

INOVALIS

REAL ESTATE INVESTMENT TRUST

CHARTER OF THE AUDIT COMMITTEE

PURPOSE

The overall purpose of the Audit Committee (the “**Committee**”) of the REIT is to oversee the accounting and financial reporting practices of the REIT, monitor the REIT’s system of internal financial controls, evaluate and report on the integrity of the financial statements of the REIT, enhance the independence of the REIT’s external auditors and exercise the responsibilities and duties set out in this Charter and any other duties delegated thereto by the Board of Trustees.

COMPOSITION, PROCEDURES AND ORGANIZATION

1. The Committee shall consist of at least three members of the board of trustees of the REIT (the “**Board of Trustees**”), each of whom shall be, in the determination of the Board of Trustees, “independent” as that term is defined by Multilateral Instrument 52-110, as may be replaced or amended from time to time (including any successor rule or policy thereto), and the majority of whom shall be resident Canadians.
2. The members of the Committee shall be appointed annually by the Board of Trustees. Each member of the Committee shall serve at the pleasure of the Board of Trustees until the member resigns, is removed, or ceases to be a member of the Board of Trustees. Unless a Chair is elected by the Board of Trustees, the members of the Committee may designate a Chair by majority vote of the full Committee membership.
3. At the time of his or her appointment to the Committee, each member of the Committee shall have, or shall acquire within a reasonable time following appointment to the Committee, the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the REIT’s financial statements.
4. The Board of Trustees, at its organizational meeting held in conjunction with each annual meeting of unitholders, shall appoint the members of the Committee for the ensuing year. The Board of Trustees may at any time remove or replace any member of the Committee and may fill any vacancy in the Committee. Any member of the Committee ceasing to be a trustee of the REIT shall cease to be a member of the Committee.
5. Unless the Board of Trustees shall have appointed a chair of the Committee, the members of the Committee shall elect a chair from among their number.
6. The Committee shall have access to such officers and employees of the REIT and to the REIT’s external auditors and its legal counsel, and to such information respecting the REIT as it considers to be necessary or advisable in order to perform its duties.
7. Notice of every meeting shall be given to the external auditors, who shall, at the expense of the REIT, be entitled to attend and to be heard thereat.
8. Meetings of the Committee shall be conducted as follows:
 - (a) the Committee shall meet on a regular basis, at such times and at such locations as the chair of the Committee shall determine;
 - (b) the external auditors or any member of the Committee may call a meeting of the Committee;

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- (c) any trustee of the REIT may request the chair of the Committee to call a meeting of the Committee and may attend such meeting to inform the Committee of a specific matter of concern to such trustee, and may participate in such meeting to the extent permitted by the chair of the Committee; and
 - (d) the external auditors and management employees shall, when required by the Committee, attend any meeting of the Committee.
9. The external auditors shall be entitled to communicate directly with the chair of the Committee and may meet separately with the Committee. The Committee, through its chair, may contact directly any employee in the REIT as it deems necessary, and any employee may bring before the Committee any matter involving questionable, illegal or improper practices or transactions.
10. Compensation to members of the Committee shall be limited to trustee's fees, either in the form of cash or equity, and members shall not accept consulting, advisory or other compensatory fees from the REIT (other than as members of the Board of Trustees and members of committees of the Board of Trustees).
11. The Committee is authorized, at the REIT's expense, to retain independent counsel and other advisors as it determines necessary to carry out its duties and to set their compensation.

MEETINGS

12. The Committee may meet as many times in the year as is necessary for it to carry out its responsibilities.
13. All meetings of the Committee must take place in Canada. One member of the Committee may participate in such a meeting by teleconference so long as a majority of those members attending the meeting are physically present in Canada.
14. The Committee shall hold unscheduled or regularly scheduled meetings, or portions of meetings, at which management is not present.
15. No business may be transacted by the Committee at a meeting unless a quorum of the Committee is present. A majority of members of the Committee shall constitute a quorum, provided that a majority of the members of the Committee comprising the quorum shall be resident Canadians.
16. The Chair, any member of the Committee, the external auditors, the Chairman of the Board of Trustees, the Chief Executive Officer or the Chief Financial Officer may call a meeting of the Committee by notifying the REIT's Secretary who will notify the members of the Committee. The Chair shall chair all Committee meetings that he or she attends, and in the absence of the Chair, the members of the Committee present may appoint a chair from their number for a meeting.
17. The external auditors are entitled to attend and be heard at each Committee meeting. In addition, the Committee may invite to a meeting any officers or employees of the REIT, legal counsel, advisors and other persons whose attendance it considers necessary or desirable in order to carry out its responsibilities. At least once per year, the Committee shall meet with management in separate sessions to discuss any matters that the Committee or such individuals consider appropriate.
18. The Committee shall have the authority to retain external legal counsel, consultants or other advisors to assist it in fulfilling its responsibilities and to set and pay the respective compensation for these advisors without consulting or obtaining the approval of the Board of Trustees or any REIT officer. The REIT shall provide appropriate funding, as determined by the Committee, for the services of these advisors.
19. The Committee shall have unrestricted access to the REIT's management and employees and the books and records of the REIT

