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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 and InnVest Operations Trust at 7th Floor, 5090 Explorer Drive, Mississauga, Ontario, L4W 4T9, telephone (905) 206-7100, and are also available electronically at www.sedar.com.

SHORT FORM PROSPECTUS

New Issue

March 8, 2011



INNVEST REAL ESTATE INVESTMENT TRUST and INNVEST OPERATIONS TRUST

\$25,200,000
3,600,000 Stapled Units
and
\$50,000,000
5.75% Stapled Convertible Unsecured Subordinated Debentures

This short form prospectus qualifies the distribution of (a) 3,600,000 Stapled Units (described below) at a price of \$7.00 per Stapled Unit, and (b) \$50,000,000 aggregate principal amount of Stapled Debentures (described below) at a price of \$1,000 per Stapled Debenture (the "Offering").

Each Stapled Unit is comprised of one trust unit (a "REIT Unit") of InnVest Real Estate Investment Trust (the "REIT") and one non-voting trust unit (an "IOT Unit") of InnVest Operations Trust ("IOT"), which units will trade together prior to an Event of Uncoupling (as defined below). Each \$1,000 principal amount of Stapled Debentures is comprised of \$850 principal amount of 5.75% convertible unsecured subordinated debentures, Series F, of the REIT (a "REIT Debenture") and \$150 principal amount 5.75% convertible unsecured subordinated debentures, Series F, of IOT (an "IOT Debenture"), which debentures will trade together prior to an Event of Uncoupling. The obligations of the REIT under the REIT Debentures will be fully and unconditionally guaranteed by IOT and the obligations of IOT under the IOT Debentures will be fully and unconditionally guaranteed by the REIT, in each case on an unsecured subordinated basis parallel to the subordination of the REIT Debentures and IOT Debentures. In certain circumstances, the principal subsidiaries of the REIT and/or IOT may assume the obligations under such guarantees, in which case IOT and the REIT may be discharged from their obligations thereunder. See "Description of the Debentures".

The REIT and IOT are collectively referred to herein as "InnVest".

Price: \$7.00 per Stapled Unit
\$1,000 per Stapled Debenture

	Price to the Public ⁽¹⁾	Underwriters' Fee	Net Proceeds to InnVest ⁽²⁾
Per Stapled Unit	\$7.00	\$0.28	\$6.72
Per Stapled Debenture	\$1,000	\$37.50	\$962.50
Total Offering	\$75,200,000	\$2,883,000	\$72,317,000

Notes:

- (1) The offering price for the Stapled Units and the Stapled Debentures was established through negotiation between InnVest and the Underwriters (as defined below).
- (2) Before deducting expenses of the Offering estimated at \$500,000. The Underwriters' fee and the other expenses of the Offering will be paid out of the general funds of the REIT and IOT (directly or by their respective subsidiaries) in proportion to their allocation of the net proceeds of the Offering. See "Use of Proceeds".

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The Stapled Debentures bear interest at an annual rate of 5.75% payable semi-annually in arrears on March 30 and September 30 in each year, commencing September 30, 2011, and will mature on March 30, 2018 (the “**Maturity Date**”). See “Description of the Debentures”. Each REIT Debenture and IOT Debenture comprising the Stapled Debentures is convertible into freely-tradable REIT Units and IOT Units, respectively, at the option of the holder at any time prior to 4:00 p.m. (Toronto time) on the earlier of March 29, 2018 (the business day immediately preceding the Maturity Date) and the last business day immediately preceding the date specified by the REIT for redemption of the REIT Debentures and/or by IOT for redemption of the IOT Debentures, at a conversion price of approximately \$8.03 per REIT Unit (the “**REIT Conversion Price**”) and approximately \$1.42 per IOT Unit (the “**IOT Conversion Price**”), being a conversion rate of 105.8201 REIT Units per \$850 principal amount of REIT Debentures and 105.8201 IOT Units per \$150 principal amount of IOT Debentures, respectively, subject to adjustment in certain events in accordance with the REIT Indenture or the IOT Indenture (each as defined herein), as the case may be. Prior to an Event of Uncoupling, holders will not be entitled to convert any REIT Debentures into REIT Units unless they simultaneously convert a corresponding number of IOT Debentures into IOT Units and *vice versa*, and any REIT Units and IOT Units issued on conversion of the REIT Debentures and IOT Debentures will trade together as Stapled Units. **Accordingly, prior to an Event of Uncoupling, the aggregate conversion price for the Stapled Debentures is \$9.45 per Stapled Unit (the “Stapled Conversion Price”), being a conversion rate of 105.8201 Stapled Units per \$1,000 principal amount of Stapled Debentures, subject to adjustment.** Except in limited circumstances, holders converting their REIT Debentures and/or IOT Debentures will receive accrued and unpaid interest on such debentures, if any, for the period from the last interest payment date (or the date of issue if no interest has yet been paid by the REIT or IOT, as the case may be) to and including the last record date declared by the REIT and/or IOT for determining holders of REIT Units, IOT Units or Stapled Units, as the case may be (“**Unitholders**”), entitled to receive distributions on the REIT Units, IOT Units or Stapled Units. Further particulars concerning the conversion privilege, including provisions for the adjustment of the REIT Conversion Price and the IOT Conversion Price in certain events are set out under “Description of the Debentures — Conversion Rights”. **A holder of Stapled Debentures will not be entitled to deferred tax treatment on the conversion, redemption or repayment at maturity of such debentures. See “Certain Canadian Federal Income Tax Considerations”.**

The REIT Debentures and IOT Debentures are not redeemable on or prior to March 30, 2014. On or after March 31, 2014 and prior to March 31, 2016, the REIT Debentures may be redeemed by the REIT and the IOT Debentures may be redeemed by IOT, in each case in whole or in part, on not less than 30 days’ prior notice, at a redemption price equal to the principal amount thereof plus accrued and unpaid interest, provided that the volume-weighted average trading price of the Stapled Units (or, following an Event of Uncoupling, the REIT Units or the IOT Units, as the case may be) on the Toronto Stock Exchange (“**TSX**”) (or other principal market if not then listed on the TSX) for the 20 consecutive trading days ending on the fifth trading day preceding the date on which notice of redemption is given is not less than 125% of the Stapled Conversion Price (or, following an Event of Uncoupling, the REIT Conversion Price or IOT Conversion Price, as the case may be). On or after March 31, 2016 and prior to March 30, 2018, the REIT Debentures may be redeemed by the REIT and the IOT Debentures may be redeemed by IOT, in each case in whole or in part, at any time at a redemption price equal to the principal amount thereof plus accrued and unpaid interest. Prior to an Event of Uncoupling, the REIT will not be entitled to redeem any REIT Debentures unless IOT simultaneously redeems a corresponding number of IOT Debentures and *vice versa*. See “Description of Debentures — Redemption Rights”.

Subject to any required regulatory approvals, the REIT and/or IOT may, at their option, elect to satisfy their obligation to pay, in whole or in part, the principal amount of the REIT Debentures and/or IOT Debentures, as the case may be, that are to be redeemed or that have matured, on not more than 60 days’ and not less than 30 days’ prior notice, by delivering that number of freely-tradable Stapled Units (or, following an Event of Uncoupling, REIT Units or IOT Units, as the case may be) obtained by dividing the principal amount of the Stapled Debentures (or, following an Event of Uncoupling, REIT Debentures or IOT Debentures, as the case may be) that are to be redeemed or that have matured, as the case may be, by 95% of the volume-weighted average trading price of the Stapled Units (or, following an Event of Uncoupling, the REIT Units or the IOT Units, as the case may be) on the TSX or other principal market for the 20 consecutive trading days ending on the fifth trading day preceding the date fixed for redemption or the Maturity Date, as applicable (the “**Unit Repayment Election**”). Prior to an Event of Uncoupling, the REIT may not make a Unit Repayment Election in respect of any REIT Debentures unless IOT simultaneously makes a Unit Repayment Election in respect of a corresponding number of IOT Debentures and *vice versa*. See “Description of the Debentures — Method of Payment”.

An “**Event of Uncoupling**” means an event that causes the REIT Units and the IOT Units to no longer trade together as Stapled Units, which will occur only: (a) in the event that Unitholders vote in favour of the uncoupling of REIT Units and IOT Units such that the two securities will trade separately; or (b) at the sole discretion of the trustees of the REIT or IOT, but only in the event of the bankruptcy, insolvency, winding-up or reorganization (under an applicable law relating to insolvency) of the REIT, IOT and/or their respective subsidiaries, or the taking of corporate action by the REIT, IOT and/or

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their respective subsidiaries in furtherance of any such action or the admitting in writing by the REIT, IOT and/or their respective subsidiaries of its inability to pay its debts generally as they become due.

Upon the occurrence of an Event of Uncoupling that does not occur as part of a reorganization of InnVest or a similar corporate transaction the purpose of which is to consolidate the assets of the REIT and IOT, each holder of REIT Debentures and IOT Debentures may require the REIT and IOT, respectively, to purchase, on the date which is 30 days following the giving of notice of such Event of Uncoupling, all or any part of such holder's REIT Debentures or IOT Debentures at a price equal to 101% of the principal amount thereof plus accrued and unpaid interest up to but excluding the date of such notice.

The Stapled Units and the Stapled Debentures are being offered pursuant to an underwriting agreement (the "**Underwriting Agreement**") dated February 28, 2011 between InnVest and RBC Dominion Securities Inc. ("**RBCDS**"), Scotia Capital Inc., CIBC World Markets Inc., TD Securities Inc., BMO Nesbitt Burns Inc. and Canaccord Genuity Corp. (collectively, the "**Underwriters**" and each an "**Underwriter**").

The Underwriters, as principals, conditionally offer the Stapled Units and the Stapled Debentures, subject to prior sale, if, as and when issued by the REIT and IOT and accepted by the Underwriters in accordance with the conditions contained in the Underwriting Agreement and subject to the approval of certain legal matters on behalf of InnVest by Davies Ward Phillips & Vineberg LLP and on behalf of the Underwriters by Osler, Hoskin & Harcourt LLP. In connection with the Offering, the Underwriters may, subject to applicable laws, effect transactions intended to stabilize or maintain the market price for the Stapled 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 Stapled Units and Stapled Debentures initially at the offering price specified above. **After a reasonable effort has been made to sell all of the Stapled Units and Stapled Debentures at the prices specified above, the Underwriters may subsequently reduce the selling prices to investors from time to time in order to sell any of the Stapled Units and Stapled Debentures remaining unsold. Any such reduction will not affect the proceeds received by InnVest. See "Plan of Distribution".**

Subscriptions for the Stapled Units and Stapled Debentures 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 of the Offering is expected to occur on or about March 15, 2011 or such later date as InnVest and the Underwriters may agree, but in any event not later than March 24, 2011. Registration and transfers of Stapled Units and Stapled Debentures, including Stapled Units delivered upon conversion, redemption or maturity of the Stapled Debentures, will be effected only through the book-based system administered by CDS Clearing and Depository Services Inc. ("**CDS**"). Beneficial owners of Stapled Units or Stapled Debentures will not, except in limited circumstances, be entitled to receive a physical certificate evidencing their ownership of Stapled Units and Stapled Debentures. See "Description of the Debentures — Book-Based System" and "Description of the Units — Book-Based System".

The outstanding Stapled Units are listed on the TSX under the symbol "INN.UN". On February 22, 2011 (prior to the public announcement of the Offering), the closing price of the Stapled Units on the TSX was \$7.20. **There is currently no market through which the Stapled Debentures may be sold and purchasers may not be able to resell the Stapled Debentures purchased under this short form prospectus.** The TSX has conditionally approved the listing of the Stapled Units and Stapled Debentures (including the component REIT Units and IOT Units and REIT Debentures and IOT Debentures, respectively) issuable pursuant to the Offering, as well as the Stapled Units (including the component REIT Units and IOT Units) issuable on conversion of the Stapled Debentures. The listing is subject to InnVest fulfilling all of the listing requirements of the TSX on or before May 20, 2011.

Upon an Event of Uncoupling the REIT Units would be listed and posted on the TSX in substitution for the Stapled Units and the IOT Units, REIT Debentures and IOT Debentures would be de-listed. IOT and the REIT are required to use all reasonable efforts to re-list the IOT Units, REIT Debentures and IOT Debentures, as the case may be, following an Event of Uncoupling, which may include the consolidation of the REIT Debentures or IOT Debentures to trade in multiples of \$1,000. See "Description of the Units", "Description of the Debentures" and "Risk Factors".

An affiliate of RBCDS is a lender to InnVest under the Bridge Loan (as defined herein) and the Credit Line (as defined herein). 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. Accordingly, InnVest may be considered to be a "connected issuer" of RBCDS within the meaning of applicable Canadian securities legislation. See "Relationship Between InnVest and Certain Underwriters".

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Investing in the Stapled Units and/or Stapled Debentures 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.

Each of the REIT and IOT is an unincorporated open-ended investment trust governed by their respective declarations of trust and the laws of the Province of Ontario. **Neither the REIT nor IOT is a trust company and neither is registered under applicable legislation governing trust companies as they do not carry on or intend to carry on the business of a trust company. REIT Units, IOT Units and Stapled 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.**

InnVest’s earnings coverage ratios, on a *pro forma* basis after giving effect to the issuance of the Stapled Debentures and the repayment of certain indebtedness, are less than one-to-one. See “Earnings Coverage”.

Although InnVest intends to make distributions of a portion of its available cash to Unitholders, these cash distributions are not assured. A return on an investment in REIT Units, IOT Units or Stapled 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 and the redemption of REIT Units and IOT Units, if any. The market value of the REIT Units, IOT Units or Stapled 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”.

The return on a REIT Unit or IOT Unit (including such a unit held as part of a Stapled Unit) is subject to Canadian income tax. 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 a Unitholder’s adjusted cost base in the REIT Units or IOT Units (including any such units held as part of a Stapled Unit) for Canadian income tax purposes. That composition may change over time, thus affecting a Unitholder’s after-tax return. Subject to the application of the SIFT Rules (as defined herein) discussed under the heading “Certain Canadian Federal Income Tax Considerations”, distributions of the net income of the REIT are generally taxed in the hands of a Unitholder as ordinary income while distributions in excess of the net income of the REIT are generally tax-deferred (and reduce the Unitholder’s adjusted cost base in the REIT Unit for tax purposes). Provided that IOT distributes on its IOT Units and IOT Voting Units (as defined below) amounts at least equal to its net income for the year in question, management anticipates that such distributions will generally be taxed in the hands of a Unitholder in a manner similar to a dividend received from a Canadian corporation, except that distributions in excess of the net income of IOT for that year are generally tax-deferred (and reduce the Unitholder’s adjusted cost base in the IOT Unit for tax purposes). Prospective holders of Stapled Units and Stapled Debentures should consult their own tax advisors with respect to the Canadian income tax considerations applicable in their circumstances.

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

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ELIGIBILITY FOR INVESTMENT

In the opinion of Davies Ward Phillips & Vineberg LLP, counsel to the REIT, and Osler, Hoskin & Harcourt LLP, counsel to the Underwriters, provided that each of the REIT and IOT qualifies as a mutual fund trust under the *Income Tax Act* (Canada), as amended (the “**Tax Act**”), and the REIT Units and IOT Units are listed on a designated stock exchange in Canada on the date of closing of the Offering, the Stapled Units and Stapled Debentures, as at that date, will be qualified investments under the Tax Act for trusts governed by registered retirement savings plans, registered retirement income funds, registered disability savings plans, deferred profit sharing plans, registered education savings plans and tax-free savings accounts, each as defined in the Tax Act (“**Exempt Plans**”). REIT Units, IOT Units or Stapled Units acquired under the terms of the Stapled Debentures, if issued on the date of closing of the Offering and provided each of the REIT and IOT qualifies as a mutual fund trust on such date, would be qualified investments under the Tax Act for Exempt Plans.

The holder of a tax-free savings account that governs a trust which holds Stapled Units or Stapled Debentures (including REIT Units, IOT Units or Stapled Units acquired under the terms of the Debentures) will be subject to a penalty tax if the holder does not deal at arm’s length with the REIT or IOT for purposes of the Tax Act or if the holder has a significant interest (within the meaning of the Tax Act) in the REIT or IOT, or in a corporation, partnership or trust with which the REIT or IOT does not deal at arm’s length for purposes of the Tax Act.

MEANING OF CERTAIN REFERENCES

In this short form prospectus, references to the REIT, IOT or InnVest include their respective subsidiaries where the context requires. References to dollars or “\$” are to Canadian currency.

NON-GAAP FINANCIAL MEASURES

InnVest issues guidance on and reports on certain non-GAAP measures, including “hotel operating income”, “funds from operations” and “Distributable Income” that it uses to evaluate its operating performance and measure its ability to earn and distribute cash returns to Unitholders. Because non-GAAP measures do not have a standardized meaning as prescribed by GAAP and may differ from those used by other issuers, securities regulations require that non-GAAP measures be clearly defined and qualified, reconciled with their nearest GAAP measure and given no more prominence than the closest GAAP measure. Such information is presented below and in the sections dealing with these financial measures in the documents incorporated by reference herein.

“Distributable Income” means net income of InnVest as set out in the REIT’s consolidated financial statements determined in accordance with GAAP, subject to certain adjustments set out in the REIT Declaration of Trust and the IOT Declaration of Trust (each as defined herein), including the adding back of depreciation and amortization, amortization of fair value debt adjustments and deferred income tax expenses, excluding any gains or losses on the disposition of real property, and deferred income tax benefits and deducting the amount calculated for the reserve for replacement of furniture, fixtures and equipment and capital improvements, the interest on convertible debentures that is not included in the computation of net income and any other adjustments determined by the trustees of the REIT or IOT in their discretion.

NOTE REGARDING FORWARD-LOOKING STATEMENTS

This short form prospectus, including the documents incorporated by reference herein, contains forward-looking statements, including statements regarding 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: changes in business strategies; general global economic and business conditions; general global credit market conditions; the effects of competition and pricing pressures; industry overcapacity; shifts in market demands; changes in laws and regulations, including environmental and regulatory laws; potential increases in maintenance and operating costs; uncertainties of litigation; labour disputes; timing of completion of capital or maintenance projects; currency and interest rate fluctuations; various events which could disrupt operations; technological changes; and those factors discussed in the section entitled “Risk Factors” in this short form prospectus. InnVest does not undertake to update any forward-looking statements that may be made from time to time by or on behalf of InnVest, except as required by Canadian securities laws.

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 the REIT and IOT at 7th Floor, 5090 Explorer Drive, Mississauga, Ontario, L4W 4T9, telephone (905) 206-7100, and are also available electronically at 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 the REIT dated March 10, 2010 for the year ended December 31, 2009 (the “**AIF**”);
- (ii) the audited consolidated financial statements of the REIT for the years ended December 31, 2009 and 2008, together with the notes thereto and the auditors’ report thereon (the “**Annual Financial Statements**”);
- (iii) management’s discussion and analysis of the consolidated financial condition and results of operations of the REIT for the year ended December 31, 2009 (the “**Annual MD&A**”);
- (iv) the unaudited interim consolidated financial statements of the REIT for the three and nine months ended September 30, 2010 and 2009, together with the notes thereto (the “**Third Quarter Financial Statements**”);
- (v) management’s discussion and analysis of the consolidated financial condition and results of operations of the REIT for the three and nine months ended September 30, 2010 (the “**Third Quarter MD&A**”);
- (vi) the management information circular of the REIT dated May 13, 2010 (the “**Circular**”) prepared in connection with the REIT’s annual and special meeting of Unitholders held on June 16, 2010 (the “**2010 Meeting**”); and
- (vii) the material change report of the REIT dated July 27, 2010 in respect of the announcement of an offering of 6.00% convertible unsecured subordinated debentures of the REIT, which offering closed on August 13, 2010;
- (viii) the material change report of the REIT dated December 31, 2010 in respect of the completion of the Reorganization (as defined herein);
- (ix) the notice of IOT dated December 31, 2010, filed in accordance with the decision document dated May 3, 2010 issued to InnVest by the OSC, as principal regulator, under Multilateral Instrument 11-102 – *Passport System* and National Policy 11-203 – *Process for Exemptive Relief Applications in Multiple Jurisdictions* (the “**2010 Order**”), indicating that IOT intends to rely on certain continuous disclosure documents, including financial statements, management’s discussion and analysis, annual information forms, material change reports and statements of executive compensation (the “**CD Documents**”), filed by the REIT; and
- (x) the material change report of the REIT dated March 3, 2011 in respect of the Offering.

Any documents of the type referred to above and any business acquisition reports and certain press releases describing financial results filed by the REIT 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.

