



NOTICE OF ANNUAL MEETING OF UNITHOLDERS

and

MANAGEMENT INFORMATION CIRCULAR

**ANNUAL MEETING OF UNITHOLDERS
TO BE HELD ON JUNE 1, 2011**

April 18, 2011

These materials require your immediate attention. If you are in doubt as to how to make such decisions, please contact your financial, legal or other professional advisors

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InnVest
R · E · I · T

NOTICE OF ANNUAL MEETING OF UNITHOLDERS

TO: THE UNITHOLDERS OF INNVEST REAL ESTATE INVESTMENT TRUST

TAKE NOTICE that the annual meeting of unitholders (the "Meeting") of InnVest Real Estate Investment Trust (the "REIT") will be held

on **Wednesday, June 1, 2011**
at **4:00 p.m. (Toronto time)**
at the **Royal York Hotel, Imperial Room, 100 Front Street West, Toronto, Ontario**

for the following purposes:

- to receive the consolidated financial statements of the REIT for the year ended December 31, 2010 and the auditors' report thereon;
- to appoint the auditors of the REIT and authorize the trustees of the REIT ("REIT Trustees") to fix the remuneration of the auditors;
- to elect four REIT Trustees; and
- to transact any other business properly before the meeting.

Unitholders of record as of the close of business on April 15, 2011 will be entitled to vote at the Meeting or at any adjournment thereof.

If you cannot attend the Meeting in person, please complete the enclosed form of proxy and return it in the postage prepaid envelope to Computershare Investor Services Inc., 100 University Avenue, 9th Floor, Toronto, Ontario M5J 2Y1. To be effective, your proxy must be received by Computershare Investor Services Inc. no later than 4:00 p.m. (Toronto time) on Monday, May 30, 2011 or such later time as the Chairman of the Meeting may determine.

By order of the REIT Board,

(signed) *Kenneth D. Gibson*

Kenneth D. Gibson
President and Chief Executive Officer

Toronto, Ontario
April 18, 2011

GLOSSARY OF TERMS

The following terms shall have the meanings set forth below when used in this Circular. These defined terms are not always used in and may not conform exactly to the defined terms used in the schedules to this Circular or any agreements referred to herein.

"Administrative Services Agreements" means, collectively, (i) the amended and restated administrative services agreement dated December 31, 2010 between the REIT and the Manager, as may be further amended, supplemented or replaced in accordance with its terms from time to time, and (ii) the Operator Administrative Services Agreement;

"CBCA" means the *Canada Business Corporations Act*, as may be amended from time to time;

"CDS" means CDS Clearing and Depository Services Inc. or its nominee (which is, at the date hereof, CDS & Co.), together with its successors from time to time;

"CEO" means the Chief Executive Officer of InnVest;

"CFO" means the Chief Financial Officer of InnVest;

"Charter of the REIT Board" means the written mandate of the REIT Board, a copy of which is attached hereto as Schedule A;

"Circular" means this management information circular dated April 18, 2011 and the schedules hereto;

"CSA" means the Canadian Securities Administrators;

"CSA Governance Requirements" means, collectively, NI 58-101 and National Policy 58-201 — *Corporate Governance Guidelines* adopted by the CSA;

"Distributable Income" means the net income of the REIT and its consolidated subsidiaries (other than IOT and its subsidiaries) and, from and after December 31, 2010, the net income of IOT and its subsidiaries, in each case that is "Distributable Income" as determined in accordance with the REIT Declaration of Trust and the IOT Declaration of Trust, respectively;

"Event of Uncoupling" means an event that causes the REIT Units and the IOT Units to no longer trade together on the TSX as Stapled Units, which will occur only: (a) in the event that Unitholders vote in favour of the uncoupling of REIT Units and IOT Units such that the two securities will trade separately; or (b) at the sole discretion of the trustees of the REIT or IOT, but only in the event of the bankruptcy, insolvency, winding-up or reorganization (under an applicable law relating to insolvency) of the REIT, IOT and/or their respective subsidiaries, or the taking of corporate action by the REIT, IOT and/or their respective subsidiaries in furtherance of any such action or the admitting in writing by the REIT, IOT and/or their respective subsidiaries of its inability to pay its debts generally as they become due.;

"Executive Incentive Plan" means the executive incentive plan of the REIT, as may be amended, supplemented or replaced from time to time;

"Executive Officers" means the CEO and CFO of the REIT;

"Exemption Order" means the decision document dated May 3, 2010 issued to the REIT and IOT by the Ontario Securities Commission, as principal regulator, under Multilateral Instrument 11-102 – *Passport System* and National Policy 11-203 – *Process for Exemptive Relief Applications in Multiple Jurisdictions*;

"IFRS" means International Financial Reporting Standards adopted from time to time by the International Accounting Standards Board;

"InnVest" means, collectively, the REIT and IOT;

"Intermediary" means a participant in the book-based system administered by CDS with whom a Non-Registered Holder deals in respect of REIT Units, such as, among others, banks, trust companies, securities dealers or brokers, and trustees or administrators of self-administered deferred income plans;

"IOT" means InnVest Operations Trust, an open-ended unit trust established under the laws of the Province of Ontario that is indirectly controlled by the REIT on the date hereof, or, where the context so requires, the trustees of InnVest Operations Trust acting in their capacity as trustees;

"IOT Declaration of Trust" means the declaration of trust governing the business and affairs of IOT, as amended, supplemented or replaced in accordance with its terms from time to time;

"IOT Trustees" means the trustees of IOT from time to time.

"IOT Unit" means a non-voting trust unit of IOT;

"IOT Voting Unit" means a voting trust unit of IOT;

"Management Agreement" means the amended and restated master hotel management agreement between the Operator, the Manager and InnVest, as may be amended, supplemented or replaced from time to time;

"Manager" means Westmont Hospitality Canada Limited;

"MD&A" means a completed Form 51-102F1 – *Management's Discussion and Analysis*;

"Meeting" means the annual meeting of Unitholders to be held on June 1, 2011, including any adjournment(s) or postponement(s) thereof, to conduct the business described in the Notice;

"Meeting Materials" means, collectively, the copies of the Notice, this Circular and the form of proxy or voting instruction form distributed by the REIT to the clearing agencies and Intermediaries for onward distribution to Non-Registered Holders;

"Named Executive Officers" has the meaning set out at "Statement of Executive Compensation – Compensation Discussion & Analysis – Compensation Decision-Making Process";

"NI 52-110" means National Instrument 52-110 – *Audit Committees* adopted by the CSA;

"NI 58-101" means National Instrument 58-101 – *Disclosure of Corporate Governance Practices* adopted by the CSA;

"Non-Registered Holder" means a beneficial holder of REIT Units that holds its REIT Units through an Intermediary;

"Notice" means the public notice of the Meeting accompanying this Circular;

"Operator" means InnVest Hotels LP, a wholly-owned subsidiary of IOT;

"Operator Administrative Services Agreement" means the amended and restated administrative services agreement dated December 31, 2010 between IOT, the Operator and the Manager, as may be further amended, supplemented or replaced from time to time;

"REIT" means InnVest Real Estate Investment Trust or, where the context so requires, the REIT Trustees acting in their capacity as REIT Trustees;

"REIT Board" means the board of trustees of the REIT;

"REIT Declaration of Trust" means the declaration of trust governing the business and affairs of the REIT, as amended, supplemented or replaced in accordance with its terms from time to time;

"REIT Trustees" means the trustees of the REIT from time to time.

"REIT Unit" means a trust unit of the REIT;

"Reorganization" means the transactions that were completed on December 31, 2010, including by way of a court-approved plan of arrangement, which resulted in the REIT, among other things, transferring its operating assets to IOT and distributing IOT Units to Unitholders on a one for one basis;

"Stapled Unit" means one REIT Unit and one IOT Unit which will trade together prior to an Event of Uncoupling;

"subsidiary" includes, without limitation, a limited partnership, the limited partnership units of which are held directly and the general partner interest of which is held through a wholly-owned corporate subsidiary, and a trust, the voting beneficial interests in which are held directly or together with another subsidiary;

"Triggering Event" means (a) an Event of Uncoupling, or (b) any event that results in any of the then-outstanding IOT Voting Units ceasing to be held by the REIT or an affiliate thereof;

"TSX" means the Toronto Stock Exchange;

"Unitholders" means the holders of REIT Units, and **"Unitholder"** means any one of them; and

"Westmont" means Westmont Hospitality Group, Inc.

INNVEST REAL ESTATE INVESTMENT TRUST
MANAGEMENT INFORMATION AND PROXY CIRCULAR

Unless otherwise indicated, all information contained herein is given as at April 18, 2011 and all dollar amounts are expressed in Canadian dollars.

SOLICITATION OF PROXIES AND VOTING AT THE MEETING

Solicitation of Proxies

This Circular is furnished in connection with the solicitation of proxies by and on behalf of the management of the REIT for use at the Meeting and any adjournment(s) or postponement(s) thereof for the purposes set forth in the accompanying Notice. It is expected that the solicitation will be made primarily by mail, but proxies may also be solicited by telephone or by agents of the REIT. The costs of solicitation will be borne by the REIT.

The Board has fixed the close of business on April 15, 2011 as the record date for the Meeting, being the date for the determination of registered holders of REIT Units entitled to receive notice of the Meeting. Duly executed and completed proxies must be received by the transfer agent, Computershare Investor Services Inc., at the address set out below no later than 4:00 p.m. (Toronto time) on May 30, 2011 or, if the Meeting is postponed or adjourned, no later than 48 hours (excluding Saturdays, Sundays and statutory holidays in Ontario) before the time of the Meeting.

Appointment of Proxies

Registered Unitholders

The persons named in the form of proxy accompanying this Circular are trustees or officers of the REIT. A registered Unitholder has the right to appoint as proxy holder a person or company (who is not required to be a Unitholder), other than any person or company designated as proxy holder 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 proxy and deleting the names thereon, or by substituting another proper form of proxy. If it is not your intention to be present at the Meeting, you are asked to complete the enclosed form of proxy and return it in the envelope provided.

To be valid, the enclosed form of proxy must be dated and executed by the registered Unitholder or the officer or attorney of such registered Unitholder, duly authorized in writing. 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 Investor Services Inc., by no later than 4:00 p.m. (Toronto time) on May 30, 2011, or, if the Meeting is postponed or adjourned, no later than 48 hours (excluding Saturdays, Sundays and holidays) before the time of the Meeting, unless otherwise determined by the Chairman of the Meeting in his sole discretion. Proxies may be delivered to Computershare Investor Services Inc. as follows:

In person or by courier or mail: Computershare Investor Services Inc.
100 University Avenue, 9th Floor
Toronto, Ontario M5J 2Y1

By facsimile: 1-866-249-7775 (toll-free, North America only)

Non-Registered Unitholders

Only registered Unitholders, or the persons they appoint as their proxies, are permitted to attend and vote at the meeting. Each of the REIT Units is registered in the name of CDS, as depository, and is beneficially owned by a Non-Registered Unitholder.

A Non-Registered Holder is entitled to direct how the REIT Units beneficially owned by such holder are to be voted. A Non-Registered Holder may obtain a form of proxy from its Intermediary that will entitle the Non-Registered Holder to attend and vote at the meeting.

In accordance with the requirements of National Instrument 54-101 – *Communication with Beneficial Owners of Securities of a Reporting Issuer*, the REIT has distributed copies of the Meeting Materials to the clearing agencies and Intermediaries for onward distribution to Non-Registered Holders. Intermediaries are required to forward the Meeting Materials to Non-Registered Holders unless a Non-Registered Holder has waived the right to receive them. Typically, Intermediaries will use a service company (such as Broadridge Investor Communication Solutions) to forward the Meeting Materials to Non-Registered Holders.

Non-Registered Holders who have not waived the right to receive Meeting Materials will receive either a voting instruction form or, less frequently, a form of proxy. The purpose of these forms is to permit Non-Registered Holders to direct the voting of the REIT Units they beneficially own. Non-Registered Holders should follow the procedures set out below, depending on which type of form they receive.

- **Voting Instruction Form.** In most cases, a Non-Registered Holder will receive, as part of the Meeting Materials, a voting instruction form. If the Non-Registered Holder does not wish to attend and vote at the meeting in person (or have another person attend and vote on its behalf), the voting instruction form must be completed, signed and returned in accordance with the directions on the form. Voting instruction forms in some cases permit the completion of the voting instruction form by telephone or through the internet. If a Non-Registered Holder wishes to attend and vote at the meeting in person (or have another person attend and vote on his or her behalf), the Non-Registered Holder must complete, sign and return the voting instruction form in accordance with the directions on the form and a form of proxy giving the right to attend and vote will be forwarded to the Non-Registered Holder.
- **Form of Proxy.** Less frequently, a Non-Registered Holder will receive, as part of the Meeting Materials, a form of proxy that has already been signed by the Intermediary (typically by a facsimile, stamped signature) which is restricted as to the number of REIT Units beneficially owned by the Non-Registered Holder but which is otherwise not complete. If a Non-Registered Holder wishes to attend and vote at the meeting in person (or have another person attend and vote on its behalf), the Non-Registered Holder must insert the Non-Registered Holder's (or such other person's) name in the blank space provided. The Non-Registered Holder must complete, sign and return the form of proxy to the REIT's transfer agent, Computershare Investor Services Inc., by no later than 4:00 p.m. (Toronto time) on May 30, 2011, or, if the Meeting is postponed or adjourned, no later than 48 hours (excluding Saturdays, Sundays and holidays) before the time of the Meeting, unless otherwise determined by the Chairman of the Meeting in his sole discretion. Proxies may be delivered to Computershare Investor Services Inc. as follows:

In person or by courier or mail: Computershare Investor Services Inc.
100 University Avenue, 9th Floor
Toronto, Ontario M5J 2Y1

By facsimile: 1-866-249-7775 (toll-free, North America only)

Non-Registered Holders should follow the instructions on the forms they receive and contact their Intermediary promptly if they need assistance.

Revocation of Proxies

A registered 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 officer or attorney of such Unitholder, duly authorized in writing, (a) delivered to Computershare Investor Services Inc., in such manner and at such address as specified above, at any time up to and including the close of business on 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, (b) deposited with the Chairman of the Meeting prior to the commencement of the

Meeting on the day of the Meeting or any adjourned or postponed Meeting, or (c) in any other manner permitted by law.

A Non-Registered Holder may revoke a voting instruction form (or a waiver of the right to receive the Meeting Materials and to vote) given to an Intermediary at any time by written notice to the intermediary, except that an Intermediary is not required to act on a revocation that is not received by the intermediary at least seven days prior to the Meeting.

Voting of REIT Units Represented by Proxies

REIT Units represented by proxies will be voted or withheld from voting as specified on any ballot that may be called for. The proxy confers discretionary authority upon the persons named therein with respect to (a) each matter or group of matters identified therein where the Unitholder does not specify a choice with respect to any matter to be acted on, (b) amendments or variations to matters identified in the Notice, and (c) such other matters as may properly come before the Meeting or any adjournment(s) or postponement(s) thereof. If the Unitholder specifies a choice with respect to any matter to be acted upon, the REIT Units represented by the proxy will be voted accordingly. **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 proxy will vote REIT Units represented by the proxy FOR the approval of such matter.**

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

Voting at Meeting and Quorum

On April 18, 2011, there were 93,363,365 REIT Units issued and outstanding, each of which is a component of a Stapled Unit. Each REIT Unit entitles its holder to one vote at meetings of Unitholders. Holders of REIT Units of record at the close of business on April 15, 2011, 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 by the REIT 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(s) or postponement(s) 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, in the aggregate, hold or represent by proxy not less than 25% of the total votes attached to all outstanding REIT Units.

