MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE THREE MONTHS AND YEAR ENDED DECEMBER 31, 2012

As at March 11, 2013

Introduction

The following management's discussion and analysis ("MD&A") is a discussion of the results of operations and financial condition of Holloway Lodging Corporation ("Holloway" or the "Company") formerly Holloway Lodging Real Estate Investment Trust (the "REIT") for the three months and year ended December 31, 2012, and should be read in conjunction with the audited consolidated financial statements of the Company and the notes thereto as at and for the year ended December 31, 2012. The financial statements of the Company are prepared in accordance with International Financial Reporting Standards ("IFRS") and are presented in Canadian dollars.

This MD&A includes forward-looking information. Forward-looking information is subject to certain risks and uncertainties, which could result in actual results differing materially from the forward-looking information. See "Forward-Looking Information" at the end of this document. Additional information about Holloway filed with the applicable Canadian securities regulatory authorities, including the audited financial statements of the Company and the notes thereto, are available at www.sedar.com. The Company's common shares are traded on the TSX under the symbol HLC.

Key Events – Q4, 2012

- Increased adjusted funds from operations ("AFFO") by 19.6% compared to the prior year period.
- Increased quarterly distribution by 17% to $0.035 per unit.
- Acquired a 90% interest in the Holiday Inn Express® hotel in Stellarton, NS.
- Commenced the eight room expansion of the Super 8® hotel in Fort St. John, BC.
- Substantially completed the guestroom refurbishment at the Super 8® hotel in Yellowknife, NWT.
- Repurchased 100,000 units under normal course issuer bid at an average price of $3.70 per unit.
- Entered into a second hotel management agreement with Pacrim Hospitality Services Inc. ("Pacrim") which will apply to newly acquired hotels. This agreement will result in lower management fees and significant flexibility.
- Converted from an income trust structure to a corporate structure effective December 31, 2012.

Key Events – 2012

- Increased AFFO by 146% to $8.2 million from $3.3 million.
- Reduced total indebtedness by 44% to $114 million from $205 million.
- Repurchased 191,850 units under normal course issuer bid at an average price of $3.64 per unit.
- Introduced and then increased quarterly distribution, which currently represents an annualized $0.14 per share.

Subsequent to December 31, 2012 Holloway:

- Completed the expansion of its Super 8® hotel in Fort St. John, BC. The additional eight guestrooms entered service in February 2013 and several of these guestrooms have already been contracted for on a multi-month "take-or-pay" basis.
- Entered into an accounting internalization agreement with Pacrim. This agreement will result in all of Holloway's accounting functions being transitioned to Holloway during the second quarter of 2013. Holloway anticipates it will save approximately $0.1 million annually as a result of the internalization, save additional amounts as it expands its hotel portfolio and also gain greater control and operational flexibility over its business.

Conversion to a Corporation

Effective December 31, 2012, Holloway Lodging REIT converted from an income trust structure to a corporate structure pursuant to a Plan of Arrangement under the Ontario Business Corporations Act ("OBCA"). The arrangement involved the exchange of units of the REIT for common shares of the Company on a one-for-one basis and the dissolution of the REIT and HL Trust in accordance with their respective Declarations of Trust.

Holloway Lodging Corporation and its subsidiaries will continue to carry on the business formerly carried on by the REIT and its subsidiaries. The board of directors and senior management of the Company are comprised of the former trustees and senior management of the REIT. Effective December 31, 2012, the common shares of the Company began trading on the Toronto Stock Exchange under the symbol HLC.

In this MD&A, Holloway is used to refer to the REIT and/or the Company, as the context requires. In addition, the terms distributions and dividends, the terms units and common shares and the terms Board of Trustees and Board of Directors may be used interchangeably.

Summary of Selected Financial Information

The following table provides key financial information for the past three years.

(in $000's except per unit results, number of rooms, ADR and RevPAR)	2012	2011	2010
Hotel revenues*	58,373	77,392	75,442
Total revenues (hotel and investment income)	58,660	77,550	75,657
Net income (loss)	19,736	(8,403)	(10,539)
Basic and diluted income (loss) per unit/share	1.11	(8.56)	(10.80)
Basic FFO per unit/share	0.48	5.06	(2.46)
Basic AFFO per unit/share	0.46	3.37	(1.41)
Distributions declared per unit	$0.07	-	-
Total assets	204,621	235,229	264,757
Total indebtedness (line of credit, mortgages payable, obligations under finance leases, convertible debentures, loans to related parties, promissory notes, Class B LP units and derivative liability)	113,539	204,886	227,340
Equity	85,511	20,282	28,147
Occupancy	66.65%	67.81%	60.39%
ADR	$122.33	$119.51	$121.51
RevPAR	$81.53	$81.04	$73.38

*Hotel revenues have been restated to account for IFRIC 13-Customer Loyalty Programmes which resulted in a reduction in revenues and operating expenses of $1.0 million in 2012 and 2011 and $1.1 million in 2010. This reclassification has no impact on hotel operating income, net income (loss), or other measures of hotel performance. IFRIC 13-Customer Loyalty Programmes requires that the costs of loyalty program points are recorded as a reduction in hotel revenues.

Same Store Results - 2012 versus 2011

Holloway recorded increases in same-store revenue, RevPar, operating income per available room and operating income margin for the year ended December 31, 2012 compared to the year ended December 31, 2011, as summarized in the following table:

(in millions where indicated except percentages and per room measures)	2012	2011	$ INCREASE	% CHANGE
Hotel revenues – same store	$55.8M	$53.8M	$2.0M	3.7%
Revenue per available room – same store	$83.82	$80.11	$3.71	4.6%
Hotel operating income per available room before depreciation – same store	$32.72	$29.43	$3.29	11.2%
Hotel operating income margin- same store	35.7%	33.2%	-	2.5 ppt

Distribution/Dividend Increase

In August 2012, the Board of Directors reinstated Holloway's distribution at a quarterly rate of $0.03 per unit, representing an annual distribution of $0.12 per unit, due to the material improvement in Holloway's business and capital structure. On November 13, 2012, the Board of Directors decided to increase Holloway's quarterly distribution by 17% to $0.035 per unit, representing an annual distribution of $0.14 per unit. The increased quarterly distribution was paid on December 17, 2012 to unitholders of record on November 30, 2012. The Board of Directors will consider the merits of further increasing the distribution in coming quarters.

Outlook

Holloway remains cautiously optimistic about the performance of its hotels in the coming quarters but expects revenue growth to moderate in several of its markets given the high level of operating results currently being generated in such markets. Holloway intends to generate revenue growth on a portfolio basis by pursuing select hotel expansions and upgrades and select hotel acquisitions. By continuing to focus on operational efficiencies through operating cost reductions and select capital projects, Holloway expects continued growth in net operating income.

While Holloway does not expect material improvement at its four Atlantic Canadian hotels, we expect further positive developments at our Western Canadian hotels should a number of the large-scale infrastructure projects proposed in Northern Alberta and British Columbia receive approval.

Holloway also intends to further reduce its mortgage debt as opportunities arise.

Hotel Portfolio

The Company's portfolio consists primarily of limited service hotels with a small number of full service hotels. The table below provides details on the 17 hotels wholly-owned and one hotel under majority ownership by the Company on December 31, 2012.

PROPERTY	LOCATION	NO. OF ROOMS
Alberta		
Best Western®	Grande Prairie	100
Holiday Inn®	Grande Prairie	145
Northwest Inn	Slave Lake	99
Pomeroy Inn and Suites®	Grande Prairie	152
Super 8®	Drayton Valley	60
Super 8®	Grande Prairie	149
Super 8®	High Level	81
Super 8®	Slave Lake	58
Super 8®	Whitecourt	59
		903
British Columbia		
Holiday Inn Express®	Kamloops	80
Super 8®	Fort Nelson	142
Super 8®	Fort St. John	93
		315
New Brunswick		
Holiday Inn Express® and Suites	Moncton	**151**
Northwest Territories		
Super 8®	Yellowknife	**66**
Nova Scotia		
Super 8®	Truro	50
Super 8®	Windsor	66
Holiday Inn Express®*	Stellarton	125
		241
South Carolina - USA		
Holiday Inn Express®	Myrtle Beach	**114**
	Total Rooms	**1,790**

*Holloway owns a 90% interest in this property.

