

**PUBLIC STORAGE CANADIAN PROPERTIES**

**(A Limited Partnership Governed By  
the *Limited Partnerships Act* of Ontario)**

**QUARTERLY REPORT TO UNITHOLDERS**

**JUNE 30, 2008**

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# Properties

The following table sets forth information about the properties owned by Public Storage Canadian Properties as at July 31, 2008:

Location	Year Built Units <sup>(3)</sup>	Land Area (Acres)	Net Rentable Square Feet	Storage
<b>Alberta</b>				
90 Country Hills Landing NW, Calgary	2004 (1)	5.4	74,000	798
		5.4	74,000	798
<b>British Columbia</b>				
2351 United Boulevard, Coquitlam	1981 (2)	4.7	65,000	724 (4)
17555 – 64 Avenue, Surrey	2005 (1)	2.1	57,000	699
7401 King George Highway, Surrey	1982 (2)	4.1	80,000	646
8654 120 <sup>th</sup> Street, Surrey	1980 (2)	3.2	60,000	529
111 Commercial Drive, Vancouver	2006 (1)	1.3	74,000	975
		15.4	336,000	3,573
<b>Ontario</b>				
25 Advance Boulevard, Brampton (5)	1979 (1)	4.1	63,000	514
2 Mendota Road, Etobicoke	1979 (2)	1.9	29,000	267
36 Queen Elizabeth Boulevard, Etobicoke	1986 (2)	2.5	66,000	691 (4)
30 Burford Road, Hamilton	1979 (2)	5.0	95,000	803 (4)
2330 South Sheridan Way, Mississauga	1979 (2)	3.7	58,000	506
5010 Timberlea Boulevard, Mississauga	1986 (2)	4.3	82,000	737
921 Queensway East, Mississauga	1981 (2)	6.3	105,000	827
1001 Arrow Road, North York	1980 (2)	6.0	117,000	1,011 (4)
1333 North Service Road, Oakville (6)		10.3		
2 Greensboro Drive, Rexdale	1980 (2)	4.9	141,000	1,515 (4)
9355 Leslie Street, Richmond Hill (6)		3.3		
91 Dynamic Drive, Scarborough	1980 (2)	4.7	80,000	652 (4)
730 Birchmount Road, Scarborough	1987 (2)	3.4	73,000	700
4120 Finch Avenue East, Scarborough	1980 (2)	4.2	58,000	449 (4)
28 Estate Drive, Scarborough	2007 (1)	5.0	86,000	962
17 Hobson Avenue, Toronto	1982 (2)	2.6	63,000	610
1310 Dundas Street, Woodstock	2006 (1)	10.2	55,000	570 (4)
		82.4	1,171,000	10,814
<b>Québec</b>				
2801 Montee St-Remi, Dorval (6)		2.1		
955 Autoroute Chomeday, Laval (7)	2007 (1)	3.4	84,000	947
3015 Boulevard Tessier, Laval	2008 (1)	1.8	84,000	800
9445 Jean Pratt Street, Montréal	2006 (1)	1.7	92,000	950
5605 Côte-de-Liesse, St. Laurent	1949 - 2001 (1)	8.5	216,000	2,381
		17.5	476,000	5,078
<b>Total</b>		<b>120.7</b>	<b>2,057,000</b>	<b>20,263</b>

- (1) See “Other Facilities” on page 11.
- (2) See “Same Store Facilities” on page 8.
- (3) Number of storage units may change due to the addition or deletion of internal partitions to satisfy space size demand.
- (4) Number of storage units includes outdoor spaces for vehicle storage at selected locations: Coquitlam (150), Etobicoke (23), Hamilton (14), North York (83), Rexdale (105), Scarborough (77) and Woodstock (100).
- (5) This facility (the “Repositioned Facility”) has been identified for redevelopment. See “Property Acquisitions, Developments and Repositioning” on page 17.
- (6) See “Property Acquisitions, Developments and Repositioning” on page 17.
- (7) Subject to a 40 year land lease agreement.

# Management's Discussion and Analysis of Financial Conditions and Results of Operations

Dated August 6, 2008

## Forward-Looking Statements

This discussion of the financial condition and results of operations of Public Storage Canadian Properties ("PSCP" or the "Partnership") contains forward-looking statements regarding, among other things, the Partnership's beliefs, plans, objectives, strategies, estimates, intentions and expectations, including as they relate to its operating and financial results, capital expenditures, distribution policy and financing strategies and the ability to execute on its operating, development and financing strategies. Generally, these forward-looking statements can be identified by the use of forward-looking terminology such as "believe", "potential", "expect", "estimate", "would", "could", "intend", "will", "if" and "may". These forward-looking statements are based on a number of assumptions which may prove to be incorrect, including management's current expectations, estimates and assumptions about the markets the Partnership operates in, the Canadian economic environment, interest rates, exchange rates, the Partnership's ability to attract and retain customers and to manage its self-storage assets and operating costs, assumptions respecting the availability and cost of construction materials and labour, there being limited costs, difficulties or delays related to obtaining construction and operating permits or as a result of adverse weather conditions and expectations respecting the useful life of assets of the Partnership. Forward-looking statements involve known and unknown risks, uncertainties and other facts which may cause actual results or developments to differ materially from those contemplated or implied by these statements depending on, among others, such factors as:

- the accuracy of management's assumptions;
- the failure of the Partnership to manage acquisitions;
- delays in "lease-up" of newly developed self-storage facilities of the Partnership;
- losses of key personnel may affect the Partnership's ability to operate effectively;
- the leverage of the Partnership;
- restrictive covenants in the Partnership's credit facility and the Partnership Agreement contain restrictions that limit the Partnership's flexibility in operating the business;
- the Partnership may incur significant environmental costs and liabilities;
- litigation risks;
- property taxes can increase and cause a decline in yields on investments;
- competition has affected the occupancy levels, rental rates and operating expenses of some of the Partnership's facilities;
- the value of the Partnership's properties may be reduced by the general risks of rental real estate ownership including lack of demand for rental spaces or units in a locale, changes in general economic or local conditions, changes in supply of or demand for similar or competing facilities in an area, changes in environmental, real estate, zoning or tax laws, and changes in interest rates;
- rental real estate development (including the development of mini-warehouse facilities) is subject to timing, budgeting and other risks including construction delays or cost overruns that may increase project costs;
- the Partnership does not own the trade-mark "Public Storage";
- the Partnership's properties compete with other properties managed by the General Partner of the Partnership which operate under the trade-mark "Public Storage"
- there may be situations in which conflicts of interest may arise between the General Partner of the Partnership and its respective officers and directors in relation to the interests of the Partnership;
- the Hughes Family (as defined below) controls the Partnership; and
- implications of tax legislation applicable to specified investment flow-through trusts or partnerships (see "Tax Treatment and Notices").

This list may not contain all factors that could affect any of the Partnership's forward-looking statements. Investors and others should carefully consider these and other factors and not place undue reliance on these forward-looking statements. Further information regarding these and other factors is included in the Partnership's public filings with Canadian securities regulatory authorities including the section titled "Risk Factors" in the Partnership's Annual Information Form. The forward-looking statements contained in this discussion of the consolidated financial condition and results of operations of the Partnership represent the Partnership's views only as at the date hereof. While the Partnership anticipates that subsequent events and developments may cause the Partnership's views to change, the Partnership does not undertake to update any forward-looking statements except as required by law.

### **General**

Public Storage Canadian Properties is a publicly-held limited partnership formed under the *Limited Partnerships Act* (Ontario). The Partnership owns, and derives substantially all of its income from, 25 self-storage facilities, of which fifteen are located in Ontario, five are located in British Columbia, four are located in Québec and one is located in Alberta. In addition, the Partnership owns parcels of land in Oakville, Ontario, and Richmond Hill, Ontario, and Dorval, Québec, for development into new self-storage facilities.

The General Partner of the Partnership is Canadian Mini-Warehouse Properties Company ("CMP" or the "General Partner"), a privately-held company. All of the shares of CMP are beneficially owned by the family of B. Wayne Hughes (the "Hughes Family"). CMP and its affiliates own 5,045,966 units of the Partnership ("Units") or approximately 55.8% of the outstanding Units as at June 30, 2008.

The 25 self-storage facilities owned by the Partnership are operated under the trade name "Public Storage" and are managed by CMP pursuant to a separate property management agreement. CMP also manages an additional 24 self-storage facilities in Canada operated under the trade name "Public Storage" for the Hughes Family for a combined total of 49 self-storage facilities aggregating 3.7 million net rentable square feet.

### **Outstanding Securities**

9,040,181 Units were outstanding as at August 6, 2008.

### **Business Overview**

The Partnership acquires, develops and owns self-storage facilities. Self-storage facilities are designed to offer accessible storage space for personal and business use at a relatively low cost. A user rents a fully-enclosed storage unit which is for the user's exclusive use and to which only the user has access on an unrestricted basis during business hours. Some self-storage facilities also include rentable uncovered parking areas for vehicle storage. Leases for storage units may be on a long-term or short-term basis, although typically spaces are rented on a month-to-month basis. Rental rates vary according to the location of the property and the size of the space. Self-storage units are used by individuals and large and small businesses. Individuals usually employ the space for storage of, among other things, furniture, household appliances, personal belongings, motor vehicles, boats, campers, motorcycles and other household goods. Businesses usually employ the space for storage of excess inventory, business records, seasonal goods, equipment and fixtures. On-site operation of a self-storage facility is the responsibility of a property manager, who may be a resident on the facility he or she is responsible for. District managers are employed to supervise the work of the property managers.

