



**Dear Fellow Unitholder of InnVest Real Estate Investment Trust**

This year's annual meeting of unitholders of InnVest REIT has been scheduled for Tuesday, April 14, 2009 at 4:00 p.m. at the St. Andrew's Club & Conference Centre, 150 King Street West, 16th Floor, Toronto. The meeting is being held earlier than usual in response to a request from Royal Host REIT, a unitholder which sought a special meeting because it is seeking to replace InnVest's four independent trustees with its own nominees.

As well as the usual business of the annual meeting, such as receiving InnVest's consolidated financial statements for 2008 and the appointment of auditors, you will be asked to vote on approval of the Unitholder Rights Plan and – most importantly – the composition of the Board of Trustees who represent your interests as unitholders of InnVest.

The choice you face is very important and is described in the enclosed Proxy Circular. We encourage you to review it before you cast your vote.

**Your Board of Trustees unanimously recommends that you:**

- **VOTE FOR THE MANAGEMENT SLATE USING ONLY THE BLUE PROXY**
- **DO NOT VOTE FOR THE ROYAL HOST SLATE. IGNORE ANY MATERIALS YOU MAY HAVE RECEIVED FROM ROYAL HOST.**

The reasons for this recommendation are clear and, we believe, compelling. They include:

**The Current Board has Considerable Industry Experience**

The InnVest Management Nominees have the necessary experience and commitment to continue to work together effectively on behalf of unitholders. They have a diverse background in the Canadian lodging industry as well as in law, real estate development and operations, finance, accounting and business. They have worked together to oversee management's successful implementation of InnVest's strategy since our initial public offering in 2002. The current Board of Trustees has also been instrumental in doubling InnVest's asset size over the past six years, improving InnVest's diversification by geography, segment and brand. InnVest is more than four times larger than Royal Host.

The size and complexity of InnVest requires that it have experienced Trustees who are knowledgeable about the hotel business and InnVest's operations, particularly in the current economic environment. Only one member of the Royal Host Slate has any direct experience in the lodging industry. We believe that this is not the time to put InnVest in inexperienced hands.

**The Royal Host Nominees May Have A Conflict Of Interest**

Royal Host is a direct competitor of InnVest in the Canadian hotel industry. It would not be in the best interests of InnVest to have hand-picked representatives of the competition provided with access to proprietary information and involved in the strategic decision-making of your REIT. InnVest trustees have a responsibility to serve the best interests of InnVest's unitholders. They cannot do that if they owe the same duty to the unitholders of Royal Host.

### **Royal Host Is Seeking Control Of InnVest – But Not Paying For It**

Royal Host is seeking a majority of the positions on the Board of Trustees. This would give it effective control of InnVest, although Royal Host would own only about 14% of the Units. Normally, acquiring control would require paying a significant premium to the unit price. Royal Host is offering unitholders nothing.

### **Royal Host's Attempt to Take Control is Highly Opportunistic**

By trying to seize control of the Board in the current environment, Royal Host is attempting to take advantage of a faltering economy, seriously weakened credit conditions, and depressed capital markets.

### **Royal Host Has Not Disclosed Its Intentions**

While Royal Host has chosen its nominees, to date it has not provided InnVest unitholders with any information about its plans should it gain control of the Board. Royal Host is asking unitholders to make a critical change to the oversight of their investment without giving unitholders adequate information about where that change might lead.

Royal Host is asking InnVest unitholders to make an unnecessary and potentially dangerous leap of faith and hand over control of their REIT to a competitor –without any compensation. We do not believe that is in your best interests.

We *do* believe it is in your best interests to support the current Board of Trustees and elect the Management Nominees who are committed to continuing to build long-term value for you as an InnVest unitholder.

Sincerely,

*[signed]*

**Kenneth D. Gibson**

President and Chief Executive Officer

If you cannot attend the Meeting in person, please complete the enclosed BLUE proxy and return it in the postage prepaid envelope to Computershare Investor Services Inc, no later than 5:00 p.m. (Toronto time) on Thursday, April 9, 2009. If you have any questions about voting your BLUE proxy, please contact our information agent:

**Kingsdale Shareholder Services Inc. toll-free at 1-866-879-7644.**



**NOTICE OF ANNUAL AND SPECIAL MEETING OF UNITHOLDERS**

**TO: THE UNITHOLDERS OF INNVEST REAL ESTATE INVESTMENT TRUST**

TAKE NOTICE that the Annual and Special Meeting of unitholders (the "Meeting") of InnVest Real Estate Investment Trust (the "REIT") will be held

on **Tuesday, April 14, 2009**

at **4:00 p.m. (Toronto time)**

at the **St. Andrew's Club & Conference Centre, 150 King Street West, 16th Floor  
(Conservatory Suite), Toronto, ON M5H 1J5**

for the following purposes:

- to receive the consolidated financial statements of the REIT for the year ended December 31, 2008 and the auditors' report on the statements;
- to appoint the auditors of the REIT;
- to elect four trustees of the REIT ("Trustees");
- to consider, and if thought appropriate, pass an ordinary resolution to approve the Unitholder Rights Plan, as described more fully in the management information circular accompanying this notice; and
- to transact any other business properly before the meeting.

Unitholders of record as of the close of business on March 12, 2009 will be entitled to vote at the Meeting or at any adjournment thereof.

**Your Board of Trustees unanimously recommends that you:**

- **VOTE FOR THE ELECTION OF THE MANAGEMENT SLATE, and**
- **WITHHOLD FROM VOTING IN RESPECT OF THE ROYAL HOST SLATE (as defined in the attached Circular)**

**We urge you to DISCARD any proxy received in connection with the matters to be approved at the Meeting other than the enclosed BLUE proxy solicited by management of the REIT.**

Management is soliciting the enclosed BLUE proxy. If you cannot attend the Meeting in person, please complete the enclosed BLUE 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 5:00 p.m. (Toronto time) on Thursday, April 9, 2009 or such later time as the Chairman of the Meeting may determine.

Kingsdale Shareholder Services Inc. ("Kingsdale") has been retained by the REIT as a proxy solicitation and information agent in connection with the Meeting. Any questions and requests by unitholders for assistance relating to the Meeting may be directed to Kingsdale toll-free at 1-866-879-7644.

By order of the Board of Trustees,

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

Toronto, Ontario  
March 4, 2009

# INNVEST REAL ESTATE INVESTMENT TRUST

*Unless otherwise indicated, all information contained herein is given as at March 4, 2009 and all dollar amounts are expressed in Canadian dollars.*

## SOLICITATION OF PROXIES AND VOTING AT THE MEETING

### Solicitation of Proxies

This Management Information and Proxy Circular (“Circular”) is furnished in connection with the solicitation of proxies by and on behalf of the management of InnVest Real Estate Investment Trust (the “REIT” or “InnVest” or the “Trust”) for use at the annual and special meeting (the “Meeting”) of unitholders (“Unitholders”) of the REIT to be held on Tuesday, April 14, 2009 at 4:00 p.m. (Toronto time) and any adjournment(s) or postponement(s) thereof for the purposes set forth in the accompanying notice of Meeting (the “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. In connection with the solicitation of proxies for the Meeting, InnVest has retained Kingsdale Shareholder Services Inc, (“Kingsdale”) to solicit proxies from Unitholders at an agreed cost of up to \$155,000 plus additional costs relating to telephone calls and expenses.

The Board has fixed the close of business on March 12, 2009 as the record date, being the date for the determination of registered holders of InnVest 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 5 p.m. (Toronto time) on April 9, 2009 or, if the meeting is postponed or adjourned, no later than 48 hours (excluding Saturdays, Sundays and holidays) before the time of the Meeting.

### Appointment and Revocation of Proxies

A BLUE proxy is enclosed and, if it is not your intention to be present at the Meeting, you are asked to complete the BLUE proxy included in this Circular and return it in the envelope provided. The proxy must be dated and executed by the Unitholder or the attorney of such Unitholder, duly authorized in writing, or if the Unitholder is a corporation, by an officer or attorney thereof duly authorized. If the proxy is executed by an attorney, a copy of the instrument appointing the attorney must accompany the proxy. Proxies to be used at the Meeting may be deposited with the REIT’s transfer agent, Computershare Investor Services Inc., by no later than 5:00 p.m. (Toronto time) on April 9, 2009, 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 sent by mail must be addressed to Computershare Investor Services Inc., 100 University Avenue, 9th Floor, Toronto, Ontario M5J 2Y1.

**As discussed below under “Background to the Meeting” and “Business of the Meeting – Election of the Board of Trustees”, a Unitholder of the REIT has made a proposal to replace the independent Trustees of the REIT with its own nominees. MANAGEMENT URGES YOU TO DISCARD ANY MATERIALS YOU RECEIVE FROM THE DISSIDENT UNITHOLDER AND TO USE THE ENCLOSED BLUE PROXY TO VOTE FOR MANAGEMENT’S NOMINEES TO THE BOARD OF TRUSTEES.**

The people named in the enclosed BLUE proxy are trustees or officers of the REIT. **A Unitholder has the right to appoint a proxy holder (who is not required to be a Unitholder), other than any person or company designated in the 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.**

A Unitholder who has given a proxy pursuant to this solicitation may revoke it as to any matter on which a vote has not already been cast pursuant to its authority by instrument in writing executed by the Unitholder or by the attorney of such Unitholder, duly authorized in writing, or where the Unitholder is a corporation, by a duly authorized officer

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or attorney of the corporation 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, or in any other manner permitted by law.

Trust units of the REIT (“Units”) represented by proxies will be voted or withheld from voting as specified on any ballot that may be called for. The proxy confers discretionary authority upon the persons named therein with respect to (i) 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, (ii) amendments or variations to matters identified in the Notice, and (iii) 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 Units 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 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 of Meeting. **With respect to amendments or variations to matters identified in the Notice or other matters that may properly come before the Meeting, such Units will be voted by the persons so designated in their discretion.**

### **Voting at Meeting and Quorum**

On March 4, 2009, there were 74,434,344 Units issued and outstanding. Each Unit entitles its holder to one vote at meetings of Unitholders of the REIT. Holders of Units of record at the close of business on March 12, 2009, 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’s declaration of trust (the “Declaration of Trust”), every question coming before the Meeting or any adjournment(s) or postponement(s) thereof shall be decided by the majority of the votes duly cast on the question. The quorum at the Meeting or any adjournment(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 10% of the total votes attached to all outstanding 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 4, 2009;
- (b) the Management Discussion and Analysis on the REIT’s consolidated financial results for the year ended December 31, 2008; and
- (c) the audited consolidated balance sheets of the REIT as at December 31, 2008, December 31, 2007 and December 31, 2006, the audited consolidated statements of income, Unitholders’ equity and cash flow of the REIT for the years ended December 31, 2008, December 31, 2007 and December 31, 2006 and the respective auditors’ reports thereon.

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

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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 Units**

To the knowledge of the trustees (the "Trustees") and the executive officers (the "Executive Officers") of the REIT, there is no direct or indirect beneficial owner of, nor any person who exercises control or direction over, Units carrying more than 10% of the votes attached to the outstanding Units, other than Royal Host Real Estate Investment Trust ("Royal Host"), which exercises control or direction over 10,406,300 Units, representing approximately 14.0% of the Units.

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

None of the 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 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.

## **BACKGROUND TO THE MEETING**

Kenneth D. Gibson, President and Chief Executive Officer of InnVest, has spoken with George Armoyan, the Chief Executive Officer and President of Clarke Inc. and the Chairman of the Board of Royal Host on occasion over the last several years to discuss the possibility of a strategic transaction between InnVest and Royal Host and related matters. Management and the board of trustees of InnVest (the "Board") have in the past reviewed whether such a transaction would be in the best interests of InnVest and its Unitholders, and determined at such time that it was not.

Shortly after InnVest's 2008 annual meeting, in May 2008, Mr. Armoyan met with Majid Mangalji, Chairman of the Board of InnVest. At this meeting, Mr. Armoyan indicated that Royal Host held approximately 9% of InnVest's Units. Mr. Armoyan put forward a number of ideas regarding InnVest and Royal Host, including various possible strategic transactions involving the two entities and Mr. Armoyan indicated that he typically joins boards in which he invests. Mr. Mangalji indicated that if Mr. Armoyan wished to put forward a specific proposal, the Board would consider it in light of the best interests of InnVest Unitholders. No specific proposal was subsequently made by Mr. Armoyan or Royal Host.

On October 1, 2008, Royal Host issued a press release announcing that it had increased its ownership in InnVest from approximately 9.1% to 13.2%.

