

INNVEST REAL ESTATE INVESTMENT TRUST

MANAGEMENT INFORMATION AND PROXY CIRCULAR

Unless otherwise indicated, all information contained herein is given as at March 29, 2007 and all dollar amounts are expressed in Canadian dollars.

This Management Information and Proxy Circular ("Circular") is furnished in connection with the solicitation of proxies by and on behalf of the management of InnVest Real Estate Investment Trust (the "REIT") for use at the annual meeting (the "Meeting") of unitholders ("Unitholders") of the REIT to be held on Wednesday, May 16, 2007 at 4:00 p.m. (Toronto time) and any adjournment(s) or postponement(s) thereof for the purposes set forth in the accompanying notice of Meeting (the "Notice"). It is expected that the solicitation will be made primarily by mail, but proxies may also be solicited by telephone or other personal contact by employees of the REIT. The costs of solicitation will be borne by the REIT.

APPOINTMENT AND REVOCATION OF PROXIES

A form of proxy is enclosed and, if it is not your intention to be present at the Meeting, you are asked to complete the form of proxy (the "Proxy Form") included in this Circular and return it in the envelope provided. The Proxy Form must be dated and executed by the Unitholder or the attorney of such Unitholder, duly authorized in writing, or if the Unitholder is a corporation, by an officer or attorney thereof duly authorized. If the proxy is executed by an attorney, a copy of the instrument appointing the attorney must accompany the proxy. Proxies to be used at the Meeting may be deposited with the REIT's transfer agent, Computershare Trust Company of Canada, by no later than 5:00 PM (Toronto time) on May 14, 2007 or any adjournment(s) or postponement(s) thereof or such other time as the Chairman of the Meeting may determine. Proxies sent by mail must be addressed to Computershare Trust Company of Canada, 100 University Avenue, 9th Floor, Toronto, Ontario M5J 2Y1. Proxies may be deposited with the Chairman of the Meeting on the day of the Meeting or any adjournment(s) or postponement(s) thereof.

The people named in the enclosed Proxy Form are trustees or officers of the REIT. **A Unitholder has the right to appoint a proxy holder (who is not required to be a Unitholder), other than any person or company designated in the Proxy Form, 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 Form and deleting the names thereon or by substituting another proper form of proxy.**

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

Units of the REIT ("Units") represented by proxies will be voted or withheld from voting as specified on any ballot that may be called for. The Proxy Form confers discretionary authority upon the persons named therein with respect to (i) each matter or group of matters identified therein for which no choice is specified, (ii) such other matters as may properly come before the Meeting or any adjournment(s) or postponement(s) thereof. If the Unitholder specifies a choice with respect to any matter to be acted upon, the Units will be voted accordingly. In respect of a matter for which no choice is specified in the proxy, or unless otherwise provided for in the proxy, the nominees named in the accompanying Proxy Form 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 other matters to come before the Meeting other than the matters referred to in the Notice or Meeting. **With respect to amendments to matters identified in the Notice or other matters that may come before the Meeting, such Units will be voted by the persons so designated in their discretion.**

VOTING AT MEETING AND QUORUM

On March 29, 2007, there were 55,530,470 Units issued and outstanding. Each Unit entitles its holder to one vote at meetings of Unitholders of the REIT. Holders of Units of record at the close of business on April 16, 2006, the record date established for notice of the Meeting, will be entitled to vote at the Meeting, or any adjournment(s) or postponement(s) thereof, either in person or by proxy.

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

PRINCIPAL HOLDERS OF UNITS

To the knowledge of the trustees (the "Trustees") and executive officers (the "Executive Officers") of the REIT, there is no direct or indirect beneficial owner of, nor any person who exercises control or direction over, Units carrying more than 10% of the votes attached to the outstanding Units, other than Goodman & Company, Investment Counsel Ltd. ("G&C") who, on behalf of one or more of the mutual funds or other client accounts managed by it, exercises control or direction over 6,623,327 Units, which represents approximately 11.93% of the Units and ING Clarion Real Estate Securities, L.P. who, on behalf of one or more of the mutual funds or other client accounts managed by it, exercises control or direction over 6,985,000 Units, which represents approximately 12.58% 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 directors, the appointment of the auditor and as set out herein.

BUSINESS OF THE MEETING

1. Financial Statements

The consolidated financial statements for the fiscal year ended December 31, 2006, together with the auditors' report thereon, were mailed to the Unitholders with the Notice and this Circular. No vote by the Unitholders is required with respect to this matter.

2. Appointment of Auditors

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

3. Election of the Board of Trustees

Term of Office

The Declaration of Trust provides that the REIT shall have a minimum of five and a maximum of nine Trustees and that a majority of the Trustees must be resident Canadians and independent. Pursuant to the Declaration of Trust, Westmont Hospitality Group, Inc. ("Westmont") has the right to appoint one Trustee, as it owns, in the aggregate, at

least 5% of the outstanding Units. Westmont Hospitality Canada Limited (the "Manager") also has the right, under the Declaration of Trust, to appoint one Trustee, because the master hotel management agreement (the "Management Agreement") between the REIT, a wholly-owned subsidiary of the REIT and the Manager is in effect and the appointment would not result in a majority of the Trustees not being independent Trustees. See "Interests of Informed Persons in Material Transactions – Master Hotel Management Agreement". The remaining Trustees are elected by a plurality of the votes cast at the annual meeting of Unitholders. Westmont is entitled to vote its Units for the election of the remaining Trustees.

As of the date of this Circular, the REIT has six Trustees (Majid Mangalji (Chairman), Fereed Mangalji, Frank Anderson, Morton G. Gross, Michael P. Kitt and Minhas N. Mohamed). Each of the Trustees, other than Fereed Mangalji has served as a Trustee since June 2, 2002. 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 and will remain a trustee for an indefinite term until he resigns, is changed by Westmont or until 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, is changed 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. All the other Trustees are standing for re-election at the Meeting and, if re-elected, will serve until the close of the next annual meeting of Unitholders, or until their successors are elected or appointed, and will be eligible for re-election.

