



LANESBOROUGH

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LANESBOROUGH REAL ESTATE INVESTMENT TRUST Press Release

LANESBOROUGH REIT ANNOUNCES INTENTION TO EXTEND MATURITY DATE OF SERIES G DEBENTURES

Winnipeg, Manitoba – May 7, 2014 – Lanesborough Real Estate Investment Trust (“LREIT”) (TSX: LRT.UN) announced today its intention to extend the maturity date of its issued and outstanding 9.50% Series G redeemable subordinated secured debentures due February 28, 2015 (the “Debentures”). 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 16, 2014 at which the Debentureholders will vote on whether to accept the extension of the maturity date of the Debentures.

The board of trustees of LREIT has given consideration to a number of factors in determining to extend the maturity date of the Debentures, including: (a) the improvements in LREIT’s operating performance; (b) LREIT’s success under its refinancing initiatives; (c) the progress made under LREIT’s divestiture program; (d) LREIT’s improved capital structure; and (e) the potential impact of the extension of the Debentures on the exercise of outstanding warrants of LREIT. The board of trustees of LREIT has concluded that the extension of the maturity date of the Debentures would have a number of benefits to LREIT including the elimination of any potential uncertainty regarding the pending maturity of the Debentures in February of 2015. The board of trustees of LREIT believes that the elimination of this uncertainty will encourage holders of warrants of LREIT to exercise their “in the money” warrants which, if fully exercised, would result in an equity injection to LREIT of \$6,668,425 by March 9, 2015 and \$10,418,250 by December 23, 2015.

The board of trustees of LREIT also believes that the extension of the maturity date of the Debentures would provide a number of benefits to the Debentureholders. The most significant benefit would be providing Debentureholders with a rate of return of 9.5% per annum for an additional 40 months, which is particularly attractive given the rates of return available on alternative investments. In addition, in the event that the extension of the Debentures results in significant proceeds to LREIT from the exercise of outstanding warrants, LREIT may use such proceeds to repay obligations of LREIT that rank in priority to the Debentures, including the line of credit owing to Shelter Canadian Properties Ltd. and the mortgage bonds of LREIT. Any proceeds received by LREIT from the exercise of outstanding warrants would improve the security granted by LREIT for the Debentures.

At the Meeting, the Debentureholders will be asked to approve extending the maturity date of the Debentures from February 28, 2015 to June 30, 2018. No other amendments to the terms of the Debentures are proposed.

In order to effect the foregoing amendments to the Debentures, LREIT will be required to enter into a second supplemental trust indenture with the trustee for the Debentures, CIBC Mellon Trust Company. For further information regarding the proposed amendments to the Debentures, 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. has undertaken to form a soliciting dealer group to solicit votes regarding the extension of the Debentures.

There is \$24,873,800 principal amount of Debentures issued and outstanding as of the date hereof. The Debentures are listed on the Toronto Stock Exchange under the trading symbol "LRT.DB.G".

ABOUT LREIT

LREIT is a real estate investment trust, which is listed on the Toronto Stock Exchange under the symbols LRT.UN (Trust Units), LRT.DB.G (Series G Debentures), LRT.NT.A (Second Mortgage Bonds due December 24, 2015), LRT.WT (Warrants expiring March 9, 2015) and LRT.WT.A (Warrants expiring December 23, 2015). 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.