

PUBLIC STORAGE CANADIAN PROPERTIES
2002 CANADIAN INCOME TAX RETURNS

Prior to utilizing the information contained in the tables attached, Unitholders are advised to consult their tax advisors.

1. Unitholders' share of 2002 income

Your share of the income of Public Storage Canadian Properties (the "Partnership") is entered in Box (18) of the T5013 slip. For unitholders who are resident in Quebec, you should receive a RL-15 slip and your portion of the Partnership's income is entered in Box 1. This amount should be reported on your 2002 income tax return, and copy 2 of the slip should be filed with your return (See also "Allocation of Income from the Partnership among the Provinces" below). T5013/RL-15 slips have been issued to the registered holders of the Partnership units. If you did not receive a T5013/RL-15 slip, we have attached Table One for your use in calculating your share of the net income of the Partnership, and you should refer to the instructions below.

Unitholders who held units as at December 31, 2002 but have not received T5013/RL-15 slips

To determine your share of net income, refer to Table One attached.

- i. Enter the number of units held at December 31, 2002 in the space shown under column C and enter the registered holder's name on the line indicated (your name or the name of your broker, bank or other nominee) on the table.
- ii. Multiply the figure in column B by the number of units in column C, and enter this amount in column D on the table.
- iii. Transfer the amount shown in column D to your income tax return. For unitholders who are individuals, the amount should be reported on line 135 on your 2002 T1-General income tax return (see also "Allocation of Income from the Partnership among the Provinces" below). For unitholders who are individuals and who are resident in Quebec, you should transfer the amount to line 164 of the Quebec income tax return.
- iv. Copies of Table One and Table Three should be filed with your income tax return only if you did not receive a T5013/RL-15 slip from the registered holder of the units, as this slip is required to be included with your tax return. Copies of Table One and Table Three should be retained for your records.

2. Allocation of Income from the Partnership among the Provinces

Each unitholder is subject to tax in the provinces of Ontario and British Columbia ("B.C."), the jurisdictions in which the Partnership carried on business during the year ended December 31, 2002. For individuals, the taxes payable to Ontario and B.C. are collected by the federal authorities along with the federal tax, and are accounted for on the partner's federal General return.

In order to determine the portion of your income earned in each province and the Basic Federal Tax payable on that income, it is necessary to use Canada Customs and Revenue Agency's prescribed form T2203 "*Provincial and Territorial Taxes for 2002 – Multiple Jurisdictions*" ("Form T2203"). For Quebec residents, you must also file a federal return and complete Form T2203 in order to calculate your income allocated to other provinces. You should receive a federal abatement for Quebec taxes which reduces your federal income tax payable.

If your only source of business income is income from the Partnership, apply the allocation percentages provided in Appendix 1 to your partnership income from Box (18) of the T5013 slip [or Box 1 of the RL-15 slip] for the year ended December 31, 2002.

Filing Requirements

The following filing and reporting procedures in respect of your partnership income should be followed for your 2002 personal income tax return:

- 1) On page 1 of the T1 Jacket, enter "Multiple jurisdiction" as the response to the question "If you were self-employed in 2002, please state province or territory of self-employment."
- 2) Enter either the amount from Box (18) of the T5013 slip, or your partnership income calculated from Table One, on line 135 of the T1 Jacket, "Net business income".
- 3) Enter the amount from Box (51) of the T5013 slip or gross partnership income stated on Table One, on line 162 of the T1 Jacket, "Gross business income".
- 4) Attach a copy of the T5013 slip and schedule T5013 S(1), "*Allocation of Income for Provincial Income Tax Purposes (Appendix I)*", to your return.
- 5) Enter your provincial taxes payable from Form T2203 on line 428 of the T1 Jacket and make the following notation, "Provincial taxes per Form T2203", to the left of your entry.

For residents of Quebec, you should include your entire share of Partnership income in your Quebec return. Then, you should complete Form TP-22-V "*Income Tax Payable by an Individual who Carries on a Business in Canada*" ("Form TP-22-V") to determine the proportion of income earned in Quebec and to calculate your basic Quebec tax payable.

3. 1995 Business Reserve (for unitholders who transferred units from the Old PSCP L.P.)

Individual unitholders who held units of the Old PSCP L.P. in 1995 may have claimed a business reserve on their 1995 and subsequent tax returns. Legislation implemented as a result of the 1995 federal budget required that, beginning in 1995, all businesses carried on by individuals, whether through sole proprietorships or partnerships, including limited partnerships, be required to use a December 31 year-end for income tax reporting purposes. The Old PSCP L.P. had a January 31 year-end and unitholders were required to report, in their 1995 return, income for the 12 months ending January 31, 1995 and income for the 11-month period from February 1, 1995 to December 31, 1995 (stub period). To reduce the tax burden associated with this large income inclusion for 1995, special rules were implemented to permit a "reserve" to be deducted over a period of 10 years.