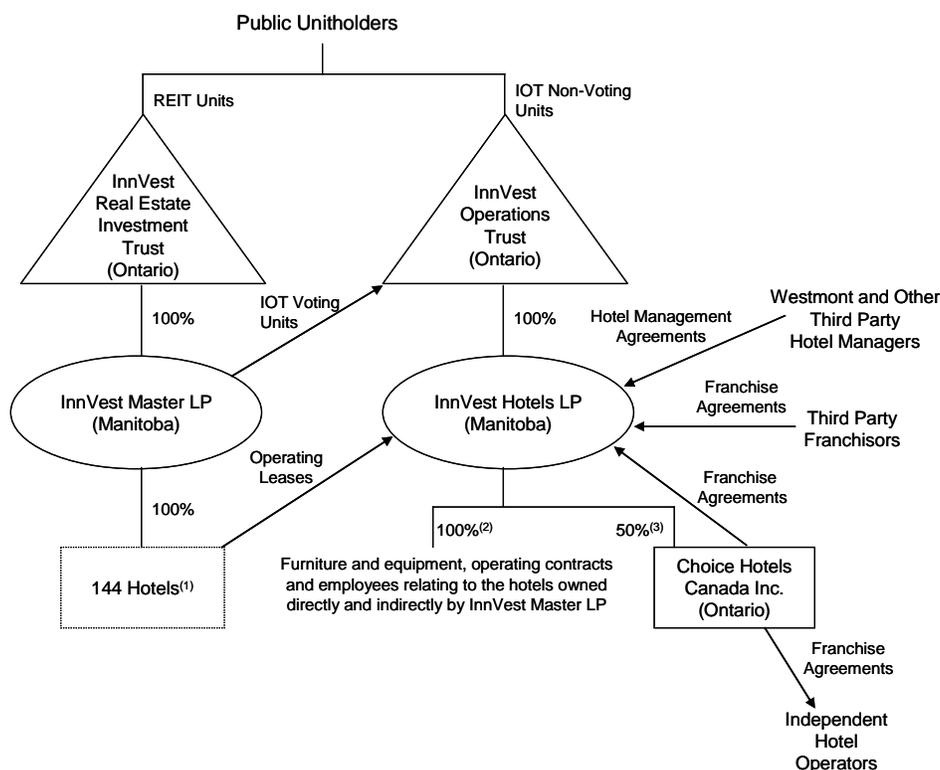
INNVEST REAL ESTATE INVESTMENT TRUST AND INNVEST OPERATIONS TRUST

The REIT is an unincorporated open-ended investment trust governed by an amended and restated declaration of trust dated as of December 31, 2010 (the “**REIT Declaration of Trust**”) and the laws of the Province of Ontario. IOT is an unincorporated open-ended investment trust governed by an amended and restated declaration of trust dated as of December 31, 2010 (the “**IOT Declaration of Trust**”) and the laws of the Province of Ontario. The REIT is focused on the ownership and acquisition of hotel properties. The REIT (through IMLP and its subsidiaries) owns the hotel properties and leases them to IOT (through IHLP and its subsidiaries) which directly and indirectly holds all of the hotel operating assets, earns revenues from hotel customers and pays rent to the REIT. IOT also indirectly holds a 50% interest in Choice Hotels Canada Inc., one of the largest franchisors of hotels in Canada, as measured by hotels under franchise.

The head office and the registered office of each of the REIT and IOT are located at 7th Floor, 5090 Explorer Drive, Mississauga, Ontario, L4W 4T9. The REIT and IOT are “mutual fund trusts” as defined by the Tax Act, but they are not “mutual funds” as defined by applicable securities legislation.

InnVest currently holds, directly and indirectly, 144 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 international brands, including Comfort Inn[®], Delta Hotels[®], Holiday Inn[®], Quality[®] and Travelodge[®], which make up approximately 83% of the hotel portfolio’s total guest rooms.

The following diagram illustrates the primary structural and contractual relationships among the REIT, IOT, their respective principal subsidiaries and certain third parties as of March 8, 2011:



Notes:

- (1) Three hotels owned by subsidiary corporations of InnVest Master LP and one hotel owned by a subsidiary trust of InnVest Master LP, with the balance of the hotels owned directly by InnVest Master LP or through its subsidiary limited partnerships.
- (2) Assets held directly by InnVest Hotels LP or through its subsidiary limited partnerships.
- (3) Shares held through a wholly-owned corporate subsidiary of InnVest Hotels LP.

RECENT DEVELOPMENTS

The following is a summary of significant developments in the operations and affairs of InnVest which have occurred since September 30, 2010, being the last day of the period in respect of which the REIT has filed the Third Quarter Financial Statements and the Third Quarter MD&A.

SIFT Reorganization

On December 31, 2010, the REIT completed a reorganization (the “**Reorganization**”), which was approved by Unitholders at the 2010 Meeting and was implemented substantially by way of a court-approved plan of arrangement under the *Canada Business Corporations Act*, in order to qualify as a “real estate investment trust” (a “**Qualifying REIT**”) under Canadian income tax rules applicable to specified investment flow-through entities (the “**SIFT Rules**”). Under the Reorganization, the REIT transferred all of its directly and indirectly held operating assets to IOT in consideration for IOT Units and voting units of IOT (“**IOT Voting Units**”) and the assumption by IOT of joint and several liability with the REIT in respect of the REIT’s then outstanding convertible debentures. The REIT transferred the IOT Voting Units to IMLP and distributed the IOT Units to Unitholders on a one-for-one basis for each REIT Unit held on December 31, 2010 to form the Stapled Units. The REIT Units and IOT Units were separately listed on the TSX on the date of distribution. The Stapled Units were listed on the TSX and posted for trading in substitution for the REIT Units on January 4, 2011.

On December 31, 2010, InnVest amended and restated certain instruments and agreements in connection with, or to accommodate, the Reorganization. In particular:

- (i) the REIT Declaration of Trust and the IOT Declaration of Trust were amended and restated to, among other things, provide for the “stapling” of the REIT Units and the IOT Units following the Reorganization by requiring that they must be issued, traded and redeemed in equal numbers prior to an Event of Uncoupling, subject to certain excepted transactions that are followed immediately by an adjustment to restore the equal number of outstanding REIT Units and IOT Units. In addition, certain amendments were made to the corporate governance provisions in the REIT Declaration of Trust to bring such provisions in line with the current provisions of the *Canada Business Corporations Act*;
- (ii) the REIT adopted a third amended and restated unitholder rights plan (the “**Amended and Restated Rights Plan**”), which will be in effect until June 16, 2013 unless earlier terminated in accordance with its terms. The REIT adopted the Amended and Restated Rights Plan to accommodate the Stapled Unit structure and not in response to any specific take-over proposal (and the REIT is not aware of any such proposal). Prior to an Event of Uncoupling, Unitholders will be required to subscribe for both REIT Units and IOT Units on the exercise of their rights in order to maintain the integrity of the Stapled Unit structure; and
- (iii) the REIT, IOT and Computershare Trust Company of Canada (“**Computershare**”) entered into a sixth supplemental indenture to the trust indenture dated July 26, 2002 between the REIT and Computershare (as amended and supplemented, the “**2002 Indenture**”), providing that (a) the REIT’s outstanding convertible debentures will be convertible into Stapled Units (or, following an Event of Uncoupling, an equal number of REIT Units and IOT Units) rather than REIT Units only, and (b) IOT will be jointly and severally liable with the REIT for all obligations under the 2002 Indenture. The Stapled Debentures will not be issued pursuant to the 2002 Indenture.

Pursuant to the provisions of the REIT Declaration of Trust and the IOT Declaration of Trust, each REIT Unit must be “stapled” to an IOT Unit and *vice versa* at all times prior to an Event of Uncoupling. To facilitate the proper functioning of the Stapled Unit structure, the REIT and IOT entered into a co-ordination agreement on December 31, 2010, which provides for, among other things:

- (i) co-ordination of the declaration and payment of all distributions so as to provide for simultaneous record dates and payment dates;
- (ii) co-ordination to permit the REIT and IOT to perform their respective obligations or exercise their respective rights pursuant to, among other things, the REIT Declaration of Trust, the IOT Declaration of Trust, the Amended and Restated Rights Plan, securities issued by the REIT or IOT (including the Stapled Debentures), the distribution reinvestment plan, the REIT’s executive incentive plan and the employment agreements of the executive officers of the REIT and IOT;

- (iii) co-ordination to issue IOT Units simultaneously, or as close to simultaneously as possible, with the issue of REIT Units and *vice versa* and to otherwise ensure at all times that each Unitholder holds an equal number of REIT Units and IOT Units, including participating in and co-operating with any public or private distribution of Stapled Units by, among other things, signing prospectuses or other offering documents;
- (iv) allocation of the subscription price for Stapled Units received in connection with the distribution reinvestment plan; and
- (v) allocation of payment responsibility, as between the REIT and IOT, in respect of their joint and several obligations under the 2002 Indenture and the REIT's convertible debentures issued thereunder.

Investors are encouraged to review the Circular, which is incorporated herein by reference, for more information regarding the Reorganization.

Announcement of Certain Financial Information

On February 22, 2011, in connection with the announcement of this Offering, InnVest announced that, while not material to its full year results for 2010, it incurred restructuring charges and non-recurring sales training initiatives of approximately \$1.3 million during the fourth quarter of 2010. In addition, InnVest announced that it was required to take various rooms out of the rental pool as a result of ongoing renovations that were underway at the Fairmont Palliser in Calgary and the start of room renovations at the Hilton Quebec, resulting in a reduction of funds from operations by approximately \$1.1 million for the fourth quarter of 2010. Renovations at both hotels are expected to be completed in the second quarter of 2011.

In addition, as previously announced by InnVest, in connection with the conversion of its financial reporting to International Financial Reporting Standards (“**IFRS**”), it has elected to revalue its hotel properties as at January 1, 2010. InnVest expects that the impact of this election will be a reduction in the carrying value of its hotel properties of approximately \$200 to \$230 million on its opening balance sheet as at January 1, 2010. Offsetting this adjustment will be the elimination of significant future income tax liabilities included in its hotel properties' asset base following the REIT's conversion to a Qualifying REIT, such that the overall impact of these two changes will be a net reduction in the REIT's equity of approximately \$30 to \$50 million in 2010.

CONSOLIDATED CAPITALIZATION

The following table sets forth the cash and cash equivalents and the consolidated capitalization of InnVest: (i) as at September 30, 2010, the date of the REIT's most recently filed financial statements; and (ii) as at September 30, 2010, after giving effect to the Offering and the Reorganization, as though they had been completed on September 30, 2010. The table should be read in conjunction with the Third Quarter Financial Statements.

	As at September 30, 2010 ⁽¹⁾	
	Actual	As Adjusted
	(in thousands of \$)	
Cash		
Cash and cash equivalents	\$13,767	\$84,584
Restricted cash	3,678	3,678
Total Cash	<u>17,445</u>	<u>88,262</u>
Indebtedness		
Bridge Loan	6,000	5,000
Mortgages ⁽²⁾	832,818	832,818
Convertible debentures ⁽³⁾⁽⁶⁾	244,542	289,917
Total Indebtedness ⁽⁴⁾	<u>1,083,360</u>	<u>1,127,735</u>
Non-controlling interest ⁽⁵⁾	-	72,340
Unitholders' equity ⁽⁶⁾	469,109	423,211
Total Capitalization	<u><u>1,552,469</u></u>	<u><u>1,623,286</u></u>

Notes:

- (1) The above is based on financial results from the fiscal year beginning January 1, 2010, and therefore such figures do not contemplate the impact of InnVest's transition to IFRS.
- (2) Net of debt issuance costs of \$6,772.
- (3) Actual column net of allocation to equity of \$13,533, accretion and issuance costs of \$4,775. As adjusted column net of allocation to equity of \$16,033, accretion and issuance costs of \$6,900.
- (4) InnVest is not permitted to exceed certain financial leverage amounts under the terms of the REIT Declaration of Trust and the IOT Declaration of Trust. InnVest is permitted to have indebtedness, excluding convertible debentures, up to a level of 50% of its gross asset value. Further, InnVest is permitted to have indebtedness and convertible debentures up to a level of 60% of its gross asset value. InnVest calculates indebtedness in accordance with GAAP, excluding non-interest bearing indebtedness, trade accounts payable, and any deferred income tax liability. InnVest calculates gross asset value at any time as the total book value of assets on the REIT's then most recent publicly-issued consolidated balance sheet, plus the accumulated depreciation and amortization thereon, less certain deferred tax liabilities. At September 30, 2010, InnVest's financial leverage excluding and including convertible debentures was 41.1% and 53.8%, respectively. InnVest's financial leverage excluding and including convertible debentures will be approximately 39.7% and 54.4%, respectively.
- (5) Represents the interest of the Unitholders in IOT through ownership of the IOT Units after giving effect to the Reorganization. On September 30, 2010, IOT was a wholly-owned subsidiary of the REIT with no assets (other than the *de minimus* payment it received from the REIT in consideration of the issuance to the REIT of one IOT Voting Unit), liabilities or operations.
- (6) Accounting under IFRS will require \$16,033 of the allocation to equity to be considered a financial liability and carried at its fair value and included in total indebtedness.

USE OF PROCEEDS

The net proceeds to InnVest from the Offering, after deducting the Underwriters' fee and certain other expenses of the Offering, are estimated to be \$71,817,000, with approximately \$61,044,450 allocated to the REIT and approximately \$10,772,550 allocated to IOT. The Underwriters' fee and the other expenses of the Offering will be paid out of the general funds of the REIT and IOT (directly or by their respective subsidiaries in proportion to their allocation of the net proceeds of the Offering).

The net proceeds from the Offering will be used by the REIT (as to 85% of the net proceeds) and by IOT (as to 15% of the net proceeds) to fund capital improvements, to fund potential future acquisitions and for general trust purposes, which may include the repayment of amounts outstanding under InnVest's \$6.0 million bridge loan due March 1, 2012 (the "**Bridge Loan**") and \$40 million operating line of credit due August 2012 (the "**Credit Line**").

The Bridge Loan was funded on March 19, 2008. The Bridge Loan was used to finance part of the development of a 105-room Staybridge Suites hotel located in Oakville, Ontario. The term of the Bridge Loan has been extended to March 1, 2012. As at March 7, 2011, the principal amount outstanding under the Bridge Loan was \$6.0 million.

InnVest’s borrowings under the Credit Line are used for working capital and general trust 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 March 7, 2011, the principal amount outstanding under the Credit Line was \$36.2 million. InnVest may draw down any amounts repaid under the Credit Line, subject to compliance with the terms of the Credit Line. See “Relationship Between InnVest and Certain Underwriters”.

EARNINGS COVERAGE

The following *pro forma* earnings coverage ratios are calculated on a consolidated basis for InnVest for the year ended December 31, 2009 and the 12-month period ended September 30, 2010, in each case after giving effect to (i) the issuance of the Stapled Debentures, and (ii) the issuance or retirement of any long-term financial liabilities of InnVest subsequent to the end of each period, as though such issuances or retirements had occurred at the beginning of the applicable periods.

	12 Months Ended December 31, 2009	12 Months Ended September 30, 2010
	<i>(pro forma)</i>	
Interest requirements (in thousands of \$) ⁽¹⁾	72,984	77,881
Earnings before interest expense and taxes (in thousands of \$) ⁽²⁾	14,175	15,034
Earnings coverage ⁽¹⁾⁽²⁾⁽³⁾	0.19	0.19
Interest requirements before discontinued operations (in thousands of \$) ⁽¹⁾	72,415	77,405
Earnings before interest expense, taxes, discontinued operations and writedowns (in thousands of \$) ⁽²⁾⁽⁴⁾	51,601	44,862
Adjusted earnings coverage ⁽¹⁾⁽²⁾⁽⁴⁾⁽⁵⁾	0.71	0.58

Notes:

- (1) For the purpose of this calculation, *pro forma* interest requirements assume that the Stapled Debentures and all of the REIT’s outstanding convertible debentures issued under the 2002 Indenture will be characterized as 100% debt and interest payments will be classified as interest expense in the financial statements.
- (2) InnVest’s earnings for the year ended December 31, 2009 and the 12-month period ended September 30, 2010 were reduced by \$91,218 (\$90,688 excluding discontinued operations) and \$94,009 (\$93,532 excluding discontinued operations), respectively, on account of depreciation and amortization, but do not include reserves of \$25,085 (\$24,472 excluding discontinued operations) and \$24,947 (\$24,406 excluding discontinued operations), respectively, for replacement of furniture, fixtures and equipment and capital improvements.
- (3) Earnings coverage is equal to net income before interest expense and taxes divided by interest expense on all debt.
- (4) Discontinued operations and writedowns relate to hotel properties that have been reclassified in InnVest’s financial statements as “assets held for sale”.
- (5) Adjusted earnings coverage is equal to net income before interest expense, taxes, discontinued operations and writedowns divided by interest expense on all debt excluding debt relating to discontinued operations.

InnVest’s earnings coverage ratios for the year ended December 31, 2009 and the 12-month period ended September 30, 2010 are 0.19 and 0.19, respectively. Excluding losses from discontinued operations and writedowns on assets held for sale, InnVest’s adjusted earnings coverage ratios are 0.71 and 0.58, respectively. To achieve earnings coverage ratios of one-to-one, InnVest’s earnings before interest expense and taxes for the year ended December 31, 2009 and the 12-month period ended September 30, 2010 would have to increase, respectively, by \$58,809 and \$62,847 (\$20,814 and \$32,543 excluding losses from discontinued operations and writedowns on assets held for sale).

DESCRIPTION OF THE UNITS

On December 31, 2010, InnVest completed the Reorganization, in the course of which each Unitholder received, for and in addition to each REIT Unit held, one IOT Unit. Each issued and outstanding REIT Unit now trades together with an IOT Unit as a Stapled Unit on the TSX under the symbol “INN.UN”. Apart from attributes necessary to achieve such “stapling”, each REIT Unit and IOT Unit retains its own separate identity and is separately listed, but not posted for trading,

on the TSX. If there is an Event of Uncoupling the IOT Units will cease to be listed on the TSX. Pursuant to the IOT Declaration of Trust, IOT is required to use all reasonable efforts to re-list the IOT Units upon the occurrence of such event.

The following is a summary of the material attributes and characteristics of the REIT Units and the IOT Units comprising the Stapled Units. A more detailed summary of the attributes of the REIT Units and IOT Units can be found under the heading “Description of Securities and Declaration of Trust” in the AIF and “Plan of Arrangement — Reorganization — Information Concerning IOT” in the Circular.

General

REIT Units and IOT Units are not “deposits” within the meaning of the *Canada Deposit Insurance Corporation Act* and are not insured under the provisions of such Act or any other legislation. REIT Units and IOT Units are not shares in the REIT or IOT, as the case may be, and Unitholders do not have statutory rights of shareholders of a corporation incorporated under either the *Business Corporations Act* (Ontario) or the *Canada Business Corporations Act*, including, for example, the right to bring “oppression” or “derivative” actions. Furthermore, neither the REIT nor IOT is a trust company and, accordingly, neither is registered under any trust and loan company legislation as they do not carry on or intend to carry on the business of a trust company.

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

Pursuant to the IOT Declaration of Trust, IOT is entitled to issue an unlimited number of units in two classes with distinct rights and privileges: IOT Units and IOT Voting Units. Each IOT Voting Unit entitles the holder thereof to one vote at all meetings of IOT unitholders. **Prior to an Event of Uncoupling or any event that results in any of the then-outstanding IOT Voting Units ceasing to be held by the REIT or an affiliate thereof (each, a “Triggering Event”), IOT Units will not entitle the holders thereof to vote at, or receive notice, information circulars or other materials in respect of, meetings of IOT unitholders, except in the following circumstances where the holders of IOT Units are entitled to vote separately as a class:**

- (a) a proposal to terminate IOT; or
- (b) a proposal to amend the IOT Declaration of Trust to:
 - (i) effect an exchange, reclassification or cancellation of the IOT Units;
 - (ii) add to, remove or change prejudicially the rights, privileges, restrictions or conditions attached to the IOT Units, including ownership, voting, transfer, redemption or pre-emptive rights and rights to accrued distributions;
 - (iii) add to the rights or privileges of any class of units having rights or privileges equal or superior to the IOT Units;
 - (iv) create a new class of units having rights or privileges equal or superior to the IOT Units;
 - (v) make a class of units having rights or privileges inferior to the IOT Units equal or superior to the IOT Units; or
 - (vi) effect an exchange or create a right of exchange of another class of units into IOT Units,

provided, however, that any such proposal will be deemed to be approved by the holders of IOT Units, and the holders of IOT Units will not be entitled to vote on such proposal at a meeting of IOT unitholders, if a corresponding proposal in respect of the REIT Declaration of Trust is approved by the holders of REIT Units in accordance with the terms of the REIT Declaration of Trust. **Special meetings may not be requisitioned by holders of IOT Units prior to a Triggering Event.**

Following a Triggering Event, each IOT Unit will entitle the holder thereof to one vote at all meetings of IOT unitholders and such holder will be entitled to receive notice, information circulars and other materials in respect of, and to attend, any such meeting. In addition, upon the occurrence of an Event of Uncoupling, the IOT Voting Units and the IOT Units will be redesignated as one class of units with equal rights and privileges, including the right to one vote per unit at all meetings of IOT unitholders. Following an Event of Uncoupling, all references in the IOT Declaration of Trust to IOT Voting Units or IOT Units will be deemed to refer to a single class of units and all references to holders of IOT Voting Units or IOT Units will be deemed to refer to holders of such single class of units.