DOCUMENTS INCORPORATED BY REFERENCE

The following documents of the REIT, filed with securities commissions or similar authorities in Canada, are specifically incorporated by reference in this Circular:

- (a) the annual information form of the REIT dated March 28, 2011;
- (b) the audited consolidated balance sheets of the REIT as at December 31, 2010 and December 31, 2009 and the audited consolidated statements of net income (loss) and comprehensive income (loss), unitholders' equity and cash flows of the REIT for the years ended December 31, 2010 and December 31, 2009 and the respective notes thereto and auditors' reports thereon; and
- (c) the MD&A of the REIT for the year ended December 31, 2010.

Any statement contained in this Circular or in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purposes of this Circular to the extent that a statement contained herein, or in any other subsequently filed document which also is incorporated or is deemed to be

incorporated by reference herein, modifies or supersedes such statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of a modifying or superseding statement shall not be deemed an admission for any purpose that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that was required to be stated or that was necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Circular.

INFORMATION REGARDING INNVEST REAL ESTATE INVESTMENT TRUST

Principal Holders of REIT Units

To the knowledge of the REIT Trustees and the Executive Officers, there is no direct or indirect beneficial owner of, nor any person who exercises control or direction over, REIT Units carrying more than 10% of the votes attached to the outstanding REIT Units.

Interest of Certain Persons or Companies in Matters to be Acted Upon

None of the REIT Trustees or Executive Officers, nor any person who has held such a position since the beginning of the last completed financial year end of the REIT, nor any proposed nominee for election as a REIT Trustee, nor any associate or affiliate of the foregoing persons, has any substantial or material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any matter to be acted on at the Meeting other than the election of trustees, the appointment of the auditor and as set out herein.

BUSINESS OF THE MEETING

Financial Statements

The consolidated financial statements for the fiscal year ended December 31, 2010, together with the auditors' report thereon, were mailed to the Unitholders who requested them with the Notice and this Circular. No vote by the Unitholders is required with respect to this matter.

Appointment of Auditors

The REIT Board proposes that Deloitte & Touche LLP be re-appointed as the auditors of the REIT to hold office until the close of the next annual meeting of Unitholders and that the REIT Board be authorized to fix the remuneration of the auditors. Deloitte & Touche LLP were first appointed as auditors of the REIT on July 18, 2002.

Election of the REIT Board

Term of Office

The REIT Declaration of Trust provides that the REIT shall have a minimum of five and a maximum of nine REIT Trustees and that a majority of the REIT Trustees must be resident Canadians and independent. Pursuant to the REIT Declaration of Trust, Westmont has the right to appoint one REIT Trustee provided that it owns, in the aggregate, at least 5% of the outstanding REIT Units. The Manager also has the right, under the REIT Declaration of Trust, to appoint one REIT Trustee provided that the Management Agreement is in effect and the appointment would not result in a majority of the REIT Trustees not being independent REIT Trustees. Westmont owns more than 5% of the outstanding REIT Units and the Management Agreement is currently in effect. As a result, each of Westmont and the Manager has the right to appoint one REIT Trustee. See "Interests of Informed Persons in Material Transactions – Master Hotel Management Agreement and Other Agreements". The remaining REIT Trustees are required to be elected by a plurality of the votes cast at a meeting of Unitholders. Westmont is entitled to vote its REIT Units for the election of the remaining REIT Trustees.

As of the date of this Circular, there are six REIT Trustees: Majid Mangalji (Chairman), Fereed Mangalji, Frank Anderson, Morton G. Gross, Michael P. Kitt and Minhas N. Mohamed. One of the REIT Trustees, Majid Mangalji, is an appointee of Westmont pursuant to the REIT Declaration of Trust and, as such, is deemed not to be an independent REIT Trustee. He will remain a REIT Trustee for an indefinite term until he resigns, he is replaced by Westmont or the ownership threshold specified in the REIT Declaration of Trust is no longer met. Fereed Mangalji was appointed as a REIT Trustee by the Manager pursuant to the REIT Declaration of Trust and is also deemed not to be an independent REIT Trustee. He will remain a REIT Trustee until he resigns, he is replaced by the Manager, the Management Agreement ceases to remain in effect or his appointment would result in a majority of REIT Trustees not being independent REIT Trustees. The remaining four REIT Trustees are standing for re-election at the Meeting and, if re-elected, will serve until the close of the next annual meeting of Unitholders or until their successors are elected or appointed.

The REIT does not have a retirement policy for its REIT Trustees.

Management Nominees

The persons named below have established their eligibility and willingness to serve as REIT Trustees and will be nominated for election at the Meeting as management's nominees. The nominees are comprised of experienced and recognized business professionals with a diverse background in law, real estate development and operations, finance, accounting and business who have worked together to implement the REIT's strategy since the REIT's initial public offering in 2002.

Each REIT Trustee elected at the Meeting or appointed by the REIT Board to fill a vacancy on the REIT Board thereafter will hold office until the close of the next annual general meeting of the REIT or until the REIT Trustee's successor is elected or appointed and shall be eligible for re-election, unless the REIT Trustee's office is earlier vacated in accordance with the REIT Declaration of Trust.

Name and Municipal Address	Current Principal Occupation	Date First Appointed	REIT Units Beneficially Owned or Controlled as at April 18, 2011 (#)
Frank Anderson, FCA ⁽¹⁾⁽²⁾⁽³⁾⁽⁴⁾⁽⁵⁾ Ontario, Canada	Chairman and Chief Executive Officer, Preferred One Inc.	June 5, 2002	3,112
Morton G. Gross, Q.C. ⁽¹⁾⁽³⁾⁽⁴⁾⁽⁵⁾ Ontario, Canada	Senior partner of Borden Ladner Gervais LLP (Toronto office), a law firm	June 5, 2002	30,368
Michael P. Kitt ⁽¹⁾⁽²⁾⁽³⁾⁽⁴⁾⁽⁵⁾ Ontario, Canada	Executive Vice President, Canada, Oxford Properties Group	June 5, 2002	43,354
Minhas N. Mohamed ⁽¹⁾⁽²⁾⁽³⁾⁽⁴⁾⁽⁵⁾ Ontario, Canada	President, Chief Executive Officer and Co-Founder of MMV Financial Inc., a venture capital company	June 5, 2002	44,008 ⁽⁶⁾

Notes:

- (1) Member of Investment Committee.
- (2) Member of Audit Committee.
- (3) Member of Compensation and Corporate Governance Committee.
- (4) Independent REIT Trustee.
- (5) Member of IOT's Independent Advisory Committee. The Independent Advisory Committee members must be "independent" (within the meaning of sections 1.4 and 1.5 of NI 52-110), except that such individuals may also be, but are not required to be, independent REIT Trustees.
- (6) Includes 11,000 REIT Units controlled through QK Investments Inc, in which Minhas N Mohamed has decision-making authority.

Appointed REIT Trustees Continuing in Office

The persons named below are the REIT Trustee appointed by Westmont and the REIT Trustee appointed by the Manager, respectively.

Name and Municipal Address	Current Principal Occupation	Date First Appointed	REIT Units Beneficially Owned or Controlled as at April 18, 2011 (#)
Majid Mangalji ⁽¹⁾⁽²⁾ Wimbledon, England	Founder and President of Westmont, a private hotel owner and operator	June 5, 2002	7,950,631 ⁽³⁾⁽⁴⁾
Fereed Mangalji ⁽¹⁾ Singapore, Singapore	Executive Director of Westmont, a private hotel owner and operator	April 18, 2006	7,919,341 ⁽³⁾

Notes:

- (1) Member of Investment Committee.
- (2) Chairman of the REIT Board.
- (3) Includes 2,287,626 REIT Units controlled through Westmont, 1,067,083 REIT Units controlled through another Westmont affiliate and 4,564,632 REIT Units controlled through Maple Leaf Investment Holdings, L.P. Majid Mangalji and Fereed Mangalji, together, have the decision-making authority for these entities.
- (4) Majid Mangalji directly owns 31,290 REIT Units.

REIT Trustee Profiles

Further background information with respect to the management nominees and appointed REIT Trustees is set forth below:

Frank Anderson, FCA is currently the Chairman and CEO of Preferred One Inc., a marketing company, and was a senior partner in a major accounting firm until his retirement in 1999. He specialized in the retail, consumer products, real estate and advertising industries. Mr. Anderson was Executive Vice-President of Hy & Zel's, a discount drug store chain, from July 2002 until January 2003 and, until February 2007, the President of LIN Solutions Inc., a consulting company. From March 2007 until June 2009 Mr. Anderson was a Senior Officer of DundeeWealth Inc., a financial services company, latterly as Vice-Chairman, Financial Administration and Operations. He was a member of the Board of DundeeWealth Inc. from June 2003 until August 2009 and the Chair of its Audit Committee from June 2003 until February 2007. Mr. Anderson is a member of the Boards of Directors of the Canadian Centre for Diversity and the University of Toronto Press and is the Founding Chairman of Cornerstone 52 Foundation, a charitable organization dedicated to funding children's charities. He is a Past Chair of the Heart and Stroke Foundation of Ontario. Mr. Anderson was previously a member of the boards and Chair of the Audit Committees of O. & Y. REIT and Counsel Corporation and previously a member of the board of IPICO Inc., of which he was Executive Chairman from March 2006 until December 2006. Mr. Anderson obtained an undergraduate degree in Economic History 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.

Morton Gross, Q.C. 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 Public Private Partnership Group and formerly Chair of the National Real Estate Practice Group. Mr. Gross was Director and Chair of Corporate Governance and Human Resources Committee of Cadillac Fairview Corporation from 1996 to 2002. Mr. Gross holds a Bachelor of Laws degree from the University of Toronto and was called to the Ontario Bar in 1967.

Michael P. Kitt is Executive Vice President, Canada at Oxford Properties Group, a wholly owned subsidiary of the Ontario Municipal Employees Retirement System. Mr. Kitt is responsible for all activities within the company's 40 million square foot Canadian portfolio, including real estate management, development and investments. Prior to joining Oxford, Mr. Kitt was the Executive Vice-President, Development for a major commercial real estate company and was responsible for their office and retail development programs. Mr. Kitt holds an undergraduate degree from the University of Manitoba and is a Chartered Financial Analyst.

Minhas N. Mohamed is President, Chief Executive Officer and Co-Founder of MMV Financial Inc. and was the Managing Partner of MM Venture Partners (a predecessor firm). As President and Chief Executive Officer, Mr. Mohamed has overall management and strategic responsibility for MMV Financial. He has over 20 years of experience in the financing of technology and emerging growth companies, both in North America and internationally. Prior to founding MM Venture Partners in August 1998, Mr. Mohamed spent 11 years as a senior partner and shareholder of Quorum Funding Corporation, one of Canada's leading technology-focused venture capital 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.

Majid Mangalji is Founder and President of the Westmont Group, which started its hospitality business approximately 30 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 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, leading financial institutions, and investment funds. Mr. Mangalji sits on the boards of the principal hospitality companies in which the Westmont Group invests. He is the Chairman of the REIT and has a seat on the board of IREFAC (Industry Real Estate Financing Advisory Council). Mr. Mangalji holds a business degree with a double major in accounting and marketing from the University of Bradford, England.

Fereed Mangalji is a Principal and Executive Director of Westmont Group, and has been with the company for over 18 years. Mr. Mangalji oversees all facets of the company with a primary focus on the company's US and Canadian portfolios including overseeing all of Westmont's substantial investment projects and asset management group. During his tenure, Mr. Mangalji has been one of the key players in the dramatic growth of Westmont from a hotel owner/operator into one of the world's largest global hotel real estate investment companies. Mr. Mangalji has extensive familiarity and experience in both the real estate and hospitality industries and has a strong background in complex deal structuring, public to private acquisitions, mezzanine debt acquisitions, operational repositioning and asset work-outs. Mr. Mangalji holds a degree from Harvard University. Prior to joining the Westmont team, Mr. Mangalji worked in the real estate group at Bankers Trust in New York. Mr. Mangalji is also a member of the Young Presidents Organization.

Corporate Cease Trade Orders or Bankruptcies

To the knowledge of the REIT, except as disclosed below, no REIT Trustee is, or within the ten years prior to the date hereof has (a) been a director or executive officer of any company that, while that person was acting in that capacity, (i) was the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation for a period of more than 30 consecutive days; (ii) was subject to an event that resulted, after the director or executive officer ceased to be a director or executive officer, in the company being the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation for a period of more than 30 consecutive days; or (iii) within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or (b) become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold his or her assets:

Mr. Frank Anderson was a director of IPICO Inc. when it filed a proposal under the *Bankruptcy and Insolvency Act* (Canada) on February 18, 2011. The proposal was approved by an order of the Ontario Superior Court of Justice on March 17, 2011. Mr. Anderson resigned as a director of IPICO Inc. on March 24, 2011.

REIT BOARD

Number of REIT Board and Committee Meetings held during Fiscal 2010

REIT Board or Committee	Number of Meetings
REIT Board	12
Audit Committee	6
Compensation and Corporate Governance Committee	2
Investment Committee	0
Independent Advisory Committee of IOT ⁽¹⁾	0
Total Numbers of Meetings Held	20

⁽¹⁾ The members of the Independent Advisory Committee of IOT were appointed on December 31, 2010, the date that the Reorganization was completed, and as such no meetings of such committee were held during fiscal 2010.

Compensation of the InnVest Trustees

For fiscal 2010, compensation for all REIT Trustees was composed of (i) annual board retainer fees, (ii) annual retainers for the Chairman and Chairs of committees of the REIT Board, and (iii) meeting fees. The annual board retainer fee for all REIT Trustees is \$45,000. In addition, the annual retainer fee for the Chairman and Chairs of committees of the REIT Board is \$10,000, except for the Chair of the Audit Committee whose annual retainer fee is \$12,500. REIT Trustees are paid a fee of \$1,000 per board or committee meeting attended in person and \$500 per telephone meeting. REIT Trustees are not granted restricted units nor are REIT Trustees entitled to annual cash bonuses.

REIT Trustees are paid 50% of their annual retainer fees in Stapled Units (based on the then-current market price of Stapled Units, calculated as the volumetric weighted average trading price of Stapled Units over the last five trading days of each fiscal quarter). InnVest has reserved a maximum of 350,000 Stapled Units for this purpose. The balance in this reserve account as at April 18, 2011 is 227,645 Stapled Units and an aggregate of 122,355 Stapled Units (being equal to approximately 0.1% of the issued and outstanding Stapled Units as of the date hereof) have been issued as annual compensation to the REIT Trustees to date. Under the REIT Declaration of Trust, the REIT Trustees' compensation can only be changed by unanimous consent of the REIT Trustees. REIT Trustees who are employees of, and who receive salary from, the REIT or any of its subsidiaries are not entitled to receive any remuneration for their services as REIT Trustees but are entitled to reimbursement of their out-of-pocket expenses. Other than the payment of one-half of the annual retainer fees in Stapled Units, all other fees paid to REIT Trustees are paid in cash. For the year ended December 31, 2010, all fees in relation to REIT Trustee compensation totalled \$386,000 and the REIT reimbursed approximately \$3,200 of the REIT Trustees' out-of-pocket expenses incurred in connection with board and committee meetings.

The IOT Declaration of Trust includes identical provisions to the REIT Declaration of Trust with respect to trustee compensation. All of the IOT Trustees are employees of InnVest and as such are not entitled to receive, and have not received, any remuneration for their services as IOT Trustees other than reimbursement of out-of-pocket expenses.

The following chart summarizes the compensation paid to each REIT Trustee for services as a trustee of the REIT during the financial year ended December 31, 2010.

