



**Lakeview Hotel Real Estate Investment Trust
Management Discussion and Analysis
for the three and nine months ended
September 30, 2006**

November 24, 2006

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 nine months ended September 30, 2006. The consolidated financial statements for the nine months ended September 30, 2006, 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.

The eight hotels listed below were purchased subsequent to the acquisition of Lakeview Inn & Suites – Fredericton with the results of their operations included in the September 30, 2006 unaudited consolidated financial statements of Lakeview Hotel REIT.

Property	Date of Purchase	Date of Conversion to Lakeview Inns & Suites
Best Western Black Gold Inn – Drayton Valley	June 1, 2005	December 1, 2005
Ramada Limited & Suites - Hinton	November 4, 2005	November 4, 2005
Best Western Okotoks Lodge - Okotoks	January 6, 2006	July 1, 2006
Best Western Fort Inn & Suites – Fort Saskatchewan	January 13, 2006	July 1, 2006
Super 8 Toronto North - Vaughan	March 17, 2006	N/A
Super 8 Motel - Edson	April 7, 2006	April 7, 2006
Ramada Limited - Whitecourt	May 31, 2006	May 31, 2006
Holiday Inn Express & Suites – Sherwood Park	June 1, 2006	N/A

In addition to income earned from hotel operations Lakeview Hotel REIT also earns income from licensing fees charged to 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 November 24, 2006, the following units of Lakeview Hotel REIT were issued and outstanding:

Class A Units	17,589,652
Class V Special Trust Units and Exchangeable Units	<u>500,000</u>
Total Units that participate pro rata in distribution	<u>18,089,652</u>
Class T Special Trust Unit (1)	<u><u>1</u></u>

(1) (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.

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 September 30		Nine months ended September 30	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Occupancy Percentage ⁽¹⁾	80.45%	85.03%	74.92%	73.54%
Average Room Rate ⁽¹⁾	\$106.97	\$88.73	\$104.19	\$85.65
RevPar ⁽¹⁾	\$86.06	\$75.44	\$78.06	\$62.99
Rooms Occupied	47,961	14,864	108,869	28,079

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.

The key performance measures have shown a strong increase in average room rate and RevPar for the three months and nine months ended September 30, 2006 compared to the three months and nine months ended September 30, 2005. The increase reflects the higher room rates that are being generated by the hotels purchased in Alberta.

RESULTS OF OPERATIONS

The following is a comparison of the operating results for the three month and nine month periods ended September 30, 2006 to the results of operations for the comparable period in 2005:

	Three months ended September 30		Nine months ended September 30	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Hospitality Revenue				
Room	\$5,113,349	\$1,319,007	\$11,337,757	\$2,404,893
Food & Beverage	190,667	209,643	571,933	276,043
Other	<u>291,467</u>	<u>163,523</u>	<u>746,307</u>	<u>283,832</u>
Total Revenue	5,595,483	1,692,173	12,655,997	2,964,768
Expenses	<u>4,374,853</u>	<u>1,482,403</u>	<u>10,651,612</u>	<u>2,986,733</u>
Net Income (Loss)	<u>1,220,630</u>	<u>209,770</u>	<u>2,004,385</u>	<u>(21,965)</u>
Basic and Diluted Income (Loss)/Unit	<u>0.126</u>	<u>0.067</u>	<u>0.256</u>	<u>(0.011)</u>

OPERATING RESULTS REVIEW –THREE MONTHS ENDED SEPTEMBER 30, 2006

Room Revenue - For the third quarter of 2006 room revenue increased by \$3,794,342, from \$1,319,007 for the third quarter ended September 30, 2005 to \$5,113,349 for the third quarter ended September 30, 2006. The reason for this substantial increase is that the quarter ended September 30, 2006 included the operations of all nine hotels in Lakeview Hotel REIT whereas the room revenue for the third quarter ended September 30, 2005 only included the operation of the Lakeview Inn & Suites –Fredericton hotel and the operation of the Lakeview Inn & Suites –Drayton Valley.

