



**Lakeview Hotel Real Estate Investment Trust
Management Discussion and Analysis
for the Three months ended**

March 31, 2008

May 23, 2008

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 three months ended March 31, 2008. The consolidated financial statements for the three months ended March 31, 2008, 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 March 31, 2008 Lakeview Hotel REIT had acquired 16 hotels including the Fredericton property.

The results of their operations are included in the March 31, 2008 unaudited consolidated financial statements of Lakeview Hotel REIT.

The table below provides details on the hotels owned by Lakeview Hotel REIT as of March 31, 2008.

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, 2008	68
Total room count			1197

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 May 23, 2008, the following units of Lakeview Hotel REIT were issued and outstanding:

Class A Units	18,769,423
Class V Special Trust Units and Exchangeable Units	<u>500,000</u>
Total Units that participate pro rata in distribution	<u>19,269,423</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 MARCH 31, 2008

During the first quarter of 2008 Lakeview Hotel REIT entered into an agreement to acquire its 17th hotel, the Four Points By Sheraton in Prince George, British Columbia. The Prince George asset will help diversify Lakeview Hotel REIT's portfolio by reducing its overall exposure to gas drilling activity.

During the first quarter of 2008 Lakeview Hotel REIT entered into an arrangement with an independent hotel developer pursuant to which Lakeview Hotel REIT will be providing loans for a number of hotels in British Columbia and Alberta. The arrangement has been structured to provide Lakeview Hotel REIT with accretive cash flow, growth of the Lakeview brand, additional licensing and management fee revenues, and a pipeline of new hotels to acquire without exposing the REIT to ramping up risk typically associated with new hotels.

Comparing the three months ended March 31, 2008 with the same period in the previous year:

- Total number of properties owned by the REIT increased from 12 to 16.
- Total number of rooms owned by the REIT increased from 862 to 1197.
- Average room rate increased from \$111.77 to \$115.98.
- Lakeview Hotel REIT experienced decline in RevPar from \$74.63 to \$72.44 which it considers very modest given the weakness in markets dependent on gas drilling activity.

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 March 31	
	2008	2007
Occupancy Percentage ⁽¹⁾	62.46%	66.78%
Average Room Rate ⁽¹⁾	\$115.98	\$111.77
RevPar ⁽¹⁾	\$72.44	\$74.63
Rooms Occupied	67,918	51,345

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.

While average daily rates increased, occupancy and RevPar both declined for the three months ended March 31, 2008 compared to the three months ended March 31, 2007. The decline reflects the slow down in activity in markets dependent on gas drilling including much weaker results than anticipated from the two newly built hotels that were purchased in 2007, namely Lakeview Inn & Suites – Fort Nelson and Lakeview Inn & Suites – Edson Airport West. The cyclical downturn in gas drilling activity was deeper and more prolonged than anticipated.

RESULTS OF OPERATIONS

The following is a comparison of the operating results for the three months ended March 31, 2008 compared to the results of operations for the comparable period in 2007:

	Three months ended	
	<u>March 31</u> 2008	2007
Hospitality Revenue		
Room	7,962,210	5,803,919
Food & Beverage	1,104,736	942,611
Other	388,166	274,933
Total Revenue	9,455,112	7,021,463
Expenses	9,716,726	5,852,586
Net Income (Loss) before future income tax expense	(261,614)	1,168,877
Basic and diluted income (loss) before income tax per unit	(0.014)	0.064
Future (Income Tax Expense) Recovery (1)	4,000	-
Net Income (Loss)	(257,614)	1,168,877
Basic and Diluted Income (Loss) per Unit	(0.013)	0.064
Reconciliation to funds from Operations		
Add (deduct)		
Amortization of income properties	1,417,810	873,318
Amortization of franchise fees	12,321	4,950
Distributions from Lakeview Flag Licensing General Partnership	144,550	85,750
Income from Lakeview Flag Licensing General Partnership	(161,385)	(118,516)
Future income tax expense (recovery)	(4,000)	-
Funds from Operations	1,151,682	2,014,379
Basic and diluted funds from Operations per unit	0.060	0.110
Contributions to reserve account	(287,641)	(209,911)
Adjusted funds from Operations	864,041	1,804,468
Basic and diluted adjusted funds from Operations per unit	0.045	0.099
Reconciliation to distributable income		
Accretion on debt component of convertible debentures	165,609	42,036
Accretion of debentures	1,019	-
Accretion of mortgages	50,038	24,329
Distributable income	1,080,707	1,870,833
Basic and diluted distributable income per units	0.056	0.102
Distributions	2,121,563	2,017,714