### **Growth Initiatives**

The Partnership initially owned 16 mature self-storage facilities located in the provinces of Ontario and British Columbia (see "Same Store Facilities"). The first of these properties opened in August 1979, and the last of these initial properties to commence operations opened in January 1987. The Partnership seeks to achieve organic growth from its "Same Store" facilities from rental rate increases, stabilized occupancy levels and disciplined levels of spending. The Partnership achieved "Same Store" net operating income growth of 6.5% and 4.9% for the three and six months ended June 30, 2008 compared to 2.4% and 4.3% for the same periods in 2007, respectively. "Same Store" gross margins were 65.7% and 64.0% for the three and six months ended June 30, 2008 compared to 64.9% and 63.8% for the same periods in 2007, respectively.

In November 2000, the holders of Units (the “Unitholders”) authorized an amendment to the limited partnership agreement of the Partnership (the “Partnership Agreement”) to permit the Partnership to expand its portfolio of self-storage facilities by taking advantage of strategic acquisition and development opportunities as they arise (see “Property Operations - Other Facilities” on page 11). The Partnership believes that external growth is necessary to achieve economies of scale, compete with newer facilities with greater amenities and diversify the portfolio across Canada.

Since the amendment to the Partnership Agreement in November 2000, the Partnership has sought to expand its portfolio of self-storage facilities in selected markets at attractive yields. Over the past several years, the Partnership has sought to construct brand new self-storage facilities in highly desirable locations with state of the art amenities (including climate controlled buildings with individually alarmed units). The Partnership believes that its new developments will generate improved operating results in the long-term. Generally, the construction period takes up to 18 months, followed by an estimated 36 month lease-up period. During the lease-up period, the developments are dilutive to earnings. This dilution is created by the negative spread between the cost of capital related to the cost of the property and the net operating income or loss generated by such property.

### **Significant Transactions**

On January 9, 2008, the Partnership announced a new credit arrangement with a syndicate of commercial banks (the “Credit Facility”). The \$75 million Credit Facility bears interest at prime rate or a rate equal to the Banker’s Acceptance Rate plus an applicable margin ranging from 0.75% to 1.00%.

On June 30, 2008, the Partnership announced the opening of a newly constructed self-storage facility located at 3015 Boulevard Tessier in Laval, Québec, just east of Autoroute 15 at Boulevard Carrefour. The facility consists of a four-storey climate-controlled building with approximately 84,000 net rentable square feet and 800 self-storage units. The total cost to develop this facility (including the purchase price of land) was approximately \$8,911,000.

On July 7, 2008, the Partnership announced the acquisition of a property located at 2801-2827 Montee St-Remi in Dorval, Québec, encompassing 2.07 acres of vacant land for a purchase price of approximately \$1,900,000. The total cost to develop this property (including the purchase price) into a self-storage facility is expected to be approximately \$10,800,000. This property is located on the west side of Montreal, Québec, just south of Highway 40 at the southeast corner of Sources Blvd. and Hymus Blvd.

Estimates of costs to develop these properties have been prepared without information on exact unit mix and architectural drawings and the actual costs may exceed the current estimates. Management’s plans and expectations respecting the acquisition and development of these properties are subject to various assumptions, including assumptions respecting the availability and cost of construction materials and labour, there being limited costs, difficulties or delays related to obtaining construction and operating permits and the ability of the Partnership to sever and sell a portion of the property and the net proceeds realizable therefrom. Management’s plans and expectations are also subject to various known and unknown risks, uncertainties and other facts, including the risk that management’s assumptions may prove to be inaccurate, timing budgeting and other risks, including construction delays or cost overruns that may increase project costs, and risk factors. See “Forward-Looking Statements” on page 4.

### **Critical Accounting Policies and Estimates**

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. The Partnership’s significant accounting policies are outlined in Note 2 of the Partnership’s audited annual consolidated financial statements.

#### *Revenue Recognition Policy*

Rental income is recognized in the period in which the customer occupies the storage unit pursuant to the terms of a month-to-month agreement. Payments received prior to the period in which the customer occupies the storage unit are recorded as advance payments from renters and recognized as income in the future period to which they relate.

### *Accruals for Expenses*

The Partnership accrues for property tax expenses and other operating expenses each quarter based on historical trends and anticipated disbursements. If these estimates are incorrect, the timing of expense recognition will be affected.

### *Capitalization Policy*

Expenditures greater than \$2,500 related to the renovation or betterment of real estate facilities and that benefit a period of five years are capitalized and amortized on a straight-line basis over their useful life.

### *Properties under Development*

Interest, property taxes and other costs directly attributable to the real estate facilities under development are capitalized. Properties under development are reclassified to real estate facilities and amortized when the facility commences operations.

### *Environmental Liabilities*

The Partnership accrues environmental assessments and estimated remediation costs when it is probable that such efforts will be required and the related costs can be reasonably estimated. The Partnership's current practice is to conduct environmental investigations in connection with property acquisitions. Although there can be no assurance, the Partnership is not aware of any environmental contamination of any facilities which individually or in the aggregate would be material to the Partnership's overall business, financial condition, or results of operations.

### *Purchase Price Allocation*

The Partnership determines the fair value of acquired tangible and intangible assets, including land, buildings, tenant improvements, above- and below-market leases and origination costs related to acquired in-place leases, other identified intangible assets and assumed liabilities and allocates the purchase price to the acquired assets and assumed liabilities, including land at appraised value and buildings at depreciated replacement costs. Recorded amounts for in-place lease origination values are based on the Partnership's evaluation of the specific characteristics of each tenant's lease. Factors to be considered include estimates of carrying costs during expected lease-up period considering current market conditions, and costs to execute similar leases.

## **Operating Results**

The Partnership operates in a fragmented market that is dominated by private local self-storage owners and operators. In recent years, the Partnership has also experienced increased competition from national self-storage owners and operators. Competition leads to bidding wars on real estate acquisitions, pricing pressures on rental rates, higher marketing initiatives and discounting to improve occupancy levels. The Partnership believes that the operating and financial experience of its management team combined with the Partnership's conservative capital structure, brand name, geographic diversity and economies of scale should enable the Partnership to compete effectively.

Economic factors that may affect the Partnership during the remainder of this year include a slowdown in the economy, a tightening in the credit markets, changing conditions in the interest rate environment and local real estate markets.

The Partnership's operating results include the dilutive impact of newly developed self-storage facilities. These facilities will continue to be dilutive during the initial "lease-up" period. See Property Operations - "Other Facilities" on page 11.

Net income of the Partnership was \$1,997,000 or \$0.22 per Unit (based on 9,040,181 Units) for the three months ended June 30, 2008 compared to \$2,966,000 or \$0.41 per Unit (based on 7,232,145 Units) for the same period in 2007. Net income of the Partnership was \$3,577,000 or \$0.40 per Unit (based on 9,040,181 Units) for the six months ended June 30, 2008 compared to \$4,598,000 or \$0.64 per Unit (based on 7,232,145 Units) for the same period in 2007. The decreases in net income and net income per Unit were due, in part, to the recognition of an income tax benefit of \$1,060,000 in the prior year arising from amendments to the *Income Tax Act* (Canada), an increase in the number of outstanding Units as a result of the completion of a rights offering by the Partnership in October 2007, and the dilutive impact of newly developed self-storage facilities.

## **Property Operations**

In order to evaluate the performance of the Partnership's portfolio, management reports the performance of the "Same Store" facilities separately from the performance of the "Other" facilities.

### **"Same Store" Facilities**

The Partnership seeks to achieve organic growth from its "Same Store" facilities from rental rate increases, improved occupancy levels and cost controls.

"Same Store" facilities are facilities that have been owned and operated at a mature, stabilized occupancy level since January 1 of the earliest period presented. Management considers a facility to be stabilized after it has been opened for at least three years. Management considers the operating performance of the "Same Store" facilities to be a more useful measure of the overall operating performance of the Partnership's portfolio to analyze trends and provide meaningful comparisons.

Effective October 1, 2007, the Partnership removed one facility from the pool of "Same Store" facilities. A facility in Brampton, Ontario has been identified for redevelopment and no longer provides meaningful comparative data for the periods presented. See "Liquidity and Capital Resources - Property Acquisitions, Developments and Repositioning" on page 17.

As at June 30, 2008, the "Same Store" facilities consist of 15 self-storage facilities located in the provinces of Ontario and British Columbia and contain approximately 1,172,000 net rentable square feet and 10,667 storage units. The first of these properties opened in August 1979, and the last of these properties to commence operations opened in January 1987.

The following table summarizes the net operating income (“NOI”) of the “Same Store” facilities for the three months ended June 30, 2008 and 2007. NOI is equal to rental income less cost of operations and management fees paid to CMP before amortization. This non-GAAP financial measure does not have any standardized meaning prescribed by GAAP and is therefore unlikely to be comparable to similar measures presented by other issuers.