Food & Beverage – Revenue is earned due to the Lakeview Inn & Suites - Drayton Valley having a restaurant facility and while the restaurant is leased, revenue is generated from food and beverage sales in the hotel lounge and from room service.

Other Income –The increase in Other Income for the third quarter ended September 30, 2006 is due to the income from Lakeview Flag Licensing General Partnership which will continue to grow as more Lakeview Inn & Suites are added to the hotels owned by Lakeview Hotel REIT which increases the license fees charged. The 2006 third quarter results also include the operation of all nine hotels in Lakeview Hotel REIT as compared to only 2 hotels for the 2005 period.

Expenses –Expenses for the third quarter of 2006 increased by \$2,892,450 from \$1,482,403 for the third quarter ended September 30, 2005 to \$4,374,853 for the third quarter ended September 30, 2006. The reason for this substantial increase is that the third quarter ended September 30, 2006 included the operations of all nine hotels in Lakeview Hotel REIT whereas the expenses for the third quarter ended September 30, 2005 only included the operations of two properties.

Net Income - Net income increased from \$209,770 for the third quarter ended September 30, 2005, to income of \$1,220,630 for the third quarter ended September 30, 2006. The increase in net income of \$1,010,860 can be attributed to properties acquired subsequent to September 30, 2005.

OPERATING RESULTS REVIEW –NINE MONTHS ENDED SEPTEMBER 30, 2006

Room Revenue - Room revenue increased by \$8,932,864 from \$2,404,893 for the nine months ended September 30, 2005, to \$11,337,757 for the nine months ended September 30, 2006. The increase is related to an increase in the number of hotels owned by Lakeview Hotel REIT.

Food & Beverage –The increase in Food & Beverage revenue is related to nine months of operations in Lakeview Inn & Suites –Drayton Valley in 2006 vs only four months of operations in the comparable period in 2005.

Other Income –The increase in Other Income for the nine months ended September 30, 2006 is largely due to the additional revenue generated by the Lakeview Inn & Suites - Drayton Valley specifically related to VLT income and restaurant lease income as well as the inclusion of the operations of the acquired hotels during 2006 which were not included in the 2005 results. The increase is also due in part to an increase in the income from Lakeview Flag Licensing General Partnership.

Expenses – Expenses for the nine months increased by \$7,664,879 from \$2,986,733 for the nine months ended September 30, 2005 to \$10,651,612 for the nine months ended September 30, 2006. The reason for this substantial increase relates to the increase in the number of hotels owned by Lakeview Hotel REIT in 2006.

Net Income (Loss) - Net income increased from a loss of (\$21,965) for the nine months ended September 30, 2005, to income of \$2,004,385 for the nine months ended September 30, 2006. The increase in net income of \$2,026,350 can be attributed to properties acquired subsequent to September 30, 2005.

LIQUIDITY AND CASH FLOW

At September 30, 2006 Lakeview Hotel REIT had cash and term deposits of \$1,779,697 and a balance in the reserve fund of \$420,333. 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.

It is anticipated that future expansion of the Lakeview Hotel REIT will be financed through the raising of capital by the sale of units, through debenture offerings, through additional mortgage financing and through credit facilities the REIT anticipates will be available to it.

In accordance with the terms of a certain Subordination Agreement dated May 30, 2005 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 the three year period.

The table below reconciles net income to cash flow from operations for the three months and nine months ended September 30, 2006 and 2005.

	Three months ended September 30		Nine months ended September 30	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Net income (loss) for the period	1,220,630	209,770	2,004,385	(21,965)
Add charges (deduct credits) to operations not requiring a current cash payment				
Amortization of income properties	621,630	150,282	1,492,262	285,484
Amortization of deferred financing costs	63,953	28,645	161,053	73,942
Amortization of franchise fees	4,325	-	6,843	-
Compensation costs of unit options	-	9,250	45,000	9,250
Income from Lakeview Flag Licensing General Partnership	(113,350)	(51,038)	(244,260)	(124,242)
Accretion on liability component of convertible debentures	<u>47,206</u>	<u>59,687</u>	<u>173,540</u>	<u>150,512</u>
	1,844,394	406,596	3,638,823	372,981
Net change in non-cash working capital balances related to operations	<u>(16,036)</u>	<u>(3,338,433)</u>	<u>514,727</u>	<u>(3,385,818)</u>

