

CubeSmart  
Form 10-K  
February 27, 2015  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, DC 20549

**FORM 10-K**

x **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2014

OR

o **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)  
Commission file number 000-54662 (CubeSmart, L.P.)

**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)

**20-1024732 (CubeSmart)**  
**34-1837021 (CubeSmart, L.P.)**  
(IRS Employer  
Identification No.)

**5 Old Lancaster Road**  
**Malvern, Pennsylvania**  
(Address of Principal Executive Offices)

**19355**  
(Zip Code)

## Registrant's telephone number, including area code (610) 535-5000

Securities registered pursuant to Section 12(b) of the Act:

| <b>Title of each class</b>  | <b>Name of each exchange on which registered</b> |
|---|--|
| Common Shares, \$0.01 par value per share, of CubeSmart   | New York Stock Exchange                          |
| 7.75% Series A Cumulative Redeemable Preferred Shares of Beneficial Interest, par value \$.01 per share, of CubeSmart | New York Stock Exchange                          |

**Securities registered pursuant to Section 12(g) of the Act:** Units of General Partnership Interest of CubeSmart, L.P.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

CubeSmart Yes  No  £  
CubeSmart, L.P. Yes  No  £

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

CubeSmart Yes  No  £  
CubeSmart, L.P. Yes  No  £

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).

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CubeSmart Yes x No £  
CubeSmart, L.P. Yes x No £

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

CubeSmart Yes x No £  
CubeSmart, L.P. Yes x 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 definitions of large accelerated filer, accelerated filer, and smaller reporting company in Rule 12b-2 of the Exchange Act:

|                         |   |                   |   |                       |   |                           |   |
|-------------------------|---|-------------------|---|-----------------------|---|---------------------------|---|
| CubeSmart:              |   |                   |   |                       |   |                           |   |
| Large accelerated filer | x | Accelerated filer | £ | Non-accelerated filer | £ | Smaller reporting company | £ |
| CubeSmart, L.P.:        |   |                   |   |                       |   |                           |   |
| Large accelerated filer | £ | Accelerated filer | £ | Non-accelerated filer | x | 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 x  
CubeSmart, L.P. Yes £ No x

As of June 30, 2014, the last business day of CubeSmart's most recently completed second fiscal quarter; the aggregate market value of common shares held by non-affiliates of CubeSmart was \$2,694,476,141. As of February 24, 2015, the number of common shares of CubeSmart outstanding was 165,750,278.

As of June 30, 2014, the last business day of CubeSmart, L.P.'s most recently completed second fiscal quarter, the aggregate market value of the 2,261,486 units of limited partnership (the OP Units) held by non-affiliates of CubeSmart, L.P. was \$41,430,424 based upon the last reported sale price of \$18.32 per share on the New York Stock Exchange on June 30, 2014 of the common shares of CubeSmart, the sole general partner of CubeSmart, L.P. (For this computation, the market value of all OP Units beneficially owned by CubeSmart has been excluded.)

Documents incorporated by reference: Portions of the Proxy Statement for the 2015 Annual Meeting of Shareholders of CubeSmart to be filed subsequently with the SEC are incorporated by reference into Part III of this report.

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**EXPLANATORY NOTE**

This report combines the annual reports on Form 10-K for the year ended December 31, 2014 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, and/or the Operating Partnership.

The Parent Company is the sole general partner of the Operating Partnership and, as of December 31, 2014, owned a 98.6% interest in the Operating Partnership. The remaining 1.4% 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 annual reports on Form 10-K 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.

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 9A - 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, as amended and 18 U.S.C. §1350.

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**PART I**

**Forward-Looking Statements**

This Annual Report on Form 10-K, 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 this Report 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;

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- increases in interest rates and operating costs;
- 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;
- risks of investing through joint ventures;
- 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 this Report 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. Because of the factors referred to above, the future events discussed in or incorporated by reference in this Report may not occur and actual results, performance or achievement could differ materially from that anticipated or implied in the forward-looking statements.





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**ITEM 1. BUSINESS**

**Overview**

We are a self-administered and self-managed real estate company focused primarily on the ownership, operation, management, acquisition and development of self-storage facilities in the United States.

As of December 31, 2014, we owned 421 self-storage facilities located in 22 states and in the District of Columbia containing an aggregate of approximately 28.6 million rentable square feet. As of December 31, 2014, approximately 89.1% of the rentable square footage at our owned facilities was leased to approximately 228,000 customers, and no single customer represented a significant concentration of our revenues. As of December 31, 2014 we owned facilities in the District of Columbia and the following 22 states: Arizona, California, Colorado, Connecticut, Florida, Georgia, Illinois, Indiana, Maryland, Massachusetts, Nevada, New Jersey, New Mexico, New York, North Carolina, Ohio, Pennsylvania, Rhode Island, Tennessee, Texas, Utah and Virginia. In addition, as of December 31, 2014, we managed 174 facilities for third parties (including 35 facilities containing an aggregate of approximately 2.4 million rentable square feet as part of an unconsolidated real estate venture in which we own a 50% interest) bringing the total number of facilities we owned and/or managed to 595. As of December 31, 2014, we managed facilities in the following 21 states: Alabama, Arizona, California, Colorado, Florida, Georgia, Illinois, Louisiana, Maryland, Massachusetts, Michigan, Minnesota, Mississippi, New Jersey, New York, North Carolina, Pennsylvania, South Carolina, Tennessee, Texas, and Virginia.

Our self-storage facilities are designed to offer affordable and easily-accessible storage space for our residential and commercial customers. Our customers rent storage cubes for their exclusive use, typically on a month-to-month basis. Additionally, some of our facilities offer outside storage areas for vehicles and boats. Our facilities are designed to accommodate both residential and commercial customers, with features such as wide aisles and load-bearing capabilities for large truck access. All of our facilities have an on-site manager during business hours, and 246, or approximately 58.4%, of our owned facilities have a manager who resides in an apartment at the facility. Our customers can access their storage cubes during business hours, and some of our facilities provide customers with 24-hour access through computer controlled access systems. Our goal is to provide customers with the highest standard of facilities and service in the industry. To that end 345, or approximately 81.9%, of our owned facilities include climate controlled cubes.

The Parent Company was formed in July 2004 as a Maryland REIT. The Parent Company owns its assets and conducts its business through its operating partnership, CubeSmart, L.P. (our Operating Partnership), and its subsidiaries. The Parent Company controls the Operating Partnership as its sole general partner and, as of December 31, 2014, owned an approximately 98.6% interest in the Operating Partnership. The Operating Partnership has been engaged in virtually all aspects of the self-storage business, including the development, acquisition, management, ownership and operation of self-storage facilities.

**Acquisition and Disposition Activity**

As of December 31, 2014 and 2013, we owned 421 and 366 facilities, respectively, that contained an aggregate of 28.6 million and 24.7 million rentable square feet with occupancy rates of 89.1% and 88.3%, respectively.



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A complete listing of, and additional information about, our facilities is included in Item 2 of this Report. The following is a summary of our 2014, 2013 and 2012 acquisition and disposition activity:

| Asset/Portfolio              | Market                                       | Transaction Date | Number of<br>Facilities | Purchase / Sale Price<br>(in thousands) |
|------------------------------|--|------------------|-------------------------|---|
| <i>2014 Acquisitions:</i>    |  |                  |                         |   |
| Connecticut Asset            | Connecticut                                  | January 2014     | 1                       | \$ 4,950                                |
| Florida Asset                | Miami / Ft. Lauderdale                       | January 2014     | 1                       | 14,000                                  |
| Florida Assets               | Florida Markets - Other                      | January 2014     | 2                       | 14,450                                  |
| California Asset             | Other West                                   | January 2014     | 1                       | 8,300                                   |
| Maryland Asset               | Baltimore / DC                               | February 2014    | 1                       | 15,800                                  |
| Maryland Asset               | Baltimore / DC                               | February 2014    | 1                       | 15,500                                  |
| Arizona Asset                | Arizona / Las Vegas                          | March 2014       | 1                       | 14,750                                  |
| Pennsylvania Asset           | Philadelphia / Southern NJ                   | March 2014       | 1                       | 7,350                                   |
| Texas Asset                  | Texas Markets - Major                        | March 2014       | 1                       | 8,225                                   |
| Texas Asset                  | Texas Markets - Major                        | April 2014       | 1                       | 6,450                                   |
| New York Assets              | New York / Northern NJ                       | April 2014       | 2                       | 55,000                                  |
| Florida Asset                | Florida Markets - Other                      | April 2014       | 1                       | 11,406                                  |
| Massachusetts Asset          | Other Northeast                              | April 2014       | 1                       | 11,100                                  |
| Indiana Asset                | Other Midwest                                | May 2014         | 1                       | 8,400                                   |
| Florida Assets               | Florida Markets - Other                      | June 2014        | 3                       | 35,000                                  |
| Florida Assets               | Florida Markets - Other                      | July 2014        | 2                       | 15,800                                  |
| Massachusetts Asset          | Boston                                       | September 2014   | 1                       | 23,100                                  |
| Texas Asset                  | Texas Markets - Major                        | October 2014     | 1                       | 7,700                                   |
| Texas Asset                  | Texas Markets - Major                        | October 2014     | 1                       | 8,500                                   |
| Texas Asset                  | Texas Markets - Major                        | October 2014     | 1                       | 7,750                                   |
| HSRE Assets                  | Various (see note 4)                         | November 2014    | 22                      | 195,500                                 |
| Texas Asset                  | Texas Markets - Major                        | December 2014    | 1                       | 18,650                                  |
| Florida Assets               | Florida Markets - Other                      | December 2014    | 3                       | 18,200                                  |
| New York Asset               | New York / Northern NJ                       | December 2014    | 1                       | 38,000                                  |
| Texas Asset                  | Texas Markets - Major                        | December 2014    | 1                       | 4,345                                   |
|                              |  |                  | 53                      | \$ 568,226                              |
| <i>2013 Acquisitions:</i>    |  |                  |                         |   |
| Arizona Asset                | Arizona / Las Vegas                          | March 2013       | 1                       | \$ 6,900                                |
| Illinois Asset               | Chicago                                      | May 2013         | 1                       | 8,300                                   |
| Florida Asset                | Florida Markets - Other                      | May 2013         | 1                       | 7,150                                   |
| Florida Asset                | Miami / Ft. Lauderdale                       | June 2013        | 1                       | 9,000                                   |
| Massachusetts Asset          | Boston                                       | June 2013        | 1                       | 10,600                                  |
| Maryland / New Jersey Assets | Baltimore / DC and New York /<br>Northern NJ | June 2013        | 5                       | 52,400                                  |
| New York Asset               | New York / Northern NJ                       | July 2013        | 1                       | 13,000                                  |
| Texas Asset                  | Texas Markets - Major                        | August 2013      | 1                       | 10,975                                  |
| Arizona Asset                | Arizona / Las Vegas                          | September 2013   | 1                       | 10,500                                  |
| Arizona Asset                | Arizona / Las Vegas                          | September 2013   | 1                       | 4,300                                   |
| Maryland Asset               | Baltimore / DC                               | November 2013    | 1                       | 15,375                                  |
| Texas Asset                  | Texas Markets - Major                        | November 2013    | 1                       | 9,700                                   |
| Texas Asset                  | Texas Markets - Major                        | December 2013    | 1                       | 10,497                                  |
| Texas Asset                  | Texas Markets - Major                        | December 2013    | 1                       | 6,925                                   |
| Maryland Asset               | Baltimore / DC                               | December 2013    | 1                       | 8,200                                   |
| Florida Asset                | Miami / Ft. Lauderdale                       | December 2013    | 1                       | 6,000                                   |



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| Asset/Portfolio                                  | Market  | Transaction Date           | Number of Facilities | Purchase / Sale Price (in thousands) |
|--|---|----------------------------|----------------------|--------------------------------------|
| <i>2013 Dispositions:</i>                        |   |                            |                      |                                      |
| Texas/Indiana Assets                             | Texas Markets - Major and Other Midwest                                 | March 2013                 | 5                    | \$ 11,400                            |
| Tennessee Assets                                 | Tennessee   | August 2013                | 8                    | 25,000                               |
| California/Ohio/Tennessee/Texas/Wisconsin Assets | Inland Empire, Ohio, Other Midwest, Tennessee and Texas Markets - Major | October/November 2013      | 22                   | 90,000                               |
|  |   |                            | 35                   | \$ 126,400                           |
| <i>2012 Acquisitions:</i>                        |   |                            |                      |                                      |
| Texas Asset                                      | Texas Markets - Major   | February 2012              | 1                    | \$ 5,100                             |
| Georgia Asset                                    | Atlanta   | February 2012              | 1                    | 6,900                                |
| Texas Asset                                      | Texas Markets - Major   | June 2012                  | 1                    | 4,970                                |
| Texas Assets                                     | Texas Markets - Major   | July 2012                  | 4                    | 18,150                               |
| Texas Asset                                      | Texas Markets - Major   | July 2012                  | 1                    | 5,130                                |
| Connecticut Asset                                | Connecticut   | July 2012                  | 1                    | 5,000                                |
| Storage Deluxe Assets                            | New York / Northern NJ and Connecticut                                  | February/April/August 2012 | 6                    | 201,910                              |
| Virginia Asset                                   | Baltimore / DC  | August 2012                | 1                    | 19,750                               |
| New Jersey Assets                                | Philadelphia / Southern NJ  | August 2012                | 2                    | 10,750                               |
| Georgia/Florida Assets                           | Atlanta and Miami / Ft. Lauderdale                                      | August 2012                | 3                    | 13,370                               |
| Georgia Asset                                    | Atlanta   | August 2012                | 1                    | 3,100                                |
| HSREV Assets                                     | Various (see note 4)  | September 2012             | 9                    | 102,000                              |
| Colorado Asset                                   | Colorado / Utah   | September 2012             | 1                    | 10,600                               |
| Florida Assets                                   | Florida Markets - Other   | November 2012              | 2                    | 13,010                               |
| Pennsylvania/New Jersey Assets                   | Philadelphia / Southern NJ  | December 2012              | 2                    | 7,800                                |
| Texas Asset                                      | Texas Markets - Major   | December 2012              | 1                    | 4,800                                |
|  |   |                            | 37                   | \$ 432,340                           |
| <i>2012 Dispositions:</i>                        |   |                            |                      |                                      |
| Michigan Assets                                  | Other Midwest   | June 2012                  | 3                    | \$ 6,362                             |
| Alabama/Louisiana/Mississippi Assets             | Other Southeast   | June 2012                  | 5                    | 16,800                               |
| New Mexico Assets                                | Other West  | August 2012                | 6                    | 7,500                                |
| California Asset                                 | Inland Empire   | August 2012                | 1                    | 5,000                                |
| Florida/ Tennessee Assets                        | Florida Markets - Other and Tennessee                                   | November 2012              | 3                    | 6,550                                |
| Ohio Assets                                      | Ohio  | November 2012              | 8                    | 17,750                               |
|  |   |                            | 26                   | \$ 59,962                            |

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The comparability of our results of operations is affected by the timing of acquisition and disposition activities during the periods reported. At December 31, 2014, 2013, and 2012, we owned 421, 366, and 381 self-storage facilities and related assets, respectively. The following table summarizes the change in number of owned self-storage facilities from January 1, 2012 through December 31, 2014:

|                        | 2014 | 2013 | 2012 |
|------------------------|------|------|------|
| Balance - January 1    | 366  | 381  | 370  |
| Facilities acquired    | 10   | 1    | 6    |
| Facilities developed   | 2    |      |      |
| Facilities sold        |      | (5)  |      |
| Balance - March 31     | 378  | 377  | 376  |
| Facilities acquired    | 9    | 9    | 2    |
| Facilities sold        |      |      | (8)  |
| Balance - June 30      | 387  | 386  | 370  |
| Facilities acquired    | 3    | 4    | 24   |
| Facilities sold        |      | (8)  | (7)  |
| Balance - September 30 | 390  | 382  | 387  |
| Facilities acquired    | 31   | 6    | 5    |
| Facilities sold        |      | (22) | (11) |
| Balance - December 31  | 421  | 366  | 381  |

**Financing and Investing Activities**

The following summarizes certain financing and investing activities during the year ended December 31, 2014:

- Facility Acquisitions.* During 2014, we acquired 53 self-storage facilities located throughout the United States for an aggregate purchase price of approximately \$568.2 million. In connection with these acquisitions, we allocated a portion of the purchase price to the intangible value of in-place leases which aggregated to \$38.3 million. In addition, we opened for operation two new self-storage facilities, one in New York and a mixed-use property in Pennsylvania that contains CubeSmart's corporate headquarters, for a total cost of \$42.3 million.
- Joint Venture Development.* During 2014, we entered into contracts under newly-formed joint ventures for the construction of two self-storage facilities in New York. As of December 31, 2014, we had invested \$32.1 million in five joint venture development facilities under construction. We anticipate investing a total of \$111.9 million related to these projects. Construction for all projects is expected to be completed by the first quarter of 2016.
- Development Commitments.* During 2014, we entered into contracts to purchase two facilities in New York and two facilities in Texas after the completion of construction and the issuance of a certificate of occupancy. On December 2, 2014, we purchased one of the facilities in New York for an aggregate purchase price of \$38.0 million. As of December 31, 2014, we had four facilities under contract, including one facility that went under contract in 2013, for a total acquisition price of \$85.2 million. These four facility acquisitions are subject to due diligence and other customary closing conditions and no assurance can be provided that these acquisitions will be completed on the terms described, or at all.

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- *Facility Disposition.* On June 30, 2014, we sold one asset in London, England owned by USIFB, LLP, a consolidated real estate joint venture in which we own a 97% interest, for an aggregate sales price of £4.1 million (approximately \$7.0 million). We received net proceeds of \$7.0 million and recorded a gain of \$0.5 million as a result of the transaction.



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- *Term Loan Amendment.* On August 5, 2014, we amended our \$100 million term loan agreement resulting in lower borrowing spreads and a maturity extension. As a result of the amendment, our borrowing rate was reduced to LIBOR + 1.4% from LIBOR + 2.0%, at our existing credit ratings, and the maturity was extended to January 31, 2020 from June 18, 2018.
- *Joint Venture Financing.* On May 1, 2014, HHF, an unconsolidated joint venture formed in December 2013, obtained a \$100 million loan secured by the 34 self-storage facilities owned by the venture. There is no recourse to the Company. The Company and its partner each own a 50% interest in the joint venture. The loan bears interest at 3.59% per annum and matures on April 30, 2021. This financing completed the planned capital structure of HHF and the proceeds after closing costs were distributed proportionately to the partners.
- *At-The-Market Equity Program.* During 2014, under our at-the-market equity program, we sold a total of 15.2 million common shares at an average sales price of \$18.22 per share, resulting in net proceeds under the program of \$273.0 million, after deducting offering costs. At December 31, 2014, 9.2 million common shares remained available for sale under the program. The proceeds from the sales conducted during the year ended December 31, 2014 were used to fund acquisitions of self-storage facilities and for general corporate purposes.
- *Equity Offering.* On October 20, 2014, we completed a public offering of 7,475,000 common shares at a public offering price of \$19.33, inclusive of the full exercise by the underwriters of their option to purchase 975,000 shares to cover over-allotments. We received approximately \$143.0 million in net proceeds from the offering after deducting the underwriting discount and other offering expenses. The proceeds were used for general corporate purposes including funding a portion of our investment activity.

**Business Strategy**

Our business strategy consists of several elements:

- **Maximize cash flow from our facilities** Our operating strategy focuses on maximizing sustainable rents at our facilities while achieving and sustaining occupancy targets. We utilize our operating systems and experienced personnel to manage the balance between rental rates, discounts, and physical occupancy with an objective of maximizing our rental revenue.
- **Acquire facilities within targeted markets** During 2015, we intend to pursue selective acquisitions in markets that we believe have high barriers to entry, strong demographic fundamentals and demand for storage in excess of storage capacity. We believe the self-storage industry will continue to afford us opportunities for growth through acquisitions due to the highly fragmented composition of the industry. In the past, we have formed joint ventures with unaffiliated third parties, and in the future we may form additional joint ventures to facilitate the funding of future developments or acquisitions.
- **Dispose of facilities** During 2015, we intend to continue to opportunistically reduce exposure in slower growth, lower barrier-to-entry markets. We intend to use proceeds from these transactions to fund acquisitions within target markets.

- **Grow our third-party management business** We intend to pursue additional third-party management opportunities. We intend to leverage our current platform to take advantage of consolidation in the industry. We plan to utilize our relationships with third-party owners to help source future acquisitions.

#### **Investment and Market Selection Process**

We maintain a disciplined and focused process in the acquisition and development of self-storage facilities. Our investment committee, comprised of five senior officers and led by Christopher P. Marr, our Chief Executive Officer, oversees our investment process. Our investment process involves six stages – identification, initial due diligence, economic assessment, investment committee approval (and when required, Board approval), final due diligence, and documentation. Through our investment committee, we intend to focus on the following criteria:

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- **Targeted markets** Our targeted markets include areas where we currently maintain management that can be extended to additional facilities, or where we believe that we can acquire a significant number of facilities efficiently and within a short period of time. We evaluate both the broader market and the immediate area, typically three miles around the facility, for its ability to support above-average demographic growth. We seek to increase our presence primarily in areas that we expect will experience growth, including the Northeastern and Mid-Atlantic areas of the United States and areas within Georgia, Florida, Texas, Illinois and California and to enter additional markets should suitable opportunities arise.
- **Quality of facility** We focus on self-storage facilities that have good visibility and are located near retail centers, which typically provide high traffic corridors and are generally located near residential communities and commercial customers.
- **Growth potential** We target acquisitions that offer growth potential through increased operating efficiencies and, in some cases, through additional leasing efforts, renovations or expansions. In addition to acquiring single facilities, we seek to invest in portfolio acquisitions, including those offering significant potential for increased operating efficiency and the ability to spread our fixed costs across a large base of facilities.

**Segment**

We have one reportable segment: we own, operate, develop, manage and acquire self-storage facilities.

**Concentration**

Our self-storage facilities are located in major metropolitan areas as well as suburban areas and have numerous customers per facility. No single customer represented a significant concentration of our 2014 revenues. Our facilities in Florida, New York, Texas and California provided approximately 17%, 17%, 10% and 8%, respectively, of our total 2014 revenues. Our facilities in New York, Florida, Texas and California provided approximately 17%, 15%, 10% and 9%, respectively, of our total 2013 revenues.

**Seasonality**

We typically experience seasonal fluctuations in occupancy levels at our facilities, with the levels generally slightly higher during the summer months due to increased moving activity.

**Financing Strategy**

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We maintain a capital structure that we believe is reasonable and prudent and that will enable us to have ample cash flow to cover debt service and make distributions to our shareholders. As of December 31, 2014, our debt to total capitalization ratio (determined by dividing the carrying value of our total indebtedness by the sum of (a) the market value of the Parent Company's outstanding common shares, preferred shares and units of the Operating Partnership held by third parties and (b) the carrying value of our total indebtedness) was approximately 23.9% compared to approximately 32.8% as of December 31, 2013. Our ratio of debt to the undepreciated cost of our total assets as of December 31, 2014 was approximately 35.8% compared to approximately 41.3% as of December 31, 2013. We expect to finance additional investments in self-storage facilities through the most attractive sources of capital available at the time of the transaction, in a manner consistent with maintaining a strong financial position and future financial flexibility, subject to limitations on incurrence of indebtedness in our unsecured credit facilities and the indenture that governs our unsecured notes. These capital sources may include borrowings under the revolving portion of our Credit Facility, additional secured or unsecured financings, sales of common or preferred shares of the Parent Company in public offerings or private placements, additional issuances of debt securities and issuances of common or preferred units in our Operating Partnership in exchange for contributed facilities or cash and formations of joint ventures. We also may sell facilities that we no longer view as core assets and reallocate the sales proceeds to fund other acquisitions.

### **Competition**

Self-storage facilities compete based on a number of factors, including location, rental rates, security, suitability of the facility's design to prospective customers' needs and the manner in which the facility is operated and marketed. In particular, the number of competing self-storage facilities in a particular market could have a material effect on our occupancy levels, rental rates and on the overall operating performance of our facilities. We believe that the primary competition for potential customers of any of our self-storage facilities comes from other self-storage facilities within a three-mile radius of that facility. We believe our facilities are well-positioned within their respective markets and we emphasize customer service, convenience, security and professionalism.

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Our key competitors include local and regional operators as well as the other public self-storage REITS, including Public Storage, Sovran Self Storage, Inc. and Extra Space Storage Inc. These companies, some of which operate significantly more facilities than we do and have greater resources than we have, and other entities may be able to accept more risk than we determine is prudent for us, including risks with respect to the geographic proximity of facility investments and the payment of higher facility acquisition prices. This competition may reduce the number of suitable acquisition opportunities available to us, increase the price required to acquire the particular facilities and reduce the demand for self-storage space at our facilities. Nevertheless, we believe that our experience in operating, managing, acquiring, developing and obtaining financing for self-storage facilities should enable us to compete effectively.

**Government Regulation**

We are subject to various laws, ordinances and regulations, including regulations relating to lien sale rights and procedures and various federal, state and local regulations that apply generally to the ownership of real property and the operation of self-storage facilities.

Under the Americans with Disabilities Act of 1990 and applicable state accessibility act laws (collectively, the ADA), all places of public accommodation are required to meet federal requirements related to physical access and use by disabled persons. A number of other federal, state and local laws may also impose access and other similar requirements at our facilities. A failure to comply with the ADA or similar state or local requirements could result in the governmental imposition of fines or the award of damages to private litigants affected by the noncompliance. Although we believe that our facilities comply in all material respects with these requirements (or would be eligible for applicable exemptions from material requirements because of adaptive assistance provided), a determination that one or more of our facilities is not in compliance with the ADA or similar state or local requirements would result in the incurrence of additional costs associated with bringing the facilities into compliance.

Under various federal, state and local laws, ordinances and regulations, an owner or operator of real property may become liable for the costs of removal or remediation of hazardous substances released on or in its property. These laws often impose liability without regard to whether the owner or operator knew of, or was responsible for, the release of such hazardous substances. The presence of hazardous substances, or the failure to properly remediate such substances, when released, may adversely affect the property owner's ability to sell the real estate or to borrow using the real estate as collateral, and may cause the property owner to incur substantial remediation costs. In addition to claims for cleanup costs, the presence of hazardous substances on a property could result in a claim by a private party for personal injury or a claim by an adjacent property owner or user for property damage. We may also become liable for the costs of removal or remediation of hazardous substances stored at the facilities by a customer even though storage of hazardous substances would be without our knowledge or approval and in violation of the customer's storage lease agreement with us.

Our practice is to conduct or obtain environmental assessments in connection with the acquisition or development of facilities. Whenever the environmental assessment for one of our facilities indicates that a facility is impacted by soil or groundwater contamination from prior owners/operators or other sources, we work with our environmental consultants and, where appropriate, state governmental agencies, to ensure that the facility is either cleaned up, that no cleanup is necessary because the low level of contamination poses no significant risk to public health or the environment, or that the responsibility for cleanup rests with a third party. In certain cases, we have purchased environmental liability insurance coverage to indemnify us against claims for contamination or other adverse environmental conditions that may affect a property.

We are not aware of any environmental cleanup liability that we believe will have a material adverse effect on us. We cannot assure, however, that these environmental assessments and investigations have revealed or will reveal all potential environmental liabilities, that no prior owner created any material environmental condition not known to us or the independent consultant or that future events or changes in environmental

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laws will not result in the imposition of environmental liability on us.

We have not received notice from any governmental authority of any material noncompliance, claim or liability in connection with any of our facilities, nor have we been notified of a claim for personal injury or property damage by a private party in connection with any of our facilities relating to environmental conditions.

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We are not aware of any environmental condition with respect to any of our facilities that could reasonably be expected to have a material adverse effect on our financial condition or results of operations, and we do not expect that the cost of compliance with environmental regulations will have a material adverse effect on our financial condition or results of operations. We cannot assure, however, that this will continue to be the case.

**Insurance**

We carry comprehensive liability, fire, extended coverage and rental loss insurance covering all of the facilities in our portfolio. We carry environmental insurance coverage on certain facilities in our portfolio. We believe the policy specifications and insured limits are appropriate and adequate given the relative risk of loss, the cost of the coverage and industry practice. We do not carry insurance for losses such as loss from riots, war or acts of God, and, in some cases, environmental hazards, because such coverage is not available or is not available at commercially reasonable rates. Some of our policies, such as those covering losses due to terrorist activities, hurricanes, floods and earthquakes, are insured subject to limitations involving large deductibles or co-payments and policy limits that may not be sufficient to cover losses. We also carry liability insurance to insure against personal injuries that might be sustained at our facilities and director and officer liability insurance.

**Offices**

Our principal executive offices are located at 5 Old Lancaster Road, Malvern, PA 19355. Our telephone number is (610) 535-5000.

**Employees**

As of December 31, 2014, we employed 1,640 employees, of whom 192 were corporate executive and administrative personnel and 1,448 were property-level personnel. We believe that our relations with our employees are good. Our employees are not unionized.

**Available Information**

We file registration statements, proxy statements, our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports, with the SEC. You may obtain copies of these documents by visiting the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549, by calling the SEC at 1-800-SEC-0330 or by accessing the SEC's website at [www.sec.gov](http://www.sec.gov). Our internet website address is [www.cubesmart.com](http://www.cubesmart.com). You also can obtain on our website, free of charge, a copy of our annual report on Form 10-K, the Operating Partnership's registration statement on Form 10, our quarterly reports on Form 10-Q, our current reports on Form 8-K, and any amendments to those reports, as soon as reasonably practicable after we electronically file such reports or amendments with, or furnish them to, the SEC. Our internet website and the information contained therein or connected thereto are not intended to be incorporated by reference into this Report.

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Also available on our website, free of charge, are copies of our Code of Business Conduct and Ethics, our Corporate Governance Guidelines, and the charters for each of the committees of our Board of Trustees – the Audit Committee, the Corporate Governance and Nominating Committee, and the Compensation Committee. Copies of each of these documents are also available in print free of charge, upon request by any shareholder. You can obtain copies of these documents by contacting Investor Relations by mail at 5 Old Lancaster Road, Malvern, PA 19355.

### **ITEM 1A. RISK FACTORS**

#### **Overview**

An investment in our securities involves various risks. Investors should carefully consider the risks set forth below together with other information contained in this Report. These risks are not the only ones that we may face. Additional risks not presently known to us, or that we currently consider immaterial, may also impair our business, financial condition, operating results and ability to make distributions to our shareholders.



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**Risks Related to our Business and Operations**

*Adverse macroeconomic and business conditions may significantly and negatively affect our rental rates, occupancy levels and therefore our results of operations.*

We are susceptible to the effects of adverse macro-economic events that can result in higher unemployment, shrinking demand for products, large-scale business failures and tight credit markets. Our results of operations are sensitive to changes in overall economic conditions that impact consumer spending, including discretionary spending, as well as to increased bad debts due to recessionary pressures. Adverse economic conditions affecting disposable consumer income, such as employment levels, business conditions, interest rates, tax rates, fuel and energy costs, could reduce consumer spending or cause consumers to shift their spending to other products and services. A general reduction in the level of discretionary spending or shifts in consumer discretionary spending could adversely affect our growth and profitability.

It is difficult to determine the breadth and duration of the economic and financial market problems and the many ways in which they may affect our customers and our business in general. Nonetheless, continuation or further worsening of these difficult financial and macroeconomic conditions could have a significant adverse effect on our sales, profitability and results of operations.

*Many states and local jurisdictions are facing severe budgetary problems which may have an adverse impact on our business and financial results.*

Many states and jurisdictions are facing severe budgetary problems. Action that may be taken in response to these problems, such as increases in property taxes on commercial facilities, changes to sales taxes or other governmental efforts, including mandating medical insurance for employees, could adversely impact our business and results of operations.

*Our financial performance is dependent upon the economic and other conditions of the markets in which our facilities are located.*

We are susceptible to adverse developments in the markets in which we operate, such as business layoffs or downsizing, industry slowdowns, relocations of businesses, changing demographics and other factors. Our facilities in Florida, New York, Texas and California accounted for approximately 17%, 17%, 10% and 8%, respectively, of our total 2014 revenues. As a result of this geographic concentration of our facilities, we are particularly susceptible to adverse market conditions in these areas. Any adverse economic or real estate developments in these markets, or in any of the other markets in which we operate, or any decrease in demand for self-storage space resulting from the local business climate could adversely affect our rental revenues, which could impair our ability to satisfy our debt service obligations and pay distributions to our shareholders.

*We face risks associated with facility acquisitions.*

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We intend to continue to acquire individual and portfolios of self-storage facilities. The purchase agreements that we enter into in connection with facility acquisitions typically contain closing conditions that need to be satisfied before the acquisitions can be consummated. The satisfaction of many of these conditions is outside of our control, and we therefore cannot assure you that any of our pending or future acquisitions will be consummated. These conditions include, among other things, satisfactory examination of the title to the facilities, the ability to obtain title insurance and customary closing conditions. Moreover, in the event we are unable to complete pending or future acquisitions, we may have incurred significant legal, accounting and other transaction costs in connection with such acquisitions without realizing the expected benefits.

Those acquisitions that we do consummate would increase our size and may potentially alter our capital structure. Although we believe that future acquisitions that we complete will enhance our financial performance, the success of acquisitions is subject to the risks that:

- acquisitions may fail to perform as expected;
- the actual costs of repositioning or redeveloping acquired facilities may be higher than our estimates;
- we may be unable to obtain acquisition financing on favorable terms;

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- acquisitions may be located in new markets where we may have limited knowledge and understanding of the local economy, an absence of business relationships in the area or an unfamiliarity with local governmental and permitting procedures;
- there is only limited recourse, or no recourse, to the former owners of newly acquired facilities for unknown or undisclosed liabilities such as the clean-up of undisclosed environmental contamination; claims by customers, vendors or other persons arising on account of actions or omissions of the former owners of the facilities; and claims by local governments, adjoining facility owners, facility owner associations, and easement holders for fees, assessments, taxes on other facility-related changes. As a result, if a liability were asserted against us based upon ownership of an acquired facility, we might be required to pay significant sums to settle it, which could adversely affect our financial results and cash flow.

In addition, we do not always obtain third-party appraisals of acquired facilities (and instead rely on value determinations by our senior management) and the consideration we pay in exchange for those facilities may exceed the value determined by third-party appraisals.

***We will incur costs and will face integration challenges when we acquire additional facilities.***

As we acquire or develop additional self-storage facilities, we will be subject to risks associated with integrating and managing new facilities, including customer retention and mortgage default risks. In the case of a large portfolio purchase, we could experience strains in our existing information management capacity. In addition, acquisitions or developments may cause disruptions in our operations and divert management's attention away from day-to-day operations. Furthermore, our income may decline because we will be required to expense acquisition-related costs and amortize in future periods costs for acquired goodwill and other intangible assets. Our failure to successfully integrate any future acquisitions into our portfolio could have an adverse effect on our operating costs and our ability to make distributions to our shareholders.

***The acquisition of new facilities that lack operating history with us will make it more difficult to predict revenue potential.***

We intend to continue to acquire additional facilities. These acquisitions could fail to perform in accordance with expectations. If we fail to accurately estimate occupancy levels, rental rates, operating costs or costs of improvements to bring an acquired facility up to the standards established for our intended market position, the performance of the facility may be below expectations. Acquired facilities may have characteristics or deficiencies affecting their valuation or revenue potential that we have not yet discovered. We cannot assure that the performance of facilities acquired by us will increase or be maintained under our management.

***Our development activities may be more costly or difficult to complete than we anticipate.***

We intend to continue to develop self-storage facilities where market conditions warrant such investment. Once made, these investments may not produce results in accordance with our expectations. Risks associated with development and construction activities include:

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- the unavailability of favorable financing sources in the debt and equity markets;
- construction cost overruns, including on account of rising interest rates, diminished availability of materials and labor, and increases in the costs of materials and labor;
- construction delays and failure to achieve target occupancy levels and rental rates, resulting in a lower than projected return on our investment; and
- complications (including building moratoriums and anti-growth legislation) in obtaining necessary zoning, occupancy and other governmental permits.

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***We depend on external sources of capital that are outside of our control; the unavailability of capital from external sources could adversely affect our ability to acquire or develop facilities, satisfy our debt obligations and/or make distributions to shareholders.***

We depend on external sources of capital to fund acquisitions and facility development, to satisfy our debt obligations and to make distributions to our shareholders required to maintain our status as a REIT, and these sources of capital may not be available on favorable terms, if at all. Our access to external sources of capital depends on a number of factors, including the market's perception of our growth potential and our current and potential future earnings and our ability to continue to qualify as a REIT for federal income tax purposes. If we are unable to obtain external sources of capital, we may not be able to acquire or develop facilities when strategic opportunities exist, satisfy our debt obligations or make distributions to shareholders that would permit us to qualify as a REIT or avoid paying tax on our REIT taxable income.

***Rising operating expenses could reduce our cash flow and funds available for future distributions.***

Our facilities and any other facilities we acquire or develop in the future are and will be subject to operating risks common to real estate in general, any or all of which may negatively affect us. Our facilities are subject to increases in operating expenses such as real estate and other taxes, personnel costs including the cost of providing specific medical coverage to our employees, utilities, insurance, administrative expenses and costs for repairs and maintenance. If operating expenses increase without a corresponding increase in revenues, our profitability could diminish and limit our ability to make distributions to our shareholders.

***We cannot assure our ability to pay dividends in the future.***

Historically, we have paid quarterly distributions to our shareholders, and we intend to continue to pay quarterly dividends and to make distributions to our shareholders in amounts such that all or substantially all of our taxable income in each year, subject to certain adjustments, is distributed. This, along with other factors, should enable us to continue to qualify for the tax benefits accorded to a REIT under the Internal Revenue Code. We have not established a minimum dividends payment level, and all future distributions will be made at the discretion of our Board of Trustees. Our ability to pay dividends will depend upon, among other factors:

- the operational and financial performance of our facilities;
- capital expenditures with respect to existing and newly acquired facilities;
- general and administrative costs associated with our operation as a publicly-held REIT;
- maintenance of our REIT status;

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- the amount of, and the interest rates on, our debt;
- the absence of significant expenditures relating to environmental and other regulatory matters; and
- other risk factors described in this Report.

Certain of these matters are beyond our control and any significant difference between our expectations and actual results could have a material adverse effect on our cash flow and our ability to make distributions to shareholders.

***If we are unable to promptly re-let our cubes or if the rates upon such re-letting are significantly lower than expected, then our business and results of operations would be adversely affected.***

We derive revenues principally from rents received from customers who rent cubes at our self-storage facilities under month-to-month leases. Any delay in re-letting cubes as vacancies arise would reduce our revenues and harm our operating results. In addition, lower than expected rental rates upon re-letting could adversely affect our revenues and impede our growth.

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***Facility ownership through joint ventures may limit our ability to act exclusively in our interest.***

We have in the past co-invested with, and we may continue to co-invest with, third parties through joint ventures. In any such joint venture, we may not be in a position to exercise sole decision-making authority regarding the facilities owned through joint ventures. Investments in joint ventures may, under certain circumstances, involve risks not present when a third party is not involved, including the possibility that joint venture partners might become bankrupt or fail to fund their share of required capital contributions. Joint venture partners may have business interests or goals that are inconsistent with our business interests or goals and may be in a position to take actions contrary to our policies or objectives. Such investments also have the potential risk of impasse on strategic decisions, such as a sale, in cases where neither we nor the joint venture partner would have full control over the joint venture. In other circumstances, joint venture partners may have the ability without our agreement to make certain major decisions, including decisions about sales, capital expenditures and/or financing. Any disputes that may arise between us and our joint venture partners could result in litigation or arbitration that could increase our expenses and distract our officers and/or Trustees from focusing their time and effort on our business. In addition, we might in certain circumstances be liable for the actions of our joint venture partners, and the activities of a joint venture could adversely affect our ability to qualify as a REIT, even though we do not control the joint venture.

***We face significant competition for customers and acquisition and development opportunities.***

Actions by our competitors may decrease or prevent increases of the occupancy and rental rates of our facilities. We compete with numerous developers, owners and operators of self-storage facilities, including other REITs, some of which own or may in the future own facilities similar to ours in the same submarkets in which our facilities are located and some of which may have greater capital resources. In addition, due to the relatively low cost of each individual self-storage facility, other developers, owners and operators have the capability to build additional facilities that may compete with our facilities.

If our competitors build new facilities that compete with our facilities or offer space at rental rates below the rental rates we currently charge our customers, we may lose potential customers, and we may be pressured to reduce our rental rates below those we currently charge in order to retain customers when our customers' leases expire. As a result, our financial condition, cash flow, cash available for distribution, market price of our shares and ability to satisfy our debt service obligations could be materially adversely affected. In addition, increased competition for customers may require us to make capital improvements to our facilities that we would not have otherwise made. Any unbudgeted capital improvements we undertake may reduce cash available for distributions to our shareholders.

We also face significant competition for acquisitions and development opportunities. Some of our competitors have greater financial resources than we do and a greater ability to borrow funds to acquire facilities. These competitors may also be willing to accept more risk than we can prudently manage, including risks with respect to the geographic proximity of investments and the payment of higher facility acquisition prices. This competition for investments may reduce the number of suitable investment opportunities available to us, may increase acquisition costs and may reduce demand for self-storage space in certain areas where our facilities are located and, as a result, adversely affect our operating results.

***We may become subject to litigation or threatened litigation which may divert management's time and attention, require us to pay damages and expenses or restrict the operation of our business.***

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We may become subject to disputes with commercial parties with whom we maintain relationships or other parties with whom we do business. Any such dispute could result in litigation between us and the other parties. Whether or not any dispute actually proceeds to litigation, we may be required to devote significant management time and attention to its successful resolution (through litigation, settlement or otherwise), which would detract from our management's ability to focus on our business. Any such resolution could involve the payment of damages or expenses by us, which may be significant. In addition, any such resolution could involve our agreement with terms that restrict the operation of our business.