The IOT Units and IOT Voting Units are entitled to share equally in any distributions made by IOT and, in the event of termination or winding up of IOT, in the net assets of IOT remaining after the satisfaction of all liabilities. No IOT Unit or IOT Voting Unit is entitled to any preference or priority over any other unit of IOT.

Issuance of Units

The REIT Declaration of Trust provides that, subject to certain restrictions (including those described under “– Stapling of Units” and “– Limitation on Non-Resident Ownership”), REIT Units or rights to acquire REIT Units may be issued at times, to the persons, for the consideration and on the terms and conditions that the trustees of the REIT determine. Unitholders do not have any pre-emptive rights whereby additional REIT Units proposed to be issued are first offered to existing Unitholders. New REIT Units may be issued for cash through public offerings, through rights offerings to existing Unitholders (i.e., in which Unitholders receive rights to subscribe for new REIT Units in proportion to their existing holdings of REIT Units, which rights may be exercised or sold to other investors), through private placements (i.e., offerings to specific investors which are not made generally available to the public or existing Unitholders), or through InnVest’s distribution reinvestment plan. In certain instances, the REIT may also issue new REIT Units as consideration for the acquisition of new properties or assets. The price or the value of the consideration for which REIT Units may be issued will be determined by the trustees of the REIT. Issued and outstanding REIT Units may be subdivided or consolidated from time to time by the trustees of the REIT without Unitholder approval. No certificates for fractional Units will be issued and fractional Units will not entitle the holders thereof to vote.

The IOT Declaration of Trust includes substantially similar terms pertaining to the issuance of IOT Units.

Stapling of Units

The REIT Declaration of Trust contains a number of provisions to achieve the “stapling” of the REIT Units and the IOT Units. In particular, prior to an Event of Uncoupling: (a) each REIT Unit may be transferred only together with an IOT Unit; (b) no REIT Unit may be issued by the REIT to any person unless (i) an IOT Unit is simultaneously issued by IOT to such person, or (ii) the REIT has arranged, subject to applicable regulatory approval, for the REIT Units to be consolidated immediately after such issuance, such that each Unitholder will hold an equal number of REIT Units and IOT Units immediately following such consolidation; (c) a Unitholder may require the REIT to redeem any particular number of REIT Units only if it also requires, at the same time, and in accordance with the provisions of the IOT Declaration of Trust, IOT to redeem that same number of IOT Units; and (d) the REIT may not purchase any REIT Units for cancellation unless IOT purchases a corresponding number of IOT Units for cancellation. If IOT subdivides, combines, consolidates, reclassifies or makes other changes to the IOT Units prior to an Event of Uncoupling, the REIT will be required, subject to applicable regulatory approval, to simultaneously make a corresponding change to the REIT Units (other than in respect of changes that do not result in a Unitholder holding an unequal number of REIT Units and IOT Units or a change that is followed immediately by a consolidation after which each Unitholder holds an equal number of REIT Units and IOT Units).

The IOT Declaration of Trust includes corresponding restrictions on the issuance, transfer, redemption and purchase of, and changes to, the IOT Units.

Purchase of Units

Pursuant to the REIT Declaration of Trust, the REIT may from time to time purchase REIT Units in accordance with applicable securities legislation and the rules prescribed under applicable stock exchange or regulatory policies; provided that prior to an Event of Uncoupling, the REIT shall not purchase for cancellation any outstanding REIT Units unless IOT purchases for cancellation an equal number of IOT Units. The IOT Declaration of Trust contains corresponding provisions.

Any such purchases will constitute an “issuer bid” under Canadian provincial securities legislation and must be conducted in accordance with the applicable requirements thereof. In November 2009, the REIT renewed its normal course

issuer bid to repurchase through the facilities of the TSX up to 8,032,364 REIT Units, representing approximately 10% of the REIT's public float. The REIT purchased 13,268 REIT Units under this renewed normal course issuer bid, all of which were transferred to the Trustees of the REIT in satisfaction of a portion of their annual retainer fee. The normal course issuer bid expired on November 15, 2010 and was not renewed.

Redemption Rights

Pursuant to the REIT Declaration of Trust, REIT Units are redeemable at any time on demand by the holders thereof; provided that, prior to an Event of Uncoupling, a Unitholder who tenders a particular number of REIT Units to the REIT for redemption will be required to tender, at the same time, the same number of IOT Units to IOT for redemption. A Unitholder not otherwise holding a fully registered certificate for REIT Units who wishes to exercise the redemption right is required to obtain a redemption notice form from his or her investment dealer who will be required to deliver the completed redemption notice form to the REIT through CDS. Upon receipt of the redemption notice by the REIT, all rights to and under the REIT Units tendered for redemption shall be surrendered and the holder thereof shall be entitled to receive a price per REIT Unit (the "**Redemption Price**") equal to:

- (a) prior to an Event of Uncoupling, the amount by which the lesser of:
 - (i) 95% of the "market price" (calculated in accordance with the provisions of the REIT Declaration of Trust) of a Stapled Unit on the principal market on which the Stapled Units are quoted for trading during the 10-trading day period commencing immediately after the date on which the REIT Units were tendered to the REIT for redemption (the "**Redemption Date**"); and
 - (ii) the "closing market price" (calculated in accordance with the provisions of the REIT Declaration of Trust) of a Stapled Unit on the principal market on which the Stapled Units are quoted for trading, on the Redemption Date;exceeds the fair market value of an IOT Unit on the Redemption Date, as jointly determined by the trustees of the REIT and IOT in their sole discretion; or
- (b) following an Event of Uncoupling, the lesser of:
 - (i) 95% of the "market price" of a REIT Unit on the principal market on which the REIT Units are quoted for trading during the 10-trading day period commencing immediately after the Redemption Date; and
 - (ii) the "closing market price" of a REIT Unit on the principal market on which the REIT Units are quoted for trading, on the Redemption Date.

The aggregate Redemption Price payable by the REIT in respect of any REIT Units surrendered for redemption during any calendar month shall be satisfied by way of a cash payment on the last day of the month following the month in which the REIT Units were tendered for redemption, provided that the entitlement of Unitholders to receive a cheque upon the redemption of their REIT Units is subject to the limitations that: (i) the total amount payable by the REIT in respect of such REIT Units and all other REIT Units tendered for redemption in the same calendar month shall not exceed \$50,000 (provided that such limitation may be waived at the discretion of the trustees of the REIT, which discretion may not be exercised prior to an Event of Uncoupling unless the trustees of IOT waive the corresponding limitation in the IOT Declaration of Trust); (ii) at the time such REIT Units are tendered for redemption, the outstanding REIT Units or Stapled Units are listed for trading on a stock exchange or traded or quoted on another market which the trustees of the REIT consider, in their sole discretion, provides representative fair market value prices for the REIT Units or Stapled Units, as the case may be; and (iii) the normal trading of REIT Units or Stapled Units is not suspended or halted on any stock exchange on which the REIT Units or Stapled Units, as the case may be, are listed (or, if not listed on a stock exchange on any market on which the REIT Units or Stapled Units are quoted for trading) on the redemption date or for more than five trading days during the 10 trading day period commencing immediately after the redemption date.

If a Unitholder is not entitled to receive a cheque upon the redemption of REIT Units as a result of the foregoing limitations, then the REIT Units tendered for redemption shall, subject to obtaining all applicable regulatory approvals, be redeemed by way of a distribution *in specie* of notes ("**Notes**") issued by a subsidiary of the REIT having a fair market value, as determined by the trustees of the REIT, equal to the aggregate Redemption Price of such REIT Units. Where the REIT

delivers Notes on the redemption of REIT Units, the REIT may allocate to the holder thereof any capital gain or income realized by the REIT on or in connection with such delivery.

The IOT Declaration of Trust contains substantially similar provisions for the redemption of IOT Units, except that, prior to an Event of Uncoupling, the redemption price payable per IOT Unit will be the fair market value of an IOT Unit on the Redemption Date, as jointly determined by the trustees of the REIT and IOT in their sole discretion, and the monthly limit for redemptions of IOT Units will be exceeded whenever the monthly limit for redemptions of REIT Units is exceeded in accordance with the REIT Declaration of Trust.

It is anticipated that the redemption rights described above will not be the primary mechanism for Unitholders to dispose of their REIT Units or IOT Units.

Book-Based System

Except as otherwise provided below, the REIT Units and IOT Units are represented in the form of one or more fully registered global Stapled Unit certificates held by, or on behalf of, CDS, as depository of such global unit certificates for the participants of CDS, registered in the name of CDS or its nominee, and registration of ownership and transfers of the Units are effected only through the book-based system administered by CDS.

Except as described below, no holder of a REIT Unit or IOT Unit is entitled to a certificate or other instrument from the REIT or IOT evidencing that holder's ownership thereof, and no holder of a beneficial interest in a REIT Unit or IOT Unit is shown on the records maintained by CDS except through book-entry accounts of a participant of CDS acting on behalf of the beneficial owners. CDS is responsible for establishing and maintaining book-entry accounts for its participants having interests in the global Stapled Unit certificates. Sales of interests in the global Stapled Unit certificates can only be completed through participants in the depository services of CDS.

REIT Units and IOT Units are issued in fully registered form to holders or their nominees, if any, who purchase Stapled Units pursuant to a private placement of Stapled Units made in reliance upon Rule 144A adopted under the United States *Securities Act of 1933*, as amended (the "**1933 Act**"), and to transferees thereof in the United States who purchase such Stapled Units in reliance upon Rule 144A. If any such privately placed Stapled Units represented by definitive certificates are subsequently traded into Canada, the registrar and transfer agent will deliver a certificate registered in the name of CDS or its nominee representing such Stapled Units and, thereafter, registration of ownership and transfers of such Stapled Units will be made through the book-based system administered by CDS.

Except in the case of U.S. purchasers purchasing Stapled Units under Rule 144A, REIT Units or IOT Units will be issued in fully registered form to holders or their nominees, other than CDS or its nominee, only if: (i) the REIT or IOT, as the case may be, is required to do so by applicable law; (ii) the depository system of CDS ceases to exist; (iii) the REIT or IOT, as the case may be, determines that CDS is no longer willing or able or qualified to discharge properly its responsibility as depository and the REIT or IOT is unable to locate a qualified successor; or (iv) the REIT or IOT, as the case may be, at its option elects to terminate its participation in the book-based system in respect of the REIT Units or IOT Units through CDS.

Transfer and Exchange of Units

Prior to an Event of Uncoupling, REIT Units and IOT Units may only be transferred together as Stapled Units. Transfers of beneficial ownership of REIT Units and IOT Units represented by global Stapled Unit certificates are effected through records maintained by CDS or its nominees (with respect to interests of participants) and on the records of participants (with respect to interests of persons other than participants). Unless the REIT or IOT elects, in its sole discretion, to prepare and deliver definitive certificates representing the REIT Units or IOT Units, as the case may be, beneficial owners who are not participants in the book-based system administered by CDS, but who desire to purchase, sell or otherwise transfer ownership of or other interest in global Stapled Unit certificates, may do so only through participants in the book-based system administered by CDS.

The ability of a beneficial owner of an interest in a REIT Unit or IOT Unit represented by a global Stapled Unit certificate to pledge the REIT Unit or IOT Unit or otherwise take action with respect to such owner's interest in the REIT Unit or IOT Unit represented by a global Stapled Unit certificate (other than through a participant) may be limited due to the lack of a physical certificate.

Registered holders of definitive certificates representing Stapled Units may transfer such Stapled Units upon payment of taxes or other charges incidental thereto, if any, by executing and delivering a form of transfer together with the Stapled Unit certificates to Computershare, the transfer agent and registrar for the Stapled Units, at its principal office in the City of Toronto, Ontario or such other city or cities as may from time to time be designated by the REIT or IOT, whereupon new Stapled Unit certificates will be issued in authorized denominations in the same aggregate principal amount as the Stapled Unit certificates so transferred, registered in the name of the transferees. Any request to transfer or exchange Stapled Units may not be honoured by the REIT, IOT and Computershare if such transfer or exchange is in contravention of United States federal or state securities laws or would require the REIT or IOT to register as an investment company under the United States *Investment Company Act of 1940*.

Limitation on Non-Resident Ownership

At no time may more than 49% of the REIT Units (on either a basic or fully-diluted basis) be held for the benefit of non-residents of Canada (within the meaning of the Tax Act) or partnerships, any member of which is a non-resident of Canada (“**Non-Resident Beneficiaries**”). The trustees of the REIT may require declarations as to the jurisdictions in which beneficial owners of REIT Units are resident or declarations as to whether such REIT Units are held for the benefit of Non-Resident Beneficiaries.

Pursuant to the REIT Declaration of Trust, if the trustees of the REIT become aware that more than 49% of the REIT Units (on either a basic or fully-diluted basis) then outstanding are held, or may be held, for the benefit of Non-Resident Beneficiaries or that such a situation is imminent, the trustees of the REIT may make a public announcement thereof and shall not accept a subscription for REIT Units from or issue or register a transfer of REIT Units to a person unless the person provides a declaration that the person is not a non-resident and does not hold its REIT Units for a Non-Resident Beneficiary. If, notwithstanding the foregoing, the trustees of the REIT determine that more than 49% of the REIT Units (on either a basic or fully-diluted basis) are held for the benefit of Non-Resident Beneficiaries, the trustees of the REIT may send a notice to Non-Resident Beneficiaries of REIT Units, chosen in inverse order to the order of acquisition or registration or in such manner as the trustees of the REIT may consider equitable and practicable, requiring them to sell their REIT Units (or Stapled Units) or a portion thereof within a specified period of not more than 60 days. If the Unitholders receiving such notice have not sold the specified number of REIT Units (or Stapled Units) or provided the trustees of the REIT with satisfactory evidence that they are not non-residents and do not hold their REIT Units for the benefit of Non-Resident Beneficiaries within such period, the trustees of the REIT may sell such REIT Units (or Stapled Units) on behalf of such Unitholders and, in the interim, the voting and distribution rights attaching to such REIT Units shall be suspended. Upon such sale, the affected holders shall cease to be holders of REIT Units and their rights shall be limited to receiving the net proceeds of sale.

The IOT Declaration of Trust includes substantially similar restrictions regarding non-resident ownership of IOT Units, except that the 49% limit on non-resident ownership applies to the aggregate number of IOT Units and IOT Voting Units.

Amendments to Declaration of Trust

The REIT Declaration of Trust may be amended or altered from time to time. Certain amendments require approval by at least $66\frac{2}{3}\%$ of the votes cast at a meeting of Unitholders called for such purpose. Other amendments to the REIT Declaration of Trust require approval by a majority of the votes cast at a meeting of Unitholders called for such purpose.

In addition, the trustees of the REIT may, without the approval of the Unitholders, make certain amendments to the Declaration of Trust, including amendments:

- (i) for the purpose of ensuring continuing compliance with applicable laws, regulations, requirements or policies of any governmental authority having jurisdiction over: (A) the trustees of the REIT; (B) the status of the REIT as a “mutual fund trust” and a Qualifying REIT under the Tax Act; or (C) the distribution of REIT Units;
- (ii) which, in the opinion of the trustees of the REIT, provide additional protection for the Unitholders;
- (iii) to remove any conflicts or inconsistencies in the REIT Declaration of Trust or to make minor corrections which are, in the opinion of the trustees of the REIT, necessary or desirable and not prejudicial to the Unitholders;

- (iv) which, in the opinion of the trustees of the REIT, are necessary or desirable as a result of changes in taxation laws or generally accepted accounting standards; and
- (v) for any purpose (except one in respect of which a Unitholder vote is specifically otherwise required) which, in the opinion of the trustees of the REIT, is not prejudicial to Unitholders and is necessary or desirable.

The IOT Declaration of Trust includes substantially similar amendment provisions, adjusted to reflect that IOT is not intended to be a Qualifying REIT. Prior to an Event of Uncoupling, the stapling provisions of the IOT Declaration of Trust cannot be amended unless and until corresponding amendments are made to the REIT Declaration of Trust. In addition, prior to a Triggering Event, holders of IOT Units will not be entitled to vote on amendments to the IOT Declaration of Trust except in the limited circumstances described under “– General”.

Distributions

The REIT and IOT may distribute to Unitholders on or about the 15th day of each month such percentage of the estimated Distributable Income for the month then ended as the trustees of the REIT and IOT, respectively, determine in their discretion. In addition, the trustees of the REIT or IOT may at any time declare an extraordinary distribution of cash, units or other property of the REIT or IOT, as the case may be. IOT Units and IOT Voting Units have equal rights with respect to distributions made by IOT.

Distributions to Unitholders are approved on a monthly basis by the trustees of the REIT and IOT. In exercising their discretion to approve the level of distributions, the trustees utilize internal forecasts prepared by management and other financial information to determine if sufficient cash flow will be available to fund distributions. Such financial information is subject to continual change due to the nature of the Canadian hotel industry, which is difficult to predict even in the short term.

Distributable Income is determined after deduction of a reserve for replacement of furniture, fixtures and equipment and for capital improvements. The reserve on InnVest’s existing portfolio is approximately 4% of InnVest’s consolidated gross revenues. See “Non-GAAP Financial Measures”.

Distributions may be adjusted for amounts paid in prior periods if the actual Distributable Income for the prior periods is greater than or less than the trustees’ estimates for the prior periods. The distributions for any month will be payable to the Unitholders of record at the close of business on the last business day of the month. Distributions of Distributable Income are made in cash and may be reinvested in Stapled Units through InnVest’s distribution reinvestment plan.

In June 2010, the distribution policy of the REIT was amended (with Unitholder approval at the 2010 Meeting) to remove from the REIT Declaration of Trust the obligations of the REIT to distribute (a) a minimum percentage of Distributable Income each month and (b) any excess income (including taxable capital gains, if any) for the year over distributions otherwise made for that year. These amendments were made to ensure the REIT Units would be treated as equity, rather than a liability of the REIT, under IFRS and not to effect a change in the REIT’s distribution practices.

The REIT paid the following monthly distributions in cash and by REIT Units issued under the distribution reinvestment plan: \$0.09375 per REIT Unit from September 2002 to November 2008, \$0.0625 per REIT Unit from December 2008 to September 2009 and \$0.0417 per REIT Unit from October 2009 to December 31, 2010. Following the distribution of the IOT Units to Unitholders on December 31, 2010 until the date hereof, the REIT and IOT have declared a combined monthly distribution of \$0.0417 per Stapled Unit for each of January and February, 2011, with \$0.035445 of such distribution made by the REIT on the REIT Units and \$0.006255 of such distribution made by IOT on the IOT Units.

Although InnVest intends to make distributions of available cash to its Unitholders, these cash distributions may be reduced or suspended. The actual amount distributed will depend on 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, the redemption of REIT Units and IOT Units, if any, and other factors which may be beyond the control of the REIT. The market value of the REIT Units, IOT Units or Stapled Units may decline if InnVest is unable to meet its cash distribution targets in the future, and that decline may be significant. See “Risk Factors”.

The adjusted cost base of REIT Units or IOT Units held by a Unitholder will generally be reduced by the non-taxable portion of distributions made to such Unitholder (other than the non-taxable portion of certain capital gains). A

Unitholder will generally realize a capital gain to the extent that the adjusted cost base of the Unitholder's units would otherwise be a negative amount. The non-taxable portion of distributions for any year may be adjusted following any reassessment by the Canada Revenue Agency ("CRA") for that year. In 2007, 2008, 2009 and 2010 the non-taxable portion of distributions made to Unitholders was 40.00%, 44.00%, 70.00% and 67.00%, respectively.

DESCRIPTION OF THE DEBENTURES

The following is a summary of the material attributes and characteristics of the REIT Debentures and IOT Debentures comprising the Stapled Debentures. This summary does not purport to be complete and is subject to, and is qualified in its entirety by, the terms of the trust indenture governing the REIT Debentures (the "**REIT Indenture**") to be entered into prior to the completion of the Offering by the REIT, as issuer, IOT, as guarantor, and Computershare, as trustee (the "**Debenture Trustee**"), and the trust indenture governing the IOT Debentures (the "**IOT Indenture**") to be entered into prior to the completion of the Offering by IOT, as issuer, the REIT, as guarantor, and the Debenture Trustee, as trustee.

General

The REIT Debentures and IOT Debentures comprising the Stapled Debentures will be issued as a new series under the REIT Indenture and the IOT Indenture, respectively.

