StorageVault Canada Inc.
(the "Corporation")

Form 51-102F1
Management's Discussion and Analysis
For the Year Ended December 31, 2008

This management's discussion and analysis (MD&A) should be read in conjunction with the Corporation's audited financial statements and notes to the financial statements for the year ended December 31, 2008. The following discussion and analysis provides information that management believes is relevant to the assessment and understanding of the Corporation's results of operations and financial condition.

This MD&A contains forward-looking information. Forward-looking information is subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of the Corporation to be materially different from those expressed or implied by such forward-looking information. Such risks and other factors may include, but are not limited to: the early stage development of the Corporation; capital market conditions; general business and economic uncertainties; competition; delay or failure to receive board or regulatory approvals; changes in legislation, including environmental legislation, affecting the Corporation; timing and availability of external financing on acceptable terms; conclusions of economic evaluations; and lack of qualified, skilled labour or loss of key individuals. Although the Corporation has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking information, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such information. Accordingly, readers should not place undue reliance on forward-looking information. The factors identified above are not intended to represent a complete list of the factors that could affect the Corporation.

The forward-looking information in this MD&A should not be relied upon as representing the Corporation's views as of any date subsequent to the date of this MD&A. Such forward-looking information is based on a number of assumptions which may prove to be incorrect, including, but not limited to: the ability of the Corporation to obtain necessary financing, satisfy conditions under previously announced acquisition agreements, or satisfy any requirements of the TSX Venture Exchange (the "TSXV") with respect to these acquisitions and any related private placement; the level of activity in the self-storage business and the economy generally; consumer interest in the Corporation's services and products; competition; and anticipated and unanticipated costs. The Corporation undertakes no obligation to publicly update or review any forward-looking information, except in accordance with applicable securities laws. Historical results of operations and trends that may be inferred from this MD&A may not necessarily indicate future results from operations.

All amounts included in this MD&A are in Canadian dollars.

Additional information relating to StorageVault Canada Inc. can be found at www.sedar.com.

This MD&A is dated April 8, 2009 and is in respect of the period from January 1, 2008 to December 31, 2008. The discussion in the MD&A focuses on this period.

Non-GAAP Financial Measures

The Corporation uses non-GAAP financial measures to assess its operating performance. Securities regulators require that companies caution readers that earnings and other measures adjusted to a basis other than Canadian generally accepted accounting principles ("GAAP") do not have a standardized meaning and may not be comparable to similar measures used by other companies. Such non-GAAP measures include:

a) Funds from Operations ("FFO") – FFO is defined as net income (loss), excluding gains or losses from the sale of depreciable real estate and extraordinary items, plus depreciation, amortization, stock based compensation expenses, future income taxes and after adjustments for equity accounted entities and non-controlling interests. The Corporation believes that FFO can be a beneficial measure, when combined with primary GAAP measures, as it excludes the effects of real estate amortization and gains and losses from the sale of real estate, all of which are based on historical cost accounting and which may be of limited significance in evaluating current performance.
b) Property Net Operating Income ("NOI") – NOI is defined as rent from income producing properties less property operating costs. NOI does not include interest expense or income, deprecation and amortization, corporate administrative costs, stock based compensation costs or taxes. NOI assists management by assessing profitability from principal business activities without regard to the manner in which these activities are financed or amortized.

Nature of Business

The Corporation was incorporated on May 31, 2007 pursuant to the Business Corporations Act of Alberta and was classified as a Capital Pool Company ("CPC") as defined in the TSXV Policy 2.4. Effective November 5, 2007, the Corporation completed its initial public offering wherein it issued 5,000,000 common shares at $0.20 for gross proceeds of $1,000,000. On November 12, 2007, the common shares of the Corporation were listed on the TSXV under the stock symbol SVI.P.

As a CPC, the principal business of the Corporation was the identification and evaluation of assets or a business, and once identified or evaluated, to negotiate an acquisition or participation with a view to completing a Qualifying Transaction in accordance with Policy 2.4 of the TSXV, subject to receipt of shareholder approval in certain circumstances, and acceptance by the TSXV.

On April 30, 2008, the Corporation completed its Qualifying Transaction with the acquisition of all of the assets and operations of T.C. Mini Storage Ltd, operating as Trans Can Mini-Stor. The acquisition was comprised of a property with 8 self storage buildings built between 1996 and 1998, containing 351 storage units, and 74 outdoor rental parking stalls, all situated on approximately 8.3 acres of land in Regina, SK. The purchase price, including transaction and other direct costs, was $2,660,000, paid for by the assumption of a first mortgage on the property of $1,750,631, with the balance paid in cash.

