



**InnVest**

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**NOTICE OF ANNUAL MEETING OF UNITHOLDERS**

**and**

**MANAGEMENT INFORMATION CIRCULAR**

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**ANNUAL MEETING OF UNITHOLDERS  
TO BE HELD ON MAY 27, 2014**

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**April 25, 2014**

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

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# InnVest

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## NOTICE OF ANNUAL MEETING OF UNITHOLDERS

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

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

on **Tuesday, May 27, 2014**  
at **4:00 p.m. (Toronto time)**  
at the **St. Andrew's Club & Conference Centre, 150 King Street West, 27<sup>th</sup> Floor (St. Andrew's Hall) Toronto, Ontario M5H 1J9**

for the following purposes:

- to receive the consolidated financial statements of the REIT for the year ended December 31, 2013 and the auditors' report thereon;
- to appoint the auditors of the REIT and authorize the trustees of the REIT ("Trustees") to fix the remuneration of the auditors;
- to elect seven Trustees; and
- to transact any other business properly before the meeting.

Unitholders of record as of the close of business on April 22, 2014 will be entitled to vote at the Meeting or at any adjournment thereof.

Whether or not you plan to attend the Meeting in person, please complete the enclosed form of proxy and return it in the postage prepaid envelope to Computershare Trust Company of Canada, 100 University Avenue, 8th Floor, Toronto, Ontario M5J 2Y1. To be effective, your proxy must be received by Computershare Trust Company of Canada no later than 4:00 p.m. (Toronto time) on Friday May 23, 2014 or such later time as the Chairman of the Meeting may determine.

By order of the Board of Trustees,

(signed) *Anthony Messina*

Anthony Messina  
President and Chief Executive Officer

Toronto, Ontario  
April 25, 2014

## GLOSSARY OF TERMS

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

**"Administrative Services Agreements"** means, collectively, (i) the amended and restated administrative services agreement dated July 1, 2012 between the REIT and the Manager, as may be further amended, supplemented or replaced in accordance with its terms from time to time, and (ii) the Operator Administrative Services Agreement;

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

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

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

**"CEO"** means the Chief Executive Officer of InnVest;

**"CFO"** means the Chief Financial Officer of InnVest;

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

**"Circular"** means this management information circular dated April 25, 2014 and the schedules hereto;

**"CSA"** means the Canadian Securities Administrators;

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

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

**"Distributable Income"** means, for any period, the net income of the REIT and its consolidated subsidiaries for that period determined in accordance with IFRS, adjusted (i) by adding back depreciation and amortization, amortization of fair value debt adjustments and deferred income tax expenses, (ii) by excluding any gains or losses on the disposition of any real property and any deferred income tax benefits, (iii) by deducting the amount calculated for the reserve for replacement of furniture, fixtures and equipment and capital improvements and the interest on convertible debentures that is not included in the computation of net income, and (iv) to reflect any other adjustments determined by the Board in its discretion;

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

**"Executive Officers"** means the CEO, CFO, Vice President Taxation and Treasury, and Vice President Finance and Investor Relations of the REIT;

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

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

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

**"KingSett Capital"** means KingSett Real Estate Growth LP No. 5;

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

**"Manager"** means Westmont Hospitality Canada Limited;

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

**"Meeting"** means the annual meeting of Unitholders to be held on May 27, 2014, including any adjournment(s) or postponement(s) thereof, to conduct the business described in the Notice;

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

**"Named Executive Officers"** has the meaning given to that term in Form 51-102F6 – *Statement of Executive Compensation* adopted by the CSA;

**"NI 51-102"** means National Instrument 51-102 – *Continuous Disclosure Obligations* adopted by the CSA;

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

**"NI 54-101"** means National Instrument 54-101 – *Communication with Beneficial Owners of Securities of a Reporting Issuer* adopted by the CSA;

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

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

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

**"Operator"** means InnVest Hotels LP, a wholly-owned indirect subsidiary of the REIT;

**"Operator Administrative Services Agreement"** means the amended and restated administrative services agreement dated July 1, 2012 between the Operator and the Manager, as may be further amended, supplemented or replaced from time to time;

**"Orange Capital"** means Orange Capital, LLC;

**"Settlement"** means the settlement reached by the REIT and Orange Capital, with the support of Westmont, the Manager and KingSett Capital, in connection with Orange Capital's requisition of a special meeting of Unitholders, announced by the REIT on March 13, 2014;

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

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

**"TSX"** means the Toronto Stock Exchange;

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

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

**"Westmont"** means Westmont Hospitality Group, Inc.

## INVEST REAL ESTATE INVESTMENT TRUST MANAGEMENT INFORMATION AND PROXY CIRCULAR

Unless otherwise indicated, all information contained herein is given as at April 25, 2014 and all dollar amounts are expressed in Canadian dollars.

### SOLICITATION OF PROXIES AND VOTING AT THE MEETING

#### **Solicitation of Proxies**

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

The REIT is sending paper copies of the Meeting Materials to registered Unitholders and, indirectly through Intermediaries, to Non-Registered Holders and is not relying on the "notice-and-access" delivery procedures specified in NI 51-102 and NI 54-101.

The Board has fixed the close of business on April 22, 2014 as the record date for the Meeting, being the date for the determination of registered holders of Units entitled to receive notice of the Meeting. Duly executed and completed proxies must be received by the transfer agent, Computershare Trust Company of Canada, at the address set out below no later than 4:00 p.m. (Toronto time) on May 23, 2014 or, if the Meeting is postponed or adjourned, no later than 48 hours (excluding Saturdays, Sundays and statutory holidays in Ontario) before the time of the Meeting.

#### **Appointment of Proxies**

##### *Registered Unitholders*

The persons named in the form of proxy accompanying this Circular are trustees or officers of the REIT. **A registered Unitholder has the right to appoint as proxy holder a person or company (who is not required to be a Unitholder), other than any person or company designated as proxy holder in the form of proxy, to attend and act on such Unitholder's behalf at the Meeting, either by inserting such other desired proxy holder's name in the blank space provided on the proxy and deleting the names thereon, or by substituting another proper form of proxy.** Whether or not you intend to be present at the Meeting, you are asked to complete the enclosed form of proxy and return it in the envelope provided.

To be valid, the enclosed form of proxy must be dated and executed by the registered Unitholder or the officer or attorney of such registered Unitholder, duly authorized in writing. If the proxy is executed by an attorney, a copy of the instrument appointing the attorney must accompany the proxy. Proxies to be used at the Meeting may be deposited with the REIT's transfer agent, Computershare Trust Company of Canada, by no later than 4:00 p.m. (Toronto time) on May 23, 2014, or, if the Meeting is postponed or adjourned, no later than 48 hours (excluding Saturdays, Sundays and holidays) before the time of the Meeting, unless otherwise determined by the Chairman of the Meeting in his sole discretion. Proxies may be delivered to Computershare Trust Company of Canada as follows:

In person or by courier or mail: Computershare Trust Company of Canada 100 University Avenue, 8th Floor  
Toronto, Ontario M5J 2Y1

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

### *Non-Registered Unitholders*

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

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

In accordance with the requirements of NI 54-101, the REIT has distributed copies of the Meeting Materials to the clearing agencies and Intermediaries for onward distribution to Non-Registered Holders. Intermediaries are required to forward the Meeting Materials to Non-Registered Holders unless a Non-Registered Holder has waived the right to receive them. Typically, Intermediaries will use a service company (such as Broadridge Investor Communication Solutions) to forward the Meeting Materials to Non-Registered Holders. The REIT intends to pay for Intermediaries to deliver the Meeting Materials to "objecting beneficial owners" (as defined in NI 54-101).

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

- **Voting Instruction Form.** In most cases, a Non-Registered Holder will receive, as part of the Meeting Materials, a voting instruction form. If the Non-Registered Holder does not wish to attend and vote at the meeting in person (or have another person attend and vote on its behalf), the voting instruction form must be completed, signed and returned in accordance with the directions on the form. Voting instruction forms in some cases permit the completion of the voting instruction form by telephone or through the internet. If a Non-Registered Holder wishes to attend and vote at the meeting in person (or have another person attend and vote on his or her behalf), the Non-Registered Holder must complete, sign and return the voting instruction form in accordance with the directions on the form and a form of proxy giving the right to attend and vote will be forwarded to the Non-Registered Holder.
- **Form of Proxy.** Less frequently, a Non-Registered Holder will receive, as part of the Meeting Materials, a form of proxy that has already been signed by the Intermediary (typically by a facsimile, stamped signature) which is restricted as to the number of Units beneficially owned by the Non-Registered Holder but which is otherwise not complete. If a Non-Registered Holder wishes to attend and vote at the meeting in person (or have another person attend and vote on its behalf), the Non-Registered Holder must insert the Non-Registered Holder's (or such other person's) name in the blank space provided. The Non-Registered Holder must complete, sign and return the form of proxy to the REIT's transfer agent, Computershare Trust Company of Canada, by no later than 4:00 p.m. (Toronto time) on May 23, 2014, or, if the Meeting is postponed or adjourned, no later than 48 hours (excluding Saturdays, Sundays and holidays) before the time of the Meeting, unless otherwise determined by the Chairman of the Meeting in his sole discretion. Proxies may be delivered to Computershare Trust Company of Canada as follows:

In person or by courier or mail:   Computershare Trust Company of Canada 100 University Avenue, 8th Floor  
Toronto, Ontario M5J 2Y1

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

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



## **Revocation of Proxies**

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

A Non-Registered Holder may revoke a voting instruction form (or a waiver of the right to receive the Meeting Materials and to vote) given to an Intermediary at any time by written notice to the Intermediary, but an Intermediary may set a deadline for receipt of a notice of revocation earlier than those specified above.

## **Voting of Units Represented by Proxies**

Units represented by proxies will be voted or withheld from voting in accordance with the instructions of the Unitholder on any ballot that may be called for. The proxy confers discretionary authority upon the persons named therein with respect to (a) each matter or group of matters identified therein where the Unitholder does not specify a choice with respect to any matter to be acted on, (b) amendments or variations to matters identified in the Notice, and (c) such other matters as may properly come before the Meeting or any adjournment(s) or postponement(s) thereof. If the Unitholder specifies a choice with respect to any matter to be acted upon, the Units represented by the proxy will be voted accordingly. **In respect of a matter for which no choice is specified in the proxy, or unless otherwise provided for in the proxy, the nominees named in the accompanying proxy will vote Units represented by the proxy FOR the approval of such matter.**

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

## **Voting at Meeting and Quorum**

On April 25, 2014, there were 93,972,391 Units issued and outstanding. Each Unit entitles its holder to one vote at meetings of Unitholders. Holders of Units of record at the close of business on April 22, 2014, 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 Declaration of Trust, every question coming before the Meeting or any adjournment(s) or postponement(s) thereof shall be decided by the majority of the votes duly cast on the question. The quorum at the Meeting or any adjournment(s) or postponement(s) thereof shall consist of at least two individuals present in person, each of whom is a Unitholder or a proxy holder representing a Unitholder, and who, in the aggregate, hold or represent by proxy not less than 25% of the total votes attached to all outstanding Units.

