

No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. This short form prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities. These securities have not been, and will not be registered under the United States Securities Act of 1933, as amended, or any state securities laws and, subject to certain exceptions, may not be offered or sold in the United States. See "Plan of Distribution". This short form prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of these securities in the United States.

Information has been incorporated by reference in this short form prospectus from documents filed with securities commissions or similar authorities in Canada. Copies of the documents incorporated herein by reference may be obtained on request without charge from the Secretary of InnVest Real Estate Investment Trust at 7<sup>th</sup> Floor, 5090 Explorer Drive, Mississauga, Ontario, L4W 4T9, telephone (905) 206-7100, and are also available electronically at [www.sedar.com](http://www.sedar.com).

## SHORT FORM PROSPECTUS

New Issue

November 19, 2014



### INNVEST REAL ESTATE INVESTMENT TRUST

\$63,262,500  
12,050,000 Units

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\$5.25 per Unit

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This short form prospectus qualifies the distribution of 12,050,000 units ("Units") of InnVest Real Estate Investment Trust ("InnVest") at a price of \$5.25 per Unit for aggregate gross proceeds to InnVest of \$63,262,500 (the "Offering"). InnVest is an unincorporated open-ended real estate investment trust governed by its declaration of trust and the laws of the Province of Ontario.

The Units are listed on the Toronto Stock Exchange (the "TSX") under the trading symbol "INN.UN". On November 6, 2014, the date of announcement of the Offering, the closing price of the Units on the TSX was \$5.36 per Unit. The TSX has conditionally approved the listing of the Units distributed under this short form prospectus. Listing will be subject to InnVest fulfilling all of the listing requirements of the TSX on or before February 10, 2015.

	Price to the Public <sup>(1)</sup>	Underwriters' Fee <sup>(2)</sup>	Net Proceeds to InnVest <sup>(3)(4)</sup>
Per Unit.....	<b>\$5.25</b>	<b>\$0.21</b>	<b>\$5.04</b>
Total Offering .....	<b>\$63,262,500</b>	<b>\$2,530,500</b>	<b>\$60,732,000</b>

Notes:

- (1) The offering price for Units was established through negotiation between InnVest and the Underwriters (as defined below).
- (2) The Underwriters' fee is equal to 4.00% of the gross proceeds of the Offering. See "Plan of Distribution".
- (3) Before deducting expenses of the Offering estimated at \$700,000. The Underwriters' fee and the other expenses of the Offering will be paid from the proceeds of the Offering. See "Use of Proceeds" and "Plan of Distribution".
- (4) InnVest has granted to the Underwriters an option (the "Over-Allotment Option") exercisable in whole or in part, at the discretion of the Underwriters, for a period of 30 days from the Closing (defined below), to purchase up to 1,807,500 Units on the same terms and conditions as set forth above to cover over-allotments, if any, and for market stabilization purposes (for greater clarity, a maximum of 15% of the number of Units sold at Closing may be issued pursuant to the Over-Allotment Option). In respect of the Over-Allotment Option, InnVest will pay to the Underwriters a fee equal to 4.00% of the gross proceeds realized on the exercise of the Over-Allotment Option. If the Over-Allotment Option is exercised in full, the total number of Units sold pursuant to the Offering will be 13,857,500 Units; the total price to the public will be \$72,751,875; the total Underwriters' fee will be \$2,910,075; and the net proceeds to InnVest, before deducting the estimated expenses of the Offering, will be \$69,841,800. A purchaser who acquires Units forming part of the Underwriters' over-allocation position acquires those Units under this short form prospectus regardless of whether the over-allocation position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases. This short

form prospectus also qualifies the grant of the Over-Allotment Option and the distribution of the Units issuable upon the exercise of the Over-Allotment Option. See “Plan of Distribution”.

The following table sets forth the number of Units issuable pursuant to the exercise of the Over-Allotment Option:

<b>Underwriters’ Position</b>	<b>Maximum Size</b>	<b>Exercise Period</b>	<b>Exercise Price</b>
Over-Allotment Option	1,807,500 Units	Up to and including the 30th day following the Closing	\$5.25 per Unit

The Units are being offered pursuant to an underwriting agreement (the “**Underwriting Agreement**”) dated November 12, 2014 between InnVest and RBC Dominion Securities Inc. (“**RBC**”), BMO Nesbitt Burns Inc. (“**BMO**”), CIBC World Markets Inc., Scotia Capital Inc., TD Securities Inc. and Canaccord Genuity Corp. (collectively, the “**Underwriters**” and each an “**Underwriter**”).

The Underwriters, as principals, conditionally offer the Units, subject to prior sale, if, as and when issued by InnVest and accepted by the Underwriters in accordance with the conditions contained in the Underwriting Agreement referred to under “Plan of Distribution” and subject to the approval of certain legal matters on behalf of InnVest by Norton Rose Fulbright Canada LLP and on behalf of the Underwriters by Osler, Hoskin & Harcourt LLP. In connection with the Offering, the Underwriters may, subject to applicable laws, over-allot or effect transactions intended to stabilize or maintain the market price for the Units at levels above that which might otherwise prevail in the open market. Such transactions, if commenced, may be discontinued at any time. The Underwriters propose to offer the Units initially at the offering price specified above. **After a reasonable effort has been made to sell all of the Units at the price specified above, the Underwriters may subsequently reduce the selling price to investors from time to time in order to sell any of the Units remaining unsold. Any such reduction will not affect the proceeds received by InnVest. See “Plan of Distribution”.**

In addition to the Offering, InnVest will enter into subscription agreements on or prior to the date of closing of the Offering (the “**Closing**”) pursuant to which KingSett Capital, Orange Capital, LLC, Westmont Hospitality Group and certain other trustees and officers of InnVest (collectively, the “**Purchasing Insiders**”) will agree to purchase, on a private placement basis, an aggregate of 9,000,000 Units at a price of \$5.25 per Unit, concurrent with Closing (defined below) (the “**Concurrent Private Placement**”). Closing of the Offering is conditional upon the closing of the Concurrent Private Placement. No commission or other fee will be paid to the Underwriters in connection with the Concurrent Private Placement. This short form prospectus does not qualify any securities issued under the Concurrent Private Placement. The anticipated net proceeds from the Offering and the Concurrent Private Placement (before payment of the expenses of the Offering, other than the Underwriters’ fee) will be \$107,982,000 (\$117,091,800 assuming the exercise in full of the Over-Allotment Option). For a period of 90 days following the closing of the Concurrent Private Placement, the Purchasing Insiders will not, directly or indirectly, without the prior written consent of RBC, on behalf of the Underwriters, which consent will not be unreasonably withheld or delayed, (i) offer, sell, contract to sell, secure, pledge or grant any option, right or warrant to purchase or otherwise lend, transfer or dispose of any Units owned by the Purchasing Insiders; or (ii) make any short sale, engage in any hedging transaction, or enter into any swap, monetization, securitization or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any of the Units owned by the Purchasing Insiders. See also “Use of Proceeds”, “Plan of Distribution” and “Concurrent Private Placement”.

Subscriptions for the Units will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. The Closing is expected to occur on or about November 26, 2014 or such later date as InnVest and the Underwriters may agree, but in any event not later than December 3, 2014. Registration and transfers of Units will be effected only through the book-based system administered by CDS Clearing and Depository Services Inc. (“**CDS**”). Beneficial owners of Units will not, except in limited circumstances, be entitled to receive a physical certificate evidencing their ownership of Units. See “Description of the Units” and “Plan of Distribution”.

**An affiliate of RBC is a lender to InnVest under the Bridge Loan, the New Bridge Loan and the Credit Line (as such terms are defined herein). Accordingly, InnVest may be considered to be a “connected issuer” of RBC within the meaning of applicable Canadian securities legislation. See “Relationship Between InnVest and Certain Underwriters”.**

**Investing in the Units involves risks. The risk factors identified under the heading “Risk Factors” in this short form prospectus should be carefully reviewed and evaluated by prospective purchasers before purchasing the securities being offered hereunder.**

Although InnVest intends to make distributions of a portion of its available cash to holders of Units (“**Unitholders**”), these cash distributions are not assured. A return on an investment in Units is not comparable to the return on an investment in a fixed-income security. The ability of InnVest to make cash distributions and the actual amount distributed will be dependent upon numerous factors, including the financial performance of InnVest, seasonal fluctuations in operating results, InnVest’s debt covenants and obligations, InnVest’s working capital requirements, InnVest’s future capital requirements, InnVest continuing to qualify as a “real estate investment trust” (a “**REIT**”) for Canadian income tax purposes and the redemption of Units, if any. The market value of the Units may deteriorate if InnVest is unable to maintain current levels of cash distributions in the future, and that deterioration may be material. See “Risk Factors”.

InnVest is an unincorporated open-ended real estate investment trust governed by its declaration of trust and the laws of the Province of Ontario. **InnVest is not a trust company and is not registered under applicable legislation governing trust companies as it does not carry on or intend to carry on the business of a trust company. Units are not “deposits” within the meaning of the *Canada Deposit Insurance Corporation Act* and are not insured under the provisions of that Act or any other legislation.**

The Canadian income tax consequences to Unitholders who are Canadian residents will depend, in part, on the composition for tax purposes of distributions paid by InnVest, portions of which may be fully or partially taxable or may constitute tax-deferred distributions which are not subject to tax at the time of receipt, but reduce the adjusted cost base of the Units for Canadian income tax purposes. That composition may change over time, thus affecting a Unitholder’s after-tax return. The Income Tax Act (Canada), as amended (together with the Income Tax Regulations, the “**Tax Act**”) contains provisions providing for tax on certain income earned by a “specified investment flow-through” trust or partnership (a “**SIFT**”), and treating taxable distributions received by investors from such entities as taxable dividends (the “**SIFT Rules**”). Subject to the application of the SIFT Rules discussed under the heading “Certain Canadian Federal Income Tax Considerations”, distributions of the net income of InnVest are generally taxed in the hands of a Unitholder as ordinary income while distributions in excess of the net income of InnVest are generally tax-deferred (and reduce the Unitholder’s adjusted cost base in the Units for tax purposes). Distributions of income and returns of capital to a Unitholder that is not resident in Canada for purposes of the Tax Act or is a partnership that is not a “Canadian partnership” for purposes of the Tax Act may be subject to Canadian withholding tax. The SIFT Rules do not apply to certain entities, such as trusts, that qualify as a REIT under an exception to the application of the SIFT Rules. Management of InnVest believes, based on InnVest’s valuation and measurement of its different categories of assets and revenues under the tests pertaining to the REIT exception (the “**REIT Exception**”), that InnVest qualified for the REIT Exception throughout 2013. There can be no assurances that InnVest will continue to qualify for the REIT Exception for Canadian income tax purposes throughout 2014 and subsequent taxation years. Prospective Unitholders should consult their own tax advisors with respect to the Canadian income tax considerations applicable in their circumstances. See “Certain Canadian Federal Income Tax Considerations”.

Certain officers and trustees of InnVest reside outside of Canada and have appointed an agent for service of process in Canada. See “Legal Matters”.

The registered and head office of InnVest is located at 7th Floor, 5090 Explorer Drive, Mississauga, Ontario, L4W 4T9.