The table below details the four hotels in which the Company has minority equity ownership interests.

PROPERTY	LOCATION	PERCENT OWNERSHIP	NO. OF ROOMS
British Columbia			
Super 8®	Langley	8.41%	**81**
New Brunswick			
Super 8®	Dieppe	6.00%	**85**
Newfoundland and Labrador			
Super 8®	St. John's	17.63%	**82**
Ontario			
Super 8® *	Toronto	19.06%	**92**
		Total Rooms	**340**

*Investment in this hotel has diluted to a nominal interest due to non-participation in capital calls.

Operating Results

The following table provides a summary of the operating results for the three months and years ended December 31, 2012 and 2011.

(in $000's except number of shares/units and per share/unit results)	Three months ended December 31, 2012	Three months ended December 31, 2011	Years ended December 31, 2012	Years ended December 31, 2011
Hotel revenues	13,276	18,492	58,373	77,392
Hotel expenses	8,882	12,734	38,328	54,213
Hotel operating income before depreciation and amortization	4,394	5,758	20,045	23,179
Other expenses	(8,723)	6,610	309	31,582
Provision for income taxes	-	-	-	-
Income (loss) for the periods	13,117	(852)	19,736	(8,403)
Weighted average basic units outstanding	18,709,258	987,360	17,727,238	981,738
Weighted average diluted units outstanding	18,709,258	987,360	17,727,238	981,738
Basic and diluted income (loss) per share/unit*	0.70	(0.86)	1.11	(8.56)
Reconciliation to funds from operations (FFO)				
Add / (deduct):				
Depreciation and amortization on real property	1,962	2,376	7,745	9,725
Provision for impairment of loan receivable	-	1,235	-	1,235
(Gain) loss on disposal of hotel properties	6	(421)	(5,588)	1,528
Provision for (reversal of) impairment of hotel properties	(12,993)	3,265	(12,993)	3,265
Reversal of impairment of assets held-for-sale	-	(2,567)	-	(2,567)
Loss on disposal of minority interest investment in hotel properties	-	187	101	187
Gain on acquisition of subsidiary	(433)	-	(433)	-
Funds from operations – basic and diluted	**1,659**	**3,223**	**8,568**	**4,970**
Basic and diluted FFO per share/unit*	0.09	3.26	0.48	5.06
Reconciliation to adjusted funds from operations				
Add/(deduct):				
Depreciation and amortization – corporate and other assets	1	45	105	182
Accretion of mortgages, loan due to a related party, convertible debentures and deferred financing fees	40	672	739	3,274
Fair value adjustment on Class B LP units and derivative liability	(5)	(148)	21	(252)
Gain on repurchase of convertible debentures and settlement of promissory notes	-	(2,192)	-	(2,698)
Unit-based compensation	102	126	503	188
FF&E reserve	(406)	(563)	(1,780)	(2,352)
Adjusted funds from operations – basic and diluted	**1,391**	**1,163**	**8,156**	**3,312**
Basic and diluted AFFO per share/unit*	0.07	1.18	0.46	3.37
Distributions declared	$0.035	-	$0.065	-
Reconciliation of cash generated from operating activities to AFFO				
Net cash generated from operating activities	2,700	3,877	6,937	6,261
Changes in items of working capital	(903)	(1,730)	2,999	(597)
FF&E reserve	(406)	(563)	(1,780)	(2,352)
Mortgage penalty refund	-	(421)	-	-
AFFO	**1,391**	**1,163**	**8,156**	**3,312**

Q4 Operating Results

The results of operations for the three months ended December 31, 2012 represent the operations of 17 hotels for the full quarter and a controlling interest in the Holiday Inn Express® hotel in Stellarton, NS, which was acquired on November 30, 2012. During the fourth quarter of 2011, the Company owned 20 hotels.

REVENUE

(in $000's)	Three months ended December 31, 2012	December 31, 2011	Variance	% Variance
Rooms	11,662	15,564	(3,902)	(25.1%)
Food and beverage	1,247	2,088	(841)	(40.3%)
Parking	5	353	(348)	(98.6%)
Other	362	487	(125)	(25.7%)
Total	**13,276**	**18,492**	**(5,216)**	**(28.2%)**

Room Revenue - Key Performance Measures

	Three months ended						
	December 31, 2012			December 31, 2011			RevPAR
Region	Occ.	ADR	RevPAR	Occ.	ADR	RevPAR	Change
Atlantic Canada ($Cdn)	43.69%	$103.63	$45.27	42.64%	$106.42	$45.38	(0.2%)
Western Canada ($Cdn)	68.52%	$127.52	$87.38	69.35%	$125.26	$86.87	0.6%
United States ($US)	40.56%	$70.75	$28.69	46.13%	$66.13	$30.51	(5.9%)
Weighted Average Total ($Cdn)	**62.16%**	**$121.98**	**$75.82**	**64.87%**	**$121.60**	**$78.88**	(3.9%)

Expenses

(in $000's)	Three months ended December 31, 2012	December 31, 2011	Variance	% Variance
Departmental and operating expenses	7,935	11,418	(3,483)	(30.5%)
Property taxes and insurance	662	878	(216)	(24.6%)
Management fees	285	437	(152)	(34.8%)
Depreciation and amortization	1,962	2,420	(458)	(18.9%)
Total	**10,844**	**15,153**	**(4,309)**	**(28.4%)**

HOTEL OPERATING INCOME BEFORE DEPRECIATION

The following table provides the Company's hotel operating margins for its portfolio for the three months ended December 31, 2012 and 2011.

(in $000's except percentages, # of rooms available and HOI per available room)	Three months ended December 31, 2012	December 31, 2011	Variance
Hotel revenues	13,276	18,492	(5,216)
Hotel departmental and operating expenses excluding depreciation and amortization	7,935	11,418	3,483
Hotel gross margin	5,341	7,074	(1,733)
Percentage	40.2%	38.3%	1.9 ppt
Hotel overhead expenses [1]	947	1,315	368
Hotel operating income before depreciation (HOI)	4,394	5,759	(1,365)
Hotel operating income margin	33.1%	31.1%	2.0 ppt
Number of rooms available	157,111	200,744	(43,633)
HOI per available room	**$27.97**	**$28.69**	($0.72)

(1) Hotel overhead expenses include property taxes, insurance and management fees.

Hotel operating income per available room decreased by 2.5% to $27.97 from $28.69 for the three months ended December 31, 2012 and 2011, respectively. The hotel operating income margin increased to 33.1% from 31.1%. The margin increase is attributed to a decline in low-margin food and beverage revenues and lower operating expenses.

Revenue - Same Store

This table provides the revenue on a same store basis for the 17 hotels owned for the fourth quarter of 2012 and 2011.

(in $000's)	Three months ended December 31, 2012	December 31, 2011	Variance	% Variance
Rooms	11,480	11,774	(294)	(2.5%)
Food and beverage	1,244	1,290	(46)	(3.6%)
Other	362	396	(34)	(8.6%)
Total	**13,086**	**13,460**	**(374)**	**(2.8%)**

Room Revenue - Key Performance Measures - Same Store

This table includes the operations of the 17 hotels for the fourth quarter of 2012 and the prior year.

