

INVEST REAL ESTATE INVESTMENT TRUST

MANAGEMENT INFORMATION CIRCULAR

Unless otherwise indicated, all information is current as at April 8, 2003 and all dollar amounts are expressed in Canadian dollars.

This Proxy Circular is furnished in connection with the solicitation of proxies by and on behalf of the management of INVEST REAL ESTATE INVESTMENT TRUST (the "REIT") for use at the annual meeting of Unitholders ("Unitholders") of the REIT to be held on May 21, 2003 and any adjournment(s) or postponement(s) thereof for the purposes set forth in the accompanying Notice of Meeting. It is expected that the solicitation will be made primarily by mail, but Proxies may also be solicited by telephone or other personal contact with employees of the REIT. The costs of solicitation will be borne by the REIT.

Appointment and Revocation of Proxies

A form of proxy is enclosed and, if it is not your intention to be present at the meeting, you are asked to complete and return the form of proxy in the envelope provided. The proxy must be dated and executed by the Unitholder or the attorney of such Unitholder, duly authorized in writing, or if the Unitholder is a corporation, by an officer or attorney thereof duly authorized. If the proxy is executed by an attorney, a copy of the instrument appointing the attorney must accompany the proxy. Proxies to be used at the meeting may be deposited with the REIT's transfer agent, Computershare Trust Company of Canada, by no later than noon (Toronto time) on the last business day preceding the day of the meeting or any adjournment thereof or such other time as the Chairman may determine. Proxies sent by mail must be addressed to Computershare Trust Company of Canada, 100 University Avenue, 9th Floor, Toronto, Ontario M5J 2Y1. Proxies may be deposited with the Chairman of the meeting on the day of the meeting or any adjournment(s) or postponement(s) thereof.

The people named in the enclosed form of proxy are trustees or officers of the REIT. **A Unitholder has the right to appoint a proxy holder (who is not required to be a Unitholder), other than any person designated in the form of proxy, to attend and act on such Unitholder's behalf at the meeting, either by inserting such other desired proxy holder's name in the blank space provided on the form of proxy and deleting the names thereon or by substituting another proper form of proxy.**

A Unitholder who has given a proxy pursuant to this solicitation may revoke it as to any matter on which a vote has not already been cast pursuant to its authority by instrument in writing executed by the Unitholder or by the attorney of such Unitholder, duly authorized in writing, or where the Unitholder is a corporation, by a duly authorized officer or attorney of the corporation delivered to Computershare Trust Company of Canada, in such manner and at such address as specified above, at any time up to and including the last business day preceding the day of the meeting or any adjournment(s) or postponement(s) thereof at which the proxy is to be used or with the Chairman of the meeting on the day of the meeting or any adjournment(s) or postponement(s) thereof, or in any other manner permitted by law.

Units of the REIT ("Units") represented by Proxies will be voted or withheld from voting as specified on any ballot that may be called for. The enclosed form of proxy confers discretionary authority upon the persons named therein with respect to (i) each matter or group of matters identified therein for which no choice is specified, (ii) such other matters as may properly come before the meeting or any adjournment thereof. In respect of a matter for which no choice is specified in the proxy, or unless otherwise provided for in the proxy, the nominees named in the accompanying form of proxy will vote Units represented by the proxy for the approval of such matter.

At the date of this Proxy Circular, management of the REIT is not aware of any amendments or other matters to come before the meeting other than the matters referred to in the Notice of Meeting. **With respect to amendments to matters identified in the Notice of Meeting or other matters that may come before the meeting, such Units will be voted by the persons so designated in their discretion.**

Voting at Meeting and Quorum

On April 8, 2003, 41,082,720 Units were issued and outstanding. Each Unit entitles its holder to one vote at meetings of Unitholders of the REIT. Holders of Units of record at the close of business on April 17, 2003, the record date established for notice of the meeting, will be entitled to vote at the meeting, or any adjournment(s) or postponement(s) thereof, either in person or by proxy.

Unless otherwise required by law or the Declaration of Trust, every question coming before the meeting or any adjournment(s) or postponement(s) thereof shall be decided by the majority of the votes duly cast on the question. The quorum at the meeting or any adjournment thereof shall consist of at least two individuals present in person, each of whom is a Unitholder or a proxy holder representing a Unitholder, and who hold or represent by proxy not less than 10% of the total number of outstanding Units.

To the knowledge of the trustees and officers of the REIT there is only one direct or indirect beneficial owner of, or person who exercises control or direction over, Units carrying more than 10% of the votes attached to the outstanding Units. As of March 10, 2003, the Toronto-Dominion Bank held 5,588,200 units representing approximately 13.6% of the issued and outstanding units.

Business of the Meeting

1. Financial Statements

The Consolidated Financial Statements for the period from July 26, 2002 to December 31, 2002 and the auditors' report on those statements were mailed to the Unitholders with the Notice of Meeting and this proxy circular.

2. Election of the Board of Trustees

The four trustees proposed for election as trustees to the Board of Trustees of the REIT are listed on pages 3 and 4 of this Proxy Circular. They are Mr. Frank Anderson, Mr. Morton G. Gross, Mr. Michael P. Kitt and Mr. Minhas N. Mohamed. All are currently members of the Board of Trustees of the REIT. All nominees have established their eligibility and willingness to serve as trustees. Trustees who are elected by the Unitholders will hold office until the close of the next annual meeting of Unitholders or until their successors are elected or appointed. The remaining three trustees, Mr. Majid Mangalji, Mr. Brian C. Collyer and Ms Lauren J. Zucker, have been appointed as described below and will hold office until such trustees resign or are replaced. A trustee elected or appointed to fill a vacancy will be elected for the remaining term of the trustee whom he or she is succeeding. A vacancy occurring among the trustees (other than a vacancy resulting from the resignation or removal of a nominee of the Whitehall Funds or the Westmont Group, each as defined below) may be filled by resolution of a quorum of the remaining trustees, being the greater of three trustees and a majority of the trustees then holding office, or by the Unitholders at a meeting of the Unitholders.

