August 28, 2007

IN THE MATTER OF
THE SECURITIES LEGISLATION OF
BRITISH COLUMBIA, ALBERTA, SASKATCHEWAN, MANITOBA, ONTARIO, QUÉBEC, NEW BRUNSWICK, NOVA SCOTIA, PRINCE EDWARD ISLAND AND NEWFOUNDLAND AND LABRADOR (THE "JURISDICTIONS")

AND

IN THE MATTER OF
THE MUTUAL RELIANCE REVIEW SYSTEM
FOR EXEMPTIVE RELIEF APPLICATIONS

AND
IN THE MATTER OF
INSTORAGE REAL ESTATE INVESTMENT TRUST
(THE "FILER")

MRRS Decision Document

Background

The local securities regulatory authority or regulator (the "**Decision Maker**") in each of the Jurisdictions has received an application from the Filer for a decision under the securities legislation of the Jurisdictions (the "**Legislation**") for an exemption from the requirements contained in the Legislation to be registered to trade in a security (the "**Registration Requirement**") and to file a preliminary prospectus and a prospectus and obtain receipts therefor (the "**Prospectus Requirement**") in respect of any trade of trust units of the Filer ("**REIT Units**") by the Filer (or by a trustee, custodian or administrator acting for or on behalf of the Filer) to (i) holders of Eligible LP Units (as defined below) of InStorage Limited Partnership (the "**Partnership**") pursuant to a distribution reinvestment plan of the Filer (the "**DRIP**") under which distributions out of earnings, surplus, capital or other sources payable by the Partnership in respect of the Eligible LP Units are applied to the purchase of REIT Units, and (ii) if a Cash Payment Option (as defined below) exists under the DRIP at the time of such trade, to holders of Eligible LP Units of the Partnership who make an optional cash payment to purchase REIT Units under and in accordance with such Cash Payment Option (collectively, the "**Requested Relief**").

Under the Mutual Reliance Review System for Exemptive Relief Applications:

(a) the Ontario Securities Commission is the principal regulator for this application; and

(b) this MRRS decision document evidences the decision of each Decision Maker.

Interpretation

Defined terms contained in National Instrument 14-101 *Definitions* have the same meaning in this decision unless they are defined in this decision.

Representations

This decision is based on the following facts represented by the Filer:

1. The Filer is an open-ended, limited purpose trust established under the laws of Ontario pursuant to a Declaration of Trust dated June 20, 2006. The Filer is focused primarily on the acquisition and management of self-storage properties and ancillary businesses throughout Canada.

2. The Filer became a reporting issuer in British Columbia and Alberta following the completion on August 4, 2006 of a court approved plan of arrangement (the "**Arrangement**") under the *Canada Business Corporations Act* that caused the Filer to be the successor issuer to SCOSS Capital Corp. ("**SCOSS**"). Following the Arrangement, the REIT Units commenced trading on the TSX Venture Exchange (the "**TSXV**") under the symbol "IS.UN" on August 11, 2006, when the common shares of SCOSS ("**SCOSS Shares**") were delisted from the TSXV. SCOSS ceased to be a reporting issuer (i) in British Columbia on October 2, 2006 and (ii) in Alberta, Ontario and Nova Scotia on October 17, 2006.

3. The Filer became a reporting issuer in Ontario pursuant to an order of the Ontario Securities Commission dated February 20, 2007. The Filer became a reporting issuer in the other Jurisdictions where it was not already a reporting issuer (and where the concept of a reporting issuer exists) as a result of filing and obtaining a receipt in all the Jurisdictions for a short form prospectus dated March 28, 2007. The Filer is not in default of any requirements under the Legislation.

4. The Filer's head office is located at Suite 1000, 350 Bay Street, Toronto, Ontario, Canada.

5. The authorized capital of the Filer consists of an unlimited number of REIT Units and an unlimited number of special voting units ("**Special Voting Units**"). As at June 27, 2007, there were 183,543,752 REIT Units and 10,458,136 Special Voting Units issued and outstanding.

6. The Partnership is a limited partnership formed under the laws of Manitoba pursuant to a limited partnership agreement (the "LP Agreement") dated June 21, 2006 between InStorage GP Trust (the "General Partner"), IS Operating Trust (the "Trust") and each person who is admitted to the partnership in accordance with the terms of the LP Agreement.

7. The Partnership is a reporting issuer in British Columbia and Alberta as a continuing issuer following an exchange of securities. Pursuant to the Arrangement, each SCOSS Share entitled the holder thereof to receive either: (i) one REIT Unit, or (ii) one Class B exchangeable non-voting limited partnership unit ("Class B LP Units") of the Partnership.