On October 8, 2008, Patrick Lambie, then Executive Vice-President of Royal Host, sent a letter (the "Purported Requisition Notice") to InnVest and each of its Trustees on behalf of Royal Host purporting to requisition a meeting of the Unitholders to consider certain changes to the Board. In the Purported Requisition Notice, Royal Host indicated that it intended to propose the appointment of four new Trustees, all nominated by Royal Host. The Purported Requisition Notice also indicated that Royal Host would withdraw its requisition if InnVest accepted the appointment of Mr. Armoyan as a new Trustee by no later than 5:00 p.m. (Eastern time) on October 15, 2008. The Purported Requisition Notice did not set out the names of the other persons that Royal Host had the intention of appointing as Trustees, nor did it specify whether Royal Host proposed to nominate additional members to the Board or replace existing members. InnVest ultimately considered the Purported Requisition Notice to be invalid because such notice did not provide reasonable detail of the business proposed to be transacted.

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On October 15, 2008, Mr. Gibson sent a letter to Mr. Lambie acknowledging receipt of the Purported Requisition Notice. Mr. Gibson's letter indicated that InnVest has a process, which is a matter of public record, for considering and proposing individuals as Trustees. This process involves an independent review by the Compensation and Corporate Governance Committee (constituted entirely of independent Trustees), which then makes recommendations to the Board. Mr. Gibson's letter indicated that the Board had requested that the Compensation and Corporate Governance Committee consider Royal Host's request for its nominee, Mr. Armoyan, to become a new Trustee before InnVest's annual general meeting. Mr. Gibson's letter also noted that the Board proposed to deal with Royal Host's request during its next regularly scheduled Board meeting in early November 2008.

On October 22, 2008, Royal Host responded to Mr. Gibson's letter stating that Royal Host did not intend to require that InnVest comply with the October 29 deadline for calling a meeting as had been stated in the Purported Requisition Notice. However, Royal Host stated that if Mr. Armoyan was not appointed to the Board by November 10, 2008, Royal Host would require the Board to promptly comply with the terms of the Purported Requisition Notice.

On November 5, 2008, the Board met and, based on the recommendation of the Compensation and Corporate Governance Committee, decided not to appoint Mr. Armoyan to the Board for essentially the same reasons as the Board now recommends that Unitholders withhold from voting for the Royal Host Slate (as defined below). In making its decision, the Board considered in particular the position of Mr. Armoyan with Royal Host and the inherent conflicts of interest that would result if Mr. Armoyan was a member of InnVest's Board. These concerns were heightened in light of Mr. Armoyan's previous overtures to Mr. Gibson with respect to a possible strategic transaction between Royal Host and InnVest. See "Business of the Meeting – Reasons for the Board's Recommendation – Members of the Royal Host Slate May Have A Conflict of Interest".

At its meeting, the Board also reviewed the Purported Requisition Notice and Royal Host's letter of October 22, 2008 and concluded that the Purported Requisition Notice was not valid because the language in the Purported Requisition Notice was ambiguous and did not provide reasonable detail of the business proposed to be transacted, as required by Section 6.2 of InnVest's Declaration of Trust.

A letter dated November 7, 2008 from Mr. Gibson to Mr. Lambie communicated to Royal Host the Board's decision not to appoint Mr. Armoyan to the Board and its conclusion that the Purported Requisition Notice was invalid based on its deficiencies.

On December 5, 2008, Mr. Lambie sent InnVest and each of the Trustees a notice (the "Requisition Notice") on behalf of Royal Host pursuant to which Royal Host requisitioned a meeting of the Unitholders for the removal of all four of the independent Trustees of InnVest and their replacement by four individuals nominated by Royal Host (the "Royal Host Slate"). The result of this proposal, if successful, would be that the Royal Host Slate would occupy a majority of the seats on InnVest's Board of Trustees.

In response to the Requisition Notice, InnVest announced on December 29, 2008 that its Board had set April 14, 2009 as the date of the annual meeting of Unitholders, when the nomination of the four independent trustees to the Board would be considered. InnVest's annual meeting is typically held in mid-May; however, InnVest accelerated this timing in order to avoid holding both a special meeting in response to the Requisition Notice and InnVest's regular annual meeting within a short time-frame given the considerable investment of management time required and significant costs associated with holding two meetings.

On January 23, 2009, Mr. Mangalji met with Mr. Armoyan. At this meeting, Mr. Armoyan renewed his request to be appointed to the Board. Mr. Mangalji indicated that a formal process was underway, as initiated by Royal Host's Requisition Notice, and that InnVest intended to comply with Royal Host's demand to hold a meeting to nominate its four candidates for election to the Board.

On February 19, 2009, InnVest requested that Royal Host provide InnVest with the notice required by Section 14 of InnVest's Trustees' Regulations by February 27, 2009. Section 14 of the Trustees' Regulations requires a person nominating individuals to the Board to deliver to InnVest certain standard information about such nominees. Royal Host delivered a notice to InnVest on February 27, 2009 in response to this request and the information provided by Royal Host about its nominees in such notice is set forth at Schedule D.

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Neither InnVest nor any of its Trustees or officers assumes, and each expressly disclaims, any responsibility for the accuracy or completeness of the information set forth at Schedule D about the Royal Host Slate, or for any failure by Royal Host to disclose events or facts which may have occurred or which may affect the significance or accuracy of any such information but which are unknown to InnVest.

On March 3, 2009, Mr. Mangalji met with Mr. Armoyan. This meeting did not result in any further developments.

### **BUSINESS OF THE MEETING**

Royal Host, a holder of more than 5% of the outstanding Units of the REIT, has submitted a proposal (the “Unitholder Proposal”) to elect the Royal Host Slate to the Board. Your Board of Trustees unanimously recommends that you submit the enclosed BLUE proxy to vote FOR management’s four nominees for Trustee. Your Board of Trustees unanimously recommends that you REJECT the Royal Host Slate and discard any proxy you may receive from Royal Host. Your vote is very important and the future direction of the REIT is at stake.

**USE THE ENCLOSED BLUE PROXY TO VOTE YOUR UNITS FOR MANAGEMENT’S PROPOSED TRUSTEES AND TO WITHHOLD FROM VOTING IN RESPECT OF THE ROYAL HOST SLATE. WE URGE YOU TO DISCARD ANY PROXY YOU MAY RECEIVE FROM ROYAL HOST. NON-REGISTERED HOLDERS THAT WISH TO SUPPORT MANAGEMENT’S PROPOSED SLATE OF TRUSTEES SHOULD CAREFULLY FOLLOW THE INSTRUCTIONS ON THE FORMS THEY RECEIVE AND CONTACT THEIR INTERMEDIARIES OR KINGSDALE AT THE NUMBER LISTED BELOW PROMPTLY IF THEY NEED ASSISTANCE .**

#### **Financial Statements**

The consolidated financial statements for the fiscal year ended December 31, 2008, together with the auditors’ report thereon, were mailed to the Unitholders with the Notice and this Circular. No vote by the Unitholders is required with respect to this matter.

#### **Appointment of Auditors**

The Board of Trustees of the REIT propose that Deloitte & Touche LLP (the “Auditors”) 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 Board of Trustees be authorized to fix the remuneration of the Auditors. The Auditors were first appointed as auditors of the REIT on July 18, 2002.

#### **Election of the Board of Trustees**

##### *Term of Office*

The Declaration of Trust provides that the REIT shall have a minimum of five and a maximum of nine Trustees and that a majority of the Trustees must be resident Canadians and independent. Pursuant to the Declaration of Trust, Westmont Hospitality Group, Inc. (“Westmont”) has the right to appoint one Trustee provided that it owns, in the aggregate, at least 5% of the outstanding Units. Westmont Hospitality Canada Limited (the “Manager”) also has the right, under the Declaration of Trust, to appoint one Trustee provided that the master hotel management agreement (the “Management Agreement”) between the REIT, a wholly-owned subsidiary of the REIT and the Manager is in effect and the appointment would not result in a majority of the Trustees not being independent Trustees. Westmont owns more than 5% of the outstanding Units and the Management Agreement is currently in effect; as a result, each of Westmont and the Manager has the right to appoint one Trustee. See “Interests of Informed Persons in Material Transactions – Master Hotel Management Agreement and Other Agreements”. The remaining Trustees are required to be elected by a plurality of the votes cast at a meeting of Unitholders. Westmont is entitled to vote its Units for the election of the remaining Trustees.

As of the date of this Circular, the REIT has six Trustees: Majid Mangalji (Chairman), Fereed Mangalji, Frank Anderson, Morton G. Gross, Michael P. Kitt and Minhas N. Mohamed. One of the Trustees, Majid Mangalji, is an

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appointee of Westmont pursuant to the Declaration of Trust and as such, is deemed not to be an independent Trustee and will remain a Trustee for an indefinite term until he resigns, he is replaced by Westmont or the ownership threshold specified in the Declaration of Trust is no longer met. Fereed Mangalji was appointed as a Trustee by the Manager pursuant to the Declaration of Trust and is also deemed not to be an independent Trustee. He will remain a 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 Trustees not being independent Trustees. The remaining four 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 Trustees.

#### *Management Nominees*

The Compensation and Corporate Governance Committee (the "Committee") reviews the qualifications of proposed nominees each year and submits its recommendations to the Board for consideration. Based on this recommendation, the persons nominated by management (individually, the "Management Nominees" and collectively, the "Management Slate") described below are, in the opinion of the Board and in the opinion of Committee, best qualified to act as trustees of the REIT for the ensuing year. The Management Slate is 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 InnVest's strategy since the REIT's initial public offering in 2002.

Each of the persons named in the BLUE proxy is a Trustee or officer of InnVest who intends to vote at the meeting for the election of the Management Slate. If, prior to the Meeting, any of the members of the Management Slate becomes unable or unwilling to serve, the persons named in the BLUE proxy will have the right to use their discretion to vote for a properly qualified substitute.

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

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The persons named below have established their eligibility and willingness to serve as Trustees and will be nominated for election at the Meeting as Management Nominees.

Name and Municipal Address	Current Principal Occupation	Date First Appointed	Units Beneficially Owned or Controlled as at March 4, 2009 (#)
Frank Anderson, FCA <sup>(1)(2)(3)(4)</sup> Ontario, Canada	Senior Advisor, Corporate and a member of the Board of DundeeWealth Inc.	June 5, 2002	76,767
Morton G. Gross, Q.C. <sup>(1)(2)(3)(4)</sup> Ontario, Canada	Senior partner of Borden Ladner Gervais LLP (Toronto office), a law firm	June 5, 2002	18,311
Michael P. Kitt <sup>(1)(2)(3)(4)</sup> Ontario, Canada	Executive Vice President, Global Head, Development of Oxford Properties Group	June 5, 2002	33,488
Minhas N. Mohamed <sup>(1)(2)(3)(4)</sup> Ontario, Canada	President, Chief Executive Officer and Co-Founder of MMV Financial Inc., a venture capital company	June 5, 2002	26,705 <sup>(5)</sup>

Notes:

- (1) Member of Investment Committee.
- (2) Member of Audit Committee.
- (3) Member of Compensation and Corporate Governance Committee.
- (4) Independent Trustee.
- (5) Includes 11,000 Units controlled through QK Investments Inc, in which Minhas N Mohamed has decision-making authority.

The REIT has received the Unitholder Proposal, which is a proposal by Royal Host to nominate the Royal Host Slate. A description of the Royal Host Slate, as provided by Royal Host, is attached at Schedule D. You may receive another proxy from Royal Host asking you to appoint a representative of Royal Host as your proxy and recommending that you vote for the nominees named in the Unitholder Proposal. **We urge you to DISCARD any proxy received from Royal Host.**

**Your Board of Trustees unanimously recommends that you:**

- **VOTE FOR THE ELECTION OF THE MANAGEMENT SLATE, and**
- **WITHHOLD FROM VOTING IN RESPECT OF THE ROYAL HOST SLATE.**

**The Board of Trustees urge you to discard any proxy received from Royal Host.**

**Unless otherwise indicated, the persons named in the enclosed BLUE proxy intend to vote FOR the election of the Management Slate to the Board and to WITHHOLD FROM VOTING in respect of the Royal Host Slate as trustees of InnVest.**

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### *Reasons for the Board's Recommendation*

Your Board of Trustees unanimously recommends you vote FOR the election of the Management Slate to the Board and WITHHOLD FROM VOTING for the Royal Host Slate. The reasons for this recommendation include:

#### The Current Board has Considerable Industry Experience

The Management Nominees have the necessary experience and commitment to continue to work together effectively on behalf of Unitholders. They have a diverse background in law, real estate development and operations, finance, accounting and business. Each of the Management Nominees has considerable experience in the Canadian lodging industry having worked together to oversee the management team's successful implementation of InnVest's strategy since its initial public offering in 2002.