	Three months ended						
	December 31, 2012			December 31, 2011			RevPAR
Region	Occ.	ADR	RevPAR	Occ.	ADR	RevPAR	Change
Atlantic Canada ($Cdn)	43.29%	$103.14	$44.64	42.64%	$106.42	$45.38	(1.6%)
Western Canada ($Cdn)	68.52%	$127.52	$87.38	71.74%	$124.63	$89.41	(2.3%)
United States ($US)	40.56%	$70.75	$28.69	46.13%	$66.13	$30.50	(5.9%)
Weighted Average Total ($Cdn)	**62.56%**	**$122.27**	**$76.49**	**65.32%**	**$119.97**	**$78.36**	**(2.4%)**

Atlantic Canada RevPAR decreased 1.6% for the three months ended December 31, 2012, compared to the three months ended December 31, 2011. There were lower rates in Moncton as a result of an oversupplied market and lower rates in Windsor where there was price-sensitivity from the limited demand and where much of the business was produced from discounted rate segments.

Western Canada RevPAR decreased 2.3% compared to the fourth quarter of 2011. This was driven principally by a decline in occupancy in Fort Nelson where there was lower demand from oil crews. While oil and gas crew demand can fluctuate significantly, we anticipate this decline to be temporary in nature.

RevPAR for the Holiday Inn Express® in Myrtle Beach, South Carolina decreased 5.9% compared to the prior year as there was significantly less group business compared to the prior year.

Food and Beverage, and Other Revenue - Same Store

Food and beverage revenue decreased compared to the prior year due to lower revenue in Slave Lake where food and beverage operations have been scaled back in order to improve profitability. Other income decreased due to lower ancillary revenues at a variety of hotels.

Expenses - Same Store

This table includes the operations of 17 hotels for the fourth quarter of 2012 and the prior year.

	Three months ended			
(in $000's)	December 31, 2012	December 31, 2011	Variance	% Variance
Departmental and operating expenses	7,793	7,983	(190)	(2.4%)
Property taxes and insurance	591	628	(37)	(5.9%)
Management fees	279	285	(6)	(2.1%)
Depreciation and amortization	1,920	2,003	(83)	(4.1%)
Total	**10,583**	**10,899**	**(316)**	**(2.9%)**

Departmental and Operating Expenses

Operating expenses include wages, supplies and overhead expenses such as repairs and maintenance, sales and marketing and administrative expenses related to the operations of the hotels and costs related to the hotel brand. These expenses have decreased by $0.2 million or 2.4% when compared to the prior year period. The Company has focused considerable attention on cost reductions and improving efficiency across all operating and overhead departments.

Property Taxes and Insurance

Property taxes and insurance expenses decreased compared to the prior year period due to lower assessments as a result of successful property tax appeals.

Management Fees

Management fees are based on a percentage of the hotel revenues which were lower for the fourth quarter of 2012 compared to the same period in 2011.

HOTEL OPERATING INCOME BEFORE DEPRECIATION – SAME STORE

The following table provides the Company's hotel operating margins for its portfolio for the three months ended December 31, 2012 and 2011.

(in $000's except percentages, # of rooms available and HOI per available room)	Three months ended December 31, 2012	Three months ended December 31, 2011	Variance
Hotel revenues	13,086	13,460	(374)
Hotel departmental and operating expenses excluding depreciation and amortization	7,793	7,983	190
Hotel gross margin	5,293	5,477	(184)
Percentage	40.5%	40.7%	(0.2 ppt)
Hotel overhead expenses [(1)]	870	913	43
Hotel operating income before depreciation (HOI)	4,423	4,564	(141)
Hotel operating income margin	33.8%	33.9%	(0.1 ppt)
Number of rooms available	153,326	153,088	238
HOI per available room	**$28.85**	**$29.81**	($0.96)

(1) Hotel overhead expenses include property taxes, insurance and management fees.

Hotel operating income per available room decreased by 3.2% or $0.96 to $28.93 from $28.85 for the three months ended December 31, 2012 and 2011, respectively. The hotel operating income margin was unchanged. Although lower expenses offset lower revenues, a high level of fixed costs prevented the full amount of the revenue decline from being offset.

OTHER (INCOME) AND EXPENSES

(in $000's)	Three months ended December 31, 2012	Three months ended December 31, 2011	Variance
Interest on line of credit, mortgages payable and loans due to related parties	1,805	2,858	(1,053)
Interest on convertible debentures	-	769	(769)
Accretion on convertible debentures, loan due to a related party, mortgages and deferred financing fees	40	672	(632)
Corporate and administrative	941	476	465
Unit-based compensation	102	126	(24)
Investment income	(149)	(71)	(78)
Provision for impairment of loan receivable	-	1,235	(1,235)
Loss on disposal of minority interest investment in hotel properties	-	187	(187)
(Gain) loss on disposal or acquisition of hotel properties	6	(421)	427
Gain on acquisition of subsidiary	(433)	-	(433)
Provision for (reversal of) impairment of hotel properties	(12,993)	3,265	(16,258)
Reversal of impairment of assets held-for-sale	-	(2,567)	2,567
Gain on repurchase of convertible debentures and settlement of promissory notes	-	(2,192)	2,192
Fair value adjustment of Class B LP units and derivative liability	(5)	(148)	143
Total	**(10,686)**	**4,189**	**(14,875)**

Interest Expense

Interest on the line of credit, mortgages payable and loans due to related parties decreased $1.1 million for the three months ended December 31, 2012 compared to the three months ended December 31, 2011. This is due to the repayment of mortgages on three hotels which were sold, repayment in full of a maturing mortgage on the Super 8® hotel in Windsor, NS and repayment of the $14.8 million related party loan.

Interest on Convertible Debentures

Interest on the convertible debentures was nil as the Company has no debentures outstanding. For the fourth quarter of 2011, the Company had one series of debentures outstanding.

Accretion Expense

Accretion on the Company's convertible debentures declined in the fourth quarter of 2012 as the Company had no outstanding debentures after January 2012. Amortization of deferred financing fees decreased as a result of the repayment of mortgages on three hotels which were sold in the intervening period and repayment in full of a maturing mortgage on the Super 8® hotel in Windsor, NS and the related party loan.

Corporate and Administrative

Corporate and administrative expenses increased for the three months ended December 31, 2012 compared to the three months ended December 31, 2011 due largely to increased legal and supporting costs associated with the Company's conversion from a REIT to a corporation as well as increased consulting fees including related party fees.

Unit-based Compensation

Unit-based compensation costs decreased in the fourth quarter of 2012 due to non-recurring unit compensation costs to Directors during the same period in 2011 for units issued directly to Directors for services rendered.

Provision for Impairment of Loan Receivable

At December 31, 2011, the Company recorded an allowance of $1.2 million against the loan receivable from Pacrim Hospitality Services Inc. ("Pacrim"). During 2011 and early 2012, the Company sold properties that were previously managed by Pacrim. This reduced the revenue stream Pacrim receives from the Company resulting in, management believes, an increased risk associated with the full repayment of the loan receivable from Pacrim on February 1, 2018. The terms of the loan do not provide the Company with access to Pacrim's financial information and therefore the above is the only objective factor the Company had to consider in evaluating the collectability of the loan. For the year ended December 31, 2012, the Company sold a fifth hotel previously under management by Pacrim however Pacrim continues to meet all of the interest obligations under the terms of the loan and in the absence of evidence to the contrary the Company considers the loan to be performing and does not believe a further provision for impairment is required at December 31, 2012.

Loss on Disposal of Minority Interest Investment in Hotel Properties

During the fourth quarter of 2011, the Company sold its minority interest in the Super 8® hotel in Barrie, ON and incurred a loss on disposal of $0.2 million. There were no sales of minority interest investments in the same quarter of 2012.

Gain on Disposal of Hotel Properties

For the three months ended December 31, 2011, the gain on disposal of hotel properties represents the refund of a significant portion of the mortgage penalties previously paid to the mortgage lender related to the sale of the Holiday Inn Express® and Radisson Suites® hotels in Halifax, NS which were sold during the third quarter of 2011.

Gain on Acquisition of Subsidiary

On November 30, 2012, the Company acquired a 90% interest in the Holiday Inn Express® hotel located in Stellarton, NS for a purchase price of $2.4 million. Holloway acquired shareholder loans and common shares with a face value of $3.9 million. The fair value of the net assets acquired exceeded the purchase price by $433 which has been recorded as a gain on acquisition.

