



**Lakeview Hotel Real Estate Investment Trust
Management Discussion and Analysis
for the three and nine months ended
September 30, 2007**

November 27, 2007

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, 2007. The consolidated financial statements for the nine months ended September 30, 2007, have been prepared by and are the responsibility of management and have been prepared in accordance with Canadian generally accepted accounting principles (GAAP). 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 September 30, 2007 Lakeview Hotel REIT had acquired 15 hotels including the Fredericton property.

The results of their operations are included in the September 30, 2007 unaudited consolidated financial statements of Lakeview Hotel REIT.

The table below provides details on the hotels owned by Lakeview Hotel REIT as of September 30, 2007.

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
Total room count			1129

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 27, 2007, 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) (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 – 3 MONTHS ENDED SEPTEMBER 30, 2007

- Total revenues at \$9.7 million increased by over 73% when compared to the 3 months ended September 30, 2006. Total revenues were over 46% higher than they were in the 3 months ended June 30, 2007.
- Lakeview REIT returned to profitability compared to the second quarter with Net Income before Future Income Tax Expenses of \$841,088.
- The REIT achieved portfolio occupancy of 67.06%, the highest quarterly occupancy since the 3 months ended December 31, 2006.
- The REIT achieved its highest ever quarterly average daily room rate of \$117.49.

- The REIT achieved Revenue per Available Room (RevPAR) of \$78.80; the highest quarterly RevPAR the REIT has achieved since the 3 months ended September 30, 2006.
- Distributable Income increased to \$2,029,672 in the current quarter from Distributable Income of \$781,733 in the previous quarter and were in line with the distributions declared by the REIT of \$2,121,563.

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>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Occupancy Percentage ⁽¹⁾	67.06%	80.45%	63.21%	74.92%
Average Room Rate ⁽¹⁾	\$117.49	\$106.97	\$114.11	\$104.19
RevPar ⁽¹⁾	\$78.80	\$86.06	\$72.13	\$78.06
Rooms Occupied	69,576	47,961	170,011	108,864

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 and nine months ended September 30, 2007 compared to the three months and nine months ended September 30, 2006. The decline reflects the slow down in activity in markets dependent on oil and gas drilling as well as much lower 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.

If the two newly built hotels purchased in 2007 were excluded from the above numbers, then RevPar for the three months ended September 30, 2007 would have been \$85.51 and RevPar for the nine months ended September 30, 2007 would have been \$77.93 which are very close to the RevPar numbers achieved in 2006 for the same periods.

RESULTS OF OPERATIONS

The following is a comparison of the operating results for the three month and nine month periods ended September 30, 2007 compared to the results of operations for the comparable period in 2006:

	Three months ended		Nine months ended	
	September 30		September 30	
	2007	2006	2007	2006
Hospitality Revenue				
Room	\$8,241,740	\$5,113,349	\$19,446,155	\$11,337,757
Food & Beverage	1,097,119	190,667	2,990,380	571,933
Other	373,456	291,467	913,891	746,307
Total Revenue	9,712,315	5,595,483	23,350,426	12,655,997
Expenses	8,871,227	4,374,853	21,793,600	10,651,612
Net Income before future income tax expense	841,088	1,220,630	1,556,826	2,004,385
Basic and diluted income before income tax per unit	0.044	0.126	0.083	0.256
Future Income Tax Expense (1)	15,000	-	(1,169,100)	-
Net Income	856,088	1,220,630	387,726	2,004,385
Basic and Diluted Income per Unit	0.044	0.126	0.021	0.256
Reconciliation to funds from Operations				
Add (deduct)				
Amortization of income properties	1,311,076	621,630	3,200,990	1,492,262
Amortization of franchise fees	12,536	4,325	22,435	6,843
Future income tax expense (recovery)	(15,000)		1,169,100	
Funds from Operations	2,164,700	1,846,585	4,780,251	3,503,490
Basic and diluted funds from Operations per unit	0.112	0.190	0.254	0.448
Contributions to reserve account	(307,010)	(126,243)	(716,407)	(300,371)
Adjusted funds from Operations	1,857,690	1,720,342	4,063,844	3,203,119
Basic and diluted adjusted funds from Operations per unit	0.096	0.177	0.216	0.410
Reconciliation to distributable income				
Accretion on debt component on convertible debentures	138,120	47,206	244,210	173,540
Accretion of mortgages	40,448		93,923	
Compensation costs of unit options			304,500	45,000
Distributions from Lakeview Flag Licensing General Partnership	166,600	105,840	382,200	224,420
Income from Lakeview Flag Licensing General Partnership	(173,186)	(113,350)	(406,439)	(244,260)
Amortization of deferred financing costs		630,953		161,053
Distributable income	2,029,672	1,823,991	4,682,238	3,562,872
Basic and diluted distributable income per units	0.105	0.188	0.249	0.456
Distributions	2,121,563	984,010	6,230,065	2,291,518