The Partnership continued to carry on the business of the Old PSCP L.P. Therefore, the business reserve continues to be available to individuals who held units at the end of the taxation year. If the units are sold during the year, in general, the remaining reserve must be taken into income in the year following the year of sale (see your tax advisor, as there may be exceptions to this general rule).

The Transitional Reserve

As discussed above, the special rules contain a transitional provision which allows a taxpayer affected by the mandated December 31 year end to phase in the impact over a 10 year period. Generally, 5% of the income included as a result of the deemed December 31 year end must be included in income for 1995. For each of the 1996 to 2003 taxation years, 10% of the income is included, with the final 15% included in 2004.

The following illustrates the reserve mechanism:

Since January 31 was the fiscal year end of the Old PSCP L.P., 1995 income for tax purposes included 23 months of income, as follows:

- (a) Income for the fiscal period ended January 31, 1995; and
- (b) Income for the 11 month period ended December 31, 1995 (that otherwise would have been a 12 month year ended January 31, 1996).

To assist in reducing the cash flow impact of the above inclusion in 1995, an individual was permitted to claim a reserve to exclude 95% of the amount determined under (b) above, allowing this amount to be taxed in future years.

For example, using the following assumed amounts, the income to be reported in 1995 was determined as follows:

Income for year ended January 31, 1995	\$ 10,000
Income from February 1, 1995 to December 31, 1995	<u>9,200</u>

Income for 23 month period	19,200
Less reserve - 95% x \$9,200	<u>(8,740)</u>
Income reported for 1995	<u>\$10,460</u>

For each year since 1995, a unitholder has been required to report business income for tax purposes for the year ending December 31, plus the amount of reserve claimed in the prior tax year, less the current year reserve claim up to the maximum permitted for that year. For example, in 1996, the reserve which could be claimed dropped to 85%, so using the above example, an additional \$920 (i.e. 10% of \$9,200) was included in income in the 1996 tax year. Then in 1997, the reserve fell to 75%, thus another \$920 was included in income in 1997 tax year. The reserve percentage drops 10 percentage points per year until it reaches 15% in 2003, and is zero in 2004.

The reserve claim is completely at the option of the taxpayer. Accordingly, in low income years, it may be beneficial to claim less than the maximum amount of reserve available. For example, an individual with a small amount of business income for the year ending December 31, 2002 might deduct a smaller reserve than is otherwise available.

To claim the reserve, the taxpayer must, by reason of the deemed December 31 year end, have included in income for 1995 the income for two or more fiscal periods, one of which includes December 31. Thus, if you became a unitholder of the Old PSCP L.P. after January 31, 1995, you will be unaffected by the transitional rules.

Furthermore, the taxpayer must be an individual carrying on the business (with reference to the business giving rise to the December 31 income inclusion) or a member of a partnership carrying on the business at some time during the year in which a reserve is claimed. As a result of this provision, no reserve is available at the end of any year if you were at no time during the year a unitholder of the Partnership. The full amount of the remaining reserve must be included in income at the end of that year.

Extension of Return Filing Deadline

The due date for filing the income tax returns of individuals with business income from a sole proprietorship or partnership is changed from April 30 to June 15. This change began with the 1995 tax returns, and therefore your 2002 tax return may be filed as late as June 15, 2003. Since June 15th falls on a Sunday in the current year, you can file your returns on June 16th.

However, the balance of tax will continue to be due and payable on April 30 each year. Therefore, if you wish to file your return on June 16 instead of April 30, you must determine and pay your tax liability for the year by April 30 to avoid any interest charges for the late payment of tax.

4. Unitholders who sold units during the period from January 1, 2002 to December 31, 2002

Unitholders could be considered to have sold units as part of a business activity in which case capital gains treatment would not be available. Unitholders should consult their tax advisors to ensure these rules do not apply before following these instructions.

In general, if you sold Partnership units during the period from January 1, 2002 to December 31, 2002, and you are entitled to capital gain treatment you should report the resulting capital gain (loss) on your 2002 income tax return. In order to compute your capital gain (loss), you will need to calculate the adjusted cost base of the units for tax purposes at the time of sale. The table attached to this letter [Table Two] may be used to arrive at the adjusted cost base of the units on the date of sale as explained below.

