

CubeSmart  
Form 10-Q  
November 08, 2013  
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UNITED STATES SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

**FORM 10-Q**

(Mark one)

**R** Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended September 30, 2013.

or

**£** Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_ .

Commission file number:

001-32324 (CubeSmart)

000-54662 (CubeSmart, L.P.)

**CUBESMART**

**CUBESMART, L.P.**

(Exact Name of Registrant as Specified in its Charter)

Maryland (CubeSmart)  
Delaware (CubeSmart, L.P.)  
(State or Other Jurisdiction of  
Incorporation or Organization)

460 East Swedesford Road

Suite 3000  
Wayne, Pennsylvania  
(Address of Principal Executive Offices)

20-1024732  
34-1837021  
(I.R.S. Employer  
Identification No.)

19087  
(Zip Code)

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(610) 293-5700

(Registrant's Telephone Number, Including Area Code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

CubeSmart Yes R No   
CubeSmart, L.P. Yes R No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

CubeSmart Yes R No   
CubeSmart, L.P. Yes R No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

CubeSmart:  
Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company   
CubeSmart, L.P.:  
Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

CubeSmart Yes  No   
CubeSmart, L.P. Yes  No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:

Class	Outstanding at November 5, 2013
Common shares, \$0.01 par value per share, of CubeSmart	139,124,221



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**EXPLANATORY NOTE**

This report combines the quarterly reports on Form 10-Q for the period ended September 30, 2013 of CubeSmart (the Parent Company or CubeSmart ) and CubeSmart, L.P. (the Operating Partnership ). The Parent Company is a Maryland real estate investment trust, or REIT, that owns its assets and conducts its operations through the Operating Partnership, a Delaware limited partnership, and subsidiaries of the Operating Partnership. The Parent Company, the Operating Partnership and their consolidated subsidiaries are collectively referred to in this report as the Company. In addition, terms such as we , us , or our used in this report may refer to the Company, the Parent Company, or the Operating Partnership.

The Parent Company is the sole general partner of the Operating Partnership and, as of September 30, 2013, owned a 98.4% interest in the Operating Partnership. The remaining 1.6% interest consists of common units of limited partnership interest issued by the Operating Partnership to third parties in exchange for contributions of facilities to the Operating Partnership. As the sole general partner of the Operating Partnership, the Parent Company has full and complete authority over the Operating Partnership's day-to-day operations and management.

Management operates the Parent Company and the Operating Partnership as one enterprise. The management teams of the Parent Company and the Operating Partnership are identical, and their constituents are officers of both the Parent Company and of the Operating Partnership.

There are few differences between the Parent Company and the Operating Partnership, which are reflected in the note disclosures in this report. The Company believes it is important to understand the differences between the Parent Company and the Operating Partnership in the context of how these entities operate as a consolidated enterprise. The Parent Company is a REIT, whose only material asset is its ownership of the partnership interests of the Operating Partnership. As a result, the Parent Company does not conduct business itself, other than acting as the sole general partner of the Operating Partnership, issuing public equity from time to time and guaranteeing the debt obligations of the Operating Partnership. The Operating Partnership holds substantially all the assets of the Company and, directly or indirectly, holds the ownership interests in the Company's real estate ventures. The Operating Partnership conducts the operations of the Company's business and is structured as a partnership with no publicly traded equity. Except for net proceeds from equity issuances by the Parent Company, which are contributed to the Operating Partnership in exchange for partnership units, the Operating Partnership generates the capital required by the Company's business through the Operating Partnership's operations, by the Operating Partnership's direct or indirect incurrence of indebtedness or through the issuance of partnership units of the Operating Partnership or equity interests in subsidiaries of the Operating Partnership.

The substantive difference between the Parent Company's and the Operating Partnership's filings is the fact that the Parent Company is a REIT with public equity, while the Operating Partnership is a partnership with no publicly traded equity. In the financial statements, this difference is primarily reflected in the equity (or capital for Operating Partnership) section of the consolidated balance sheets and in the consolidated statements of equity (or capital). Apart from the different equity treatment, the consolidated financial statements of the Parent Company and the Operating Partnership are nearly identical.

The Company believes that combining the quarterly reports on Form 10-Q of the Parent Company and the Operating Partnership into a single report will:

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- facilitate a better understanding by the investors of the Parent Company and the Operating Partnership by enabling them to view the business as a whole in the same manner as management views and operates the business;
- remove duplicative disclosures and provide a more straightforward presentation in light of the fact that a substantial portion of the disclosure applies to both the Parent Company and the Operating Partnership; and
- create time and cost efficiencies through the preparation of one combined report instead of two separate reports.