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

<u>Name and Municipal Address</u>	<u>Current Principal Occupation</u>	<u>Units Beneficially Owned or Controlled</u>
Frank Anderson, FCA ⁽¹⁾⁽²⁾⁽³⁾⁽⁴⁾ Ontario, Canada	Deputy Chairman and member of the Board of Dundee Wealth Management Inc.	8,274
Morton G. Gross, Q.C. ⁽¹⁾⁽²⁾⁽³⁾⁽⁴⁾ Ontario, Canada	Senior partner of Borden Ladner Gervais LLP (Toronto office), a law firm	10,113
Michael P. Kitt ⁽¹⁾⁽²⁾⁽³⁾⁽⁴⁾ Ontario, Canada	Owner of a private consulting company that is primarily focused on commercial real estate investing	16,469
Minhas N. Mohamed ⁽¹⁾⁽²⁾⁽³⁾⁽⁴⁾ Ontario, Canada	President, Chief Executive Officer and Co-Founder of MMV Financial Inc., a venture capital company	7,769

Notes:

- (1) Member of Investment Committee.
- (2) Member of Audit Committee.
- (3) Member of Compensation and Corporate Governance Committee.
- (4) Independent Trustee.

Appointed Trustees Continuing in Office

Set out below is the Trustee appointed by Westmont and the Trustee appointed by the Manager, respectively.

<u>Name and Municipal Address</u>	<u>Current Principal Occupation</u>	<u>Units Beneficially Owned or Controlled</u>
Majid Mangalji ⁽¹⁾⁽²⁾ Wimbledon, England	Founder and President of Westmont, a private hotel owner and operator	3,691,820 ⁽³⁾⁽⁴⁾
Fereed Mangalji ⁽¹⁾ New York, United States	Executive Director of Westmont, a private hotel owner and operator	3,683,985 ⁽³⁾

Notes:

(1) Member of Investment Committee.

(2) Chairman of the Board of Trustees.

(3) Includes 272,508 Units controlled through Westmont and 3,411,477 Units controlled through Maple Leaf Investment Holdings. Majid Mangalji and Fereed Mangalji, together, have the decision-making authority for both of these entities.

(4) Majid Mangalji directly owns 7,835 Units.

DOCUMENTS INCORPORATED BY REFERENCE

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

- (a) the Annual Information Form of the REIT dated March 29, 2007;
- (b) the Management Discussion and Analysis on the REIT's consolidated financial results for the year ended December 31, 2006; and
- (c) the audited consolidated balance sheets of the REIT as at December 31, 2006, December 31, 2005 and December 31, 2004, the audited consolidated statements of income, Unitholders' equity and cash flow of the REIT for the years ended December 31, 2006, December 31, 2005 and December 31, 2004 and the respective auditors' reports thereon.

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

COMPENSATION OF THE BOARD OF TRUSTEES

The Chairman's annual retainer fee is \$40,000 and the annual retainer fee for the remaining Trustees is \$30,000. In addition, the annual retainer fee for Chairs of committees ("Committees") of the Board of Trustees is \$10,000 except for the Chair of the Audit Committee whose annual retainer fee is \$12,500. Trustees are paid a fee of \$1,000 per Board of Trustees or Committee meeting attended in person and \$500 for a telephone meeting.

Trustees are paid one half of their annual retainer fee in Units (based on the volumetric weighted average trading price of the last five trading days of the quarter). The REIT has reserved a maximum of 100,000 Units for this purpose and any increase in this maximum is subject to regulatory approval and Unitholder approval, if required. The Trustees' compensation can only be changed by unanimous consent of the Trustees. In addition, Trustees, either directly or indirectly, are entitled to receive remuneration for services rendered to the REIT in any other capacity. Trustees who are employees of, and who receive salary from, the REIT are not entitled to receive any remuneration for their services as Trustees but are entitled to reimbursement of their out-of-pocket expenses. Other than the payment of one-half of the annual retainer fee being paid in units, all other fees are paid in cash. For the year ended December 31, 2006, all fees in relation to Trustee compensation totalled \$297,500.

TRUSTEE ATTENDANCE RECORD

During the 2006 fiscal year, there were a total of 26 Trustee and committee meetings as outlined in the following table:

Directors	<u>Board Meetings Attended</u>	<u>Committee</u>	<u>Committee Meetings Attended</u>	<u>Total Meetings Attended</u>
Frank Anderson ⁽¹⁾⁽²⁾⁽³⁾⁽⁴⁾	15 of 15 Meetings	Audit Investment	6 of 6 1 of 1	22
Morton G. Gross ⁽¹⁾⁽²⁾⁽³⁾⁽⁴⁾	12 of 15 Meetings	Governance Investment	4 of 4 1 of 1	17
Michael P. Kitt ⁽¹⁾⁽²⁾⁽³⁾⁽⁴⁾	15 of 15 Meetings	Audit Governance Investment	6 of 6 4 of 4 1 of 1	26
Minhas N. Mohamed ⁽¹⁾⁽²⁾⁽³⁾⁽⁴⁾	11 of 15 Meetings	Audit Governance Investment	5 of 6 3 of 4 1 of 1	20
Majid Mangalji ⁽¹⁾	13 of 15 Meetings	—	—	13
Fereed Mangalji ⁽¹⁾	8 of 15 Meetings	—	—	8

Notes:

- (1) Member of the Investment Committee.
- (2) Member of the Audit Committee
- (3) Member of the Compensation and Corporate Governance Committee
- (4) Independent Trustee

CORPORATE GOVERNANCE PRACTICES

Effective corporate governance is a priority for the Board of Trustees. During the past year, there have been several changes to the corporate governance disclosure requirements applicable to the REIT. Specifically, the Board of Trustees has taken into account the rules and guidelines adopted by the Canadian Securities Administrators ("CSA") in June 2005 (National Instrument 58-101 — *Disclosure of Corporate Governance Practices* ("NI 58-101") and National Policy 58-201 — *Corporate Governance Guidelines*) (the "CSA Governance Requirements"), which require the REIT to disclose certain information relating to its corporate governance practices. This information is

set out in Schedule A to this Circular. The CSA Governance Requirements replace the previous Toronto Stock Exchange corporate governance guidelines applicable to the REIT.