There are other commercial parties, at both a local and national level, that may assert that our use of our brand names and other intellectual property conflict with their rights to use brand names and other intellectual property that they consider to be similar to ours. Any such commercial dispute and related resolution would involve all of the risks described above, including, in particular, our agreement to restrict the use of our brand name or other intellectual property.



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We also could be sued for personal injuries and/or property damage occurring on our facilities. We maintain liability insurance with limits that we believe adequate to provide for the defense and/or payment of any damages arising from such lawsuits. There can be no assurance that such coverage will cover all costs and expenses from such suits.

***Potential losses may not be covered by insurance, which could result in the loss of our investment in a facility and the future cash flows from the facility.***

We carry comprehensive liability, fire, extended coverage and rental loss insurance covering all of the facilities in our portfolio. We believe the policy specifications and insured limits are appropriate and adequate given the relative risk of loss, the cost of the coverage and industry practice. We do not carry insurance for losses such as loss from riots, war or acts of God, and, in some cases, flooding and environmental hazards, because such coverage is not available or is not available at commercially reasonable rates. Some of our policies, such as those covering losses due to terrorism, hurricanes, floods and earthquakes, are insured subject to limitations involving large deductibles or co-payments and policy limits that may not be sufficient to cover losses. If we experience a loss at a facility that is uninsured or that exceeds policy limits, we could lose the capital invested in that facility as well as the anticipated future cash flows from that facility. Inflation, changes in building codes and ordinances, environmental considerations, and other factors also might make it impractical or undesirable to use insurance proceeds to replace a facility after it has been damaged or destroyed. In addition, if the damaged facilities are subject to recourse indebtedness, we would continue to be liable for the indebtedness, even if these facilities were irreparably damaged.

***Our insurance coverage may not comply with certain loan requirements.***

Certain of our facilities serve as collateral for our mortgage-backed debt, some of which we assumed in connection with our acquisition of facilities and requires us to maintain insurance at levels and on terms that are not commercially reasonable in the current insurance environment. We may be unable to obtain required insurance coverage if the cost and/or availability make it impractical or impossible to comply with debt covenants. If we cannot comply with a lender's requirements, the lender could declare a default, which could affect our ability to obtain future financing and have a material adverse effect on our results of operations and cash flows and our ability to obtain future financing. In addition, we may be required to self-insure against certain losses or our insurance costs may increase.

***Potential liability for environmental contamination could result in substantial costs.***

We are subject to federal, state and local environmental regulations that apply generally to the ownership of real property and the operation of self-storage facilities. If we fail to comply with those laws, we could be subject to significant fines or other governmental sanctions.

Under various federal, state and local laws, ordinances and regulations, an owner or operator of real estate may be required to investigate and clean up hazardous or toxic substances or petroleum product releases at a facility and may be held liable to a governmental entity or to third parties for property damage and for investigation and clean-up costs incurred by such parties in connection with contamination. Such liability may be imposed whether or not the owner or operator knew of, or was responsible for, the presence of these hazardous or toxic substances. The cost of investigation, remediation or removal of such substances may be substantial, and the presence of such substances, or the failure to properly remediate such substances, may adversely affect our ability to sell or rent such facility or to borrow using such facility as collateral. In addition, in connection with the ownership, operation and management of facilities, we are potentially liable for property damage or injuries to

persons and property.

Our practice is to conduct or obtain environmental assessments in connection with the acquisition or development of additional facilities. We carry environmental insurance coverage on certain facilities in our portfolio. We obtain or examine environmental assessments from qualified and reputable environmental consulting firms (and intend to conduct such assessments prior to the acquisition or development of additional facilities). The environmental assessments received to date have not revealed, nor do we have actual knowledge of, any environmental liability that we believe will have a material adverse effect on us. However, we cannot assure that our environmental assessments have identified or will identify all material environmental conditions, that any prior owner of any facility did not create a material environmental condition not actually known to us or that a material environmental condition does not otherwise exist with respect to any of our facilities.

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***Americans with Disabilities Act and applicable state accessibility act compliance may require unanticipated expenditures.***

Under the ADA, all places of public accommodation are required to meet federal requirements related to physical access and use by disabled persons. A number of other federal, state and local laws may also impose access and other similar requirements at our facilities. A failure to comply with the ADA or similar state or local requirements could result in the governmental imposition of fines or the award of damages to private litigants affected by the noncompliance. Although we believe that our facilities comply in all material respects with these requirements (or would be eligible for applicable exemptions from material requirements because of adaptive assistance provided), a determination that one or more of our facilities is not in compliance with the ADA or similar state or local requirements would result in the incurrence of additional costs associated with bringing the facilities into compliance. If we are required to make substantial modifications to comply with the ADA or similar state or local requirements, we may be required to incur significant unanticipated expenditures, which could have an adverse effect on our operating costs and our ability to make distributions to our shareholders.

***Privacy concerns could result in regulatory changes that may harm our business.***

Personal privacy has become a significant issue in the jurisdictions in which we operate. Many jurisdictions in which we operate have imposed restrictions and requirements on the use of personal information by those collecting such information. Changes to law or regulations affecting privacy, if applicable to our business, could impose additional costs and liability on us and could limit our use and disclosure of such information.

***We face system security risks as we depend upon automated processes and the Internet.***

We are increasingly dependent upon automated information technology processes and Internet commerce, and many of our new customers come from the telephone or over the Internet. Moreover, the nature of our business involves the receipt and retention of personal information about our customers. We also rely extensively on third-party vendors to retain data, process transactions and provide other systems services. These systems, and our systems, are subject to damage or interruption from power outages, computer and telecommunications failures, computer viruses and other destructive or disruptive security breaches and catastrophic events, such as a natural disaster or a terrorist event or cyber-attack. In addition, experienced computer programmers may be able to penetrate our network security and misappropriate our confidential information, create system disruptions or cause shutdowns. Such data security breaches as well as system disruptions and shutdowns could result in additional costs to repair or replace such networks or information systems and possible legal liability, including government enforcement actions and private litigation. In addition, our customers could lose confidence in our ability to protect their personal information, which could cause them to discontinue leasing our self-storage facilities. Such events could lead to lost future revenues and adversely affect our results of operations.

***Terrorist attacks and other acts of violence or war may adversely impact our performance and may affect the markets on which our securities are traded.***

Terrorist attacks against our facilities, the United States or our interests, may negatively impact our operations and the value of our securities. Attacks or armed conflicts could negatively impact the demand for self-storage facilities and increase the cost of insurance coverage for our facilities, which could reduce our profitability and cash flow. Furthermore, any terrorist attacks or armed conflicts could result in increased

volatility in or damage to the United States and worldwide financial markets and economy.

**Risks Related to the Real Estate Industry**

*Our performance and the value of our self-storage facilities are subject to risks associated with our facilities and with the real estate industry.*

Our rental revenues and operating costs and the value of our real estate assets, and consequently the value of our securities, are subject to the risk that if our facilities do not generate revenues sufficient to meet our operating expenses, including debt service and capital expenditures, our cash flow and ability to pay distributions to our shareholders will be adversely affected. Events or conditions beyond our control that may adversely affect our operations or the value of our facilities include but are not limited to:

- downturns in the national, regional and local economic climate;

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- local or regional oversupply, increased competition or reduction in demand for self-storage space;
- vacancies or changes in market rents for self-storage space;
- inability to collect rent from customers;
- increased operating costs, including maintenance, insurance premiums and real estate taxes;
- changes in interest rates and availability of financing;
- hurricanes, earthquakes and other natural disasters, civil disturbances, terrorist acts or acts of war that may result in uninsured or underinsured losses;
- significant expenditures associated with acquisitions and development projects, such as debt service payments, real estate taxes, insurance and maintenance costs which are generally not reduced when circumstances cause a reduction in revenues from a facility;
- costs of complying with changes in laws and governmental regulations, including those governing usage, zoning, the environment and taxes; and
- the relative illiquidity of real estate investments.

In addition, prolonged periods of economic slowdown or recession, rising interest rates or declining demand for self-storage, or the public perception that any of these events may occur, could result in a general decline in rental revenues, which could impair our ability to satisfy our debt service obligations and to make distributions to our shareholders.

***Rental revenues are significantly influenced by demand for self-storage space generally, and a decrease in such demand would likely have a greater adverse effect on our rental revenues than if we owned a more diversified real estate portfolio.***

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Because our portfolio of facilities consists primarily of self-storage facilities, we are subject to risks inherent in investments in a single industry. A decrease in the demand for self-storage space would have a greater adverse effect on our rental revenues than if we owned a more diversified real estate portfolio. Demand for self-storage space has been and could be adversely affected by ongoing weakness in the national, regional and local economies, changes in supply of, or demand for, similar or competing self-storage facilities in an area and the excess amount of self-storage space in a particular market. To the extent that any of these conditions occur, they are likely to affect market rents for self-storage space, which could cause a decrease in our rental revenue. Any such decrease could impair our ability to satisfy debt service obligations and make distributions to our shareholders.

*Because real estate is illiquid, we may not be able to sell facilities when appropriate.*

Real estate property investments generally cannot be sold quickly. Also, the tax laws applicable to REITs require that we hold our facilities for investment, rather than for sale in the ordinary course of business, which may cause us to forgo or defer sales of facilities that otherwise would be in our best interest. Therefore, we may not be able to dispose of facilities promptly, or on favorable terms, in response to economic or other market conditions, which may adversely affect our financial position.

### **Risks Related to our Qualification and Operation as a REIT**

*Failure to qualify as a REIT would subject us to U.S. federal income tax which would reduce the cash available for distribution to our shareholders.*

We operate our business to qualify to be taxed as a REIT for federal income tax purposes. We have not requested and do not plan to request a ruling from the IRS that we qualify as a REIT, and the statements in this Report are not binding on the IRS or any court. As a REIT, we generally will not be subject to federal income tax on the income that we distribute currently to our shareholders. Many of the REIT requirements, however, are highly technical and complex. The determination that we are a REIT requires an analysis of various factual matters and circumstances that may not be totally within our control. For example, to qualify as a REIT, at least 95% of our gross income must come from specific passive sources, such as rent, that are itemized in the REIT tax laws. In addition, to qualify as a REIT, we cannot own specified amounts of debt and equity securities of some issuers. We also are required to distribute to our shareholders with respect to each year at least 90% of our REIT taxable income, excluding net capital gains. The fact that we hold substantially all of our assets through the Operating Partnership and its subsidiaries and joint ventures further complicates the application of the REIT requirements for us. Even a technical or inadvertent mistake could jeopardize our REIT status and, given the highly complex nature of the rules governing REITs and the ongoing importance of factual determinations, we cannot provide any assurance that we will continue to qualify as a REIT. Furthermore, Congress and the IRS might make changes to the tax laws and regulations, and the courts might issue new rulings, that make it more difficult, or impossible, for us to remain qualified as a REIT. If we fail to qualify as a REIT for federal income tax purposes and are able to avail ourselves of one or more of the statutory savings provisions in order to maintain our REIT status, we would nevertheless be required to pay penalty taxes of \$50,000 or more for each such failure.

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If we fail to qualify as a REIT for federal income tax purposes, and are unable to avail ourselves of certain savings provisions set forth in the Internal Revenue Code, we would be subject to federal income tax at regular corporate rates on all of our income. As a taxable corporation, we would not be allowed to take a deduction for distributions to shareholders in computing our taxable income or pass through long term capital gains to individual shareholders at favorable rates. We also could be subject to the federal alternative minimum tax and possibly increased state and local taxes. We would not be able to elect to be taxed as a REIT for four years following the year we first failed to qualify unless the IRS were to grant us relief under certain statutory provisions. If we failed to qualify as a REIT, we would have to pay significant income taxes, which would reduce our net earnings available for investment or distribution to our shareholders. This likely would have a significant adverse effect on our earnings and likely would adversely affect the value of our securities. In addition, we would no longer be required to pay any distributions to shareholders.

***Failure of the Operating Partnership (or a subsidiary partnership or joint venture) to be treated as a partnership would have serious adverse consequences to our shareholders.***

If the IRS were to successfully challenge the tax status of the Operating Partnership or any of its subsidiary partnerships or joint ventures for federal income tax purposes, the Operating Partnership or the affected subsidiary partnership or joint venture would be taxable as a corporation. In such event we would cease to qualify as a REIT and the imposition of a corporate tax on the Operating Partnership, a subsidiary partnership or joint venture would reduce the amount of cash available for distribution from the Operating Partnership to us and ultimately to our shareholders.

***To maintain our REIT status, we may be forced to borrow funds on a short-term basis during unfavorable market conditions.***

As a REIT, we are subject to certain distribution requirements, including the requirement to distribute 90% of our REIT taxable income, excluding net capital gains, which may result in our having to make distributions at a disadvantageous time or to borrow funds at unfavorable rates. Compliance with this requirement may hinder our ability to operate solely on the basis of maximizing profits.

***We will pay some taxes even if we qualify as a REIT, which will reduce the cash available for distribution to our shareholders.***

Even if we qualify as a REIT for federal income tax purposes, we will be required to pay certain federal, state and local taxes on our income and property. For example, we will be subject to income tax to the extent we distribute less than 100% of our REIT taxable income, including capital gains. Additionally, we will be subject to a 4% nondeductible excise tax on the amount, if any, by which dividends paid by us in any calendar year are less than the sum of 85% of our ordinary income, 95% of our capital gain net income and 100% of our undistributed income from prior years. Moreover, if we have net income from prohibited transactions, that income will be subject to a 100% penalty tax. In general, prohibited transactions are sales or other dispositions of property held primarily for sale to customers in the ordinary course of business. The determination as to whether a particular sale is a prohibited transaction depends on the facts and circumstances related to that sale. We cannot guarantee that sales of our facilities would not be prohibited transactions unless we comply with certain statutory safe-harbor provisions.

In addition, any net taxable income earned directly by our taxable REIT subsidiaries, or through entities that are disregarded for federal income tax purposes as entities separate from our taxable REIT subsidiaries, will be subject to federal and possibly state corporate income tax. We have elected to treat some of our subsidiaries as taxable REIT subsidiaries, and we may elect to treat other subsidiaries as taxable REIT subsidiaries in

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the future. In this regard, several provisions of the laws applicable to REITs and their subsidiaries ensure that a taxable REIT subsidiary will be subject to an appropriate level of federal income taxation. For example, a taxable REIT subsidiary is limited in its ability to deduct certain interest payments made to an affiliated REIT. In addition, the REIT has to pay a 100% penalty tax on some payments that it receives or on some deductions taken by a taxable REIT subsidiary if the economic arrangements between the REIT, the REIT's customers, and the taxable REIT subsidiary are not comparable to similar arrangements between unrelated parties. Finally, some state and local jurisdictions may tax some of our income even though as a REIT we are not subject to federal income tax on that income because not all states and localities follow the federal income tax treatment of REITs. To the extent that we and our affiliates are required to pay federal, state and local taxes, we will have less cash available for distributions to our shareholders.



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*We face possible federal, state and local tax audits.*

Because we are organized and qualify as a REIT, we are generally not subject to federal income taxes, but are subject to certain state and local taxes. Certain entities through which we own real estate either have undergone, or are currently undergoing, tax audits. Although we believe that we have substantial arguments in favor of our positions in the ongoing audits, in some instances there is no controlling precedent or interpretive guidance on the specific point at issue. Collectively, tax deficiency notices received to date from the jurisdictions conducting the ongoing audits have not been material. However, there can be no assurance that future audits will not occur with increased frequency or that the ultimate result of such audits will not have a material adverse effect on our results of operations.

**Risks Related to our Debt Financings**

*We face risks related to current debt maturities, including refinancing risk.*

Certain of our mortgages, bank loans, and unsecured debt (including our senior notes) will have significant outstanding balances on their maturity dates, commonly known as balloon payments. We may not have the cash resources available to repay those amounts, and we may have to raise funds for such repayment either through the issuance of equity or debt securities, additional bank borrowings (which may include extension of maturity dates), joint ventures or asset sales. Furthermore, we are restricted from incurring certain additional indebtedness and making certain other changes to our capital and debt structure under the terms of the senior notes and the indenture governing the senior notes.

There can be no assurance that we will be able to refinance our debt on favorable terms or at all. To the extent we cannot refinance debt on favorable terms or at all, we may be forced to dispose of facilities on disadvantageous terms or pay higher interest rates, either of which would have an adverse impact on our financial performance and ability to pay dividends to investors

*As a result of our interest rate hedges, swap agreements and other, similar arrangements, we face counterparty risks.*

We may be exposed to the potential risk of counterparty default or non-payment with respect to interest rate hedges, swap agreements, floors, caps and other interest rate hedging contracts that we may enter into from time to time, in which event we could suffer a material loss on the value of those agreements. Although these agreements may lessen the impact of rising interest rates on us, they also expose us to the risk that other parties to the agreements will not perform or that we cannot enforce the agreements. There is no assurance that our potential counterparties on these agreements will perform their obligations under such agreements.

*Financing our future growth plan or refinancing existing debt maturities could be impacted by negative capital market conditions.*

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Recently, domestic financial markets have experienced extreme volatility and uncertainty. At times in recent years liquidity has tightened in the domestic financial markets, including the investment grade debt and equity capital markets for which we historically sought financing. Consequently, there is greater uncertainty regarding our ability to access the credit markets in order to attract financing on reasonable terms; there can be no assurance that we will be able to continue to issue common or preferred equity securities at a reasonable price. Our ability to finance new acquisitions and refinance future debt maturities could be adversely impacted by our inability to secure permanent financing on reasonable terms, if at all.

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*The terms and covenants relating to our indebtedness could adversely impact our economic performance.*

Like other real estate companies that incur debt, we are subject to risks associated with debt financing, such as the insufficiency of cash flow to meet required debt service payment obligations and the inability to refinance outstanding indebtedness at maturity. If our debt cannot be paid, refinanced or extended at maturity, we may not be able to make distributions to shareholders at expected levels or at all and may not be able to acquire new facilities. Failure to make distributions to our shareholders could result in our failure to qualify as a REIT for federal income tax purposes. Furthermore, an increase in our interest expense could adversely affect our cash flow and ability to make distributions to shareholders. If we do not meet our debt service obligations, any facilities securing such indebtedness could be foreclosed on, which would have a material adverse effect on our cash flow and ability to make distributions and, depending on the number of facilities foreclosed on, could threaten our continued viability.

Our Credit Facility contains (and any new or amended facility we may enter into from time to time will likely contain) customary affirmative and negative covenants, including financial covenants that, among other things, require us to comply with certain liquidity and net worth tests. Our ability to borrow under the Credit Facility is (and any new or amended facility we may enter into from time to time will be) subject to compliance with such financial and other covenants. In the event that we fail to satisfy these covenants, we would be in default under the Credit Facility and may be required to repay such debt with capital from other sources. Under such circumstances, other sources of debt or equity capital may not be available to us, or may be available only on unattractive terms. Moreover, the presence of such covenants in our credit agreements could cause us to operate our business with a view toward compliance with such covenants, which might not produce optimal returns for shareholders. Similarly, the indenture under which we have issued unsecured senior notes contains customary financial covenants, including limitations on incurrence of additional indebtedness.

Increases in interest rates on variable rate indebtedness would increase our interest expense, which could adversely affect our cash flow and ability to make distributions to shareholders. Rising interest rates could also restrict our ability to refinance existing debt when it matures. In addition, an increase in interest rates could decrease the amounts that third parties are willing to pay for our assets, thereby limiting our ability to alter our portfolio promptly in relation to economic or other conditions.

*Our organizational documents contain no limitation on the amount of debt we may incur. As a result, we may become highly leveraged in the future.*

Our organizational documents do not limit the amount of indebtedness that we may incur. We could alter the balance between our total outstanding indebtedness and the value of our assets at any time. If we become more highly leveraged, then the resulting increase in debt service could adversely affect our ability to make payments on our outstanding indebtedness and to pay our anticipated distributions and/or the distributions required to maintain our REIT status, and could harm our financial condition.

**Risks Related to our Organization and Structure**

*We are dependent upon our senior management team whose continued service is not guaranteed.*

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Our executive team, including our named executive officers, has extensive self-storage, real estate and public company experience. Although we have employment agreements with members of our senior management team, we cannot provide any assurance that any of them will remain in our employment. The loss of services of one or more members of our senior management team could adversely affect our operations and our future growth.

*We are dependent upon our on-site personnel to maximize customer satisfaction; any difficulties we encounter in hiring, training and retaining skilled field personnel may adversely affect our rental revenues.*

As of December 31, 2014, we had 1,448 property-level personnel involved in the management and operation of our facilities. The customer service, marketing skills and knowledge of local market demand and competitive dynamics of our facility managers are contributing factors to our ability to maximize our rental income and to achieve the highest sustainable rent levels at each of our facilities. We compete with various other companies in attracting and retaining qualified and skilled personnel. Competitive pressures may require that we enhance our pay and benefits package to compete effectively for such personnel. If there is an increase in these costs or if we fail to attract and retain qualified and skilled personnel, our business and operating results could be harmed.

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***Certain provisions of Maryland law could inhibit changes in control, which may discourage third parties from conducting a tender offer or seeking other change of control transactions that could involve a premium price for our shares or otherwise benefit our shareholders.***

Certain provisions of Maryland law may have the effect of inhibiting a third party from making a proposal to acquire us or of impeding a change of control under circumstances that otherwise could provide the holders of our common shares with the opportunity to realize a premium over the then-prevailing market price of those shares, including:

- business combination moratorium/fair price provisions that, subject to limitations, prohibit certain business combinations between us and an interested shareholder (defined generally as any person who beneficially owns 10% or more of the voting power of our shares or an affiliate thereof) for five years after the most recent date on which the shareholder becomes an interested shareholder, and thereafter imposes stringent fair price and super-majority shareholder voting requirements on these combinations; and
- control share provisions that provide that control shares of our company (defined as shares which, when aggregated with other shares controlled by the shareholder, entitle the shareholder to exercise one of three increasing ranges of voting power in electing Trustees) acquired in a control share acquisition (defined as the direct or indirect acquisition of ownership or control of control shares from a party other than the issuer) have no voting rights except to the extent approved by our shareholders by the affirmative vote of at least two thirds of all the votes entitled to be cast on the matter, excluding all interested shares, and are subject to redemption in certain circumstances.

We have opted out of these provisions of Maryland law. However, our Board of Trustees may opt to make these provisions applicable to us at any time without shareholder approval.

Our Trustees also have the discretion, granted in our bylaws and Maryland law, without shareholder approval to, among other things (1) create a staggered Board of Trustees, and (2) amend our bylaws or repeal individual bylaws in a manner that provides the Board of Trustees with greater authority. Any such action could inhibit or impede a third party from making a proposal to acquire us at a price that could be beneficial to our shareholders.

***Our shareholders have limited control to prevent us from making any changes to our investment and financing policies.***

Our Board of Trustees has adopted policies with respect to certain activities. These policies may be amended or revised from time to time at the discretion of our Board of Trustees without a vote of our shareholders. This means that our shareholders have limited control over changes in our policies. Such changes in our policies intended to improve, expand or diversify our business may not have the anticipated effects and consequently may adversely affect our business and prospects, results of operations and share price.

***Our rights and the rights of our shareholders to take action against our Trustees and officers are limited.***

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Maryland law provides that a trustee or officer has no liability in that capacity if he or she performs his or her duties in good faith, in a manner he or she reasonably believes to be in our best interests and with the care that an ordinarily prudent person in a like position would use under similar circumstances. Our declaration of trust and bylaws require us to indemnify our Trustees and officers for actions taken by them in those capacities on our behalf, to the extent permitted by Maryland law. Accordingly, in the event that actions taken in good faith by any Trustee or officer impede our performance, our shareholders' ability to recover damages from that Trustee or officer will be limited.

***Our declaration of trust permits our Board of Trustees to issue preferred shares with terms that may discourage third parties from conducting a tender offer or seeking other change of control transactions that could involve a premium price for our shares or otherwise benefit our shareholders.***

Our declaration of trust permits our Board of Trustees to issue up to 40,000,000 preferred shares, of which 3,100,000 shares have already been issued, having those preferences, conversion or other rights, voting powers, restrictions, limitations as to distributions, qualifications, or terms or conditions of redemption as determined by our Board. In addition, our Board may reclassify any unissued common shares into one or more classes or series of preferred shares. Thus, our Board could authorize, without shareholder approval, the issuance of preferred shares with terms and conditions that could have the effect of discouraging a takeover or other transaction in

which holders of some or a majority of our shares might receive a premium for their shares over the then-prevailing market price of our shares. We currently do not expect that the Board would require shareholder approval prior to such a preferred issuance. In addition, any preferred shares that we issue would rank senior to our common shares with respect to the payment of distributions, in which case we could not pay any distributions on our common shares until full distributions have been paid with respect to such preferred shares.

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**Risks Related to our Securities**

*Additional issuances of equity securities may be dilutive to shareholders.*

The interests of our shareholders could be diluted if we issue additional equity securities to finance future acquisitions or developments or to repay indebtedness. Our Board of Trustees may authorize the issuance of additional equity securities, including preferred shares, without shareholder approval. Our ability to execute our business strategy depends upon our access to an appropriate blend of debt financing, including unsecured lines of credit and other forms of secured and unsecured debt, and equity financing, including common and preferred equity.

*Many factors could have an adverse effect on the market value of our securities.*

A number of factors might adversely affect the price of our securities, many of which are beyond our control. These factors include:

- increases in market interest rates, relative to the dividend yield on our shares. If market interest rates go up, prospective purchasers of our securities may require a higher yield. Higher market interest rates would not, however, result in more funds for us to distribute and, to the contrary, would likely increase our borrowing costs and potentially decrease funds available for distribution. Thus, higher market interest rates could cause the market price of our equity securities to go down;
- anticipated benefit of an investment in our securities as compared to investment in securities of companies in other industries (including benefits associated with tax treatment of dividends and distributions);
- perception by market professionals of REITs generally and REITs comparable to us in particular;
- level of institutional investor interest in our securities;
- relatively low trading volumes in securities of REITs;
- our results of operations and financial condition;

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- investor confidence in the stock market generally; and
  
- additions and departures of key personnel.

The market value of our equity securities is based primarily upon the market's perception of our growth potential and our current and potential future earnings and cash distributions. Consequently, our equity securities may trade at prices that are higher or lower than our net asset value per equity security. If our future earnings or cash distributions are less than expected, it is likely that the market price of our equity securities will diminish.

***The market price of our common shares has been, and may continue to be, particularly volatile, and our shareholders may be unable to resell their shares at a profit.***

The market price of our common shares has been subject to significant fluctuation and may continue to fluctuate or decline. Between January 1, 2012 and December 31, 2014, the price of our common shares has ranged from a high of \$22.92 (on December 22, 2014) to a low of \$10.30 (on January 4, 2012). In the past several years, REIT securities have experienced high levels of volatility and significant increases in value from their historic lows.

In the past, following periods of volatility in the market price of a company's securities, securities class action litigation has often been brought against that company. If our share price is volatile, we may become the target of securities litigation. Securities litigation could result in substantial costs and divert our management's attention and resources from our business.



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None.

**ITEM 2. PROPERTIES****Overview**

As of December 31, 2014, we owned 421 self-storage facilities that contain approximately 28.6 million rentable square feet and are located in 22 states and the District of Columbia. The following table sets forth summary information regarding our facilities by state as of December 31, 2014.

| State                         | Number of Facilities | Number of Units | Total Rentable Square Feet | % of Total Rentable Square Feet | Period-end Occupancy |
|-------------------------------|----------------------|-----------------|----------------------------|---------------------------------|----------------------|
| Florida                       | 73                   | 52,517          | 5,473,764                  | 19.1%                           | 91.0%                |
| Texas                         | 56                   | 29,630          | 3,645,115                  | 12.7%                           | 88.4%                |
| California                    | 40                   | 25,323          | 2,829,387                  | 9.9%                            | 90.3%                |
| New York                      | 36                   | 41,373          | 2,517,430                  | 8.8%                            | 85.4%                |
| Illinois                      | 33                   | 18,867          | 2,099,658                  | 7.3%                            | 89.5%                |
| Arizona                       | 28                   | 14,845          | 1,582,025                  | 5.5%                            | 87.5%                |
| New Jersey                    | 23                   | 15,151          | 1,552,183                  | 5.4%                            | 91.4%                |
| Connecticut                   | 21                   | 9,697           | 1,101,249                  | 3.8%                            | 88.8%                |
| Ohio                          | 20                   | 11,047          | 1,282,254                  | 4.5%                            | 86.9%                |
| Georgia                       | 16                   | 9,723           | 1,184,826                  | 4.1%                            | 90.5%                |
| Maryland                      | 13                   | 10,202          | 1,074,100                  | 3.8%                            | 87.9%                |
| Virginia                      | 9                    | 6,707           | 691,580                    | 2.4%                            | 87.2%                |
| Pennsylvania                  | 9                    | 5,935           | 603,792                    | 2.1%                            | 88.9%                |
| Colorado                      | 9                    | 4,765           | 567,899                    | 2.0%                            | 88.7%                |
| Massachusetts                 | 7                    | 4,809           | 437,391                    | 1.5%                            | 87.7%                |
| North Carolina                | 6                    | 3,906           | 463,488                    | 1.6%                            | 90.9%                |
| Tennessee                     | 5                    | 3,267           | 467,439                    | 1.6%                            | 89.7%                |
| Utah                          | 4                    | 2,214           | 239,623                    | 0.8%                            | 90.6%                |
| Rhode Island                  | 4                    | 1,973           | 240,599                    | 0.8%                            | 87.7%                |
| New Mexico                    | 3                    | 1,611           | 182,261                    | 0.6%                            | 90.5%                |
| Nevada                        | 3                    | 1,414           | 172,332                    | 0.6%                            | 82.3%                |
| Washington DC                 | 2                    | 1,798           | 146,067                    | 0.5%                            | 89.8%                |
| Indiana                       | 1                    | 562             | 67,280                     | 0.2%                            | 90.5%                |
| <b>Total/Weighted Average</b> | <b>421</b>           | <b>277,336</b>  | <b>28,621,742</b>          | <b>100.0%</b>                   | <b>89.1%</b>         |



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The following table sets forth additional information with respect to each of our owned facilities as of December 31, 2014. Our ownership of each facility consists of a fee interest in the facility held by our Operating Partnership, or one of its subsidiaries, except for six of our facilities, which are subject to ground leases. In addition, small parcels of land at four of our other facilities are subject to ground leases.

| Facility Location   | Year Acquired / Developed<br>(1) | Year Built | Rentable Square Feet | Occupancy<br>(2) | Cubes | Manager Apartment<br>(3) | % Climate Controlled<br>(4) |
|---------------------|----------------------------------|------------|----------------------|------------------|-------|--------------------------|-----------------------------|
| Chandler I, AZ      | 2005                             | 1985       | 47,520               | 88.3%            | 447   | Y                        | 11.4%                       |
| Chandler II, AZ     | 2013                             | 2008       | 83,819               | 83.4%            | 1,179 | N                        | 77.0%                       |
| Gilbert, AZ         | 2013                             | 2010       | 57,380               | 83.7%            | 449   | Y                        | 83.8%                       |
| Glendale, AZ        | 1998                             | 1987       | 56,807               | 90.5%            | 516   | Y                        | 0.0%                        |
| Green Valley, AZ    | 2005                             | 1985       | 25,050               | 88.1%            | 263   | N                        | 8.7%                        |
| Mesa I, AZ          | 2006                             | 1985       | 52,575               | 91.1%            | 489   | N                        | 0.0%                        |
| Mesa II, AZ         | 2006                             | 1981       | 45,511               | 92.9%            | 395   | Y                        | 16.9%                       |
| Mesa III, AZ        | 2006                             | 1986       | 58,264               | 88.3%            | 501   | Y                        | 16.5%                       |
| Phoenix I, AZ       | 2006                             | 1987       | 100,775              | 91.8%            | 746   | Y                        | 21.5%                       |
| Phoenix II, AZ      | 2006                             | 1974       | 83,160               | 93.5%            | 807   | Y                        | 6.7%                        |
| Phoenix III, AZ     | 2014                             | 2009       | 121,761              | 84.4%            | 845   | N                        | 73.0%                       |
| Scottsdale, AZ      | 1998                             | 1995       | 79,525               | 86.1%            | 653   | Y                        | 20.5%                       |
| Tempe I, AZ         | 2005                             | 1975       | 53,890               | 93.3%            | 405   | Y                        | 18.9%                       |
| Tempe II, AZ        | 2013                             | 2007       | 35,125               | 84.8%            | 391   | N                        | 77.9%                       |
| Tucson I, AZ        | 1998                             | 1974       | 59,800               | 91.6%            | 488   | Y                        | 0.0%                        |
| Tucson II, AZ       | 1998                             | 1988       | 43,950               | 88.8%            | 535   | Y                        | 100.0%                      |
| Tucson III, AZ      | 2005                             | 1979       | 49,832               | 83.2%            | 488   | N                        | 0.0%                        |
| Tucson IV, AZ       | 2005                             | 1982       | 48,040               | 88.1%            | 496   | Y                        | 13.7%                       |
| Tucson V, AZ        | 2005                             | 1982       | 45,134               | 82.8%            | 416   | Y                        | 11.5%                       |
| Tucson VI, AZ       | 2005                             | 1982       | 40,814               | 85.4%            | 409   | Y                        | 13.4%                       |
| Tucson VII, AZ      | 2005                             | 1982       | 52,688               | 90.8%            | 594   | Y                        | 6.9%                        |
| Tucson VIII, AZ     | 2005                             | 1979       | 46,650               | 84.1%            | 437   | Y                        | 0.0%                        |
| Tucson IX, AZ       | 2005                             | 1984       | 67,545               | 86.6%            | 599   | Y                        | 6.2%                        |
| Tucson X, AZ        | 2005                             | 1981       | 46,350               | 81.4%            | 413   | N                        | 0.0%                        |
| Tucson XI, AZ       | 2005                             | 1974       | 42,940               | 89.9%            | 404   | Y                        | 0.0%                        |
| Tucson XII, AZ      | 2005                             | 1974       | 42,225               | 86.0%            | 429   | Y                        | 3.9%                        |
| Tucson XIII, AZ     | 2005                             | 1974       | 45,800               | 82.0%            | 493   | Y                        | 0.0%                        |
| Tucson XIV, AZ      | 2005                             | 1976       | 49,095               | 85.9%            | 558   | Y                        | 17.9%                       |
| Benicia, CA         | 2005                             | 1988/93/05 | 74,770               | 90.3%            | 728   | Y                        | 0.0%                        |
| Citrus Heights, CA  | 2005                             | 1987       | 75,620               | 89.5%            | 681   | Y                        | 0.0%                        |
| Corona, CA          | 2014                             | 2014       | 95,125               | 90.9%            | 974   | N                        | 6.9%                        |
| Diamond Bar, CA     | 2005                             | 1988       | 102,984              | 91.0%            | 900   | Y                        | 0.0%                        |
| Escondido, CA       | 2007                             | 2002       | 142,895              | 92.2%            | 1,227 | Y                        | 11.6%                       |
| Fallbrook, CA       | 1997                             | 1985/88    | 46,401               | 84.7%            | 444   | Y                        | 0.0%                        |
| Fremont, CA         | 2014                             | 1987       | 51,243               | 96.1%            | 526   | N                        | 0.6%                        |
| Lancaster, CA       | 2001                             | 1987       | 60,675               | 91.4%            | 340   | Y                        | 0.0%                        |
| Long Beach, CA      | 2006                             | 1974       | 124,571              | 95.3%            | 1,348 | Y                        | 0.0%                        |
| Murrieta, CA        | 2005                             | 1996       | 49,795               | 91.4%            | 436   | Y                        | 5.0%                        |
| North Highlands, CA | 2005                             | 1980       | 57,169               | 86.8%            | 473   | Y                        | 0.0%                        |
| Ontario, CA         | 2014                             | 1986       | 93,590               | 87.4%            | 850   | N                        | 0.0%                        |
| Orangevale, CA      | 2005                             | 1980       | 50,542               | 92.5%            | 527   | Y                        | 0.0%                        |



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|                         |      |            |         |       |       |   |       |
|-------------------------|------|------------|---------|-------|-------|---|-------|
|                         |      |            |         |       |       |   |       |
| Pleasanton, CA          | 2005 | 2003       | 85,045  | 89.6% | 702   | Y | 0.0%  |
| Rancho Cordova, CA      | 2005 | 1979       | 53,978  | 90.8% | 457   | Y | 0.0%  |
| Rialto I, CA            | 2006 | 1987       | 57,391  | 93.5% | 437   | Y | 0.0%  |
| Rialto II, CA           | 1997 | 1980       | 99,783  | 94.0% | 714   | Y | 0.0%  |
| Riverside I, CA         | 2006 | 1977       | 67,120  | 90.5% | 641   | Y | 0.0%  |
| Riverside II, CA        | 2006 | 1985       | 85,076  | 89.6% | 813   | Y | 5.5%  |
| Roseville, CA           | 2005 | 1979       | 59,944  | 88.1% | 550   | Y | 0.0%  |
| Sacramento I, CA        | 2005 | 1979       | 50,714  | 91.4% | 551   | Y | 0.0%  |
| Sacramento II, CA       | 2005 | 1986       | 62,088  | 90.4% | 551   | Y | 0.0%  |
| San Bernardino I, CA    | 1997 | 1987       | 31,070  | 95.7% | 236   | N | 0.0%  |
| San Bernardino II, CA   | 1997 | 1991       | 41,546  | 91.2% | 373   | Y | 0.0%  |
| San Bernardino III, CA  | 1997 | 1985/92    | 35,416  | 83.9% | 371   | N | 0.0%  |
| San Bernardino IV, CA   | 2005 | 2002/04    | 83,307  | 88.0% | 688   | Y | 12.6% |
| San Bernardino V, CA    | 2006 | 1974       | 57,595  | 89.9% | 469   | Y | 7.0%  |
| San Bernardino VII, CA  | 2006 | 1978       | 78,753  | 93.0% | 604   | Y | 2.5%  |
| San Bernardino VIII, CA | 2006 | 1977       | 99,004  | 83.3% | 809   | Y | 0.0%  |
| San Marcos, CA          | 2005 | 1979       | 37,430  | 93.9% | 242   | Y | 0.0%  |
| Santa Ana, CA           | 2006 | 1984       | 64,071  | 88.8% | 720   | Y | 4.0%  |
| South Sacramento, CA    | 2005 | 1979       | 52,490  | 87.4% | 414   | Y | 0.0%  |
| Spring Valley, CA       | 2006 | 1980       | 55,045  | 92.1% | 713   | Y | 0.0%  |
| Temecula I, CA          | 1998 | 1985/03    | 81,320  | 86.5% | 696   | Y | 45.7% |
| Temecula II, CA         | 2007 | 2003       | 84,318  | 88.7% | 639   | Y | 54.6% |
| Vista I, CA             | 2001 | 1988       | 74,481  | 88.7% | 623   | Y | 0.0%  |
| Vista II, CA            | 2005 | 2001/02/03 | 147,871 | 90.8% | 1,280 | Y | 3.7%  |
| Walnut, CA              | 2005 | 1987       | 50,708  | 89.9% | 537   | Y | 15.8% |
| West Sacramento, CA     | 2005 | 1984       | 40,015  | 91.9% | 478   | Y | 0.0%  |
| Westminster, CA         | 2005 | 1983/98    | 68,428  | 91.5% | 561   | Y | 0.0%  |
| Aurora, CO              | 2005 | 1981       | 75,867  | 92.7% | 617   | Y | 0.0%  |
| Colorado Springs I, CO  | 2005 | 1986       | 47,975  | 83.1% | 463   | Y | 0.0%  |
| Colorado Springs II, CO | 2006 | 2001       | 62,400  | 78.9% | 433   | Y | 0.0%  |
| Denver I, CO            | 2006 | 1997       | 59,200  | 89.1% | 449   | Y | 0.0%  |
| Denver II, CO           | 2012 | 2007       | 74,295  | 92.2% | 676   | N | 94.8% |
| Federal Heights, CO     | 2005 | 1980       | 54,770  | 90.1% | 547   | Y | 0.0%  |
| Golden, CO              | 2005 | 1985       | 87,800  | 90.0% | 641   | Y | 1.6%  |
| Littleton, CO           | 2005 | 1987       | 53,490  | 89.7% | 442   | Y | 64.2% |
| Northglenn, CO          | 2005 | 1980       | 52,102  | 89.8% | 497   | Y | 0.0%  |
| Bloomfield, CT          | 1997 | 1987/93/94 | 48,700  | 89.4% | 443   | Y | 8.5%  |
| Branford, CT            | 1995 | 1986       | 50,679  | 88.8% | 431   | Y | 3.5%  |
| Bristol, CT             | 2005 | 1989/99    | 47,725  | 88.3% | 469   | N | 31.8% |
| East Windsor, CT        | 2005 | 1986/89    | 46,016  | 86.4% | 303   | N | 0.3%  |
| Enfield, CT             | 2001 | 1989       | 52,875  | 89.0% | 369   | Y | 0.0%  |
| Gales Ferry, CT         | 1995 | 1987/89    | 54,805  | 88.7% | 609   | N | 9.0%  |
| Manchester I, CT (6)    | 2002 | 1999/00/01 | 46,925  | 87.3% | 458   | N | 42.8% |
| Manchester II, CT       | 2005 | 1984       | 52,725  | 90.8% | 399   | N | 0.0%  |
| Manchester III, CT      | 2014 | 2009       | 60,113  | 89.0% | 583   | N | 87.0% |

