



DISTRIBUTION REINVESTMENT AND UNIT PURCHASE PLAN

AUGUST 1, 2006

TABLE OF CONTENTS

ADVANTAGES OF ENROLLING IN LREIT'S DISTRIBUTION REINVESTMENT AND UNIT PURCHASE PLAN	1
Distribution Reinvestment Feature	1
Cash Purchase Feature	1
DEFINED TERMS USED IN THIS PLAN	2
PURPOSE OF THE PLAN	2
THE PLAN AGENT	2
PARTICIPATING IN THE PLAN	3
Eligible Unitholders	3
How to Participate in the Plan	3
When Participation Begins	4
Non-Resident Participants	4
DISTRIBUTION REINVESTMENT FEATURE	5
Purchases of Units by Plan Agent	5
Partial Participation	5
Changing the Number of Units Subject to Distribution Reinvestment	5
CASH PURCHASE FEATURE	6
Maximum Number of Units that May be Purchased	6
Purchases of Units by Plan Agent	6
How to Participate	7
Registered Unitholders, Certain Dealers and Other Intermediaries	8
STATEMENTS OF ACCOUNT SHOWING INVESTMENTS IN UNITS	8
CERTAIN RESTRICTIONS	8
WITHDRAWING UNITS FROM THE PLAN	9
NO COMMISSIONS OR OTHER CHARGES	9
INCOME TAX TREATMENT	9
TERMINATING PARTICIPATION IN THE PLAN	10
RIGHTS OFFERINGS AND UNIT SPLITS	10
VOTING	11
LIMITATION OF LIABILITY	11
NO PERSONAL LIABILITY	11
AMENDMENT, SUSPENSION OR TERMINATION	12
OF THE PLAN BY LREIT	12
NOTICES	12
EFFECTIVE DATE OF THE PLAN	13
AUTHORIZATION FORM	14

ADVANTAGES OF ENROLLING IN LREIT'S DISTRIBUTION REINVESTMENT AND UNIT PURCHASE PLAN

Distribution Reinvestment Feature

- Monthly cash distributions from LREIT are automatically reinvested in additional Units – increasing your ownership interest in LREIT on an ongoing basis.
- With each reinvestment, you will also receive a “bonus” distribution of Units equal to 4% of the amount of your cash distribution reinvested pursuant to the Plan.
- The purchase price of Units will generally be the weighted average closing price of the Units on the Toronto Stock Exchange (or such other stock exchange upon which the Units may be listed from time to time) for the five trading days immediately preceding the relevant distribution payment date. Acquiring Units through the distribution reinvestment feature of the Plan will allow you to take advantage of dollar cost averaging.
- Although fractional Units will not be distributed, your entitlement to a fractional Unit will accumulate with each distribution payment until you become entitled to a whole Unit.
- Unitholders who participate in the Plan will not pay any commissions, service charges or brokerage fees under the Plan.

Cash Purchase Feature

- Unitholders who purchase Plan Units pursuant to the distribution reinvestment feature may purchase additional Units without paying any commissions, service charges or brokerage fees under the Plan.
- The purchase price of the Units will generally be the weighted average closing price of the Units on the Toronto Stock Exchange (or such other stock exchange upon which the Units may be listed from time to time) for the five trading days immediately preceding the relevant distribution payment date. Acquiring Units through the cash purchase feature of the Plan will allow you to take advantage of dollar cost averaging.

DEFINED TERMS USED IN THIS PLAN

Defined terms used in this Plan are listed below:

“**Average Market Price**” means the weighted average closing price of the Units on the Exchange for the five trading days immediately preceding the relevant distribution payment date.

“**Exchange**” means the Toronto Stock Exchange or such other stock exchange upon which the Units may be listed from time to time.

“**LREIT**” means Lanesborough Real Estate Investment Trust.

“**Non-Resident**” means a person who is a “non-resident” within the meaning of the *Income Tax Act* (Canada) and a partnership that is not a “Canadian partnership” within the meaning of the Tax Act.

“**Participants**” means Unitholders who participate in the Plan.

“**Plan**” means this Distribution Reinvestment and Unit Purchase Plan established for Unitholders by LREIT.