The CSA Governance Requirements set out 9 best practices drawn from existing Canadian standards and recently enacted U.S. regulatory standards in the following areas: (i) board independence, (ii) the role of the board generally, (iii) the role of the board in the issuer's ethical framework, (iv) board effectiveness, (v) the nomination of directors and (vi) the setting of executive 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 CSA has also introduced and revised the new rules regarding the composition of audit committees (Multilateral Instrument 52-110 – *Audit Committees*) and the certification of an issuer's disclosure controls and procedures (Multilateral Instrument 52-109 – *Certification of Disclosure in Issuers' Annual and Interim Filings*). The REIT is currently in compliance with these new rules. For the year ended December 31, 2006, the REIT was required to file a certificate to certify that the REIT established appropriate disclosure controls and procedures and that management has evaluated the effectiveness of these controls and procedures. A similar certificate is also required for quarterly reports, which will certify the REIT's disclosure controls and procedures. The REIT is also required to file a certificate for the year ended December 31, 2006 that requires the Chief Executive Officer and the Chief Financial Officer to additionally certify that management has appropriately designed internal control over financial reporting, and has disclosed in the MD&A material changes relative to this system of controls.

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

INDEPENDENT TRUSTEE MATTERS

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

- (a) to make a material change to the Management Agreement or the administrative services agreement between the REIT and the Manager or the administrative services agreement between the Operator and the Manager (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 person referred to in paragraph (c) above differ from the interests of the REIT;
- (e) to increase the number of the Trustees by no more than one-third in accordance with the Declaration of Trust and to appoint Trustees to fill the vacancies so created;
- (f) to recommend to the Unitholders that the number of Trustees be increased, where a vote of Unitholders thereon is required, and to nominate individuals as Trustees to fill the vacancies so created;

- (g) to acquire any real or other property in which a related party of the REIT has an interest or to sell any interest in any real or other property to a related party of the REIT;
- (h) to make any changes in compensation of an employee who is also an employee of a related party;
- (i) to grant options to purchase Units under any Unit option plan approved by the Trustees or to award any right to acquire or other right or interest in Units or securities convertible into or exchangeable for Units under any plan approved by the Trustees; and
- (j) to approve or enforce any agreement entered into by the REIT with a Trustee who is not an independent Trustee or an associate thereof, with a related party of the REIT, or with the Manager or any successor as hotel manager under the Management Agreement.

COMMITTEES OF THE BOARD OF TRUSTEES

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

Investment Committee

All of the Trustees were members of the Investment Committee for the fiscal year ended December 31, 2006. The Investment Committee's primary duties and responsibilities include: (i) reviewing and approving or rejecting proposed acquisitions and dispositions of investments by the REIT, (ii) authorizing proposed transactions, and (iii) approving all financing arrangements and the assumption or granting of mortgages.

Audit Committee

The current members of the Audit Committee are Frank Anderson, Michael P. Kitt, Minhas N. Mohamed and Morton G. Gross (who was appointed to the Audit Committee on March 9, 2007), all of whom are independent Trustees. The Audit Committee's primary duties and responsibilities include: (i) reviewing the REIT's internal control procedures with the auditors and management, (ii) reviewing the engagement and the independence of the REIT's auditors, (iii) reviewing and recommending to the Trustees for their approval the annual and quarterly financial statements and management's discussion and analysis of financial condition and results of operation, and the disclosure of other financial information, and (iv) reviewing and discussing changes to and the application of accounting principles with management and the auditors.

Compensation and Corporate Governance Committee

The current members of the Compensation and Corporate Governance Committee are Morton G. Gross, Michael P. Kitt, Minhas N. Mohamed and Frank Anderson (who was appointed to the Compensation and Corporate Governance Committee on March 9, 2007), all of whom are independent Trustees. The primary duties and responsibilities of the Compensation and Corporate Governance Committee include: (i) developing the corporate governance policy of the Board of Trustees, and (ii) developing the REIT's human resources and compensation policies.

STATEMENT OF EXECUTIVE COMPENSATION

Summary Compensation Table for Named Executive Officers

The table below sets forth the compensation paid by the REIT to the REIT's Chief Executive Officer, Chief Financial Officer and to the REIT's next most highly compensated Executive Officer (the "Named Executive Officers") for services rendered in all capacities to the REIT in respect of the years ended December 31, 2006, December 31, 2005 and December 31, 2004.

<u>Name and Principal Position</u>	<u>Year</u>	<u>Annual Compensation</u>			<u>Payouts</u>
		<u>Salary⁽¹⁾</u> (<u>\$</u>)	<u>Bonus</u> (<u>\$</u>)	<u>Other Annual Compensation⁽²⁾</u> (<u>\$</u>)	<u>LTIP⁽³⁾</u> <u>Payouts⁽⁴⁾</u> (<u>\$</u>)
Kenneth D. Gibson President and Chief Executive Officer	2006	\$194,785	\$120,350	\$42,630	\$105,165
	2005	\$190,053	\$111,740	\$43,788	\$206,025
	2004	\$185,400	\$104,000	\$40,576	\$168,173
Tamara L. Lawson Chief Financial Officer and Secretary	2006	\$121,741	\$57,980	\$6,000	\$46,949
	2005	\$118,272	\$51,665	Nil	\$77,258
	2004	\$115,875	\$50,000	Nil	\$63,063

Notes:

- (1) Compensation paid by the REIT pursuant to the Named Executive Officers' employment agreements. Mr. Gibson and Ms. Lawson are required to devote at least 50% of their time to managing the affairs of the REIT. See "Employment Agreements".
- (2) Mr. Gibson's compensation includes equalization payments made to compensate for the personal taxation difference between what his after-tax income would be in the United States of America as opposed to Canada. The equalization payment is a benefit to which Mr. Gibson is entitled as a result of his employment agreement with the REIT.
- (3) The long-term incentive plan of the REIT.
- (4) Restricted units that have vested under the REIT's executive incentive plan. See "Executive Incentive Plan". In 2002, Mr. Gibson and Ms. Lawson were credited with 36,000 and 13,500 Units, respectively, in respect of the initial public offering of the REIT. In 2003, Mr. Gibson and Ms. Lawson were credited with 12,338 and 5,508 Units, respectively, and in respect of their performance in 2002. In 2004, Mr. Gibson and Ms. Lawson were credited with 6,987 and 3,231 Units, respectively, in respect of their performance in 2003. In 2005, Mr. Gibson and Ms. Lawson were credited with 8,859 and 4,259 Units, respectively, in respect of their performance in 2004. In 2006, Mr. Gibson and Ms. Lawson were credited with 8,868 and 4,100 Units, respectively, in respect of their performance in 2005. In 2007, Mr. Gibson and Ms. Lawson were credited 10,000 and 5,000 Units, respectively, in respect of their performance in 2006. The restricted units granted in 2003, 2004, 2005 and 2006 vest equally on the third and fourth anniversaries of the effective date of grant. The restricted units granted in 2002 vest in three equal annual instalments. Mr. Gibson and Ms. Lawson are granted additional restricted units in respect of distributions paid on the grant of restricted units. These additional restricted units vest in the same proportion as the original grant of restricted units. In 2006, Mr. Gibson and Ms. Lawson were credited with 3,309 and 1,534 restrictive units, respectively, for distributions paid on the Units. In 2005, Mr. Gibson and Ms. Lawson were credited with 3,989 and 1,759 restrictive units, respectively, for distributions paid on the Units. In 2004, Mr. Gibson and Ms. Lawson were credited with 4,603 and 1,901 restrictive units, respectively, for distributions paid on the Units. In 2003, Mr. Gibson and Ms. Lawson were credited with 5,677 and 2,241 restrictive units, respectively, for distributions paid on the Units. During 2002, Mr. Gibson and Ms. Lawson were credited with 1,533 and 575 restrictive units, respectively, for distributions paid on the Units.

LTIP Awards Table for Named Executive Officers

The LTIP awards made for each Named Executive Officer of the REIT during the year ended December 31, 2006 are summarized in the table below.

<u>Name and Principal Position</u>	<u>Restricted Units⁽¹⁾</u>	<u>Payment Date⁽²⁾</u>
Kenneth D. Gibson Chief Executive Officer	13,309	50% to vest on January 1, 2010 and 50% to vest on January 1, 2011
Tamara L. Lawson Chief Financial Officer	6,534	50% to vest on January 1, 2010 and 50% to vest on January 1, 2011

Notes:

- (1) The restricted units shown reflect Units granted in relation to performance in 2006 as well as Units granted in respect of distributions paid on the grant of restricted units from prior periods.
- (2) Payment date reflects the vesting period of the restricted units granted in 2006 except for Units granted in respect of distributions paid on the grant of restricted units, which vest over the same vesting period of the original grant of Units.

EXECUTIVE INCENTIVE PLAN

Description of Executive Incentive Plan

The Named Executive Officers participate in the REIT's executive incentive plan (the "Executive Incentive Plan") pursuant to which they may be granted restricted units from time to time. Restricted units vest pursuant to a schedule that has been approved by the Trustees. Each restricted unit entitles the holder to receive a payment on the vesting date, payable in Units based on their then current market value, equal to the then current market value of one Unit plus the value of the cash distributions that would have been paid on one Unit if it had been issued on the date of grant of the restricted unit, assuming the reinvestment of these distributions in Units. The REIT has reserved a maximum of 1,000,000 Units for issuance under the Executive Incentive Plan, and any increase in this maximum or other amendment to the Executive Incentive Plan is subject to regulatory approval and to Unitholder approval, if required. As at December 31, 2006, there were 130,785 restricted units issued and outstanding, representing 0.20% of the REIT's currently outstanding Units on an as-converted, fully-diluted basis.

Any officer or senior employee of the REIT or a subsidiary of the REIT who has been designated by the Compensation and Corporate Governance Committee and who has agreed to participate in the Executive Incentive Plan on terms specified by the REIT (each such individual, a "Participant") is eligible to participate in the Employee Incentive Plan. The Employee Incentive Plan gives Participants the right, subject to certain terms and conditions, to receive restricted units on the date stipulated at the time of the grant of the restricted unit, or such date as may be changed from time to time in the discretion of the Compensation and Corporate Governance Committee (the "Payment Date").

Under the Executive Incentive Plan, if a Participant ceases to be employed by the REIT or any of its subsidiaries for any reason other than death, long-term disability, retirement or as a result of the termination of the Participant's employment by the REIT or its subsidiary other than 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 or termination of employment.

Securities Authorized for Issuance Under the Executive Incentive Plan

The table below sets forth the securities of the REIT which were authorized for issuance under the Executive Incentive Plan as at December 31, 2006.

<u>Plan Category</u>	<u>Number of restricted units originally reserved for issuance</u>	<u>Number of restricted units which have vested under the Executive Incentive Plan</u>	<u>Number of restricted units which have been granted but not vested under the Executive Incentive Plan</u>	<u>Number of Units remaining available for future issuance under the Executive Incentive Plan</u>
Equity compensation plans not approved by Unitholders ⁽¹⁾	1,000,000	73,955	56,830	869,215

Note:

- (1) The Executive Incentive Plan was adopted prior to the REIT's initial public offering, was approved by the Board of Trustees and was the only equity compensation plan of the REIT in existence as at December 31, 2006.

EMPLOYMENT AGREEMENTS

On July 25, 2002, Tamara Lawson and Kenneth D. Gibson, each of whom is a Named Executive Officer, entered into employment agreements with the REIT for an indeterminate term.

Each of the Named Executive Officers' employment agreements provides for the Named Executive Officer's base salary, performance-based bonuses and benefit commitments by the REIT. Mr. Gibson's and Ms. Lawson's employment agreements contain termination and severance provisions, described below, as well as non-competition covenants in favour of the REIT.

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

In addition to her annual base salary, Ms. Lawson is eligible for an annual cash performance bonus in an amount up to 50% of her base salary. The performance criteria and target performance levels for the cash performance bonus are established by the Compensation and Corporate Governance Committee in consultation with Ms. Lawson prior to the beginning of each financial year. Ms. Lawson is entitled to be granted restricted units under the Executive Incentive Plan, as determined in accordance with the formula set forth in her employment agreement.

