



**Lakeview Hotel Real Estate Investment Trust
Management Discussion and Analysis
for the three months ended
March 31, 2007**

May 30, 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 three month period ended March 31, 2007. The consolidated financial statements for the three month period ended March 31, 2007, 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 eleven hotels listed below were purchased subsequent to the acquisition of Lakeview Inn & Suites – Fredericton with the results of their operations included in the March 31, 2007 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, AB	June 1, 2005	December 1, 2005
Ramada Limited & Suites – Hinton, AB	November 4, 2005	November 4, 2005
Best Western Okotoks Lodge – Okotoks, AB	January 6, 2006	July 1, 2006
Best Western Fort Inn & Suites – Fort Saskatchewan, AB	January 13, 2006	July 1, 2006
Super 8 Toronto North – Vaughan, ON	March 17, 2006	N/A
Super 8 Motel – Edson, AB	April 7, 2006	April 7, 2006
Ramada Limited – Whitecourt, AB	May 31, 2006	May 31, 2006
Holiday Inn Express & Suites – Sherwood Park, AB	June 1, 2006	N/A
Ramada Limited – Fort St. John, BC	October 16, 2006 and November 10, 2006	October 16, 2006
Days Inn – Chetwynd, BC	October 24, 2006 and November 9, 2006	October 24, 2006
Lakeview Inn & Suites – Fort Nelson, BC	January 8, 2007	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 May 30, 2007, the following units of Lakeview Hotel REIT were issued and outstanding:

Class A Units	18,579,247
Class V Special Trust Units and Exchangeable Units	<u>500,000</u>
Total Units that participate pro rata in distribution	<u>19,079,247</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 MARCH 31, 2007

Lakeview REIT completed its twelfth acquisition in the first quarter. Highlights for the three months ended March 31, 2007 compared to the same period in the previous year are as follows:

- ❑ Total number of properties owned by the REIT increased from 6 to 12.
- ❑ Total number of rooms owned by the REIT increases from 463 to 862.
- ❑ Average room rate increased from \$100.86 to \$111.77.
- ❑ RevPar increased from \$71.14 to \$74.63.
- ❑ Total revenues increased by 136% to \$7,021,463.
- ❑ Net income increased by 426% to \$1,168,877.
- ❑ Income per unit increased by 56% from \$0.041 to \$0.064.

- Distributions per unit were increased by 22% from \$0.09 to \$0.11.

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	
	2007	2006
Occupancy Percentage ⁽¹⁾	66.78%	70.53%
Average Room Rate ⁽¹⁾	\$111.77	\$100.86
RevPar ⁽¹⁾	\$74.63	\$71.14
Rooms Occupied	51,345	24,715

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 reflect a strong increase in average room rate for the three months ended March 31, 2007 compared to the three months ended March 31, 2006. The increase reflects the higher room rates that are being generated by the hotels purchased in Alberta and BC and the yield maintenance strategies employed by Lakeview Hotel REIT. The occupancy percentage declined for the three months ended March 31, 2007 when compared to the same period in 2006 largely as a result of reduced exploration and development activity conducted by oil & gas companies operating in Alberta and Northeastern British Columbia.

RESULTS OF OPERATIONS

The following is a comparison of the operating results for the three month period ended March 31, 2007 to the results of operations for the comparable period in 2006:

	Three months ended March 31	
	2007	2006
Hospitality Revenue		
Room	\$5,803,919	\$2,557,677
Food, Beverage & Gift Shop	942,611	204,810
Other	<u>274,933</u>	<u>208,256</u>
Total Revenue	7,021,463	2,970,743
Expenses	<u>5,852,586</u>	<u>2,748,566</u>
Net Income	<u>1,168,877</u>	<u>222,177</u>
Basic and Diluted Income per Unit	<u>0.064</u>	<u>0.041</u>

OPERATING RESULTS REVIEW – THREE MONTHS ENDED MARCH 31, 2007

Room Revenue - For the first quarter of 2007 room revenue increased by \$3,246,242, from \$2,557,677 for the first quarter ended March 31, 2006 to \$5,803,919 for the first quarter ended March 31, 2007. The reason for this substantial increase is that the quarter ended March 31, 2007 included the operations of all twelve hotels in Lakeview Hotel REIT whereas the room revenue for the first quarter ended March 31, 2006 only included the operation of six hotels in Lakeview Hotel REIT.