The Stapled Debentures to be issued will be in the aggregate principal amount of \$50,000,000, which will be comprised of \$42,500,000 aggregate principal amount of REIT Debentures and \$7,500,000 aggregate principal amount of IOT Debentures. The REIT and IOT may, from time to time, without the consent of the holders of the Stapled Debentures, issue additional debentures of the same series or of a different series under the REIT Indenture and the IOT Indenture, respectively, in addition to the Stapled Debentures offered hereby.

The Stapled Debentures will be dated as of the closing of the Offering and will mature on March 30, 2018. The Stapled Debentures will be issuable only in denominations of \$1,000 and integral multiples thereof (with the component REIT Debentures and IOT Debentures being issuable prior to an Event of Uncoupling only in denominations of \$850 and \$150 and integral multiples thereof, respectively) and will bear interest from and including the date of issue at 5.75% per annum, which will be payable semi-annually in arrears on March 30 and September 30 in each year, commencing on September 30, 2011. The first interest payment will include interest accrued from the date of the closing of the Offering to, but excluding, September 30, 2011.

The principal amount of the REIT Debentures and IOT Debentures comprising the Stapled Debentures is payable in lawful money of Canada or, at the option of the REIT (in respect of the REIT Debentures) and IOT (in respect of the IOT Debentures) and subject to applicable regulatory approval, by delivery of REIT Units and IOT Units, respectively, as further described under "— Method of Payment — Payment of Principal on Redemption or at Maturity". The interest on the REIT Debentures and IOT Debentures is payable in lawful money of Canada including, at the option of the REIT (in respect of the REIT Debentures) and IOT (in respect of the IOT Debentures) and subject to applicable regulatory approval, in accordance with the Interest Payment Election as described under "— Method of Payment — Interest Payment Election".

The REIT Debentures will be direct obligations of the REIT and the IOT Debentures will be direct obligations of IOT and will not be secured by any mortgage, pledge, hypothec or other charge and will be subordinated to other liabilities of the REIT as described under "— Subordination". The REIT Indenture and IOT Indenture will not restrict the REIT or IOT, respectively, from incurring additional indebtedness for borrowed money or from mortgaging, pledging or charging its properties to secure any indebtedness.

The REIT will fully and unconditionally guarantee on an unsecured, subordinated basis IOT's payment obligations under the IOT Debentures (the "**IOT Debenture Guarantee**") and IOT will fully and unconditionally guarantee on an unsecured, subordinated basis the REIT's payment obligations under the REIT Debentures (the "**REIT Debenture Guarantee**"). At the option of the REIT, in respect of the IOT Debenture Guarantee, and IOT, in respect of the REIT Debenture Guarantee, and on not less than 30 days' prior written notice to the holders of such debentures, the principal subsidiary of the REIT, InnVest Master LP ("**IMLP**"), and/or the principal subsidiary of IOT, InnVest Hotels LP ("**IHLP**"), may assume the obligations under such guarantees, in which case the REIT and IOT may be discharged from their obligations thereunder (the "**Substitution Right**"). Notwithstanding the foregoing, IMLP may not be substituted for the REIT as a guarantor under the IOT Debenture Guarantee unless, at the time of such substitution, IMLP holds directly or indirectly all or substantially all of the assets of the REIT, and IHLP may not be substituted for IOT as a guarantor under the REIT Debenture Guarantee unless, at the time of such substitution, IHLP holds directly or indirectly all or substantially all of

the assets of IOT. In addition, IMLP may become an additional (and not the sole) guarantor under the REIT Debenture Guarantee and IHLP may become an additional (and not the sole) guarantor under the IOT Debenture Guarantee. The Substitution Right is subject to applicable regulatory approval, but is not subject to the consent or concurrence of the holders of the REIT Debentures or IOT Debentures, as the case may be.

In this section:

- (i) the REIT, as issuer of the REIT Debentures, and IOT, as issuer of the IOT Debentures, will sometimes be referred to individually as the “**Issuer**”;
- (ii) the REIT Debentures or IOT Debentures, as the case may be, issued by the Issuer will sometimes be referred to as the “**Issuer’s Debentures**”;
- (iii) the REIT Units or IOT Units, as the case may be, issued by the Issuer will sometimes be referred to as the “**Issuer’s Units**”;
- (iv) the REIT Conversion Price or the IOT Conversion Price, as the case may be, in respect of the Issuer’s Debentures will sometimes be referred to as the “**Issuer’s Conversion Price**”;
- (v) the guarantee of the obligations of the Issuer under the Issuer’s Debentures will sometimes be referred to as the “**Applicable Guarantee**”;
- (vi) the provider of the Applicable Guarantee will sometimes be referred to as the “**Applicable Guarantor**”;
- (vii) the REIT Indenture or the IOT Indenture, as the case may be, governing the Issuer’s Debentures will sometimes be referred to as the “**Issuer’s Indenture**”; and
- (viii) the term “**Current Market Price**” means the volume-weighted average trading price per unit for the Issuer’s Units (or, prior to an Event of Uncoupling, the percentage of such trading price of the Stapled Units attributable to the Issuer’s Units as determined in accordance with the Issuer’s Indenture) for 20 consecutive trading days ending on the fifth trading day preceding the date of determination on the TSX (or, if the Stapled Units or Issuer’s Units, as the case may be, are not listed thereon, on such stock exchange on which the Stapled Units or Issuer’s Units, as the case may be, are listed as may be selected for such purpose by or at the direction or on behalf of the trustees of the Issuer and approved by the Debenture Trustee, or if the Stapled Units or Issuer’s Units, as the case may be, are not listed on any stock exchange, then on the over-the-counter market).

Subordination

The Issuer’s Indenture will provide that the Issuer’s Debentures are subordinated in right of payment of principal and interest to all present and future Senior Indebtedness (as defined herein) of the Issuer. No payment of principal (including redemption payments) or interest on the Issuer’s Debentures may be made (i) if any Senior Indebtedness of the Issuer is not paid when due and any applicable grace period with respect to such payment default on Senior Indebtedness has ended and such default has not been cured or waived or ceased to exist, or (ii) if the maturity of any Senior Indebtedness of the Issuer has been accelerated because of a default and either such acceleration has not been rescinded or such Senior Indebtedness has not been repaid. Upon any distribution of assets of the Issuer to creditors upon any dissolution, winding-up, total liquidation or reorganization of the Issuer, whether in bankruptcy, insolvency or receivership proceedings, upon an “assignment for the benefit of creditors”, or otherwise, all principal, premium, if any, and interest due on all Senior Indebtedness of the Issuer must be paid in full before the holders of the Issuer’s Debentures are entitled to receive or retain any payment from the Issuer.

An Applicable Guarantee is subordinated in right of payment of principal and interest to all present and future Senior Indebtedness (as defined herein) of the Applicable Guarantor. The Issuer’s Indenture will restrict the ability of the Debenture Trustee to enforce the Applicable Guarantee where there is a continuing payment default or acceleration under Senior Indebtedness of the Applicable Guarantor or, upon any distribution of assets of the Applicable Guarantor to creditors, until all principal, premium, if any, and interest due on all Senior Indebtedness of the Applicable Guarantor has been paid in full.

Neither the Issuer's Indenture nor the Issuer's Debentures will limit the ability of the Issuer or the Applicable Guarantor to incur additional indebtedness, including indebtedness that ranks senior to the Issuer's Debentures or the Applicable Guarantee, as the case may be, or from mortgaging, pledging or charging its properties to secure any indebtedness.

The term "**Senior Indebtedness**" means, in respect of an Issuer or an Applicable Guarantor, the principal of, and the interest and premium (or any other amounts payable thereunder), if any, on:

- (i) all indebtedness, liabilities and obligations of such Issuer or such Applicable Guarantor (other than the 6.00% Series B convertible debentures, 5.85% Series C convertible debentures, 6.75% Series D convertible debentures and 6.00% Series E convertible debentures issued pursuant to the 2002 Indenture (collectively, the "**Existing Debentures**"), the Issuer's Debentures or other convertible debentures issued pursuant to the Issuer's Indenture), whether outstanding on the date of the Issuer's Indenture or thereafter created, incurred, assumed or guaranteed in connection with the acquisition by such Issuer or such Applicable Guarantor of any businesses, properties or other assets or for monies borrowed or raised by whatever means (including, without limitation, by means of commercial paper, bankers' acceptances, letters of credit, debt instruments, bank debt and financial leases, and any liability evidenced by bonds, debentures, notes or similar instruments) or in connection with the acquisition of any businesses, properties or other assets or for monies borrowed or raised by whatever means (including, without limitation, by means of commercial paper, bankers' acceptances, letters of credit, debt instruments, bank debt and financial leases, and any liability evidenced by bonds, debentures, notes or similar instruments) by others including, without limitation, any subsidiary of such Issuer or such Applicable Guarantor for payment of which such Issuer or such Applicable Guarantor is responsible or liable, whether absolutely or contingently; and
- (ii) renewals, extensions, restructurings, refinancings and refundings of any such indebtedness, liabilities or obligations,

unless in each case it is provided by the terms of the instrument creating or evidencing such indebtedness, liabilities or obligations that such indebtedness, liabilities or obligations are not superior in right of payment to debentures issued under the Issuer's Indenture which by their terms are subordinated.

The Issuer's Debentures will be direct unsecured obligations of the Issuer. Each Issuer's Debenture will rank *pari passu* with each other Issuer's Debenture of the same series (regardless of their actual date or terms of issue) and, subject to statutory preferred exceptions, with all other present and future subordinated and unsecured indebtedness of the Issuer (including the Existing Debentures) except for sinking fund provisions, if any, applicable to different series of the Issuer's Debentures or other similar types of obligations of the Issuer.

The Applicable Guarantee will be a direct unsecured obligation of the Applicable Guarantor and, subject to statutory preferred exceptions, will rank *pari passu* with all other present and future subordinated and unsecured indebtedness of the Applicable Guarantor except for sinking fund provisions or other similar types of obligations of the Applicable Guarantor.

For the avoidance of doubt, to the extent permitted by applicable law, for so long as the REIT provides the IOT Debenture Guarantee, the obligations of the REIT under the IOT Debenture Guarantee will rank *pari passu* with its obligations under the REIT Debentures and, for so long as IOT provides the REIT Debenture Guarantee, the obligations of IOT under the REIT Debenture Guarantee will rank *pari passu* with its obligations under the IOT Debentures.

Stapling of the Debentures

The REIT Indenture and IOT Indenture will each contain a number of provisions to achieve the "stapling" of the REIT Debentures and the IOT Debentures. In particular, the REIT Indenture will provide that, prior to an Event of Uncoupling: (a) each REIT Debenture may be transferred only together with an IOT Debenture; (b) no REIT Debenture may be issued by the REIT to any person unless an IOT Debenture is simultaneously issued by IOT under the IOT Indenture to such person; (c) a holder may convert or, on a Change of Control (as defined below), require the REIT to purchase any REIT Debentures only if it simultaneously converts or, on a Change of Control, requires IOT to purchase that same number of IOT Debentures under the IOT Indenture; (d) the REIT may not redeem any REIT Debentures or exercise any Unit Repayment Election or Interest Payment Election unless IOT redeems or exercises a Unit Repayment Election or Interest Payment Election under the IOT Indenture in respect of a corresponding amount of IOT Debentures; (e) if an adjustment is made to the REIT Conversion Price, a corresponding adjustment must be made to the IOT Conversion Price under the IOT Indenture; and

(f) an Event of Default or a waiver thereof in respect of the REIT Debentures will constitute an Event of Default or a waiver thereof under the IOT Indenture in respect of the IOT Debentures. The IOT Indenture will contain corresponding provisions in respect of IOT, the IOT Debentures and holders thereof.

Conversion Rights

Each REIT Debenture and IOT Debenture will be convertible into REIT Units and IOT Units, respectively, at the option of the holder at any time prior to 4:00 p.m. (Toronto time) on the earlier of March 29, 2018 (the business day immediately preceding the Maturity Date) and the last business day immediately preceding the date specified by the REIT for redemption of the REIT Debentures and/or by IOT for Redemption of the IOT Debentures, at the REIT Conversion Price, being approximately \$8.03 per REIT Unit, and the IOT Conversion Price, being approximately \$1.42 per IOT Unit, respectively, representing a conversion rate of 105.8201 REIT Units per \$850 principal amount of REIT Debentures and 105.8201 IOT Units per \$150 principal amount of IOT Debentures, subject to adjustment in certain events in accordance with the REIT Indenture or the IOT Indenture, as the case may be. Prior to an Event of Uncoupling, holders will not be entitled to convert any REIT Debentures into REIT Units unless they simultaneously convert a corresponding number of IOT Debentures into IOT Units and *vice versa*, and any REIT Units and IOT Units issued on conversion of the REIT Debentures and IOT Debentures will trade together as Stapled Units. **Accordingly, prior to an Event of Uncoupling, the Stapled Conversion Price is \$9.45 per Stapled Unit, being a conversion rate of 105.8201 Stapled Units per \$1,000 principal amount of Stapled Debentures, subject to adjustment.** If all conversion rights attaching to the REIT Debentures and IOT Debentures are exercised, the REIT and IOT will be required to issue 5,291,005 additional REIT Units and IOT Units, respectively, subject to anti-dilution adjustments. No adjustment will be made for distributions on REIT Units or IOT Units issuable upon conversion.

Holders converting the Issuer's Debentures will be entitled to receive, in addition to the applicable number of the Issuer's Units to be received on conversion, accrued and unpaid interest, if any, for the period from the last interest payment date (or the date of issue if no interest has yet been paid by the Issuer) to and including the last record date declared by the Issuer for determining the Unitholders entitled to receive distributions on the Issuer's Units prior to the date of conversion; provided that, in the event the Issuer has suspended or has publicly announced the suspension of regular distributions to Unitholders prior to the date on which a holder converts the Issuer's Debentures held by such holder, and such suspension is in effect on such conversion date, such holder, in addition to the applicable number of Issuer's Units to be received on conversion, will be entitled to receive accrued and unpaid interest for the period from the last interest payment date prior to the date of conversion (or the date of issue if no interest has yet been paid by the Issuer) to and including the date of conversion.

Subject to the provisions thereof, the Issuer's Indenture will provide for the adjustment of the Issuer's Conversion Price upon the occurrence of certain events including: (i) the subdivision or consolidation of the Issuer's Units then outstanding; (ii) the distribution of Issuer's Units to Unitholders by way of distribution or otherwise other than an issue of securities to Unitholders who have elected to receive distributions in securities of the Issuer in lieu of receiving cash distributions paid in the ordinary course; (iii) the issuance of options, rights or warrants to all or substantially all Unitholders entitling them to acquire Stapled Units or other securities convertible into Stapled Units (or, following an Event of Uncoupling, Issuer's Units) at less than 95% of the Current Market Price on the date of the applicable event; and (iv) the distribution (except in a reorganization described in the two paragraphs below) to all or substantially all Unitholders of (A) units of any class other than the Issuer's Units and other than units distributed to Unitholders who have elected to receive dividends or distributions in the form of such units in lieu of dividends or distributions paid in the ordinary course, (B) rights, options or warrants, excluding rights, options or warrants entitling the holders thereof for a period of not more than 45 days to subscribe for or purchase Stapled Units or securities convertible into Stapled Units (or, following an Event of Uncoupling, Issuer's Units), (C) evidences of its indebtedness, or (D) assets, excluding dividends or distributions paid in the ordinary course. There will be no adjustment of the Issuer's Conversion Price in respect of any event described above if the holders of the Issuer's Debentures are allowed to participate as though they had converted the Issuer's Debentures prior to the applicable record date or effective date, as the case may be, of such event. The Issuer will not be required to make adjustments in the Issuer's Conversion Price unless the cumulative effect of such adjustments would change the Stapled Conversion Price (or following an Event of Uncoupling, the Issuer's Conversion Price) by at least 1%; provided that, prior to an Event of Uncoupling, any event that causes an adjustment to the REIT Conversion Price under the REIT Indenture will be deemed to cause a corresponding adjustment to the IOT Conversion Price under the IOT Indenture and *vice versa*, so that the number of REIT Units into which \$850 principal amount of REIT Debentures can be converted is equal to the number of IOT Units into which \$150 principal amount of IOT Debentures can be converted.

Where IOT transfers all or substantially all its assets to the REIT in consideration for the issuance of REIT Units and the assumption by the REIT of its obligations, including the IOT Debentures, and IOT then transfers those REIT Units to the holders of IOT Units in consideration for the cancellation of their IOT Units (an “**IOT Merger**”), the principal amount of the IOT Debentures that are assumed by the REIT will be added to the principal amount of the REIT Debentures, and the REIT Conversion Price will be decreased (or increased) to the extent that the percentage increase in the number of outstanding REIT Units as a result of the IOT Merger is greater (or less) than the 1000/850 ratio of the initial aggregate principal amount of a Stapled Debenture to that of a REIT Debenture. Similarly, where the REIT transfers all or substantially all its assets to IOT in consideration for the issuance of IOT Units and the assumption by IOT of its obligations, including the REIT Debentures, and the REIT then transfers those IOT Units to the holders of the REIT Units in consideration for the cancellation of their REIT Units (a “**REIT Merger**”), the principal amount of the REIT Debentures that are assumed by IOT will be added to the principal amount of the IOT Debentures, and the IOT Conversion Price will be decreased (or increased) to the extent that the percentage increase in the number of outstanding IOT Units as a result of the REIT Merger is greater (or less) than the 1000/150 ratio of the initial aggregate principal amount of a Stapled Debenture to that of an IOT Debenture.

In the case of any reclassification or capital reorganization (other than a change resulting from consolidation or subdivision) of the Issuer’s Units or in the case of any consolidation, amalgamation, reorganization or merger of the Issuer with or into any other entity, or in the case of any sale or conveyance of the property and assets of the Issuer as, or substantially as, an entirety to any other entity, or a liquidation, dissolution or winding-up of the Issuer (but excluding in all cases an IOT Merger or REIT Merger), the terms of the conversion privilege shall be adjusted so that each holder of an Issuer’s Debenture shall, after such reclassification, capital reorganization, consolidation, amalgamation, reorganization, merger, sale, conveyance, liquidation, dissolution or winding-up, be entitled to receive and shall accept the number of Issuer’s Units or other securities or other property that, on the exercise of the conversion right, such holder would be entitled to receive if, on the effective date thereof, it had been the holder of the number of Issuer’s Units into which the Issuer’s Debenture was convertible prior to the effective date of such reclassification, capital reorganization, consolidation, amalgamation, reorganization, merger, sale, conveyance, liquidation, dissolution or winding-up.

The above adjustments to the REIT Conversion Price and IOT Conversion Price, if applied separately, could in certain circumstances result in a REIT Debenture being convertible into a different number of REIT Units than the number of IOT Units into which an IOT Debenture is convertible. Accordingly, prior to an Event of Uncoupling or the completion of a REIT Merger or IOT Merger, these adjustments will be calculated on a combined basis (i.e., treating a Stapled Debenture as if it were a debenture of a single combined issuer) so that the percentage change to the REIT Conversion Price will be the same as that for the IOT Conversion Price. However, upon an Event of Uncoupling, or the completion of a REIT Merger or IOT Merger (but before making any further adjustments to the conversion prices as a result of such mergers), the REIT Conversion Price and/or the IOT Conversion Price, as applicable, will be recalculated to reflect separate conversion prices (i.e., as if such conversion prices had been separately calculated from the time of issuance of the REIT Debentures and IOT Debentures).

No fractional Issuer’s Units (whether alone or comprising part of a fractional Stapled Unit) will be issued on any conversion, but in lieu thereof, the Issuer shall satisfy fractional interests by a cash payment equal to the current market price of the fractional interest which would have been issued.

Redemption Rights

The Issuer’s Debentures will not be redeemable on or prior to March 30, 2014, except in the event of the satisfaction of certain conditions after a Change of Control has occurred. On or after March 31, 2014 and prior to March 31, 2016, the Debentures will be redeemable at the option of the Issuer, in whole or in part from time to time, on not less than 30 days’ prior notice, at a redemption price equal to the principal amount thereof plus accrued and unpaid interest, provided that the Current Market Price of the Stapled Units (or following an Event of Uncoupling, the Issuer’s Units) on the date on which the notice of redemption is given exceeds 125% of the Stapled Conversion Price (or following an Event of Uncoupling, the Issuer’s Conversion Price). On or after March 31, 2016 and prior to March 30, 2018, the Issuer’s Debentures will be redeemable at the option of the Issuer, in whole or in part and from time to time, at a redemption price equal to the principal amount thereof plus accrued and unpaid interest. Notwithstanding the foregoing, prior to an Event of Uncoupling, the REIT will not be entitled to redeem any REIT Debentures under the REIT Indenture unless IOT simultaneously redeems a corresponding number of IOT Debentures under the IOT Indenture and *vice versa*.