(1) *This is a non cash charge to earnings relating to Lakeview Hotel REIT's share of the temporary 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 SEPTEMBER 30, 2007

Room Revenue - For the third quarter ended September 30, 2007 room revenue increased by \$3,128,391, from \$5,113,349 for the third quarter ended September 30, 2006, to \$8,241,740. The reason for this substantial increase is that the third quarter ended September 30, 2007 included the operations of all fifteen hotels in Lakeview Hotel REIT whereas the room revenue for the third quarter ended September 30, 2006 only included the operation of nine 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 third quarter of 2007 than the same period in 2006 because of the purchase of the Lakeview Inn & Suites – Fort St. John in the fourth quarter of 2006, the operations of the restaurant facilities of the Lakeview Inn & Suites, Fort Saskatchewan, which opened in June, 2007, and the operation of the restaurant facility at the Black Gold Inn, Drayton Valley, which was taken over by the Lakeview Hotel REIT in June, 2007 as well.

Other Income – The increase in Other Income for the third quarter ended September 30, 2007 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 2007 third quarter results also include the operation of all fifteen hotels in Lakeview Hotel REIT as compared to only nine hotels for the 2006 period.

Expenses – Expenses for the third quarter of 2007 increased by \$4,496,374 from \$4,374,853 for the third quarter ended September 30, 2006 to \$8,871,227. The reason for this substantial increase is that the third quarter ended September 30, 2007 included the operations of all fifteen hotels in Lakeview Hotel REIT whereas the expenses for the third quarter ended September 30, 2006 only included the operations of nine properties.

Net Income before future income tax expense - Net income decreased from income of \$1,220,630 for the third quarter ended September 30, 2006, to income of \$841,088 for the quarter ended September 30, 2007. 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 increased by \$205,681 from \$1,823,991 for the third quarter ended September 30, 2006 to \$2,029,672 for the third quarter ended September 30, 2007. The reason for this increase is that the third quarter ended September 30, 2007 included the operations of all 15 hotels in Lakeview Hotel REIT whereas the third quarter ended September 30, 2006 only included the operations of 9 hotels.

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 September 30, 2007, was \$2,164,700 compared to \$1,846,585 for the same period in 2006.

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 increased from \$1,720,342 for the three months ended September 30, 2006 to \$1,857,690 for the three months ended September 30, 2007, an increase of \$137,348.

OPERATING RESULTS REVIEW – NINE MONTHS ENDED SEPTEMBER 30, 2007

Room Revenue - Room revenue increased by \$8,108,398, from \$11,337,757 for the nine months ended September 30, 2006, to \$19,446,155 for the nine months ended September 30, 2007. The increase is related to an increase of the number of hotels owned by Lakeview Hotel REIT during that period.

Food & Beverage and Gift Shop – The increase in Food & Beverage revenue is related to nine months of operations in Lakeview Inn & Suites – Fort St. John and three full months of operation for Lakeview Inn & Suites - Fort Saskatchewan, and Black Gold Inn – Drayton Valley restaurants in 2007 whereas the same period for 2006 did not include any of the restaurant operations of Lakeview Inn & Suites – Fort St. John, Lakeview Inn & Suites - Fort Saskatchewan, or Black Gold Inn - Drayton Valley.

Other Income – The increase in Other Income for the nine months ended September 30, 2007 is largely due to an increase in the income from Lakeview Flag Licensing General Partnership due to the addition of hotels during that period.

Expenses – Expenses for the nine months ended September 30, 2007 increased by \$11,141,988 from \$10,651,612 for the nine months ended September 30, 2006 to \$21,793,600 for the nine months ended September 30, 2007. The reason for this substantial increase relates to the increase of the number of hotels owned by Lakeview Hotel REIT in 2007.