REIT Trustee	Cash-based compensation (\$)	Unit-based compensation (\$)	Option-based awards (\$)	Non-equity incentive plan compensation (\$)	Pension value (\$)	All other compensation (\$)	Total (\$)
Frank Anderson	\$48,750	\$28,750	-	-	-	-	\$77,500
Morton G. Gross	39,000	27,500	-	-	-	-	66,500
Michael P. Kitt	40,000	22,500	-	-	-	-	62,500
Minhas N. Mohamed	40,500	22,500	-	-	-	-	63,000
Majid Mangalji	36,500	27,500	-	-	-	-	64,000
Fereed Mangalji	30,000	22,500	-	-	-	-	52,500
Totals	\$234,750	\$151,250	-	-	-	-	\$386,000

None of the REIT Trustees have options or other unvested unit-based awards outstanding as at December 31, 2010, nor have any such equity-based awards vested during the year then ended.

Trustee Attendance Record

REIT Trustees	Board Meetings Attended	Committee	Committee Meetings Attended	Total Meetings Attended
Frank Anderson ⁽¹⁾	12 of 12	Audit Governance	6 of 6 2 of 2	20
Morton G. Gross ⁽¹⁾	12 of 12	Governance	2 of 2	14
Michael P. Kitt ⁽¹⁾	12 of 12	Audit Governance	6 of 6 2 of 2	20
Minhas N. Mohamed ⁽¹⁾	12 of 12	Audit Governance	6 of 6 2 of 2	20
Majid Mangalji	12 of 12			12
Fereed Mangalji	11 of 12			11

Notes:

(1) Independent REIT Trustee.

Independent REIT Trustee Matters

In addition to requiring the approval of a majority of the REIT Trustees, approval of not less than 66% of the independent REIT Trustees 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 the Administrative Services Agreements, 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 related party of the REIT differ from the interests of the REIT;
- (e) to increase the number of the REIT Trustees by no more than one-third in accordance with the REIT Declaration of Trust and to appoint REIT Trustees to fill the vacancies so created;
- (f) to recommend to the Unitholders that the number of REIT Trustees be increased, where a vote of Unitholders thereon is required, and to nominate individuals as REIT 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 REIT Units under any REIT Unit option plan approved by the REIT Trustees or to award any right to acquire or other right or interest in REIT Units or securities convertible into or exchangeable for REIT Units under any plan approved by the REIT Trustees; and
- (j) to approve or enforce any agreement entered into by the REIT with a REIT Trustee who is not an independent REIT 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 REIT Board

There are currently the following three Committees of the REIT Board: the Investment Committee, the Audit Committee and the Compensation and Corporate Governance Committee.

Investment Committee

All of the REIT Trustees were members of the Investment Committee for the fiscal year ended December 31, 2010. The Investment Committee's primary duties and responsibilities include (i) reviewing and 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 any mortgage.

Audit Committee

The current members of the Audit Committee are Frank Anderson (chair), Michael P. Kitt and Minhas N. Mohamed, all of whom are independent REIT Trustees. The Audit Committee's primary duties and responsibilities include (i) reviewing the REIT's internal control procedures with the auditors and management, (ii) reviewing the engagement and the independence of the REIT's auditors, (iii) reviewing and recommending to the REIT Trustees for their approval the annual and quarterly financial statements and management's discussion and analysis of financial condition and results of operations, (iv) reviewing and discussing changes to the application of accounting principles with management and the auditors and (v) overseeing the work of the external auditors in respect of the consolidated or combined financial statements of the REIT and IOT. The IOT Declaration of Trust requires the IOT Trustees to appoint an independent audit committee as soon as practicable following a Triggering Event. A copy of the Exemption Order is available at www.osc.gov.on.ca.

Information about the REIT's Audit Committee, including the full text of the Audit Committee's charter, the composition of the Audit Committee, the relevant education and experience of members of the Audit Committee and other information regarding the Audit Committee's functions and policies, and a summary of the fees paid by the REIT for external auditor services are set out under the heading "Audit Committee" in the REIT's annual information form for the year ended December 31, 2010, dated March 28, 2011, available under the REIT's profile at www.sedar.com, and such information is incorporated by reference herein.

Compensation and Corporate Governance Committee

The current members of the Compensation and Corporate Governance Committee are Morton G. Gross (chair), Michael P. Kitt, Minhas N. Mohamed and Frank Anderson, all of whom are independent REIT Trustees. The primary duties and responsibilities of the Compensation and Corporate Governance Committee include (i) developing the corporate governance policy of the REIT Board, and (ii) developing the REIT's human resources and compensation policies.

IOT Independent Advisory Committee

In addition to the committees of the REIT referred to above, each of the independent REIT Trustees is currently a member of IOT's Independent Advisory Committee. Prior to a Triggering Event (and thereafter until at least three independent trustees are elected), the trustees of IOT are required to (a) obtain the approval of the IOT Independent Advisory Committee in order to take certain actions, including to make a material change to the Management Agreement or the Operator Administrative Services Agreement, to enter into any agreement or transaction in which any related party has a material interest and to make any changes in compensation of an employee who is also an employee of a related party, and (b) engage members of the IOT Independent Advisory Committee to supervise any valuation required to be obtained in respect of any property that IOT or its subsidiary proposes to purchase from or sell to a related party. The matters that require IOT Independent Advisory Committee approval under the IOT Declaration of Trust are identical to the matters that require approval of the independent Trustees under the REIT Declaration of Trust, other than the fact that such matters pertain to proposed actions by IOT and not the REIT.

STATEMENT OF EXECUTIVE COMPENSATION

IOT

Pursuant to the Exemption Order, IOT is exempt from, among other things, the requirement to prepare and file a statement of executive compensation provided that, among other things, the REIT includes in its statement of executive compensation all information that would be required in a statement of executive compensation filed by IOT. Unless otherwise noted, the information set for the below applies to both the REIT and IOT.

Compensation Discussion & Analysis

Compensation Decision-Making Process

It is the responsibility of the Compensation and Corporate Governance Committee to review and recommend to the REIT Board annually the compensation proposed to be paid to Kenneth D. Gibson, the CEO of InnVest, Tamara L. Lawson, the CFO of InnVest, and George M. Kosziwka, the Vice President, Finance of InnVest (together, the "Named Executive Officers"), and to make recommendations to the REIT Board concerning annual bonus levels and grants under InnVest's long-term incentive plans. The Compensation and Corporate Governance Committee also reviews such human resources and compensation issues as it considers appropriate, and retains consultants from time to time to provide advice regarding InnVest's compensation strategy and programs.

Objectives of InnVest's Compensation Program

InnVest's objectives for executive compensation are to: (i) attract, motivate and retain key personnel; (ii) link executive compensation to overall performance of InnVest; and (iii) motivate officers to act in the best interests of Unitholders.

InnVest's compensation program consists of three key elements: (i) base salary; (ii) short-term incentives in the form of a cash bonus; and (iii) equity-based incentives in the form of restricted units which vest equally after three and four years. Each of these elements assists in achieving one or more of InnVest's compensation objectives. InnVest believes that this approach best serves the interests of Unitholders by ensuring that executive officers are compensated in a manner that addresses both the short-term and long-term interests of Unitholders.

The relative mix of total direct compensation, if Named Executive Officers achieve their maximum target performance goals, is as follows:

Name and Position	Base Salary	Annual Cash Bonus	Equity-Based Incentives	Total Direct Compensation
Kenneth Gibson Chief Executive Officer	42%	29%	29%	100%
Tamara Lawson Chief Financial Officer	50%	25%	25%	100%
George Kosziwka Vice President, Finance	80%	20%	N/A ⁽¹⁾	100%

Notes:

(1) Mr. Kosziwka does not have a specified target for equity-based incentives. Annual awards, if any, are at the discretion of the REIT Board.

Attract, Motivate and Retain Key Personnel

Compensation is a key tool in attracting, retaining and motivating individuals with the skills and commitment needed to enhance Unitholder value. The key elements of InnVest's executive compensation program that are designed to achieve this objective include:

- InnVest provides competitive overall compensation to attract and retain qualified executives. Base salary, annual cash bonus and equity-based incentives for executives were benchmarked with reference to similar positions in a comparator group at the time of the REIT's formation in 2002 and had been increased in line with inflation through 2008. Salaries were not increased in 2009 and 2010 given the challenging economic environment.
- The three and four year vesting periods of equity-based compensation awards for Named Executive Officers promotes the retention of key personnel. Unvested awards are forfeited in the event of voluntary resignation.

- Both the short-term and equity-based incentives seek to motivate Named Executive Officers by rewarding performance. Under the short-term cash bonus, the percentage of the target cash bonus actually paid is based on the performance of the REIT against pre-determined financial targets as well as personal performance goals for each Named Executive Officer.

Link Executive Compensation to Overall Performance of InnVest

The compensation paid to Named Executive Officers is aligned with InnVest's overall performance. The key elements of InnVest's executive compensation program that are designed to achieve this objective include:

- The amount of the annual cash bonus and the value of the restricted units awarded are based on the achievement of certain pre-determined financial targets as well as personal performance goals for each Named Executive Officer with each financial target and performance goal being established to motivate management to positively impact InnVest's overall performance.
- The REIT Board has the discretion to alter the cash bonus and restricted unit awards as warranted in its professional judgment. The REIT Board exercised its discretion for cash bonuses and restricted units awarded for the years 2008, 2009 and 2010. In 2008, the cash bonus and restricted units awarded were lower than the awards to which the Named Executive Officers were otherwise entitled. In 2009, awards were granted in excess of the entitlements. For 2010, the REIT Board awarded a higher level of restricted units to the CFO than the entitlement.

Motivate Officers to Act in the Best Interest of Unitholders

InnVest seeks to align the interests of the Named Executive Officers with those of Unitholders. The key elements of the REIT's executive compensation program that are designed to achieve this objective include:

- A portion of executive compensation is awarded through restricted units. The value of these awards is directly tied to the market price of the Stapled Units. No adjustments have been made to the previous awards of restricted units based on changes in the price of the Stapled Units (or, prior to the completion of the Reorganization, the REIT Units). The Executive Incentive Plan was, however, amended on December 31, 2010 to accommodate the Stapled Unit structure that was effected by the Reorganization. See " – Description of Executive Incentive Plan".
- The three and four year vesting periods for the restricted units also ensure that executive officers are focused on the long-term performance of the Stapled Units.

Components of Compensation

Base Salary

Annual base salary levels for the Named Executive Officers were established by the REIT at its initial public offering in 2002 following benchmarking studies performed by independent advisors. Since that time, salaries have been adjusted to reflect inflation. The base salaries paid to Named Executive Officers in 2010 are set out under "–Summary Compensation Table for Named Executive Officers". In light of then-current economic conditions, the Compensation and Corporate Governance Committee recommended that base salaries not be increased for the Named Executive Officers in 2009 and 2010.

The Named Executive Officers of InnVest have employment contracts which provide for a specified minimum annual salary subject to such increases as deemed appropriate. See "Named Executive Officer Employment Agreements – Salary and Bonus Obligations".

Annual Cash Bonus

An annual cash bonus allows InnVest to motivate and reward Named Executive Officers for their personal performance each year. The annual cash bonus is important both as a retention tool and for recruitment purposes, as

it enables InnVest to attract executives who expect to contribute to InnVest's success and wish to be rewarded for such contributions.

The Compensation and Corporate Governance Committee recommends the amount of the bonus to be paid and this is determined annually based on (i) pre-set goals that are tied to InnVest's Distributable Income above specified threshold levels (as described below), (ii) the achievement of personal performance goals (as described below) and (iii) other factors the REIT Board deems to be appropriate under the circumstances.

A target bonus is established for each Named Executive Officer. The CEO's target annual cash bonus is 70% of base salary, the CFO's target annual cash bonus is 50% of base salary and the Vice President, Finance's target annual cash bonus is 25% of base salary. These target bonuses are reviewed by the Compensation and Corporate Governance Committee annually. The target incentive as a percentage of base salary is unchanged from 2009 for the Named Executive Officers.

The target incentive is multiplied by an individual performance factor ranging from 0 to 100% to determine an annual cash bonus payment under the formula. This formula acts as a guideline. The REIT Board has the discretion to alter these awards based on other factors including InnVest's relative performance against the industry, the current environment and additional challenges and responsibilities assumed by the Named Executive Officers during the year.

The following table outlines the allocation of award based on the achievement of individual targets:

Determination of Annual Cash Performance Bonus	
Target Achievement (% of Target)	Amount of Incentive Awarded (% of Target)
< 75%	0%
75%	75%
100%	90%
>110%	100%

The targets for the 2010 annual cash performance bonus awarded to the Named Executive Officers were based on two criteria:

- 75% on achievement of the 2010 budgeted Distributed Income per REIT Unit of \$0.533 per REIT Unit.
- 25% on certain personal performance goals. Individual goals for the CEO in 2010 included (i) managing the impact of the economic downturn, (ii) managing capital allocation and the sale process for assets held for sale and (iii) maintaining strong relationships and communication with investors as well as the financial and business community. Individual goals for the CFO in 2010 included (i) developing and executing a financing plan to improve liquidity, (ii) implementing the Stapled REIT corporate structure in light of the SIFT Rules, and (iii) managing the accounting conversion to IFRS. Individual goals for the Vice President, Finance in 2010 included (i) assisting in the development and execution of a financing plan to improve liquidity, (ii) supporting the implementation of the Stapled REIT corporate structure in light of the SIFT Rules, and (iii) supporting the accounting conversion to IFRS.

All compensation plan targets, including budgeted Distributable Income and personal performance goals, are approved by the REIT Board at the beginning of the fiscal year at a level which, if achieved, will help generate value for Unitholders. For 2010, the REIT achieved 87% of the Distributable Income target established for the payment of annual bonuses. Certain personal performance goals were also achieved in 2010. The annual cash bonus paid to Named Executive Officers for 2010 is set out under "Statement of Executive Compensation – Summary Compensation Table for Named Executive Officers". Cash bonuses in respect of 2010 were paid in March and April 2011.

The following table sets out the total percentage of the target cash performance bonus achieved for each Named Executive Officer in respect of fiscal 2010.

Name and Position	Target Cash Performance Bonus (% of base salary)	Payout Range (% of base salary)	Actual 2010 Cash Performance Bonus (% of base salary)
Kenneth Gibson Chief Executive Officer	70%	0-70%	48%
Tamara Lawson Chief Financial Officer	50%	0-50%	40%
George Kosziwka, Vice President, Finance	25%	0-25%	20%

Equity-Based Incentives

Long-term equity-based incentives compensation, in the form of restricted units, comprises a significant portion of the overall compensation for InnVest's CEO and CFO. The Compensation and Corporate Governance Committee believes this is appropriate as it aligns the interests of the CEO and CFO with those of Unitholders. In addition, InnVest considers retention of the CEO and CFO to be critical to its long-term performance. The award of restricted units supports InnVest's retention goals because the three and four year vesting periods encourage the CEO and CFO to remain employed by InnVest over the long-term.

Pursuant to the REIT's Executive Incentive Plan, as described under "Securities Authorized for Issuance Under Equity Compensation Plans – Description of Executive Incentive Plan", restricted units are awarded on an annual basis and vest at a rate of 50% on each of the third and fourth anniversary of the date of grant. A restricted unit granted under the Executive Incentive Plan entitles the holder to receive, on the vesting date, the then current fair market value of a Stapled Unit plus the value of the cash distributions that would have been paid on such Stapled Unit if it had been issued on the date of grant, assuming the reinvestment of distributions paid on such REIT Unit during the period from the grant date until the vesting date. All payments made in respect of vested restricted units under the Executive Incentive Plan are satisfied through the issuance of Stapled Units.