Cash provided by (used in) operating activities	<u>1,828,358</u>	<u>(2,931,837)</u>	<u>4,153,550</u>	<u>(3,012,837)</u>
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CASH PROVIDED BY OPERATING ACTIVITIES

Cash provided by operating activities was \$1,828,358 in the three months ended September 30, 2006 which increased from (\$2,931,837) cash used in operating activities in the three months ended September 30, 2005. The major reasons for the increase in cash provided by operating activities is the increase in profits from 2005 to 2006 and the higher non-cash amortization charge for the 2006 period. In addition, the amounts held in deposit for the acquisition of hotels declined in 2006 over 2005.

INVESTING ACTIVITIES

During the three month period ended September 30, 2006 cash was used for capital expenditures for the hotels including signs and renovations.

FINANCING ACTIVITIES

During the three month period ended September 30, 2006 cash was used for the repayment of the Pre-Approved Line of Credit in the amount of \$530,000.

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. 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 have approved a further increase in the monthly distribution of \$0.0333 per unit to \$0.0367 per unit.

Distributable cash is calculated in accordance with the provisions of the Lakeview Hotel REIT Declaration of Trust as follows:

	Three months ended September 30		Nine months ended September 30	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Cash provided by (used in) operating activities	1,828,358	(2,931,837)	4,153,550	(3,012,837)
Add (Deduct):				
Net change in non-cash working capital balances related to operations	16,034	3,338,433	(514,727)	3,385,818
Distributions from Lakeview Flag Licensing General Partnership	<u>105,840</u>	<u>49,980</u>	<u>224,420</u>	<u>117,600</u>
	1,950,234	456,576	3,863,243	490,581
Deduct:				
Mortgage principal repayments	(241,862)	(70,783)	(511,663)	(129,124)
Contribution to reserve fund	<u>(127,243)</u>	<u>(57,811)</u>	<u>(300,371)</u>	<u>(103,603)</u>
Distributable cash available ⁽¹⁾	<u>1,581,829</u>	<u>327,982</u>	<u>3,051,209</u>	<u>257,854</u>
Add:				
Trust Expenses	44,569	74,038	135,963	145,110
Mortgage principal repayments	<u>241,162</u>	<u>70,783</u>	<u>511,663</u>	<u>129,124</u>
AFFO ⁽¹⁾	<u>1,867,560</u>	<u>472,803</u>	<u>3,698,835</u>	<u>532,088</u>
AFFO Payout Ratio ⁽¹⁾	<u>52.69%</u>	<u>49.57%</u>	<u>60.40%</u>	<u>73.65%</u>

Note (1): Distributable cash available, adjusted funds from operations (AFFO) and AFFO Payout Ratio are not standardized measures under GAAP and, therefore, may not be comparable to similarly titled measures used by other trusts.

For the three month period ended September 30, 2005 distributions of \$196,875 have been paid to the Class "A" unitholders and distributions of \$37,500 have been paid to the Class "E" unitholders (exchangeable units). For the three month period ended September 30, 2006, distributions of \$934,010 have been paid to the Class "A" unitholders and distributions of \$50,000 have been paid to the Class "E" unitholders (exchangeable units).

For the nine month period ended September 30, 2005 distributions of \$304,375 have been paid to the Class "A" unitholders and distributions of \$87,500 have been paid to the Class "E" unitholders (exchangeable units). For the nine month period ended September 30, 2006, distributions of \$2,146,518 have been paid to the Class "A" unitholders and distributions of \$145,000 have been paid to the Class "E" unitholders (exchangeable units).

