



**Lakeview Hotel Real Estate Investment Trust
Management Discussion and Analysis
for the Three and Six months ended June 30, 2009**

August 19, 2009

Management's discussion and analysis of financial conditions and results of operations (MD&A) should be read in conjunction with the unaudited consolidated financial statements for the six months ended June 30, 2009. The consolidated financial statements for the six months ended June 30, 2009, have been prepared by and are the responsibility of management and have been prepared in accordance with Canadian generally accepted accounting principles (GAAP). The Lakeview Hotel REIT's independent auditors, Ernst & Young, LLP, have not conducted a review of these consolidated financial statements.

OVERVIEW AND PORTFOLIO SUMMARY

Lakeview Hotel Real Estate Investment Trust (Lakeview Hotel REIT) is an unincorporated closed-end mutual fund trust created pursuant to a Declaration of Trust dated February 11, 2004. The Qualifying Transaction was completed on April 15, 2004 through a private offering of Lakeview Hotel REIT units, a public offering of Lakeview Hotel REIT subordinate convertible debentures, and the acquisition of the Lakeview Inn & Suites - Fredericton hotel. Through June 30, 2009 Lakeview Hotel REIT had acquired 18 hotels including the Fredericton property.

The results of their operations are included in the June 30, 2009 unaudited consolidated financial statements of Lakeview Hotel REIT.

The table below provides details on the hotels owned by Lakeview Hotel REIT as of June 30, 2009.

Property	Date of Purchase	Date of Conversion to Lakeview Inns & Suites	Number of Rooms
Lakeview Inn & Suites – Fredericton, NB	April 15, 2004	April 15, 2004	98
Best Western Black Gold Inn – Drayton Valley, AB	June 1, 2005	December 1, 2005	91
Ramada Limited & Suites – Hinton, AB	November 4, 2005	November 4, 2005	55
Best Western Okotoks Lodge – Okotoks, AB	January 6, 2006	July 1, 2006	64
Best Western Fort Inn & Suites – Fort Saskatchewan, AB	January 13, 2006	July 1, 2006	70
Super 8 Toronto North – Vaughan, ON	March 17, 2006	N/A	85
Super 8 Motel – Edson, AB	April 7, 2006	April 7, 2006	45
Ramada Limited – Whitecourt, AB	May 31, 2006	May 31, 2006	50
Holiday Inn Express & Suites – Sherwood Park, AB	June 1, 2006	N/A	90
Ramada Limited – Fort St. John, BC	October 16, 2006 and November 10, 2006	October 16, 2006	73
Days Inn – Chetwynd, BC	October 24, 2006 and November 9, 2006	October 24, 2006	59
Lakeview Inn & Suites – Fort Nelson, BC	January 8, 2007	January 8, 2007	82
Lakeview Inn & Suites – Edson Airport West	April 16, 2007	April 16, 2007	69
Holiday Inn Express & Suites - Brooks	May 15, 2007	May 15, 2007	78
Residence Inn Marriott - Calgary	June 22, 2007	June 22, 2007	120
Best Western – Slave Lake	November 15, 2007	January 3, 2009	68
Four Points by Sheraton – Prince George	April 3, 2008	N/A	74
Days Inn – Ottawa Airport	August 1, 2008	N/A	81
Total room count			1352

In addition to income earned from hotel operations Lakeview Hotel REIT also earns income from licensing fees charged to certain Lakeview Inn & Suites hotels which are owned by Lakeview Management Inc. (a unitholder of Lakeview Hotel REIT) and include hotels in Bathurst, New Brunswick; Brandon, Manitoba; Grand Forks, North Dakota; Halifax, Nova Scotia; and Miramichi, New Brunswick.

As at August 19, 2009, the following units of Lakeview Hotel REIT were issued and outstanding:

Class A Units	19,057,806
Class V Special Trust Units and Exchangeable Units	<u>500,000</u>
Total Units that participate pro rata in distribution	<u>19,557,806</u>
Class T Special Trust Unit (1)	<u><u>1</u></u>

(1) The holder of the Class T Special Trust Unit has the right to appoint one-third of the total number of trustees. The Class T Special Trust Unit is non-voting, non-transferable and is not entitled to any distribution or economic interest in Lakeview Hotel REIT.

HIGHLIGHTS FOR THE THREE MONTHS ENDED JUNE 30, 2009

The second quarter of 2009 was an extremely challenging period for Lakeview Hotel REIT. Operating results continued to erode under the weight of a struggling economy, and depressed natural gas prices severely impacted occupancies in many of the smaller markets where the REIT operates.

During and subsequent to the second quarter, the REIT has focused on operating efficiencies and improvements to its balance sheet to ensure it is in a stronger position when the economy and commodity prices improve.

In the second quarter of 2009, Lakeview REIT reduced its maintenance, marketing, salaries and benefits, supplies and utilities expenses when compared to the second quarter of 2008. Lakeview REIT has taken steps to collect on its mortgage receivables advanced under its mezzanine loan program to help bolster the REIT's working capital. Lakeview REIT has also successfully refinanced the Days Inn Ottawa Airport hotel and as a result has no mortgage maturities until 2011.

KEY PERFORMANCE MEASURES

Occupancy Percentage, Average Room Rate and RevPar are three important indicators used by the hotel industry in general to measure the performance of a hotel and compare performance to other hotel operations. The key performance measures for the Lakeview Hotel REIT are as follows:

	Three months ended June 30		Six months ended June 30	
	2009	2008	2009	2008
Occupancy Percentage ⁽¹⁾	52.96%	59.89%	52.92%	61.13%
Average Room Rate ⁽¹⁾	\$116.45	\$120.20	\$118.68	\$118.11
RevPar ⁽¹⁾	\$61.67	\$71.97	\$62.81	\$72.19
Rooms Occupied	64,969	69,051	129,117	136,969

Note (1): *Occupancy Percentage measures the level of hotel room utilization and is calculated by dividing the number of rooms rented for a given period by the number of rooms available for the period.*

Average Room Rate measures the average room price for all guest rooms by dividing total room revenues by the number of rooms rented.

RevPar (Revenue per available room) is calculated by multiplying the Occupancy Percentage by the Average Room Rate and is a measure of efficiency based on all available rooms regardless of whether they are occupied or not.

These measures are not recognized under GAAP and the method we use in calculating these numbers may not be comparable to other companies. They should not be used as an alternative to net earnings (loss)

determined in accordance with GAAP as an indicator of performance. These numbers can be used to supplement other information presented in understanding the performance of our hotels in a historical perspective.

Average daily rates, occupancy and RevPar all decreased for the three months ended June 30, 2009 compared to the three months ended June 30, 2008. The decrease reflects the slow-down in activity in markets dependant on gas drilling. The cyclical downturn in gas drilling activity has been and continues to be deeper and much more pronounced than anticipated.