Three months ended June 30,

	<b>2008</b>	<b>2007</b>	<b>Change</b>	<b>Change</b>
	\$	\$	\$	%
<b>Rental income (a)</b>				
British Columbia	781,000	771,000	10,000	1.3%
Ontario	3,607,000	3,405,000	202,000	5.9%
	<u>4,388,000</u>	<u>4,176,000</u>	<u>212,000</u>	<u>5.1%</u>
<b>Cost of operations</b>				
Property taxes	472,000	466,000	6,000	1.3%
Direct payroll (b)	332,000	354,000	(22,000)	(6.2%)
Repairs and maintenance (c)	116,000	105,000	11,000	10.5%
Utilities	82,000	77,000	5,000	6.5%
Advertising	54,000	53,000	1,000	1.9%
Insurance	22,000	23,000	(1,000)	(4.3%)
Other (d)	162,000	137,000	25,000	18.2%
	<u>1,240,000</u>	<u>1,215,000</u>	<u>25,000</u>	<u>2.1%</u>
Management fees (e)	263,000	251,000	12,000	4.8%
<b>Net operating income</b>	<u>2,885,000</u>	<u>2,710,000</u>	<u>175,000</u>	<u>6.5%</u>
Gross margin (f)	65.7%	64.9%		0.9%
Weighted average for period:				
Occupancy	88.0%	88.5%		(0.6%)
Realized annual rent per square foot (g)	17.04	16.11	0.93	5.8%

(a) The 5.1% increase in rental income, net of discounts, was due primarily to rental rate increases implemented on April 1, 2008 and lower discounts given. Discounts were \$279,000 for the three months ended June 30, 2008 compared to \$364,000 for the same period in 2007.

(b) The decrease in direct payroll was due to a non-recurring payroll tax payment made in 2007.

(c) The increase in repairs and maintenance expense was due primarily to higher snow removal costs compared to the same period in 2007.

(d) The increase in other expense was due to the hiring of additional supervisory personnel to support the Partnership’s growth.

(e) Management fees are payable to CMP pursuant to the terms of the amended and restated management agreement between the Partnership and CMP dated as at January 1, 1999 (the “Management Agreement”). Management fees are equal to 6% of Gross Operating Revenues (defined below) of each property, calculated monthly. “Gross Operating Revenue” means all cash receipts (excluding security deposits paid by tenants unless and until recognized as income by the Partnership) received by or on behalf of the Partnership under each lease of space on the properties.

(f) Gross margin is computed by dividing property net operating income by rental income.

(g) Realized rent per square foot represents the actual revenue earned per occupied square foot. Management believes this is a more relevant measure than posted or scheduled rates as posted rates can be discounted through promotions.

The following table summarizes the NOI of the “Same Store” facilities for the six months ended June 30, 2008 and 2007.

Six months ended June 30,

	<b>2008</b>	<b>2007</b>	<b>Change</b>	<b>Change</b>
	\$	\$	\$	%
<b>Rental income (a)</b>				
British Columbia	1,520,000	1,480,000	40,000	2.7%
Ontario	7,021,000	6,697,000	324,000	4.8%
	<b>8,541,000</b>	<b>8,177,000</b>	<b>364,000</b>	<b>4.5%</b>
<b>Cost of operations</b>				
Property taxes	939,000	940,000	(1,000)	(0.1%)
Direct payroll	682,000	681,000	1,000	0.1%
Repairs and maintenance (b)	273,000	226,000	47,000	20.8%
Utilities	185,000	181,000	4,000	2.2%
Advertising	109,000	102,000	7,000	6.9%
Insurance	45,000	46,000	(1,000)	(2.2%)
Other (c)	326,000	294,000	32,000	10.9%
	<b>2,559,000</b>	<b>2,470,000</b>	<b>89,000</b>	<b>3.6%</b>
Management fees (d)	512,000	491,000	21,000	4.3%
<b>Net operating income</b>	<b>5,470,000</b>	<b>5,216,000</b>	<b>254,000</b>	<b>4.9%</b>
Gross margin (e)	64.0%	63.8%		0.3%
Weighted average for period:				
Occupancy	87.4%	86.9%		0.5%
Realized annual rent per square foot (f)	16.69	16.06	0.63	3.9%

- (a) The 4.5% increase in rental income, net of discounts, was due primarily to rental rate increases offset by higher discounts given to increase occupancy levels. Discounts were \$713,000 for the six months ended June 30, 2008 compared to \$676,000 for the same period in 2007.
- (b) The increase in repairs and maintenance expense was due primarily to higher snow removal costs compared to the same period in 2007.
- (c) The increase in other expense was due to the hiring of additional supervisory personnel to support the Partnership’s growth.
- (d) Management fees are payable to CMP pursuant to the terms of the Management Agreement”). Management fees are equal to 6% of Gross Operating Revenues (defined below) of each property, calculated monthly. “Gross Operating Revenue” means all cash receipts (excluding security deposits paid by tenants unless and until recognized as income by the Partnership) received by or on behalf of the Partnership under each lease of space on the properties.
- (e) Gross margin is computed by dividing property net operating income by rental income.
- (f) Realized rent per square foot represents the actual revenue earned per occupied square foot. Management believes this is a more relevant measure than posted or scheduled rates as posted rates can be discounted through promotions.

## “Other” Facilities

“Other” facilities are facilities that have been recently acquired or developed by the Partnership and were not owned or operated at a mature, stabilized occupancy level since January 1 of the earliest period presented. Generally, these facilities are still in their initial “lease-up” period and do not provide meaningful comparisons to prior periods. The Partnership will reclassify these properties to “Same Store” facilities once they have been owned and operated at a mature, stabilized occupancy level as at January 1 of the earliest period presented. In order to evaluate the performance yields of the Partnership’s recent acquisitions and developments, management further reports the “Other” facilities by the year in which they were acquired or developed. The following table provides information on the “Other” facilities as at June 30, 2008:

<b>Location</b>	<b>Cost \$ Units<sup>(1) (2)</sup></b>	<b>Ending Occupancy</b>	<b>Net Rentable Square Feet</b>	<b>Storage</b>
<b>2005 Facilities</b>				
90 Country Hills Landing NW, Calgary (a)	8,653,000	80.0%	74,000	798
17555 – 64 Avenue, Surrey (b)	6,328,000	91.4%	57,000	699
	14,981,000		131,000	1,497
<b>2006 Facilities</b>				
9445 Jean Pratt Street, Montréal (c)	8,950,000	34.0%	92,000	950
5605 Côte-de-Liesse, St. Laurent (d)	15,107,000	75.8%	216,000	2,381
111 Commercial Drive, Vancouver (e)	11,480,000	58.0%	74,000	975
	35,537,000		382,000	4,306
<b>2007 Facilities</b>				
1310 Dundas Street, Woodstock (f)	4,030,000	65.0%	55,000	570
28 Estate Drive, Scarborough (g)	11,225,000	35.2%	86,000	962
955 Autoroute Chomeday, Laval (h)	7,321,000	57.9%	84,000	947
	22,576,000		225,000	2,479
<b>2008 Facility</b>				
3015 Boulevard Tessier, Laval (i)	8,911,000	0.0%	84,000	800
	8,911,000		84,000	800
<b>Total</b>	<b>82,005,000</b>		<b>822,000</b>	<b>9,082</b>

- (a) In March 2005, the Partnership acquired an existing self-storage facility which was originally built in 2004.
- (b) In December 2003, the Partnership acquired a parcel of land for development into a new self-storage facility. The newly constructed facility opened in April 2005.
- (c) In July 2005, the Partnership acquired a parcel of land for development into a new self-storage facility. The newly constructed facility opened in March 2006.
- (d) In June 2006, the Partnership acquired an existing self-storage facility with three buildings which were built in 1949, 1959 and 2001.
- (e) In June 2004, the Partnership acquired a parcel of land for development into a new self-storage facility. The newly constructed facility opened in July 2006.
- (f) In May 2007, the Partnership acquired an existing self-storage facility which was originally built in 2006. Total cost is \$111,000 higher than amounts previously reported as at December 31, 2007 due to trailing construction costs incurred during the six months ended June 30, 2008 related to the expansion of this facility.
- (g) In November 2006, the Partnership acquired a parcel of land for development into a new self-storage facility. The newly constructed facility opened in June 2007. Total cost is \$48,000 higher than amounts previously reported as at December 31, 2007 due to trailing construction costs incurred during the six months ended June 30, 2008.
- (h) In November 2006, the Partnership entered into 40-year land lease agreement with an option to buy to develop a new self-storage facility on the premises. The newly constructed facility opened in June 2007. Total cost is \$113,000 higher than amounts previously reported as at December 31, 2007 due to trailing construction costs incurred during the six months ended June 30, 2008.
- (i) In September 2007, the Partnership acquired a parcel of land for development into a new self-storage facility. The newly constructed facility opened on June 30, 2008.

Entire Portfolio

The following table summarizes the NOI for all of the Partnership's properties for the three months ended June 30, 2008 and 2007.