To help investors understand the significant differences between the Parent Company and the Operating Partnership, this report presents Item 1 Financial Statements as separate sections for each of the Parent Company and the Operating Partnership.

In order to highlight the differences between the Parent Company and the Operating Partnership, the separate sections in this report for the Parent Company and the Operating Partnership specifically refer to the Parent Company and the Operating Partnership. In the sections that combine disclosures of the Parent Company and the Operating Partnership, this report refers to such disclosures as those of the Company. Although the Operating Partnership is generally the entity that directly or indirectly enters into contracts and real estate ventures and holds assets and debt, reference to the Company is appropriate because the business is one enterprise and the Parent Company operates the business through the Operating Partnership.

As general partner with control of the Operating Partnership, the Parent Company consolidates the Operating Partnership for financial reporting purposes, and the Parent Company does not have significant assets other than its investment in the Operating Partnership. Therefore, the assets and liabilities of the Parent Company and the Operating Partnership are the same on their respective financial statements. The separate discussions of the Parent Company and the Operating Partnership in this report should be read in conjunction with each other to understand the results of the Company's operations on a consolidated basis and how management operates the Company.

This report also includes separate Item 4 - Controls and Procedures sections, signature pages and Exhibit 31 and 32 certifications for each of the Parent Company and the Operating Partnership in order to establish that the Chief Executive Officer and the Chief Financial Officer of the Parent Company and the Chief Executive Officer and the Chief Financial Officer of the Operating Partnership have made the requisite certifications and that the Parent Company and the Operating Partnership are compliant with Rule 13a-15 or Rule 15d-15 of the Securities Exchange Act of 1934 and 18 U.S.C. §1350.

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**Filing Format**

This combined Form 10-Q is being filed separately by CubeSmart and CubeSmart, L.P.

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**Forward-Looking Statements**

This Quarterly Report on Form 10-Q, or this Report, together with other statements and information publicly disseminated by the Parent Company and the Operating Partnership, contain certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act. Forward-looking statements include statements concerning the Company's plans, objectives, goals, strategies, future events, future revenues or performance, capital expenditures, financing needs, plans or intentions relating to acquisitions and other information that is not historical information. In some cases, forward-looking statements can be identified by terminology such as believes, expects, estimates, may, will, should, anticipates, or in negative of such terms or other comparable terminology, or by discussions of strategy. Such statements are based on assumptions and expectations that may not be realized and are inherently subject to risks, uncertainties and other factors, many of which cannot be predicted with accuracy and some of which might not even be anticipated. Although we believe the expectations reflected in these forward-looking statements are based on reasonable assumptions, future events and actual results, performance, transactions or achievements, financial and otherwise, may differ materially from the results, performance, transactions or achievements expressed or implied by the forward-looking statements. As a result, you should not rely on or construe any forward-looking statements in this Report, or which management may make orally or in writing from time to time, as predictions of future events or as guarantees of future performance. We caution you not to place undue reliance on forward-looking statements, which speak only as of the date of this Report or as of the dates otherwise indicated in the statements. All of our forward-looking statements, including those in this Report, are qualified in their entirety by this statement.

There are a number of risks and uncertainties that could cause our actual results to differ materially from the forward-looking statements contained in or contemplated by this Report. Any forward-looking statements should be considered in light of the risks and uncertainties referred to in Item 1A. Risk Factors in the Parent Company's and the Operating Partnership's combined Annual Report on Form 10-K for the year ended December 31, 2012 and in our other filings with the Securities and Exchange Commission (SEC). These risks include, but are not limited to, the following:

- national and local economic, business, real estate and other market conditions;
- the competitive environment in which we operate, including our ability to maintain or raise occupancy and rental rates;
- the execution of our business plan;
- the availability of external sources of capital;
- financing risks, including the risk of over-leverage and the corresponding risk of default on our mortgage and other debt and potential inability to refinance existing indebtedness;
- increases in interest rates and operating costs;

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- counterparty non-performance related to the use of derivative financial instruments;
- our ability to maintain our Parent Company's qualification as a real estate investment trust ( REIT ) for federal income tax purposes;
- acquisition and development risks;
- increases in taxes, fees, and assessments from state and local jurisdictions;
- changes in real estate and zoning laws or regulations;
- risks related to natural disasters;
- potential environmental and other liabilities;
- other factors affecting the real estate industry generally or the self-storage industry in particular; and
- other risks identified in the Parent Company's and the Operating Partnership's Annual Report on Form 10-K, as amended, and, from time to time, in other reports that we file with the SEC or in other documents that we publicly disseminate.