SELECTED FINANCIAL INFORMATION

	Three months ended September 30		Nine months ended September 30	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Total Revenue	\$5,595,483	\$1,692,173	\$12,655,997	\$2,964,768
Net Income (Loss)	1,220,630	209,770	2,004,385	(21,965)
Net Income (Loss) on a basic and diluted income (loss) per unit	0.126	0.067	0.256	(0.011)
Total Assets	70,132,910	26,448,609	70,132,910	26,448,609
Total Long-term Liabilities	41,119,842	12,792,862	41,119,842	12,792,862
Distribution declared per unit	\$0.10	\$0.075	\$0.29	\$0.175

Increases in balances have occurred from the previous year due to the acquisition of seven hotels subsequent to September 30, 2005.

SUMMARY OF QUARTERLY RESULTS

	<u>Q3-06</u>	<u>Q2-06</u>	<u>Q1-06</u>	<u>Q4-05</u>	<u>Q3-05</u>	<u>Q2-05</u>	<u>Q1-05</u>	<u>Q4-04</u>
Hospitality Revenue								
Rooms	\$5,113,349	\$3,666,731	\$2,557,677	\$1,496,921	\$1,319,007	\$667,656	\$418,230	\$420,596
Food & Beverage	190,667	176,456	204,810	246,239	209,643	66,400	-	-
Other	<u>291,467</u>	<u>246,584</u>	<u>208,256</u>	<u>210,911</u>	<u>163,523</u>	<u>77,221</u>	<u>43,088</u>	<u>48,369</u>
Total Revenue	5,595,483	4,089,771	2,970,743	1,954,071	1,692,173	811,277	461,318	468,965
Expenses	<u>4,374,853</u>	<u>3,528,193</u>	<u>2,748,566</u>	<u>1,713,236</u>	<u>1,482,403</u>	<u>865,735</u>	<u>638,595</u>	<u>653,659</u>
Net Income (Loss)	<u>1,220,630</u>	<u>561,578</u>	<u>222,177</u>	<u>240,835</u>	<u>209,770</u>	<u>(54,458)</u>	<u>(177,277)</u>	<u>(184,694)</u>
Basic and Diluted Income (Loss) per Unit	<u>0.126</u>	<u>0.068</u>	<u>0.041</u>	<u>0.044</u>	<u>0.067</u>	<u>(0.038)</u>	<u>(0.151)</u>	<u>(0.157)</u>
Occupancy Percentage ⁽¹⁾	80.45%	72.19%	70.53%	79.46%	85.03%	68.5%	59.02%	57.3%
Average Room Rate ⁽¹⁾	\$106.97	\$101.16	\$100.86	\$100.40	\$88.73	\$83.04	\$80.13	\$80.52

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.

A review of the quarterly results show that the third quarter of 2006 was the fifth consecutive quarter that net income was generated. The addition of hotels has resulted in a more consistent cash flow for Lakeview Hotel REIT and has helped to reduce the seasonal nature of the results of operations.

OUTLOOK

Lakeview Hotel REIT will continue its growth through the acquisition of hotels and will attempt to increase cash flow through the implementation of proper management practices at the hotels it acquires. The primary focus of Lakeview Hotel REIT has been hotel acquisitions in the province of Alberta and northern British Columbia. Including hotels purchased in 2006, seven of the first nine Lakeview Hotel REIT owned hotels are located in Alberta and the three new acquisitions are located in northern British Columbia.

RELATED PARTY TRANSACTIONS

Lakeview Hotel REIT recorded the following transactions with related parties during the three months ended September 30, 2006:

1. At September 30, 2006, Lakeview Hotel REIT had accrued the September accounting fees, reservation fee and marketing fee in the amount of \$56,850 which was payable to Lakeview Management Inc. - a Unitholder of Lakeview Hotel REIT.

Marketing expenses in the amount of \$38,316 were charged by Lakeview Management Inc. to Lakeview Hotel REIT for the three months ended September 30, 2006. The marketing expense is calculated at 1% of room revenue of the hotel and is paid on a monthly basis.

Accounting fees in the amount of \$67,958 were charged by Lakeview Management Inc. to Lakeview Hotel REIT for the three months ended September 30, 2006. The fee is prorated based on an annual fee of \$30,000 per hotel owned by Lakeview Hotel REIT during the year.

