



LANESBOROUGH

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LANESBOROUGH REAL ESTATE INVESTMENT TRUST

Press Release

LANESBOROUGH REIT ANNOUNCES INTENTION TO EXTEND AND AMEND SERIES G DEBENTURES AND REDUCTION IN REVOLVING LOAN FACILITY INTEREST RATE

Winnipeg, Manitoba – May 12, 2016 – Lanesborough Real Estate Investment Trust (“LREIT”) (TSX: LRT.UN) announced today its intention to extend and amend its issued and outstanding 9.50% Series G Redeemable Subordinated Secured Debentures due June 30, 2018 (the “Debentures”). In particular, LREIT intends to (a) extend the maturity date of the Debentures from June 30, 2018 to June 30, 2022; (b) reduce the interest rate payable on the Debentures commencing June 30, 2016 from 9.50% per annum to 5.00% per annum; and (c) extend the interest payment date(s) in respect of the Debentures from semi-annually on June 30th and December 31st of each year (including the semi-annual interest payment scheduled for June 30, 2016) to June 30, 2022 (the “Amendments”). No other amendments to the terms of the Debentures are being proposed. LREIT has prepared and will send to holders of the Debentures (“Debentureholders”) an information circular (the “Circular”) and proxy relating to a meeting (the “Meeting”) of the Debentureholders to be held on June 21, 2016 at which the Debentureholders will vote on whether to approve the Amendments.

The board of trustees of LREIT has determined that the Amendments are in the best interests of LREIT as they are necessary to: (a) provide LREIT with an opportunity to pay interest and principal on the Debentures to Debentureholders when due and avoid defaulting on such payments; (b) increase the probability of LREIT being able to endure its current financial challenges and carry on as a going concern; and (c) obtain a reduction in the interest rate on LREIT’s revolving loan facility with 2668921 Manitoba Ltd. (the “Revolving Loan Facility”) from 12.00% per annum to 5.00% per annum (which reduction has been agreed to by 2668921 Manitoba Ltd. on the condition that Debentureholders approve the Amendments), which will further help LREIT achieve the objectives set out in (a) and (b).

In addition to seeking Debentureholder approval of the Amendments and obtaining the conditional agreement of 2668921 Manitoba Ltd. to reduce the interest rate on the Revolving Loan Facility, LREIT is negotiating concessions from mortgage lenders in an effort to improve LREIT’s financial position and outlook as further described in LREIT’s management discussion and analysis and interim financial statements for the three-month period ended March 31, 2016.

In order to effect the Amendments, LREIT will be required to enter into a third supplemental trust indenture with the trustee for the Debentures, CIBC Mellon Trust Company. For further information regarding the Amendments, see the Circular to be sent to Debentureholders, which will be filed on SEDAR.

LREIT has retained Laurentian Bank Securities Inc. as its solicitation agent. Laurentian Bank Securities Inc. is entitled to form a soliciting dealer group to solicit votes regarding the Amendments.

There is \$24,810,800 principal amount of Debentures issued and outstanding as of the date hereof. The Debentures are listed on the Toronto Stock Exchange (the "TSX") under the trading symbol "LRT.DB.G". The Amendments are subject to the approval of the TSX.

ABOUT LREIT

LREIT is a real estate investment trust, which is listed on the Toronto Stock Exchange under the symbols LRT.UN (Trust Units) and LRT.DB.G (Series G Debentures). For further information on LREIT, please visit our website at www.lreit.com.

FOR FURTHER INFORMATION PLEASE CONTACT:

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The TSX has not reviewed or approved the contents of this press release and does not accept responsibility for the adequacy or accuracy of this press release.

This press release contains certain statements regarding the proposed transaction described herein that could be considered as forward-looking information. The forward-looking information is subject to certain risks and uncertainties, which could result in actual results differing materially from the forward-looking statements. There can be no certainty that the transaction will be completed within the timeline set forth herein or at all.