Given these uncertainties and the other risks identified elsewhere in this Report, we caution readers not to place undue reliance on forward-looking statements. We undertake no obligation to publicly update or revise these forward-looking statements, whether as a result of new information, future events or otherwise except as may be required by securities laws.



Table of Contents**PART I. FINANCIAL INFORMATION****ITEM 1. FINANCIAL STATEMENTS****CUBESMART AND SUBSIDIARIES****CONSOLIDATED BALANCE SHEETS**

(in thousands, except share data)

(unaudited)

	September 30, 2013	December 31, 2012
<b>ASSETS</b>		
Storage facilities	\$ 2,473,889	\$ 2,443,022
Less: Accumulated depreciation	(380,621)	(353,315)
Storage facilities, net	2,093,268	2,089,707
Cash and cash equivalents	2,940	4,495
Restricted cash	4,226	6,070
Loan procurement costs, net of amortization	8,885	8,253
Assets held for sale	67,924	-
Other assets, net	25,920	41,794
Total assets	\$ 2,203,163	\$ 2,150,319
<b>LIABILITIES AND EQUITY</b>		
Unsecured senior notes	\$ 250,000	\$ 250,000
Revolving credit facility	88,300	45,000
Unsecured term loans	500,000	500,000
Mortgage loans and notes payable	206,100	228,759
Accounts payable, accrued expenses and other liabilities	55,113	60,708
Distributions payable	16,813	16,419
Deferred revenue	12,338	11,090
Security deposits	388	444
Other liabilities held for sale	975	-
Total liabilities	1,130,027	1,112,420
Noncontrolling interests in the Operating Partnership	40,688	47,990
Commitments and contingencies		
Equity		
7.75% Series A Preferred shares \$.01 par value, 3,220,000 shares authorized, 3,100,000 shares issued and outstanding at September 30, 2013 and December 31, 2012, respectively	31	31
Common shares \$.01 par value, 200,000,000 shares authorized, 136,486,384 and 131,794,547 shares issued and outstanding at September 30, 2013 and December 31, 2012, respectively	1,365	1,318
Additional paid-in capital	1,492,055	1,418,463
Accumulated other comprehensive loss	(12,626)	(19,796)
Accumulated deficit	(448,519)	(410,225)

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Total CubeSmart shareholders' equity	1,032,306	989,791
Noncontrolling interests in subsidiaries	142	118
Total equity	1,032,448	989,909
Total liabilities and equity	\$ 2,203,163	\$ 2,150,319

See accompanying notes to the unaudited consolidated financial statements.

Table of Contents**CUBESMART AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF OPERATIONS****(in thousands, except per share data)****(unaudited)**