## TABLE OF CONTENTS

ELIGIBILITY FOR INVESTMENT .....	1
MEANING OF CERTAIN REFERENCES .....	1
NON-IFRS AND ADDITIONAL IFRS FINANCIAL MEASURES .....	1
NOTE REGARDING FORWARD LOOKING STATEMENTS .....	2
DOCUMENTS INCORPORATED BY REFERENCE .....	3
MARKETING MATERIALS .....	5
INNVEST REAL ESTATE INVESTMENT TRUST .....	5
RECENT DEVELOPMENTS .....	6
CONSOLIDATED CAPITALIZATION .....	8
USE OF PROCEEDS .....	8
DESCRIPTION OF THE UNITS .....	9
PLAN OF DISTRIBUTION .....	10
CONCURRENT PRIVATE PLACEMENT .....	11
RELATIONSHIP BETWEEN INNVEST AND CERTAIN UNDERWRITERS .....	12
CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS .....	13
PRIOR SALES .....	19
TRADING PRICE AND VOLUME .....	20
RISK FACTORS .....	21
LEGAL MATTERS .....	25
AUDITORS, TRANSFER AGENT AND REGISTRAR .....	26
PURCHASERS' STATUTORY RIGHTS .....	26
CERTIFICATE OF INNVEST .....	C1
CERTIFICATE OF THE UNDERWRITERS .....	C2

## ELIGIBILITY FOR INVESTMENT

In the opinion of Norton Rose Fulbright Canada LLP, counsel to InnVest, and Osler, Hoskin & Harcourt LLP, counsel to the Underwriters, provided that InnVest qualifies as a mutual fund trust under the Tax Act or the Units are listed on a designated stock exchange (which currently includes the TSX), the Units, as of the date hereof, will be qualified investments under the Tax Act for trusts governed by registered retirement savings plans (“**RRSPs**”), registered retirement income funds (“**RRIFs**”), registered disability savings plans, deferred profit sharing plans, registered education savings plans and tax-free savings accounts (“**TFSA**s”), each as defined in the Tax Act (“**Registered Plans**”).

Notwithstanding the foregoing, if the Units are a “prohibited investment” (as defined in the Tax Act) for a RRSP, RRIF or TFSA, the annuitant or holder thereof will be subject to a penalty tax as set out in the Tax Act. The Units will not be a prohibited investment for a RRSP, RRIF or TFSA provided the annuitant or holder thereof: (i) deals at “arm’s length” (as defined in the Tax Act) with InnVest; and (ii) does not have a “significant interest” (as defined in the Tax Act) in InnVest. Generally, an annuitant or holder of a RRSP, RRIF or TFSA will have a significant interest in InnVest if the annuitant or holder, together with persons not dealing at arm’s length with the annuitant or holder, owns, directly or indirectly, Units representing 10% or more of the fair market value of all outstanding Units. In addition, Units will not be a “prohibited investment” if the Units are “excluded property” as defined in the Tax Act. Prospective purchasers should consult their own tax advisors prior to purchasing Units in a RRSP, RRIF or TFSA.

## MEANING OF CERTAIN REFERENCES

In this short form prospectus, references to “InnVest” include its subsidiaries where the context requires.

References to dollars or “\$” are to Canadian currency.

## NON-IFRS AND ADDITIONAL IFRS FINANCIAL MEASURES

In this short form prospectus and in certain documents incorporated by reference herein, there are references to non-IFRS (as defined below) financial measures, including “funds from operations”, “adjusted funds from operations” and “capitalization rate” that InnVest uses to evaluate its operating performance and measure its ability to earn and distribute cash returns to Unitholders. Because non-IFRS measures do not have a standardized meaning as prescribed by International Financial Reporting Standards (“**IFRS**”) and may differ from those used by other issuers, securities regulations require that non-IFRS measures be clearly defined and qualified, reconciled with their nearest IFRS measure and given no more prominence than the closest IFRS measure. This short form prospectus and certain documents incorporated by reference herein also contains additional IFRS measures, including “gross operating profit” and “net operating income”, that InnVest believes helps management, lenders and investors evaluate InnVest’s core business’ ongoing profitability. Such information is presented below and in the sections dealing with these financial measures in the documents incorporated by reference herein.

“Funds from operations” is a common measure of performance in the real estate investment trust industry. InnVest calculates funds from operations by using net income and adjusting for: (i) depreciation, amortization and accretion, excluding amortization of deferred financing costs; (ii) deferred income tax expense or recovery; (iii) any gains or losses on the disposition of assets or the settlement of liabilities; (iv) non-cash writedown of assets held for sale as well as the impairment provision (and impairment reversals) on assets; (v) non-cash effect of certain equity-based financial instruments classified as financial liabilities under IFRS (includes distributions included in corporate and administrative expenses and changes to fair value each reporting period); and (vi) non-recurring costs that may impact cash flow. Items are considered non-recurring when a similar loss or gain is not reasonably likely to occur within the next two years and has not occurred during the prior two years.

“Adjusted funds from operations” is used by InnVest as a measure of normalized cash flow in order to assess its ability to fund distributions for current or potential investors. InnVest calculates adjusted funds from operations based on funds from operations adjusted for (i) non-cash deferred financing charges; (ii)

the reserve for replacement of furniture, fixtures and equipment and capital improvements; and (iii) any other adjustment determined by the trustees (the “Trustees”) in their discretion.

“Capitalization rate” means a rate of return on a property based on the expected income that the property will generate. Capitalization rate is calculated by dividing the net operating income produced by the property by the total purchase price of the property.

“Gross operating profit” means revenues less hotel and other real estate properties expenses and reflects results of operations from InnVest’s two business segments: hotel ownership and other real estate assets.

“Net operating income” means the gross operating profit less an annual capital reserve for the replacement of furniture, fixtures and equipment (as may be stipulated in individual hotel management agreements).

### **NOTE REGARDING FORWARD LOOKING STATEMENTS**

This short form prospectus, including the documents incorporated by reference herein, contains forward-looking statements, including statements regarding assumptions and forecasts of future results, the Hyatt Acquisition (as defined herein), the Offering, the Concurrent Private Placement, InnVest’s objectives, its strategies to achieve those objectives, as well as other statements with respect to management’s beliefs, plans, estimates and intentions, and similar statements concerning anticipated future events, results, circumstances and performance or expectations that are not historical facts. Forward-looking statements are typically identified with words such as “outlook”, “objective”, “may”, “continue”, “anticipate”, “believe”, “expect”, “estimate”, “plan”, “intend”, “forecast”, “project” or similar expressions suggesting future outcomes or events. Such forward-looking statements reflect management’s current beliefs and are based on information currently available to management.

These forward-looking statements are not guarantees of future events or performance and, by their nature, are based on InnVest’s estimates and assumptions, which are subject to risks and uncertainties, including those described under “Risk Factors” in this short form prospectus and in the documents incorporated by reference herein. Reference is also made to the disclosure concerning forward-looking statements in the documents incorporated by reference herein.

When relying on forward-looking statements to make decisions, InnVest cautions readers not to place undue reliance on these statements, as there can be no assurance that the plans, intentions or expectations upon which they are based will occur. By their nature, forward-looking statements involve numerous assumptions, inherent risks and uncertainties, which may cause InnVest’s actual performance and financial results in future periods to differ materially from any estimates or projections of future performance or results expressed or implied by such forward-looking statements. Factors that could cause actual results, performance, or achievements to differ materially from those expressed or implied by forward-looking statements include, among others: the status of InnVest as a real estate investment trust for Canadian federal income tax purposes in any year; achievement of plans to develop an optimal asset portfolio through completion of acquisitions, divestitures and reinvestments within the timeframes necessary to generate the desired return on investment and maintain adequate liquidity; risks that deposits to vendors related to contemplated acquisitions by InnVest may not be refunded should InnVest fail to complete such purchases; extent of realized benefits from plans to internalize asset management functions; ability to refinance debt maturities as planned; ability to achieve lower debt leverage target; ability to fund acquisitions at a capital cost and equity/debt mix as desired; lender concentration; general global credit market conditions including currency and interest rate fluctuations; general global economic and business conditions; failure to effectively understand and respond to changing guest demands and/or failure to meet guest needs; failure to effectively manage relationships with hotel brands including failure to comply with the appropriate standards and contractual requirements; failure to effectively manage relationships with operators including operator managed employee satisfaction, morale and effectiveness; medical or terrorist concerns relating to travel and/or specific destinations; the effects of competition and pricing pressures, including the impacts of acquisitions, development and opening of new hotel properties, aggressive marketing and service or product quality improvements by competitors; extent of

industry overcapacity; changes in the level of cross-border travel by Americans to Canada and other possible shifts in market demands; adverse changes in laws and regulations, including environmental and taxation; failure to leverage technological innovation to achieve or sustain financial and operational efficiency, competitive advantage and deliver better quality services to guests; potential increases in maintenance and operating costs; possible variances in the amount and timing of completion for planned capital or maintenance projects; failure of planned capital projects to result in desired shift in business mix; uncertainties of litigation; labour disputes; various events which could disrupt operations; reliance on information systems and associated security risks; and technological changes including impact of direct internet reservation systems; potential impact of new disruptive hospitality offerings in the market; and those factors discussed in the section entitled "Risk Factors" in this short form prospectus.

In making such forward-looking statements, management has relied upon a number of material factors and assumptions, including with respect to: the Vancouver Hyatt's expected future financial performance including its projected 2015 hotel net operating income used in determining its capitalization rate; general economic and financial conditions, the terms and conditions on which the Hyatt Acquisition will be completed, including mortgage financing, the Offering and the Concurrent Private Placement; the use of proceeds of the Offering and the Concurrent Private Placement; the expected financial impact of the Hyatt Acquisition on InnVest; current and future levels of investment in and renovations of the Royal York Hotel; the Royal York Hotel's expected future financial performance; plans related to Toronto infrastructure and transportation enhancements; the terms and conditions on which the acquisition of the Royal York Hotel will be completed; and the expected financial impact of the acquisition of the Royal York Hotel on InnVest. Although management of InnVest believes that the expectations with respect to such forward-looking statements are reasonable, such forward-looking statements are subject to known and unknown risks and uncertainties and, accordingly, there can be no assurance that such expectations will prove to be correct. Readers are cautioned that the foregoing list is not exhaustive. The forward-looking statements included herein are made as of the date hereof and InnVest disclaims any intention or obligation to update or revise any forward looking statements, whether as a result of new information, future events or otherwise, unless required to do so by applicable securities law.

#### DOCUMENTS INCORPORATED BY REFERENCE

Information has been incorporated by reference in this short form prospectus from documents filed with the securities commissions or similar regulatory authorities in Canada. Copies of the documents incorporated herein by reference may be obtained on request without charge from the Secretary of InnVest at 7<sup>th</sup> Floor, 5090 Explorer Drive, Mississauga, Ontario, L4W 4T9, telephone (905) 206-7100, and are also available electronically at [www.sedar.com](http://www.sedar.com).

The following documents, filed with the securities commissions or similar regulatory authorities in Canada, are specifically incorporated by reference in, and form an integral part of, this short form prospectus:

- (i) the annual information form of InnVest dated March 19, 2014 for the year ended December 31, 2013 (the "**2013 AIF**");
- (ii) the audited consolidated financial statements of InnVest for the year ended December 31, 2013, together with the notes thereto and the independent auditors' report thereon (the "**2013 Annual Financial Statements**");
- (iii) management's discussion and analysis of the consolidated financial condition and results of operations of InnVest for the year ended December 31, 2013 (the "**2013 Annual MD&A**");
- (iv) the unaudited condensed consolidated financial statements of InnVest for the three and nine months ended September 30, 2014, together with the notes thereto (the "**2014 Q3 Financial Statements**");
- (v) management's discussion and analysis of the condensed consolidated financial condition and results of operations of InnVest for the three and nine months ended September 30, 2014 (the "**2014 Q3 MD&A**");

- (vi) the management information circular of InnVest dated April 25, 2014 prepared in connection with InnVest's meeting of Unitholders held on May 27, 2014;
- (vii) the management information circular of InnVest dated June 18, 2014 prepared in connection with InnVest's meeting of holders of 5.75% Convertible Unsecured Subordinated Debentures, Series G (now known as the 6.25% Convertible Unsecured Subordinated Debentures, Series G) (the "**Series G Debentures**") originally held on July 22, 2014;
- (viii) the supplemental management information circular of InnVest dated July 14, 2014 prepared in connection with InnVest's postponed meeting of holders of the Series G Debentures held on July 25, 2014;
- (ix) the material change report of InnVest dated March 14, 2014 in respect of a Settlement announced March 13, 2014 between InnVest and Orange Capital, LLC with the support of Westmont;
- (x) the material change report of InnVest dated June 18, 2014 in respect of an offer by InnVest to purchase up to \$28,750,000 of the outstanding principal amount of its Series G Debentures, and InnVest's intention to hold a meeting of holders of the Series G Debentures to consider the approval of certain amendments to the trust indenture;
- (xi) the material change report of InnVest dated July 31, 2014 in respect of a special meeting of holders of Series G Debentures approving a supplemental indenture, and the completion of an offer to purchase for cancellation up to \$28,750,000 aggregate principal amount of outstanding Series G Debentures;
- (xii) the material change report of InnVest dated October 31, 2014 in respect of the entering into by InnVest and a fund managed by KingSett Capital of a definitive agreement with Ivanhoé Cambridge to acquire an aggregate 80% interest in the Royal York Hotel (defined below) in a joint venture whereby Ivanhoé Cambridge will retain a 20% interest in the property;
- (xiii) the material change report of InnVest dated November 6, 2014 in respect of the announcement by InnVest of the Hyatt Acquisition (defined below), the Offering and the Concurrent Private Placement; and
- (xiv) the "template version" (as such term is defined in National Instrument 41-101 – *General Prospectus Requirements* ("**NI 41-101**")) of the term sheet for the Offering dated November 6, 2014, filed on SEDAR in connection with the Offering (the "**Marketing Materials**").