Pursuant to the Declaration of Trust of the REIT, certain investment funds controlled by The Goldman Sachs Group, Inc. (the "Whitehall Funds") have the right to appoint two trustees, as they own in the aggregate at least 15% of the outstanding Units (including Units issuable upon the conversion of all of the unsecured subordinated convertible debentures of the REIT). If the Whitehall Funds cease to hold at least that number of Units, they will have the right to appoint one trustee, provided that they continue to hold at least 5% of the outstanding Units (including Units issuable upon the conversion of all of the unsecured subordinated convertible debentures of the REIT). A group of entities commonly referred to as the Westmont Hospitality Group (the "Westmont Group") has the right to appoint one trustee, as Maple Leaf Investment Holdings, L.P. or other affiliates of the Westmont Group own at least 5% of the outstanding Units. Westmont Hospitality Canada Limited (the "Manager") has the right to appoint one trustee, provided that the master hotel management agreement of the REIT (the "Management Agreement") remains in effect and that the appointment would not result in a majority of the trustees not being independent trustees. See "Interests of Insiders in Material Transactions – Master Hotel Management Agreement". Therefore, the

Whitehall Funds and the Westmont Group are currently entitled to collectively appoint three of the seven trustees. The remaining trustees are to be elected by a plurality of the votes cast at the meeting. The Whitehall Funds and the Westmont Group are entitled to vote their Units for the election of the remaining four trustees.

3. Appointment of Auditors

The trustees and management of the REIT propose that Deloitte & Touche LLP be re-appointed as the auditors of the REIT at a remuneration to be fixed by the trustees. Deloitte & Touche LLP were first appointed by the REIT as auditors on July 18, 2002 in connection with the initial public offering of the REIT.

Nominees for Election to the Board of Trustees

Frank Anderson, FCA
Toronto, Ontario

Trustee since June 5, 2002

Unitholding: 2,135

Mr. Anderson is currently the President of LIN Solutions Inc., and was a senior partner in the Toronto office of a major accounting firm until his retirement in 1999. He specialized in the consumer products, real estate, hospitality and advertising industries. Mr. Anderson is a member of the Board of Directors of the Canadian Council of Christians and Jews and the Founding Chairman of Cornerstone 52 Foundation, a charitable organization dedicated to funding children's charities. Mr. Anderson obtained an undergraduate degree in Economics from the University of Glasgow, his C.A. designation from the Institute of Chartered Accountants of Scotland and was elected a Fellow of the Institute of Chartered Accountants of Ontario in 1997.

Mr. Anderson is an independent trustee and is a member of the Investment and Audit Committees of the REIT.

Morton G. Gross, Q.C.
Toronto, Ontario

Trustee since June 5, 2002

Unitholding: 4,135

Mr. Gross is a senior partner in the Toronto office of the law firm of Borden Ladner Gervais LLP, where he practises in the areas of commercial and real estate law, including in the area of hotels and hospitality. Mr. Gross is the Chair of his firm's National Real Estate Professional Group. Prior to joining Borden Ladner Gervais LLP in 1982, he specialized in real estate law at his own firm. Mr. Gross holds a Bachelor of Laws degree from the University of Toronto and was called to the Ontario Bar in 1967.

Mr. Gross is an independent trustee and is a member of the REIT's Investment and Compensation and Corporate Governance Committees.

Michael P. Kitt
Toronto, Ontario

Trustee since June 5, 2002

Unitholding: 12,135

Mr. Kitt is the Executive Vice-President, Development for The Cadillac Fairview Corporation Limited, which invests in, owns and manages commercial real estate. Mr. Kitt is responsible for Cadillac Fairview's office and retail development programs. Prior to joining Cadillac Fairview in 1996, he was Portfolio Manager, Real Estate for the Ontario Teachers' Pension Plan Board. He holds an undergraduate degree from the University of Manitoba and is a Chartered Financial Analyst.

Mr. Kitt is an independent trustee and is a member of the REIT's Investment, Audit and Compensation and Corporate Governance Committees.

Minhas N. Mohamed
Toronto, Ontario

Trustee since June 5, 2002

Unitholding: 2,135

Mr. Mohamed is the founder of MM Venture Partners and has overall management and strategic responsibility for the partnership. MM Venture Partners provides debt and equity financing to early and mid-stage Canadian information technology and biotechnology companies. Prior to founding MM Venture Partners in August 1998, Mr. Mohamed spent 10 years as a senior partner and shareholder of Quorum Funding Corporation, one of Canada's leading dedicated emerging technology funds. He has been a director of many public companies, including Promis Systems and Quorum Funding Corporation. Mr. Mohamed is a founding member and former Chairman of the Toronto Venture Group. He is also a member of the Association of Venture Capital Corporations. Mr. Mohamed is a graduate of the University of Western Ontario and is a Chartered Accountant and a Chartered Financial Analyst.

Mr. Mohamed is an independent trustee and is a member of the REIT's Investment, Audit and Compensation and Corporate Governance Committees.

Trustees Continuing in Office

The following trustees of the REIT are appointed by the Westmont Group and the Whitehall Funds.

Majid Mangalji
Wimbledon, England

Trustee since June 5, 2002

Unitholding: 2,135

Mr. Mangalji is President of the Westmont Group which started its hospitality business 28 years ago. Mr. Mangalji has been involved in all aspects of the development of the Westmont Group. During this period it has grown from a single hotel to become one of the largest private hotel owner/operators in the world with a significant presence in North America, Europe, and recently in Asia. As the head of this global hotel group, Mr. Mangalji has developed an extensive knowledge of international hospitality markets, investing and operating in these markets and has created strong relationships with major international hotel brands and leading financial institutions. Mr. Mangalji sits on the boards of the principal hospitality

companies in which the Westmont Group

invests. He holds a business degree with a double major in Accounting and Marketing from the University of Bradford, England.