The current Board understands the Canadian lodging industry and has navigated through challenging periods before, including guiding the REIT through the SARS crisis in 2003. The current Board of Trustees has also been instrumental in growing InnVest over the past six years, doubling its total asset size to almost \$2 billion. InnVest holds Canada's largest hotel portfolio with 147 properties diversified by geography, by segments and by brands. InnVest is more than four times larger than Royal Host and only one member of the Royal Host Slate has any direct experience in the lodging industry. Experienced leadership is paramount to address the increasing complexities of an enterprise of InnVest's size.

Experienced Trustees who are knowledgeable about the hotel business and InnVest's operations is required under any market conditions, but particularly now during the current economic uncertainty. The REIT needs Trustees who have a proven track record of working with management for the benefit of Unitholders.

#### Members of the Royal Host Slate May Have A Conflict Of Interest

Royal Host is a direct competitor of InnVest in the Canadian hotel industry in a variety of respects, including direct competition with hotels in some of the same markets as InnVest, competing for hotel and corporate staff, competing for customer lists, competing for franchise business and, from time to time, competing for the acquisition of hotel assets. It would not be in the best interests of the REIT to have representatives, hand-picked by the competition, provided with access to proprietary information and involved in the strategic decision-making of InnVest.

Trustees have a responsibility to serve the best interests of Unitholders and the REIT. That responsibility cannot be met if a Trustee has the same duty to the unitholders of the REIT's competitor, Royal Host.

#### Royal Host Is Seeking Control Of InnVest – But Not Paying For It

By nominating four individuals, Royal Host is seeking a majority of the Trustee positions on the Board of Trustees, which would give Royal Host effective control of the REIT despite owning only about 14% of the Units. Royal Host is not offering Unitholders any compensation for acquiring control of the REIT; normally, a significant premium to the unit price would be paid to acquire control. George Armoyan, Royal Host's Chairman of the Board and a member of the Royal Host Slate, has a history of taking "effective control" of companies with 10%-20% equity positions.

#### Royal Host's Attempt to Take Control is Highly Opportunistic

By initiating a contest for control of the Board at this time, Royal Host is attempting to take advantage of a faltering economy, seriously weakened credit conditions and depressed capital markets.

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### Royal Host Has Not Disclosed Its Intentions

Royal Host has chosen its nominees, but has not, as of the date of this Circular, provided InnVest Unitholders with any information about its plans for the REIT should it gain control of the Board. Royal Host is asking Unitholders to make a fundamental change to the oversight of their investment, at a critical juncture given the uncertain economic times, without giving Unitholders adequate information about where that change might lead.

In asking for support of its nominees, Royal Host is asking Unitholders to make an unnecessary and potentially dangerous leap of faith that may not be in Unitholders' best interests.

**In summary, Unitholders are advised to use the BLUE proxy to vote to maintain their current Board of Trustees, which has worked in Unitholders' best interests and is committed to continuing to build long-term value in InnVest.**

Further background information with respect to the Management Nominees is set forth below:

**Frank Anderson, FCA** is currently Senior Advisor, Corporate and a member of the Board of Directors of DundeeWealth Inc. and was a senior partner in a major accounting firm until his retirement in 1999. Mr. Anderson 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. Mr. Anderson is a member of the Boards of Directors of Bridgepoint Health Foundation, 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 also serves as a member of the Board of IPICO Inc., of which he was Executive Chairman from March 2006 until December 2006, and was previously a member of the Boards and Chair of the Audit Committees of O&Y Real Estate Investment Trust and Counsel Corporation. Mr. Anderson obtained an undergraduate degree in Economics from the University of Glasgow, his C.A. designation from the Institute of Chartered Accountants of Scotland and was elected a Fellow of the Institute of Chartered Accountants of Ontario in 1997.

**Morton G. 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 National Public-Private Partnership Committee and former Chair of the National Real Estate Professional 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 employed by Oxford Properties Group, a wholly owned subsidiary of the Ontario Municipal Employees Retirement System. Mr. Kitt holds the position of Executive Vice President, Global Head, Development, and is responsible for the strategy and execution of Oxford's global development program. 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 (predecessor firm). As President & CEO, 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 Canada 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 dedicated emerging technology funds. He has been a director of many public companies, including Promis Systems and Quorum Funding Corporation. Mr. Mohamed is a founding member and former Chairman of the Toronto Venture Group. He is also a member of the Association of Venture Capital Corporations. Mr. Mohamed is a graduate of the University of Western Ontario and is a Chartered Accountant and a Chartered Financial Analyst.

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*Appointed Trustees Continuing in Office*

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

<b>Name and Municipal Address</b>	<b>Current Principal Occupation</b>	<b>Date First Appointed</b>	<b>Units Beneficially Owned or Controlled as at March 4, 2009 (#)</b>
Majid Mangalji <sup>(1)(2)</sup> Wimbledon, England	Founder and President of Westmont, a private hotel owner and operator	June 5, 2002	6,189,761 <sup>(3)(4)</sup>
Fereed Mangalji <sup>(1)</sup> Miami, United States	Executive Director of Westmont, a private hotel owner and operator	April 18, 2006	6,170,528 <sup>(3)</sup>

Notes:

- (1) Member of Investment Committee.
- (2) Chairman of the Board of Trustees.
- (3) Includes 2,238,821 Units controlled through Westmont, 55,500 Units controlled through Real Estate Investments International Company and 3,876,207 Units controlled through Maple Leaf Investment Holdings. Majid Mangalji and Fereed Mangalji, together, have the decision-making authority for these entities.
- (4) Majid Mangalji directly owns 19,233 Units.

Further background information with respect to the appointed Trustees is set forth below:

**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** has been with Westmont Hospitality Group for over 15 years. Mr. Mangalji is a graduate of Harvard University in Cambridge, Massachusetts. Mr. Mangalji's primary focus is Westmont's US and Canadian portfolios. With his extensive knowledge and experience in both the real estate and hospitality industries, Mr. Mangalji is responsible for North American investments as well as structuring the group's major transactions. Mr. Mangalji is a member of investment committees for all Westmont entities responsible for acquisitions in North America, and previously Managing Director for the former Legacy Hotels Real Estate Investment Trust, an entity owning Canada's landmark and iconic hotels in major city centers, as well as in the US. Mr. Mangalji is a founding member of the Westbridge Investment Group. He is also a member of the Young Presidents Organization. Prior to joining the Westmont team, Mr. Mangalji worked with Bankers Trust in New York in the real estate services group.

**Approval of Unitholder Rights Plan**

In order to ensure, to the extent possible, that Unitholders are treated fairly in connection with any take-over bid and to ensure that the Board of Trustees is provided with sufficient time to evaluate unsolicited take-over bids and to explore and develop alternatives to maximize Unitholder value, the Board of Trustees determined on October 8, 2008 that it was advisable and in the best interests of the Trust to implement a unitholder rights plan (the "Initial Rights Plan") pursuant to a unitholder rights plan agreement between the REIT and Computershare Investor Services Inc. (the "Rights Agent").

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Unless it is amended, the Initial Rights Plan will expire in accordance with its terms on April 8, 2009; however, the Board of Trustees has determined that it is in the best interests of Unitholders and the REIT that the Initial Rights Plan be amended and restated in order to ensure that the benefits provided to Unitholders pursuant to the plan continue to accrue to Unitholders. Accordingly, the Board of Trustees has approved InnVest's execution, delivery and performance of an amended and restated unitholder rights plan agreement (the "Rights Plan") between the REIT and the Rights Agent. A copy of the Rights Plan will be made available at [www.sedar.com](http://www.sedar.com) and a summary of the proposed terms of the Rights Plan, and the principal differences between the Initial Rights Plan and the Rights Plan, is attached as Schedule C to this Circular. Capitalized terms used but not otherwise defined in this section have the meanings ascribed thereto in the Rights Plan.

Unitholders will be asked at the Meeting to vote on a resolution, the text of which is set out below (the "Rights Plan Resolution"), to ratify the Rights Plan, which is expected to be executed by the REIT prior to the Meeting to ensure that the plan does not lapse. In order for the Rights Plan to continue in effect after the date of the Meeting or any adjournment(s) or postponement(s) thereof, as the case may be, the Rights Plan Resolution must be passed by a majority of the votes cast by Independent Unitholders (as defined in the Rights Plan) who vote in respect thereof. See "– Confirmation by Unitholders", below. At the date of this Circular, the Trust believes that all Unitholders are Independent Unitholders. If the Rights Plan is approved by Unitholders at the Meeting, the REIT will submit the Rights Plan to the Toronto Stock Exchange (the "TSX") for approval.

The Rights Plan is not intended to and will not prevent a take-over of the REIT. If the Rights Plan is approved by the Unitholders, the Board of Trustees will continue to be required to continue to act honestly and in good faith and in the best interests of the REIT and to consider any take-over bid made for the REIT in accordance with this duty.

#### *Objectives of the Rights Plan*

The purpose of the Rights Plan is to encourage an offeror for the Units of the REIT either (a) without the prior approval of the Board of Trustees, to make a Permitted Bid (as defined in the Rights Plan) on terms and conditions designed to meet the objectives of the Rights Plan, or (b) to negotiate the terms of its offer with the Board of Trustees. Failure to do either could potentially result in substantial dilution of the offeror's holdings of the REIT.

The purpose of the Rights Plan is to address the following concerns that are generally accepted as inherent to the policy underlying the provisions of legislation governing take-over bids in Canada:

#### (a) Timing

The Board of Trustees is of the view that 35 days constitutes an insufficient amount of time to permit the Board of Trustees and the Unitholders to assess an offer and for the Board of Trustees to negotiate with the offeror, solicit competing offers and otherwise try to maximize Unitholder value. The Rights Plan will provide that a Permitted Bid must be open for at least 60 days and must remain open for a further period of 10 business days after the offeror publicly announces that more than 50% of the outstanding Units held by Independent Unitholders have been deposited or tendered and not withdrawn.

#### (b) Pressure to Tender

A Unitholder may feel compelled to tender to a take-over bid which the Unitholder considers to be inadequate due to the fact that if the Unitholder does not tender its Units, the Unitholder may be left with illiquid or minority discounted Units. This concern would be heightened if a partial bid is made for only the number of Units which would allow the offeror to obtain a control position. The Rights Plan will include a mechanism in the Permitted Bid definition which prevents Units from being taken up and paid for under a bid unless more than 50% of the outstanding Units held by Independent Unitholders have been deposited or tendered to the bid and not withdrawn. By requiring a Permitted Bid to remain open for acceptance for a further period of 10 business days following public announcement that this threshold has been reached, a Unitholder's decision to tender to the bid can be separated from the approval or disapproval of the particular take-over bid on its merits.

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(c) Unequal Treatment of Unitholders

Under applicable securities legislation, an offeror may obtain control or effective control of the REIT without paying full value for the Units it acquires or treating all of the Unitholders equally. For example, a person could acquire one or more blocks of Units by private agreement from one or more Unitholders at a premium to market price, which premium would not be shared with the other Unitholders. In addition, a person could slowly accumulate Units through stock exchange acquisitions which could result, over time, in the person acquiring control or effective control without paying a control premium or sharing any control premium with all other Unitholders. Under the Rights Plan, all offers to acquire 20% or more of the Trust's Units will be required to be made to all Unitholders and to satisfy certain other conditions in order to qualify as a Permitted Bid.

*Effect of the Rights Plan*

It is not the intention of the Board of Trustees to entrench themselves or prevent a bid for control that is fair and in the best interests of Unitholders. For example, the Rights Plan will provide that Unitholders are entitled to tender to a bid which meets the Permitted Bid criteria without triggering a Flip-in Event under the Rights Plan, regardless of the acceptability of such bid to the Board of Trustees. Furthermore, even in the context of a bid that does not constitute a Permitted Bid, the Board of Trustees would be required to act honestly and in good faith with a view to the best interests of the REIT.

The Board of Trustees believes that the primary effect of the Rights Plan will be to enhance Unitholder value, ensure equal treatment of all Unitholders in the context of any proposed acquisition of control and reduce the pressure on a Unitholder to tender to any proposed bid. The Rights Plan was not approved by the Board of Trustees in response to or in anticipation of any pending or threatened take-over bid and the Board of Trustees is not aware of any third party considering or preparing any proposal to acquire 20% or more of the Units of the REIT.