Food, Beverage & Gift Shop – Revenue is earned from restaurant facilities in the Lakeview Inn & Suites - Drayton Valley and the Lakeview Inn & Suites – Fort St. John. Revenue is greater in the first 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.

Other Income – The increase in Other Income for the first quarter ended March 31, 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 first quarter results also include the operation of all twelve hotels in Lakeview Hotel REIT as compared to only six hotels for the 2006 period.

Expenses – Expenses for the quarter of 2007 increased by \$3,104,020 from \$2,748,566 for the first quarter ended March 31, 2006 to \$5,852,586 for the quarter ended March 31, 2007. The reason for this substantial increase is that the first quarter ended March 31, 2007 included the operations of all twelve hotels in Lakeview Hotel REIT whereas the expenses for the first quarter ended March 31, 2006 only included the operations of six properties.

Net Income - Net income increased from \$222,177 for the quarter ended March 31, 2006, to net income of \$1,168,877 for the quarter ended March 31, 2007. The increase in net income of \$946,700 can be attributed largely to the properties acquired subsequent to March 31, 2006.

LIQUIDITY AND CASH FLOW

At March 31, 2007 Lakeview Hotel REIT had cash and term deposits of \$775,351 and a balance in the reserve fund of \$832,690. 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 and capital 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.

Lakeview Management Inc. has agreed to subordinate its 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 Lakeview Inn & Suites 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 month period ended March 31, 2007 and 2006.

	Three months ended March 31	
	<u>2007</u>	<u>2006</u>
Net income for the period	\$1,168,877	\$222,177
Add charges (deduct credits) to operations not requiring a current cash payment		
Amortization of income properties	873,318	356,646
Amortization of deferred financing costs	-	41,387
Amortization of franchise fees and licenses	4,950	215
Income from Lakeview Flag Licensing General Partnership	(118,516)	(60,547)
Accretion on debt component of convertible debentures	42,036	64,772
Accretion of mortgages	<u>24,329</u>	<u>-</u>
	1,994,994	624,650
Net change in non-cash working capital balances related to operations	<u>(92,297)</u>	<u>785,244</u>
Cash provided by operating activities	<u>1,902,697</u>	<u>1,409,894</u>

CASH PROVIDED BY OPERATING ACTIVITIES

Cash provided by operating activities was \$1,902,697 for the three month period ended March 31, 2007 which increased from \$1,409,894 cash provided by operating activities in the three month period ended March 31, 2006. The major reasons for the increase in cash provided by operating activities is the increase in profits from 2006 to 2007 and the higher non-cash amortization charge for the 2007 period.

INVESTING ACTIVITIES

In the three month period ended March 31, 2007 cash was used to purchase one hotel for a total cash consideration of \$10,196,116. Cash was also used for renovations to Lakeview Inn & Suites – Fort Saskatchewan, for the purchase of signage for various hotels, and for the purchase of land in Edson.

In the three month period ended March 31, 2006 cash was used to purchase 3 hotels for a total cash consideration of \$21,888,430.

CASH PROVIDED BY FINANCING ACTIVITIES

During the three month period ended March 31, 2007 cash provided by financing activities was raised through a draw down of the existing Pre-Approved Line of Credit in the amount of \$750,000.

During the three month period ended March 31, 2006 the major sources of funding were the proceeds from mortgages of \$18,070,000 (secured by the three hotels purchased), and the draw down of the Pre-Approved Line of Credit in the amount of \$2,780,000.