## INFORMATION REGARDING INNVEST REAL ESTATE INVESTMENT TRUST

### Principal Holders of Units

To the knowledge of the Trustees and the Executive Officers, 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 Orange Capital, which as at the date of this Circular exercises control or direction over 9,729,300 Units, representing approximately 10.4% of the outstanding Units and Beutel Goodman & Company Ltd. which, based on public statements made on February 7, 2014, exercises control or direction over 10,699,500 Units, representing approximately 11.4% 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.

## BUSINESS OF THE MEETING

### I - Financial Statements

The consolidated financial statements for the fiscal year ended December 31, 2013, together with the auditor's report thereon, were mailed to the Unitholders who requested them with the Notice and this Circular. No vote by the Unitholders is required with respect to this matter.

### II - Appointment of Auditors

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

### III - Election of the Board

#### *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 has the right to appoint one Trustee provided that it owns, in the aggregate, at least 5% of the outstanding Units. The Manager also has the right, under the Declaration of Trust, to appoint one Trustee provided that the Management Agreement is in effect and the appointment would not result in a majority of the Trustees not being independent Trustees. As of April 25, 2014, Westmont owns 9.0% 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, subject to the majority voting policy described below. Westmont is entitled to vote its Units for the election of the remaining Trustees.

As of the date of this Circular, there are nine Trustees: Majid Mangalji (Chairman), Edward W. Boomer, Heather-Anne Irwin, Daniel Lewis, Jon E. Love, Fereed Mangalji, Robert McFarlane, Edward Pitoniak and Robert Wolf. One of the Trustees, Majid Mangalji, is an appointee of Westmont pursuant to the Declaration of Trust and, as such, is deemed not to be an independent Trustee. He 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. On April 22, 2014, Edward Pitoniak was appointed Managing Director of the REIT, an interim executive position, and, accordingly, Mr. Pitoniak is no longer an independent Trustee.

At the Meeting, it is proposed that seven Trustees be elected by the Unitholders so that there are a total of nine Trustees. There is presently one Trustee, Mr. Boomer, who was elected by the Unitholders at the REIT's last annual meeting of Unitholders, and six Trustees who were appointed in March 2014 as part of the Settlement with Orange Capital. Each of these Trustees will cease to hold office at the conclusion of the Meeting and is seeking election at the Meeting. All nominees elected at the Meeting will, subject to the majority voting policy described below, hold office from the conclusion of the Meeting until the next annual meeting or until their successors are elected or appointed.

#### *Majority Voting Policy*

The Board has adopted a "majority voting policy" providing that in an uncontested election of Trustees, any nominee who receives a greater number of votes "withheld" than votes "for" will tender his or her resignation to the Chairman of the Board promptly following the Unitholders' meeting. The REIT's Compensation and Corporate Governance Committee will consider the offer of resignation and will make a recommendation to the Board on whether to accept it. In considering whether or not to recommend acceptance of the resignation, the Compensation and Corporate Governance Committee will consider all factors deemed relevant by its members. The Board will be expected to accept the resignation except in situations where considerations would warrant the applicable Trustee continuing to serve on the Board. The Board will make its final decision and announce it in a press release within 90 days following the Unitholders' meeting. A Trustee who tenders his or her resignation pursuant to this policy will not participate in any meeting of the Board or the Compensation and Corporate Governance Committee at which the resignation is considered.

Where the Board accepts the resignation of a Trustee, the Board may, subject to applicable laws, the Declaration of Trust and any previously-passed Unitholder resolutions, exercise its discretion with respect to the resulting vacancy and may, without limitation, leave the vacancy unfilled until the next annual meeting of Unitholders, fill the vacancy through the appointment of a new Trustee whom the Board considers to merit the confidence of the Unitholders, or call a special meeting of Unitholders to elect a new nominee to fill the vacant position. If any Trustee fails to tender his or her resignation as contemplated in the majority voting policy, the Board will not re-nominate that Trustee at the next election.

At the Meeting, the persons nominated for election as a Trustee will be voted on individually and the voting results for each nominee will be publicly disclosed in a news release filed on SEDAR at [www.sedar.com](http://www.sedar.com).

#### *Management Nominees*

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's nominees. The nominees are comprised of experienced and recognized business professionals with a diverse background in real estate, operations management, corporate finance, and corporate governance.

Each Trustee elected at the Meeting or appointed by the Board to fill a vacancy on the Board 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, subject to the majority voting policy described above or unless the Trustee's office is earlier vacated in accordance with the Declaration of Trust.

The information presented in the table below has been provided as of April 25, 2014. The number of Units owned, controlled or directed includes Units beneficially owned, controlled or directed, directly or indirectly, by the proposed nominee.

<p><b>Edward W. Boomer</b></p> <p>Ontario, Canada  Age: 50  Units owned, controlled or directed: 4,141  Director since: June 5, 2013</p> <p>Independent Trustee</p> <p><u>Board Committees:</u>  Audit Committee  Compensation and Corporate Governance Committee</p>	<p>Mr. Boomer is currently a corporate director. Mr. Boomer previously served as President of Partners Real Estate Investment Trust from August 2013 to November 2013 and its Chief Investment Officer from March 2013 to November 2013. Mr. Boomer has over 20 years of experience in commercial real estate including as the Founder and President of Reference Realty Inc. Prior to establishing Reference Realty Inc. in 2001, Mr. Boomer held leadership positions including as Managing Director, Canadian Operations for Kimco Realty Corp. and Vice-President &amp; Territory Risk Manager for GE Real Estate and currently sits on the Board of Directors and Audit Committee of Timbercreek Senior Mortgage Investment Corporation. Mr. Boomer holds a LL.B from Queen's University and a Bachelor of Arts (Economics) from Glendon College. Mr. Boomer has been a Member of the Law Society of Upper Canada since 1991.</p> <p><u>Other public entity directorships over past 5 years:</u></p> <p>Timbercreek Senior Mortgage Investment Corporation (2013- present)  Timbercreek Mortgage Investment Corporation (2008-2013), member of Audit Committee</p>
<p><b>Heather-Anne Irwin</b></p> <p>Ontario, Canada  Age: 54  Units owned, controlled or directed: nil  Director since: March 12, 2014</p> <p>Independent Trustee</p> <p><u>Board Committees:</u>  Chair, Compensation and Corporate Governance Committee</p>	<p>Ms. Irwin is an Adjunct Professor of Finance at the Rotman School of Management at the University of Toronto. She is in her 12th year as a professor specializing in corporate finance and M&amp;A and has received two MBA Professor of the Year awards and one Master of Finance Professor of the Year award. Ms. Irwin previously worked at TD Securities Inc. within the Equity Capital Markets group as a Director and Vice President from 1996 to 2002. Her extensive capital markets experience also includes several years spent at Nesbitt Burns (Investment Banking) and Citibank Canada (Fixed Income). Ms. Irwin's board experience includes directorships on several non-profit organizations, including Women in Capital Markets (Director, Founding President), Canadian Securities Institute Research Foundation (Executive Director &amp; Secretary) and Centre for Addiction and Mental Health Foundation (former Director). She received her MBA from the Schulich School of Business, York University in 1986 and an Hon BSc in Engineering from Queen's University in 1983.</p> <p><u>Other public entity directorships over past 5 years:</u></p> <p>None</p>

<p><b>Daniel Lewis</b></p> <p>New York, United States  Age: 39  Units owned, controlled or directed: 9,729,300<sup>(1)</sup>  Director since: March 13, 2014</p> <p>Lead Independent Trustee</p> <p><u>Board Committees:</u>  Investment Committee  Capital Structure Taskforce  CEO Search Taskforce</p>	<p>Mr. Lewis is co-founder and Managing Partner of Orange Capital, LLC, a New York based investment fund. Mr. Lewis has nearly 20 years of investment experience in shareholder activist campaigns, event-driven equities, and distressed debt investments worldwide. From 1996-2004, Mr. Lewis was employed by Citigroup and its predecessor companies. He is a former Director of Citigroup Global Special Situations Group. He serves on the Board of Say Yes to Education, a non-profit committed to increasing the high school and college graduation rates of inner-city youth. Mr. Lewis holds a B.S. from Cornell University.</p> <p><u>Other public entity directorships over past 5 years:</u></p> <p>None</p>
<p><b>Jon E. Love</b></p> <p>Ontario, Canada  Age: 59  Units owned, controlled or directed: 7,791,855<sup>(2)</sup>  Director since: March 12, 2014</p> <p>Independent Trustee</p> <p><u>Board Committees:</u>  Investment Committee  CEO Search Taskforce</p>	<p>Mr. Love is the founder and Managing Partner of KingSett Capital, Canada's leading private equity real estate business co-investing with institutional and high net worth clients. Mr. Love was formerly President and Chief Executive Officer of Oxford Properties Group from 1992 until November 2001, when Oxford was sold to OMERS in a \$4 billion transaction. Mr. Love serves on the Board of Directors of the Canadian Council of Chief Executives, is a member of YPO (Alumni), WPO and the Chief Executives Organization, is on the Management Committee of the Toronto Club and the Building Committee of Toronto's University Health Network. Mr. Love graduated with an HBA in 1976 from the Ivey School of Business, where he is an active member of its Advisory Board, and has chaired the New Building Task Force.</p> <p><u>Other public entity directorships over past 5 years:</u></p> <p>None</p>

<p><b>Robert McFarlane</b></p> <p>British Columbia, Canada  Age: 53  Units owned, controlled or directed: 39,900  Director since: March 12, 2014</p> <p>Independent Trustee</p> <p><u>Board Committees:</u>  Chair, Audit Committee  Capital Structure Taskforce</p>	<p>Mr. McFarlane is currently a corporate director. Mr. McFarlane previously served as EVP and CFO of TELUS Corporation from 2000-2012. He led a national team of over 800 professionals with responsibility for conventional finance functions, corporate strategy, M&amp;A, ventures investment, risk management and regulatory and governmental affairs. In 2007, Mr. McFarlane was named Canada's Top CFO and in 2011 was recognized by Queen's University with the Kathleen Beaumont Hill Award for his outstanding contribution to Queen's and Canada. Prior to TELUS Corporation, Mr. McFarlane was CFO of start-up national wireless carrier Clearnet. He successfully led eleven financings, raising over \$3.3B until Clearnet's \$7.7B sale to TELUS Corporation in 2000. Mr. McFarlane is Deputy Chair of the Board and Chair of the Audit and Risk Committee of RSA Canada, Vice Chair of the National Advisory Board of The Salvation Army, Director and member of the Finance Committee of Vancouver College and member of the Board of Trustees and its External Relations and Development Committee, as well as the Capital Campaign Cabinet and the Field and Stadium Campaign Cabinet of Queen's University.</p> <p><u>Other public entity directorships over past 5 years:</u></p> <p>None</p>
<p><b>Edward Pitoniak</b></p> <p>Rhode Island, United States  Age: 58  Units owned, controlled or directed: Nil  Director since: March 13, 2014</p> <p>Non-Independent Trustee</p> <p><u>Board Committees:</u>  Chair, Investment Committee  CEO Search Taskforce</p>	<p>Mr. Pitoniak is currently Managing Director of the REIT and a corporate director. Mr. Pitoniak previously served as President, CEO, and Board Trustee of Canadian Hotel Income Properties REIT ("CHIP REIT"), a leading hotel owner listed on the Toronto Stock Exchange from 2004 to 2007. During Mr. Pitoniak's tenure as CEO, the company generated total returns for its investors of 103%, the best performance of any hotel REIT in Canada. CHIP REIT, with 36 properties across Canada, was named Canada's Hotel Company of the Year for 2006. In 2007 Mr. Pitoniak led CHIP REIT through a sale to the British Columbia Investment Management Corporation ("bcIMC") in a going-private transaction worth \$1.2 billion. In 2008, Mr. Pitoniak served as President &amp; CEO of the newly-formed bcIMC Hospitality Group where he oversaw Delta Hotels &amp; Resorts and Silverbirch Hotels &amp; Resorts (formerly CHIP REIT).</p> <p><u>Other public entity directorships over past 5 years:</u></p> <p>Regal Lifestyle Communities (2012- present), Chair of Investment and Environmental Committee and member of the Audit Committee  Ritchie Brothers Auctioneers (2006- present), Chair of the Compensation Committee, member of the Audit Committee and member of the Transition Committee</p>