*Confirmation by Unitholders*

The Rights Plan will have a maximum term of three years from the date that the Unitholders approve it unless it is renewed by Unitholders of the REIT. If the Rights Plan Resolution is not approved by a simple majority of the votes cast by the Independent Unitholders at the Meeting, the Rights Plan will terminate and be of no further force and effect on the date such vote is held. If the Rights Plan is so approved at the meeting, the REIT will be required to seek the approval of the TSX for the Rights Plan.

The complete text of the Rights Plan will be available upon request following its execution. Unitholders wishing to receive a copy of the Rights Plan should submit their request by telephone to (877) 209-3429, by facsimile to (905) 206-7114, by email to [investor@innvestreit.com](mailto:investor@innvestreit.com) or by mail to InnVest REIT, Suite 700, 5090 Explorer Drive, Mississauga, Ontario L4M 4T9, attention: Corporate Secretary. The Rights Plan will also be made available on the SEDAR website at [www.sedar.com](http://www.sedar.com).

The text of the Rights Plan Resolution is as follows:

RESOLVED THAT:

- (1) subject to any required regulatory approvals, the Rights Plan substantially on the terms described in the management proxy circular of the REIT dated as of March 4, 2009 is approved, ratified and confirmed; and
- (2) the execution and delivery by any Trustee or officer of the REIT of any certificates, directions, notices, acknowledgments, documents, agreements and instruments, including, without limitation, the Rights Plan, and the taking of any such other actions determined by such Trustee or officer to be necessary or advisable in connection with the foregoing resolution, are authorized and approved or ratified and confirmed, as the case may be.

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*Recommendation of the Board of Trustees*

The Board of Trustees has concluded that the Rights Plan is in the best interests of the REIT and its Unitholders.

**Accordingly, the Board of Trustees unanimously recommends that Unitholders approve the Rights Plan by voting FOR the Rights Plan Resolution at the Meeting. Unless instructed otherwise, the Units represented by the accompanying BLUE proxy will be voted FOR the approval of the Rights Plan Resolution.**

**BOARD OF TRUSTEES**

**Number of Board and Committee Meetings held during Fiscal 2008**

<b>Board or Committee</b>	<b>Number of Meetings</b>
Board of Trustees	17
Audit Committee	6
Compensation and Corporate Governance Committee	2
Investment Committee	0
<b>Total Numbers of Meetings Held</b>	<b>25</b>

**Compensation of the Board of Trustees**

For fiscal 2008, compensation for all Trustees was composed of (i) annual board fees, (ii) annual retainers for the Chairman and Chairs of committees (“Committees”), and (iii) meeting fees. The annual retainer fee for all Trustees is \$45,000. In addition, the annual retainer fee for the Chairman and Chairs of Committees of the Board of Trustees is \$10,000, except for the Chair of the Audit Committee whose annual retainer fee is \$12,500. Trustees are paid a fee of \$1,000 per Board of Trustees or Committee meeting attended in person and \$500 per telephone meeting. Trustees are not granted restricted units nor are Trustees entitled to annual cash bonuses.

Trustees are paid one half of their annual retainer fee in Units (based on the volumetric weighted average trading price of the last five trading days of the quarter). The REIT has reserved a maximum of 100,000 Units for this purpose and any increase in this maximum is subject to regulatory approval and Unitholder approval, if required. The Trustees’ compensation can only be changed by unanimous consent of the Trustees. In addition, Trustees, either directly or indirectly, are entitled to receive remuneration for services rendered to the REIT in any other capacity. Trustees who are employees of, and who receive salary from, the REIT are not entitled to receive any remuneration for their services as Trustees but are entitled to reimbursement of their out-of-pocket expenses. Other than the payment of one-half of the annual retainer fee being paid in Units, all other fees paid to Trustees are paid in cash. For the year ended December 31, 2008, all fees in relation to Trustee compensation totalled \$416,500 and the REIT reimbursed approximately \$9,765 of the Trustees’ out-of-pocket expenses incurred in connection with Board and Committee meetings.

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The following chart summarizes the compensation paid to each Trustee for services as a trustee of the REIT during the financial year ended December 31, 2008.

Trustee	Fees Earned (\$)	Unit-based awards (\$)	Option-based awards (\$)	Non-equity incentive plan compensation (\$)	Pension value (\$)	All other compensation (\$)	Total (\$)
Frank Anderson	\$53,250	\$28,750	-	-	-	-	\$ 82,000
Morton G. Gross	47,000	27,500	-	-	-	-	74,500
Michael P. Kitt	44,500	22,500	-	-	-	-	67,000
Minhas N. Mohamed	43,500	22,500	-	-	-	-	66,000
Majid Mangalji	35,000	22,500	-	-	-	-	57,500
Fereed Mangalji	42,000	27,500	-	-	-	-	69,500
Totals	\$265,250	\$151,250	-	-	-	-	\$416,500

None of the Trustees have options or other unvested Unit-based awards outstanding as at December 31, 2008, nor have any such equity-based awards vested during the year then ended.

#### Trustee Attendance Record

Trustees	Board Meetings Attended	Committee	Committee Meetings Attended	Total Meetings Attended
Frank Anderson <sup>(1)</sup>	16 of 17	Audit Governance	6 of 6 2 of 2	24
Morton G. Gross <sup>(1)</sup>	16 of 17	Audit Governance	3 of 6 2 of 2	21
Michael P. Kitt <sup>(1)</sup>	16 of 17	Audit Governance	6 of 6 2 of 2	24
Minhas N. Mohamed <sup>(1)</sup>	16 of 17	Audit Governance	5 of 6 2 of 2	23
Majid Mangalji	14 of 17			14
Fereed Mangalji	16 of 17			16

Note:

(1) Independent Trustee.

#### Independent Trustee Matters

In addition to requiring the approval of a majority of the Trustees, approval of not less than 66% of the independent 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 agreement between the REIT and the Manager or the administrative services agreement between the Operator (“InnVest Hotels Limited Partnership”) and the Manager (the “Administrative Services Agreements”), change the fees payable to the Manager, renew the Management Agreement or the

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

#### **Committees of the Board of Trustees**

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

##### *Investment Committee*

All of the Trustees were members of the Investment Committee for the fiscal year ended December 31, 2008. 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 mortgages.

##### *Audit Committee*

The current members of the Audit Committee are Frank Anderson (chair), Michael P. Kitt, Minhas N. Mohamed and Morton G. Gross, all of whom are independent 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 Trustees for their approval the annual and quarterly financial statements and management's discussion and analysis of financial condition and results of operation, and the disclosure of other financial information and (iv) reviewing and discussing changes to and the application of accounting principles with management and the auditors.

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

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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, 2008, dated March 4, 2009, 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 Trustees. The primary duties and responsibilities of the Compensation and Corporate Governance Committee include: (i) developing the corporate governance policy of the Board of Trustees and (ii) developing the REIT's human resources and compensation policies.

**COMPENSATION DISCUSSION & ANALYSIS**

**Compensation Decision-Making Process**

It is the responsibility of the Compensation and Corporate Governance Committee to review and recommend to the Board of Trustees annually the compensation proposed to be paid to Kenneth Gibson, the Chief Executive Officer of the REIT, and Tamara Lawson, the Chief Financial Officer of the REIT (together, the "Named Executive Officers") and to make recommendations to the Board of Trustees concerning annual bonus levels and grants under the REIT'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 the REIT's compensation strategy and programs.

**Objectives of the REIT's Compensation Program**

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

The REIT'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. Each of these elements assists in achieving one or more of the REIT's compensation objectives. The REIT 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 and long-term interests of Unitholders.

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

<b>Name and Position</b>	<b>Base Salary</b>	<b>Annual Cash Bonus</b>	<b>Equity-Based Incentive</b>	<b>Total Direct Compensation</b>
Kenneth Gibson Chief Executive Officer	42%	29%	29%	100%
Tamara Lawson Chief Financial Officer	50%	25%	25%	100%

*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 the REIT's executive compensation program that are designed to achieve this objective include:

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- The REIT 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 have been increased in line with inflation since that time.
- The three-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 Trust Performance*

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

- The amount of the cash bonus and the value of restricted units awarded is based on the achievement of certain pre-determined financial targets as well as personal performance goals for each Named Executive Officer, each of which is expected to positively impact the REIT's overall performance, though the Board of Trustees has the discretion to alter these awards, as they did with respect to the 2008 awards.

#### *Motivate Officers to Act in the Best Interest of Unitholders*

The REIT 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 REIT's Units. No adjustments have been made to the previous awards of restricted units based on changes in the price of the Units.
- The three-year vesting period for the restricted units also ensures that executive officers are focused on the long-term performance of the 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 2008 are set out under "Statement of Executive Compensation – Summary Compensation Table for Named Executive Officers". The Compensation and Corporate Governance Committee recommended a 3% salary increase for the Named Executive Officers at the beginning of calendar 2008 reflecting a standard increase to compensate for inflation. In light of current economic conditions, no salary increases have been awarded for the Named Executive Officers in 2009.

The Chief Executive Officer and Chief Financial Officer of the REIT have employment contracts which provide for a specified minimum annual salary subject to such increases as the Board of Trustees determines appropriate. See "Statement of Executive Compensation – Obligations".

#### *Annual Cash Bonus*

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 the REIT's distributable income ("Distributable Income") above specified threshold levels and (ii) the achievement of personal performance goals.

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A target bonus is established for each executive officer. The Chief Executive Officer's target annual cash bonus is 70% of base salary and the Chief Financial Officer's target annual cash bonus is 50% 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 2007 for the Named Executive Officers.

The target incentive is multiplied by an individual performance factor ranging from 0 to 100% to determine the final incentive payment. If the business does not achieve a minimum performance level, no incentive is paid. The maximum incentive that can be paid to any Named Executive Officer is 100% of the target incentive. The full bonus payable to a Named Executive Officer is awarded only if the target levels of performance are exceeded by at least 10%. The following table outlines the allocation of award based on the achievement of individual targets.

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

The target for the 2008 annual cash performance bonus awarded to the Named Executive Officers was based on two criteria:

- 75% on achievement of the 2008 budgeted Distributed Income per Unit amount which anticipated growth in Distributable Income per Unit in 2008 over the prior year.
- 25% on certain personal performance goals. Individual goals for the Chief Executive Officer in 2008 included (i) achieving individual hotel performance goals for the portfolio, (ii) executing the REIT's strategic plan, (iii) developing a succession plan, (iv) communicating with investors and (v) improving the performance of underperforming assets. Individual goals for the Chief Financial Officer in 2008 included (i) developing and executing a financing plan, (ii) developing corporate structure alternatives for the REIT in light of upcoming changes to income trusts taxation, (iii) communicating with investors and (iv) satisfying new accounting requirements including internal control testing and the transition to International Financial Reporting Standards.

All compensation plan targets, including budgeted distributable income and personal performance goals, are approved by the Board of Trustees at the beginning of the fiscal year at a level which, if achieved, will help generate value for Unitholders.

The following table sets out the total percentage of the target cash performance bonus achieved for each Named Executive Officer in respect of fiscal 2008.

<b>Name and Position</b>	<b>Target Cash Performance Bonus (% of base salary)</b>	<b>Payout Range (% of base salary)</b>	<b>Actual 2008 Cash Performance Bonus (% of base salary)</b>
Kenneth Gibson Chief Executive Officer	70%	0-70%	48%
Tamara Lawson Chief Financial Officer	50%	0-50%	40%

Notwithstanding the achievement of 86% of target for the budgeted Distributable Income per Unit and the achievement of personal performance goals for each the Chief Executive Officer and the Chief Financial Officer, the

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annual cash performance bonuses paid in respect of fiscal 2008 were limited by the Board of Trustees in light of the general economy and expectations for 2009. The annual cash bonus paid to Named Executive Officers for 2008 is set out under “Statement of Executive Compensation – Summary Compensation Table for Named Executive Officers”. Cash bonuses in respect of 2008 were paid in March 2009.