8. No securities of the Partnership are listed or posted for trading on a stock exchange or other marketplace. Pursuant to a MRRS decision document dated November 15, 2006 of the Decision

Makers in British Columbia and Alberta (the "2006 Decision"), the Partnership was exempted from having to file continuous disclosure documents under the Legislation in those jurisdictions and was permitted to rely on the continuous disclosure documents of the Filer. The Partnership is not in default of any requirements under the Legislation or the 2006 Decision.

9. The Partnership's head office is located at Suite 1000, 350 Bay Street, Toronto, Ontario, Canada.

10. The authorized capital of the Partnership consists of an unlimited number of each of general partnership interests, Class A ordinary voting limited partnership units ("Class A LP Units"), Class B LP Units, Class C exchangeable non-voting limited partnership units ("Class C LP Units"), and an unlimited number of limited partnership units of such other class as the General Partner may create from time to time ("Other LP Units").

11. Other than in respect of an exchange described in paragraph 14 below, Class B LP Units and Class C LP Units are non-transferable. Pursuant to the terms of the LP Agreement, any Other LP Units issued from time to time will also be non-transferable.

12. As at June 27, 2007, the issued and outstanding capital of the Partnership consisted of:

(a) a 0.01% general partnership interest, which is owned by the General Partner;

(b) 183,543,752 Class A LP Units, all of which are owned by the Trust;

(c) 10,458,136 Class B LP Units, all of which are owned by former holders of SCOSS Shares who elected to receive such units pursuant to the Arrangement; and

(d) 8,400,000 Class C LP Units, which are owned, in the aggregate, by persons that directly or indirectly sold self-storage properties to the Filer pursuant to acquisition transactions that closed on September 1, 2006 and September 6, 2006, respectively.

13. The Partnership is controlled by the Filer. The Filer is the indirect beneficial owner of all of the issued and outstanding Class A LP Units, being the only class of limited partnership units of the Partnership that give the holders the right to vote on all matters to be decided by limited partners of the Partnership.

14. Class B LP Units and the Class C LP Units are, at the request of a holder thereof, exchangeable for REIT Units on a one-for-one basis in accordance with the terms of the LP Agreement and (i) in the case of the Class B LP Units the exchange agreement dated August 4, 2006, and (ii) in the case of the Class C LP Units the exchange agreement dated September 1, 2006.

15. Class B LP Units and Class C LP Units are intended to be, to the greatest extent possible, the economic equivalent of REIT Units. Holders of Class B LP Units and holders of Class C LP

Units are entitled to receive distributions paid by the Partnership that are, to the greatest extent possible, economically equivalent to distributions paid by the Filer on REIT Units. Pursuant to the Arrangement, holders of Class B LP Units also hold Special Voting Units of the Filer and, as a result, are entitled to receive notice of and vote at meetings of the unitholders of the Filer. The persons who received Class C LP Units pursuant to acquisition transactions described in subparagraph 12(d) above do not hold Special Voting Units of the Filer.

16. The Declaration of Trust of the Filer provides that the Filer will make monthly cash distributions out of its distributable income on or before the 15th day of a given month to persons who are holders of REIT Units ("**Unitholders**") on the last business day of the immediately preceding calendar month. Similarly, the LP Agreement provides that the Partnership will make identical monthly cash distributions out of its distributable income on the same terms and conditions to persons who are holders of Class B LP Units and to persons who are holders of Class C LP Units. Other LP Units, if and when created and issued by the Partnership, may also provide holders thereof with similar distribution participation rights.

17. It is the Filer's intent is that this decision will only apply to:

(a) Class B LP Units;

(b) Class C LP Units;

(c) Other LP Units that (i) are issued to persons that directly or indirectly sell self-storage properties to the Filer or one of its affiliates under private acquisition transactions, (ii) are exchangeable for REIT Units but are otherwise non-transferable, (iii) provide the holder of the Other LP Unit with economic rights which are, as nearly as possible except for tax implications, equivalent to REIT Units and (iv) have distribution rights that are equivalent to the distribution rights associated with Class B LP Units and Class C LP Units ("**Acquisition Units**"); and

(d) Other LP Units that (i) are exchangeable for REIT Units but are otherwise non-transferable, (ii) provide the holder of the Other LP Unit with economic and voting rights which are, as nearly as possible except for tax implications, equivalent to REIT Units and (iii) have distribution rights that are equivalent to the distribution rights associated with Class B LP Units and Class C LP Units (together with Class B LP Units, Class C LP Units and Acquisition Units, collectively referred to herein as "Eligible LP Units").

18. The Filer proposes to establish the DRIP to permit Unitholders and holders of Eligible LP Units ("**LP Unitholders**"), other than such holders who are not residents of Canada, at their discretion, to automatically reinvest cash distributions paid on their REIT Units or Eligible LP Units, as the case may be, into REIT Units as an alternative to receiving cash distributions.