**Any documents of the type referred to above and any business acquisition reports and certain press releases describing financial results filed by InnVest with the securities commissions or similar regulatory authorities in each of the provinces and territories of Canada subsequent to the date of this short form prospectus and prior to the termination of this distribution shall be deemed to be incorporated by reference into this short form prospectus. Any statement in this short form prospectus contained 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 short form prospectus to the extent that a statement contained herein or in any other subsequently filed document which also is, 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 or statement that it modifies or supersedes. The making of a modifying or superseding statement shall not be deemed an admission for any purposes 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 part of this short form prospectus.**

## MARKETING MATERIALS

The Marketing Materials are not part of this short form prospectus to the extent that the contents of the Marketing Materials have been modified or superseded by a statement contained in this short form prospectus. Any template version of any “marketing materials” (as defined in NI 41-101) relating to the Offering filed on SEDAR after the date of this short form prospectus and before the termination of the distribution under the Offering (including any amendments to, or an amended version of, the Marketing Materials) is deemed to be incorporated by reference into this short form prospectus.

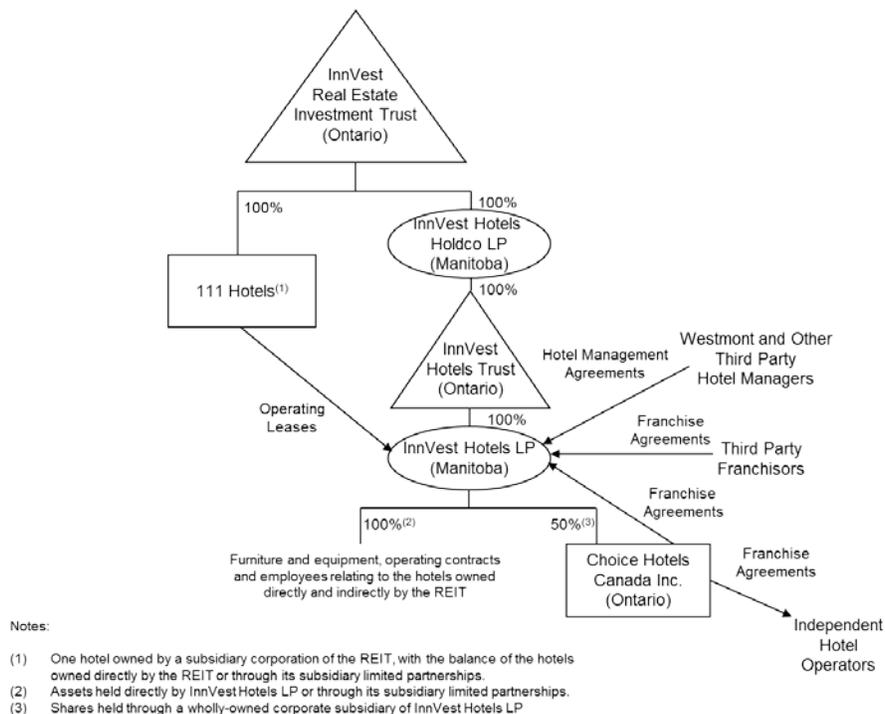
## INNVEST REAL ESTATE INVESTMENT TRUST

InnVest is an unincorporated open-ended trust governed by an amended and restated declaration of trust dated as of July 1, 2012, as amended on August 7, 2013 (the “**Declaration of Trust**”), and the laws of the Province of Ontario. InnVest is focused on the ownership and acquisition of hotel properties. InnVest also indirectly holds a 50% interest in Choice Canada.

The head office and the registered office of InnVest are located at 7th Floor, 5090 Explorer Drive, Mississauga, Ontario, L4W 4T9. InnVest is a “mutual fund trust” as defined by the Tax Act, but it is not a “mutual fund” as defined by applicable securities legislation.

InnVest currently holds, directly and indirectly, 111 Canadian hotel properties, one of Canada’s largest hotel portfolios as measured both by number of hotels and by number of guest rooms. InnVest’s hotels are operated under 14 internationally recognized brands. Seventy-one of the 111 hotels in the portfolio are operated under franchise agreements with Choice Canada, one of the largest franchisors of hotels in Canada as measured by hotels under franchise, and 39 of the remaining 40 hotels are operated under franchise agreements with other franchisors.

The following diagram illustrates the primary structural and contractual relationships between InnVest and its principal subsidiaries and certain third parties as of November 19, 2014:



## RECENT DEVELOPMENTS

### Announcement of Hyatt Regency Vancouver Acquisition

On November 6, 2014, InnVest announced that it had entered into a definitive agreement to acquire the 644-room Hyatt Regency Vancouver (the “**Vancouver Hyatt**”) from an affiliate of Hyatt Hotels Corporation for \$140.0 million, or \$217,000 per key (the “**Hyatt Acquisition**”). The purchase price plus transaction costs represent an approximate 7.5% capitalization rate on projected 2015 hotel net operating income. Following completion of the Hyatt Acquisition, a Hyatt affiliate will continue to provide management services to the Vancouver Hyatt under a new long-term management contract. The management contract has an initial 20 year term, with the manager having the right to extend the contract for two renewal terms of 10 years each.

InnVest expects to finance the Hyatt Acquisition from (i) the net proceeds from the Offering and the Concurrent Private Placement; and (ii) a \$70.0 million, 3.8% floating rate mortgage (three-year term plus two one-year options) which is subject to customary lending conditions. The Hyatt Acquisition is expected to be completed in December 2014, and is subject to customary closing conditions.

Built in 1973, the Vancouver Hyatt is centrally located at Burrard Street and West Georgia Street in downtown Vancouver. The Vancouver Hyatt features 45 Regency Club Rooms and 20 suites. The Vancouver Hyatt also offers 40,000 square feet of meeting space and three food and beverage outlets.

The completion of this Offering is not conditional on the closing of the Hyatt Acquisition.

### Concurrent Private Placement

See “Concurrent Private Placement”.

### Announcement of Fairmont Royal York Acquisition

On October 28, 2014, InnVest announced that it had entered into an agreement to acquire a 20% interest in the 1,363-room Fairmont Royal York in Toronto (the “**Royal York Hotel**”) through a joint venture with KingSett Real Estate Growth LP No. 5 and Ivanhoé Cambridge. The joint venture will acquire the Royal York Hotel for an aggregate price of \$186.5 million, or \$137,000 per key, with InnVest’s 20% share being acquired for approximately \$37.3 million. The joint venture expects to finance the acquisition with conventional mortgage financing. InnVest intends to fund its proportionate share of the acquisition equity with available cash (including a portion of the proceeds of the Offering) and capacity under its existing credit facilities. The transaction is expected to close January 30, 2015 and is subject to customary closing conditions. InnVest believes the Royal York Hotel has substantial long-term potential and plans to invest \$10 million in additional funds through the joint venture for renovations over the 24 months following the acquisition (with \$50 million in aggregate to be invested through the joint venture).

### Corporate Update

Following certain changes to InnVest’s board of trustees in March 2014, InnVest announced its intention to internalize the asset management of InnVest effective November 30, 2014. As part of this process, the Board appointed Edward Pitoniak as interim Managing Director and is in the process of executing a search for a permanent full-time Chief Executive Officer to be employed by InnVest. During the second quarter of 2014, the Chief Financial Officer role became fully dedicated to the affairs of InnVest.

### Portfolio Repositioning Program

Since December 31, 2013, InnVest has sold 16 non-core assets for gross proceeds of \$91.6 million and net proceeds after debt repayment and selling costs of \$68.7 million. Ten additional non-core hotels are being considered for sale with expected gross proceeds of approximately \$75 million and net proceeds after debt repayment and selling costs of approximately \$35 million. Five of these hotels are currently

under purchase and sale agreements for aggregate gross proceeds of over \$44 million. Additional details are described in the 2014 Q3 MD&A, which is incorporated by reference in this short form prospectus.

### **Capital Investment Program**

InnVest expects to invest approximately \$70 million across its portfolio in 2014, \$57.8 million of which was invested year-to-date through September 30, 2014. Additional details are described in the 2014 Q3 MD&A, which is incorporated by reference in this short form prospectus.

### **Changes to Agreements with Westmont**

Asset management of InnVest will be internalized without termination costs, effective November 30, 2014. As a result, InnVest will no longer pay asset management fees to Westmont Hospitality Group (including its affiliates, "**Westmont**"), effective December 1, 2014.

On April 21, 2014, InnVest finalized an amendment and extension of its hotel management agreement with Westmont. A number of changes were made to the hotel management agreement, including to the provisions relating to fees, exclusivity and the term of the agreement. These changes are described in InnVest's 2014 Q3 MD&A, which is incorporated by reference in this short form prospectus.

### **KingSett Capital Credit Agreement**

On April 24, 2014, InnVest closed a credit agreement with KingSett Capital ("**KingSett**") for a \$50.0 million subordinated term loan facility. KingSett has also provided an option to draw an additional \$50.0 million subordinated non-revolving stand-by liquidity facility. Additional details are described in InnVest's 2014 Q3 MD&A, which is incorporated by reference in this short form prospectus. On November 7, 2014, subsequent to the date of the 2014 Q3 MD&A, the \$50.0 million subordinated non-revolving stand-by liquidity facility was canceled upon mutual agreement of InnVest and KingSett in light of the expected financing pursuant to the Offering.

### **Redemption of Series C Convertible Debentures**

In June 2014, InnVest completed the early redemption of all of its outstanding \$70.0 million principal amount of 6.0% Series C convertible debentures.

### **Issuer Bid and Modification of Series G Convertible Debentures**

On July 31, 2014, InnVest purchased for cancellation \$28.8 million principal amount of its outstanding Series G Debentures following the completion of a substantial issuer bid. In connection with such purchase, InnVest also increased the interest rate of its Series G Debentures from 5.75% to 6.25% and increased the conversion price for conversion of Series G Debentures to units of InnVest from \$5.80 to \$7.50 per unit.

Additional details are described in InnVest's 2014 Q3 MD&A and the material change reports of InnVest dated June 18, 2014 and July 31, 2014 relating to InnVest's Series G Debentures, which documents are incorporated by reference in this short form prospectus.

## CONSOLIDATED CAPITALIZATION

Other than as contemplated by the Offering and the Concurrent Private Placement, there have not been any material changes in the unit or loan capital of InnVest since September 30, 2014, the date of InnVest's most recently filed condensed consolidated interim financial statements. The following table sets forth the consolidated capitalization of InnVest: (i) as at September 30, 2014; (ii) as at September 30, 2014, after giving effect to the Offering (assuming the Over-Allotment Option is not exercised) and the Concurrent Private Placement as though they had both been completed on September 30, 2014; and (iii) as at September 30, 2014, after giving effect to the Offering (assuming the Over-Allotment Option is not exercised), the Concurrent Private Placement and the completion of the Hyatt Acquisition and related debt financings as though they had been completed on September 30, 2014. The table below should be read in conjunction with the 2014 Q3 Financial Statements.