Effective May 5, 2008, the Corporation's common shares began trading on the TSXV as a Tier 2 company under the stock symbol SVI.

On October 31, 2008, the Corporation completed a brokered private placement of 18,391,304 common shares at a price of $0.23 per share for gross proceeds of $4,230,000.

On October 14, 2008, the Corporation announced that it had entered into an arm's length Option to Purchase Agreement for the business assets and operations of Kenaston Self Storage in Winnipeg, MB for the purchase price of $7.15 million. In addition, the vendor is entitled to receive an additional $150,000 earn out payment in the event the self storage business achieves a pre-determined level of operating revenue. On December 23, 2008, the Option to Purchase Agreement was amended to remove the $150,000 earn out clause. On January 3, 2009 the Corporation exercised the Option. On March 2, 2009, the Corporation completed the transaction. Kenaston Self Storage consists of two properties. One property is located at 21 Lowson Crescent in Winnipeg. It is approximately 2.75 acres, with 4 storage buildings comprising a total of 536 storage units. The second property is at 87 Lowson Crescent in Winnipeg. This property has no buildings. It has approximately 190 outdoor rental parking spaces for vehicles. It is the Corporation's intention to re-deploy a portion of the property at 87 Lowson Crescent toward a portable storage operation. The purchase price was paid by $3,750,000 of bank mortgage financing, a vendor take-back of $500,000 of the Corporation's common shares at a price of $0.23 per share, and the remainder in cash.

On December 31, 2008, the Corporation completed a non-arm's length Acquisition Agreement of Purchase and Sale with Canadian PUPS Storage Inc. to acquire all of the assets of a portable storage business located in Regina, SK. The purchase price was $1.34 million and was paid by a, combination of cash, assumption of debt, and vendor take back of $567,364 of the Corporation's common shares at a price of $0.23 per share.

On December 31, 2008, the Corporation completed a non-arm's length Master Franchise Agreement with Canadian PUPS Franchises Inc. which provides the Corporation the exclusive Canadian franchise rights for the development and operation of PUPS portable storage franchises throughout Canada. Pursuant to the Master Franchise Agreement, the Corporation paid Canadian PUPS Franchises Inc. a one time cash fee of $20,000 and will pay a continuing monthly royalty of 3.5% of the gross sales in relation to the Franchise Rights and PUPS. The Corporation is obligated to develop 20 franchises by December 31, 2012 or pay a one time non-development fee of $15,000 for each undeveloped franchise.

The Corporation's strategic objective is to own, acquire and operate self storage facilities across Canada as well as develop a portable storage business to access an untapped market in the Canadian storage industry, and to augment cash flows from the traditional storage operations. The Corporation will focus on acquiring and operating self storage facilities with proven cash flows, superior location in relationship to markets, and excess physical space to allow rapid deployment of portable storage operations. Financing for this growth is intended to come from a combination of mortgage financing, the assumption of debt, and the issuance of additional common shares or other securities.

Selected Annual Financial Information

The Corporation was incorporated on May 31, 2007. A summary of selected financial information for the Corporation's fiscal year ended December 31, 2008, and fiscal period (seven months) ended December 31, 2007 is as follows:

	Fiscal Year Ended December 31, 2008	Seven Months Ended December 31, 2007
Total Revenue	$332,706	$ 6,027
Net Income / (Loss)		
Total	($ 252,198)	($ 111,029)
Per share, basic and diluted	($ 0.019)	($ 0.018)
Total Assets	$ 7,787,203	$ 1,342,978
Long Term Financial Liabilities	$ 2,004,657	nil

Summary of Quarterly Results (unaudited)