Three months ended June 30,

	2008	2007	Change	Change
	\$	\$	\$	%
<b>Rental income</b>				
Same Store Facilities	4,388,000	4,176,000	212,000	5.1%
2005 Facilities	501,000	459,000	42,000	9.2%
2006 Facilities	807,000	765,000	42,000	5.5%
2007 Facilities	313,000	57,000	256,000	449.1%
Repositioned Facility	146,000	234,000	(88,000)	(37.6%)
	6,155,000	5,691,000	464,000	8.2%
<b>Cost of operations</b>				
Same Store Facilities	1,240,000	1,215,000	25,000	2.1%
2005 Facilities	180,000	147,000	33,000	22.4%
2006 Facilities	459,000	403,000	56,000	13.9%
2007 Facilities	485,000	43,000	442,000	1,027.9%
Repositioned Facility	71,000	63,000	8,000	12.7%
	2,435,000	1,871,000	564,000	30.1%
<b>Management fees</b>				
Same Store Facilities	263,000	251,000	12,000	4.8%
2005 Facilities	30,000	28,000	2,000	7.1%
2006 Facilities	48,000	46,000	2,000	4.3%
2007 Facilities	19,000	3,000	16,000	533.3%
Repositioned Facility	9,000	14,000	(5,000)	(35.7%)
	369,000	342,000	27,000	7.9%
<b>Net operating income (loss)</b>				
Same Store Facilities	2,885,000	2,710,000	175,000	6.5%
2005 Facilities	291,000	284,000	7,000	2.5%
2006 Facilities	300,000	316,000	(16,000)	(5.1%)
2007 Facilities	(191,000)	11,000	(202,000)	(1,836.4%)
Repositioned Facility	66,000	157,000	(91,000)	(58.0%)
	3,351,000	3,478,000	(127,000)	(3.7%)

The following table summarizes the NOI for all of the Partnership's properties for the six months ended June 30, 2008 and 2007.

Six months ended June 30,

	2008 \$	2007 \$	Change \$	Change %
<b>Rental income</b>				
Same Store Facilities	8,541,000	8,177,000	364,000	4.5%
2005 Facilities	967,000	880,000	87,000	9.9%
2006 Facilities	1,560,000	1,441,000	119,000	8.3%
2007 Facilities	551,000	57,000	494,000	866.7%
Repositioned Facility	286,000	450,000	(164,000)	(36.4%)
	11,905,000	11,005,000	900,000	8.2%
<b>Cost of operations</b>				
Same Store Facilities	2,559,000	2,470,000	89,000	3.6%
2005 Facilities	357,000	302,000	55,000	18.2%
2006 Facilities	951,000	833,000	118,000	14.2%
2007 Facilities	969,000	43,000	926,000	2,153.5%
Repositioned Facility	135,000	126,000	9,000	7.1%
	4,971,000	3,774,000	1,197,000	31.7%
<b>Management fees</b>				
Same Store Facilities	512,000	491,000	21,000	4.3%
2005 Facilities	58,000	53,000	5,000	9.4%
2006 Facilities	94,000	87,000	7,000	8.0%
2007 Facilities	33,000	3,000	30,000	1,000.0%
Repositioned Facility	17,000	27,000	(10,000)	(37.0%)
	714,000	661,000	53,000	8.0%
<b>Net operating income (loss)</b>				
Same Store Facilities	5,470,000	5,216,000	254,000	4.9%
2005 Facilities	552,000	525,000	27,000	5.1%
2006 Facilities	515,000	521,000	(6,000)	(1.2%)
2007 Facilities	(451,000)	11,000	(462,000)	(4,200.0%)
Repositioned Facility	134,000	297,000	(163,000)	(54.9%)
	6,220,000	6,570,000	(350,000)	(5.3%)

### **Interest and Other Income**

Interest and other income include primarily interest received on cash balances. Interest and other income were \$41,000 and \$75,000 for the three and six months ended June 30, 2008 compared to \$18,000 and \$45,000 for the same periods in 2007, respectively. The increase was due to higher average cash balances compared to the prior year.

### **Amortization of Real Estate Facilities**

Amortization expense of real estate facilities was \$1,066,000 and \$2,115,000 for the three and six months ended June 30, 2008 compared to \$917,000 and \$1,829,000 for the same periods in 2007, respectively. The increases were due to additional amortization expense associated with the "2007 Facilities" placed in service.

### **Amortization of Intangible Assets**

Intangible assets reflect the value of in-place leases acquired in connection with the acquisition of existing self-storage facilities as determined by a third party valuation firm. Intangible assets are amortized on a straight-line basis over 15 months.

Amortization expense of intangible assets was \$49,000 and \$99,000 for the three and six months ended June 30, 2008 compared to \$349,000 and \$665,000 for the same periods in 2007, respectively. The decrease was due to the discontinuation of amortization of in-place leases acquired in connection with the Cote-de-Liesse facility in 2006. The in-place leases acquired in connection with the Cote-de-Liesse facility are fully amortized.

### **Interest Expense and Commitment Fees**

Interest expense and commitment fees were \$141,000 (net of \$106,000 capitalized to finance properties under development) and \$284,000 (net of \$120,000 capitalized to finance properties under development) for the three and six months ended June 30, 2008 compared to \$121,000 (net of \$149,000 capitalized to finance properties under development) and \$247,000 (net of \$193,000 capitalized to finance properties under development) for the same periods in 2007, respectively. The Partnership capitalizes certain interest expense incurred during the period a project is being developed and constructed.

The increases in interest expense were due to an increase in amortization of deferred financing costs compared to the same periods in 2007. These amounts were previously included as administrative expense during the three and six months ended June 30, 2007 and have been reclassified to conform to the current year presentation.

The weighted average borrowing rate on the credit facility was 4.06% and 4.11% for the three and six months ended June 30, 2008 compared to 5.28% and 5.26% for the same periods in 2007, respectively. The commitment fees on the unused portion of the Credit Facility were 0.1875%.

The interest rate on the mortgage note payable was 7.879%.

### **Administrative**

Administrative expense consists primarily of professional fees, accounting personnel and reporting issuer costs. Administrative expenses were \$185,000 and \$337,000 for the three and six months ended June 30, 2008 compared to \$203,000 and \$336,000 for the same periods in 2007, respectively.

### **Income Tax Benefit**

The Partnership recorded a future income tax benefit of \$46,000 and \$117,000 during the three and six months ended June 30, 2008 compared to \$1,060,000 and \$1,060,000 for the same periods in 2007, respectively, due to the implications on the Partnership's current tax status as a limited partnership arising from amendments to the *Income Tax Act* (Canada) intended to eliminate certain tax advantages presently enjoyed by certain investors in publicly-traded specified investment flow-through trusts or partnerships, including the Partnership. This future tax benefit relates to the Partnership's share of the temporary difference between the accounting and tax basis of the Partnership's assets which is expected to reverse after the date that the amendments are expected to apply to the Partnership. The amendments are not expected to apply to the Partnership until 2011 provided that the Partnership complies with the normal growth guidelines issued by the Department of Finance. See "Tax Treatment and Notices" on page 20.

## Quarterly Results

The following table presents a summary of selected operating results of the Partnership on a quarterly basis:

<u>Quarter Ended</u>	<u>Total Revenues</u>	<u>Net Income</u>	<u>Net Income Per Unit</u>
September 30, 2006	\$ 5,522,000	\$ 2,062,000	\$ 0.29
December 31, 2006	\$ 5,319,000	\$ 1,676,000	\$ 0.23
March 31, 2007	\$ 5,341,000	\$ 1,632,000	\$ 0.23
June 30, 2007	\$ 5,709,000	\$ 2,966,000	\$ 0.41
September 30, 2007	\$ 5,967,000	\$ 1,677,000	\$ 0.23
December 31, 2007	\$ 5,834,000	\$ 2,209,000	\$ 0.25
March 31, 2008	\$ 5,784,000	\$ 1,580,000	\$ 0.17
June 30, 2008	\$ 6,196,000	\$ 1,997,000	\$ 0.22

The significant increase in net income during the quarter ended December 31, 2007 was due primarily to “Same Store” NOI growth of \$335,000 and a decrease in amortization expense of intangible assets of \$267,000.

The significant decreases in net income per Unit during the quarters ended March 31, 2008 and June 30, 2008 compared to the same periods in the prior year were due to an increase in the weighted average number of outstanding Units as a result of the completion of a rights offering by the Partnership in October 2007.

The following table presents a summary of quarterly revenue and weighted average occupancy of the “Same Store” facilities:

<u>Quarter Ended</u>	<u>“Same Store” Revenues</u>	<u>Weighted Average Occupancy</u>
September 30, 2006	\$ 4,155,000	87.2%
December 31, 2006	\$ 3,988,000	85.2%
March 31, 2007	\$ 4,001,000	85.3%
June 30, 2007	\$ 4,176,000	88.5%
September 30, 2007	\$ 4,353,000	89.9%
December 31, 2007	\$ 4,224,000	87.5%
March 31, 2008	\$ 4,153,000	86.9%
June 30, 2008	\$ 4,388,000	88.0%

### *Seasonality*

The self-storage industry is subject to seasonal fluctuations in occupancy levels with the spring and summer months generating increased rental activity compared to decreased rental activity in the colder winter months. The Partnership experiences the effects of these fluctuations as spring and summer occupancies are typically higher than those in the fall and winter.