	<b>As at September 30, 2014</b> <b>(in thousands of \$)</b>		
	<b>Actual</b>	<b>As Adjusted for the Offering and the Concurrent Private Placement</b>	<b>As Adjusted for the Offering, the Concurrent Private Placement and the Hyatt Acquisition</b>
Indebtedness			
Bridge Loan .....	32,300	32,300	32,300
Mortgages and other long-term debt <sup>(1)</sup> .....	721,870	721,870	791,520
Convertible debentures <sup>(2)</sup> .....	234,062	234,062	234,062
<b>Total Indebtedness<sup>(3)</sup></b> .....	<b>988,232</b>	<b>988,232</b>	<b>1,057,882</b>
Unitholders' equity .....	105,700	212,982	212,982
<b>Total Capitalization</b> .....	<b>1,093,932</b>	<b>1,201,214</b>	<b>1,270,864</b>

Notes:

- (1) Net of debt issuance costs of \$9,688 and including \$12,377 of mortgages on assets held for sale. The value under the column entitled "As adjusted for the Offering, the Concurrent Private Placement and the Hyatt Acquisition" was increased by \$69,650 (net of \$350 of debt issuance costs) due to the partial financing of Vancouver Hyatt.
- (2) Net of allocation to equity of \$15,229, accretion and issuance costs of \$1,683.
- (3) InnVest is not permitted to exceed certain financial leverage amounts under the terms of the Declaration of Trust. InnVest is permitted to hold indebtedness excluding convertible debentures up to a level of 60% of gross asset value. Further, InnVest is permitted to have indebtedness and convertible debentures up to a level of 75% of gross asset value. Indebtedness is computed as of the last day of each financial period excluding any indebtedness under any operating line, non-interest bearing indebtedness, trade accounts payable and, for greater certainty, deferred income tax liability. At September 30, 2014, InnVest's leverage excluding and including convertible debentures was 49.7% and 65.8%, respectively. As adjusted for the Offering, the Concurrent Private Placement and the Hyatt Acquisition, InnVest's financial leverage excluding and including convertible debentures will be approximately 48.7% and 63.2% respectively.

## USE OF PROCEEDS

The estimated net proceeds of the Offering (after deducting the Underwriters' Fee payable to the Underwriters and the estimated expenses of the Offering) and the Concurrent Private Placement will be \$107,282,000 (or \$116,391,800 if the Over-Allotment Option is exercised in full). InnVest intends to use the net proceeds from the Offering and Concurrent Private Placement to fund the Hyatt Acquisition, for capital expenditures, debt repayment and potential future acquisitions, including the participation in the

acquisition of the Royal York Hotel in downtown Toronto. The Offering and the Concurrent Private Placement are not conditional upon closing of the Hyatt Acquisition. In the event that the Offering and Concurrent Private Placement are completed but either or both of the Hyatt Acquisition and the acquisition of the Royal York Hotel is not completed, some or all of the aggregate net proceeds of the Offering and the Concurrent Private Placement will be used by InnVest to fund capital investments and future acquisitions, for repayment of indebtedness and for general trust purposes. InnVest anticipates that the use of proceeds will be as follows:

<u>Use of Proceeds</u>	<u>Amount</u>
Hyatt Acquisition.....	\$70,000,000 <sup>(1)</sup>
Potential future acquisitions, including participation in the acquisition of the Royal York Hotel.....	\$18,650,000 <sup>(1)</sup>
Capital expenditures.....	\$15,000,000
Debt repayment.....	\$3,632,000
Underwriters' Fee and other expenses.....	\$3,230,500
<b>Total Use of Proceeds.....</b>	<b>\$110,512,500</b>

Note:

- (1) Proceeds of the Offering expected to be used for the Hyatt Acquisition and the participation in the acquisition of the Royal York Hotel are net of mortgage financing.

The Offering and the Concurrent Private Placement are not conditioned on the completion of the Hyatt Acquisition and there can be no assurance that the Hyatt Acquisition will be completed. The Units offered will remain outstanding whether or not the Hyatt Acquisition is completed.

### **DESCRIPTION OF THE UNITS**

An unlimited number of Units may be issued pursuant to the Declaration of Trust. Each Unit represents an equal undivided beneficial interest in any distributions from InnVest, whether of net income, net realized capital gains or other amounts, and in the net assets of InnVest in the event of the termination or winding-up of InnVest. All Units are of the same class with equal rights and privileges. Each whole Unit entitles the holder thereof to one vote at all meetings of Unitholders.

A summary of the material attributes and characteristics of the Units is provided in the 2013 AIF under the heading "Description of REIT Units and Declaration of Trust".

#### **Distribution Reinvestment Plan**

InnVest has historically permitted Unitholders to reinvest cash distributions in Units through its distribution reinvestment plan (the "DRIP"). Pursuant to the DRIP, Unitholders resident in Canada and holding a minimum of 500 Units may elect to have all their distributions of income of InnVest automatically reinvested in additional Units at a price per Unit equal to the average of the trading price on the TSX for the five trading days ending on the second trading day immediately preceding the date of a monthly distribution (the "Average Market Price"). No fractional Units will be issued under the DRIP; instead, a cash adjustment based upon the Average Market Price will be paid in lieu of any fractional Units otherwise issuable under the DRIP within 10 days after the distribution date. No brokerage commissions are payable in connection with the purchase of Units under the DRIP and all administrative costs are borne by InnVest. Effective September 2014, InnVest amended its DRIP to provide it discretion to purchase Units on the open market or to be issued from treasury. If InnVest elects to issue Units from treasury, Unitholders who have elected to participate in the DRIP will receive 3% bonus Units in addition to any Units issued to them under the DRIP.

As summarized beginning on page 12 of the 2013 AIF (which is incorporated by reference in this short form prospectus) under the heading "Description of REIT Units and Declaration of Trust – Book-Based System", CDS is the only registered Unitholder. As such, beneficial Unitholders (i.e., individuals or entities who hold Units through a broker or other intermediary participating in the CDS system) will only be

entitled to enrol in the DRIP through a CDS participant (i.e., their broker or investment advisor). Statements detailing the number of additional Units acquired through the DRIP will only be provided to beneficial Unitholders through CDS participants.

Proceeds from the issuance of additional Units pursuant to the DRIP will be added to the working capital of InnVest.

## **PLAN OF DISTRIBUTION**

Pursuant to the Underwriting Agreement, InnVest has agreed to sell and the Underwriters have severally agreed to purchase, as principals, on or about November 26, 2014, or on such other date as may be agreed upon, but in no event later than December 3, 2014, a total of 12,050,000 Units at a price of \$5.25 per Unit, subject to the provisions contained in such agreement, payable in cash to InnVest by the Underwriters against delivery of the Units. The obligations of the Underwriters under the Underwriting Agreement are several and may be terminated at their discretion upon the occurrence of certain stated events including events materially adversely affecting the financial markets in Canada. Subject to certain exceptions, the Underwriters are, however, obligated to take up and pay for all of the Units if any of the Units are purchased under the Underwriting Agreement. The Underwriters will receive at Closing an aggregate fee of \$2,530,500 (\$2,910,075 if the Over-Allotment Option is exercised in full) for their services performed in connection with the Offering. The Underwriters will not receive any fee in respect of such Units sold under the Concurrent Private Placement. See "Concurrent Private Placement".

InnVest has granted the Over-Allotment Option to the Underwriters, exercisable upon two business days' prior notice in whole or in part and at any time up to the 30th day following the date of Closing, to purchase up to 1,807,500 Units on the same terms and conditions set forth above to cover the Underwriters' over-allotment position, if any, and for market stabilization purposes. This short form prospectus also qualifies the granting of the Over-Allotment Option and the distribution of Units that may be offered in relation to the Over-Allotment Option.

InnVest has agreed to indemnify the Underwriters and their respective shareholders, directors, officers, employees and agents against certain liabilities, including civil liabilities under Canadian provincial and territorial securities legislation, or to contribute to any payments the Underwriters may be required to make in respect thereof.

InnVest shall not, without the prior written consent of RBC and BMO, such consent not to be unreasonably withheld or delayed, for a period ending 90 days following the closing date, create, offer, sell, contract to sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase or otherwise transfer or dispose of directly or indirectly, any Units, or any securities convertible into or exercisable or exchangeable for Units, (other than the Units issued in connection with InnVest's outstanding convertible debentures, Units issued in connection with the existing executive unit option plan, Units issued under InnVest's distribution reinvestment plan or Units issued in connection with an acquisition by InnVest of hotel properties from an arm's length vendor).

The outstanding Units are listed and posted for trading on the TSX under the symbol "INN.UN". The TSX has conditionally approved the listing of the Units distributed under this short form prospectus (including any Units issuable upon the exercise of the Over-Allotment Option). Listing will be subject to InnVest fulfilling all listing requirements of the TSX on or before February 10, 2015.

Subscriptions will be received subject to rejection or allotment, in whole or in part, and the Underwriters reserve the right to close the subscription books at any time without notice.

The terms and offering price of the Units were established by negotiation between InnVest and the Underwriters. The Underwriters propose to offer the Units initially at the offering price specified on the cover page of this short form prospectus. After the Underwriters have made a reasonable effort to sell all of the Units at the price specified on the cover page, the offering price may be decreased and may be further changed from time to time to an amount not greater than that set out on the cover page, and the compensation realized by the Underwriters will be decreased by the amount that the aggregate price paid

by purchasers for the Units is less than the price paid by the Underwriters to InnVest. Any such reduction will not affect the proceeds received by InnVest.

Pursuant to policy statements of certain securities commissions and the Universal Market Integrity Rules (“UMIR”) of the Investment Industry Regulatory Organization of Canada, the Underwriters may not, throughout the period of distribution, bid for or purchase any Units. The foregoing restriction is subject to certain exceptions as permitted by such policy statements and the UMIR. These exceptions include a bid or purchase permitted under such policy statements and the UMIR relating to market stabilization and market balancing activities and a bid or purchase on behalf of a customer where the order was not solicited. InnVest has been advised that in connection with the Offering, the Underwriters may over-allot or effect transactions which stabilize or maintain the market price of the Units at levels other than those which might otherwise prevail on the open market. Such transactions, if commenced, may be discontinued at any time.

This Canadian prospectus does not constitute an offer to sell, or a solicitation of an offer to buy, any of the Units in the United States. The Units are being offered by the Underwriters in all provinces and territories in Canada. The Units offered hereby have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the “1933 Act”), or applicable state securities laws, and may not be offered or sold within the United States absent registration under the 1933 Act and all applicable state securities laws or an exemption therefrom. The Underwriting Agreement permits the Underwriters to reoffer and resell Units that they have acquired pursuant to the Underwriting Agreement in the United States through their U.S. broker-dealer affiliates to persons who are “qualified institutional buyers,” as such term is defined in Rule 144A under the 1933 Act, where such offers and sales are made in compliance with Rule 144A under the 1933 Act and applicable state securities laws. The Underwriting Agreement also permits the Underwriters to offer the Units to institutional “accredited investors” (within the meaning of Rule 501(a)(1), (2), (3) or (7) of Regulation D (“Regulation D”) under the 1933 Act) in the United States, for sale directly by InnVest in transactions exempt from the registration requirements of the 1933 Act pursuant to Rule 506 under Regulation D, and similar exemptions under state securities laws. Each Underwriter has agreed that it will offer and sell the Units outside the United States only in accordance with Rule 903 of Regulation S under the 1933 Act, and that except as permitted by the Underwriting Agreement and as expressly permitted by applicable laws of the United States, it will not offer or sell any Units within the United States.

Except for Units issued to, or for the account or benefit of, persons within the United States who are acquiring Units in reliance on Rule 506 of Regulation D under the 1933 Act, which will be issued in certificated form, no physical certificate representing the Units will be issued to purchasers in the Offering, and registration will be effected only through the book-based system administered by CDS. Purchasers of Units under this Canadian prospectus, as well as purchasers in the United States who are acquiring Units in compliance with Rule 144A under the 1933 Act, will receive only a customer confirmation from the Underwriters or other registered dealer who is a CDS participant and from or through whom a beneficial interest in the Units is purchased. Certificates representing Units sold in the United States in reliance on Rule 506 of Regulation D under the 1933 Act will contain legends to the effect that the Units represented thereby have not been registered under the 1933 Act and may only be offered for sale pursuant to certain exemptions from the registration requirements of the 1933 Act.