19. Following enrolment in the DRIP by a Unitholder or LP Unitholder (a "**DRIP Participant**"), distributions in respect of REIT Units or Eligible LP Units enrolled in the DRIP will be

automatically paid to the agent responsible for the administration of the DRIP (the "**DRIP Agent**") and applied to the purchase of REIT Units directly from the Applicant.

20. The purchase price for a REIT Unit (or fraction thereof) acquired under the DRIP will be the arithmetic average (calculated to four decimal places) of the daily volume weighted average trading prices of REIT Units on the principal stock exchange where the REIT Units are listed and posted for trading (the "**Exchange**") for the 10 trading days immediately preceding the applicable distribution payment date. In addition, holders of REIT Units and holders of Eligible LP Units who participate in the DRIP ("**DRIP Participants**") will be entitled to receive a further distribution of REIT Units equal in value to 4% of each distribution that is reinvested under the DRIP.

21. No commissions, service charges or brokerage fees will be payable by DRIP Participants in connection with the issuance of REIT Units under the DRIP. The DRIP Agent's fees for administering the DRIP will be paid by the Filer out of its assets.

22. DRIP Participants may terminate their participation in the DRIP by providing written notice to the DRIP Agent no later than a specified time on the day that is five business days prior to the applicable record date. If received after such time, such notice will have effect for the next following distribution. After such termination is processed, distributions by the Filer or the Partnership, as the case may be, will thereafter be payable to such Unitholder or LP Unitholder in cash or otherwise in the form declared by the Filer or the Partnership, as the case may be.

23. Pursuant to the terms of the DRIP, the Filer will reserve the right to amend, suspend or terminate the DRIP at any time in its sole discretion, provided that such action shall not have a retroactive effect which would prejudice the interests of the DRIP Participants. DRIP Participants will be sent written notice of an amendment, suspension or termination of the DRIP in accordance with its terms.

24. Though it is not presently contemplated that the DRIP will provide for an optional cash payment feature which allows holders of REIT Units or Eligible LP Units to purchase additional REIT Units by making optional cash payments within certain established limits (the "**Cash Payment Option**"), such a Cash Payment Option could be implemented in the future. If implemented as part of the DRIP in the future, such a Cash Payment Option will be of a customary nature and the Filer will retain the right to determine from time to time whether the Cash Payment Option will be available.

25. The Filer would be unable to rely on the exemptions from the Registration Requirement and the Prospectus Requirement contained in the Legislation with respect to reinvestments plans (the "**DRIP Exemptions**") for the purposes of distributing REIT Units under the DRIP to LP Unitholders enrolled in the DRIP since such exemptions permit distributions made in respect of an issuer's securities to be applied only to the purchase of the same issuer's securities. Furthermore, a person who acquires a REIT Unit under the DRIP other than in reliance on the DRIP Exemptions (or a prospectus) would not be able to rely on the exemption from the Prospectus Requirement contained in the Legislation with respect to the first trade or resale of such REIT Unit.

Decision

Each of the Decision Makers is satisfied that the tests contained in the Legislation that provided such Decision Maker with the jurisdiction to make the decision has been met.

The decision of the Decision Makers under the Legislation is that the Requested Relief is granted provided that:

1. at the time of the trade, the Partnership continues to be controlled by the Filer and the Filer is the beneficial owner of all the issued and outstanding voting securities of the Partnership;

2. the ability to purchase REIT Units under the DRIP in respect of (a) distributions out of earnings, surplus, capital or other sources payable by the Partnership and (b) any Cash Payment Option, is available to every LP Unitholder in Canada;

3. should the DRIP include a Cash Payment Option at any time, the Requested Relief will only apply if (a) the aggregate number of REIT Units purchased by DRIP Participants pursuant to the Cash Payment Option in any one financial year of the Filer does not exceed a maximum of 2% of the number of REIT Units issued and outstanding at the beginning of the financial year and (b) the REIT Units trade on a marketplace (as defined in National Instrument 21-101 *Marketplace Operation*);

4. should the Partnership create and issue Other LP Units, the Requested Relief will only apply to Other LP Units that meet the conditions in either subparagraph 17(c) or (d) above; and

5. the first trade of any REIT Units acquired under this decision in a Jurisdiction shall be deemed to be a distribution or a primary distribution to the public unless the conditions in subsection 2.6(3) of National Instrument 45-102 *Resale of Securities* are satisfied at the time of such first trade.

"Kevin J. Kelly"
Commissioner
Ontario Securities Commission

"David L. Knight"
Commissioner
Ontario Securities Commission