1) This is a non cash charge to earnings relating to Lakeview Hotel REIT's timing differences between the accounting and tax basis of the assets and liabilities of the Trust. This change will have no impact on Lakeview Hotel REIT's cash flows or distributions.

OPERATING RESULTS REVIEW – THREE MONTHS ENDED MARCH 31, 2008

Room Revenue - For the first quarter ended March 31, 2008 room revenue increased by \$2,158,291, from \$5,803,919 for the first quarter ended March 31, 2007, to \$7,962,210. The reason for this substantial increase is that the first quarter ended March 31, 2008 included the operations of all sixteen hotels in Lakeview Hotel REIT whereas the room revenue for the first quarter ended March 31, 2007 only included the operation of twelve hotels in 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 and the Lakeview Inn & Suites, Fort Saskatchewan. Revenue is greater in the first quarter of 2008 than the same period in 2007 because the operations of the restaurant facilities of the Lakeview Inn & Suites - Fort Saskatchewan and the operations of the restaurant facility at the Lakeview Inn & Suites - Drayton Valley, were taken over by the Lakeview Hotel REIT in June, 2007.

Other Income – The increase in Other Income for the first quarter ended March 31, 2008 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 2008 first quarter results also include the operation of all sixteen hotels in Lakeview Hotel REIT as compared to only twelve hotels for the 2007 first quarter period.

Expenses – Expenses for the first quarter of 2008 increased by \$3,864,140 from \$5,852,586 for the first quarter ended March 31, 2007 to \$9,716,726. The reason for this substantial increase is that the first quarter ended March 31, 2008 included the operations of all sixteen hotels in Lakeview Hotel REIT whereas the expenses for the first quarter ended March 31, 2007 only included the operations of twelve properties.

Net Income (Loss) before future income tax expense - Net income (loss) decreased from income of \$1,168,877 for the first quarter ended March 31, 2007, to a loss of \$261,614 for the quarter ended March 31, 2008. This change can be attributed largely to the poorer performance than expected by some of the Alberta and Northern British Columbia hotels due to a reduction in the drilling activity for oil and gas. Another contribution to the decrease was the purchase of newly built hotels which are in the process of ramping up their occupancies.

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 decreased by \$790,126 from \$1,870,833 for the first quarter ended March 31, 2007 to \$1,080,707 for the first quarter ended March 31, 2008. The reason for this decrease is due to a reduction in drilling activity in oil and gas in northern British Columbia and Alberta in the first quarter of 2008 compared to 2007.

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 March 31, 2008, was \$1,151,682 compared to \$2,014,379 for the same period in 2007.

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 \$940,427 from \$1,804,468 for the three months ended March 31, 2007 to \$864,041 for the three months ended March 31, 2008.

LIQUIDITY AND CASH FLOW

At March 31, 2008 Lakeview Hotel REIT had cash and term deposits of \$1,362,146 and a balance in the reserve fund of \$1,385,531. This cash balance and term deposits are sufficient to meet Lakeview Hotel REIT's foreseeable working capital requirements. 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, through additional mortgage financing and through credit facilities the REIT has available to it.