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| Facility Location     | Year Acquired / Developed (1) | Year Built | Rentable Square Feet | Occupancy (2) | Cubes | Manager Apartment (3) | % Climate Controlled (4) |
|-----------------------|-------------------------------|------------|----------------------|---------------|-------|-----------------------|--------------------------|
| Milford, CT           | 1996                          | 1975       | 44,885               | 85.3%         | 372   | Y                     | 7.0%                     |
| Monroe, CT            | 2005                          | 1996/03    | 58,500               | 90.6%         | 397   | N                     | 0.0%                     |
| Mystic, CT            | 1996                          | 1975/86    | 50,825               | 92.5%         | 561   | Y                     | 4.6%                     |
| Newington I, CT       | 2005                          | 1978/97    | 42,620               | 87.5%         | 246   | N                     | 0.0%                     |
| Newington II, CT      | 2005                          | 1979/81    | 36,140               | 85.6%         | 194   | N                     | 0.0%                     |
| Norwalk, CT           | 2012                          | 2009       | 30,414               | 92.8%         | 349   | N                     | 100.0%                   |
| Old Saybrook I, CT    | 2005                          | 1982/88/00 | 86,950               | 90.3%         | 720   | N                     | 10.8%                    |
| Old Saybrook II, CT   | 2005                          | 1988/02    | 26,425               | 85.3%         | 254   | N                     | 71.5%                    |
| Shelton, CT           | 2011                          | 2007       | 78,430               | 88.2%         | 856   | Y                     | 93.9%                    |
| South Windsor, CT     | 1996                          | 1976       | 72,075               | 89.0%         | 553   | Y                     | 1.6%                     |
| Stamford, CT          | 2005                          | 1997       | 28,907               | 95.3%         | 363   | N                     | 38.6%                    |
| Wilton, CT            | 2012                          | 1966       | 84,515               | 86.1%         | 768   | Y                     | 66.9%                    |
| Washington I, DC      | 2008                          | 2002       | 63,085               | 90.1%         | 755   | Y                     | 97.1%                    |
| Washington II, DC     | 2011                          | 1929/98    | 82,982               | 89.7%         | 1,043 | N                     | 99.5%                    |
| Boca Raton, FL        | 2001                          | 1998       | 37,958               | 90.1%         | 605   | N                     | 70.3%                    |
| Boynton Beach I, FL   | 2001                          | 1999       | 61,749               | 93.7%         | 755   | Y                     | 61.8%                    |
| Boynton Beach II, FL  | 2005                          | 2001       | 61,579               | 95.5%         | 573   | Y                     | 88.5%                    |
| Boynton Beach III, FL | 2014                          | 2001       | 67,393               | 91.2%         | 720   | N                     | 100.0%                   |
| Bradenton I, FL       | 2004                          | 1979       | 68,441               | 92.4%         | 581   | N                     | 7.2%                     |
| Bradenton II, FL      | 2004                          | 1996       | 87,958               | 90.9%         | 826   | Y                     | 47.0%                    |
| Cape Coral I, FL      | 2000*                         | 2000       | 76,842               | 94.9%         | 856   | Y                     | 90.2%                    |
| Cape Coral II, FL     | 2014                          | 2007       | 67,955               | 89.9%         | 609   | N                     | 71.0%                    |
| Coconut Creek I, FL   | 2012                          | 2001       | 78,883               | 94.9%         | 757   | Y                     | 53.0%                    |
| Coconut Creek II, FL  | 2014                          | 1999       | 90,400               | 90.9%         | 817   | N                     | 79.1%                    |
| Dania Beach, FL (6)   | 2004                          | 1984       | 168,724              | 92.1%         | 1,813 | N                     | 26.4%                    |
| Dania, FL             | 1996                          | 1988       | 58,145               | 97.4%         | 493   | Y                     | 53.7%                    |
| Davie, FL             | 2001*                         | 2001       | 81,235               | 96.8%         | 834   | Y                     | 68.2%                    |
| Deerfield Beach, FL   | 1998*                         | 1998       | 57,230               | 95.3%         | 517   | Y                     | 54.9%                    |
| Delray Beach I, FL    | 2001                          | 1999       | 67,833               | 91.4%         | 815   | Y                     | 45.5%                    |
| Delray Beach II, FL   | 2013                          | 1987       | 75,712               | 92.5%         | 1,176 | N                     | 95.3%                    |
| Delray Beach III, FL  | 2014                          | 2006       | 94,495               | 91.2%         | 904   | N                     | 99.6%                    |
| Fernandina Beach, FL  | 1996                          | 1986       | 121,083              | 87.2%         | 876   | Y                     | 47.0%                    |
| Ft. Lauderdale I, FL  | 1999                          | 1999       | 70,063               | 91.4%         | 696   | Y                     | 54.6%                    |
| Ft. Lauderdale II, FL | 2013                          | 2007       | 49,507               | 82.6%         | 860   | N                     | 100.0%                   |
| Ft. Myers I, FL       | 1999                          | 1998       | 67,546               | 92.4%         | 591   | Y                     | 84.3%                    |
| Ft. Myers II, FL      | 2014                          | 2001       | 83,125               | 89.5%         | 842   | N                     | 62.7%                    |
| Ft. Myers III, FL     | 2014                          | 2002       | 81,554               | 76.6%         | 876   | N                     | 89.3%                    |
| Jacksonville I, FL    | 2005                          | 2005       | 80,215               | 88.3%         | 709   | N                     | 100.0%                   |
| Jacksonville II, FL   | 2007                          | 2004       | 65,070               | 88.1%         | 657   | N                     | 100.0%                   |
| Jacksonville III, FL  | 2007                          | 2003       | 65,590               | 91.7%         | 677   | N                     | 100.0%                   |
| Jacksonville IV, FL   | 2007                          | 2006       | 77,535               | 89.8%         | 707   | N                     | 100.0%                   |
| Jacksonville V, FL    | 2007                          | 2004       | 82,235               | 87.0%         | 702   | N                     | 80.1%                    |
| Jacksonville VI, FL   | 2014                          | 2006       | 74,425               | 81.7%         | 523   | N                     | 70.7%                    |
| Kendall, FL           | 2007                          | 2003       | 75,495               | 94.5%         | 703   | N                     | 79.4%                    |
| Lake Worth I, FL      | 1998                          | 1998/02    | 160,949              | 92.3%         | 1,287 | Y                     | 72.7%                    |
| Lake Worth II, FL     | 2014                          | 2004/08    | 87,050               | 95.0%         | 755   | N                     | 85.9%                    |
| Lakeland, FL          | 1994                          | 1988       | 49,095               | 87.9%         | 489   | Y                     | 82.9%                    |
| Leisure City, FL      | 2012                          | 2005       | 56,042               | 89.7%         | 615   | N                     | 69.4%                    |

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| Facility Location       | Year Acquired / Developed (1) | Year Built | Rentable Square Feet | Occupancy (2) | Cubes | Manager Apartment (3) | % Climate Controlled (4) |
|-------------------------|-------------------------------|------------|----------------------|---------------|-------|-----------------------|--------------------------|
| Lutz I, FL              | 2004                          | 2000       | 66,795               | 92.8%         | 601   | Y                     | 43.6%                    |
| Lutz II, FL             | 2004                          | 1999       | 69,232               | 86.7%         | 533   | Y                     | 29.5%                    |
| Margate I, FL           | 1996                          | 1979/81    | 53,660               | 86.9%         | 370   | N                     | 27.7%                    |
| Margate II, FL          | 1996                          | 1985       | 65,180               | 91.6%         | 416   | Y                     | 61.5%                    |
| Merritt Island, FL      | 2002                          | 2000       | 50,281               | 89.3%         | 465   | Y                     | 66.4%                    |
| Miami I, FL             | 1996                          | 1995       | 46,500               | 90.0%         | 557   | Y                     | 68.9%                    |
| Miami II, FL            | 1996                          | 1989       | 66,960               | 89.4%         | 569   | Y                     | 18.9%                    |
| Miami III, FL           | 2005                          | 1988/03    | 150,425              | 92.5%         | 1,513 | N                     | 91.2%                    |
| Miami IV, FL            | 2011                          | 2007       | 76,337               | 92.3%         | 923   | N                     | 100.0%                   |
| Miramar, FL             | 2013                          | 2009       | 75,530               | 92.7%         | 744   | N                     | 97.1%                    |
| Naples I, FL            | 1996                          | 1996       | 48,150               | 94.3%         | 317   | Y                     | 46.1%                    |
| Naples II, FL           | 1997                          | 1985       | 65,850               | 90.4%         | 628   | Y                     | 56.0%                    |
| Naples III, FL          | 1997                          | 1981/83    | 80,021               | 90.2%         | 793   | Y                     | 49.2%                    |
| Naples IV, FL           | 1998                          | 1990       | 40,550               | 94.4%         | 430   | N                     | 63.9%                    |
| New Smyrna Beach, FL    | 2014                          | 2001       | 81,454               | 97.5%         | 600   | N                     | 60.1%                    |
| Ocoee, FL               | 2005                          | 1997       | 76,250               | 94.0%         | 614   | Y                     | 22.1%                    |
| Orange City, FL         | 2004                          | 2001       | 59,580               | 88.7%         | 643   | N                     | 52.6%                    |
| Orlando II, FL          | 2005                          | 2002/04    | 63,084               | 90.1%         | 583   | N                     | 81.5%                    |
| Orlando III, FL         | 2006                          | 1988/90/96 | 101,330              | 93.8%         | 825   | Y                     | 22.0%                    |
| Orlando IV, FL          | 2010                          | 2009       | 76,565               | 89.4%         | 635   | N                     | 68.6%                    |
| Orlando V, FL           | 2012                          | 2008       | 75,358               | 91.6%         | 632   | N                     | 90.9%                    |
| Orlando VI, FL          | 2014                          | 2006       | 71,475               | 81.8%         | 570   | N                     | 34.8%                    |
| Oviedo, FL              | 2006                          | 1988/91    | 49,276               | 90.7%         | 427   | Y                     | 3.7%                     |
| Palm Coast I, FL        | 2014                          | 2001       | 47,400               | 87.8%         | 423   | N                     | 52.0%                    |
| Palm Coast II, FL       | 2014                          | 1998/04    | 122,490              | 91.8%         | 1,167 | N                     | 42.5%                    |
| Pembroke Pines, FL      | 1997                          | 1997       | 67,321               | 91.9%         | 694   | Y                     | 77.9%                    |
| Royal Palm Beach II, FL | 2007                          | 2004       | 81,394               | 93.5%         | 754   | N                     | 89.9%                    |
| Sanford I, FL           | 2006                          | 1988/06    | 61,810               | 86.3%         | 442   | Y                     | 35.4%                    |
| Sanford II, FL          | 2014                          | 2000       | 70,054               | 75.1%         | 668   | N                     | 62.1%                    |
| Sarasota, FL            | 1999                          | 1998       | 71,152               | 89.7%         | 527   | Y                     | 60.5%                    |
| St. Augustine, FL       | 1996                          | 1985       | 59,725               | 93.3%         | 700   | Y                     | 26.5%                    |
| Stuart, FL              | 1997                          | 1995       | 87,176               | 88.9%         | 944   | Y                     | 62.5%                    |
| SW Ranches, FL          | 2007                          | 2004       | 64,955               | 91.4%         | 647   | N                     | 88.8%                    |
| Tampa, FL               | 2007                          | 2001/02    | 83,913               | 92.9%         | 770   | N                     | 33.8%                    |
| West Palm Beach I, FL   | 2001                          | 1997       | 68,061               | 90.0%         | 972   | Y                     | 52.4%                    |
| West Palm Beach II, FL  | 2004                          | 1996       | 94,428               | 95.0%         | 834   | Y                     | 76.6%                    |
| West Palm Beach III, FL | 2012                          | 2008       | 77,664               | 96.2%         | 890   | Y                     | 89.8%                    |
| West Palm Beach IV, FL  | 2014                          | 2004       | 102,912              | 92.9%         | 948   | N                     | 85.5%                    |
| Winter Park, FL         | 2014                          | 2005       | 54,356               | 85.4%         | 533   | N                     | 58.7%                    |
| Alpharetta, GA          | 2001                          | 1996       | 90,501               | 90.4%         | 663   | Y                     | 80.3%                    |
| Atlanta, GA             | 2012                          | 2008       | 66,675               | 90.9%         | 606   | N                     | 100.0%                   |
| Austell, GA             | 2006                          | 2000       | 83,675               | 92.3%         | 663   | Y                     | 64.2%                    |
| Decatur, GA             | 1998                          | 1986       | 145,280              | 90.0%         | 1,246 | Y                     | 2.5%                     |
| Duluth, GA              | 2011                          | 2009       | 70,885               | 89.5%         | 586   | N                     | 100.0%                   |
| Lawrenceville, GA       | 2011                          | 1999       | 73,615               | 88.0%         | 603   | Y                     | 27.4%                    |

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|                              |      |         |         |       |       |   |        |
|------------------------------|------|---------|---------|-------|-------|---|--------|
| <b>Norcross I, GA</b>        | 2001 | 1997    | 85,420  | 92.0% | 590   | Y | 65.7%  |
| <b>Norcross III, GA</b>      | 2012 | 2007    | 47,220  | 88.1% | 491   | N | 100.0% |
| <b>Peachtree City I, GA</b>  | 2001 | 1997    | 49,875  | 93.5% | 446   | N | 75.7%  |
| <b>Smyrna, GA</b>            | 2001 | 2000    | 57,015  | 85.7% | 495   | Y | 98.8%  |
| <b>Suwanee I, GA</b>         | 2007 | 2000/03 | 85,125  | 89.3% | 671   | Y | 28.2%  |
| <b>Addison, IL</b>           | 2004 | 1979    | 31,325  | 89.9% | 367   | Y | 0.0%   |
| <b>Bartlett, IL</b>          | 2004 | 1987    | 51,425  | 89.0% | 408   | Y | 32.2%  |
| <b>Bolingbrook, IL</b>       | 2014 | 2004    | 80,070  | 89.6% | 724   | N | 77.1%  |
| <b>Chicago II, IL</b>        | 2014 | 1953    | 78,980  | 73.6% | 759   | N | 85.4%  |
| <b>Countryside, IL</b>       | 2014 | 2002    | 99,931  | 88.5% | 900   | N | 98.7%  |
| <b>Elk Grove Village, IL</b> | 2004 | 1987    | 64,104  | 95.4% | 621   | Y | 7.2%   |
| <b>Glenview, IL</b>          | 2004 | 1998    | 100,085 | 91.5% | 738   | Y | 100.0% |
| <b>Hanover, IL</b>           | 2004 | 1987    | 41,190  | 89.0% | 416   | Y | 2.2%   |
| <b>Joliet, IL</b>            | 2004 | 1993    | 72,865  | 94.5% | 533   | Y | 93.6%  |
| <b>Lombard, IL</b>           | 2004 | 1981    | 57,691  | 89.0% | 536   | Y | 26.0%  |
| <b>Mundelein, IL</b>         | 2004 | 1990    | 44,700  | 90.4% | 485   | Y | 12.3%  |
| <b>Plainfield I, IL</b>      | 2004 | 1998    | 53,900  | 83.3% | 402   | N | 8.7%   |
| <b>Schaumburg, IL</b>        | 2004 | 1988    | 31,160  | 87.4% | 319   | N | 5.3%   |
| <b>Warrenville, IL</b>       | 2005 | 1977/89 | 48,796  | 88.9% | 378   | N | 0.0%   |
| <b>West Chicago, IL</b>      | 2004 | 1979    | 48,175  | 86.3% | 432   | Y | 0.0%   |
| <b>Wheeling I, IL</b>        | 2004 | 1974    | 54,210  | 89.4% | 492   | N | 0.0%   |
| <b>Woodridge, IL</b>         | 2004 | 1987    | 50,232  | 89.2% | 464   | Y | 17.2%  |
| <b>Boston I, MA</b>          | 2010 | 1950    | 33,286  | 79.1% | 584   | N | 99.8%  |
| <b>Boston III, MA</b>        | 2014 | 1960    | 108,205 | 86.1% | 1,098 | N | 25.1%  |



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|-------------------------|-------------------------------|------------------|----------------------|---------------|-------|-----------------------|--------------------------|
| Leominster, MA          | 1998                          | 1987/88/00       | 54,023               | 88.3%         | 506   | Y                     | 50.8%                    |
| Medford, MA             | 2007                          | 2001             | 58,725               | 92.6%         | 657   | Y                     | 97.1%                    |
| Stoneham, MA            | 2013                          | 2009/11          | 60,900               | 90.5%         | 588   | N                     | 99.8%                    |
| Tewksbury, MA           | 2014                          | 2007             | 61,832               | 88.1%         | 750   | N                     | 100.0%                   |
| Baltimore, MD           | 2001                          | 1999/00          | 93,550               | 88.6%         | 805   | Y                     | 48.6%                    |
| Beltsville, MD          | 2013                          | 2006             | 63,707               | 86.0%         | 648   | Y                     | 9.7%                     |
| California, MD          | 2004                          | 1998             | 77,840               | 85.6%         | 720   | Y                     | 41.3%                    |
| Clinton, MD             | 2013                          | 2008/10          | 84,225               | 89.1%         | 903   | Y                     | 51.3%                    |
| District Heights, MD    | 2011                          | 2007             | 78,490               | 87.5%         | 956   | Y                     | 96.1%                    |
| Elkridge, MD            | 2013                          | 1999             | 63,525               | 88.5%         | 602   | Y                     | 91.2%                    |
| Gaithersburg, MD        | 2005                          | 1998             | 87,045               | 87.8%         | 789   | Y                     | 45.3%                    |
| Hyattsville, MD         | 2013                          | 2006             | 52,765               | 81.4%         | 602   | Y                     | 9.3%                     |
| Laurel, MD              | 2001                          | 1978/99/00       | 162,696              | 88.9%         | 1,009 | N                     | 64.2%                    |
| Temple Hills I, MD      | 2001                          | 2000             | 97,150               | 86.7%         | 825   | Y                     | 70.5%                    |
| Temple Hills II, MD     | 2014                          | 2010             | 84,100               | 84.8%         | 1,018 | N                     | 99.3%                    |
| Timonium, MD            | 2014                          | 1965/98          | 66,717               | 87.4%         | 664   | N                     | 96.1%                    |
| Upper Marlboro, MD      | 2013                          | 2006             | 62,290               | 88.2%         | 661   | Y                     | 5.4%                     |
| Belmont, NC             | 2001                          | 1996/97/98       | 81,850               | 95.2%         | 595   | N                     | 21.6%                    |
| Burlington I, NC        | 2001                          | 1990/91/93/94/98 | 109,396              | 88.9%         | 952   | N                     | 8.4%                     |
| Burlington II, NC       | 2001                          | 1991             | 42,165               | 87.9%         | 394   | Y                     | 16.4%                    |
| Cary, NC                | 2001                          | 1993/94/97       | 112,402              | 89.3%         | 798   | N                     | 11.9%                    |
| Charlotte, NC           | 2002                          | 1999             | 69,000               | 91.3%         | 746   | Y                     | 44.3%                    |
| Raleigh, NC             | 1998                          | 1994/95          | 48,675               | 93.7%         | 421   | Y                     | 11.6%                    |
| Bordentown, NJ          | 2012                          | 2006             | 50,600               | 91.9%         | 383   | N                     | 27.0%                    |
| Brick, NJ               | 1996                          | 1981             | 51,725               | 92.0%         | 436   | N                     | 0.0%                     |
| Cherry Hill I, NJ       | 2010                          | 2004             | 51,500               | 92.6%         | 371   | Y                     | 0.0%                     |
| Cherry Hill II, NJ      | 2012                          | 2004             | 64,825               | 90.2%         | 610   | N                     | 94.4%                    |
| Clifton, NJ             | 2005                          | 2001             | 105,550              | 90.1%         | 1,010 | Y                     | 92.7%                    |
| Cranford, NJ            | 1996                          | 1987             | 91,280               | 91.5%         | 854   | Y                     | 7.8%                     |
| East Hanover, NJ        | 1996                          | 1983             | 107,679              | 92.8%         | 969   | N                     | 3.4%                     |
| Egg Harbor I, NJ        | 2010                          | 2005             | 35,825               | 96.0%         | 285   | N                     | 14.3%                    |
| Egg Harbor II, NJ       | 2010                          | 2002             | 70,400               | 92.3%         | 684   | N                     | 19.8%                    |
| Elizabeth, NJ           | 2005                          | 1925/97          | 38,830               | 92.2%         | 674   | N                     | 0.0%                     |
| Fairview, NJ            | 1997                          | 1989             | 27,876               | 88.9%         | 446   | N                     | 98.4%                    |
| Freehold, NJ            | 2012                          | 2002             | 81,420               | 93.2%         | 748   | Y                     | 65.6%                    |
| Hamilton, NJ            | 2006                          | 1990             | 70,450               | 92.8%         | 612   | Y                     | 0.0%                     |
| Hoboken, NJ             | 2005                          | 1945/97          | 34,180               | 90.6%         | 743   | N                     | 99.2%                    |
| Linden, NJ              | 1996                          | 1983             | 100,425              | 92.6%         | 1,118 | N                     | 5.3%                     |
| Lumberton, NJ           | 2012                          | 2004             | 96,025               | 87.5%         | 772   | Y                     | 32.4%                    |
| Morris Township, NJ (6) | 1997                          | 1972             | 71,976               | 88.1%         | 562   | Y                     | 5.7%                     |
| Parsippany, NJ          | 1997                          | 1981             | 58,550               | 92.2%         | 447   | N                     | 17.3%                    |
| Rahway, NJ              | 2013                          | 2006             | 83,121               | 93.4%         | 982   | Y                     | 92.2%                    |
| Randolph, NJ            | 2002                          | 1998/99          | 52,565               | 91.3%         | 541   | N                     | 91.2%                    |
| Sewell, NJ              | 2001                          | 1984/98          | 57,826               | 91.1%         | 454   | N                     | 9.4%                     |
| Somerset, NJ            | 2012                          | 2000             | 57,485               | 89.2%         | 512   | N                     | 82.7%                    |
| Whippany, NJ            | 2013                          | 2007             | 92,070               | 91.0%         | 938   | Y                     | 85.9%                    |
| Albuquerque I, NM       | 2005                          | 1985             | 65,927               | 91.7%         | 603   | Y                     | 13.7%                    |
| Albuquerque II, NM      | 2005                          | 1985             | 58,798               | 88.1%         | 518   | Y                     | 15.0%                    |

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|                               |      |         |         |       |       |   |        |
|-------------------------------|------|---------|---------|-------|-------|---|--------|
| <b>Albuquerque III, NM</b>    | 2005 | 1986    | 57,536  | 91.8% | 490   | Y | 11.8%  |
| <b>Las Vegas I, NV</b>        | 2006 | 1986    | 48,332  | 83.8% | 361   | Y | 13.6%  |
| <b>Bronx I, NY</b>            | 2010 | 1931/04 | 69,308  | 87.9% | 1,322 | N | 97.4%  |
| <b>Bronx III, NY</b>          | 2011 | 2007    | 106,065 | 87.5% | 2,034 | N | 99.1%  |
| <b>Bronx V, NY (5)</b>        | 2011 | 2007    | 54,733  | 84.1% | 1,100 | N | 99.5%  |
| <b>Bronx VII, NY (5)</b>      | 2012 | 2005    | 78,625  | 88.2% | 1,524 | N | 100.0% |
| <b>Bronx IX, NY</b>           | 2012 | 1973    | 147,720 | 87.7% | 2,999 | Y | 99.6%  |
| <b>Bronx XI, NY (5) *</b>     | 2014 | 2014    | 46,902  | 50.1% | 1,110 | N | 98.7%  |
| <b>Brooklyn II, NY</b>        | 2010 | 1962/03 | 60,920  | 90.7% | 1,145 | N | 18.8%  |
| <b>Brooklyn IV, NY</b>        | 2011 | 2006    | 37,467  | 88.7% | 793   | N | 99.9%  |
| <b>Brooklyn VI, NY</b>        | 2011 | 2007    | 75,640  | 90.6% | 1,414 | N | 97.7%  |
| <b>Brooklyn VIII, NY</b>      | 2014 | 2010    | 61,075  | 94.8% | 1,192 | N | 91.9%  |
| <b>Jamaica I, NY</b>          | 2001 | 2000    | 88,385  | 91.3% | 920   | Y | 21.4%  |
| <b>Long Island City, NY *</b> | 2014 | 2014    | 89,125  | 6.5%  | 1,954 | N | 100.0% |
| <b>New Rochelle II, NY</b>    | 2012 | 1917    | 63,145  | 86.4% | 1,023 | Y | 93.9%  |
| <b>Patchogue, NY</b>          | 2014 | 1982    | 47,739  | 83.1% | 467   | N | 0.0%   |
| <b>Southold, NY</b>           | 2005 | 1989    | 59,595  | 93.6% | 608   | N | 4.8%   |
| <b>Tuckahoe, NY</b>           | 2011 | 2007    | 51,343  | 87.0% | 759   | N | 99.9%  |
| <b>White Plains, NY</b>       | 2011 | 1938    | 86,465  | 88.2% | 1,507 | N | 77.9%  |
| <b>Wyckoff, NY</b>            | 2010 | 1910/07 | 61,565  | 91.3% | 1,042 | N | 96.2%  |
| <b>Cleveland I, OH</b>        | 2005 | 1997/99 | 46,000  | 85.0% | 342   | Y | 7.3%   |
| <b>Columbus I, OH</b>         | 2006 | 1999    | 71,905  | 91.4% | 604   | Y | 26.1%  |
| <b>Columbus III, OH</b>       | 2014 | 1998/05 | 51,400  | 85.1% | 401   | N | 0.0%   |
| <b>Columbus V, OH</b>         | 2014 | 2006    | 60,925  | 77.9% | 583   | N | 16.6%  |

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|                                 |       |            |         |       |     |   |        |
|---------------------------------|-------|------------|---------|-------|-----|---|--------|
| <b>Grove City, OH</b>           | 2006  | 1997       | 89,290  | 88.8% | 779 | Y | 15.0%  |
| <b>Lakewood, OH</b>             | 1989* | 1989       | 39,332  | 91.4% | 456 | Y | 37.8%  |
| <b>Middleburg Heights, OH</b>   | 1980* | 1980       | 93,200  | 86.4% | 693 | Y | 5.0%   |
| <b>North Olmsted II, OH</b>     | 1988* | 1988       | 47,850  | 88.8% | 398 | Y | 24.0%  |
| <b>Reynoldsburg, OH</b>         | 2006  | 1979       | 67,245  | 92.9% | 665 | Y | 0.0%   |
| <b>Warrensville Heights, OH</b> | 1980* | 1980/82/98 | 90,281  | 90.6% | 718 | Y | 0.0%   |
| <b>Conshohocken, PA</b>         | 2012  | 2003       | 81,255  | 87.5% | 732 | Y | 39.5%  |
| <b>Langhorne, PA</b>            | 2012  | 2001       | 65,050  | 85.4% | 665 | Y | 58.8%  |
| <b>Malvern, PA *</b>            | 2013  | 2013       | 18,848  | 94.8% | 232 | N | 100.0% |
| <b>Norristown, PA</b>           | 2011  | 2005       | 54,911  | 89.3% | 518 | N | 99.8%  |
| <b>Philadelphia II, PA</b>      | 2014  | 2005       | 68,239  | 88.3% | 855 | N | 58.1%  |
| <b>Johnston, RI</b>             | 2014  | 2000       | 80,725  | 90.0% | 575 | N | 0.0%   |
| <b>Woonsocket, RI</b>           | 2014  | 2004       | 72,704  | 86.2% | 603 | N | 11.4%  |
| <b>Nashville I, TN</b>          | 2005  | 1984       | 103,840 | 89.1% | 697 | Y | 0.0%   |
| <b>Nashville III, TN</b>        | 2006  | 1985       | 101,575 | 89.0% | 599 | Y | 8.5%   |
| <b>Allen, TX</b>                | 2012  | 2003       | 62,870  | 88.0% | 501 | Y | 56.9%  |
| <b>Austin II, TX</b>            | 2006  | 2000/03    | 65,151  | 91.7% | 593 | Y | 45.9%  |
| <b>Austin IV, TX</b>            | 2014  | 2004       | 65,370  | 97.1% | 628 | N | 18.7%  |
| <b>Austin VI, TX</b>            | 2014  | 2004       | 62,770  | 93.4% | 751 | N | 55.2%  |
| <b>Carrollton, TX</b>           | 2012  | 2002       | 77,140  | 92.4% | 538 | Y | 39.6%  |
| <b>Cypress, TX</b>              | 2012  | 1998       | 58,181  | 94.0% | 446 | Y | 46.0%  |
| <b>Dallas II, TX</b>            | 2013  | 1996       | 79,123  | 93.3% | 601 | Y | 27.7%  |
| <b>Denton, TX</b>               | 2006  | 1996       | 60,846  | 87.9% | 457 | Y | 3.3%   |

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|                                 |      |         |         |       |       |   |        |
|---------------------------------|------|---------|---------|-------|-------|---|--------|
| <b>El Paso II, TX</b>           | 2005 | 1980    | 48,800  | 87.1% | 419   | Y | 0.0%   |
| <b>El Paso IV, TX</b>           | 2005 | 1983    | 66,906  | 87.6% | 518   | Y | 2.9%   |
| <b>El Paso VI, TX</b>           | 2005 | 1985    | 36,620  | 90.4% | 254   | Y | 0.0%   |
| <b>Fort Worth I, TX</b>         | 2005 | 2000    | 50,246  | 91.3% | 403   | Y | 38.8%  |
| <b>Frisco I, TX</b>             | 2005 | 1996    | 50,754  | 88.4% | 428   | Y | 25.6%  |
| <b>Frisco III, TX</b>           | 2006 | 2004    | 74,765  | 87.5% | 622   | Y | 92.5%  |
| <b>Frisco V, TX</b>             | 2014 | 2002    | 74,490  | 87.6% | 552   | N | 59.6%  |
| <b>Garland I, TX</b>            | 2006 | 1991    | 70,100  | 91.5% | 680   | Y | 4.3%   |
| <b>Houston III, TX</b>          | 2005 | 1984    | 60,820  | 96.8% | 459   | Y | 9.1%   |
| <b>Houston V, TX</b>            | 2006 | 1980/97 | 125,135 | 90.8% | 1,007 | Y | 61.7%  |
| <b>Houston VII, TX</b>          | 2012 | 2004    | 47,102  | 90.4% | 522   | N | 100.0% |
| <b>Houston IX, TX</b>           | 2012 | 1992    | 51,218  | 92.5% | 432   | Y | 47.9%  |
| <b>Keller, TX</b>               | 2006 | 2000    | 61,885  | 91.0% | 486   | Y | 23.2%  |
| <b>Lewisville II, TX</b>        | 2013 | 2003    | 127,609 | 90.3% | 1,193 | Y | 29.0%  |
| <b>Mansfield II, TX</b>         | 2012 | 2002    | 57,775  | 93.7% | 483   | Y | 68.2%  |
| <b>McKinney II, TX</b>          | 2006 | 1996    | 70,050  | 88.7% | 537   | Y | 47.3%  |
| <b>North Richland Hills, TX</b> | 2005 | 2002    | 57,200  | 91.4% | 431   | Y | 60.3%  |
| <b>Richmond, TX</b>             | 2013 | 1998    | 102,278 | 92.6% | 538   | Y | 29.8%  |
| <b>San Antonio I, TX</b>        | 2005 | 2005    | 73,309  | 86.6% | 575   | Y | 89.4%  |
| <b>San Antonio III, TX</b>      | 2007 | 2006    | 71,775  | 88.9% | 566   | N | 93.7%  |
| <b>Murray I, UT</b>             | 2005 | 1976    | 60,280  | 85.0% | 622   | Y | 0.0%   |
| <b>Salt Lake City I, UT</b>     | 2005 | 1976    | 56,446  | 91.1% | 726   | Y | 0.0%   |
| <b>Alexandria, VA</b>           | 2012 | 2000    | 114,150 | 87.9% | 1,150 | Y | 97.2%  |
| <b>Fairfax, VA</b>              | 2012 | 1999    | 73,325  | 88.3% | 676   | N | 88.3%  |

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|--|------|---------|-------------------|--------------|----------------|---|-------|
|  |      |         |                   |              |                |   |       |
| <b>Fredericksburg I, VA</b>                        | 2005 | 2001/04 | 69,475            | 89.1%        | 611            | N | 22.0% |
|  |      |         |                   |              |                |   |       |
| <b>Leesburg, VA</b>                                | 2011 | 2001/04 | 85,503            | 87.2%        | 890            | Y | 83.9% |
|  |      |         |                   |              |                |   |       |
| <b>McLearen, VA</b>                                | 2010 | 2002    | 68,960            | 87.0%        | 722            | Y | 90.9% |
|  |      |         |                   |              |                |   |       |
| <b>Total/Weighted Average<br/>(421 facilities)</b> |      |         | <b>28,621,742</b> | <b>89.1%</b> | <b>277,336</b> |   |       |

\* Denotes facilities developed by us or acquired at development completion.

Denotes facilities that contain commercial rentable square footage. All of this commercial space, which was developed in conjunction with the self-storage cubes, is located within or adjacent to our self-storage facilities and is managed by our self-storage facility managers. As of December 31, 2014, facilities in our owned portfolio included an aggregate of approximately 271,000 rentable square feet of commercial space.

(1) Represents the year acquired for those facilities we acquired from a third party or the year of completion for those facilities we developed.

(2) Represents occupied square feet at December 31, 2014 divided by total rentable square feet.

(3) Indicates whether a facility has an on-site apartment where a manager resides.

(4) Represents the percentage of rentable square feet in climate-controlled cubes.

(5) We do not own the land at these facilities. We lease the land pursuant to ground leases that expire between 2052 and 2061, subject to renewal options.

(6) We have ground leases for certain small parcels of land adjacent to these facilities that expire between 2015 and 2019.

We have grown by adding facilities to our portfolio through acquisitions and development. The tables set forth below show the average occupancy, annual rent per occupied square foot, average occupied square feet and total revenues for our facilities owned as of December 31, 2014, and for each of the previous three years, grouped by the year during which we first owned or operated the facility.



Table of Contents**Facilities by Year Acquired - Average Occupancy**

| Year Acquired (1)                            | # of Facilities | Rentable Square Feet | Average Occupancy |       |       |
|--|-----------------|----------------------|-------------------|-------|-------|
|  |                 |                      | 2014              | 2013  | 2012  |
| 2011 and earlier                             | 309             | 20,541,389           | 90.9%             | 88.3% | 82.7% |
| 2012   | 37              | 2,634,103            | 90.7%             | 87.6% | 83.8% |
| 2013   | 20              | 1,474,667            | 87.2%             | 80.6% |       |
| 2014   | 55              | 3,971,583            | 85.6%             |       |       |
| All Facilities Owned as of December 31, 2014 | 421             | 28,621,742           | 90.3%             | 88.0% | 82.8% |

**Facilities by Year Acquired - Annual Rent Per Occupied Square Foot (2)**

| Year Acquired (1)                            | # of Facilities | Rent per Square Foot |          |          |
|--|-----------------|----------------------|----------|----------|
|  |                 | 2014                 | 2013     | 2012     |
| 2011 and earlier                             | 309             | \$ 13.94             | \$ 13.49 | \$ 13.43 |
| 2012   | 37              | 18.86                | 18.15    | 15.55    |
| 2013   | 20              | 14.70                | 12.44    |          |
| 2014   | 55              | 14.61                |          |          |
| All Facilities Owned as of December 31, 2014 | 421             | \$ 14.52             | \$ 13.93 | \$ 13.67 |

**Facilities by Year Acquired - Average Occupied Square Feet (3)**

| Year Acquired (1)                            | # of Facilities | Average Occupied Square Feet |            |            |
|--|-----------------|------------------------------|------------|------------|
|  |                 | 2014                         | 2013       | 2012       |
| 2011 and earlier                             | 309             | 18,654,548                   | 18,078,248 | 16,994,512 |
| 2012   | 37              | 2,389,049                    | 2,309,401  | 2,199,295  |
| 2013   | 20              | 1,287,062                    | 1,191,148  |            |
| 2014   | 55              | 3,269,341                    |            |            |
| All Facilities Owned as of December 31, 2014 | 421             | 25,600,000                   | 21,578,797 | 19,193,807 |

**Facilities by Year Acquired - Total Revenues (dollars in thousands)**

| Year Acquired (1) | # of Facilities | Total Revenues |            |            |
|-------------------|-----------------|----------------|------------|------------|
|                   |                 | 2014           | 2013       | 2012       |
| 2011 and earlier  | 309             | \$ 276,405     | \$ 257,919 | \$ 239,331 |
| 2012              | 37              | 47,429         | 43,926     | 19,028     |
| 2013              | 20              | 20,070         | 7,048      |            |
| 2014              | 55              | 21,611         |            |            |

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|   |     |    |         |    |         |    |         |
|---|-----|----|---------|----|---------|----|---------|
| All Facilities Owned as of<br>December 31, 2014 | 421 | \$ | 365,515 | \$ | 308,893 | \$ | 258,359 |
|---|-----|----|---------|----|---------|----|---------|

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- (1) Represents the year acquired for those facilities we acquired from a third party or the year developed for those facilities we developed.
- (2) Determined by dividing the aggregate rental revenue for each twelve-month period by the average of the month-end occupied square feet for the period. Rental revenue includes the impact of promotional discounts, which reduce rental income over the promotional period, of \$15.7 million, \$15.7 million and \$15.0 million, for the periods ended December 31, 2014, 2013 and 2012.
- (3) Represents the average of the aggregate month-end occupied square feet for the twelve-month period for each group of facilities.



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**Unconsolidated Real Estate Venture**

On December 10, 2013, we acquired a 50% ownership interest in an unconsolidated real estate venture, which we refer to as HHF, that owns 35 self-storage facilities located in Texas (34) and North Carolina (1). These facilities contain an aggregate of 2.4 million rentable square feet. The joint venture paid \$315.7 million for these facilities. We and our joint venture partner each contributed 50% of the equity capital to fund the acquisition. On May 1, 2014, HHF obtained a \$100 million loan secured by the 34 self-storage facilities located in Texas. The loan bears interest at 3.59% per annum and matures on April 30, 2021. This financing completed the planned capital structure of HHF and proceeds (net of closing costs) of \$99.2 million were distributed proportionately to the partners. We account for our investment in the HHF joint venture using the equity method. See note 5 to the consolidated financial statements.

**Planned Renovations and Improvements**

We have a capital improvement program that includes office upgrades, adding climate control to selected cubes, construction of parking areas and other facility upgrades. For 2015, we anticipate spending approximately \$7 million to \$11 million associated with these capital expenditures.

**ITEM 3. LEGAL PROCEEDINGS**

We are involved in claims from time to time, which arise in the ordinary course of business. In the opinion of management, we have made adequate provisions for potential liabilities, if any, arising from any such matters. However, litigation is inherently unpredictable, and the costs and other effects of pending or future litigation, governmental investigations, legal and administrative cases and proceedings (whether civil or criminal), settlements, judgments and investigations, claims and changes in any such matters, could have a material adverse effect on our business, financial condition and operating results.

**ITEM 4. MINING SAFETY DISCLOSURES**

Not applicable.

Table of Contents**PART II****ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED SHAREHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES**

As of December 31, 2014, there were approximately 65 registered record holders of the Parent Company's common shares and 11 holders (other than the Parent Company) of the Operating Partnership's common units. These figures do not include common shares held by brokers and other institutions on behalf of shareholders. There is no established trading market for units of the Operating Partnership. The following table shows the high and low closing prices per common share, as reported by the New York Stock Exchange, and the cash dividends declared with respect to such shares:

|                | High     | Low      | Cash Dividends<br>Declared per<br>Share |
|----------------|----------|----------|---|
| <b>2013</b>    |          |          |   |
| First quarter  | \$ 15.92 | \$ 14.24 | \$ 0.11                                 |
| Second quarter | \$ 17.57 | \$ 15.48 | \$ 0.11                                 |
| Third quarter  | \$ 17.96 | \$ 15.94 | \$ 0.11                                 |
| Fourth quarter | \$ 19.48 | \$ 15.12 | \$ 0.13                                 |
| <b>2014</b>    |          |          |   |
| First quarter  | \$ 17.98 | \$ 15.63 | \$ 0.13                                 |
| Second quarter | \$ 18.78 | \$ 17.60 | \$ 0.13                                 |
| Third quarter  | \$ 19.10 | \$ 17.81 | \$ 0.13                                 |
| Fourth quarter | \$ 22.92 | \$ 18.01 | \$ 0.16                                 |

For each quarter in 2013 and 2014, the Operating Partnership paid a cash distribution per unit in an amount equal to the dividend paid on a common share for each such quarter.

Since our initial quarter as a publicly-traded REIT, we have made regular quarterly distributions to our shareholders. Distributions to shareholders are usually taxable as ordinary income, although a portion of the distribution may be designated as capital gain or may constitute a tax-free return of capital. Annually, we provide each of the Parent Company's common shareholders a statement detailing the tax characterization of dividends paid during the preceding year as ordinary income, capital gain or return of capital. The characterization of the Parent Company's dividends for 2014 consisted of a 94.143% ordinary income distribution and a 5.857% capital gain distribution from earnings and profits.

Distributions to 7.75% Series A Cumulative Redeemable Preferred Shareholders are usually taxable as ordinary income, although a portion of the distribution may be designated as capital gain or may constitute a tax-free return of capital. Annually, we provide each of the Parent Company's preferred shareholders a statement detailing preferred distributions paid during the preceding year and their characterization as ordinary income, capital gain or return of capital. The characterization of our preferred dividends for 2014 consisted of a 92.837% ordinary income distribution and a 7.163% capital gain distribution from earnings and profits.

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We intend to continue to declare quarterly distributions. However, we cannot provide any assurance as to the amount or timing of future distributions. Under our Credit Facility, we are restricted from paying distributions on the Parent Company's common shares in excess of the greater of (i) 95% of our funds from operations, and (ii) such amount as may be necessary to maintain our REIT status.

To the extent that we make distributions in excess of our earnings and profits, as computed for federal income tax purposes, these distributions will represent a return of capital, rather than a dividend, for federal income tax purposes. Distributions that are treated as a return of capital for federal income tax purposes generally will not be taxable as a dividend to a U.S. shareholder, but will reduce the shareholder's basis in its shares (but not below zero) and therefore can result in the shareholder having a higher gain upon a subsequent sale of such shares. Return of capital distributions in excess of a shareholder's basis generally will be treated as gain from the sale of such shares for federal income tax purposes.

