

CubeSmart  
Form 10-Q  
November 09, 2012  
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# UNITED STATES SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

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## FORM 10-Q

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(Mark one)

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

**For the quarterly period ended September 30, 2012.**

**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.)**

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**CUBESMART**  
**CUBESMART, L.P.**

(Exact Name of Registrant as Specified in its Charter)

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

**460 East Swedesford Road**  
**Wayne, Pennsylvania**  
(Address of Principal Executive Offices)

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

**19087**  
(Zip Code)

**(610) 293-5700**

(Registrant's Telephone Number, Including Area Code)

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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  No   
CubeSmart, L.P. Yes  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  No   
CubeSmart, L.P. Yes  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:

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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, 2012
common shares of CubeSmart, \$.01 par value	129,306,038

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**EXPLANATORY NOTE**

This report combines the quarterly reports on Form 10-Q for the period ended September 30, 2012 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, 2012, owned a 96.7% interest in the Operating Partnership. The remaining 3.3% interest consists of common units of limited partnership interest issued by the Operating Partnership to third parties in exchange for contributions of properties 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.

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

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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.

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.

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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, 2011 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 occupancies 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;

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- 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, 2012	December 31, 2011
<b>ASSETS</b>		
Storage facilities	\$ 2,432,415	\$ 2,107,469
Less: Accumulated depreciation	(340,365)	(318,749)
Storage facilities, net	2,092,050	1,788,720
Cash and cash equivalents	2,707	9,069
Restricted cash	7,579	11,291
Loan procurement costs, net of amortization	8,943	8,073
Investment in real estate ventures, at equity		15,181
Assets held for sale	6,452	
Other assets, net	49,982	43,645
Total assets	\$ 2,167,713	\$ 1,875,979
<b>LIABILITIES AND EQUITY</b>		
Unsecured senior notes	\$ 250,000	\$
Revolving credit facility	65,500	
Unsecured term loans	500,000	400,000
Mortgage loans and notes payable	258,849	358,441
Accounts payable, accrued expenses and other liabilities	63,033	51,025
Distributions payable	12,110	11,401
Deferred revenue	10,950	9,568
Security deposits	487	490
Total liabilities	1,160,929	830,925
Noncontrolling interests in the Operating Partnership	56,740	49,732
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, 2012 and December 31, 2011	31	31
Common shares \$.01 par value, 200,000,000 shares authorized, 127,430,047 and 122,058,919 shares issued and outstanding at September 30, 2012 and December 31, 2011, respectively	1,274	1,221
Additional paid in capital	1,357,888	1,309,505
Accumulated other comprehensive loss	(21,203)	(12,831)
Accumulated deficit	(388,061)	(342,013)

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Total CubeSmart shareholders' equity	949,929	955,913
Noncontrolling interest in subsidiaries	115	39,409
Total equity	950,044	995,322
Total liabilities and equity	\$ 2,167,713	\$ 1,875,979

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)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
<b>REVENUES</b>				
Rental income	\$ 65,363	\$ 51,932	\$ 184,355	\$ 150,168
Other property related income	7,677	5,679	20,493	15,370
Property management fee income	1,094	878	3,217	2,634
Total revenues	74,134	58,489	208,065	168,172
<b>OPERATING EXPENSES</b>				
Property operating expenses	29,195	24,083	83,027	71,505
Depreciation and amortization	29,774	15,620	82,446	45,573
General and administrative	6,860	5,476	19,582	18,350
Total operating expenses	65,829	45,179	185,055	135,428
<b>OPERATING INCOME</b>	8,305	13,310	23,010	32,744
<b>OTHER EXPENSE</b>				
Interest:				
Interest expense on loans	(11,092)	(8,464)	(29,692)	(24,596)
Loan procurement amortization expense	(699)	(1,093)	(2,585)	(4,124)
Loan procurement amortization expense - early repayment of debt				(2,085)
Acquisition related costs	(1,527)	(374)	(2,390)	(629)
Equity in losses of real estate ventures	(284)	(24)	(745)	(24)
Gain from remeasurement of investment in real estate venture	7,023		7,023	
Other	166	8	(12)	(179)
Total other expense	(6,413)	(9,947)	(28,401)	(31,637)
<b>INCOME (LOSS) FROM CONTINUING OPERATIONS</b>	1,892	3,363	(5,391)	1,107
<b>DISCONTINUED OPERATIONS</b>				
(Loss) income from discontinued operations	(38)	1,038	1,136	5,358
Gain on disposition of discontinued operations	197	3,527	6,403	3,527
Total discontinued operations	159	4,565	7,539	8,885
<b>NET INCOME</b>	2,051	7,928	2,148	9,992
<b>NET (INCOME) LOSS ATTRIBUTABLE TO NONCONTROLLING INTERESTS</b>				
Noncontrolling interests in the Operating Partnership	(5)	(329)	106	(368)
Noncontrolling interest in subsidiaries	(410)	(771)	(1,918)	(2,011)
<b>NET INCOME ATTRIBUTABLE TO THE COMPANY</b>	1,636	6,828	336	7,613
Distribution to Preferred Shareholders	(1,502)		(4,506)	
<b>NET INCOME (LOSS) ATTRIBUTABLE TO THE COMPANY'S COMMON SHAREHOLDERS</b>	\$ 134	\$ 6,828	\$ (4,170)	\$ 7,613