If Ms. Lawson is terminated by the REIT without cause, Ms. Lawson is entitled to receive any accrued and unpaid base salary, vacation pay and unpaid reimbursements and a lump-sum amount equal to 1.25 times her then current base salary, less any amounts owing by Ms. Lawson to the REIT. Ms. Lawson is also entitled to participate in and receive benefits under any benefit plans of the REIT, as well as the Executive Incentive Plan, for one year after the REIT terminates her employment without cause.

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

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

If Mr. Gibson is terminated by the REIT without cause or terminates his employment for "good reason" (defined as (i) the assignment to Mr. Gibson of duties materially inconsistent with his position as President and Chief Executive Officer of the REIT which results in a material diminution in his authority, duties or responsibilities, or (ii) any material failure by the REIT to comply with any other terms of Mr. Gibson's employment agreement that is not remedied within 30 days), Mr. Gibson is entitled to receive any accrued and unpaid base salary, vacation pay and unpaid reimbursements and a lump-sum amount equal to 2.0 times his then current base salary, less any amounts owing by Mr. Gibson to the REIT. Mr. Gibson is also entitled to participate in and receive benefits under any benefit plans of the REIT, as well as the Executive Incentive Plan, for one year after the REIT terminates his employment without cause or Mr. Gibson terminates his employment for good reason.

COMPOSITION OF THE COMPENSATION AND CORPORATE GOVERNANCE COMMITTEE

The Compensation and Corporate Governance Committee of the REIT for the year ended December 31, 2006 was composed of Morton Gross, Q.C., Michael P. Kitt and Minhas N. Mohamed.

REPORT ON EXECUTIVE COMPENSATION

It is the responsibility of the Compensation and Corporate Governance Committee to review and recommend to the Board of Trustees annually the compensation proposed to be paid to the Executive Officers and to make recommendations to the Board of Trustees concerning annual bonus levels and grants under the REIT's long-term incentive plans. The Compensation and Corporate Governance Committee also reviews such human resources and compensation issues as it considers appropriate, and retains consultants from time to time to provide advice regarding the REIT's compensation strategy and programs.

Compensation Policies

The major elements of the REIT's executive compensation policies are base salary, a short-term incentive in the form of an annual cash bonus and a long-term incentive program. The Compensation and Corporate Governance Committee believes that this approach best serves the interests of Unitholders by ensuring that Executive Officers are compensated in a manner that addresses both the short and long-term interests of Unitholders. The annual cash bonus is based primarily on the REIT's short-term performance and the issuance of restricted units is based on the REIT's long-term performance. Annual cash bonuses and long-term incentive grants can also be based, in part, on an evaluation of the contributions made by the Executive Officer to the REIT's performance. The applicable performance measures are established by the Compensation and Corporate Governance Committee on an annual basis.

Base Salary

Annual base salary levels for the Executive Officers are established by reference to the range of salaries paid by other Canadian REITs with the intention that the maximum base salary be within a reasonable range of the average of the other Canadian REITs. The Chief Executive Officer and Chief Financial Officer of the REIT have employment contracts which provide for a specified minimum annual salary subject to such increases as the Board of Trustees determines appropriate. See "**Employment Agreements.**"

Annual Cash Bonus

The Compensation and Corporate Governance Committee establishes the amount of the bonus to be paid and this is determined annually based on pre-set goals that are tied to Distributable Income above specified threshold levels and the achievement of personal goals. The full bonus is awarded if the target levels of performance are exceeded.

Long-Term Incentives

The Compensation and Corporate Governance Committee believes that a material portion of total compensation must be aligned with the REIT's long-term objective which is to maximize the long-term value of the REIT by continuing to actively manage the hotel assets and to make selective acquisitions that are accretive to earnings and cash flow. On completion of the REIT's initial public offering in 2002, each of Kenneth D. Gibson and Tamara Lawson was granted restricted units pursuant to the Executive Incentive Plan. These initial restricted units vest in three equal annual instalments. In addition, those Named Executive Officers are granted additional restricted units in respect of distributions paid on the grants of restricted units. These additional restricted units vest in the same proportion as the original grant of restricted units. Each year, the Compensation and Corporate Governance Committee determines the number of restricted units to be granted to each of the Named Executive Officers based on each of their anticipated contributions to the long-term growth of the REIT. These restricted units vest at a rate of 50% on each of the third and fourth anniversary of the date of grant.

Allocation of Executive Compensation to the REIT

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

Bonuses Awarded and Restricted Units granted to the Named Executive Officers in 2006

During the year ended December 31, 2006, seventy-five percent of the cash performance bonus was based on the REIT having achieved a target that was approved by the Board of Trustees, on the recommendation of the Compensation and Corporate Governance Committee, relating to the actual Distributable Income in comparison to a budgeted distributable amount. Twenty-five percent of the cash performance bonus was based on certain personal performance goals which were approved by the Board of Trustees, on the recommendation of the Compensation and Corporate Governance Committee.

For the year ended December 31, 2006, the grant of restricted units under the Executive Incentive Plan was based on the same criteria as reflected above in the determination of the cash performance bonus. The Board of Trustees concluded, based on the recommendation of the Compensation and Corporate Governance Committee, that these performance measures appropriately reflected the Executive Officers' contribution to maximizing the long-term value of the REIT.

Compensation of the Chief Executive Officer

Prior to the REIT's initial public offering in 2002, the Board of Trustees approved a compensation package for Mr. Gibson, the Chief Executive Officer of the REIT. Since the REIT's initial public offering, no material changes have been made to Mr. Gibson's compensation package.

During the financial year ended December 31, 2006, the Board of Trustees approved an increase in Mr. Gibson's salary to account for inflation. Mr. Gibson also received a cash performance bonus and was granted restricted units under the Executive Incentive Plan as compensation for his services to the REIT.