Period	Net Revenue	Net Income / (Loss)	Net Income / (Loss) per share	Fully diluted Net Income / (Loss) per share	Total Assets	Total Long Term Liabilities	Dividends
2008- Q4	$127,580	($38,340)	($0.002)	($0.002)	$7,787,023	$2,004,657	
2008- Q3	$120,033	($28,192)	($0.003)	($0.003)	$2,892,717	$1,680,232	-
2008- Q2	$76,285	($106,349)	($0.011)	($0.011)	$2,949,893	$1,693,060	-
2008- Q1	$8,808	($79,317)	($0.008)	($0.008)	$1,269,873	-	-
Total 2008	**$332,706**	**($252,198)**	**($0.019)**	**($0.021)**	**N/A**	**N/A**	**-**
2007 – Q4	$6,027	($97,148)	($0.015)	($0.015)	$1,342,978	-	-
2007 – Q3	-	($13,881)	($0.003)	($0.003)	$493,719	-	-
2007 – Q2	-	-	-	-	-	-	-
2007 – Q1	-	-	-	-	-	-	-
Total 2007	**$6,027**	**($111,029)**	**($0.018)**	**($0.018)**	**N/A**	**N/A**	**-**

During the period, the Corporation declared no cash dividends.

Results of Operations

The Corporation acquired its first property, Trans Can Mini-Stor on April 30, 2008. Prior to this date, the Corporation had no operations other than the identification and evaluation of acquisitions as a CPC. A summary of the results of operations is a follows:

	Three months ended		Year Ended	
	31-Dec-08	31-Dec-07	31-Dec-08	31-Dec-07
Revenue	127,580	6,027	332,706	6,027
Expenses	165,920	103,175	584,904	117,056
Net income/(loss)	(38,340)	(97,148)	(252,198)	(111,029)
Funds from Operations				
Net income / (loss)	(38,340)	(97,148)	(252,198)	(111,029)
Add / (deduct)				
Depreciation and amortization	35,268	-	122,352	-
Stock based compensation	-	80,500	-	80,500
Future income taxes	(26,191)	-	(26,191)	-
	(29,263)	(16,648)	(156,037)	(30,529)
Property Net Operating Income				
Revenue from property	113,012	-	304,197	-
Add / (deduct)				
Property operating costs	(30,399)	-	(67,643)	-
	82,613	-	236,554	-

Revenue from Income Producing Properties
Operating revenue from income producing properties for the three months and year ended December 31, 2008 were $113,012 and $304,197, respectively. This revenue was generated exclusively from Trans Can Mini-Stor which was acquired on April 30, 2008. Accordingly, the revenue for the year ended December 31, 2008 represents 8 months of operations. The operations of Canadian PUPS Storage (Regina) were acquired on December 31, 2008. No revenue or expenses from this acquisition were included in the 2008 fiscal year.

The demand for storage space typically declines over the winter months in Regina as a result of cold weather and reduced activity in the housing market. By December 31, 2008, unit occupancy at Trans Can Mini-Stor was at 84.7% (September 30, 2008 – 95.2%). Revenues and overall cash flow continue to match or exceed management's expectations for the property. There are currently no new self storage facilities under construction in the Regina area, meaning there will be no increase in competition for the foreseeable future.

General economic conditions in Canada and the world began a steep decline in the summer of 2008. Now characterized as a recession, this change in the economic landscape is affecting the self storage industry in a number of ways:

- Generally speaking, storage facilities do not tend to experience swings in demand as drastic as those seen in the broader market. Customers need storage in times of good economic conditions as they renovate or move to new homes and offices. On the other hand, there exists demand for storage in declining markets as homeowners and business downsize or temporarily store goods while waiting for, or moving to, better economies.

- The demand for storage services at any given storage facility is most affected by local and regional economic conditions. The economy in Saskatchewan, where the Corporation derived all of its 2008 revenue, has not seen the level of job losses that exist in other areas that are more dependent on manufacturing or oil production. Management anticipates that Saskatchewan will see some economic slowdown in 2010 which may impact occupancies slightly. However, the impact is not expected to be significant over the long term.

Interest income
Interest income for the year ended December 31, 2008 was $28,509. Interest income was generated by the temporary investment of cash raised from equity issuances in the periods between raising the cash and investing it into operating properties.

Property Net Operating Income (NOI)
NOI from Trans Can Mini-Stor for the year ended December 31, 2008 was $236,554. Management believes this figure to be significant as it distinguishes the ongoing operations of the Corporation from certain non-recurring costs relating to the Qualifying Transaction and other public company filing requirements. The majority of these non-recurring costs occurred in the first and second quarters of 2008.