### **CONCURRENT PRIVATE PLACEMENT**

InnVest will enter into a subscription agreement with each Purchasing Insider on or prior to the date of Closing, pursuant to which the Purchasing Insiders will agree to subscribe for and purchase an aggregate of 9,000,000 Units at a price of \$5.25 per Unit for aggregate gross and net proceeds of \$47,250,000, concurrent with the Closing. Subject to obtaining regulatory approval, the closing of the Concurrent Private Placement is expected to occur concurrently with the Closing. The terms and conditions of the Concurrent Private Placement will be set out in the subscription agreements between InnVest and each of the Purchasing Insiders. This short form prospectus does not qualify any securities issued under the Concurrent Private Placement. The Units to be issued under the Concurrent Private Placement will be subject to a statutory hold period. The Underwriters will not receive the Underwriters’ Commission on the Units purchased by the Purchasing Insiders. The closing of the Concurrent Private Placement and the

Closing are separate from each other. The closing of Concurrent Private Placement is a condition to Closing (see “Risk Factors – Financing Risks Relating to the Offering and the Concurrent Private Placement”). See “Use of Proceeds” for the principal purposes for which the proceeds of the Concurrent Private Placement will be used by InnVest.

For a period of 90 days following the closing of the Concurrent Private Placement, the Purchasing Insiders will not, directly or indirectly, without the prior written consent of RBC, on behalf of the Underwriters, which consent will not be unreasonably withheld or delayed, (i) offer, sell, contract to sell, secure, pledge or grant any option, right or warrant to purchase or otherwise lend, transfer or dispose of any Units owned by the Purchasing Insiders; or (ii) make any short sale, engage in any hedging transaction, or enter into any swap, monetization, securitization or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any of the Units owned by the Purchasing Insiders. The Purchasing Insiders will execute an undertaking to the foregoing effect (the “**Lock-up Undertakings**”). Notwithstanding the foregoing, the foregoing restriction does not affect the ability of any Purchasing Insider to fulfil any obligations under existing contractual arrangements.

As a result of the relationship between InnVest and each of the Purchasing Insiders, the issuance of Units to these parties is considered a “related party transaction” pursuant to Multilateral Instrument 61-101 - *Protection of Minority Security Holders in Special Transactions* (“**MI-61-101**”). InnVest will rely on the formal valuation exemption in section 5.5(a) of MI 61-101 and upon the minority approval exemption in section 5.7(a) of MI 61-101 on the basis that, at the time the subscriptions agreements with the Purchasing Insiders are agreed to, neither the fair market value of the subject matter of, nor the fair market value of the consideration for, the Concurrent Private Placement will exceed 25% of InnVest’s market capitalization.

#### **RELATIONSHIP BETWEEN INNVEST AND CERTAIN UNDERWRITERS**

An affiliate of RBC is a lender to InnVest under a bridge loan due February 28, 2015 (the “**Bridge Loan**”), a bridge loan due May 31, 2015 (the “**New Bridge Loan**”) and operating line of credit due August 31, 2016 (the “**Credit Line**”). Accordingly, InnVest may be considered to be a “connected issuer” of RBC within the meaning of applicable Canadian securities legislation.

The Bridge Loan was entered into on March 17, 2008. The Bridge Loan was used to finance part of the development of a 105-room Staybridge Suites hotel located in Oakville, Ontario. As at November 19, 2014, the principal amount outstanding under the Bridge Loan was \$2.3 million.

In May 2014, InnVest finalized a bridge loan for up to \$40.0 million to be used pending permanent financing or the sale of assets. Following asset sales completed, InnVest availability as at November 19, 2014 totals \$34.9 million. As at November 19, 2014, the principal amount outstanding under the New Bridge Loan was \$32.3 million.

InnVest’s borrowings under the Credit Line are used for general working capital purposes. Given the seasonality of earnings through the year in contrast to its fixed costs, InnVest generally funds a portion of its distributions in its first and second financial quarters with funds borrowed under the Credit Line. As at November 19, 2014, the principal amount outstanding under the Credit Line was \$nil. InnVest may draw down any amounts repaid under the Credit Line, subject to compliance with the terms of the Credit Line.

As at November 19, 2014, InnVest was in compliance in all material respects with the terms and conditions of each of the Bridge Loan and the Credit Line and no breach under either facility had been waived by the lender thereto. The Bridge Loan, the New Bridge Loan and the Credit Line are currently secured by one property, five properties and nine properties, respectively. There has been no material change in the financial position of InnVest since the execution of the agreements governing the Bridge Loan, the New Bridge Loan and the Credit Line, except as described elsewhere in this short form prospectus and in the documents incorporated by reference herein. The decision by the Underwriters to purchase Units was made independently of the lender under the Bridge Loan, the New Bridge Loan and the Credit Line and any other affiliates of the Underwriters, and no such person had any influence as to the determination of the terms of the distribution of the Units and the other terms and conditions of the

Offering, which were established through negotiations between InnVest and the Underwriters. In addition, RBC will not receive any benefit from the Offering, other than the respective portion of the Underwriters' fee payable by InnVest to RBC.

Certain affiliates of the Underwriters have provided and may provide in the future investment banking, commercial banking and other financial services to InnVest for which they have received or will receive compensation.

## CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of Norton Rose Fulbright Canada LLP, counsel to InnVest, and Osler, Hoskin & Harcourt LLP, counsel to the Underwriters, the following is, as of the date hereof, a summary of the principal Canadian federal income tax considerations generally applicable under the Tax Act to the acquisition, holding and disposition of Units acquired under this Offering. This summary is applicable to a holder who, for purposes of the Tax Act, is resident in Canada, deals at arm's length and is not affiliated with InnVest and holds the Units as capital property (a "**Holder**"). Generally, the Units will be considered to be capital property to a Holder provided the Holder does not hold the Units in the course of carrying on a business and has not acquired them in one or more transactions considered to be an adventure or concern in the nature of trade. Certain Holders who might not otherwise be considered to hold their Units as capital property may, in certain circumstances, be entitled to make the irrevocable election permitted by subsection 39(4) of the Tax Act to have such Units, and any other "Canadian security" (as defined in the Tax Act) owned in the taxation year in which the election is made and all subsequent taxation years, deemed to be capital property. Such Holders should consult their own tax advisors regarding their particular circumstances.

This summary is not applicable to a Holder: (i) that is a "financial institution" for purposes of the mark-to-market rules; (ii) that is a "specified financial institution"; (iii) an interest in which is a "tax shelter investment"; (iv) that has elected to determine its Canadian tax results in accordance with a "functional currency", or (v) that has entered into or will enter into a "derivative forward agreement" with respect to any Units, as each of those terms is defined in the Tax Act. Such Holders should consult their own tax advisors to determine the tax consequences to them of the acquisition, holding and disposition of Units. In addition, this summary does not address the deductibility of interest by an investor who has borrowed money to acquire Units under this Offering.

This summary is based upon the facts set out in this short form prospectus and in a certificate provided to counsel by an officer of InnVest (the "**Officer's Certificate**"). Counsel has assumed the accuracy of the representations and statements contained in the Officer's Certificate.

This summary is also based upon the current provisions of the Tax Act and counsel's understanding of the current published administrative policies and assessing practices of the Canada Revenue Agency (the "**CRA**"). This summary takes into account all specific proposals to amend the Tax Act and the regulations thereunder publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof (the "**Tax Proposals**"). This summary does not otherwise take into account or anticipate any changes in law, whether by legislative, governmental or judicial decision or action, and does not take into account provincial, territorial or foreign tax legislation or considerations, which may differ significantly from those discussed herein. This summary assumes that the Tax Proposals will be enacted as proposed, but no assurances can be given that this will be the case. There can be no assurances that the CRA will not change its administrative policies and assessing practices.

This summary assumes that InnVest currently qualifies as a "mutual fund trust" and a "real estate investment trust" under the Tax Act and will continue to so qualify while the Units remain outstanding. If InnVest does not qualify as a mutual fund trust or a real estate investment trust, the income tax considerations described below would in some respects be materially different. See "Certain Canadian Federal Income Tax Considerations — Status of InnVest – Mutual Fund Trust Status of InnVest".

This summary is not exhaustive of all possible Canadian federal income tax considerations applicable to an investment in Units. Moreover, the income and other tax consequences of acquiring, holding or

disposing of Units will vary depending on the Holder's particular circumstances. Accordingly, this summary is of a general nature only and is not, and is not intended to be, legal or tax advice to any prospective Holder. Consequently, a prospective Holder should consult the Holder's own tax advisor for advice with respect to the tax consequences of an investment in Units based on the prospective Holder's particular circumstances.

This summary does not address any Canadian federal tax considerations applicable to non-residents of Canada. Non-residents of Canada should consult their own tax advisors regarding the tax consequences of acquiring, holding and disposing of Units. Distributions on Units or amounts paid in respect thereof, whether paid in cash or Units, will be paid or issued net of any applicable withholding tax.

### **Mutual Fund Trust Status of InnVest**

This summary assumes that InnVest qualifies, and will continue at all times to qualify, as a "mutual fund trust" for purposes of the Tax Act.

Currently, a trust will not be considered to be a mutual fund trust if, among other things, it is established or maintained primarily for the benefit of non-residents of Canada. This summary assumes that InnVest was not established and is not maintained primarily for the benefit of non-residents. Counsel is of the view that this assumption is reasonable based on statements contained in the Officer's Certificate and the restriction on the ownership of Units contained in the Declaration of Trust. If InnVest was not to qualify as a mutual fund trust at any particular time, the Canadian federal income tax considerations described herein would, in some respects, be materially different.

### **Taxation of InnVest**

#### *Application of SIFT Rules*

The SIFT Rules apply to any trust or partnership that is a SIFT and to its investors. A SIFT includes a Canadian resident trust where investments in the trust are listed or traded on a stock exchange or other public market, the trust holds one or more "non-portfolio properties" (as defined in the Tax Act), and the trust is not an "excluded subsidiary entity" (as defined in the Tax Act). "Non-portfolio properties" generally include certain investments in real properties situated in Canada and certain investments in corporations and trusts resident in Canada and in partnerships with specified connections in Canada.

Pursuant to the SIFT Rules, a trust that is a SIFT cannot deduct any part of the amounts payable to its unitholders in respect of (i) aggregate net income from businesses it carries on in Canada; (ii) aggregate net income (other than taxable dividends received by the SIFT) from its non-portfolio properties; and (iii) aggregate net taxable capital gains from its disposition of non-portfolio properties. Distributions which a SIFT is unable to deduct will be taxed in the SIFT at rates of tax designed to emulate the combined federal and provincial corporate tax rates.

Distributions of a SIFT trust's income that are not deductible to the SIFT will be treated as dividends payable to its unitholders from a taxable Canadian corporation. Such dividends deemed to be received by an individual (other than certain trusts) will be included in computing the individual's income for tax purposes and will be subject to the enhanced gross-up and dividend tax credit rules normally applicable to eligible dividends received from taxable Canadian corporations. Such dividends deemed to be received by a unitholder that is a corporation generally will be deductible in computing the corporation's taxable income. Certain corporations, including "private corporations" and "subject corporations" (as such terms are defined in the Tax Act), may be liable to pay a refundable tax under Part IV of the Tax Act on dividends received or deemed to be received to the extent that such dividends are deductible in computing taxable income.

#### *REIT Exception*

The SIFT Rules are not applicable to "real estate investment trusts" (as defined in the Tax Act) that meet certain specified criteria relating to the nature of their income and investments (under the REIT

Exception). In particular, in order for InnVest to qualify for this REIT Exception in a particular taxation year:

- (i) at each time in the taxation year, the total fair market value at that time of all non-portfolio properties that are “qualified REIT properties” (as described below) held by InnVest must be at least 90% of the total fair market value at that time of all non-portfolio properties held by InnVest;
- (ii) not less than 90% of InnVest’s “gross REIT revenue” for the taxation year must be derived from one or more of the following: “rent from real or immovable properties”, interest, dispositions of “real or immovable properties” that are capital properties, dividends, royalties, and dispositions of “eligible resale properties” (each as described below);
- (iii) not less than 75% of InnVest’s gross REIT revenue for the taxation year must be derived from one or more of the following: rent from real or immovable properties; interest from mortgages or hypothecs on real or immovable properties, and dispositions of real or immovable properties that are capital properties;
- (iv) at no time in the taxation year may the total fair market value of properties comprised of real or immovable properties that are capital properties, eligible resale properties, cash, deposits in a bank or credit union, indebtedness of Canadian corporations represented by bankers’ acceptances, and debt issued or guaranteed by a government in Canada or certain other public bodies, be less than 75% of the “equity value” of InnVest at that time; and
- (v) investments in InnVest (such as the Units) are, at any time in the taxation year, listed or traded on a stock exchange or other public market.