The amount of Mr. Gibson's cash performance bonus received for services rendered during the financial year ended December 31, 2006 was based on two criteria. Seventy-five percent of the cash performance bonus was based on the REIT's achievement of a target that was approved by the Board of Trustees, on the recommendation of the Compensation and Corporate Governance Committee, relating to the actual Distributable Income per unit of the REIT in comparison to budgeted Distributable Income per unit amount. Twenty-five percent of Mr. Gibson's cash performance bonus was based on certain personal performance goals which were approved by the Board of Trustees, on the recommendation of the Compensation and Corporate Governance Committee.

For the year ended December 31, 2006, the grant of restricted units under the Executive Incentive Plan was based on the same criteria as reflected above in the determination of Mr. Gibson's cash performance bonus. The Board of Trustees concluded, based on the recommendation of the Compensation and Corporate Governance Committee, that these performance measures appropriately reflected Mr. Gibson's contribution to maximizing the long-term value of the REIT.

This report is submitted by the members of the Compensation and Corporate Governance Committee.

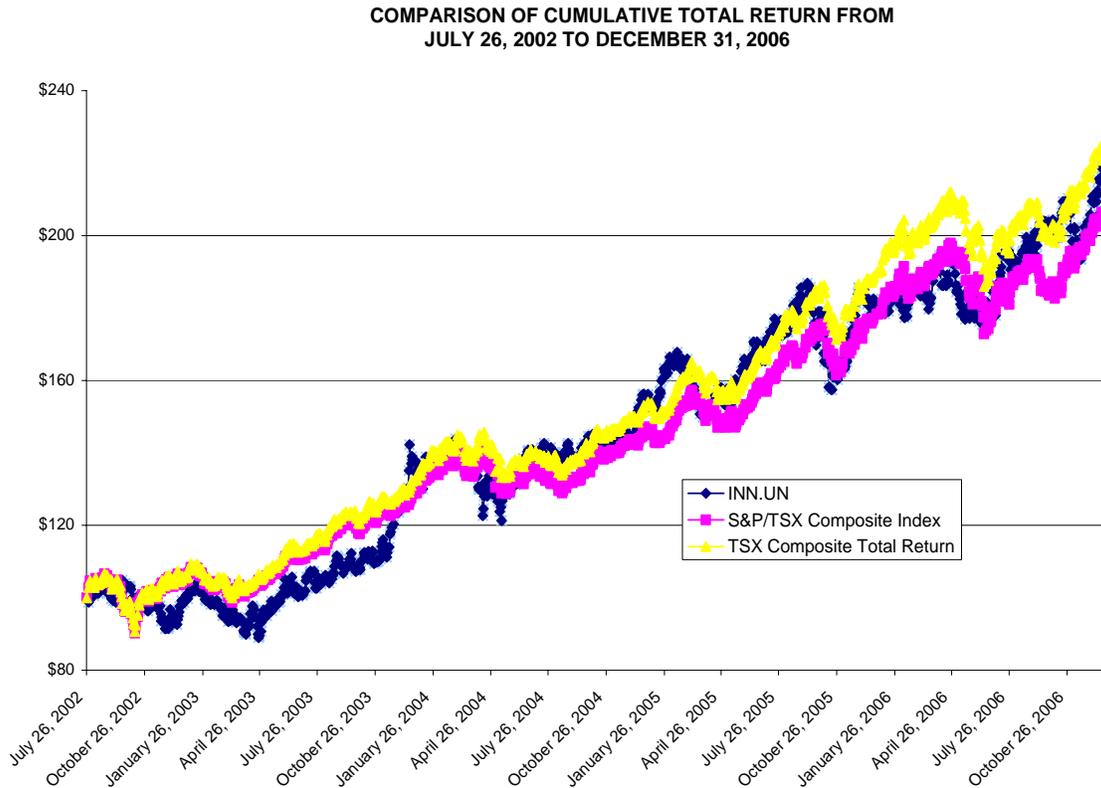
Morton G. Gross, Chair
Michael P. Kitt
Minhas N. Mohamed
Frank Anderson⁽¹⁾

Note:

(1) Frank Anderson was appointed to the Compensation and Corporate Governance Committee on March 9, 2007.

PERFORMANCE GRAPH

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



AUDIT COMMITTEE

Information about the REIT's Audit Committee, including the full text of the Audit Committee's charter, the composition of the Audit Committee, the relevant education and experience of members of the Audit Committee and other information regarding the Audit Committee's functions and policies, and a summary of the fees paid by the REIT for external auditor services are set out under the heading "**Audit Committee**" in the REIT's Annual Information Form for the year ended December 31, 2006 dated March 29, 2007 available under the REIT's profile at www.sedar.com, and such information is incorporated by reference herein.

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, 2006, no Executive Officer, Trustee, employee or former Executive Officer, Trustee, proposed nominee for election as Trustee (and each of their associates) or employee of the REIT was indebted to: (i) the REIT or any of its subsidiaries, or (ii) any other entity which is, or was at any time during the REIT's financial year ended December 31, 2006, the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the REIT or any of its subsidiaries.

TRUSTEES' AND OFFICERS' INSURANCE AND INDEMNIFICATION

The REIT maintains insurance for the benefit of its Trustees and officers against liability in their respective capacities as Trustees and officers. The annual premium paid and expensed by the REIT in respect of such insurance was \$312,414. There is a per loss deductible of \$250,000, a securities claim deductible of \$250,000, and no deductible for claims under this insurance policy for Trustees and officers as it relates to non-indemnifiable claims. As of the date of this Circular, no claim has ever been presented or paid under this policy.

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

INTERESTS OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

General

The Declaration of Trust of the REIT contains "conflict of interest" provisions that are intended to provide certain protections to Unitholders without creating undue limitations on the REIT. Given that the Trustees are engaged in a wide range of activities, the Declaration of Trust contains provisions, similar to those contained in the *Canada Business Corporations Act*, that require each Trustee or officer of the REIT to disclose to the REIT any interest in a material contract or transaction or proposed material contract or transaction with the REIT (including a contract or transaction involving the making or disposition of any investment in real property or a joint venture arrangement) or the fact that such person is a trustee, director or officer of, or otherwise has 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 at the first meeting at which a proposed contract or transaction is considered. In the event that a material contract or transaction or proposed material contract or transaction is one that in the ordinary course would not require approval by the Trustees, a Trustee or an officer of the REIT is required to disclose in writing to the REIT, or request to have entered into the minutes of meetings of Trustees, the nature and extent of his or her interest forthwith after 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 66⅔% of the REIT's independent Trustees who have no interest in such transaction.

