



LANESBOROUGH

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LANESBOROUGH REAL ESTATE INVESTMENT TRUST Press Release

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

Winnipeg, Manitoba – September 22, 2011 – Lanesborough Real Estate Investment Trust (“LREIT”) (TSX: LRT.UN) announced today its intention to amend the terms of its issued and outstanding 5 Year 7.5% convertible redeemable unsecured subordinated debentures (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 October 27, 2011 at which the Debentureholders will vote on whether to accept the amendments to the Debentures.

LREIT wishes to amend the Debentures because it does not currently have the cash resources available to repay the Debentures when they mature on December 31, 2011. LREIT’s operations have seen recent improvement, however, all available cash resources have been utilized to fund capital expenditures on the property portfolio and service current debt. LREIT’s ability to realize its current business strategy and to establish adequate working capital is contingent on, among other things, a successful resolution of the upcoming maturing Debentures.

At the Meeting, the Debentureholders will be asked to approve the following amendments to the Debentures:

- increasing the interest rate on the Debentures from 7.5% per annum to 9.5% per annum;
- extending the maturity date of the Debentures from December 31, 2011 to February 28, 2015;
- eliminating the ability of Debentureholders to convert the Debentures into trust units of LREIT (“Units”);
- amending the redemption features of the Debentures;
- eliminating the ability of LREIT to repay the principal amount of the Debentures through the issuance of Units on redemption or maturity of the Debentures;
- eliminating the ability of LREIT to satisfy its interest payment obligations through the issuance of freely tradeable Units; and
- improving the security granted by LREIT for the repayment of the Debentures so that the Debentures shall be secured by a charge to and in favor of the Indenture Trustee on all of LREIT’s property and assets, subject to senior debt and permitted encumbrances.

In order to effect the foregoing amendments to the Debentures LREIT will be required to enter into a 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 sent to Debentureholders, which has been filed on SEDAR.

LREIT has retained National Bank Financial Inc. (“NBF”) (Wellington West Capital Inc. (“WW”) having recently been acquired by NBF) as solicitation agent. NBF has undertaken to form a soliciting dealer group to solicit votes regarding the Debenture amendments.

There are approximately \$25,000,000 principal amount of Debentures issued and outstanding. 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 Convertible Debentures), LRT.NT (Second Mortgage Bonds due March 10, 2015), 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.

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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.

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