<p><b>Robert Wolf</b></p> <p>Ontario, Canada  Age: 54  Units owned, controlled or directed: 20,000  Director since: March 12, 2014</p> <p>Independent Trustee</p> <p><u>Board Committees:</u>  Audit Committee  Investment Committee  Compensation and Corporate Governance Committee  Capital Structure Taskforce</p>	<p>Mr. Wolf is a corporate director and financial consultant. Previously, Mr. Wolf served as CFO of RioCan Real Estate Investment Trust, Canada's largest public REIT, from inception in 1994 until 2008. Mr. Wolf, through RTW Capital Corporation, has been making active investments in and providing financial advisory services to small and medium sized businesses. Mr. Wolf obtained his Chartered Accountancy designation in 1984 and received a Masters of Business Administration from the Schulich School of Business at York University and a Bachelor of Commerce from McGill University.</p> <p><u>Other public entity directorships over past 5 years:</u></p> <p>Retrocom REIT (2010- present), Chair of the Audit Committee, Vice-Chair of the Investment Committee  WPT Industrial REIT (2013- present), lead trustee and Chair of the Audit Committee  C.A. Bancorp Inc. (2013-present), Chairman  C.A. Bancorp Canadian Realty Finance Corporation (2008-2011)</p>
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Notes:

- (1) All Units are held by Orange Capital Master I, Ltd., over which Mr. Lewis exercises control or direction.
- (2) 7,764,655 Units are held by KingSett Real Estate Growth LP No. 5, over which Mr. Love exercises control or direction.

*Appointed Trustees Continuing in Office*

The persons named below are the Trustee appointed by Westmont and the Trustee appointed by the Manager, respectively. The information presented in the table below has been provided as of April 25, 2014. The number of Units owned, controlled or directed includes Units beneficially owned, controlled or directed, directly or indirectly, by the proposed nominee.

<p><b>Majid Mangalji</b></p> <p>Wimbledon, England  Age: 59  Units owned, controlled or directed: 8,463,765<sup>(1)</sup>  Director since: June 5, 2002</p> <p><u>Board Committees:</u>  Investment Committee</p>	<p>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 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.</p> <p><u>Other public entity directorships over past 5 years:</u>  None</p>
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<p><b>Fereed Mangalji</b></p> <p>Singapore, Singapore  Age: 52  Units owned, controlled or directed: 8,419,509<sup>(1)</sup>  Director since: April 18, 2006</p> <p><u>Board Committees:</u>  None</p>	<p>Fereed Mangalji is a Principal and Executive Director of Westmont Group, and has been with the company for almost 20 years. Mr. Mangalji oversees all facets of the company with a primary focus on the company's US and Canadian portfolios including overseeing all of Westmont's substantial investment projects and asset management group. During his tenure, Mr. Mangalji has been one of the key players in the dramatic growth of Westmont from a hotel operator/owner into one of the world's largest global hotel real estate investment companies. Mr. Mangalji has extensive familiarity and experience in both the real estate and hospitality industries and has a strong background in complex deal structuring, public to private acquisitions, mezzanine debt acquisitions, operational repositioning and asset work-outs. Mr. Mangalji holds a degree from Harvard University. Prior to joining the Westmont team, Mr. Mangalji worked with Bankers Trust in New York where he worked in the real estate group. Mr. Mangalji is also a member of the Young Presidents Organization.</p> <p><u>Other public entity directorships over past 5 years:</u>  None</p>
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Notes:

- (1) 2,748,237 Units are held by Westmont, 4,564,632 Units are held through Maple Leaf Investment Holdings, LP, an affiliate of Westmont, and 1,106,400 Units are held through another Westmont affiliate, over which each of Majid Mangalji and Fereed Mangalji exercises control or direction.

*Corporate Cease Trade Orders or Bankruptcies*

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

Mr. Robert McFarlane was a director of Ascalade Communications Inc. ("Ascalade") until his resignation in February 2008. In March 2008, Ascalade filed for bankruptcy protection under the *Companies' Creditors Arrangement Act*. On December 3, 2009 payment of 100% of all proven creditors' claims were made by the monitor and, in January 2010, the remaining proceeds from the realized assets of Ascalade were distributed to shareholders of record as of December 8, 2009.



**INFORMATION REGARDING THE  
BOARD OF TRUSTEES**

**Number of Board and Committee Meetings held during Fiscal 2013**

Board or Committee <sup>(1)</sup>	Number of Meetings
Board	15
Audit Committee	5
Compensation and Corporate Governance Committee	6
Investment Committee	0
Independent Trustees	2
<b>Total Number of Meetings Held</b>	<b>28</b>

Notes:

- (1) The Board also formed an *ad hoc* committee in October 2013 that was tasked with overseeing strategic negotiations relating to a number of assets across the REIT's portfolio. The committee was composed of Laurence Geller (Chair) and Morton Gross, but did not hold any formal committee meetings separate from those of the Board.

**Compensation of the Trustees**

For fiscal 2013, compensation for all Trustees was composed of (i) annual board retainer fees, (ii) annual retainers for the Chairman and Chairs of the standing committees of the Board, and (iii) meeting fees. The annual board retainer fee for all Trustees is \$45,000. In addition, the annual retainer fee for the Chairman and Chairs of committees of the Board 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 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 may also be awarded fees at the Board's discretion for service on *ad hoc* committees formed by the Board from time to time. In October 2013, the Board formed a committee to oversee strategic negotiations relating to a number of assets across its portfolio. In March 2014, Mr. Geller was paid \$50,000 by InnVest for his role as Chair of this committee with the unanimous approval of the Board. No fees were paid to the other member of the committee. The committee was dissolved in March 2014.

Under the Declaration of Trust, the Trustees' compensation can only be changed by unanimous consent of the Trustees. Trustees who are employees of, and who receive salary from, the REIT or any of its subsidiaries are not entitled to receive any remuneration for their services as Trustees but are entitled to reimbursement of their out-of-pocket expenses. Other than the payment of one-half of the annual retainer fees in Units as described below, all other fees paid to Trustees are paid in cash. For the year ended December 31, 2013, all fees in relation to Trustee compensation totalled \$463,010.

Trustees are paid 50% of their annual retainer fees in Units (based on the then-current market price of REIT, calculated as the volumetric weighted average trading price of REIT over the last five trading days of each fiscal quarter). InnVest has reserved a maximum of 350,000 Units for this purpose. The balance in this reserve account as at April 25, 2014 is 152,745 Units. An aggregate of 197,255 Units (being equal to approximately 0.2% of the issued and outstanding Units as of the date hereof) have been issued as annual compensation to the Trustees to date.

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, 2013.

Trustee	Cash-based compensation (\$)	Unit-based compensation (\$)	Option-based awards (\$)	Non-equity incentive plan compensation (\$)	Pension value (\$)	All other compensation (\$)	Total (\$)
Frank Anderson <sup>(3)</sup>	\$54,250	\$28,750	-	-	-	-	\$83,000
Edward W. Boomer <sup>(1)</sup>	22,310	13,310	-	-	-	-	35,620
Laurence Geller <sup>(1)(3)(4)</sup>	24,761	14,261	-	-	-	-	39,022
Morton G. Gross <sup>(3)</sup>	52,000	27,500	-	-	-	-	79,500
Michael P. Kitt <sup>(2)</sup>	22,187	9,687	-	-	-	-	31,874
Fernand Perrault <sup>(1)(3)</sup>	21,810	13,310	-	-	-	-	35,120
Minhas N. Mohamed <sup>(2)</sup>	23,187	9,687	-	-	-	-	32,874
Majid Mangalji	41,000	27,500	-	-	-	-	68,500
Fereed Mangalji	35,000	22,500	-	-	-	-	57,500
<b>Totals</b>	<b>\$296,505</b>	<b>\$166,505</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>\$463,010</b>

Notes:

- (1) Appointed to Board on June 5, 2013.
- (2) Trustee until June 5, 2013.
- (3) Resigned from the Board on March 12, 2014.
- (4) Mr. Geller was also awarded cash compensation of \$50,000 in March 2014 for his service as chair of the *ad hoc* committee (formed to oversee strategic negotiations relating to a number of assets across the portfolio) in October 2013. As the determination to award compensation for such service was not made until 2014, no portion of the compensation has been allocated to 2013.

None of the Trustees has options or other unvested unit-based awards outstanding as at December 31, 2013, nor have any such equity-based awards vested during the year then ended.

InnVest's Trustee compensation program supports the REIT's ability to attract and retain high quality individuals to serve as members of the Board and promotes alignment of interests with Unitholders through the use of unit-based compensation. In discharging its mandate, in March 2014, the Compensation and Corporate Governance Committee engaged Hugessen Consulting Inc. ("**Hugessen**"), professional compensation consultants, to provide expertise and advice on matters relating to trustee compensation including providing market compensation information and advice on appropriate comparator organizations, current market practice and best practices with regard to trustee compensation. As a result, trustee compensation practices may be modified in the future.

## Trustee Attendance Record

Trustees	Board Meetings Attended	Audit Committee Meetings Attended	Investment Committee Meetings Attended	Compensation and Corporate Governance Meetings Attended	Independent Trustee Meetings Attended	Total Meetings Attended
Frank Anderson <sup>(1)(2)</sup>	15 of 15	5 of 5	-	6 of 6	2 of 2	28 of 28
Edward W. Boomer <sup>(1)</sup>	8 of 8	3 of 3	-	-	1 of 1	12 of 12
Laurence Geller <sup>(1)(3)</sup>	8 of 8	3 of 3	-	-	1 of 1	12 of 12
Morton G. Gross <sup>(3)</sup>	15 of 15	-	-	6 of 6	2 of 2	23 of 23
Michael P. Kitt <sup>(2)</sup>	7 of 7	2 of 2	-	5 of 5	1 of 1	15 of 15
Fernand Perrault <sup>(1)(3)</sup>	8 of 8	-	-	1 of 1	1 of 1	10 of 10
Minhas N. Mohamed <sup>(2)</sup>	7 of 7	2 of 2	-	5 of 5	1 of 1	15 of 15
Majid Mangalji	15 of 15	-	-	-	-	15 of 15
Fereed Mangalji	15 of 15	-	-	-	-	15 of 15

Notes:

- (1) Appointed to Board on June 5, 2013.
- (2) Trustee until June 5, 2013.
- (3) Resigned from the Board on March 12, 2014.