Each year, the Compensation and Corporate Governance Committee recommends the value of restricted units to be granted to each of the Named Executive Officers, as a percentage of their base compensation, based on their achievement of predetermined criteria. Board discretion also allows for consideration of management's contribution to drivers of long term value, as well as less quantifiable indications of effort, commitment and retention. The CEO's target for equity-based incentive compensation under the Executive Incentive Plan is 70% of base salary and the CFO's target for equity-based incentive compensation under the Executive Incentive Plan is 50% of base salary. These target awards are reviewed by the Compensation and Corporate Governance Committee annually. The 2010 target incentive as a percentage of base salary is unchanged from 2009.

The target equity-based incentive is multiplied by an individual performance factor ranging from 0 to 100% as set out above under "Annual Cash Bonus" to determine the final incentive award under the Executive Incentive Plan. If the business does not achieve a minimum performance level, no restricted units are awarded.

For 2010, the value of restricted units awarded to the Named Executive Officers was based on the same criteria as described under "—Annual Cash Bonus".

The following table sets out the total percentage of the target equity-based incentive bonus achieved for each Named Executive Officer in fiscal 2010.

Name and Position	Target Restricted Units Award (% of base salary)	Payout Range (% of base salary)	Actual 2010 Restricted Units Award (% of base salary)
Kenneth Gibson Chief Executive Officer	70%	0-70%	48%
Tamara Lawson Chief Financial Officer	50%	0-50%	47%
George Kosziwka, Vice President, Finance	N/A ⁽¹⁾	N/A ⁽¹⁾	12%

Notes:

(1) Mr. Kosziwka does not have a specified target for equity-based incentives. Annual awards, if any, are at the discretion of the REIT Board.

For 2010, the REIT achieved 87% of the Distributable Income target established for the payment of equity-based incentive bonuses. Certain personal performance goals were also achieved in 2010. For 2010, the REIT Board awarded a higher level of restricted units to the CFO than were otherwise entitled reflecting the successful achievement of several initiatives during the year. The value of the restricted units awarded to Named Executive Officers for 2010 is set out under "– Summary Compensation Table for Named Executive Officers".

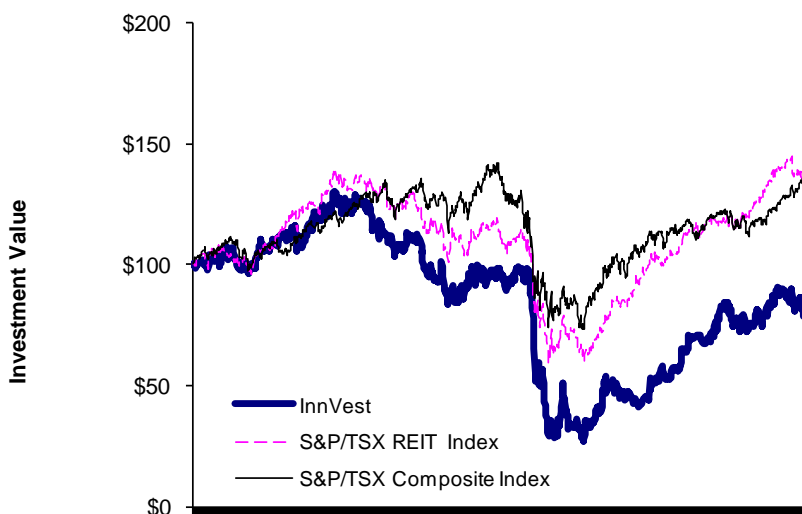
Determination of the number of restricted units awarded is based on the market price of the Stapled Units as at the date of grant. For performance achieved in 2010, an aggregate of 27,815 restricted units were awarded to all participants.

REIT Unit Performance Graph

Since July 26, 2002, the REIT Units 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 REIT Units from December 31, 2005 (assuming distributions are reinvested in REIT Units on the day of the distribution) with the total returns for the S&P/TSX Composite Index and the S&P/TSX REIT Index. The IOT Units were not listed on the TSX until December 31, 2010 and began trading together with REIT Units as Stapled Units on January 4, 2011.

	December 31					
	2005	2006	2007	2008	2009	2010
InnVest	\$100	\$120	\$101	\$41	\$64	\$85
S&P/TSX Composite Index	\$100	\$117	\$129	\$86	\$117	\$137
S&P/TSX REIT Index	\$100	\$125	\$118	\$73	\$113	\$138

**Comparison of Cumulative Total Return for Period
(December 31, 2005 to December 31, 2010)**



The REIT's Unit price improved considerably in 2009 and 2010 reflecting expectations of a recovery for the lodging industry. This growth followed unprecedented global capital markets volatility in 2008.

Investments in economically-sensitive sectors such as the lodging industry were disproportionately affected by the economic uncertainty. As a result, the REIT Units (which now trade together with IOT Units as Stapled Units) have underperformed the broader TSX Composite and REIT Indices over the past five years, driven by the relative under-performance in 2007 through 2009, a period of significant economic uncertainty. Unlike other classes of real estate which tend to lag behind the general economy, demand in the lodging industry historically has a high correlation with the economy given that spending on leisure and business travel tends to be discretionary. Intuitively, a strong economy leads to increasing corporate profits and wages, and encourages spending on business and leisure travel. Conversely, during a period of economic decline (or even based on the fear of a decline) both business and personal customers will scale back travel spending as part of their efforts to reduce their costs. The lodging industry began seeing early signs of a recovery in 2010 which translated into growth in the REIT Unit price.

InnVest's objectives for executive compensation include rewarding both short and long term performance. Certain elements of the Named Executive Officers' compensation have directly been impacted by the performance of the REIT Units (now a component of the Stapled Units). Specifically, the value of restricted units awarded to Named Executive Officers, which vest on the third and fourth anniversary from the date of grant, has declined based on the performance of the REIT Units over the last three years. The REIT Units issued during the downturn in 2008 and 2009 now trade (as Stapled Units) at a significantly higher price. Assuming the market price of the Stapled Units continues to increase or trade at current levels, the income earned by the Named Executive Officers relating to their restricted units is expected to increase as the restricted units that were issued during 2008 and 2009 vest. Those restricted units vest beginning in 2011.

The REIT's financial performance from 2006 through 2008 was relatively stable with Distributable Income per REIT Unit, on a diluted basis, varying from \$1.141 per REIT Unit in 2006 to \$1.115 in 2008. Financial performance in 2009 reflected the challenges posed by economic and credit market uncertainty, with Distributable Income declining to \$0.666 per REIT Unit on a diluted basis. Notwithstanding relatively stable hotel earnings realized in 2010 as compared to the prior year, efforts to recapitalize the balance sheet in 2009 and 2010 contributed to a further decline in 2010 Distributable Income per Unit to \$0.469 on a diluted basis. The per unit decline reflected additional REIT Units and convertible debentures issued over the period.

From 2005 through 2008, the base salaries of the Named Executive Officers increased modestly in line with inflation. No base salary increases were awarded in 2009 and 2010. The annual cash bonus paid to the Named Executive Officers from 2005 through 2007 reflected the REIT's financial performance against its budgeted expectations each year, recognizing that such targets are established at the beginning of each year based on the broader economic environment and its impact on the hotel industry's performance. In determining 2008 cash bonuses and the restricted units to be awarded, the Board of Trustees considered the general state of the economy and expectations for 2009, resulting in reduced incentive awards to the Named Executive Officers in 2008. Similarly, in awarding cash bonuses and restricted units for 2009 the Board of Trustees considered the difficult economic environment, the REIT's relative performance against peers and efforts achieved to improve the REIT's balance sheet. Bonuses awarded for the year 2010 reflect the REIT's achievement of pre-established objectives at the beginning of 2010. The decline in the market price of the REIT Units from 2005 through 2008 has resulted in the decline in value of restricted units granted to, and currently held by, the Named Executive Officers over this period. The market price of REIT Units has increased from a trough in early 2008 through the end of 2010. As such, the value of restricted units granted over this period has increased.

Summary Compensation Table for Named Executive Officers

The table below sets forth the compensation paid by the REIT to the Named Executive Officers for services rendered in all capacities to the REIT in respect of the years ended December 31, 2010, December 31, 2009 and December 31, 2008. No compensation was paid by IOT to the Named Executive Officers during this period.

Name & Principal Position	Year	Salary ⁽¹⁾ (\$)	Unit-based awards ⁽²⁾ (\$)	Option-based awards (\$)	Non-equity incentive plan compensation (\$)		Pension value (\$)	All other comp ⁽³⁾ (\$)	Total comp (\$)
					Annual (\$)	Long-Term			
Kenneth D. Gibson President and Chief Executive Officer	2010	\$206,650	\$130,171	-	\$100,000	-	-	\$35,608	\$472,429
	2009	206,650	118,528	-	65,000	-	-	47,313	437,491
	2008	206,650	117,829	-	100,000	-	-	42,911	467,390
Tamara L. Lawson Chief Financial Officer and Secretary	2010	\$129,155	\$75,797	-	\$52,000	-	-	-	\$256,952
	2009	129,155	61,678	-	44,000	-	-	-	234,833
	2008	129,155	57,924	-	52,000	-	-	-	239,079
George M. Kosziwka Vice President, Finance	2010	\$222,922	\$31,939	-	\$45,000	-	-	-	\$299,861
	2009	222,922	22,414	-	25,000	-	-	-	270,336
	2008	222,922	23,121	-	26,250	-	-	-	272,293

Notes:

- (1) Compensation paid by the REIT pursuant to the Named Executive Officers' employment agreements. Mr. Gibson and Ms. Lawson are required to devote at least 50% of their time to managing the affairs of InnVest. See "—Allocation of Executive Compensation to the REIT". The salaries disclosed for Mr. Gibson and Ms. Lawson reflect this 50% allocation. Mr. Kosziwka devotes 100% of his time to InnVest.
- (2) Represents the dollar amount of restricted units awarded for services performed for the corresponding calendar year plus the value of the cash distributions paid on restricted units, assuming the reinvestment of distributions paid during the year. The amounts in this column represent the grant date fair value of restricted units granted and may not represent the amounts the Named Executive Officers will actually realize from the awards. Restricted units awarded for the year were valued based on a fair value of \$6.72 per REIT Unit in 2010 (\$6.79 per REIT Unit for the Vice President, Finance), \$5.78 per REIT Unit in 2009 and \$4.24 per REIT Unit in 2008. The restricted unit awards for 2010, 2009 and 2008 were valued based on the REIT Unit closing price on the TSX on each grant date. For each of the years presented,

restricted units awarded through the assumed reinvestment of distributions were valued based on the closing REIT Unit price on the date of distributions in each month.

- (3) Mr. Gibson's compensation includes equalization payments made to compensate for the personal taxation difference between what his after-tax income would be in the United States of America as opposed to Canada. The equalization payment is a benefit to which Mr. Gibson is entitled as a result of his employment agreement with the REIT.

Allocation of Executive Compensation to InnVest

The CEO and CFO of InnVest are also employed by the Manager. They are compensated separately by InnVest and the Manager for their respective roles. The total base salary paid by InnVest presupposes that each of the CEO and CFO allocates 50% of his or her time to management of InnVest. The amounts indicated in the above summary compensation table for the CEO and CFO represent only amounts paid to them by the REIT. This approach ensures that the CEO and CFO are appropriately compensated for their performance at InnVest and provides better alignment between the Unitholders' interests and those of the CEO and CFO.

Incentive Plan Awards

Outstanding Unit-Based Awards Table for Named Executive Officers

The unit-based awards and incentive plan awards made for each Named Executive Officer of the REIT during the year ended December 31, 2010 are summarized in the table below. No unit-based awards or incentive plan awards were made to any Named Executive Officer of IOT in his or her capacity as such during the year ended December 31, 2010.

	Option-based awards				Unit-based awards	
	Number of securities underlying unexercised options (#)	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money options (\$)	Number of Units that have not vested ⁽¹⁾ (#)	Market or payout value of unit-based awards that have not vested ⁽²⁾ (\$)
Kenneth D. Gibson	-	-	-	-	63,790	\$430,583
Tamara L. Lawson	-	-	-	-	31,915	215,426
George M. Kosziwka					11,162	75,344

Notes:

- (1) As at December 31, 2010. Includes the restricted units accumulated through distributions since the restricted units were granted.
(2) Calculation is based on a REIT Unit price of \$6.75 which is the closing price on December 31, 2010 on the TSX.

Incentive Plan Awards – Value Vested or Earned During the Year

	Option-based awards – Value vested during the year (\$)	Unit-based awards – Value vested during the year ⁽¹⁾ (\$)	Non-equity incentive plan compensation – Value earned during the year (\$)
Kenneth D. Gibson	-	\$79,479	\$100,000
Tamara L. Lawson	-	38,266	52,000
George M. Kosziwka	-	-	45,000

Notes:

- (1) Calculation is based on a REIT Unit price of \$5.30 which is the closing price on the TSX on January 4, 2010, the date the restricted units vested. The restricted units reflect the vesting of 50% of the REIT Units granted in each of 2006 and 2007 as well as REIT Units granted in respect of distributions paid on such vested restricted units.

Named Executive Officer Employment Agreements

Each of the Named Executive Officers has entered into an employment agreement with InnVest for an indeterminate term. Each of the Named Executive Officers' employment agreements provides for the Named Executive Officer's base salary, performance-based bonuses and employee benefit commitments by InnVest. The Named Executive Officers are each employed by both IOT and the REIT on a part-time and non-exclusive basis and are required to devote a portion of their working day to managing the affairs of IOT and the REIT, respectively, as determined by the REIT and IOT from time to time. A corresponding portion of the Named Executive Officers' annual salary and any other cash compensation to which they are entitled pursuant to the terms of their employment will be paid by each of IOT and the REIT.

Salary and Bonus Obligations

Chief Executive Officer

Mr. Gibson's employment agreement provides for an annual base salary and a proportionate allocation of 50% of Mr. Gibson's working day to managing the affairs of InnVest, subject to any increase which the REIT Board, in its sole discretion, may determine from time to time following its annual review of Mr. Gibson's base salary.

In addition to his annual base salary, Mr. Gibson is eligible for an annual cash performance bonus and an annual restricted units award, each in an amount up to 70% of base salary and equalization payments made to compensate for the personal taxation difference between what Mr. Gibson's after-tax income would be in the U.S. as opposed to Canada. The performance criteria and target performance levels for the cash performance bonus are established by the Compensation and Corporate Governance Committee in consultation with Mr. Gibson prior to the beginning of each financial year.

Chief Financial Officer

Ms. Lawson's employment agreement provides for an annual base salary and a proportionate allocation of 50% of Ms. Lawson's working day to managing the affairs of InnVest, subject to any increase which the REIT Board, in its sole discretion, may determine from time to time following its annual review of Ms. Lawson's base salary.

In addition to her annual base salary, Ms. Lawson is eligible for an annual cash performance bonus and an annual restricted units award, each in an amount up to 50% of base salary. The performance criteria and target performance levels for the cash performance bonus are established by the Compensation and Corporate Governance Committee in consultation with Ms. Lawson prior to the beginning of each financial year.

Vice President, Finance

Mr. Kosziwka's employment agreement provides for an annual base salary, subject to any increase which the CEO and CFO may determine from time to time following their annual review of Mr. Kosziwka's base salary.

In addition to his annual base salary, Mr. Kosziwka is eligible for an annual cash performance bonus up to 25% of base salary. The performance criteria and target performance levels are established by the CEO and CFO in consultation with Mr. Kosziwka prior to the beginning of each financial year.