For purposes of the SIFT Rules and the REIT Exception:

- (a) “eligible resale property” means real or immovable property (other than capital property) of an entity, (i) that is contiguous to a particular real or immovable property that is capital property or eligible resale property held by the entity or another entity affiliated with the entity, and (ii) the holding of which is ancillary to the holding of the particular property;
- (b) “gross REIT revenue”, of an entity for a taxation year, means the amount, if any, by which the total of all amounts received or receivable in the taxation year (depending on the method regularly followed by the entity in computing the entity’s income) by the entity exceeds the total of all amounts each of which is the cost to the entity of a property disposed of in the year;
- (c) “qualified REIT property” of a trust at any time means, generally, a property held by the trust that is at that time:
  - (i) a real or immovable property that is capital property, an eligible resale property, money and certain indebtedness held by the trust;
  - (ii) a security of a “subject entity” (as described below) all or substantially all of the gross REIT revenue of which (for the subject entity’s taxation year that ends in the trust’s taxation year that includes that time) is from maintaining, improving, leasing or managing real or immovable properties that are capital properties of the trust or of an entity of which the trust holds a share or interest;
  - (iii) a security of a subject entity if the entity holds no property other than (A) legal title to real or immovable properties of the trust or of another subject entity all of

the securities of which are held by the trust and (B) property described in (iv) below; and

- (iv) ancillary to the earning by the trust of rents from real or immovable property or revenues from the dispositions of real or immovable properties that are capital properties, other than an equity of an entity or a mortgage, hypothecary claim, mezzanine loan or similar obligation;
- (d) “real or immovable property” includes generally a security of a trust that satisfies (or of any other entity that would, if it were a trust, satisfy) the criteria in (a), (b), (c) and (d) required to qualify for the REIT Exception discussed above and an interest in certain real property or a real right in immovables, but excludes any depreciable property other than a depreciable property included (otherwise than by an election) in capital cost allowance Class 1, 3 or 31, a property ancillary to the ownership or utilization of such depreciable property and a lease or leasehold interest in respect of land or such depreciable property;
- (e) “rent from real or immovable properties” includes rent or similar payments for the use of or right to use real or immovable properties, payment for services ancillary to the rental of real or immovable properties and customarily supplied or rendered in connection therewith, but does not include any other payments for services supplied or rendered to the tenants of such properties, fees for managing or operating such properties, payment for the occupation, use or right to use a room in a hotel or other similar lodging facility, or rent based on profits; and
- (f) “subject entity” means a person or partnership that is (i) a corporation resident in Canada, (ii) a trust resident in Canada, (iii) a Canadian resident partnership or (iv) a non-resident person, or a partnership that is not a Canadian resident partnership, the principal source of income of which is one or more sources in Canada.

Management of InnVest has advised counsel that it believes that InnVest satisfied the REIT Exception throughout its 2013 taxation year and, based on its current expectations for 2014, including anticipated property sales and revenues, gains and approximate asset values, it anticipates InnVest will satisfy the REIT Exception throughout its 2014 taxation year.

The conditions for satisfying the REIT Exception are onerous and, as described above, include various numerical tests (including tests entailing valuations or measurement of various assets and revenue streams) which must be satisfied throughout, or for the whole of, the taxation year in question. Therefore, financial results for a year, or developments occurring during the year, that were not anticipated earlier in the year, or challenges by the CRA to valuations made by or on behalf of management, or to other calculations, that are relevant to the application of the REIT Exception, could result in the REIT Exception not being available for the year.

Except where otherwise noted, the discussion in this summary assumes that InnVest will satisfy the REIT Exception at all material times.

#### *General Considerations for Taxation of InnVest*

The taxation year of InnVest is the calendar year. In each taxation year, InnVest is subject to tax under the Tax Act on its income for the year, including net realized taxable capital gains, computed in accordance with the detailed provisions of the Tax Act, less any portion thereof that it deducts in respect of amounts paid or payable or deemed to be paid or payable in the year to Holders of Units. An amount will be considered to be payable to a Holder in a taxation year if it is paid to the Holder in the year by InnVest or if the Holder is entitled in that year to enforce payment of the amount. Losses incurred by InnVest cannot be allocated to Holders, but may be deducted by InnVest in computing its income in future years in accordance with the Tax Act.

The income for purposes of the Tax Act of InnVest for a taxation year will include any income realized from the rental of its rental properties and (where applicable) taxable capital gains or recapture of depreciation realized from the disposition of its properties, as well as any interest accruing on debt owing to it by a subsidiary trust, and any income allocated to it by subsidiary limited partnerships (which have calendar taxation years) for their corresponding taxation years. If such partnerships were to incur losses for purposes of the Tax Act, InnVest's ability to deduct such losses may be limited under the Tax Act.

Any distributions to InnVest in excess of its allocated share of the income of a subsidiary limited partnership for a fiscal year will result in a reduction of the adjusted cost base of InnVest's units in such partnership by the amount of such excess. If, as a result, InnVest's adjusted cost base at the end of the taxation year of its units in such partnership would otherwise be a negative amount, InnVest will be deemed to realize a capital gain in such amount for that year, and InnVest's adjusted cost base at the beginning of the next taxation year of its units in the partnership will then be nil.

In computing its income for purposes of the Tax Act, InnVest may deduct reasonable administrative costs, interest and other expenses incurred by it for the purpose of earning income. InnVest may also deduct from its income for the year a portion of any reasonable expenses incurred by it to issue Units and debentures. The portion of such issue expenses deductible by InnVest in a taxation year is 20% of such issue expenses pro-rated for a taxation year of InnVest that is less than 365 days.

In the event InnVest is otherwise liable for tax on its net realized taxable capital gains for a taxation year, it will be entitled for such taxation year to reduce (or receive a refund in respect of) its liability for such tax by an amount determined under the Tax Act based on the redemption of Units during the year (the "**Capital Gains Refund**"). In certain circumstances, the Capital Gains Refund in a particular taxation year may not completely offset InnVest's tax liability for such taxation year arising as a result of the creation and distribution of promissory notes in connection with the redemption of Units. Thus, the Declaration of Trust provides that any capital gains realized by InnVest as a result of such redemption may be allocated to the Holders redeeming their Units. The taxable portion of such capital gains must be included in the income of the redeeming Holder.

Part XII.2 of the Tax Act provides for a special 36% tax on the designated income (including income from Canadian real property, taxable capital gains from dispositions of taxable Canadian property (including Canadian real property, property used in carrying on a business in Canada and a share or unit of most private corporations, partnerships or trusts that derive more than 50% of their fair market value from Canadian real property or certain other types of property) and income from businesses carried on in Canada) of certain trusts which have designated beneficiaries (including non-resident persons and certain tax exempt persons) in circumstances where all or a substantial portion of such income has been distributed by the trusts to their beneficiaries. If the trust makes an appropriate designation to this effect in its return of income for the year in which such income is realized, a pro rata portion of such tax is deemed to have been paid by Canadian resident beneficiaries of the trust who are not designated beneficiaries and by certain other persons as an amount on account of their liability for tax under Part I of the Tax Act, so that they potentially can receive a full or partial refund of their pro rata share of Part XII.2 tax paid by the trust for the year. Part XII.2 tax does not apply to a trust for a taxation year if the trust is a mutual fund trust throughout such year. Accordingly, provided InnVest qualifies as a mutual fund trust throughout a taxation year, it will not be subject to Part XII.2 tax for such taxation year. See "Risk Factors – Mutual Fund Trust Status of InnVest".

## **Taxation of Holders of Units**

### *Distributions on Units*

A Holder will generally be required to include in income for a particular taxation year of the Holder the portion of the net income of InnVest for a taxation year, including net realized taxable capital gains, that is paid or payable to the Holder in such taxation year, whether such portion is received in cash, additional Units, or otherwise.

The non-taxable portion of any net realized capital gains of InnVest paid or payable to a Holder in a taxation year will not be included in computing the Holder's income.

Provided appropriate designations are made by InnVest, net taxable capital gains realized by InnVest that are paid or payable to a Holder will retain their character as taxable capital gains to Holders for purposes of the Tax Act and will be subject to the general rules relating to the taxation of capital gains described below. The non-taxable portion of any capital gains of InnVest that is paid or payable, or deemed to be paid or payable, to a Holder in a taxation year will not be included in computing the Holder's income for the year. Any other amount in excess of the net income and net taxable capital gains of InnVest that is paid or payable, or deemed to be paid or payable to a Holder in a taxation year generally will not be included in the Holder's income for the year. A Holder will be required to reduce the adjusted cost base of Units by the portion of any amount (other than proceeds of disposition in respect of the redemption of Units and the non-taxable portion of net capital gains) paid or payable to such Holder that was not included in computing the Holder's income and will realize a capital gain to the extent that the adjusted cost base of the Holder's Units would otherwise be a negative amount.

Provided that appropriate designations are made by InnVest, such portions of the taxable dividends received, or deemed to be received, on shares of taxable Canadian corporations as are paid or payable, or deemed to be paid or payable, by InnVest to Holders effectively will retain their character and be treated and taxed as such in the hands of Holders for purposes of the Tax Act. The normal (or in the case of eligible dividends, the enhanced) gross-up and dividend tax credit rules will apply to Holders who are individuals and the deduction in computing taxable income will apply to Holders that are corporations. Holders that are private corporations (and certain other corporations) may be subject to the refundable tax under Part IV of the Tax Act and the deduction in computing taxable income will be available to corporations.

If InnVest does not qualify under the REIT Exception throughout the year and becomes subject to tax under the SIFT Rules (see "Certain Canadian Federal Income Tax Considerations — Taxation of InnVest" above), amounts paid or payable by InnVest which it is not entitled to deduct in computing its income by virtue of the SIFT Rules will be deemed to be a taxable dividend and an eligible dividend received by the Holder.

#### *Dispositions of Units*

On the disposition or deemed disposition of a Unit, the Holder will realize a capital gain (or capital loss) equal to the amount by which the Holder's proceeds of disposition exceed (or are less than) the aggregate of the Holder's adjusted cost base of the Unit and any reasonable costs of disposition. Proceeds of disposition will not include an amount that is otherwise required to be included in the Holder's income. Where a Holder that is a corporation or a trust (other than a mutual fund trust) disposes of a Unit, any capital loss from the disposition will be reduced by amounts designated as taxable dividends distributed by InnVest to the Holder to the extent and under the circumstances prescribed in the Tax Act. Analogous rules apply where a corporation or trust (other than a mutual fund trust) is a member of a partnership that disposes of Units. Similar rules also may apply to reduce the amount of capital losses otherwise realized by most taxpayers (including corporations, individuals, and most trusts but not mutual fund trusts) as a result of a disposition of Units by them or a partnership of which they are a member where InnVest has made non-taxable dividend distributions.

For the purposes of determining the adjusted cost base of Units to a Holder, when a Unit is acquired, whether as a Unit acquired pursuant to InnVest's distribution reinvestment plan or otherwise, the cost of the newly acquired Unit will be averaged with the adjusted cost base of all of the Units owned by the Holder as capital property immediately before that time. The cost of Units acquired by reinvestment of distributions pursuant to InnVest's distribution reinvestment plan will be the amount of such reinvestment.

Where Units are redeemed by the transfer of notes of a subsidiary of InnVest to the Holder thereof, the Holder will be considered to have disposed of such Units for proceeds of disposition to the Holder equal to the fair market value of the notes so distributed less any income or capital gain realized by InnVest as a result of the redemption of those Units to the extent such income or capital gain is designated by

InnVest as payable by it to the redeeming Holder. Any such income and the taxable portion of any such capital gain that has been so designated will be required to be included in computing the Holder's income. The cost of any notes transferred by InnVest to a Holder upon a redemption of Units will be equal to the fair market value of the Notes at the time of disposition.