RESULTS OF OPERATIONS

The following is a comparison of the operating results for the three and six months ended June 30, 2009 compared to the results of operations for the comparable periods in 2008:

	Three months ended		Six months ended	
	June 30		June 30	
	2009	2008	2009	2008
Hospitality Revenue				
Room	7,592,028	8,321,629	15,350,471	16,283,839
Food & Beverage	737,379	939,012	1,504,435	2,043,748
Other	493,273	433,826	1,011,601	821,992
Total Revenue	8,822,680	9,694,467	17,866,507	19,149,579
Expenses	11,071,985	10,400,633	21,586,982	20,117,359
Net Income (Loss) before future income tax expense	(2,249,305)	(706,166)	(3,720,475)	(967,780)
Basic and diluted income (loss) before income tax per unit	(0.115)	(0.037)	(0.192)	(0.050)
Future (Income Tax Expense) Recovery	-	-	-	4,000
Net (Loss)	(2,249,305)	(706,166)	(3,720,475)	(963,780)
Basic and Diluted Income (Loss) per Unit	(0.115)	(0.037)	(0.192)	(0.050)
Reconciliation to funds from Operations				
Add (deduct)				
Amortization of income properties	1,670,211	1,522,152	3,343,262	2,939,962
Amortization of franchise fees and licenses	27,238	11,617	39,674	23,938
Distributions from Lakeview Flag Licensing General Partnership	124,460	154,840	297,430	299,390
Income from Lakeview Flag Licensing General Partnership	(149,909)	(156,913)	(331,298)	(318,298)
Future income tax expense (recovery)	-	-	-	(4,000)
Funds from Operations	(577,305)	825,530	(371,407)	1,977,212
Basic and diluted funds from Operations per unit	(0.030)	0.043	(0.019)	0.103
Contributions to reserve account	(205,015)	(283,131)	(383,199)	(570,772)
Adjusted funds from Operations	(782,320)	542,399	(754,606)	1,406,440
Basic and diluted adjusted funds from Operations per unit	(0.040)	0.028	(0.039)	0.073
Reconciliation to distributable income				
Accretion on debt component of convertible debentures	251,951	189,198	504,735	354,807
Accretion of debentures	45,332	38,462	89,485	39,481
Accretion of mortgages	52,519	51,005	104,662	101,043
Decretion of mortgages receivable	51,217	2,296	56,877	2,296
Loss on settlement of mortgages receivable	98,244	-	98,244	-
Compensation costs of unit options	-	-	-	-
Distributable income	(283,057)	823,360	99,397	1,904,067
Basic and diluted distributable income per units	(0.015)	0.043	0.005	0.099
Distributions	-	2,121,760	192,748	4,243,323

OPERATING RESULTS REVIEW – THREE MONTHS ENDED JUNE 30, 2009

Room Revenue - For the second quarter ended June 30, 2009 room revenue decreased by \$729,601, from \$8,321,629 for the second quarter ended June 30, 2008, to \$7,592,028. The decrease is mainly due to general economic weakness and to a cyclical downturn in natural gas drilling activity which impacted many of the hotels owned by Lakeview Hotel REIT.

Food & Beverage and Gift Shop – Revenue is earned from restaurant facilities in the Lakeview Inn & Suites - Drayton Valley, the Lakeview Inn & Suites – Fort St. John, the Lakeview Inn & Suites, Fort Saskatchewan and the Four Points by Sheraton Prince George. Revenue is lower in the second quarter of 2009 than the same period in 2008 due to the slowdown in business caused by the downturn in natural gas drilling activity.

Other Income – The increase in Other Income for the second quarter ended June 30, 2009 is due to the income from Lakeview Flag Licensing General Partnership. This income will continue to grow as more Lakeview Inns & Suites are added to the hotels owned by Lakeview Hotel REIT which increases the license fees charged. The 2009 second quarter results also include license fees from 3 Lakeview Inns & Suites hotels in Tumbler Ridge and Hudson's Hope, British Columbia and Fox Creek, Alberta.

Expenses – Expenses for the second quarter of 2009 increased by \$671,352 from \$10,400,633 for the second quarter ended June 30, 2008 to \$11,071,985. This increase was made up primarily from a \$148,000 increase in amortization of income properties; a \$244,000 increase in mortgage and debenture interest; and a \$494,000 increase in general and administration (general and administration increased due to the \$350,000 forbearance fee charged by the REIT's primary mortgage lender as well as expenses charged in the amount of \$180,712 due to the early repayment of the mortgages receivable). At the same time various other expenses have decreased by \$333,000 as a result of cost reduction measures.

Net (Loss) before future income tax expense - Net (loss) increased from a loss of \$706,166 for the second quarter ended June 30, 2008, to a loss of \$2,249,305 for the quarter ended June 30, 2009. This change can be attributed largely to the reduction in revenues related to the poor performance by Alberta and Northern British Columbia hotels located in the natural gas regions, as a result of the reduction in drilling activity for gas and the increase in mortgage and debenture interest and amortization expense, and general and administration expense over the previous period in 2008 as noted above.

OPERATING RESULTS REVIEW – SIX MONTHS ENDED JUNE 30, 2009

Room Revenue - For the six months ended June 30, 2009 room revenue decreased by \$933,368 from \$16,283,839 for the six months ended June 30, 2008, to \$15,350,471. The decrease is mainly due to general economic weakness and to a cyclical downturn in natural gas drilling activity which impacted many of the hotels owned by Lakeview Hotel REIT.

Food & Beverage and Gift Shop – Revenue is earned from restaurant facilities in the Lakeview Inn & Suites - Drayton Valley, the Lakeview Inn & Suites – Fort St. John, Lakeview Inn & Suites, Fort Saskatchewan and Four Points by Sheraton Prince George. Revenue is lower in the six month period of 2009 than the same period in 2008 due to the slowdown in business caused by the downturn in natural gas drilling activity.

Other Income – The increase in Other Income for the six months ended June 30, 2009 is due to the income from Lakeview Flag Licensing General Partnership. This income will continue to grow as more Lakeview Inns & Suites are added to the hotels owned by Lakeview Hotel REIT which increases the license fees charged. The 2009 second quarter results also included license fees from 3 Lakeview Inns & Suites hotels in Tumbler Ridge and Hudson's Hope, British Columbia and Fox Creek, Alberta .

Expenses – Expenses for the six months of 2009 increased by \$1,469,623 from \$20,117,359 for the six months ended June 30, 2008 to \$21,586,982. The largest components of this increase were a \$876,000 increase in mortgage and debenture interest; a \$554,000 increase in general and administration (general and administration increased due to the \$350,000 forbearance fee charged by the REIT's primary mortgage lender as well as expenses charged in the amount of \$180,712 due to the early repayment of the mortgages receivable); and a \$403,300 increase in amortization of income properties. At the same time various other expenses decreased by \$600,000 as a result of cost reduction measures.

Net (Loss) before future income tax expense - Net (loss) increased from a loss of \$967,780 for the six months ended June 30, 2008, to a loss of \$3,720,475 for the six months ended June 30, 2009. This change can be attributed largely to the reduction in revenues related to the poor performance of the Alberta and northern British Columbia hotels located in the natural gas

regions and the increase in the mortgage and debenture interest, amortization expense, and general and administration expense over the previous period in 2008 as noted above.