Reservation fees in the amount of \$57,474 were charged by Lakeview Management Inc. to Lakeview Hotel REIT for the three months ended September 30, 2006. 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.

2. At September 30, 2006 Lakeview Hotel REIT owed Lakeview Flag Licensing General Partnership license fees for the month of September in the amount of \$53,328, which were subsequently paid. Lakeview Hotel REIT has a 49% interest in Lakeview Flag Licensing General Partnership.

License fees for the three months ended September 30, 2006 were charged by Lakeview Flag Licensing General Partnership to Lakeview Hotel REIT in the amount of \$153,264. The license fees are charged based on 4% of gross room revenue for the period.

3. At September 30, 2006 Lakeview Hotel REIT owed Lakeview Flag Management General Partnership management fees for the month of September in the amount of \$71,113 which were subsequently paid. Lakeview Hotel REIT has a 50% interest in the Lakeview Flag Management General Partnership.

Management fees for the three months ended September 30, 2006 were charged by Lakeview Flag Management General Partnership to Lakeview Hotel REIT in the amount of \$204,688. The management fees are charged based on 5% of gross revenue.

4. A movie rental fee in the amount of \$25,108 was charged by Free to Guest Movies Ltd. to Lakeview Hotel REIT for the three months ended September 30, 2006. The fee is charged based on a rental fee of \$924 per month per hotel. Free to Guest Movies Ltd. is a company related to Lakeview Management Inc. through common control.

5. 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, and its Chief Financial Officer, Mr. Rudy Beyer. Mr. Levit serves as Lakeview Hotel REIT's President, Mr. Etkin serves as Lakeview Hotel REIT's Executive Vice-President and Mr. Beyer serves as Lakeview Hotel REIT's Chief Financial Officer, and each has agreed to devote the amount of time necessary to the proper management of Lakeview Hotel REIT.

Pursuant to the Services Agreement, Lakeview Hotel REIT agreed to remunerate Lakeview Management Inc. initially on the basis of the issuance of options to acquire 50,000 Units at \$1.00 per Unit exercisable upon issuance and expiring three years after Closing of the Qualifying Transaction. The options were all exercised at Closing. As the scope of the services required by Lakeview Hotel REIT expands over time, the remuneration provision of the Services Agreement will be modified to reflect remuneration commensurate with customary, comparable market fees. In August, 2006, the Governance and Compensation Committee of the Board of Trustees of the Trust determined that the remuneration of Lakeview Management Inc., pursuant to the Services Agreement, should be modified to reflect customary comparable market asset management fees.

Effective October 1, 2006, Lakeview Management Inc. will charge an asset management fee based on 0.3% of the Net Book Value of Income Properties. The fee will be paid monthly on the last day of every month and will be based on the Net Book Value of Income Properties at the end of the previous month.

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 15, 2009.

6. Hotel Management Agreements

Pursuant to the Hotel Management Agreements, Lakeview Management Inc. and Lakeview Hotel REIT will 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.) will receive 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 Management Inc. will initially be paid \$30,000.00 per hotel for accounting services subject to increases related to changes in the consumer price index in the province each hotel is located in.

The management fees to be charged by the Lakeview Flag Management General Partnership and the accounting fees charged by Lakeview Management Inc. will 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 these agreements is 50 years.

7. License Agreements

Pursuant to the License Agreements, Lakeview Management Inc. and Lakeview Hotel REIT will jointly license certain hotel properties through Lakeview Flag Licensing General Partnership. An individual license agreement has been entered into with each of the hotels listed below. Income will be 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. A 4% license fee was charged on the gross room revenue of Lakeview Inn & Suites-Fredericton hotel, and effective December 1, 2005, for the Lakeview Inn & Suites - Drayton Valley, and November 4, 2005, for the Lakeview Inn & Suites, Hinton.