Mr. Mangalji is a nominee of the Westmont Group. He is the Chairman of the Board of Trustees and a member of the REIT's Investment Committee.

Brian C. Collyer
Colleyville, Texas

Trustee since June 5, 2002

Unitholding: 2,135

Mr. Collyer is a Vice-President in the Real Estate Principal Investment Area at Goldman, Sachs & Co., with a focus on the Whitehall Street Real Estate Funds' Canadian and Latin American investments. Over the last 10 years, Mr. Collyer has managed the sale, joint venture or acquisition of more than \$4 billion of Canadian and U.S. real estate assets for large public real estate companies. Mr. Collyer holds an undergraduate degree in architecture from the University of Manitoba and a Master of Business Administration from McGill University. He was also a member of Canada's 1984 Olympic team.

Mr. Collyer is a nominee of the Whitehall Funds. He is a member of the REIT's Investment Committee.

Lauren J. Zucker
New York, New York

Trustee since June 5, 2002

Unitholding: 2,135

Ms Zucker is a Vice President in the Real Estate Principal Investment Area at Goldman, Sachs & Co. Since joining Goldman, Sachs & Co. in 1991, Ms. Zucker has spent time in both the firm's New York and Hong Kong offices and has focused principally on investing and managing the Whitehall Street Real Estate Funds. Ms. Zucker holds an undergraduate degree from Brown University and a Master of Business Administration from Harvard University.

Ms Zucker is a nominee of the Whitehall Funds. She is a member of the REIT's Investment Committee.

Compensation of the Board of Trustees

The trustees, other than trustees who are also employees of the REIT or any of its subsidiaries, received remuneration on the following basis during the REIT's financial year ended December 31, 2002:

- (i) Board retainer: \$20,000 per year (\$30,000 per year for the Chairman of the Board);
- (ii) Committee Chair retainer: \$5,000 per year (except for the Chair of the Investment Committee when it is a committee of the whole Board);
- (iii) Board or Committee meeting fee: \$1,000 per day that meetings are attended (\$500 if attendance is via telephone); and
- (iv) Related travel and out-of-pocket expenses incurred in acting as a trustee.

Trustees are paid one-half of their annual compensation in Units (based on the then-current market price of the Units). The REIT has reserved a maximum of 100,000 Units for this purpose and any increase in this maximum is subject to regulatory approval and Unitholder approval, if required. The trustees' compensation can only be changed by unanimous consent of the trustees. In addition, trustees, either directly or indirectly, are entitled to receive remuneration for services rendered to the REIT in any other capacity. Trustees who are employees of and who receive salary from the REIT shall not be entitled to receive any remuneration for their services as trustees but are entitled to reimbursement of their out-of-pocket expenses.

Summary of Board and Committee Meetings
Held During the Period from July 26, 2002 to December 31, 2002

Board	5
Audit Committee	3
Compensation and Corporate Governance Committee	1
Total number of meetings held	<hr/> 9

Corporate Governance Practices

Effective corporate governance is a priority for the Board of Trustees. Through the Governance and Compensation Committee, the Board reviews, evaluates and modifies its governance program to ensure that the REIT's governance plan is consistent with the guidelines for improved corporate governance adopted by the Toronto Stock Exchange (the "TSX Guidelines"). A detailed comparison of the REIT's corporate governance procedures with the TSX Guidelines may be found in Schedule 1 attached to this Proxy Circular.

Proposed amendments to the TSX Guidelines were published in the Spring of 2002, with a further set of proposed amended guidelines circulated by the TSX in December 2002. At the time this Proxy Circular was prepared, these proposed amendments were still under review by the Ontario Securities Commission. In response to these amended guidelines, when they are finalized, the Board of Trustees will reassess and make any necessary changes to the REIT's governance practices.

In this Proxy Circular and the attached Schedule 1, the term "unrelated" trustee has the corresponding meaning given to the term "unrelated" director in the TSX Guidelines; namely, a trustee who is independent of management and is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the trustee's ability to act with a view to the best interests of the REIT, other than interests and relationships arising from his or her Unitholdings. A majority of the current trustees of the REIT, and all of the nominees standing for election as trustees, are "unrelated" within the meaning of the TSX Guidelines.

Independent Trustee Matters

In addition to requiring the approval of a majority of the trustees, approval of not less than 66 $\frac{2}{3}$ % of the independent trustees of the REIT who have no interest in the matter is required with respect to any decision:

- (a) to make a material change to the Management Agreement or administrative services agreements of the REIT, change the fees payable to the Manager, renew the Management Agreement or the administrative services agreements at the end of their respective terms or appoint a substitute for the Manager after the end of the term of the Management Agreement;

- (b) to enter into any agreement or transaction in which any related party of the REIT has a material interest or make a material change to any such agreement or transaction;
- (c) relating to a claim by or against any related party of the REIT;
- (d) relating to a claim in which the interests of a person referred to in paragraph (c) above differ from the interests of the REIT;
- (e) to increase the number of the trustees by no more than one-third in accordance with the Declaration of Trust and to appoint trustees to fill the vacancies so created;
- (f) to recommend to the Unitholders that the number of trustees be increased, where a vote of Unitholders thereon is required, and to nominate individuals as trustees to fill the vacancies so created;
- (g) to acquire any real or other property in which a related party of the REIT has an interest or to sell any interest in any real or other property to a related party of the REIT;
- (h) to make any changes in compensation of an employee who is also an employee of a related party;
- (i) to grant options to purchase Units under any Unit option plan approved by the trustees or to award any right to acquire or other right or interest in Units or securities convertible into or exchangeable for Units under any plan approved by the trustees; and
- (j) to approve or enforce any agreement entered into by the REIT with a trustee who is not an independent trustee or an associate thereof, with a related party of the REIT, or with the Manager or any successor as hotel manager under the Management Agreement.