Net Income before future income tax expense - Net income before future income tax expense decreased from income of \$2,004,385 for the nine months ended September 30, 2006, to income of \$1,556,826 for the nine months ended September 30, 2007. The decrease in income of \$447,559 can be attributed to lower occupancies in the Alberta and Northern British Columbia hotels due to a slowdown in the drilling activity for oil and gas in this period.

Future Income Tax Expense – On September 22, 2007, the Canadian Government introduced new tax legislation that effectively imposes income tax on Lakeview Hotel REIT after January 1, 2011. Although Lakeview Hotel REIT will not be liable for current income taxes until after January 1, 2011 it has recognized, in the current period, the future income tax arising from temporary tax timing differences expected to reverse after January 1, 2011 at the tax rate of 31.5%. All of the future income tax expense of \$1,169,100 relates to these future timing differences.

Distributable Income – Distributable income increased by \$1,119,366 from \$3,562,872 for the nine months ended September 30, 2006 to \$4,682,238 for the nine months ended September 30, 2007. This increase is related to the increase in the number of hotels acquired by Lakeview Hotel REIT during that period.

Funds from operations and adjusted funds from operations – FFO increased by \$1,276,761 from \$3,503,490 for the nine months ended September 30, 2006 to \$4,780,251 for the nine months ended September 30, 2007. Adjusted funds from operations increased by \$860,725 for the same period.

LIQUIDITY AND CASH FLOW

At September 30, 2007 Lakeview Hotel REIT had cash and term deposits of \$2,016,206 and a balance in the reserve fund of \$1,125,355. 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, 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 and nine months ended September 30, 2007 and 2006.

	Three months ended September 30		Nine months ended September 30	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Net income for the period	856,088	1,220,630	387,726	2,004,385
Add charges (deduct credits) to operations not requiring a current cash payment				
Amortization of income properties	1,311,076	621,630	3,200,990	1,492,262
Amortization of deferred financing costs	-	63,953	-	161,053
Amortization of franchise fees, licenses, & pre-opening costs	12,536	4,325	22,435	6,843
Compensation costs of unit options	-	-	304,500	45,000
Income from Lakeview Flag Licensing General Partnership	(173,186)	(113,350)	(406,439)	(244,260)
Accretion on debt component of convertible debentures	138,120	47,206	244,210	173,540
Future income tax expense	(15,000)	-	1,169,100	-
Accretion of mortgages	<u>40,448</u>	<u>-</u>	<u>93,923</u>	<u>-</u>
	2,170,082	1,844,394	5,016,445	3,638,823
Net change in non-cash working capital balances related to operations	<u>1,012,903</u>	<u>(16,036)</u>	<u>473,110</u>	<u>514,727</u>
Cash provided by operating activities	<u>3,182,985</u>	<u>1,828,358</u>	<u>5,489,555</u>	<u>4,153,550</u>

CASH PROVIDED BY OPERATING ACTIVITIES

Cash provided by operating activities was \$3,182,985 in the three months ended September 30, 2007 which increased from \$1,828,358 cash provided by operating activities in the three months ended September 30, 2006. The increase in cash provided by operating activities is due to increased cash flow due to the addition of hotels.

CASH USED IN INVESTING ACTIVITIES

During the three month period ended September 30, 2007 cash was used for renovations to Lakeview Inn & Suites – Fort Saskatchewan.

CASH PROVIDED BY FINANCING ACTIVITIES

During the three month period ended September 30, 2007 there were no financing activities.

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		Nine months ended	
	September 30		September 30	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Cash provided by operating activities	3,182,985	1,828,358	5,489,555	4,153,550
Add (Deduct)				
Net change in non-cash working capital balances related to operations	(1,012,903)	16,036	(473,110)	(514,727)
Distributions from Lakeview Flag Licensing General partnership	<u>166,600</u>	<u>105,840</u>	<u>382,200</u>	<u>224,420</u>
	2,336,682	1,950,234	5,398,645	3,863,243
Deduct:				
Contribution to reserve fund	<u>(307,010)</u>	<u>(126,243)</u>	<u>(716,407)</u>	<u>(300,371)</u>
Distributable Income	<u>2,029,672</u>	<u>1,823,991</u>	<u>4,682,238</u>	<u>3,562,872</u>

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 three month period ended September 30, 2007, 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).

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). For the nine month period ended September 30, 2007, distributions of \$6,064,948 have been paid to the Class "A" unitholders and distributions of \$165,117 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 unit holders since the inception of the Trust in 2004 to the current period.