Lakeview Management Inc. has agreed to subordinate their entitlement to distributions on the 675,000 Units currently held directly or indirectly by Lakeview Management Inc. to distributions to be made to all other Unitholders with respect to the first \$0.30 of distributions made per Unit per year for the three year period May 30, 2005 to May 30, 2008 arising out of the operations of the Lakeview Inn & Suites Fredericton, and the Black Gold Inn - Drayton Valley. In addition, Lakeview Management Inc. will not sell, assign, transfer or pledge the 675,000 Units during that three year period.

The table below reconciles net income to cash provided by operating activities for the three months ended March 31, 2008 and 2007.

	Three months ended March 31	
	2008	2007
Net income (loss) for the period	(257,614)	1,168,877
Add charges (deduct credits) to operations not requiring a current cash payment		
Amortization of income properties	1,417,810	873,318
Amortization of franchise fees, licenses, & pre-opening costs	12,321	4,950
Income from Lakeview Flag Licensing General Partnership	(161,385)	(118,516)
Accretion on debt component of convertible debentures	165,609	42,036
Future income tax expense (recovery)	(4,000)	-
Accretion of mortgages	50,038	24,329
Accretion of debentures	1,019	-
	1,223,798	1,994,994
Net change in non-cash working capital balances related to operations	<u>122,990</u>	<u>(92,297)</u>
Cash provided by operating activities	1,346,788	1,902,697

CASH PROVIDED BY OPERATING ACTIVITIES

Cash provided by operating activities was \$1,346,788 for the three months ended March 31, 2008 which decreased from \$1,902,697 cash provided by operating activities in the three months ended March 31, 2007. The decrease in cash provided by operating activities is due to reduced cash flow from the hotels for 2008 due to a slow down in drilling activity from the previous period.

CASH USED IN INVESTING ACTIVITIES

In 2008 cash was used as a deposit to purchase one hotel for a total cash consideration of \$10,318,683. Cash was also used for renovations and capital additions to hotels.

In 2007 cash was used to purchase one hotel for a total cash consideration of \$10,196,116 and for renovations to existing hotels.

CASH PROVIDED BY FINANCING ACTIVITIES

During 2008 cash provided by financing activities was raised from the proceeds from the issuance of 8.125% secured debentures of \$9,424,016 (net of financing costs).

In 2007 cash provided by financing activities was raised through a draw down of existing pre-approved Line of Credit in the amount of \$750,000.

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.

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

	Three months ended March 31	
	2008	2007
Cash provided by (used in) operating activities	1,346,788	1,902,697
Add (Deduct)		
Net change in non-cash working capital balances related to operations	(122,990)	92,297
Distributions from Lakeview Flag Licensing General Partnership	144,550	85,750
	<u>1,368,348</u>	<u>2,080,744</u>
Deduct:		
Contribution to reserve fund	(287,641)	(209,911)
Distributable Income	<u>1,080,707</u>	<u>1,870,833</u>

For the three months ended March 31, 2007 distributions of \$1,962,697 have been paid to the Class "A" unitholders and distributions of \$55,017 have been paid to the Class "E" unitholders (exchangeable units). For the three months ended March 31, 2008, distributions of \$2,066,513 have been paid to the Class "A" unitholders and distributions of \$55,050 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.

	Three months ended March 31, 2008	Year ended December 31			Period ended Dec. 31, 2004(1)	Cumulative since inception
		2007	2006	2005		
Cash flows from operating activities	1,346,788	\$6,425,653	\$5,416,638	(51,513)	158,248	13,295,814
Distributable income	1,080,707	5,480,891	5,031,211	895,282	9,334	12,497,425
Cash distributions paid	2,121,563	8,351,676	3,955,176	880,125	176,250	15,484,790
Cash flow from operating activities in excess of (less than) cash distributions	(774,775)	(1,926,023)	1,461,462	(931,638)	(18,002)	(2,188,976)
Distributable income in excess of (less than) cash distributions	(1,040,856)	(2,870,785)	1,076,035	15,157	(166,916)	(2,987,365)

(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 only \$2,188,976 when cash distributions are compared to cash flow from operating activities and \$2,987,365 when cash distributions are compared to distributable income.

