



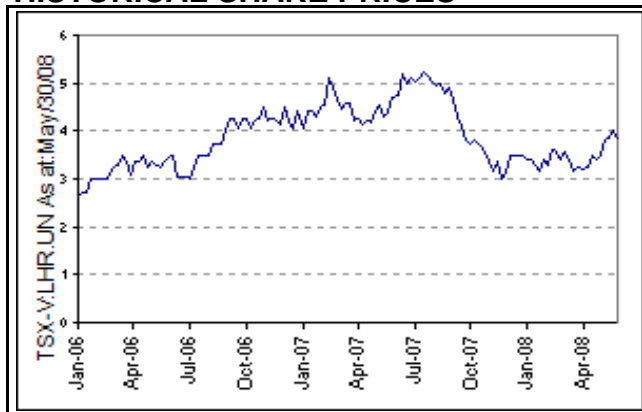
THE COMPANY

Lakeview is a limited service hotel REIT with a focus on markets in Western Canada. The REIT currently owns 12 hotels with a total of 862 rooms. At the end of 2006, Lakeview had revenues of \$19.1 million and net income of \$2.9 million. Lakeview owns 49% of the “Lakeview Resorts” and “Lakeview Inns & Suites” name. Distributions received from its licensing partnership amounted to \$340,000 for 2006.

FINANCIAL DATA

	2004	2005	2006
AFFO* (\$)			0.47
Price to AFFO* (times)			10.10
Distribution (\$)			0.44
Distribution Yield (%)			9.26
Net Asset Value (NAV) (\$)			5.00
Price to NAV (times)			0.95
* Adjusted Funds From Operations			

HISTORICAL SHARE PRICES



WHY ABC FUNDS BOUGHT LAKEVIEW HOTEL

Established in 2004, Lakeview Hotel REIT is among several junior REITs that have launched over the last couple of years. At the end of Q1 2007, Lakeview owned 12 limited service hotels with a total of 862 rooms. Geographically, the REIT’s focus is secondary markets in Alberta and British Columbia that have exposure to growing oil and gas exploration and production. Locations include Fort Nelson, Sherwood Park, Okotoks, and Drayton Valley. Unlike a typical hotel REIT, which may own a portfolio of hotels with various brands (e.g. Delta, Holiday Inn, Travelodge), Lakeview immediately re-flags purchased hotels with the Lakeview banner. The REIT has a 49% interest in the names “Lakeview Resorts” and “Lakeview Inns & Suites.”

Secondary markets, while certainly not as glamorous as city centres, provide many opportunities for Lakeview. The main advantage is higher cap rates: average rates in these markets hover around 10% compared to 7-8% for urban cities such as Toronto, Calgary, or Vancouver. A spread of 200 basis points may seem small, but when coupled with 50-60% mortgage financing and low cost of funds, it can translate into a 10% bump to return on equity. Additionally, secondary markets fall under the radar screen for larger industry participants. As a consequence, limited service hotel ownership is fragmented with many owned and operated by local entrepreneurs. Sophisticated hotel management systems and practices, such as yield maximization, are for the most part completely absent. With over 20 years’ experience in the industry, Lakeview’s management can identify and employ strategies that will immediately raise room rates, lower costs, and drive higher occupancy. Lakeview’s approach is already paying dividends: Q1 RevPAR (revenue per available room) increased 4.90% over the same period last year, despite lower occupancy due to reduced oil exploration activity in Alberta and British Columbia. The REIT’s internalized management team opens up avenues for organic growth that are not available to its peers.

While Lakeview’s strategy is essentially the same as all new REITs – growth via acquisition – the Company’s brand strategy is a competitive advantage and hidden asset. After a hotel is purchased it is immediately re-flagged under the Lakeview banner. Each hotel is quickly brought up to the standards of the brand (which is usually accompanied by an increase in room rates). Marketing and brand positioning is vital in the hotel industry; once the number of hotels flagged under a brand reaches a critical mass, travelers begin to associate the brand with certain levels of service, comfort and pricing. As the number of Lakeview-flagged hotels grows, the brand’s value grows in lock-step. We would not be surprised if the REIT started to license its name to other hotel developers. The revenue from licensing will flow directly to the bottom line.

We believe that Lakeview’s unit price does not reflect Lakeview’s internalized management platform or its unique branding approach. Lakeview’s growing portfolio and expanding brand make it challenging to calculate a concrete net asset value. Based on a conservative forecast of accretive acquisitions and licensing revenues, we arrive at a NAV of \$5.50 per unit. It is important to note that this NAV is dependent upon management’s ability to execute accretive deals and the cost of capital remaining favourable. Given the management team’s conservative approach and extensive experience in the industry, we have confidence that Lakeview will emerge as one of the leaders of the new generation of REITs.