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**Share Performance Graph**

The SEC requires us to present a chart comparing the cumulative total shareholder return, assuming reinvestment of dividends, on our common shares with the cumulative total shareholder return of (i) a broad equity index and (ii) a published industry or peer group index. The following chart compares the yearly cumulative total shareholder return for our common shares with the cumulative shareholder return of companies on (i) the S&P 500 Index, (ii) the Russell 2000 and (iii) the NAREIT All Equity REIT Index as provided by NAREIT for the period beginning December 31, 2009 and ending December 31, 2014.

| Index                        | Period Ending |          |          |          |          |          |
|------------------------------|---------------|----------|----------|----------|----------|----------|
|                              | 12/31/09      | 12/31/10 | 12/31/11 | 12/31/12 | 12/31/13 | 12/31/14 |
| CubeSmart                    | 100.00        | 131.90   | 151.63   | 215.03   | 241.93   | 344.85   |
| S&P 500                      | 100.00        | 115.06   | 117.49   | 136.30   | 180.44   | 205.14   |
| Russell 2000                 | 100.00        | 126.86   | 121.56   | 141.43   | 196.34   | 205.95   |
| NAREIT All Equity REIT Index | 100.00        | 127.95   | 138.55   | 165.84   | 170.58   | 218.38   |

On September 27, 2007, the Parent Company announced that the Board of Trustees approved a share repurchase program for up to 3.0 million of the Parent Company's outstanding common shares. Unless terminated earlier by resolution of the Board of Trustees, the program will expire

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when the number of authorized shares has been repurchased. The Parent Company has made no repurchases under this program to date and there were no other repurchases of the Parent Company's common shares during the year ended December 31, 2014.

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**ITEM 6. *SELECTED FINANCIAL DATA***

**CUBESMART**

The following table sets forth selected financial and operating data on a historical consolidated basis for the Parent Company. The selected historical financial data as of and for the five-year period ended December 31, 2014 are derived from the Parent Company's consolidated financial statements, which have been audited by KPMG LLP, an independent registered public accounting firm. The consolidated financial statements as of December 31, 2014 and 2013, and for each of the years in the three-year period ended December 31, 2014, and the report thereon, are included herein. The information presented below under the caption "Selected Operating Data" is not derived from the financial statements.

The following data should be read in conjunction with the audited financial statements and notes thereto of the Parent Company and Management's Discussion and Analysis of Financial Condition and Results of Operations included elsewhere in this Report.

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|  | For the year ended December 31,       |            |            |            |            |
|--|---------------------------------------|------------|------------|------------|------------|
|  | 2014                                  | 2013       | 2012       | 2011       | 2010       |
|  | (in thousands, except per share data) |            |            |            |            |
| <b>REVENUES</b>  |                                       |            |            |            |            |
| Rental income  | \$ 330,898                            | \$ 281,250 | \$ 236,160 | \$ 188,249 | \$ 165,631 |
| Other property related income  | 40,065                                | 32,365     | 25,821     | 18,987     | 15,697     |
| Property management fee income   | 6,000                                 | 4,780      | 4,341      | 3,768      | 2,829      |
| Total revenues   | 376,963                               | 318,395    | 266,322    | 211,004    | 184,157    |
| <b>OPERATING EXPENSES</b>  |                                       |            |            |            |            |
| Property operating expenses  | 132,701                               | 118,222    | 103,488    | 87,570     | 78,581     |
| Depreciation and amortization  | 126,813                               | 112,313    | 109,830    | 61,972     | 53,410     |
| General and administrative   | 28,422                                | 29,563     | 26,131     | 24,693     | 25,406     |
| Acquisition related costs  | 7,484                                 | 3,849      | 3,086      | 3,823      | 759        |
| Total operating expenses   | 295,420                               | 263,947    | 242,535    | 178,058    | 158,156    |
| <b>OPERATING INCOME</b>  | 81,543                                | 54,448     | 23,787     | 32,946     | 26,001     |
| <b>OTHER (EXPENSE) INCOME</b>  |                                       |            |            |            |            |
| Interest:  |                                       |            |            |            |            |
| Interest expense on loans  | (46,802)                              | (40,424)   | (40,318)   | (32,787)   | (37,367)   |
| Loan procurement amortization expense  | (2,190)                               | (2,058)    | (3,279)    | (5,028)    | (6,463)    |
| Loan procurement amortization expense - early repayment of debt                                |                                       | (414)      |            | (8,167)    |            |
| Equity in losses of real estate ventures   | (6,255)                               | (1,151)    | (745)      | (281)      |            |
| Gain from remeasurement of investment in real estate venture                                   |                                       |            | 7,023      |            |            |
| Gain from sale of real estate  | 475                                   |            |            |            |            |
| Other  | (405)                                 | 8          | 256        | (83)       | 386        |
| Total other expense  | (55,177)                              | (44,039)   | (37,063)   | (46,346)   | (43,444)   |
| <b>INCOME (LOSS) FROM CONTINUING OPERATIONS</b>  | 26,366                                | 10,409     | (13,276)   | (13,400)   | (17,443)   |
| <b>DISCONTINUED OPERATIONS</b>   |                                       |            |            |            |            |
| Income from discontinued operations  | 336                                   | 4,145      | 7,093      | 11,944     | 9,598      |
| Gain from disposition of discontinued operations   |                                       | 27,440     | 9,811      | 3,903      | 1,826      |
| Total discontinued operations  | 336                                   | 31,585     | 16,904     | 15,847     | 11,424     |
| <b>NET INCOME (LOSS)</b>   | 26,702                                | 41,994     | 3,628      | 2,447      | (6,019)    |
| <b>NET (INCOME) LOSS ATTRIBUTABLE TO NONCONTROLLING INTERESTS</b>                              |                                       |            |            |            |            |
| Noncontrolling interests in the Operating Partnership  | (307)                                 | (588)      | 107        | (35)       | 381        |
| Noncontrolling interest in subsidiaries  | (16)                                  | 42         | (1,918)    | (2,810)    | (1,755)    |
| <b>NET INCOME (LOSS) ATTRIBUTABLE TO THE COMPANY</b>   | 26,379                                | 41,448     | 1,817      | (398)      | (7,393)    |
| Distribution to preferred shareholders   | (6,008)                               | (6,008)    | (6,008)    | (1,218)    |            |
| <b>NET INCOME (LOSS) ATTRIBUTABLE TO THE COMPANY'S COMMON SHAREHOLDERS</b>                     | \$ 20,371                             | \$ 35,440  | \$ (4,191) | \$ (1,616) | \$ (7,393) |
| Basic earnings (loss) per share from continuing operations attributable to common shareholders |                                       |            |            |            |            |
|  | \$ 0.13                               | \$ 0.03    | \$ (0.17)  | \$ (0.16)  | \$ (0.19)  |
| Basic earnings per share from discontinued operations attributable to common shareholders      |                                       |            |            |            |            |
|  | \$ 0.01                               | \$ 0.23    | \$ 0.14    | \$ 0.14    | \$ 0.11    |
|  | \$ 0.14                               | \$ 0.26    | \$ (0.03)  | \$ (0.02)  | \$ (0.08)  |

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|  |    |         |    |         |             |             |             |
|--|----|---------|----|---------|-------------|-------------|-------------|
| Basic earnings (loss) per share attributable to common shareholders                              |    |         |    |         |             |             |             |
| Diluted earnings (loss) per share from continuing operations attributable to common shareholders | \$ | 0.13    | \$ | 0.03    | \$ (0.17)   | \$ (0.16)   | \$ (0.19)   |
| Diluted earnings per share from discontinued operations attributable to common shareholders      | \$ | 0.01    | \$ | 0.23    | \$ 0.14     | \$ 0.14     | \$ 0.11     |
| Diluted earnings (loss) per share attributable to common shareholders                            | \$ | 0.14    | \$ | 0.26    | \$ (0.03)   | \$ (0.02)   | \$ (0.08)   |
| Weighted-average basic shares outstanding (1)  |    |         |    |         |             |             |             |
|  |    | 149,107 |    | 135,191 |             | 124,548     | 102,976     |
| Weighted-average diluted shares outstanding (1)  |    |         |    |         |             |             |             |
|  |    | 150,863 |    | 137,742 |             | 124,548     | 102,976     |
| <b>AMOUNTS ATTRIBUTABLE TO THE COMPANY'S COMMON SHAREHOLDERS:</b>                                |    |         |    |         |             |             |             |
| Income (loss) from continuing operations   | \$ | 20,040  | \$ | 4,392   | \$ (20,689) | \$ (16,734) | \$ (18,223) |
| Total discontinued operations  |    | 331     |    | 31,048  |             | 16,498      | 15,118      |
| Net income (loss)  | \$ | 20,371  | \$ | 35,440  | \$ (4,191)  | \$ (1,616)  | \$ (7,393)  |



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|   | 2014         | 2013         | At December 31,<br>2012 | 2011         | 2010         |
|---|--------------|--------------|-------------------------|--------------|--------------|
| <b>Balance Sheet Data (in thousands):</b>             |              |              |                         |              |              |
| Storage facilities, net                               | \$ 2,625,129 | \$ 2,155,170 | \$ 2,089,707            | \$ 1,788,720 | \$ 1,428,491 |
| Total assets  | 2,786,339    | 2,358,624    | 2,150,319               | 1,875,979    | 1,478,819    |
| Unsecured senior notes                                | 500,000      | 500,000      | 250,000                 |              |              |
| Revolving credit facility                             | 78,000       | 38,600       | 45,000                  |              | 43,000       |
| Unsecured term loans                                  | 400,000      | 400,000      | 500,000                 | 400,000      | 200,000      |
| Mortgage loans and notes payable                      | 195,851      | 200,218      | 228,759                 | 358,441      | 372,457      |
| Total liabilities                                     | 1,286,898    | 1,229,142    | 1,112,420               | 830,925      | 668,266      |
| Noncontrolling interests in the Operating Partnership | 49,823       | 36,275       | 47,990                  | 49,732       | 45,145       |
| Total CubeSmart shareholders equity                   | 1,448,026    | 1,092,276    | 989,791                 | 955,913      | 724,216      |
| Noncontrolling interests in subsidiaries              | 1,592        | 931          | 118                     | 39,409       | 41,192       |
| Total liabilities and equity                          | 2,786,339    | 2,358,624    | 2,150,319               | 1,875,979    | 1,478,819    |
| <b>Other Data:</b>                                    |              |              |                         |              |              |
| Number of facilities                                  | 421          | 366          | 381                     | 370          | 363          |
| Total rentable square feet (in thousands)             | 28,622       | 24,662       | 25,485                  | 24,420       | 23,635       |
| Occupancy percentage                                  | 89.1%        | 88.3%        | 84.4%                   | 78.4%        | 76.3%        |
| Cash dividends declared per share (2)                 | \$ 0.550     | \$ 0.460     | \$ 0.350                | \$ 0.290     | \$ 0.145     |

(1) OP units have been excluded from the earnings per share calculations as the related income or loss is presented in noncontrolling interests in the Operating Partnership.

(2) We announced full quarterly dividends of \$0.025 per common share on February 24, 2010, June 2, 2010, and August 4, 2010; dividends of \$0.070 per common share on December 14, 2010, February 23, 2011, June 1, 2011, and August 3, 2011; dividends of \$0.080 and \$0.393 per common and preferred shares, respectively, on December 8, 2011; dividends of \$0.080 and \$0.484 per common and preferred shares, respectively, on February 21, 2012, May 30, 2012 and August 1, 2012; dividends of \$0.110 and \$0.484 per common and preferred shares, respectively, on December 10, 2012, February 21, 2013, May 29, 2013, and August 7, 2013; dividends of \$0.130 and \$0.484 per common and preferred shares, respectively, on December 19, 2013, February 25, 2014, May 28, 2014, and August 5, 2014, and dividends of \$0.160 and \$0.484 per common and preferred shares, respectively, on December 16, 2014.

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

The following table sets forth selected financial and operating data on a historical consolidated basis for the Operating Partnership. The selected historical financial data as of and for the five-year period ended December 31, 2014 are derived from the Operating Partnership's consolidated financial statements, which have been audited by KPMG LLP, an independent registered public accounting firm. The consolidated financial statements as of December 31, 2014 and 2013, and for each of the years in the three-year period ended December 31, 2014, and the report thereon, are included herein. The information presented below under the caption "Selected Operating Data" is not derived from the financial statements.

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The following data should be read in conjunction with the audited financial statements and notes thereto of the Operating Partnership and Management's Discussion and Analysis of Financial Condition and Results of Operations included elsewhere in this Report.

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|  | For the year ended December 31,      |            |            |            |            |
|--|--------------------------------------|------------|------------|------------|------------|
|  | 2014                                 | 2013       | 2012       | 2011       | 2010       |
|  | (in thousands, except per unit data) |            |            |            |            |
| <b>REVENUES</b>  |                                      |            |            |            |            |
| Rental income  | \$ 330,898                           | \$ 281,250 | \$ 236,160 | \$ 188,249 | \$ 165,631 |
| Other property related income  | 40,065                               | 32,365     | 25,821     | 18,987     | 15,697     |
| Property management fee income   | 6,000                                | 4,780      | 4,341      | 3,768      | 2,829      |
| Total revenues   | 376,963                              | 318,395    | 266,322    | 211,004    | 184,157    |
| <b>OPERATING EXPENSES</b>  |                                      |            |            |            |            |
| Property operating expenses  | 132,701                              | 118,222    | 103,488    | 87,570     | 78,581     |
| Depreciation and amortization  | 126,813                              | 112,313    | 109,830    | 61,972     | 53,410     |
| General and administrative   | 28,422                               | 29,563     | 26,131     | 24,693     | 25,406     |
| Acquisition related costs  | 7,484                                | 3,849      | 3,086      | 3,823      | 759        |
| Total operating expenses   | 295,420                              | 263,947    | 242,535    | 178,058    | 158,156    |
| <b>OPERATING INCOME</b>  | 81,543                               | 54,448     | 23,787     | 32,946     | 26,001     |
| <b>OTHER (EXPENSE) INCOME</b>  |                                      |            |            |            |            |
| Interest:  |                                      |            |            |            |            |
| Interest expense on loans  | (46,802)                             | (40,424)   | (40,318)   | (32,787)   | (37,367)   |
| Loan procurement amortization expense  | (2,190)                              | (2,058)    | (3,279)    | (5,028)    | (6,463)    |
| Loan procurement amortization expense - early repayment of debt                              |                                      | (414)      |            | (8,167)    |            |
| Equity in losses of real estate ventures   | (6,255)                              | (1,151)    | (745)      | (281)      |            |
| Gain from remeasurement of investment in real estate venture                                 |                                      |            | 7,023      |            |            |
| Gain from sale of real estate  | 475                                  |            |            |            |            |
| Other  | (405)                                | 8          | 256        | (83)       | 386        |
| Total other expense  | (55,177)                             | (44,039)   | (37,063)   | (46,346)   | (43,444)   |
| <b>INCOME (LOSS) FROM CONTINUING OPERATIONS</b>  | 26,366                               | 10,409     | (13,276)   | (13,400)   | (17,443)   |
| <b>DISCONTINUED OPERATIONS</b>   |                                      |            |            |            |            |
| Income from discontinued operations  | 336                                  | 4,145      | 7,093      | 11,944     | 9,598      |
| Gain from disposition of discontinued operations   |                                      | 27,440     | 9,811      | 3,903      | 1,826      |
| Total discontinued operations  | 336                                  | 31,585     | 16,904     | 15,847     | 11,424     |
| <b>NET INCOME (LOSS)</b>   | 26,702                               | 41,994     | 3,628      | 2,447      | (6,019)    |
| <b>NET (INCOME) LOSS ATTRIBUTABLE TO NONCONTROLLING INTERESTS</b>                            |                                      |            |            |            |            |
| Noncontrolling interest in subsidiaries  | (16)                                 | 42         | (1,918)    | (2,810)    | (1,755)    |
| <b>NET INCOME (LOSS) ATTRIBUTABLE TO CUBESMART L.P.</b>                                      |                                      |            |            |            |            |
| Operating Partnership interests of third parties   | 26,686                               | 42,036     | 1,710      | (363)      | (7,774)    |
|  | (307)                                | (588)      | 107        | (35)       | 381        |
| <b>NET INCOME (LOSS) ATTRIBUTABLE TO OPERATING PARTNER</b>                                   |                                      |            |            |            |            |
| Distribution to preferred unitholders  | 26,379                               | 41,448     | 1,817      | (398)      | (7,393)    |
|  | (6,008)                              | (6,008)    | (6,008)    | (1,218)    |            |
| <b>NET INCOME (LOSS) ATTRIBUTABLE TO COMMON UNITHOLDERS</b>                                  |                                      |            |            |            |            |
|  | \$ 20,371                            | \$ 35,440  | \$ (4,191) | \$ (1,616) | \$ (7,393) |
| Basic earnings (loss) per unit from continuing operations attributable to common unitholders |                                      |            |            |            |            |
|  | \$ 0.13                              | \$ 0.03    | \$ (0.17)  | \$ (0.16)  | \$ (0.19)  |
| Basic earnings per unit from discontinued operations attributable to common                  |                                      |            |            |            |            |
|  | \$ 0.01                              | \$ 0.23    | \$ 0.14    | \$ 0.14    | \$ 0.11    |

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|  |    |         |    |         |    |          |    |          |    |          |
|--|----|---------|----|---------|----|----------|----|----------|----|----------|
| unitholders  |    |         |    |         |    |          |    |          |    |          |
| Basic earnings (loss) per unit attributable to common unitholders                              | \$ | 0.14    | \$ | 0.26    | \$ | (0.03)   | \$ | (0.02)   | \$ | (0.08)   |
| Diluted earnings (loss) per unit from continuing operations attributable to common unitholders | \$ | 0.13    | \$ | 0.03    | \$ | (0.17)   | \$ | (0.16)   | \$ | (0.19)   |
| Diluted earnings per unit from discontinued operations attributable to common unitholders      | \$ | 0.01    | \$ | 0.23    | \$ | 0.14     | \$ | 0.14     | \$ | 0.11     |
| Diluted earnings (loss) per unit attributable to common unitholders                            | \$ | 0.14    | \$ | 0.26    | \$ | (0.03)   | \$ | (0.02)   | \$ | (0.08)   |
| Weighted-average basic units outstanding (1)   |    | 149,107 |    | 135,191 |    | 124,548  |    | 102,976  |    | 93,998   |
| Weighted-average diluted units outstanding (1)   |    | 150,863 |    | 137,742 |    | 124,548  |    | 102,976  |    | 93,998   |
| <b>AMOUNTS ATTRIBUTABLE TO COMMON UNITHOLDERS:</b>   |    |         |    |         |    |          |    |          |    |          |
| Income (loss) from continuing operations   | \$ | 20,040  | \$ | 4,392   | \$ | (20,689) | \$ | (16,734) | \$ | (18,223) |
| Total discontinued operations  |    | 331     |    | 31,048  |    | 16,498   |    | 15,118   |    | 10,830   |
| Net income (loss)  | \$ | 20,371  | \$ | 35,440  | \$ | (4,191)  | \$ | (1,616)  | \$ | (7,393)  |

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|  | 2014         | 2013         | At December 31,<br>2012 | 2011         | 2010         |
|--|--------------|--------------|-------------------------|--------------|--------------|
| <b>Balance Sheet Data (in thousands):</b>        |              |              |                         |              |              |
| Storage facilities, net                          | \$ 2,625,129 | \$ 2,155,170 | \$ 2,089,707            | \$ 1,788,720 | \$ 1,428,491 |
| Total assets                                     | 2,786,339    | 2,358,624    | 2,150,319               | 1,875,979    | 1,478,819    |
| Unsecured senior notes                           | 500,000      | 500,000      | 250,000                 |              |              |
| Revolving credit facility                        | 78,000       | 38,600       | 45,000                  |              | 43,000       |
| Unsecured term loans                             | 400,000      | 400,000      | 500,000                 | 400,000      | 200,000      |
| Mortgage loans and notes payable                 | 195,851      | 200,218      | 228,759                 | 358,441      | 372,457      |
| Total liabilities                                | 1,286,898    | 1,229,142    | 1,112,420               | 830,925      | 668,266      |
| Operating Partnership interests of third parties | 49,823       | 36,275       | 47,990                  | 49,732       | 45,145       |
| Total CubeSmart L.P. Capital                     | 1,448,026    | 1,092,276    | 989,791                 | 955,913      | 724,216      |
| Noncontrolling interests in subsidiaries         | 1,592        | 931          | 118                     | 39,409       | 41,192       |
| Total liabilities and capital                    | 2,786,339    | 2,358,624    | 2,150,319               | 1,875,979    | 1,478,819    |
| <b>Other Data:</b>                               |              |              |                         |              |              |
| Number of facilities                             | 421          | 366          | 381                     | 370          | 363          |
| Total rentable square feet (in thousands)        | 28,620       | 24,662       | 25,485                  | 24,420       | 23,635       |
| Occupancy percentage                             | 89.1%        | 88.3%        | 84.4%                   | 78.4%        | 76.3%        |
| Cash dividends declared per unit (2)             | \$ 0.550     | \$ 0.460     | \$ 0.350                | \$ 0.290     | \$ 0.145     |

(1) OP units have been excluded from the earnings per unit calculations as the related income or loss is presented in Operating Partnership interest of third parties.

(2) We announced full quarterly dividends of \$0.025 per common unit on February 24, 2010, June 2, 2010, and August 4, 2010; dividends of \$0.070 per common unit on December 14, 2010, February 23, 2011, June 1, 2011, and August 3, 2011; dividends of \$0.080 and \$0.393 per common and preferred units, respectively, on December 8, 2011; dividends of \$0.080 and \$0.484 per common and preferred units, respectively, on February 21, 2012, May 30, 2012 and August 1, 2012; dividends of \$0.110 and \$0.484 per common and preferred units, respectively, on December 10, 2012, February 21, 2013, May 29, 2013, and August 7, 2013; dividends of \$0.130 and \$0.484 per common and preferred units, respectively, on December 19, 2013, February 25, 2014, May 28, 2014, and August 5, 2014, and dividends of \$0.160 and \$0.484 per common and preferred units, respectively, on December 16, 2014.

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**ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

*The following discussion should be read in conjunction with the financial statements and notes thereto appearing elsewhere in this Report. Some of the statements we make in this section are forward-looking statements within the meaning of the federal securities laws. For a complete discussion of forward-looking statements, see the section in this Report entitled "Forward-Looking Statements." Certain risk factors may cause actual results, performance or achievements to differ materially from those expressed or implied by the following discussion. For a discussion of such risk factors, see the section in this Report entitled "Risk Factors."*

**Overview**

We are an integrated self-storage real estate company, and as such we have in-house capabilities in the operation, design, development, leasing, management and acquisition of self-storage facilities. The Parent Company's operations are conducted solely through the Operating Partnership and its subsidiaries. The Parent Company has elected to be taxed as a REIT for U.S. federal income tax purposes. As of December 31, 2014 and December 31, 2013, we owned 421 and 366 self-storage facilities, respectively, totaling approximately 28.6 million and 24.7 million rentable square feet, respectively. As of December 31, 2014, we owned facilities in the District of Columbia and the following 22 states: Arizona, California, Colorado, Connecticut, Florida, Georgia, Illinois, Indiana, Maryland, Massachusetts, Nevada, New Jersey, New Mexico, New York, North Carolina, Ohio, Pennsylvania, Rhode Island, Tennessee, Texas, Utah and Virginia. In addition, as of December 31, 2014, we managed 174 facilities for third parties (including 35 facilities containing an aggregate of approximately 2.4 million rentable square feet as part of an unconsolidated real estate venture) bringing the total number of facilities we owned and/or managed to 595. As of December 31, 2014, we managed facilities for third parties in the following 21 states: Alabama, Arizona, California, Colorado, Florida, Georgia, Illinois, Louisiana, Maryland, Massachusetts, Michigan, Minnesota, Mississippi, New Jersey, New York, North Carolina, Pennsylvania, South Carolina, Tennessee, Texas and Virginia.

We derive revenues principally from rents received from customers who rent cubes at our self-storage facilities under month-to-month leases. Therefore, our operating results depend materially on our ability to retain our existing customers and lease our available self-storage cubes to new customers while maintaining and, where possible, increasing our pricing levels. In addition, our operating results depend on the ability of our customers to make required rental payments to us. Our approach to the management and operation of our facilities combines centralized marketing, revenue management and other operational support with local operations teams that provide market-level oversight and control. We believe this approach allows us to respond quickly and effectively to changes in local market conditions, and to maximize revenues by managing rental rates and occupancy levels.

We typically experience seasonal fluctuations in the occupancy levels of our facilities, which are generally slightly higher during the summer months due to increased moving activity.

Our results of operations may be sensitive to changes in overall economic conditions that impact consumer spending, including discretionary spending, as well as to increased bad debts due to recessionary pressures. Adverse economic conditions affecting disposable consumer income, such as employment levels, business conditions, interest rates, tax rates, fuel and energy costs, and other matters could reduce consumer spending or cause consumers to shift their spending to other products and services. A general reduction in the level of discretionary spending or shifts in consumer discretionary spending could adversely affect our growth and profitability.

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We continue our focus on maximizing internal growth opportunities and selectively pursuing targeted acquisitions and developments of self-storage facilities.

We have one reportable segment: we own, operate, develop, manage and acquire self-storage facilities.

Our self-storage facilities are located in major metropolitan and suburban areas and have numerous customers per facility. No single customer represents a significant concentration of our revenues. Our facilities in Florida, New York, Texas, and California provided approximately 17%, 17%, 10% and 8%, respectively, of total revenues for the year ended December 31, 2014.

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**Summary of Critical Accounting Policies and Estimates**

Set forth below is a summary of the accounting policies and estimates that management believes are critical to the preparation of the consolidated financial statements included in this Report. Certain of the accounting policies used in the preparation of these consolidated financial statements are particularly important for an understanding of the financial position and results of operations presented in the historical consolidated financial statements included in this Report. A summary of significant accounting policies is also provided in the notes to our consolidated financial statements (see note 2 to the consolidated financial statements). These policies require the application of judgment and assumptions by management and, as a result, are subject to a degree of uncertainty. Due to this uncertainty, actual results could differ materially from estimates calculated and utilized by management.

***Basis of Presentation***

The accompanying consolidated financial statements include all of the accounts of the Company, and its majority-owned and/or controlled subsidiaries. The portion of these entities not owned by the Company is presented as noncontrolling interests as of and during the periods presented. All significant intercompany accounts and transactions have been eliminated in consolidation.

When the Company obtains an economic interest in an entity, the Company evaluates the entity to determine if the entity is deemed a variable interest entity ( VIE ), and if the Company is deemed to be the primary beneficiary, in accordance with authoritative guidance issued by the Financial Accounting Standards Board ( FASB ) on the consolidation of VIEs. When an entity is not deemed to be a VIE, the Company considers the provisions of additional FASB guidance to determine whether a general partner, or the general partners as a group, controls a limited partnership or similar entity when the limited partners have certain rights. The Company consolidates (i) entities that are VIEs and of which the Company is deemed to be the primary beneficiary and (ii) entities that are non-VIEs which the Company controls and in which the limited partners do not have substantive participating rights, or the ability to dissolve the entity or remove the Company without cause.

***Self-Storage Facilities***

The Company records self-storage facilities at cost less accumulated depreciation. Depreciation on the buildings and equipment is recorded on a straight-line basis over their estimated useful lives, which range from five to 39 years. Expenditures for significant renovations or improvements that extend the useful life of assets are capitalized. Repairs and maintenance costs are expensed as incurred.

When facilities are acquired, the purchase price is allocated to the tangible and intangible assets acquired and liabilities assumed based on estimated fair values. When a portfolio of facilities is acquired, the purchase price is allocated to the individual facilities based upon an income approach or a cash flow analysis using appropriate risk adjusted capitalization rates, which take into account the relative size, age and location of the individual facility along with current and projected occupancy and rental rate levels or appraised values, if available. Allocations to the individual assets and liabilities are based upon comparable market sales information for land, buildings and improvements and estimates of depreciated replacement cost of equipment.



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In allocating the purchase price for an acquisition, the Company determines whether the acquisition includes intangible assets or liabilities. The Company allocates a portion of the purchase price to an intangible asset attributable to the value of in-place leases. This intangible asset is generally amortized to expense over the expected remaining term of the respective leases. Substantially all of the leases in place at acquired facilities are at market rates, as the majority of the leases are month-to-month contracts. Accordingly, to date no portion of the purchase price has been allocated to above- or below-market lease intangibles. To date, no intangible asset has been recorded for the value of customer relationships, because the Company does not have any concentrations of significant customers and the average customer turnover is fairly frequent.

Long-lived assets classified as held for use are reviewed for impairment when events and circumstances such as declines in occupancy and operating results indicate that there may be an impairment. The carrying value of these long-lived assets is compared to the undiscounted future net operating cash flows, plus a terminal value, attributable to the assets to determine if the facility's basis is recoverable. If a facility's basis is not considered recoverable, an impairment loss is recorded to the extent the net carrying value of the asset exceeds the fair value. The impairment loss recognized equals the excess of net carrying value over the related fair value of the asset. There were no impairment losses recognized in accordance with these procedures during the years ended December 31, 2014, 2013 and 2012.

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The Company considers long-lived assets to be held for sale upon satisfaction of the following criteria: (a) management commits to a plan to sell a facility (or group of facilities), (b) the facility is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such facilities, (c) an active program to locate a buyer and other actions required to complete the plan to sell the facility have been initiated, (d) the sale of the facility is probable and transfer of the asset is expected to be completed within one year, (e) the facility is being actively marketed for sale at a price that is reasonable in relation to its current fair value, and (f) actions required to complete the plan indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

Typically these criteria are all met when the relevant asset is under contract, significant non-refundable deposits have been made by the potential buyer, the assets are immediately available for transfer and there are no contingencies related to the sale that may prevent the transaction from closing. However, each potential transaction is evaluated based on its separate facts and circumstances. Facilities classified as held for sale are reported at the lesser of carrying value or fair value less estimated costs to sell.

***Revenue Recognition***

Management has determined that all our leases with customers are operating leases. Rental income is recognized in accordance with the terms of the lease agreements or contracts, which generally are month-to-month.

The Company recognizes gains from disposition of facilities only upon closing in accordance with the guidance on sales of real estate. Payments received from purchasers prior to closing are recorded as deposits. Profit on real estate sold is recognized using the full accrual method upon closing when the collectability of the sales price is reasonably assured and the Company is not obligated to perform significant activities after the sale. Profit may be deferred in whole or part until the sale meets the requirements of profit recognition on sales under this guidance.

***Share-Based Payments***

We apply the fair value method of accounting for contingently issued shares and share options issued under our equity incentive plans. The share compensation expense is recorded ratably over the vesting period relating to such contingently issued shares and options. The Company has elected to recognize compensation expense on a straight-line method over the requisite service period.

***Noncontrolling Interests***

Noncontrolling interests are the portion of equity (net assets) in a subsidiary not attributable, directly or indirectly, to a parent. The ownership interests in the subsidiary that are held by owners other than the parent are noncontrolling interests. In accordance with authoritative guidance issued on noncontrolling interests in consolidated financial statements, such noncontrolling interests are reported on the consolidated balance sheets within equity/capital, separately from the Parent Company's equity/capital. The guidance also requires that noncontrolling interests are adjusted each period so that the carrying value equals the greater of its carrying value based on the accumulation of historical cost or its redemption value. On the consolidated statements of operations, revenues, expenses and net income or loss from less-than-wholly-owned

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subsidiaries are reported at the consolidated amounts, including both the amounts attributable to the Parent Company and noncontrolling interests. Presentation of consolidated equity/capital activity is included for both quarterly and annual financial statements, including beginning balances, activity for the period and ending balances for shareholders' equity/capital, noncontrolling interests and total equity/capital.

### *Investments in Unconsolidated Real Estate Ventures*

The Company accounts for its investments in unconsolidated real estate ventures under the equity method of accounting. Under the equity method, investments in unconsolidated joint ventures are recorded initially at cost, as investments in real estate entities, and subsequently adjusted for equity in earnings (losses), cash contributions, less distributions and impairments. On a periodic basis, management also assesses whether there are any indicators that the carrying value of the Company's investments in unconsolidated real estate entities may be other than temporarily impaired. An investment is impaired only if the fair value of the investment, as estimated by management, is less than the carrying value of the investment and the decline is other than temporary. To the extent impairment has occurred, the loss shall be measured as the excess of the carrying amount of the investment over the fair value of the investment, as estimated by management. The determination as to whether impairment exists requires significant management judgment about the fair value of its ownership interest. Fair value is determined through various valuation techniques, including but not limited to, discounted cash flow models, quoted market values and third party appraisals.

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***Income Taxes***

The Parent Company elected to be taxed as a real estate investment trust under Sections 856-860 of the Internal Revenue Code beginning with the period from October 21, 2004 (commencement of operations) through December 31, 2004. In management's opinion, the requirements to maintain these elections are being met. Accordingly, no provision for federal income taxes has been reflected in the consolidated financial statements other than for operations conducted through our taxable REIT subsidiaries.

Earnings and profits, which determine the taxability of distributions to shareholders, differ from net income reported for financial reporting purposes due to differences in cost basis, the estimated useful lives used to compute depreciation, and the allocation of net income and loss for financial versus tax reporting purposes.

The Parent Company is subject to a 4% federal excise tax if sufficient taxable income is not distributed within prescribed time limits. The excise tax equals 4% of the annual amount, if any, by which the sum of (a) 85% of the Parent Company's ordinary income, (b) 95% of the Parent Company's net capital gains, and (c) 100% of prior year taxable income exceeds cash distributions and certain taxes paid by the Parent Company.

***Recent Accounting Pronouncements***

In May 2014, the FASB issued Accounting Standard Update (ASU) No. 2014-09, Revenue from Contracts with Customers, which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The ASU will replace most existing revenue recognition guidance in U.S. GAAP (GAAP) when it becomes effective. The new standard is effective for the Company on January 1, 2017. Early application is not permitted. The standard permits the use of either the retrospective or cumulative effect transition method. The Company has not yet selected a transition method nor has it determined the effect of the standard on its financial statements and related disclosures.

In April 2014, the FASB issued an update to the accounting standard for the reporting of discontinued operations. The update redefines discontinued operations, changing the criteria for determining which disposals can be presented as discontinued operations and modifies related disclosure requirements. This amendment becomes effective for annual periods beginning on or after December 15, 2014, and interim periods beginning on or after December 15, 2015; however, early adoption is permitted. The Company elected to adopt this guidance in 2014 and such adoption did not have a material impact on the Company's consolidated financial position or results of operations. The Company disposed of one asset during the year ended December 31, 2014; however, the disposal did not meet the criteria for discontinued operations under the new guidance.

**Results of Operations**

The following discussion of our results of operations should be read in conjunction with the consolidated financial statements and the accompanying notes thereto. Historical results set forth in the consolidated statements of operations reflect only the existing facilities and should not be taken as indicative of future operations. We consider our same-store portfolio to consist of only those facilities owned and

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operated on a stabilized basis at the beginning and at the end of the applicable years presented. We consider a facility to be stabilized once it has achieved an occupancy rate that we believe, based on our assessment of market-specific data, is representative of similar self-storage assets in the applicable market for a full year measured as of the most recent January 1 and has not been significantly damaged by natural disaster or undergone significant renovation. We believe that same-store results are useful to investors in evaluating our performance because they provide information relating to changes in facility-level operating performance without taking into account the effects of acquisitions, developments or dispositions. At December 31, 2014, we owned 346 same-store facilities and 75 non-same-store facilities. All of the non-same-store facilities were 2013 and 2014 acquisitions or developed facilities. For analytical presentation, all percentages are calculated using the numbers presented in the financial statements contained in this Report.

The comparability of our results of operations is affected by the timing of acquisition and disposition activities during the periods reported. At December 31, 2014, 2013 and 2012, we owned 421, 366 and 381 self-storage facilities and related assets, respectively.

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The following table summarizes the change in number of owned self-storage facilities from January 1, 2012 through December 31, 2014:

|                        | 2014 | 2013 | 2012 |
|------------------------|------|------|------|
| Balance - January 1    | 366  | 381  | 370  |
| Facilities acquired    | 10   | 1    | 6    |
| Facilities developed   | 2    |      |      |
| Facilities sold        |      | (5)  |      |
| Balance - March 31     | 378  | 377  | 376  |
| Facilities acquired    | 9    | 9    | 2    |
| Facilities sold        |      |      | (8)  |
| Balance - June 30      | 387  | 386  | 370  |
| Facilities acquired    | 3    | 4    | 24   |
| Facilities sold        |      | (8)  | (7)  |
| Balance - September 30 | 390  | 382  | 387  |
| Facilities acquired    | 31   | 6    | 5    |
| Facilities sold        |      | (22) | (11) |
| Balance - December 31  | 421  | 366  | 381  |

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**Comparison of the Year Ended December 31, 2014 to the Year Ended December 31, 2013 (dollars in thousands)**

|   | Same-Store Property Portfolio |                |                      |             | Non Same-Store Properties |              | Other/ Eliminations |                | Total Portfolio |                 |                      |               |
|---|-------------------------------|----------------|----------------------|-------------|---------------------------|--------------|---------------------|----------------|-----------------|-----------------|----------------------|---------------|
|   | 2014                          | 2013           | Increase/ (Decrease) | % Change    | 2014                      | 2013         | 2014                | 2013           | 2014            | 2013            | Increase/ (Decrease) | % Change      |
| <b>REVENUES:</b>  |                               |                |                      |             |                           |              |                     |                |                 |                 |                      |               |
| Rental income   | \$ 291,767                    | \$ 273,105     | \$ 18,662            | 6.8%        | \$ 39,131                 | \$ 8,145     | \$ -                | \$ -           | \$ 330,898      | \$ 281,250      | \$ 49,648            | 17.7%         |
| Other property related income                                   | 32,111                        | 28,977         | 3,134                | 10.8%       | 5,098                     | 796          | 2,856               | 2,592          | 40,065          | 32,365          | 7,700                | 23.8%         |
| Property management fee income                                  |                               |                |                      |             |                           |              | 6,000               | 4,780          | 6,000           | 4,780           | 1,220                | 25.5%         |
| <b>Total revenues</b>   | <b>323,878</b>                | <b>302,082</b> | <b>21,796</b>        | <b>7.2%</b> | <b>44,229</b>             | <b>8,941</b> | <b>8,856</b>        | <b>7,372</b>   | <b>376,963</b>  | <b>318,395</b>  | <b>58,568</b>        | <b>18.4%</b>  |
| <b>OPERATING EXPENSES:</b>                                      |                               |                |                      |             |                           |              |                     |                |                 |                 |                      |               |
| Property operating expenses                                     | 102,142                       | 99,681         | 2,461                | 2.5%        | 15,243                    | 4,237        | 15,316              | 4,304          | 132,701         | 118,222         | 14,479               | 12.2%         |
| <b>NET OPERATING INCOME:</b>                                    | <b>221,736</b>                | <b>202,401</b> | <b>19,335</b>        | <b>9.6%</b> | <b>28,986</b>             | <b>4,704</b> | <b>(6,460)</b>      | <b>(6,932)</b> | <b>244,262</b>  | <b>200,173</b>  | <b>44,089</b>        | <b>22.0%</b>  |
| Property count  | 346                           | 346            |                      |             | 75                        | 20           |                     |                | 421             | 366             |                      |               |
| Total square footage  | 23,175                        | 23,175         |                      |             | 5,447                     | 1,475        |                     |                | 28,622          | 24,650          |                      |               |
| Period End Occupancy (1)  | 90.0%                         | 88.8%          |                      |             | 85.1%                     | 80.7%        |                     |                | 89.1%           | 88.3%           |                      |               |
| Period Average Occupancy (2)                                    | 90.8%                         | 88.2%          |                      |             |                           |              |                     |                |                 |                 |                      |               |
| Realized annual rent per occupied sq ft (3)                     | \$ 13.86                      | \$ 13.35       |                      |             |                           |              |                     |                |                 |                 |                      |               |
| Depreciation and amortization                                   |                               |                |                      |             |                           |              |                     |                | 126,813         | 112,313         | 14,500               | 12.9%         |
| General and administrative                                      |                               |                |                      |             |                           |              |                     |                | 28,422          | 29,563          | (1,141)              | -3.9%         |
| Acquisition related costs                                       |                               |                |                      |             |                           |              |                     |                | 7,484           | 3,849           | 3,635                | 94.4%         |
| Subtotal  |                               |                |                      |             |                           |              |                     |                | 162,719         | 145,725         | 16,994               | 11.7%         |
| <b>OPERATING INCOME</b>   |                               |                |                      |             |                           |              |                     |                | <b>81,543</b>   | <b>54,448</b>   | <b>27,095</b>        | <b>49.8%</b>  |
| <b>OTHER (EXPENSE) INCOME</b>                                   |                               |                |                      |             |                           |              |                     |                |                 |                 |                      |               |
| Interest:   |                               |                |                      |             |                           |              |                     |                |                 |                 |                      |               |
| Interest expense on loans                                       |                               |                |                      |             |                           |              |                     |                | (46,802)        | (40,424)        | (6,378)              | -15.8%        |
| Loan procurement amortization expense                           |                               |                |                      |             |                           |              |                     |                | (2,190)         | (2,058)         | (132)                | -6.4%         |
| Loan procurement amortization expense - early repayment of debt |                               |                |                      |             |                           |              |                     |                |                 | (414)           | 414                  | 100.0%        |
| Equity in losses of real estate ventures                        |                               |                |                      |             |                           |              |                     |                | (6,255)         | (1,151)         | (5,104)              | -443.4%       |
| Gain from sale of real estate                                   |                               |                |                      |             |                           |              |                     |                | 475             | 475             | 100.0%               |               |
| Other   |                               |                |                      |             |                           |              |                     |                | (405)           | 8               | (413)                | -5162.5%      |
| <b>Total other expense</b>                                      |                               |                |                      |             |                           |              |                     |                | <b>(55,177)</b> | <b>(44,039)</b> | <b>(11,138)</b>      | <b>-25.3%</b> |
| <b>INCOME FROM CONTINUING OPERATIONS</b>                        |                               |                |                      |             |                           |              |                     |                | <b>26,366</b>   | <b>10,409</b>   | <b>15,957</b>        | <b>153.3%</b> |
| <b>DISCONTINUED OPERATIONS</b>                                  |                               |                |                      |             |                           |              |                     |                |                 |                 |                      |               |
| Income from discontinued operations                             |                               |                |                      |             |                           |              |                     |                | 336             | 4,145           | (3,809)              | -91.9%        |
| Gain from disposition of discontinued operations                |                               |                |                      |             |                           |              |                     |                |                 | 27,440          | (27,440)             | -100.0%       |
| <b>Total discontinued operations</b>                            |                               |                |                      |             |                           |              |                     |                | <b>336</b>      | <b>31,585</b>   | <b>(31,249)</b>      | <b>-98.9%</b> |

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|   |           |           |             |         |
|---|-----------|-----------|-------------|---------|
| NET INCOME  | 26,702    | 41,994    | (15,292)    | -36.4%  |
| NET (INCOME) LOSS<br>ATTRIBUTABLE TO<br>NONCONTROLLING<br>INTERESTS   |           |           |             |         |
| Noncontrolling interests in<br>the Operating Partnership              | (307)     | (588)     | 281         | 47.8%   |
| Noncontrolling interests in<br>subsidiaries                           | (16)      | 42        | (58)        | -138.1% |
| NET INCOME<br>ATTRIBUTABLE TO THE<br>COMPANY                          | \$ 26,379 | \$ 41,448 | \$ (15,069) | -36.4%  |
| Distribution to preferred<br>shareholders                             | (6,008)   | (6,008)   |             | 0.0%    |
| NET INCOME<br>ATTRIBUTABLE TO THE<br>COMPANY'S COMMON<br>SHAREHOLDERS | \$ 20,371 | \$ 35,440 | \$ (15,069) | -42.5%  |

- 
- (1) Represents occupancy at December 31 of the respective year.
  - (2) Represents the weighted average occupancy for the period.
  - (3) Realized annual rent per occupied square foot is computed by dividing rental income by the weighted average occupied square feet for the period.