Any Issuer’s Debentures redeemed by the Issuer will be cancelled and will not be reissued. In the case of redemption of less than all of the Issuer’s Debentures, the Issuer’s Debentures to be redeemed will be selected by the Debenture Trustee on a *pro rata* basis to the nearest multiple of \$850 in the case of the REIT Debentures or \$150 in the case

of the IOT Debentures, or by lot in such manner as the Debenture Trustee deems equitable. If, following an Event of Uncoupling, the Issuer's Debentures are adjusted so that they trade in multiples of \$1,000, the Debenture Trustee will select such debentures for redemption on a *pro rata* basis to the nearest multiple of \$1,000, or by lot in such manner as the Debenture Trustee deems equitable.

Put Right upon a Change of Control or Certain Events of Uncoupling

Upon the occurrence of (i) a change of control involving the acquisition, by any person or persons acting jointly or in concert, of voting control or direction over an aggregate of 66²/₃% or more of the outstanding REIT Units, IOT Units or Stapled Units, or securities convertible into or carrying the right to acquire REIT Units, IOT Units or Stapled Units, or (ii) an Event of Uncoupling that does not occur as part of a reorganization of InnVest or a similar corporate transaction the purpose of which is to consolidate the assets of the REIT and IOT (each, a "**Change of Control**"), each holder of Issuer's Debentures may require the Issuer to purchase, on the date which is 30 days following the giving of notice of a Change of Control as set out below (the "**Put Date**"), all or any part of such holder's Issuer's Debentures at a price equal to 101% of the principal amount thereof (the "**Put Price**") plus accrued and unpaid interest up to but excluding the Put Date. Notwithstanding the foregoing, holders will not be entitled to require the REIT to purchase any REIT Debentures under the REIT Indenture unless they simultaneously require IOT to purchase a corresponding number of IOT Debentures under the IOT Indenture and *vice versa*, except in connection with a Change of Control that occurs as a result of or after an Event of Uncoupling.

If 90% or more in aggregate principal amount of the Issuer's Debentures outstanding on the date the Issuer provides notice of a Change of Control to the Debenture Trustee have been tendered for purchase on the Put Date, the Issuer has the right to redeem all the remaining Issuer's Debentures on such date at the Put Price. Notice of such redemption must be given to the Debenture Trustee by the Issuer prior to the Put Date and, as soon as possible thereafter, by the Debenture Trustee to the holders of the Debentures not tendered for purchase. Notwithstanding the foregoing, if an Event of Uncoupling has not occurred, the REIT will not be entitled to redeem the remaining REIT Debentures under the REIT Indenture unless IOT simultaneously redeems the remaining IOT Debentures under the IOT Indenture and *vice versa*.

Method of Payment

Payment of Principal on Redemption or at Maturity

On redemption or at maturity, the Issuer will repay the indebtedness represented by the Issuer's Debentures by paying to the Debenture Trustee in lawful money of Canada an amount required to repay the principal amount of the outstanding Issuer's Debentures, together with accrued and unpaid interest thereon. The Issuer may, at its option, on not more than 60 days' and not less than 30 days' prior notice and subject to applicable regulatory approval, elect to satisfy its obligation to repay all or any portion of the principal amount of the Issuer's Debentures that are to be redeemed or that are to mature by issuing and delivering freely-tradable Issuer's Units to the holders of the Issuer's Debentures (a "**Unit Repayment Election**"). Prior to an Event of Uncoupling, the REIT may not make a Unit Repayment Election under the REIT Indenture in respect of any REIT Debentures unless IOT simultaneously makes a Unit Repayment Election under the IOT Indenture in respect of a corresponding number of IOT Debentures and *vice versa*. The number of Stapled Units (or, following an Event of Uncoupling, Issuer's Units) to be issued in respect of each Stapled Debenture (or, following an Event of Uncoupling, Issuer's Debenture) will be determined by dividing the principal amount of the Stapled Debentures (or, following an Event of Uncoupling, the Issuer's Debentures) that are to be redeemed or that are to mature, as the case may be, by 95% of the Current Market Price of the Stapled Units (or, following an Event of Uncoupling, the Issuer's Units) on the TSX or other principal market on the date fixed for redemption or maturity, as the case may be. No fractional Issuer's Units (whether alone or comprising part of a fractional Stapled Unit) will be issued on redemption, but in lieu thereof, the Issuer shall satisfy fractional interests by a cash payment equal to the market price of the fractional interest.

Interest Payment Election

Unless an Event of Default (as defined herein) has occurred and is continuing, and subject to receiving any required regulatory approvals, an Issuer may elect, from time to time, to satisfy its obligation to pay interest on the Issuer's Debentures (the "**Interest Obligation**") on the date it is payable under the Issuer's Indenture (each an "**Interest Payment Date**"), by delivering a sufficient number of Issuer's Units to the Debenture Trustee required to satisfy all or any part of the Interest Obligation in accordance with the Issuer's Indenture (the "**Interest Payment Election**"); provided that, prior to an Event of Uncoupling, the REIT may not make an Interest Payment Election under the REIT Indenture in respect of the REIT Debentures unless IOT simultaneously makes an Interest Payment Election under the IOT Indenture in respect of the IOT Debentures and *vice versa*. The Issuer's Indenture provides that, upon such election, the Debenture Trustee shall: (i) accept

delivery from the Issuer of the Issuer's Units; (ii) accept bids with respect to, and consummate sales of, such Issuer's Units (which, prior to an Event of Uncoupling, must be sold as part of Stapled Units), each as the Issuer shall direct in its absolute discretion; (iii) invest the proceeds of such sales in Government Obligations (as defined in the Issuer's Indenture) that mature prior to the applicable Interest Payment Date, and use the proceeds received from such Government Obligations, together with any proceeds from the sale of Issuer's Units not invested as aforesaid, to satisfy the Interest Obligation; and (iv) perform any other action necessarily incidental thereto.

The Issuer's Indenture will set forth the procedures to be followed by the Issuer and the Debenture Trustee in order to effect the Interest Payment Election. If an Interest Payment Election is made, the sole right of a holder of Issuer's Debentures in respect of interest will be to receive cash from the Debenture Trustee out of the proceeds of the sale of Issuer's Units (whether alone or as part of Stapled Units), plus any amount received by the Debenture Trustee from the Issuer attributable to fractional Issuer's Units, in full satisfaction of the Interest Obligation, and the holder of such Issuer's Debentures will have no further recourse to the Issuer or the Applicable Guarantor in respect of the Interest Obligation.

Neither the Issuer's making of the Interest Payment Election nor the consummation of sales of Issuer's Units (whether alone or as part of Stapled Units) will (i) result in the holders of the Issuer's Debentures not being entitled to receive on the applicable Interest Payment Date cash in an aggregate amount equal to the Interest Obligation payable on such date or (ii) entitle such holders to receive any Issuer's Units in satisfaction of the Interest Obligation.

Events of Default and Waiver

The Issuer's Indenture will provide that an event of default ("**Event of Default**") in respect of the Issuer's Debentures will result upon the occurrence of certain events described in the Issuer's Indenture, including if any one or more of the following events has occurred and is continuing with respect to the Issuer's Debentures: (i) failure for 15 days to pay the interest on the Issuer's Debentures when due; (ii) failure to pay principal or premium, if any, on the Issuer's Debentures when due, whether at maturity, upon redemption, by declaration or otherwise; (iii) failure for 60 days after written notice to the Issuer by the Debenture Trustee to comply with any of its obligations under the Issuer's Debentures or the Issuer's Indenture or any indenture supplemental thereto (other than those referred to in (i) and (ii) above); (iv) failure for 10 days to deliver Issuer's Units (or cash in lieu of fractional Issuer's Units) in accordance with the terms of the Issuer's Indenture when such Issuer's Units (or cash in lieu of fractional Issuer's Units) are required to be delivered, upon conversion of an Issuer's Debenture; (v) default under any agreement evidencing indebtedness for money borrowed by the Issuer or the Applicable Guarantor or any of their respective subsidiaries where such indebtedness shall be accelerated so that it shall be or become due or payable prior to the date on which the same would otherwise become due and payable and the aggregate amount thereof so accelerated exceeds \$35 million and such acceleration is not rescinded or annulled within five business days after written notice to the Issuer by the Debenture Trustee; (vi) certain events of bankruptcy or insolvency affecting the Issuer or the Applicable Guarantor under bankruptcy, insolvency or analogous laws; (vii) a decree or court order issuing sequestration or process of execution against all or a substantial portion of the property of the Issuer or the Applicable Guarantor, appointing a receiver of all or a substantial part of the property of the Issuer or the Applicable Guarantor, or ordering the winding-up or liquidation of the affairs of the Issuer or the Applicable Guarantor and any such decree or order continues unstayed and in effect for 60 days; (viii) if a resolution is passed for the winding-up or liquidation of the Issuer or the Applicable Guarantor; or (ix) if, after the date of the Issuer's Indenture, any proceedings with respect to the Issuer or the Applicable Guarantor are taken with respect to a compromise or arrangement, with respect to creditors of the Issuer or the Applicable Guarantor generally, under the applicable legislation of any jurisdiction. Prior to an Event of Uncoupling, an Event of Default under the REIT Indenture in respect of the REIT Debentures will constitute an Event of Default under the IOT Indenture in respect of the IOT Debentures and *vice versa*.

The Issuer's Indenture will provide that if an Event of Default has occurred and is continuing, the Debenture Trustee may, in its discretion, and shall, upon the request of holders of not less than 25% of the aggregate principal amount of the Issuer's Debentures then outstanding, declare the principal and interest on all Issuer's Debentures then outstanding and all other monies then outstanding to be due and payable.

In addition to the powers exercisable by Extraordinary Resolution (as defined herein), the holders of 66²/₃% in aggregate principal amount of the debentures of all series issued by the Issuer pursuant to the Issuer's Indenture (the "**Issuer's Issued Debentures**") at the time outstanding may waive any existing default and its consequences; provided that, if the Event of Default has occurred by reason of the non-observance or non-performance by an Issuer of any covenant applicable only to one or more series of Issued Debentures, then the holders of at least 66²/₃% of the principal amount of the outstanding debentures of that series shall be entitled to exercise this power.

The Debenture Trustee, so long as it has not become bound to declare the principal and interest on the Issuer's Issued Debentures then outstanding to be due and payable, or to obtain or enforce payment of the same, shall have the power to waive any Event of Default if, in the Debenture Trustee's opinion, the default shall have been cured or adequate satisfaction shall have been made therefor.

Prior to an Event of Uncoupling, any waiver of an Event of Default under the REIT Indenture in respect of the REIT Debentures shall be deemed to constitute a waiver of the corresponding Event of Default under the IOT Indenture in respect of the IOT Debentures and *vice versa*.

When a default is waived by the Debenture Trustee or holders of the Issuer's Issued Debentures, it is deemed cured and will cease to exist, but that waiver does not extend to any subsequent or other default or impair any consequent right.

Modification

With certain exceptions, the Issuer's Indenture and the rights of the holders of Issuer's Debentures may be modified by the Issuer with the consent of a majority of the holders of Issuer's Debentures present and voting at a meeting at which not less than 25% of the principal amount of the Issued Debentures then outstanding are present in person or by proxy (an "**Ordinary Resolution**").

The Issuer's Indenture also provides that certain changes, including (i) changes relating to the modification of the terms of the Issuer's Debentures, or any reduction of the rate of interest or extension of the time of payment of any principal or interest due thereon, (ii) the modification, abrogation, alteration, compromise or arrangement of the rights of the holders of Issuer's Debentures or the Debenture Trustee against the Issuer or the Applicable Guarantor, or (iii) the waiver of any default under the Issuer's Indenture, may be made if authorized by Extraordinary Resolution. The term "**Extraordinary Resolution**" is defined in the Issuer's Indenture to mean, in effect, a resolution passed by the affirmative votes of the holders of not less than 66²/₃% of the aggregate principal amount of the Issuer's Issued Debentures represented and voting at a duly constituted meeting of holders of the Issuer's Issued Debentures.

If the business to be transacted at any meeting by Extraordinary Resolution or otherwise especially affects the rights of holders of Issuer's Issued Debentures of one or more series in a manner or to an extent differing in any material way from that in or to which the rights of holders of Issuer's Issued Debentures of any other series are affected, then the holders of at least 66²/₃% of the principal amount of the outstanding debentures of that affected series shall be entitled to vote separately at a meeting at which not less than 25% of the principal amount of the debentures of that series then outstanding are present in person or by proxy.

All actions which may be taken by holders of Issuer's Issued Debentures by Ordinary Resolution and Extraordinary Resolution and all actions requiring the approval of at least 66²/₃% of a series of Issuer's Issued Debentures may also be taken and exercised by an instrument or instruments in writing signed by the holders of not less than 66²/₃% in aggregate principal amount of the Issuer's Issued Debentures or series of Issuer's Issued Debentures then outstanding, as the case may be.

The Issuer, the Debenture Trustee and the Applicable Guarantor may, without the consent or concurrence of the holders of the Issuer's Issued Debentures, by supplemental indenture or otherwise, make any changes or corrections in the Issuer's Indenture which it shall have been advised by counsel are required for the purpose of curing or correcting any ambiguity or defective or inconsistent provisions or clerical omissions or mistakes or manifest errors contained therein or in any indenture supplemental thereto.

Upon exercise of the Substitution Right by the Applicable Guarantor, the Issuer, the Debenture Trustee and the substituted guarantor may, without the consent or concurrence of the holders of the Issuer's Issued Debentures, enter into a supplemental indenture to evidence the exercise of the Substitution Right.

In addition, following an Event of Uncoupling, the Issuer will use reasonable commercial efforts to obtain a listing of the Issuer's Debentures on a stock exchange and may adjust the Issuer's Debentures so that such debentures are held in denominations of \$1,000 or multiples thereof (a "**Post-Uncoupling Adjustment**"). Such adjustment may be made without the consent or concurrence of the holders of the Issuer's Debentures, but will be subject to applicable regulatory approvals and the approval of the stock exchange on which the Issuer's Debentures are then listed, if any. To the extent that the Issuer determines that it is not practicable to complete such adjustment, the Issuer will be entitled, at any time, to delay or abandon a Post-Uncoupling Adjustment on notice to the Debenture Trustee, subject to the Issuer's obligations to use reasonable

commercial efforts to obtain a listing of the Issuer's Debentures on a stock exchange as described above. The Issuer and the Debenture Trustee may enter into a supplement or amendment to the Issuer's Indenture to evidence a Post-Uncoupling Adjustment. No fractional debentures will be issued upon a Post-Uncoupling Adjustment of the Issuer's Debentures and a cash payment equal to the principal amount of such fractional debentures, plus any accrued but unpaid interest thereon (up to but not including the date of the adjustment) will be made by the Issuer in lieu of issuing such fractional debentures.

Notwithstanding the foregoing, prior to an Event of Uncoupling: (a) the REIT Indenture may not be amended unless a corresponding amendment is made to the IOT Indenture and *vice versa*; and (b) none of the REIT Indenture, the IOT Indenture or the rights of holders of debentures issued thereunder may be modified in a manner that would adversely affect the stapling of the REIT Debentures and IOT Debentures or the integrity of the Stapled Unit structure.

Listing

There is currently no market through which the Stapled Debentures may be sold. The TSX has conditionally approved the listing of the Stapled Debentures (including the component REIT Debentures and IOT Debentures) issuable pursuant to the Offering, as well as the Stapled Units (including the component REIT Units and IOT Units) issuable on conversion of the Stapled Debentures. The listing is subject to InnVest fulfilling all of the listing requirements of the TSX on or before May 20, 2011.

Upon an Event of Uncoupling, the REIT Debentures and IOT Debentures (to the extent they are listed) will be de-listed from the TSX. Pursuant to the current rules of the TSX, the REIT Debentures and IOT Debentures cannot be separately posted for trading on the TSX since each such debenture does not have a \$1,000 principal face amount. Accordingly, there may be no market through which a holder of REIT Debentures or IOT Debentures can liquidate its investment following an Event of Uncoupling. The REIT Indenture and the IOT Indenture will require the trustees of the REIT and IOT, as the case may be, to use all reasonable efforts to obtain and maintain a listing for the REIT Debentures and IOT Debentures, respectively, following an Event of Uncoupling, including (if necessary) consolidating the REIT Debentures or IOT Debentures such that each such debenture has a principal face amount of \$1,000. However, there can be no assurance that the REIT Debentures or IOT Debentures will be separately re-listed and posted for trading on the TSX or any other stock exchange, or that a market for the REIT Debentures or IOT Debentures will develop. The IOT Units (but not the REIT Units) will also be de-listed from the TSX on an Event of Uncoupling. The IOT Indenture also requires the trustees of IOT to use all reasonable efforts to maintain a listing for the IOT Units. See "Risk Factors" for a further discussion of the consequences of the de-listing of the REIT Debentures, IOT Debentures and IOT Units.

Book-Based System

The REIT Debentures and IOT Debentures will be issued in "book-entry only" form and must be purchased or transferred through a participant in the depository service of CDS. On the closing of the Offering, the Debenture Trustee will cause the REIT Debentures and IOT Debentures to be delivered to CDS and registered in the name of its nominee. Prior to an Event of Uncoupling, the REIT Debentures and IOT Debentures will be evidenced by a single book-entry only global Stapled Debenture certificate. Registration of interests in and transfers of the REIT Debentures and IOT Debentures will be made only through the depository service of CDS.

A purchaser acquiring a beneficial interest in the Stapled Debentures will not, except in limited circumstances, be entitled to a certificate or other instrument from the Debenture Trustee or CDS evidencing that purchaser's interest therein, and such purchaser will not be shown on the records maintained by CDS, except through a participant in the depository services of CDS. Such purchaser will receive a confirmation of purchase from the Underwriters or other registered dealer from whom Stapled Debentures are purchased.

Limitation on Non-Resident Ownership

At no time may more than 49% of the Issuer's Units (or, where the Issuer is IOT, the aggregate number of IOT Units and IOT Voting Units) (on either a basic or fully-diluted basis) or Issuer's Debentures, be held for the benefit of Non-Resident Beneficiaries. The Debenture Trustee may require declarations as to the jurisdictions in which beneficial owners of the Issuer's Debentures are resident or declarations from holders of Issuer's Debentures as to whether such Issuer's Debentures are held for the benefit of Non-Resident Beneficiaries.

If the trustees of the Issuer become aware that more than 49% of the Issuer's Units (or, where the Issuer is IOT, the aggregate number of IOT Units and IOT Voting Units) (on either a basic or fully-diluted basis) or Issuer's Debentures, then outstanding are held, or may be held, for the benefit of Non-Resident Beneficiaries or that such a situation is imminent, the

Issuer may make a public announcement thereof and shall notify the Debenture Trustee in writing and the Debenture Trustee shall not accept a subscription for Issuer's Debentures from or issue or register a transfer of Issuer's Debentures to a person unless the person provides a declaration that the person is not a Non-Resident Beneficiary. If, notwithstanding the foregoing, the trustees of the Issuer determine that more than 49% of the Issuer's Units (or, in where the Issuer is IOT, the aggregate number of IOT Units and IOT Voting Units) (on either a basic or fully-diluted basis) or Issuer's Debentures, are held for the benefit of Non-Resident Beneficiaries, the Issuer may send a notice to Non-Resident Beneficiary holders of Issuer's Debentures, chosen in inverse order to the order of acquisition or registration or in such manner as the trustees of the Issuer may consider equitable and practicable, requiring them to sell their Issuer's Debentures (or, prior to an Event of Uncoupling, Stapled Debentures) or a portion thereof within a specified period of not more than 60 days. If the holders of Issuer's Debentures receiving such notice have not sold the specified number of Issuer's Debentures (or, prior to an Event of Uncoupling, Stapled Debentures) or provided the trustees of the Issuer with satisfactory evidence that they are not Non-Resident Beneficiaries and do not hold their Issuer's Debentures for the benefit of Non-Resident Beneficiaries within such period, the Issuer may sell such Issuer's Debentures (or, prior to an Event of Uncoupling, Stapled Debentures) on behalf of such holders of Issuer's Debentures and, in the interim, all rights attaching to such Issuer's Debentures (including any right to receive payments of interest and conversion rights) shall be immediately suspended and the rights of any such holders of Issuer's Debentures in respect of such Issuer's Debentures shall be limited to receiving the net proceeds of sale (net of any withholding tax).

PLAN OF DISTRIBUTION

Pursuant to the Underwriting Agreement, InnVest has agreed to issue and sell 3,600,000 Stapled Units and an aggregate of \$50,000,000 principal amount of Stapled Debentures to the Underwriters, and the Underwriters have severally agreed to purchase from InnVest, as principals, such Stapled Units and Stapled Debentures on or about March 15, 2011, or on such later date as the REIT and the Underwriters may agree, but in any event not later than March 24, 2011. Delivery of the Stapled Units and Stapled Debentures is conditional upon payment on closing by the Underwriters to InnVest of \$7.00 per Stapled Unit (or \$25,200,000 in the aggregate) and \$1,000 per Stapled Debenture (or \$50,000,000 in the aggregate) for total consideration of \$75,200,000 (to be allocated as to 85% to the REIT and as to 15% to IOT), payable in cash. The Underwriting Agreement provides that the REIT and IOT will pay or cause to be paid to the Underwriters an aggregate fee of \$2,883,000 (\$0.28 per Stapled Unit and \$37.50 per Stapled Debenture) in consideration of their services in connection with the Offering in proportion to their allocation of the net proceeds of the Offering. The Underwriters' fee in respect of the Stapled Units and Stapled Debentures is payable on closing of the Offering.