Trans Can Mini-Stor has certain competitive advantages compared to its competition in the Regina area. As it is situated in a Rural Municipality, just outside of the city of Regina boundaries, it enjoys significantly lower property taxes than facilities within the city. Yet it is within close proximity to large residential areas within a 10 kilometer radius. The Trans Can Mini-Stor acquisition also came with additional undeveloped land. In the third quarter of 2008, the Corporation leveled and fenced approximately 1.2 acres of land that were previously undeveloped. This extra space is being used for outdoor storage of recreational vehicles and autos while some of the parking spaces previously used for recreational vehicles have been re-deployed to the Canadian PUPS - Portable Units for Portable Storage operations.

Corporate selling, general and administrative (S, G & A) costs
S, G & A expenses for the year ended December 31, 2008 was $356,097. In the first and second quarters of the fiscal year, the majority of these costs related to the completion of the Corporation's Qualifying Transaction including legal fees relating to completion of the filing statement, audit and accounting fees relating to financial reports included in the filing statement, and sponsorship fees relating to due diligence investigation incurred by a sponsor as required by the TSXV. Total Qualifying Transaction costs, exclusive of indirectly related professional fees and TSXV costs, were $134,031. Qualifying Transaction costs are non-recurring.

Other significant S, G & A costs for the year ended December 31, 2008 were Professional fees, $92,738; TSXV listing and filing fees, $15,795; Management fees, $45,250; and Travel expenses, $22,400.

Liquidity and Capital Resources

As at December 31, 2008, the Corporation had $3,463,784 of cash and short term investments compared to $1,310,663 at December 31, 2007. Significant uses of cash in 2008 were the expenditure of approximately $932,000 as the cash component in the acquisition of Trans Can Mini-Stor on April 30, 2008, and $600,000 as the cash component in the acquisition of Canadian PUPS Storage (Regina) on December 31, 2008.

The Corporation's principle sources of liquidity are its ability to generate cash flow from operations, arranging new debt financing, and offering shares to the public.

The Corporation is not in default or arrears on any of its debt obligations. There is no long term debt maturing in 2008. As at December 31, 2008, the Corporation had total mortgage debt outstanding of $1,718,221 at an interest rate of 5.72%. The following chart summarizes the Corporation's financial commitments for debt principal and interest payments for the next five years:

	Principal	Interest	Total
2009	$38,479	$96,145	$134,624
2010	$40,712	$93,912	$134,624
2011	$43,074	$91,550	$134,624
2012	$45,573	$89,051	$134,624
2013	$48,217	$85,912	$134,624

The Corporation also had term debt and obligations under capital leases totaling $166,100 at December 31, 2008 with interest rates ranging from 7.85% to 8.65% and maturities ranging from November, 2010 to August, 2012.

Management believes that the Corporation has sufficient working capital to meet its future commitments. The Corporation may have capital requirements in excess of its currently available resources. In the event the Corporation's plans change, its assumptions change or prove inaccurate, or its capital resources in addition to projected cash flow, if any, prove to be insufficient to fund operations, the Corporation may be required to seek additional financing. There can be no assurance that the Corporation will have sufficient financing to meet its future capital requirements or that additional financing will be available on terms acceptable to the Corporation in the future.

Industry Outlook

In Regina, the outlook for self storage remains favorable. Rental rates are competitive but do allow for an adequate return. The population continues to grow and there is no apparent excess of self storage space in the market.

On a national scale, the self storage industry is being affected by the economic recession as Canadian lending institutions have significantly decreased their appetite for providing mortgage financing for new self storage projects. This has been positive for the Corporation as it has slowed the development of new competitors in the marketplace.

The reduced availability of credit is also showing up in the resale market. Less availability of low cost credit means buyers must acquire facilities at a better price to maintain profit margins. Vendors have been slow to react, apparently reluctant to move away from the low cap rates that were prevalent before the economic meltdown. And buyers, if they do find a feasible acquisition target, need to work significantly harder to secure adequately priced equity or debt.

Management believes the Corporation is well positioned to weather the current recession. Mortgage debt on Trans Can Mini Stor has a fixed payment and favorable interest rate until the completion of its first term in 2016. Cash flows are sufficient to cover all debt repayments and operating requirements. While the Corporation's goal is to continue expanding its network of fixed and portable storage operations, it has the flexibility to hasten or slow the pace of acquisitions as the equity and debt markets dictate.

Contractual Obligations and Off-Balance Sheet Arrangements

The Corporation commenced construction of a 3,600 square foot storage building at Trans Can Mini-Stor in the third quarter of 2008. Total financial obligations for the building in the third and fourth quarters of 2008 were $47,268. As at December 31, 2008, this building was completed and fully paid. No further contractual obligation existed. There are no off-balance sheet arrangements.