*Revenues*

Rental income increased from \$281.3 million in 2013 to \$330.9 million in 2014, an increase of \$49.6 million, or 17.7%. This increase is primarily attributable to \$31.0 million of additional income from the facilities acquired in 2013 and 2014 and increases in net rental rates and average occupancy on the same-store portfolio which provided an \$18.7 million increase in rental income during 2014 as compared to 2013.

Other property related income consists of late fees, administrative charges, customer insurance commissions, sales of storage supplies and other ancillary revenues. Other property related income increased from \$32.4 million in 2013 to \$40.1 million in 2014, an increase of \$7.7 million, or 23.8%. This increase is primarily attributable to increased fee revenue and insurance commissions of \$4.3 million on the facilities acquired in 2013 and 2014 and a \$3.1 million increase in same-store property related income mainly attributable to increased insurance penetration and higher average occupancy.

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Property management fee income increased to \$6.0 million in 2014 from \$4.8 million during 2013, an increase of \$1.2 million, or 25.5%. This increase is attributable to an increase in management fees related to the third-party management business (174 facilities as of December 31, 2014 compared to 160 facilities as of December 31, 2013).

*Operating Expenses*

Property operating expenses increased from \$118.2 million in 2013 to \$132.7 million in 2014, an increase of \$14.5 million, or 12.2%. This increase is primarily attributable to \$11.0 million of increased expenses associated with newly acquired facilities in 2014 and 2013. Additionally, property operating expenses on the same-store portfolio increased \$2.5 million due to an increase of \$1.5 million in property taxes, \$0.5 million in snow removal costs and \$0.5 million in utilities.

Depreciation and amortization increased from \$112.3 million in 2013 to \$126.8 million in 2014, an increase of \$14.5 million, or 12.9%. This increase is primarily attributable to depreciation and amortization expense related to the 2013 and 2014 acquisitions.

General and administrative expenses decreased from \$29.6 million for the year ending December 31, 2013 to \$28.4 million for the year ending December 31, 2014, a decrease of \$1.2 million, or 3.9%. The decrease is primarily attributable to \$2.0 million of decreased share-based compensation expense.

Acquisition related costs increased from \$3.8 million during 2013 to \$7.5 million during 2014 as a result of the acquisition of 53 self-storage facilities in 2014 compared to 20 acquisitions during 2013, and \$2.6 million in contingent consideration related to recent acquisitions.

*Other (expense) income*

Interest expense increased from \$40.4 million during the year ended December 31, 2013 to \$46.8 million during the year ended December 31, 2014, an increase of \$6.4 million. The increase is attributable to a higher weighted average interest rate and a higher amount of outstanding debt in 2014. The weighted average effective interest rate of our outstanding debt increased from 3.93% for the year ended December 31, 2013 to 4.02% for the year ended December 31, 2014 as a result of the issuance of \$250 million in aggregate principal amount of 4.375% unsecured senior notes during the fourth quarter of 2013. The average outstanding debt balance increased \$136 million to \$1.2 billion for the year ended December 31, 2014 as the result of the increase in acquisition activity from the prior year.

Equity in losses of real estate venture increased from \$1.2 million during the year ended December 31, 2013 to \$6.3 million during the year ended December 31, 2014, an increase of \$5.1 million. This expense is related to our share of the losses attributable to HHF, a partnership in which we own a 50% interest. The increase is driven by results of operations for a full year during 2014 compared to one month in 2013.

*Discontinued Operations*

Income from discontinued operations decreased from \$4.1 million for the year ended December 31, 2013 to \$0.3 million for the year ended December 31, 2014. The income during the 2013 period represents the results of operations during the year for the 35 assets sold during 2013 for the period the assets were owned by us. The income during the 2014 period represents real estate tax refunds received as a result of appeals of previous tax assessments on six self-storage facilities that we sold in prior years.

Gains from disposition of discontinued operations were \$27.4 million for the year ended December 31, 2013, with no comparable gains during 2014. These gains are determined on a transactional basis and accordingly are not comparable across reporting periods.

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**Comparison of the Year Ended December 31, 2013 to the Year Ended December 31, 2012 (dollars in thousands)**

|   | Same-Store Property Portfolio |                |                      |             | Non Same-Store Properties |               | Other/ Eliminations |                | Total Portfolio  |                 |                      |                |
|---|-------------------------------|----------------|----------------------|-------------|---------------------------|---------------|---------------------|----------------|------------------|-----------------|----------------------|----------------|
|   | 2013                          | 2012           | Increase/ (Decrease) | % Change    | 2013                      | 2012          | 2013                | 2012           | 2013             | 2012            | Increase/ (Decrease) | % Change       |
| <b>REVENUES:</b>  |                               |                |                      |             |                           |               |                     |                |                  |                 |                      |                |
| Rental income   | \$ 221,015                    | \$ 207,416     | \$ 13,599            | 6.6%        | \$ 60,235                 | \$ 28,744     | \$                  | \$             | \$ 281,250       | \$ 236,160      | \$ 45,090            | 19.1%          |
| Other property related income                                     | 23,780                        | 20,575         | 3,205                | 15.6%       | 5,993                     | 3,274         | 2,592               | 1,972          | 32,365           | 25,821          | 6,544                | 25.3%          |
| Property management fee income                                    |                               |                |                      | 0.0%        |                           |               | 4,780               | 4,341          | 4,780            | 4,341           | 439                  | 10.1%          |
| <b>Total revenues</b>   | <b>244,795</b>                | <b>227,991</b> | <b>16,804</b>        | <b>7.4%</b> | <b>66,228</b>             | <b>32,018</b> | <b>7,372</b>        | <b>6,313</b>   | <b>318,395</b>   | <b>266,322</b>  | <b>52,073</b>        | <b>19.6%</b>   |
| <b>OPERATING EXPENSES:</b>  |                               |                |                      |             |                           |               |                     |                |                  |                 |                      |                |
| Property operating expenses                                       | 80,903                        | 78,045         | 2,858                | 3.7%        | 23,015                    | 11,599        | 14,304              | 3,844          | 118,222          | 103,488         | 14,734               | 14.2%          |
| <b>NET OPERATING INCOME:</b>                                      | <b>163,892</b>                | <b>149,946</b> | <b>13,946</b>        | <b>9.3%</b> | <b>43,213</b>             | <b>20,419</b> | <b>(6,932)</b>      | <b>(7,531)</b> | <b>200,173</b>   | <b>162,834</b>  | <b>37,339</b>        | <b>22.9%</b>   |
| Property count  | 298                           | 298            |                      |             | 68                        | 48            |                     |                | 366              | 346             |                      |                |
| Total square footage  | 19,801                        | 19,801         |                      |             | 4,861                     | 3,365         |                     |                | 24,662           | 23,166          |                      |                |
| Period End  |                               |                |                      |             |                           |               |                     |                |                  |                 |                      |                |
| Occupancy (1)   | 88.9%                         | 85.1%          |                      |             | 85.6%                     | 82.4%         |                     |                | 88.3%            | 84.7%           |                      |                |
| Period Average  |                               |                |                      |             |                           |               |                     |                |                  |                 |                      |                |
| Occupancy (2)   | 88.4%                         | 83.1%          |                      |             |                           |               |                     |                |                  |                 |                      |                |
| Realized annual rent per occupied sq ft (3)                       | \$ 12.62                      | \$ 12.61       |                      |             |                           |               |                     |                |                  |                 |                      |                |
| Depreciation and amortization                                     |                               |                |                      |             |                           |               |                     |                | 112,313          | 109,830         | 2,483                | 2.3%           |
| General and administrative  |                               |                |                      |             |                           |               |                     |                | 29,563           | 26,131          | 3,432                | 13.1%          |
| Acquisition related costs   |                               |                |                      |             |                           |               |                     |                | 3,849            | 3,086           | 763                  | 24.7%          |
| Subtotal  |                               |                |                      |             |                           |               |                     |                | 145,725          | 139,047         | 6,678                | 4.8%           |
| <b>OPERATING INCOME</b>   |                               |                |                      |             |                           |               |                     |                | <b>54,448</b>    | <b>23,787</b>   | <b>30,661</b>        | <b>128.9%</b>  |
| <b>OTHER (EXPENSE) INCOME</b>                                     |                               |                |                      |             |                           |               |                     |                |                  |                 |                      |                |
| Interest:   |                               |                |                      |             |                           |               |                     |                |                  |                 |                      |                |
| Interest expense on loans   |                               |                |                      |             |                           |               |                     |                | (40,424)         | (40,318)        | (106)                | -0.3%          |
| Loan procurement amortization expense                             |                               |                |                      |             |                           |               |                     |                | (2,058)          | (3,279)         | 1,221                | 37.2%          |
| Loan procurement amortization expense - early repayment of debt   |                               |                |                      |             |                           |               |                     |                | (414)            |                 | (414)                | -100.0%        |
| Equity in losses of real estate ventures                          |                               |                |                      |             |                           |               |                     |                | (1,151)          | (745)           | (406)                | -54.5%         |
| Gain from remeasurement of investment in real estate venture      |                               |                |                      |             |                           |               |                     |                |                  | 7,023           | (7,023)              | -100.0%        |
| Other   |                               |                |                      |             |                           |               |                     |                | 8                | 256             | (248)                | -96.9%         |
| <b>Total other expense</b>  |                               |                |                      |             |                           |               |                     |                | <b>(44,039)</b>  | <b>(37,063)</b> | <b>(6,976)</b>       | <b>-18.8%</b>  |
| <b>INCOME (LOSS) FROM CONTINUING OPERATIONS</b>                   |                               |                |                      |             |                           |               |                     |                | <b>10,409</b>    | <b>(13,276)</b> | <b>23,685</b>        | <b>178.4%</b>  |
| <b>DISCONTINUED OPERATIONS</b>                                    |                               |                |                      |             |                           |               |                     |                |                  |                 |                      |                |
| Income from discontinued operations                               |                               |                |                      |             |                           |               |                     |                | 4,145            | 7,093           | (2,948)              | -41.6%         |
| Gain from disposition of discontinued operations                  |                               |                |                      |             |                           |               |                     |                | 27,440           | 9,811           | 17,629               | 179.7%         |
| <b>Total discontinued operations</b>                              |                               |                |                      |             |                           |               |                     |                | <b>31,585</b>    | <b>16,904</b>   | <b>14,681</b>        | <b>86.8%</b>   |
| <b>NET INCOME</b>   |                               |                |                      |             |                           |               |                     |                | <b>41,994</b>    | <b>3,628</b>    | <b>38,366</b>        | <b>1057.5%</b> |
| <b>NET (INCOME) LOSS ATTRIBUTABLE TO NONCONTROLLING INTERESTS</b> |                               |                |                      |             |                           |               |                     |                |                  |                 |                      |                |
| Noncontrolling interests in the Operating Partnership             |                               |                |                      |             |                           |               |                     |                | (588)            | 107             | (695)                | -649.5%        |
| Noncontrolling interests in subsidiaries                          |                               |                |                      |             |                           |               |                     |                | 42               | (1,918)         | 1,960                | 102.2%         |
| <b>NET INCOME ATTRIBUTABLE TO THE COMPANY</b>                     |                               |                |                      |             |                           |               |                     |                | <b>\$ 41,448</b> | <b>\$ 1,817</b> | <b>\$ 39,631</b>     | <b>2181.1%</b> |

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|  |           |            |                   |
|--|-----------|------------|-------------------|
| Distribution to preferred shareholders                                 | (6,008)   | (6,008)    | 0.0%              |
| NET INCOME (LOSS) ATTRIBUTABLE TO THE COMPANY'S<br>COMMON SHAREHOLDERS | \$ 35,440 | \$ (4,191) | \$ 39,631 -945.6% |

- 
- (1) Represents occupancy at December 31 of the respective year.
  - (2) Represents the weighted average occupancy for the period.
  - (3) Realized annual rent per occupied square foot is computed by dividing rental income by the weighted average occupied square feet for the period.

*Revenues*

Rental income increased from \$236.2 million in 2012 to \$281.3 million in 2013, an increase of \$45.1 million, or 19.1%. This increase is primarily attributable to \$31.5 million of additional income from the facilities acquired in 2012 and 2013 and an increase in average occupancy on the same-store portfolio which contributed to the \$13.6 million increase in rental income during 2013 as compared to 2012.

Other property related income consists of late fees, administrative charges, customer insurance commissions, sales of storage supplies and other ancillary revenues. Other property related income increased from \$25.8 million in 2012 to \$32.4 million in 2013, an increase of \$6.6 million, or 25.3%. This increase is primarily attributable to increased fee revenue and insurance commissions of \$6.5 million during the year ended December 31, 2013 as compared to the year ended December 31, 2012, driven by a \$3.2 million increase in same-store property related income mainly attributable to increased insurance penetration and higher commission percentages. Additionally, the 2012 and 2013 acquisitions contributed \$2.7 million to the increase in other property related income.

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*Operating Expenses*

Property operating expenses increased from \$103.5 million in 2012 to \$118.2 million in 2013, an increase of \$14.7 million, or 14.2%. This increase is primarily attributable to \$11.4 million of increased expenses associated with newly acquired facilities in 2013 and 2012. Additionally, property operating expenses on the same-store portfolio increased \$2.9 million primarily due to an increase of \$1.9 million in property taxes and \$1.1 million in payroll related expenses.

Depreciation and amortization increased from \$109.8 million in 2012 to \$112.3 million in 2013, an increase of \$2.5 million, or 2.3%. This increase is primarily attributable to depreciation and amortization expense related to the 2012 and 2013 acquisitions.

General and administrative expenses increased from \$26.1 million for the year ending December 31, 2012 to \$29.6 million for the year ending December 31, 2013, an increase of \$3.5 million, or 13.1%. The increase is primarily attributable to \$1.5 million in additional share-based compensation expense and \$1.1 million in additional payroll expenses.

*Other (expense) income*

Interest expense increased from \$40.3 million during the year ended December 31, 2012 to \$40.4 million during the year ended December 31, 2013, an increase of \$0.1 million. The increase is attributable to higher amounts of debt outstanding in 2013 offset by a lower weighted average interest rate. The weighted average effective interest rate of our outstanding debt decreased from 4.31% for the year ended December 31, 2012 to 3.93% for the year ended December 31, 2013 as a result of the repayment of certain secured indebtedness and amendments to our Term Loan Facility and Credit Facility that reduced our borrowing costs.

Loan procurement amortization expense decreased from \$3.3 million during 2012 to \$2.1 million during 2013, a decrease of \$1.2 million, or 37.2%. This decrease is the result of lower amortization expense on loan procurement costs related to several fixed-rate mortgages that were repaid during 2012 and 2013.

Gain from remeasurement of investment in real estate venture was \$7.0 million for the year ended December 31, 2012, with no comparable gains during 2013. In 2012, we purchased the remaining 50% ownership in a consolidated joint venture. As a result of the transaction, we remeasured our original 50% interest and recorded a gain of approximately \$7.0 million, which is reflected in Gain from remeasurement of investment in real estate venture.

*Discontinued Operations*

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Income from discontinued operations decreased from \$7.1 million for the year ended December 31, 2012 to \$4.1 million for the year ended December 31, 2013. The income during the 2013 period represents the results of operations during the year for the 35 assets sold during 2013 for the period the assets were owned by us. Income during the 2012 period represents the results of operations during the year for the 35 assets sold during 2013 and the 26 assets sold during 2012 for the period the assets were owned by us.

Gains from disposition of discontinued operations increased from \$9.8 million during 2012 to \$27.4 million during 2013. These gains are determined on a transactional basis and accordingly are not comparable across reporting periods.



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**Non-GAAP Financial Measures**

*NOI*

We define net operating income, which we refer to as NOI, as total continuing revenues less continuing property operating expenses. NOI also can be calculated by adding back to net income (loss): interest expense on loans, loan procurement amortization expense, loan procurement amortization expense, early repayment of debt, acquisition related costs, equity in losses of real estate ventures, other expense, depreciation and amortization expense, general and administrative expense, and deducting from net income (loss): income from discontinued operations, gains from disposition of discontinued operations, other income, gains from remeasurement of investments in real estate ventures and interest income. NOI is not a measure of performance calculated in accordance with GAAP.

We use NOI as a measure of operating performance at each of our facilities, and for all of our facilities in the aggregate. NOI should not be considered as a substitute for operating income, net income, cash flows provided by operating, investing and financing activities, or other income statement or cash flow statement data prepared in accordance with GAAP.

We believe NOI is useful to investors in evaluating our operating performance because:

- it is one of the primary measures used by our management and our facility managers to evaluate the economic productivity of our facilities, including our ability to lease our facilities, increase pricing and occupancy and control our property operating expenses;
- it is widely used in the real estate industry and the self-storage industry to measure the performance and value of real estate assets without regard to various items included in net income that do not relate to or are not indicative of operating performance, such as depreciation and amortization, which can vary depending upon accounting methods and the book value of assets; and
- we believe it helps our investors to meaningfully compare the results of our operating performance from period to period by removing the impact of our capital structure (primarily interest expense on our outstanding indebtedness) and depreciation of our basis in our assets from our operating results.

There are material limitations to using a measure such as NOI, including the difficulty associated with comparing results among more than one company and the inability to analyze certain significant items, including depreciation and interest expense, that directly affect our net income. We compensate for these limitations by considering the economic effect of the excluded expense items independently as well as in connection with our analysis of net income. NOI should be considered in addition to, but not as a substitute for, other measures of financial performance reported in accordance with GAAP, such as total revenues, operating income and net income.

**FFO**

Funds from operations ( FFO ) is a widely used performance measure for real estate companies and is provided here as a supplemental measure of operating performance. The April 2002 National Policy Bulletin of the National Association of Real Estate Investment Trusts (the White Paper ), as amended, defines FFO as net income (computed in accordance with GAAP), excluding gains (or losses) from sales of real estate and related impairment charges, plus real estate depreciation and amortization, and after adjustments for unconsolidated partnerships and joint ventures.

Management uses FFO as a key performance indicator in evaluating the operations of our facilities. Given the nature of our business as a real estate owner and operator, we consider FFO a key measure of our operating performance that is not specifically defined by accounting principles generally accepted in the United States. We believe that FFO is useful to management and investors as a starting point in measuring our operational performance because FFO excludes various items included in net income that do not relate to or are not indicative of our operating performance such as gains (or losses) from sales of real estate, gains from remeasurement of investments in real estate ventures, impairments of depreciable assets, and depreciation, which can make periodic and peer analyses of operating performance more difficult. Our computation of FFO may not be comparable to FFO reported by other REITs or real estate companies.

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FFO should not be considered as an alternative to net income (determined in accordance with GAAP) as an indication of our performance. FFO does not represent cash generated from operating activities determined in accordance with GAAP and is not a measure of liquidity or an indicator of our ability to make cash distributions. We believe that to further understand our performance, FFO should be compared with our reported net income and considered in addition to cash flows computed in accordance with GAAP, as presented in our Consolidated Financial Statements.

*FFO, as adjusted*

FFO, as adjusted represents FFO as defined above, excluding the effects of acquisition related costs, gains or losses from early extinguishment of debt, and non-recurring items, which we believe are not indicative of the Company's operating results. We present FFO, as adjusted because we believe it is a helpful measure in understanding our results of operations insofar as we believe that the items noted above that are included in FFO, but excluded from FFO, as adjusted are not indicative of our ongoing operating results. We also believe that the analyst community considers our FFO, as adjusted (or similar measures using different terminology) when evaluating us. Because other REITs or real estate companies may not compute FFO, as adjusted in the same manner as we do, and may use different terminology, our computation of FFO, as adjusted may not be comparable to FFO, as adjusted reported by other REITs or real estate companies.

The following table presents a reconciliation of net income to FFO and FFO, as adjusted, for the years ended December 31, 2014 and 2013 (in thousands):

|   | <b>For the Year Ended December 31,</b> |                   |
|---|--|-------------------|
|   | <b>2014</b>                            | <b>2013</b>       |
| <i>Net income attributable to the Company's common shareholders</i> | \$ 20,371                              | \$ 35,440         |
| Add (deduct):   |  |                   |
| Real estate depreciation and amortization:                          |  |                   |
| Real property - continuing operations                               | 125,136                                | 110,157           |
| Real property - discontinued operations                             |  | 2,703             |
| Company's share of unconsolidated real estate ventures              | 12,543                                 | 1,080             |
| Gains from sale of real estate                                      | (475)                                  | (27,440)          |
| Noncontrolling interests in the Operating Partnership               | 307                                    | 588               |
| <b>FFO</b>  | <b>\$ 157,882</b>                      | <b>\$ 122,528</b> |
| Add:  |  |                   |
| Loan procurement amortization expense - early repayment of debt     |  | 414               |
| Acquisition related costs (1)                                       | 7,484                                  | 4,170             |
| <b>FFO, as adjusted</b>   | <b>\$ 165,366</b>                      | <b>\$ 127,112</b> |
| Weighted-average diluted shares and units outstanding               | 153,125                                | 140,051           |

(1) Acquisition related costs for the year ended December 31, 2013 include \$0.3 million of acquisition related costs that are included in the Company's share of equity in losses of real estate ventures.



Table of Contents**Cash Flows*****Comparison of the Year Ended December 31, 2014 to the Year Ended December 31, 2013***

A comparison of cash flow related to operating, investing and financing activities for the years ended December 31, 2014 and 2013 is as follows:

| Net cash provided by (used in): | Year Ended December 31, |                        | Change       |
|---------------------------------|-------------------------|------------------------|--------------|
|                                 | 2014                    | 2013<br>(in thousands) |              |
| Operating activities            | \$ 166,032              | \$ 142,862             | \$ 23,170    |
| Investing activities            | \$ (522,699)            | \$ (282,924)           | \$ (239,775) |
| Financing activities            | \$ 356,392              | \$ 138,743             | \$ 217,649   |

Cash provided by operating activities for the years ended December 31, 2014 and 2013 was \$166.0 million and \$142.9 million, respectively, an increase of \$23.1 million. Our increased cash flow from operating activities is primarily attributable to our 2013 and 2014 acquisitions and increased net operating income levels on the same-store portfolio in the 2014 period as compared to the 2013 period.

Cash used in investing activities was \$522.7 million in 2014 and \$282.9 million in 2013, an increase of \$239.8 million driven by an increase in cash used for acquisitions of self-storage facilities. Cash used in 2014 relates to the acquisition of 53 facilities for an aggregate purchase price of \$568.2 million, net of \$27.5 million of assumed debt, while cash used in investing activities in 2013 relates to the acquisition of 20 facilities for an aggregate purchase price of \$189.8 million, net of \$8.9 million of assumed debt. In 2013, cash used in investing activities was offset by \$123.8 million in net cash proceeds from the disposition of 35 facilities compared to net cash proceeds received of only \$13.5 million from the sale of one asset and a parcel of land in 2014. Additionally, cash used in investing activities in 2013 also reflects our \$157.5 million investment in the HHF joint venture, with no similar transaction in 2014. This overall increase in net investment activity from 2013 to 2014 was offset by cash used for development activities of \$54.0 million in 2013, compared to \$23.6 million in 2014 as well as distributions of capital of \$56.9 million from the HHF joint venture in 2014.

Cash provided by financing activities was \$356.4 million in 2014 and \$138.7 million in 2013, an increase of \$217.7 million. Proceeds from the issuance of common shares were \$416.0 in 2014, compared to \$100.3 in 2013 and net proceeds from the revolving portion of the Credit Facility were \$39.4 million in 2014 compared to net payments of \$6.4 million in 2013. In 2013, we received proceeds of \$247.5 million from our issuance of unsecured senior notes, with no similar transaction in 2014. Cash provided by financing activities was offset by principal payments on the unsecured term loans and mortgages that totaled \$30.1 million in 2014 compared to \$136.5 million in 2013, with the 2013 payments including a \$100 million repayment of a term loan scheduled to mature in 2014, and an increase in distributions during 2014 of \$16.8 million.

***Comparison of the Year Ended December 31, 2013 to the Year Ended December 31, 2012***

A comparison of cash flow related to operating, investing and financing activities for the years ended December 31, 2013 and 2012 is as follows:

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| Net cash provided by (used in): | Year Ended December 31, |                | Change      |
|---------------------------------|-------------------------|----------------|-------------|
|                                 | 2013                    | 2012           |             |
|                                 |                         | (in thousands) |             |
| Operating activities            | \$ 142,862              | \$ 118,428     | \$ 24,434   |
| Investing activities            | \$ (282,924)            | \$ (271,936)   | \$ (10,988) |
| Financing activities            | \$ 138,743              | \$ 148,934     | \$ (10,191) |

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Cash provided by operating activities for the years ended December 31, 2013 and 2012 was \$142.9 million and \$118.4 million, respectively, an increase of \$24.5 million. Our increased cash flow from operating activities was primarily attributable to our 2012 and 2013 acquisitions and increased net operating income levels on the same-store portfolio in the 2013 period as compared to the 2012 period.

Cash used in investing activities was \$282.9 million in 2013 and \$271.9 million in 2012. Cash used in 2013 relates to the acquisition of 20 facilities in 2013 for an aggregate purchase price of \$189.8 million, net of \$8.9 million of assumed debt. Cash used to fund these 2013 acquisitions was offset by \$123.8 million in net cash proceeds from the disposition of 35 facilities during the year. Cash used in investing activities in 2013 also reflects our \$157.5 million investment in the HHF joint venture, with no similar transaction in 2012. Cash used in investing activities in 2012 relates to our acquisition of 28 facilities in 2012 for an aggregate purchase price of \$330.3 million, net of \$107.0 million of assumed debt and to our acquisition of nine facilities through our purchase of the equity interest of our partner in an unconsolidated real estate venture known as HSREV. Cash used to fund these acquisitions was offset by \$52.6 million in net cash proceeds from our disposition of 26 facilities during the year. This decrease in net investment activity from 2012 to 2013 was offset by cash used for development activities of \$54.0 million in 2013, compared to \$4.2 million used for development activities in 2012.

Cash provided by financing activities decreased to \$138.7 million in 2013 from \$148.9 million in 2012, a decrease of \$10.2 million. Proceeds from the revolving portion of the Credit Facility and unsecured term loans were \$636.2 million in 2013 compared to \$503.0 million during 2012. This increase in cash proceeds was offset by principal payments on the revolving portion of the Credit Facility, unsecured term loans and mortgages that totaled \$779.1 million in 2013 compared to \$594.3 million in 2012 (with the 2013 payments including a \$100 million repayment of a term loan scheduled to mature in 2014). We also received proceeds of \$247.5 million and \$249.6 million from our issuance of unsecured senior notes in 2013 and 2012, respectively.

**Liquidity and Capital Resources**

*Liquidity Overview*

Our cash flow from operations has historically been one of our primary sources of liquidity used to fund debt service, distributions and capital expenditures. We derive substantially all of our revenue from customers who lease space from us at our facilities and fees earned from managing facilities. Therefore, our ability to generate cash from operations is dependent on the rents that we are able to charge and collect from our customers. We believe that the facilities in which we invest, self-storage facilities, are less sensitive than other real estate product types to near-term economic downturns. However, prolonged economic downturns will adversely affect our cash flows from operations.

In order to qualify as a REIT for federal income tax purposes, the Parent Company is required to distribute at least 90% of REIT taxable income, excluding capital gains, to its shareholders on an annual basis or pay federal income tax. The nature of our business, coupled with the requirement that we distribute a substantial portion of our income on an annual basis, will cause us to have substantial liquidity needs over both the short term and the long term.

Our short-term liquidity needs consist primarily of funds necessary to pay operating expenses associated with our facilities, refinancing of certain mortgage indebtedness, interest expense and scheduled principal payments on debt, expected distributions to limited partners and shareholders, capital expenditures and the development of new facilities. These funding requirements will vary from year to year, in some cases

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significantly. In the 2015 fiscal year, we expect recurring capital expenditures to be approximately \$10 million to \$15 million, planned capital improvements and facility upgrades to be approximately \$7 million to \$11 million and costs associated with the development of new facilities to be approximately \$40 million to \$45 million. Our currently scheduled principal payments on debt, including borrowings outstanding on the Credit Facility and Term Loan Facility, are approximately \$84.9 million in 2015.

Our most restrictive financial covenants limit the amount of additional leverage we can add; however, we believe cash flows from operations, access to equity financing, including through our at-the-market equity program, and available borrowings under our Credit Facility provide adequate sources of liquidity to enable us to execute our current business plan and remain in compliance with our covenants.

Our liquidity needs beyond 2015 consist primarily of contractual obligations which include repayments of indebtedness at maturity, as well as potential discretionary expenditures such as (i) non-recurring capital expenditures; (ii) redevelopment of operating facilities; (iii) acquisitions of additional facilities; and (iv) development of new facilities. We will have to satisfy the portion of our needs not covered by cash flow from operations through additional borrowings, including borrowings under our Credit Facility, sales of common or preferred shares of the Parent Company and common or preferred units of the Operating Partnership and/or cash generated through facility dispositions and joint venture transactions.



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We believe that, as a publicly traded REIT, we will have access to multiple sources of capital to fund our long-term liquidity requirements, including the incurrence of additional debt and the issuance of additional equity. However, we cannot provide any assurance that this will be the case. Our ability to incur additional debt will be dependent on a number of factors, including our degree of leverage, the value of our unencumbered assets and borrowing restrictions that may be imposed by lenders. In addition, dislocation in the United States debt markets may significantly reduce the availability and increase the cost of long-term debt capital, including conventional mortgage financing and commercial mortgage-backed securities financing. There can be no assurance that such capital will be readily available in the future. Our ability to access the equity capital markets will be dependent on a number of factors as well, including general market conditions for REITs and market perceptions about us.

As of December 31, 2014, we had approximately \$2.9 million in available cash and cash equivalents. In addition, we had approximately \$222.0 million of availability for borrowings under our Credit Facility.

***Unsecured Senior Notes***

On December 17, 2013, the Operating Partnership issued \$250 million in aggregate principal amount of 4.375% unsecured senior notes due December 15, 2023 (the 2023 Senior Notes ). On June 26, 2012, the Operating Partnership issued \$250 million in aggregate principal amount of 4.80% unsecured senior notes due July 15, 2022 (the 2022 Senior Notes ). The 2023 Senior Notes along with the 2022 Senior Notes are collectively referred to as the Senior Notes. The indenture under which the Senior Notes were issued restricts the ability of the Operating Partnership and its subsidiaries to incur debt unless the Operating Partnership and its consolidated subsidiaries comply with a leverage ratio not to exceed 60% and an interest coverage ratio of more than 1.5:1 after giving effect to the incurrence of the debt. The indenture also restricts the ability of the Operating Partnership and its subsidiaries to incur secured debt unless the Operating Partnership and its consolidated subsidiaries comply with a secured debt leverage ratio not to exceed 40% after giving effect to the incurrence of the debt. The indenture also contains other financial and customary covenants, including a covenant not to own unencumbered assets with a value less than 150% of the unsecured indebtedness of the Operating Partnership and its consolidated subsidiaries. As of and for the year ended December 31, 2014, the Operating Partnership was in compliance with all of the financial covenants under the Senior Notes.

***Revolving Credit Facility and Unsecured Term Loans***

On June 20, 2011, we entered into an unsecured term loan agreement (the Term Loan Facility ) which consisted of a \$100 million term loan with a five-year maturity ( Term Loan A ) and a \$100 million term loan with a seven-year maturity ( Term Loan B ). On December 9, 2011, we entered into a credit facility (the Credit Facility ) comprised of a \$100 million unsecured term loan maturing in December 2014 ( Term Loan C ); a \$200 million unsecured term loan maturing in March 2017 ( Term Loan D ); and a \$300 million unsecured revolving facility maturing in December 2015 ( Revolver ).

On June 18, 2013, we amended both the Term Loan Facility and Credit Facility. With respect to the Term Loan Facility, among other things, the amendment extended the maturity and decreased the pricing of Term Loan A, while Term Loan B remained unchanged by the amendment. On August 5, 2014, we further amended the Term Loan Facility (collectively with the amendment on June 18, 2013, the Amendments ) to extend the maturity and decrease the pricing of Term Loan B. On December 17, 2013, we repaid the \$100 million balance under Term Loan C that was scheduled to mature in December 2014.

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Pricing on the Term Loan Facility depends on our unsecured debt credit ratings. On September 25, 2014, our unsecured debt credit rating was upgraded to Baa2 from Baa3 by Moody's Investors Service with a stable outlook. As a result, the LIBOR spreads applicable to our borrowing under the Term Loan Facility were reduced, effective October 1, 2014. In addition, on November 3, 2014, our unsecured bonds and issuer ratings were upgraded to BBB from BBB- by Standard and Poor's Ratings Services with a stable outlook. At our current Baa2/BBB level, amounts drawn under Term Loan A are priced at 1.30% over LIBOR, with no LIBOR floor, while amounts drawn under Term Loan B are priced at 1.15% over LIBOR, with no LIBOR floor.

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|             | Term Loan Facility Prior to Amendments |               |              |          |               | Term Loan Facility As Amended |          |  |
|-------------|--|---------------|--------------|----------|---------------|-------------------------------|----------|--|
|             | Amount                                 | Maturity Date | LIBOR Spread |          | Maturity Date | LIBOR Spread                  |          |  |
|             |  |               | Baa3/BBB-    | Baa2/BBB |               | Baa3/BBB-                     | Baa2/BBB |  |
| Term Loan A | \$ 100 million                         | June 2016     | 1.85%        | 1.65%    | June 2018     | 1.50%                         | 1.30%    |  |
| Term Loan B | \$ 100 million                         | June 2018     | 2.00%        | 1.80%    | January 2020  | 1.40%                         | 1.15%    |  |

With respect to the Credit Facility, among other things, the Amendments extended the maturities of the Revolver and Term Loan D and decreased the pricing of the Revolver, Term Loan C and Term Loan D. Pricing on the Credit Facility depends on our unsecured debt credit ratings. At our current Baa2/BBB level, amounts drawn under the Revolver are priced at 1.30% over LIBOR, inclusive of a facility fee of 0.20%, with no LIBOR floor, while amounts drawn under Term Loan C and Term Loan D are priced at 1.30% over LIBOR, with no LIBOR floor.

|                 | Credit Facility Prior to Amendments |               |              |          |               | Credit Facility As Amended |          |  |
|-----------------|-------------------------------------|---------------|--------------|----------|---------------|----------------------------|----------|--|
|                 | Amount                              | Maturity Date | LIBOR Spread |          | Maturity Date | LIBOR Spread               |          |  |
|                 |                                     |               | Baa3/BBB-    | Baa2/BBB |               | Baa3/BBB-                  | Baa2/BBB |  |
| Revolver        | \$ 300 million                      | December 2015 | 1.80%        | 1.50%    | June 2017     | 1.60%                      | 1.30%    |  |
| Term Loan C (1) | \$ 100 million                      | December 2014 | 1.75%        | 1.45%    | December 2014 | 1.50%                      | 1.30%    |  |
| Term Loan D     | \$ 200 million                      | March 2017    | 1.75%        | 1.45%    | January 2019  | 1.50%                      | 1.30%    |  |

(1) On December 17, 2013, we repaid the \$100 million balance under Term Loan C that was scheduled to mature in December 2014.

We incurred costs of \$2.1 million in 2013 and \$0.2 million in 2014 in connection with the Amendments and capitalized such costs as a component of loan procurement costs, net of amortization on the consolidated balance sheets. Unamortized costs, along with costs incurred in connection with the amendments, are amortized as an adjustment to interest expense over the remaining term of the modified facilities. In connection with the repayment of Term Loan C, we recognized \$0.4 million related to the write-off of unamortized loan procurement costs associated with that term loan.

As of December 31, 2014, \$200 million of unsecured term loan borrowings were outstanding under the Term Loan Facility, \$200 million of unsecured term loan borrowings were outstanding under the Credit Facility, \$78.0 million of unsecured revolving credit facility borrowings were outstanding under the Credit Facility and \$222.0 million was available for borrowing on the unsecured revolving portion of the Credit Facility. The available balance under the unsecured revolving portion of the Credit Facility is reduced by an outstanding letter of credit of \$30 thousand. In connection with a portion of the unsecured borrowings, we had interest rate swaps as of December 31, 2014 that fix 30-day LIBOR (see note 10 to the consolidated financial statements). As of December 31, 2014, borrowings under the Credit Facility and Term Loan Facility, as amended and after giving effect to the interest rate swaps, had an effective weighted average interest rate of 2.95%.

The Term Loan Facility and the term loan under the Credit Facility were fully drawn at December 31, 2014 and no further borrowings may be made under the term loans. Our ability to borrow under the revolving portion of the Credit Facility is subject to ongoing compliance with certain financial covenants which include:

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- Maximum total indebtedness to total asset value of 60.0% at any time;
- Minimum fixed charge coverage ratio of 1.50:1.00; and
- Minimum tangible net worth of \$821,211,200 plus 75% of net proceeds from equity issuances after June 30, 2010.

Further, under the Credit Facility and Term Loan Facility, we are restricted from paying distributions on the Parent Company's common shares in excess of the greater of (i) 95% of funds from operations, and (ii) such amount as may be necessary to maintain the Parent Company's REIT status.

As of December 31, 2014, we were in compliance with all of our financial covenants and anticipate being in compliance with all of our financial covenants through the terms of the Credit Facility and Term Loan Facility.

Table of Contents*Issuance of Common Shares*

Pursuant to a previous sales agreement, we had an at-the-market equity program that enabled us to sell common shares through a sales agent. On May 7, 2013, we terminated the previous sales agreement with our previous sales agent and entered into separate equity distribution agreements (the Equity Distribution Agreements) with each of Wells Fargo Securities LLC; BMO Capital Markets Corp.; Jefferies LLC; Merrill Lynch, Pierce, Fenner & Smith Incorporated; and RBC Capital Markets, LLC (collectively, the Sales Agents). The Equity Distribution Agreements replaced the previous sale agreement and were amended on May 5, 2014 and October 2, 2014 to increase the number of common shares authorized for sale through at-the-market equity offerings. Pursuant to the Equity Distribution Agreements, as amended, we may sell, from time to time, up to 30 million common shares of beneficial interest through the Sales Agents.

During 2014, we sold a total of 15.2 million common shares under the agreements at an average sales price of \$18.22 per share, resulting in net proceeds of \$273.0 million after deducting offering costs. The proceeds from the sales conducted during the year ended December 31, 2014 were used to fund acquisitions of self-storage facilities and for general corporate purposes. As of December 31, 2014, 9.2 million common shares remained available for issuance under the Equity Distribution Agreements.

During 2013, we sold a total of 5.7 million common shares under the previous sales agreement and the Equity Distribution Agreements at an average sales price of \$17.92 per share, resulting in net proceeds of \$100.3 million after deducting offering costs. The proceeds from the sales conducted during the year ended December 31, 2013 were used to fund acquisitions of self-storage facilities and for general corporate purposes.

On October 20, 2014, the Parent Company completed its public offering of 7,475,000 common shares at a public offering price of \$19.33, inclusive of the full exercise by the underwriters of their option to purchase 975,000 shares to cover over-allotments. We received approximately \$143.0 million in net proceeds from the offering after deducting the underwriting discount and other offering expenses. The proceeds combined with the proceeds raised from the program were used for general corporate purposes including funding a portion of our investment activity.

**Other Material Changes in Financial Position**

|  | 2014         | December 31,<br>2013 | Change      |
|--|--------------|----------------------|-------------|
|  |              | (in thousands)       |             |
| <b><u>Selected Assets</u></b>                |              |                      |             |
| Storage facilities, net                      | \$ 2,625,129 | \$ 2,155,170         | \$ 469,959  |
| Investment in real estate venture, at equity | \$ 95,709    | \$ 156,310           | \$ (60,601) |
| <b><u>Selected Liabilities</u></b>           |              |                      |             |
| Revolving credit facility                    | \$ 78,000    | \$ 38,600            | \$ 39,400   |

Storage facilities, net of accumulated depreciation, increased \$470.0 million primarily as a result of the acquisition of 53 facilities, fixed asset additions and development during the year. Investment in real estate venture, at equity decreased by \$60.6 million on account of the HHF joint venture obtaining a \$100 million loan secured by the 34 self-storage facilities located in Texas and distributing the net proceeds proportionately to the partners as well as net losses during the year that reduced the carrying value of our investment.