	<b>Three Months Ended September 30,</b>		<b>Nine Months Ended September 30,</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
<b>REVENUES</b>				
Rental income	\$ 73,067	\$ 61,204	\$ 208,675	\$ 172,078
Other property related income	8,580	7,065	24,215	18,833
Property management fee income	1,185	1,094	3,547	3,217
Total revenues	82,832	69,363	236,437	194,128
<b>OPERATING EXPENSES</b>				
Property operating expenses	30,104	27,066	87,946	76,761
Depreciation and amortization	28,495	28,734	85,966	79,007
General and administrative	7,326	6,860	22,454	19,582
Total operating expenses	65,925	62,660	196,366	175,350
<b>OPERATING INCOME</b>	16,907	6,703	40,071	18,778
<b>OTHER INCOME (EXPENSE)</b>				
Interest:				
Interest expense on loans	(9,995)	(11,092)	(31,045)	(29,692)
Loan procurement amortization expense	(536)	(699)	(1,509)	(2,585)
Acquisition related costs	(470)	(1,527)	(2,233)	(2,390)
Equity in loss of real estate venture	-	(284)	-	(745)
Gain from remeasurement of investment in real estate venture	-	7,023	-	7,023
Other	(22)	166	(282)	(12)
Total other expense	(11,023)	(6,413)	(35,069)	(28,401)
<b>INCOME (LOSS) FROM CONTINUING OPERATIONS</b>	5,884	290	5,002	(9,623)
<b>DISCONTINUED OPERATIONS</b>				
Income from discontinued operations	1,407	1,564	4,201	5,368
Gain from disposition of discontinued operations	9,310	197	9,538	6,403
Total discontinued operations	10,717	1,761	13,739	11,771
<b>NET INCOME</b>	16,601	2,051	18,741	2,148
<b>NET (INCOME) LOSS ATTRIBUTABLE TO NONCONTROLLING INTERESTS</b>				
Noncontrolling interests in the Operating Partnership	(257)	(5)	(240)	106
Noncontrolling interests in subsidiaries	(2)	(410)	(1)	(1,918)
<b>NET INCOME ATTRIBUTABLE TO THE COMPANY</b>	16,342	1,636	18,500	336
Distribution to preferred shareholders	(1,502)	(1,502)	(4,506)	(4,506)
<b>NET INCOME (LOSS) ATTRIBUTABLE TO THE COMPANY \$ COMMON SHAREHOLDERS</b>	\$ 14,840	\$ 134	\$ 13,994	\$ (4,170)
Basic earnings (loss) per share from continuing operations attributable to common shareholders				
	\$ 0.03	\$ (0.01)	\$ 0.00	\$ (0.13)
Basic earnings per share from discontinued operations attributable to common shareholders				
	0.08	0.01	0.10	0.10
Basic earnings (loss) per share attributable to common shareholders				
	\$ 0.11	\$ 0.00	\$ 0.10	\$ (0.03)
	\$ 0.03	\$ (0.01)	\$ 0.00	\$ (0.13)

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Diluted earnings (loss) per share from continuing operations attributable to common shareholders				
Diluted earnings per share from discontinued operations attributable to common shareholders	0.08	0.01	0.10	0.10
Diluted earnings (loss) per share attributable to common shareholders	\$ 0.11	\$ 0.00	\$ 0.10	\$ (0.03)
Weighted-average basic shares outstanding	135,365	124,169	134,007	123,016
Weighted-average diluted shares outstanding	138,106	124,169	136,643	123,016

**AMOUNTS ATTRIBUTABLE TO THE COMPANY'S COMMON SHAREHOLDERS:**

Income (loss) from continuing operations	\$ 4,305	\$ (1,585)	\$ 489	\$ (15,658)
Total discontinued operations	10,535	1,719	13,505	11,488
Net income (loss)	\$ 14,840	\$ 134	\$ 13,994	\$ (4,170)

See accompanying notes to the unaudited consolidated financial statements.

Table of Contents**CUBESMART AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)****(in thousands)****(unaudited)**