Committees of the Board of Trustees

There are currently three committees of the Board of Trustees. They are the Investment Committee, the Audit Committee and the Compensation and Corporate Governance Committee.

All of the trustees are currently members of the Investment Committee. The Investment Committee's primary duties and responsibilities include (i) approving or rejecting proposed acquisitions and dispositions of investments by the REIT, (ii) authorizing proposed transactions, and (iii) approving all financing arrangements and the assumption or granting of mortgages. The Investment Committee meets as required.

The members of the Audit Committee are Frank Anderson, Michael P. Kitt and Minhas N. Mohamed. All of the members of the Audit Committee are unrelated within the meaning of the TSX Guidelines. The Audit Committee's primary duties and responsibilities include (i) reviewing the REIT's internal control procedures with the auditors and the Chief Financial Officer, (ii) reviewing the engagement of the REIT's auditors, (iii) reviewing and recommending to the trustees for their approval the annual and quarterly financial statements and management's discussion and analysis of financial condition and results of operation, (iv) assessing the REIT's financial and accounting personnel, and (v) reviewing any significant transactions outside the REIT's ordinary course of business and all pending litigation involving the REIT. The Audit Committee meets at least 5 times per year.

The members of the Compensation and Corporate Governance Committee are Mortin G. Gross, Michael P. Kitt and Minhas N. Mohamed. All of the members of the Compensation and Corporate Governance Committee are unrelated within the meaning of the TSX Guidelines. The primary duties and responsibilities of the Compensation and Corporate Governance Committee include (i) developing the corporate governance policy of the Board of Trustees, and (ii) developing the REIT's human resources and compensation policies. The Compensation and Corporate Governance Committee meets at least 1 time per year.

Executive Compensation

Summary Compensation Table for Named Executive Officers

The compensation for the Chief Executive Officer and Chief Financial Officer of the REIT (the "Named Executive Officers"), the only officers of the REIT, is summarized in the table below. This information is in respect of services rendered from July 26, 2002 to December 31, 2002.

<u>Name and Principal Position</u>	<u>Annual Compensation</u>		<u>Long-Term Compensation</u>
	<u>Salary⁽¹⁾</u>	<u>Bonus</u>	<u>Restricted Stock Units⁽²⁾</u>
Kenneth D. Gibson ⁽³⁾ President and Chief Executive Officer	\$180,000	\$47,291	36,000
Tamara L. Lawson ⁽³⁾ Chief Financial Officer and Secretary	\$112,500	\$21,112	13,500

(1) Annualized.

(2) Granted under the Executive Incentive Plan. See "Executive Incentive Plan". The restricted stock units granted in 2002 vest in three equal annual instalments. Amounts shown for 2002 represent restricted stock units granted on July 26, 2002, the date of the completion of the REIT's initial public offering, valued based on the initial public offering price. During 2002, Mr. Gibson and Ms Lawson were credited with an additional 1,533.4 and 575 restricted stock units, respectively, in respect of distributions paid on the Units. As at December 31, 2002, the aggregate number of restricted stock units held and the aggregate value based on the closing price of the Units on the Toronto Stock Exchange on December 31, 2002, \$9.50, was 37,533.4 restricted stock units valued at \$356,567 for Mr. Gibson and 14,075 restricted stock units valued at \$133,713 for Ms Lawson.

(3) Compensation paid by the REIT pursuant to the Named Executive Officers' employment agreements. The Named Executive Officers are required to devote at least 50% of their time to managing the affairs of the REIT. See "Employment Agreements"

Executive Incentive Plan

The Named Executive Officers participate in the Executive Incentive Plan pursuant to which they may be granted restricted stock units from time to time. Restricted stock units vest on a schedule determined by the trustees. Each restricted stock unit entitles the holder to receive a payment on the vesting date, payable in Units based on their then current market value, equal to the then current market value of one Unit plus the value of the cash distributions that would have been paid on one Unit if it had been issued on the date of grant of the restricted stock unit, assuming the reinvestment of these distributions in Units. The REIT has reserved a maximum of 1,000,000 Units for issuance under the Executive Incentive Plan, and any increase in this maximum or other amendment to the Executive Incentive Plan is subject to regulatory approval and Unitholder approval, if required.

Employment Agreements

The REIT has entered into employment agreements with each of the Named Executive Officers. The agreements contain salary, performance-based bonus and benefit commitments by the REIT and termination and severance provisions. The employment agreements also contain non-competition covenants in favour of the REIT.

The employment agreements with each of the Named Executive Officers are non-exclusive, permitting them to also be employed by and work for the Manager and the Westmont Group. Under their employment agreements, each of the Named Executive Officers is required to devote at least 50% of his or her time to managing the affairs of the REIT, subject to the right of the independent trustees, acting reasonably, to require that this proportion be increased or decreased with the approval of the Westmont Group, acting reasonably. The employment agreements provide that, if this proportion is increased or decreased for a Named Executive Officer, a proportionate adjustment to the salary, performance-based bonus and benefits payable by the REIT to the Named Executive Officer will be made.

Each of the Manager and the Westmont Group has acknowledged that its employment arrangements with the Named Executive Officers are consistent with the Named Executive Officers' respective employment agreement with the REIT.

Report on Executive Compensation

The REIT believes in tying compensation to an individual's performance and to that of the REIT as a whole. The compensation for the Named Executive Officers consists of a base salary, a bonus and long-term incentive grants of restricted stock units. The maximum base salary of the Named Executive Officers is positioned at the 75th percentile of other Canadian real estate investment trusts.

Bonuses are determined annually by the Compensation and Corporate Governance Committee, based on performance against pre-set goals that, in 2002, were tied to distributable income above specified threshold levels. The full bonus is awarded if the maximum level of performance is achieved.