NON GAAP FINANCIAL MEASURES

Included in this MD&A are certain non GAAP financial measures, which are a measure of Lakeview Hotel REIT's historical or future financial performances that are not calculated or presented in accordance with GAAP. These measures may not be comparable to similar measures presented by other entities and include distributable income, funds from operations, and adjusted funds from operations.

DISTRIBUTABLE INCOME

Distributable income is commonly used in the Real Estate Investment Trust industry to measure financial performance. Lakeview Hotel REIT calculates distributable income to reflect distributable cash which is defined in Lakeview Hotel REIT's Declaration of Trust as:

All revenues received or receivable including net realized capital gains and such other amounts as the Trust may receive from time to time, by the Trust in the applicable period adjusted for:

- i. Administrative and operational expenses and other obligations of the Trust,
- ii. Amounts which may be used for acquisitions or other business purposes,
- iii. Amounts required for replacement reserves, and
- iv. Such other amounts as the Trustees deem appropriate and necessary.

Distributable income is used by management to determine the level of distributions paid to unit holders and as a result is a useful supplemental measure of the Lakeview Hotel REIT's operating performance for investors.

Distributable income (loss) decreased by \$1,106,417 from income of \$823,360 for the second quarter ended June 30, 2008 to a loss of \$283,057 for the second quarter ended June 30, 2009 and decreased \$1,804,670 from \$1,904,067 for the six months ended June 30, 2008 to \$99,397 for the six months ended June 30, 2009. The reason for the decrease is primarily the reduction in oil and gas drilling activity in northern British Columbia and Alberta in 2009 compared to 2008.

FUNDS FROM OPERATIONS AND ADJUSTED FUNDS FROM OPERATIONS

Funds from operations (FFO) is a standard industry wide measure of a real estate entity's operating performance. The Real Property Association of Canada defines FFO as net income (computed in accordance with generally accepted accounting principles) excluding gains (or losses) from sales of depreciable real estate and extraordinary items, plus depreciation and amortization, plus future income taxes and after adjustment for equity accounted for entities, and non controlling interests.

FFO provides another useful measure of Lakeview Hotel REIT's performance as FFO excludes the effect of real estate amortization and gains and losses from sales of real estate, all of which are based on historical cost accounting and which may be of limited significance in evaluating current performance. Management believes that such a measure is useful in comparison of operating performance between periods and with other REITs. FFO, for the three months ended June 30, 2009, was (\$577,305) compared to \$825,530 for the same period in 2008 and for the six months ended June 30, 2009 was (\$371,407) compared to \$1,977,212 for the same period in 2008.

Adjusted funds from operation (AFFO) has a further adjustment to funds from operations by taking into account the impact of capital requirements for Lakeview Hotel REIT and is calculated by deducting the contribution to the reserve account from FFO. Adjusted funds from operations decreased by \$1,324,719 from \$542,399 for the three months ended June 30, 2008 to (\$782,320) for the three months ended June 30, 2009 and decreased by \$2,161,046 from \$1,406,440 for the six months ended June 30, 2008 to (\$754,606) for the six months ended June 30, 2009.

LIQUIDITY AND CASH FLOW

At June 30, 2009 Lakeview Hotel REIT had cash and term deposits of \$1,467,852 and a balance in the reserve fund of \$775,897. This cash balance and term deposits are sufficient to meet Lakeview Hotel REIT's foreseeable working capital requirements. As well, Lakeview Hotel REIT has negotiated early repayment of the mortgage receivable from the independent hotel developer relating to the three hotels in British Columbia and Alberta. To June 30, 2009 \$1,728,882 was collected on the mortgage receivable and \$98,244 was forgiven on settlement in order to collect the funds in a timely manner. Subsequent to June 30, 2009 a further \$1,900,000 was collected on the mortgage receivable, and the mortgage charges were discharged and a promissory note was taken back for the balance of \$1,272,874. Blended payments of principal and interest in the amount of \$50,000 are to be paid on the note at the end of each month beginning August 31, 2009 with a final principal

payment of \$841,764 due on July 31, 2010. Management has also recently completed the refinancing of the \$7,000,000 mortgage on the Days Inn – Ottawa Airport with long term mortgages.

The funds in the reserve account will be used for maintenance expenditures at the hotels.

Future expansion of Lakeview Hotel REIT will be financed through the cash and term deposits on hand, the raising of capital by the sale of units, the issuance of convertible debentures, senior secured debentures, and through additional mortgage financing.

The table below reconciles net (loss) to cash provided by operating activities for the three and six months ended June 30, 2009 and 2008.

	Three months ended June 30		Six months ended June 30	
	2009	2008	2009	2008
Net (loss) for the period	(2,249,305)	(706,166)	(3,720,475)	(963,780)
Add (deduct) items not involving cash				
Amortization of income properties	1,670,211	1,522,152	3,343,262	2,939,962
Amortization of franchise fees and licenses	27,238	11,617	39,674	23,938
Income from Lakeview Flag Licensing General Partnership	(149,909)	(156,913)	(331,298)	(318,298)
Accretion on debt component of convertible debentures	251,951	189,198	504,735	354,807
Future income tax expense (recovery)	-	-	-	(4,000)
Accretion of mortgages	52,519	51,005	104,662	101,043
Accretion of debentures	45,332	38,462	89,485	39,481
Decretion of mortgages receivable	51,217	2,296	56,877	2,296
Loss on settlement of mortgages receivable	98,244	-	98,244	-
	(202,502)	951,651	185,166	2,175,449
Net change in non-cash working capital balances related to operations	(788,164)	(1,598,746)	(610,845)	(1,475,756)
Cash provided by (used in) operating activities	(990,666)	(647,095)	(425,679)	699,693

CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES

Cash (used in) operating activities was \$(990,666) for the three months ended June 30, 2009 which increased from \$(647,095) cash used in operating activities in the three months ended June 30, 2008. The increase in cash used in operating activities is due to reduced cash flow from the hotels in 2009 due to a general economic slowdown and, specifically a slowdown in drilling activity from the previous period.

CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES

In 2009 cash was used for renovations and capital additions to hotels. \$1,578,882 was collected on the mortgages receivable.

In 2008 cash was used to purchase the Four Points by Sheraton Prince George hotel for a total cash consideration of \$10,028,181, for renovations and capital additions to hotels, and the funding of the mortgages receivable in the amount of \$4,000,000.

CASH PROVIDED BY FINANCING ACTIVITIES

During 2009 no cash was raised through financing activities.

During 2008 cash provided by financing activities was raised from the proceeds from the issuance of the 8.5% Series D debentures of \$9,706,856 (net of financing costs).

DISTRIBUTIONS

Effective September 1, 2005 the Trustees approved a change in the distribution policy from quarterly distributions of \$0.05 per unit to monthly distributions. Lakeview Hotel REIT paid monthly distributions of \$0.03 per unit to April 30, 2006. Effective for the May 31, 2006 distribution payment the Trustees approved an increase in the regular monthly cash distribution from \$0.03 to \$0.0333 per unit. Effective for the Unitholders of record on November 30, 2006 and the distribution payable on December 29, 2006 the Trustees approved a further increase in the monthly distribution from \$0.0333 per unit to \$0.0367 per unit.