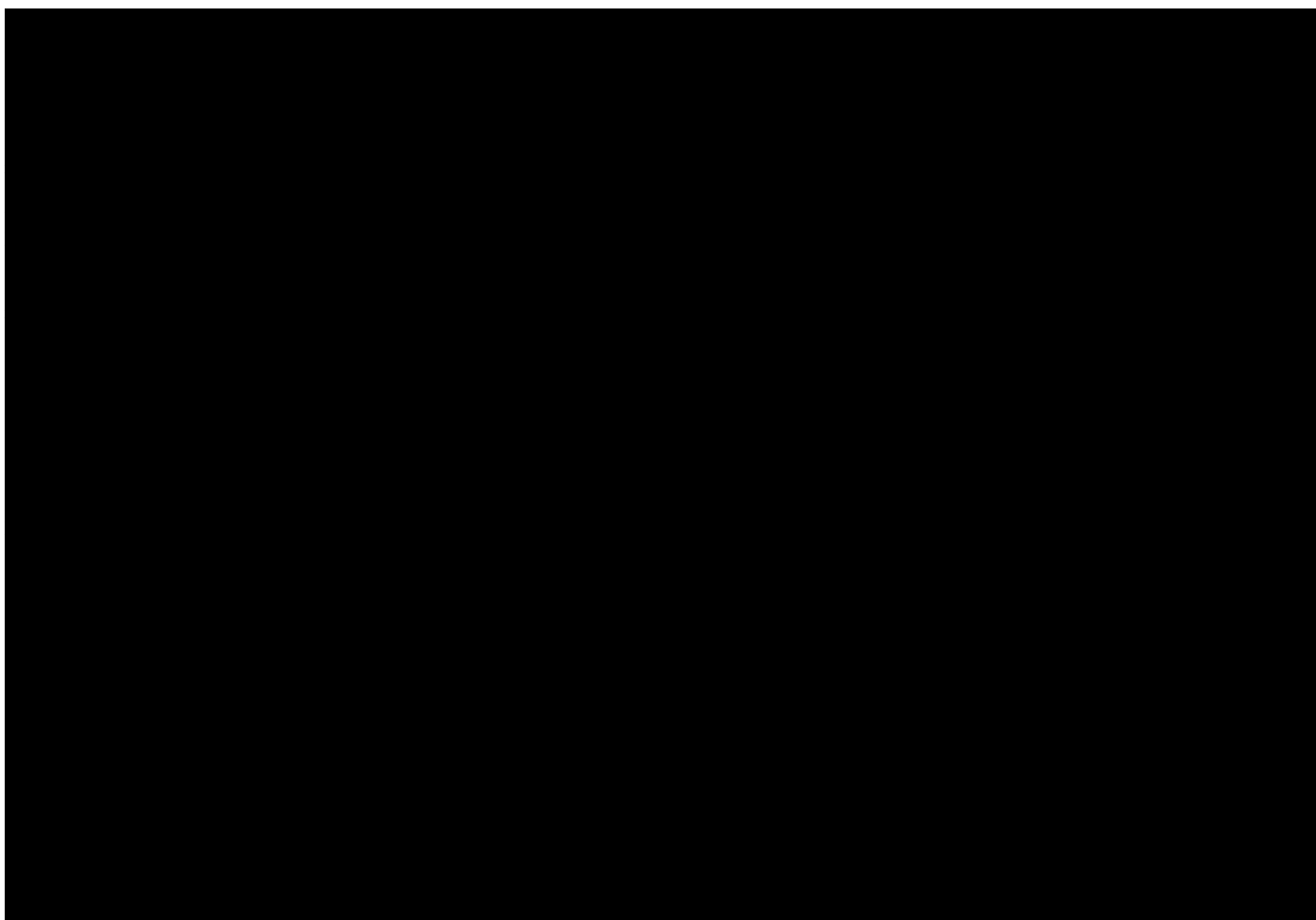
	<b>Three Months Ended September 30,</b>		<b>Nine Months Ended September 30,</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
NET INCOME	\$ 16,601	\$ 2,051	\$ 18,741	\$ 2,148
Other comprehensive income (loss):				
Unrealized (losses) gains on interest rate swaps	(2,700)	(4,237)	2,586	(13,336)
Reclassification of realized losses on interest rate swaps	1,582	1,529	4,667	4,525
Unrealized gain (loss) on foreign currency translation	297	132	66	151
OTHER COMPREHENSIVE (LOSS) INCOME	(821)	(2,576)	7,319	(8,660)
COMPREHENSIVE INCOME (LOSS)	15,780	(525)	26,060	(6,512)
Comprehensive (income) loss attributable to noncontrolling interests in the Operating Partnership	(243)	83	(366)	400
Comprehensive income attributable to noncontrolling interests in subsidiaries	(27)	(415)	(24)	(1,924)
COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO THE COMPANY	\$ 15,510	\$ (857)	\$ 25,670	\$ (8,036)

See accompanying notes to the unaudited consolidated financial statements.

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**CUBESMART AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF EQUITY**  
**(in thousands)**  
**(unaudited)**

Common Shares		Preferred Shares		Additional Paid-in	Accumulated Other	Total	Noncontrolling	Noncontrolling	
Number	Amount	Number	Amount	Capital	(Loss) Income	Shareholders	Interests in	Total	Operating
					Deficit	Equity	Subsidiaries	Equity	Partnership