On completion of the REIT's initial public offering, each of the Named Executive Officers was granted restricted stock units pursuant to the REIT's Executive Incentive Plan. These initial restricted stock units vest in three equal annual instalments. Each year, the Compensation and Corporate Governance Committee will determine the number of restricted stock units to be granted to each of the Named Executive Officers based on each of their anticipated contributions to the long-term growth of the REIT. These restricted stock units will vest at a rate of 50% on each of the third and fourth anniversary of the date of grant.

The Named Executive Officers are also employed by the Manager. They are compensated separately by the REIT and the Manager for their respective roles. The total base salary paid by the REIT will be prorated based on the time the Named Executive Officer devotes to the business of the REIT. The amounts indicated in the summary compensation table for the Named Executive Officers are only those amounts paid by the REIT. This approach ensures that the Named Executive Officers are appropriately compensated for their performance at the REIT and provides better alignment between the Unitholders' interests and that of the Named Executive Officers.

Indebtedness Of Trustees, Executive Officers And Senior Officers

As at the date of this Proxy Circular and during the REIT's financial year ended December 31, 2002, no trustee, proposed nominee for election as a trustee, executive officer or senior officer of the REIT (or any associate of such individuals) was indebted to (i) the REIT or any of its subsidiaries, or (ii) any other entity which is, or was at any time during the REIT's financial year ended December 31, 2002, the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the REIT or any of its subsidiaries.

Trustees' and Officers' Insurance and Indemnification

The REIT maintains insurance for the benefit of its trustees and officers against liability in their respective capacities as trustees and officers. The annual premium payable by the REIT in respect of such insurance is \$172,127 and the aggregate insurance coverage obtained under the policy is \$50,000,000. There is no deductible for claims under this insurance policy by trustees and officers of the REIT and a \$100,000 deductible for each loss and \$250,000 for a securities claim by the REIT. As of the date of this Proxy Circular, no claim has ever been presented or paid under this policy.

The Declaration of Trust provides that the REIT shall indemnify the trustees against all liabilities, damages, losses, debts and claims whatsoever, including costs, charges and expenses in connection therewith, incurred by the trustee in respect of any action to which the trustee was made a party in relation to the execution of his or her duties as a trustee, if the trustee acted honestly and in good faith with a view to the best interests of the REIT or, in the case of a criminal or administrative action or proceeding that is enforced by monetary penalty, the trustee had reasonable grounds for believing that his or her conduct was lawful.

Interest Of Insiders In Material Transactions

General

The Declaration of Trust of the REIT contains "conflict of interest" provisions that are intended to provide certain protections to Unitholders without creating undue limitations on the REIT. Given that the trustees are engaged in a wide range of activities, the Declaration of Trust contains provisions, similar to those contained in the *Canada Business Corporations Act*, that require each trustee or officer to disclose to the REIT any interest in a material contract or transaction or proposed material contract or transaction with the REIT (including a contract or transaction involving the making or disposition of any investment in real property or a joint venture arrangement) or the fact that such person is a director or officer of or otherwise has a material interest in any person who is a party to a material contract or transaction or proposed material contract or transaction with the REIT. Such disclosure is required to be made at the first meeting at which a proposed contract or transaction is considered. In the event that a material contract or transaction or proposed material contract or transaction is one that in the ordinary course would not require approval by the trustees, a trustee or an officer of the REIT is required to disclose in writing to the REIT, or request to have entered into the minutes of meetings of trustees, the nature and extent of his or her interest forthwith after the trustee or officer becomes aware of the contract or transaction or proposed contract or transaction. In any case, a trustee or officer who has made disclosure to the foregoing effect is not entitled to vote on any resolution to approve the contract or transaction unless the contract or transaction is one relating primarily to his or her remuneration as a trustee, officer, employee or agent of the REIT or one for indemnity under the provisions of the Declaration of Trust or liability insurance.

The Declaration of Trust contains provisions to address potential conflicts of interest arising between the REIT and any related party. Among other things, the REIT must obtain a valuation in respect of any property that it intends to purchase from or sell to a related party by a valuator engaged by, and prepared under the supervision of, a committee of two or more independent trustees who have no interest in such transaction. In addition, each transaction between the REIT and a related party must be on commercially reasonable terms and requires the approval of at least 66²/₃% of the REIT's independent trustees who have no interest in such transaction.

Master Hotel Management Agreement

In connection with the formation of the REIT, a wholly-owned subsidiary of the REIT (the "Operator") entered into the Management Agreement with the Manager, under which the Manager is responsible for the management of each of the hotel businesses in the REIT. The Manager manages the hotel businesses and provides customary hotel management services, including preparation of annual operating and capital budgets and marketing plans, accounting and financial reporting, supervision of sales and marketing, human resource management, purchasing, management and supervision of construction and technical services, information technology, franchise relations and evaluations, supervision of property repairs and maintenance, supervision of compliance with material contracts relating to the hotel properties, leasing, yield management and quality control. The Management Agreement has an initial term of 10 years. Thereafter, the agreement is subject to two successive five-year renewal terms, subject to the consent of the Manager and approval by the Operator. If the REIT acquires any additional hotels during the term of the Management Agreement, the Manager will manage such additional hotels in accordance with the Management Agreement for the balance of the term of the agreement.