“**Plan Agent**” means CIBC Mellon Trust Company.

“**Plan Units**” means Units purchased under the Plan.

“**United States**” includes the United States and any of its territories or possessions.

“**Unitholder(s)**” means the holder(s) of Units.

“**Unit(s)**” means the participating voting unit(s) of LREIT.

PURPOSE OF THE PLAN

LREIT has adopted the Plan to provide eligible Unitholders with a convenient way of investing in additional Units. Participants may acquire Plan Units in two ways:

- **Distribution Reinvestment:** Participants will have cash distributions from LREIT reinvested in Plan Units as and when cash distributions are made; and
- **Optional Cash Purchases:** Participants may invest additional amounts in Plan Units.

Plan Units are purchased directly from LREIT by the Plan Agent, who acts on behalf of the Participants.

THE PLAN AGENT

The Plan Agent acts as agent for the Participants under the Plan pursuant to an agreement, which may be terminated by LREIT or the Plan Agent at any time. The Plan Agent uses cash distributions paid on Units and all optional cash payments made by Participants to purchase Plan Units directly from LREIT. Plan Units will be registered in the name of each Participant as it appears on the register of Unitholders of LREIT.

PARTICIPATING IN THE PLAN

Eligible Unitholders

All registered and non-registered Unitholders, including those Unitholders who are not residents of Canada, are eligible to participate in the Plan where permitted by applicable laws, other than Unitholders who are residents of or present in the United States. No Units will be offered for sale under the Plan in the United States. Persons who appear to be, or who LREIT or the Plan Agent has reason to believe are, residents of or present in the United States will not be permitted to participate in the Plan.

A registered Unitholder is a Unitholder whose Units are registered in his, her or its name. A registered Unitholder needs to hold at least one Unit in certificated form in order to participate in the Plan.

If a Unitholder holds Units through a dealer, bank, trust company or other intermediary (which is likely the case if the Unitholder receives an account statement which shows the number of Units held), that Unitholder is most likely a non-registered Unitholder.

Many of the instructions in this Plan apply specifically to registered Unitholders. Many Unitholders who will participate in the Plan, however, are non-registered Unitholders. In general, non-registered Unitholders should contact their bank, trust company or broker through which they hold Units in order to participate in the Plan and provide instructions regarding their participation in the Plan.

How to Participate in the Plan

In order to participate in the Plan, a registered Unitholder must complete an authorization form included with the mailing of the Plan and deliver the completed authorization form to the Plan Agent. This form is used by a registered Unitholder to enroll in the distribution reinvestment and cash purchase features of the Plan.

Unitholders whose Units are not registered in their own name must contact their dealer or other intermediary in order to participate in the Plan. That dealer or intermediary will then make the necessary arrangements to allow the non-registered Unitholder to participate in the Plan by enrolling in the Plan on behalf of the non-registered Unitholder.

Please note that certain dealers and intermediaries may not have the administrative ability to facilitate participation in the Plan by their clients. In some cases, certain dealers and intermediaries may be able to facilitate participation by their clients in the distribution reinvestment feature of the Plan, but not the cash purchase feature of the Plan. In these circumstances, in order to participate in the cash purchase feature of the Plan, Unitholders would be required to establish an account with a dealer or other intermediary that has the necessary administrative ability. Alternatively, Unitholders whose Units are not registered in their own name may also participate in the Plan by requesting that their dealer or intermediary transfer some or all of those Units directly into the name of the Unitholder. That Unitholder will then become a registered Unitholder.

When Participation Begins

For the purposes of the distribution reinvestment feature of the Plan, a registered Unitholder will begin participating in the Plan as of the first record date for a cash distribution by LREIT after the Plan Agent has received that Unitholder's properly completed authorization form, provided that the form is received by the Plan Agent no later than 5:00 p.m. (Toronto time) on the fifth business day prior to that record date. If the properly completed form is not received by the Plan Agent prior to this deadline, the Unitholder will begin participating in the Plan as of the next record date for a cash distribution by LREIT. The record date for cash distributions by LREIT is generally the last business day of each calendar month, while the distribution payment date is generally on or about the 15th day of each calendar month.