After careful review and assessment, the Board of Trustees determined that it is prudent and in the best interests of the Unitholders to reduce the monthly distributions to \$0.01 per unit effective with the distribution payable December 31, 2008. On February 24, 2009 the Board of Trustees suspended further monthly distributions.

The following table reconciles cash provided by operating activities to distributable income:

	Three months ended June 30		Six months ended June 30	
	2009	2008	2009	2008
Cash provided by (used in) operating activities	(990,666)	(647,095)	(425,679)	699,693
Add (Deduct)				
Net change in non-cash working capital balances related to operations	788,164	1,598,746	610,845	1,475,756
Distributions from Lakeview Flag Licensing General Partnership	124,460	154,840	297,430	299,390
	(78,042)	1,106,491	482,596	2,474,839
Deduct:				
Contribution to reserve fund	(205,015)	(283,131)	(383,199)	(570,772)
Distributable Income	(283,057)	823,360	99,397	1,904,067

For the three months ended June 30, 2008 distributions of \$2,066,710 have been paid to the Class “A” unitholders and distributions of \$55,050 have been paid to the Class “E” unitholders (exchangeable units). For the three months ended June 30, 2009, no distributions were paid to the Class “A” unitholders or to the Class “E” unitholders (exchangeable units).

For the six months ended June 30, 2008 distributions of \$4,133,223 have been paid to the Class “A” unitholders and distributions of \$110,100 have been paid to the Class “E” unitholders (exchangeable units). For the six months ended June 30, 2009, distributions of \$187,748 have been paid to the Class “A” unitholders and distributions of \$5,000 have been paid to the Class “E” unitholders (exchangeable units).

The following chart illustrates the cash provided by operating activities and distributable income that Lakeview Hotel REIT has generated relative to cash distributions paid to unitholders since the inception of the Trust in 2004 to the current period.

	Six months ended June 30, 2009	2008	Year ended December 31			Period ended Dec. 31, 2004(1)	Cumulative since inception
			2007	2006	2005		
Cash provided by operating activities	(425,679)	5,627,227	\$6,425,653	\$5,416,638	(51,513)	158,248	17,150,574
Distributable income	99,397	4,003,104	5,480,891	5,031,211	895,282	9,334	15,519,219
Cash distributions paid	192,748	7,458,352	8,351,676	3,955,176	880,125	176,250	21,014,327
Cash provided by operating activities in excess of (less than) cash distributions	(618,427)	(1,831,125)	(1,926,023)	1,461,462	(931,638)	(18,002)	(3,863,753)
Distributable income in excess of (less than) cash distributions	(93,351)	(3,455,248)	(2,870,785)	1,076,035	15,157	(166,916)	(5,495,108)

(1) For the period from February 11, 2004 to December 31, 2004

Although there are fluctuations in both distributable income and cash provided by operating activities as compared to cash distributions for the comparative periods, the total cash shortage from inception of Lakeview Hotel REIT to the current

period is \$3,863,753 when cash distributions are compared to cash provided by operating activities and \$5,495,108 when cash distributions are compared to distributable income.

The shortage of cash provided by operating activities and distributable income as compared to cash distributions has been funded through the financing activities of Lakeview Hotel REIT specifically from mortgage proceeds and the raising of capital. The main reason for the shortfall relates to a cyclical downturn in natural gas drilling activity in 2008 and 2009 which impacted many of the hotels owned by Lakeview Hotel REIT including new properties acquired by Lakeview Hotel REIT.

SELECTED FINANCIAL INFORMATION

	Three months ended June 30		Six months ended June 30	
	2009	2008	2009	2008
Total Revenue	8,822,680	9,694,467	17,866,507	19,149,579
Net (loss) Before Future Income Tax Expenses	(2,249,305)	(706,166)	(3,720,475)	(967,780)
Basic and diluted income before tax per unit	(0.115)	(0.037)	(0.192)	(0.050)
Total Assets	167,927,746	165,686,769	167,927,746	165,686,769
Total Long-term Liabilities	117,122,459	112,251,513	117,122,459	112,251,513
Distribution declared per unit	-	0.11	0.01	0.22

Increases in assets and long term liabilities have occurred from the previous year due to the acquisition of a hotel subsequent to June 30, 2008. Declines in total revenue and increases in net loss are primarily related to lower occupancies in the Alberta and northern British Columbia hotels due to a general economic slowdown and specifically the slow down in drilling activity for gas.

SUMMARY OF QUARTERLY RESULTS

	<u>Q2-09</u>	<u>Q1-09</u>	<u>Q4-08</u>	<u>Q3-08</u>	<u>Q2-08</u>	<u>Q1-08</u>	<u>Q4-07</u>	<u>Q3-07</u>
Hospitality Revenue								
Rooms	7,592,028	7,758,443	8,626,842	10,223,940	8,321,629	7,962,210	7,125,694	\$8,241,740
Food, Beverage & Gift Shop	737,379	767,056	916,585	771,880	939,012	1,104,736	1,144,371	1,097,119
Other	493,273	518,328	568,111	491,404	433,826	388,166	396,211	373,456
Total Revenue	8,822,680	9,043,827	10,111,538	11,487,224	9,694,467	9,455,112	8,666,276	9,712,315
Expenses	11,071,985	10,514,997	11,542,946	11,343,464	10,400,633	9,716,726	9,232,691	8,871,227
Net Loss before future income tax expense	(2,249,305)	(1,471,170)	(1,431,408)	143,760	(706,166)	(261,614)	(566,415)	841,088
Basic and Diluted Income Loss before Tax per unit	(0.115)	(0.076)	(0.074)	0.007	(0.037)	(0.014)	(0.029)	0.044
Future Income Tax (Expense) Recovery	-	-	816,000	(86,000)	-	4,000	435,100	15,000
Net Loss	(2,249,305)	(1,471,170)	(615,408)	57,760	(706,166)	(257,614)	(131,315)	856,088
Basic and Diluted Income Loss per Unit	(0.115)	(0.076)	(0.032)	0.003	(0.037)	(0.013)	(0.007)	0.044
Occupancy Percentage ⁽¹⁾	52.96%	52.88%	57.75%	69.39%	59.89%	62.46%	58.56%	67.06%
Average Room Rate ⁽¹⁾	\$116.45	\$120.95	\$121.57	\$120,61	\$120.20	\$115.98	\$113.46	\$117.49
RevPar ⁽¹⁾	\$61.67	\$63.95	\$70.20	\$83.69	\$71.97	\$72.44	\$66.44	\$78.80

Note (1):

Occupancy percentage, average room rate and RevPar are not recognized under GAAP and the method we use in calculating these numbers may not be comparable to other companies. They should not be used as an alternative to net earnings (loss) determined in accordance with GAAP as an indicator of performance. These numbers can be used to supplement other information presented in understanding the performance of our hotels in a historical perspective.

OUTLOOK

Lakeview Hotel REIT continued to experience disappointing operating results in the second quarter of 2009. It remains difficult to predict when increased levels of activity will occur. Lakeview Hotel REIT is heavily weighted in markets dependent on gas drilling activities. There is currently a lack of visibility as to when improvements in gas markets may occur. Additionally, improvements will vary from market to market. The competitive profile of some markets and the nature of the gas in these markets (eg: deep vs shallow vs shale) will impact the ability of the Lakeview Hotel REIT hotels in these markets to recover. Lakeview will continue to focus on prudent fiscal management and cost reductions for the benefit of its Unitholders.