Related Party Transactions

Management Agreement

The Corporation has entered into a management agreement (the "Agreement") with Detteson Management Inc. ("Detteson") which is owned and controlled by Alan Simpson, President and Chief Executive Officer of the Corporation, and Glenn Fradette, Chief Financial Officer of the Corporation. Pursuant to the Agreement, Detteson provides the management individuals to serve as officers of the Corporation as well as asset management, administrative and other services to the Corporation. The remuneration to be paid to Detteson under the Agreement consists of:

- an annual advisory fee equal to 0.225% per annum of the Gross Book Value of the Corporation's assets (0.150% if assets exceed $150,000,000), payable monthly, and prorated to take into account any acquisitions or dispositions during any month. Gross Book Value is defined as the book value of consolidated assets plus accumulated depreciation on buildings and excluding the amount of any receivable reflecting interest rate subsidies on any debt assumed by the Corporation, subject to a minimum annual advisory fee of $48,000.
- An acquisition fee equal to 0.5% of the cost of any property acquired or disposed including, without limitation, real estate commissions, finder's fees and any acquisition costs (excluding the fees payable to Detteson pursuant to this provision) and all out-of-pocket costs including legal fees and disbursements, registration and filing fees, land transfer and sales taxes, all calculated in accordance with Canadian generally accepted accounting principles and applied on a consistent basis.

The Corporation also reimburses Detteson for all expenses incurred in connection with the operation of the Corporation, including third party costs, which are reasonably incurred by Detteson on behalf of the Corporation.

During the year ended December 31, 2008 the Corporation paid management fees of $45,250 to Detteson as part of its management agreement.

During the year ended December 31, 2008 the Corporation reimbursed travel and related expenses of $30,527 to Detteson. These expenses, which were reimbursed at cost, were undertaken exclusively for the benefit of the Corporation.

Other related party transactions

During the year ended December 31, 2008, the Corporation paid administrative fees of $6,400, to Canadian PUPS Storage Inc. (Canadian PUPS). Canadian PUPS is a corporation controlled by Alan A. Simpson and Glenn E. Fradette, who are directors and officers of the Corporation. The administration services agreement provided for the payment by the Corporation of $1,600 per month to Canadian PUPS for expenses relating to, among other things, rent payable in connection with the Corporation's use of office space, postage, office supplies and other reasonable out-of-pocket expenses incurred by Canadian PUPS in pursuing the Corporation's objectives. The payment of these amounts ceased with the completion of the Corporation's Qualifying Transaction on April 30, 2008.

During the year ended December 31, 2008 the Corporation paid $1,338,500 to Canadian PUPS to acquire 100% of the assets and business operations of Canadian PUPS. See section entitled "Nature of Business" above.

During the year ended December 31, 2008 the Corporation paid $20,000 to Canadian PUPS Franchises Inc. (CPFI) for a Master Franchise which provides the Corporation the exclusive Canadian franchise rights for the development and operation of PUPS portable storage franchises throughout Canada. Pursuant to the Master Franchise Agreement, the Corporation will pay Canadian PUPS Franchises Inc. a one time cash fee of $20,000 and a continuing monthly royalty of 3.5% of the gross sales in relation to the Franchise Rights and PUPS. The Corporation is obligated to develop 20 franchises by December 31, 2012 or pay a one time non-development fee of $15,000 for each undeveloped franchise. CPFI is a corporation controlled by Alan A. Simpson and Glenn E. Fradette, who are directors and officers of the Corporation. During the year ended December 31, 2008 the Corporation paid $167,580 to CPFI for portable storage containers pursuant to the Master Franchise noted above.

During the year ended December 31, 2008 the Corporation paid loan guarantee fees of $5,808 to Alan A. Simpson and loan guarantee fees of $5,808 to Glenn E. Fradette, both of whom are directors and officers of the Corporation. As a condition of the assumption of the mortgage on Trans Can Mini Stor, both Alan A. Simpson and Glenn E. Fradette were required to provide personal guarantees for the entire outstanding principal balance of the mortgage. The loan guarantee fees are compensation for the provision of these guarantees, and are paid on a monthly basis at the rate of 0.5% of the outstanding mortgage principal, per person.

During the year ended December 31, 2008 the Corporation paid fees for maintenance of shareholder records of $7,677 to a Transfer and Trust company of which one director and executive officer is also a director of the Corporation.