The Management Agreement provides for the payment of an annual management fee to the Manager during the term of the agreement, including renewal periods, in an amount equal to 3.375% of gross revenues from the REIT's hotel portfolio (the "Portfolio"), calculated and payable monthly. In addition, the Manager will receive an annual incentive fee. The incentive fee shall be equal to the sum of (i) 15% of the amount by which 90% of distributable income of the REIT in any year exceeds the First Incentive Fee Hurdle but is less than or equal to the Second Incentive Fee Hurdle, plus (ii) 20% of the amount by which 90% of distributable income of the REIT exceeds the Second Incentive Fee Hurdle but is less than or equal to the Third Incentive Fee Hurdle, plus (iii) 25% of the amount by which 90% of distributable income of the REIT exceeds the Third Incentive Fee Hurdle. For this purpose, the First Incentive Fee Hurdle is an amount equal to the product of \$1.125 per Unit multiplied by the weighted average number of Units outstanding during the relevant period. The Second Incentive Fee Hurdle is an amount equal to the product of \$1.275 per Unit multiplied by the weighted average number of Units outstanding during the relevant

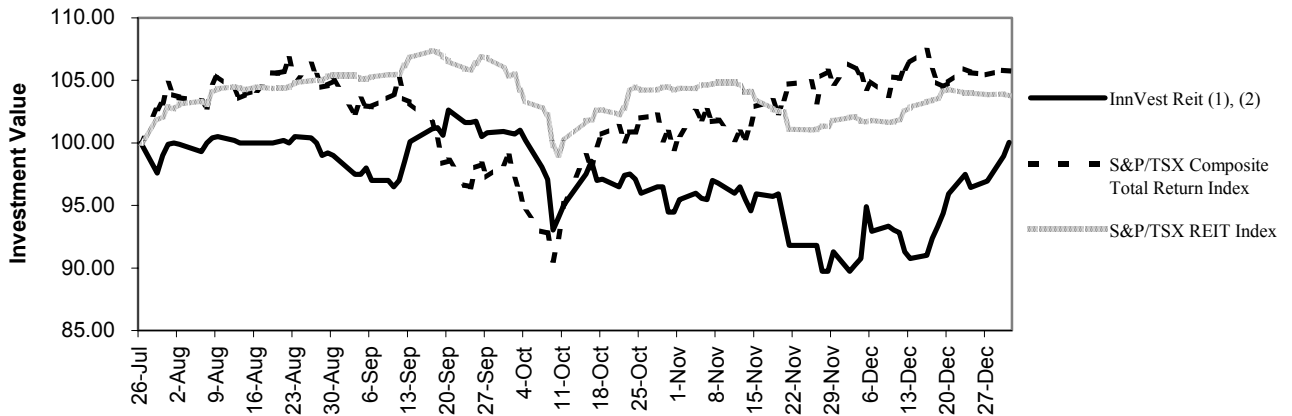
period. The Third Incentive Fee Hurdle is an amount equal to the product of \$1.425 per Unit multiplied by the weighted average number of Units outstanding during the relevant period. The incentive fee hurdle calculations are subject to customary anti-dilution provisions, primarily to protect the Manager, in the event of certain events including, without limitation, Unit splits, Unit consolidations and distributions to Unitholders other than in the ordinary course of business resulting from, among other things, refinancings or asset sales. For example, such a distribution would lead to a proportional reduction in the incentive fee hurdles and, conversely, a Unit consolidation would lead to a proportional increase in the incentive fee hurdles.

In addition to the base management fee and incentive fee, the Manager is entitled to (i) reasonable fees based on a percentage of the cost of purchasing certain goods and supplies for the hotel businesses and of certain construction costs and certain capital expenditures, and (ii) fees for accounting services. The Manager is also entitled to be reimbursed for certain reasonable out-of-pocket costs and expenses incurred by the Manager in the performance of its duties under the Management Agreement, provided that such costs have been identified in a budget approved by the Operator or otherwise are approved in writing by the Operator prior to being incurred by the Manager. Majid Mangalji is the President of the Westmont Group, which is the ultimate parent company of the Manager and Mr. Mangalji is a trustee of the REIT.

Performance Graph

Since July 26, 2002, the Units of the REIT have been listed and posted for trading on the TSX under the symbol "INN.UN". The following graph compares the cumulative total Unitholder return for \$100 invested in Units of the REIT (assuming distributions are reinvested) with the cumulative total shareholder return for \$100 invested in each of the S&P/TSX Composite Total Return Index and the S&P/TSX REIT Index (assuming dividends are reinvested) for the period from July 26, 2002 to December 31, 2002.

**Comparison of Cumulative Total Return for Period
(July 26, 2002 to December 31, 2002)**



(1) Assumes \$100 invested on July 26, 2002.

(2) Assumes dividends are re-invested in InnVest Units on the day of distributions.

Additional Information

If you would like to obtain, at no cost to you, a copy of any of the following documents:

- (i) the latest Annual Information Form of the REIT together with any document, or the pertinent pages of any document, incorporated by reference therein;
- (ii) the Consolidated Financial Statements of the REIT for the period from July 26, 2002 to December 31, 2002 together with the accompanying report of the auditors thereon or any interim financial statements of the REIT for periods subsequent to December 31, 2002; or
- (iii) this Proxy Circular,

please send your request to: InnVest Real Estate Investment Trust
5090 Explorer Drive
7th Floor
Mississauga, Ontario L4W 4T9

Attention: Dale St. Hilaire

Telephone: 905-206-7100
Fax: 905-206-7114

Board of Trustees' Approval

The Board of Trustees has approved the contents and the sending of this Proxy Circular to the Unitholders.

Kenneth D. Gibson (signed)
President and Chief Executive Officer

April 8, 2003

SCHEDULE I

Governance Practices

Regulatory changes to corporate governance are in progress as a result of discussions between the TSX and the Ontario Securities Commission. The REIT continues to monitor these changes and as clarification on each is available, appropriate action will be contemplated.

In this Schedule, the REIT's governance procedures are compared with the TSX Guidelines for improved corporate governance.