Master Hotel Management Agreement

In connection with the formation of the REIT, the Operator entered into the Management Agreement with the Manager (Westmont Hospitality Canada Limited, 5090 Explorer Drive, 7th Floor, Mississauga, Ontario, L4W 4T9), under which the Manager is responsible for the management of each of the hotel businesses in the REIT. The Manager manages the hotel businesses and provides customary hotel management services, including preparation of annual operating and capital budgets and marketing plans, accounting and financial reporting, supervision of sales and marketing, human resource management, purchasing, management and supervision of construction and technical services, information technology, franchise relations and evaluations, supervision of property repairs and maintenance, supervision of compliance with material contracts relating to the hotel properties, leasing, yield management and quality control. The Management Agreement has an initial term of 10 years, and expires on July 25, 2012. Thereafter, the Management Agreement is subject to two successive five-year renewal terms, subject to the consent of the Manager and approval by the Operator. If the REIT acquires any additional hotels during the term

of the Management Agreement, the Manager will manage such additional hotels in accordance with the Management Agreement for the balance of the term of the Management Agreement.

The Management Agreement provides for the payment of an annual management fee to the Manager during the term of the Management Agreement, including renewal periods, in an amount equal to 3.375% of gross revenues from the REIT's hotel portfolio (the "Portfolio"), calculated and payable monthly. In addition, the Manager will receive an annual incentive fee. The incentive fee shall be equal to the sum of (i) 15% of the amount by which 90% of Distributable Income in any year exceeds the "First Incentive Fee Hurdle" (as described below) but is less than or equal to the "Second Incentive Fee Hurdle" (as described below), plus (ii) 20% of the amount by which 90% of Distributable Income exceeds the Second Incentive Fee Hurdle but is less than or equal to the "Third Incentive Fee Hurdle" (as described below), plus (iii) 25% of the amount by which 90% of Distributable Income exceeds the Third Incentive Fee Hurdle. For this purpose, the First Incentive Fee Hurdle is an amount equal to the product of \$1.125 per Unit multiplied by the weighted average number of Units outstanding during the relevant period. The Second Incentive Fee Hurdle is an amount equal to the product of \$1.275 per Unit multiplied by the weighted average number of Units outstanding during the relevant period. The Third Incentive Fee Hurdle is an amount equal to the product of \$1.425 per Unit multiplied by the weighted average number of Units outstanding during the relevant period. The incentive fee hurdle calculations are subject to customary anti-dilution provisions, primarily to protect the Manager, in the event of certain events including, without limitation, Unit splits, Unit consolidations, and distributions to Unitholders other than in the ordinary course of business resulting from, among other things, refinancings or asset sales. For example, such a distribution would lead to a proportional reduction in the incentive fee hurdles and, conversely, a Unit consolidation would lead to a proportional increase in the incentive fee hurdles.

In addition to the base management fee and incentive fee, the Manager is entitled to (i) reasonable fees based on a percentage of the cost of purchasing certain goods and supplies for the hotel businesses and of certain construction costs and certain capital expenditures, and (ii) fees for accounting services. The Manager is also entitled to be reimbursed for certain reasonable out-of-pocket costs and expenses incurred by the Manager in the performance of its duties under the Management Agreement, provided that such costs have been identified in a budget approved by the Operator or otherwise are approved in writing by the Operator prior to being incurred by the Manager. Majid Mangalji, who resides in Wimbledon, England, is the President of Westmont, the ultimate parent company of the Manager and Mr. Mangalji is a Trustee of the REIT. In consideration for services rendered in 2006, the Manager was paid approximately \$12.5 million in management fees and approximately \$3.5 million for other services.

To the knowledge of the REIT, the only "informed persons" (as such term is defined in the Securities Act) are Majid Mangalji and Fereed Mangalji, each of whom would be an informed person of the Manager if the Manager was a reporting issuer. Other than the Management Agreement described above, the REIT has not been involved with any other transactions or arrangements with the Manager or its informed persons since January 1, 2006.

ADDITIONAL INFORMATION

Additional information relating to the REIT is on SEDAR at www.sedar.com. Financial information is provided in the REIT's comparative financial statements and MD&A for the financial year ended December 31, 2006.

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

- (i) its 2006 Annual Report, including management's discussion and analysis of financial and operating results;
- (ii) its Annual Information Form dated March 29, 2007, together with a copy of any document, or pertinent pages of any document, incorporated therein by reference;
- (iii) any document incorporated by reference in this Circular under the heading "Documents Incorporated by Reference"; and
- (iv) its comparative financial statements for the year ended December 31, 2006, together with the report of its auditors thereon, and any interim financial statements filed subsequently.