### Independent Trustee Matters

In addition to requiring the approval of a majority of the Trustees, approval of not less than 66⅔% 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 Agreements, change the fees payable to the Manager, renew the Management Agreement or the Administrative Services Agreements at the end of their respective terms or appoint a substitute for the Manager after the end of the term of the Management Agreement;
- (b) to enter into any agreement or transaction in which any related party of the REIT has a material interest or make a material change to any such agreement or transaction;
- (c) relating to a claim by or against any related party of the REIT;
- (d) relating to a claim in which the interests of a related party of the REIT differ from the interests of the REIT;

- (e) to increase the number of the 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**

There are currently the following three standing Committees of the Board: the Investment Committee, the Audit Committee and the Compensation and Corporate Governance Committee. The composition of each Committee changed in March 2014 following the resignation of four Trustees and the appointment of six Trustees. In addition, the Board formed an *ad hoc* CEO Search Taskforce and Capital Structure Taskforce in March 2014.

#### *Investment Committee*

The current members of the Investment Committee are Edward Pitoniak (chair), Daniel Lewis, Jon E. Love, Majid Mangalji and Robert Wolf. The Investment Committee's primary duties and responsibilities include (i) reviewing and approving or rejecting proposed acquisitions and dispositions of investments by the REIT, (ii) authorizing proposed transactions, and (iii) approving all financing arrangements and the assumption or granting of any mortgage.

#### *Audit Committee*

The current members of the Audit Committee are Robert McFarlane (chair), Robert Wolf and Edward W. Boomer, 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 operations, (iv) reviewing and discussing changes to the application of accounting principles with management and the auditors, (v) overseeing the work of the external auditors in respect of the consolidated financial statements of the REIT, (vi) reviewing and discussing other financial disclosure with management and the auditors, and (vii) reviewing related party transactions.

Information about the REIT's Audit Committee, including the full text of the Audit Committee's charter, the composition of the Audit Committee, the relevant education and experience of members of the Audit Committee and other information regarding the Audit Committee's functions and policies are set out under the heading "Audit Committee" in the REIT's annual information form for the year ended December 31, 2013, dated March 19, 2014, available under the REIT's profile at [www.sedar.com](http://www.sedar.com).

The table below summarizes the fees paid by the REIT for external auditor services to Deloitte LLP during 2013 and 2012.

	2013	2012
Audit Fees <sup>(1)</sup>	\$500,000	\$475,000
Audit-Related Fees <sup>(2)</sup>	395,000	304,200
Tax Fees	-	-
All Other Fees	-	-
	\$895,000	\$779,200

Notes:

- (1) Audit services related to the REIT's audited annual financial statements.
- (2) Assurance and related services that were reasonably related to the performance of the audit or review of the REIT's financial statements (or those of its subsidiaries) and are not reported under Audit Fees. The services comprising such fees were primarily related to the quarterly reviews of the REIT's financial statements and management discussion and analysis, services related to the application of new and revised accounting standards as well as pension plan and property-specific audits. In 2013, audit-related fees also included services relating to the review of a convertible debenture prospectus, including translation services.

#### *Compensation and Corporate Governance Committee*

The current members of the Compensation and Corporate Governance Committee are Heather-Anne Irwin (chair), Edward W. Boomer and Robert Wolf, 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, and (ii) developing the REIT's human resources and compensation policies.

The Board believes its Compensation and Corporate Governance Committee members possess the combined knowledge, experience and backgrounds necessary to perform their duties effectively and make executive compensation decisions in the best interests of InnVest and its unitholders. The following is a brief summary of the relevant education or experience pertaining to decision making concerning compensation policies and practices:

	Independent	Relevant Skills and Experience
Heather-Anne Irwin	Yes	Adjunct Professor of Finance at the Rotman School of Management with curriculum including corporate governance practices.  Experience advising public companies and structuring board composition and corporate governance practices for non-profit foundation.
Edward W. Boomer	Yes	Experience as President of a public company.  Current board member of a public company.
Robert Wolf	Yes	Experience as CFO of a public company.  Current board member of other public companies.

## STATEMENT OF EXECUTIVE COMPENSATION

This Statement of Executive Compensation describes the compensation programs of InnVest in respect of its Named Executive Officers. For the year ended December 31, 2013, InnVest's Named Executive Officers were:

- Anthony Messina, President and CEO
- George Kosziwka, CFO
- Brad Pollock, Vice President Taxation and Treasury
- Chantal Nappert, Vice President Finance and Investor Relations

Mr. Messina's employment contract expires in November 2014 as described under "— Named Executive Officer Employment Agreements". A committee of the Board composed of independent Trustees has commenced a search for a permanent CEO to be employed by InnVest. There can be no assurance that InnVest's current compensation practices in respect of CEO compensation will continue after November 2014.

### 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 annually the compensation proposed to be paid to the CEO and the CFO of InnVest and to make recommendations to the Board concerning annual bonus levels and grants under InnVest's long-term incentive plan. The CEO and CFO are responsible for establishing compensation levels for all other Named Executive Officers.

The Compensation and Corporate Governance Committee also reviews such human resources and compensation issues as it considers appropriate, and retains consultants from time to time to provide advice regarding InnVest's compensation strategy and programs.

#### *Compensation Consultants*

In March 2013, the Compensation and Corporate Governance Committee engaged Hugessen, professional compensation consultants, to provide advice on matters related to executive compensation. At the direction of the Committee Chair at the time, Hugessen worked with the Committee to perform a review of InnVest's executive compensation program and practices against current market practice among comparable Canadian real estate investment trusts. All of the executive compensation recommendations are made by the Compensation and Corporate Governance Committee alone and reflect factors and considerations in addition to the information and advice provided by Hugessen.

The table below summarizes the fees paid by the REIT and its subsidiaries to Hugessen during 2013 and 2012. No other compensation consultants have been retained by the REIT since January 1, 2012. In March 2014, the Compensation and Corporate Governance Committee retained Hugessen to provide advice on trustee compensation practices, as discussed under "*Information Regarding the Board of Trustees – Compensation of the Trustees*", above

	2013	2012
Executive Compensation-Related Fees	\$37,600	-
All Other Fees	-	-
<b>Total</b>	<b>\$37,600</b>	<b>-</b>

### *Objectives of InnVest's Compensation Program*

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

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

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

<b>Name and Position</b>	<b>Base Salary</b>	<b>Annual Cash Bonus</b>	<b>Equity-Based Incentives</b>	<b>Total Direct Compensation</b>
Anthony Messina President and Chief Executive Officer	37%	28%	35%	100%
George Kosziwka Chief Financial Officer	50%	25%	25%	100%
Brad Pollock Vice President Taxation and Treasury	67%	17%	17%	100%
Chantal Nappert Vice President Finance and Investor Relations	67%	17%	17%	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 InnVest's executive compensation program that are designed to achieve this objective include:

- InnVest provides competitive overall compensation to attract and retain qualified executives. Base salaries, annual cash bonus and equity-based incentives for executives are reviewed at the time of hire and during the annual review process every year.
- The three and four year vesting periods of equity-based compensation awards for Named Executive Officers promote the retention of key personnel. Unvested awards are forfeited in the event of voluntary resignation.
- Both the short-term and equity-based incentives seek to motivate Named Executive Officers by rewarding performance. Under the short-term cash bonus, the percentage of the target cash bonus actually paid is based on the performance of the REIT against pre-determined financial targets as well as personal performance goals for each Named Executive Officer.

### Link Executive Compensation to Overall Performance of InnVest

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

- The amount of the annual cash bonus and the value of the Units or restricted units awarded are based on the achievement of certain pre-determined financial targets as well as personal performance goals for each Named Executive Officer with each financial target and performance goal being established to motivate management to positively impact InnVest's overall performance.
- The Board has the discretion to alter the cash bonus and equity-based unit awards as warranted in its professional judgment. For example, for 2012, the Board elected to award a higher cash bonus and grant of Units to the CEO in recognition of his efforts and appointments to the role of CEO and prior role as interim CFO during the year.

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

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

- A portion of executive compensation is awarded through Units or restricted units. The value of these awards is directly tied to the market price of the Units. No adjustments have been made to the previous awards of restricted units based on changes in the price of the Units.
- The three and four year vesting periods for the restricted units also ensure that executive officers are focused on the long-term performance of the Units.

In March 2014, InnVest announced a number of changes aimed at improving the alignment of the Named Executive Officers' interests with those of Unitholders. Specifically, the Board has commenced a search for a permanent full-time CEO to be employed by InnVest and the CFO role is expected to become fully dedicated to the affairs of the REIT during the year. In addition, asset management of the REIT will be internalized effective November 30, 2014 and amendments to the Management Agreement have been completed to allow for greater flexibility with respect to portfolio management and incentive compensation.

### *Components of Compensation*

#### Base Salary

Base salaries are reviewed at the time of hire and during the annual review process every year. In setting base salary levels for the CEO and CFO following their appointments in late 2012, the Compensation and Corporate Governance Committee took into consideration the individual's leadership abilities, performance, responsibilities and experience, as well as retention considerations and economic outlook. In addition, the Compensation and Corporate Governance Committee looked at the executive compensation practices of comparable Canadian real estate investment trusts as reference in informing CEO and CFO compensation decisions in 2013. Employees are required to set performance objectives annually. An assessment of performance against objectives is conducted through performance review discussions at year end.

The base salaries paid to Named Executive Officers over the past three years are set out under "- Summary Compensation Table for Named Executive Officers".



## Annual Cash Bonus

An annual cash bonus allows InnVest to motivate and reward Named Executive Officers for their personal performance each year. The annual cash bonus is important both as a retention tool and for recruitment purposes, as it enables InnVest to attract executives who expect to contribute to InnVest's success and wish to be rewarded for such contributions.

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

A target bonus is established for each Named Executive Officer. In 2013, the CEO's target annual cash bonus was 75% of base salary, the CFO's, target annual cash bonus was 50% of base salary and the Vice Presidents' target annual cash bonus was 25% of base salary. These target bonuses are reviewed by the Compensation and Corporate Governance Committee annually.