The cash shortfall for 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 2007 which impacted many of the hotels owned by Lakeview Hotel REIT including new properties acquired by Lakeview Hotel REIT. These properties were expected to open with strong occupancies but instead will take time for occupancies to ramp up to anticipated levels.

SELECTED FINANCIAL INFORMATION

	Three months ended March 31	
	2008	2007
Total Revenue	\$9,455,112	\$7,021,463
Net Income (loss) Before Future Income Tax Expenses	(261,614)	1,168,877
Basic and diluted income before tax per unit	(0.014)	0.064
Total Assets	160,152,736	96,002,942
Total Long-term Liabilities	104,269,909	36,604,506
Distribution declared per unit	\$0.11	\$0.11

Increases in total revenues, assets, and long term liabilities have occurred from the previous year due to the acquisition of four hotels subsequent to March 31, 2007. Declines in net income are primarily related to lower occupancies in the Alberta and northern British Columbia hotels due to the slow down in drilling activity for oil and gas in 2007 and the first quarter of 2008.

SUMMARY OF QUARTERLY RESULTS

	<u>Q1-08</u>	<u>Q4-07</u>	<u>Q3-07</u>	<u>Q2-07</u>	<u>Q1-07</u>	<u>Q4-06</u>	<u>Q3-06</u>	<u>Q2-06</u>
Hospitality Revenue								
Rooms	7,962,210	7,125,694	\$8,241,740	\$5,400,496	\$5,803,919	\$5,279,122	\$5,113,349	\$3,666,731
Food, Beverage & Gift Shop	1,104,736	1,144,371	1,097,119	950,650	942,611	855,735	190,667	176,456
Other	388,166	396,211	373,456	265,502	274,933	363,757	291,467	246,584
Total Revenue	9,455,112	8,666,276	9,712,315	6,616,648	7,021,463	6,498,614	5,595,483	4,089,771
Expenses	9,716,726	9,232,691	8,871,227	7,069,787	5,852,586	5,641,277	4,374,853	3,528,193
Net Income (Loss) before future income tax expense	(261,614)	(566,415)	841,088	(453,139)	1,168,877	857,337	1,220,630	561,578
Basic and Diluted Income (Loss) before Tax per unit	(0.014)	(0.029)	0.044	(0.024)	0.064	0.058	0.126	0.068
Future Income Tax (Expense) Recovery	4,000	435,100	15,000	(1,184,100)	-	-	-	-
Net Income (Loss)	(257,614)	(131,315)	856,088	(1,637,239)	1,168,877	857,337	1,220,630	561,578
Basic and Diluted Income (Loss) per Unit	(0.013)	(0.007)	0.044	(0.086)	0.064	0.058	0.126	0.068
Occupancy Percentage ⁽¹⁾	62.46%	58.56%	67.06%	55.54%	66.78%	71.08%	80.45%	72.19%
Average Room Rate ⁽¹⁾	\$115.98	\$113.46	\$117.49	\$110.26	\$111.77	\$107.75	\$106.97	\$101.16
RevPar ⁽¹⁾	\$72.44	\$66.44	\$78.80	\$61.24	\$74.63	\$76.58	\$86.06	\$73.03

Note (1):

Performance Indicators and 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.

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.

OUTLOOK

Lakeview Hotel REIT's outlook has not changed since it released its year end results last month.

Lakeview Hotel REIT is anticipating stronger operating results in 2008 than in 2007 attributable in part to improving natural gas prices and drilling activity. Newly built properties that were purchased in 2007 were expected to open with much stronger operating results, but these results were severely impacted by the lack of gas drilling activity. Ramping up of

operations from these properties is expected in 2008. Improving performance from properties not dependant on gas drilling activity including the Lakeview Inns & Suites in Okotoks, Fort Saskatchewan, and Fredericton are expected. Generally improved results in the second quarter of 2008 vs the second quarter of 2007 are also anticipated. Lakeview Hotel REIT is anticipating stronger results in the second half of 2008 and going forward from its properties in northeastern British Columbia. The Lakeview Inn & Suites Fort Nelson will benefit from ongoing development of shale gas finds in the Horn River Basin. The Lakeview Inn & Suites Chetwynd will benefit from oil and gas activity in the Monkman, BC Foothills area, from development of the South Peace natural gas gathering pipeline and from the Dokie Wind Project. Lakeview Hotel REIT is also highly leveraged to the Montney Region which is expected to see more than \$200 million in capital expenditures over the next two years.