Provision for (Reversal of) Impairment of Hotel Properties

During the fourth quarter of 2012, the Company recorded a net reversal of previously recorded impairment of hotel properties of $13.0 million. The Company increased the carrying value of seven hotel properties by $19.9 million and decreased the carrying value of 4 hotel properties by $6.9 million.

During the fourth quarter of 2011, the Company recorded a net provision for impairment of hotel properties of $3.3 million. The Company decreased the carrying value of three hotel properties by $8.3 million and reversed the previously recorded impairment of four hotel properties by $5.0 million.

Reversal of Impairment of Assets Held-for-Sale

During the fourth quarter of 2011, the Company reversed $2.6 million of the previously recorded impairment on the 5 Calgary Downtown Suites hotel in Calgary, AB. This hotel and the Radisson Hotel and Suites® in Fort McMurray, AB were reclassified to assets held-for-sale in November, 2011 and were sold in January and February 2012, respectively. The Company did not have any assets held-for-sale at December 31, 2012.

Gain on Repurchase of Convertible Debentures and Settlement of Promissory Notes

During the fourth quarter of 2011, the Company repurchased $3.2 million of its 2012 Debentures for $2.2 million. Also during the quarter, the Company settled its interest-bearing promissory notes with a face value of $2.8 million for $1.8 million which amount was added to the loan due to related party. The Company recorded a gain of $1.0 million on this transaction. The Company also settled its non-interest bearing promissory notes with a face value of $0.5 million for a cash payment of $0.1 million. The Company recorded a gain of $0.4 million on this transaction.

Cash Flow for the Three Months Ended December 31, 2012 and 2011

During the three months ended December 31, 2012, the Company's cash and cash equivalents decreased by $0.8 million to $1.3 million primarily due to the repurchase of outstanding units, the payment of distributions to unitholders and the acquisition of a 90% interest in the Holiday Inn Express® in Stellarton, NS.

For the comparative period in 2011, cash and cash equivalents increased by $0.5 million from $2.0 million to $2.5 million as a result of increased revenues and operating cash flow.

(in $000's)	Three months ended December 31, 2012	December 31, 2011
Cash provided by (used in)		
Operating activities		
Net income (loss) for the period	13,117	(852)
Adjustments for non-cash items:		
Unit-based compensation	102	126
Depreciation and amortization	1,967	2,421
Accretion on convertible debentures, loan due to a related party, mortgages and deferred financing fees	40	672
Provision for impairment of loan receivable	-	1,235
Loss on disposal of hotel properties	2	-
Gain on acquisition of subsidiary	(433)	-
Loss on disposal of minority interest investment in hotel properties	-	187
Provision for (reversal of) impairment of hotel properties	(12,993)	3,265
Reversal of impairment of assets held-for-sale	-	(2,567)
Gain on repurchase of convertible debentures and settlement of promissory notes	-	(2,192)
Fair value adjustment of Class B LP units and derivative liabilities	(5)	(148)
Subtotal	1,797	2,147
Changes in items of working capital	903	1,730
Net cash generated from operating activities	**2,700**	**3,877**
Investing activities		
Decrease (increase) in restricted cash	(11)	313
Decrease in capital reserves	31	646
Proceeds from sale of minority interest investment in hotel properties	-	60
Additions to property and equipment	(821)	(903)
Acquisition of subsidiary net of cash acquired	(2,076)	-
Net cash generated from (used in) investing activities	**(2,877)**	**116**
Financing activities		
Increase in (repayment of) line of credit	1,523	(73)
Repayment of obligations under finance leases	(14)	(24)
Repayment of mortgages payable	(1,065)	(1,440)
Repayment of promissory notes	-	(129)
Repurchase of convertible debentures	-	(1,831)
Repurchase of units	(370)	-
Distributions paid to unitholders	(654)	-
Net cash used in financing activities	**(580)**	**(3,497)**
Increase (decrease) in cash and cash equivalents	**(757)**	**496**
Cash and cash equivalents – beginning of period	**2,069**	**1,959**
Cash and cash equivalents – end of period	**1,312**	**2,455**

Operating Activities

Operations generated $2.7 million in cash for the three months ended December 31, 2012. Cash flow before changes in working capital items provided $1.8 million in cash. Changes in working capital items relate to lower trade receivables and increased accounts payable and accrued liabilities.

Operations provided $3.9 million in cash for the three months ended December 31, 2011. Cash flow before changes in working capital items provided $2.1 million in cash. Changes in working capital items relate primarily to the impact of lower accounts receivable balances and higher accrued interest on the 2012 Debentures as well as lower cash on deposit balances compared to the end of September 30, 2011.

Investing Activities

Investing activities used $2.9 million during the three months ended December 31, 2012 due to the Company's acquisition of a 90% interest in the Holiday Inn Express® in Stellarton, NS as well as capital expenditures of $0.8 million at various properties in the portfolio.

Investing activities provided $0.1 million during the three months ended December 31, 2011 due to decreases in the Company's capital reserves and restricted cash offset by additions to property and equipment of $0.9 million.

Financing Activities

Financing activities utilized $0.6 million during the three months ended December 31, 2012. The Company made $1.1 million in regular mortgage payments during the fourth quarter, repurchased outstanding units for $0.4 million and paid $0.6 million in distributions to unitholders. The Company drew $1.5 million on its line of credit for the hotel acquisition described above.

Financing activities utilized $3.5 million during the three months ended December 31, 2011. The Company made principal repayments on its mortgage debt and loans payable of $1.4 million and used $1.8 million to repurchase the 2012 debentures pursuant to its normal course issuer bid and used $0.1 million to settle its non-interest bearing promissory notes.

2012 Operating Results

The results of operations for the full year ended December 31, 2012 represent the continuing operations of 17 hotels for twelve months of 2012 and four hotels for part of the year. The Company owned 20 hotels for the full year of 2011 and two hotels for part of the year.

REVENUE

(in $000's)	Years ended December 31, 2012	Years ended December 31, 2011	Variance	% Variance
Rooms	51,970	66,880	(14,910)	(22.3%)
Food and beverage	4,475	7,138	(2,663)	(37.3%)
Parking	358	1,348	(990)	(73.4%)
Other	1,570	2,026	(456)	(22.5%)
Total	**58,373**	**77,392**	**(19,019)**	**(24.6%)**

Room Revenue – Key Performance Measures

	Years ended						
	December 31, 2012			December 31, 2011			RevPAR
Region	Occ.	ADR	RevPAR	Occ.	ADR	RevPAR	Change
Atlantic Canada ($Cdn)	54.76%	$109.78	$60.12	59.84%	$113.65	$68.01	(11.6%)
Western Canada ($Cdn)	69.44%	$126.98	$88.18	70.21%	$122.38	$85.92	2.6%
United States ($US)	61.67%	$85.76	$52.89	56.39%	$84.91	$47.88	10.5%
Weighted Average Total ($Cdn)	**66.65%**	**$122.33**	**$81.53**	**67.81%**	**$119.51**	**$81.04**	**0.6%**

Expenses

(in $000's)	Years ended December 31, 2012	Years ended December 31, 2011	Variance	% Variance
Departmental and operating expenses	34,244	48,248	(14,004)	(29.0%)
Property taxes and insurance	2,795	4,076	(1,281)	(31.4%)
Management fees	1,289	1,889	(600)	(31.8%)
Depreciation and amortization	7,845	9,903	(2,058)	(20.8%)
Total	**46,173**	**64,116**	**(17,943)**	**(28.0%)**

HOTEL OPERATING INCOME BEFORE DEPRECIATION

The following table provides the Company's hotel operating margins for the years ended December 31, 2012 and 2011.

