach full particulars of the claim, including calculations upon which the claim is based.)
 - C. **SECURED CLAIM of \$ _____**
That in respect of this debt, I hold assets of the debtor valued at \$ _____ as security, particulars of which _____ are _____ as _____ follows:
(Attach full particulars of the security, including the date on which the security was given and the value at which you assess the security and attach a copy of the security document.)
 - D. **CLAIM BY FARMER, FISHERMAN or AQUACULTURIST of \$ _____**
That I hereby make a claim under Subsection 81.2(1) of the Act for the unpaid amount of \$ _____ (Attach a copy of the sales agreement and delivery receipts.)
 - E. **CLAIM AGAINST DIRECTOR of \$ _____** (To be filed when a proposal provides for the compromise of claims against directors).
That I hereby make a claim under Subsection 50(13), particulars of which are as follows: (Attach full particulars of the claim, including the calculations upon which the claim is based.)
5. To the best of my knowledge and belief, I AM ☐ / AM NOT ☒ related to the debtor within the meaning of Section 4 of the Act.
6. The following are the payments I have received from and the credits I have allowed to the debtor within the three months (or, if the creditor and the debtor are related within the meaning of Section 4 of the Act within the twelve months) immediately before the date of the initial bankruptcy event within the meaning of Section 2 of the Act: (Attach details of payments and credits.) None.

Dated at Toronto, Ontario, this 6th day of September 2007
(CITY & PROVINCE)

W. E. Kay
(SIGNATURE OF INDIVIDUAL COMPLETING THIS FORM)

[Signature]
(SIGNATURE OF WITNESS)

416-777-0101
(CREDITOR'S PHONE NUMBER)

416-865-1398
(CREDITOR'S FACSIMILE NUMBER)

PROXY

WHERE A CREDITOR IS A CORPORATION, THE PROXY MUST BE COMPLETED AND SIGNED IN THE CORPORATE NAME

IN THE MATTER OF THE PROPOSAL OF Retrocom Growth Fund Inc. (NAME OF DEBTOR)

I, Aylesworth LLP, of the City of Toronto, in the Province of Ontario,
(NAME OF CORPORATION) (CITY) (PROVINCE)

a creditor in the above matter, hereby appoint W. Eric Kay of Toronto, Ontario
(NAME OF PROXY) (CITY & PROVINCE)

to be my general proxy in the above matter except as to the receipt of dividends with / without power to appoint another general proxy in his / her place.

Dated at the City of Toronto in the Province of Ontario, this _____ day of September, 2007

Aylesworth LLP
(CORPORATE NAME)

(SIGNATURE OF WITNESS)

18th Floor, 222 Bay Street, Toronto, Ontario M5K 1K1
(ADDRESS)

W. E. Kay
(SIGNATURE OF PROXY GRANTOR)

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

**IN THE MATTER OF THE PROPOSAL OF
RETROCOM GROWTH FUND INC. PURSUANT TO
THE *BANKRUPTCY AND INSOLVENCY ACT* (CANADA)**

**AFFIDAVIT OF W. ERIC KAY
(sworn September 6, 2007)**

I, **W. ERIC KAY**, of the City of Toronto, in the Province of Ontario, MAKE OATH
AND SAY:

1. I am the Managing Partner of the law firm of Aylesworth LLP ("Aylesworth") and, as such, have knowledge of the matters to which I hereinafter depose. Where such matters are stated to be based on information provided to me by others, I verily believe such information to be true.
2. I make this affidavit in support of the proof of claim submitted by Aylesworth in the proceedings by Retrocom Growth Fund Inc. ("Retrocom") under the *Bankruptcy and Insolvency Act*, R.S.O. 1985, c. B-3.
3. Aylesworth was retained to advise Retrocom in connection with several specific real estate transactions and litigation matters relating to assets of Retrocom. Various accounts from Aylesworth to Retrocom have not been paid. Retrocom filed a Notice of Intention to File a Proposal in Bankruptcy on August 1, 2006. The amount of \$114,320.99 is due and owing to Aylesworth by Retrocom on account of invoices for professional services rendered by Aylesworth to Retrocom. Attached to this affidavit and marked as Exhibit

“A” is a listing of outstanding unpaid accounts, including *Solicitors Act* interest and goods and services tax owing to Aylesworth by Retrocom and rendered during the period from December 29, 2005 to August 1, 2006.