RELATED PARTY TRANSACTIONS

Lakeview Hotel REIT recorded the following transactions with related parties during the three months ended June 30, 2009:

1. Marketing expenses in the amount of \$48,983 were charged by Lakeview Management Inc. to Lakeview Hotel REIT for the three months ended June 30, 2009. The marketing expense is currently calculated at 1% of room revenue of the hotel and is paid on a monthly basis.

Accounting fees in the amount of \$141,388 were charged by Lakeview Management Inc. to Lakeview Hotel REIT for the three months ended June 30, 2009. The fee is prorated based on an annual fee of \$30,000 per hotel (fee is subject to annual increases related to changes in the consumer price index in the province where each hotel is located) owned by Lakeview Hotel REIT during the year.

Reservation fees in the amount of \$73,475 were charged by Lakeview Management Inc. to Lakeview Hotel REIT for the three months ended June 30, 2009. The reservation fee is charged at 1.5% of room revenue, which provides for access by Lakeview Hotel REIT to the reservation system maintained by Lakeview Management Inc.

Accrued payables as at June 30, 2009 related to the above charges were \$673,141 which included the asset management fee of \$120,623 for the second quarter.

2. License fees for the three months ended June 30, 2009 were charged by Lakeview Flag Licensing General Partnership to Lakeview Hotel REIT in the amount of \$196,223 of which 51% or \$100,073 is paid to Lakeview Management Inc. The license fees are charged based on 4% of gross room revenue for the period. Lakeview Hotel REIT has a 49% interest in Lakeview Flag Licensing General Partnership and Lakeview Management Inc. has a 51% interest.

At June 30, 2009 accrued payables related to the above were \$287,166.

3. Management fees for the three months ended June 30, 2009 were charged by Lakeview Flag Management General Partnership to Lakeview Hotel REIT in the amount of \$406,315 of which 75% or \$304,736 was paid to Lakeview Management Inc. The management fees are charged based on 5% of gross revenue for limited service hotels and 4% for full service hotels. Lakeview Hotel REIT and Lakeview Management Inc. each has a 50% interest in the Lakeview Flag Management General Partnership, however, Lakeview Management Inc receives 75% of the fees less expenses and Lakeview Hotel REIT receives 25% of the fees less expenses.

At June 30, 2009 accrued payables related to the above were \$433,260.

4. A movie rental fee in the amount of \$46,671 was charged by Free to Guest Movies Ltd. to Lakeview Hotel REIT for the three months ended June 30, 2009. Free to Guest Movies Ltd. is a company related to Lakeview Management Inc. through common control.
5. XYZ Design Inc. is a company that is related to Lakeview Management Inc. due to control by related parties. The services of this company are used to provide design consultation and professional services with respect to renovations of

purchased hotels. For the three months ended June 30, 2009 a total of \$4,213 was paid to XYZ Design Inc. for those services.

6. Effective June 11, 2009 Lakeview Management Inc. began to charge a standby fee due to Lakeview Management Inc. providing \$2,500,000 of collateral for the \$2,500,000 letters of credit required by the primary mortgage lender of Lakeview Hotel REIT. The fee earned in the second quarter was \$10,562.

7. Services Agreement:

Lakeview Hotel REIT has entered into a services agreement (the "Services Agreement") with Lakeview Management Inc. Pursuant to that agreement, Lakeview Management Inc. provides the services of certain of its senior officers to Lakeview Hotel REIT. Specifically, Lakeview Management Inc. provides the services of its President, Mr. Keith Levit, its Executive Vice-President, Mr. Laurie Etkin, its Chief Financial Officer, Mr. Rudy Beyer, and its Vice-President Finance, Mr. Avrum Senensky. Mr. Levit serves as Lakeview Hotel REIT's President, Mr. Etkin serves as Lakeview Hotel REIT's Executive Vice-President, Mr. Beyer serves as Lakeview Hotel REIT's Chief Financial Officer, and Mr. Senensky serves in various capacities including financial analyst and investor relations. Each has agreed to devote the amount of time necessary to the proper management of Lakeview Hotel REIT.

Effective October 1, 2006, Lakeview Management Inc. began charging an asset management fee based on 0.3% of the net book value of Income Properties. The fee is paid monthly on the last day of every month and is based on the net book value of Income Properties at the end of the previous month. Asset management fees for the three months ended June 30, 2009 were charged in the amount of \$120,623.

The Services Agreement provides that Lakeview Management Inc.'s remuneration may only be varied at the discretion of the Governance and Compensation Committee of the Trustees. Lakeview Management Inc. also provides Lakeview Hotel REIT with support services consisting of certain accounting and human resource services, office space and equipment use and the necessary clerical and secretarial personnel for the administration of the day-to-day activities of Lakeview Hotel REIT. The initial term of the Services Agreement is five years, expiring on April 14, 2009, and has been renewed until April 14, 2014.

8. Hotel Management Agreements

Pursuant to the Property Management Agreement, Lakeview Management Inc. and Lakeview Hotel REIT jointly manage the Lakeview Hotel REIT hotels through the Lakeview Flag Management General Partnership. Lakeview Management G.P. II Inc. (a wholly owned subsidiary of Lakeview Management Inc.) receives an allocation of Lakeview Flag Management General Partnership's income equivalent to a management fee of 3.75% of gross annual revenues for each limited service hotel and 3% of gross annual revenues for each full service hotel (less the share of applicable Lakeview Flag Management General Partnership expenses). Lakeview Hotel REIT receives an equivalent of 1.25% of gross annual revenue for limited service hotels and 1% of gross annual revenue for full service hotels. Lakeview Management Inc. is initially paid \$30,000.00 per hotel for accounting services subject to annual increases related to changes in the consumer price index in the province each hotel is located in.

The management fees charged by the Lakeview Flag Management General Partnership and the accounting fees charged by Lakeview Management Inc. include all services such as Managerial Services, Pre-opening and Initial Training and Accounting Services. The joint management structure is designed to ultimately provide Lakeview Hotel REIT with an ongoing source of management fee revenue and to lessen Lakeview Hotel REIT's requirements for employees and office space. The initial term of each individual Hotel Management Agreement is 50 years.

9. License Agreements

Pursuant to the License Agreements, Lakeview Management Inc. and Lakeview Hotel REIT jointly license certain hotel properties through Lakeview Flag Licensing General Partnership. An individual license agreement has been entered into with each of the Lakeview branded hotels owned by Lakeview Hotel REIT. Income is also earned through the payment of a license fee equal to 4% of gross room revenue (the "Continuing License Fee") received from the following hotels which are owned by Lakeview Management Inc. and are located as follows: (i) Lakeview Inn & Suites - Miramichi, New Brunswick, (ii) Lakeview Inn & Suites - Brandon, Manitoba, (iii) Lakeview Inn & Suites - Bathurst, New Brunswick, (iv) Lakeview Inn & Suites - Halifax, Nova Scotia, (v) Lakeview Inn & Suites - Grand Forks, North Dakota. In addition a license fee of 4% of room revenue is charged from the date any hotel becomes or is converted to a Lakeview Inn & Suites.