#### *Taxable Capital Gains*

One-half of any capital gain realized by a Holder, and the amount of any net taxable capital gains designated by InnVest in respect of such Holder, will be included in the Holder's income as a taxable capital gain. One-half of any capital loss (an "allowable capital loss") realized by such a Holder on a disposition, or deemed disposition, of Units is deducted from taxable capital gains of the Holder in the year of disposition, and remaining balance of allowable capital losses may generally be deducted against taxable capital gains realized in the three preceding taxation years or in any subsequent taxation year, to the extent and under the circumstances described in the Tax Act.

#### *Refundable Tax for Certain Corporations*

A Holder that is a "Canadian controlled private corporation" (as defined in the Tax Act) may be liable to pay an additional refundable tax on its "aggregate investment income" (as defined in the Tax Act) for the year, including taxable capital gains.

#### *Alternative Minimum Tax*

In general terms, net income of InnVest paid or payable, or deemed to be paid or payable, to a Holder who is an individual (other than certain trusts), that is designated as taxable dividends or as net realized capital gains, and capital gains realized on the disposition of Units, may increase the Holder's liability for alternative minimum tax.

### **PRIOR SALES**

The following table summarizes the issuances by InnVest of Units and securities convertible into Units within the 12 months prior to the date of this short form prospectus:

<u>Date</u>	<u>Securities</u>	<u>Price Per Security (\$)</u>	<u>Number of Securities</u>
November 15, 2013	Units	4.18	11,228
December 16, 2013	Units	4.52	9,864
January 9, 2014	Units	4.67	4,988
January 13, 2014	Units	4.62	9,617
January 15, 2014	Units	4.71	9,360
February 18, 2014	Units	5.23	7,745
March 17, 2014	Units	5.25	7,006
March 26, 2014	Units	4.67	40,000
April 7, 2014	Units <sup>(1)</sup>	4.67	16,609
April 14, 2014	Units	5.26	7,244
April 15, 2014	Units	4.46	55,534
April 25, 2014	Units	5.23	573,361
April 26, 2014	Units <sup>(1)</sup>	4.67	11,563
May 1, 2014	Units	5.21	4,736
May 15, 2014	Units	5.11	67,927
June 2, 2014	Units	5.21	789
June 2, 2014	Units	5.22	24,411
June 16, 2014	Units	5.10	69,636

<u>Date</u>	<u>Securities</u>	<u>Price Per Security (\$)</u>	<u>Number of Securities</u>
July 2, 2014	Units	5.25	23,497
July 15, 2014	Units	5.29	70,540
August 1, 2014	Units	5.59	22,800
August 15, 2014	Units	5.64	68,544
September 1, 2014	Units	5.74	22,185
September 15, 2014	Units	5.73	71,505
September 23, 2014	Units <sup>(1)</sup>	5.31	5,000
October 1, 2014	Units	5.26	23,439
October 15, 2014	Units	5.09	82,427
November 3, 2014	Units	5.08	25,093
November 4, 2014	Deferred Units <sup>(2)</sup>	5.10	94,827
November 17, 2014	Units	5.16	88,788

Notes:

- (1) Awarded pursuant to InnVest's executive incentive plan.
- (2) Redeemable into Units in accordance with the terms and conditions of InnVest's deferred unit plan effective October 21, 2014 established for Trustees who are not employees of InnVest (including executive officers). No Units are issuable until Unitholder approval has been obtained in accordance with the requirements of the TSX.

### TRADING PRICE AND VOLUME

The following tables set forth, for the periods indicated, the reported high and low daily trading prices and the aggregate volume of trading of the Units, and InnVest's 6.75% Series D debentures, 6.00% Series E debentures, 5.75% Series F debentures and 6.25% Series G debentures on the TSX.

	Trading of Units		
	High	Low	Volume
	(\$)	(\$)	(#)
<b>2013</b>			
November.....	4.62	4.05	8,908,761
December.....	4.71	4.38	5,232,808
<b>2014</b>			
January.....	5.15	4.62	7,764,764
February.....	5.38	4.88	6,150,116
March.....	5.35	5.06	4,786,245
April.....	5.35	5.11	3,688,864
May.....	5.30	5.00	3,083,004
June.....	5.33	4.96	3,471,596
July.....	5.79	5.20	2,766,222
August.....	5.84	5.44	2,282,345
September.....	5.89	5.11	3,107,225
October.....	5.47	4.58	2,267,531
November (1-18).....	5.59	5.05	908,851

	Trading of 6.75% Series D Convertible Debentures			Trading of 6.00% Series E Convertible Debentures		
	High (\$)	Low (\$)	Volume (#)	High (\$)	Low (\$)	Volume (#)
<b>2013</b>						
November.....	103.00	102.00	61,000	100.00	96.00	1,656,000
December.....	103.50	102.00	40,000	100.00	98.00	302,000
<b>2014</b>						
January.....	104.00	102.00	54,000	102.00	98.62	260,000
February.....	105.00	104.00	5,000	100.95	99.10	569,000
March.....	104.50	103.30	134,000	102.00	100.25	540,000
April.....	104.25	104.00	94,500	102.00	100.50	274,000
May.....	-	-	Nil	102.50	100.75	169,000
June.....	104.00	102.50	11,000	102.00	101.00	132,000
July.....	105.00	102.75	68,000	103.50	101.50	499,000
August.....	105.00	105.00	14,000	103.56	101.25	307,000
September.....	105.07	104.50	108,000	102.05	101.70	415,000
October.....	104.00	100.75	149,000	102.98	100.00	726,000
November (1-18).....	104.00	100.80	115,000	101.50	100.75	303,000

	Trading of 5.75% Series F Convertible Debentures			Trading of 6.25% Series G Convertible Debentures		
	High (\$)	Low (\$)	Volume (#)	High (\$)	Low (\$)	Volume (#)
<b>2013</b>						
November.....	94.00	90.50	2,027,000	92.99	90.00	1,360,000
December.....	94.00	90.50	265,000	91.50	89.51	2,195,000
<b>2014</b>						
January.....	97.00	92.00	696,000	99.00	90.77	882,000
February.....	99.00	97.00	632,000	101.75	99.00	3,539,600
March.....	100.00	99.00	566,000	103.00	99.50	3,910,000
April.....	103.01	99.50	663,000	104.34	101.50	1,726,500
May.....	101.00	100.00	884,000	104.00	101.01	1,277,500
June.....	102.00	100.50	255,000	103.50	100.50	8,066,000
July.....	102.60	100.25	2,082,000	105.00	102.00	1,263,500
August.....	101.00	100.10	446,000	103.24	101.00	5,233,000
September.....	100.95	100.16	396,000	103.73	102.30	2,850,100
October.....	101.25	100.16	323,000	103.35	102.60	1,314,000
November (1-18).....	101.65	101.00	277,000	103.35	101.75	229,000

## RISK FACTORS

An investment in the Units involves certain risks. A prospective purchaser of Units should carefully consider the risk factors described under: (i) the heading “Risks and Uncertainties” found on page 22 of the 2014 Q3 MD&A and pages 31 to 33 of the 2013 Annual MD&A; (ii) the heading “Risk Factors” found on pages 47 to 61 of the 2013 AIF; and (iii) note 16 of the 2014 Q3 Financial Statements and note 18 of the 2013 Annual Financial Statements, each of which is incorporated by reference herein. In addition, a prospective purchaser of Units should carefully consider the risk factors described below and the other information contained in this short form prospectus (including the documents incorporated by reference herein).

## **Determination of Offering Price**

The offering price of the Units offered hereunder was determined by negotiation between InnVest and the Underwriters. A publicly-traded real estate investment trust will not necessarily trade at values determined solely by reference to the underlying value of its real estate assets. Accordingly, the Units may trade at a premium or a discount to values implied by the valuations of the assets of InnVest. A factor that may influence the market price of the Units is the annual yield on the Units. An increase in market interest rates may lead purchasers of Units to demand a higher annual yield, which accordingly could adversely affect the market price of the Units. Additional factors that may have an influence on the market price of the Units include, among other things, general market conditions, fluctuations in the markets for equity or debt securities, short-term supply and demand factors for real estate investment trusts and numerous other factors beyond the control of InnVest. In addition, the market price of the Units may be affected by changes in general market conditions, fluctuations in the markets for equity or debt securities and numerous other factors beyond the control of InnVest.

## **Acquisition Risks**

There can be no assurance that future acquisitions will not adversely affect the business, financial condition or operating results of InnVest. InnVest's planned growth will require increasingly sophisticated financial and operational controls to be implemented. In the event that financial and operational controls do not keep pace with the InnVest's expansion, the potential for unintended accounting and operational errors may increase.

## **Securities Ceasing to be Qualified Investment for Exempt Plans**

The Units will cease to be qualified investments for Exempt Plans if InnVest ceases to qualify as a mutual fund trust under the Tax Act and the Units cease to be listed on a designated stock exchange in Canada.

Notes of a subsidiary of InnVest received as a result of an *in specie* redemption of Units by InnVest would not be qualified investments for Exempt Plans, which could give rise to adverse consequences to the Exempt Plan or the annuitant or beneficiary thereunder. Accordingly, Exempt Plans that own Units should consult their own tax advisors before deciding to exercise the redemption rights attaching to such Units.

## **Mutual Fund Trust Status of InnVest**

Management of InnVest believes that InnVest qualifies as a "mutual fund trust" for purposes of the Tax Act. However, if it was determined that InnVest did not qualify as a mutual fund trust for purposes of the Tax Act, there likely would be material adverse consequences to InnVest and its Unitholders, including InnVest becoming subject to a 36% tax under Part XII.2 of the Tax Act on all or substantially all of its income in any taxation year in which it was determined not to have qualified as a mutual fund trust. As InnVest does not intend to file its trust returns on the basis that it is subject to Part XII.2 tax, there may be no ability of any Unitholders to receive a refund of all or any portion of their pro rata share of any subsequent assessment by the CRA of InnVest for Part XII.2 tax for such taxation year.

## **Potential Unavailability of the REIT Exception**

InnVest would be subject to Canadian income tax (under the SIFT Rules) on a similar basis to a Canadian public corporation on its income for a year unless it qualified in that year as a REIT for purposes of the Tax Act under the REIT Exception. The conditions for satisfying the REIT Exception are onerous, and include various numerical tests (including tests entailing valuations or measurement of various asset and revenue streams) which must be satisfied throughout, or for the whole of, the year in question. Therefore, financial results for a year, or developments occurring during the year, that were not anticipated earlier in the year, or challenges by the CRA to valuations made by or on behalf of management, or to other calculations, that are relevant to the application of the REIT Exception, could result in the REIT Exception not being available at any time. The CRA also could seek to treat rents received by InnVest, or subsidiary limited partnerships of InnVest, from IHLP or subsidiary limited partnerships of InnVest Hotels LP ("IHLP"), as payments for the occupation or use of hotel rooms rather

than accepting that they qualify as “rent from real or immovable properties”. Furthermore, the satisfaction by InnVest of the REIT Exception also depends on there being no further amendments to the Tax Act which adversely affect the availability to InnVest of the REIT Exception. Accordingly, there is a risk that InnVest will not qualify as a REIT under the REIT Exception for one or more of its 2014 or subsequent taxation years. Were this to occur, the amount of monthly cash distributions on the Units (and therefore the aggregate distributions on the Units) could be negatively affected.

### **The Units are Subject to Market Price Volatility**

The market price of the Units may be adversely affected by a variety of factors relating to the business of InnVest, including fluctuations in its operating and financial results, the results of any public announcements made by InnVest and its results of operations relative to analysts’ expectations. In addition, the market price and trading volume of equity securities have experienced substantial volatility in the past, sometimes based on factors unrelated to the financial performance or prospects of the companies involved. These factors include general fluctuations in the stock market, changes in global financial markets, general market conditions, macroeconomic developments in countries where such companies carry on business and globally, and market perceptions of the attractiveness of particular industries. The stock markets in general have recently experienced extreme volatility. This volatility may adversely affect the market price of the Units.