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Basic earnings (loss) per share from continuing operations attributable to common shareholders	\$	0.00	\$	0.03	\$	(0.09)	\$	(0.01)
Basic earnings per share from discontinued operations attributable to common shareholders	\$	0.00	\$	0.04	\$	0.06	\$	0.09
Basic earnings (loss) per share attributable to common shareholders	\$	0.00	\$	0.07	\$	(0.03)	\$	0.08
Diluted earnings (loss) per share from continuing operations attributable to common shareholders	\$	0.00	\$	0.02	\$	(0.09)	\$	(0.01)
Diluted earnings per share from discontinued operations attributable to common shareholders	\$	0.00	\$	0.05	\$	0.06	\$	0.09
Diluted earnings (loss) per share attributable to common shareholders	\$	0.00	\$	0.07	\$	(0.03)	\$	0.08
Weighted-average basic shares outstanding		124,169		98,895		123,016		98,836
Weighted-average diluted shares outstanding		125,976		100,284		123,016		100,264

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

(Loss) income from continuing operations	\$	(20)	\$	2,473	\$	(11,445)	\$	(863)
Total discontinued operations		154		4,355		7,275		8,476
Net income (loss)	\$	134	\$	6,828	\$	(4,170)	\$	7,613

See accompanying notes to the unaudited consolidated financial statements.

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

	<b>Three Months Ended September 30,</b>		<b>Nine Months Ended September 30,</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
<b>NET INCOME</b>	\$ 2,051	\$ 7,928	\$ 2,148	\$ 9,992
Other comprehensive loss:				
Unrealized loss on interest rate swap	(2,708)	(10,050)	(8,811)	(9,189)
Unrealized gain (loss) on foreign currency translation	132	(76)	151	152
<b>OTHER COMPREHENSIVE LOSS</b>	<b>(2,576)</b>	<b>(10,126)</b>	<b>(8,660)</b>	<b>(9,037)</b>
<b>COMPREHENSIVE (LOSS) INCOME</b>	<b>(525)</b>	<b>(2,198)</b>	<b>(6,512)</b>	<b>955</b>
Comprehensive income attributable to noncontrolling interests in the Operating Partnership	83	123	400	35
Comprehensive loss attributable to noncontrolling interests in subsidiaries	(415)	(468)	(1,924)	(1,740)
<b>COMPREHENSIVE LOSS ATTRIBUTABLE TO THE COMPANY</b>	<b>\$ (857)</b>	<b>\$ (2,543)</b>	<b>\$ (8,036)</b>	<b>\$ (750)</b>

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 Capital	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Total Shareholders Equity	Noncontrolling Interest 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, net	4,691	47			59,096			59,143		59,143	
Issuance of restricted shares	245	2						2		2	
Exercise of stock options	170	1			1,360			1,361		1,361	
Conversion from units to shares	265	3			3,310			3,313		3,313	(3,313)
Amortization of restricted shares					2,169			2,169		2,169	
Share compensation expense					900			900		900	
Net income (loss)							336	336	1,918	2,254	(106)
Adjustment for noncontrolling interest in the Operating Partnership							(11,930)	(11,930)		(11,930)	11,930
Acquisition of noncontrolling interest					(18,452)			(18,452)	(38,532)	(56,984)	(132)
Unrealized loss on interest rate swap						(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