Included in accounts payable at December 31, 2008 was $2,200 payable to the Transfer and Trust company of which one director and executive officer is also a director of the Corporation.

Subsequent Events

On October 14, 2008, the Corporation announced that it had entered into an arm's length Option to Purchase Agreement for the assets and business operations of Kenaston Self Storage Inc. in Winnipeg, MB for the purchase price of $7.15 million. In addition the vendor is entitled to receive an additional $150,000 earn out payment in the event the self storage business achieves a pre-determined level of operating revenue. On December 23, 2008, the Option to Purchase Agreement was amended to remove the $150,000 earn out clause. On January 3, 2009 the Corporation exercised the Option. On March 2, 2009, the Corporation completed the acquisition transaction.

Kenaston Self Storage consists of two properties. One property is located at 21 Lowson Crescent in Winnipeg. It is approximately 2.75 acres, with 4 storage buildings comprising a total of 536 storage units. The second property is at 87 Lowson Crescent in Winnipeg. This property has no buildings. It has approximately 190 outdoor rental parking spaces for vehicles. It is the Corporation's intention to re-deploy a portion of the property at 87 Lowson Crescent toward a portable storage operation.

The purchase price was paid by $3,750,000 of bank mortgage financing, a vendor take-back of $500,000 of the Corporation's common shares at a price of $0.23 per share, and the remainder in cash.

Outstanding Share Data

On October 31, 2008, the Corporation completed a brokered private placement of 18,391,304 common shares of the Corporation at a price of $0.23 per share for gross proceeds of $4,230,000. In association with the private placement, the Corporation issued 678,696 common shares as an agency fee, and 678,696 Agent's warrants each convertible into one common share of the Corporation at a price of $0.23 per share.

At December 31, 2008, the Corporation completed the non-arm's length acquisition of Canadian PUPS Storage (Regina). As part of the agreement, the non-arm's length vendors received 2,466,798 common shares of the Corporation at a price of $0.23 per share for gross proceeds of $567,364.

On March 2, 2009, the Corporation completed the arm's length acquisition of Kenaston Self Storage as noted in "Subsequent Events" above. As part of the agreement, the arm's length vendor received 2,173,913 common shares of the Corporation at a price of $0.23 per share for gross proceeds of $500,000.

A summary of the outstanding shares and convertible securities as at the date of this MD&A is as follows:

	Expiry Date	Exercise Price	Securities Outstanding	Common Shares on Exercise
Common Shares:				
Seed capital (1)			5,000,000	
Initial public offering – November 5, 2007			5,000,000	
Private placement – October 31, 2008			18,391,304	
Agency fee – October 31, 2008			678,696	
Vendor take back – Canadian PUPS acquisition			2,466,798	
Vendor take back – Kenaston acquisition			2,173,913	
			33,710,711	
Convertible Securities:				
Director's options	November 5, 2012	$0.20	1,000,000	1,000,000
Agent's options	November 12, 2009	$0.20	400,000	400,000
Agent's warrants	October 31, 2010	$0.23	678,696	678,696
			2,078,696	2,078,696
			35,789,407	2,078,696

(1) subject to escrow agreement dated August 27,2007

The Corporation's shares were listed on the TSXV on November 12, 2007

Risks and Uncertainties

The following is a brief review of some of the potential risks and the potential impacts these risks and uncertainties may have on the operations of the Corporation:

Real Estate Industry

Real estate investments are subject to varying degrees of risk depending on the nature of each property. Such investments are affected by general economic conditions, local real estate markets, supply and demand for rental space, competition from others with similar developments, the perceived "attractiveness" of a given property, and various other factors.

There is no certainty that financing will be available upon the maturity of any existing mortgage at terms that are as favorable as the expiring mortgage, or at all. If the Corporation is ever unable to refinance an existing indebtedness on favorable terms, the Corporation may need to dispose of one or more properties upon disadvantageous terms. Prevailing interest rates, limited availability of credit or other factors at the time of refinancing could increase interest expense and ultimately the return to investors.

Economic Conditions
The storage industry in Canada can be cyclical. Due to the climate, demand for self storage is generally weaker in the winter months. Self storage is less susceptible to changes in the local economy, as storage space is often needed during times of both growth and recession. However, downturns in a local economy could negatively affect self storage rentals due to the decrease in consumer discretionary spending. A significant portion of self storage tenants use self storage during periods of moving from one residence to another, or when a residence is being renovated. In times of economic downturn, the level of activity in housing sales and housing renovation could decrease, thereby decreasing self storage rental demand.