In addition to the 4% Continuing License Fee, the License Agreements provide for the payment by Lakeview Hotel REIT to Lakeview Management Inc. of a reservation fee equal to 1.5% of gross room revenue which provides for access of the hotels to the online reservation system maintained and provided by Lakeview Management Inc.

The License Agreements also provide that each Lakeview branded hotel in Lakeview Hotel REIT will pay a Marketing Fee equal to 1% of gross room revenue which will be used by Lakeview Management Inc. for all expenses relating to the advertising, marketing and promotion of Lakeview Inns & Suites and Lakeview Resorts including but not limited to production costs, costs to purchase media time and space, publications costs, costs for national or regional directories of Lakeview Inn & Suites and Lakeview Resorts, salaries, long distance telephone charges, travel costs, office supplies and other administrative costs. The term of each License Agreement is 50 years.

All transactions are in the normal course of operations and are recorded at exchange value.

SIGNIFICANT ACCOUNTING POLICIES

Note 1 to Lakeview Hotel REIT's unaudited consolidated financial statements for the six months ended June 30, 2009 summarizes Lakeview Hotel REIT's significant accounting policies.

GOODWILL AND INTANGIBLE ASSETS

The CICA has issued a new accounting standard, Section 3064, "Goodwill and Intangible Assets", which establishes new standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets. Section 1000, "Financial Statement Concepts", was also amended to provide consistency with Section 3064. The new and amended standards were adopted by Lakeview Hotel REIT on January 1, 2009. The adoption of the new standards has not had a significant impact on the consolidated financial statements.

FUTURE CHANGES TO CANADIAN GAAP

Business combinations, consolidated financial statements and non-controlling interest.

The CICA has issued new accounting standards, Section 1582, "Business Combinations", Section 1601, "Consolidated Financial Statements", and Section 1602, "Non-controlling Interests", which establish new standards for consolidated financial statements and business combinations. The definition of a business is expanded and described as an integrated set of activities and assets that are capable of being managed to provide a return to investors or economic benefits to owners, members or participants. Net assets, non-controlling interests and goodwill acquired in a business combination will be recorded at fair value. Non-controlling interests will be reported as a component of equity. In addition, acquisition costs will be expensed when incurred. The new and amended standards will be effective for the Lakeview Hotel REIT's 2011 fiscal year. The objective of these new sections is to harmonize Canadian generally accepted accounting principles with International Financial Reporting Standards ("IFRS"). When these standards are adopted by Lakeview Hotel REIT, acquisition costs will be expensed through the income statement. Other impacts of these standards are still being assessed.

International Financial Reporting Standards ("IFRS")

In 2005, the Accounting Standards Board (AcSB) announced that the accounting standards in Canada are to converge with IFRS. On February 13, 2008, the CICA had confirmed that the use of IFRS will be required by January 1, 2011, with appropriate comparative data from the prior year. Under IFRS, the primary audience is capital markets and, as a result, there is significantly more disclosure required, specifically for quarterly reporting. Further, while IFRS uses a conceptual framework similar to Canadian generally accepted accounting principles, there are significant differences in accounting policy that must be addressed. Lakeview Hotel REIT has begun assessing the adoption of IFRS for 2011, by beginning its assessment of the key accounting differences between Canadian generally accepted accounting principles and IFRS as it relates to accounting policies of Lakeview Hotel REIT.

CAPITAL RESOURCES AND CAPITAL EXPENDITURES

The primary first mortgage lender of Lakeview Hotel REIT, namely GE Capital Solutions, has provided a Pre-Approved Line of Credit (PAL) up to a value of \$5,780,000 with various properties taken as security. The pre-approved line bears interest at the Canadian Dollar Banker's Acceptance rate plus 4.25% to 5% floating per annum, is on a demand basis and the payments are interest only and paid monthly. As at June 30, 2009, \$4,200,000 of the available PAL had been used to purchase the Days Inn hotel in Ottawa, Ontario. GE Capital Solutions has informed Lakeview Hotel REIT that at this time further draws on the pre-approved line of credit have been put on hold until further notice.

At June 30, 2009 Lakeview Hotel REIT had a reserve fund of \$775,897 made up as follows:

Reserve Fund December 31, 2008	\$545,824
Contributions during the period	383,199
Distributions during the period	(153,126)
Reserve Fund June 30, 2009	<u>775,897</u>

It is expected that the reserve fund plus the monthly contribution will be sufficient to fund maintenance expenditures required during the year for these hotels. As new hotels are acquired the need for capital expenditures is assessed and quantified.

Through two offerings, Lakeview Hotel REIT issued \$4,500,000 of Series A 10% subordinate convertible debentures on April 15, 2004 and issued an additional \$1,500,000 of Series B 9% subordinate convertible debentures on May 30, 2005. As at December 31, 2008, \$4,223,000 of the Series A debentures were converted at a price of \$2.50 into 1,689,200 Class A units and \$175,000 of the Series A debentures were converted at a price of \$3.00 into 58,331 Class A units. As well, \$1,460,000 of the Series B debentures issued May 30, 2005 were converted at a price of \$2.90 resulting in the issuance of 503,430 Class A Units of Lakeview Hotel REIT. On April 15, 2009, the remaining \$102,000 outstanding of 10% subordinate convertible debentures were repaid in full by issuance of 283,050 Class A units.

On June 20, 2007, through a public offering, Lakeview Hotel REIT issued \$18,000,000 of Series C subordinate convertible redeemable debentures bearing interest at 6.5% maturing on June 30, 2012. The Series C debentures are convertible by the holder at any time after the date of issue at \$5.55 per unit.

On March 28, 2008 Lakeview Hotel REIT, through a public offering issued \$10,250,000 Series A Senior Secured Debentures (the "Debentures"). The debentures mature on June 20, 2012 and bear interest at an annual rate of 8.125% payable monthly, in cash, with the first payment having occurred on April 30, 2008. The debentures are redeemable in full from time to time at Lakeview Hotel REIT's sole option on not less than 30 days' prior written notice, at a price to equal 110% of the principal amount plus accrued and unpaid interest up to, but excluding the date of redemption.

On May 8, 2008 through a public offering, Lakeview Hotel REIT issued \$10,000,000 of Series D Convertible, Redeemable Subordinated Debentures. The debentures bear interest at 8.5%, mature May 31, 2013, and are subordinate only to property specific conventional mortgage financing, any vendor take-back mortgage financing and the Series A Senior Secured debentures issued March 28, 2008. The debentures are convertible by the holder at any time prior to maturity at \$3.75 per unit. On maturity the debentures are repayable at par plus any accrued and unpaid interest in cash. From May 8, 2008 to December 31, 2008 \$20,000 of the debentures were converted at a price of \$3.75 into 5,333 Class A units.