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. Starting with 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 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	
	March 31	
	<u>2007</u>	<u>2006</u>
Cash provided by operating activities	\$1,902,697	\$1,409,894
Add (Deduct):		
Net change in non-cash working capital balances related to operations	92,297	(785,244)
Distributions from Lakeview Flag Licensing General Partnership	<u>85,750</u>	<u>51,940</u>
	2,080,744	676,590
Deduct:		
Mortgage principal repayments	(238,347)	(110,018)
Contribution to reserve fund	<u>(209,911)</u>	<u>(81,416)</u>
Distributable cash available ⁽¹⁾	<u>1,632,486</u>	<u>485,156</u>
Add:		
Mortgage principal repayments	<u>238,347</u>	<u>110,018</u>
AFFO ⁽¹⁾	<u>1,870,833</u>	<u>595,174</u>
Distribution Declared	<u>2,017,714</u>	<u>488,250</u>
AFFO Payout Ratio ⁽¹⁾	<u>107.85%</u>	<u>82.2%</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.

Management feels that a very important measure of performance is cash flow from operations which provides a useful measure of the REIT's performance as net income incorporates depreciation and amortization of real estate assets, which may not necessarily occur and is based on historical cost accounting.

The AFFO payout ratio gives an indication of how much in distributions is actually being paid out of cash earned from operations as opposed to other sources such as working capital.

For the three month period ended March 31, 2007 distributions of \$1,962,697 have been declared to the Class "A" unitholders and distributions of \$55,017 have been declared to the Class "E" unitholders (exchangeable units). For the three month period ended March 31, 2006, distributions of \$443,250 were declared to the Class "A" unitholders and distributions of \$45,000 were declared to the Class "E" unitholders (exchangeable units).

SELECTED FINANCIAL INFORMATION

	Three months ended	
	March 31	
	<u>2007</u>	<u>2006</u>
Total Revenue	\$6,902,947	\$2,910,196
Net Income	1,168,877	222,177
Basic and diluted income per unit	0.064	0.041
Total Assets	96,002,942	48,345,916
Total Long-term Liabilities	36,604,506	31,131,531
Distribution declared per unit	\$0.11	\$0.09

Increases in balances have occurred from the previous year due to the acquisition of six hotels.

SUMMARY OF QUARTERLY RESULTS

	<u>Q1-07</u>	<u>Q4-06</u>	<u>Q3-06</u>	<u>Q2-06</u>	<u>Q1-06</u>	<u>Q4-05</u>	<u>Q3-05</u>	<u>Q2-05</u>
Hospitality Revenue								
Rooms	\$5,803,919	\$5,279,122	\$5,113,349	\$3,666,731	\$2,557,677	\$1,496,921	\$1,319,007	\$667,656
Food, Beverage & Gift Shop	942,611	855,735	190,667	176,456	204,810	246,239	209,643	66,400
Other	<u>274,933</u>	<u>363,757</u>	<u>291,467</u>	<u>246,584</u>	<u>208,256</u>	<u>210,911</u>	<u>163,523</u>	<u>77,221</u>
Total Revenue	7,021,463	6,498,614	5,595,483	4,089,771	2,970,743	1,954,071	1,692,173	811,277
Expenses	<u>5,852,586</u>	<u>5,641,277</u>	<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>
Net Income (Loss)	<u>1,168,877</u>	<u>857,337</u>	<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>
Basic and Diluted Income (Loss) per Unit	<u>0.064</u>	<u>0.058</u>	<u>0.126</u>	<u>0.068</u>	<u>0.041</u>	<u>0.044</u>	<u>0.067</u>	<u>(0.038)</u>
Occupancy Percentage ⁽¹⁾	66.78%	71.08%	80.45%	72.19%	70.53%	79.46%	85.03%	68.5%
Average Room Rate ⁽¹⁾	\$111.77	\$107.75	\$106.97	\$101.16	\$100.86	\$100.40	\$88.73	\$83.04

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 shows that the first quarter of 2007 was the seventh consecutive quarter that net income was generated. The addition of hotels has resulted in a more consistent cash flow for Lakeview Hotel REIT.