A registered Unitholder will be eligible to participate in the cash purchase feature of the Plan once the Plan Agent has received the Unitholder's properly completed authorization form enrolling the Unitholder in the Plan.

Non-registered Unitholders should contact their dealer or other intermediary through which they hold Units well in advance of the deadline referred to above in order to give the dealer or other intermediary enough time to make arrangements to enroll the non-registered Unitholder in the Plan before the deadline.

Non-Resident Participants

Funds to be reinvested by Non-Resident Participants will continue to be subject to withholding or applicable non-resident tax and the amount to be invested will be reduced by the amount of the tax withheld.

The Plan Units to be issued to Participants are not, and will not be, registered under the United States Securities Act of 1933, as amended. Accordingly, the Plan Units are not being offered for sale in the United States and participation in the Plan will not be accepted with respect to any person who appears to be, or who LREIT or the Plan Agent have reason to believe is, a resident in the United States.

The declaration of trust of LREIT limits the beneficial ownership of Units by Non-Residents (on a non-diluted or fully diluted basis) to a maximum of 49%. The declaration of trust of LREIT provides that if the trustees of LREIT may require declarations as to the jurisdictions where the beneficial owners of Units are resident and that if the trustees of LREIT become aware that the beneficial owners of 49% of the Units (on a non-diluted or fully diluted basis) are beneficially owned by Non-Residents, such Non-Resident beneficial owners of Units may be required to sell their Units within a specified period, failing which the trustees of LREIT may sell the Units on behalf of such Non-Resident beneficial owner.

DISTRIBUTION REINVESTMENT FEATURE

Participants will have cash distributions from LREIT reinvested in additional Units as and when cash distributions are made. Cash that would otherwise be distributed to that Unitholder by LREIT on any given distribution payment date (which, in the case of Unitholders who are Non-Residents, will be reduced by the amount of any applicable Canadian withholding tax) will be applied towards the purchase of Units from LREIT for that Unitholder. With each reinvestment of Units by a Participant in this manner, the Participant will also receive a “bonus” distribution equal to 4% of the amount of the distribution reinvested by the Participant pursuant to the Plan, which will be reinvested in additional Units. In other words, for every \$1.00 of cash distributions reinvested by a participant under the Plan, \$.04 worth of Units (purchased at a price determined in the manner described below) will be purchased for the participant.

Purchases of Units by Plan Agent

The Plan Agent will act on behalf of Participants for the purposes of reinvesting cash distributions from LREIT in Plan Units. In order to do this, the Plan Agent will purchase Units from LREIT for participants in the Plan at a specified price per Unit. This price will be determined by LREIT and communicated to the Plan Agent, but is expected to be equal to the Average Market Price. However, the means of determining the price at which the Plan Agent will purchase Units may be changed by LREIT in its discretion. For example, LREIT may change the means of determining this price if there are interruptions in the trading of Units on the TSX for any reason during the five day period used for calculating the Average Market Price. Although fractional Units will not be distributed, a participant’s entitlement to a fraction of a Unit will accumulate with each distribution payment until the participant is entitled to a whole Unit.

Partial Participation

A Participant may choose to have all or only a particular percentage of Units held by that Participant participate in the distribution reinvestment feature of the Plan.

Changing the Number of Units Subject to Distribution Reinvestment

If a Participant wishes to change the percentage of Units participating in the distribution reinvestment feature of the Plan, the Participant, if a registered Unitholder, should complete a new authorization form indicating the number of Units that the Participant wishes to have subject to the distribution reinvestment feature, and send this form to the Plan Agent. In order for these new instructions to be effective for a particular distribution, the Participant’s properly completed authorization form must be received by the Plan Agent no later than 5:00 p.m. (Toronto time) on the fifth business day prior to the record date relating to that distribution. Otherwise, these instructions will be effective for the next distribution.

CASH PURCHASE FEATURE

Participants may purchase additional Units under the cash purchase feature of the Plan without paying any commissions, service charges or brokerage fees under the Plan. A Unitholder must invest a minimum amount of \$1,000 with each purchase request and, subject to the terms and conditions of the Plan, may invest up to \$10,000 with each purchase request.