MORTGAGES PAYABLE

The long-term mortgage agreements with our primary mortgage lender contain financial covenants that require each individual hotel property, pledged as security for these mortgages, to maintain a minimum 1.30 Fixed Charge Coverage Ratio ("FCCR"), calculated on an annual basis, as defined in the mortgage agreements. As at December 31, 2008 Lakeview Hotel REIT was not in compliance with the FCCR requirements for six of those hotel properties. In addition, based on management's forecast, Lakeview Hotel REIT is not expected to meet the FCCR requirement for those six hotel properties at December 31, 2009. Subsequent to quarter end, Lakeview Hotel REIT obtained an agreement from its lender to forbear exercising its rights and remedies as a result of the FCCR covenant breach at December 31, 2008 and the expected FCCR covenant breach at December 31, 2009. Accordingly the mortgages payable are classified as long-term liabilities in the financial statements. As conditions for the lender's agreement, two letters of credit of \$1,250,000 were provided in favor of the mortgage lender that it can draw upon in the event of default. In addition, a forbearance fee of \$350,000 in total is to be paid by Lakeview Hotel REIT. \$200,000 of this fee was paid to June 30, 2009.

Subsequent to June 30, 2009, Lakeview Hotel REIT completed refinancing of the \$7,000,000 mortgage on the Days Inn – Ottawa Airport. Lakeview Hotel REIT obtained a commitment letter for a mortgage of \$5,500,000, bearing interest at 7% per annum, due five years from the date of advance, collateralized by a first charge on the Days Inn – Ottawa Airport, an assignment of the insurance policy on the income property, an assignment of rents and leases of the income property and a guarantee from Lakeview Hotel REIT. In addition, a mortgage in the amount of \$2,000,000 will be granted by the existing first mortgage holder, bearing interest at 9.5% per annum due in 2011. It will be collateralized by a second ranking charge on the Days Inn – Ottawa Airport and an assignment of the insurance policy on the income property second behind the first mortgage holder. Payments of interest only will be due on the mortgage and the principal balance will be due on August 1, 2011.

Estimated future principal repayments over the next five years and thereafter, based on the repayment schedules of the mortgages are as follows:

	\$
Remainder of 2009	1,287,376
2010	2,734,495
2011	31,325,271
2012	30,714,791
2013	5,016,217
Thereafter	15,818,673
Total principal outstanding	86,896,823
Financing costs	(1,097,242)
Accretion of mortgages	504,207
	<u>86,303,788</u>

PROPOSED TAX CHANGE TO THE INCOME TRUST RULES

On March 29, 2007 the Minister of Finance tabled in the House of Commons a Bill that contained legislation to implement a previously announced proposal concerning the taxation of certain publicly traded trusts including income trusts. The Bill would apply to publicly traded trusts which existed prior to November 1, 2006 commencing with taxation years in 2011. There are certain circumstances where an existing trust may lose the tax relief in the interim periods before 2011. This may occur at this time if a trust undergoes expansion beyond prescribed limits. Lakeview Hotel REIT has no plans to expand beyond those prescribed limits.

The Bill contemplates that a REIT which carries on Canadian hotel operations such as Lakeview Hotel REIT will not be a Qualifying REIT but would be considered a “specified investment flow-through trust or partnership (a SIFT)”. As a “SIFT” certain distributions will not be deductible in computing the “SIFT’s” taxable income and these entities will be, in effect, taxed as corporations on the amount of the non-deductible distributions.

On June 22, 2007, Bill C-52 was substantially enacted which will result in a 28% tax to be applied to distributions for Lakeview Hotel REIT in the 2011 taxation year. As a result of this bill Lakeview Hotel REIT was required to record future income tax expense and its future tax liability. The future income tax adjustment represents Lakeview Hotel REIT’s taxable temporary differences which are expected to reverse after 2010.

OFF -BALANCE SHEET ARRANGEMENTS

As at June 30, 2009 Lakeview Hotel REIT had no undisclosed Off-Balance Sheet Arrangements.

RISKS AND UNCERTAINTIES

Lakeview Hotel REIT’s operations are subject to risks that could cause future operating results to differ significantly from its performance in the past. An event arising from one of the risks listed below could materially affect Lakeview Hotel REIT’s business, prospects, financial condition, results of operations or cash flows. The following description of risks does not include all possible risks, and there may be other risks of which the Trustees are not currently aware.

MARKET INFLUENCES

The Units, and other listed securities of Lakeview Hotel REIT may be subject to wide fluctuations in response to variations in operating results, the gain or loss of significant properties, market conditions in the industry, as well as general economic conditions or other risk factors set out herein. There can be no assurance that an active public market for the Units or the other listed securities of Lakeview Hotel REIT will be sustained.

A publicly traded real estate investment trust will not necessarily trade at values determined solely by reference to the underlying value of its real estate assets. Accordingly, the Units may trade at a premium or a discount to values implied by the amount paid by the Trust for the Hotel Assets, Hotel Operations and Hotel Properties.

One of the factors that may influence the market price of the Units is the annual yield on the Units. Accordingly, an increase in market interest rates may lead purchasers of Units to demand a higher annual yield which could adversely affect the market price of the units. In addition, the market price for the Units may be affected by changes in general market conditions, fluctuations in the markets for equity securities and numerous other factors beyond the control of Lakeview Hotel REIT.

REAL PROPERTY OWNERSHIP

All real property investments are subject to elements of risk. Such investments are affected by general economic conditions, local real estate markets and various other factors.

Certain significant expenditures, including property taxes, maintenance costs, debt repayments, insurance costs and related charges must be made throughout the period of ownership of real property regardless of whether the property is producing any income.

Real property investments tend to be relatively illiquid, with the degree of liquidity generally fluctuating in relations with demand for and the perceived desirability of such investments. Such liquidity may tend to limit Lakeview Hotel REIT's ability to vary its portfolio promptly in response to changing economic or investment conditions. If the trust were to be required to liquidate its real property investments, the proceeds might be significantly less than the aggregate carrying value of its properties.

Lakeview Hotel REIT will be subject to the risks associated with debt financing, including the risk that any indebtedness will not be able to be refinanced or that the terms of such refinancing will not be as favourable as the terms of existing indebtedness.

THE HOTEL INDUSTRY

Ownership of hotels and interests in the Operating Partnership, the Licensing Partnership and the Management Partnership subjects Lakeview Hotel REIT to the operating risks inherent in the hotel industry. These risks arise from a wide range of factors, including changes in general and local economic conditions, seasonal variations in cash flow, overbuilding in the hotel industry, varying levels of demand for rooms and related services, fluctuations in the price of equipment and supplies, changes in the availability and cost of labour, competition from other hotels, changes in travel patterns, the recurring need for renovation, refurbishment and improvement of hotel properties, changes in governmental regulations that influence or determine wages, prices and construction and maintenance costs, changes in trends, technology and service requirements in the hotel industry, changes in interest rates, the availability of financing for operating or capital trends, and changes in real estate and other taxes and other operating expenses. There can be no assurance that regulatory compliance or downturns or prolonged adverse conditions in the hotel industry or real estate or capital markets or national or local economies will not have a material adverse effect on results of operations or the value of Lakeview Hotel REIT's hotel portfolio.