	Three months ended Sept. 30, 2007	Nine months ended Sept. 30, 2007	Year ended December 31, 2006	Year ended December 31, 2005	Period ended Dec. 31, 2004(1)	Cumulative since inception
Cash flows from operating activities	\$3,182,985	\$5,489,555	\$5,416,638	(51,513)	158,201	11,012,881
Distributable income	2,029,712	4,682,238	5,031,211	895,282	9,334	10,618,065
Cash distributions paid	2,121,563	6,230,065	3,955,176	880,125	176,250	11,241,616
Cash flow from operating activities in excess of (less than) cash distributions	1,061,422	(740,510)	1,461,462	(931,638)	(18,049)	(228,736)
Distributable income in excess of (less than) cash distributions	(91,851)	(1,547,827)	1,076,035	15,157	(166,916)	(623,551)

(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 \$228,730 when cash distributions are compared to cash flow from operating activities and \$623,881 when cash distributions are compared to distributable income.

The cash short fall 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 short fall relates to the acquisition of new properties in 2007, which will take some time to ramp up to normal occupancies, as well as a slow down in the performance of some of the Alberta and British Columbia hotels due to less gas drilling activity.

SELECTED FINANCIAL INFORMATION

	Three months ended September 30		Nine months ended September 30	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Total Revenue	\$9,712,315	\$5,595,483	\$23,350,426	\$12,655,997
Net Income Before Future Income Tax Expenses	841,058	1,220,630	1,556,826	2,004,385
Basic and diluted income before tax per unit	0.044	0.126	0.083	0.256
Total Assets	141,648,487	70,132,910	141,648,487	70,132,910
Total Long-term Liabilities	81,355,958	41,119,842	81,355,958	41,119,842
Distribution declared per unit	\$0.11	\$0.10	\$0.33	\$0.29

Increases in total revenues, assets, and long term liabilities have occurred from the previous year due to the acquisition of six hotels subsequent to September 30, 2006. Declines in net income are primarily related to weaker operating results in the second quarter of 2007 and to additional income tax expenses recorded in 2007.

SUMMARY OF QUARTERLY RESULTS

	<u>Q3-07</u>	<u>Q2-07</u>	<u>Q1-07</u>	<u>Q4-06</u>	<u>Q3-06</u>	<u>Q2-06</u>	<u>Q1-06</u>	<u>Q4-05</u>
Hospitality Revenue								
Rooms	\$8,241,740	\$5,400,496	\$5,803,919	\$5,279,122	\$5,113,349	\$3,666,731	\$2,557,677	\$1,496,921
Food, Beverage & Gift Shop	1,097,119	950,690	942,611	855,735	190,667	176,456	204,810	246,239
Other	373,456	265,502	274,933	363,757	291,467	246,584	208,256	210,911
Total Revenue	9,712,315	6,616,648	7,021,463	6,498,614	5,595,483	4,089,771	2,970,743	1,954,071
Expenses	8,871,227	7,067,787	5,852,586	5,641,277	4,374,853	3,528,193	2,748,566	1,713,236
Net Income (Loss) before future income tax expense	841,088	(453,139)	1,168,877	857,337	1,220,630	561,578	222,177	240,835
Basic and Diluted Income before Tax per unit	0.044	(0.086)	0.064	0.058	0.126	0.068	0.041	0.044
Future Income Tax Expense	15,000	(1,184,100)	-	-	-	-	-	-
Net Income (Loss)	856,088	(1,637,239)	1,168,877	857,337	1,220,630	561,578	222,177	240,835
Basic and Diluted Income (Loss) per Unit	0.044	(0.086)	0.064	0.058	0.126	0.068	0.041	0.044
Occupancy Percentage ⁽¹⁾	67.06%	55.54%	66.78%	71.08%	80.45%	72.19%	70.53%	79.46%
Average Room Rate ⁽¹⁾	\$117.49	\$110.26	\$111.77	\$107.75	\$106.97	\$101.16	\$100.86	\$100.40

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

At the end of the quarter ended September 30, 2007, approximately 45% of the rooms in the Lakeview REIT portfolio were in markets where occupancy is dependant on gas drilling activity. This percentage has decreased to approximately 43% with the acquisition of the Best Western Inn & Suites in Slave Lake, Alberta on November 15, 2007.