Participation in the cash purchase feature of the Plan is optional. This means that Unitholders who choose to participate in the distribution reinvestment feature of the Plan are not required to participate in the cash purchase feature of the Plan. Even if Unitholders choose to participate in the cash purchase feature of the Plan, Unitholders are not obliged at any time to purchase additional Units.

Unlike the distribution reinvestment feature of the Plan, participants will not receive any bonus distribution of Units in connection with any Units acquired under the cash purchase feature of the Plan.

Maximum Number of Units that May be Purchased

Subject to applicable law and any additional limitations established by LREIT, each Unitholder may invest up to \$10,000 in additional Units in each month (\$120,000 annually) under the cash purchase feature of the Plan. Applicable law imposes a limit on the number of Units that LREIT may issue in any given financial year pursuant to the cash purchase feature of the Plan. This limit is currently 2% of the aggregate number of Units outstanding at the beginning of LREIT's financial year. In order to ensure that this limit is not exceeded, LREIT in its discretion may impose additional restrictions on the maximum number of additional Units that may be acquired by Unitholders pursuant to the cash purchase feature of the Plan, either on an aggregate or on a one-time basis. In these circumstances, if purchase requests are received that would result in this limit being exceeded, cash purchases will be pro-rated among all Participants according to the number of Units that each Participant has requested to be purchased.

Purchases of Units by Plan Agent

The Plan Agent will act on behalf of Participants for the purposes of acquiring additional Units pursuant to the cash purchase feature of the Plan. The Plan Agent will purchase Units from LREIT for Participants at a specified price per Unit. This price will be communicated by LREIT to the Plan Agent, but is expected to be equal to the Average Market Price. However, the means of determining the price at which the Plan Agent will purchase Units may be changed by LREIT in its discretion.

How to Participate

A registered Unitholder will be eligible to participate in the cash purchase feature of the Plan once the Plan Agent has received the Unitholder's properly completed authorization form enrolling the Unitholder in the Plan. Only Unitholders who participate in the distribution reinvestment feature of the Plan are permitted to make optional cash purchases under the cash purchase feature of the Plan.

In order to purchase additional Units at the time of enrolment, registered Unitholders must enclose a personal or a certified cheque in Canadian dollars payable to "CIBC Mellon Trust Company" with their properly completed authorization form. The Plan Agent is required under the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act (Canada)* to collect and record certain information relating to optional cash purchases. Participants wishing to make an optional cash purchase of Plan Units will be required to complete a Participant declaration form and comply with the Plan Agent's requirements.

Once a registered Unitholder is enrolled in the Plan, requests for cash purchases of additional Units may be made at any time by delivering to the Plan Agent a completed cash purchase form, together with payment in the same form described above. A cash purchase form will be included as part of each statement of account sent to Participants. Alternatively, once enrolled in the Plan, a registered Unitholder may make cash purchase requests by delivering to the Plan Agent a completed authorization form instead of the cash purchase form, together with payment in the same form described above.

Non-registered Unitholders should contact their dealer or other intermediary through which they hold Units regarding how to participate in the cash purchase feature of the Plan. Non-registered Unitholders should be aware that not all dealers and intermediaries will facilitate participation in the cash purchase feature of the Plan by their clients.

Although purchase requests may be made by Participants at any time, cash purchases will only be made by the Plan Agent on a distribution payment date. In order for purchases to be made on a particular distribution payment date, the Plan Agent must be in actual receipt of funds from participants to purchase additional Units by no later than 5:00 p.m. (Toronto time) on the record date relating to that distribution payment date. Funds received after this deadline will be applied to purchase additional Units on the following distribution payment date. Cheques will be cashed as soon as practicable following receipt by the Plan Agent. No interest will be paid on any amounts held pending investment by the Plan Agent.

Registered Unitholders, Certain Dealers and Other Intermediaries

Registered Unitholders, as well as certain dealers and other intermediaries who are CDS (Canadian Depository for Securities Limited) participants, may be able to make cash purchase requests under the Plan on behalf of one or more beneficial Unitholders. In order to do so, those registered Unitholders, dealers or intermediaries must declare that both the minimum investment amount of \$1,000 has been met and the maximum investment amount (\$10,000 on a monthly basis or \$120,000 on an annual basis) (or such lesser amount determined by the trustees of LREIT) has not been exceeded for each beneficial Unitholder on whose behalf the registered Unitholder holds Units, or for each beneficial Unitholder holding Units through the dealer or intermediary, as the case may be. For registered Unitholders, this declaration is made on the authorization form used to enroll in the Plan.