Credit Risk
Credit risk arises from the possibility that tenants may experience financial difficulty and be unable to fulfill their financial obligations to the Corporation. The risk of incurring bad debts often arises if self storage tenants relocate and cannot be found to enforce payment, or if self storage tenants abandon their possessions. The extent of bad debts can be mitigated by quickly following up on any unpaid amounts shortly after the due date, enforcing late fees, denying access to any tenants with delinquent accounts, and ultimately seizing the possessions of the tenant. Additionally the Corporation typically rents to numerous tenants, each of which constitutes significantly less than 5% of the Corporation's monthly revenue. This diversification in the tenant base reduces credit risk from any given tenant.

Competition
The Corporation competes with other individuals, corporations and institutions which currently own, or are anticipating owning a similar property in a given region. Competitive forces could have a negative effect on rental rates or certain costs such as advertising.

Competition also exists when the Corporation attempts to grow through acquisitions of storage facilities. Some investors may have greater financial resources than those of the Corporation. An increase in the availability of investment funds in the general market, and a subsequent increase demand for self storage facilities would have a tendency to increase the price for future acquisitions of self storage facilities and reduce the yields thereon. In addition, the Corporation may require additional financing to complete future real estate acquisitions which may not be available on terms acceptable to the Corporation.

Environmental Risks
Environmental risk is inherent in the ownership of property. Various municipal, provincial and federal regulations can result in penalties or potential liability for remediation should hazardous materials enter the environment. The presence of hazardous substances could also impair the Corporation's ability to sell the property, or it might expose the Corporation to civil law suits. To mitigate such risk, the Corporation will obtain a recent Phase I environmental report for all material acquisitions. It also prohibits the storage of hazardous substances as a condition of the rental contract signed by tenants

Changes in Accounting Policies
Effective January 1, 2008, the Corporation adopted the following recently introduced Canadian Institute of Chartered Accountants (CICA) Handbook sections:

a) Section 1535, "Capital Disclosures" requires an entity to disclose information to enable users of its financial statements to evaluate the entity's objectives, policies and processes for managing capital. Application of this pronouncement had no impact on the Corporation's reported results of operations.

b) Section 3862, "Financial Instruments – Disclosures", and Section 3863 "Financial Instruments – Presentation" supersede Section 3861 – Financial Instruments – Disclosure and Presentation. These new Sections provide standards for disclosures about financial instruments, including disclosures about fair value and the credit, liquidity and market risks associated with financial instruments. They also establish standards for presentation of financial instruments and non-financial derivatives. Application of this pronouncement had no impact on the Corporation's reported results of operations.

Effective January 1, 2008, the Corporation early adopted the following recently introduced Canadian Institute of Chartered Accountants (CICA) Handbook sections:

c) Section 1582, "Business Combinations" which provides principles and requirements for the acquirer of a business in a business combination, including how to measure identifiable net assets acquired, how to measure goodwill acquired, and how to disclose the nature and financial effects of the business combination.

d) Section 3064, "Goodwill and Intangible Assets" which establishes standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets.

Recent accounting pronouncements not yet applied:
In January 2006, the CICA Accounting Standards Board adopted a strategic plan for the direction of accounting standards in Canada. As part of that plan, the Accounting Standards Board confirmed in February 2008 that International Financial Reporting Standards ("IFRS") will replace Canadian GAAP over a transition period. The transition period will end in 2011 when IFRS will be fully adopted for profit-oriented publicly accountable enterprises. The Corporation will be required to report its results in accordance with IFRS starting in fiscal 2012 and is assessing the potential impact of this changeover.

Internal Controls, Disclosure Controls and Procedures

Disclosure controls and procedures of the Corporation are designed to provide reasonable assurance that all material information with respect to the Corporation is made known to senior management of the Corporation, so that timely decisions can be made regarding public disclosure. The Corporation maintains appropriate information systems, procedures and controls to ensure that new information coming to the market is complete, timely and reliable.

All control systems have inherent limitations, and evaluation of a control system cannot provide absolute assurance that all control issues have been detected, including risks of misstatement due to error or fraud. Internal controls over financial reporting of the Corporation are designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements of the Corporation for external purposes in accordance with Canadian generally accepted accounting principles.