(in $000's except percentages, # of rooms available and HOI per available room)	Years ended December 31, 2012	December 31, 2011	Variance
Hotel revenues	58,373	77,392	(19,019)
Hotel departmental and operating expenses excluding depreciation and amortization	34,244	48,248	14,004
Hotel gross margin	24,129	29,144	(5,015)
Percentage	41.3%	37.7%	3.6ppt
Hotel overhead expenses [1]	4,084	5,965	1,881
Hotel operating income before depreciation (HOI)	20,045	23,179	(3,134)
Hotel operating income margin	34.3%	30.0%	4.3ppt
Number of rooms available	649,339	837,901	(188,562)
HOI per available room	**$30.87**	**$27.66**	$3.21

(1) Hotel overhead expenses include property taxes, insurance and management fees.

Hotel operating income per available room increased by $3.21 or 11.6% to $30.87 from $27.66 for the year ended December 31, 2012 and 2011, respectively. The hotel operating income margin increased to 34.3% from 30.0%. The margin increase is attributed to a decline in low-margin food and beverage revenues, and operating expenses which are decreasing at a greater pace than the revenues are decreasing.

Revenue - Same Store

This table provides the revenue on a same store basis for the 17 hotels owned for 2012 and 2011.

(in $000's)	Years ended December 31, 2012	December 31, 2011	Variance	% Variance
Rooms	50,128	47,920	2,208	4.6%
Food and beverage	4,250	4,282	(32)	(0.7%)
Other	1,470	1,616	(146)	(9.0%)
Total	**55,848**	**53,818**	**2,030**	**3.8%**

Room Revenue - Key Performance Measures - Same Store

This table includes the operations of 17 hotels for 2012 and 2011.

	Years ended						
	December 31, 2012			December 31, 2011			RevPAR
Region	Occ.	ADR	RevPAR	Occ.	ADR	RevPAR	Change
Atlantic Canada ($Cdn)	55.10%	$109.89	$60.55	56.48%	$111.29	$62.85	(3.7%)
Western Canada ($Cdn)	71.79%	$127.30	$91.40	72.46%	$119.55	$86.63	5.5%
United States ($US)	61.67%	$85.76	$52.89	56.39%	$84.91	$47.88	10.5%
Weighted Average Total ($Cdn)	**68.42%**	**$122.50**	**$83.82**	**68.79%**	**$116.45**	**$80.11**	**4.6%**

The Atlantic Canada RevPAR decreased 3.7% for the year ended December 31, 2012, compared to the year ended December 31, 2011. The decrease is attributed to lower occupancy in each hotel and lower rates in Moncton due to an oversupplied market.

The Western Canada RevPAR increased 5.5% compared to 2011, due to an increase in room rates. There was solid rate growth in virtually all markets and particularly in Drayton Valley, Grande Prairie and Slave Lake.

RevPAR for the Holiday Inn Express® in Myrtle Beach, South Carolina increased 10.5% compared to the prior year due to occupancy growth from the sports and leisure segments.

Food and Beverage, Parking and Other Revenue

The Company operates three full service hotels, two in Grande Prairie and one in Slave Lake that include food and beverage operations. Food and beverage revenues were unchanged as increases in Grande Prairie were offset by decreases in Slave Lake. Other income decreased as the prior period included insurance proceeds which were not recurring.

Expenses - Same Store

This table includes the operations of 17 hotels for 2012 and 2011.

	Years ended			
(in $000's)	December 31, 2012	December 31, 2011	Variance	% Variance
Departmental and operating expenses	32,167	32,077	90	0.3%
Property taxes and insurance	2,533	2,675	(142)	(5.3%)
Management fees	1,217	1,175	42	3.6%
Depreciation and amortization	7,716	7,712	4	0.0%
Total	**43,633**	**43,639**	**(6)**	**0.0%**

Departmental and Operating Expenses

Operating expenses include wages, supplies and overhead expenses such as repairs and maintenance, sales and marketing and administrative expenses related to the operations of the hotels. These expenses have increased marginally when comparing the year ended December 31, 2012 to the same period in 2011. The increase is primarily due to higher brand royalty fees, which are based on revenues, and increased maintenance costs. On a same store basis, revenues increased 3.8% while departmental and operating expenses increased only 0.3%.

Property Taxes and Insurance

Property taxes and insurance expenses have decreased for year ended December 31, 2012 compared to 2011 due to lower assessments as a result of successful property tax appeals.

Management Fees

Management fees are based on the hotel revenues which were higher in 2012 compared to 2011.

HOTEL OPERATING INCOME BEFORE DEPRECIATION – SAME STORE

The following table provides the Company's hotel operating margins for the years 2012 and 2011.

(in $000's except percentages, # of rooms available and HOI per available room)	Years ended December 31, 2012	December 31, 2011	Variance
Hotel revenues	55,848	53,818	2,030
Hotel departmental and operating expenses excluding depreciation and amortization	32,167	32,077	(90)
Hotel gross margin	23,681	21,741	1,940
Percentage	42.4%	40.4%	2.0 ppt
Hotel overhead expenses [1]	3,750	3,850	100
Hotel operating income before depreciation (HOI)	19,931	17,891	2,040
Hotel operating income margin	35.7%	33.2%	2.5ppt
Number of rooms available	609,172	607,865	1,307
HOI per available room	**$32.72**	**$29.43**	$3.29

(1) Hotel overhead expenses include property taxes, insurance and management fees.

Hotel operating income per available room increased by $3.29 or 11.0% to $32.72 from $29.43 for the year ended December 31, 2012, and 2011, respectively. The hotel operating income margin increased to 35.7% from 33.2% due to higher rooms rates and limited expense increases.

OTHER INCOME AND EXPENSES

(in $000's)	Years ended December 31, 2012	December 31, 2011	Variance
Interest on line of credit, mortgages payable and loan due to related parties	7,678	11,074	(3,396)
Interest on convertible debentures	195	4,234	(4,039)
Accretion on convertible debentures, loan due to a related party, mortgages and deferred financing fees	739	3,274	(2,535)
Corporate and administrative	2,523	2,365	158
Unit-based compensation	503	188	315
Investment income	(287)	(158)	(129)
Provision for impairment of loan receivable	-	1,235	(1,235)
Provision for (reversal of) impairment of hotel properties	(12,993)	3,265	(16,258)
Reversal of impairment of assets held-for-sale	-	(2,567)	2,567
Loss on disposal of minority interest investment in hotel properties	101	187	(86)
Loss (gain) on disposal of hotel properties	(5,588)	1,528	(7,116)
Gain on acquisition of subsidiary	(433)	-	(433)
Fair value adjustment of Class B LP units and derivative liabilities	21	(252)	273
Gain on repurchase of convertible debentures and settlement of promissory notes	-	(2,698)	2,698
Total	**(7,541)**	**21,675**	**(29,216)**

Interest Expense

Interest on the line of credit, mortgages and other debt decreased $3.4 million for the year ended December 31, 2012 compared to the year ended December 31, 2011. This is due to the repayment of the mortgages on the five hotels which were sold during 2011 and 2012, repayment in full of a maturing mortgage, repayment of the $14.8 million loan due to a related party and the lower interest costs due to principal reductions on two other mortgages.

Interest on Convertible Debentures

Interest on the convertible debentures was $0.2 million for the year ended December 31, 2012 and $4.2 million for 2011. The decline is due to the repayment of the 2011 debentures in July 2011 and the redemption of the 2012 debentures for units in January, 2012.

Accretion Expense

Accretion expense decreased $2.5 million to $0.7 million for the year ended December 31, 2012 compared to $3.3 million for the same period of 2011, as the Company had no outstanding debentures after January 2012. In addition, the amortization of deferred financing fees has decreased as a result of the repayment of mortgages on the five hotels which were sold in the intervening period and the repayment in full of the maturing mortgage on an another hotel.

Unit-Based Compensation

Unit-based compensation increased $0.3 million for the year ended December 31, 2012 compared to the same period in 2011 due to the issuance of options to Trustees and employees in October 2011 and August 2012.

Provision for Impairment of Loan Receivable
See the commentary above for the fourth quarter of 2012.

Provision for (Reversal of) Impairment of Hotel Properties and Reversal of Impairment of Assets Held-for-Sale
See the commentary above for the fourth quarter of 2012.