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	Common Shares		Preferred Shares		Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Total Shareholders Equity	Noncontrolling Interests in Subsidiaries	Total Equity	Noncontrolling Interests in the Operating Partnership
	Number	Amount	Number	Amount							
<b>Balance at December 31, 2011</b>	122,059	\$ 1,221	3,100	\$ 31	\$ 1,309,505	\$ (12,831)	\$ (342,013)	\$ 955,913	\$ 39,409	\$ 995,322	\$ 49,732
Issuance of common shares	4,691	47			59,096			59,143		59,143	
Issuance of restricted shares	245	2						2		2	
Conversion from units to shares	265	3			3,310			3,313		3,313	(3,313)
Exercise of stock options	170	1			1,360			1,361		1,361	
Amortization of restricted shares					2,169			2,169		2,169	
Share compensation expense					900			900		900	
Acquisition of noncontrolling interest					(18,452)			(18,452)	(38,532)	(56,984)	(132)
Adjustment for noncontrolling interests in the Operating Partnership							(11,930)	(11,930)		(11,930)	11,930
Net (loss) income							336	336	1,918	2,254	(106)
Other comprehensive (loss) gain:											
Unrealized losses on interest rate swaps						(8,513)		(8,513)		(8,513)	(298)
Unrealized gain on foreign currency translation						141		141	6	147	4
Preferred distributions							(4,506)	(4,506)		(4,506)	-
Common distributions							(29,948)	(29,948)	(2,686)	(32,634)	(1,077)
<b>Balance at September 30, 2012</b>	127,430	\$ 1,274	3,100	\$ 31	\$ 1,357,888	\$ (21,203)	\$ (388,061)	\$ 949,929	\$ 115	\$ 950,044	\$ 56,740

See accompanying notes to the unaudited consolidated financial statements.

Table of Contents**CUBESMART AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF CASH FLOWS****(in thousands)****(unaudited)**

	<b>Nine Months Ended September 30,</b>	
	<b>2013</b>	<b>2012</b>
<b>Operating Activities</b>		
Net income	\$ 18,741	\$ 2,148
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation and amortization	89,813	85,912
Gain from disposition of discontinued operations	(9,538)	(6,403)
Gain from remeasurement of investment in real estate venture	-	(7,023)
Equity compensation expense	4,051	3,069
Accretion of fair market value adjustment of debt	(752)	(461)
Equity in loss of real estate venture	-	745
Changes in other operating accounts:		
Other assets	(1,760)	(2,674)
Restricted cash	518	3,307
Accounts payable and accrued expenses	1,551	7,394
Other liabilities	1,267	55
Net cash provided by operating activities	\$ 103,891	\$ 86,069
<b>Investing Activities</b>		
Acquisitions of storage facilities	\$ (133,043)	\$ (195,509)
Additions and improvements to storage facilities	(13,697)	(16,255)
Development costs	(25,649)	-
Cash paid for remaining interest in real estate venture	-	(81,158)
Cash distributed from real estate venture	-	909
Proceeds from sales of facilities, net	35,600	29,529
Proceeds from notes receivable	5,192	-
Change in restricted cash	1,324	1,825
Net cash used in investing activities	\$ (130,273)	\$ (260,659)
<b>Financing Activities</b>		
Proceeds from:		
Unsecured senior notes	\$ -	\$ 249,638
Revolving credit facility	350,600	343,300
Unsecured term loans	-	100,000
Principal payments on:		
Revolving credit facility	(307,300)	(277,800)
Mortgage loans and notes payable	(21,852)	(206,452)
Loan procurement costs	(2,141)	(2,145)
Settlement of hedge transaction	-	(195)
Proceeds from issuance of common shares, net	52,500	59,143
Exercise of stock options	2,487	1,361
Cash paid for acquisition of noncontrolling interest	-	(61,113)
Distributions paid to common shareholders	(44,093)	(29,500)
Distributions paid to preferred shareholders	(4,506)	(4,222)



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Distributions paid to noncontrolling interests in Operating Partnership		(868)		(1,102)
Distributions paid to noncontrolling interests in subsidiaries		-		(2,685)
Net cash provided by financing activities	\$	24,827	\$	168,228
Change in cash and cash equivalents		(1,555)		(6,362)
Cash and cash equivalents at beginning of period		4,495		9,069
Cash and cash equivalents at end of period	\$	2,940	\$	2,707
<b>Supplemental Cash Flow and Noncash Information</b>				
Cash paid for interest, net of interest capitalized	\$	36,150	\$	25,725
Supplemental disclosure of noncash activities:				
Consolidation of real estate venture	\$	-	\$	13,527
Derivative valuation adjustment	\$	7,253	\$	(8,616)
Foreign currency translation adjustment	\$	66	\$	151
Mortgage loan assumption - acquisitions of storage facilities	\$	-	\$	107,011

See accompanying notes to the unaudited consolidated financial statements.