UPDATES

On June 22nd, Lakeview closed its \$26.5 million purchase of the 120-room Marriot Residence Inn located near the Calgary International Airport. The four story, all suite hotel will be the largest hotel in Lakeview's portfolio (which currently averages 72 rooms per hotel). Keeping in line with the REIT's brand strategy, the hotel will be re-flagged with the Lakeview banner. This acquisition represents a new direction for the REIT in many respects. The Calgary area is a departure from the secondary markets that have been Lakeview's focus to date. Lakeview's current portfolio consists of limited service hotels located in markets that serve the oil & gas industry. In contrast, this new airport focused hotel caters to sophisticated travelers that demand the best services and comfort. In fact, the new hotel's average room rate of \$135 is 20% higher than the \$112 nightly rate of the current portfolio.

While the hotel presents a new strategic focus, we believe the acquisition is positive. Most importantly, we believe Lakeview's management team has the experience necessary to not only navigate the Calgary market successfully but increase the market position of the hotel. On balance, the purchase metrics are accretive to Lakeview's net asset value and cash flow. The capitalization rate of the acquisition at approximately 8.5% is well above Lakeview's recent 6.5% convertible debenture financing. The 200 basis point spread should provide a meaningful bump to this year's FFO and AFFO figures. From a marketing perspective, having a presence in a major urban center will raise the profile of the Lakeview name and is an important step to building a nationally recognized brand. We suspect that by year end Lakeview will be in position to raise its distribution and transition to the TSX.

ABC Funds
July 13, 2007

On August 30th, Lakeview announced Q2 results. Total revenue for the period was \$6.6 million, an increase of 60% over last year. Cash provided by operating activities during the second quarter decreased to \$403,873. For the first six months of 2007, cash from operations was \$2.31 million, roughly the same as the \$2.32 million recorded during the first six months of last year. With the exception of higher average room rates, all performance measures were lower compared to Q2 2006. Average daily RevPAR (revenue per available room) was \$61.20, down from \$73.03. Occupancy came in at 55.54% compared to the 72.19% rate experienced last year.

Overall, Q2 results were below management's expectations. Soft natural gas prices, coupled with a prolonged spring breakup, reduced travel to Lakeview's properties. High levels of snow cover restricted road access to the remote natural gas drilling areas in Alberta and BC. These factors translated to an occupancy rate of 55.5%, down from 72.2% for the same period last year. The REIT's Fort Nelson, BC and Edson, AB properties were particularly weak during the second quarter. Due to Lakeview's small portfolio, one or two poorly performing hotels can have a big impact on total results. As a consequence, the payout ratio for the first half of the year stood at 155%.

Going forward, as the REIT adds hotels with less exposure to natural gas and oil drilling, operating results will become more stable and less dependent on commodity prices. For example, the recently purchased 120-room Marriot Residence Inn at the Calgary Airport will provide a balance against the REIT's remote locations that are directly linked to drilling activity. Lakeview management expects that as drilling activity increases in late 2007 and the recently acquired Marriot becomes reflected in results, the REIT will see a significant improvement in its cash flow and, as a result, a much lower payout ratio.

ABC Funds
September 14, 2007

On November 28th, Lakeview reported Q3 results. Overall, the Trust's Q3 results were a substantial improvement over Q2 and demonstrate that Lakeview's management team is doing a good job of navigating turbulent markets. Most importantly, the Trust's payout ratio came in below 100%, which should give comfort to investors. Looking at the income statement, total revenue for the period increased by 73% to \$9.7 million. The increase in revenue for the third quarter was a result of including room, food and beverage contribution from fifteen hotels versus nine hotels for the comparable period last year. Revenue from licensing increased by 28%, reflecting the contribution from the six new Lakeview Inns & Suites banners added to the portfolio since last year.

Despite impressive top line growth, Lakeview's hotel performance numbers continue to reflect reduced oil & gas activity in Western Canada. Lower occupancy in the quarter offset higher room rates to bring RevPAR (revenue per available room) down to \$78.80 from the \$86.06 achieved during the same period last year. Negatively impacting the performance numbers is the slower than expected start of two newly developed hotels purchased in 2007. Excluding these two hotels, occupancy, rate, and RevPAR would have been essentially on par with 2006 numbers.

Like many REITs, Lakeview's stock price declined after the subprime/asset backed commercial paper turmoil surfaced in

UPDATES (cont'd)

August. Additionally, a temporary payout ratio in excess of 100% during Q2 further bothered investors who then went on to seek larger capitalization, well-known names. As a result, Lakeview's unit price now trades at a discount of approximately 50% to our calculation of net asset value. With the credit market stabilizing, T-bill rates nearing multi-year lows, and hotel fundamentals remaining firm, we believe that Lakeview's discount to NAV positions it as a prime takeover candidate.