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

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

Website: www.investreit.com

BOARD OF TRUSTEES' APPROVAL

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

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

Kenneth D. Gibson
Chief Executive Officer

Toronto, Ontario March 29, 2007

SCHEDULE A

CORPORATE GOVERNANCE DISCLOSURE

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

<u>Governance Disclosure Guideline under NI 58-101</u>	<u>Comments</u>
1. Board of Trustees	
(a) Disclose the identity of trustees who are independent.	The following Trustees are independent: Frank Anderson, Morton Gross, Michael P. Kitt and Minhas N. Mohamed.
(b) Disclose the identity of trustees who are not independent, and the basis for that determination.	As at December 31, 2006, only two Trustees were not independent. Majid Mangalji is an appointee of Westmont and, as such, is deemed not to be independent by the Declaration of Trust. Fereed Mangalji is an appointee of the Manager and, as such, is deemed not to be independent by the Declaration of Trust.
(c) Disclose whether or not a majority of trustees are independent. If a majority of trustees are not independent, describe what the board of trustees (the "board") does to facilitate its exercise of independent judgment in carrying out its responsibilities.	The Board of Trustees has determined that the majority of the Trustees are independent.
(d) If a trustee is presently a trustee of any other issuer that is a reporting issuer (or the equivalent) in a jurisdiction or a foreign jurisdiction, identify both the trustee and the other issuer.	Frank Anderson is a director of Dundee Wealth Management Inc., a reporting issuer in each of the provinces of Canada that is listed on the Toronto Stock Exchange.
(e) Disclose whether or not the independent trustees hold regularly scheduled meetings at which members of management are not in attendance. If the independent trustees hold such meetings, disclose the number of meetings held since the beginning of the issuer's most recently completed financial year. If the independent trustees do not hold such meetings, describe what the board does to facilitate open and candid discussion among its independent trustees.	<p>The Board of Trustees and its Committees meet independently of the management when needed.</p> <p>The Compensation and Corporate Governance Committee and the Audit Committee are composed solely of independent Trustees. The Audit Committee held six meetings and the Compensation and Corporate Governance Committee held four meetings during the fiscal year ended December 31, 2006.</p> <p>The independent Trustees are authorized to retain external advisors at the expense of the REIT, as required whenever, in their opinion, matters come before the Board of Trustees which require an independent analysis by independent Trustees. The Audit Committee meets with the REIT's external auditors and the Manager's head of internal audit independently of the Board of Trustees and discusses with them the financial statements and</p>

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(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.

other financial issues as deemed appropriate.

The Chairman of the Board of Trustees is not an independent Trustee. However each of the chairmen of each of the Audit Committee and the Compensation and Corporate Governance Committee is independent and take the lead where they are responsible for a particular issue or where their expertise can be used.

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

The attendance record of each Trustee for all Board of Trustees meetings held since the beginning of the fiscal year ended December 31, 2006 is set out in this Circular under the heading "Trustee Attendance Record".

2. Mandate of the Board

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

The Board of Trustees, either directly or through its Committees, is responsible for management and supervision of the business and affairs of the REIT with the objective of enhancing Unitholder value. The Board of Trustees establishes the overall policies and standards for the REIT. The Board of Trustees has delegated to management the power to manage the day-to-day business and affairs of the REIT. The Board of Trustees seeks to ensure that the REIT is managed so as to enhance Unitholder value and to ensure its long-term viability. The Trustees are kept informed of the REIT's operations at Trustees' meetings and committee meetings and through reports and discussions with management. The Board of Trustees meets on a regularly scheduled basis and, during the year ended December 31, 2006, held 15 meetings. In addition, communications between the Trustees and management occur apart from the regularly scheduled Board of Trustees or committee meetings.

The Board of Trustees is actively involved in the REIT's strategic planning process. The Board of Trustees reviews the objectives of the senior executives and provides guidance for the development of the REIT's strategy. The Board of Trustees frequently discusses the REIT's strategies and their implementation at meetings of the Board of Trustees. Management must seek the Board of Trustees' approval for any transaction that would have a significant impact on the strategic plan of the REIT.

The Board of Trustees assumes responsibility for identifying and managing business risks. The Board of Trustees reviews with management the REIT's principal risks and receives reports of management's assessment

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of, and proposed responses to, these risks as they develop. This process ensures that the Board of Trustees as a whole actively and appropriately oversees the management of all significant risks applicable to the REIT's business. In 2003, the REIT engaged an outside advisor to work with management to perform a third party risk assessment and report its findings to management and the Trustees. The report included the identification of the business risks, prioritization of these risks, and the development of an action plan to address the significant risks. This report will be updated from time to time as deemed necessary by the Board of Trustees. The Audit Committee meets regularly to review areas of financial risk. It monitors financial risk and reporting, including controls relating to those areas.

The Board of Trustees, through its Audit Committee and Compensation and Corporate Governance Committee, is responsible for, and has implemented procedures to ensure, the timely dissemination of all material information. Material disclosure documents such as press releases, management's discussion and analysis, annual reports, annual information forms, quarterly financial statements and proxy circulars are scrutinized and, where required, approved by the Board of Trustees or one of its committees, in each case before they are publicly disseminated. Unitholders can provide feedback to the REIT in a number of ways, including e-mail or calling a toll-free telephone number.

The Board of Trustees reviews the REIT's communication policies that address how the REIT interacts with the public and certain measures to avoid selective disclosure. In this regard, procedures are in place to provide timely information to investors and potential investors.

The Board of Trustees, through the appointment of various committees, monitors and assesses the strengths of the REIT's internal control and management information systems. The Audit Committee has the responsibility of reviewing the REIT's procedures for internal control with the REIT's auditors and Chief Financial Officer.

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3. Position Descriptions

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

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

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

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

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

A position description for the REIT's Chief Executive Officer, Kenneth D. Gibson, is set out in the terms of Mr. Gibson's employment agreement with the REIT, described under the heading "Employment Agreements". The Chief Executive Officer's objectives are reviewed by the Board of Trustees from time to time. These objectives include the general mandate to manage the REIT and to maximize Unitholder value. The limits to management's responsibilities are defined by the Board of Trustees. This is accomplished both by specifically identifying the role and responsibilities of the Chief Executive Officer and specifying that all material decisions relating to the business and operations of the REIT are to be made by the Board of Trustees or one of its Committees.

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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.

(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 the event that new Trustees are added, the Board of Trustees typically provides such new Trustees with an orientation. The REIT also typically provides its new Trustees with a program that focuses on the corporate governance system, including roles, responsibilities and liabilities of Trustees. Reports relating to the REIT's business and affairs are provided to Trustees on a regular basis.

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.

(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.

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

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

The Board of Trustees expects Trustees, officers and employees of the REIT to act ethically at all times and to acknowledge their adherence to the policies comprising the Code. The Code prohibits actions that could be considered a conflict of interest and contains provisions in respect of fair dealing, confidentiality and prohibitions and illegal or unethical behaviour and is discussed at least annually by the Compensation and Corporate Governance Committee.

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.

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

The Audit Committee has adopted a whistle blowing policy in order to provide for the receipt, retention and

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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 of Trustees suitable candidates as trustees.

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

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

(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).

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

Comments

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

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

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

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

A compensation consultant has not been retained to assist in the determination of compensation for any of the Trustees and officers of the REIT for the 2006 fiscal year.

8. Other Board Committees

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

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

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