*Equity-Based Incentives*

Long-term equity-based incentives compensation, in the form of restricted units, comprises a significant portion of the overall compensation for the REIT’s Named Executive Officers. The Compensation and Corporate Governance Committee believes this is appropriate as it aligns the interests of Named Executive Officers and Unitholders. Pursuant to the REIT’s executive incentive plan (the “Executive Incentive Plan”) as described under “Statement of Executive Compensation – 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 through the Executive Incentive Plan entitles the holder to receive, on the vesting date, the then current fair market value of a Unit plus the value of the cash distributions that would have been paid on such Unit if it had been issued on the date of grant, assuming the reinvestment of distributions paid on such 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 by the REIT through the issuance of 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. The Chief Executive Officer’s target for equity-based incentive compensation under the Executive Incentive Plan is 70% of base salary and the Chief Financial Officer’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 2008 target incentive as a percentage of base salary is unchanged from 2007 for all Named Executive Officers.

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 2008, the value of restricted units awarded to the Named Executive Officers was based on the same criteria as described under “Annual Cash Bonus”. Board discretion allows for consideration of management’s contribution to drivers of long term value, as well as less quantifiable indications of effort, commitment and retention. Annual restricted units are typically awarded in March of the subsequent year with an effective grant date as at the beginning of that year.

The following table sets out the total percentage of the target equity-based incentive bonus achieved for each Named Executive Officer in fiscal 2008.

<b>Name and Position</b>	<b>Target Restricted Units Award</b> (% of base salary)	<b>Payout Range</b> (% of base salary)	<b>Actual 2008 Restricted Units Award</b> (% of base salary)
Kenneth Gibson Chief Executive Officer	70%	0-70%	35%
Tamara Lawson Chief Financial Officer	50%	0-50%	28%

Notwithstanding the achievement of 86% of target for the budgeted Distributable Income per Unit and the achievement of personal performance goals for each the Chief Executive Officer and the Chief Financial Officer, the value of restricted units awarded in respect of fiscal 2008 were limited by the Board of Trustees in light of the general economy and expectations for 2009. The value of the restricted units awarded to Named Executive Officers for 2008 is set out under “Statement of Executive Compensation – Summary Compensation Table for Named Executive Officers.”

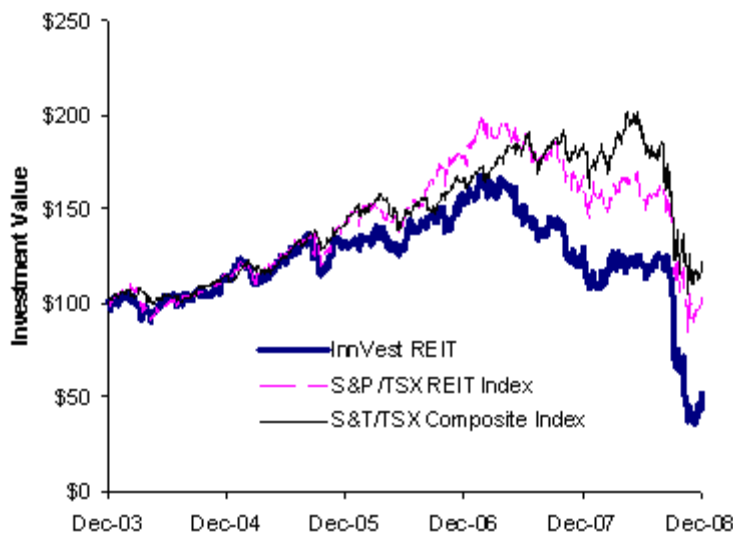
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Determination of the number of restricted units awarded is based on the market price of the REIT's Units as at the date of grant. For performance achieved in 2008, 25,500 restricted units were awarded to all employees including the Chief Executive Officer and Chief Financial Officer. Such restricted units were granted as at January 2, 2009.

### Unit Performance Graph

Since July 26, 2002, the 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 Units from December 31, 2003 (assuming distributions are reinvested in 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.

**Comparison of Cumulative Total Return for Period  
(December 31, 2003 to December 31, 2008)**



	December 31					
	2003	2004	2005	2006	2007	2008
InnVest	\$100	\$115	\$132	\$156	\$130	\$52
S&P/TSX Composite Index	\$100	\$115	\$142	\$167	\$183	\$123
S&P/TSX REIT Index	\$100	\$114	\$143	\$178	\$168	\$104

The global capital markets have experienced unprecedented volatility during 2008. InnVest's performance has been impacted by larger macroeconomic and capital market factors which are out of the control of the REIT.

Economically-sensitive investments, such as InnVest Units, have underperformed the broader TSX Composite and REIT Indices. Lodging industry investments have been particularly impacted given that the industry's performance has historically been highly correlated with the state of the economy. A strong economy leads to increasing corporate profits and wages, and encourages increased spending on business and leisure travel. During a period of economic decline, discretionary leisure spending, such as travel, tends to be reduced. Similarly, business travel volumes tend to be reduced along with dampened economic prospects, which results in reduced travel spending.

As previously described, the REIT'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

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the performance of the Units. Specifically, the value of restricted units awarded to Named Executive Executives, which vest on the third and fourth anniversary from the date of grant, has declined based on the current performance of the Units.

InnVest's financial performance over the period presented has been positive. Over the last five years, distributable income per Unit, on a diluted basis, has improved from \$0.986 in 2004 to \$1.115 in 2008. The base salary for the Named Executives have increased modestly in line with inflation over the periods presented. The annual cash bonus paid to the Named Executive Officers from 2002 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 considered the general state of the economy and expectations for 2009, resulting in reduced incentive awards to Named Executive Officers for 2008. In addition, the decline in the REIT's Unit price since its peak in 2007 has resulted in the decline in value of restricted units granted to Named Executive Officers over the period presented. Furthermore, in light of current economic conditions, no salary increases were granted to Named Executive Officers for 2009.

### STATEMENT OF EXECUTIVE COMPENSATION

#### Summary Compensation Table for Named Executive Officers

The table below sets forth the compensation paid by the REIT to the REIT's Chief Executive Officer and Chief Financial Officer (the "Named Executive Officers") for services rendered in all capacities to the REIT in respect of the years ended December 31, 2008, December 31, 2007 and December 31, 2006.

Name & Principal Position	Year	Salary <sup>(1)</sup> (\$)	Unit-based awards <sup>(2)</sup> (\$)	Option-based awards (\$)	Non-equity incentive plan compensation (\$)		Pension value (\$)	All other comp <sup>(3)</sup> (\$)	Total comp (\$)
					Annual	Long-Term			
Kenneth D. Gibson President and Chief Executive Officer	2008	\$206,650	\$117,829	-	\$100,000	-	-	\$ 42,911	\$467,390
	2007	200,630	162,887	-	122,000	-	-	55,560	541,077
	2006	194,785	178,660	-	120,350	-	-	42,630	536,425
Tamara L. Lawson Chief Financial Officer and Secretary	2008	\$129,155	\$57,924	-	\$52,000	-	-	-	\$239,079
	2007	125,393	77,124	-	57,555	-	-	-	260,072
	2006	121,741	87,814	-	57,980	-	-	6,000	273,535

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 the REIT. See "Allocation of Executive Compensation to the REIT".
- (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 \$4.24 per Unit in 2008, \$10.00 per Unit in 2007 and \$13.70 per Unit in 2006. The restricted unit awards for 2008 and 2006 were valued based on the Unit closing price on the Toronto Stock Exchange on each grant date. The restricted units awarded in respect of the 2007 year were valued based on a Unit price of \$10.00, which represented the value of Units at the REIT's initial public offering. At the date of the 2007 grant, the Units were trading below this value. At the time, the Board did not feel it was appropriate to award restricted units at a value below the initial public offering price of the Units. For each of the years presented, restricted units awarded through the assumed reinvestment of distributions were valued based on the closing 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.

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## **Allocation of Executive Compensation to the REIT**

Kenneth Gibson and Tamara Lawson are also employed by the Manager. They are compensated separately by the REIT and the Manager for their respective roles. The total base salary paid by the REIT presupposes that each of Mr. Gibson and Ms. Lawson allocate 50% of their time to management of the REIT. The amounts indicated in the summary compensation table for these Named Executive Officers, under “– Summary Compensation Table for Named Executive Officers”, are only in respect of amounts paid to them by the REIT. This approach ensures that each of Mr. Gibson and Ms. Lawson are appropriately compensated for their performance at the REIT and provides better alignment between the Unitholders’ interests and that of these Named Executive Officers.

### **Obligations**

On July 25, 2002, Tamara Lawson and Kenneth D. Gibson, each of whom is a Named Executive Officer, entered into employment agreements with the REIT 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 benefit commitments by the REIT. Mr. Gibson’s and Ms. Lawson’s employment agreements contain termination and severance provisions, described below, as well as non-competition covenants in favour of the REIT.

#### *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 the REIT, subject to any increase which the Board of Trustees, 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 the REIT, subject to any increase which the Board of Trustees, 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.

### **Termination and Change of Control Obligations**

#### *Chief Executive Officer*

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 Chief Executive Officer of the REIT which results in a material diminution in his authority, duties or responsibilities, or (ii) any material failure by the REIT 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 the REIT. Mr. Gibson is also entitled to participate in and receive benefits under any benefit plans of the REIT, 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, 2008, the incremental payments and benefits triggered as a result of Mr. Gibson being terminated by the REIT without cause are estimated to approximate \$560,000. Such estimates are based on Mr. Gibson's base salary and benefits earned in 2008 as well as the number of restricted units vesting through December 31, 2009 (assuming the closing Unit price on December 31, 2008). 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 the REIT 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, 2008, the value of Mr. Gibson's unvested restricted units totalled \$177,795 (assuming the closing Unit price on December 31, 2008).

*Chief Financial Officer*

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 the REIT. Ms. Lawson is also entitled to participate in and receive benefits under any benefit plans of the REIT, as well as the Executive Incentive Plan, for one year after the REIT terminates her employment without cause. As described under "Statement of Executive Compensation – 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, 2008, the incremental payments and benefits triggered as a result of Ms. Lawson being terminated by the REIT without cause are estimated to approximate \$275,000. Such estimates are based on Ms. Lawson's base salary and benefits earned in 2008 as well as the number of restricted units vesting through December 31, 2009 (assuming the closing Unit price on December 31, 2008). 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, 2008, the value of Ms. Lawson's unvested restricted units totalled \$85,044 (assuming the closing Unit price on December 31, 2008).

**Outstanding Unit-Based Awards Table for Named Executive Officers**

The unit-based awards made for each Named Executive Officer of the REIT during the year ended December 31, 2008 are summarized in the table below.

	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 <sup>(1)</sup> (#)	Market or payout value of unit-based awards that have not vested <sup>(2)</sup> (\$)
Kenneth D. Gibson	-	-	-	-	46,061	\$ 177,795
Tamara L. Lawson	-	-	-	-	22,032	85,044

Notes:

- (1) As at December 31, 2008. Includes the restricted units accumulated through distributions since the restricted units were granted.
- (2) Calculation is based on a Unit price of \$3.86 which is the closing price on December 31, 2008 on the Toronto Stock Exchange.

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**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 <sup>(1)</sup> (\$)	Non-equity incentive plan compensation – Value earned during the year (\$)
Kenneth D. Gibson	-	\$102,257	\$100,000
Tamara L. Lawson	-	48,293	52,000

Notes:

(1) Calculation is based on a Unit price of \$9.39 which is the closing price on the Toronto Stock Exchange on January 15, 2008, the date the restricted units vested. The restricted units reflect the vesting of 50% of the Units granted in each of 2004 and 2005 as well as Units granted in respect of distributions paid on such vested restricted units.

**Description of Executive Incentive Plan**

The Named Executive Officers participate in the REIT’s Executive Incentive Plan pursuant to which they may be granted restricted units from time to time. Restricted units vest pursuant to a schedule that has been approved by the Board of Trustees. Each restricted unit entitles the holder to receive a payment on the vesting date of an amount, payable in Units based on their then current market value, equal to the then current market value of one Unit plus the value of the cash distributions that would have been paid on one Unit if it had been issued on the date of grant of the restricted unit, assuming the reinvestment of these distributions in Units. The REIT has reserved a maximum of 1,000,000 Units for issuance under the Executive Incentive Plan, and any increase in this maximum or other amendment to the Executive Incentive Plan is subject to regulatory approval and to Unitholder approval, if required. As at December 31, 2008, there were 181,128 restricted units issued and outstanding, representing 0.2% of the REIT’s currently outstanding Units on an as-converted, fully-diluted basis. 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.

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”) is eligible to participate in the Executive Incentive Plan. The Executive Incentive Plan gives Participants the right, subject to certain terms and conditions, to receive restricted units on the date stipulated at the time of the grant of the restricted unit, or such date as may be changed from time to time in the discretion of the Compensation and Corporate Governance Committee (the “Payment Date”).