Termination and Change of Control Obligations

Chief Executive Officer

The REIT is entitled to terminate Mr. Gibson's employment with the REIT and IOT at any time with or without cause. If Mr. Gibson is terminated by the REIT without cause or terminates his employment for "good reason" (defined as (i) the assignment to Mr. Gibson of duties materially inconsistent with his position as President and CEO of InnVest which results in a material diminution in his authority, duties or responsibilities, or (ii) any material failure by the REIT or IOT to comply with any other terms of Mr. Gibson's employment agreement that is not

remedied within 30 days), Mr. Gibson is entitled to receive any accrued and unpaid base salary, vacation pay and unpaid reimbursements and a lump-sum amount equal to two times his then current base salary, less any amounts owing by Mr. Gibson to InnVest. Mr. Gibson is also entitled to participate in and receive benefits under any benefit plans of InnVest, as well as the Executive Incentive Plan, for one year after the REIT terminates his employment without cause or Mr. Gibson terminates his employment for good reason. At December 31, 2010, the incremental payments and benefits that would be triggered as a result of Mr. Gibson being terminated by the REIT without cause are estimated to approximate \$650,000. Such estimates are based on Mr. Gibson's base salary and benefits earned in 2010, as well as the number of restricted units vesting through December 31, 2011 (based on the closing REIT Unit price on December 31, 2010). There are no conditions to Mr. Gibson receiving such benefits upon termination without cause.

Mr. Gibson is not entitled to any payment in connection with termination for cause or resignation (unless such resignation results from a substantive change in the duties or role of Mr. Gibson or the material failure of InnVest to comply with Mr. Gibson's employment agreement). Similarly, a change in control of InnVest does not automatically trigger a termination payment to Mr. Gibson. Upon retirement, Mr. Gibson is entitled to continue to participate in the Executive Incentive Plan with respect to restricted units previously granted pursuant to the plan. At December 31, 2010, the value of Mr. Gibson's unvested restricted units approximated \$430,583 (assuming the closing REIT Unit price on December 31, 2010).

Chief Financial Officer

The REIT is entitled to terminate Ms. Lawson's employment with the REIT and IOT at any time with or without cause. If Ms. Lawson is terminated by the REIT without cause, Ms. Lawson is entitled to receive any accrued and unpaid base salary, vacation pay and unpaid reimbursements and a lump-sum amount equal to 1.25 times her then current base salary, less any amounts owing by Ms. Lawson to InnVest. Ms. Lawson is also entitled to participate in and receive benefits under any benefit plans of InnVest, as well as the Executive Incentive Plan, for one year after the REIT terminates her employment without cause. As described under "Securities Authorized for Issuance Under Equity Compensation Plans – Description of Executive Incentive Plan", those restricted units previously granted to Ms. Lawson and which vest no later than one year following the date of the termination notice will continue to be outstanding and, unless otherwise agreed, all other restricted units will be immediately forfeited. At December 31, 2010, the incremental payments and benefits that would be triggered as a result of Ms. Lawson being terminated by the REIT without cause are estimated to approximate \$265,000. Such estimates are based on Ms. Lawson's base salary and benefits earned in 2010, as well as the number of restricted units vesting through December 31, 2011 (based on the closing REIT Unit price on December 31, 2010). There are no conditions to Ms. Lawson receiving such benefits upon termination without cause.

Ms. Lawson is not entitled to any payment in connection with termination for cause or resignation. Similarly, a change in control of InnVest does not automatically trigger a termination payment to Ms. Lawson. Upon retirement, Ms. Lawson is entitled to continue to participate in the Executive Incentive Plan with respect to restricted units previously granted pursuant to the plan. At December 31, 2010, the value of Ms. Lawson's unvested restricted units totalled \$215,426 (assuming the closing REIT Unit price on December 31, 2010).

Vice President, Finance

If Mr. Kosziwka is terminated by the REIT without cause, Mr. Kosziwka is entitled to receive any accrued and unpaid base salary, vacation pay, pro-rated annual bonus based on the previous year amount paid and unpaid reimbursements and a lump-sum amount equal to a minimum of 1.5 times his then current base salary, less any amounts owing by Mr. Kosziwka to InnVest. Mr. Kosziwka is also eligible to participate in and receive benefits under any employee benefit plans of InnVest for eighteen months after the REIT terminates his employment without cause. As described under "Securities Authorized for Issuance Under Equity Compensation Plans – Description of Executive Incentive Plan", those restricted units previously granted to Mr. Kosziwka and which vest no later than one year following the date of the termination notice will continue to be outstanding and, unless otherwise agreed, all other restricted units will be immediately forfeited. At December 31, 2010, the incremental payments and benefits that would be triggered as a result of Mr. Kosziwka being terminated by the REIT without cause are estimated to approximate \$415,000. Such estimates are based on Mr. Kosziwka's base salary and benefits earned in 2010, as well as the number of restricted units vesting through December 31, 2011 (based on the closing REIT Unit

price on December 31, 2010). There are no conditions to Mr. Kosziwka receiving such benefits upon termination without cause.

Mr. Kosziwka is not entitled to any payment in connection with termination for cause or resignation, except prorated annual bonus payment based on the previous year's bonus payment. Similarly, a change in control of InnVest does not automatically trigger a termination payment to Mr. Kosziwka. Upon retirement, Mr. Kosziwka is entitled to continue to participate in the Executive Incentive Plan with respect to restricted units previously granted pursuant to the plan. At December 31, 2010, the value of Mr. Kosziwka's unvested restricted units totalled \$75,344 (assuming the closing REIT Unit price on December 31, 2010).

SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

The table below sets forth the securities of InnVest which were authorized for issuance under InnVest's equity compensation plans as at December 31, 2010.

Plan Category	Number of Stapled Units to be issued upon exercise of outstanding options, warrants and rights	Weighted-average price of outstanding options, warrants and rights	Number of Stapled Units remaining available for future issuance under equity compensation plans
Equity compensation plans approved by Unitholders ⁽¹⁾	106,869	N/A ⁽²⁾	980,465
Equity compensation plans not approved by Unitholders	N/A	N/A	N/A

Note:

- (1) The only equity compensation plans of InnVest in existence as at December 31, 2010 were (a) the Executive Incentive Plan, the amendment and restatement of which was approved by the Unitholders on May 13, 2010, and (b) section 2.9 of the REIT Declaration of Trust and the IOT Declaration of Trust, which provide that 50% of the annual compensation of the REIT Trustees and the IOT Trustees, respectively, shall be paid in REIT Units or IOT Units, respectively, or, prior to an Event of Uncoupling, Stapled Units. The REIT Declaration of Trust and the IOT Declaration of Trust were approved by the Unitholders on May 13, 2010 and the reservation for issuance of 250,000 REIT Units was approved by the Unitholders on the same date. The reservation of the number of IOT Units required to be issued to satisfy the REIT's obligations to deliver Stapled Units to the REIT Trustees as part of their annual compensation was approved by the REIT, in its capacity as the sole holder of the voting trust units of IOT. As at December 31, 2010, 741,740 Stapled Units remained available for future issuance under the Executive Incentive Plan and 238,725 Stapled Units remained available for issuance as REIT Trustee compensation.
- (2) Restricted units granted under the Executive Incentive Plan do not have an exercise price. Instead, recipients are entitled to receive, on the vesting date of a restricted unit, an amount, payable in Stapled Units, based on the then current market value of one Stapled Unit plus the value of all distributions which would have been paid on such Stapled Unit from the date of grant of the applicable restricted unit, assuming the reinvestment of these distributions in Stapled Units.

Description of Executive Incentive Plan

On December 31, 2010, the date of the Reorganization, the REIT amended and restated the Executive Incentive Plan to provide that, prior to an Event of Uncoupling, the REIT would satisfy its obligations in respect of restricted units granted thereunder by delivering or causing to be delivered to the relevant participant in the Executive Incentive Plan one Stapled Unit for each restricted unit held by such participant on the relevant payment date. The amended and restated Executive Incentive Plan also provides that participants will be granted additional restricted units when cash distributions are paid on either the REIT Units or the IOT Units and to adjust the forfeiture provisions applicable upon a termination of a participant's employment and the amendment and termination provisions of the plan, in each case solely to accommodate the Stapled Unit structure and to make minor adjustments of a house-keeping nature. The amended and restated Executive Incentive Plan was approved by the Unitholders on May 13, 2010.

The Executive Incentive Plan provides for the grant of restricted units to any officer or senior employee of the REIT or a subsidiary of the REIT who has been designated by the Compensation and Corporate Governance Committee and who has agreed to participate in the Executive Incentive Plan on terms specified by the REIT (each such

individual, a "**Participant**"). Each of the Named Executive Officers participates in the Executive Incentive Plan and may be granted restricted units from time to time. Restricted units vest pursuant to a schedule that has been approved by the REIT Trustees. Subject to certain conditions, each restricted unit entitles the holder thereof to receive a payment on the vesting date stipulated at the time of the grant of the restricted unit, as such date may be changed from time to time in the discretion of the Compensation and Corporate Governance Committee (the "**Payment Date**"), of an amount, payable in Stapled Units based on their then current market value, equal to the then current market value of one Stapled Unit plus the value of the cash distributions that would have been paid on one Stapled Unit if it had been issued on the date of grant of the restricted unit, assuming the reinvestment of these distributions in Stapled Units. In the event of a proposed or completed take-over bid for all of the REIT Units (including REIT Units that are a component of Stapled Units), substantial asset sale, merger, amalgamation, arrangement or other reorganization of the REIT or IOT, the Compensation and Corporate Governance Committee may make such changes to the terms of the Executive Incentive Plan and the restricted units as it determines in its sole discretion.

A maximum of 1,000,000 Stapled Units (including REIT Units issued under vested awards that now trade as components of Stapled Units) have been reserved for issuance under the Executive Incentive Plan, representing approximately 1.1% of the outstanding Stapled Units at April 18, 2011. Any increase in this maximum or other amendment to the Executive Incentive Plan is subject to regulatory approval and to Unitholder approval, if required. As at April 18, 2011, 286,075 (December 31, 2010 – 258,260) restricted units had been granted under the Executive Incentive Plan, of which 104,815 (December 31, 2010 – 106,869) were unvested, representing approximately 0.1% of the outstanding Stapled Units at April 18, 2011. The Named Executive Officers are not involved in setting or amending the Executive Incentive Plan. Previous restricted units awarded are not taken into account when considering the award of new restricted units.

The maximum number of REIT Units (including REIT Units that are a component of Stapled Units) reserved for issuance in satisfaction of rights under restricted units granted under the Executive Incentive Plan and under other entitlements granted under any other existing security-based compensation arrangements of the REIT to any one person shall not exceed 5% of the outstanding REIT Units from time to time. The number of REIT Units reserved for issuance to insiders in satisfaction of rights under restricted units granted under the Executive Incentive Plan and under other entitlements granted under any other existing security-based compensation arrangements of the REIT shall not exceed 10% of the outstanding REIT Units from time to time. Within any one-year period, the number of REIT Units issued to insiders pursuant to the Executive Incentive Plan and under other entitlements granted under all other existing security-based compensation arrangements of the REIT shall not exceed 10% of the outstanding REIT Units and the number of REIT Units issued to any one insider and such insider's associates shall not exceed 5% of the outstanding REIT Units.

Restricted units are not REIT Units or Stapled Units and do not confer on the Participant any rights associated with REIT Units or Stapled Units, including voting rights, entitlements to distributions or rights on liquidation. A Participant may not assign any of his or her restricted units.

If a Participant ceases to be employed by the REIT or any of its subsidiaries for any reason other than death, long-term disability, retirement or is terminated by the REIT for cause, all rights granted to such Participant under all restricted units for which the Payment Date has not yet occurred will immediately be forfeited.

If a Participant ceases to be an employee of the REIT or any of its subsidiaries by reason of the termination of the Participant's employment by the REIT or its subsidiary other than for cause, any restricted units granted to such Participant for which the Payment Date has not occurred but whose Payment Date will occur no later than one year following the date of the termination notice given to the Participant will continue to be outstanding and, unless otherwise agreed by the REIT or determined by the Compensation and Corporate Governance Committee, all other restricted units will be immediately forfeited.

If a Participant dies or ceases to be an employee of the REIT or any of its subsidiaries by reason of long-term disability or retirement or for any other reason specified by the REIT, in its sole discretion, the Payment Date for all restricted units granted to such Participant will be determined by the REIT in its sole discretion. In this circumstance, the Payment Date will be no later than the original Payment Date for the restricted units and the first year anniversary of the Participant's death.

The Compensation and Corporate Governance Committee may, in its sole discretion, at any time and from time to time amend, suspend or terminate the Executive Incentive Plan or amend the terms of any restricted unit granted under the Executive Incentive Plan; provided, however, that the REIT must obtain any required approvals under applicable law or the TSX Company Manual. In addition, no amendment or termination shall be made at any time which materially adversely affects the existing rights of a Participant under the Executive Incentive Plan without his or her written consent, unless the REIT acquires the existing rights under the Participant's restricted units for an amount equal to the fair market value of such rights at such time, as verified by an independent valuator.

Description of REIT Trustee Compensation Plan

Pursuant to section 2.9 of the REIT Declaration of Trust, 50% of the REIT Trustees' annual compensation is payable in REIT Units or, prior to an Event of Uncoupling, Stapled Units (based on the then-current market price), subject to the receipt of all required regulatory approvals. Under section 2.9, the REIT Trustees may, from time to time, unanimously adjust the amount of annual compensation payable to the REIT Trustees without Unitholder approval; however, any amendment to section 2.9, including the obligation of the REIT to pay 50% of the REIT Trustees' annual compensation in REIT Units or Stapled Units, requires the approval of two-thirds of the votes cast at a meeting of Unitholders called for that purpose. The IOT Declaration of Trust includes a similar provision; however, the IOT Trustees are Named Executive Officers of InnVest and as such are not entitled to be separately compensated for their services as trustees of IOT. See "Board of Trustees – Compensation of the Board of Trustees" for a description of InnVest's current trustee compensation practices.

In 2010, the REIT Board approved the reservation of an additional 250,000 REIT Units for the purpose of paying 50% of the Trustees' annual compensation provided for in the REIT Declaration of Trust to address the fact that the reserve of REIT Units authorized for issuance as trustee compensation had been depleted. The reservation of these additional REIT Units was approved by the Unitholders on May 13, 2010 and in connection with the Reorganization, IOT reserved for issuance an equal amount of IOT Units to facilitate the issuance of Stapled Units to the REIT Trustees as compensation.

A maximum of 350,000 Stapled Units (including REIT units issued to REIT Trustees prior to the Reorganization that now trade as components of Stapled Units) have been reserved for payment of the REIT Trustees' annual compensation, representing approximately 0.4% of the outstanding Stapled Units at April 18, 2011. As at April 18, 2011, 122,355 (December 31, 2010 – 111,275) Stapled Units (some of which were issued as REIT Units and are now held as Stapled Units) had been granted under the Trustee Compensation Plan, representing approximately 0.1% of the outstanding Stapled Units at April 18, 2011.

INDEBTEDNESS OF TRUSTEES, EXECUTIVE OFFICERS AND SENIOR OFFICERS

As at the date of this Circular and during the REIT's financial year ended December 31, 2010, no current or former Executive Officer, REIT Trustee, IOT Trustee or employee of the REIT, and no proposed nominee for election as REIT Trustee, or any of their associates, was indebted to (i) the REIT or any of its subsidiaries, or (ii) any other entity where the indebtedness is, or was at any time during the REIT's financial year ended December 31, 2010, 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 the REIT Trustees and officers against liability in their respective capacities as REIT Trustees and officers. The annual premium paid and expensed by the REIT in respect of such insurance was \$188,000. There is a per-loss deductible of \$250,000, a securities claim deductible of \$250,000, and no deductible for claims under this insurance policy for REIT Trustees and officers as it relates to non-indemnifiable claims. As of the date of this Circular, no claim has ever been presented or paid under this policy.