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. Twelve of the fourteen Lakeview Hotel REIT owned hotels are located in Alberta and northern British Columbia.

RELATED PARTY TRANSACTIONS

Lakeview Hotel REIT recorded the following transactions with related parties during the three month period ended March 31, 2007:

1. At March 31, 2007, Lakeview Hotel REIT had accrued the March accounting fees, asset management fees, reservation fee, and marketing fee in the amount of \$117,583 which was payable to Lakeview Management Inc. - a Unitholder of Lakeview Hotel REIT.

Marketing expenses in the amount of \$46,727 were charged by Lakeview Management Inc. to Lakeview Hotel REIT for the three month period ended March 31, 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 \$90,955 were charged by Lakeview Management Inc. to Lakeview Hotel REIT for the three month period ended March 31, 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 each hotel is located in) owned by Lakeview Hotel REIT during the year.

Reservation fees in the amount of \$70,089 were charged by Lakeview Management Inc. to Lakeview Hotel REIT for the three month period ended March 31, 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.

2. At March 31, 2007 Lakeview Hotel REIT owed Lakeview Flag Licensing General Partnership license fees for the month of March in the amount of \$102,909, which were subsequently paid. Lakeview Hotel REIT has a 49% interest in Lakeview Flag Licensing General Partnership.

License fees for the three month period ended March 31, 2007 were charged by Lakeview Flag Licensing General Partnership to Lakeview Hotel REIT in the amount of \$186,909. The license fees are charged based on 4% of gross room revenue for the period.

3. At March 31, 2007 Lakeview Hotel REIT owed Lakeview Flag Management General Partnership management fees for the month of March in the amount of \$132,740 which were subsequently paid. Lakeview Hotel REIT has a 50% interest in the Lakeview Flag Management General Partnership.

Management fees for the three month period ended March 31, 2007 were charged by Lakeview Flag Management General Partnership to Lakeview Hotel REIT in the amount of \$248,818. The management fees are charged based on 5% of gross revenue of limited service hotels and 4% of gross revenue of full service hotels.

4. A movie rental fee in the amount of \$38,825 was charged by Free to Guest Movies Ltd. to Lakeview Hotel REIT for the three month period ended March 31, 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 March 31, 2007 a total of \$9,802 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 investor relations. 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. The options were all exercised upon issuance in 2004. The Services Agreement provides that 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. 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 March 31, 2007 were charged in the amount of \$65,777.

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 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. 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 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 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.

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

Subsequent to March 31, 2007 \$861,000 of the convertible debentures issued April 15, 2004 were converted at a price of \$2.50 into 344,400 Class A units and \$125,000 were converted at a price of \$3.00 into 41,665 Class A units.

Subsequent to March 31, 2007, \$300,000 of the convertible debentures issued May 30, 2005 were converted at a price of \$2.90 into 103,448 Class A units.

Subsequent to March 31, 2007, Lakeview Hotel REIT received an additional \$750,000 under the Pre-Approved Line of Credit.

Effective April 16, 2007, Lakeview Hotel REIT acquired a newly constructed hotel located in Edson, Alberta for a purchase price of \$7,780,000 plus closing adjustments. The hotel is flagged as a Lakeview Inn & Suites hotel. As at March 31, 2007 a deposit of \$200,000 had been made against the purchase price. The cash consideration of this purchase was financed through the funding of GE Capital mortgages on LHREIT's hotels in Fort St. John and Chetwynd, BC.

Effective May 15, 2007 Lakeview Hotel REIT acquired the Holiday Inn Express Hotel & Suites in Brooks, Alberta for a purchase price of \$10,250,000 plus closing adjustments. The hotel was immediately reflagged as a Lakeview Inn & Suites, which required a payment to InterContinental Hotel Group in the amount of \$544,000. At March 31, 2007 a deposit of \$25,000 had been made against the purchase price.