Table of Contents**CUBESMART, L.P. AND SUBSIDIARIES****CONSOLIDATED BALANCE SHEETS****(in thousands)****(unaudited)**

	<b>September 30,</b>	<b>December 31,</b>
	<b>2013</b>	<b>2012</b>
<b>ASSETS</b>		
Storage facilities	\$ 2,473,889	\$ 2,443,022
Less: Accumulated depreciation	(380,621)	(353,315)
Storage facilities, net	2,093,268	2,089,707
Cash and cash equivalents	2,940	4,495
Restricted cash	4,226	6,070
Loan procurement costs, net of amortization	8,885	8,253
Assets held for sale	67,924	-
Other assets, net	25,920	41,794
Total assets	\$ 2,203,163	\$ 2,150,319
<b>LIABILITIES AND CAPITAL</b>		
Unsecured senior notes	\$ 250,000	\$ 250,000
Revolving credit facility	88,300	45,000
Unsecured term loan	500,000	500,000
Mortgage loans and notes payable	206,100	228,759
Accounts payable, accrued expenses and other liabilities	55,113	60,708
Distributions payable	16,813	16,419
Deferred revenue	12,338	11,090
Security deposits	388	444
Other liabilities held for sale	975	-
Total liabilities	1,130,027	1,112,420
Limited Partnership interests of third parties	40,688	47,990
Commitments and contingencies		
Capital		
Operating Partner	1,044,932	1,009,587
Accumulated other comprehensive loss	(12,626)	(19,796)
Total CubeSmart, L.P. capital	1,032,306	989,791
Noncontrolling interests in subsidiaries	142	118
Total capital	1,032,448	989,909
Total liabilities and capital	\$ 2,203,163	\$ 2,150,319

See accompanying notes to the unaudited consolidated financial statements.



Table of Contents**CUBESMART, L.P. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF OPERATIONS**

(in thousands, except per common unit data)

(unaudited)

	<b>Three Months Ended September 30,</b>		<b>Nine Months Ended September 30,</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
<b>REVENUES</b>				
Rental income	\$ 73,067	\$ 61,204	\$ 208,675	\$ 172,078
Other property related income	8,580	7,065	24,215	18,833
Property management fee income	1,185	1,094	3,547	3,217
Total revenues	82,832	69,363	236,437	194,128
<b>OPERATING EXPENSES</b>				
Property operating expenses	30,104	27,066	87,946	76,761
Depreciation and amortization	28,495	28,734	85,966	79,007
General and administrative	7,326	6,860	22,454	19,582
Total operating expenses	65,925	62,660	196,366	175,350
<b>OPERATING INCOME</b>	16,907	6,703	40,071	18,778
<b>OTHER INCOME (EXPENSE)</b>				
Interest:				
Interest expense on loans	(9,995)	(11,092)	(31,045)	(29,692)
Loan procurement amortization expense	(536)	(699)	(1,509)	(2,585)
Acquisition related costs	(470)	(1,527)	(2,233)	(2,390)
Equity in loss of real estate venture	-	(284)	-	(745)
Gain from remeasurement of investment in real estate venture	-	7,023	-	7,023
Other	(22)	166	(282)	(12)
Total other expense	(11,023)	(6,413)	(35,069)	(28,401)
<b>INCOME (LOSS) FROM CONTINUING OPERATIONS</b>				
	5,884	290	5,002	(9,623)
<b>DISCONTINUED OPERATIONS</b>				
Income from discontinued operations	1,407	1,564	4,201	5,368
Gain from disposition of discontinued operations	9,310	197	9,538	6,403
Total discontinued operations	10,717	1,761	13,739	11,771
<b>NET INCOME</b>	16,601	2,051	18,741	2,148
<b>NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS</b>				
Noncontrolling interests in subsidiaries	(2)	(410)	(1)	(1,918)
<b>NET INCOME ATTRIBUTABLE TO CUBESMART L.P.</b>				
Limited Partnership interests of third parties	(257)	(5)	(240)	106
<b>NET INCOME ATTRIBUTABLE TO OPERATING PARTNER</b>				
Distribution to preferred unitholders	(1,502)	(1,502)	(4,506)	(4,506)
	\$ 14,840	\$ 134	\$ 13,994	\$ (4,170)