STATEMENTS OF ACCOUNT SHOWING INVESTMENTS IN UNITS

Accounts under the Plan are maintained by the Plan Agent in the name in which Units are registered at the time of enrolling in the Plan.

A registered Unitholder participating in the Plan will receive by mail statements of account showing the purchases of Units made on the Participant's behalf under the Plan. These statements will be mailed monthly and will set out for the relevant period the amount of cash distributions paid on the Participant's Units, the total of any cash received from the Participant for the purchase of Units, the number of additional Units purchased under the Plan, the dates of those purchases, the applicable purchase price per Unit and the updated total number of Units held for the Participant.

For Unitholders who participate in the Plan through their dealer or other intermediary through which they hold Units, information regarding Units acquired pursuant to the Plan will be provided on the account statements sent to them by their dealer or intermediary.

As these statements will be a Participant's continuing record of the cost of purchases of Units made under the Plan, they should be kept for tax purposes. In addition, each Participant will receive annually an income tax information form and other information necessary for Canadian income tax reporting purposes.

CERTAIN RESTRICTIONS

Neither the right of a Unitholder to participate in the Plan nor a Unitholder's entitlement to any Units under the Plan may be transferred. In addition, Units held by the Plan Agent for a Participant pursuant to the Plan may not be pledged, sold or otherwise disposed of by the Participant.

WITHDRAWING UNITS FROM THE PLAN

Participants may at any time withdraw Units held under the Plan. Only whole numbers of Units may be withdrawn from the Plan.

In order to withdraw Units from the Plan, participants who are registered Unitholders must make a written withdrawal request to the Plan Agent by completing the withdrawal portion of the statement of account mailed to registered Unitholders participating in the Plan. Participants who are non-registered Unitholders should contact their dealer or other intermediary through which they hold Units in order to withdraw Units held for them.

Any Units (including fractional Units) not withdrawn from the Plan will continue to be held by the Plan Agent for the Participant's account under the Plan.

NO COMMISSIONS OR OTHER CHARGES

Unitholders who participate in the Plan will not pay any commissions, service charges or brokerage fees in connection with any Plan Units acquired pursuant to the Plan. In addition, all administrative costs of operating the Plan, including the fees and expenses of the Plan Agent, will be borne by LREIT.

However, non-registered Unitholders who enroll in the Plan through a dealer, bank, trust company or other intermediary may nevertheless be subject to the fees imposed under the terms governing their relationship with that dealer, bank, trust company or intermediary.

INCOME TAX TREATMENT

Distributions that are reinvested in additional Units do not relieve Participants of any liability for taxes that may be payable on those distributions. Accordingly, to the extent that all or a portion of a cash distribution from LREIT would be included in the income of Unitholders for the purposes of the *Income Tax Act* (Canada), this amount will still be included in the income of Participants even if they choose to have their distributions reinvested in additional Units. Participants will be allocated the same amount of income for income tax purposes on a per Unit basis as non-Participants. The amount reinvested by Participants (plus any cash payments on account of an entitlement to a fractional interest) will be added to the adjusted cost base ("tax cost") of the Units for the purpose of computing any subsequent gain or loss on those Units. Participants will generally be required to determine the tax cost of individual Units on an averaged basis.

In addition, the amount of the income portion of cash distributions payable to non-resident Unitholders that are reinvested in additional Units will be subject to any applicable Canadian withholding or Non-Resident tax. Accordingly, where such tax is applicable, amounts to be reinvested in additional Units will be reduced by the amount of the tax withheld.

The foregoing is only a very general summary of certain Canadian federal income tax matters relating to the Plan. Unitholders should consult their own tax advisors about the tax implications of being a participant in the Plan.