Lakeview Hotel REIT has also taken steps to both balance its portfolio and to reduce the risk associated with the ramping up of new properties. These steps should lead to more stable operating results going forward. The REIT's latest acquisitions in Calgary and Slave Lake, Alberta and in Prince George, British Columbia have reduced its overall exposure to gas drilling activity to approximately 40% of the rooms in the REIT's portfolio, down from 51%. While Lakeview Hotel REIT remains confident in and committed to markets benefiting from gas drilling activities, portfolio balancing will help stabilize cash flow in the event of any future cyclical downturn in such activity.

Lakeview Hotel REIT has also entered into a mezzanine loan program which has been structured to provide the REIT with a pipeline of new hotels to acquire without exposing the REIT to ramping up risks typically associated with the acquisition of new hotels.

Lakeview Hotel REIT does not anticipate any changes to its distribution policy in 2008.

RELATED PARTY TRANSACTIONS

Lakeview REIT recorded the following transactions with related parties during the three months ended March 31, 2008:

1. Marketing expenses in the amount of \$101,543 were charged by Lakeview Management Inc. to Lakeview Hotel REIT for the three months ended March 31, 2008. The marketing expense is currently calculated at 1.5% of room revenue of the hotel and is paid on a monthly basis.

Accounting fees in the amount of \$124,683 were charged by Lakeview Management Inc. to Lakeview Hotel REIT for the three months ended March 31, 2008. 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 \$101,543 were charged by Lakeview Management Inc. to Lakeview Hotel REIT for the three months ended March 31, 2008. 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 March 31, 2008 related to the above charges including the asset management fee were \$122,492.

2. License fees for the three months ended March 31, 2008 were charged by Lakeview Flag Licensing General Partnership to Lakeview Hotel REIT in the amount of \$270,688 of which 51% or \$138,051 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 March 31, 2008 accrued payables related to the above were \$101,210, which amount was subsequently paid.

3. Management fees for the three months ended March 31, 2008 were charged by Lakeview Flag Management General Partnership to Lakeview Hotel REIT in the amount of \$436,344 of which 75% or \$327,258 is 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 March 31, 2008 accrued payables related to the above were \$126,671. This amount was subsequently paid.

4. A movie rental fee in the amount of \$47,861 was charged by Free to Guest Movies Ltd. to Lakeview Hotel REIT for the three months ended March 31, 2008. 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 March 31, 2008 a total of \$14,917 was paid to XYZ Design Inc. for those services.

6. 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 March 31, 2008 were charged in the amount of \$108,203.

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.

7. 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.

8. 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 1.5% 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.

SUBSEQUENT EVENTS

Effective April 3, 2008 Lakeview Hotel REIT acquired the Four Points By Sheraton hotel located in Prince George, British Columbia for total consideration of \$9,750,000 plus closing adjustments. The cash consideration for this purchase was financed by the public offering of the \$10,250,000 of Series A Senior Secured Debentures plus working capital.

Effective May 8, 2008 Lakeview Hotel REIT, through a public offering, issued \$10,000,000 of 5 year 8.5% Series D Convertible Redeemable Subordinate Debentures (the "Debentures"). The Debentures will mature on May 31, 2013 and are convertible at the holder's option, into Units at any time prior to maturity at \$3.75 per Unit. The net proceeds from the offering will be used to establish a mezzanine loan facility, for working capital and for general purposes.