## **Liquidity and Capital Resources**

Cash and cash equivalents were \$174,000 as at June 30, 2008. The Partnership generates sufficient cash flows from operations to finance its operations, both on a short-term and long-term basis. In addition, the Partnership has a \$75,000,000 revolving credit facility with a syndicate of commercial banks for general corporate purposes and to provide short-term financing for property acquisitions and developments. Net cash provided by operating activities for the three and six months ended June 30, 2008 was \$2,348,000 and \$5,328,000 compared to \$5,848,000 and \$8,507,000 for the same periods in 2007, respectively. The decrease in this value was due primarily to accrued construction invoices that existed as at June 30, 2007.

The Partnership owns several new self-storage developments that are currently in their initial “lease-up” period. See “Property Operations - Other Facilities” on page 11. These “Other” facilities contribute less operating income and cash flow during their initial “lease-up” period compared to a “stabilized” self-storage facility that has been operational for at least three years. Although the Partnership has generated sufficient cash flow to meet its operating requirements, including capital improvements of existing facilities and any debt service requirements, the cash flow generated has not been sufficient to cover distributions at their current levels. See “Distributions” on page 17. Any short-term deficiency in meeting obligations as they become due will be funded by the Partnership’s \$75,000,000 revolving credit facility. The General Partner believes that the Partnership will generate sufficient cash flow to meet its operating requirements and distributions at their current level once the “Other Facilities” have reached stabilized occupancy levels.

### *Credit Facility*

Under the Partnership Agreement, the total amount of secured and unsecured debt of the Partnership is limited to no more than seven times the earnings of the Partnership before interest, taxes, depreciation and amortization for the 12 months ended the immediately preceding financial quarter of the Partnership or approximately \$89,131,000 as at June 30, 2008.

On December 31, 2007, the Partnership entered into a new Credit Facility with a syndicate of commercial banks. The \$75,000,000 revolving Credit Facility matures on December 31, 2010 and replaces the existing credit facility with Bank of Montreal. The Credit Facility is secured by four real estate facilities and a general security agreement. Amounts due under the Credit Facility were \$12,000,000 as at June 30, 2008.

At the Partnership’s option, the rate of interest charged on the Credit Facility is equal to either (i) the prime rate or (ii) a rate equal to the Banker’s Acceptance Rate plus an applicable margin ranging from 0.75% to 1.00%. In addition, the Partnership is required to pay a commitment fee equal to 0.1875% on the unused portion of the Credit Facility.

Under the terms of the Credit Facility, the Partnership is required to (i) maintain a debt service coverage ratio (as defined) of 1.50 to 1.00, (ii) maintain a funded debt to value ratio (as defined) of 0.50 to 1.00, (iii) maintain an interest coverage ratio (as defined) of 2.50 to 1.00, and (iv) maintain a tangible net worth (as defined) of \$80,000,000. As at June 30, 2008, the Partnership was in compliance with the terms of the Credit Facility.

### *Capital Improvements*

The Partnership invests capital on a continuous basis to ensure the functionality and aesthetics of its self-storage facilities. Management believes these improvements are necessary to remain competitive with newer facilities in the marketplace.

The Partnership budgeted \$1,560,000 in capital improvements in 2008. As at June 30, 2008, the Partnership had incurred \$343,000 or 22.0% of its 2008 budgeted amount.

### *Trailing Construction Costs*

The Partnership incurred \$272,000 of trailing construction costs for the six months ended June 30, 2008 associated with the opening of the “2007 Facilities”.

### *Property Acquisitions, Developments and Repositioning*

Property acquisitions, development and repositioning costs are funded from the Partnership's cash flows from operations after distributions and from the Credit Facility. In addition, the Partnership reimburses CMP for out-of-pocket acquisition and construction costs. These costs are capitalized and included in properties under development on the Partnership's consolidated balance sheet.

As at June 30, 2008, the properties under development consist of:

<b>Location</b>	<b>Estimated Cost \$ Units</b>	<b>Actual Cost to Date \$</b>	<b>Estimated Net Rentable Square Feet</b>	<b>Estimated Storage</b>
1333 North Service Road, Oakville, ON (a)	16,300,000	7,181,000	89,000	810
9355 Leslie Street, Richmond Hill, ON (b)	12,600,000	3,693,000	82,000	860
25 Advance Boulevard, Brampton, ON (c)	4,400,000	405,000	78,000	830
	33,300,000	11,279,000	249,000	2,500

- (a) On September 3, 2007, the Partnership announced the acquisition of a property encompassing 10.34 acres of vacant land for a purchase price of \$6,741,000 for development into one three storey, climate controlled building and five single storey prefabricated buildings. The project is expected to be completed in early 2009.
- (b) On December 18, 2007, the Partnership announced the acquisition of a property encompassing 3.26 acres of vacant land for a purchase price of \$3,342,000 for development into a three storey, climate controlled self-storage facility. The project is expected to be completed in early 2009.
- (c) As previously reported, this property was identified and approved by the Partnership for repositioning. The project was initially expected to be completed by the middle of 2009 for an estimated cost of \$4,400,000 but has been suspended due to demands for additional feasibility studies from the municipality. The Partnership does not expect to incur any more costs at this time and has reopened all of its buildings for business.

### *Acquisition of Additional Property*

On July 7, 2008, the Partnership announced the acquisition of a property located at 2801-2827 Montee St-Remi in Dorval, Québec, encompassing 2.07 acres of vacant land for a purchase price of approximately \$1,900,000. The total cost to develop this property (including the purchase price) into a self-storage facility is expected to be approximately \$10,800,000. This property is located on the west side of Montreal, Québec, just south of Highway 40 at the southeast corner of Sources Blvd. and Hymus Blvd.

Estimates of costs to develop these properties have been prepared without information on exact unit mix and architectural drawings and the actual costs may exceed the current estimates. Management's plans and expectations respecting the acquisition and development of these properties are subject to various assumptions, including assumptions respecting the availability and cost of construction materials and labour, there being limited costs, difficulties or delays related to obtaining construction and operating permits. Management's plans and expectations are also subject to various known and unknown risks, uncertainties and other facts, including the risk that management's assumptions may prove to be inaccurate, timing, budgeting and other risks, including construction delays or cost overruns that may increase project costs, and risk factors. See "Forward-Looking Statements" on page 4.

### **Distributions**

The Partnership distributed \$4,068,000 and \$8,136,000 during the three and six months ended June 30, 2008 compared to \$3,254,000 and \$6,508,000 during the same periods in 2007, respectively. The board of directors of the General Partner also declared a distribution of \$0.45 per Unit to be paid on September 30, 2008 to Unitholders of record at the close of business on September 15, 2008.

The General Partner analyzes the distribution level on a quarterly basis. Among the items considered when determining distribution levels are historical property operations, expected property operations of “Other Facilities” at stabilized occupancy levels, current cash reserves and obligations of the Partnership, including debt, expected capital expenditures and other factors.

The following table summarizes the distributions in excess of cash flows provided by operating activities and net income.

Three months ended June 30,

	<b>2008</b>	<b>2007</b>
	<b>\$</b>	<b>\$</b>
Cash flows from operating activities	2,348,000	5,848,000
Net income	1,997,000	2,966,000
Distributions	4,068,000	3,254,000
Excess (shortfall) of cash flows from operating activities over distributions	(1,720,000)	2,594,000
Shortfall of net income over distributions	(2,071,000)	(288,000)

Six months ended June 30,

	<b>2008</b>	<b>2007</b>
	<b>\$</b>	<b>\$</b>
Cash flows from operating activities	5,328,000	8,507,000
Net income	3,577,000	4,598,000
Distributions	8,136,000	6,508,000
Excess (shortfall) of cash flows from operating activities over distributions	(2,808,000)	1,999,000
Shortfall of net income over distributions	(4,559,000)	(1,910,000)

Distributions in excess of the Partnership’s cash flow from operations are funded from the Partnership’s revolving Credit Facility.

Distributions in excess of the Partnership’s net income are funded on a short-term basis from the Partnership’s revolving Credit Facility. In addition, net income includes amortization expense of real estate facilities, intangible assets, deferred financing costs and other non-cash items.

### **Contractual Obligations**

The Partnership's major contractual obligations as at June 30, 2008 were as follows:

<b>Year</b>	<b>Debt (a) \$</b>	<b>Contractual Obligations (b) \$</b>	<b>Land Lease (c) \$</b>	<b>Total \$</b>
2008	62,000	14,000,000	69,000	14,131,000
2009	131,000	14,826,000	132,000	15,089,000
2010	12,141,000	—	132,000	12,273,000
2011	153,000	—	132,000	285,000
2012	4,965,000	—	132,000	5,097,000
Thereafter	—	—	5,547,000	5,547,000
<b>Total</b>	<b>17,452,000</b>	<b>28,826,000</b>	<b>6,144,000</b>	<b>52,422,000</b>

- (a) Scheduled principal repayments on the mortgage note payable and amounts due under the Credit Facility.
- (b) Remaining contractual obligations for the acquisition and development of:
- 1333 North Service Road in Oakville, Ontario in the amount of \$9,119,000
  - 9355 Leslie Street in Richmond Hill, Ontario in the amount of \$8,907,000
  - 2801-2827 Montee St-Remi in Dorval, Québec in the amount of \$10,800,000
- (c) In November 2006, the Partnership entered into a 40-year land lease agreement at a facility in Laval, Québec with an option to purchase the land in November 2016. The lease terminates in November 2046 and the option price of the land is \$1,550,000.