Effective April 7, 2006 the Lakeview Inn & Suites – Edson and effective May 31, 2006 Lakeview Inn & Suites - Whitecourt were charged a 4% license fee, and effective July 1, 2006 the Best Western Okotoks Lodge and the Best Western Fort Inn & Suites were converted to Lakeview Inn & Suites hotels and were charged a 4% license fee from that date.

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.

The License Agreements also provide that 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.

SUBSEQUENT EVENTS

- a) In August, 2006, the Governance and Compensation Committee of the Board of Trustees of the Trust determined that the remuneration of Lakeview Management Inc., pursuant to the Services Agreement, should be modified to reflect customary comparable market asset management fees.

Effective October 1, 2006, Lakeview Management Inc. will charge an asset management fee based on 0.3% of the Net Book Value of Income Properties. The fee will be paid monthly on the last day of every month and will be based on the Net Book Value of Income Properties at the end of the previous month.

- b) On November 8, 2006, the Lakeview Hotel REIT issued, under a private placement, 8,000,000 Class A Units at a price of \$4.00 per Unit. Total gross proceeds were \$32,000,000 before offering costs of approximately \$2,140,000.
- c) On October 13, 2006, the Lakeview Hotel REIT received an additional \$2,000,000 under the Pre-Approved Line of Credit.
- d) On November 15, 2006, with proceeds from the private placement in (b) above, the Lakeview Hotel REIT fully repaid the second mortgage on the Lakeview Inn & Suites – Drayton Valley in the amount of \$500,000 as well as the first mortgage on the Lakeview Inn & Suites – Hinton in the amount of \$3,570,248 (plus the \$25,000 mortgage breakage fee).

- e) Effective October 16, 2006, the Lakeview Hotel REIT acquired the business only of the Ramada Limited Hotel and the Fogg n Suds restaurant located in Fort St. John, British Columbia for total consideration of \$815,000 plus closing adjustments. The hotel was immediately converted to and operated as a Lakeview Inn & Suites hotel . On November 10, 2006 the land and building were also acquired for total consideration of \$7,875,000 plus closing adjustments. As at September 30, 2006, a deposit of \$100,000 had been made against the purchase price. The cash consideration for this purchase was financed by a combination of proceeds from the private placement in (b) above and the additional funding under the Pre-Approved Line of Credit in (c) above.

- f) Effective October 24, 2006, the Lakeview Hotel REIT acquired the business only of the Days Inn Hotel located in Chetwynd, British Columbia for total consideration of \$445,000 plus closing adjustments. The hotel was immediately converted to and operated as a Lakeview Inn & Suites hotel . On November 9, 2006, the land and building were also acquired for total consideration of \$6,693,500 plus closing adjustments. As at September 30, 2006, a deposit of \$25,000 had been made against the purchase price. The cash consideration for this purchase was financed by a combination of proceeds from the private placement in (b) above and the additional funding under the Pre-Approved Line of Credit in (c) above.

PROPOSED TRANSACTIONS

On September 26, 2006 the Lakeview Hotel REIT signed a Letter of Intent relating to the acquisition of a hotel currently under construction in Fort Nelson, British Columbia for a total consideration of \$10,045,000. This acquisition is expected to close during the first quarter of 2007. The purchase price will be paid from the remaining proceeds of the November 8, 2006 private placement. Funds to purchase the hotel have been placed in an interest bearing term deposit.

DISCLOSURE CONTROLS & PROCEDURES

The Chief Executive Officer and the Chief Financial Officer, together with other management, as at September 30, 2006, have concluded, based upon their evaluation of Disclosure Controls and Procedures, that Lakeview Hotel REIT 's Disclosure Controls and Procedures were adequate and effective to provide reasonable assurance that material information relating to Lakeview Hotel REIT (and its subsidiary entities) would have been made known to them.

CHANGES IN ACCOUNTING POLICIES

The financial statements for the three months ended September 30, 2006 have been prepared in accordance with the accounting policies discussed in the consolidated financial statements for the year ended December 31, 2005.