The REIT Declaration of Trust provides that the REIT shall indemnify the REIT Trustees against all liabilities, damages, losses, debts and claims whatsoever, including costs, charges and expenses in connection therewith,

incurred by the REIT Trustee in respect of any action to which the REIT Trustee was made a party in relation to the execution of his or her duties as a REIT Trustee, if the REIT 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 REIT Trustee had reasonable grounds for believing that his or her conduct was lawful.

INTERESTS OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

General

The REIT Declaration of Trust contains "conflict of interest" provisions that are intended to provide certain protections to Unitholders without creating undue limitations on the REIT. Given that the REIT Trustees are engaged in a wide range of activities, the REIT Declaration of Trust contains provisions, similar to those contained in the CBCA, that require each REIT Trustee or officer of the REIT to disclose to the REIT the nature and extent of any interest arising due to such person being a party to 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 due to such person being a trustee, director or officer of, or otherwise having a material interest in, any person or entity 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 in writing to the REIT or, by request, to be entered into the minutes of meetings of REIT Trustees at the first meeting at which a proposed contract or transaction is considered or at the first meeting after the time at which such person develops an interest.

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 REIT Trustees, a REIT 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 REIT Trustees, the nature and extent of his or her interest forthwith after such REIT Trustee or officer of the REIT becomes aware of the contract or transaction or proposed contract or transaction. In any case, a REIT 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 REIT Trustee, officer, employee or agent of the REIT or one for indemnity under the provisions of the REIT Declaration of Trust or liability insurance.

The REIT 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 REIT 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 66⅔% of the independent REIT Trustees who have no interest in such transaction.

For the purposes of those provisions, in the event that any transaction is being considered by the REIT Trustees prior to an Event of Uncoupling, IOT and its subsidiaries will be deemed not to be related parties and no independent REIT trustee will be deemed to have an interest in a transaction solely by virtue of serving on an IOT's Independent Advisory Committee.

Management Agreement

In connection with the Reorganization, the Operator and InnVest entered into an amended and restated Management Agreement with the Manager on December 31, 2010 pursuant to which the Manager is responsible for the management of the majority of the hotel businesses in InnVest. 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.

Messrs. Fereed Mangalji and Majid Mangalji have a direct or indirect controlling interest in the Manager and as such have a material interest in the Management Agreement.

The Management Agreement expires on July 25, 2017 and is subject to one successive five-year renewal term thereafter, 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 Management Agreement. The Management Agreement is subject to non-competitive arrangements for limited service hotels in Canada, essentially restricting the Manager's ability to acquire and manage competitive limited service hotels in Canada.

The Management Agreement provides for the payment by the Operator or its subsidiaries of an annual management fee to the Manager during the term of the Management Agreement, including renewal periods, in an amount equal to 3.375% of gross revenues from the REIT's hotel portfolio, calculated and payable monthly. In addition, the Manager is entitled to an annual incentive fee equal to the sum of:

- (a) 15% of the amount by which 90% of Distributable Income in any year exceeds the "First Incentive Fee Hurdle" (as described below) but is less than or equal to the "Second Incentive Fee Hurdle" (as described below);
- (b) 20% of the amount by which 90% of Distributable Income exceeds the Second Incentive Fee Hurdle but is less than or equal to the "Third Incentive Fee Hurdle" (as described below); and
- (c) 25% of the amount by which 90% of Distributable Income exceeds the Third Incentive Fee Hurdle.

The "First Incentive Fee Hurdle" is an amount equal to the product of \$1.125 per Stapled Unit multiplied by the weighted average number of Stapled Units outstanding during the relevant period. The "Second Incentive Fee Hurdle" is an amount equal to the product of \$1.275 per Stapled Unit multiplied by the weighted average number of Stapled Units outstanding during the relevant period. The "Third Incentive Fee Hurdle" is an amount equal to the product of \$1.425 per Stapled Unit multiplied by the weighted average number of Stapled 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, splits and consolidations of the REIT Units or the IOT Units and distributions to holders of the REIT Units or the IOT Units 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 consolidation of the REIT Units or IOT Units would lead to a proportional increase in the incentive fee hurdles. The Management Agreement also provides that upon the occurrence of an Event of Uncoupling, the parties will in good faith negotiate such amendments to the Management Agreement as may be reasonable in the circumstances.

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.

In consideration for services rendered in 2010, the Manager was paid approximately \$11.7 million in management fees and approximately \$5.8 million for other services. The Manager's address is 5090 Explorer Drive, Mississauga, Ontario.

CORPORATE GOVERNANCE PRACTICES

Effective corporate governance is a priority for the REIT Board. The REIT Board has adopted the Charter of the REIT Board to confirm and enhance the REIT Trustees' ongoing duties and responsibility for stewardship of the REIT. A copy of the Charter of the REIT Board is attached to the Circular as Schedule A. The REIT Board abides by the CSA Governance Requirements, which require the REIT to disclose certain information relating to its corporate governance practices. This information is set out in Schedule B to this Circular.

The CSA Governance Requirements set out best practices in the nine areas, including, among others, (i) board independence, (ii) the role of the board generally, (iii) the role of the board in the issuer's ethical framework, (iv) board effectiveness, (v) the nomination of trustees, and (vi) the setting of execution compensation. The REIT is required to describe certain aspects of its corporate governance practices in its annual information form, including a discussion of any practices that are inconsistent with the CSA Governance Requirements. The REIT also complies with the CSA rules regarding the composition of audit committees in NI 52-110 and the certification of an issuer's disclosure controls and procedures in National Instrument 52-109 — *Certification of Disclosure in Issuers' Annual and Interim Filings*.

In this Circular and in the attached Schedule B, the term "independent", as it relates to a REIT Trustee, has the corresponding meaning given to the term "independent" in NI 52-110 and NI 58-101; namely, a REIT Trustee who has no direct or indirect material relationship with the REIT which could, in the view of the REIT Board, be reasonably expected to interfere with the exercise of the REIT Trustee's independent judgement. A majority of the current REIT Trustees and all of the nominees standing for election as REIT Trustees are "independent" within the meaning of NI 52-110 and NI 58-101.

EXPERTS

As at the date hereof, the partners and associates of Davies Ward Phillips & Vineberg LLP beneficially own, directly or indirectly, in the aggregate less than 1% the issued and outstanding Units.

The audited consolidated balance sheets of the REIT as at December 31, 2010 and December 31, 2009 and the audited consolidated statements of net income (loss) and comprehensive income (loss), unitholders' equity and cash flows of the REIT for the years then ended incorporated by reference in this Circular have been audited by Deloitte & Touche LLP, Chartered Accountants, Licensed Public Accountants, who have advised that they are independent with respect to the REIT within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Ontario.

ADDITIONAL INFORMATION

Additional information relating to the REIT is available on SEDAR at www.sedar.com. Financial information is provided in the REIT's comparative financial statements and MD&A for the financial year ended December 31, 2010.

The REIT will provide free of charge to Unitholders, upon request to its Investor Relations Liaison, a copy of:

- (a) its 2010 annual report, including management's discussion and analysis of financial and operating results;
- (b) its annual information form dated March 28, 2011, together with a copy of any document, or pertinent pages of any document, incorporated therein by reference;
- (c) its comparative financial statements for the year ended December 31, 2010, together with the notes thereto and report of its auditors thereon, and any interim financial statements subsequently filed; and

- (d) any other document incorporated by reference in this Circular under the caption "Documents Incorporated by Reference".

The REIT's Investor Relations Liaison may be reached at:

5090 Explorer Drive, 7th Floor
Mississauga, ON L4W 4T9
Attn: Investor Relations Liaison
Phone: 905-206-7100
Facsimile: 905-206-7114
Toll Free: 1-877-209-3429 (Canada & U.S.)

Website: www.investreit.com

REIT BOARD OF TRUSTEES' APPROVAL

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

(signed) *Kenneth D. Gibson*

Kenneth D. Gibson
President and Chief Executive Officer

Toronto, Ontario
April 18, 2011

SCHEDULE A

CHARTER OF THE REIT BOARD

GENERAL

1. PURPOSE AND RESPONSIBILITY OF THE BOARD

Pursuant to the Declaration of Trust, the Trustees are responsible for supervising the activities and managing the investments and affairs of InnVest Real Estate Investment Trust (the "**Trust**").¹ The responsibilities of the Trustees described herein are pursuant to, and subject to, the Declaration of Trust and do not impose any additional responsibilities or liabilities on the Trustees at law or otherwise.

2. REVIEW OF CHARTER

The Board shall review and assess the adequacy of this Charter annually and at such other times as it considers appropriate and shall make such changes as it considers necessary or appropriate.

3. DEFINITIONS AND INTERPRETATION

Definitions

In this Mandate:

- (a) "**Applicable Laws**" means all applicable provisions of law, domestic or foreign, including, without limitation, the *Securities Act* (Ontario), as amended, together with all regulations, rules, policy statements, rulings, notices, orders or other instruments promulgated thereunder and the applicable rules and policies of any stock exchange on which the Trust is listed;
- (b) "**Board**" means the Board of Trustees of the Trust;
- (c) "**Canadian Residents**" means resident Canadians for the purposes of the Declaration of Trust;
- (d) "**CEO**" means the chief executive officer of the Trust;
- (e) "**Chair**" means the chair of the Board;
- (f) "**Charter**" means this charter, as amended from time to time;
- (g) "**Declaration of Trust**" means the declaration of trust governing the Trust, as amended from time to time;
- (h) "**Independent**" shall be defined as such term is defined in Applicable Laws;
- (i) "**Named Executive Officer**" shall be defined as such term is defined in Applicable Laws;
- (j) "**Trust**" means InnVest Real Estate Investment Trust; and

¹ Declaration of Trust – sections 3.1 and 3.2

(k) "Trustee" means the trustees of the Trust.

Interpretation

This Charter is subject to and shall be interpreted in a manner consistent with the Declaration of Trust and with any applicable legislation.

CONSTITUTION OF THE BOARD

4. ELECTION AND REMOVAL OF TRUSTEES

Number of Trustees

The Trust will have a minimum of five Trustees and no more than nine.

Election of Trustees

Trustees shall be elected (including the reappointment of incumbent Trustees) at each annual meeting of the Unitholders, and may be elected at a special meeting of the Unitholders, in each case to hold office, except as otherwise provided herein, for a term expiring at the close of the next annual meeting of the Unitholders following such an appointment or until their successors are elected or appointed.²

Vacancies

A quorum of Trustees may fill a vacancy among the Trustees, to the extent permitted under the Declaration of Trust.³

Ceasing to be a Trustee⁴

A Trustee will cease to hold office when:

- (a) he or she dies, becomes incapacitated or resigns; or
- (b) he or she is removed in accordance with the provisions of the Declaration of Trust.

5. CRITERIA FOR TRUSTEES

Qualification of Trustees

Every Trustee shall be an individual who is at least 18 years of age, has not been determined by a court to be of unsound mind and does not have the status of bankrupt.⁵

Residency

² Declaration of Trust – s. 2.3

³ Declaration of Trust – s. 2.1

⁴ Declaration of Trust – s. 2.6

⁵ Declaration of Trust – s. 2.4

A majority of the Trustees shall be resident Canadians.⁶

Independence of Trustees

At least a majority of the Trustees shall be independent.

Other Criteria

The Board may establish other criteria for Trustees as contemplated in this Charter.

6. BOARD CHAIR

Chair to Be Appointed Annually

The Board shall appoint the Chair annually at the first meeting of the Board after a meeting of the Trust's unitholders at which Trustees are elected. If the Board does not so appoint a Chair, the Trustee who is then serving as Chair shall continue as Chair until his or her successor is appointed.

7. INFORMATION, ADVICE AND REMUNERATION OF TRUSTEES AND RETAINING ADVISORS

Remuneration

Members of the Board and the Chair shall receive such remuneration for their service on the Board as the Board may determine from time to time, in consultation with the Human Resources and Compensation Committee of the Board.

Retaining and Compensating Advisors

Individual Trustees shall have the authority to retain at the expense of the Trust outside counsel and any other external advisors from time to time as appropriate with the approval of the Chair.

Information

The Board shall have the authority to request from management of the Trust and from other sources, such information as the Board considers necessary in order to discharge its oversight responsibilities.

MEETINGS OF THE BOARD

8. MEETINGS OF THE BOARD

Time and Place of Meetings

Meetings of the Board shall be called in the manner and at the location contemplated in the Declaration of Trust.⁷

⁶ Declaration of Trust – s. 2.4

⁷ Declaration of Trust – Article 7

Frequency of Board Meetings

The Board shall meet at least four times per year.

Quorum

A quorum for all meetings of the Trustees shall be at least a majority of the Trustees, at least one of whom shall be an Independent Trustee

Any Trustee may participate in a meeting of the Trustees by means of teleconference and a Trustee so participating shall be considered to be present at that meeting.

Secretary of the Meeting

The Chair shall designate from time to time a person who may, but need not, be a member of the Board, to be Secretary of any meeting of the Board.

Right to Vote

Each member of the Board shall have the right to vote on matters that come before the Board.

Invitees

The Board may invite any of the Trust's officers, employees, advisors or consultants or any other person to attend meetings of the Board to assist in the discussion and examination of the matters under consideration by the Board.

9. CONFLICTS OF INTEREST

Disclosure of Interest

Each Trustee shall disclose, to the Trust, the nature and extent of any interest that such Trustee has in a material contract or transaction, whether made or proposed, with the Trust, if the Trustee:

- (a) is a party to the contract or transaction;
- (b) is a director or officer of, or otherwise has a material interest in, a party to the contract or transaction.

Time of Disclosure

(a) Each Trustee shall disclose such interest to the Board at the first opportunity to disclose such interest. For example, the Trustee shall disclose such interest at the meeting at which the contract or transaction is first considered or, if the Trustee becomes interested at a later time, at the first meeting after which the Trustee becomes so interested or, if an interested individual later becomes a Trustee, at the first meeting after he or she becomes a Trustee.

(b) If a material contract or transaction, whether entered into or proposed, is one that, in the ordinary course of the Trust's business, would not require approval by the Trustees, a Trustee shall disclose, in writing to the Trust, the nature and extent of such Trustee's interest immediately after he or she becomes aware of the contract or transaction.

Voting

A Trustee required to make a disclosure as provided at "Disclosure of Interest" above shall not vote on any resolution to approve the contract or transaction unless the contract or transaction:

- (a) relates primarily to his or her remuneration as a Trustee, officer, employee or agent of the Trust; or
- (b) is for indemnity under the Declaration of Trust or liability insurance.

Continuing Disclosure

A Trustee may declare his or her interest in relation to a contract or transaction by a general notice to the Trustees declaring that a Trustee is to be regarded as interested, for any of the following reasons, in a contract or transaction made with a party:

- (a) the Trustee is a director or officer, or an individual acting in a similar capacity, of a party at paragraph (b) under "Disclosure of Interest" above;
- (b) the Trustee has a material interest in the party; or
- (c) where there has been a material change in the nature of the Trustee's interest in the party.

10. *IN CAMERA* SESSIONS

In Camera Sessions of Independent Trustees

Before, during an adjournment of or following the conclusion of each meeting of the Board, the Independent Trustees shall meet without the Trustees who are not independent and any member of management being present, provided that any failure to do so shall not invalidate business transacted at a duly convened meeting of the Board.