Lakeview Hotel REIT has entered into an arrangement with an independent hotel developer pursuant to which Lakeview Hotel REIT will be providing mezzanine loans for a number of hotels in British Columbia and Alberta. Lakeview Hotel REIT will be charging interest on these loans at a rate of 12% per annum with interest compounded and payable monthly. The hotels will be licensed and operated as Lakeview Inn & Suites and will be paying license fees to Lakeview Flag Licensing General Partnership. Additionally, Lakeview Hotel REIT will have an option to acquire each of the hotels for which mezzanine financing is provided at any time up to the later of the date of the second anniversary of the opening date of each hotel or the date such loan is repaid in full.

Lakeview Hotel REIT has entered into various commitments for an estimated \$500,000 of renovations to the Lakeview Signature Inn – Calgary. As part of these costs, XYZ Design Inc. is charging a design fee of 4% and Lakeview Management Inc. is charging a development fee of 5%.

SIGNIFICANT ACCOUNTING POLICIES

Note 1 to Lakeview Hotel REIT's unaudited consolidated financial statements for the three months ended March 31, 2008 summarizes Lakeview Hotel REIT's significant accounting policies.

CAPITAL DISCLOSURES AND FINANCIAL INSTRUMENTS – PRESENTATION AND DISCLOSURE

The CICA issued three new accounting standards: Section 1535, "Capital Disclosures"; Section 3862, "Financial Instruments – Disclosures"; and Section 3863, "Financial Instruments – Presentation". These new standards have been adopted by Lakeview Hotel REIT effective January 1, 2008.

Section 1535 establishes disclosure requirements about an entity's capital and how it is managed. The purpose is to enable users of the financial statements to evaluate the entity's objectives, policies and processes for managing capital.

Sections 3862 and 3863 replaced Section 3861, "Financial Instruments – Disclosure and Presentation", revising and enhancing its disclosure requirements, and carrying forward the presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risk arising from financial instruments and how the entity manages those risks.

FUTURE CHANGES TO CANADIAN GAAP

International Financial Reporting Standards (“IFRS”)

In 2005, the 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 GAAP, there are significant differences in accounting policy that must be addressed. While Lakeview Hotel REIT has begun assessing the adoption of IFRS for 2011, the financial impact of the transition to IFRS cannot be reasonably estimated at this time.

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 5% floating per annum. The loan term is five years on a demand basis and the payments are interest only and paid monthly. As at March 31, 2008, \$5,780,000 was available to the REIT through the PAL.

At March 31, 2008 Lakeview Hotel REIT had a reserve fund of \$1,385,531 made up as follows:

Reserve Fund December 31, 2007	\$1,237,214
Contributions during the first three months of 2008	287,641
Distributions during the first three months of 2008	(139,324)
	<u>\$1,385,531</u>

It is expected that the reserve fund plus the monthly contribution of 4% of monthly room revenue for the Fredericton hotel, and the monthly contribution of 3% of monthly room revenue for all other hotels will be sufficient to fund maintenance expenditures required for the year for these hotels. As new hotels are acquired the need for maintenance expenditures is assessed and quantified.

Under two offerings the 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 March 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 June 20, 2007, under 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 occurring 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.

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 27.2% 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 March 31, 2008 Lakeview Hotel REIT had no undisclosed Off-Balance Sheet Arrangements.

RISKS AND UNCERTAINTIES

Lakeview Hotel REIT has focused its effort in the Alberta and northern British Columbia markets. These markets have previously benefited from strong demand for hotel rooms from the oil and gas sectors and from a shortage of room supply.

The performance of Lakeview Hotel REIT has been and may continue to be affected by new room supply coming into the Alberta and northern BC markets. New room supply has had a dampening affect on hotel occupancy and RevPar.

The performance of Lakeview Hotel REIT may be impacted by lower commodity prices which may result in reduced levels of drilling and exploration work in Alberta and northern British Columbia. A general slow down in the economy may have a similar impact on Lakeview Hotel REIT.

Lakeview Hotel REIT is operating in a tight labour market in Alberta and northern British Columbia. The difficulty in retaining qualified hotel staff could potentially impact on the results of the REIT.

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.