The purchase price of this hotel was financed in part through a first mortgage loan, based on 60% of the purchase price of the hotel, bearing interest at a rate equal to the five year Government of Canada rate plus 2.1% and amortized over 20 years. The balance of the purchase price was funded by way of a GE Capital mortgage on LHREIT's hotel in Hinton, Alberta.

Lakeview Hotel REIT has filed a preliminary prospectus for an offering of a minimum of \$5,000,000 to a maximum of \$18,000,000 of convertible redeemable unsecured subordinate debentures to fund future acquisitions of income producing properties, for working capital and for general purposes.

Lakeview Hotel REIT continues to pursue other hotel acquisition opportunities which will be financed by a combination of mortgages, Pre-Approved Line of Credit, Unit and debenture offerings and working capital.

Lakeview Hotel REIT has entered into various commitments for an estimated \$800,000 of renovations to the Lakeview Inn & Suites in Fort Saskatchewan.

PROPOSED TRANSACTIONS

Lakeview Hotel REIT has signed a purchase and sale agreement relative to the acquisition of a one hundred and twenty room limited service hotel in Alberta for a total consideration of \$26,500,000. The hotel will be reflagged as a Lakeview Inn & Suites and the amount to be paid to the franchisor, if any, for canceling the flag is yet to be determined.

The acquisition is expected to close in June 2007. The purchase price of this hotel is expected to be financed through a first mortgage loan, based on 70% of the appraised value of the hotel, with the balance funded by the proceeds of mortgages registered and to be funded by GE Capital on LHREIT's hotels in Edson (Airport West), AB and Fort Nelson, BC.

Lakeview Hotel REIT has signed a purchase and sale agreement relative to the acquisition of a ninety-eight room limited service hotel in Alberta for total consideration of \$20,000,000. The hotel will be reflagged as a Lakeview Inn & Suites and the amount to be paid to the franchisor for canceling the flag will be approximately \$650,000.

The acquisition is expected to close in July 2007. The purchase price of this hotel is expected to be financed through a first mortgage loan, based on 60% of the purchase price of the hotel; with the balance funded by a possible market raise of equity.

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 March 31, 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 March 31, 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 March 31, 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 March 31, 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 instrument 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 on the following hotels: Lakeview Inn & Suites Okotoks, Lakeview Inn & Suites Fort Saskatchewan, 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 those properties plus any secondary debt placed on the properties and this amount is 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 March 31, 2007, \$1,780,000 was available to the REIT through the pre-approved line.

At March 31, 2007 Lakeview Hotel REIT had a reserve fund of \$832,690 made up as follows:

Reserve Fund December 31, 2006	\$622,779
Contributions	209,911
Distributions	<u>-</u>
	<u>\$832,690</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.

Lakeview Hotel REIT has entered into various commitments for an estimated \$800,000 of renovations to the Lakeview Inn & Suites – Fort Saskatchewan restaurant and lounge. The cash required for these expenditures will be financed through the Pre-Approved Line of Credit and 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 March 31, 2007, \$3,360,000 of the first series of convertible

debentures were converted, resulting in the issuance of 1,344,000 Class “A” Units of Lakeview Hotel REIT. As well, \$680,000 of the convertible debentures issued May 30, 2005 were converted at a price of \$2.90 resulting in the issuance of 234,472 Class A Units of Lakeview Hotel REIT.

Subsequent to March 31, 2007, \$861,000 of the convertible debentures issued April 15, 2004 were converted at a price of \$2.50 into 344,400 Class A Units and \$125,000 were converted at a price of \$3.00 into 41,665 Class A Units. Convertible debentures issued May 30, 2005 in the amount of \$300,000 were converted at a price of \$2.90 into 103,448 Class A Units.

OFF -BALANCE SHEET ARRANGEMENTS

As at March 31, 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 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 staff could potentially impact on the results of the REIT.

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 if a trust undergoes expansion beyond 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.

Management is reviewing, with its professional advisors, the potential impact of these proposed rule changes but it is not possible at this preliminary stage to provide any suggestions as to what if anything can be done to reduce the tax effect of this Legislation.

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.