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

With the exception of the Chief Executive Officer who has minimum annual award guarantees (refer to "— Named Executive Officer Employment Agreements" below), 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 targets for the 2013 annual cash performance bonus awarded to the Named Executive Officers were based on two criteria:

- 75% on achievement of the 2013 budgeted Distributable Income of \$0.511 per Unit.
- 25% on certain personal performance goals for 2013:
  - CEO - (i) develop and improve relationships with hotel management companies, (ii) implement a capital investment program and disposing of non-core assets to improve the portfolio's real estate value and (iii) maintain strong relationships and communication with investors as well as the financial and business community to achieve long-term Unit price growth.
  - CFO - (i) execute a financing plan to address debt maturities, (ii) develop and implement a cash flow management program to improve InnVest's balance sheet liquidity, and (iii) maintain strong relationships and communication with investors as well as the financial and business community to achieve long-term Unit price growth.

- Vice President Taxation and Treasury - (i) monitor InnVest's Qualifying REIT status, (ii) assist in the refinancing of debt maturities, and (iii) oversee opportunities to manage property taxes.
- Vice President Finance and Investor Relations – (i) oversee the disposition of non-core assets, (ii) improve internal and external reporting and (iii) review and establish processes to monitor contract compliance.

All compensation plan targets, including budgeted Distributable Income per Unit and personal performance goals, are approved by the Board at the beginning of the fiscal year at a level which, if achieved, will help generate value for Unitholders. For 2013, InnVest achieved 83% of the Distributable Income per Unit target established for the payment of annual bonuses. Certain personal performance goals were also achieved in 2013. The annual cash bonus paid to Named Executive Officers for 2013 is set out under "Statement of Executive Compensation – Summary Compensation Table for Named Executive Officers". Cash bonuses in respect of 2013 were paid in April 2014.

The following table sets out the total percentage of the target cash performance bonus achieved for each Named Executive Officer in respect of fiscal 2013.

<b>Name and Position</b>	<b>Target Cash Performance Bonus (% of base salary)</b>	<b>Payout Range (% of base salary)</b>	<b>Actual 2013 Cash Performance Bonus (% of base salary)</b>
Anthony Messina President and Chief Executive Officer	75%	56-75% <sup>(1)</sup>	56%
George Kosziwka Chief Financial Officer	50%	0-50%	40%
Brad Pollock Vice President Taxation and Treasury	25%	0-25%	20%
Chantal Nappert Vice President Finance and Investor Relations	25%	0-25%	20%

Notes:

(1) Range is based on minimum annual cash bonus as described under “— Named Executive Officer Employment Agreements”.

### Equity-Based Incentives

Long-term equity-based incentive compensation, in the form of Units or restricted units, has comprised a significant portion of the overall compensation for InnVest's Named Executive Officers. The Compensation and Corporate Governance Committee believes this is appropriate as it aligns employee interests with those of Unitholders. The award of restricted units also supports InnVest's retention goals because the three and four year vesting periods encourage the Named Executive Officers to remain employed by InnVest over the long-term.

Pursuant to the REIT's Executive Incentive Plan, as described under "Securities Authorized for Issuance Under Equity Compensation Plans – Description of Executive Incentive Plan", restricted units are awarded on an annual basis and vest at a rate of 50% on each of the third and fourth anniversary of the date of grant. A restricted unit granted under the Executive Incentive Plan entitles the holder to receive, on the vesting date, the then current fair market value of a 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.

Each year, the Compensation and Corporate Governance Committee recommends the value of Units or restricted units to be granted to the CEO and CFO, as a percentage of their base compensation, based on their achievement of

predetermined criteria. Board discretion also allows for consideration of management's contribution to drivers of long term value, as well as less quantifiable indications of effort, commitment and retention. Consideration is also given to the number of Units or restricted units granted in the previous year when granting current year awards.

As described under "— Named Executive Officer Employment Agreements", given that his compensation agreement expires in November 2014, Mr. Messina's awards under the Executive Incentive Plan vest immediately so that Mr. Messina receives Units each year as opposed to the restricted units with three- or four-year vesting awarded to all other 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 (subject to the CEO's minimum annual award guarantee).

For 2013, the value of restricted units awarded to the Named Executive Officers was based on the same criteria as described under "—Annual Cash Bonus".

The following table sets out the total percentage of the target equity-based incentive bonus achieved for each Named Executive Officer in fiscal 2013.

<b>Name and Position</b>	<b>Target Equity-Based Incentive Award (% of base salary)</b>	<b>Payout Range (% of base salary)</b>	<b>Actual 2013 Equity-Based Incentive Award (% of base salary)</b>
Anthony Messina President and Chief Executive Officer	93% <sup>(1)</sup>	65-93% <sup>(2)</sup>	75%
George Kosziwka Chief Financial Officer	50%	0-50%	40%
Brad Pollock Vice President Taxation and Treasury	25%	0-25%	20%
Chantal Nappert Vice President Finance and Investor Relations	25%	0-25%	20%

Notes:

(1) Based on target annual award of 50,000 Units, valued at \$4.67 being the Unit closing price on December 31, 2013.

(2) Range is based on minimum annual award of 35,000 Units, valued at \$4.67 being the Unit closing price on December 31, 2013.

For 2013, InnVest achieved 83% of the Distributable Income per Unit target of \$0.511 established for the payment of equity-based incentive bonuses. Certain personal performance goals were also achieved in 2013. The value of the Units and restricted units awarded to Named Executive Officers for 2013 is set out under "— Summary Compensation Table for Named Executive Officers".

For performance achieved in 2013, an aggregate of 68,172 Units and restricted units were awarded to Named Executive Officers in March and April 2014.

### *Compensation Program Risk Assessment*

The Board, primarily through the Compensation and Corporate Governance Committee, is responsible for approving, monitoring and amending InnVest's principal compensation programs (as described above). While InnVest's compensation plans contain a significant component of variable compensation for the Named Executive Officers, InnVest's compensation plans are generally balanced between short-term and long-term incentives, with limits on bonuses awarded. As set out under “- Named Executive Officer Employment Agreements”, InnVest’s current CEO has a short-term compensation agreement and as such, his compensation does not include a long-term incentive component, other than through his ownership of Units. In April 2014, the REIT announced the appointment of Edward Pitoniak to the role of Managing Director of InnVest. This interim role will involve direct oversight over the REIT’s business while the Board undertakes a search for a permanent full-time Chief Executive Officer to be employed by InnVest. The Board believes this appointment will mitigate any risks relating to the short-term nature of the current CEO’s compensation agreement. The basic metric used by InnVest in determining short-term and long-term incentive compensation is Distributable Income for all Named Executive Officers.

Key risk-mitigating features in InnVest's compensation governance processes and compensation structure include:

- **Variable compensation mix:** For the Named Executive Officers, a significant portion of target total direct compensation is delivered through variable compensation (annual cash bonus and long-term incentive plan). This mix provides a strong pay-for-performance relationship, while providing a competitive base level of compensation through salary, and mitigates the risk of encouraging the achievement of short-term goals at the expense of long-term sustainability and unitholder value.
- **Use of balanced measures:** The Board considers qualitative and quantitative goals in determining annual incentive compensation.
- **Application of Compensation and Corporate Governance Committee discretion:** InnVest's compensation programs allow for discretionary assessment of performance by the Compensation and Corporate Governance Committee to ensure pay aligns with perceived and actual performance.
- **Incentive plan payouts capped:** The annual cash bonus incentive has a maximum payout cap of 100% of target. The equity-based incentive payout factor is also capped at 100% of target.
- **Anti-hedging policy:** InnVest prohibits officers and directors from hedging equity-based compensation positions in InnVest.
- **Board approval of CEO and CFO compensation:** The full Board is responsible for reviewing and approving executive compensation recommendations made by the Compensation and Corporate Governance Committee.

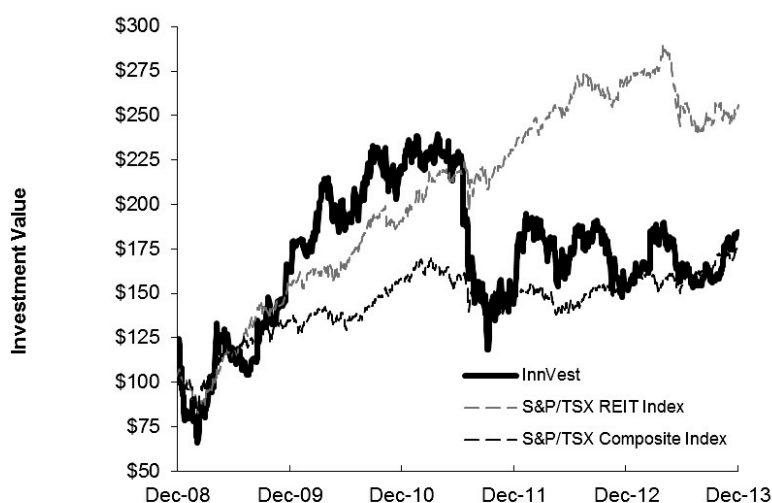
Risk is also mitigated by InnVest's strong ethical culture and the prohibition on speculation in financial instruments other than for long-term investments, as outlined in the REIT’s insider trading policies. As a result of the foregoing checks and balances, the Board has not identified any risks arising from InnVest's compensation policies and practices that are likely to have a material adverse effect on InnVest.

### 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, 2008 (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.

	December 31					
	2008	2009	2010	2011	2012	2013
InnVest	\$100	\$163	\$220	\$144	\$153	\$184
S&P/TSX Composite Index	\$100	\$135	\$159	\$145	\$155	\$176
S&P/TSX REIT Index	\$100	\$155	\$190	\$232	\$271	\$256

**Comparison of Cumulative Total Return for Period  
(December 31, 2008 to December 31, 2013)**



InnVest's total return tracked the S&P/TSX REIT Index and improved considerably from 2008 through 2010 reflecting expectations of an economic recovery and a low interest rate environment benefitting real estate investments. This growth followed unprecedented global capital markets volatility in 2008. InnVest's Unit price experienced significant declines in July 2011 following the announcement by the Minister of Finance of changes in the treatment under the *Income Tax Act* (Canada) of issuers of "stapled" securities. InnVest was one of a limited number of issuers of stapled securities impacted by these changes.

Investments in economically-sensitive sectors such as the lodging industry tend to be more volatile given the direct, and immediate, correlation with the economy (room prices change on a daily basis).

The compensation of the Named Executive Officers is not directly tied to the total return to Unitholders over a 5-year period although part of the total compensation for all Named Executive Officers is paid in Units and restricted units of the REIT. This type of compensation provides a direct alignment of management and Unitholder interests.

## Summary Compensation Table for Named Executive Officers

The table below sets forth the compensation paid by the REIT to the Named Executive Officers for services rendered in all capacities to the REIT in respect of the years ended December 31, 2011 through December 31, 2013.