## **Tax Treatment and Notices**

Taxes based on the income of the Partnership are the responsibility of the individual partners and, accordingly, each Unitholder is responsible for reporting their pro-rata share (allocated based on the amount of distributions received) of the Partnership's income for tax purposes on their tax return. The pro-rata share of income to be recognized is based on the Partnership's income for tax purposes and not on its reported pre-tax income. Partnership income for tax purposes and its reported pre-tax income differ due to differences in the reporting of various items. The major difference is the amount of capital cost allowance that may be claimed for tax purposes versus the amount of amortization recognized for accounting purposes.

The *Income Tax Act* (Canada) has been amended to eliminate tax advantages presently enjoyed by certain investors in publicly-traded specified investment flow-through trusts or partnerships ("SIFTs"), including the Partnership. Very generally, commencing in the Partnership's taxation year ending in 2011, the Partnership will be required to pay tax on its income at rates equivalent to that of a corporation. In addition, income subject to the new tax allocated to holders of Units will be taxed as though received by them as taxable dividends paid by a taxable Canadian corporation. In the case of a Unitholder that is an individual, tax dividend gross-up and tax credit rules regularly applicable to such dividends will then apply to such deemed dividends. A Unitholder that is a corporation will generally be entitled to deduct the amount of such deemed dividends in computing its income for tax purposes. The effect of these measures, generally speaking, will be that income earned by the Partnership will be taxed at combined rates comparable to the rates that apply to income earned and distributed by Canadian corporations. The above changes will not be expected to apply to the Partnership until the Partnership's taxation year ending 2011, unless the Partnership fails to comply with the normal growth guidelines issued by the Department of Finance (the "Growth Guidelines"). The above changes will apply with respect to any taxation year of the Partnership in which the Partnership exceeds the Growth Guidelines and thereafter.

The Growth Guidelines provide that a SIFT will not be considered to have exceeded "normal growth" if its equity capital were to grow as a result of issuances of new equity, in any of the intervening periods described below, by an amount that does not exceed the greater of \$50 million and an objective "safe harbor". The Growth Guidelines indicate that the safe harbour amount is measured by reference to a SIFT's market capitalization based on the trading price of a SIFT's issued and outstanding publicly-traded units as at the end of trading on October 31, 2006 (the "Market Capitalization"). For the period from November 1, 2006 to the end of 2008, a SIFT's safe harbour is 60% of the Market Capitalization. A SIFT's safe harbour for each of 2009 and 2010 calendar year is an additional 20% of the Market Capitalization. The annual safe harbour amounts are cumulative, whereas the \$50 million amounts are not cumulative.

There can be no assurance that the Partnership (inadvertently or otherwise) will not exceed the Growth Guidelines before its taxation year ending in 2011, thereby resulting in the earlier application of the tax changes described above. The above changes also do not apply to an entity that qualifies for the real estate investment trust exemption (the "REIT Exemption"). The Partnership is evaluating alternatives to permit it to qualify for the REIT Exemption prior to 2011, but at this time the Partnership believes that it is unlikely that it will qualify for the REIT Exemption.

GAAP requires the recognition of future income taxes based on the Partnership's structure at the balance sheet date, and does not permit the consideration of future changes to the structure that may enable the Partnership to qualify for the REIT Exemption. Accordingly, the Partnership recorded a future income tax benefit of \$46,000 and \$117,000 during the three and six months ended June 30, 2008. This non-cash future income tax benefit arises from temporary differences between the estimated accounting and tax basis of the Partnership's assets and liabilities and is expected to reverse on the date, if any, that the Partnership qualifies under the REIT Exemption or, if the Partnership does not qualify under REIT Exemption, as differences are incurred after January 1, 2011 between accounting income and income for tax purposes.

**Funds from Operations (“FFO”) and Earnings before Interest, Taxes, Depreciation and Amortization (“EBITDA”)**

FFO and EBITDA are supplementary performance measures for real estate companies used by investors and analysts. These non-GAAP financial measures do not have any standardized meanings prescribed by GAAP and are therefore unlikely to be comparable to similar measures presented by other issuers. Management, investors and analysts consider FFO and EBITDA to be good measures of the performance of real estate companies because they evaluate the cash generating ability of an entity (in the case of FFO) or its assets (in the case of EBITDA) without taking into account the impact of amortization (and interest, in the case of EBITDA), which may vary significantly between real estate companies based on when particular assets were acquired and financed. FFO is equal to net income computed in accordance with GAAP plus depreciation and amortization. EBITDA is equal to earnings before interest income, interest expense, taxes, depreciation and amortization. EBITDA is utilized in determining the debt capacity of the Partnership. FFO and EBITDA do not take into consideration scheduled principal payments on debt, capital improvements, distributions or other obligations of the Partnership. Accordingly, FFO and EBITDA are not substitutes for the Partnership’s cash flow or net income as a measure of the Partnership’s liquidity or operating performance or ability to pay distributions.

The following tables calculate FFO and EBITDA for the three and six months ended June 30, 2008 and 2007:

Three months ended June 30,

	2008 \$	2007 \$	Change \$	Change %
<b><u>Calculation of FFO:</u></b>				
Net income	1,997,000	2,966,000	(969,000)	(32.7%)
Plus: amortization of real estate facilities	1,066,000	917,000	149,000	16.2%
Plus: amortization of intangible assets	49,000	349,000	(300,000)	(86.0%)
Less: future income tax benefit	(46,000)	(1,060,000)	1,014,000	95.7%
<b>FFO</b>	<b>3,066,000</b>	<b>3,172,000</b>	<b>(106,000)</b>	<b>(3.3%)</b>
Weighted average number of Units	9,040,181	7,232,145	1,808,036	25.0%
<b>FFO per Unit</b>	<b>0.34</b>	<b>0.44</b>	<b>(0.10)</b>	<b>(22.7%)</b>

**Calculation of EBITDA:**

Net income	1,997,000	2,966,000	(969,000)	(32.7%)
Plus: amortization of real estate facilities	1,066,000	917,000	149,000	16.2%
Plus: amortization of intangible assets	49,000	349,000	(300,000)	(86.0%)
Plus: interest and commitment fees	141,000	121,000	20,000	16.5%
Less: interest and other income	(41,000)	(18,000)	(23,000)	(127.8%)
Less: future income tax benefit	(46,000)	(1,060,000)	1,014,000	95.7%
<b>EBITDA</b>	<b>3,166,000</b>	<b>3,275,000</b>	<b>(109,000)</b>	<b>(3.3%)</b>
Weighted average number of Units	9,040,181	7,232,145	1,808,036	25.0%
<b>EBITDA per Unit</b>	<b>0.35</b>	<b>0.45</b>	<b>(0.10)</b>	<b>(22.2%)</b>

Six months ended June 30,

	<b>2008</b>	<b>2007</b>	<b>Change</b>	<b>Change</b>
	\$	\$	\$	%
<b>Calculation of FFO:</b>				
Net income	3,577,000	4,598,000	(1,021,000)	(22.2%)
Plus: amortization of real estate facilities	2,115,000	1,829,000	286,000	15.6%
Plus: amortization of intangible assets	99,000	665,000	(566,000)	(85.1%)
Less: future income tax benefit	(117,000)	(1,060,000)	943,000	89.0%
<b>FFO</b>	<b>5,674,000</b>	<b>6,032,000</b>	<b>(358,000)</b>	<b>(5.9%)</b>
Weighted average number of Units	9,040,181	7,232,145	1,808,036	25.0%
<b>FFO per Unit</b>	<b>0.63</b>	<b>0.83</b>	<b>(0.20)</b>	<b>(24.1%)</b>

**Calculation of EBITDA:**

Net income	3,577,000	4,598,000	(1,021,000)	(22.2%)
Plus: amortization of real estate facilities	2,115,000	1,829,000	286,000	15.6%
Plus: amortization of intangible assets	99,000	665,000	(566,000)	(85.1%)
Plus: interest and commitment fees	284,000	247,000	37,000	15.0%
Less: interest and other income	(75,000)	(45,000)	30,000	64.4%
Less: future income tax benefit	(117,000)	(1,060,000)	943,000	89.0%
<b>EBITDA</b>	<b>5,883,000</b>	<b>6,234,000</b>	<b>(351,000)</b>	<b>(5.6%)</b>
Weighted average number of Units	9,040,181	7,232,145	1,808,036	25.0%
<b>EBITDA per Unit</b>	<b>0.65</b>	<b>0.86</b>	<b>(0.21)</b>	<b>(24.4%)</b>

## **Transactions with Related Parties**

### *Management Agreement with CMP*

Pursuant to the terms of the Management Agreement, CMP manages the self-storage facilities of the Partnership for a management fee of 6% of Gross Operating Revenue (as defined in the Management Agreement). In addition to management fees, the Partnership reimburses CMP for any reasonable expenses or costs it incurs or disbursements it makes on behalf of the Partnership in connection with its duties as General Partner and property manager.

