

CEO'S LETTER TO UNITHOLDERS

Dear Fellow Unitholders:

As you can see from the enclosed Management Discussion and Analysis, we are working hard on our two-phased strategy that I outlined in my last report. First, we are working with TD Securities, our advisor, on strategies to enhance Unitholder value, and second, we are also implementing our Internal Restructuring Plan (IRP) to improve the operations of the REIT.

Initially, however, I should announce that we have had a number of changes to our Board of Trustees. During the quarter, the REIT announced that Mr. David Fiume, the Chief Financial Officer of the REIT had been appointed as a Trustee of the REIT and on April 20, 2006, Mr. Steven Bellringer was added to the Board of Trustees and the Special Committee. I welcome both of these gentlemen and look forward to working with them.

In addition, the REIT has accepted the resignation of the Hon. Robert (Bob) Rae as a Trustee and Former Chairman of the REIT and Mr. Joseph Fashion has decided not to run for re-election as a Trustee of the REIT. I must thank both retiring Trustees for their support and guidance in the transition to Internal Management of the REIT.

We continue working closely with TD Securities and are systematically moving the process forward, so that we can receive proposals that may lead to a sale of, or merger with, the REIT, or to a strategic partnership with a party interested in contributing assets or otherwise making an equity investment in the REIT. On February 27, 2006, TD Securities was asked to begin this process and on April 12, 2006, they issued copies of the Initial Investment Flyer and Confidentiality Agreements to interested parties, and recently they have begun to issue the Confidential Information Memorandum (CIM) to parties who have signed the these Confidentiality Agreements.

As I said in my last letter, our Internal Management Team are also implementing other alternatives, in parallel with the seeking of proposals through TD Securities efforts as discussed above, and continue to implement the IRP to enhance the value of the REIT.

The IRP has a series of key actions:

- First, the IRP called for the internalization of Management during the quarter and this has now been completed. The Asset and Property Management Agreements with RIMI were terminated during the first quarter of 2006 and, as indicated above, a number of Officers and Trustees have retired or resigned. An in-house Management Team was created and I have been honoured to assume leadership responsibilities as Interim Chief Executive Officer. This decision was made to better align the goals of the Trust with those of its Management Team and will reduce the on-going administration costs. Additionally, the internalization of Management naturally provides for more options in any potential transaction scenario contemplated as part of the strategic process with TD Securities;
- We continue to work on collapsing the Long Term Incentive Plan (LTIP) and the return of any unpaid units of the 807,000 units previously issued under the LTIP. The maintenance of the LTIP had an ongoing cost to the REIT that we felt was unjustifiable

in the current financial situation. The collapsing of the LTIP will return over 700,000 units back to treasury and is anticipated to save the Trust over \$625,000 in annual distributions in 2006 based on the REIT's current level of distributions. This is a complex procedure but we are well under way with it and I expect this to be completed shortly;

- We have begun to implement the strategic plan to return the Trust to its original objectives, to purchase and own retail properties in secondary markets, i.e. not within the major metropolitan centres. I am pleased to report some considerable success in this area; and
- We are currently preparing several “non-core” properties in very small markets (100 Mile House, Smithers and Terrace in BC), for listing for sale. We have already sold smaller “non-core” properties in Calgary and Brooks, Alberta, as well as the non-retail property of Pickering Industrial.

Additionally, I am pleased to report that another “non-core” property, 501 Lakeshore Industrial was sold subsequent to the quarter end. This sale will provide approximately \$4 million in cash proceeds, net of sales costs, which will be used to execute our comprehensive leasing strategy.

These properties were identified as either not falling squarely within the core definition of the Trust's target properties or, because their local market is so small, the properties require more management and are more leasing intensive than our other centres, and would therefore generally be better managed by local interests.

As I have said previously, this is not a fire sale, but a process to return the Trust to its original intended objective: owning mid-market retail properties.

As the Trust's Management's Discussion and Analysis for fiscal 2005 sets out, the Trust's long-term occupancy goal of 96% is attainable as the properties are performing as expected and currently the portfolio stands at an occupancy rate of 92%. By selling non-core assets, we are intensifying our focus on retail properties and the sales proceeds will provide the funds to reinvest in our remaining properties, which in turn will support our efforts at achieving our long-term occupancy goals, which we believe should enhance cash flow and operating results.

These sales of “non-core” assets will provide the funds to take the necessary steps to retain current tenants, to improve the aesthetics and functionality of our centres and provide inducements to attract tenants, and as a result improve the occupancy and cash flow of the portfolio. I am pleased to report that we are currently in the final stages of negotiations with a number of tenants who will add much to the cash flow of our portfolio and increase our occupancy rate closer towards our target of 96% occupancy.

Improving our tenant base and occupancy will in turn attract shoppers and stabilize each of our assets. Equally important to the Trust, we also believe that by increasing our occupancy, stabilising rents and disposing of non-core assets, we will have capital to continue to look for further strategic acquisitions.

In parallel with the sale of non-core assets, the IRP called for an increase in the REIT's working line. I am pleased to report that in early April, subsequent to quarter end, we closed the \$35 million operating line facility and are now in the process of providing necessary security to the lender. That facility, with the funds from the sales of non-core properties, will allow us to execute on our aggressive leasing and refurbishment plan and, when appropriate, acquire additional accretive properties.

In summary, therefore, in the first Quarter of 2006, we continued to implement our two phased strategies – a sale, merger or other restructuring through the efforts of TD Securities and internal improvements through the IRP. Although we have only just begun executing on these strategies, the benefits of the IRP are already being felt in our Administrative Costs.

As an example, by internalizing Management, we have begun to capture a portion of the annual savings in administrative costs, which we estimate to be in excess of \$0.75 million for the next fiscal year. These savings will flow directly to the bottom line and will result in increased cash flow for the Trust while aligning the interests of Management with those of Unitholders.