Name & Principal Position	Year	Salary (\$)	Unit-based awards <sup>(5)</sup> (\$)	Option-based awards (\$)	Non-equity incentive plan compensation (\$)		Pension value (\$)	All other comp (\$) <sup>(7)</sup>	Total comp (\$)
					Annual <sup>(6)</sup>	Long-Term			
Anthony Messina <sup>(1)</sup>	2013	\$250,000	\$211,200	-	\$140,100	-	-	-	\$601,300
President and Chief Executive Officer	2012	72,579	38,800	-	100,000	-	-	-	211,379
	2011	-	-	-	-	-	-	-	-
George M. Kosziwka <sup>(2)</sup>	2013	\$135,000	\$67,946	-	\$ 54,000	-	-	-	\$256,946
Chief Financial Officer and Corporate Secretary	2012	225,089	44,484	-	50,000	-	-	-	319,573
	2011	227,380	29,859	-	50,600	-	-	-	307,839
Brad Pollock <sup>(3)</sup>	2013	\$210,000	\$47,560	-	\$41,869	-	-	-	\$299,429
Vice President Taxation and Treasury	2012	100,000	14,550	-	15,000	-	-	-	129,550
	2011	84,100	-	-	17,500	-	-	-	101,600
Chantal Nappert <sup>(4)</sup>	2013	\$134,252	\$40,207	-	\$35,699	-	-	-	\$210,158
Vice President Finance and Investor Relations	2012	71,528	-	-	27,750	-	-	-	99,278
	2011	70,125	-	-	27,375	-	-	-	97,500

### Notes:

- (1) Mr. Messina was appointed to the role of President and CEO on December 7, 2012 following his initial appointment as interim CFO on July 4, 2012. In his role as CEO (and prior role as interim CFO) of InnVest, Mr. Messina is required to devote at least 50% of his time to managing the affairs of InnVest. The salary disclosed for Mr. Messina reflects the portion of his base salary that was paid by the REIT in respect of his services as an executive officer of the REIT since the date of his appointments. The balance of Mr. Messina's base salary is paid by the Manager. No more than 50% of Mr. Messina's aggregate base salary is paid by the REIT.
- (2) Mr. Kosziwka was appointed as CFO effective December 7, 2012. He previously served as Vice President, Finance of InnVest. Prior to his appointment as CFO, Mr. Kosziwka dedicated 100% of his time to the management of InnVest. In connection with his appointment as CFO, Mr. Kosziwka took on a role with the Manager and is thereafter required to devote at least 50% of his time to managing the affairs of InnVest. The salary disclosed for Mr. Kosziwka in his role as CFO reflects the 50% portion of his base salary that was paid by the REIT since the date of his appointment. The balance of Mr. Kosziwka's base salary is paid by the Manager. Mr. Kosziwka's CFO role is expected to become 100% dedicated to the affairs of the REIT by December 1, 2014.
- (3) Mr. Pollock was appointed as Vice President Taxation and Treasury of the REIT on January 1, 2013. Mr. Pollock previously served as Vice President, Taxation with the Manager. In his role with the Manager, 50% of Mr. Pollock's annual compensation was reimbursed by the REIT. The compensation disclosed for Mr. Pollock prior to his appointment with the REIT reflects the 50% portion of his compensation that was paid by the REIT.
- (4) Ms. Nappert was appointed as Vice President Finance and Investor Relations of the REIT on May 31, 2013. Ms. Nappert previously served as Executive Director, Investor Relations with the Manager. In her role with the Manager, 50% of Ms. Nappert's annual compensation was reimbursed by the REIT. The compensation disclosed for Ms. Nappert prior to her appointment with the REIT reflects the 50% portion of her compensation that was paid by the REIT.
- (5) Represents the dollar amount of Units and 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 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 \$5.28 and \$5.26 per Unit for 2013, \$4.85 per Unit for 2012 awards and \$4.72 per Unit for 2011 awards based on the applicable grant date. In determining the number of restricted units awarded each year, the Board uses the Unit closing price on the last trading date of each year. 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.
- (6) Non-equity incentive plan compensation includes the annual cash bonus paid to the Named Executive Officers. Such bonuses, by their terms and subject to the discretion of the Board, are typically payable in the first half of the year following the fiscal year to which they relate.
- (7) Perquisites and other personal benefits do not exceed \$50,000 or 10% of the total of the annual salary and bonus for any of the Named Executive Officers.

## Allocation of Executive Compensation to InnVest

The CEO is also employed by the Manager. He is compensated separately by InnVest and the Manager for his respective roles. The total base salary paid by InnVest is to compensate for the time allocated for the management of InnVest. The base salary amounts indicated in the above summary compensation table for the CEO represent only amounts allocated to InnVest. The remainder of Mr. Messina's base salary is paid to Mr. Messina directly by the Manager. Mr. Messina is required to devote at least 50% of his time to managing the affairs of InnVest and no more than 50% of his aggregate base salary is paid by the REIT. In March 2014, InnVest announced its intention to commence a search for a permanent full-time CEO to devote 100% of their time to the REIT by December 1, 2014. As a result, CEO compensation for future periods is unlikely to be comparable to levels presented in the compensation table above.

Prior to his appointment as CFO on December 7, 2012, Mr. Kosziwka dedicated 100% of his time to the management of InnVest and was paid directly by InnVest. In connection with his appointment as CFO, Mr. Kosziwka took on a role with the Manager and is required to devote at least 50% of his time to managing the affairs of InnVest. The base salary amount indicated in the above summary compensation table for Mr. Kosziwka represents 100% of his salary as Vice President, Finance and a 50% allocation of his salary since his appointment as CFO. The remaining 50% of Mr. Kosziwka's base salary since his appointment as CFO is paid by the Manager. Mr. Kosziwka's CFO role is expected to become 100% dedicated to the affairs of the REIT by December 1, 2014. As a result, Mr. Kosziwka's CFO compensation for future periods is unlikely to be comparable to levels presented in the compensation table above.

## Incentive Plan Awards

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

The unit-based awards and incentive plan awards made for each Named Executive Officer of the REIT during the year ended December 31, 2013 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> (\$)	Market or payout value of vested unit-based awards not paid out or distributed (\$)
Anthony Messina	-	-	-	-	-	-	-
George M. Kosziwka	-	-	-	-	21,774	\$ 101,685	-
Brad Pollock	-	-	-	-	3,095	14,452	-
Chantal Nappert	-	-	-	-	-	-	-

Notes:

(1) As at December 31, 2013. Includes the restricted units accumulated through distributions since the restricted units were granted.

(2) Calculation is based on a Unit price of \$4.67 which is the closing price on December 31, 2013 on the TSX.

*Incentive Plan Awards – Value Vested or Earned During the Year*

	Option-based awards – Value vested during the year (\$)	Unit-based awards – Value vested during the year (\$)	Non-equity incentive plan compensation – Value earned during the year (\$)
Anthony Messina	-	\$ 38,240 <sup>(1)</sup>	\$140,100
George M. Kosziwka	-	18,535 <sup>(2)</sup>	54,000
Brad Pollock	-	-	41,869
Chantal Nappert	-	-	35,699

Notes:

- (1) Calculation is based on a Unit price of \$4.78 which was the closing price on May 23, 2013, the date the Units were granted.  
(2) Calculation is based on a Unit price of \$4.18 which was the closing price on January 9, 2013, the date the restricted units vested. The amounts reflect the vesting of 50% of the restricted units granted in each of 2009 and 2010 as well as restricted units granted in respect of distributions paid on such vested restricted units.

**Named Executive Officer Employment Agreements**

*Chief Executive Officer*

Mr. Messina has a two year compensation agreement through November 30, 2014. Mr. Messina's compensation terms provide for an annual base salary based on a proportionate allocation of his time to manage the affairs of InnVest.

In addition to his annual base salary, Mr. Messina is eligible for an annual cash performance bonus (in an amount up to 75% of his base salary including a guaranteed minimum of 56% of his base salary) and an annual award of Units (up to 50,000 Units each year with a guaranteed minimum of 35,000 Units per year). Given his short-term compensation agreement, Mr. Messina is issued Units rather than restricted units. The performance criteria and target performance levels for the cash performance bonus and the award of Units are established by the Compensation and Corporate Governance Committee in consultation with Mr. Messina at the beginning of each financial year.

Mr. Messina's compensation agreement does not specify obligations in the event of a termination or change of control.

*Chief Financial Officer*

Mr. Kosziwka's terms of employment with the REIT provide for an annual base salary based on a proportionate allocation of his working day to managing the affairs of InnVest. In addition to his annual base salary, Mr. Kosziwka is eligible for an annual cash performance bonus and an annual award of restricted units, each in an amount up to 50% of base salary. The performance criteria and target performance levels for the cash performance bonus and the award of restricted units are established by the Compensation and Corporate Governance Committee in consultation with Mr. Kosziwka at the beginning of each financial year.

Mr. Kosziwka's employment terms do not specify obligations in the event of a termination or change of control.

*Vice Presidents*

Terms of employment for Mr. Pollock and Ms. Nappert provide for an annual base salary as well as an annual cash performance bonus and an annual award of restricted units, each in an amount up to 25% of their respective base salary. The performance criteria and target performance levels for the cash performance bonus and the award of restricted units are established by the Compensation and Corporate Governance Committee in consultation with Mr. Pollock and Ms. Nappert at the beginning of each financial year. Employment terms do not specify obligations in the event of a termination or change of control.



## SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

The table below sets forth the securities of InnVest which were authorized for issuance under InnVest's equity compensation plans as at December 31, 2013.

Plan Category	Number of Units to be issued upon exercise of outstanding options, warrants and rights	Weighted-average price of outstanding options, warrants and rights	Number of Units remaining available for future issuance under equity compensation plans
Equity compensation plans approved by Unitholders <sup>(1)</sup>	27,210	N/A <sup>(2)</sup>	790,951
Equity compensation plans not approved by Unitholders	N/A	N/A	N/A

Note:

- (1) The only equity compensation plans of InnVest in existence as at December 31, 2013 were (a) the Executive Incentive Plan and (b) section 2.9 of the Declaration of Trust which provides that 50% of the annual compensation of the Trustees shall be paid in Units. As at December 31, 2013, 621,345 Units remained available for future issuance under the Executive Incentive Plan and 169,606 Units remained available for issuance as Trustee compensation.
- (2) Restricted units granted under the Executive Incentive Plan do not have an exercise price. Instead, recipients are entitled to receive, on the vesting date of a restricted unit, an amount, payable in 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.

### Description of Executive Incentive Plan

The Executive Incentive Plan provides for the grant of restricted units to any officer or senior employee of the REIT or a subsidiary of the REIT who has been designated by the Compensation and Corporate Governance Committee and who has agreed to participate in the Executive Incentive Plan on terms specified by the REIT (each such individual, a "**Participant**"). Each of the Named Executive Officers participates in the Executive Incentive Plan and may be granted restricted units from time to time. Restricted units vest pursuant to a schedule that has been approved by the Trustees. The vesting date may be set any time between the grant date and the fourth anniversary of the grant date. Subject to certain conditions, each restricted unit entitles the holder thereof to receive a payment on the vesting date stipulated at the time of the grant of the restricted unit, as such date may be changed from time to time in the discretion of the Compensation and Corporate Governance Committee (the "**Payment Date**"), of an amount, payable in 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. In the event of a proposed or completed take-over bid for all of the Units, substantial asset sale, merger, amalgamation, arrangement or other reorganization of the REIT, the Compensation and Corporate Governance Committee may make such changes to the terms of the Executive Incentive Plan and the restricted units as it determines in its sole discretion.