Loss on Disposal of Minority Interest Investment in Hotel Properties
The loss on disposal of minority interest investment represents the loss of $0.1 million on the sale of a minority equity investment in the Super 8® hotel in Amherst, NS. The Company received $0.2 million in cash proceeds on the sale.

During 2011, the Company sold its minority interest in the Super 8® hotel in Barrie, ON and incurred a loss on disposal of $0.2 million.

Gain / Loss on Disposal of Hotel Properties
The gain on disposal of hotel properties is comprised of a $0.5 million gain on the sale of the leasehold interest in the 5 Calgary Downtown Suites Hotel in Calgary, AB, a gain of $4.1 million on the sale of the Radisson Hotel and Suites® in Fort McMurray, AB and a gain of $1.0 million on the Super 8® hotel in Three Hills, AB.

The loss on disposal for the year ended December 31, 2011 represents the loss on the disposal of the Radisson Suites® Hotel and Holiday Inn Express® hotels in Halifax, NS.

Gain on Acquisition of Subsidiary
See the commentary above for the fourth quarter of 2012.

Gain on Repurchase of Convertible Debentures and Settlement of Promissory Notes
During 2011, the Company repurchased at a discount 2012 Debentures with a face amount of $5.2 million. See the commentary above for the fourth quarter for a discussion related to the settlement of the promissory notes.

CASH FLOW FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011
For the year ended December 31, 2012, the Company's cash and cash equivalents decreased by $1.1 million from $2.4 million to $1.3 million as a result of mortgage and loan repayments, the repurchase of units, the payment of distributions and the purchase of a 90% interest in the Holiday Inn Express® hotel in Stellarton, NS. These uses of cash were offset by the proceeds from the sale of three hotels and improved operating results.

For the comparative period in 2011, cash and cash equivalents increased by $1.6 million from $0.8 million to $2.4 million as a result of increased operating income, the sale of two hotels and the receipt of a loan due to a related party which was offset by the repayment of the 2011 Debentures.

(in $000's)	Years ended December 31, 2012	December 31, 2011
Cash provided by (used in)		
Operating activities		
Net income (loss) for the periods	19,736	(8,403)
Adjustments for non-cash items:		
Unit-based compensation	503	188
Depreciation and amortization	7,850	9,907
Accretion on convertible debentures, loan due to a related party, mortgages and deferred financing fees	739	3,274
Provision for impairment of loan receivable	-	1,235
Loss on disposal of minority interest investment in hotel properties	101	187
Gain on acquisition of subsidiary	(433)	-
(Gain) loss on disposal of hotel properties	(5,588)	1,528
Provision for (reversal of) impairment of hotel properties	(12,993)	3,265
Reversal of impairment on properties held-for-sale	-	(2,567)
Gain on repurchase of convertible debentures and settlement of promissory notes	-	(2,698)
Fair value adjustment of Class B LP units and derivative liability	21	(252)
Subtotal	9,936	5,664
Changes in items of working capital	(2,999)	597
Net cash generated from operating activities	**6,937**	**6,261**
Investing activities		
Decrease (increase) in restricted cash	(3)	302
Decrease (increase) in capital reserves	(317)	2,570
Proceeds from sale of hotel properties, net of costs	51,177	18,103
Proceeds from sale of minority interest investment in hotel properties	236	60
Additional investment in minority interest investment in hotel properties	(41)	(18)
Additions to property and equipment	(2,706)	(2,627)
Acquisition of subsidiary net of cash acquired	(2,076)	-
Net cash generated from investing activities	**46,270**	**18,390**
Financing activities		
Increase (decrease) in line of credit	(3,299)	2,304
Repayment of promissory notes payable	-	(129)
Repayment of obligations under finance leases	(80)	(132)
Proceeds from mortgages, net of deferred financing fees	-	717
Repayment of mortgages and loans payable	(34,255)	(14,941)
Proceeds from (repayment of) loan due to a related party	(14,800)	13,000
Repayment of convertible debentures	-	(20,238)
Repurchase of convertible debentures	-	(3,607)
Repurchase of units	(699)	-
Distributions paid to unitholders	(1,217)	-
Net cash used in financing activities	**(54,350)**	**(23,026)**
Increase (decrease) in cash and cash equivalents	**(1,143)**	**1,625**
Cash and cash equivalents – beginning of period	**2,455**	**830**
Cash and cash equivalents – end of period	**1,312**	**2,455**

Operating Activities

Operations provided $6.9 million in cash for the year ended December 31, 2012. Cash flow before changes in working capital items provided $9.9 million. Changes in working capital items used $3.0 million as accounts payable and accrued liabilities decreased $3.0 million and the accrued interest on the convertible debentures of $1.5 million was paid in January 2012. These uses of cash were offset somewhat by decreases in accounts receivable and prepaid expenses of $1.5 million.

Operations provided $6.3 million in cash for the year ended December 31, 2011. Cash flow before changes in working capital items provided $5.7 million in cash due to the improvement in revenues and operating results. Changes in working capital items relate to increased accrued interest and lower prepaid expenses offset by increased accounts receivable and decreased accounts payable and accrued liabilities.

Investing Activities

Investing activities provided $46.3 million in cash for the year ended December 31, 2012 due to the receipt of proceeds of $51.2 million from the sale of the 5 Calgary Downtown Suites Hotel in Calgary, AB, the Radisson Hotel and Suites® in Fort McMurray, AB and the Super 8® in Three Hills, AB. Approximately $2.7 million was spent on various capital expenditures across the hotel portfolio and $2.1 million was spent to acquire a 90% controlling interest in the Holiday Inn Express® in Stellarton, NS.

Investing activities provided $18.4 million for the year ended December 31, 2011 due largely to the receipt of proceeds related to the sale of the Radisson Suites® hotel and the Holiday Inn Express® hotel, both in Halifax, NS, as well as the release of capital reserves related to these hotels. These cash inflows were offset by additions to property and equipment of $2.6 million.

Financing Activities

Financing activities utilized $54.3 million during the year ended December 31, 2012. The Company repaid $34.3 million on its mortgage debt which includes regular principal payments, repayment of the mortgages on the sale of the three hotels referred to above, repayment of an additional maturing mortgage in full as well as voluntary principal reductions on two other mortgages. In addition, the Company repaid both the $14.8 million loan due to a related party and $3.3 million on the line of credit. The Company paid $0.7 million for the repurchase of units under its normal course issuer bid and paid $1.2 million in distributions to unitholders.

Financing activities utilized $23.0 million for the year ended December 31, 2011. The Company made principal repayments on its mortgage debt of $14.9 million including mortgage repayments of $10.0 million on the Holiday Inn Express® and Radisson Suites® hotels in Halifax, NS which were sold during the year. As well, the Company repaid the 2011 Debentures of $20.2 million. In addition, the Company spent $3.6 million to repurchase $5.2 million of the 2012 Debentures. These cash outflows were offset by the Company drawing $2.3 million from its line of credit and proceeds of $14.0 million from the loan due to a related party.

Balance Sheet

The following table outlines the significant balances or changes in the consolidated balance sheet from December 31, 2011 to December 31, 2012.