The hotel industry is highly competitive. Lakeview Hotel REIT competes with other national and international limited and full-service hotel companies. Hotels owned by Lakeview Hotel REIT also compete with various regional and local hotels. A number of Lakeview Hotel REIT's competitors are larger, operate more hotels, have substantially greater financial and other resources and are more widely recognized in the USA and Canada than Lakeview Hotel REIT. In addition, some of Lakeview Hotel REIT's competitors operate or may in the future develop hotel properties that have locations superior to those of Lakeview Hotel REIT's hotels. Competitive factors in the hotel industry include room rates, quality of accommodations, name recognition, service levels and convenience of location. There can be no assurance that demographic, geographic or other changes in markets in the Lakeview Hotel REIT's hotels are located will not adversely affect the convenience or desirability of certain of Lakeview Hotel REIT's hotels. Furthermore, there can be no assurance that new or existing competitors will not significantly reduce room rates or offer greater conveniences, services or amenities or significantly expand or improve facilities in markets in which Lakeview Hotel REIT's hotels compete, thereby adversely affecting Lakeview Hotel REIT's results of operations and the value of its hotel portfolio.

STAFFING

Lakeview Hotel REIT is operating in a competitive labour market in Alberta and northern British Columbia. The difficulty in retaining qualified hotel staffing could potentially impact on the results of Lakeview Hotel REIT and the value of its hotel portfolio.

AVAILABILITY OF CASH FLOW

Because items such as principal repayments and capital expenditures may be required, cash may not be available for distributions. As noted previously distributions were suspended effective February 24, 2009.

Hotel properties require continuing renovation, refurbishment and capital improvements to remain competitive. While Lakeview Hotel REIT believes that it will have adequate financial resources to fund such renovations, refurbishments and improvements, there can be no assurance that such funding will be available when required.

RISK ASSOCIATED WITH DEBT FINANCING

As a result of incurring debt, the Trust is subject to a number of risks associated with debt financing, including the risk that cash flow from operations will be insufficient to meet required payments of principal and interest; the risk that, to the extent that the Trust maintains floating rate indebtedness, interest rates will fluctuate; and risks resulting from the fact that the agreements governing loan and credit facilities contain covenants imposing certain limitations on the Trust's ability to acquire and dispose of assets.

There can be no assurance that the Trust will be able to repay or refinance existing indebtedness and any other indebtedness when it matures or that the terms of such refinancing will be favourable. The Trust's leverage may have important consequences. For example, the Trust's ability to obtain additional financing for acquisitions, working capital, capital expenditures or other purposes, if necessary, may be impaired or such financing may not be available on favourable terms. A substantial decrease in operating cash flow or an increase in expenses could make it difficult for the Trust to meet applicable debt service requirements and force the Trust to modify its operations. The Trust may have higher levels of debt than some of its competitors, placing it at a competitive disadvantage.

AVAILABILITY OF GROWTH OPPORTUNITIES

There can be no assurance that Lakeview Hotel REIT will be able to acquire assets on an accretive basis or that distributions to Unitholders will be reinstated.

ASSUMPTIONS OF MANAGEMENT

Lakeview Hotel REIT's plan of operation is based, in part, upon a financial plan prepared by management which is based on assumptions concerning future events which management consider to be reasonable in the circumstances, but which are inherently subject to uncertainty and variation which may be material. There can be no assurance that the development and implementation of Lakeview Hotel REIT's proposed business plan will be successfully completed or completed as planned. There is absolutely no representation that any of Lakeview Hotel REIT's plans will be realized in whole or in part.

ENVIRONMENTAL MATTERS

As an owner of real property, Lakeview Hotel REIT will be subject to various federal, provincial and municipal laws relating to environmental matters. Such laws provide that Lakeview Hotel REIT could be liable for the costs of removal of certain hazardous substances and remediation of certain hazardous locations. The failure to remove or remedy such substances or locations, if any, could adversely affect Lakeview Hotel REIT's ability to sell such real estate or to borrow using such real estate as collateral and could potentially also result in claims against Lakeview Hotel REIT. Lakeview Hotel REIT is not aware of any pending or threatened investigations or actions by environmental regulatory authorities in connection with any of its properties or any pending or threatened claims relating to environmental conditions at its properties.

UNITHOLDER LIABILITY

On June 16, 2005, *The Investment Trust Unitholders; Protection Act* (Manitoba) came into force. This legislation creates a statutory limitation on the liability of beneficiaries of Manitoba income trusts such as Lakeview Hotel REIT. The legislation provides that a Unitholder will not be, as a beneficiary, liable for any act, default, obligation, or liability of Lakeview Hotel REIT.

To the extent that the principles of relevant provincial, territorial and Canadian laws recognizing the limitation of liability of trust beneficiaries have not been definitively established with respect to a trust formed under the laws of one jurisdiction which have operations located in other jurisdictions and beneficiaries who are resident in other jurisdictions, it is possible that the statutory limitation described above may not be applicable to Unitholders or certain of them. See also "Declaration of Trust – Unitholder Liability".

INVESTMENT CONCENTRATION

The hotels currently in Lakeview Hotel REIT's portfolio are concentrated in Alberta and northern British Columbia. As a result, the financial performance of Lakeview Hotel REIT and its ability to pay distributions will be significantly dependent on economic and market conditions in those regions. There can be no assurance that Lakeview Hotel REIT can or will diversify its hotel portfolio by acquiring hotels in other regions.

BRAND CONCENTRATION

Lakeview Hotel REIT is subject to potential risks associated with the concentration of its hotels under a limited number of brands. A negative image or other adverse event that becomes associated with the "Lakeview" brand could adversely affect the Trust's Hotel Operations and Licensed Lakeview Properties operated under that brand. It may also decrease the market for hotels that want to license the "Lakeview" brand.

DEPENDENCE ON NATURAL RESOURCES INDUSTRIES

Lakeview Hotel REIT is significantly dependent on the oil and gas industries in Alberta, and on the mining and lumber industries in British Columbia. A downturn in the market for the raw materials produced by these industries or a change in commodity prices has had and could continue to have a significant material adverse effect on Lakeview Hotel REIT's business.

RELATIONSHIP WITH LAKEVIEW

The financial performance of Lakeview Hotel REIT will depend in part of the performance of Lakeview as the provider of management and accounting services to Lakeview Hotel REIT pursuant to the Services Agreement.

FORWARD-LOOKING STATEMENTS

This Management Discussion and Analysis may contain forward-looking statements including those in the Outlook section which reflect our expectations regarding the future growth, results of operations, performance and business prospects, and opportunities of the Lakeview Hotel REIT. Such forward-looking statements reflect our current beliefs and are based on information currently available to us. Forward-looking statements involve significant risks and uncertainties. A number of factors could cause actual results to differ materially from results discussed in the forward-looking statements, including the effects, as well as changes in national and local business conditions, levels of travel in hotel market areas, political conditions and events, competitive pressures and changes in government policy or regulations. Although the forward-looking statements contained in this MD&A are based on what we believe to be reasonable assumptions, we cannot assure readers that actual results will be consistent with these forward-looking statements.

ADDITIONAL INFORMATION

Additional information relating to Lakeview Hotel REIT, including all public filings, is available at www.sedar.com.