### **Potential Dilution**

Subject to certain exceptions set forth under the heading “Description of the Units”, the Declaration of Trust allows InnVest to issue an unlimited number of Units for such consideration and on such terms and conditions as shall be established by the trustees of InnVest, in many cases, without the approval of Unitholders. Except as described under the heading “Plan of Distribution”, InnVest may issue additional Units in subsequent offerings (including through the sale of securities convertible into or exercisable or exchangeable for Units) and on the conversion, exercise or exchange of options or other securities convertible into Units. InnVest may also issue Units to finance future acquisitions and other projects. The size of future issuances of Units or the effect that future issuances and sales of Units will have on the market price of the Units cannot be predicted at this time. Issuances of a substantial number of additional Units, or the perception that such issuances could occur, may adversely affect prevailing market prices for the Units. With any additional issuance of Units, investors will suffer dilution to their voting power and InnVest may experience dilution in its earnings per Unit.

### **Future Sales of Securities**

As at November 19, 2014, 95,212,069 Units were outstanding (128,257,500 Units after giving effect to the conversion of all securities convertible into Units and the vesting of all unvested Units). InnVest has a number of Unitholders that own significant numbers of Units, including KingSett Capital, Orange Capital, LLC, Westmont Hospitality Group and Beutel, Goodman & Company Ltd., which, based on public filings, own an aggregate of approximately 43% of the Units as of the date hereof (not including Units to be issued pursuant to the Concurrent Private Placement). All of the currently outstanding Units are eligible for sale in the public market, subject to any applicable restrictions under securities laws and the Lock-up Undertakings. Sales of a substantial number of Units or other securities of InnVest in the public market could adversely affect the prevailing market price of the Units or Debentures or other securities of InnVest and could impair InnVest’s ability to raise additional capital.

### **Distributions**

Cash distributions are not guaranteed and may fluctuate with InnVest’s performance. InnVest depends on revenue generated from its portfolio of hotels to make such distributions. There can be no assurance regarding the amount of revenue generated by such portfolio. The amount of adjusted funds from operations will depend upon numerous factors, including the financial performance of InnVest, seasonal fluctuations in operating results, InnVest’s debt covenants and obligations, InnVest’s working capital requirements, InnVest’s future capital requirements, InnVest continuing to qualify as a REIT for Canadian income tax purposes, the redemption of Units, if any, and other factors which may be beyond the control

of InnVest. If the trustees of InnVest determine that it would be in the best interests of InnVest, they may reduce for any period the percentage of Distributable Income to be distributed to the Unitholders. In November 2008, September 2009 and November 2011, InnVest announced reductions in its monthly distribution. The reductions were implemented in light of the uncertain economic conditions which existed at the time, and the trustees' desire to strengthen InnVest's balance sheet and liquidity.

### **Structural Subordination of Units**

In the event of a bankruptcy, liquidation or reorganization of InnVest or any of its subsidiaries, holders of certain of their indebtedness and certain trade creditors will generally be entitled to payment of their claims from the assets of InnVest and those subsidiaries before any assets are made available for distribution to the Unitholders. The Units will be effectively subordinated to most of the indebtedness and other liabilities of InnVest and its subsidiaries, expected to be approximately \$988,232,000 upon Closing. Neither InnVest nor any of its subsidiaries will be limited in its ability to incur additional secured or unsecured indebtedness.

### **Possible Failure to Complete the Hyatt Acquisition and the acquisition of Royal York Hotel**

InnVest expects to complete the Hyatt Acquisition in December 2014 and its participation in the acquisition of the Royal York Hotel in January 2015 (together, the "**Acquisitions**"), subject in each case to satisfactory completion of customary closing conditions. However, in each case, InnVest has no control over whether or not the conditions will be met and there can be no assurance that all conditions will be satisfied or waived or that one or both of the Acquisitions will be consummated. There is no assurance that either or both of the Acquisitions will be completed or, if completed, will be on terms that are the same as described in this short form prospectus.

If one or both of the Acquisitions does not take place as contemplated, the proceeds of the Offering will not be refunded and InnVest will use the proceeds that otherwise would have been used for the Acquisition that does not take place to fund capital improvements, debt repayment and potential future acquisitions. If either or both of the Acquisitions are not consummated, InnVest may not realize the benefits described in this short form prospectus and could suffer adverse consequences, including loss of investor confidence. The price of the Units may decline to the extent that the relevant current market price reflects a market assumption that one or both of the Acquisitions will be completed and certain costs related to each of the Acquisitions, such as legal, accounting and consulting fees, must be paid even if the Acquisitions are not completed. InnVest may be unable to identify other investments offering financial returns comparable to those of the Acquisitions.

### **General Risks Relating to the Hyatt Acquisition and the acquisition of the Royal York Hotel**

Although InnVest has conducted due diligence in connection with the Hyatt Acquisition, and although due diligence was completed in respect of the acquisition of the Royal York Hotel on behalf of the joint venture partners, and the vendors will provide certain representations and warranties in connection with the Acquisitions, an unavoidable level of risk remains regarding any undisclosed or unknown liabilities of, or issues concerning, each of the Vancouver Hyatt and the Royal York Hotel. Following the closing of each of the Acquisitions, InnVest (and/or the joint venture in respect of the acquisition of the Royal York Hotel) may discover that it has acquired substantial undisclosed liabilities or that certain of the representations made by the vendors were untrue. There can be no assurance of recovery by InnVest (and/or the joint venture in respect of the acquisition of the Royal York Hotel) from the vendors for any breach of the representations, warranties or covenants to be provided by the vendors.

The purchase and sale agreement for the Hyatt Acquisition contains certain representations and warranties of the vendor. InnVest will have limited recourse against the vendor and other parties related thereto in connection with the (i) claims or losses relating to the breach of such representations and warranties; and (ii) the failure of the vendor to perform covenants under the purchase and sale agreement. Any claim for breach of a representation and warranty will be subject to the limitations, exceptions and qualifications in the purchase and sale agreement, including that a claim must be made before the expiry of a specified period. There is no assurance that the vendor will be sufficiently

capitalized or otherwise able to satisfy any particular claim. As a result, InnVest may not be able to collect all or a portion of any claim it may have against the vendor. The sole remedy of InnVest is through specific indemnities to be provided to InnVest by the vendor under the purchase and sale agreement in respect of a breach of specific representations and warranties which, even in the aggregate, may be insufficient to cover all costs and, as such, could materially adversely affect the business, results of operations and financial condition of InnVest. The purchase and sale agreement for the Hyatt Acquisition is also subject to a number of closing conditions. See “Risk Factors – Risks Related to the Acquisitions – Possible Failure to Complete the Hyatt Acquisition and the acquisition of the Royal York Hotel”.

### **Financing Risks Relating to the Hyatt Acquisition and the acquisition of the Royal York Hotel**

InnVest intends to finance a portion of the Hyatt Acquisition through a new mortgage (see “Recent Developments – Announcement of Hyatt Regency Vancouver Acquisition”). There can be no assurance that InnVest’s borrowing ability will be sufficient to close the Hyatt Acquisition. Should sufficient funds not be available to InnVest at or prior to closing of the Hyatt Acquisition, InnVest will not be able to close the Hyatt Acquisition, which could have a material adverse impact on InnVest.

The joint venture through which InnVest is participating in the acquisition of the Royal York Hotel intends to finance the acquisition with conventional mortgage financing, and InnVest intends to fund its proportionate share of the acquisition equity with available cash (including proceeds of the Offering) and capacity under existing credit facilities (see “Recent Developments – Announcement of Fairmont Royal York Acquisitions”). There can be no assurance that one or both of InnVest’s or the acquiring joint venture’s borrowing ability will be sufficient to close the acquisition of the Royal York Hotel. Should sufficient funds not be available to one or both of InnVest and the acquiring joint venture at or prior to the closing of the acquisition of the Royal York Hotel, the transaction may not close.

### **Financing Risks Relating to the Offering and the Concurrent Private Placement**

The closing of the Concurrent Private Placement and the Offering are separate from each other, however the closing of the Offering is conditional upon the closing of the Concurrent Private Placement. InnVest expects that the Purchasing Insiders will provide the Lock-up Undertakings and will enter into subscription agreements with InnVest on terms and conditions typical of transactions of this nature and that the closing of the Concurrent Private Placement will occur on or prior to the date of Closing. If the closing of the Concurrent Private Placement does not occur for any reason however, the Underwriters will not be obligated to purchase the Units under the Offering. If the Offering is not completed, then InnVest would be required to obtain alternative financing to complete the Hyatt Acquisition and the acquisition of the Royal York Hotel, which alternative financing may be on less favourable terms than the Offering and Concurrent Private Placement or may not be available at all. If no alternative financing is available, InnVest may not have sufficient funds to complete one or both of the Hyatt Acquisition and the acquisition of the Royal York Hotel (see “Risk Factors – Financing Risks Relating to the Hyatt Acquisition and the acquisition of the Royal York Hotel”).

### **Possible Failure to Realize Expected Returns on the Hyatt Acquisition and the acquisition of the Royal York Hotel**

Acquisitions involve risks, including the failure of one or both of the Acquisitions to realize the results InnVest expects. Once acquired, if one or both of the Vancouver Hyatt and the Royal York Hotel fails to realize the results that InnVest expects, such failure(s) could materially and adversely affect InnVest’s business plan and could have a material adverse effect on InnVest and its financial results.

## **LEGAL MATTERS**

Certain legal matters relating to the Offering will be passed upon Norton Rose Fulbright Canada LLP, on behalf of InnVest, and by Osler, Hoskin & Harcourt LLP, on behalf of the Underwriters. As at the date hereof, the partners and associates of each of Norton Rose Fulbright Canada LLP and Osler, Hoskin & Harcourt LLP beneficially own, directly or indirectly, less than one percent of the securities of InnVest and its associates and affiliates.

Each of Daniel Lewis, Edward Pitoniak, Majid Mangalji and Fereed Mangalji resides outside of Canada and has appointed Norton Rose Fulbright Canada LLP, Royal Bank Plaza, South Tower, Suite 3800, 200 Bay Street, Toronto, ON, M5J 2Z4, Attention: Walled Soliman, as his agent for service of process in Canada. Purchasers are advised that it may not be possible for investors to enforce judgments obtained in Canada against any person that resides outside of Canada, even if the party has appointed an agent for service of process.

#### **AUDITORS, TRANSFER AGENT AND REGISTRAR**

The independent auditors of InnVest are Deloitte LLP, Chartered Professional Accountants, Chartered Accountants, Licensed Public Accountants, at their principal offices in Toronto, Ontario. Deloitte LLP has advised us that it is independent within the meaning of the Rules of Professional Conduct of the Chartered Professional Accountants of Ontario.

The transfer agent and registrar for the Units is Computershare Trust Company of Canada at its principal offices in Toronto, Ontario.

#### **PURCHASERS' STATUTORY RIGHTS**

Securities legislation in certain of the provinces and territories of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. The right may be exercised within two business days after receipt or deemed receipt of a short form prospectus and any amendment thereto. In several of the provinces and territories, the securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, revisions of the price or damages if the short form prospectus and any amendment thereto contains a misrepresentation or is not delivered to the purchaser, provided that the remedies for rescission, revision of the price or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for the particulars of these rights or consult with a legal adviser.

## CERTIFICATE OF INVEST

Dated: November 19, 2014

This short form prospectus, together with the documents incorporated herein by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this short form prospectus as required by the securities legislation of each of the provinces and territories of Canada.

(Signed) ANTHONY MESSINA  
Chief Executive Officer

(Signed) GEORGE KOSZIWKA  
Chief Financial Officer

On behalf of the Board of Trustees

(Signed) EDWARD PITONIAK  
Trustee

(Signed) MAJID MANGALJI  
Trustee

## CERTIFICATE OF THE UNDERWRITERS

Dated: November 19, 2014

To the best of our knowledge, information and belief, this short form prospectus, together with the documents incorporated by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this short form prospectus as required by the securities legislation of each of the provinces and territories of Canada.

RBC DOMINION SECURITIES INC.  
By: (Signed) William Wong

BMO NESBITT BURNS INC.  
By: (Signed) Jonathan Li

CIBC WORLD MARKETS INC.  
By: (Signed) Jeff Appleby

SCOTIA CAPITAL INC.  
By: (Signed) Bryce Stewart

TD SECURITIES INC.  
By: (Signed) David Barnes

CANACCORD GENUITY CORP.  
By: (Signed) Justin Bosa