TSX Guideline	Does the REIT Align?	The REIT's Governance Procedures
1. The Board of Trustees should explicitly assume responsibility for the stewardship of the REIT and specifically for:	✓	<p>The Board, either directly or through its committees, is responsible for management and supervision of the business and affairs of the REIT with the objective of enhancing Unitholder value.</p> <p>The Board establishes the overall policies and standards for the REIT. The Board has delegated to management the power to manage the day-to-day business and affairs of the REIT. The Board seeks to ensure that the REIT is managed so as to enhance Unitholder value and to ensure its long-term viability. The trustees are kept informed of the REIT's operations at Trustees' meetings and committee meetings and through reports and discussions with management. The Board meets on a regularly scheduled basis and, during the period from July 26, 2002 to December 31, 2002 the Board met on five occasions. In addition, communications between the Trustees and management occur apart from the regularly scheduled Board or committee meetings.</p>
(i) adoption of a strategic planning process;	✓	<p>The Board reviews the written objectives of the senior executives and provides guidance for the development of strategy. The Board frequently discusses the REIT's strategies and their implementation at Board meetings.</p>
(ii) identification of the principal risks of the REIT's business and ensuring implementation of appropriate systems to manage those risks;	✓	<p>The Board assumes responsibility for identifying and managing business risks. The Board reviews with management the REIT's principal risks and receives reports of management's assessment of, and proposed responses to, these risks as they develop. This process ensures that the Board as a whole actively and appropriately oversees the management of all significant risks applicable to the REIT's business. The REIT has engaged an outside advisor to work with management to perform a third party risk assessment and report their findings to management and the Trustees. The report will include the identification of the business risks, prioritization of these risks, and the development of</p>

TSX Guideline	Does the REIT Align?	The REIT's Governance Procedures
		<p>an action plan to address the significant risks.</p> <p>The Audit Committee meets regularly to review areas of financial risk.</p>
(iii) succession planning, including appointing, training and monitoring senior management;	✓	<p>The Compensation and Corporate Governance Committee has primary responsibility for considering questions of management succession. The Committee intends to report to the Board annually on organizational structure and succession planning matters.</p>
(iv) communications policy; and	✓	<p>The Board, through its Audit Committee and Compensation and Corporate Governance Committee, is responsible for, and has implemented procedures to ensure, the timely dissemination of all material information. Material disclosure documents such as press releases, management's discussion and analysis, annual reports, annual information forms, quarterly financial statements and proxy circulars are scrutinized and, where required, approved by the Board or one of its committees, in each case before they are publicly disseminated.</p> <p>The Board reviews the REIT's communication policies that address how the REIT interacts with the public and certain measures to avoid selective disclosure. In this regard, procedures are in place to provide timely information to investors and potential investors.</p>
(v) integrity of internal control and management information systems.	✓	<p>The Board, through the appointment of various committees, monitors and assesses the strengths of the REIT's internal control and management information systems. The Audit Committee has the responsibility of reviewing the REIT's procedures for internal control with the REIT's auditors and Chief Financial Officer.</p>
2. A majority of trustees should be "unrelated".	✓	<p>The Board is currently composed of seven trustees. Each of the independent nominees standing for election to the Board as disclosed in this Proxy Circular is "unrelated" within the meaning of the TSX Guidelines. Messrs. Majid Mangalji and Brian Collyer and Ms Lauren Zucker are the only trustees who are "related" to the REIT. The Board believes that the current independent Trustees provide appropriate independent representation for the Unitholders of the REIT.</p> <p>Pursuant to the Declaration of Trust, there are certain matters which require the approval of a majority of the "unrelated" Trustees to become effective, including the following:</p>

TSX Guideline	Does the REIT Align?	The REIT's Governance Procedures
		<ul style="list-style-type: none"> • to enter into any agreement or transaction in which a related party has a material interest; • to make a material change to or renew the REIT's Management Agreement or administrative services agreement, change the fees payable to the Manager or appoint a substitute for the Manager; • to increase the number of trustees by no more than one-third in accordance with the Declaration of Trust of the REIT and to fill vacancies; and • to grant options to purchase Units under any Unit option plan approved by the trustees or to award any right to, acquire or other right or interest in Units or securities convertible into or exchangeable for Units under any plan approved by the trustees.
<p>3. The Board has responsibility for applying the definition of "unrelated trustee" to each individual Trustee and for disclosing annually the analysis of the application of the principles supporting this definition and whether the Board has a majority of unrelated trustees.</p>	<p>✓</p>	<p>Based on information provided by trustees as to their individual circumstances, the Board has determined that each of the independent nominees standing for election to the Board for 2003 is "unrelated" to the REIT. Only Messrs. Majid Mangalji and Brian Collyer and Ms Lauren Zucker are "related" trustees within the meaning of the TSX Guidelines.</p>
<p>4. The Board should appoint a committee of trustees composed exclusively of outside trustees, a majority of whom are unrelated, with responsibility for proposing new nominees to the Board and assessing trustees on an ongoing basis.</p>	<p>✓</p>	<p>The Compensation and Corporate Governance Committee is responsible for identifying and recommending to the Board suitable candidates for election to the Board. In undertaking this responsibility, the Committee will annually assess the skill sets of the existing Board and its committees, and will identify any additional skill sets deemed to be beneficial.</p> <p>The Compensation and Corporate Governance Committee is composed exclusively of non-management trustees, all of whom are "unrelated". The Declaration of Trust provides that all of the members of this Committee must be independent trustees.</p>

TSX Guideline	Does the REIT Align?	The REIT's Governance Procedures
<p>5. The Board should implement a process, to be carried out by an appropriate committee, for assessing the effectiveness of the Board, its committees and individual trustees.</p>	<p>✓</p>	<p>The Compensation and Corporate Governance Committee intends to conduct an annual evaluation of the effectiveness of the Board and its committees. In such evaluation, the Committee will assess the operation of the Board and its committees, the adequacy of information provided to trustees, communication processes between the Board and management, agenda planning for Board and Committee meetings, effectiveness of the Chairman in managing Board meetings, strategic direction and process.</p>
<p>6. The Board should provide orientation and education programs for new trustees.</p>	<p>✓</p>	<p>The Board intends to provide new Board members with an orientation. The REIT will provide its new trustees with a program with a focus on the corporate governance system, including roles, responsibilities and liabilities of trustees. Reports relating to the REIT's business and affairs are provided to trustees on a regular basis.</p>
<p>7. The Board should examine its size and undertake, where appropriate, a program to establish a Board size which facilitates effective decision-making.</p>	<p>✓</p>	<p>The Declaration of Trust states that there shall be no fewer than five and no more than nine trustees which number may be changed by the Unitholders of the REIT or by the trustees themselves (if authorized by the Unitholders). At the annual meeting on May 21, 2003, four nominees will stand for election for a one-year term and the three trustees collectively appointed by the Westmont Group and the Whitehall Funds will continue to hold office until such trustees resign or are replaced by the Westmont Group or Whitehall Funds, as applicable. The matter of Board size is considered formally on an annual basis by the Board and on an ongoing basis by the Compensation and Corporate Governance Committee. In considering Board size, the Board balances the opposing needs of keeping the Board size small enough to facilitate open and effective dialogue and decision-making and ensuring there is adequate representation to meet the demands of Board and committee work. The Board is of the view that the current membership has the necessary breadth and diversity of experience and its size is appropriate to provide for effective decision-making and staffing of Board committees.</p>