TERMINATING PARTICIPATION IN THE PLAN

A registered Unitholder will continue to be a Participant until the Unitholder terminates its participation by providing a termination request in writing in accordance with the procedures set out below. A Unitholder's participation in the Plan will automatically terminate if the Plan is terminated by LREIT, and will terminate as soon as practicable if the Plan Agent receives a written notice of the death of the Unitholder. In addition, LREIT may terminate the right of a Unitholder to participate in the Plan if the Unitholder has failed to comply with the terms of the Plan, if the participation of that Unitholder becomes unlawful under the laws applicable to LREIT or if, in the reasonable opinion of the trustees of LREIT, the Unitholder has abused the Plan to the detriment of LREIT or its Unitholders.

In order for a registered Unitholder to terminate participation in the Plan and resume receiving cash distributions in respect of Units on a particular distribution payment date, the Unitholder must provide written notice to the Plan Agent no later than 5:00 p.m. (Toronto time) on the fifth business day prior to the related distribution record date. Written notice is to be provided by completing the termination portion of the statement of account that is mailed to registered Unitholders participating in the Plan. Any uninvested funds for cash purchases will be returned to the registered Unitholder following the receipt of a notice of termination. However, this may not be possible if a termination notice is received after the deadline referred to above.

A Participant whose Units are held through a dealer or other intermediary should contact that dealer or intermediary in order to make arrangements of the termination of that Unitholder's participation in the Plan.

If notice is not received by the deadline referred to above, termination and settlement of the Participant's account will take place as soon as practicable after the applicable distribution payment date.

When the participation of a registered Unitholder is terminated, a certificate for whole Units held will be issued in the name of that Unitholder (or if such termination is a result of the death of a Unitholder, in the name of the deceased or the name of the estate of a deceased Unitholder upon receipt by the Plan Agent of evidence of the death of a Unitholder from such Unitholder's duly appointed legal representative) and a cheque will be issued for any fractional Units. The fractional Unit payment will be based upon the closing price of the Units traded on the Exchange on the last trading day prior to the effective date of termination.

RIGHTS OFFERINGS AND UNIT SPLITS

In the event that LREIT makes available to its Unitholders rights to subscribe for additional units of LREIT or other securities, rights certificates will be issued by LREIT to each Participant's account on the record date for the rights issue.

If Units are distributed pursuant to a split of units of LREIT, those Units received by the Plan Agent for Participants will be retained by the Plan Agent and credited by the Plan Agent proportionately to the accounts of the Participants. Such right will not be made available for any fraction of a Unit held by a Participant.

VOTING

Units held for a Participant's account under the Plan on the record date for a vote of Unitholders will be voted in accordance with the instructions of the Participant given on a form to be furnished to the Participant in connection with the particular vote. Units for which instructions are not received will not be voted.

LIMITATION OF LIABILITY

Neither LREIT nor the Plan Agent, nor their respective directors or trustees (as applicable), officers, employees or agents will be liable for any act for any omission to act in connection with the operation of the Plan including, without limitation, any claims for liability:

- (a) arising out of failure to terminate a Participant's account upon such Participant's death prior to receipt of notice in writing of such death;
- (b) with respect to the prices at which Units are purchased for the Participant's account and the times such purchases are made;
- (c) arising in connection with income taxes (together with any applicable interest and/or penalties) payable by Participants in connection with their participation in the Plan; and
- (d) with respect to rejecting any request regarding enrolment in the Plan, withdrawal from the Plan, termination of the Plan or cash purchases under the Plan, if such request is not received in proper form. Any such request will be deemed to be invalid until any irregularities have been resolved to the satisfaction of LREIT and/or the Plan Agent. LREIT and/or the Plan Agent will use reasonable efforts to notify Unitholders of any irregularities in any requests received, however, neither LREIT nor the Plan Agent are under any obligation to do so.

Participants should recognize that neither LREIT nor the Plan Agent can assure a profit or protect them against a loss on the Units purchased under the Plan.

NO PERSONAL LIABILITY

No Unitholder or annuitant will have any personal liability and no resort will be had to, nor recourse or satisfaction be sought from, the private property of any Unitholder or annuitant for any liability whatsoever to any person in connection with the property of LREIT or its affairs, including for satisfaction of any obligations or claims arising out of or in connection with the Plan. Rather, the only recourse for the satisfaction of any obligations or claims is intended to be against the assets of LREIT.