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 certain stated events materially adversely affecting the financial markets in Canada. The Underwriters are, however, obligated to take up and pay for all Stapled Units and Stapled Debentures if any securities are purchased under the Underwriting Agreement. The Underwriting Agreement also provides that the REIT and IOT will jointly and severally indemnify the Underwriters and their directors, officers, agents, shareholders and employees against certain liabilities and expenses.

InnVest has agreed, subject to certain exceptions, not to create, issue or sell, or enter into an agreement to create, issue or sell, Stapled Units or any securities convertible or exchangeable for Stapled Units for a period of 90 days subsequent to the closing of the Offering without the consent of the Underwriters, which consent may not be unreasonably withheld or delayed.

There is currently no market through which the Stapled Debentures may be sold and purchasers may not be able to resell the Stapled Debentures purchased under this short form prospectus. The TSX has conditionally approved the listing of the Stapled Units and Stapled Debentures (including the component REIT Units and IOT Units and REIT Debentures and IOT Debentures, respectively) issuable pursuant to the Offering, as well as the Stapled Units (including the component REIT Units and IOT Units) issuable on conversion of the Stapled Debentures. The listing is subject to InnVest fulfilling all of the listing requirements of the TSX on or before May 20, 2011.

The Underwriters propose to offer the Stapled Units and Stapled Debentures initially at the respective offering prices specified on the cover page of this short form prospectus. After the Underwriters have made a reasonable effort to sell all of the Stapled Units and Stapled Debentures at the price specified on the cover page, the offering prices 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 the purchasers of the Stapled Units and Stapled Debentures is less than the amount paid by the Underwriters to InnVest.

In connection with the Offering, the Underwriters may effect transactions that stabilize or maintain the market price of the Stapled Units offered hereby at levels other than those which otherwise might prevail on the open market. Stabilizing transactions consist of bids or purchases made for the purpose of preventing or retarding a decline in the market price of the Stapled Units while the Offering is in progress. As a result of these activities, the price of the Stapled Units offered hereby may be higher than the price that otherwise might exist in the open market. If these activities are commenced, they may be discontinued by the Underwriters at any time. The Underwriters may carry out these transactions on the TSX, in the over-the-counter market or otherwise. The Underwriters did not over-allocate the Offering.

Pursuant to the policy statement of certain securities regulators, the Underwriters may not, throughout the period of distribution, bid for or purchase Stapled Units or Stapled Debentures. The foregoing restriction is subject to certain exceptions, on the condition that the bid or purchase not be engaged in for the purpose of creating actual or apparent active trading in, or raising the price of the Stapled Units or Stapled Debentures. These exceptions include: (i) a bid or purchase permitted under the Universal Market Integrity Rules relating to market stabilization and passive market making activities; and (ii) a bid or purchase made for and on behalf of a customer where the order was not solicited during the period of the distribution. Such transactions, if commenced, may be discontinued at any time. InnVest has been advised by the Underwriters that, in connection with the Offering and subject to applicable laws, the Underwriters may effect transactions that stabilize or maintain the market price of the Stapled Units at levels other than those which might otherwise prevail on the open market.

The Stapled Debentures (and the component REIT Debentures and IOT Debentures) offered by this short form prospectus have not been and will not be registered under the 1933 Act, or any U.S. state securities laws, and may not be offered or sold within the United States, except in accordance with Rule 144A under the 1933 Act to “Qualified Institutional Buyers” (as such term is defined under Rule 144A under the 1933 Act) in transactions exempt from the registration requirements of the 1933 Act and applicable state securities laws.

RELATIONSHIP BETWEEN INNVEST AND CERTAIN UNDERWRITERS

An affiliate of RBCDS is a lender to InnVest under the Bridge Loan and the Credit Line. 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. Accordingly, InnVest may be considered to be a “connected issuer” of RBCDS within the meaning of applicable Canadian securities legislation.

The net proceeds from the Offering will be used to fund capital improvements, to fund potential future acquisitions and for general trust purposes, which may include the repayment by InnVest of amounts outstanding under the Bridge Loan and/or the Credit Line. As at March 7, 2011, \$6.0 million and \$36.2 million was outstanding under the Bridge Loan and the Credit Line, respectively. As at that date, 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, except that the lender under the Credit Line waived compliance with the trailing 12 month minimum interest coverage ratio for the fourth quarter of 2010 and has agreed to a reduced minimum interest coverage ratio for the first three quarters of 2011. The Bridge Loan and the Credit Line are currently secured by one property and 14 properties, respectively. There has been no material change in the financial position of InnVest since the execution of the agreements governing the 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 Stapled Units and the Stapled Debentures was made independently of the lender under the Bridge Loan and the Credit Line, and such lender did not influence the offering price of the Stapled Units, the interest rate on the Stapled Debentures, the conversion price of the Stapled Debentures and the other terms and conditions of the Offering, which were established through negotiations between InnVest and the Underwriters. In addition, none of RBC Dominion Securities Inc., Scotia Capital Inc., CIBC World Markets Inc., TD Securities Inc., BMO Nesbitt Burns Inc. and Canaccord Genuity Corp. will receive any benefit from the Offering, other than the respective portion of the Underwriters’ fee payable by InnVest to such Underwriters.

CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of Davies Ward Phillips & Vineberg LLP, counsel to the REIT and IOT, 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 Stapled Debentures (comprised of REIT Debentures and IOT Debentures) acquired under this Offering or Stapled Units (comprised of REIT Units and IOT Units) acquired under this Offering or under the terms of the Stapled Debentures

(collectively, the “**Securities**”). 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 the REIT and IOT and holds the Securities as capital property (a “**Holder**”). Generally, the Securities will be considered to be capital property to a holder provided the holder does not hold the Securities 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 Securities 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 Securities, 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”; or (iv) that has elected to determine its Canadian tax results in accordance with a “functional currency”, 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 Securities. In addition, this summary does not address the deductibility of interest by an investor who has borrowed money to acquire Stapled Debentures or Stapled Units under this Offering.

This summary is based upon the facts set out in this short form prospectus, in the AIF and in the Annual Financial Statements, information provided by the REIT’s and IOT’s management, the current provisions of the Tax Act and the regulations thereunder and counsel’s understanding of the current published administrative policies and assessing practices of 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. With respect to opinions and views based on representations and statements of management of the REIT and IOT as to matters of fact, counsel has assumed the accuracy of such representations and statements in giving such opinions and views.

This summary also assumes that the only significant assets of the REIT will be its investments in IMLP (which directly or through subsidiaries will lease Canadian hotel properties to IHLP or subsidiaries of IHLP) and the only significant assets of IOT will be its investments in IHLP (which directly or through subsidiaries will carry on Canadian hotel operations or license hotel franchise rights in Canada).

This summary assumes that the REIT and IOT currently qualify as a “mutual fund trusts” under the Tax Act and will continue to so qualify while the Securities remain outstanding. This assumption is based upon a certificate of the REIT and IOT as to certain factual matters. If the REIT and IOT do not qualify as mutual fund trusts, the income tax considerations described below would in some respects be materially different. See “— Status of the REIT and IOT – Mutual Fund Trust” and “Risk Factors – Mutual Fund Status of the REIT and IOT”.

This summary is not exhaustive of all possible Canadian federal income tax considerations applicable to an investment in Securities. Moreover, the income and other tax consequences of acquiring, holding or disposing of Securities 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 of Securities. Consequently, a prospective holder should consult the holder’s own tax advisor for advice with respect to the tax consequences of an investment in Securities based on the prospective holder’s particular circumstances.

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

Taxation of Holders of REIT Debentures and IOT Debentures

Each Stapled Debenture represents ownership of a REIT Debenture and an IOT Debenture. References in this summary to a REIT Debenture or IOT Debenture include a REIT Debenture or IOT Debenture acquired or held together as a

Stapled Debenture. Where convenient, this summary uses the term Debenture to refer to a REIT Debenture or IOT Debenture.

Interest on REIT Debentures and IOT Debentures

A Holder of REIT Debentures or IOT Debentures that is a corporation, partnership, unit trust or any trust of which a corporation or a partnership is a beneficiary will be required to include in computing its income for a taxation year any interest on the Debentures that accrues (or is deemed to accrue) to it to the end of the particular taxation year (or if the Holder disposes of the Debentures in the year, that accrues or is deemed to accrue to it until the time of disposition) or that has become receivable by or is received by the Holder before the end of that taxation year, including on a conversion, redemption or repayment on maturity, except to the extent that such interest was included in computing the Holder's income for a preceding taxation year.

Any other Holder (including an individual) will be required to include in computing income for a taxation year all interest on the Debentures that is received or receivable by the Holder in that taxation year (depending upon the method regularly followed by the Holder in computing income), including on a conversion, redemption or repayment on maturity, except to the extent that the interest was included in the Holder's income for a preceding taxation year.

A premium paid by the Issuer to a Holder of REIT Debentures or IOT Debentures on a Put Date will generally be deemed to be interest received at that time by the Holder if such premium is paid because of the repayment by the Issuer of the Debentures before their maturity and to the extent that such premium can reasonably be considered to relate to, and does not exceed the value on the Put Date, of the interest that would have been paid or payable by the Issuer on the Debentures for taxation years of the Issuer ending after the Put Date.

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 investment income, including amounts in respect of interest.

Exercise of Conversion Privilege

Stapled Units represent ownership of REIT Units and IOT Units. References in this summary to a REIT Unit or IOT Unit include a REIT Unit or IOT Unit acquired or held as part of a Stapled Unit.

A Holder of a REIT Debenture or IOT Debenture who pursuant to the conversion privilege converts the Debenture into REIT Units or IOT Units, as the case may be, will be considered to have disposed of the REIT Debenture or IOT Debenture, as the case may be, for proceeds of disposition equal to the aggregate of the fair market value of the REIT Units or IOT Units, as the case may be, so acquired on the conversion (except to the extent such units are received as interest or are deemed to be a payment of interest) and the amount of any cash received in lieu of fractional units. The Holder will realize a capital gain or capital loss computed as described below under "— Dispositions of Debentures". The cost to the Holder of the REIT Units or IOT Units so acquired will also be equal to their fair market value at the time of acquisition, and must be averaged with the adjusted cost base of all other REIT Units or IOT Units, as the case may be, held as capital property by the Holder for the purposes of calculating the adjusted cost base of such units. The cost of REIT Units or IOT Units acquired by reinvestment pursuant to the distribution reinvestment plan of the REIT and IOT will be the amount of such reinvestment allocated to such REIT Units or IOT Units.

Redemption or Repayment of REIT Debentures or IOT Debentures

If the REIT redeems a REIT Debenture, or IOT redeems an IOT Debenture, prior to maturity (including, in either case, a repayment of a fraction of a Debenture on a consolidation of Debentures) or they repay such a Debenture upon maturity and the Holder does not exercise the conversion privilege prior to such redemption or repayment, the Holder will be considered to have disposed of the REIT Debenture or IOT Debenture, as the case may be, (or fraction thereof) for proceeds of disposition equal to the amount received by the Holder (other than the amount received on account of interest) on such redemption or repayment. If the Holder receives REIT Units, or IOT Units, on redemption or repayment, the Holder will be considered to have received proceeds of disposition equal to the aggregate of the fair market value of the REIT Units or IOT Units, as the case may be, so received and the amount of any cash received in lieu of fractional units. The Holder may realize a capital gain or capital loss computed as described below under "— Dispositions of REIT Debentures or IOT Debentures". The cost to the Holder of the REIT Units or IOT Units, as the case may be, so received will also be equal to their fair market value at the time of acquisition and must be averaged with the adjusted cost base of all other REIT Units, or IOT Units, as the case may be, held as capital property by the Holder for the purpose of calculating the adjusted cost base of such units.

A consolidation of REIT Debentures and IOT Debentures will not result in their disposition for purposes of the Tax Act except that the payment of cash on any such consolidation in respect of a fraction of a REIT Debenture or IOT Debenture will represent proceeds of disposition of such fractional Debenture.

Dispositions of REIT Debentures or IOT Debentures

A Holder who disposes of a REIT Debenture and an IOT Debenture together as a Stapled Debenture will be required to make a reasonable allocation of the proceeds of such disposition between the REIT Debenture and the IOT Debenture. The tax implications of such disposition will then be determined as if the Holder of the Stapled Debenture had separately disposed of one REIT Debenture and one IOT Debenture for proceeds of disposition as so allocated.

A disposition or deemed disposition by a Holder of a REIT Debenture or IOT Debenture (including, in either case, a fraction thereof) will generally result in the Holder realizing a capital gain (or capital loss) equal to the amount by which the proceeds of disposition (adjusted as described below) are greater (or less) than the aggregate of the Holder's adjusted cost base thereof and any reasonable costs of disposition. Any such capital gain or capital loss will be treated, for tax purposes, in the same manner as capital gains and capital losses arising from a disposition of REIT Units or IOT Units which treatment is discussed below under “— Taxation of Holders of REIT Units and IOT Units — Dispositions of REIT Units or IOT Units” and “— Taxable Capital Gains and other Investment Income”.

Upon such a disposition or deemed disposition of a REIT Debenture or IOT Debenture, interest accrued thereon to the date of disposition and not yet due will be included in computing the Holder's income, except to the extent such amount was otherwise included in the Holder's income, and will be excluded in computing the Holder's proceeds of disposition of the Debenture. In the event that interest has accrued or has been deemed to accrue on a Debenture, a Holder who disposes of a Debenture for consideration equal to its fair market value will generally be entitled to deduct in computing income for the year of disposition an amount equal to any such interest included in income for that or any preceding year to the extent that no amount was received or became receivable by the Holder in respect of the interest so accrued or deemed to accrue.

A capital gain realized by a Holder who is an individual or a trust (other than certain specified trusts) may give rise to a liability for alternative minimum tax.

A Canadian-controlled private corporation that disposes of Debentures may be liable to pay an additional refundable tax on investment income, including taxable capital gains.

Taxation of Holders of REIT Units and IOT Units

Distributions on REIT Units and IOT Units

A Holder of REIT Units or IOT Units (including REIT Units and IOT Units acquired under the terms of REIT Debentures and IOT Debentures, as the case may be, as well as REIT Units and IOT Units acquired together as Stapled Units as part of this Offering) will be deemed in a particular taxation year of the Holder to receive a dividend from a taxable Canadian corporation to the extent that an amount paid or payable, or deemed to be paid or payable, to the Holder in that taxation year by IOT (or by the REIT, if it is subject to taxation under the SIFT Rules, as discussed below under “— Taxation of the REIT,” for the taxation year of the REIT in which such amount is paid or payable) is not deductible in computing the income of IOT (or the REIT, as the case may be) by virtue of the SIFT Rules. A Holder of REIT Units and IOT Units is generally required to include in computing income the portion of the net income of the REIT (in respect of the REIT Units) and IOT (in respect of the IOT Units), including net taxable capital gains (determined for purposes of the Tax Act), that is paid or payable, or deemed to be paid or payable, to the Holder (whether or not those amounts are reinvested under the distribution reinvestment plan of the REIT and IOT), except to the extent that such amount is included in the computation of the Holder's income as a deemed dividend under the SIFT Rules, as described in the preceding sentence. The Trustees of the REIT or IOT may designate a portion of the proceeds of the redemption paid by the REIT or IOT on the redemption of a REIT Unit or IOT Unit as being a distribution of income including any net taxable gains realized by the REIT or IOT, as the case may be, in that taxation year.

Management of the REIT and IOT has advised counsel that the REIT and IOT will designate, to the extent permitted by the Tax Act, the portion of taxable dividends received by the REIT and IOT, as the case may be, from any taxable Canadian corporation owned by the REIT and IOT (or by subsidiary limited partnerships and allocated to the REIT or IOT in accordance with the Tax Act) as may reasonably be considered to be an amount included in the income of Holders (with the exception of amounts that already are deemed to be taxable dividends under the SIFT Rules). Any such designated amount

will be deemed for purposes of the Tax Act, to be received by the Holders of REIT Units and IOT Units as taxable dividends from the taxable Canadian corporations from which such amounts were derived.

Amounts that are deemed, for purposes of the Tax Act, to be received by the Holders as a taxable dividend as described in the two paragraphs above will be subject to the general rules regarding the taxation of taxable dividends paid by taxable Canadian corporations. Thus, they will be subject, *inter alia*, to the gross-up and dividend tax credit provisions in respect of Holders who are individuals, to the refundable tax under Part IV of the Tax Act in respect of Holders that are private corporations and certain other corporations controlled directly or indirectly by or for the benefit of an individual (other than a trust) or related group of individuals (other than trusts), and to the deduction in computing taxable income in respect of Holders that are corporations. In addition, “eligible dividends” received by a Holder who is an individual will be eligible for an enhanced gross-up and dividend tax credit. Amounts received by such a Holder from IOT (or the REIT) that are deemed under the SIFT Rules to be taxable dividends will be eligible dividends. Amounts received by a Holder who is an individual that are deemed to be dividends as a result of a designation by the REIT or IOT, as described in the paragraph immediately above, also will be eligible dividends provided that the corporate dividend payer makes the required designation to cause such taxable dividend to be an eligible dividend.

Management of the REIT and IOT has advised counsel that the REIT and IOT will also designate, to the extent permitted by the Tax Act, the portion of the taxable income distributed to Holders of REIT Units or IOT Units, as the case may be, as may reasonably be considered to consist of net taxable capital gains of the REIT or IOT, as the case may be, other than taxable capital gains that are deemed to be taxable dividends under the SIFT Rules. Any such designated amounts will be deemed for tax purposes to be received by Holders of REIT Units, or IOT Units, in the year as a taxable capital gain and will be subject to the general rules relating to the taxation of capital gains described below under “— Taxable Capital Gains and other Investment Income.” The non-taxable portion of any net capital gains of the REIT or IOT, the taxable portion of which is so deemed to be paid to a Holder in a taxation year, will not be included in computing such Holder’s income for the year.

Based on the REIT’s past distribution practices, the amount distributed by it to Holders of REIT Units in a year may exceed the net income of the REIT for tax purposes for that year. The same result potentially could occur for distributions by IOT. Distributions by the REIT or IOT in excess of its net income for tax purposes in a year, including amounts that may reasonably be considered to be distributions of any non-taxable dividends received by the REIT or IOT and designated by it in respect of the Holder (“non-taxable dividend distributions”), will not generally be included in the Holder’s income for the year. However, a Holder will be required to reduce the adjusted cost base of its REIT Units or IOT Units, as the case may be, by the portion of any amount paid or payable to the Holder by the REIT or IOT, as the case may be (other than the non-taxable portion of certain capital gains the taxable portion of which was designated by the REIT or IOT for the year as described in the paragraph above and certain non-taxable dividend distributions) that was not included in computing the Holder’s income. A Holder will realize a capital gain to the extent that the adjusted cost base of such Holder’s REIT Units or IOT Units, as the case may be, would otherwise be a negative amount, and the adjusted cost base of such units will be reset to nil immediately thereafter.

Dispositions of REIT Units or IOT Units

A Holder who disposes of a REIT Unit and an IOT Unit together as part of a Stapled Unit will be required to make a reasonable allocation of the proceeds of such disposition between the REIT Unit and the IOT Unit. The tax implications of such disposition will then be determined as if the Holder had separately disposed of one REIT Unit and one IOT Unit for proceeds of disposition as so allocated.

On the disposition or deemed disposition of a REIT Unit or IOT Unit by a Holder thereof (including a REIT Unit or IOT Unit included in a Stapled Unit that is disposed of), whether on redemption or otherwise, the Holder will generally realize a capital gain (or a capital loss) equal to the amount by which the proceeds of disposition exceed (or are less than) the aggregate of the Holder’s adjusted cost base of the REIT Unit or IOT Unit, as the case may be, and any reasonable costs of disposition. Proceeds of disposition will not include an amount payable by the REIT or IOT, as the case may be, that is otherwise required to be included in the Holder’s income or recognized as a distribution of capital gains (such as an amount designated as payable by the REIT or IOT to a redeeming Holder out of capital gains or income of the REIT or IOT as described above). In the case of a redemption of REIT Units and IOT Units, management of the REIT and IOT has advised counsel that the REIT or IOT will advise the redeeming Holder as to the respective redemption prices of the REIT Units, on the one hand, and the IOT Units on the other hand, and the amount, if any, which represents a distribution of income or has been designated so as to be treated as a distribution of capital gains.