The outstanding borrowings under the revolving portion of the Credit Facility increased \$39.4 million as a result of additional borrowings made to fund a portion of the 2014 acquisitions and the repayment of multiple mortgages during the year.

Table of Contents**Contractual Obligations**

The following table summarizes our known contractual obligations as of December 31, 2014 (in thousands):

|  | Payments Due by Period |            |           |            |            |            |                     |
|--|------------------------|------------|-----------|------------|------------|------------|---------------------|
|  | Total                  | 2015       | 2016      | 2017       | 2018       | 2019       | 2020 and thereafter |
| Mortgage loans and notes payable (a)               | \$ 192,367             | \$ 84,874  | \$ 36,837 | \$ 1,784   | \$ 1,886   | \$ 10,852  | \$ 56,134           |
| Revolving credit facility and unsecured term loans | 478,000                |            |           | 78,000     | 100,000    | 200,000    | 100,000             |
| Unsecured senior notes                             | 500,000                |            |           |            |            |            | 500,000             |
| Interest payments                                  | 261,979                | 46,443     | 40,705    | 35,982     | 32,802     | 27,925     | 78,122              |
| Ground leases                                      | 95,253                 | 1,443      | 1,649     | 1,649      | 1,562      | 1,557      | 87,393              |
| Software and service contracts                     | 3,216                  | 2,116      | 969       | 131        |            |            |                     |
| Construction commitments                           | 50,294                 | 42,800     | 7,494     |            |            |            |                     |
|  | \$ 1,581,109           | \$ 177,676 | \$ 87,654 | \$ 117,546 | \$ 136,250 | \$ 240,334 | \$ 821,649          |

(a) Amounts do not include unamortized discounts/premiums.

We expect to satisfy contractual obligations owed in 2015 through a combination of cash generated from operations and from draws on the revolving portion of our Credit Facility.

**Off-Balance Sheet Arrangements**

We do not have off-balance sheet arrangements, financings, or other relationships with other unconsolidated entities (other than our co-investment partnerships) or other persons, also known as variable interest entities not previously discussed.

**ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

Our future income, cash flows and fair values relevant to financial instruments depend upon prevailing market interest rates.

**Market Risk**

Our investment policy relating to cash and cash equivalents is to preserve principal and liquidity while maximizing the return through investment of available funds.

**Effect of Changes in Interest Rates on our Outstanding Debt**

Our interest rate risk objectives are to limit the impact of interest rate fluctuations on earnings and cash flows and to lower our overall borrowing costs. To achieve these objectives, we manage our exposure to fluctuations in market interest rates for a portion of our borrowings through the use of derivative financial instruments such as interest rate swaps or caps to mitigate our interest rate risk on a related financial instrument or to effectively lock the interest rate on a portion of our variable rate debt. The analysis below presents the sensitivity of the market value of our financial instruments to selected changes in market interest rates. The range of changes chosen reflects our view of changes which are reasonably possible over a one-year period. Market values are the present value of projected future cash flows based on the market interest rates chosen.

As of December 31, 2014 our consolidated debt consisted of \$1.1 billion of outstanding mortgages, unsecured senior notes and unsecured term loans that are subject to fixed rates, including variable rate debt that is effectively fixed through our use of interest rate swaps. There was also \$78.0 million of outstanding credit facility borrowings subject to floating rates. Changes in market interest rates have different impacts on the fixed and variable rate portions of our debt portfolio. A change in market interest rates on the fixed portion of the debt portfolio impacts the net financial instrument position, but has no impact on interest incurred or cash flows. A change in market interest rates on the variable portion of the debt portfolio impacts the interest incurred and cash flows, but does not impact the net financial instrument position.



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If market interest rates on our variable rate debt increase by 100 basis points, the increase in annual interest expense on our variable rate debt would decrease future earnings and cash flows by approximately \$0.8 million a year. If market interest rates on our variable rate debt decrease by 100 basis points, the decrease in interest expense on our variable rate debt would increase future earnings and cash flows by approximately \$0.8 million a year.

If market interest rates increase by 100 basis points, the fair value of our outstanding fixed-rate mortgage debt, unsecured senior notes and unsecured term loans would decrease by approximately \$56.1 million. If market interest rates decrease by 100 basis points, the fair value of our outstanding fixed-rate mortgage debt, unsecured senior notes and unsecured term loans would increase by approximately \$61.9 million.

**ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**

Financial statements required by this item appear with an Index to Financial Statements and Schedules, starting on page F-1 of this Report.

**ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE**

None.

**ITEM 9A. CONTROLS AND PROCEDURES**

**Controls and Procedures (Parent Company)**

*Evaluation of Disclosure Controls and Procedures*

As of the end of the period covered by this Report, the Parent Company carried out an evaluation, under the supervision and with the participation of its management, including its chief executive officer and chief financial officer, of the effectiveness of the design and operation of its disclosure controls and procedures (as defined in Rules 13a-15(e) under the Exchange Act.

Based on that evaluation, the Parent Company's chief executive officer and chief financial officer have concluded that the Parent Company's disclosure controls and procedures are designed at a reasonable assurance level and are effective to provide reasonable assurance that information required to be disclosed by the Parent Company in reports that it files or submits under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in SEC rules and forms and that such information is accumulated and communicated to the Parent Company's management, including its chief executive officer and chief financial officer, as appropriate, to allow timely decisions

regarding required disclosure.

***Changes in Internal Control Over Financial Reporting***

There has been no change in the Parent Company's internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) during its most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, its internal control over financial reporting.

***Management's Report on Internal Control Over Financial Reporting***

Management's report on internal control over financial reporting of the Parent Company is set forth on page F-2 of this Report, and is incorporated herein by reference. The effectiveness of the Parent Company's internal control over financial reporting as of December 31, 2014 has been audited by KPMG LLP, an independent registered public accounting firm, as stated in its report which is included herein.

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**Controls and Procedures (Operating Partnership)**

*Evaluation of Disclosure Controls and Procedures*

As of the end of the period covered by this Report, the Operating Partnership carried out an evaluation, under the supervision and with the participation of its management, including the Operating Partnership's chief executive officer and chief financial officer, of the effectiveness of the design and operation of the Operating Partnership's disclosure controls and procedures (as defined in Rules 13a-15(e) under the Exchange Act).

Based on that evaluation, the Operating Partnership's chief executive officer and chief financial officer have concluded that the Operating Partnership's disclosure controls and procedures are designed at a reasonable assurance level and are effective to provide reasonable assurance that information required to be disclosed by the Operating Partnership in reports that it files or submits under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in SEC rules and forms and that such information is accumulated and communicated to the Operating Partnership's management, including the Operating Partnership's chief executive officer and chief financial officer, as appropriate, to allow timely decisions regarding required disclosure.

*Changes in Internal Control Over Financial Reporting*

There has been no change in the Operating Partnership's internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) during our most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Operating Partnership's internal control over financial reporting.

*Management's Report on Internal Control Over Financial Reporting*

Management's report on internal control over financial reporting of the Operating Partnership is set forth on page F-3 of this Report, and is incorporated herein by reference. The effectiveness of the Operating Partnership's internal control over financial reporting as of December 31, 2014 has been audited by KPMG LLP, an independent registered public accounting firm, as stated in its report which is included herein.

**ITEM 9B. OTHER INFORMATION**

Not applicable.



Table of Contents**PART III****ITEM 10. TRUSTEES, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE**

We have adopted a Code of Ethics for all of our employees, officers and trustees, including our principal executive officer and principal financial officer, which is available on our website at [www.cubesmart.com](http://www.cubesmart.com). We intend to disclose any amendment to, or a waiver from, a provision of our Code of Ethics on our website within four business days following the date of the amendment or waiver.

The remaining information required by this item regarding trustees, executive officers and corporate governance is hereby incorporated by reference to the material appearing in the Parent Company's Proxy Statement for the Annual Shareholders Meeting to be held in 2015 (the Proxy Statement) under the captions Proposal 1: Election of Trustees, Executive Officers, Meetings and Committees of the Board of Trustees, and Shareholder Proposals and Nominations for the 2015 Annual Meeting. The information required by this item regarding compliance with Section 16(a) of the Exchange Act is hereby incorporated by reference to the material appearing in the Parent Company's Proxy Statement under the caption Section 16(a) Beneficial Ownership Reporting Compliance.

**ITEM 11. EXECUTIVE COMPENSATION**

The information required by this item is hereby incorporated by reference to the material appearing in the Parent Company's Proxy Statement under the captions Compensation Committee Report, Meetings and Committees of the Board of Trustees Compensation Committee Interlocks and Insider Participation, Compensation Discussion and Analysis, Executive Compensation, Potential Payments Upon Termination or Change in Control, and Trustee Compensation.

**ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED SHAREHOLDER MATTERS**

The following table sets forth certain information regarding our equity compensation plans as of December 31, 2014.

| Plan Category                                      | Number of securities to<br>be issued upon exercise<br>of outstanding options,<br>warrants and rights<br>(a) | Weighted-average<br>exercise price of<br>outstanding options,<br>warrants and rights<br>(b) | Number of securities remaining<br>available for future issuance under<br>equity compensation plans<br>(excluding securities<br>reflected in column(a))<br>(c) |
|--|---|---|---|
| Equity compensation plans approved by shareholders | 3,692,301(1) \$   | 11.76(2)  | 1,958,057   |

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Equity compensation plans not approved by shareholders

|       |           |    |       |           |
|-------|-----------|----|-------|-----------|
| Total | 3,692,301 | \$ | 11.76 | 1,958,057 |
|-------|-----------|----|-------|-----------|

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(1) Excludes 591,430 shares subject to outstanding restricted share unit awards.

(2) This number reflects the weighted-average exercise price of outstanding options and has been calculated exclusive of outstanding restricted unit awards.

The information regarding security ownership of certain beneficial owners and management required by this item is hereby incorporated by reference to the material appearing in the Parent Company's Proxy Statement under the caption "Security Ownership of Management" and "Security Ownership of Beneficial Owners."

### **ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND TRUSTEE INDEPENDENCE**

The information required by this item is hereby incorporated by reference to the material appearing in the Parent Company's Proxy Statement under the captions "Corporate Governance- Independence of Trustees," "Policies and Procedures Regarding Review, Approval or Ratification of Transactions With Related Persons," and "Transactions With Related Persons."

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**ITEM 14. *PRINCIPAL ACCOUNTANT FEES AND SERVICES***

The information required by this item is hereby incorporated by reference to the material appearing in the Parent Company's Proxy Statement under the captions "Audit Committee Matters - Fees Paid to Our Independent Registered Public Accounting Firm" and "Audit Committee Pre-Approval Policies and Procedures."

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**PART IV**

**ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES**

(a) Documents filed as part of this report:

1. *Financial Statements.*

The response to this portion of Item 15 is submitted as a separate section of this report.

2. *Financial Statement Schedules.*

The response to this portion of Item 15 is submitted as a separate section of this report.

3. *Exhibits.*

The list of exhibits filed with this Report is set forth in response to Item 15(b). The required exhibit index has been filed with the exhibits.

(b) *Exhibits.* The following documents are filed as exhibits to this report:

- 3.1\* Articles of Amendment and Restatement of Declaration of Trust of U-Store-It Trust, incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K, filed on November 2, 2004.
- 3.2\* Articles of Amendment of Declaration of Trust of CubeSmart, dated September 14, 2011, incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K, filed on September 16, 2011.
- 3.3\* Articles Supplementary to Declaration of Trust of CubeSmart classifying and designating CubeSmart's 7.75% Series A Cumulative Redeemable Preferred Shares of Beneficial Interest, incorporated by reference to Exhibit 3.3 to CubeSmart's Form 8-A, filed on October 31, 2011.
- 3.4\* Third Amended and Restated Bylaws of CubeSmart, effective September 14, 2011, incorporated by reference to Exhibit 3.2 to the Company's Current Report on Form 8-K, filed on September 16, 2011.



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- 3.5\* Certificate of Limited Partnership of U-Store-It, L.P., incorporated by reference to Exhibit 3.1 to CubeSmart, L.P.'s Registration Statement on Form 10, filed on July 15, 2011.
- 3.6\* Amendment No. 1 to Certificate of Limited Partnership of CubeSmart, L.P., dated September 14, 2011, incorporated by reference to Exhibit 3.3 to the Company's Current Report on Form 8-K, filed on September 16, 2011.
- 3.7\* Second Amended and Restated Agreement of Limited Partnership of U-Store-It, L.P. dated as of October 27, 2004, incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed on November 2, 2004.
- 3.8\* Amendment No. 1 to Second Amended and Restated Agreement of Limited Partnership of CubeSmart, L.P. dated as of September 14, 2011, incorporated by reference to Exhibit 3.4 to the Company's Current Report on Form 8-K, filed on September 16, 2011.
- 3.9\* Amendment No. 2 to Second Amended and Restated Agreement of Limited Partnership of CubeSmart, L.P. dated as of November 2, 2011, incorporated by reference to Exhibit 3.2 to the Company's Current Report on Form 8-K, filed on November 2, 2011.
- 4.1\* Form of Common Share Certificate, incorporated by reference to Exhibit 4.1 to Amendment No. 3 to the Company's Registration Statement on Form S-11, filed on October 20, 2004, File No. 333-117848.
- 4.2\* Form of Certificate for CubeSmart's 7.75% Series A Cumulative Redeemable Preferred Shares of Beneficial Interest, incorporated by reference to Exhibit 4.1 to CubeSmart's Form 8-A, filed on October 31, 2011.
- 4.3\* Indenture, dated as of September 16, 2011, among CubeSmart, L.P., CubeSmart and U.S. Bank National Association, incorporated by reference to Exhibit 4.5 to the Company's Registration Statement on Form S-3, filed on September 16, 2011.

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- 4.4\* First Supplemental Indenture, dated as of June 26, 2012, among the Company, the Operating Partnership and U.S. Bank National Association, incorporated herein by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K, filed on June 26, 2012.
- 4.5\* Form of \$250 million aggregate principal amount of 4.80% senior note due July 15, 2022, incorporated herein by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K, filed on June 26, 2012.
- 4.6\* Form of CubeSmart Notation of Guarantee, incorporated herein by reference to Exhibit 4.3 to the Company's Current Report on Form 8-K, filed on June 26, 2012.
- 4.7\* Second Supplemental Indenture, dated as of December 17, 2013, among the Company, the Operating Partnership and U.S. Bank National Association, incorporated herein by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K, filed on December 17, 2013.
- 4.8\* \$250 million aggregate principal amount of 4.375% senior notes due December 15, 2023, incorporated herein by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K, filed on December 17, 2013.
- 4.9\* CubeSmart Guarantee, incorporated herein by reference to Exhibit 4.3 to the Company's Current Report on Form 8-K, filed on December 17, 2013.
- 10.1\* Settlement Agreement and Mutual Release, by and among U-Store-It Trust, U-Store-It, L.P., YSI Management LLC, U-Store-It Mini Warehouse Co., U-Store-It Development, LLC, Dean Jernigan, Kathleen A. Weigand, Robert J. Amsdell, Barry L. Amsdell, Todd C. Amsdell, Kyle V. Amsdell, Rising Tide Development LLC, and Amsdell and Amsdell, dated August 6, 2007, incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed on August 7, 2007.
- 10.2\* First Amendment to Lease, by and between U-Store-It, L.P. and Amsdell and Amsdell, dated August 6, 2007, amending Lease dated March 29, 2005, incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K, filed on August 7, 2007.
- 10.3\* First Amendment to Lease, by and between U-Store-It, L.P. and Amsdell and Amsdell, dated August 6, 2007, amending Lease dated December 5, 2005, incorporated by reference to Exhibit 10.5 to the Company's Current Report on Form 8-K, filed on August 7, 2007.
- 10.4\* First Amendment to Lease, by and between U-Store-It, L.P. and Amsdell and Amsdell, dated August 6, 2007, amending Lease dated December 5, 2005, incorporated by reference to Exhibit 10.6 to the Company's Current Report on Form 8-K, filed on August 7, 2007.
- 10.5\* First Amendment to Lease, by and between U-Store-It, L.P. and Amsdell and Amsdell, dated August 6, 2007, amending Lease dated December 5, 2005, incorporated by reference to Exhibit 10.7 to the Company's Current Report on Form 8-K, filed on August 7, 2007.
- 10.6\* First Amendment to Lease, by and between U-Store-It, L.P. and Amsdell and Amsdell, dated August 6, 2007, amending Lease dated December 5, 2005, incorporated by reference to Exhibit 10.8 to the Company's Current Report on Form 8-K, filed on August 7, 2007.
- 10.7\* Lease, dated March 29, 2005, by and between Amsdell and Amsdell and U-Store-It, L.P., incorporated by reference to Exhibit 10.41 to the Company's Annual Report on Form 10-K for the year ended December 31, 2004, filed on March 31, 2005.
- 10.8\* Lease, dated June 29, 2005, by and between Amsdell and Amsdell and U-Store-It, L.P., incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2005, filed on August 12, 2005.
- 10.9\* Lease, dated June 29, 2005, by and between Amsdell and Amsdell and U-Store-It, L.P., incorporated by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2005, filed on August 12, 2005.
- 10.10\* Amended and Restated Executive Employment Agreement, dated January 24, 2011, by and between U-Store-It Trust and Christopher P. Marr, incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K, filed on January 27,

2011.

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- 10.11\* Amended and Restated Executive Employment Agreement, dated June 29, 2010, by and between U-Store-It Trust and Timothy M. Martin, incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K, filed on July 2, 2010.
- 10.12\* Indemnification Agreement, dated as of October 27, 2004, by and among U-Store-It Trust, U-Store-It, L.P. and David J. LaRue (substantially identical agreements have been entered into with Dean Jernigan, Christopher P. Marr, Timothy M. Martin, Jeffrey P. Foster, Daniel William M. Diefenderfer III, Piero Bussani, John W. Fain, B. Hurwitz, Marianne M. Keler, and John F. Remondi), incorporated by reference to Exhibit 10.19 to the Company's Current Report on Form 8-K, filed on November 2, 2004.
- 10.13\* Amended and Restated Noncompetition Agreement, dated as of June 29, 2010, by and between U-Store-It Trust and Timothy M. Martin, incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K, filed on July 2, 2010.
- 10.14\* Amended and Restated Noncompetition Agreement, dated as of January 24, 2011, by and between U-Store-It Trust and Christopher P. Marr, incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K, filed on January 27, 2011.
- 10.15\* Amended and Restated Noncompetition Agreement, dated as of June 29, 2010, by and between U-Store-It Trust and Dean Jernigan, incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K, filed on July 2, 2010.
- 10.16\* Nonqualified Share Option Agreement, dated as of June 5, 2006, by and between U-Store-It Trust and Christopher P. Marr, incorporated by reference to Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2006, filed on August 8, 2006.
- 10.17\* Nonqualified Share Option Agreement, dated as of April 19, 2006, by and between U-Store-It Trust and Dean Jernigan, incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K, filed on April 24, 2006.
- 10.18\* Form of Restricted Share Agreement for Non-Employee Trustees under the U-Store-It Trust 2007 Equity Incentive Plan, incorporated by reference to Exhibit 10.83 to the Company's Annual Report on Form 10-K for the year ended December 31, 2007, filed on February 29, 2008.
- 10.19\* Form of Nonqualified Share Option Agreement under the U-Store-It Trust 2004 Equity Incentive Plan, incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2007, filed on May 10, 2007.
- 10.20\* Form of Performance-Vested Restricted Share Agreement under the U-Store-It Trust 2004 Equity Incentive Plan, incorporated by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2007, filed on May 10, 2007.
- 10.21\* Form of Restricted Share Agreement under the U-Store-It Trust 2004 Equity Incentive Plan, incorporated by reference to Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2007, filed on May 10, 2007.
- 10.22\* Form of Nonqualified Share Option Agreement under the U-Store-It Trust 2007 Equity Incentive Plan, incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed on January 25, 2008.
- 10.23\* Form of Restricted Share Agreement under the U-Store-It Trust 2007 Equity Incentive Plan, incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K, filed on January 25, 2008.
- 10.24\* U-Store-It Trust Trustees Deferred Compensation Plan, amended and restated effective January 1, 2009, incorporated by reference to Exhibit 10.78 to the Company's Annual Report on Form 10-K for the year ended December 31, 2008, filed on March 2, 2009.
- 10.25\* U-Store-It Trust Executive Deferred Compensation Plan, amended and restated effective January 1, 2009, incorporated by reference to Exhibit 10.79 to the Company's Annual Report on Form 10-K for the year ended December 31, 2008, filed on March 2, 2009.
- 10.26\* U-Store-It Trust Deferred Trustees Plan, effective as of May 31, 2005, incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed on June 6, 2005.



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- 10.27\* Amended and Restated U-Store It Trust 2007 Equity Incentive Plan, effective June 2, 2011, incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed on June 4, 2011.
- 10.28\* 2004 Equity Incentive Plan of U-Store-It Trust, effective as of October 19, 2004, incorporated by reference to Exhibit 10.6 to the Company's Current Report on Form 8-K, filed on November 2, 2004.
- 10.29\* Amended and Restated Employment Letter Agreement, dated April 4, 2011, by and between U-Store-It Trust and Jeffrey P. Foster, incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed on April 6, 2011.
- 10.30\* Term Loan Agreement dated as of June 20, 2011 by and among U-Store-It, L.P., as Borrower, U-Store-It Trust, and Wells Fargo Securities, LLC and PNC Capital Markets LLC, as joint lead arrangers and joint bookrunners, incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed on June 23, 2011.
- 10.31\* Agreement for Purchase & Sale, dated as of October 24, 2011, by and between CubeSmart, L.P. and 200 East 135th Street LLC, 1880 Bartow Avenue LLC, 255 Exterior St LLC, 1376 Cromwell LLC, 175th Street DE LLC, Boston Rd LLC, Bronx River LLC, Bruckner Blvd LLC, 1980 White Plains Road, 552 Van Buren LLC, 481 Grand LLC, 2047 Pitkin LLC, Sheffield Ave LLC, Cropsey Ave LLC, 9826 Jamaica Ave LLC, 179 Jamaica Avenue Realty LLC, 714 Markley St LLC, Yorktown Heights Storage, LLC, Marbledale Rd LLC, New Rochelle Storage Partners, L.L.C., Wilton Storage Partners L.L.C. and Shelton Storage LLC, incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed on October 24, 2011.
- 10.32\* Registration Rights Agreement dated as of October 24, 2011 by and between CubeSmart and Wells Fargo Investment Holdings, LLC, incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K, filed on October 24, 2011.
- 10.33\* Waiver of Ownership Limitation, incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K, filed on October 24, 2011.
- 10.34\* Purchase Agreement for Series B Cumulative Redeemable Preferred Shares of Beneficial Interest, dated October 24, 2011, between CubeSmart and Wells Fargo Investment Holdings, LLC, incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed on October 31, 2011.
- 10.35\* Credit Agreement dated as of December 9, 2011 by and among CubeSmart, L.P., CubeSmart, Wells Fargo Securities, LLC and Merrill Lynch, Pierce Fenner & Smith Incorporated, as Revolver and Tranche A joint lead arrangers and joint bookrunners and Wells Fargo Securities, LLC, as Tranche B sole lead arranger and sole bookrunner, incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed on December 14, 2011.
- 10.36\* Form of Restricted Share Agreement under the CubeSmart 2007 Equity Incentive Plan, incorporated herein by reference to Exhibit 10.42 to the Company's Annual Report on Form 10-K, filed on February 28, 2013.
- 10.37\* Form of Non-Qualified Share Option Agreement under the CubeSmart 2007 Equity Incentive Plan, incorporated herein by reference to Exhibit 10.43 to the Company's Annual Report on Form 10-K, filed on February 28, 2013.
- 10.38\* Form of 2012 Performance-Vested Restricted Share Unit Award Agreement under the CubeSmart 2007 Equity Incentive Plan, incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed on January 31, 2012.
- 10.39\* First Amendment to Credit Agreement, dated as of April 5, 2012, by and among CubeSmart, L.P., CubeSmart, Wells Fargo Bank, National Association and each of the lenders party to the credit agreement dated December 9, 2011, incorporated herein by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2012, filed on May 7, 2012.
- 10.40\* Performance Share Unit Award and Agreement, dated May 30, 2012, between CubeSmart and Dean Jernigan, incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed on June 1, 2012.
- 10.41\* Form of Restricted Share Unit Award Agreement (2-Year Vesting) under the CubeSmart 2007 Equity Incentive Plan, incorporated herein by reference to Exhibit 10.47 to the Company's Annual Report on Form 10-K, filed on February 28, 2013.
- 10.42\*

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Form of Performance-Vested Restricted Share Unit Award Agreement under the CubeSmart 2007 Equity Incentive Plan, incorporated herein by reference to Exhibit 10.48 to the Company's Annual Report on Form 10-K, filed on February 28, 2013.

10.43\* Waiver of Ownership Limitation, incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2013, filed on May 6, 2013.

## Edgar Filing: CubeSmart - Form 10-K

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- 10.44\* Form of Equity Distribution Agreement, dated May 7, 2013, by and among CubeSmart, CubeSmart, L.P. and each of Wells Fargo Securities, LLC, BMO Capital Markets Corp., Jefferies LLC, Merrill Lynch, Pierce, Fenner & Smith Incorporated and RBC Capital Markets, LLC, incorporated by reference to Exhibit 1.1. to the Company's Current Report on Form 8-K, filed on May 7, 2013.
- 10.45\* Second Amendment to Credit Agreement dated as of June 18, 2013 by and among CubeSmart, L.P., CubeSmart, Wells Fargo Bank, National Association, as Administrative Agent and each of the lenders, incorporated by reference to Exhibit 99.1 to the Company's Current Report on Form 8-K, filed on June 18, 2013.
- 10.46\* Second Amendment to Term Loan Agreement dated as of June 18, 2013 by and among CubeSmart, L.P., CubeSmart, Wells Fargo Bank, National Association, as Administrative Agent and each of the lenders, incorporated by reference to Exhibit 99.2 to the Company's Current Report on Form 8-K, filed on June 18, 2013.
- 10.47\* Advisory Agreement, incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2013, filed on November 8, 2013.
- 10.48\* Purchase and Sale Agreement, dated as of October 28, 2013, by and among the Sellers listed therein and CubeSmart, L.P., incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed on December 10, 2013.
- 10.49\* Purchase and Sale Agreement, dated as of October 28, 2013, by and among the Sellers listed therein and CubeSmart, L.P., incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K, filed on December 10, 2013.
- 10.50\* Executive Employment Agreement, entered into as of January 24, 2014 and effective as of January 1, 2014, by and between CubeSmart and Christopher P. Marr, incorporated by reference to Exhibit 99.1 to the Company's Current Report on Form 8-K, filed on January 28, 2014.
- 10.51\* Form of Non-Qualified Share Option Agreement (3-Year Vesting) under the CubeSmart 2004 Equity Incentive Plan, incorporated by reference to Exhibit 10.57 to the Company's Annual Report on Form 10-K, filed on February 28, 2014.
- 10.52\* Form of Non-Qualified Share Option Agreement for Executive Officers (3-Year Vesting) under the CubeSmart 2007 Equity Incentive Plan, incorporated by reference to Exhibit 10.58 to the Company's Annual Report on Form 10-K, filed on February 28, 2014.
- 10.53\* Form of Non-Qualified Share Option Agreement (3-Year Vesting) under the CubeSmart 2007 Equity Incentive Plan, incorporated by reference to Exhibit 10.59 to the Company's Annual Report on Form 10-K, filed on February 28, 2014.
- 10.54\* Form of Performance Share Award Agreement for Executive Officers (3-Year Vesting) under the CubeSmart 2007 Equity Incentive Plan, incorporated by reference to Exhibit 10.60 to the Company's Annual Report on Form 10-K, filed on February 28, 2014.
- 10.55\* Form of Performance Share Award Agreement (3-Year Vesting) under the CubeSmart 2007 Equity Incentive Plan, incorporated by reference to Exhibit 10.61 to the Company's Annual Report on Form 10-K, filed on February 28, 2014.
- 10.56\* Form of Restricted Share Award Agreement (3-Year Vesting) under the CubeSmart 2004 Equity Incentive Plan, incorporated by reference to Exhibit 10.62 to the Company's Annual Report on Form 10-K, filed on February 28, 2014.
- 10.57\* Form of Restricted Share Award Agreement for Executive Officers (3-Year Vesting) under the CubeSmart 2007 Equity Incentive Plan, incorporated by reference to Exhibit 10.63 to the Company's Annual Report on Form 10-K, filed on February 28, 2014.
- 10.58\* Form of Restricted Share Award Agreement (3-Year Vesting) under the CubeSmart 2007 Equity Incentive Plan, incorporated by reference to Exhibit 10.64 to the Company's Annual Report on Form 10-K, filed on February 28, 2014.
- 10.59\* Form of Restricted Share Award Agreement (5-Year Vesting) under the CubeSmart 2004 Equity Incentive Plan, incorporated by reference to Exhibit 10.65 to the Company's Annual Report on Form 10-K, filed on February 28, 2014.
- 10.60\*



## Edgar Filing: CubeSmart - Form 10-K

Form of Amendment No. 1 to Equity Distribution Agreement, dated May 5, 2014, by and among CubeSmart, CubeSmart, L.P. and each of the Sales Agents (as defined therein), incorporated by reference to Exhibit 1.1. to the Company's Current Report on Form 8-K, filed on May 5, 2014.

10.61\* Form of Amendment No. 2 to Equity Distribution Agreement, dated October 2, 2014, by and among CubeSmart, CubeSmart, L.P. and each of the Sales Agents (as defined therein), incorporated by reference to Exhibit 1.1. to the Company's Current Report on Form 8-K, filed on October 2, 2014.

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- 10.62\* Agreement for Purchase and Sale, dated August 25, 2014, by and among CubeSmart, L.P. and certain limited liability companies controlled by HSRE REIT I and HSRE REIT II (the HSRE Purchase Agreement), incorporated by reference to Exhibit 10.1. to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2014, filed on November 5, 2014.
- 10.63\* Amendment no. 1 to the HSRE Purchase Agreement, dated October 2, 2014, by and among CubeSmart, L.P. and certain limited liability companies controlled by HSRE REIT I and HSRE REIT II, incorporated by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2014, filed on November 5, 2014.
- 10.64\* Amendment no. 2 to the HSRE Purchase Agreement, dated October 7, 2014, by and among CubeSmart, L.P. and certain limited liability companies controlled by HSRE REIT I and HSRE REIT II, incorporated by reference to Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2014, filed on November 5, 2014.
- 10.65\* Amendment no. 3 to the HSRE Purchase Agreement, dated October 9, 2014, by and among CubeSmart, L.P. and certain limited liability companies controlled by HSRE REIT I and HSRE REIT II, incorporated by reference to Exhibit 10.5 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2014, filed on November 5, 2014.
- 10.66\* Amendment no. 4 to the HSRE Purchase Agreement, dated October 13, 2014, by and among CubeSmart, L.P. and certain limited liability companies controlled by HSRE REIT I and HSRE REIT II, incorporated by reference to Exhibit 10.6 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2014, filed on November 5, 2014.
- 12.1 Statement regarding Computation of Ratios of CubeSmart
- 12.2 Statement regarding Computation of Ratios of CubeSmart, L.P.
- 21.1 List of Subsidiaries
- 23.1 Consent of KPMG LLP relating to financial statements of CubeSmart
- 23.2 Consent of KPMG LLP relating to financial statements of CubeSmart, L.P.
- 31.1 Certification of Chief Executive Officer of CubeSmart required by Rule 13a-14(a)/15d-14(a) under the Exchange Act, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.2 Certification of Chief Financial Officer of CubeSmart required by Rule 13a-14(a)/15d-14(a) under the Exchange Act, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.3 Certification of Chief Executive Officer of CubeSmart, L.P. required by Rule 13a-14(a)/15d-14(a) under the Exchange Act, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.4 Certification of Chief Financial Officer of CubeSmart, L.P. required by Rule 13a-14(a)/15d-14(a) under the Exchange Act, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 32.1 Certification of Chief Executive Officer and Chief Financial Officer of CubeSmart pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 32.2 Certification of Chief Executive Officer and Chief Financial Officer of CubeSmart, L.P. pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 99.1 Material Tax Considerations.
- 101 The following CubeSmart and CubeSmart, L.P. financial information for the year ended December 31, 2014, formatted in XBRL (eXtensible Business Reporting Language): (i) the Consolidated Balance Sheets, (ii) the Consolidated Statements of Operations, (iii) the Consolidated Statement of Equity, (iv) the Consolidated Statements of Cash Flows, and (v) Notes to Consolidated Financial Statements, detailed tagged and filed herewith.
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\* Incorporated herein by reference as above indicated.

Denotes a management contract or compensatory plan, contract or arrangement.

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**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

CUBESMART

By: /s/ Timothy M. Martin  
 Timothy M. Martin  
 Chief Financial Officer

Date: February 27, 2015

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, this Report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated:

| <b>Signature</b>   | <b>Title</b>  | <b>Date</b>       |
|--|---|-------------------|
| /s/ William M. Diefenderfer III<br>William M. Diefenderfer III | Chairman of the Board of Trustees                                       | February 27, 2015 |
| /s/ Christopher P. Marr<br>Christopher P. Marr                 | Chief Executive Officer and Trustee<br>(Principal Executive Officer)    | February 27, 2015 |
| /s/ Timothy M. Martin<br>Timothy M. Martin                     | Chief Financial Officer<br>(Principal Financial and Accounting Officer) | February 27, 2015 |
| /s/ Piero Bussani<br>Piero Bussani                             | Trustee   | February 27, 2015 |
| /s/ John W. Fain<br>John W. Fain                               | Trustee   | February 27, 2015 |
| /s/ Marianne M. Keler<br>Marianne M. Keler                     | Trustee   | February 27, 2015 |
| /s/ John F. Remondi<br>John F. Remondi                         | Trustee   | February 27, 2015 |
| /s/ Jeffrey F. Rogatz<br>Jeffrey F. Rogatz                     | Trustee   | February 27, 2015 |
| /s/ Deborah Ratner Salzberg<br>Deborah Ratner Salzberg         | Trustee   | February 27, 2015 |



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**MANAGEMENT'S REPORT ON CUBESMART INTERNAL CONTROL OVER FINANCIAL REPORTING**

Management of CubeSmart (the REIT) is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. Under Section 404 of the Sarbanes-Oxley Act of 2002, the REIT's management is required to assess the effectiveness of the REIT's internal control over financial reporting as of the end of each fiscal year, and report on the basis of that assessment whether the REIT's internal control over financial reporting is effective.

The REIT's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. generally accepted accounting principles. The REIT's internal control over financial reporting includes those policies and procedures that:

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and the disposition of the assets of the REIT;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. generally accepted accounting principles, and that the receipts and expenditures of the REIT are being made only in accordance with the authorization of the REIT's management and its Board of Trustees; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the REIT's assets that could have a material effect on the financial statements.

There are inherent limitations in the effectiveness of any system of internal control, including the possibility of human error and the circumvention or overriding of controls. Accordingly, even an effective internal control system can provide only reasonable assurance with respect to financial statement preparation. Further, because of changes in conditions, the effectiveness of an internal control system may vary over time.

Under the supervision, and with the participation, of the REIT's management, including the principal executive officer and principal financial officer, management conducted a review, evaluation and assessment of the effectiveness of our internal control over financial reporting as of December 31, 2014, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In performing its assessment of the effectiveness of internal control over financial reporting, management has concluded that, as of December 31, 2014, the REIT's internal control over financial reporting was effective based on the COSO framework.

The effectiveness of our internal control over financial reporting as of December 31, 2014, has been audited by KPMG LLP, an independent registered public accounting firm, as stated in their report that appears herein.

February 27, 2015

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**MANAGEMENT'S REPORT ON CUBESMART, L.P. INTERNAL CONTROL OVER FINANCIAL REPORTING**

Management of CubeSmart, L.P. (the Partnership) is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. Under Section 404 of the Sarbanes-Oxley Act of 2002, the Partnership's management is required to assess the effectiveness of the Partnership's internal control over financial reporting as of the end of each fiscal year, and report on the basis of that assessment whether the Partnership's internal control over financial reporting is effective.

The Partnership's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. generally accepted accounting principles. The Partnership's internal control over financial reporting includes those policies and procedures that:

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and the disposition of the assets of the Partnership;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. generally accepted accounting principles, and that the receipts and expenditures of the Partnership are being made only in accordance with the authorization of the Partnership's management and its Board of Trustees; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Partnership's assets that could have a material effect on the financial statements.

There are inherent limitations in the effectiveness of any system of internal control, including the possibility of human error and the circumvention or overriding of controls. Accordingly, even an effective internal control system can provide only reasonable assurance with respect to financial statement preparation. Further, because of changes in conditions, the effectiveness of an internal control system may vary over time.

Under the supervision, and with the participation, of the Partnership's management, including the principal executive officer and principal financial officer, management conducted a review, evaluation and assessment of the effectiveness of our internal control over financial reporting as of December 31, 2014, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In performing its assessment of the effectiveness of internal control over financial reporting, management has concluded that, as of December 31, 2014, the Partnership's internal control over financial reporting was effective based on the COSO framework.

The effectiveness of our internal control over financial reporting as of December 31, 2014, has been audited by KPMG LLP, an independent registered public accounting firm, as stated in their report that appears herein.

February 27, 2015

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### Report of Independent Registered Public Accounting Firm

The Board of Trustees and Shareholders of

CubeSmart:

We have audited the accompanying consolidated balance sheets of CubeSmart as of December 31, 2014 and 2013, and the related consolidated statements of operations, comprehensive income (loss), equity, and cash flows for each of the years in the three-year period ended December 31, 2014. In connection with our audits of the consolidated financial statements, we have also audited financial statement Schedule III. These consolidated financial statements and financial statement schedule are the responsibility of CubeSmart's management. Our responsibility is to express an opinion on these consolidated financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of CubeSmart as of December 31, 2014 and 2013, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2014, in conformity with U.S. generally accepted accounting principles. Also in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

As discussed in Note 2 to the consolidated financial statements, the Company changed its method for reporting discontinued operations as of January 1, 2014.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), CubeSmart's internal control over financial reporting as of December 31, 2014, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated February 27, 2015, expressed an unqualified opinion on the effectiveness of CubeSmart's internal control over financial reporting.

/s/ KPMG LLP

Philadelphia, Pennsylvania

February 27, 2015

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#### Report of Independent Registered Public Accounting Firm

The Partners of

CubeSmart, L.P.:

We have audited the accompanying consolidated balance sheets of CubeSmart, L.P. as of December 31, 2014 and 2013, and the related consolidated statements of operations, comprehensive income (loss), capital, and cash flows for each of the years in the three-year period ended December 31, 2014. In connection with our audits of the consolidated financial statements, we have also audited financial statement Schedule III. These consolidated financial statements and financial statement schedule are the responsibility of CubeSmart, L.P.'s management. Our responsibility is to express an opinion on these consolidated financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of CubeSmart, L.P. as of December 31, 2014 and 2013, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2014, in conformity with U.S. generally accepted accounting principles. Also in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

As discussed in Note 2 to the consolidated financial statements, the Company changed its method for reporting discontinued operations as of January 1, 2014.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), CubeSmart, L.P.'s internal control over financial reporting as of December 31, 2014, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated February 27, 2015, expressed an unqualified opinion on the effectiveness of CubeSmart, L.P.'s internal control over financial reporting.

/s/ KPMG LLP

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Philadelphia, Pennsylvania

February 27, 2015

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#### Report of Independent Registered Public Accounting Firm

The Board of Trustees and Shareholders of

CubeSmart:

We have audited CubeSmart's internal control over financial reporting as of December 31, 2014, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). CubeSmart's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on CubeSmart Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, CubeSmart maintained, in all material respects, effective internal control over financial reporting as of December 31, 2014, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of CubeSmart as of December 31, 2014 and 2013, and the related consolidated statements of operations, comprehensive income (loss), equity, and cash flows for each of the years in the three-year period ended December 31, 2014, and our report dated February 27, 2015

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expressed an unqualified opinion on those consolidated financial statements.

/s/ KPMG LLP

Philadelphia, Pennsylvania

February 27, 2015

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### Report of Independent Registered Public Accounting Firm

The Partners of

CubeSmart, L.P.:

We have audited CubeSmart, L.P.'s internal control over financial reporting as of December 31, 2014, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). CubeSmart, L.P.'s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on CubeSmart, L.P. Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, CubeSmart, L.P. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2014, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of CubeSmart, L.P. as of December 31, 2014 and 2013, and the related consolidated statements of operations, comprehensive income (loss), capital, and cash flows for each of the years in the three-year period ended December 31, 2014, and our report dated February 27,

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2015 expressed an unqualified opinion on those consolidated financial statements.