I. Unitholders who sold units during the period from January 1, 2002 to December 31, 2002

A separate Table Two should be completed for each sale. The procedures are as follows:

- i. If you purchased units prior to 2002, you should use Appendix to Table Two to calculate the total cost base adjustments for the period from the date of purchase and prior to December 31, 2001. You must include all cost adjustments for the periods subsequent to the date of purchase, and enter this total on line 1 of column B in Table Two. For example, if you purchased units on April 15, 2000 and sold them on December 10, 2002, your cumulative cost base adjustment prior to December 31, 2001 would be \$1.2774 (from June 15, 2000 to December 30, 2001). Carry the result to line 1 of column B.
- ii. Add the cost base adjustments for 2002 as outlined in column A. Add only the adjustments that correspond to the period in which you were a unitholder of record. For example, if you sold the units on December 10, 2002, you were a unitholder of record from December 31, 2001 through to December 9, 2002, and so your total cost base adjustment for the year is $(\$0.733739) [\$-1.9337395752 + \$0.40 + \$0.40 + \$0.40]$, which includes your share of the Partnership's 2001 net income and the first three quarters of distributions. Total the amounts in column B and enter the result on column B, line 6.
- iii. Enter the number of units sold in Column C, line 6. Multiply this figure by the adjustment to cost base in column B, line 6 and record the result in Box D.
- iv. Box E represents your addition to ACB for either your purchase price, if bought in the open market, or your opening ACB if you transferred the units from the predecessor partnership(s) on December 31, 1998. If you didn't transfer the units on December 31, 1998, refer to your broker's advice for your original purchase transaction and extract the purchase price per unit. If you did transfer units on December 31, 1998, see note 5 below. Multiply the number of units sold by the purchase price per unit (or amount per unit determined under note 5 below) and enter the amount in Box E.

- v. Subtract the amount in Box D from the amount in Box E to arrive at the adjusted cost base in Box F. Individual unitholders should then transfer the amount in Box F to the appropriate column of the section "Bonds, debentures, promissory notes, and other properties" on Schedule 3 of your 2002 income tax return.
- vi. Individual unitholders should enter the number of units sold, name of the Partnership [i.e., Public Storage Canadian Properties], the year of acquisition, the proceeds of disposition and the outlays and expenses on disposition [e.g., brokerage fees] in the appropriate columns on Schedule 3 and complete the form.

II. More Complex Situations

Unitholders who held units on December 31, 1998, purchased additional units and sold some units, or who made more than one purchase and sale during the year should consult with their tax advisors as to the methodology to calculate the adjusted cost base of the units sold.

5. Unitholders who exchanged their units on December 31, 1998

On December 31, 1998, all unitholders of the Old PSCP L.P. and PSCP IV transferred their units into the Partnership under Subsection 97(2) of the Income Tax Act. Depending on the transfer price, you might have realized a capital gain or loss upon the transfer which you should have reported on your 1998 income tax return. In addition, the transfer price is the adjusted cost base of your units of the new partnership on January 1, 1999.

An Information Form was sent to you by the Transfer Agent to elect the most beneficial transfer price for your units:

- i) If your name and SIN was provided to the Transfer Agent but no Elected Amount was provided in respect of any Old PSCP L.P. and/or PSCP IV units beneficially owned by you, the transfer price will equal the ACB computed for your units in the old partnerships at the end of 1998, as calculated based on the 1998 memos. This is the minimum amount specified by the Transfer Agent. This amount combined for the Old PSCP L.P. and PSCP IV, per unit received in the new Partnership, should be entered in Box E of Table Two.
- ii) If the Elected Amount provided by you exceeded the ACB, the transfer price will be equal to the combined Elected Amount for the Old PSCP L.P. and PSCP IV units. This amount combined for the Old PSCP L.P. and PSCP IV, per unit received in the new Partnership, should be entered in Box E of Table Two.
- iii) If you did not file the Information Form with the Transfer Agent or you did not provide your name and SIN to the Transfer Agent, you will have realized a capital gain or a capital loss in 1998 upon the exchange. The proceeds of disposition was \$13.50 per unit for the Old PSCP L.P. and \$5.25 per unit for PSCP IV. This amount combined for the Old PSCP L.P. and PSCP IV, per unit received in the new Partnership, should be entered in Box E of Table Two (this will only apply if you reported the capital gain in 1998 - see your tax advisor).

6. At Risk Rules

The Income Tax Act (Canada) provides rules [the "At-Risk Rules"] under which the maximum amount of business losses of the Partnership for a fiscal period that may be deducted by a Limited Partner cannot exceed the Limited Partner's "at-risk amount" at the end of the fiscal period. Generally, the "at-risk amount" of a first purchaser of Units at the end of any fiscal period of the Partnership will be determined as the adjusted cost base of his/her Partnership interest at the end of the year plus his/her share of the income of the Partnership for the year, less [i] any amount owing to the Partnership by the Limited Partner and [ii] any portion of the Limited Partner's investment that may reasonably be considered to be, directly or indirectly, protected from loss.