CAPITAL RESOURCES AND CAPITAL EXPENDITURES

The first mortgage lender on the following hotels: Best Western Okotoks Lodge, Best Western Fort Inn & Suites, Lakeview Inn & Suites - Fredericton, and the Super 8 Motel in Vaughan provided a pre-approved line of credit (PAL) up to the difference between 75% of appraised value of the properties taken under security and the amount of the first mortgages on the properties plus any secondary debt placed on the properties and this amount will be available in the form of a revolving acquisition line. The interest rate on the pre-approved line is equal to the annual rate of interest applicable to a one month Canadian Dollar Banker's Acceptance plus 5%. The loan term is five years on a demand basis and the payments are interest only and paid monthly. As at September 30, 2006 \$2,530,000 was available to the REIT through the pre-approved line.

Lakeview Hotel REIT has received a Loan Commitment letter confirming that G.E. Capital will advance a \$5,440,000 first mortgage to Lakeview Inn & Suites – Drayton Valley bearing interest at the five year GOC rate at the time that funds are advanced + 2.1% compounded semi-annually and for a 5 year term. A request has been made to obtain these mortgage funds which will be used to pay off the existing mortgage on the hotel which will require the payment of a \$25,000 mortgage breakage fee. The excess proceeds will be used to pay down the current PAL outstanding.

At September 30, 2006 Lakeview Hotel REIT had a reserve fund of \$420,333 made up as follows:

Reserve Fund December 31, 2005	\$175,612
Contributions	300,371
Distributions	(55,653)
	\$420,333

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. It is expected that capital expenditures of about \$150,000 will be spent in the Super 8 – Toronto North hotel to install a humidifier and duct system in the pool area.. The cash required for these expenditures will be financed through working capital.

Under two offerings the Lakeview Hotel REIT issued \$4,500,000 of 10% subordinate convertible debentures on April 15, 2004 and issued an additional \$1,500,000 of 9% subordinate convertible debentures on May 30, 2005. As at September 30, 2006, \$2,107,000 of the first series of debentures were converted, resulting in the issuance of 842,800 Class "A" Units of Lakeview Hotel REIT.

As well, \$580,000 of the convertible debentures issued May 30, 2005 were converted at a price of \$2.90 resulting in the issuance of 199,990 Class A Units of Lakeview Hotel REIT.

Subsequent to September 30, 2006, \$146,000 of the convertible debentures issued April 15, 2004 were converted at a price of \$2.50 into 58,400 Class A Units.

OFF -BALANCE SHEET ARRANGEMENTS

As at September 30, 2006 Lakeview Hotel REIT had no undisclosed Off-Balance Sheet Arrangements.

FINANCIAL INSTRUMENTS

The Lakeview Hotel REIT is not exposed to significant currency or credit risks. The REIT is exposed to interest risk as it relates to two of the mortgages with prime-based floating interest rates, the pre-approved line of credit loan, and the renewal and refinancing of all of its mortgages as they become due.

RISKS AND UNCERTAINTIES

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

The performance of Lakeview Hotel REIT may be affected by new room supply coming into the Alberta and northern BC markets. New room supply could potentially have 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 staffing could potentially impact on the results of the REIT.

On October 31, 2006 the Minister of Finance announced proposals to change the taxation of income trusts. As stated in the background paper accompanying the Minister's announcement, certain real estate investment trusts (REITs) will be exempt from the proposed new tax rules. Lakeview Hotel REIT has reviewed the requirements to qualify as a real estate investment trust as set out in the background paper. Based on its review, Lakeview Hotel REIT is of the opinion that there is good reason to believe that it does qualify as a REIT and thus will likely be exempt from the proposed income trust tax legislation.

Lakeview Hotel REIT is of the opinion that there is good reason to believe it will be excluded from the proposed income trust tax changes, however, depending on the specific legislation enacting the proposed changes, it is possible that Lakeview Hotel REIT will be subject to the new tax regime. Should Lakeview Hotel REIT be subject to the proposed changes there is a four-year transition period before the proposed changes would apply to Lakeview Hotel REIT. During this transition period, Lakeview Hotel REIT will consider alternative measures in order to qualify for the REIT exemption under the proposed changes.

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.