(in $000's)	As at December 31, 2012	As at December 31, 2011	Increase (Decrease)	Explanation
Assets				
Cash and cash equivalents	1,312	2,455	(1,143)	Refer to the "cash flow for the year ended December 31, 2012 and 2011" in the previous section.
Trade and other receivables	2,597	3,974	(1,377)	The decrease is due primarily to the sale of three hotels in 2012.
Assets held-for-sale	-	42,091	(42,091)	The 5 Calgary Downtown Suites Hotel and the Radisson Hotel and Suites® in Fort McMurray were classified as assets held-for-sale at the end of 2011. These hotels were sold in the first quarter of 2012.
Property and equipment	180,964	167,177	13,787	The increase is due mainly to the reversal of previously recorded impairment losses for the year ended December 31, 2012 and the acquisition of the Holiday Inn Express® hotel in Stellarton, NS on November 30, 2012 and various capital improvements across the portfolio.
Loan receivable	4,879	4,938	(59)	The loan receivable has been reduced as a result of the fee arrangement related to the Super 8® in Windsor, NS.
Capital reserve – restricted	3,976	3,662	314	The capital reserve held by lenders has increased as more funds were contributed to the reserves than were withdrawn.
Deferred income tax assets	7,082	7,082	-	The deferred income tax assets represent temporary differences between income or losses for accounting purposes and income or losses for tax purposes which are expected to reverse in the future.
Liabilities and Equity				
Line of credit	1,523	4,822	(3,299)	The balance at December 31, 2012 represents the amount drawn to fund part of the acquisition of the Holiday Inn Express® hotel in Stellarton, NS.
Trade payables and accrued liabilities	5,571	8,545	(2,974)	Decrease is due to the sale of the 5 Calgary Downtown Suites Hotel in Calgary, AB, the Radisson Hotel and Suites® in Fort McMurray, AB and the Super 8® in Three Hills, AB.
Accrued interest on convertible debentures	-	1,516	(1,516)	Represents accrued interest on the 2012 debentures which was paid on January 13, 2012.
Current portion of mortgages payable	10,070	14,328	(4,258)	The Company has one mortgage maturing in the next twelve months versus three at the end of 2011.
Current portion of convertible debentures	-	46,134	(46,134)	The balance at December 31, 2011 represents the 2012 debentures that were redeemed for trust units on January 23, 2012.
Mortgages on assets held-for-sale	-	23,156	(23,156)	The balance comprises the mortgages on the assets held-for-sale (the 5 Calgary Downtown Suites Hotel and the Radisson Hotel and Suites® in Fort McMurray, AB) which were sold during the first quarter of 2012.
Mortgages and loans payable - long-term	101,613	101,569	44	The balance has increased due to the refinancing of the mortgage on the Holiday Inn Express® in Moncton, NB which was included in current liabilities at December 31, 2011.
Loans due to related parties	291	14,768	(14,477)	During the first quarter of 2012, the loan to Geosam Capital Inc. was repaid in full. In November 2012 the Company acquired 90% of the Holiday Inn Express® in Stellarton, NS. The loan payable represents the shareholder loan due to the 10% owner.
Equity	85,511	20,282	65,229	The increase represents the net income for the year ended December 31, 2012 and the issuance of units on the redemption of the 2012 debentures offset by the repurchase of units and the payment of distributions.

Quarterly Results

The following table provides a summary of the quarterly operating results for the last eight quarters (not on a same store basis):

(in $000's except per unit results)	Q4 2012	Q4 2011	Q3 2012	Q3 2011	Q2 2012	Q2 2011	Q1 2012	Q1 2011
Total revenues	13,276	18,492	15,299	20,878	13,294	19,451	16,505	18,571
Hotel revenues**	11,662	15,565	14,064	18,559	11,804	16,743	14,440	16,014
Hotel expenses excluding depreciation	8,882	12,734	9,366	13,603	9,162	13,977	10,918	13,898
Hotel operating income before depreciation	4,394	5,758	5,933	7,275	4,132	5,474	5,587	4,673
Depreciation and amortization – hotel	1,963	2,421	1,926	2,355	1,976	2,563	1,985	2,566
Other (income) expenses	(10,686)	4,189	2,786	6,287	1,479	5,855	(1,119)	5,347
Provision for income taxes	-	-	-	-	-	-	-	-
Net income (loss) for the period	13,117	(852)	1,221	(1,367)	677	(2,944)	4,721	(3,240)
Per Unit Results:								
Basic and diluted income (loss) per unit*	0.70	(0.86)	0.05	(1.38)	0.04	(3.01)	0.32	(3.31)
Basic FFO per unit*	0.09	3.26	0.18	2.44	0.09	0.07	0.14	(0.74)
Basic AFFO per unit*	0.07	1.18	0.17	2.12	0.07	0.40	0.15	(0.44)
Occupancy	62.16%	64.87%	74.96%	75.19%	63.03%	66.19%	66.76%	65.12%
ADR	$121.98	$121.60	$124.82	$122.01	$120.23	$118.33	$121.83	$116.01
RevPAR	$75.82	$78.88	$93.56	$91.74	$75.28	$78.32	$81.33	$75.55

*Periods prior to Q1 2012 are not directly comparable due to the conversion of 2012 convertible debentures.

**All periods are reporting hotel revenues net of costs associated with third party loyalty programs.

CAPITAL STRUCTURE

At December 31, 2012, the Company had 18,651,102 shares outstanding. At March 11, 2013, the Company had ---- shares outstanding.

The Company had the following indebtedness owing at December 31, 2012 and December 31, 2011.

(in $000's)	As at December 31, 2012	December 31, 2011
Line of credit	1,523	4,822
Obligations under finance leases	10	90
Derivative liability	32	10
Class B LP units	-	9
Mortgages payable	111,683	115,897
Mortgages on assets held-for-sale	-	23,156
Loans due to related parties	291	14,768
Convertible debentures	-	46,134
Total Debt	**113,539**	**204,886**
Cash	**1,312**	**2,455**
Net Debt	**112,227**	**202,431**

Financial Commitments

The following chart summarizes the Company's future financial commitments as at December 31, 2012.

(in $000s)	2013	2014	2015	2016	2017	Thereafter
Mortgages payable – principal	10,070	3,787	7,146	11,467	79,742	-
Mortgages payable – interest	7,177	6,626	6,194	5,707	3,083	-
Obligations under finance leases	10	-	-	-	-	-
Operating leases	187	103	75	48	16	-
Loan due to a related party	-	-	-	-	291	
Total	**17,444**	**10,516**	**13,415**	**17,222**	**83,132**	**-**

Non-GAAP Lodging Industry Performance Indicators

The following describes the key performance measures and financial indicators commonly used by lodging entities that do not have a standardized meaning under generally accepted accounting principles ("GAAP").

Occupancy, Average Daily Rate and Revenue per Available Room

The key performance measures used to measure performance in the lodging industry are occupancy, average daily rate ("ADR") and revenue per available room ("RevPAR").

Occupancy represents the number of rooms sold compared to the total number of rooms in the hotel. Average daily rate is defined as room revenue divided by the number of rooms occupied/sold. RevPAR for any given period is defined as total room revenue divided by the total number of rooms in the hotel multiplied by the number of days in the period. RevPAR is relevant as it is the most commonly used indicator of market performance for hotels and represents the combination of the ADR and the average occupancy rate achieved during a period. RevPAR does not include food and beverage or other ancillary revenues generated by a hotel.

Funds from Operations ("FFO")

Funds from operations ("FFO") is a non-GAAP financial measure commonly used in the lodging industry. The calculations presented may differ from similar calculations reported by other entities and accordingly, may not be comparable. The Real Property Association of Canada defines FFO as net income excluding depreciation and amortization on real property, extraordinary items, gains or losses on the sale of assets, provisions for impairment and deferred income taxes. The Company calculates FFO in accordance with this definition. FFO provides another useful measure of the Company's performance as net income incorporates depreciation and amortization on real estate assets, which may not necessarily occur and is based on historical cost accounting. FFO should not be construed as an alternative to net income or cash flow from operating activities.

Adjusted Funds from Operations ("AFFO")

Adjusted funds from operations ("AFFO") is another non-GAAP financial measure commonly used by lodging entities as an indication of financial performance. AFFO reflects the ability of the Company to earn income and make cash distributions/dividends to shareholders/unitholders. It should not be seen as a measurement of liquidity or a substitute for comparable metrics prepared in accordance with GAAP. AFFO may differ from similar calculations reported by other entities and accordingly, may not be comparable.