Business Transacted at In Camera Sessions

The Trustees shall not transact business of the Board at an *in camera* session of Trustees.

DELEGATION OF DUTIES AND RESPONSIBILITIES

11. DELEGATION AND RELIANCE

Delegation of Powers

The Trustees may appoint from among their number one or more committees and may, subject to Applicable Laws and the Declaration of Trust, delegate to such committees any of the powers of the Trustees. The Trustee may also, subject to Applicable Laws and the Declaration of Trust, delegate such powers to such of the officers of the Trust (or to other persons as the Trustees may deem appropriate) as they, in their sole discretion, may deem necessary or desirable, and define the scope of and manner in which such powers will be exercised by such persons as they may deem appropriate, without regard to whether such authority is normally granted or delegated by trustees, however, to the overall supervision and control of the Trustees.

Requirement of Certain Committees

The Board shall establish and maintain the following committees of the Board, each having mandates that incorporate all applicable legal and stock exchange requirements and with such recommendations of relevant securities regulatory authorities and stock exchanges as the Board may consider appropriate:

- (a) Audit Committee;
- (p) Investment Committee; and
- (q) Compensation and Corporate Governance Committee.

Composition of Committees

The Board will appoint and maintain in office members of each of its committees such that the composition of each such committee is in compliance with all applicable legal and stock exchange requirements and with such recommendations of relevant securities regulatory authorities and stock exchanges as the Board may consider appropriate and shall require the Compensation and Corporate Governance Committee to make recommendations to it with respect to such matters.

Review of Charters

On an annual basis, the Board will review the recommendations of the Compensation and Corporate Governance Committee with respect to the charters of each committee of the Board. The Board will approve those changes to the charters that it determines are appropriate.

Reliance on Management

The Board is entitled to rely in good faith on the information and advice provided to it by the Trust's management.

Reliance on Others

The Board is entitled to rely in good faith on information and advice provided to it by advisors, consultants and such other persons as the Board considers appropriate.

Oversight

The Board retains responsibility for oversight of any matters delegated to any Trustee(s) or any committees of the Board, to management or to other persons.

DUTIES AND RESPONSIBILITIES

12. RESPONSIBILITY FOR SPECIFIC MATTERS

Responsibility for Specific Matters

The Trustees explicitly assume responsibility for the matters set out below, recognizing that these matters represent, in part, responsibilities reflected in requirements and recommendations adopted by applicable securities regulators and stock exchanges and do not limit the Trustee's responsibilities under the Declaration in Trust. The powers and authorities of the Trustees are set out in Schedule 1 to this Charter, being an extract from the Declaration of Trust.

Delegation to Committees

Whether or not specific reference is made to committees of the Board in connection with any of the matters referred to below, the Board may direct any committee of the Board to consider such matters and to report and make recommendations to the Board with respect to these matters.

13. GOVERNANCE GENERALLY

Governance Practices and Principles

The Board shall be responsible for developing the Trust's approach to governance, including, if deemed appropriate, a set of governance principles and guidelines that are specifically applicable to the Trust.

Governance Disclosure

Approval of Disclosure. The Board shall approve disclosure about the Trust's governance practices in any document before it is delivered to the Trust's unitholders or filed with applicable securities regulators or with the stock exchanges.

Determination of Differences As Appropriate. If the Trust's governance practices differ from those recommended by applicable securities regulators or the stock exchanges, the Board shall consider these differences and why the Board considers them to be appropriate.

Delegation to Compensation and Corporate Governance Committee

The Board may direct the Compensation and Corporate Governance Committee to consider the matters contemplated in this Section 13 and to report and make recommendations to the Board with respect to these matters.

14. RESPONSIBILITIES RELATING TO MANAGEMENT

Integrity of Management

The Board shall, to the extent feasible, reasonably satisfy itself:

- (a) as to the integrity of the CEO and other executive officers of the Trust; and
- (r) that the CEO and other executive officers of the Trust create a culture of integrity throughout the organization.

Succession Planning

The Board shall be responsible for succession planning, including appointing, training and monitoring senior management. In discharging this responsibility, the Board may:

- (a) consider recommendations of the Compensation and Corporate Governance Committee; and
- (b) consider succession plans for the CEO.

Executive Compensation Policy

Board Approval. The Board shall approve the compensation of the Named Executive Officers

Delegation to the Compensation and Corporate Governance Committee. The Board may direct the Compensation and Corporate Governance Committee to consider the matters contemplated in this paragraph entitled "Executive Compensation Policy" and to report and make recommendations to the Board with respect to these matters.

15. OVERSIGHT OF THE MANAGEMENT OF THE TRUST

Risk Management

Taking into account the reports of management and such other persons as the Board may consider appropriate, the Board shall identify the principal risks of the Trust's business and satisfy itself as to the implementation of appropriate systems to manage these risks.

Strategic Planning Process

The Board shall receive reports from management (and from other sources as it considers appropriate) identifying the principal risks of the Trust's business and recommending strategies to manage those risks. The Board shall satisfy itself that appropriate systems to manage these risks are implemented and monitored.

Internal Control and Management Information Systems

The Board shall review the reports of management and the Audit Committee concerning the adequacy of the Trust's internal control and management information systems. Where appropriate, the Board shall require management and the Audit Committee to implement changes to such systems to ensure adequacy of such systems.

Related Party Transactions

The Board shall approve all transactions or agreements in which the Trust is involved or that the Trust proposes to enter into in respect of which a Trustee or a member of senior management has a material interest.

Communications Policies

The Board shall review and, if determined appropriate, approve a disclosure policy and such other policies as may be necessary or desirable for communicating with unitholders, the investment community, the media, governments and their agencies, employees and the general public.

Whistleblower Policy

The Board will review and approve a whistleblower policy for the Trust. In adopting the whistleblower policy, the Board will consider the recommendations of the Audit Committee concerning its compliance with applicable legal and stock exchange requirements and with such recommendations of relevant securities regulatory authorities and stock exchanges as the Board may consider appropriate.

Financial Statements

The Board shall review the recommendations of the Audit Committee with respect to the annual financial statements of the Trust to be delivered to unitholders. If satisfactory, the Board shall approve such financial statements. If the Board has not delegated the approval of interim financial statements to the Audit Committee, the Board shall also review the recommendation of the Audit Committee with respect to the interim financial statements or other material financial disclosure of the Trust prior to its release to the public and, if satisfactory, shall approve such financial statements or other material financial disclosure.

Code of Business Conduct and Ethics

The Board will review and approve a Code of Business Conduct and Ethics for the Trust. In adopting this Code, the Board will consider the recommendations of the Compensation and Corporate Governance Committee concerning its compliance with applicable legal and stock exchange requirements and with such recommendations of relevant securities regulatory authorities and stock exchanges as the Board may consider appropriate.

16. NOMINATION OF TRUSTEES

Nomination and Appointment of Trustees

- (a) The Board shall nominate individuals for election as Trustees by the unitholders and shall require the Compensation and Corporate Governance Committee to make recommendations to it with respect to such nominations.

- (b) In selecting candidates for nomination as Trustees, the Board shall:
 - (i) consider what competencies and skills the Board, as a whole, should possess;
 - (ii) assess what competencies and skills each existing and proposed new Trustee possesses; and
 - (iii) consider whether each nominee can devote sufficient time and resources to his or her duties as a Trustee.

2. The Board shall consider recommendations made to it by the Compensation and Corporate Governance Committee with respect to the size and composition of the Board.

17. BOARD EFFECTIVENESS

Position Description

The Board shall review and, if determined appropriate, approve the recommendations of the Compensation and Corporate Governance Committee concerning formal position descriptions for:

- (a) the Chair of the Board and for each committee of the Board, and
- (b) the CEO,

provided that in approving a position description for the CEO, the Board shall consider the input of the CEO and shall develop and approve goals and objectives that the CEO is responsible for meeting (which may include goals and objectives relevant to the CEO's compensation, as recommended by the Compensation and Corporate Governance Committee).

Trustee Orientation and Continuing Education

The Board shall review and, if determined appropriate, approve the recommendations of the Compensation and Corporate Governance Committee concerning:

- (a) orientation for new Trustees; and
- (b) continuing education for all Trustees.

Board, Committee and Trustee Assessments

The Board shall review and, if determined appropriate, adopt a process recommended by the Compensation and Corporate Governance Committee to:

- (a) consider the required competencies and skills the Board as a whole should possess;
- (b) consider the appropriate Board size;
- (c) assess the performance and effectiveness of the Board;
- (d) assess the effectiveness of each Committee; and
- (e) assess the contribution and competencies of each Trustee.

18. REGULAR ASSESSMENT OF THE BOARD

The Board shall assess its performance and effectiveness on a regular basis in accordance with the process established by the Compensation and Governance Committee.

April 18, 2011

SCHEDULE 1

EXTRACT FROM DECLARATION OF TRUST

3.1 General Powers.

The Trustees, subject only to the specific limitations contained in this Declaration of Trust, including Sections 4.1 and 4.2, shall have, without further or other authorization and free from any control or direction on the part of the Unitholders, full, absolute and exclusive power, control and authority over the assets of the Trust and over the affairs of the Trust to the same extent as if the Trustees were the sole owners of such assets in their own right, to do all such acts and things as in their sole judgment and discretion are necessary or incidental to, or desirable for, the carrying out of any of the purposes of the Trust or the conducting of the affairs of the Trust. In construing the provisions of this Declaration of Trust, there shall be a presumption in favour of the power and authority having been granted to the Trustees. The enumeration of any specific power or authority herein shall not be construed as limiting the general powers or authority or any other specified power or authority conferred herein on the Trustees. Except as specifically required by law, the Trustees shall in carrying out investment activities not be in any way restricted by the provisions of the laws of any jurisdiction limiting or purporting to limit investments which may be made by trustees. Without limiting the generality of the foregoing, subject to Sections 4.1 and 4.2, the Trustees may make any investments without being required to adhere to all of, or any particular portion of the investment criteria or diversification requirements set forth in the *Trustee Act* (Ontario), as amended from time to time, including investments in mutual funds, common trust funds, unit trusts and similar types of investment vehicles, to alter or vary such investments from time to time in a like manner, to retain such investments for such length of time as the Trustees, in their discretion determine and to delegate management and authority to discretionary managers of investment funds as the Trustees in their discretion determine appropriate.

3.2 Specific Powers and Authorities.

Subject only to the express limitations contained in this Declaration of Trust, including Sections 4.1 and 4.2, and in addition to any powers and authorities conferred by this Declaration of Trust or which the Trustees may have by virtue of any present or future statute or rule of law, the Trustees without any action or consent by the Unitholders shall have and may exercise, on behalf of the Trust, at any time and from time to time the following powers and authorities which may or may not be exercised by them in their sole judgment and discretion and in such manner and upon such terms and conditions as they may from time to time deem proper:

- (a) To retain, invest and re-invest the capital or other funds of the Trust in real or personal property of any kind, all without regard to whether any such properties are authorized by law for the investment of trust funds, and to possess and exercise all the rights, powers and privileges appertaining to the ownership of the property of the Trust and to increase the capital of the Trust at any time by the issuance of additional Units for such consideration as they deem appropriate.
- (b) For such consideration as they deem proper, to invest in, purchase or otherwise acquire for cash or other property or through the issuance of Units or through the issuance of notes, debentures, bonds or other obligations or securities of the Trust and hold for investment the entire or any participating interest in notes, debentures, bonds or other obligations which are secured by any mortgages. In connection with any such investment, purchase or acquisition, the Trustees shall have the power to acquire a share of rents, lease payments or other gross income from or a share of the profits from or a share in the equity or ownership of real property.
- (c) To sell, rent, lease, hire, exchange, release, partition, assign, mortgage, pledge, hypothecate, grant security interests in, encumber, negotiate, convey, transfer or otherwise dispose of any or all of the property of the Trust by deeds, trust deeds, assignments, bills of sale, transfers, leases, mortgages, financing statements, security agreements and other instruments for any of such purposes executed and delivered for and on behalf of the Trust by one or more of the Trustees or by a duly authorized officer, employee, agent or any nominee of the Trust.
- (d) To enter into leases, contracts, obligations and other agreements for a term extending beyond the term of office of the Trustees and beyond the possible termination of the Trust or for a lesser term.

- (e) To borrow money from or incur indebtedness to any Person; to guarantee, indemnify or act as surety with respect to payment or performance of obligations of third parties, including the Trustees; to enter into other obligations on behalf of the Trust; and to assign, convey, transfer, mortgage, subordinate, pledge, grant security interests in, encumber or hypothecate the property of the Trust to secure any of the foregoing.
- (f) To lend money or other property of the Trust, whether secured or unsecured.
- (g) To incur and pay out of the property of the Trust any charges or expenses and disburse any funds of the Trust, which charges, expenses or disbursements are, in the opinion of the Trustees, necessary or incidental to or desirable for the carrying out of any of the purposes of the Trust or conducting the affairs of the Trust including taxes or other governmental levies, charges and assessments of whatever kind or nature, imposed upon or against the Trustees in connection with the Trust or the property of the Trust or upon or against the property of the Trust or any part thereof and for any of the purposes herein.
- (h) To deposit funds of the Trust in banks, trust companies and other depositories, whether or not such deposits shall earn interest, the same to be subject to withdrawal on such terms and in such manner and by such Person or Persons (including any one or more Trustees, officers, agents or representatives) as the Trustees may determine.
- (i) To possess and exercise all the rights, powers and privileges appertaining to the ownership of or interest in all or any mortgages or securities, issued or created by any Person, forming part of the assets of the Trust, to the same extent that an individual might and, without limiting the generality of the foregoing, to vote or give any consent, request or notice, or waive any notice, either in person or by proxy or power of attorney, with or without power of substitution, to one or more Persons, which proxies and powers of attorney may be for meetings or action generally or for any particular meeting or action and may include the exercise of discretionary power.
- (j) To exercise any conversion privilege, subscription right, warrant or other right or option available in connection with any property of the Trust at any time held by it and to make payments incidental thereto; to consent, or otherwise participate in or dissent from, the reorganization, consolidation, amalgamation, merger or readjustment of the finances of any Person (other than the Trust), any of the securities of which may at any time be held by the Trust or to the sale, mortgage or lease of the property of any such Person; and to do any act with reference thereto, including the delegation of discretionary powers, the exercise of options, the making of agreements or subscriptions and the payment of expenses, assessments or subscriptions which it may consider necessary or advisable in connection therewith.
- (k) To elect, appoint, engage or employ officers for the Trust, who may be removed or discharged at the discretion of the Trustees, such officers to have such powers and duties, and to serve such terms as may be prescribed by the Trustees or by the Trustees' Regulations; to engage, appoint, employ or contract with any Person as agents, representatives, employees or independent contractors or otherwise (including real estate advisors, investment advisors, registrars, underwriters, accountants, lawyers, real estate agents, property managers, appraisers, brokers, architects, engineers, construction managers, general contractors or otherwise) in one or more capacities, and to pay compensation from the Trust for services in as many capacities as such Person may be so engaged or employed; and, except as prohibited by law, to delegate any of the powers and duties of the Trustees (including the power of delegation) to any one or more Trustees, agents, representatives, officers, employees, independent contractors or other Persons without regard to whether such power, authority or duty is normally granted or delegated by Trustees.
- (l) To collect, sue for and receive sums of money coming due to the Trust, and to engage in, intervene in, prosecute, join, defend, compromise, abandon or adjust, by arbitration or otherwise, any actions, suits, proceedings, disputes, claims, demands or other litigation relating to the Trust, the assets of the Trust or the Trust's affairs, to enter into agreements therefor whether or not any suit is

commenced or claim accrued or asserted and, in advance of any controversy, to enter into agreements regarding the arbitration, adjudication or settlement thereof.