/s/ KPMG LLP

Philadelphia, Pennsylvania

February 27, 2015

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**CUBESMART AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
(in thousands, except share data)

|  | 2014         | December 31, | 2013      |
|--|--------------|--------------|-----------|
| <b>ASSETS</b>  |              |              |           |
| Storage facilities   | \$ 3,117,198 | \$           | 2,553,706 |
| Less: Accumulated depreciation   | (492,069)    |              | (398,536) |
| Storage facilities, net (including VIE assets of \$49,829 and \$34,559, respectively)  | 2,625,129    |              | 2,155,170 |
| Cash and cash equivalents  | 2,901        |              | 3,176     |
| Restricted cash  | 3,305        |              | 4,025     |
| Loan procurement costs, net of amortization  | 10,653       |              | 12,687    |
| Investment in real estate venture, at equity   | 95,709       |              | 156,310   |
| Other assets, net  | 48,642       |              | 27,256    |
| Total assets   | \$ 2,786,339 | \$           | 2,358,624 |
| <b>LIABILITIES AND EQUITY</b>  |              |              |           |
| Unsecured senior notes   | \$ 500,000   | \$           | 500,000   |
| Revolving credit facility  | 78,000       |              | 38,600    |
| Unsecured term loans   | 400,000      |              | 400,000   |
| Mortgage loans and notes payable   | 195,851      |              | 200,218   |
| Accounts payable, accrued expenses and other liabilities   | 69,198       |              | 57,599    |
| Distributions payable  | 28,137       |              | 19,955    |
| Deferred revenue   | 15,311       |              | 12,394    |
| Security deposits  | 401          |              | 376       |
| Total liabilities  | 1,286,898    |              | 1,229,142 |
| Noncontrolling interests in the Operating Partnership  | 49,823       |              | 36,275    |
| <b>Commitments and contingencies</b>   |              |              |           |
| <b>Equity</b>  |              |              |           |
| 7.75% Series A Preferred shares \$.01 par value, 3,220,000 shares authorized, 3,100,000 shares issued and outstanding at December 31, 2014 and December 31, 2013, respectively   | 31           |              | 31        |
| Common shares \$.01 par value, 200,000,000 shares authorized, 163,956,675 and 139,328,366 shares issued and outstanding at December 31, 2014 and December 31, 2013, respectively | 1,639        |              | 1,393     |
| Additional paid-in capital   | 1,974,308    |              | 1,542,703 |
| Accumulated other comprehensive loss   | (8,759)      |              | (11,014)  |
| Accumulated deficit  | (519,193)    |              | (440,837) |
| Total CubeSmart shareholders' equity   | 1,448,026    |              | 1,092,276 |
| Noncontrolling interests in subsidiaries   | 1,592        |              | 931       |
| Total equity   | 1,449,618    |              | 1,093,207 |
| Total liabilities and equity   | \$ 2,786,339 | \$           | 2,358,624 |

See accompanying notes to the consolidated financial statements.



Table of Contents**CUBESMART AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF OPERATIONS**

(in thousands, except per share data)

|   | For the year ended December 31, |            |            |
|---|---------------------------------|------------|------------|
|   | 2014                            | 2013       | 2012       |
| <b>REVENUES</b>   |                                 |            |            |
| Rental income   | \$ 330,898                      | \$ 281,250 | \$ 236,160 |
| Other property related income   | 40,065                          | 32,365     | 25,821     |
| Property management fee income  | 6,000                           | 4,780      | 4,341      |
| Total revenues  | 376,963                         | 318,395    | 266,322    |
| <b>OPERATING EXPENSES</b>   |                                 |            |            |
| Property operating expenses   | 132,701                         | 118,222    | 103,488    |
| Depreciation and amortization   | 126,813                         | 112,313    | 109,830    |
| General and administrative  | 28,422                          | 29,563     | 26,131     |
| Acquisition related costs   | 7,484                           | 3,849      | 3,086      |
| Total operating expenses  | 295,420                         | 263,947    | 242,535    |
| <b>OPERATING INCOME</b>   | 81,543                          | 54,448     | 23,787     |
| <b>OTHER (EXPENSE) INCOME</b>   |                                 |            |            |
| Interest:   |                                 |            |            |
| Interest expense on loans   | (46,802)                        | (40,424)   | (40,318)   |
| Loan procurement amortization expense   | (2,190)                         | (2,058)    | (3,279)    |
| Loan procurement amortization expense - early repayment of debt                           |                                 | (414)      |            |
| Equity in losses of real estate ventures  | (6,255)                         | (1,151)    | (745)      |
| Gain from remeasurement of investment in real estate venture                              |                                 |            | 7,023      |
| Gain from sale of real estate   | 475                             |            |            |
| Other   | (405)                           | 8          | 256        |
| Total other expense   | (55,177)                        | (44,039)   | (37,063)   |
| <b>INCOME (LOSS) FROM CONTINUING OPERATIONS</b>   | 26,366                          | 10,409     | (13,276)   |
| <b>DISCONTINUED OPERATIONS</b>  |                                 |            |            |
| Income from discontinued operations   | 336                             | 4,145      | 7,093      |
| Gain from disposition of discontinued operations  |                                 | 27,440     | 9,811      |
| Total discontinued operations   | 336                             | 31,585     | 16,904     |
| <b>NET INCOME</b>   | 26,702                          | 41,994     | 3,628      |
| <b>NET (INCOME) LOSS ATTRIBUTABLE TO NONCONTROLLING INTERESTS</b>                         |                                 |            |            |
| Noncontrolling interests in the Operating Partnership                                     | (307)                           | (588)      | 107        |
| Noncontrolling interest in subsidiaries   | (16)                            | 42         | (1,918)    |
| <b>NET INCOME ATTRIBUTABLE TO THE COMPANY</b>   | 26,379                          | 41,448     | 1,817      |
| Distribution to preferred shareholders  | (6,008)                         | (6,008)    | (6,008)    |
| <b>NET INCOME (LOSS) ATTRIBUTABLE TO THE COMPANY'S COMMON SHAREHOLDERS</b>                | \$ 20,371                       | \$ 35,440  | \$ (4,191) |
| Basic earnings (loss) per share from continuing operations                                |                                 |            |            |
| attributable to common shareholders   | \$ 0.13                         | \$ 0.03    | \$ (0.17)  |
| Basic earnings per share from discontinued operations attributable to common shareholders |                                 |            |            |
|   | \$ 0.01                         | \$ 0.23    | \$ 0.14    |
| Basic earnings (loss) per share attributable to common shareholders                       | \$ 0.14                         | \$ 0.26    | \$ (0.03)  |

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|  |    |         |    |         |    |         |
|--|----|---------|----|---------|----|---------|
| Diluted earnings (loss) per share from continuing operations attributable to common shareholders | \$ | 0.13    | \$ | 0.03    | \$ | (0.17)  |
| Diluted earnings per share from discontinued operations attributable to common shareholders      | \$ | 0.01    | \$ | 0.23    | \$ | 0.14    |
| Diluted earnings (loss) per share attributable to common shareholders                            | \$ | 0.14    | \$ | 0.26    | \$ | (0.03)  |
| Weighted-average basic shares outstanding  |    | 149,107 |    | 135,191 |    | 124,548 |
| Weighted-average diluted shares outstanding  |    | 150,863 |    | 137,742 |    | 124,548 |

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

|  |    |        |    |        |    |          |
|--|----|--------|----|--------|----|----------|
| Income (loss) from continuing operations | \$ | 20,040 | \$ | 4,392  | \$ | (20,689) |
| Total discontinued operations            |    | 331    |    | 31,048 |    | 16,498   |
| Net income (loss)                        | \$ | 20,371 | \$ | 35,440 | \$ | (4,191)  |

See accompanying notes to the consolidated financial statements.

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

(in thousands)

|   | 2014      | Year Ended December 31, |    | 2012     |
|---|-----------|-------------------------|----|----------|
|   |           | 2013                    |    |          |
| NET INCOME  | \$ 26,702 | \$ 41,994               | \$ | 3,628    |
| Other comprehensive income (loss):  |           |                         |    |          |
| Unrealized (losses) gains on interest rate swaps  | (3,944)   | 2,636                   |    | (13,548) |
| Reclassification of realized losses on interest rate swaps  | 6,408     | 6,266                   |    | 6,082    |
| Unrealized (loss) gain on foreign currency translation  | (175)     | 56                      |    | 172      |
| OTHER COMPREHENSIVE INCOME (LOSS)   | 2,289     | 8,958                   |    | (7,294)  |
| COMPREHENSIVE INCOME (LOSS)   | 28,991    | 50,952                  |    | (3,666)  |
| Comprehensive (income) loss attributable to noncontrolling interests in the Operating Partnership | (338)     | (740)                   |    | 445      |
| Comprehensive (income) loss attributable to noncontrolling interest in subsidiaries               | (19)      | 18                      |    | (1,927)  |
| COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO THE COMPANY   | \$ 28,634 | \$ 50,230               | \$ | (5,148)  |

See accompanying notes to the consolidated financial statements.

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## CUBESMART AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF EQUITY

(in thousands)

|  | Common Shares |          | Preferred Shares |        | Additional Paid-in Capital | Accumulated Other Comprehensive Income (Loss) | Accumulated Deficit | Total Shareholder 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, net                                       | 7,900         | 79       |                  |        | 102,000                    |   |                     | 102,079                  |  | 102,079      |   |
| Issuance of restricted shares  | 246           | 2        |                  |        |                            |   |                     | 2                        |  | 2            |   |
| Conversion from units to shares                                      | 1,380         | 14       |                  |        | 19,233                     |   |                     | 19,247                   |  | 19,247       | (19,247)  |
| Exercise of stock options  | 210           | 2        |                  |        | 1,627                      |   |                     | 1,629                    |  | 1,629        |   |
| Amortization of restricted shares                                    |               |          |                  |        | 3,352                      |   |                     | 3,352                    |  | 3,352        |   |
| Share compensation expense   |               |          |                  |        | 1,198                      |   |                     | 1,198                    |  | 1,198        |   |
| Acquisition of noncontrolling interest                               |               |          |                  |        | (18,452)                   |   |                     | (18,452)                 | (38,532)                                 | (56,984)     | (132)   |
| Adjustment for noncontrolling interests in the Operating Partnership |               |          |                  |        |                            |   | (19,520)            | (19,520)                 |  | (19,520)     | 19,520  |
| Net income (loss)  |               |          |                  |        |                            |   | 1,817               | 1,817                    | 1,918                                    | 3,735        | (107)   |
| Other comprehensive (loss) income:                                   |               |          |                  |        |                            |   |                     |                          |  |              |   |
| Unrealized losses on interest rate swaps                             |               |          |                  |        |                            | (7,124)                                       |                     | (7,124)                  |  | (7,124)      | (342)   |
| Unrealized gain on foreign currency translation                      |               |          |                  |        |                            | 159   |                     | 159                      | 9  | 168          | 4   |
| Preferred share distributions  |               |          |                  |        |                            |   | (6,008)             | (6,008)                  |  | (6,008)      |   |
| Common share distributions   |               |          |                  |        |                            |   | (44,501)            | (44,501)                 | (2,686)                                  | (47,187)     | (1,438)   |
| <b>Balance at December 31, 2012</b>                                  | 131,795       | \$ 1,318 | 3,100            | \$ 31  | \$ 1,418,463               | \$ (19,796)                                   | \$ (410,225)        | \$ 989,791               | \$ 118                                   | \$ 989,909   | \$ 47,990   |
| Contributions from noncontrolling                                    |               |          |                  |        |                            |   |                     |                          | 831                                      | 831          |   |



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|  |         |          |       |         |              |             |              |              |        |              |           |          |  |
|--|---------|----------|-------|---------|--------------|-------------|--------------|--------------|--------|--------------|-----------|----------|--|
| interest in subsidiaries   |         |          |       |         |              |             |              |              |        |              |           |          |  |
| Issuance of common shares, net                                       | 5,700   | 57       |       | 100,230 |              |             |              | 100,287      |        |              | 100,287   |          |  |
| Issuance of restricted shares  | 301     | 3        |       |         |              |             |              | 3            |        |              | 3         |          |  |
| Conversion from units to shares                                      | 1,018   | 10       |       | 14,688  |              |             |              | 14,698       |        |              | 14,698    | (14,698) |  |
| Exercise of stock options  | 514     | 5        |       | 3,705   |              |             |              | 3,710        |        |              | 3,710     |          |  |
| Amortization of restricted shares                                    |         |          |       | 4,747   |              |             |              | 4,747        |        |              | 4,747     |          |  |
| Share compensation expense   |         |          |       | 870     |              |             |              | 870          |        |              | 870       |          |  |
| Adjustment for noncontrolling interests in the Operating Partnership |         |          |       |         |              |             | (3,292)      | (3,292)      |        |              | (3,292)   | 3,292    |  |
| Net income (loss)  |         |          |       |         |              |             | 41,448       | 41,448       | (42)   |              | 41,406    | 588      |  |
| Other comprehensive income:  |         |          |       |         |              |             |              |              |        |              |           |          |  |
| Unrealized gains on interest rate swaps                              |         |          |       |         |              |             | 8,751        | 8,751        |        |              | 8,751     | 151      |  |
| Unrealized gain on foreign currency translation                      |         |          |       | 31      |              |             |              | 31           | 24     |              | 55        | 1        |  |
| Preferred share distributions  |         |          |       |         |              |             | (6,008)      | (6,008)      |        |              | (6,008)   |          |  |
| Common share distributions   |         |          |       |         |              |             | (62,760)     | (62,760)     |        |              | (62,760)  | (1,049)  |  |
| <b>Balance at December 31, 2013</b>                                  | 139,328 | \$ 1,393 | 3,100 | \$ 31   | \$ 1,542,703 | \$ (11,014) | \$ (440,837) | \$ 1,092,276 | \$ 931 | \$ 1,093,207 | \$ 36,275 |          |  |
| Contributions from noncontrolling interest in subsidiaries           |         |          |       |         |              |             |              |              |        | 642          | 642       |          |  |
| Issuance of common shares, net                                       | 22,704  | 227      |       | 415,774 |              |             |              | 416,001      |        |              | 416,001   |          |  |
| Issuance of restricted shares  | 482     | 5        |       |         |              |             |              | 5            |        |              | 5         |          |  |
| Conversion from units to shares                                      | 18      |          |       | 308     |              |             |              | 308          |        |              | 308       | (308)    |  |
| Exercise of stock options  | 1,425   | 14       |       | 13,788  |              |             |              | 13,802       |        |              | 13,802    |          |  |
| Amortization of restricted shares                                    |         |          |       | 182     |              |             |              | 182          |        |              | 182       |          |  |
| Share compensation expense   |         |          |       | 1,553   |              |             |              | 1,553        |        |              | 1,553     |          |  |
| Adjustment for noncontrolling interests in the Operating Partnership |         |          |       |         |              |             | (14,761)     | (14,761)     |        |              | (14,761)  | 14,761   |  |
| Net income   |         |          |       |         |              |             | 26,379       | 26,379       | 16     |              | 26,395    | 307      |  |
| Other comprehensive  |         |          |       |         |              |             |              |              |        |              |           |          |  |

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|  |         |          |       |       |              |       |         |              |              |          |              |           |         |
|--|---------|----------|-------|-------|--------------|-------|---------|--------------|--------------|----------|--------------|-----------|---------|
| income (loss):   |         |          |       |       |              |       |         |              |              |          |              |           |         |
| Unrealized gains on interest rate swaps                |         |          |       |       |              | 2,427 |         |              | 2,427        |          |              | 2,427     | 37      |
| Unrealized (loss) gain on foreign currency translation |         |          |       |       |              | (172) |         |              | (172)        | 3        |              | (169)     | (6)     |
| Preferred share distributions                          |         |          |       |       |              |       |         |              | (6,008)      |          |              | (6,008)   |         |
| Common share distributions                             |         |          |       |       |              |       |         |              | (83,966)     |          |              | (83,966)  | (1,243) |
| <b>Balance at December 31, 2014</b>                    | 163,957 | \$ 1,639 | 3,100 | \$ 31 | \$ 1,974,308 |       | (8,759) | \$ (519,193) | \$ 1,448,026 | \$ 1,592 | \$ 1,449,618 | \$ 49,823 |         |

See accompanying notes to the consolidated financial statements.

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**CUBESMART AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

(in thousands)

|   | For the Year Ended December 31, |              |              |
|---|---------------------------------|--------------|--------------|
|   | 2014                            | 2013         | 2012         |
| <b>Operating Activities</b>   |                                 |              |              |
| Net income  | \$ 26,702                       | \$ 41,994    | \$ 3,628     |
| Adjustments to reconcile net income to cash provided by operating activities: |                                 |              |              |
| Depreciation and amortization   | 129,003                         | 117,074      | 118,573      |
| Gain from sale of real estate   | (475)                           | (27,440)     | (9,811)      |
| Gain from remeasurement of investment in real estate venture                  |                                 |              | (7,023)      |
| Equity compensation expense   | 1,735                           | 5,617        | 4,550        |
| Accretion of fair market value adjustment of debt                             | (1,685)                         | (1,018)      | (707)        |
| Loan procurement amortization expense - early repayment of debt               |                                 | 414          |              |
| Equity in losses of real estate ventures                                      | 6,255                           | 1,151        | 745          |
| Changes in other operating accounts:  |                                 |              |              |
| Other assets  | 808                             | (1,156)      | (2,125)      |
| Restricted cash   | 411                             | 567          | 3,545        |
| Accounts payable and accrued expenses   | 2,699                           | 4,564        | 6,899        |
| Other liabilities   | 579                             | 1,095        | 154          |
| Net cash provided by operating activities                                     | \$ 166,032                      | \$ 142,862   | \$ 118,428   |
| <b>Investing Activities</b>   |                                 |              |              |
| Acquisitions of storage facilities  | (547,515)                       | (181,612)    | (220,791)    |
| Additions and improvements to storage facilities                              | (19,967)                        | (20,320)     | (22,395)     |
| Development costs   | (23,566)                        | (53,979)     | (4,227)      |
| Cash paid for remaining interest in real estate venture                       |                                 |              | (81,158)     |
| Investment in real estate venture, at equity                                  |                                 | (157,461)    |              |
| Cash contributed to real estate venture                                       | (2,550)                         |              |              |
| Cash distributed from real estate venture                                     | 56,896                          |              | 909          |
| Proceeds from sales of facilities, net  | 13,475                          | 123,780      | 52,630       |
| Proceeds from notes receivable  |                                 | 5,192        |              |
| Change in restricted cash   | 528                             | 1,476        | 3,096        |
| Net cash used in investing activities   | \$ (522,699)                    | \$ (282,924) | \$ (271,936) |
| <b>Financing Activities</b>   |                                 |              |              |
| Proceeds from:  |                                 |              |              |
| Unsecured senior notes  |                                 | 247,488      | 249,638      |
| Revolving credit facility   | 712,500                         | 636,200      | 403,000      |
| Unsecured term loans  |                                 |              | 100,000      |
| Principal payments on:  |                                 |              |              |
| Revolving credit facility   | (673,100)                       | (642,600)    | (358,000)    |
| Unsecured term loans  |                                 | (100,000)    |              |
| Mortgage loans and notes payable  | (30,149)                        | (36,496)     | (236,340)    |
| Loan procurement costs  | (274)                           | (4,400)      | (2,145)      |
| Settlement of hedge transactions  |                                 |              | (195)        |
| Proceeds from issuance of common shares, net                                  | 416,006                         | 100,290      | 102,079      |
| Exercise of stock options   | 13,802                          | 3,710        | 1,629        |
| Contributions from noncontrolling interests in subsidiaries                   | 642                             | 831          |              |
| Cash paid for acquisition of noncontrolling interest                          |                                 |              | (61,113)     |
| Distributions paid to common shareholders                                     | (75,849)                        | (59,159)     | (39,755)     |
| Distributions paid to preferred shareholders                                  | (6,008)                         | (6,008)      | (5,724)      |

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|   |    |         |    |         |    |         |
|---|----|---------|----|---------|----|---------|
| Distributions paid to noncontrolling interests in Operating Partnership |    | (1,178) |    | (1,113) |    | (1,454) |
| Distributions paid to noncontrolling interest in subsidiaries           |    |         |    |         |    | (2,686) |
| Net cash provided by financing activities                               | \$ | 356,392 | \$ | 138,743 | \$ | 148,934 |
| Change in cash and cash equivalents                                     |    | (275)   |    | (1,319) |    | (4,574) |
| Cash and cash equivalents at beginning of year                          |    | 3,176   |    | 4,495   |    | 9,069   |
| Cash and cash equivalents at end of year                                | \$ | 2,901   | \$ | 3,176   | \$ | 4,495   |
| <b>Supplemental Cash Flow and Noncash Information</b>                   |    |         |    |         |    |         |
| Cash paid for interest, net of interest capitalized                     | \$ | 50,024  | \$ | 43,130  | \$ | 33,578  |
| Supplemental disclosure of noncash activities:                          |    |         |    |         |    |         |
| Accretion of liability  | \$ | 8,977   | \$ |         | \$ |         |
| Consolidation of real estate venture                                    | \$ |         | \$ |         | \$ | 13,527  |
| Derivative valuation adjustment   | \$ | 2,464   | \$ | 8,902   | \$ | (7,271) |
| Foreign currency translation adjustment                                 | \$ | (175)   | \$ | 56      | \$ | 172     |
| Discount on issuance of unsecured senior notes                          | \$ |         | \$ | 2,512   | \$ | 362     |
| Mortgage loan assumption - acquisitions of storage facilities           | \$ | 27,467  | \$ | 8,866   | \$ | 107,011 |

See accompanying notes to the consolidated financial statements.

Table of Contents**CUBESMART, L.P. AND SUBSIDIARIES****CONSOLIDATED BALANCE SHEETS**

(in thousands)

|   | December 31, |              |
|---|--------------|--------------|
|   | 2014         | 2013         |
| <b>ASSETS</b>   |              |              |
| Storage facilities  | \$ 3,117,198 | \$ 2,553,706 |
| Less: Accumulated depreciation  | (492,069)    | (398,536)    |
| Storage facilities, net (including VIE assets of \$49,829 and \$34,559, respectively) | 2,625,129    | 2,155,170    |
| Cash and cash equivalents   | 2,901        | 3,176        |
| Restricted cash   | 3,305        | 4,025        |
| Loan procurement costs, net of amortization   | 10,653       | 12,687       |
| Investment in real estate venture, at equity  | 95,709       | 156,310      |
| Other assets, net   | 48,642       | 27,256       |
| Total assets  | \$ 2,786,339 | \$ 2,358,624 |
| <b>LIABILITIES AND CAPITAL</b>  |              |              |
| Unsecured senior notes  | \$ 500,000   | \$ 500,000   |
| Revolving credit facility   | 78,000       | 38,600       |
| Unsecured term loan   | 400,000      | 400,000      |
| Mortgage loans and notes payable  | 195,851      | 200,218      |
| Accounts payable, accrued expenses and other liabilities                              | 69,198       | 57,599       |
| Distributions payable   | 28,137       | 19,955       |
| Deferred revenue  | 15,311       | 12,394       |
| Security deposits   | 401          | 376          |
| Total liabilities   | 1,286,898    | 1,229,142    |
| Limited Partnership interests of third parties  | 49,823       | 36,275       |
| Commitments and contingencies   |              |              |
| Capital   |              |              |
| Operating Partner   | 1,456,785    | 1,103,290    |
| Accumulated other comprehensive loss  | (8,759)      | (11,014)     |
| Total CubeSmart, L.P. capital   | 1,448,026    | 1,092,276    |
| Noncontrolling interests in subsidiaries  | 1,592        | 931          |
| Total capital   | 1,449,618    | 1,093,207    |
| Total liabilities and capital   | \$ 2,786,339 | \$ 2,358,624 |

See accompanying notes to the consolidated financial statements.

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

(in thousands, except per common unit data)

|  | For the year ended December 31, |            |            |
|--|---------------------------------|------------|------------|
|  | 2014                            | 2013       | 2012       |
| <b>REVENUES</b>  |                                 |            |            |
| Rental income  | \$ 330,898                      | \$ 281,250 | \$ 236,160 |
| Other property related income  | 40,065                          | 32,365     | 25,821     |
| Property management fee income   | 6,000                           | 4,780      | 4,341      |
| Total revenues   | 376,963                         | 318,395    | 266,322    |
| <b>OPERATING EXPENSES</b>  |                                 |            |            |
| Property operating expenses  | 132,701                         | 118,222    | 103,488    |
| Depreciation and amortization  | 126,813                         | 112,313    | 109,830    |
| General and administrative   | 28,422                          | 29,563     | 26,131     |
| Acquisition related costs  | 7,484                           | 3,849      | 3,086      |
| Total operating expenses   | 295,420                         | 263,947    | 242,535    |
| <b>OPERATING INCOME</b>  | 81,543                          | 54,448     | 23,787     |
| <b>OTHER (EXPENSE) INCOME</b>  |                                 |            |            |
| Interest:  |                                 |            |            |
| Interest expense on loans  | (46,802)                        | (40,424)   | (40,318)   |
| Loan procurement amortization expense  | (2,190)                         | (2,058)    | (3,279)    |
| Loan procurement amortization expense - early repayment of debt                              |                                 | (414)      |            |
| Equity in losses of real estate ventures   | (6,255)                         | (1,151)    | (745)      |
| Gain from remeasurement of investment in real estate venture                                 |                                 |            | 7,023      |
| Gain from sale of real estate  | 475                             |            |            |
| Other  | (405)                           | 8          | 256        |
| Total other expense  | (55,177)                        | (44,039)   | (37,063)   |
| <b>INCOME (LOSS) FROM CONTINUING OPERATIONS</b>  | 26,366                          | 10,409     | (13,276)   |
| <b>DISCONTINUED OPERATIONS</b>   |                                 |            |            |
| Income from discontinued operations  | 336                             | 4,145      | 7,093      |
| Gain from disposition of discontinued operations   |                                 | 27,440     | 9,811      |
| Total discontinued operations  | 336                             | 31,585     | 16,904     |
| <b>NET INCOME</b>  | 26,702                          | 41,994     | 3,628      |
| <b>NET (INCOME) LOSS ATTRIBUTABLE TO NONCONTROLLING INTERESTS</b>                            |                                 |            |            |
| Noncontrolling interest in subsidiaries  | (16)                            | 42         | (1,918)    |
| <b>NET INCOME ATTRIBUTABLE TO CUBESMART L.P.</b>   | 26,686                          | 42,036     | 1,710      |
| Operating Partnership interests of third parties   | (307)                           | (588)      | 107        |
| <b>NET INCOME ATTRIBUTABLE TO OPERATING PARTNER</b>  | 26,379                          | 41,448     | 1,817      |
| Distribution to preferred unitholders  | (6,008)                         | (6,008)    | (6,008)    |
| <b>NET INCOME (LOSS) ATTRIBUTABLE TO COMMON UNITHOLDERS</b>                                  | \$ 20,371                       | \$ 35,440  | \$ (4,191) |
| Basic earnings (loss) per unit from continuing operations attributable to common unitholders |                                 |            |            |
|  | \$ 0.13                         | \$ 0.03    | \$ (0.17)  |
| Basic earnings per unit from discontinued operations attributable to common unitholders      |                                 |            |            |
|  | \$ 0.01                         | \$ 0.23    | \$ 0.14    |

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|  |    |         |    |         |    |         |
|--|----|---------|----|---------|----|---------|
| Basic earnings (loss) per unit attributable to common unitholders                              | \$ | 0.14    | \$ | 0.26    | \$ | (0.03)  |
| Diluted earnings (loss) per unit from continuing operations attributable to common unitholders | \$ | 0.13    | \$ | 0.03    | \$ | (0.17)  |
| Diluted earnings per unit from discontinued operations attributable to common unitholders      | \$ | 0.01    | \$ | 0.23    | \$ | 0.14    |
| Diluted earnings (loss) per unit attributable to common unitholders                            | \$ | 0.14    | \$ | 0.26    | \$ | (0.03)  |
| Weighted-average basic units outstanding   |    | 149,107 |    | 135,191 |    | 124,548 |
| Weighted-average diluted units outstanding   |    | 150,863 |    | 137,742 |    | 124,548 |

**AMOUNTS ATTRIBUTABLE TO COMMON**

**UNITHOLDERS:**

|  |    |        |    |        |    |          |
|--|----|--------|----|--------|----|----------|
| Income (loss) from continuing operations | \$ | 20,040 | \$ | 4,392  | \$ | (20,689) |
| Total discontinued operations            |    | 331    |    | 31,048 |    | 16,498   |
| Net income (loss)                        | \$ | 20,371 | \$ | 35,440 | \$ | (4,191)  |

See accompanying notes to the consolidated financial statements.

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

(in thousands)

|  | 2014      | Year Ended December 31,<br>2013 | 2012       |
|--|-----------|---------------------------------|------------|
| NET INCOME   | \$ 26,702 | \$ 41,994                       | \$ 3,628   |
| Other comprehensive income (loss):   |           |                                 |            |
| Unrealized gains (losses) on interest rate swaps   | (3,944)   | 2,636                           | (13,548)   |
| Reclassification of realized losses on interest rate swaps                                   | 6,408     | 6,266                           | 6,082      |
| Unrealized gain on foreign currency translation  | (175)     | 56                              | 172        |
| OTHER COMPREHENSIVE INCOME (LOSS)  | 2,289     | 8,958                           | (7,294)    |
| COMPREHENSIVE INCOME (LOSS)  | 28,991    | 50,952                          | (3,666)    |
| Comprehensive (income) loss attributable to Operating Partnership interests of third parties | (338)     | (740)                           | 445        |
| Comprehensive loss (income) attributable to noncontrolling interest in subsidiaries          | (19)      | 18                              | (1,927)    |
| COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO OPERATING PARTNER                                | \$ 28,634 | \$ 50,230                       | \$ (5,148) |

See accompanying notes to the consolidated financial statements.



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## CUBESMART, L.P. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CAPITAL

(in thousands)

|  | Number of<br>Common OP<br>Units<br>Outstanding | Number of<br>Preferred OP<br>Units<br>Outstanding | Operating<br>Partner | Accumulated Other<br>Comprehensive<br>(Loss) Income | Total Cubesmart<br>L.P.<br>Capital | Noncontrolling<br>Interest in<br>Subsidiaries | Total<br>Capital | Operating<br>Partnership<br>interests<br>of third parties |
|--|--|---|----------------------|---|------------------------------------|---|------------------|---|
| <b>Balance at<br/>December 31, 2011</b>                                  | 122,059  | 3,100   | \$ 968,744           | \$ (12,831)   | \$ 955,913                         | \$ 39,409                                     | \$ 995,322       | \$ 49,732   |
| Issuance of common<br>OP units, net                                      | 7,900  |   | 102,079              |   | 102,079                            |   | 102,079          |   |
| Issuance of restricted<br>OP units                                       | 246  |   | 2                    |   | 2                                  |   | 2                |   |
| Conversion from OP<br>units to shares                                    | 1,380  |   | 19,247               |   | 19,247                             |   | 19,247           | (19,247)  |
| Exercise of OP unit<br>options   | 210  |   | 1,629                |   | 1,629                              |   | 1,629            |   |
| Amortization of<br>restricted OP units                                   |  |   | 3,352                |   | 3,352                              |   | 3,352            |   |
| OP unit<br>compensation<br>expense                                       |  |   | 1,198                |   | 1,198                              |   | 1,198            |   |
| Acquisition of<br>noncontrolling<br>interest                             |  |   | (18,452)             |   | (18,452)                           | (38,532)                                      | (56,984)         | (132)   |
| Adjustment for<br>Operating Partnership<br>interests of third<br>parties |  |   | (19,520)             |   | (19,520)                           |   | (19,520)         | 19,520  |
| Net income (loss)  |  |   | 1,817                |   | 1,817                              | 1,918   | 3,735            | (107)   |
| Other comprehensive<br>(loss) income:                                    |  |   |                      |   |                                    |   |                  |   |
| Unrealized losses on<br>interest rate swaps                              |  |   |                      | (7,124)   | (7,124)                            |   | (7,124)          | (342)   |
| Unrealized gain on<br>foreign currency<br>translation                    |  |   |                      | 159   | 159                                | 9   | 168              | 4   |
| Preferred OP unit<br>distributions                                       |  |   | (6,008)              |   | (6,008)                            |   | (6,008)          |   |
| Common OP unit<br>distributions  |  |   | (44,501)             |   | (44,501)                           | (2,686)                                       | (47,187)         | (1,438)   |
| <b>Balance at<br/>December 31, 2012</b>                                  | 131,795  | 3,100   | \$ 1,009,587         | \$ (19,796)   | \$ 989,791                         | \$ 118  | \$ 989,909       | \$ 47,990   |
| Contributions from<br>noncontrolling<br>interests in<br>subsidiaries     |  |   |                      |   |                                    | 831   | 831              |   |
| Issuance of common<br>OP units, net                                      | 5,700  |   | 100,287              |   | 100,287                            |   | 100,287          |   |
| Issuance of restricted<br>OP units                                       | 301  |   | 3                    |   | 3                                  |   | 3                |   |
| Conversion from OP<br>units to shares                                    | 1,018  |   | 14,698               |   | 14,698                             |   | 14,698           | (14,698)  |
| Exercise of OP unit<br>options   | 514  |   | 3,710                |   | 3,710                              |   | 3,710            |   |

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|   |         |       |              |    |          |              |      |       |              |           |
|---|---------|-------|--------------|----|----------|--------------|------|-------|--------------|-----------|
| Amortization of restricted OP units                             |         |       | 4,747        |    |          | 4,747        |      |       | 4,747        |           |
| OP unit compensation expense                                    |         |       | 870          |    |          | 870          |      |       | 870          |           |
| Adjustment for Operating Partnership interests of third parties |         |       | (3,292)      |    |          | (3,292)      |      |       | (3,292)      | 3,292     |
| Net income (loss)   |         |       | 41,448       |    |          | 41,448       | (42) |       | 41,406       | 588       |
| Other comprehensive income:                                     |         |       |              |    |          |              |      |       |              |           |
| Unrealized gains on interest rate swaps                         |         |       |              |    |          | 8,751        |      |       | 8,751        | 151       |
| Unrealized gain on foreign currency translation                 |         |       |              |    |          | 31           |      | 24    | 55           | 1         |
| Preferred OP unit distributions                                 |         |       | (6,008)      |    |          | (6,008)      |      |       | (6,008)      |           |
| Common OP unit distributions                                    |         |       | (62,760)     |    |          | (62,760)     |      |       | (62,760)     | (1,049)   |
| <b>Balance at December 31, 2013</b>                             | 139,328 | 3,100 | \$ 1,103,290 | \$ | (11,014) | \$ 1,092,276 | \$   | 931   | \$ 1,093,207 | \$ 36,275 |
| Contributions from noncontrolling interests in subsidiaries     |         |       |              |    |          |              |      | 642   | 642          |           |
| Issuance of common OP units, net                                | 22,704  |       | 416,001      |    |          | 416,001      |      |       | 416,001      |           |
| Issuance of restricted OP units                                 | 482     |       | 5            |    |          | 5            |      |       | 5            |           |
| Conversion from OP units to shares                              | 18      |       | 308          |    |          | 308          |      |       | 308          | (308)     |
| Exercise of OP unit options                                     | 1,425   |       | 13,802       |    |          | 13,802       |      |       | 13,802       |           |
| Amortization of restricted OP units                             |         |       | 182          |    |          | 182          |      |       | 182          |           |
| OP unit compensation expense                                    |         |       | 1,553        |    |          | 1,553        |      |       | 1,553        |           |
| Adjustment for Operating Partnership interests of third parties |         |       | (14,761)     |    |          | (14,761)     |      |       | (14,761)     | 14,761    |
| Net income  |         |       | 26,379       |    |          | 26,379       | 16   |       | 26,395       | 307       |
| Other comprehensive income (loss):                              |         |       |              |    |          |              |      |       |              |           |
| Unrealized gains on interest rate swaps                         |         |       |              |    |          | 2,427        |      |       | 2,427        | 37        |
| Unrealized (loss) gain on foreign currency translation          |         |       |              |    |          | (172)        |      | 3     | (169)        | (6)       |
| Preferred OP unit distributions                                 |         |       | (6,008)      |    |          | (6,008)      |      |       | (6,008)      |           |
| Common OP unit distributions                                    |         |       | (83,966)     |    |          | (83,966)     |      |       | (83,966)     | (1,243)   |
| <b>Balance at December 31, 2014</b>                             | 163,957 | 3,100 | \$ 1,456,785 | \$ | (8,759)  | \$ 1,448,026 | \$   | 1,592 | \$ 1,449,618 | \$ 49,823 |

See accompanying notes to the consolidated financial statements.

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## CUBESMART, L.P. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

|   | For the Year Ended December 31, |              |              |
|---|---------------------------------|--------------|--------------|
|   | 2014                            | 2013         | 2012         |
| <b>Operating Activities</b>   |                                 |              |              |
| Net income  | \$ 26,702                       | \$ 41,994    | \$ 3,628     |
| Adjustments to reconcile net income to cash provided by operating activities: |                                 |              |              |
| Depreciation and amortization   | 129,003                         | 117,074      | 118,573      |
| Gain from sale of real estate   | (475)                           | (27,440)     | (9,811)      |
| Gain from remeasurement of investment in real estate venture                  |                                 |              | (7,023)      |
| Equity compensation expense   | 1,735                           | 5,617        | 4,550        |
| Accretion of fair market value adjustment of debt                             | (1,685)                         | (1,018)      | (707)        |
| Loan procurement amortization expense - early repayment of debt               |                                 | 414          |              |
| Equity in losses of real estate ventures                                      | 6,255                           | 1,151        | 745          |
| Changes in other operating accounts:  |                                 |              |              |
| Other assets  | 808                             | (1,156)      | (2,125)      |
| Restricted cash   | 411                             | 567          | 3,545        |
| Accounts payable and accrued expenses   | 2,699                           | 4,564        | 6,899        |
| Other liabilities   | 579                             | 1,095        | 154          |
| Net cash provided by operating activities                                     | \$ 166,032                      | \$ 142,862   | \$ 118,428   |
| <b>Investing Activities</b>   |                                 |              |              |
| Acquisitions of storage facilities  | (547,515)                       | (181,612)    | (220,791)    |
| Additions and improvements to storage facilities                              | (19,967)                        | (20,320)     | (22,395)     |
| Development costs   | (23,566)                        | (53,979)     | (4,227)      |
| Cash paid for remaining interest in real estate venture                       |                                 |              | (81,158)     |
| Investment in real estate venture, at equity                                  |                                 | (157,461)    |              |
| Cash contributed to real estate venture                                       | (2,550)                         |              |              |
| Cash distributed from real estate venture                                     | 56,896                          |              | 909          |
| Proceeds from sales of facilities, net  | 13,475                          | 123,780      | 52,630       |
| Proceeds from notes receivable  |                                 | 5,192        |              |
| Change in restricted cash   | 528                             | 1,476        | 3,096        |
| Net cash used in investing activities   | \$ (522,699)                    | \$ (282,924) | \$ (271,936) |
| <b>Financing Activities</b>   |                                 |              |              |
| Proceeds from:  |                                 |              |              |
| Unsecured senior notes  |                                 | 247,488      | 249,638      |
| Revolving credit facility   | 712,500                         | 636,200      | 403,000      |
| Unsecured term loans  |                                 |              | 100,000      |
| Principal payments on:  |                                 |              |              |
| Revolving credit facility   | (673,100)                       | (642,600)    | (358,000)    |
| Unsecured term loans  |                                 | (100,000)    |              |
| Mortgage loans and notes payable  | (30,149)                        | (36,496)     | (236,340)    |
| Loan procurement costs  | (274)                           | (4,400)      | (2,145)      |
| Settlement of hedge transactions  |                                 |              | (195)        |
| Proceeds from issuance of common OP units                                     | 416,006                         | 100,290      | 102,079      |
| Exercise of OP unit options   | 13,802                          | 3,710        | 1,629        |
| Contributions from noncontrolling interests in subsidiaries                   | 642                             | 831          |              |
| Cash paid for acquisition of noncontrolling interest                          |                                 |              | (61,113)     |
| Distributions paid to common OP unitholders                                   | (77,027)                        | (60,272)     | (41,209)     |
| Distributions paid to preferred OP unitholders                                | (6,008)                         | (6,008)      | (5,724)      |

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|  |    |         |    |         |    |         |
|--|----|---------|----|---------|----|---------|
| Distributions paid to noncontrolling interests in subsidiaries |    |         |    | (2,686) |    |         |
| Net cash provided by financing activities                      | \$ | 356,392 | \$ | 138,743 | \$ | 148,934 |
| Change in cash and cash equivalents                            |    | (275)   |    | (1,319) |    | (4,574) |
| Cash and cash equivalents at beginning of year                 |    | 3,176   |    | 4,495   |    | 9,069   |
| Cash and cash equivalents at end of year                       | \$ | 2,901   | \$ | 3,176   | \$ | 4,495   |
| <b>Supplemental Cash Flow and Noncash Information</b>          |    |         |    |         |    |         |
| Cash paid for interest, net of interest capitalized            | \$ | 50,024  | \$ | 43,130  | \$ | 33,578  |
| Supplemental disclosure of noncash activities:                 |    |         |    |         |    |         |
| Accretion of liability   | \$ | 8,977   | \$ |         | \$ |         |
| Consolidation of real estate venture                           | \$ |         | \$ |         | \$ | 13,527  |
| Derivative valuation adjustment                                | \$ | 2,464   | \$ | 8,902   | \$ | (7,271) |
| Foreign currency translation adjustment                        | \$ | (175)   | \$ | 56      | \$ | 172     |
| Discount on issuance of unsecured senior notes                 | \$ |         | \$ | 2,512   | \$ | 362     |
| Mortgage loan assumption - acquisitions of storage facilities  | \$ | 27,467  | \$ | 8,866   | \$ | 107,011 |

See accompanying notes to the consolidated financial statements.

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**CUBESMART AND CUBESMART L.P.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**1. ORGANIZATION AND NATURE OF OPERATIONS**

CubeSmart (the Parent Company) operates as a self-managed and self-administered real estate investment trust (REIT) with its operations conducted solely through CubeSmart, L.P. and its subsidiaries. CubeSmart, L.P., a Delaware limited partnership (the Operating Partnership), operates through an umbrella partnership structure, with the Parent Company, a Maryland REIT, as its sole general partner. In the notes to the consolidated financial statements, we use the terms the Company, we, or our to refer to the Parent Company and the Operating Partnership together, unless the context indicates otherwise. As of December 31, 2014, the Company owned self-storage facilities located in 22 states throughout the United States and in the District of Columbia which are presented under one reportable segment: the Company owns, operates, develops, manages and acquires self-storage facilities.