While these savings will really start to be felt in the second and third quarters, already we are seeing a preliminary indication of their long term benefit as, I shall explain below, our Distributable Income Ratio for the first Quarter of 2006 has declined to 93% from being well in excess of 100% in the prior quarter.

Management's confidence in the value of the Trust's portfolio is supported by the consistent results of the Trust's properties. There have been many significant accomplishments during the year:

- The payout ratio, after factoring out one-time transaction and special committee costs decreased to 93%;
- The occupancy rate for properties held in the Trust's portfolio as ongoing operations is 92.0%, same as last quarter, although historically month-to-month tenancies have lowered our Quarter 1 occupancy. The final quarter of the year encompasses the Christmas holiday season, so we attempt to fill any vacant units in our properties with short term month to month retail leases. Usually we would anticipate a slight decline in occupancy as those leases came to an end – this year, our occupancy in the first Quarter remains the same as in the last Quarter of 2005, indicating that there has been an underlying increase in leasing activity that has offset the loss of these short term tenants;
- The Trust's weighted average cost of debt currently stands at 6.1% an improvement of 0.6% percent over that of last year, with the average term of the mortgages lengthened to 4.9 years in the first quarter of 2006 from 2.9 in the same period last year; and
- The Trust's average net rent in place improving to \$9.27 per square foot, compared to \$8.29 per square foot at the end the comparative quarter last year.

As I described above, we have already begun to make improvements in the Administrative Costs of operating the Trust. However, there are one-time costs associated with this work that we are

currently undertaking, such as the one-time payment to RIMI, the previous asset manager, accrual of costs associated with the proposed transaction and the costs of the Special Committee.

While these one time expenses were a necessary expenditure in the quest to maximise Unitholder Value, Management will continue to work to reduce the ongoing expenses, while controlling the costs of the transition to internal management, as well as those of the Financial Advisor and the Special Committee.

We expect that Administrative Costs will continue to trend downwards, and that we will begin to see cost reduction in the second and third quarters as we work through our strategies with our advisors and as the IRP plan begins to “bite”. As a result of the internalization of Management, we have positioned ourselves for a substantial reduction in annual administrative costs to operate the REIT as we progress through 2006.

The first quarter 2006 Distributable Income and Distributable Income per unit (basic) were \$4.05 million and \$0.22 respectively. On a fully diluted basis, the Distributable Income per unit was \$0.17 for the quarter. The actual payout ratio for the quarter was 93% down from 165% in Q4 2005. The decrease in the distribution payout ratio was primarily a result of lower on-going general and administrative costs and the reduced distribution, which has now been realized for a full quarter.

We are pleased that the payout ratio has declined to under 100% - this is a very clear validation of the Board’s decision to reduce the distributions in mid-November 2005 to a more sustainable level of \$0.82 per unit on an annualized basis. This is the first time that the DI Ratio has been under 100% since the 3rd Quarter of 2004. For the remainder of the 2006 financial year, we anticipate that the 2006 payout ratio will continue to decline from this 93% level, as a result of the reduced G&A expenses and the improvements in operation of the properties described earlier.

Based on the anticipated performance of the Trust’s portfolio, we do not believe there will be a need to further reduce distributions in the near term.

Management remains committed to improving Unitholder value and is working on the two phased approach.

The first phase deals with TD Securities who are moving the process forward so that we can receive proposals that may lead to a sale of, or merger with, the REIT, or to a strategic partnership with a party interested in contributing assets or otherwise making an equity investment in the REIT. This process is well under way and a large number of approved interested parties are reviewing the Trust’s operations in preparation for making their initial proposals.

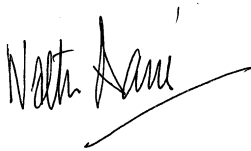
The second phase involves the implementation of the IRP and the improvement of the internal operations of the REIT through the following initiatives:

- Actively selling non-core assets – already this is well under way and we can report success on a number of properties;
- Maximizing the potential of each property through the development of stand-alone pads, expansions, and the repositioning of specific properties – we are heavily involved in a review of all of the Trusts properties and discussions are being held with potential tenants;

- Implementing strategies to further reduce property and Trust expenses – the Internalisation of Asset Management has already resulted in considerably reduced costs, and the impact of these will continue to be felt into the future once the initial one-time costs of the termination of RIMI as Asset Managers are absorbed in the first quarter of 2006;
- Enhancing our leasing program to encompass transactions that may require a longer payback but enhance the value of the property – our recent substantial increase in Operating Line has provided the necessary funds to be able to offer competitive lease deals to major tenants who will add substantially to the long term security of cash flow from our properties; and
- Improving the general aesthetics of some of our properties to make them appeal more to the specific neighbourhood or area shopping experience.

This is a comprehensive plan that is already achieving positive results for Unitholders. As I have said previously, it would be wrong to assume that any plan can be implemented overnight. Although we are pleased to see the reduction in the payout ratio, we expect that results will continue to improve in the second quarter of 2006, but the full benefits of the improvements we are making will not be seen until the third and fourth quarters of this year.

Sincerely,

A handwritten signature in black ink, appearing to read 'Walter Davies', with a long horizontal flourish extending to the right.

Walter Davies F.R.I.C.S.
Chief Executive Officer

This document may contain forward-looking statements, which although based on Management's best estimates as well as the current operating environment are subject to risks and uncertainties. As such, terms such as "anticipate", "believe", "expect", "plan" or other similar words should be taken as forward-looking statements. As a result of these potential uncertainties, any future results could differ materially from the predictions listed herein. Although Retrocom makes every effort to meet our predictions as listed in this document, we are unable to control certain circumstances such as economic, competitive or commercial real estate conditions.