Under the Executive Incentive Plan, 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.

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**Securities Authorized for Issuance Under the Executive Incentive Plan**

The table below sets forth the securities of the REIT which were authorized for issuance under the Executive Incentive Plan as at December 31, 2008.

Plan Category	Number of restricted units reserved for issuance	Number of restricted units which have vested under the Executive Incentive Plan	Number of restricted units which have been granted but not vested under the Executive Incentive Plan	Weighted-average exercise price of restricted units outstanding <sup>(2)</sup>	Number of restricted units remaining available for future issuance under the Executive Incentive Plan
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Equity compensation plans not approved by Unitholders <sup>(1)</sup>	1,000,000	110,125	71,003	N/A	818,872
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Note:

- (1) The Executive Incentive Plan was adopted prior to the REIT’s initial public offering, was approved by the Board of Trustees and was the only equity compensation plan of the REIT in existence as at December 31, 2008.
- (2) Restricted units do not have an exercise price, instead recipients are entitled to receive, on the vesting date of a restricted unit, an amount, payable in Units, based on the then current market value of one Unit plus the value of all distributions which would have been paid on such Unit from the date of grant of the applicable restricted unit, assuming the reinvestment of these distributions in Units.

**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, 2008, no Executive Officer, Trustee, employee or former Executive Officer, proposed nominee for election as Trustee (or any of their associates) or employee of the REIT was indebted to: (i) the REIT or any of its subsidiaries, or (ii) any other entity which is, or was at any time during the REIT’s financial year ended December 31, 2008, the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the REIT or any of its subsidiaries.

**TRUSTEES’ AND OFFICERS’ INSURANCE AND INDEMNIFICATION**

The REIT maintains insurance for the benefit of its Trustees and officers against liability in their respective capacities as Trustees and officers. The annual premium paid and expensed by the REIT in respect of such insurance was \$230,701. 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 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 Declaration of Trust provides that the REIT shall indemnify the Trustees against all liabilities, damages, losses, debts and claims whatsoever, including costs, charges and expenses in connection therewith, incurred by the Trustee in respect of any action to which the Trustee was made a party in relation to the execution of his or her duties as a Trustee, if the Trustee acted honestly and in good faith with a view to the best interests of the REIT or, in the case of a criminal or administrative action or proceeding that is enforced by monetary penalty, the Trustee had reasonable grounds for believing that his or her conduct was lawful.

**INTERESTS OF INFORMED PERSONS IN MATERIAL TRANSACTIONS**

**General**

The Declaration of Trust of the REIT contains “conflict of interest” provisions that are intended to provide certain protections to Unitholders without creating undue limitations on the REIT. Given that the Trustees are engaged in a wide range of activities, the Declaration of Trust contains provisions, similar to those contained in the *Canada Business Corporations Act*, that require each Trustee or officer 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,

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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 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 Trustees, a Trustee or an officer of the REIT is required to disclose in writing to the REIT, or request to have entered into the minutes of meetings of Trustees, the nature and extent of his or her interest forthwith after such Trustee or officer of the REIT becomes aware of the contract or transaction or proposed contract or transaction. In any case, a Trustee or officer who has made disclosure to the foregoing effect is not entitled to vote on any resolution to approve the contract or transaction unless the contract or transaction is one relating primarily to his or her remuneration as a Trustee, officer, employee or agent of the REIT or one for indemnity under the provisions of the Declaration of Trust or liability insurance.

The Declaration of Trust contains provisions to address potential conflicts of interest arising between the REIT and any related party. Among other things, the REIT must obtain a valuation in respect of any property that it intends to purchase from or sell to a related party by a valuator engaged by, and prepared under the supervision of, a committee of two or more independent Trustees who have no interest in such transaction. In addition, each transaction between the REIT and a related party must be on commercially reasonable terms and requires the approval of at least 66% of the REIT's independent Trustees who have no interest in such transaction.

#### **Master Hotel Management Agreement and Other Agreements**

In connection with the formation of the REIT, the Operator entered into the Management Agreement with the Manager (Westmont Hospitality Canada Limited, 5090 Explorer Drive, 7<sup>th</sup> Floor, Mississauga, Ontario L4W 4T9), under which the Manager is responsible for the management of the majority of the hotel businesses in the REIT. The Manager manages the hotel businesses and provides customary hotel management services, including preparation of annual operating and capital budgets and marketing plans, accounting and financial reporting, supervision of sales and marketing, human resource management, purchasing, management and supervision of construction and technical services, information technology, franchise relations and evaluations, supervision of property repairs and maintenance, supervision of compliance with material contracts relating to the hotel properties, leasing, yield management and quality control.

The Management Agreement has an initial term of 10 years, and expires on July 25, 2012. Thereafter, the Management Agreement is subject to two successive five-year renewal terms, subject to the consent of the Manager and approval by the Operator. In September 2008, the REIT exercised the first five-year extension term on the Management Agreement, extending the expiry to July 25, 2017. 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 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 (the "Portfolio"), calculated and payable monthly. In addition, the Manager will receive an annual incentive fee. The incentive fee shall be equal to the sum of:

- (i) 15% of the amount by which 90% of Distributable Income 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);
- (ii) 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

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- (iii) 25% of the amount by which 90% of Distributable Income exceeds the Third Incentive Fee Hurdle.

For this purpose, the First Incentive Fee Hurdle is an amount equal to the product of \$1.125 per Unit multiplied by the weighted average number of Units outstanding during the relevant period. The Second Incentive Fee Hurdle is an amount equal to the product of \$1.275 per Unit multiplied by the weighted average number of Units outstanding during the relevant period. The Third Incentive Fee Hurdle is an amount equal to the product of \$1.425 per Unit multiplied by the weighted average number of Units outstanding during the relevant period. The incentive fee hurdle calculations are subject to customary anti-dilution provisions, primarily to protect the Manager, in the event of certain events including, without limitation, Unit splits, Unit consolidations, and distributions to Unitholders other than in the ordinary course of business resulting from, among other things, refinancings or asset sales. For example, such a distribution would lead to a proportional reduction in the incentive fee hurdles and, conversely, a Unit consolidation would lead to a proportional increase in the incentive fee hurdles.

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

In consideration for services rendered in 2008, the Manager was paid approximately \$13.4 million in management fees and approximately \$6.1 million for other services.

### **CORPORATE GOVERNANCE PRACTICES**

Effective corporate governance is a priority for the Board of Trustees. The Board of Trustees have adopted a written mandate for the Board (the "Charter of the Board of Trustees") to confirm and enhance the Board's ongoing duties and responsibility for stewardship of the REIT. A copy of the Charter of the Board of Trustees is attached to the Circular as Schedule A. The Board of Trustees abides by the rules and guidelines adopted by the Canadian Securities Administrators ("CSA") in June 2005 (National Instrument 58-101 — *Disclosure of Corporate Governance Practices* ("NI 58-101") and National Policy 58-201 — *Corporate Governance Guidelines*) (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 nine best practices in the following areas: (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 (Multilateral Instrument 52-110 — *Audit Committees*) and the certification of an issuer's disclosure controls and procedures (Multilateral Instrument 52-109 — *Certification of Disclosure in Issuers' Annual and Interim Filings*).

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

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### ADDITIONAL INFORMATION

Additional information relating to the REIT is available on SEDAR at [www.sedar.com](http://www.sedar.com). Financial information is provided in the REIT's comparative financial statements and MD&A for the financial year ended December 31, 2008.

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

- (i) its 2008 Annual Report, including management's discussion and analysis of financial and operating results;
- (ii) its Annual Information Form dated March 4, 2009, together with a copy of any document, or pertinent pages of any document, incorporated therein by reference;
- (iii) any document incorporated by reference in this Circular under the heading "Documents Incorporated by Reference"; and
- (iv) its comparative financial statements for the year ended December 31, 2008, together with the report of its auditors thereon, and any interim financial statements filed subsequently.

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](http://www.investreit.com)

### BOARD OF TRUSTEES' APPROVAL

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

*(signed)*

**Kenneth D. Gibson**  
President and Chief Executive Officer

Toronto, Ontario  
March 4, 2009

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## SCHEDULE A

### CHARTER OF THE BOARD OF TRUSTEES

#### 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”).<sup>1</sup> 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
- (k) “**Trustee**” means the trustees of the Trust.

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<sup>1</sup> Declaration of Trust – sections 3.1 and 3.2

**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.<sup>2</sup>

**Vacancies**

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

**Ceasing to be a Trustee<sup>4</sup>**

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.<sup>5</sup>

**Residency**

A majority of the Trustees shall be resident Canadians.<sup>6</sup>

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<sup>2</sup> Declaration of Trust – s. 2.3

<sup>3</sup> Declaration of Trust – s. 2.1

<sup>4</sup> Declaration of Trust – s. 2.6

<sup>5</sup> Declaration of Trust – s. 2.4

<sup>6</sup> Declaration of Trust – s. 2.4

**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.<sup>7</sup>

**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

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<sup>7</sup> Declaration of Trust – Article 7

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.

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**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;
- (b) Investment Committee; and
- (c) Compensation and Corporate Governance Committee.

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### **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 I 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.

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### **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
- (b) 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.

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- (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.
- (c) 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.

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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.

November 7, 2007

**SCHEDULE I****EXTRACT FROM DECLARATION OF TRUST****1.1 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.

**1.2 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

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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,

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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.
- (q) 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.
- (r) 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.
- (s) 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.
- (t) 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.
- (u) 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.

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## 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>
<b>1. Board of Trustees</b>	
(a) Disclose the identity of trustees who are independent.	The following 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, 2008, only two Trustees were not independent. Majid Mangalji is an appointee of Westmont and, as such, is deemed not to be independent by the Declaration of Trust. Fereed Mangalji is an appointee of the Manager and, as such, is deemed not to be independent by the 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 Board of Trustees has determined that the majority of the 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.	Frank Anderson is a director of DundeeWealth Inc., a reporting issuer in each of the provinces of Canada that is listed on the Toronto Stock Exchange. Mr. Anderson is also a director of IPICO Inc., a reporting issuer on the TSX Venture Exchange. Minhas Mohamed is a director of Transformative Ventures Ltd., a reporting issuer on the TSX Venture Exchange.
(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 Board of Trustees 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 Trustees. The Audit Committee held 6 meetings and the Compensation and Corporate Governance Committee held 2 meetings during the fiscal year ended December 31, 2008.</p>

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<b><u>Governance Disclosure Guideline under NI 58-101</u></b>	<b><u>Comments</u></b>
<p>(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.</p> <p>(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.</p>	<p>The independent Trustees are authorized to retain external advisors at the expense of the REIT, as required whenever, in their opinion, matters come before the Board of Trustees which require an independent analysis by independent Trustees. The Audit Committee meets with the REIT's external auditors and the Manager's head of internal audit independently of the Board of Trustees and discusses with them the financial statements and other financial issues as deemed appropriate.</p> <p>The Chairman of the Board of Trustees is not an independent Trustee. However each of the chairmen of each of the Audit Committee and the Compensation and Corporate Governance Committee is independent and take the lead where they are responsible for a particular issue or where their expertise can be used.</p> <p>The attendance record of each Trustee for all Board of Trustees meetings held since the beginning of the fiscal year ended December 31, 2008 is set out in this Circular under the heading "Board of Trustees – Trustee Attendance Record".</p>
<p><b>2. Mandate of the Board</b></p> <p>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.</p>	<p>The Board of Trustees adopted a written mandate for the Board (the "Charter of the Board of Trustees") to confirm and enhance the Board's ongoing duties and responsibility for stewardship of the Trust. A copy of the Charter of the Board of Trustees is attached to the Circular as Schedule A.</p>
<p><b>3. Position Descriptions</b></p> <p>(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.</p>	<p>The Declaration of Trust describes the role of the Trustees. Specifically, it provides that the Board of Trustees has full, absolute and exclusive power, control and authority over the REIT's assets and over the affairs of the REIT and may do anything that in its sole judgment and discretion it considers necessary, incidental to or desirable for the purposes of the REIT or for conducting the affairs of the REIT. The Board of Trustees acts in a supervisory role and any responsibilities not delegated to management or a Committee remain with the full Board of Trustees.</p> <p>The scope of the Board of Trustees' supervisory role expressly includes such matters as the strategic</p>

<b><u>Governance Disclosure Guideline under NI 58-101</u></b>	<b><u>Comments</u></b>
	<p>planning process, identification and management of risk, succession planning, internal controls and governance. To support it in its supervisory role, the Board of Trustees expects management, among other things, to:</p> <ul style="list-style-type: none"> <li>• undertake an ongoing review of the REIT's strategies and their implementation in light of evolving conditions;</li> <li>• present an annual operating plan and regularly report on the REIT's performance and results relative to such plan;</li> <li>• report regularly on the REIT's business and affairs, with a focus on matters of material consequence for the REIT and its Unitholders;</li> <li>• implement systems to identify and manage the principal risks of the REIT's business; and</li> <li>• implement and maintain appropriate systems of internal control.</li> </ul>
<p>(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.</p>	<p>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 Board of Trustees from time to time. These objectives include the general mandate to manage the REIT and to maximize Unitholder value. The limits to management's responsibilities are defined by the Board of Trustees. This is accomplished both by specifically identifying the role and responsibilities of the Chief Executive Officer and specifying that all material decisions relating to the business and operations of the REIT are to be made by the Board of Trustees or one of its Committees.</p>
<p><b>4. Orientation and Continuing Education</b></p> <p>(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.</p> <p>(b) Briefly describe what measures, if any, the board takes to provide continuing education for its trustees. If the board does not provide continuing education, describe how the board ensures that its trustees maintain the skill and knowledge necessary</p>	<p>In the event that new Trustees are added, the Board of Trustees typically provides such new Trustees with an orientation. The REIT also typically provides its new Trustees with a program that focuses on the corporate governance system, including roles, responsibilities and liabilities of Trustees. Reports relating to the REIT's business and affairs are provided to Trustees on a regular basis.</p>

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

to meet their obligations as trustees.