Natural gas prices and consequently gas drilling activity have continued to be cyclically weak and currently there is an expectation that drilling activity in 2008 may be similar to the activity levels in 2007. That being said, Lakeview REIT is anticipating stronger operating results in 2008 than in 2007. 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 in 2008 are expected to generate much better results. Improving performance from properties not dependant on gas drilling activity and generally improved results in the second quarter of 2008 vs the second quarter of 2007 are also expected.

Lakeview REIT used existing sources of equity available to it to satisfy the purchase price of the Slave Lake acquisition and currently owns both the Slave Lake property and its Edson Airport West property free of mortgages. Mortgages are currently being arranged on both properties to provide working capital for the REIT. Lakeview REIT remains in a strong position to seek out accretive acquisitions while maintaining its monthly distribution, even in today's challenging environment related to the low levels of gas drilling activity.

RELATED PARTY TRANSACTIONS

Lakeview Hotel REIT recorded the following transactions with related parties during the three months ended September 30, 2007:

1. Marketing expenses in the amount of \$68,152 were charged by Lakeview Management Inc. to Lakeview Hotel REIT for the three months ended September 30, 2007. 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 \$114,107 were charged by Lakeview Management Inc. to Lakeview Hotel REIT for the three months ended September 30, 2007. The fee is prorated based on an annual fee of \$30,000 per hotel (fee is subject to 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 \$102,289 were charged by Lakeview Management Inc. to Lakeview Hotel REIT for the three months ended September 30, 2007. 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.

A development fee will be paid to Lakeview Management Inc. for the development services provided in the renovations to the restaurant and lounge in Lakeview Inn & Suites – Fort Saskatchewan. The amount of this fee is 5% of the total renovations costs which were budgeted at \$883,628. The fee charged was \$44,181.

Accrued payables as at September 30, 2007 related to the above charges including the asset management fee were \$175,063.

License fees for the three months ended September 30, 2007 were charged by Lakeview Flag Licensing General Partnership to Lakeview Hotel REIT in the amount of \$272,778 of which 51% or \$108,517 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.

2. At September 30, 2007 accrued payables related to the above were \$91,119, which amount was subsequently paid.
3. Management fees for the three months ended September 30, 2007 were charged by Lakeview Flag Management General Partnership to Lakeview Hotel REIT in the amount of \$349,274. The management fees are charged based on 5% of gross revenue for limited service hotels and 4% for full service hotels.

At September 30, 2007 accrued payables related to the above were \$112,641. This amount was subsequently paid. Lakeview Hotel REIT and Lakeview Management Inc. has a 50% interest in the Lakeview Flag Management General Partnership.

4. A movie rental fee in the amount of \$48,610 was charged by Free to Guest Movies Ltd. to Lakeview Hotel REIT for the three months ended September 30, 2007. 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. 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 month period ended September 30, 2007 a total of \$2,405 was paid to XYZ Design Inc. for those services.

At September 30, 2007 Lakeview Hotel REIT owed XYZ Design Inc. \$1,573.00 for services performed which has subsequently been paid.

6. Keith Levit Photography is a company that is related to Lakeview Management Inc. through common control. The services of this company were used to supply artwork for new hotels purchased.
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 month period ended September 30, 2007 were charged in the amount of \$102,049.

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.

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 Management Inc. is initially 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 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.

SUBSEQUENT EVENTS

Effective November 15, 2007, the Lakeview Hotel REIT acquired the Best Western Hotel located in Slave Lake, Alberta for total consideration of \$10,300,000 plus closing adjustments. The cash consideration for this purchase was financed through a first mortgage loan from another property in the amount of \$4,500,000 and proceeds received under the pre-approved line of credit of \$5,780,000.

PROPOSED TRANSACTIONS

Subsequent to the purchase date of the Best Western hotel in Slave Lake, a mortgage is expected to be advanced on the property in the next few weeks. The amount of this mortgage will be \$5,150,000 bearing interest at a rate equal to the five year Government of Canada rate plus 2.8% and amortized over 20 years. A pre approved line of credit of \$1,030,000 may also be made available to Lakeview Hotel REIT with the Slave Lake hotel as collateral. Prior to November 30, 2007 a mortgage will also be advanced on the Lakeview Inn & Suites – Edson Airport West property in the amount of \$4,500,000 at a five year fixed term interest rate of 5.88% and amortized over 20 years.