DUTIES

20. The overall duties of the Committee shall be to:
- (a) assist the Board of Trustees in the discharge of its duties relating to the REIT's accounting policies and practices, reporting practices and internal controls;
 - (b) establish and maintain a direct line of communication with the REIT's external auditors and assess their performance;
 - (c) oversee the co-ordination of the activities of the external auditors;
 - (d) ensure that the management of the REIT has designed, implemented and is maintaining an effective system of internal controls;
 - (e) monitor the credibility and objectivity of the REIT's financial reports;
 - (f) report regularly to the Board of Trustees on the fulfillment of the Committee's duties;
 - (g) assist the Board of Trustees in the discharge of its duties relating to the REIT's compliance with legal and regulatory requirements; and
 - (h) assist the Board of Trustees in the discharge of its duties relating to risk assessment and risk management.
21. The Committee shall be directly responsible for overseeing the work of the external auditors engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the REIT, including the resolution of disagreements between management and the external auditors regarding financial reporting, and in carrying out such oversight the Committee's duties shall include:
- (a) recommending to the Board of Trustees a firm of external auditors to be nominated for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the REIT;
 - (b) reviewing, where there is to be a change of external auditors, all issues related to the change, including the information to be included in the notice of change of auditor called for under National Instrument 51-102 – *Continuous Disclosure Obligations or any successor legislation* ("NI 51-102"), and the planned steps for an orderly transition;
 - (c) reviewing all reportable events, including disagreements, unresolved issues and consultations, as defined in NI 51-102 or any successor legislation, on a routine basis, whether or not there is to be a change of external auditor;
 - (d) reviewing the engagement letters of the external auditors, both for audit and non-audit services;
 - (e) reviewing the performance, including the fee, scope and timing of the audit and other related services and any non-audit services provided by the external auditors; and
 - (f) reviewing and approving the nature of and fees for any non-audit services performed for the REIT by the external auditors and consider whether the nature and extent of such services could detract from the firm's independence in carrying out the audit function.
22. The duties of the Committee as they relate to audits and financial reporting shall be to:
- (a) review the audit plan with the external auditor and management;

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- (b) review with the external auditor and management any proposed changes in accounting policies, the presentation of the impact of significant risks and uncertainties, and key estimates and judgments of management that may in any such case be material to financial reporting;
 - (c) question the external auditor and management regarding significant financial reporting issues discussed during the fiscal period and the method of resolution;
 - (d) review the scope and quality of the audit work performed;
 - (e) review the adequacy of the REIT's financial and auditing personnel;
 - (f) review the co-operation received by the external auditor from the REIT's personnel during the audit, any problems encountered by the external auditors and any restrictions on the external auditor's work;
 - (g) review the internal resources used;
 - (h) review the appointments of the chief financial officer, internal auditor (or persons performing the internal audit function) and any key financial executives involved in the financial reporting process;
 - (i) review and approve the REIT's annual consolidated audited financial statements and those of its subsidiaries, the auditor's report thereon and the related management's discussion and analysis of the REIT's financial condition and results from operations ("MD&A"), and obtain an explanation from management of all significant variances between comparative reporting periods before release to the public;
 - (j) review and approve the REIT's interim unaudited financial statements and the related MD&A and obtain an explanation from management of all significant variances between comparative reporting periods before release to the public; and
 - (k) establish a procedure for the receipt, retention and treatment of complaints regarding accounting, internal accounting controls or auditing matters and employees' confidential anonymous submission of concerns regarding accounting and auditing matters.
23. The duties of the Committee as they relate to accounting and disclosure policies and practices shall be to:
- (a) review changes to accounting principles of the Canadian Institute of Chartered Accountants which would have a significant impact on the REIT's financial reporting as reported to the Committee by management and the external auditors;
 - (b) review the appropriateness of the accounting policies used in the preparation of the REIT's financial statements and consider recommendations for any material change to such policies;
 - (c) review the status of material contingent liabilities as reported to the Committee by management;
 - (d) review the status of income tax returns and potentially significant tax problems as reported to the Committee by management;
 - (e) review any errors or omissions in the current or prior year's financial statements;
 - (f) review and approve before their release all public disclosure documents containing audited or unaudited financial information, including all earnings, press releases, MD&A, prospectuses, annual reports to unitholders, annual information forms, management's discussion and analysis and financial guidance provided to analysts, rating agencies or otherwise publicly disseminated; and

- (g) oversee and review all financial information and earnings guidance provided to analysts and rating agencies.
24. The other duties of the Committee shall include:
- (a) reviewing any inquiries, investigations or audits of a financial nature by governmental, regulatory or taxing authorities;
 - (b) approving the hiring of any employee from an external auditor;
 - (c) reviewing the funding and administration of the REIT's compensation and pension plans;
 - (d) reviewing and reporting to the Board of Trustees on difficulties and problems with regulatory agencies which are likely to have a significant financial impact;
 - (e) inquiring of management and the external auditors as to any activities that may be or may appear to be illegal or unethical;
 - (f) ensuring procedures are in place for the receipt, retention and treatment of complaints and employee concerns received regarding accounting or auditing matters and the confidential, anonymous submission by employees of the REIT of concerns regarding such; and
 - (g) any other questions or matters referred to it by the Board of Trustees.