**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 Board of Trustees 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 Board of Trustees expects 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 and is discussed at least annually by the Compensation and Corporate Governance Committee.

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

<b><u>Governance Disclosure Guideline under NI 58-101</u></b>	<b><u>Comments</u></b>
	The REIT has also established a disclosure policy to assist in compliance with requirement to disclose forthwith all material information.
<b>6. Nomination of Trustees</b>	
(a) Describe the process by which the board identifies new candidates for board nomination.	<p>The REIT does not have a nominating committee. The Compensation and Corporate Governance Committee is responsible for identifying individuals qualified to become Trustees and for recommending to the Board of Trustees suitable candidates as trustees.</p> <p>In undertaking this responsibility, the Compensation and Corporate Governance Committee annually assesses the skill sets of the existing Board of Trustees 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 Board of Trustees as well as the competencies and skills of the existing Trustees compared to the competencies and skills the new nominee would bring to the Board of Trustees.</p> <p>If vacancies occur on the Board of Trustees, the Compensation and Corporate Governance Committee (comprised entirely of independent Trustees) recommends nominees to the Board, reviews the qualifications of prospective members and determines their relevance taking into consideration current Board of Trustees composition and the anticipated skills required to round out the capabilities of the Board of Trustees.</p>
(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).
<b>7. Compensation</b>	
(a) Describe the process by which the board determines the compensation for the issuer's trustees	The compensation of the Trustees is prescribed by the Declaration of Trust and may only be changed

<b><u>Governance Disclosure Guideline under NI 58-101</u></b>	<b><u>Comments</u></b>
<p>and officers.</p> <p>(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.</p> <p>(c) If the board has a compensation committee, describe the responsibilities, powers and operation of the compensation committee.</p> <p>(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.</p>	<p>by the unanimous consent of the Trustees. The Compensation and Corporate Governance Committee, which is composed entirely of independent trustees, annually reviews the level and nature of compensation paid to the Trustees. In making recommendations to the Board of Trustees for appropriate adjustments, the Compensation and Corporate Governance Committee considers the time commitment and risk and responsibilities of serving as a Trustee or officer of the REIT, and seeks to align the interests of the Trustees and officers of the REIT with those of Unitholders.</p> <p>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 2008 fiscal year.</p>
<p><b>8. Other Board Committees</b></p> <p>If the board has standing committees other than the audit, compensation and nominating committees, identify the committees and describe their function.</p>	<p>The Board of Trustees has an Investment Committee, composed of all of the 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.</p>
<p><b>9. Assessments</b></p> <p>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.</p>	<p>The Compensation and Corporate Governance Committee conducts an annual evaluation of the effectiveness of the Board of Trustees and its Committees. In such evaluation, the Compensation and Corporate Governance Committee assesses the operation of the Board of Trustees and its Committees, the adequacy of information provided to Trustees, communication processes between the Board of Trustees and management, agenda planning for Board of Trustees and Committee meetings and strategic planning.</p>

## SCHEDULE C

### SUMMARY OF RIGHTS PLAN

The following is a summary of the proposed terms of the amended and restated unitholder rights plan agreement (the “Rights Plan”) of InnVest that has been approved by the Board. Unless it is amended, InnVest’s existing unitholder rights plan (the “Initial Rights Plan”) will expire in accordance with its terms on April 8, 2009. Therefore, in order to preserve the effectiveness of the rights issued under the Initial Rights Plan, InnVest intends to enter into the Rights Plan substantially on the terms described herein prior to the expiry date of the Initial Rights Plan. The continued effectiveness of the Rights Plan is subject to Unitholder approval as described herein.

This summary is qualified in its entirety by the terms of the Rights Plan, a copy of which will be made available at [www.sedar.com](http://www.sedar.com). Unitholders should review the Rights Plan in conjunction with their review of this summary and their decision as to whether to vote their Units for the Rights Plan Resolution.

In accordance with the rules of the Toronto Stock Exchange (the “TSX”), InnVest is required to obtain approval from its Unitholders for the Rights Plan. Accordingly, the Rights Plan will terminate if InnVest’s Unitholders do not approve such plan at the annual general and special meeting of InnVest Unitholders to be held on April 14, 2009 (or any postponement or adjournment thereof), as described at “Approval of Unitholder Rights Plan” in this Circular.

#### *Summary of Changes*

The following is a list of the principal changes that would be made to the Initial Rights Plan by virtue of the Rights Plan:

- *Threshold.* The threshold that would trigger a Flip-in Event would be increased from 15% to 20%. 20% is generally chosen as the appropriate threshold for shareholder rights plans because it is also the threshold that determines whether a take-over bid has been made under Canadian securities law.
- *Amendments.* Generally, other than amendments to rectify technical deficiencies, amendments to the Rights Plan would be made only with the prior consent of the Unitholders (prior to the Separation Time) or the holders of the Rights (on or after the Separation Time), all as described below.
- *Permitted Lock-Up Agreements.* The Rights Plan would include a provision which would ensure that a potential acquiror that wishes to enter into a lock-up agreement with Unitholders would not trigger a Flip-in Event solely by entering into such agreement, so long as such agreement includes certain specified terms, as described below.
- *Partial Bids.* Contrary to the Initial Rights Plan, the Rights Plan would not require a Permitted Bid to be for 100% of the Units of InnVest.
- *Termination.* In addition to customary termination provisions, the Rights Plan would terminate in the event that it is not approved by a majority of Independent Unitholders at the Meeting or a postponement or adjournment thereof, as the case may be.
- *Definition of “Acting Jointly or in Concert”:* The Rights Plan would not deem agreements, arrangements or understandings, solely relating to the exercise of voting rights to be “acting jointly or in concert” for the purposes of the plan. As a result, Unitholders would not trigger a Flip-in Event under the plan solely by virtue of having an agreement or arrangement, for example, as to how to vote their Units.

Set forth below is a brief description of the principal terms of the Rights Plan (hereinafter referred to as the “Plan”) that has been approved by the Board and is expected to be entered into prior to the expiry date of the Initial Plan. Capitalized terms used but not otherwise defined herein have the meanings ascribed thereto in the Plan, a copy of which will be made available at [www.sedar.com](http://www.sedar.com).

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*Issue of Rights*

Effective as of 6:00 p.m. (Toronto time) on October 8, 2008 (the “Record Time”), one right to purchase securities (a “Right”) was issued under the Initial Rights Plan in respect of each outstanding Unit to Unitholders of record as of the Record Time. Similar to the terms of the Initial Plan, under the Plan, one Right will be issued in respect of each Unit issued after the Record Time and prior to the earlier of the Separation Time (as defined below) and the expiration time provided for in the Plan.

*Exercise of Rights*

Under the Plan, the Rights will not be exercisable initially and certificates representing the Rights will not be sent to Unitholders. Until the Separation Time (as defined below), the Rights will be transferred with the associated Units. The Rights will separate from the Units and become exercisable at the close of business on the tenth trading day after the earlier of the first public announcement of facts indicating that a person has acquired Beneficial Ownership (as defined in the Plan) of 20% or more of the Units or the commencement of, or first public announcement of, the intent of any person to commence a take-over bid which would result in such person Beneficially Owning 20% or more of the Units (other than a Permitted Bid or a Competing Permitted Bid, as such terms are defined in the Plan), or such later time as the Board of Trustees may determine in good faith (in any such case, the “Separation Time”). After the Separation Time, but prior to the occurrence of a Flip-in Event (as defined below), each Right may be exercised to purchase one Unit at an exercise price per Right of \$32.00 (the “Exercise Price”), approximately five times the market price per Unit on October 8, 2008, the date that the Initial Rights Plan was adopted.

The exercise price payable and the number of securities issuable upon the exercise of the Rights will be subject to adjustment from time to time upon the occurrence of certain corporate events affecting the Units.

*Flip-in Event*

Subject to certain customary exceptions, upon the acquisition by any person (an “Acquiring Person”) of 20% or more of the Units (a “Flip-in Event”) after the Separation Time, each Right, other than a Right Beneficially Owned by an Acquiring Person, its affiliates and associates, their respective joint actors and certain transferees, will be entitled to be exercised to purchase that number of Units which have a market value equal to two times the Exercise Price of the Rights. Rights beneficially owned by an Acquiring Person, its affiliates and associates, their respective joint actors and certain transferees will be void.

The Plan will provide that a person who was the Beneficial Owner of 20% or more of the outstanding Units determined as at the Record Time is not an Acquiring Person unless, after the Record Time, that person becomes the Beneficial Owner of additional Units.

In addition to the foregoing, the Plan will include a provision which will ensure that a potential acquiror that wishes to enter into a lock-up agreement with Unitholders will not trigger a Flip-in Event solely by entering into such agreement, so long as such agreement includes certain specified terms, including that it permit the locked-up Unitholder to withdraw its Units to tender to a competing bid or transaction if (i) the offering price or value of the competing bid or transaction that exceeds that of the original bid, (ii) the amount of Units offered to be purchased pursuant to the competing bid or transaction exceeds the number of Units subject to the original bid by a specified amount that may not be greater than 7%, and (iii) the lock-up agreement does not provide for any break-up fees, top-up fees or other expenses that exceed 2.5% of the price or value payable to the locked-up Unitholder under the terms of the original bid.

*Permitted Bids*

The Plan will not be triggered by a Permitted Bid or Competing Permitted Bid. A Permitted Bid will be defined as one that: (i) is made by means of a take-over bid circular, (ii) is made to all holders of Units; (iii) is open for at least 60 days; (iv) contains a condition that no Units will be taken up and paid for until at least 50% of the Units held by the Independent Unitholders have tendered and not withdrawn, (v) contains a condition that Units

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may be deposited at any time and withdrawn until they are taken up and paid for, and (vi) contains a provision that if, on the date on which the Units may be taken up and paid for, more than 50% of the Units held by the Independent Unitholders have been deposited or tendered and not withdrawn, the bidder will make a public announcement to that effect and keep the bid open for at least ten more business days following such announcement.

*Redemption, Waiver, Termination and Amendment*

(a) Redemption

Under the Plan, the Rights may be redeemed by the Board of Trustees at a redemption price of \$0.0001 per Right at any time prior to the occurrence of a Flip-in Event with the prior consent of the holders of Units or Rights. The Board of Trustees will be deemed to have elected to redeem the Rights if a person who has made a take-over bid in respect of which the Board of Trustees has waived the application of the Plan takes up and pays for Units pursuant to the terms and conditions of such take-over bid.

(b) Waiver

The Board will be entitled to waive the application of the Plan prior to a Flip-in Event that would occur due to the acquisition of Units other than pursuant to a take-over bid made by means of a bid circular to all registered holders of Units with the prior approval of the Unitholders. In such event, the Board will be required to extend the Separation Time to a date subsequent to and not more than ten business days following the meeting of the Unitholders called to approve the waiver. The Board will also be entitled to waive the application of the Plan prior to a Flip-in Event that would occur as a result of a take-over bid made by way of a take-over bid circular to all registered holders of the Units, provided that if such waiver is made, the Board would be deemed to have waived the application of the Plan to any other Flip-in Event occurring by reason of any take-over bid made by means of a take-over bid circular to all registered holders of Units. In addition, the Plan may be waived where a person has inadvertently become an Acquiring Person and has reduced its beneficial ownership of Units such that it is no longer an Acquiring Person.