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



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<b>Balance at</b>																	
<b>December 31, 2010</b>	98,597	\$ 986	\$	\$	1,026,952	\$	(1,121)	\$	(302,601)	\$	724,216	\$	41,192	\$	765,408	\$	45,145
Contributions from noncontrolling interests in subsidiaries													3		3		
Issuance of common shares, net	140	1			1,451						1,452				1,452		
Issuance of restricted shares	233	3									3				3		
Exercise of stock options	24				121						121				121		
Conversion from units to shares	8				85						85				85		(85)
Amortization of restricted shares					1,069						1,069				1,069		
Share compensation expense					1,169						1,169				1,169		
Net income											7,613				7,613		2,011
Adjustment for noncontrolling interest in the Operating Partnership											1,509				1,509		1,509
Unrealized loss on interest rate swap											(8,504)				(8,504)		(276)
Unrealized gain on foreign currency translation											141				141		5
Common distributions																	(20,901)
<b>Balance at</b>																	
<b>September 30, 2011</b>	99,002	\$ 990	\$	\$	1,030,847	\$	(9,484)	\$	(314,380)	\$	707,973	\$	39,483	\$	747,456	\$	42,521

See accompanying notes to the unaudited consolidated financial statements.

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	<b>Nine Months Ended September 30,</b>	
	<b>2012</b>	<b>2011</b>
<b>Operating Activities</b>		
Net income	\$ 2,148	\$ 9,992
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation and amortization	85,912	51,391
Gain on disposition of discontinued operations	(6,403)	(3,527)
Gain on remeasurement of investment in real estate venture	(7,023)	
Equity compensation expense	3,069	2,238
Accretion of fair market value adjustment of debt	(461)	(69)
Loan procurement amortization expense- early repayment of debt		2,085
Equity in losses of real estate venture	745	(24)
Changes in other operating accounts:		
Other assets	8,422	(1,810)
Restricted cash	3,307	(938)
Accounts payable and accrued expenses	7,394	4,830
Other liabilities	55	207
Net cash provided by operating activities	\$ 97,165	\$ 64,375
<b>Investing Activities</b>		
Acquisitions, additions and improvements to storage facilities	\$ (220,764)	\$ (81,978)
Cash paid for remaining interest in real estate ventures	(81,158)	
Investment in real estate venture, at equity		(15,414)
Cash distributions from real estate venture	909	
Proceeds from sales of properties	27,433	42,799
Decrease (increase) in restricted cash	1,825	(40)
Net cash used in investing activities	\$ (271,755)	\$ (54,633)
<b>Financing Activities</b>		
Proceeds from:		
Revolving credit facility	\$ 343,300	\$ 118,700
Unsecured senior notes	249,638	
Unsecured term loans	100,000	200,000
Mortgage loans and notes payable		3,537
Principal payments on:		
Revolving credit facility	(277,800)	(161,700)
Unsecured term loans		(100,000)
Mortgage loans and notes payable	(206,452)	(37,833)
Settlement of hedge transaction	(195)	
Proceeds from issuance of common shares, net	59,143	1,452
Exercise of stock options	1,361	121
Contributions from noncontrolling interests in subsidiaries		3
Cash paid for acquisition of noncontrolling interests	(61,113)	
Distributions paid to common shareholders	(29,500)	(20,873)

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Distributions paid to preferred shareholders	(4,222)		
Distributions paid to noncontrolling interests in Operating Partnership	(1,102)		(1,001)
Distributions paid to noncontrolling interests in subsidiaries	(2,685)		(3,452)
Loan procurement costs	(2,145)		(2,096)
Net cash provided by (used in) financing activities	\$ 168,228	\$	(3,142)
(Decrease) increase in cash and cash equivalents	(6,362)		6,600
Cash and cash equivalents at beginning of period	9,069		5,891
Cash and cash equivalents at end of period	\$ 2,707	\$	12,491
<b>Supplemental Cash Flow and Noncash Information</b>			
Cash paid for interest, net of interest capitalized	\$ 25,725	\$	24,799
Supplemental disclosure of noncash activities:			
Consolidation of real estate venture	\$ 13,527	\$	
Derivative valuation adjustment	\$ (8,616)	\$	(9,189)
Foreign currency translation adjustment	\$ 151	\$	152
Mortgage loan assumption at fair value	\$ 107,111	\$	7,905