A maximum of 1,000,000 Units have been reserved for issuance under the Executive Incentive Plan, representing approximately 1.1% of the outstanding Units at the date of this Circular. 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 the date of this Circular, 447,482 (December 31, 2013 – 378,655) restricted units (including units with immediate vesting) had been granted under the Executive Incentive Plan, of which 51,049 (December 31, 2013 – 27,210) were unvested, representing less than 0.1% of the outstanding Units as at the date of this Circular. The Named Executive Officers are not involved in setting or amending the Executive Incentive Plan. Previous restricted units awarded are not taken into account when considering the award of new restricted units.

The maximum number of Units reserved for issuance in satisfaction of rights under restricted units granted under the Executive Incentive Plan and under other entitlements granted under any other existing security-based compensation arrangements of the REIT to any one person shall not exceed 5% of the outstanding Units from time to time. The

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

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

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

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

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

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

### **Description of Trustee Compensation Plan**

Pursuant to section 2.9 of the Declaration of Trust, 50% of the Trustees' annual compensation is payable in Units (based on the then-current market price), subject to the receipt of all required regulatory approvals. Under section 2.9, the Trustees may, from time to time, unanimously adjust the amount of annual compensation payable to the Trustees without Unitholder approval; however, any amendment to section 2.9, including the obligation of the REIT to pay 50% of the Trustees' annual compensation in Units, requires the approval of two-thirds of the votes cast at a meeting of Unitholders called for that purpose. See "Board of Trustees – Compensation of the Board of Trustees" for a description of InnVest's current trustee compensation practices.

A maximum of 350,000 Units have been reserved for payment of the Trustees' annual compensation, representing approximately 0.4% of the outstanding Units as at the date of this Circular. As at the date of this Circular, 197,255 (December 31, 2013 – 180,394) Units had been granted under the Trustee Compensation Plan, representing approximately 0.2% of the outstanding Units as at the date of this Circular.

## **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, 2013, no current or former Executive Officer, Trustee or employee of the REIT, and no proposed nominee for election as Trustee, or any of their associates, was indebted to (i) the REIT or any of its subsidiaries, or (ii) any other entity where the indebtedness is, or was at any time during the REIT's financial year ended December 31, 2013, the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the REIT or any of its subsidiaries.

## **TRUSTEES' AND OFFICERS' INSURANCE AND INDEMNIFICATION**

The REIT maintains insurance for the benefit of the 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 approximately \$160,000. There is a per-loss deductible of \$100,000, a securities claim deductible of \$100,000, 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 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 CBCA, 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, 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 $\frac{2}{3}$ % of the independent Trustees who have no interest in such transaction.

### **Management Agreement**

In connection with the Settlement, the Operator and the REIT, entered into a third amended and restated Management Agreement with the Manager on April 21, 2014 pursuant to which the Manager is responsible for the management of the majority of the hotel businesses in InnVest. The Manager manages the hotel businesses and provides customary hotel management services, including preparation of annual operating and capital budgets and marketing plans, accounting and financial reporting, supervision of sales and marketing, human resource management, purchasing, management and supervision of construction and technical services, information technology, franchise relations and evaluations, supervision of property repairs and maintenance, supervision of compliance with material contracts relating to the hotel properties, leasing, yield management and quality control. Messrs. Fereed Mangalji and Majid Mangalji, trustees of the REIT, have a direct or indirect controlling interest in the Manager and as such have a material interest in the Management Agreement.

The Management Agreement, as amended and restated in connection with the Settlement, extended the term of the agreement on revised terms consistent with hospitality industry practice to allow the REIT greater flexibility with respect to portfolio management and incentive compensation. The material terms of the Management Agreement, as amended, are as follows:

- (a) The term of the Management Agreement was extended until April 21, 2024 and may be renewed on the mutual consent of the Manager and the Operator.
- (b) The Manager no longer has the exclusive right to manage the REIT's acquired hotels. The REIT may consider appointing the Manager to manage any additional hotels on a case-by-case basis. The Manager has also been released from its non-compete arrangements.
- (c) The REIT or the Operator have the ability to terminate the Manager's appointment to manage any or all hotels for any reason on 60 days' prior written notice with respect to any or all of the hotels managed by the Manager, subject to a termination payment equal to three times the sum of all Management Fees (as such fees are defined in the Management Agreement) earned or payable in respect of the hotels no longer covered by the Management Agreement due to such termination during the 12-month period immediately preceding the month in which the termination occurs (subject to adjustment in certain circumstances).
- (d) The Manager's base management fee has been reduced from 3.375% to 2.95% and a new incentive fee structure (as set out below) has been adopted that will allow the Manager to earn up to 3.80% of the gross revenue of managed hotels per year. A summary of the key concepts related to the base management and incentive fee payable to the Manager is set out below.

#### *Management and Incentive Fee Structure*

The Management Agreement provides for the payment by the Operator or its subsidiaries of an annual management fee to the Manager during the term of the Management Agreement, at a rate of 2.95% of gross revenues of the managed hotels, calculated and payable monthly. In addition, the Manager is entitled to an annual base incentive fee equal to 0.425% of gross revenues of the hotels of the REIT managed by the Manager, calculated and payable monthly, to be adjusted at the end of the year as follows:

- (a) For each percentage point (1.0%) that the year-over-year net operating cash flow of the managed hotels increases, the base incentive fee will be increased by 2.8333 basis points, to a maximum incentive fee of 0.85%;

- (b) For each percentage point (1.0%) that the year-over-year net operating cash flow of the managed hotels decreases, the base incentive fee will be reduced by 2.8333 basis points, to a minimum incentive fee of 0%; and
- (c) Where there is no change in the year-over-year net operating cash flow of the managed hotels, the incentive fee will remain unchanged at 0.425%.

Once added to the base management fee, the above adjustments to the incentive fee will entitle the Manager to a combined management fee of between 2.95% and 3.80% of the annual gross revenue of the managed hotels. For the purposes of calculating the net operating cash flow of the managed hotels, to the extent that the Manager is appointed to manage any additional hotels acquired by the REIT in a given year, the net operating cash flow for the additional hotel(s) will be excluded from the above calculations for the year in which the hotel is acquired and the immediately following year. For the year in which the hotel is acquired and the immediately following year, such additional hotel(s) will be entitled to the unadjusted incentive fee of 0.425% applied individually to the gross revenue of each additional hotel. Similarly, to the extent any hotel is terminated in a given year, the net operating cash flow for the terminated hotel(s) will be excluded from the above calculations for the year in which the hotel is terminated and an unadjusted incentive fee of 0.425% will be applied individually to the gross revenue of each terminated hotel in the year in which it is terminated.

In addition to the base management fee and incentive fee, the Manager is entitled to the following fees in respect of the REIT hotels that it manages (i) purchasing fees based on 5% of the cost of certain goods and supplies for the hotel businesses and approved by the Operator; (ii) construction fees based on 5% of the cost of construction and capital expenditures to hotel properties and approved by the Operator; and (iii) per guest room fees for accounting services in respect of the hotel businesses, such fees to be increased by inflation annually. The amended and restated Management Agreement did not result in any changes to the basis for such additional fees. The amended and restated Management Agreement allows the Operator to request the Manager's services in connection with construction work to be performed at hotels that it does not manage and for accounting services in respect of the REIT's business on a case-by-case basis, as may be agreed to by the Operator and Manager. 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 are otherwise approved in writing by the Operator prior to being incurred by the Manager.

#### *Asset Management Services*

As part of the Settlement, the asset supervisory agreement between the Operator and the Manager, pursuant to which the Manager provided certain asset management services in respect of properties not subject to the Management Agreement, will be terminated effective November 30, 2014 at no cost to the REIT and the REIT will internally asset manage all of its properties. As a result, the REIT will no longer pay asset management fees to the Manager effective December 1, 2014.

#### *Fees Paid to the Manager in 2013*

In consideration for services rendered in 2013, the Manager was paid approximately \$11.6 million in management fees and approximately \$7.8 million for other services. Of these fees, \$1.8 million was paid pursuant to the asset supervisory agreement that will be terminated.

The Manager's address is 5090 Explorer Drive, Mississauga, Ontario.

## KingSett Capital Loan

On April 24, 2014, InnVest entered into and closed a credit agreement with KingSett Capital (the "**Credit Agreement**") pursuant to which KingSett Capital has agreed to provide InnVest with a \$50 million secured term loan facility (the "**Term Loan**") and a \$50 million secured non-revolving stand-by liquidity facility (the "**Liquidity Loan**"). The Term Loan will be outstanding for four years and be subject to (a) an up-front fee, payable to KingSett Capital within 20 days of the closing of the Term Loan, of \$1.5 million (the "**Up-Front Fee**"), and (b) regular interest payments of 8.75% per annum (the "**Term Interest Payments**"). In addition, in consideration for KingSett Capital agreeing to provide InnVest with the Liquidity Loan, InnVest has agreed to pay KingSett Capital a commitment fee, payable within 20 days of the closing of the Term Loan, of \$1.5 million (the "**Commitment Fee**"). If drawn, the Liquidity Loan will be subject to regular interest payments of 9.5% per annum (the "**Liquidity Interest Payments**").

In connection with the Credit Agreement, InnVest and KingSett Capital have agreed that InnVest will issue Units in satisfaction of the Up-Front Fee and the Commitment Fee. In addition, in the first year that the Term Loan is outstanding, a portion of the Term Interest Payments due in that year equal to 3% per annum will be payable in Units at the option of KingSett Capital and, if the Liquidity Loan is drawn, a portion of the Liquidity Interest Payments in that year equal to 3.75% per annum will be payable in Units at the option of KingSett Capital. During the three subsequent years, the same portions of the Term Interest Payments and the Liquidity Interest Payments will be payable in Units if mutually agreed by KingSett Capital and InnVest. InnVest's obligation to issue any Units in satisfaction of the Up-Front Fee, the Commitment Fee and a portion of the Interest Payments will be subject to the receipt of applicable regulatory approvals and compliance with InnVest's internal policies, including its insider trading policy. Subject to the foregoing, any such Units will be issued at a price equal to the five-day volume-weighted average price of the Units on the TSX prior to the date of each issuance.

Jon E. Love, a trustee of the REIT, has an indirect controlling interest in KingSett Capital and as such has an interest in the Credit Agreement. KingSett Capital's address is Toronto-Dominion Centre, TD Bank Tower, 66 Wellington Street West, P.O. Box 163, Suite 4400, Toronto, Ontario M5K 1H6.

## CORPORATE GOVERNANCE PRACTICES

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

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

In this Circular and in the attached Schedule B, the term "independent", as it relates to a Trustee, has the corresponding meaning given to the term "independent" in NI 52-110 and 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, 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 other than Mr. Pitoniak are "independent" within the meaning of NI 52-110 and NI 58-101.