It is expected that the initial "at-risk amount" of a Limited Partner who is a first purchaser of Units will be equal to the amounts paid by him/her for the Units. As there is no loss for tax purposes in the year ended December 31, 2002, the At-Risk Rules do not apply this year. However, it is possible that the deductibility of Partnership losses could be affected by the At-Risk Rules in future years.

**PUBLIC STORAGE CANADIAN PROPERTIES
[a limited partnership]**

**ALLOCATION OF INCOME FOR PROVINCIAL
INCOME TAX PURPOSES**

For the Year Ended December 31, 2002:

Ontario	83.11%
British Columbia	<u>16.89%</u>
	<u>100.00%</u>

PUBLIC STORAGE CANADIAN PROPERTIES

[a limited partnership]

TAXABLE INCOME

	<u>A</u>	<u>B</u>		<u>C</u>	<u>D</u>
	<u>The Partnership has 4,821,430 Units</u>	<u>For each unit of Partnership held on December 31, 2002</u>	X	<u>Number of Units Held on December 31, 2002</u>	=
Taxable Income	\$9,323,390	\$1.9337395752			

Filing Information

Business: Public Storage Canadian Properties
 General Partner: Canadian Mini-Warehouse Properties Limited
 Address: 701 Western Ave., Suite 200
 Glendale, CA, 91201
 U.S.A.

NAME OF REGISTERED UNITHOLDER

Nature of Business: Operation of storage service facilities
 Principal Service Provided: Storage services

Financial Statements supporting this schedule have been filed with the federal corporation income tax return of the general partner.

Signature

Note: Gross income \$ 15,790,000

PUBLIC STORAGE CANADIAN PROPERTIES
[a limited partnership]

COMPUTATION OF ADJUSTED COST BASE OF PARTNERSHIP UNITS

	<u>A</u>	<u>B</u>	<u>C</u>	<u>D</u>
If unitholder of record at end of business day in this period	Adjustment to Adjusted Cost Base per Unit	Cost base adjustments (individual)	<u>Number of units sold</u>	Total adjustment to cost base
1. Carryforward from Appendix to Table Two				
2. December 31, 2001 to March 14, 2002	(\$1.9337395752)			
3. March 15, 2002 to June 13, 2002	\$0.4000000000			
4. June 14, 2002 to September 12, 2002	\$0.4000000000			
5. September 13, 2002 to December 12, 2002	\$0.4000000000			
6. December 13, 2002 to December 30, 2002	\$0.7500000000			
7. Adjustment to cost base		_____		
		=====	X _____	= \$ _____
	<u>E</u>	<u>D</u>		<u>F</u>
Purchase price per broker's advice or elected amount on December 31, 1998		Total Adjustment to Cost Base		Adjusted cost base
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PUBLIC STORAGE CANADIAN PROPERTIES**Adjustment to ACB :**

March 15, 1999 distribution	0.3000000000
June 15, 1999 distribution	0.3000000000
September 15, 1999 distribution	0.3000000000
December 15, 1999 distribution	0.3000000000
December 31, 1999 taxable income	(1.5805769243)
March 15, 2000 distribution	0.3000000000
June 15, 2000 distribution	0.3300000000
September 15, 2000 distribution	0.3500000000
December 15, 2000 distribution	0.3500000000
December 31, 2000 taxable income	(1.6492582076)
March 15, 2001 distribution	0.3500000000
June 15, 2001 distribution	0.3500000000
September 15 2001 distribution	0.4000000000
December 15 2001 distribution	0.6500000000
December 31, 2001 taxable income	(1.9529998361)
March 15, 2002 distribution	0.4000000000
June 14, 2002 distribution	0.4000000000
September 13, 2002 distribution	0.4000000000
December 13, 2002 distribution	0.7500000000

TABLE THREE**PUBLIC STORAGE CANADIAN PROPERTIES**

[a limited partnership]

INCOME STATEMENT FOR TAX PURPOSES**YEAR ENDED DECEMBER 31, 2002**

Revenue	\$
Rental Income	15,751,000
Interest Income	<u>39,000</u>
Total Revenue	<u>15,790,000</u>
 Costs and Expenses	
Cost of Operations	4,352,000
Interest Expense	0
Management Fees	946,000
Administrative Expenses	249,000
Painting costs capitalized for accounting	103,214
Capital cost allowance	788,225
Amortization of cumulative eligible capital	29,325
Less: non-deductible expenses	<u>(1,154)</u>
Total costs and expenses	<u>6,466,610</u>
 Net income for tax purposes for the year	 <u><u>\$9,323,390</u></u>

This schedule was prepared solely for use in filing with the Limited Partners' income tax returns and is not appropriate for other purposes.