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, 2012</b>	<b>December 31, 2011</b>
<b>ASSETS</b>		
Storage facilities	\$ 2,432,415	\$ 2,107,469
Less: Accumulated depreciation	(340,365)	(318,749)
Storage facilities, net	2,092,050	1,788,720
Cash and cash equivalents	2,707	9,069
Restricted cash	7,579	11,291
Loan procurement costs, net of amortization	8,943	8,073
Investment in real estate ventures, at equity		15,181
Assets held for sale	6,452	
Other assets, net	49,982	43,645
Total assets	\$ 2,167,713	\$ 1,875,979
<b>LIABILITIES AND CAPITAL</b>		
Unsecured senior notes	\$ 250,000	\$
Revolving credit facility	65,500	
Unsecured term loan	500,000	400,000
Mortgage loans and notes payable	258,849	358,441
Accounts payable, accrued expenses and other liabilities	63,033	51,025
Distributions payable	12,110	11,401
Deferred revenue	10,950	9,568
Security deposits	487	490
Total liabilities	1,160,929	830,925
Limited Partnership interest of third parties	56,740	49,732
<b>Commitments and contingencies</b>		
<b>Capital</b>		
Operating Partner	971,132	968,744
Accumulated other comprehensive loss	(21,203)	(12,831)
Total CubeSmart L.P. capital	949,929	955,913
Noncontrolling interests in subsidiaries	115	39,409
Total capital	950,044	995,322
Total liabilities and capital	\$ 2,167,713	\$ 1,875,979

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)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
<b>REVENUES</b>				
Rental income	\$ 65,363	\$ 51,932	\$ 184,355	\$ 150,168
Other property related income	7,677	5,679	20,493	15,370
Property management fee income	1,094	878	3,217	2,634
Total revenues	74,134	58,489	208,065	168,172
<b>OPERATING EXPENSES</b>				
Property operating expenses	29,195	24,083	83,027	71,505
Depreciation and amortization	29,774	15,620	82,446	45,573
General and administrative	6,860	5,476	19,582	18,350
Total operating expenses	65,829	45,179	185,055	135,428
<b>OPERATING INCOME</b>	8,305	13,310	23,010	32,744
<b>OTHER EXPENSE</b>				
Interest:				
Interest expense on loans	(11,092)	(8,464)	(29,692)	(24,596)
Loan procurement amortization expense	(699)	(1,093)	(2,585)	(4,124)
Loan procurement amortization expense - early repayment of debt				(2,085)
Acquisition related costs	(1,527)	(374)	(2,390)	(629)
Equity in losses of real estate ventures	(284)	(24)	(745)	(24)
Gain from remeasurement of investment in real estate venture	7,023		7,023	
Other	166	8	(12)	(179)
Total other expense	(6,413)	(9,947)	(28,401)	(31,637)
<b>LOSS FROM CONTINUING OPERATIONS</b>	1,892	3,363	(5,391)	1,107
<b>DISCONTINUED OPERATIONS</b>				
Income from discontinued operations	(38)	1,038	1,136	5,358
Gain on disposition of discontinued operations	197	3,527	6,403	3,527
Total discontinued operations	159	4,565	7,539	8,885
<b>NET INCOME</b>	2,051	7,928	2,148	9,992
<b>NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS</b>				
Noncontrolling interest in subsidiaries	(410)	(771)	(1,918)	(2,011)
<b>NET INCOME ATTRIBUTABLE TO CUBESMART L.P.</b>				
Limited Partnership interest of third parties	(5)	(329)	106	(368)
<b>NET INCOME ATTRIBUTABLE TO OPERATING PARTNER</b>				
Distribution to Preferred Shareholders	(1,502)		(4,506)	
<b>NET INCOME (LOSS) ATTRIBUTABLE TO COMMON UNITHOLDERS</b>	\$ 134	\$ 6,828	\$ (4,170)	\$ 7,613

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Basic earnings (loss) per unit from continuing operations attributable to common unitholders	\$	0.00	\$	0.03	\$	(0.09)	\$	(0.01)
Basic earnings per unit from discontinued operations attributable to common unitholders	\$	0.00	\$	0.04	\$	0.06	\$	0.09
Basic earnings (loss) per unit attributable to common unitholders	\$	0.00	\$	0.07	\$	(0.03)	\$	0.08
Diluted earnings (loss) per unit from continuing operations attributable to common unitholders	\$	0.00	\$	0.02	\$	(0.09)	\$	(0.01)
Diluted earnings per unit from discontinued operations attributable to common unitholders	\$	0.00	\$	0.05	\$	0.06	\$	0.09
Diluted earnings (loss) per unit attributable to common unitholders	\$	0.00	\$	0.07	\$	(0.03)	\$	0.08
Weighted-average basic units outstanding		124,169		98,895		123,016		98,836
Weighted-average diluted units outstanding		125,976		100,284		123,016		100,264