DISCLOSURE CONTROLS & PROCEDURES

In accordance with Multilateral Instrument 52-109 regarding Certification of Disclosure in Issuers' Annual and Interim Filings, the Chief Executive Officer and the Chief Financial Officer, together with other management, as at September 30, 2007, 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.

INTERNAL CONTROL OVER FINANCIAL REPORTING

Management of the REIT is responsible for establishing and maintaining adequate internal control over financial reporting to provide reasonable measures regarding the reliability of financial reporting, and the preparation of financial statements for external purposes in accordance with GAAP. In accordance with Multilateral Instrument 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings, the Chief Financial Officer and the Chief Executive Officer have concluded an assessment of the design of internal controls over financial reporting as at September 30, 2007 and based on that assessment determined that the internal controls over financial reporting were appropriately designed.

There have been no changes to the design of the REIT's internal controls over financial reporting that occurred during the most recent interim period ended September 30, 2007 that have materially affected, or are reasonably likely to materially affect, the REIT's internal control over financial reporting.

SIGNIFICANT ACCOUNTING POLICIES

Note 1 to Lakeview Hotel REIT's unaudited consolidated financial statements for the three months ended September 30, 2007 summarizes Lakeview Hotel REIT's significant accounting policies.

CHANGES IN ACCOUNTING POLICIES

Effective January 1, 2007 Lakeview Hotel REIT adopted the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 1530 Comprehensive income, Section 3855 Financial Instruments – Recognition and Measurement and Section 3865 Hedges. The adoption of these new standards resulted in changes in the accounting for financial instruments, as well as the recognition of a transition adjustment. The comparative interim consolidated financial statements have not been restated. The principal changes in the accounting for financial instruments due to the adoption of these accounting standards are described below.

Section 3855 Financial Instruments – Recognition and measurement sets out the standards for the recognition and measurements of financial assets and financial liabilities. The standard prescribes when to recognize financial instruments in the balance sheet and at what amount. Depending on their balance sheet classification, fair value or cost-based measures are used. This standard also prescribes the basis of presentation for gains and losses on financial instruments. Based on financial instrument classification, gains and losses on financial instruments are recognized in net income or other Comprehensive income.

Lakeview Hotel REIT has made the following classifications:

- Cash and cash equivalents, reserve fund, and deposits held in trust are classified as "assets held for trading" and are measured at fair value. Gains and losses resulting from the periodic revaluation are recorded in Net Income.

- Accounts receivable are classified as “loans and receivables” and are recorded at cost, which upon their initial measurement is equal to their fair value. Subsequent measurements are recorded at amortized cost using the effective interest rate method.
- Accounts payable and accrued liabilities, distributions payable, loan payable, convertible debentures, and mortgages payable are classified as “other financial liabilities” and are initially measured at their fair value. Subsequent measurements are recorded at amortized cost using the effective interest rate method.

For periods prior to January 1, 2007 Lakeview Hotel REIT deferred and amortized financing costs on a straight-line basis over the term of the debt. Commencing January 1, 2007 financing costs are no longer classified as assets on the balance sheet or amortized over the term of the debt. CICA Handbook Section 3855, “*Financial Instruments – Recognition and Measurement*” prescribes that under the effective interest method, financing costs must be applied against the debt to which they relate. Over the term of the debt the long-term liability will increase to the face value of the debt, with the accretion being included in interest on mortgages or interest on convertible debentures on the consolidated statement of net income and comprehensive income.

The adoption of these new accounting standards on January 1, 2007 has resulted in an adjustment to certain opening financial statement accounts. Prior periods’ statements have not been restated for the adoption of these new accounting policies. As a result of adopting these standards as at January 1, 2007 deferred financing costs decreased from \$753,845 to \$nil. Mortgages decreased from \$36,829,515 to \$36,354,078, convertible debentures decreased from \$2,573,860 to \$2,371,303 and accumulated earnings decreased by \$75,852.

CAPITAL RESOURCES AND CAPITAL EXPENDITURES

The 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 September 30, 2007, \$4,830,000 was available to the REIT through the PAL.

At September 30, 2007 Lakeview Hotel REIT had a reserve fund of \$1,125,355 made up as follows:

Reserve Fund December 31, 2006	\$622,779
Contributions	716,407
Distributions	<u>(213,831)</u>
	<u>\$1,125,355</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 September 30, 2007, \$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.

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 Hotels 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 September 22, 2007, Bill C-52 was substantially enacted which will result in a 31.5% 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 September 30, 2007 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 & gas sector 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.