4. In addition to the amounts due, pursuant to the accounts rendered to Retrocom by Aylesworth, Aylesworth had accrued time and disbursements on behalf of Retrocom, which had not yet been invoiced as at August 1, 2006, in the amount of \$19,628.26. Attached hereto and marked as Exhibit “B” is a listing of amounts owing for accrued time and disbursements incurred by Aylesworth.
5. Of the total amount, as at August 1, 2006, as outlined above, the amount of \$39,440.13 relates to professional services rendered after May 1, 2006 as detailed in Exhibit “C”. Aylesworth claims priority under s.136(1)(b) of the *Bankruptcy and Insolvency Act*. As of May 1, 2006, the directing minds of Retrocom knew or ought to have known that Retrocom was insolvent and the services which Aylesworth was retained to provide were necessary costs relating to the bankruptcy proposal. The amount claimed to have priority is \$39,440.13.
6. Aylesworth has also represented Retrocom Investment Management Inc., (“RIMI”) from time to time in relation to various matters. In particular, Aylesworth has provided legal services to the officers and directors of RIMI in responding to the enquiries from the Ontario Securities Commission (“OSC”) in relation to the management of Retrocom. Attached to this affidavit and marked as exhibit “D” is a detailed listing of outstanding unpaid accounts, including accrued time, disbursements, and goods and services tax owing to Aylesworth by RIMI, that relate to legal services provided to RIMI regarding the OSC investigation of Retrocom, invoiced from April 30, 2006 until December 31,

2006, in the total amount of \$164,505.08. In addition, Aylesworth claims interest on the amounts outstanding in accordance with the *Solicitors Act* (Ontario).

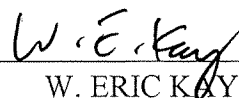
7. Throughout the dealings of Aylesworth with RIMI, Aylesworth relied upon the indemnity provided by Retrocom in favour of RIMI pursuant to Article 8.3 of the Management Agreement dated May 2, 2001 between RIMI and Retrocom. Attached hereto and marked as exhibit "E" is a true copy of the Management Agreement ("Agreement") provided to and relied upon by Aylesworth in rendering services to RIMI.
8. Aylesworth has rendered services directly to Retrocom subsequent to August 1, 2006 in connection with various matters that were open and outstanding at that date and reserves all of its rights against Retrocom in respect of the amount owing for fees accrued and disbursements incurred after August 1, 2006.
9. Aylesworth claims a right of subrogation as against Retrocom with respect to the indemnity granted by Retrocom in favour of RIMI. Aylesworth therefore claims a right of indemnity directly from Retrocom for outstanding accounts rendered by Aylesworth to RIMI, in respect of which RIMI was indemnified by Retrocom.
10. As well, RIMI has assigned, subordinated and postponed all of its claims as against Retrocom, in favour of Aylesworth, including all creditor claims of RIMI against Retrocom in this proceeding. To the extent that RIMI files a separate proof of claim in this proceeding, notice is hereby given that all amounts claimed by RIMI have been transferred and assigned to Aylesworth, as security for payment of the outstanding accounts of RIMI to Aylesworth.

11. I make this affidavit in support of the proof of claim submitted by Aylesworth under the *Bankruptcy and Insolvency Act*, and for no other improper purpose.

SWORN OR AFFIRMED before)
me at the City of Toronto, in the)
Province of Ontario, this 6th day of)
September, 2007.)



A Commissioner for taking affidavits.)
RICHARD B. JONES


W. ERIC KAY

SCHEDULE "A"

IN THE MATTER OF THE PROPOSAL OF
RETROCOM GROWTH FUND INC. PURSUANT TO
THE *BANKRUPTCY AND INSOLVENCY ACT* (CANADA)

Court File No. 31-452496

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

AFFIDAVIT OF W. ERIC KAY
(sworn September 6, 2007)

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Retrocom Growth Fund Inc.

Statement of Receipts and Disbursements

For the period October 13, 2006 to January 25, 2008

(\$C; Unaudited)

<i>Receipts:</i>	Note	Amount
Cash balances from RGF bank accounts (Note 1)	1	345,041
Proceeds from the sale of assets		1,521,879
Income from investments and interest		17,678
Total Receipts		1,884,598
<i>Disbursements:</i>		
Legal fees and disbursements (to April 30, 2007)	2	(819,927)
Interim Receiver and Proposal Trustee's fees (to April 30, 2007)	2	(418,189)
Consulting fees	3	(222,874)
Retail tax		(85,770)
Rent		(42,854)
Insurance premiums		(12,373)
Bank charges		(5,947)
Security		(3,285)
Repairs and maintenance		(2,723)
Communications		(2,041)
Copying, printing and postage		(1,740)
Filing fees		(220)
Total Disbursements		(1,617,944)
Net Receipts		266,654

Notes:

1. Of the cash on hand as at January 25, 2008, approximately \$202,000 was received by the Company from a Canadian financial institution relating to the proceeds of security held in respect of a letter of credit. A third party has claimed entitlement to the funds and negotiations are ongoing with respect to a potential settlement between the Company and the third party. The Interim Receiver has segregated the funds in an estate term deposit pending the outcome of these negotiations.
2. Legal fees relate to those of Bennett Jones LLP, the Company's counsel, and Ogilvy Renault LLP, the Interim Receiver/Trustee Under Proposal's counsel. The professional fees incurred by the Company have been paid through April 30, 2007. Since that date, the following fees and costs have accrued and remain unpaid (including GST):

Interim Receiver/Trustee Under Proposal	106,624
Ogilvy Renault LLP	46,579
Bennett Jones LLP	117,049
Total unpaid professional fees	270,252
3. Consulting fees relate to, among other things, the preparation of the Company's tax returns, administration of the Company's books and records, and due diligence review.
4. The above statement is prepared on a cash basis.