(c) Termination

The Plan will terminate if it is not ratified by a resolution passed by a simple majority of the Independent Unitholders at InnVest's annual and special meeting to be held on April 14, 2009 (or any adjournment or postponement thereof, as the case may be). Provided that the Plan is approved by the Independent Unitholders, the Plan will terminate on the earlier of the third anniversary of the date that the Independent Unitholders approved the Plan (*ie.*, April 14, 2012, assuming that the Meeting is not adjourned or postponed) and the date that the Board of Trustees elects or is deemed to have elected to redeem the Rights and the Plan is terminated in accordance with its terms.

(d) Amendment

Under the Plan, InnVest will be entitled to make amendments to the Plan without the prior approval of the Unitholders to correct clerical or typographical errors to the Plan or to maintain the validity of the Plan as a result of changes in applicable legislation, rules or regulations, provided that holders of the Units or the Rights, as the case may be, will be required to ratify any amendments made to maintain the validity of the Plan. Other amendments to the Plan may be made (a) if the amendment is proposed to be made prior to the Separation Time, with the prior consent of the Independent Unitholders, or (b) if the amendment is proposed to be made after the Separation Time, with the prior consent of the holders of the Rights.

**SCHEDULE D**

**UNITHOLDER PROPOSAL NOMINEES**

**A. GEORGE ARMOYAN**

1. Nominee's address, residency and principal occupation for all times throughout the preceding five years:

(a) Address:

Toronto, Ontario

(b) Residency:

Canada

(c) Principal Occupation:

<u>Date (Month/Year)</u>	<u>Employer Name</u>	<u>Position Held</u>
05/2003 to 12/2008	Clarke Inc.	President and CEO
11/2002 to 04/2003	Clarke Inc.	Chairman
12/2001 to Present	Clarke Inc.	Director
03/1997 to Present	Geosam	President
09/1997 to 01/2000	Armco Capital Corp.	President
05/2005 to 12/2007	Armco Capital Corp.	President
12/2008 to Present	Clarke Inc.	Executive Chairman

2. Number of units of InnVest beneficially owned, directly or indirectly, by the nominee:

94,000 Units through Geosam Investments Limited.

3. Nominee's relevant experience in the hotel business and with public companies and trusts:

Owns and operates through Geosam Investments Limited, The Wandlyn Inn and also a Trustee of Royal Host.

4. Public boards on which the nominee sits or has sat on within the past five years:

<u>Name of Reporting Issuer</u>	<u>Position(s) Held</u>	<u>Date (Month/Year)</u>
FPI Limited	Director	10/2005 to 04/2007
Royal Host REIT	Chairman	07/2004 to Present
General Donlee Income Fund	Trustee and Director	01/2005 to Present
Versacold Income Fund	Trustee and Director	12/2006 to 08/2007
Clearwater Seafoods Income Fund	Director of CS Man Par	03/2003 to 01/2006
Vaquero Energy Ltd.	Chairman	02/2003 to 04/2005
Clarke Inc.	Director	12/2001 to Present
Clarke Inc.	President and CEO	05/2003 to Present
Exceed Energy Inc.	Director	03/2005 to 11/2006

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YOUR VOTE IS EXTREMELY IMPORTANT. SUBMIT YOUR BLUE PROXY TODAY.**

<u>Name of Reporting Issuer</u>	<u>Position(s) Held</u>	<u>Date (Month/Year)</u>
Halterm Income Fund	Director	11/2002 to 01/2007
Art in Motion Income Fund	Trustee	10/2007 to 05/2008
Granby Industries Income Fund	Trustee	09/2006 to 02/2008
TerraVest Income Fund	Trustee and Director	02/2007 to Present
Shermag Inc.	Director	10/2007 to Present
Armco Capital Corp.	Director	09/1997 to 12/2007
Armco Capital Corp.	President	06/2005 to 12/2007
Entertainment One Income Fund	Trustee	12/2006 to 03/2007
HIP Interactive Corp.	Director	06/2005 to 07/2005
Cordy Oilfield Services Inc.	Director	10/2008 to Present

5. Cease trade orders or bankruptcies of the nominee or of corporations of which the nominee was a director or officer at the time of such order or bankruptcy:
- Served as a member of the Board of Directors for HIP Interactive Corp. during the period of May 27, 2005 to June 28, 2005. On July 11, 2005, the Ontario Superior Court of Justice appointed an interim receiver for HIP Interactive Corp. under the federal *Bankruptcy and Insolvency Act*.
  - Member of the Board of Directors of Shermag Inc. On May 5, 2008, Shermag Inc. obtained creditor protection under the *Companies' Creditors Arrangement Act* (Canada) in the Quebec Superior Court.
6. Is the nominee independent of InnVest and financially literate (as defined in sections 1.4 and 1.6, respectively, of Multilateral Instrument 52-110 – *Audit Committees* of the Canadian Securities Administration):
- Yes
7. Any other information about the nominee that would be reasonably material to a Unitholder's decision to vote in favour or against the nominee:
- Chairman of the largest holder of the fund.

**B. WAYNE EHGOETZ**

1. Nominee's address, residency and principal occupation for all times throughout the preceding five years:
- (a) Address:
- Mississauga, Ontario
- (b) Residency:
- Canada
- (c) Principal Occupation:
- Senior Banking Executive
2. Number of units of InnVest beneficially owned, directly or indirectly, by the nominee:
- None

3. Nominee's relevant experience in the hotel business and with public companies and trusts:  
Significant experience as a lender to hotel and hospitality businesses. Currently sit on a public company board which is an income trust.
4. Public boards on which the nominee sits or has sat on within the past five years:  
Bonnett's Energy Services Trust
5. Cease trade orders or bankruptcies of the nominee or of corporations of which the nominee was a director or officer at the time of such order or bankruptcy:  
None
6. Is the nominee independent of InnVest and financially literate (as defined in sections 1.4 and 1.6, respectively, of Multilateral Instrument 52-110 – *Audit Committees* of the Canadian Securities Administration):  
Yes
7. Any other information about the nominee that would be reasonably material to a Unitholder's decision to vote in favour or against the nominee:  
Nominee has extensive senior level experience in Tier I Bank, Tier II Bank and trust company industries. Nominee has sat on numerous boards including appointment as Chairman of Community Care Access Centre through an Order in Council by Provincial Government. Nominee currently is the Chairman of the Audit Committee on Bonnett's Energy Services Trust.

**C. DAVID WOOD**

1. Nominee's address, residency and principal occupation for all times throughout the preceding five years:
  - (a) Address:  
Hammonds Plains, Nova Scotia
  - (b) Principal Occupation:  
Vice President of Finance and Chief Financial Officer for the Municipal Group of Companies – April 2006 to Current  
Comptroller for the Municipal Group of Companies – 1994 to April 2006
2. Number of units of InnVest beneficially owned, directly or indirectly, by the nominee:  
None
3. Nominee's relevant experience in the hotel business and with public companies and trusts:  
Director of Art in Motion GP Ltd. – 2008  
Trustee of Art in Motion Income Fund - 2008
4. Public boards on which the nominee sits or has sat on within the past five years:  
Director of Art in Motion GP Ltd. – 2008  
Trustee of Art in Motion Income Fund – 2008  
Chairman of the Board Construction Association of Nova Scotia – 2008 to 2009  
Board Member and Secretary of Financial Executives International, Halifax Branch – 2008 to 2009  
Board Member and Treasurer of Construction Association of Nova Scotia – 2004 to 2007
5. Cease trade orders or bankruptcies of the nominee or of corporations of which the nominee was a director or officer at the time of such order or bankruptcy:  
None

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6. Is the nominee independent of InnVest and financially literate (as defined in sections 1.4 and 1.6, respectively, of Multilateral Instrument 52-110 – *Audit Committees* of the Canadian Securities Administration):

Yes

7. Any other information about the nominee that would be reasonably material to a Unitholder's decision to vote in favour or against the nominee:

None

**D. BRIAN LUBORSKY**

1. Nominee's address, residency and principal occupation for all times throughout the preceding five years:

Toronto, Ontario

2. Number of units of InnVest beneficially owned, directly or indirectly, by the nominee:

None

3. Nominee's relevant experience in the hotel business and with public companies and trusts:

Have served on the boards of five different companies (four are trusts). Currently am on two audit committees. Operate a large retail operation.

4. Public boards on which the nominee sits or has sat on within the past five years:

ATS Andlauer  
General Donlee  
Versacold Income Fund  
Art in Motion  
Humber Capital

5. Cease trade orders or bankruptcies of the nominee or of corporations of which the nominee was a director or officer at the time of such order or bankruptcy:

Was an officer and director of Premier Salons International Inc., a Delaware Corporation that filed Chapter 11 in 1999.

6. Is the nominee independent of InnVest and financially literate (as defined in sections 1.4 and 1.6, respectively, of Multilateral Instrument 52-110 – *Audit Committees* of the Canadian Securities Administration):

Chartered Accountant. Has served on five public company audit committees.

7. Any other information about the nominee that would be reasonably material to a Unitholder's decision to vote in favour or against the nominee:

Founder, Chairman and CEO of Premier Salons. Owner and operator of retail salons and beauty product stores with current revenues of \$500 million, approximately 9,000 staff and 1,000 locations. Founded company in 1984.

How To Cast Your Vote

**SUPPORT YOUR CURRENT BOARD OF TRUSTEES BY VOTING YOUR  
BLUE PROXY  
VOTING INSTRUCTIONS**

**BENEFICIAL UNITHOLDERS**

If your units are held in a brokerage account a **BLUE** proxy was mailed to you with this package. Only vote the **BLUE** proxy as follows:

**Canadian Unitholders:**

Visit [www.proxyvote.com](http://www.proxyvote.com) and enter your 12 digit control number or call **1-800-474-7493** or fax your **BLUE** proxy to **(905) 507-7793** or toll free at **1-866-623-5305** in order to ensure that it is received before the deadline.

**U.S. Unitholders:**

Visit [www.proxyvote.com](http://www.proxyvote.com) and enter your 12 digit control number or call **1-800-454-8683**.

**REGISTERED UNITHOLDERS**

If the units are held in your own name, fax the **BLUE** proxy to Computershare Investor Services Inc. at **1-800-564-6253** or Kingsdale at (416) 867-2271 or 1-866-545-5580.

**Please disregard any proxy you may have received from Royal Host Real Estate Investment Trust (“Royal Host”) and vote ONLY the BLUE proxy.** If you have previously voted a proxy supporting **Royal Host Real Estate Investment Trust** and wish to change your vote, simply vote again with this **BLUE** proxy and your later dated proxy will automatically revoke the previously submitted proxy.

**TIME IS OF THE ESSENCE — VOTE BY TELEPHONE OR VIA THE  
INTERNET, FAX OR MAIL YOUR PROXY IN ORDER FOR IT TO BE  
RECEIVED BY THE DEADLINE**

**PROXIES MUST BE RECEIVED BY APRIL 09, 2009  
AT 5:00 PM (TORONTO TIME)**

**PLEASE ENSURE THAT YOU SIGN AND DATE THE PROXY  
QUESTIONS ON VOTING YOUR BLUE PROXY CALL:**



**Telephone Toll Free: 1-866-879-7644  
Local Fax: 416-867-2271  
Toll Free Fax: 1-866-545-5580  
Outside North America Call Collect: 1-416-867-2272**

**For questions or assistance, please call Kingsdale toll free at: 1-866-879-7644  
YOUR VOTE IS EXTREMELY IMPORTANT. SUBMIT YOUR BLUE PROXY TODAY.**

Any questions and requests for assistance may be directed to InnVest Real Estate Investment Trust's  
Proxy Solicitation Agent:



The Exchange Tower  
130 King Street West, Suite 2950, P.O. Box 361  
Toronto, Ontario  
M5X 1E2

North American Toll Free Phone:

**1-866-879-7644**

Email: [contactus@kingsdaleshareholder.com](mailto:contactus@kingsdaleshareholder.com)

Facsimile: 416-867-2271

Toll Free Facsimile: 1-866-545-5580

Outside North America, Banks and Brokers Call Collect: 416-867-2272

For questions or assistance, please call Kingsdale toll free at: 1-866-879-7644  
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