**AMOUNTS ATTRIBUTABLE TO COMMON UNITHOLDERS:**

(Loss) income from continuing operations	\$	(20)	\$	2,473	\$	(11,445)	\$	(863)
Total discontinued operations		154		4,355		7,275		8,476
Net income (loss)	\$	134	\$	6,828	\$	(4,170)	\$	7,613

See accompanying notes to the unaudited consolidated financial statements.

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

	<b>Three Months Ended September 30,</b>		<b>Nine Months Ended September 30,</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
NET INCOME	\$ 2,051	\$ 7,928	\$ 2,148	\$ 9,992
Other comprehensive loss:				
Unrealized loss on interest rate swap	(2,708)	(10,050)	(8,811)	(9,189)
Unrealized gain (loss) on foreign currency translation	132	(76)	151	152
OTHER COMPREHENSIVE LOSS	(2,576)	(10,126)	(8,660)	(9,037)
COMPREHENSIVE (LOSS) INCOME	(525)	(2,198)	(6,512)	955
Comprehensive loss attributable to Limited Partnership interest of third parties	83	123	400	35
Comprehensive loss attributable to noncontrolling interests in subsidiaries	(415)	(468)	(1,924)	(1,740)
COMPREHENSIVE LOSS ATTRIBUTABLE TO OPERATING PARTNER	\$ (857)	\$ (2,543)	\$ (8,036)	\$ (750)

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 Outstanding		Operating Partner	Accumulated Other Comprehensive (Loss) Income	Total CubeSmart L.P. Capital	Noncontrolling Interest in Subsidiaries	Total Capital	Limited Partnership Interest of Third Parties
	Common	Preferred						
<b>Balance at December 31, 2011</b>	122,059	3,100	\$ 968,744	\$ (12,831)	\$ 955,913	\$ 39,409	\$ 995,322	\$ 49,732
Issuance of common units	4,691		59,143		59,143		59,143	
Issuance of restricted units	245		2		2		2	
Exercise of unit options	170		1,361		1,361		1,361	
Conversion from units to shares	265		3,313		3,313		3,313	(3,313)
Amortization of restricted units			2,169		2,169		2,169	
Unit compensation expense			900		900		900	
Net income (loss)			336		336	1,918	2,254	(106)
Adjustment for Limited Partnership interest of third parties			(11,930)		(11,930)		(11,930)	11,930
Acquisition of noncontrolling interests			(18,452)		(18,452)	(38,532)	(56,984)	(132)
Unrealized loss on interest rate swap				(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	3,100	\$ 971,132	\$ (21,203)	\$ 949,929	\$ 115	\$ 950,044	\$ 56,740

	Number of OP Units Outstanding		Operating Partner	Accumulated Other Comprehensive (Loss) Income	Total CubeSmart L.P. Capital	Noncontrolling Interest in Subsidiaries	Total Capital	Limited Partnership Interest of Third Parties
	Common	Preferred						
<b>Balance at December 31, 2010</b>	98,597		\$ 725,337	\$ (1,121)	\$ 724,216	\$ 41,192	\$ 765,408	\$ 45,145
Contributions from noncontrolling interests in subsidiaries						3	3	
Issuance of common units	140		1,452		1,452		1,452	
	233		3		3		3	

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Issuance of restricted units					
Exercise of unit options	24	121	121	121	
Conversion from units to shares	8	85	85	85	(85)
Amortization of restricted units		1,069	1,069	1,069	
Unit compensation expense		1,169	1,169	1,169	
Net income		7,613	7,613	2,011	9,624
Adjustment for Limited Partnership interest of third parties		1,509	1,509		1,509
Unrealized loss on interest rate swap			(8,504)	(276)	(8,780)
Unrealized gain on foreign currency translation			141	5	146
Common distributions		(20,901)	(20,901)	(3,452)	(24,353)
<b>Balance at September 30, 2011</b>	99,002	\$			