For the purpose of determining the adjusted cost base to a Holder of REIT Units or IOT Units, when a REIT Unit or IOT Unit is acquired, the cost of the newly-acquired unit will be averaged with the adjusted cost base of all identical REIT Units or IOT Units, as the case may be, owned by the Holder as capital property immediately before that acquisition. The adjusted cost base of a REIT Unit or IOT Unit to a Holder will include all amounts paid by the Holder for such unit, with certain adjustments. The cost of REIT Units or IOT Units acquired on the reinvestment of distributions under the distribution reinvestment plan of the REIT and IOT will be the amount of such investment allocated to such REIT Units or IOT Units.

Where REIT Units and IOT Units are redeemed by the transfer of Notes (of IMLP or another subsidiary of the REIT in the case of REIT Units, and of IHLP or another subsidiary of IOT in the case of IOT Units) 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 the REIT or IOT, as the case may be, as a result of the redemption of those units to the extent such income or capital gain is designated by the REIT or IOT 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, except to the extent that it is included in the computation of the Holder's income as a deemed dividend under the SIFT Rules. The cost of any Notes transferred by the REIT or IOT to a Holder upon a redemption of REIT Units or IOT Units will be equal to the fair market value of the Notes at the time of disposition.

Taxable Capital Gains and other Investment Income

One-half of any capital gain realized by a Holder of REIT Units or IOT Units, and the amount of any net taxable capital gains designated by the REIT or IOT in respect of such a Holder (except to the extent that such amount is included in the computation of the Holder's income as a deemed dividend under the SIFT Rules), will be included in the Holder's income as a taxable capital gain. One-half of any capital loss realized by such a Holder on a disposition, or deemed disposition, of REIT Units or IOT Units, is required to be deducted only from taxable capital gains of the Holder in the year of disposition, and any excess of one-half of such capital losses over taxable capital gains may generally be deducted in computing taxable income in the three preceding taxation years or in any subsequent taxation year, to the extent and under the circumstances described in the Tax Act.

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 certain investment income for the year, including taxable capital gains.

In general terms, net income of the REIT or IOT paid or payable, or deemed to be paid or payable, to a Holder who is an individual or a trust of a specified type, that is designated as taxable dividends or as net realized capital gains, and capital gains realized on the disposition of REIT Units or IOT Units, may increase the Holder's liability for alternative minimum tax.

Status of the REIT and IOT

Mutual Fund Trust

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

To qualify as a mutual fund trust, the REIT or IOT, as the case may be, must be a "unit trust" as defined in the Tax Act, must be resident in Canada, must (in the case of the REIT, and potentially also IOT) not be established or maintained primarily for the benefit of non-residents, and must restrict its undertaking to: (i) the investing of its funds in property (other than real property or an interest in real property or an immovable or real right in an immovable), (ii) the acquiring, holding, maintaining, improving, leasing or managing of any real property (or interest in real property) or of any immovable (or real right in immovables) that is capital property of the REIT or IOT, as the case may be, or (iii) any combination of the activities described in (i) or (ii). As neither the REIT nor IOT directly holds any real estate, they must among other requirements restrict their undertaking to the investing of their funds in property in order to qualify as mutual fund trusts.

To qualify as a mutual fund trust, each such trust also must have at least 150 unitholders holding not less than one "block of units" of a class which have an aggregate fair market value of not less than \$500. It must also be the case that either

- (a) units of such class are qualified for distribution to the public (within the meaning of the regulations under the Tax Act), or

- (b) in the case of a trust created after 1999, there has been a lawful distribution in a province to the public of units of such class, and under the laws of that province, no prospectus, registration statement or similar document is required to be filed in respect of such distribution.

If either of the REIT or IOT were 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 the REIT

Application of SIFT Rules

A special taxation regime (the “**SIFT Rules**”) applies to specified investment flow-through trusts or partnerships and investors in such trusts or partnerships. Were the REIT to become subject to the SIFT Rules, it would no longer be able to deduct any part of the amounts payable to REIT Unitholders in respect of its “non-portfolio earnings”, which include: (i) income from its “non-portfolio properties” (in excess of any losses for the taxation year from non-portfolio properties); and (ii) taxable capital gains from dispositions of non-portfolio properties (exceeding allowable capital losses for the taxation year from the disposition of such properties). For this purpose, “non-portfolio properties” include: (i) the Canadian real and immovable properties (or resource properties) of the REIT if their total fair market value is greater than 50% of the equity value of the REIT; (ii) a property that the REIT (or a person or partnership with which it does not deal at arm’s length) uses in the course of carrying on a business in Canada; and (iii) securities of a “subject entity” if the REIT holds securities of the subject entity that have a total fair market value that is greater than 10% of the subject entity’s equity value or if the REIT holds securities of the subject entity which, together with all securities held by it in entities affiliated with the subject entity, have a total fair market value that is greater than 50% of the REIT’s equity value. A “subject entity” includes corporations resident in Canada, trusts resident in Canada, and “Canadian resident partnerships”. “Securities” are broadly defined, and include, among other things, any liability of a corporation, trust or partnership, in addition to shares, most trust interests and partnership interests, and rights to acquire such a security.

Management of the REIT has indicated that substantially all of the property of the REIT consists of securities of IMLP and the general partner thereof; and that substantially all of the property of IMLP, in turn, consists of Canadian hotels that it leases to IOT subsidiaries, and securities of subsidiaries of IMLP (principally, subsidiary partnerships) which lease Canadian hotels to IOT subsidiaries. Hence, substantially all of the REIT’s property is non-portfolio property, and substantially all of its income (were it subject to the SIFT Rules) would be non-portfolio earnings. Accordingly, the REIT will be subject to the SIFT Rules unless it satisfies the REIT Exception discussed below under “— REIT Exception”.

The amount (subject to potential adjustments) of income which the REIT was unable to deduct by virtue of the SIFT Rules would be taxed under the SIFT Rules at a combined federal and provincial tax rate similar to that of a corporation. The application of the SIFT Rules to the REIT would not change the treatment under the Tax Act of distributions in a year that are in excess of the REIT’s net income for the year.

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 (the “**REIT Exception**”). In particular, in order for the REIT to qualify for the REIT Exception in a particular taxation year (and after taking into account the Tax Proposals):

- (i) the REIT must, at no time in the taxation year, hold “non-portfolio property” (other than “qualified REIT properties”) which at that time represent in aggregate 10% or more of the fair market value of all its “non-portfolio property”;
- (ii) not less than 90% of the REIT’s “gross REIT revenues” (including capital gains and gains from “eligible resale properties”) for the taxation year must be derived from one or more of the following: “rent from real or immovable properties”; interest; capital gains from dispositions of “real or immovable properties” or gains from dispositions of “eligible resale properties”; dividends; and royalties;
- (iii) not less than 75% of the REIT’s “gross REIT revenues” 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 capital gains from dispositions of “real or immovable properties”;
- (iv) at no time in the taxation year may the total fair market value of all properties held by the REIT, each of which is a “real or immovable property”, cash (including bank deposits, deposits with credit unions and

bankers' acceptances), or, generally, a debt obligation of a government in Canada or certain other public bodies, be less than 75% of the equity value of the REIT at that time; and

- (v) "investments" in the REIT (such as the REIT Units) are, at any time in the taxation year, listed or traded on a stock exchange or other public market.

The definition of "qualified REIT property" of a trust includes capital property of the trust that is: "real or immovable property"; a security of a "subject entity" (such as Canadian-resident corporation, trust or partnership) that is a nominee holder of legal title of real or immovable property of the trust or of another "subject entity" all of whose securities are held by the trust; and tangible personal property or, in Quebec, corporeal moveable property (and, before giving effect to the Tax Proposals, any intangible personal property) that is ancillary to the earning by the REIT of (a) rent from "real or immovable property", or (b) capital gains from the disposition of such properties. In addition, under a look-through rule, securities of a subsidiary limited partnership, corporation or trust of the REIT could qualify as "qualified REIT property" if the subsidiary itself satisfies the first four tests listed above for the REIT to qualify for the REIT Exception. For the foregoing purposes, "rent from real or immovable properties" excludes among other things rent based on profits and payments for the occupation or use of a hotel room. Real or immovable property of IMLP that is held on income account generally will qualify as an "eligible resale property" if it is contiguous to a particular real or immovable property that is capital property of IMLP and its holding is necessary and incidental to the holding of that particular property.

Management of the REIT has advised counsel that it anticipates that the REIT will satisfy the above five tests for its 2011 taxation year.

No advance income tax ruling has been sought from the CRA that the REIT will qualify for the REIT Exception, and there is a risk that the CRA could challenge this result. Furthermore, the REIT Exception rules do not provide any grace periods for the correction of temporary breaches in a taxation year of the requirements of those rules. There also can be no assurance that the Tax Act will not be amended to restrict or eliminate access by the REIT to the REIT Exception. **Given these considerations, the exacting nature of the REIT Exception rules and the requirement that they be satisfied throughout the taxation year by each material direct and indirect REIT subsidiary, along with the REIT itself, there is a risk that the REIT will not qualify under the REIT Exception for one or more of its 2011 and subsequent taxation years. Were this to occur, the level of monthly cash distributions made on the REIT Units could be negatively affected.**

Except where otherwise noted, the discussion in this summary assumes that the REIT will satisfy the REIT Exception.

General Considerations for Taxation of the REIT

The taxation year of the REIT is the calendar year. In each taxation year, the REIT 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 REIT Units. (As noted above under "—Application of SIFT Rules", the REIT will not generally be entitled to deduct amounts that are paid or payable by it out of non-portfolio earnings if it should become subject to taxation under the SIFT Rules.) An amount will be considered to be payable to a Holder of REIT Units in a taxation year if it is paid to the Holder in the year by the REIT or if the Holder is entitled in that year to enforce payment of the amount. Losses incurred by the REIT cannot be allocated to Holders, but may be deducted by the REIT in future years in accordance with the Tax Act.

The income for purposes of the Tax Act of the REIT for a taxation year will include its share of the income of IMLP (which has a calendar taxation year) for its corresponding taxation year. If IMLP were to incur losses for purposes of the Tax Act, the REIT's ability to deduct such losses may be limited by certain rules under the Tax Act. Similar considerations apply to subsidiary partnerships of IMLP.

In general, the REIT will not be subject to tax on amounts received as distributions from IMLP (or other subsidiary partnerships). Generally, distributions to the REIT in excess of its allocated share of the income of IMLP (or other subsidiary limited partnership) for a fiscal year will result in a reduction of the adjusted cost base of the REIT's units in such partnership by the amount of such excess. If, as a result, the REIT's adjusted cost base at the end of the taxation year of its units in IMLP (or other partnership) would otherwise be a negative amount, the REIT will be deemed to realize a capital gain in such amount for that year, and the REIT'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, the REIT may deduct reasonable administrative costs, interest and other expenses incurred by it for the purpose of earning income. The REIT may also deduct from its income for the year a portion of any reasonable expenses incurred by it to issue REIT Units and REIT Debentures. The portion of such issue expenses deductible by the REIT in a taxation year is 20% of such issue expenses pro rated for a taxation year of the REIT that is less than 365 days.

In the event the REIT 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 REIT Units during the year (the “**Capital Gains Refund**”). In certain circumstances, the Capital Gains Refund in a particular taxation year may not completely offset the REIT’s tax liability for such taxation year arising as a result of the creation and distribution of Notes in connection with the redemption of REIT Units. Thus, the Declaration of Trust provides that any capital gains realized by the REIT as a result of such redemption may be allocated to the Holders redeeming their REIT Units. The taxable portion of such capital gains must be included in the income of the redeeming Holder.

If on the conversion in a taxation year of REIT Debentures into REIT Units, or a repayment of REIT Debentures through the issuance of REIT Units, the fair market value of the REIT Units (together with any cash received in lieu of fractional units) acquired on such conversion, or issued in repayment, as the case may be, was less than the lesser of the principal amount of the converted REIT Debentures and the amount for which they were issued, such difference generally would be considered to be a “forgiven amount” under the debt forgiveness rules contained in the Tax Act. Such forgiven amount would be applied to a specified extent and in a specified manner to reduce various tax attributes of the REIT including non-capital losses and net capital losses of prior taxation years and then the capital cost of depreciable property. Accordingly, the recognition of a forgiven amount could increase the taxable income of the REIT. Similar considerations may arise respecting an Interest Payment Election.

The Tax Act provides for a special 36% tax, the Part XII.2 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 corporations, partnerships or trusts that derives more than 50% of its 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 the Part XII.2 tax paid by the trust for the year. The 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 the REIT qualifies as a mutual fund trust throughout a taxation year, it will not be subject to the special tax for such taxation year. See “Risk Factors – Mutual Fund Trust Status of the REIT and IOT”.

Taxation of IOT

IOT is a SIFT trust and is subject to the SIFT Rules and, accordingly, will not generally be entitled, in the computation of its income for purposes of the Tax Act, to deduct amounts that are paid or payable by it out of “non-portfolio earnings” (discussed above under “– Taxation of the REIT – General Considerations for Taxation of the REIT.”

The taxation year of IOT is the calendar year. In each taxation year, IOT 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 the portion thereof that it deducts that is the lesser of (i) the amounts paid or payable or deemed to be paid or payable in the year to Holders of IOT Units, and (ii) its net income for the year in excess of its non-portfolio earnings. An amount will be considered to be payable to a Holder of IOT Units in a taxation year if it is paid to the Holder in the year by IOT or if the Holder is entitled in that year to enforce payment of the amount. Management of the REIT has advised counsel that it anticipates that all or substantially all the income of IOT will be “non-portfolio earnings”. The amount (subject to potential adjustments) of the income which IOT is unable to deduct by virtue of the SIFT Rules (generally, its reduced deduction by virtue of earning non-portfolio earnings) will be taxed under those rules at a combined federal and provincial tax rate similar to that applicable to a corporation. Losses incurred by IOT cannot be allocated to Holders of IOT Units, but may be deducted by IOT in future years in accordance with the Tax Act.

If (contrary to the assumptions in this summary) IOT were not to distribute its income for a taxation year, it would be subject to tax under the Tax Act on that income at the top marginal tax rate applicable to Canadian-resident individuals, rather than the corporate rates of tax applicable under the SIFT Rules.

The income for purposes of the Tax Act of IOT for a year will include its share of the income of IHLP for its corresponding taxation year (which is also the calendar year). If IHLP were to incur losses for purposes of the Tax Act, IOT's ability to deduct such losses might be limited by certain rules under the Tax Act. Similar considerations apply to subsidiary partnerships of IHLP.

In computing its income for purposes of the Tax Act, IOT (or IHLP) may deduct reasonable administrative costs, interest and other expenses incurred by it for the purpose of earning income.

The discussion above under “– Taxation of the REIT – General Considerations for Taxation of REIT” of the deduction of issue expenses, the Capital Gains Refund rules and Part XII.2 tax also applies to IOT, as does the discussion of the treatment of distributions from a subsidiary partnership (IHLP, in the case of IOT) or of a forgiven amount potentially being recognized by the issuer of Debentures (IOT Debentures in the case of IOT) on their conversion or repayment.

PRIOR SALES

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

Date	Security	Price per Security	Number of Securities
March 15, 2010.....	REIT Units ⁽²⁾	\$5.78	39,744
April 15, 2010.....	REIT Units ⁽²⁾	\$6.52	34,627
April 22, 2010.....	REIT Units ⁽⁴⁾	\$5.70	148,947
April 26, 2010.....	REIT Units ⁽⁴⁾	\$5.70	8,771
April 27, 2010.....	REIT Units ⁽⁴⁾	\$5.70	201,754
May 11, 2010.....	REIT Units ⁽⁴⁾	\$5.70	877,193
May 17, 2010.....	REIT Units ⁽²⁾	\$6.53	30,862
June 15, 2010.....	REIT Units ⁽²⁾	\$5.97	33,323
July 15, 2010.....	REIT Units ⁽²⁾	\$6.03	31,191
July 21, 2010.....	REIT Units ⁽¹⁾	\$5.95	6,359
August 13, 2010.....	Debentures ⁽⁵⁾	\$1,000	75,000
August 16, 2010.....	REIT Units ⁽²⁾	\$6.24	9,975
August 27, 2010.....	REIT Units ⁽⁴⁾	\$5.70	1,929
August 30, 2010.....	REIT Units ⁽⁴⁾	\$5.70	9,649
September 14, 2010.....	REIT Units ⁽⁴⁾	\$12.50	6,880
September 15, 2010.....	REIT Units ⁽²⁾	\$6.80	4,899
October 7, 2010.....	REIT Units ⁽¹⁾	\$7.15	5,291
October 14, 2010.....	REIT Units ⁽⁴⁾	\$5.70	4,385
October 15, 2010.....	REIT Units ⁽²⁾	\$7.17	4,585
October 27, 2010.....	REIT Units ⁽⁴⁾	\$5.70	149,473
November 3, 2010.....	REIT Units ⁽⁴⁾	\$5.70	617,368
November 15, 2010.....	REIT Units ⁽²⁾	\$7.06	4,817
December 15, 2010.....	REIT Units ⁽²⁾	\$6.47	5,333
December 31, 2010.....	IOT Units ⁽⁶⁾	\$0.9442	89,474,691
January 12, 2011.....	Stapled Units ⁽³⁾	\$6.97	27,740
January 17, 2011.....	Stapled Units ⁽²⁾	\$6.91	5,480
January 18, 2011.....	Stapled Units ⁽¹⁾	\$6.74	5,614
January 27, 2011.....	Stapled Units ⁽⁴⁾	\$5.70	61,403
January 28, 2011.....	Stapled Units ⁽⁴⁾	\$5.70	54,561
February 15, 2011.....	Stapled Units ⁽²⁾	\$6.99	4,998
February 18, 2011.....	Stapled Units ⁽²⁾	\$5.70	1,754
February 24, 2011.....	Stapled Units ⁽²⁾	\$5.70	84,210
February 28, 2011.....	Stapled Units ⁽²⁾	\$5.70	1,754

Notes:

- (1) Issued to trustees of the REIT in satisfaction of a portion of their annual retainer fee.
- (2) Issued pursuant to InnVest's distribution reinvestment plan.
- (3) Issued pursuant to the REIT's executive incentive plan.
- (4) Issued upon conversion of the REIT's convertible debentures.
- (5) Issued pursuant to the REIT's \$75 million offering of 6.00% Series E convertible debentures.
- (6) Issued to the REIT as part of the Reorganization. These IOT Units were distributed by the REIT to Unitholders on December 31, 2010.

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 REIT Units, Stapled Units and the REIT's 6.00% Series B convertible debentures, 5.85% Series C convertible debentures, 6.75% Series D convertible debentures and 6.00% Series E Debentures on the TSX. On January 4, 2011, the Stapled Units were listed and posted for trading under the symbol "INN.UN" in substitution for the REIT Units. The 6.00% Series E Debentures were issued in August 2010.

	Trading of REIT Units and Stapled Units		
	High	Low	Volume
	(\$)	(\$)	(#)
2010 – REIT Units			
March.....	6.27	5.55	4,880,167
April.....	6.97	5.88	4,555,796
May.....	6.90	5.74	4,458,856
June.....	6.45	5.71	1,861,414
July.....	6.63	5.83	3,989,328
August.....	6.70	6.01	2,376,932
September.....	7.28	6.35	2,255,825
October.....	7.32	6.73	3,132,608
November.....	7.27	6.29	4,448,931
December.....	6.88	6.11	2,817,592
2011 – Stapled Units			
January.....	7.23	6.70	3,148,836
February.....	7.29	6.76	2,375,408
March (March 1-7)	7.01	6.54	574,157

	Trading of 6.00% Series B Convertible Debentures			Trading of 5.85% Series C Convertible Debentures		
	High	Low	Volume	High	Low	Volume
	(\$)	(\$)	(#)	(\$)	(\$)	(#)
2010						
March.....	102.00	100.00	12,470	99.50	96.85	17,460
April.....	102.50	99.06	9,930	100.00	96.00	37,070
May.....	100.75	94.00	16,390	98.50	90.00	9,770
June.....	101.00	99.00	9,860	97.85	95.50	30,390
July.....	102.25	99.00	8,720	99.00	96.00	16,160
August.....	102.50	100.00	12,720	102.00	99.26	32,250
September.....	103.00	100.51	8,800	103.01	98.01	14,660
October.....	103.00	101.50	20,860	103.00	100.75	7,820
November.....	102.50	100.50	3,510	101.85	100.00	5,560
December.....	101.75	100.25	3,550	103.75	100.00	10,440
2011						
January.....	103.50	101.00	7,170	102.24	100.01	20,630
February.....	102.50	101.00	12,320	102.75	102.00	8,040
March (March 1-7)	102.25	101.50	970	102.10	102.00	1,860

	Trading of 6.75% Series D Convertible Debentures			Trading of 6.00% Series E Convertible Debentures		
	High	Low	Volume	High	Low	Volume
	(\$)	(\$)	(#)	(\$)	(\$)	(#)
2010						
March.....	110.50	104.50	31,670	N/A	N/A	N/A
April.....	121.00	106.26	92,400	N/A	N/A	N/A
May.....	120.01	104.00	34,940	N/A	N/A	N/A
June.....	112.50	105.00	9,160	N/A	N/A	N/A
July.....	116.00	106.00	10,400	N/A	N/A	N/A
August.....	117.00	106.88	12,520	100.65	99.25	62,250
September.....	126.75	112.00	22,520	102.25	99.75	58,812
October.....	128.00	119.95	36,960	102.50	100.00	39,478
November.....	125.88	113.50	9,610	103.00	100.50	19,690
December.....	120.76	109.00	4,240	101.50	100.00	7,270
2011						
January.....	125.87	118.00	8,470	103.00	101.00	13,500
February.....	127.23	120.00	13,180	104.00	102.25	61,050
March (March 1-7)	122.00	119.00	820	104.10	102.50	1,600

RISK FACTORS

An investment in Stapled Units or Stapled Debentures involves certain risks. A prospective purchaser of Stapled Units or Stapled Debentures should carefully consider the risk factors described under: (i) the heading “Risks and Uncertainties” found on pages 20 to 22 of the Third Quarter MD&A and pages 35 to 37 of the Annual MD&A; (ii) the heading “Risk Factors” found on pages 43 to 56 of the AIF; (iii) note 12 of the Third Quarter Financial Statements and notes 9 and 16 of the Annual Financial Statements, and (iv) the heading “Plan of Arrangement — Reorganization — Information Concerning IOT — Risk Factors” found on pages 17 and 18 of the Circular; and (v) the heading “Plan of Arrangement — Risks Related to the Arrangement” on pages 25 to 26 of the Circular, each of which is incorporated by reference herein. In addition, a prospective purchaser of Debentures should carefully consider the risk factors described below and in the other information contained in this short form prospectus (including the documents incorporated by reference herein).