- (m) To renew, modify, release, compromise, extend, consolidate or cancel, in whole or in part, any obligation to or of the Trust.
- (n) To purchase and pay for, out of the assets of the Trust, insurance contracts and policies insuring the assets of the Trust against any and all risks and insuring the Trust and/or any or all of the Trustees, the Unitholders or officers of the Trust against any and all claims and liabilities of any nature asserted by any Person arising by reason of any action alleged to have been taken or omitted by the Trust or by the Trustees, the Unitholders or the officers of the Trust.
- (o) To cause legal title to any of the assets of the Trust to be held by and/or in the name of the Trustees, or, except as prohibited by law, by and/or in the name of the Trust or one or more of the Trustees or any other Persons, on such terms, in such manner with such powers in such Person as the Trustees may determine and with or without disclosure that the Trust or Trustees are interested therein, provided, however, that should legal title to any of the assets of the Trust be held by and/or in the name of any Person or Persons other than the Trust, the Trustees shall require such Person or Persons to execute a declaration of trust acknowledging that legal title to such assets is held in trust for the benefit of the Trust.
- (p) To determine conclusively the allocation to capital, income or other appropriate accounts for all receipts, expenses, disbursements and property of the Trust; and to determine the allocation of any cash or non-cash distribution of property by the Trust to the Unitholders as between net realized capital gains, other income for purposes of the Tax Act and returns of capital.
- (q) To pay all taxes or assessments, of whatever kind or nature, whether within or outside Canada, imposed upon or against the property, undertaking or income of the Trust or any part thereof, or imposed upon or against the Trustees in connection with the property, undertaking or income of the Trust or any part thereof, and to settle or compromise disputed tax liabilities and to make such returns, take such deductions, and make such designations, elections and determinations in respect of net income or net realized capital gains distributed to Unitholders as shall be permitted under the Tax Act (provided that, to the extent necessary, the Trustees shall seek the advice of the Trust's legal counsel or the Trust's auditors), and do all such other acts and things as may be deemed by the Trustees in their sole discretion to be necessary, desirable or convenient in connection with the foregoing.
- (r) To prepare, sign and file or cause to be prepared, signed and filed any prospectus, offering memorandum or similar document, and any amendment thereto and all agreements contemplated therein or ancillary thereto relating to or resulting from any offering of the Units or other securities issued or held by the Trust, and to pay the cost thereof and related thereto out of the property of the Trust whether or not such offering is or was of direct benefit to the Trust or those Persons (if any) who were Unitholders immediately prior to such offering.
- (s) To make or cause to be made application for the listing on any stock exchange of any Units or other securities of the Trust, and to do all things which in the opinion of the Trustees may be necessary or desirable to effect or maintain such listing or listings.
- (t) To determine conclusively the value of any or all of the property of the Trust from time to time and, in determining such value, to consider such information and advice as the Trustees, in their sole judgment, may deem material and reliable.
- (u) To do all such acts and things and to exercise such powers as may be delegated to the Trustees by any Person who co-owns real property with the Trust.

- (v) To do all such other acts and things as are incidental to the foregoing, and to exercise all powers that are necessary or useful to carry on the business of the Trust, to promote any of the purposes for which the Trust is formed and to carry out the provisions of this Declaration of Trust.

SCHEDULE B

CORPORATE GOVERNANCE DISCLOSURE

The REIT believes that effective corporate governance practices are fundamental to the overall success of a company. Effective June 30, 2005, the CSA Governance Requirements require the REIT to disclose its corporate governance practices. The CSA Governance Requirements replaced the corporate governance guidelines of the TSX.

<u>Governance Disclosure Guideline under NI 58-101</u>	<u>Comments</u>
1. REIT Board	
(a) Disclose the identity of trustees who are independent.	The following REIT Trustees are independent: Frank Anderson, Morton G. Gross, Michael P. Kitt and Minhas N. Mohamed.
(b) Disclose the identity of trustees who are not independent, and the basis for that determination.	As at December 31, 2010, two Trustees were not independent. Majid Mangalji is an appointee of Westmont and, as such, is deemed not to be independent by the REIT Declaration of Trust. Fereed Mangalji is an appointee of the Manager and, as such, is deemed not to be independent by the REIT Declaration of Trust.
(c) Disclose whether or not a majority of trustees are independent. If a majority of trustees are not independent, describe what the board of trustees (the "board") does to facilitate its exercise of independent judgment in carrying out its responsibilities.	The REIT Board has determined that the majority of the REIT Trustees are independent.
(d) If a trustee is presently a trustee of any other issuer that is a reporting issuer (or the equivalent) in a jurisdiction or a foreign jurisdiction, identify both the trustee and the other issuer.	Not applicable.
(e) Disclose whether or not the independent trustees hold regularly scheduled meetings at which members of management are not in attendance. If the independent trustees hold such meetings, disclose the number of meetings held since the beginning of the issuer's most recently completed financial year. If the independent trustees do not hold such meetings, describe what the board does to facilitate open and candid discussion among its independent trustees.	<p>The REIT Board and its Committees meet independently of the management at all board meetings, and additionally when needed.</p> <p>The Compensation and Corporate Governance Committee and the Audit Committee are composed solely of independent REIT Trustees. The Audit Committee held six meetings and the Compensation and Corporate Governance Committee held two meetings during the fiscal year ended December 31, 2010.</p> <p>The independent REIT Trustees are authorized to retain external advisors at the expense of the REIT, as required whenever, in their opinion, matters come before the REIT Board which require an independent analysis by independent Trustees. The Audit Committee meets with the REIT's external</p>

Governance Disclosure Guideline under NI 58-101

Comments

(f) Disclose whether or not the chair of the board is an independent trustee. If the board has a chair or lead trustee who is an independent trustee, disclose the identity of the independent chair or lead trustee, and describe his or her role and responsibilities. If the board has neither a chair that is independent nor a lead trustee that is independent, describe what the board does to provide leadership for its independent trustees.

auditors and the Manager's head of internal audit independently of the REIT Board and discusses with them the financial statements and other financial issues as deemed appropriate.

The Chairman of the REIT Board is not an independent REIT Trustee. However the Chairman of each of the Audit Committee and the Compensation and Corporate Governance Committee is independent and takes the lead where he is responsible for a particular issue or where his expertise can be used.

(g) Disclose the attendance record of each trustee for all board meetings held since the beginning of the issuer's most recently completed financial year.

The attendance record of each REIT Trustee for all REIT Board meetings held since the beginning of the fiscal year ended December 31, 2010 is set out in this Circular under the heading "Board of Trustees – Trustee Attendance Record".

2. Mandate of the Board

Disclose the text of the board's written mandate. If the board does not have a written mandate, describe how the board delineates its role and responsibilities.

The REIT Board has adopted the Charter of the REIT Board, a copy of which is attached to the Circular as Schedule A.

3. Position Descriptions

(a) Disclose whether or not the board has developed written position descriptions for the chair and the chair of each board committee. If the board has not developed written position descriptions for the chair and/or the chair of each board committee, briefly describe how the board delineates the role and responsibilities of each such position.

The REIT Board has not developed written position descriptions for the chair and the chair of each board committee.

The broad mandate of the REIT Trustees serves to define the relationship between the REIT Trustees and management. All parties work in a collegial manner without a significantly structured or hierarchical format to achieve the objectives of the REIT. Greater formalization through position descriptions may not well serve the REIT or the long-term interests of the Unitholders. The REIT Trustees adhere to the guidelines as established in the Declaration of Trust.

The REIT Declaration of Trust describes the role of the REIT Board. Specifically, it provides that the REIT 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 REIT Board acts in a supervisory role and any responsibilities not

Governance Disclosure Guideline under NI 58-101**Comments**

delegated to management or a Committee remain with the full REIT Board.

The scope of the REIT Board' 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 REIT Board expects management, among other things, to:

- undertake an ongoing review of the REIT's strategies and their implementation in light of evolving conditions;
- 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.

(b) Disclose whether or not the board and CEO have developed a written position description for the CEO. If the board and CEO have not developed such a position description, briefly describe how the board delineates the role and responsibilities of the CEO.

A position description for the REIT's Chief Executive Officer, Kenneth D. Gibson, is set out in the terms of Mr. Gibson's employment agreement with the REIT, described under the heading "Statement of Executive Compensation – Obligations". The Chief Executive Officer's objectives are reviewed by the REIT 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 REIT 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 REIT Board or one of its Committees.

4. Orientation and Continuing Education

(a) Briefly describe what measures the board takes to orient new trustees regarding (i) the role of the board, its committees and its trustees, and (ii) the nature and operation of the issuer's business.

There has not been a new trustee on the board since 2006. However, in the event that new REIT Trustees are added, the REIT Board would provide such new REIT Trustees with an orientation including a program that focuses on the corporate governance system, including roles, responsibilities and liabilities of REIT Trustees. Reports relating

(b) Briefly describe what measures, if any, the board takes to provide continuing education for its

Governance Disclosure Guideline under NI 58-101**Comments**

trustees. If the board does not provide continuing education, describe how the board ensures that its trustees maintain the skill and knowledge necessary to meet their obligations as trustees.

to the REIT's business and affairs are provided to REIT Trustees on a regular basis.

5. Ethical Business Conduct

(a) Disclose whether or not the board has adopted a written code for the trustees, officers and employees. If the board has adopted a written code: (i) disclose how a person or company may obtain a copy of the code; (ii) describe how the board monitors compliance with its code, or if the board does not monitor compliance, explain whether and how the board satisfies itself regarding compliance with its code; and (iii) provide a cross-reference to any material change report filed since the beginning of the issuer's most recently completed financial year that pertains to any conduct of a trustee or executive officer that constitutes a departure from the code.

The REIT Board has adopted a Code of Business Conduct and Ethics for the REIT (the "Code") a copy of which may be obtained, upon request, from the Investor Relations Liaison of the REIT, by e-mail, at investor@innvestreit.com or by written request sent to the Investor Relations Liaison at 5090 Explorer Drive, 7th Floor Mississauga, ON L4W 4T9.

The REIT Board expects REIT Trustees, officers and employees of the REIT to act ethically at all times and to acknowledge their adherence to the policies comprising the Code. The Code prohibits actions that could be considered a conflict of interest and contains provisions in respect of fair dealing, confidentiality and prohibitions and illegal or unethical behaviour. Compliance with the code is monitored by management of the REIT on a quarterly basis with results communicated to the REIT Board as required.

(b) Describe any steps the board takes to ensure trustees exercise independent judgment in considering transactions and agreements in respect of which a trustee or executive officer has a material interest.

Each REIT Trustee must disclose all actual or potential conflicts of interest and refrain from voting on matters in which such REIT Trustee has a conflict of interest. In addition, a REIT Trustee must excuse himself or herself from any discussion or decision on any matter in which the REIT Trustee is precluded from voting as a result of a conflict of interest. The matter will also be discussed by non-conflicted REIT Trustees of the Compensation and Corporate Governance Committee.

(c) Describe any other steps the board takes to encourage and promote a culture of ethical business conduct.

The REIT Board promotes consistent disclosure practices aimed at informative, timely and broadly disseminated disclosure of material information to the market, in accordance with applicable securities legislation and promotes a whistle blowing policy.

The Audit Committee has adopted a whistle blowing policy in order to provide for the receipt, retention and treatment of complaints regarding accounting, internal accounting controls or auditing matters related to the REIT. The policy promotes the confidential, anonymous submission by employees of the relevant entities of concern regarding questionable accounting or auditing

matters related to the REIT.

The REIT has also established a disclosure policy to assist in compliance with requirement to disclose forthwith all material information.

6. Nomination of Trustees

(a) Describe the process by which the board identifies new candidates for board nomination.

The REIT does not have a nominating committee. The Compensation and Corporate Governance Committee is responsible for identifying individuals qualified to become REIT Trustees and for recommending to the REIT Board suitable candidates as trustees.

In undertaking this responsibility, the Compensation and Corporate Governance Committee annually assesses the skill sets of the existing REIT Board and Committees and identifies any additional skill sets deemed to be beneficial. The Compensation and Corporate Governance Committee, in recommending individuals as trustees, considers any selection criteria approved by the REIT Board as well as the competencies and skills of the existing REIT Trustees compared to the competencies and skills the new nominee would bring to the REIT Board.

If vacancies occur on the REIT Board, the Compensation and Corporate Governance Committee (comprised entirely of independent Trustees) recommends nominees to the REIT Board, reviews the qualifications of prospective members and determines their relevance taking into consideration current REIT Board composition and the anticipated skills required to round out the capabilities of the REIT Board.

(b) Disclose whether or not the board has a nominating committee composed entirely of independent trustees. If the board does not have a nominating committee composed entirely of independent trustees, describe what steps the board takes to encourage an objective nomination process.

See disclosure for 6(a).

(c) If the board has a nominating committee, describe the responsibilities, powers and operation of the nominating committee.

See disclosure for 6(a).

7. Compensation

(a) Describe the process by which the board determines the compensation for the issuer's trustees and officers.

(b) Disclose whether or not the board has a compensation committee composed entirely of independent trustees. If the board does not have a compensation committee composed entirely of independent trustees, describe what steps the board takes to ensure an objective process for determining such compensation.

(c) If the board has a compensation committee, describe the responsibilities, powers and operation of the compensation committee.

(d) If a compensation consultant or advisor has, at any time since the beginning of the issuer's most recently completed financial year, been retained to assist in determining compensation for any of the issuer's trustees and officers, disclose the identity of the consultant or advisor and briefly summarize the mandate for which they have been retained. If the consultant or advisor has been retained to perform any other work for the issuer, state that fact and briefly describe the nature of the work.

The compensation of the REIT Trustees is prescribed by the REIT Declaration of Trust and may only be changed by the unanimous consent of the REIT Trustees.

The Compensation and Corporate Governance Committee, which is composed entirely of independent trustees, is responsible for the REIT's corporate governance, human resources and compensation policies. The Compensation and Corporate Governance Committee annually reviews the level and nature of compensation paid to the REIT Trustees and officers. In making recommendations to the REIT Board for appropriate adjustments, the Compensation and Corporate Governance Committee considers the time commitment and risk and responsibilities of serving as a REIT Trustee or officer of the REIT, and seeks to align the interests of the REIT Trustees and officers of the REIT with those of Unitholders.

A compensation consultant has not been retained to assist in the determination of compensation for any of the Trustees and officers of the REIT for the 2010 fiscal year.

8. Other Board Committees

If the board has standing committees other than the audit, compensation and nominating committees, identify the committees and describe their function.

The REIT Board has an Investment Committee, composed of all of the REIT Trustees, whose primary duties and responsibilities include: reviewing and approving or rejecting proposed acquisitions and dispositions of investments by the REIT, authorizing proposed transactions and approving all financial arrangements and the assumption of granting of mortgages.

9. Assessments

Disclose whether or not the board, its committees and individual trustees are regularly assessed with respect to their effectiveness and contribution. If assessments are regularly conducted, describe the process used for the assessments. If assessments are not regularly conducted, describe how the board satisfies itself that the board, its committees, and its individual trustees are performing effectively.

The Compensation and Corporate Governance Committee conducts an annual evaluation of the effectiveness of the REIT Board and its Committees. In such evaluation, the Compensation and Corporate Governance Committee assesses the operation of the REIT Board and its Committees, the adequacy of information provided to REIT Trustees, communication processes between the REIT Board and management, agenda planning for REIT Board and Committee meetings and strategic planning.