## 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, 2013.

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

- (a) its 2013 annual report, including management's discussion and analysis of financial and operating results;
- (b) its annual information form dated March 19, 2014, together with a copy of any document, or pertinent pages of any document, incorporated therein by reference; and
- (c) its comparative financial statements for the year ended December 31, 2013, together with the notes thereto and report of its auditors thereon, and any interim financial statements subsequently filed.

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

5090 Explorer Drive, 7th Floor  
Mississauga, ON L4W 4T9  
Attn: Investor Relations Officer  
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 has approved the contents of this Circular and the sending of this Circular to the Unitholders.

(signed) *Anthony Messina*

Anthony Messina  
President and Chief Executive Officer

Toronto, Ontario  
April 25, 2014

## 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**

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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

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

**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>

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

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

### **Frequency of Board Meetings**

The Board shall meet at least four times per year.

### **Quorum**

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

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

### **Secretary of the Meeting**

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

### **Right to Vote**

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

### **Invitees**

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

## 9. CONFLICTS OF INTEREST

### **Disclosure of Interest**

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

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

### **Time of Disclosure**

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

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

## **Voting**

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

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

## **Continuing Disclosure**

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

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

## 10. *IN CAMERA* SESSIONS

### **In Camera Sessions of Independent Trustees**

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

### **Business Transacted at In Camera Sessions**

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

## **DELEGATION OF DUTIES AND RESPONSIBILITIES**

## 11. DELEGATION AND RELIANCE

### **Delegation of Powers**

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

### **Requirement of Certain Committees**

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

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

### **Composition of Committees**

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

### **Review of Charters**

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

### **Reliance on Management**

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

### **Reliance on Others**

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

### **Oversight**

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

## **DUTIES AND RESPONSIBILITIES**

### 12. RESPONSIBILITY FOR SPECIFIC MATTERS

#### **Responsibility for Specific Matters**

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

### **Delegation to Committees**

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

## 13. GOVERNANCE GENERALLY

### **Governance Practices and Principles**

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

### **Governance Disclosure**

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

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

### **Delegation to Compensation and Corporate Governance Committee**

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

## 14. RESPONSIBILITIES RELATING TO MANAGEMENT

### **Integrity of Management**

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

- (a) as to the integrity of the CEO and other executive officers of the Trust; and
- (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.
- (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.

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

### 17. BOARD EFFECTIVENESS

#### **Position Description**

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

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

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

#### **Trustee Orientation and Continuing Education**

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

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



### **Board, Committee and Trustee Assessments**

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

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

#### 18. REGULAR ASSESSMENT OF THE BOARD

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

April 18, 2011

## SCHEDULE 1

### EXTRACT FROM DECLARATION OF TRUST

#### 3.1 General Powers.

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

#### 3.2 Specific Powers and Authorities.

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

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

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

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

- (u) To do all such acts and things and to exercise such powers as may be delegated to the Trustees by any Person who co-owns real property with the Trust.
- (v) To do all such other acts and things as are incidental to the foregoing, and to exercise all powers that are necessary or useful to carry on the business of the Trust, to promote any of the purposes for which the Trust is formed and to carry out the provisions of this Declaration of Trust.

## SCHEDULE B

### CORPORATE GOVERNANCE DISCLOSURE

The REIT believes that effective corporate governance practices are fundamental to the overall success of a company. The following is a discussion of the REIT's corporate governance policies and/or practices as required by NI 58-101.

<u>Governance Disclosure Guideline under NI 58-101</u>	<u>Comments</u>
<b>1. Board</b>	
(a) Disclose the identity of trustees who are independent.	The Board considers Mr. Boomer, Ms. Irwin, Mr. Lewis, Mr. Love, Mr. McFarlane and Mr. Wolf to be independent as none of them has any material relationship with the Company.
(b) Disclose the identity of trustees who are not independent, and the basis for that determination.	<p>As at April 25, 2014, three Trustees were not independent.</p> <p>Majid Mangalji is an appointee of Westmont and, as such, is deemed not to be independent by the Declaration of Trust.</p> <p>Fereed Mangalji is an appointee of the Manager and, as such, is deemed not to be independent by the Declaration of Trust.</p> <p>Mr. Pitoniak was appointed Managing Director of the REIT on April 22, 2014, which is an interim executive position. As such, he is deemed to have a material relationship with the REIT for purposes of NI 52-110 and NI 58-101.</p>
(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 has determined that the majority of the Trustees are independent.
(d) If a trustee is presently a director or 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.	Refer to the disclosure starting on page 9 for directorships of the Trustees in other reporting issuers.
(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	<p>The Board and its Committees meet independently of the management at all quarterly in-person meetings, and additionally when needed.</p> <p>The independent Trustees are authorized to meet separately from the non-independent Trustees and</p>

## Governance Disclosure Guideline under NI 58-101

## Comments

independent trustees do not hold such meetings, describe what the board does to facilitate open and candid discussion among its independent trustees.

retain external advisors at the expense of the REIT, as required whenever, in their opinion, matters come before the Board which require an independent analysis by independent Trustees. The independent Trustees met separately from the non-independent Trustees two times (excluding Committee meetings) during the fiscal year ended December 31, 2013.

(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.

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

The Chairman of the Board is not an independent Trustee. Mr. Daniel Lewis has been appointed lead independent Trustee and his responsibilities include: calling, setting the agenda and chairing meetings of the independent Trustees; in consultation with the Chairman, approving the agenda for Board meetings; as requested, advising management on the quality, quantity, appropriateness and timeliness of information sent to the Board; coordinating the activities of the independent Trustees and acting as a liaison between the independent Trustees and the Chairman and management; and such other duties and responsibilities as the Board may determine.

(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.

Refer to the disclosure starting on page 16 for the attendance record of each Trustee for all Board meetings held since the beginning of the fiscal year ended December 31, 2013.

### **2. Mandate of the Board**

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

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

### **3. Position Descriptions**

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

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

The broad mandate of the Trustees serves to define the relationship between the Trustees and management. All parties work in a collegial

<u>Governance Disclosure Guideline under NI 58-101</u>	<u>Comments</u>
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responsibilities of each such position.

manner without a significantly structured or hierarchical format to achieve the objectives of the REIT. Greater formalization through position descriptions may not well serve the REIT or the long-term interests of the Unitholders. The Trustees adhere to the guidelines as established in the Declaration of Trust.

The Declaration of Trust describes the role of the Board. Specifically, it provides that the Board has full, absolute and exclusive power, control and authority over the REIT's assets and over the affairs of the REIT and may do anything that in its sole judgment and discretion it considers necessary, incidental to or desirable for the purposes of the REIT or for conducting the affairs of the REIT. The Board acts in a supervisory role and any responsibilities not delegated to management or a Committee remain with the full Board.

The scope of the Board' supervisory role expressly includes such matters as the strategic planning process, identification and management of risk, succession planning, internal controls and governance. To support it in its supervisory role, the Board expects management, among other things, to:

- undertake an ongoing review of the REIT's strategies and their implementation in light of evolving conditions;
- present an annual operating plan and regularly report on the REIT's performance and results relative to such plan;
- report regularly on the REIT's business and affairs, with a focus on matters of material consequence for the REIT and its Unitholders;
- implement systems to identify and manage the principal risks of the REIT's business; and
- implement and maintain appropriate systems of internal control.

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

The Board does not have a position description for the REIT's CEO; however, the Board has met with Mr. Messina to discuss, among other things, his role and responsibilities as CEO. In March 2014, the REIT announced its intention to commence a search for a permanent full-time CEO. The Board



intends to provide a written position description for the CEO role in conjunction with this search.

The CEO's objectives are reviewed by the Board from time to time. These objectives include the general mandate to manage the REIT and to maximize Unitholder value. The limits to management's responsibilities are defined by the Board. This is accomplished both by specifically identifying the role and responsibilities of the CEO and specifying that all material decisions relating to the business and operations of the REIT are to be made by the Board or one of its Committees.

#### **4. Orientation and Continuing Education**

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

All new Trustees receive an orientation package, which includes the mandate of the Board and the charters of the Board Committees, copies of key corporate documents including the Declaration of Trust, and other relevant corporate and business information about the REIT.

(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 to meet their obligations as trustees.

In addition, the REIT's orientation for Trustees involves meeting with the Chair, CEO and senior management of the REIT for an interactive introductory discussion about the REIT. All Trustees are encouraged to meet with management informally and visit hotels.

Senior management makes regular presentations to the Board on the main areas of the REIT's business and updates the Board quarterly on the Company's financial and operating performance.

#### **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 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 Officer of the REIT, by e-mail, at [investor@innvestreit.com](mailto:investor@innvestreit.com) or by written request sent to the Investor Relations Officer at 5090 Explorer Drive, 7th Floor Mississauga, ON L4W 4T9.

The Board 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

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

**Comments**

(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.

contains provisions in respect of fair dealing, confidentiality and prohibitions and illegal or unethical behaviour. Compliance with the code is monitored by management of the REIT on a quarterly basis with results communicated to the Board as required.

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

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

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

**6. Nomination of Trustees**

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

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

In undertaking this responsibility, the Compensation and Corporate Governance Committee annually assesses the skill sets of the

existing Board and Committees and identifies any additional skill sets deemed to be beneficial. The Compensation and Corporate Governance Committee, in recommending individuals as trustees, considers any selection criteria approved by the Board 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.

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

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

See disclosure for 6(a).

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

See disclosure for 6(a).

## **7. Compensation**

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

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

(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.

The Compensation and Corporate Governance Committee, which is composed entirely of independent trustees, is responsible for the REIT's corporate governance, human resources and compensation policies. The Compensation and Corporate Governance Committee annually reviews the level and nature of compensation paid to the Trustees and officers. In making recommendations to the Board 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

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

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

seeks to align the interests of the Trustees and officers of the REIT with those of Unitholders. For additional information on the process by which the Compensation and Corporate Governance Committee determine compensation for the REIT's officers, see "Statement of Executive Compensation – Compensation Discussion & Analysis".

During 2013, the Compensation and Corporate Governance Committee engaged the services of Hugessen Consulting Inc., professional compensation consultants, to aid InnVest in the development and analysis of a new compensation program for its CEO and CFO.

**8. Other Board Committees**

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

The Board has an Investment Committee 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.

During 2013, all of the Trustees were members of the Investment Committee. As a result, the Trustees had not convened separate meetings of the Investment Committee during the past five years, and applicable transactions have instead been considered by the Trustees at Board meetings.

Following the reconstitution of the Board in March 2014, the Investment Committee has been reduced in size to five members and separate meetings are expected to be convened as required, commencing in 2014.

The Board may also form *ad hoc* committees from time to time to oversee specific matters of importance to the REIT. These committees are disbanded once the Board determines they are no longer required.

## 9. Assessments

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

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

As a result of the reconstitution of the Board in March 2014, the Compensation and Corporate Governance Committee has not conducted an evaluation of the effectiveness of the Board and its Committees for the 2013 fiscal year. However, careful consideration was given to the composition of each of the Committees following the reconstitution of the Board and the Compensation and Corporate Governance Committee intends to resume its annual evaluations for 2014 and subsequent years.



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