ABC Funds

November 30, 2007

On April 29th, Lakeview reported its financial results for 2007. As expected, key performance measures were down compared to 2006. Operating results at Lakeview's Alberta and British Columbia properties were impacted by a cyclical downturn in natural gas drilling activity. Natural gas prices hovered between \$5-\$7 per Mcf for most of 2007, down significantly from the \$10-\$15 range recorded during the last half of 2006. Drilling budgets were slashed even further when the Alberta government announced its royalty regime change in October. New hotel acquisitions completed during the second half of 2007 failed to deliver anticipated occupancy and disproportionately skewed the results of the entire portfolio. Looking at Lakeview's key performance measures, occupancy for 2007 was 61.87%, down from 73.68% recorded for 2006. RevPar – revenue per available room – declined 9% to \$70.49. A higher average room rate of \$113.93, up from \$105.30, helped to mitigate the impact of lower occupancy numbers.

Looking ahead, Lakeview is expecting much stronger results for 2008. Drilling activity has started to return to normalized levels. Natural gas prices now hover around \$10 and the Alberta government has relaxed its previously announced royalty rate changes. While properties located in places such as the Montney Region, Fort Nelson, and Fredericton will benefit as drilling activity resumes, management has made an effort to diversify the portfolio away from the cyclical nature of natural gas drilling activity. New acquisitions in Calgary, Slave Lake, and Prince George have reduced Lakeview's exposure to oil & gas activity to 40% from 50%. Initiatives to spark organic growth should pay dividends. Lakeview's recently announced mezzanine financing package speaks to management's creativity. Lakeview will extend the facility to a private developer for the construction of properties in BC, Alberta, and Saskatchewan. Yielding over 14% for the REIT, the facility transfers all development and start up risk to the developer. Additionally, Lakeview receives the right to purchase the properties at today's prices for up to two years after construction. With a cost of financing around 8.5%, Lakeview will enjoy a 5.5% spread on the loan.

Surprisingly, Lakeview continues to trade at a discount to NAV and replacement value. Our estimated NAV is between \$5.00 - \$5.50 after accounting for the value of the REIT's 49% interest in Lakeview Flag Licensing Partnership. The REIT has sufficient cash flow to cover its distribution (with cash of approximately \$4 million on its balance sheet) and management fully expects to maintain the current distribution. Now yielding over 13%, the units represent one of the highest yields in the REIT sector, an unusual anomaly relative to other junior REITs which have yet to fully grow into their distributions. In summation, as industry conditions improve we expect Lakeview to garner more investor attention resulting in a narrowing of its NAV discount and an improvement in its unit price.

ABC Funds

May 2, 2008

On May 23rd Lakeview reported its Q1 2008 results. As expected, occupancy during the period was down over last year. Occupancy for the quarter came in at 62.5%, compared to 66.8% during Q1 2007. However, room rates increased to \$115.98 from \$111.77, which resulted in RevPar of \$72.44, down only 3%. As highlighted in previous updates, the slowdown in drilling activity in Western Canada has severely impacted business travel in Lakeview's key markets. Considering the severity and length of the current cyclical downturn, we view the REIT's 3% decline in RevPar as modest.

Total revenues increased 34.7% to \$9.46 million. The increase in revenues reflects a total of 1,197 rooms owned during the period versus 862 rooms during Q1 2007. Licensing revenue from the Lakeview Flag Licensing Partnership increased to \$161,385. Reported 'below the line' after expenses, this cash flow stream grows as new hotels are added to the portfolio. At the end of Q1, 16 hotels contributed to the Partnership. We view Lakeview's 49% interest in the Partnership as a hidden asset that will grow over time. FFO (funds from operations) during the quarter was 0.06 per unit, down from 0.11 per unit last year. In consequence, Lakeview's quarterly distribution of 0.11 per unit exceeded FFO during the quarter. We expect Lakeview to resume covering its distribution on a quarterly basis by the end of 2008.

Looking to the remainder of the year, Lakeview's outlook is unchanged since its year-end update. Lakeview is expecting much stronger results on the back of higher oil and natural gas prices. Additionally, new hotels added during the last half of 2007 that opened with lower than expected numbers should ramp up to more normalized levels. Our NAV estimate remains at \$5.00 - \$5.50 per unit based upon several factors such as replacement value, Lakeview's growing brand awareness, and recurring

UPDATES (cont'd)

cash flow from the REIT's investment in Lakeview Flag Licensing Partnership. Finally, as its occupancy improves we expect Lakeview's NAV discount to narrow.

ABC Funds
May 30, 2008