Matters Affecting Trading Prices for the Stapled Debentures

There is currently no trading market for the Stapled Debentures. The TSX has conditionally approved the listing of the Stapled Debentures, subject to InnVest fulfilling all of the listing requirements of the TSX on or before May 20, 2011. No assurance can be given that an active or liquid trading market for the Stapled Debentures will develop or be sustained. If an active or liquid market for the Stapled Debentures fails to develop or be sustained, the prices at which the Stapled Debentures trade may be adversely affected. Whether or not the Stapled Debentures will trade at lower prices depends on many factors, including liquidity of the Stapled Debentures, prevailing interest rates and the markets for similar securities, the market price of the Stapled Units, general economic conditions and InnVest’s financial condition, historic financial performance and future prospects.

Delisting of Securities on Event of Uncoupling

Upon an Event of Uncoupling, the IOT Units and the REIT Debentures and IOT Debentures (to the extent they are listed) will be de-listed from the TSX. The REIT Units will continue to be listed on the TSX and will be posted for trading in substitution for the Stapled Units, subject to the REIT continuing to meet the TSX’s listing requirements. Accordingly, there may be no market through which a holder of IOT Units, REIT Debentures or IOT Debentures can liquidate its investment following an Event of Uncoupling. The IOT Declaration of Trust, the IOT Indenture and the REIT Indenture require the trustees of IOT or the REIT, as the case may be, to use all reasonable efforts to obtain and maintain a listing for the IOT Units and the REIT Debentures and IOT Debentures following an Event of Uncoupling (including, if necessary, adjusting the REIT Debentures and/or IOT Debentures so that each such debenture has a principal face amount of \$1,000 or a multiple thereof), but there can be no assurance that the IOT Units, REIT Debentures or IOT Debentures will be separately re-listed and posted for trading on the TSX or any other stock exchange, that all of the REIT Debentures or IOT Debentures will trade as board lots rather than odd lots, or that an active or liquid market for the IOT Units, REIT Debentures or IOT Debentures will develop or be sustained. If the IOT Units are de-listed, IOT may no longer qualify as a “mutual fund trust” for purposes

of the Tax Act and securities of IOT may cease to be qualified investments for Exempt Plans. See “– Securities Ceasing to be Qualified Investments for Exempt Plans”.

Credit Risk and Prior Ranking Indebtedness; Absence of Covenant Protection

The likelihood that purchasers of the Stapled Debentures will receive payments owing to them under the terms of the Stapled Debentures will depend on the financial health and creditworthiness of InnVest. In addition, the REIT Debentures are unsecured obligations of the REIT and are subordinate in right of payment to all of the REIT’s existing and future Senior Indebtedness and the IOT Debentures are unsecured obligations of IOT and are subordinate in right of payment to all of IOT’s existing and future Senior Indebtedness. The REIT Debenture Guarantee and the IOT Debenture Guarantee will be unsecured obligations of the guarantor(s) thereunder, and will be subordinate in right of payment to all of the existing and future Senior Indebtedness of such guarantor(s).

If the REIT or IOT or any subsidiary that becomes a guarantor under the Substitution Right (a “**Substituted Guarantor**”) becomes bankrupt, liquidates its assets, reorganizes or enters into certain other transactions, the assets of such entity will be available to pay its obligations with respect to the REIT Debentures, the REIT Debenture Guarantee, the IOT Debentures or the IOT Debenture Guarantee, as the case may be, only after it has paid all of its senior and secured indebtedness in full. In addition, the REIT Debentures, the REIT Debenture Guarantee, the IOT Debentures or the IOT Debenture Guarantee will rank *pari passu* with any other unsecured unsubordinated indebtedness of the applicable entity, including, in respect of the REIT and IOT, the Existing Debentures. Therefore, there may be insufficient assets remaining following payments in respect of Senior Indebtedness to pay amounts due on any or all of the REIT Debentures or IOT Debentures, as the case may be, then outstanding. The REIT Debentures and IOT Debentures are also effectively subordinate to claims of creditors of the REIT’s and IOT’s subsidiaries (other than any Substituted Guarantor), except to the extent the REIT, IOT or such Substituted Guarantor, as the case may be, is a creditor of such subsidiaries ranking at least *pari passu* with such other creditors. The guarantee of any Substituted Guarantor following exercise of the Substitution Right will similarly be effectively subordinate to claims of creditors of subsidiaries of such Substituted Guarantor.

The REIT Indenture and the IOT Indenture will not prohibit or limit the ability of the REIT, IOT or their respective subsidiaries, as the case may be, to incur additional debt or liabilities (including Senior Indebtedness) or to make distributions, except, in respect of distributions, where an Event of Default has occurred and such default has not been cured or waived. The REIT Indenture and the IOT Indenture will not contain any provision specifically intended to protect holders of Stapled Debentures in the event of a future leveraged transaction involving the REIT and/or IOT.

Enforceability of Guarantees

Subject to the terms of the REIT Indenture and the IOT Indenture, the Debenture Trustee will be entitled to seek redress from the guarantor(s) under the REIT Debenture Guarantee and the IOT Debenture Guarantee, as the case may be, upon the occurrence of an Event of Default. However, there can be no assurance that the Debenture Trustee will, or will be able to, effectively enforce the REIT Debenture Guarantee and/or the IOT Debenture Guarantee. Enforceability of such guarantees may be limited in some circumstances under applicable bankruptcy and insolvency laws.

Conversion Following Certain Transactions

In the case of certain transactions, each Stapled Debenture will become convertible into the securities, cash or property receivable by a holder of Stapled Units in the kind and amount of securities, cash or property into which the Stapled Debenture was convertible immediately prior to the transaction. This change could substantially lessen or eliminate the value of the conversion privilege associated with the Stapled Debentures in the future. For example, if InnVest were acquired in a cash merger, each Stapled Debenture would become convertible solely into cash and would no longer be convertible into securities of the REIT and IOT. See “Description of the Debentures — Conversion Rights”.

Mutual Fund Trust Status of the REIT and IOT

The provision by the REIT and IOT of the IOT Debenture Guarantee and the REIT Debenture Guarantee, respectively, would cause both the REIT and IOT to not qualify as a mutual fund trust for purposes of the Tax Act if the giving of such guarantees represented undertakings other than that of investing in property. The published position of the CRA is that, although the giving of guarantees may cause the guarantor to be engaged in an undertaking other than the investing of its funds in property, where there is a high degree of integration between the giving of a guarantee for no fee and the guarantor’s investment undertakings, such guarantee will not, in and of itself, cause the guarantor to be considered to

have an undertaking other than the investing of its funds in property. There are a number of bases that support a view that the provision of the IOT Debenture Guarantee and the REIT Debenture Guarantee, respectively, would satisfy this integration test, including (i) the commercial desirability of the Stapled Debentures representing the equivalent of a joint and several obligation of the REIT and IOT, (ii) the impracticable nature of achieving such joint and several liability within the time constraints of the Offering otherwise than through the provision of the IOT Debenture Guarantee and the REIT Debenture Guarantee, respectively, (iii) the sole use by the REIT and IOT of the proceeds of the Offering for investment in IMLP and IHLP, and (iv) the extensive integration and interdependence of the respective businesses carried on by the REIT through IMLP (virtually all of whose revenues are derived from IHLP and its subsidiaries) and by IOT through IHLP (all of whose hotels are rented from IMLP and its subsidiaries). However, there can be no assurance that the CRA will agree with this view. If the CRA did not so agree and the REIT and IOT were determined to not qualify as mutual fund trusts for purposes of the Tax Act, there likely would be material adverse consequences to them and the Unitholders including each of the REIT and IOT 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 the REIT and IOT do not currently intend to file their trust returns on the basis that they are subject to Part XII.2 tax, there likely would 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 the REIT or IOT for Part XII.2 tax for such taxation year. See “Certain Canadian Federal Income Tax Considerations” under “– Status of the REIT and IOT – Mutual Fund Trust” and under “– Taxation of the REIT – General Considerations for Taxation of the REIT” (last paragraph) and “– Taxation of IOT”.

Securities Ceasing to be Qualified Investment for Exempt Plans

The REIT Units will cease to be qualified investments for Exempt Plans if the REIT ceases to qualify as a mutual fund trust and the REIT Units cease to be listed on a designated stock exchange in Canada; similarly, the IOT Units will cease to be so qualified if IOT ceases to qualify as a mutual fund trust and the IOT Units cease to be listed on a designated stock exchange in Canada; and the REIT Debentures or IOT Debentures will cease to be so qualified if the REIT or IOT, as the case may be, ceases to qualify as a mutual fund trust, or the REIT Units or IOT Units, as the case may be, cease to be so listed, if on the occurrence of either event the REIT Debentures or IOT Debentures, as the case may be, are not listed on a designated stock exchange. Upon an Event of Uncoupling, the IOT Units, the REIT Debentures and the IOT Debentures will be de-listed from the TSX, resulting in the IOT Debentures ceasing to be qualified investments for Exempt Plans at that time.

Notes of IMLP or IHLP (or of another subsidiary of the REIT or IOT) received as a result of an *in specie* redemption of REIT Units or IOT Units by the REIT 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 REIT Units or IOT Units should consult their own tax advisors before deciding to exercise the redemption rights attaching to such units.

Tax Risks Related to the Qualifying REIT Status of the REIT and the Stapled Structure

Under the SIFT Rules, most publicly traded income funds are taxed on their income commencing no later than 2011 in a similar manner to Canadian public corporations. In order to not be subject to tax under the SIFT Rules, the REIT must continuously be a Qualifying REIT from the beginning of 2011 onwards.

On December 31, 2010, the REIT completed the Reorganization in order to become a Qualifying REIT. Under the Reorganization, the REIT transferred all of its directly and indirectly held operating assets and its indirect 50% interest in Choice Hotels Canada Inc. to IOT. IOT is not a Qualifying REIT and will be taxed in a similar manner to a corporation under the SIFT Rules. However, it is expected that revenue earned by the REIT, consisting primarily of rent received from the Operator and its subsidiaries, will not be taxed at the REIT level if the REIT distributes all of its Distributable Income.

No advance income tax ruling was sought from the CRA that the Reorganization accomplished its objective of the REIT becoming a Qualifying REIT, and there is a risk that the CRA could challenge this result. Furthermore, the requirements for the REIT Exception must be satisfied throughout the taxation year and the SIFT Rules do not provide any grace periods for the correction of temporary breaches. For instance, even the temporary holding by IMLP (or the REIT) of cash or other intangible personal property that was used by it in the course of carrying on a business and that represented 10% or more of the fair market value of all its property at that time likely would cause the REIT to not qualify as a Qualifying REIT for the whole of the taxation year in question. There also can be no assurance that the Tax Act will not be amended to restrict or eliminate access by the REIT to the REIT Exception. Given these considerations, there is a risk that the REIT will not qualify under the REIT Exception for one or more of its 2011 or subsequent taxation years. Were this to occur, the

amount of monthly cash distributions on the REIT Units (and therefore the aggregate distributions on the Stapled Units) could be negatively affected.

Expenses incurred by IOT, the REIT and their subsidiaries that otherwise are deductible in computing their income for purposes of the Tax Act may only be so deducted to the extent they are reasonable in the circumstances. Although management is of the view that all operating expenses to be claimed by IOT, the REIT and their subsidiaries, including rents payable by IHLP and its subsidiaries to IMLP and its subsidiaries, will be reasonable in the circumstances, there can be no assurance that the CRA will agree.

The Stapled Units are Subject to Market Price Volatility

The market price of the Stapled 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 Stapled Units.

Potential Dilution

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

Future Sales of Securities

As at March 7, 2011, 89,722,205 Stapled Units were outstanding (115,517,530 Stapled Units after giving effect to the conversion of all securities convertible into Stapled Units and the vesting of all unvested Stapled Units). InnVest has a number of Unitholders that own significant numbers of Stapled Units, including Westmont Hospitality Group, Inc. which, based on public filings, owns 9.1% of the Stapled Units. All of the currently outstanding Stapled Units are eligible for sale in the public market, subject to any applicable restrictions under securities laws. Westmont Hospitality Group, Inc. may at any time sell any or all of the securities of the REIT and/or IOT that it owns. Sales of a substantial number of Stapled Units or other securities of the REIT and/or IOT in the public market could adversely affect the prevailing market price of the Stapled Units or Stapled Debentures or other securities of the REIT and/or IOT 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 Distributable Income 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, the redemption of Stapled Units, if any, and other factors which may be beyond the control of InnVest. If the trustees of the REIT and/or IOT determine that it would be in the best interests of the REIT or IOT, as the case may be, they may reduce for any period the percentage of Distributable Income to be distributed to the Unitholders. In November 2008 and September 2009, the REIT 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 the REIT's balance sheet and liquidity.

Structural Subordination of Stapled Units

In the event of a bankruptcy, liquidation or reorganization of the REIT, IOT or any of their respective subsidiaries, holders of certain of their indebtedness and certain trade creditors will generally be entitled to payment of their claims from the assets of the REIT, IOT or such subsidiaries before any assets are made available for distribution to the Unitholders. The Stapled Units will be effectively subordinated to most of the indebtedness and other liabilities of the REIT, IOT and their respective subsidiaries, expected to be approximately \$1,188 million upon the closing of the Offering. None of the REIT, IOT nor any of their respective subsidiaries will be limited in its ability to incur additional secured or unsecured indebtedness.

Voting Rights in IOT

Prior to a Triggering Event, holders of Stapled Units will not, subject to the class voting rights described under "Description of the Units – General", be entitled to receive notice of, attend or vote at meetings of IOT unitholders, including for the election of the trustees of IOT. The REIT, through its direct or indirect ownership of the IOT Voting Units, will control IOT and elect the trustees of IOT. Holders of Stapled Units will be entitled to vote at all meetings of holders of REIT Units, including the election of the trustees of the REIT; however, there can be no assurance that the REIT or its affiliate will exercise its voting rights in IOT in the same manner as a holder of Stapled Units would exercise such voting rights if it had them.

EXEMPTIONS FROM NATIONAL INSTRUMENT 44-101

Pursuant to the 2010 Order, InnVest is relying on certain exemptions from requirements under National Instrument 44-101 – *Short Form Prospectus Distributions* ("NI 44-101") and certain other applicable securities laws in connection with the Offering. In particular:

- (i) IOT is designated as a reporting issuer under the applicable legislation of each of the provinces and territories of Canada (other than jurisdictions where such relief is not applicable);
- (ii) IOT is exempted from the requirements contained in subparagraphs (d) and (e) of section 2.2 of NI 44-101 that it have filed current annual financial statements and an annual information form and that the IOT Units be separately posted for trading on a "short form eligible exchange" (as defined in NI 44-101) in order for IOT to be qualified to file a prospectus in the form of a short form prospectus, provided that, among other conditions, each IOT Unit is stapled to a REIT Unit and trades as a Stapled Unit and each Stapled Unit is listed and posted for trading on a short form eligible exchange;
- (iii) the REIT is exempted from the requirement contained in subsection 2.2(e) of NI 44-101 that REIT Units be separately posted for trading on a short form eligible exchange in order for the REIT to be qualified to file a prospectus in the form of a short form prospectus, provided that, among other conditions, each REIT Unit is stapled to an IOT Unit and trades as a Stapled Unit and each Stapled Unit is listed and posted for trading on a short form eligible exchange; and
- (iv) IOT is relying on certain of the CD Documents filed by the REIT incorporated herein by reference. Pursuant to the 2010 Order, IOT is not required to file the CD Documents, if, among other conditions, its financial statements are consolidated into those of the REIT; it files a notice under its SEDAR profile indicating that it is relying on the CD Documents filed by the REIT and directing readers to refer to the REIT's SEDAR profile; and IOT does not issue or have outstanding any securities other than IOT Units (which must trade together with REIT Units as Stapled Units), voting units held by the REIT or an affiliate thereof, debt securities that are "stapled" to debt securities of the REIT, debt securities held by financial institutions and certain other short-term debt. Notwithstanding the notice filed on December 31, 2010 by IOT in respect of its reliance on the CD Documents filed by the REIT, IOT is required to issue a press release and file a material change report in compliance with the requirements of applicable securities laws upon the occurrence of a material change in respect of the affairs of IOT that is not also a material change in the affairs of the REIT. Although IOT expects to comply with the conditions of the 2010 Order, failure to so comply will result in the loss of the relief granted under the 2010 Order.

A copy of the 2010 Order is available at www.osc.gov.on.ca.

LEGAL MATTERS

Certain legal matters relating to the Offering will be passed upon by Davies Ward Phillips & Vineberg 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 Davies Ward Phillips & Vineberg LLP and Osler, Hoskin & Harcourt LLP beneficially own, directly or indirectly, less than one percent of the securities of the REIT and IOT and their associates and affiliates.

AUDITORS, TRANSFER AGENT AND REGISTRAR

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

The transfer agent and registrar for the Stapled Units and the Stapled Debentures 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.

AUDITOR'S CONSENT

We have read the short form prospectus of InnVest Real Estate Investment Trust (the “**REIT**”) and InnVest Operations Trust (“**IOT**”) dated March 8, 2011 qualifying the distribution of 3,600,000 Stapled Units, each consisting of one unit of the REIT and one non-voting unit of IOT, and \$50,000,000 aggregate principal amount of Stapled Debentures, each consisting of 5.75% convertible unsecured subordinated debentures of the REIT and 5.75% convertible unsecured subordinated debentures of IOT (the “**Prospectus**”). We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

We consent to the incorporation by reference in the Prospectus of our report to the unitholders of the REIT on the consolidated balance sheets of the REIT as at December 31, 2009 and 2008, and the consolidated statements of net loss and comprehensive loss, unitholders' equity and cash flows for the years then ended. Our report is dated March 10, 2010.

Toronto, Ontario
March 8, 2011

(SIGNED) DELOITTE & TOUCHE LLP
Chartered Accountants
Licensed Public Accountants

CERTIFICATE OF THE REIT

Dated: March 8, 2011

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) KENNETH D. GIBSON
Chief Executive Officer

(Signed) TAMARA L. LAWSON
Chief Financial Officer

On behalf of the Board of Trustees

(Signed) FRANK ANDERSON
Trustee

(Signed) MAJID MANGALJI
Trustee

CERTIFICATE OF IOT

Dated: March 8, 2011

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) KENNETH D. GIBSON
Chief Executive Officer

(Signed) TAMARA L. LAWSON
Chief Financial Officer

On behalf of the Board of Trustees

(Signed) KENNETH D. GIBSON
Trustee

(Signed) TAMARA L. LAWSON
Trustee

(Signed) GEORGE M. KOSZIWKA
Trustee

CERTIFICATE OF THE UNDERWRITERS

Dated: March 8, 2011

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) Richard N. Matheson
Managing Director

SCOTIA CAPITAL INC.
By: (Signed) Stephen Sender
Managing Director

CIBC WORLD MARKETS INC.
By: (Signed) Allan Kimberley
Vice-Chairman and Managing Director

TD SECURITIES INC.
By: (Signed) Kursat Kacira
Director

BMO NESBITT BURNS INC.
By: (Signed) Derek Dermott
Managing Director

CANACCORD GENUITY CORP.
By: (Signed) Michael Levin
Director



InnVest

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