AFFO is defined as the consolidated net income of the Company and its subsidiaries for the period computed in accordance with GAAP adjusted for the following items:

- add backs:
  - depreciation and amortization;
  - impairment of hotel properties;
  - deferred income tax expense;
  - losses on dispositions of assets;
  - amortization of any net discount on long-term debt assumed from vendors of properties at rates of interest less than fair value; and
  - amortization of deferred financing fees;
- deductions:
  - reserve for replacement of FF&E;
  - deferred income tax credits;
  - interest on convertible debentures to the extent not already deducted in computing net income;
  - gains on dispositions of assets; and
  - amortization of any net premium on long-term debt assumed from vendors of properties at rates of interest greater than fair value;
- other adjustments as determined by the Directors of the Company in their discretion:
  - reversals of impairment on hotel properties;
  - non-cash share/unit-based compensation; and
  - fair value adjustments on Class B LP units and derivative liability.

Readers should refer to the table "OPERATING RESULTS" for the three months and years ended December 31, 2012 and 2011 for the reconciliation of net income to FFO and AFFO.

HOTEL OPERATING INCOME BEFORE DEPRECIATION

Hotel operating income before depreciation, a commonly used non-GAAP measure of performance in the lodging industry, is defined as hotel revenues less hotel expenses. Hotel operating income measures hotel results before interest, depreciation and amortization.

Legal Proceedings

In the course of the Company's ordinary activities, the Company is involved in administrative proceedings, litigations and claims. The Company believes that either there are valid defences to any current actions or that the outcome will not have a material impact on the Company's consolidated financial position or results of operations.

Critical Accounting Estimates

The preparation of financial statements requires management to use judgment in applying its accounting policies and estimates and assumptions about the future. Estimates and other judgments are continuously evaluated and are based on management's experience and other factors, including expectations about future events that are believed to be reasonable under the circumstances. The following areas discuss the most significant judgments and estimates that the Company has made in the preparation of the financial statements.

VALUATION OF PROPERTY AND EQUIPMENT

GAAP requires that items of property and equipment (hotel properties), be reviewed for impairment whenever events or changes in circumstances indicate the carrying amount of an asset might not be recoverable. Property and equipment is reviewed at the individual hotel level, the lowest level for which identifiable cash flows are largely independent when testing and measuring for impairment. The fair value is determined based on the discounted future cash flows expected to be received from the property. The amount of the impairment loss is the amount by which the hotel property's carrying value exceeds its fair value.

The future cash flows expected from the use of the assets involves assumptions regarding occupancy, room rates, revenues, expenses, the residual or terminal value for the property and discount rates. In addition to these estimates, management assesses the effect of new competition in the individual markets and other factors that may impact the individual hotel's results. These estimates and assumptions involve judgment and are subject to change.

The Company values its properties using a discounted cash flow analysis, starting with a base year's financial results and applying certain growth or decline assumptions for a certain term and a terminal capitalization rate at the end of such term. The value of the properties derived from this analysis can fluctuate frequently and significantly due to changes in the base year's financial results or changes in the Company's assumptions. At times, the value of one or more properties as determined in accordance with GAAP may not reflect the realizable value of a property if sold.

The Company has established a methodology for identifying indicators of impairment which includes looking at changes in operating performance, occupancy levels and other factors including oil and gas market activity, regional development opportunities and new competition in the markets in which each CGU operates. These indicators determine whether the Company tests for impairment or reversal of previously recorded impairments.

Valuation of Loan Receivable

The valuation of a loan receivable is subject to significant judgment and occurs when, in the opinion of management there is reasonable doubt as to the timely collection of principal, interest and the underlying security of the loan. The carrying amount of a loan receivable classified as impaired is reduced to the present value of estimated future cash flows discounted at the initial effective interest rate of the loan and recorded as a provision for impairment in the statement of income (loss).

Valuation of Minority Interest Investments in Hotel Properties

The minority interest investments in hotel properties are accounted for as available for sale investments and are measured at fair value at each reporting period with changes in value recognized in other comprehensive income. Significant or prolonged declines in fair value are removed from other comprehensive income and recognized in the statement of income (loss).

Valuations of these investments use inputs and capitalization rates that are based on internal models and management estimates.

Derivative Liability

The Company recognizes a derivative liability related to the outstanding warrants issued with respect to the loan due to a related party. The fair value of this liability is determined using the Black-Scholes option pricing model which uses inputs not directly observable in the market. Historic volatility in the pricing model serves as an estimate of the common share / unit price volatility for option pricing purposes and actual volatility may differ materially.

Depreciation of Property and Equipment

The Company records depreciation on its property and equipment using the straight-line method over the estimated useful life of each category. If different estimated useful lives of the assets or amortization methods were used, the impact on the Company's net income or loss could be material.

Income Taxes

Deferred tax is provided using the liability method. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases (temporary differences). Deferred tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which the temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the year that includes the date of enactment or substantive enactment.

The estimates of future taxable income, the years when the temporary differences are expected to reverse and the tax rates in those years have an impact on the deferred income tax assets recorded on the balance sheet.

Disclosure Controls and Procedures and Internal Controls over Financial Reporting

Management is responsible for establishing and maintaining internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP. In addition, the Company maintains disclosure controls and procedures that are designed to provide reasonable assurance that information required to be disclosed in reports filed or submitted under applicable securities legislation is accumulated and communicated to management, including the Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO"), as appropriate to allow timely decisions regarding required public disclosure. The Company's Chairman acted as Interim CFO from July 7, 2011 until February 28, 2012 when a new CFO was appointed. The Chief Operating Officer ("COO") of the Company was appointed on February 28, 2012 and acts as Chief Executive Officer.

During 2012, the Company's management evaluated the effectiveness of the design and operation of its disclosure controls and procedures (as defined in National Instrument 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings), under the supervision of, and with the participation of those acting as CEO and CFO. As at December 31, 2012, based on the evaluation, the CEO/COO and CFO have concluded that the Company's disclosure controls and procedures were appropriately designed and were operating effectively.

During 2012, the Company's management also evaluated the design and operating effectiveness of the internal controls over financial reporting (as defined in National Instrument 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings), using the Committee of Sponsoring Organizations Internal Control – Integrated Framework, under the supervision of, and with the participation of the CEO/COO and CFO. As at December 31, 2012, based on the evaluation, those acting as CEO and CFO have concluded that the Company's internal controls over financial reporting were appropriately designed and were operating effectively.

It is important to note that all systems of internal controls and procedures can only provide reasonable, rather than absolute assurance that all control issues will be detected. Misstatement and errors may not be detected and controls can be circumvented by collusion among individuals or management override. In addition, the design of any system of control is also based upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future events.

The Company continually reviews its controls and updates its documentation of its disclosure controls and procedures, including its internal controls over financial reporting so as to enhance the effectiveness of its systems of controls and procedures

Risk Factors

There are a number of risk factors associated with the Company. These include risks related to real property ownership, risks related to the business of the Company, including the hotel industry, competition, customer concentration, investment concentration in the oil and gas industry, franchised hotels, availability of additional capital, and debt financing and risks relating to the structure of the Company. Information on these risks and uncertainties are described under “Risk Factors” in the Company’s Annual Information Form, dated March 11, 2013 which is available at www.sedar.com.

Forward-Looking Information

This MD&A contains forward-looking information within the meaning of applicable securities laws. Forward-looking information may relate to Holloway’s future outlook and anticipated events or results and may include statements regarding Holloway’s future financial position, business strategy, financial results, plans and objectives. In some cases, forward-looking information can be identified by terms such as “may”, “will”, “should”, “expect”, “plan”, “anticipate”, “believe”, “intend”, “estimate”, “predict”, “potential”, “continue” or other similar expressions concerning matters that are not historical facts. Forward-looking information is subject to certain factors, including risks and uncertainties, that could cause actual results to differ materially from what Holloway currently expects and there can be no assurance that such statements will prove to be accurate. Some of these risks and uncertainties are described under “Risk Factors” in Holloway’s annual information form for the year ended December 31, 2012 which is available on Holloway’s profile on the SEDAR website at www.sedar.com. Holloway does not intend to update or revise any such forward-looking information should its assumptions and estimates change.