TSX Guideline	Does the REIT Align?	The REIT's Governance Procedures
<p>8. The Board should review the adequacy and form of compensation of the trustees in light of risks and responsibilities involved in being a trustee.</p>	<p>✓</p>	<p>The compensation of the trustees is prescribed by the Declaration of Trust and may only be changed by the unanimous consent of the trustees. The Compensation and Corporate Governance Committee intends to annually review the level and nature of compensation paid to the trustees. In making recommendations to the Board for appropriate adjustments, the Committee will consider the time commitment and risk and responsibilities of serving as a trustee of the REIT, and seek to align the interests of the trustees and Unitholders of the REIT.</p>
<p>9. Committees of the Board should generally be composed of outside trustees, a majority of whom are unrelated.</p>	<p>✓</p>	<p>The Compensation and Corporate Governance Committee and Audit Committee are composed solely of non-management trustees who are "unrelated". The Investment Committee is composed of all of the trustees and thus has a majority of unrelated members.</p>
<p>10. The Board should assume responsibility for, or assign to a committee of trustees responsibility for, developing the approach to corporate governance issues.</p> <p>This committee would, among other things, be responsible for the response to the TSX Guidelines.</p>	<p>✓</p>	<p>The Compensation and Corporate Governance Committee intends to review annually the REIT's corporate governance practices. The Committee advise and assist the Board in applying governance principles and practices and tracks developments in corporate governance, adapting best practices to the needs and circumstances of the REIT.</p> <p>The Board and the Compensation and Corporate Governance Committee have reviewed the REIT's response to the TSX Guidelines.</p>
<p>11. The Board of Trustees, together with the Chief Executive Officer, should develop positive descriptions for the Board and the Chief Executive Officer involving the definition of the limits to management's responsibility. In addition, the Board should approve or develop the corporate objectives which the Chief Executive Officer is responsible for meeting.</p>	<p>✓</p>	<p>The Declaration of Trust provides that the Board has full, absolute and exclusive power, control and authority over the REIT's assets and over the affairs of the REIT and may do anything that in its sole judgment and discretion it considers necessary, incidental to or desirable for the purposes of the REIT or for conducting the affairs of the REIT. The Board acts in a supervisory role and any responsibilities not delegated to management or a Board committee remains with the full Board.</p> <p>The scope of the Board's supervisory role expressly includes such matters as the strategic planning process, identification and management of risk, succession planning, internal controls and governance. To support it in its supervisory role, the Board expects management, among other things, to:</p> <ul style="list-style-type: none"> • undertake an ongoing review of the REIT's strategies and their implementation in light of evolving conditions;

Does the		
		<ul style="list-style-type: none"> • present an annual operating plan and regularly report on the REIT's performance and results relative to such plan; • report regularly on the REIT's business and affairs, with a focus on matters of material consequence for the REIT and its Unitholders; • implement systems to identify and manage the principal risks of the REIT's business; and • implement and maintain appropriate systems of internal control. <p>A position description for the Chief Executive Officer is set out in the terms of his employment agreement. The Chief Executive Officer's objectives are reviewed by the Board from time to time. These objectives include the general mandate to manage the REIT and to maximize Unitholder value. The limits to management's responsibilities are defined by the Board. This is accomplished both by specifically identifying the role and responsibilities of the Chief Executive Officer and specifying that all material decisions relating to the business and operations of the REIT are to be made by the Board or one of its committees.</p>
12.	The Board should implement structures and procedures to ensure that it can function independently of management.	<p style="text-align: center;">✓</p> <p>The Board and its committees meet independently of management when needed.</p>
13.	The Audit Committee should be composed entirely of "unrelated" Trustees. The roles and responsibilities of the Audit Committee should be specifically defined so as to provide appropriate guidance to Audit Committee members as to their duties. The Audit Committee should have direct communication channels with the internal and the external auditors to discuss and review specific issues as appropriate. The Audit Committee duties should include oversight responsibility for management reporting on internal control. While it is management's responsibility to design and implement an	<p style="text-align: center;">✓</p> <p>The Audit Committee is composed solely of "unrelated" Trustees. All members of the Audit Committee are "financially literate" and at least one member has accounting or related financial expertise.</p> <p>The roles and responsibilities of the Audit Committee are set out in page 7 of this Proxy Circular. Through the Committee, the Board has a means of monitoring and assessing the strength of the REIT's internal control and management information systems.</p> <p>The Audit Committee meets separately (without management present) with the REIT's auditors and discusses with them the financial statements and other financial issues as deemed appropriate.</p>

TSX Guideline	Does the REIT Align?	The REIT's Governance Procedures
<p>effective system of internal control, it is the responsibility of the Audit Committee to ensure that management has done so.</p>		
<p>14. The Board should implement a system to enable an individual trustee to engage an outside advisor, at the REIT's expense, in appropriate circumstances. The engagement of the outside advisor should be subject to the approval of an appropriate committee of the Board.</p>	<p>✓</p>	<p>Individual Trustees may, with the approval of the Compensation and Corporate Governance Committee, engage outside advisors at the expense of the REIT.</p>