### *Public Storage Trade-Mark and License Agreement*

For as long as (i) either CMP or Public Storage, Inc. ("PSI") or any of their respective affiliates is the General Partner of the Partnership and (ii) CMP is the Property Manager of the Partnership pursuant to the Management Agreement, the Partnership may use the name and trade-mark "Public Storage" and related marks, slogans, caricatures, designs and other trade or service items in connection with the Partnership Properties. If at any time, CMP or PSI or any of their respective affiliates ceases to be the General Partner, the Partnership would no longer be able to use the name and trade-mark "Public Storage" and related marks, slogans, caricatures, designs and other trade or service items. In addition, if CMP ceased to be the Property Manager of the Partnership as result of the termination of the Management Agreement, the Partnership would no longer be able to use the name and trade-mark "Public Storage" and related marks, slogans, caricatures, designs and other trade or service items.

## **Disclosure Controls and Procedures and Changes in Internal Control Over Financial Reporting**

The Partnership maintains appropriate information systems, procedures and controls to provide reasonable assurance that information disclosed externally is complete, reliable and timely.

Note, however, that a control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues, including instances of fraud, if any, have been detected. These inherent limitations include, amongst other items: (i) that management's assumptions and judgments could ultimately prove to be incorrect under varying conditions and circumstances, and (ii) the impact of isolated errors.

Additionally, controls may be circumvented by the authorized acts of individuals, by collusion of two or more people, or by management override. The design of any system of controls is also based in part 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) conditions.

No changes were made to the design of the Partnership's internal control over financial reporting during the three and six months ended June 30, 2008 that have materially affected, or are reasonably likely to materially affect, the internal control over financial reporting.

Consolidated Financial Statements

**Public Storage Canadian Properties**

(A Limited Partnership Governed by the *Limited Partnerships Act* of Ontario)

June 30, 2008

**Public Storage Canadian Properties**

(A Limited Partnership Governed by the *Limited Partnerships Act of Ontario*)

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**INTERIM CONSOLIDATED BALANCE SHEETS**  
**(Unaudited)**

	June 30, 2008	December 31, 2007
	\$	\$
<b>ASSETS</b>		
Cash and cash equivalents	174,000	269,000
Real estate facilities		
Land and land improvements	27,668,000	26,968,000
Buildings and equipment	107,983,000	99,157,000
	135,651,000	126,125,000
Less accumulated amortization	(36,024,000)	(33,909,000)
	99,627,000	92,216,000
Properties under development (Note 5)	11,279,000	11,577,000
Intangible assets, net	17,000	116,000
Receivables and other assets	2,718,000	1,353,000
Future income taxes (Note 5)	1,315,000	1,198,000
<b>Total assets</b>	<b>115,130,000</b>	<b>106,729,000</b>
<b>LIABILITIES AND PARTNERS' EQUITY</b>		
Accounts payable and accrued liabilities (Note 4)	2,389,000	1,607,000
Advance payments from renters	1,164,000	998,000
Debt (Note 3)	17,085,000	5,073,000
Commitments and contingencies (Note 5)		
<b>Partners' equity</b>		
9,040,181 partnership units issued and outstanding	94,492,000	99,051,000
<b>Total liabilities and partners' equity</b>	<b>115,130,000</b>	<b>106,729,000</b>

*See accompanying notes*

**Public Storage Canadian Properties**

(A Limited Partnership Governed by the *Limited Partnerships Act* of Ontario)

**INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS AND  
COMPREHENSIVE INCOME AND PARTNERS' EQUITY  
(Unaudited)**

	<b>Three Months Ended June 30,</b>		<b>Six Months Ended June 30,</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Revenue</b>				
Rental income	6,155,000	5,691,000	11,905,000	11,005,000
Interest and other income	41,000	18,000	75,000	45,000
	<b>6,196,000</b>	<b>5,709,000</b>	<b>11,980,000</b>	<b>11,050,000</b>
<b>Cost and expenses</b>				
Cost of operations	2,435,000	1,871,000	4,971,000	3,774,000
Management fees (Note 4)	369,000	342,000	714,000	661,000
Amortization of real estate facilities	1,066,000	917,000	2,115,000	1,829,000
Amortization of intangible assets	49,000	349,000	99,000	665,000
Interest and commitment fees	141,000	121,000	284,000	247,000
Administrative	185,000	203,000	337,000	336,000
	<b>4,245,000</b>	<b>3,803,000</b>	<b>8,520,000</b>	<b>7,512,000</b>
Income before income taxes	1,951,000	1,906,000	3,460,000	3,538,000
Future income tax benefit (Note 5)	46,000	1,060,000	117,000	1,060,000
<b>Net income and comprehensive income for the period</b>	<b>1,997,000</b>	<b>2,966,000</b>	<b>3,577,000</b>	<b>4,598,000</b>
<b>Weighted average partnership units outstanding</b>	<b>9,040,181</b>	<b>7,232,145</b>	<b>9,040,181</b>	<b>7,232,145</b>
<b>Net income per unit</b>	<b>0.22</b>	<b>0.41</b>	<b>0.40</b>	<b>0.64</b>
Partners' equity, beginning of period	96,563,000	66,331,000	99,051,000	67,953,000
Net income and comprehensive income for the period	1,997,000	2,966,000	3,577,000	4,598,000
Distributions	(4,068,000)	(3,254,000)	(8,136,000)	(6,508,000)
<b>Partners' equity, end of period</b>	<b>94,492,000</b>	<b>66,043,000</b>	<b>94,492,000</b>	<b>66,043,000</b>

See accompanying notes

**Public Storage Canadian Properties**(A Limited Partnership Governed by the *Limited Partnerships Act* of Ontario)**INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Unaudited)

	<u>Three Months Ended June 30,</u>		<u>Six Months Ended June 30,</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
	\$	\$	\$	\$
<b>OPERATING ACTIVITIES</b>				
Net income for the period	1,997,000	2,966,000	3,577,000	4,598,000
Adjustments to reconcile net income to net cash provided by operating activities				
Amortization of real estate facilities	1,066,000	917,000	2,115,000	1,829,000
Amortization of intangible assets	49,000	349,000	99,000	665,000
Amortization of deferred financing costs	35,000	5,000	71,000	12,000
Increase in receivables and other assets	(1,761,000)	(1,239,000)	(1,365,000)	(1,499,000)
Increase in future income tax assets	(46,000)	(1,060,000)	(117,000)	(1,060,000)
Increase in accounts payable and accrued liabilities	912,000	3,872,000	782,000	3,870,000
Increase in advance payments from renters	96,000	38,000	166,000	92,000
<b>Net cash provided by operating activities</b>	<b>2,348,000</b>	<b>5,848,000</b>	<b>5,328,000</b>	<b>8,507,000</b>
<b>INVESTING ACTIVITIES</b>				
Acquisition of real estate facilities	—	(3,498,000)	—	(3,498,000)
Properties under development	(7,168,000)	(9,931,000)	(8,613,000)	(13,376,000)
Trailing construction costs	(12,000)	—	(272,000)	—
Improvements to real estate facilities	(313,000)	(668,000)	(343,000)	(694,000)
<b>Net cash used in investing activities</b>	<b>(7,493,000)</b>	<b>(14,097,000)</b>	<b>(9,228,000)</b>	<b>(17,568,000)</b>
<b>FINANCING ACTIVITIES</b>				
Borrowings from credit facility	8,500,000	11,500,000	12,000,000	17,000,000
Repayments of credit facility	—	—	—	(1,300,000)
Repayments of mortgage note payable	(30,000)	(28,000)	(59,000)	(55,000)
Distributions	(4,068,000)	(3,254,000)	(8,136,000)	(6,508,000)
<b>Net cash provided by financing activities</b>	<b>4,402,000</b>	<b>8,218,000</b>	<b>3,805,000</b>	<b>9,137,000</b>
<b>Net increase (decrease) in cash and cash equivalents during the period</b>	<b>(743,000)</b>	<b>(31,000)</b>	<b>(95,000)</b>	<b>76,000</b>
Cash and cash equivalents, beginning of period	917,000	522,000	269,000	415,000
<b>Cash and cash equivalents, end of period</b>	<b>174,000</b>	<b>491,000</b>	<b>174,000</b>	<b>491,000</b>
<b>Supplemental cash flow information</b>				
Interest paid	441,000	279,000	570,000	484,000
Transfer of properties under development to real estate facilities:				
Land and land improvements	700,000	2,829,000	700,000	2,829,000
Buildings and equipment	8,211,000	15,365,000	8,211,000	15,365,000
Construction in progress	(8,911,000)	(18,194,000)	(8,911,000)	(18,194,000)

See accompanying notes

## Public Storage Canadian Properties

(A Limited Partnership Governed by the *Limited Partnerships Act* of Ontario)

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### NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

June 30, 2008

#### 1. DESCRIPTION OF PARTNERSHIP

Public Storage Canadian Properties (the "Partnership") is a publicly-held limited partnership formed under the *Limited Partnerships Act* (Ontario). The Partnership owns, and derives substantially all of its income from, 25 self-storage facilities, of which fifteen are located in Ontario, five are located in British Columbia, four are located in Québec and one is located in Alberta. In addition, the Partnership owns parcels of land in Oakville, Ontario, and Richmond Hill, Ontario, for development into self-storage facilities.