**NET INCOME (LOSS)  
ATTRIBUTABLE TO COMMON  
UNITHOLDERS**

Basic earnings (loss) per unit from continuing operations attributable to common unitholders	\$	0.03	\$	(0.01)	\$	0.00	\$	(0.13)
Basic earnings per unit from discontinued operations attributable to common unitholders		0.08		0.01		0.10		0.10
Basic earnings (loss) per unit attributable to common unitholders	\$	0.11	\$	0.00	\$	0.10	\$	(0.03)
Diluted earnings (loss) per unit from continuing operations attributable to common unitholders	\$	0.03	\$	(0.01)	\$	0.00	\$	(0.13)
Diluted earnings per unit from discontinued operations attributable to common unitholders		0.08		0.01		0.10		0.10
Diluted earnings (loss) per unit attributable to common unitholders	\$	0.11	\$	0.00	\$	0.10	\$	(0.03)
Weighted-average basic units outstanding		135,365		124,169		134,007		123,016
Weighted-average diluted units outstanding		138,106		124,169		136,643		123,016

**AMOUNTS ATTRIBUTABLE TO  
COMMON UNITHOLDERS**

Income (loss) from continuing operations	\$	4,305	\$	(1,585)	\$	489	\$	(15,658)
Total discontinued operations		10,535		1,719		13,505		11,488
Net income (loss)	\$	14,840	\$	134	\$	13,994	\$	(4,170)

See accompanying notes to the unaudited consolidated financial statements.

Table of Contents**CUBESMART, L.P. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)****(in thousands)****(unaudited)**

	<b>Three Months Ended September 30,</b>		<b>Nine Months Ended September 30,</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
NET INCOME	\$ 16,601	\$ 2,051	\$ 18,741	\$ 2,148
Other comprehensive income (loss):				
Unrealized (losses) gains on interest rate swaps	(2,700)	(4,237)	2,586	(13,336)
Reclassification of realized losses on interest rate swaps	1,582	1,529	4,667	4,525
Unrealized gain (loss) on foreign currency translation	297	132	66	151
OTHER COMPREHENSIVE (LOSS) INCOME	(821)	(2,576)	7,319	(8,660)
COMPREHENSIVE INCOME (LOSS)	15,780	(525)	26,060	(6,512)
Comprehensive (income) loss attributable to Limited Partnership interests of third parties	(243)	83	(366)	400
Comprehensive income attributable to noncontrolling interests in subsidiaries	(27)	(415)	(24)	(1,924)
COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO OPERATING PARTNER	\$ 15,510	\$ (857)	\$ 25,670	\$ (8,036)

See accompanying notes to the unaudited consolidated financial statements.

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## CUBESMART, L.P. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CAPITAL

(in thousands)

(unaudited)

	Number of OP Units		Operating Partner	Accumulated Other Comprehensive (Loss) Income	Total CubeSmart L.P. Capital	Noncontrolling Interests in Subsidiaries	Total Capital	Limited Partnership Interests of Third Parties
	Outstanding Common	Preferred						
<b>Balance at December 31, 2012</b>	131,795	3,100	\$ 1,009,587	\$ (19,796)	\$ 989,791	\$ 118	\$ 989,909	\$ 47,990
Issuance of common OP units	3,099		52,498		52,498		52,498	
Issuance of restricted OP units	222		2		2		2	
Conversion from OP units to shares	1,013		14,601		14,601		14,601	(14,601)
Exercise of OP unit options	357		2,487		2,487		2,487	
Amortization of restricted OP units			3,397		3,397		3,397	
OP unit compensation expense			654		654		654	
Adjustment for Limited Partnership interests of third parties			(7,686)		(7,686)		(7,686)	7,686
Net income			18,500		18,500	1	18,501	240
Other comprehensive gain (loss):								
Unrealized gains on interest rate swaps				7,128	7,128		7,128	125
Unrealized gain on foreign currency translation				42	42	23	65	1
Preferred OP unit distributions			(4,506)		(4,506)		(4,506)	
Common OP unit distributions			(44,602)		(44,602)		(44,602)	(753)
<b>Balance at September 30, 2013</b>	136,486	3,100	\$ 1,044,932	\$ (12,626)	\$ 1,032,306	\$ 142	\$ 1,032,448	\$ 40,688

	Number of OP Units		Operating Partner	Accumulated Other Comprehensive (Loss) Income	Total CubeSmart L.P. Capital	Noncontrolling Interests in Subsidiaries	Total Capital	Limited Partnership Interests of Third Parties
	Outstanding Common	Preferred						
<b>Balance at December 31, 2011</b>	122,059	3,100	\$ 968,744					