**AMENDMENT, SUSPENSION OR TERMINATION
OF THE PLAN BY LREIT**

LREIT reserves the right to amend, suspend or terminate the Plan at any time. Such action will have no retroactive effect, subject to the other provisions of the Plan and to any amendments required by securities regulatory authorities or necessary in order to comply with applicable laws. Any amendment to the Plan which materially affects the rights of the Participants will be subject to the prior approval of the Exchange. All Participants will be sent written notice of any such amendment, suspension or termination at least 10 business days prior to the effective date of such amendment, suspension or termination.

In the event of suspension of the Plan by LREIT, no investment will be made by the Plan Agent on the applicable distribution payment date immediately following the effective date of the suspension. Any distributions or funds for cash purchases which are not invested as of the effective date of the suspension and any cash distributions to be reinvested pursuant to the Plan which are paid after the effective date of the suspension will be returned by the Plan Agent to the Participants.

NOTICES

All notices required to be given under the Plan will be mailed to Participants at the addresses shown on the records of the Plan Agent or at the most recent address furnished by the Participants.

Notices to the Plan Agent are to be sent to:

CIBC Mellon Trust Company
600, 333-7th Avenue S.W.
Calgary, Alberta T2P 2Z1
Attention: Manager, Client Relations

Notices to LREIT are to be sent to:

Lanesborough Real Estate Investment Trust
c/o Shelter Canadian Properties Limited
2600 Seven Evergreen Place
Winnipeg, Manitoba R3L 2T3
Attention: Chief Executive Officer

EFFECTIVE DATE OF THE PLAN

The Plan is effective on November 1, 2006. Plan Units may be issued under the Plan commencing with the distribution made in December 2006 to Unitholders of record on November 30, 2006, subject to the receipt of all necessary regulatory and stock exchange approvals.

**LANESBOROUGH REAL ESTATE INVESTMENT TRUST
DISTRIBUTION REINVESTMENT AND UNIT PURCHASE PLAN
AUTHORIZATION**

**For Use by Holders of Units that are Registered Directly with
CIBC Mellon Trust Company (the "Plan Agent")
(excluding U.S. residents, who are not eligible to participate in the Plan)**

I hereby agree to participate in the Distribution Reinvestment and Unit Purchase Plan (the "Plan") and authorize LANESBOROUGH REAL ESTATE INVESTMENT TRUST (the "REIT") to forward to the Plan Agent, funds, as indicated below, to purchase new units (the "Plan Units") of the REIT in accordance with the terms and conditions set forth in the Plan. I understand that I may terminate my participation in the Plan at any time by notifying the Plan Agent and the REIT in writing

Please circle the appropriate number(s):

- (1) (a) Full distribution reinvestment - to have the cash distribution on all units registered in the name(s) of the undersigned reinvested

OR

- (b) Partial distribution reinvestment to have the cash distribution on the units registered in the name(s) of the undersigned reinvested as follows (express as a percentage of holdings to be reinvested):

_____ percent of Units registered in the name(s) of the undersigned.

- (2) Optional contributions - in addition to the reinvestment of distributions under paragraph (1) above the undersigned wishes to participate in the Plan through the investment of optional cash payments and has enclosed a payment of \$ _____ (\$1,000 minimum) to be used towards the purchase of Plan Units,

NOTE: The total of box 2 must NOT exceed the maximum contribution per month (\$10,000) or per year (\$120,000) for a Unitholder.

Optional cash payments made by holders of Units will be invested in Plan units on the first distribution payment date following receipt of payment. No interest will be paid on monies received as optional cash payments.

Dated this _____ day of _____, 20_____.

Signature of Registered Holder of Units

Address

Signature of Registered Holder of Units

Address

Name (Please print)

Telephone No.

Account Number

E-mail Address and/or Fax Number

Inquiries: Email: inquiries@cibcmellon.com Toll Free Telephone No.: 1-800-387-0825
Return address for enrolment form: CIBC Mellon Trust Company, P.O Box 7010, Adelaide Street
Postal Station, Toronto, Ontario M5C 2W9