The facilities are operated under the trade name "Public Storage" and are managed by the General Partner of the Partnership pursuant to a separate property management agreement (see note 4). The General Partner of the Partnership is Canadian Mini-Warehouse Properties Company ("CMP"), a privately-held company. All of the shares of CMP are beneficially owned by the family of B. Wayne Hughes (the "Hughes Family"). CMP and its affiliates own 5,045,966 units of the Partnership ("Units") or approximately 55.8% of the outstanding Units as at June 30, 2008 and December 31, 2007.

#### 2. BASIS OF PRESENTATION

These interim unaudited consolidated financial statements have been prepared by the Partnership in accordance with Canadian generally accepted accounting principles ("GAAP") with respect to interim financial statements, applied on a consistent basis. These interim unaudited consolidated financial statements follow the same accounting principles and methods of application as those described in Note 2 to the Partnership's audited consolidated financial statements as at and for the year ended December 31, 2007. Accordingly, they do not include all the information and footnotes required for compliance with Canadian GAAP for annual financial statements. These interim unaudited consolidated financial statements and notes thereon should be read in conjunction with the annual audited consolidated financial statements.

The preparation of these interim unaudited consolidated financial statements and the accompanying notes require management to make estimates and assumptions that affect the amounts reported. In the opinion of management, these interim unaudited consolidated financial statements reflect all adjustments (which include only normal, recurring adjustments) necessary to state fairly the results for the periods presented. Actual results could vary from these estimates and the operating results for the interim periods are not necessarily indicative of the results expected for the full year.

These interim unaudited consolidated financial statements of the Partnership have not been reviewed by our independent auditors.

#### Reclassifications

The comparative consolidated financial statements have been reclassified from statements previously presented to conform to the presentation of the current year consolidated financial statements.

#### 3. DEBT

The components of debt as at June 30, 2008 and December 31, 2007 were as follows:

	June 30, 2008	December 31, 2007
	\$	\$
Amounts due under credit facility	12,000,000	—
Mortgage note payable	5,452,000	5,511,000
Deferred financing costs	(367,000)	(438,000)
Total	17,085,000	5,073,000

## Public Storage Canadian Properties

(A Limited Partnership Governed by the *Limited Partnerships Act* of Ontario)

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### NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

June 30, 2008

#### 3. DEBT (Cont'd)

##### Amounts due under credit facility

On December 31, 2007, the Partnership entered into a new credit agreement with a syndicate of commercial banks (the "Credit Facility"). The \$75,000,000 revolving Credit Facility matures on December 31, 2010. The Credit Facility is secured by four real estate facilities and a general security agreement. Amounts due under the Credit Facility were \$12,000,000 as at June 30, 2008 (\$nil as at December 31, 2007).

At the Partnership's option, the rate of interest charged on the Credit Facility is equal to either (i) the Prime Rate or (ii) a rate equal to the Banker's Acceptance Rate plus an applicable margin ranging from 0.75% to 1.00%. In addition, the Partnership is required to pay a standby fee equal to 0.1875% based on the unused portion of the Credit Facility. The weighted average borrowing rate was 4.11% for the six months ended June 30, 2008 (2007 – 5.12%).

Under the terms of the Credit Facility, the Partnership is required to (i) maintain a debt service coverage ratio (as defined) of 1.50 to 1.00, (ii) maintain a funded debt to value ratio (as defined) of 0.50 to 1.00, (iii) maintain an interest coverage ratio (as defined) of 2.50 to 1.00, and (iv) maintain a tangible net worth (as defined) of \$80,000,000. As at June 30, 2008 and December 31, 2007, the Partnership was in compliance with the terms of the Credit Facility.

##### Mortgage note payable

In July 2006, the Partnership assumed a 7.879% mortgage note payable of \$5,676,000 in connection with the acquisition of an existing self-storage facility in St. Laurent, Québec. The note payable is secured by this facility and matures in November 2012.

Interest expense on the mortgage note payable for the six months ended June 30, 2008 was \$213,000 (2007 – \$217,000).

#### 4. RELATED PARTY TRANSACTIONS

Pursuant to the terms of the amended and restated management agreement dated as of January 1, 1999, between CMP and the Partnership (the "Management Agreement"), CMP manages the operations of the mini-warehouses facilities of the Partnership for a management fee of 6% of Gross Operating Revenue (as defined in the Management Agreement). During the six months ended June 30, 2008, the Partnership incurred management fees of \$714,000 (2007 – \$661,000).

In addition to management fees, the Partnership reimburses CMP for any reasonable expenses or costs it incurs, or disbursements it makes on behalf of the Partnership in connection with its duties as General Partner and property manager (e.g., payroll, advertising, insurance and support services, etc.). Out-of-pocket costs were \$805,000 during the six months ended June 30, 2008 (2007 - \$695,000). These amounts are included in cost of operations and administrative expense.

The Partnership also reimbursed CMP for out-of-pocket internal acquisition and construction management costs of \$64,000 during the six months ended June 30, 2008 (2007 - \$95,000). These amounts are capitalized to properties under development.

These transactions are in the normal course of operations and are measured at the exchange amount which represents the consideration established and agreed to by the related parties.

As at June 30, 2008, the Partnership owed \$359,000 to CMP (\$321,000 as at December 31, 2007). These amounts are included in accounts payable and accrued liabilities.

**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
(UNAUDITED)**

June 30, 2008

**5. COMMITMENTS AND CONTINGENCIES**

All property acquisitions and development costs are funded from the Partnership's cash flows after distributions and the Credit Facility. As at June 30, 2008, remaining purchase obligations to be incurred in connection with remaining acquisition and development projects were approximately \$28,826,000.

Due to the size, complexity and nature of the Partnership's operations, various legal matters are pending. It is not possible at this time to predict with any certainty the outcome of such litigation. Management believes that any settlements related to these matters will not have a material effect on the Partnership's consolidated financial position or results of operations.

The *Income Tax Act* (Canada) has been amended to eliminate tax advantages presently enjoyed by certain investors in publicly-traded specified investment flow-through trusts or partnerships ("SIFTs"), including the Partnership. Very generally, commencing in the Partnership's taxation year ending in 2011, the Partnership will be required to pay tax on its income at rates equivalent to that of a corporation. In addition, income subject to the new tax allocated to holders of Units will be taxed as though received by them as taxable dividends paid by a taxable Canadian corporation. In the case of a Unitholder that is an individual, tax dividend gross-up and tax credit rules regularly applicable to such dividends will then apply to such deemed dividends. A Unitholder that is a corporation will generally be entitled to deduct the amount of such deemed dividends in computing its income for tax purposes. The effect of these measures, generally speaking, will be that income earned by the Partnership will be taxed at combined rates comparable to the rates that apply to income earned and distributed by Canadian corporations.

The above changes will not be expected to apply to the Partnership until the Partnership's taxation year ending 2011, unless the Partnership fails to comply with the normal growth guidelines issued by the Department of Finance (the "Growth Guidelines"). The above changes will apply with respect to any taxation year of the Partnership in which the Partnership exceeds the Growth Guidelines and thereafter.

The Growth Guidelines provide that a SIFT will not be considered to have exceeded "normal growth" if its equity capital were to grow as a result of issuances of new equity, in any of the intervening periods described below, by an amount that does not exceed the greater of \$50 million and an objective "safe harbor". The Growth Guidelines indicate that the safe harbour amount is measured by reference to a SIFT's market capitalization based on the trading price of a SIFT's issued and outstanding publicly-traded units as at the end of trading on October 31, 2006 (the "Market Capitalization"). For the period from November 1, 2006 to the end of 2008, a SIFT's safe harbour is 60% of the Market Capitalization. A SIFT's safe harbour for each of 2009 and 2010 calendar year is an additional 20% of the Market Capitalization. The annual safe harbour amounts are cumulative, whereas the \$50 million amounts are not cumulative.

As a result of the above changes, the Partnership is required to recognize future income taxes arising from the temporary differences between the accounting and tax basis of the Partnership's assets and liabilities which are expected to reverse after January 1, 2011. The largest component of temporary differences is the difference between the net book value of the Partnership's depreciable assets and their undepreciated capital cost for tax purposes.

The Partnership recorded a net future income tax benefit of \$117,000 during the six months ended June 30, 2008. This non-cash future income tax benefit arises from temporary differences between the estimated accounting and tax basis of the Partnership's assets and liabilities and is expected to reverse on the date, if any, that the Partnership qualifies under the REIT Exemption or, if the Partnership does not qualify under REIT Exemption under the SIFT provision of the *Income Tax Act*, as differences are incurred after January 1, 2011 between accounting income and income for tax purposes.

**6. SUBSEQUENT EVENTS**

On July 7, 2008 the Partnership announced the acquisition of a property located at 2801-2827 Montee St-Remi in Dorval, Québec, encompassing 2.07 acres of vacant land for a purchase price of approximately \$1,900,000. The total cost to develop this property (including the purchase price) into a self-storage facility is expected to be approximately \$10,800,000.

**Web site**

[www.publicstoragecanada.com](http://www.publicstoragecanada.com)

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