As of December 31, 2014, the Parent Company owned approximately 98.6% of the partnership interests (OP Units) of the Operating Partnership. The remaining OP Units, consisting exclusively of limited partner interests, are held by persons who contributed their interests in facilities to us in exchange for OP Units. Under the partnership agreement, these persons have the right to tender their OP Units for redemption to the Operating Partnership at any time for cash equal to the fair value of an equivalent number of common shares of the Parent Company. In lieu of delivering cash, however, the Parent Company, as the Operating Partnership's general partner, may, at its option, choose to acquire any OP Units so tendered by issuing common shares in exchange for the tendered OP Units. If the Parent Company so chooses, its common shares will be exchanged for OP Units on a one-for-one basis. This one-for-one exchange ratio is subject to adjustment to prevent dilution. With each such exchange or redemption, the Parent Company's percentage ownership in the Operating Partnership will increase. In addition, whenever the Parent Company issues common or other classes of its shares, it contributes the net proceeds it receives from the issuance to the Operating Partnership and the Operating Partnership issues to the Parent Company an equal number of OP Units or other partnership interests having preferences and rights that mirror the preferences and rights of the shares issued. This structure is commonly referred to as an umbrella partnership REIT or UPREIT.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*Principles of Consolidation*

The accompanying consolidated financial statements include all of the accounts of the Company, and its majority-owned and/or controlled subsidiaries. The portion of these entities not owned by the Company is presented as noncontrolling interests as of and during the periods consolidated. All significant intercompany accounts and transactions have been eliminated in consolidation.

When the Company obtains an economic interest in an entity, the Company evaluates the entity to determine if the entity is deemed a variable interest entity (VIE), and if the Company is deemed to be the primary beneficiary, in accordance with authoritative guidance issued on the consolidation of VIEs. When an entity is not deemed to be a VIE, the Company considers the provisions of additional guidance to determine whether a general partner, or the general partners as a group, controls a limited partnership or similar entity when the limited partners have

certain rights. The Company consolidates (i) entities that are VIEs and of which the Company is deemed to be the primary beneficiary, and (ii) entities that are non-VIEs which the Company controls and which the limited partners do not have the ability to dissolve or remove the Company without cause nor substantive participating rights.

***Noncontrolling Interests***

The Financial Accounting Standards Board ( FASB ) issued authoritative guidance regarding noncontrolling interests in consolidated financial statements which was effective on January 1, 2009. The guidance states that noncontrolling interests are the portion of equity (net assets) in a subsidiary not attributable, directly or indirectly, to a parent. The ownership interests in the subsidiary that are held by owners other than the parent are noncontrolling interests. Under the guidance, such noncontrolling interests are reported on the consolidated balance sheets within equity, separately from the Company's equity. On the consolidated statements of operations, revenues, expenses and net income or loss from controlled or consolidated entities that are less-than-wholly-owned are reported at the consolidated amounts, including both the amounts attributable to the Company and noncontrolling interests. Presentation of consolidated equity activity is included for both quarterly and annual financial statements, including beginning balances, activity for the period and ending balances for shareholders' equity, noncontrolling interests and total equity.

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However, per the FASB issued authoritative guidance on the classification and measurement of redeemable securities, securities that are redeemable for cash or other assets at the option of the holder, not solely within the control of the issuer, must be classified outside of permanent equity. This would result in certain outside ownership interests being included as redeemable noncontrolling interests outside of permanent equity in the consolidated balance sheets. The Company makes this determination based on terms in applicable agreements, specifically in relation to redemption provisions. Additionally, with respect to noncontrolling interests for which the Company has a choice to settle the contract by delivery of its own shares, the Company considered the FASB issued guidance on accounting for derivative financial instruments indexed to, and potentially settled in, a Company's own stock to evaluate whether the Company controls the actions or events necessary to issue the maximum number of shares that could be required to be delivered under share settlement of the contract. The guidance also requires that noncontrolling interests are adjusted each period so that the carrying value equals the greater of its carrying value based on the accumulation of historical cost or its redemption fair value.

The consolidated results of the Company include results attributable to units of the Operating Partnership that are not owned by the Company. These interests were issued in the form of OP units and were a component of the consideration the Company paid to acquire certain self-storage facilities. Limited partners who acquired OP units have the right to require the Operating Partnership to redeem part or all of their OP units for, at the Company's option, an equivalent number of common shares of the Company or cash based upon the fair value of an equivalent number of common shares of the Company. However, the operating agreement contains certain circumstances that could result in a net cash settlement outside the control of the Company, as the Company does not have the ability to settle in unregistered shares. Accordingly, consistent with the guidance discussed above, the Company will continue to record these noncontrolling interests outside of permanent equity in the consolidated balance sheets. Net income or loss related to these noncontrolling interests is excluded from net income or loss in the consolidated statements of operations. The Company has adjusted the carrying value of its noncontrolling interests subject to redemption value to the extent applicable. Based on the Company's evaluation of the redemption value of the redeemable noncontrolling interests, the Operating Partnership reflected these interests at their redemption value at December 31, 2014, as the estimated redemption value exceeded their carrying value. The Operating Partnership recorded an increase to OP Units owned by third parties and a corresponding decrease to capital of \$14.8 million at December 31, 2014. Disclosure of such redemption provisions is provided in note 12.

*Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Although we believe the assumptions and estimates we made are reasonable and appropriate, as discussed in the applicable sections throughout these consolidated financial statements, different assumptions and estimates could materially impact our reported results. The current economic environment has increased the degree of uncertainty inherent in these estimates and assumptions and changes in market conditions could impact our future operating results.

*Self-Storage Facilities*

Self-storage facilities are carried at historical cost less accumulated depreciation and impairment losses. The cost of self-storage facilities reflects their purchase price or development cost. Costs incurred for the renovation of a storage facility are capitalized to the Company's investment in that facility. Acquisition costs, ordinary repairs and maintenance are expensed as incurred; major replacements and betterments, which improve or extend the life of the asset, are capitalized and depreciated over their estimated useful lives. The costs to develop self-storage facilities are capitalized to construction in progress while the project is under development.

*Purchase Price Allocation*

When facilities are acquired, the purchase price is allocated to the tangible and intangible assets acquired and liabilities assumed based on estimated fair values. When a portfolio of facilities is acquired, the purchase price is allocated to the individual facilities based upon the fair value determined using an income approach or a cash flow analysis using appropriate risk adjusted capitalization rates, which take into account the relative size, age and location of the individual facility along with current and projected occupancy and rental rate levels or appraised values, if available. Allocations to land, building and improvements, and equipment are recorded based upon their respective fair values as estimated by management.



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In allocating the purchase price for an acquisition, the Company determines whether the acquisition includes intangible assets or liabilities. The Company allocates a portion of the purchase price to an intangible asset attributed to the value of in-place leases. This intangible is generally amortized to expense over the expected remaining term of the respective leases. Substantially all of the leases in place at acquired facilities are at market rates, as the majority of the leases are month-to-month contracts. Accordingly, to date, no portion of the purchase price has been allocated to above- or below-market lease intangibles. To date, no intangible asset has been recorded for the value of customer relationships, because the Company does not have any concentrations of significant customers and the average customer turnover is fairly frequent.

***Depreciation and Amortization***

The costs of self-storage facilities and improvements are depreciated using the straight-line method based on useful lives ranging from five to 39 years.

***Impairment of Long-Lived Assets***

We evaluate long-lived assets for impairment when events and circumstances such as declines in occupancy and operating results indicate that there may be an impairment. The carrying value of these long-lived assets is compared to the undiscounted future net operating cash flows, plus a terminal value, attributable to the assets, to determine if the facility's basis is recoverable. If a facility's basis is not considered recoverable, an impairment loss is recorded to the extent the net carrying value of the asset exceeds the fair value. The impairment loss recognized equals the excess of net carrying value over the related fair value of the asset.

***Long-Lived Assets Held for Sale***

We consider long-lived assets to be held for sale upon satisfaction of the following criteria: (a) management commits to a plan to sell a facility (or group of facilities), (b) the facility is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such facilities, (c) an active program to locate a buyer and other actions required to complete the plan to sell the facility have been initiated, (d) the sale of the facility is probable and transfer of the asset is expected to be completed within one year, (e) the facility is being actively marketed for sale at a price that is reasonable in relation to its current fair value, and (f) actions required to complete the plan indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

Typically these criteria are all met when the relevant asset is under contract, significant non-refundable deposits have been made by the potential buyer, the assets are immediately available for transfer and there are no contingencies related to the sale that may prevent the transaction from closing. However, each potential transaction is evaluated based on its separate facts and circumstances. Facilities classified as held for sale are reported at the lesser of carrying value or fair value less estimated costs to sell.

***Cash and Cash Equivalents***

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Cash and cash equivalents are highly-liquid investments with original maturities of three months or less. The Company may maintain cash equivalents in financial institutions in excess of insured limits, but believes this risk is mitigated by only investing in or through major financial institutions.

### *Restricted Cash*

Restricted cash consists of purchase deposits and cash deposits required for debt service requirements, capital replacement, and expense reserves in connection with the requirements of our loan agreements.

### *Loan Procurement Costs*

Loan procurement costs related to borrowings were \$17.0 million and \$17.3 million at December 31, 2014 and 2013, respectively, and are reported net of accumulated amortization of \$6.4 million and \$4.6 million as of December 31, 2014 and 2013, respectively. The costs are amortized over the estimated life of the related debt using the effective interest method and reported as Loan procurement amortization expense on the Company's consolidated statements of operations.

Table of Contents***Other Assets***

Other assets are comprised of the following as of December 31, 2014 and 2013 (in thousands):

|  |      | December 31, |      |        |
|--|------|--------------|------|--------|
|  | 2014 |              | 2013 |        |
| Intangible assets, net of accumulated amortization | \$   | 22,494       | \$   | 9,463  |
| Deposits on future settlements                     |      | 10,250       |      | 1,287  |
| Accounts receivable                                |      | 4,237        |      | 4,957  |
| Prepaid insurance                                  |      | 1,545        |      | 1,304  |
| Prepaid real estate taxes                          |      | 2,425        |      | 1,893  |
| Other  |      | 7,691        |      | 8,352  |
| Total  | \$   | 48,642       | \$   | 27,256 |

***Revenue Recognition***

Management has determined that all of our leases are operating leases. Rental income is recognized in accordance with the terms of the leases, which generally are month-to-month.

The Company recognizes gains from disposition of facilities only upon closing in accordance with the guidance on sales of real estate. Payments received from purchasers prior to closing are recorded as deposits. Profit on real estate sold is recognized using the full accrual method upon closing when the collectability of the sales price is reasonably assured and the Company is not obligated to perform significant activities after the sale. Profit may be deferred in whole or part until the sale meets the requirements of profit recognition on sales under this guidance.

***Advertising and Marketing Costs***

The Company incurs advertising and marketing costs primarily attributable to internet marketing campaigns and other media advertisements. The Company incurred \$7.7 million, \$7.6 million and \$8.1 million in advertising and marketing expenses for the years ended 2014, 2013 and 2012, respectively, which are included in other operating expenses on the Company's consolidated statements of operations.

***Equity Offering Costs***

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Underwriting discounts and commissions, financial advisory fees and offering costs are reflected as a reduction to additional paid-in capital. For the years ended December 31, 2014, 2013 and 2012, the Company recognized \$6.0 million, \$1.8 million and \$1.7 million of equity offering costs related to the issuance of common and preferred shares during the years, respectively.

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***Other Property Related Income***

Other property related income consists of late fees, administrative charges, customer insurance commissions, sales of storage supplies and other ancillary revenues and is recognized in the period that it is earned.

***Capitalized Interest***

The Company capitalizes interest incurred that is directly associated with construction activities until the asset is placed into service. Interest is capitalized to the related assets using a weighted-average rate of the Company's outstanding debt. The Company capitalized \$1.3 million for the year ended December 31, 2014, \$0.9 million for the year ended December 31, 2013 and \$0.2 million for the year ended December 31, 2012.

***Derivative Financial Instruments***

The Company carries all derivatives on the balance sheet at fair value. The Company determines the fair value of derivatives by observable prices that are based on inputs not quoted on active markets, but corroborated by market data. The accounting for changes in the fair value of a derivative instrument depends on whether the derivative has been designated and qualifies as part of a hedging relationship and, if so, the reason for holding it. The Company's use of derivative instruments has been limited to cash flow hedges of certain interest rate risks. Additionally, the Company had interest rate swap agreements for notional principal amounts aggregating \$400 million at December 31, 2014 and 2013, the fair value of which are included in accounts payable, accrued expenses and other liabilities.

***Income Taxes***

The Company has elected to be taxed as a real estate investment trust under Sections 856-860 of the Internal Revenue Code since the Company's commencement of operations in 2004. In management's opinion, the requirements to maintain these elections are being met. Accordingly, no provision for federal income taxes has been reflected in the consolidated financial statements other than for operations conducted through our taxable REIT subsidiaries.

Earnings and profits, which determine the taxability of distributions to shareholders, differ from net income reported for financial reporting purposes due to differences in cost basis, the estimated useful lives used to compute depreciation, and the allocation of net income and loss for financial versus tax reporting purposes. The net tax basis in the Company's assets was \$2.6 billion and \$2.2 billion as of December 31, 2014 and 2013, respectively.

Distributions to shareholders are usually taxable as ordinary income, although a portion of the distribution may be designated as capital gain or may constitute a tax-free return of capital. Annually, the Company provides each of its shareholders a statement detailing the tax

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characterization of dividends paid during the preceding year as ordinary income, capital gain or return of capital. The characterization of the Company's dividends for 2014 consisted of a 94.143% ordinary income distribution and a 5.857% capital gain distribution from earnings and profits.

Distributions to 7.75% Series A Cumulative Redeemable Preferred Shareholders are usually taxable as ordinary income, although a portion of the distribution may be designated as capital gain or may constitute a tax-free return of capital. Annually, the Company provides each of its shareholders a statement detailing preferred distributions paid during the preceding year and their characterization as ordinary income, capital gain or return of capital. The characterization of our preferred dividends for 2014 consisted of a 92.837% ordinary income distribution and a 7.163% capital gain distribution from earnings and profits.

The Company is subject to a 4% federal excise tax if sufficient taxable income is not distributed within prescribed time limits. The excise tax equals 4% of the annual amount, if any, by which the sum of (a) 85% of the Company's ordinary income, (b) 95% of the Company's net capital gains and (c) 100% of prior taxable income exceeds cash distributions and certain taxes paid by the Company. No excise tax was incurred in 2014, 2013, or 2012.

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Taxable REIT subsidiaries (TRS) are subject to federal and state income taxes. Our taxable REIT subsidiaries have a net deferred tax asset related to expenses which are deductible for tax purposes in future periods of \$1.0 million and \$0.7 million as of December 31, 2014 and 2013, respectively.

***Earnings per Share and Unit***

Basic earnings per share and unit are calculated based on the weighted average number of common shares and restricted shares outstanding during the period. Diluted earnings per share and unit is calculated by further adjusting for the dilutive impact of share options, unvested restricted shares and contingently issuable shares outstanding during the period using the treasury stock method. Potentially dilutive securities calculated under the treasury stock method were 1,756,000, 2,551,000 and 2,000,000 in 2014, 2013 and 2012, respectively. The amount in 2012 was not included in the calculation of diluted earnings per share and unit, as the impact of inclusion was anti-dilutive for that year.

***Share-Based Payments***

We apply the fair value method of accounting for contingently issued shares and share options issued under our incentive award plan. Accordingly, share compensation expense is recorded ratably over the vesting period relating to such contingently issued shares and options. The Company has recognized compensation expense on a straight-line method over the requisite service period, which is included in General and administrative expense on the Company's consolidated statements of operations.

***Foreign Currency***

The financial statements of foreign subsidiaries are translated to U.S. Dollars using the period-end exchange rate for assets and liabilities and an average exchange rate for each period for revenues, expenses, and capital expenditures. The local currency is the functional currency for the Company's foreign subsidiaries. Translation adjustments for foreign subsidiaries are recorded as a component of accumulated other comprehensive loss in shareholders' equity. The Company recognizes transaction gains and losses arising from fluctuations in currency exchange rates on transactions denominated in currencies other than the functional currency in earnings as incurred. The Pound, which represents the functional currency used by USIFB, LLP, our joint venture in England, was translated at an end-of-period exchange rate of approximately 1.558642 and 1.657413 U.S. Dollars per Pound at December 31, 2014 and December 31, 2013, respectively, and an average exchange rate of 1.643106, 1.588598 and 1.585074 U.S. Dollars per Pound for the years ended December 31, 2014, 2013 and 2012, respectively. Accordingly, the Company recorded an unrealized loss on foreign currency translation of \$0.2 million for the year ended December 31, 2014 and an unrealized gain of \$0.1 million and \$0.2 million for the years ended December 31, 2013 and 2012, respectively.

***Investments in Unconsolidated Real Estate Ventures***

The Company accounts for its investments in unconsolidated real estate ventures under the equity method of accounting. Under the equity method, investments in unconsolidated joint ventures are recorded initially at cost, as investments in real estate ventures, and subsequently adjusted for equity in earnings (losses), cash contributions, less distributions. On a periodic basis, management also assesses whether there are

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any indicators that the value of the Company's investments in unconsolidated real estate ventures may be other than temporarily impaired. An investment is impaired only if the fair value of the investment is less than the carrying value of the investment and the decline is other than temporary. To the extent impairment has occurred, the loss shall be measured as the excess of the carrying amount of the investment over the fair value of the investment, as estimated by management. The determination as to whether impairment exists requires significant management judgment about the fair value of its ownership interest.

### *Recent Accounting Pronouncements*

In May 2014, the FASB issued Accounting Standard Update ( ASU ) No. 2014-09, Revenue from Contracts with Customers, which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The ASU will replace most existing revenue recognition guidance in U.S. GAAP ( GAAP ) when it becomes effective. The new standard is effective for the Company on January 1, 2017. Early application is not permitted. The standard permits the use of either the retrospective or cumulative effect transition method. The Company has not yet selected a transition method nor has it determined the effect of the standard on its financial statements and related disclosures.



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In April 2014, the FASB issued an update to the accounting standard for the reporting of discontinued operations. The update redefines discontinued operations, changing the criteria for determining which disposals can be presented as discontinued operations and modifies related disclosure requirements. This amendment becomes effective for annual periods beginning on or after December 15, 2014, and interim periods beginning on or after December 15, 2015; however, early adoption is permitted. The Company elected to adopt this guidance in 2014 and such adoption did not have a material impact on the Company's consolidated financial position or results of operations. The Company disposed of one asset during the year ended December 31, 2014, however the disposal did not meet the criteria for discontinued operations under the new guidance.

***Concentration of Credit Risk***

The Company's storage facilities are located in major metropolitan and rural areas and have numerous customers per facility. No single customer represents a significant concentration of our revenues. The facilities in Florida, New York, Texas, and California provided total revenues of approximately 17%, 17%, 10% and 8%, respectively, for the year ended December 31, 2014. The facilities in New York, Florida, Texas, and California provided total revenues of approximately 17%, 15%, 10% and 9%, respectively, for the year ended December 31, 2013. The facilities in New York, Florida, California, and Texas provided total revenues of approximately 16%, 15%, 10% and 10%, respectively, for the year ended December 31, 2012.

**3. STORAGE FACILITIES**

The book value of the Company's real estate assets is summarized as follows:

|                               | <b>December 31,</b>   |              |
|-------------------------------|-----------------------|--------------|
|                               | <b>2014</b>           | <b>2013</b>  |
|                               | <b>(in thousands)</b> |              |
| Land                          | \$ 545,393            | \$ 465,680   |
| Buildings and improvements    | 2,304,653             | 1,888,823    |
| Equipment                     | 218,731               | 158,000      |
| Construction in progress      | 48,421                | 41,203       |
| Storage facilities            | 3,117,198             | 2,553,706    |
| Less accumulated depreciation | (492,069)             | (398,536)    |
| Storage facilities, net       | \$ 2,625,129          | \$ 2,155,170 |

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The following table summarizes the Company's acquisition and disposition activity for the years ended December 31, 2014, 2013 and 2012:

| Asset/Portfolio              | Market                                    | Transaction Date | Number of<br>Facilities | Purchase / Sale Price<br>(in thousands) |
|------------------------------|---|------------------|-------------------------|---|
| <i>2014 Acquisitions:</i>    |   |                  |                         |   |
| Connecticut Asset            | Connecticut                               | January 2014     | 1                       | \$ 4,950                                |
| Florida Asset                | Miami / Ft. Lauderdale                    | January 2014     | 1                       | 14,000                                  |
| Florida Assets               | Florida Markets - Other                   | January 2014     | 2                       | 14,450                                  |
| California Asset             | Other West                                | January 2014     | 1                       | 8,300                                   |
| Maryland Asset               | Baltimore / DC                            | February 2014    | 1                       | 15,800                                  |
| Maryland Asset               | Baltimore / DC                            | February 2014    | 1                       | 15,500                                  |
| Arizona Asset                | Arizona / Las Vegas                       | March 2014       | 1                       | 14,750                                  |
| Pennsylvania Asset           | Philadelphia / Southern NJ                | March 2014       | 1                       | 7,350                                   |
| Texas Asset                  | Texas Markets - Major                     | March 2014       | 1                       | 8,225                                   |
| Texas Asset                  | Texas Markets - Major                     | April 2014       | 1                       | 6,450                                   |
| New York Assets              | New York / Northern NJ                    | April 2014       | 2                       | 55,000                                  |
| Florida Asset                | Florida Markets - Other                   | April 2014       | 1                       | 11,406                                  |
| Massachusetts Asset          | Other Northeast                           | April 2014       | 1                       | 11,100                                  |
| Indiana Asset                | Other Midwest                             | May 2014         | 1                       | 8,400                                   |
| Florida Assets               | Florida Markets - Other                   | June 2014        | 3                       | 35,000                                  |
| Florida Assets               | Florida Markets - Other                   | July 2014        | 2                       | 15,800                                  |
| Massachusetts Asset          | Boston                                    | September 2014   | 1                       | 23,100                                  |
| Texas Asset                  | Texas Markets - Major                     | October 2014     | 1                       | 7,700                                   |
| Texas Asset                  | Texas Markets - Major                     | October 2014     | 1                       | 8,500                                   |
| Texas Asset                  | Texas Markets - Major                     | October 2014     | 1                       | 7,750                                   |
| HSRE Assets                  | Various (see note 4)                      | November 2014    | 22                      | 195,500                                 |
| Texas Asset                  | Texas Markets - Major                     | December 2014    | 1                       | 18,650                                  |
| Florida Assets               | Florida Markets - Other                   | December 2014    | 3                       | 18,200                                  |
| New York Asset               | New York / Northern NJ                    | December 2014    | 1                       | 38,000                                  |
| Texas Asset                  | Texas Markets - Major                     | December 2014    | 1                       | 4,345                                   |
|                              |   |                  | 53                      | \$ 568,226                              |
| <i>2013 Acquisitions:</i>    |   |                  |                         |   |
| Arizona Asset                | Arizona / Las Vegas                       | March 2013       | 1                       | \$ 6,900                                |
| Illinois Asset               | Chicago                                   | May 2013         | 1                       | 8,300                                   |
| Florida Asset                | Florida Markets - Other                   | May 2013         | 1                       | 7,150                                   |
| Florida Asset                | Miami / Ft. Lauderdale                    | June 2013        | 1                       | 9,000                                   |
| Massachusetts Asset          | Boston                                    | June 2013        | 1                       | 10,600                                  |
| Maryland / New Jersey Assets | Baltimore / DC and New York / Northern NJ | June 2013        | 5                       | 52,400                                  |
| New York Asset               | New York / Northern NJ                    | July 2013        | 1                       | 13,000                                  |
| Texas Asset                  | Texas Markets - Major                     | August 2013      | 1                       | 10,975                                  |
| Arizona Asset                | Arizona / Las Vegas                       | September 2013   | 1                       | 10,500                                  |
| Arizona Asset                | Arizona / Las Vegas                       | September 2013   | 1                       | 4,300                                   |
| Maryland Asset               | Baltimore / DC                            | November 2013    | 1                       | 15,375                                  |
| Texas Asset                  | Texas Markets - Major                     | November 2013    | 1                       | 9,700                                   |
| Texas Asset                  | Texas Markets - Major                     | December 2013    | 1                       | 10,497                                  |
| Texas Asset                  | Texas Markets - Major                     | December 2013    | 1                       | 6,925                                   |
| Maryland Asset               | Baltimore / DC                            | December 2013    | 1                       | 8,200                                   |
| Florida Asset                | Miami / Ft. Lauderdale                    | December 2013    | 1                       | 6,000                                   |
|                              |   |                  | 20                      | \$ 189,822                              |



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| Asset/Portfolio                                  | Market  | Transaction Date           | Number of Facilities | Purchase / Sale Price (in thousands) |
|--|---|----------------------------|----------------------|--------------------------------------|
| <i>2013 Dispositions:</i>                        |   |                            |                      |                                      |
| Texas/Indiana Assets                             | Texas Markets - Major and Other Midwest                                 | March 2013                 | 5                    | \$ 11,400                            |
| Tennessee Assets                                 | Tennessee   | August 2013                | 8                    | 25,000                               |
| California/Ohio/Tennessee/Texas/Wisconsin Assets | Inland Empire, Ohio, Other Midwest, Tennessee and Texas Markets - Major | October/November 2013      | 22                   | 90,000                               |
|  |   |                            | 35                   | \$ 126,400                           |
| <i>2012 Acquisitions:</i>                        |   |                            |                      |                                      |
| Texas Asset                                      | Texas Markets - Major   | February 2012              | 1                    | \$ 5,100                             |
| Georgia Asset                                    | Atlanta   | February 2012              | 1                    | 6,900                                |
| Texas Asset                                      | Texas Markets - Major   | June 2012                  | 1                    | 4,970                                |
| Texas Assets                                     | Texas Markets - Major   | July 2012                  | 4                    | 18,150                               |
| Texas Asset                                      | Texas Markets - Major   | July 2012                  | 1                    | 5,130                                |
| Connecticut Asset                                | Connecticut   | July 2012                  | 1                    | 5,000                                |
| Storage Deluxe Assets                            | New York / Northern NJ and Connecticut                                  | February/April/August 2012 | 6                    | 201,910                              |
| Virginia Asset                                   | Baltimore / DC  | August 2012                | 1                    | 19,750                               |
| New Jersey Assets                                | Philadelphia / Southern NJ  | August 2012                | 2                    | 10,750                               |
| Georgia/Florida Assets                           | Atlanta and Miami / Ft. Lauderdale                                      | August 2012                | 3                    | 13,370                               |
| Georgia Asset                                    | Atlanta   | August 2012                | 1                    | 3,100                                |
| HSREV Assets                                     | Various (see note 4)  | September 2012             | 9                    | 102,000                              |
| Colorado Asset                                   | Colorado / Utah   | September 2012             | 1                    | 10,600                               |
| Florida Assets                                   | Florida Markets - Other   | November 2012              | 2                    | 13,010                               |
| Pennsylvania/New Jersey Assets                   | Philadelphia / Southern NJ  | December 2012              | 2                    | 7,800                                |
| Texas Asset                                      | Texas Markets - Major   | December 2012              | 1                    | 4,800                                |
|  |   |                            | 37                   | \$ 432,340                           |
| <i>2012 Dispositions:</i>                        |   |                            |                      |                                      |
| Michigan Assets                                  | Other Midwest   | June 2012                  | 3                    | \$ 6,362                             |
| Alabama/Louisiana/Mississippi Assets             | Other Southeast   | June 2012                  | 5                    | 16,800                               |
| New Mexico Assets                                | Other West  | August 2012                | 6                    | 7,500                                |
| California Asset                                 | Inland Empire   | August 2012                | 1                    | 5,000                                |
| Florida/ Tennessee Assets                        | Florida Markets - Other and Tennessee                                   | November 2012              | 3                    | 6,550                                |
| Ohio Assets                                      | Ohio  | November 2012              | 8                    | 17,750                               |
|  |   |                            | 26                   | \$ 59,962                            |

**4. INVESTMENT ACTIVITY**

*2014 Acquisitions*

On August 25, 2014, the Operating Partnership entered into an Agreement for Purchase and Sale with certain limited liability companies controlled by HSRE REIT I and HSRE REIT II, each Maryland real estate investment trusts, to acquire (the "HSRE Acquisition") 26 self-storage facilities for an aggregate purchase price of \$223.0 million plus customary closing costs. On November 3, 2014, the Company closed on the first tranche of 22 facilities comprising the HSRE Acquisition, for an aggregate purchase price of \$195.5 million. The 22 facilities purchased are located in California, Florida, Illinois, Nevada, New York, Ohio and Rhode Island. In connection with this acquisition, the Company allocated a portion of the purchase price to the intangible value of in-place leases, which aggregated \$14.5 million at the time of the acquisition and prior to any amortization of such amounts. The estimated life of these in-place leases was 12 months and the amortization expense that was recognized during the year ended December 31, 2014 was approximately \$2.4 million. The Company expects to close on the remaining four facilities no later than March 31, 2015. As of December 31, 2014, the Company had made a deposit of \$5.0 million with respect to the second tranche of the HSRE Acquisition, which deposit is reflected in Other assets, net on the Company's consolidated balance sheets.

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During 2014, the Company acquired an additional 31 self-storage facilities located throughout the United States for an aggregate purchase price of approximately \$372.7 million. In connection with these acquisitions, the Company allocated a portion of the purchase price to the intangible value of in-place leases, which aggregated \$23.8 million at the time of such acquisitions and prior to any amortization of such amounts. The estimated life of these in-place leases was 12 months and the amortization expense that was recognized during the year ended December 31, 2014 was approximately \$13.4 million. In connection with four of the acquired facilities, the Company assumed mortgage debt, and recorded the debt at a fair value of \$27.5 million, which included an outstanding principal balance totaling \$26.0 million and a net premium of \$1.5 million to reflect the estimated fair value of the debt at the time of assumption.

As of December 31, 2014, the Company was under contract and had made deposits of \$5.2 million associated with four facilities under construction for a total purchase price of \$85.2 million. These deposits are reflected in Other assets, net on the Company's consolidated balance sheets. The purchase of these four facilities is expected to occur by the first quarter of 2016 after the completion of construction and the issuance of a certificate of occupancy. These acquisitions are subject to due diligence and other customary closing conditions and no assurance can be provided that these acquisitions will be completed on the terms described, or at all.

***Development***

During the fourth quarter of 2014, the Company entered into a contract under a newly-formed joint venture for the construction of one self-storage facility located in New York (see note 12). Construction for the project is expected to be completed by the second quarter of 2016. At December 31, 2014, development costs for this project totaled \$0.4 million.

At December 31, 2014, the Company also had four contracts through joint ventures for the construction of three additional self-storage facilities located in New York and one self-storage facility located in Virginia (see note 12). Construction for all projects is expected to be completed by the first quarter of 2016. At December 31, 2014, development costs for these projects totaled \$35.4 million. These costs are capitalized to construction in progress while the projects are under development and are reflected in Storage facilities on the Company's consolidated balance sheets.

During the first quarter of 2014, the Company completed the construction of a self-storage facility subject to a ground lease located in Bronx, NY and opened for operation. Total costs for this project were \$17.2 million at December 31, 2014. These costs are capitalized to building and improvements as well as equipment and are reflected in Storage facilities on the Company's consolidated balance sheets.

During the fourth quarter of 2013, the Company completed the construction of the portion of a mixed-use facility comprised of office space and relocated its corporate headquarters to 5 Old Lancaster Road in Malvern, PA, a suburb of Philadelphia. During the first quarter of 2014, construction was completed on the portion of the building comprised of rentable storage space and the facility opened for operation. Total costs for this mixed-use project were \$25.1 million at December 31, 2014.

***2014 Disposition***

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On June 30, 2014, the Company sold one asset in London, England owned by USIFB, LLP, a consolidated real estate joint venture in which the Company owns a 97% interest, for an aggregate sales price of £4.1 million (approximately \$7.0 million). The Company received net proceeds of \$7.0 million, a portion of which were used to repay the loan the Company made to the venture, and recorded a gain of \$0.5 million as a result of the transaction.

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**2013 Acquisitions**

During 2013, the Company acquired 20 self-storage facilities located throughout the United States for an aggregate purchase price of approximately \$189.8 million. In connection with these acquisitions, the Company allocated a portion of the purchase price to the intangible value of in-place leases, which aggregated \$13.5 million at the time of the acquisition and prior to any amortization of such amounts. The estimated life of these in-place leases was 12 months and the amortization expense that was recognized during the year ended December 31, 2014 and 2013 was approximately \$8.2 million and \$5.3 million, respectively. In connection with one of the acquired facilities, the Company assumed mortgage debt, and recorded the debt at a fair value of \$8.9 million, which included an outstanding principal balance totaling \$8.5 million and a net premium of \$0.4 million in addition to the face value of the assumed debt to reflect the fair value of the debt at the time of assumption.

**2013 Dispositions**

During 2013, the Company sold 35 self-storage facilities located throughout the United States for an aggregate sales price of approximately \$126.4 million. In connection with these sales, the Company recorded gains that totaled \$27.4 million.

**2012 Acquisitions**

During 2012, as part of the \$560 million Storage Deluxe transaction involving 22 Class A self-storage facilities located primarily in the greater New York City area, the Company acquired the final six facilities with a purchase price of approximately \$201.9 million. The six facilities purchased are located in New York and Connecticut. In connection with the acquisitions, the Company allocated a portion of the purchase price to the intangible value of in-place leases, which aggregated \$12.3 million at the time of the acquisition and prior to any amortization of such amounts. The estimated life of these in-place leases was 12 months and the amortization expense that was recognized during 2013 and 2012 was approximately \$4.4 million and \$7.9 million, respectively. In connection with the six acquired facilities, the Company assumed mortgage debt, and recorded the debt at a fair value of \$93.1 million, which included an outstanding principal balance totaling \$88.9 million and a net premium of \$4.2 million in addition to the face value of the assumed debt to reflect the fair values of the debt at the time of assumption.

On September 28, 2012, the Company purchased, from its joint venture partner, the remaining 50% ownership in a partnership that owned nine self-storage facilities in Pennsylvania, Virginia, New York, New Jersey and Florida, collectively the HSRE Venture ( HSREV ), for cash of \$21.7 million. In addition, upon taking control of these assets, the Company repaid \$59.3 million of mortgage loans related to the facilities. Following the purchase, the Company wholly owned the nine self-storage facilities which were unencumbered and had a fair value of \$102.0 million at acquisition. In connection with this acquisition, the Company allocated a portion of the fair value to the intangible value of in-place leases which aggregated \$8.3 million. The estimated life of these in-place leases was 12 months and the amortization expense that was recognized during 2013 and 2012 was approximately \$6.2 million and \$2.1 million, respectively.

During 2012, the Company acquired an additional 22 self-storage facilities located throughout the United States for an aggregate purchase price of approximately \$128.4 million. In connection with these acquisitions, the Company allocated a portion of the purchase price to the intangible value of in-place leases, which aggregated \$13.2 million at the time of the acquisition and prior to any amortization of such amounts. The estimated life of these in-place leases was 12 months and the amortization expense that was recognized during 2013 and 2012 was



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approximately \$8.4 million and \$4.8 million, respectively. In connection with two of the acquired facilities, the Company assumed mortgage debt, and recorded the debt at a fair value of \$13.9 million, which included an outstanding principal balance totaling \$13.4 million and a net premium of \$0.5 million in addition to the face value of the assumed debt to reflect the fair values of the debt at the time of assumption.

### *2012 Dispositions*

During 2012, the Company sold 26 self-storage facilities located throughout the United States for an aggregate sales price of approximately \$60.0 million. In connection with these sales, the Company recorded gains that totaled \$9.8 million.

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The following table summarizes the Company's results of operations of the 2014, 2013 and 2012 acquisitions from the respective acquisition dates in the year they were acquired, included in the consolidated statements of operations for the years ended December 31, 2014, 2013 and 2012:

|                | 2014      | Year ended December 31, |           | 2012 |
|----------------|-----------|-------------------------|-----------|------|
|                |           | 2013                    |           |      |
|                |           | (in thousands)          |           |      |
| Total revenues | \$ 21,156 | \$ 7,048                | \$ 19,028 |      |
| Net loss       | (12,350)  | (4,228)                 | (11,464)  |      |

**5. INVESTMENT IN UNCONSOLIDATED REAL ESTATE VENTURES**

On December 10, 2013, the Company acquired a 50% ownership interest in 35 self-storage facilities located in Texas (34) and North Carolina (1) through a newly-formed joint venture ( HHF ). HHF paid \$315.7 million for these facilities, of which \$12.1 million was allocated to the value of the in-place lease intangible. The Company and the unaffiliated joint venture partner, collectively the HHF Partners, each contributed cash equal to 50% of the capital required to fund the acquisition. HHF was not consolidated as the entity was not determined to be a VIE and the HHF Partners have equal ownership and voting rights in the entity. The Company accounts for its unconsolidated interest in the real estate venture using the equity method. The Company's investment in HHF is included in Investment in real estate venture, at equity on the Company's consolidated balance sheets and earnings attributed to HHF are presented in Equity in losses of real estate ventures on the Company's consolidated statements of operations.

On May 1, 2014, HHF obtained a \$100 million loan secured by the 34 self-storage facilities located in Texas that are owned by the venture. There is no recourse to the Company, subject to customary exceptions to non-recourse provisions. The loan bears interest at 3.59% per annum and matures on April 30, 2021. This financing completed the planned capital structure of HHF and proceeds (net of closing costs) of \$99.2 million were distributed proportionately to the partners.

On September 26, 2011, the Company contributed \$15.4 million in cash for a 50% interest in HSREV, a partnership that owned nine self-storage facilities in Pennsylvania, Virginia, New York, New Jersey and Florida. The other partner held the remaining 50% interest in the partnership. HSREV was not consolidated because the Company was not the primary beneficiary, the limited partners had the ability to dissolve or remove the Company without cause and the Company did not possess substantive participating rights. The Company accounted for the unconsolidated interests in its real estate venture using the equity method. The Company's investment in HSREV was included in Investment in real estate venture, at equity on the Company's consolidated balance sheet and earnings attributable to HSREV were presented in Equity in losses of real estate ventures on the Company's consolidated statements of operations.

As explained in note 4, on September 28, 2012, the Company purchased the remaining 50% ownership in HSREV for cash of \$21.7 million. In addition, upon taking control of these assets, the Company repaid \$59.3 million of mortgage loans related to the facilities. As noted above, the Company previously accounted for its investment in HSREV using the equity method. As a result, the Company's original 50% interest was remeasured during 2012 and the Company recorded a gain of approximately \$7.0 million, which is reflected in Gain from remeasurement of investment in real estate venture on the accompanying statements of operations.

The amounts reflected in the following table are based on the historical financial information of the real estate venture.



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The following is a summary of the financial position of the HHF venture as of December 31, 2014 and 2013 (in thousands):

|                                     | December 31,      |                   |
|-------------------------------------|-------------------|-------------------|
|                                     | 2014              | 2013              |
| <b>Assets</b>                       |                   |                   |
| Storage facilities, net             | \$ 291,357        | \$ 302,557        |
| Other assets                        | 5,786             | 11,688            |
| <b>Total assets</b>                 | <b>\$ 297,143</b> | <b>\$ 314,245</b> |
| <b>Liabilities and equity</b>       |                   |                   |
| Other liabilities                   | \$ 5,725          | \$ 1,625          |
| Debt                                | 100,000           |                   |
| <b>Equity</b>                       |                   |                   |
| CubeSmart                           | 95,709            | 156,310           |
| Joint venture partner               | 95,709            | 156,310           |
| <b>Total liabilities and equity</b> | <b>\$ 297,143</b> | <b>\$ 314,245</b> |

The following is a summary of results of operations of the real estate ventures for the years ended December 31, 2014, 2013 and 2012 (in thousands).

|                               | Year ended December 31, |          |          |
|-------------------------------|-------------------------|----------|----------|
|                               | 2014                    | 2013     | 2012     |
| Total revenues                | \$ 26,852               | \$ 1,600 | \$ 7,229 |
| Operating expenses            | 11,754                  | 1,742    | 3,010    |
| Interest expense, net         | 2,522                   |          | 2,690    |
| Depreciation and amortization | 25,086                  | 2,160    | 2,691    |
| Net loss                      | (12,510)                | (2,302)  | (1,162)  |
| Company's share of net loss   | (6,255)                 | (1,151)  | (745)    |

The results of operations above include the periods from December 13, 2013 (date of acquisition) through December 31, 2014 for HHF, and the periods from January 1, 2012 through September 28, 2012 for HSREV, the date of the Company's acquisition of the remaining 50% interest.

### 6. UNSECURED SENIOR NOTES

On December 17, 2013, the Operating Partnership issued \$250 million in aggregate principal amount of 4.375% unsecured senior notes due December 15, 2023 (the 2023 Senior Notes). On June 26, 2012, the Operating Partnership issued \$250 million in aggregate principal amount of 4.80% unsecured senior notes due July 15, 2022 (the 2022 Senior Notes). The 2023 Senior Notes along with the 2022 Senior Notes are collectively referred to as the Senior Notes. The indenture under which the Senior Notes were issued restricts the ability of the Operating Partnership and its subsidiaries to incur debt unless the Operating Partnership and its consolidated subsidiaries comply with a leverage ratio not to exceed 60% and an interest coverage ratio of more than 1.5:1 after giving effect to the incurrence of the debt. The indenture also restricts the ability of the Operating Partnership and its subsidiaries to incur secured debt unless the Operating Partnership and its consolidated subsidiaries comply with a secured debt leverage ratio not to exceed 40% after giving effect to the incurrence of the debt. The indenture also contains other financial and customary covenants, including a covenant not to own unencumbered assets with a value less than 150% of the unsecured

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indebtedness of the Operating Partnership and its consolidated subsidiaries. As of and for the year ended December 31, 2014, the Operating Partnership was in compliance with all of the financial covenants under the Senior Notes.

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Table of Contents**7. REVOLVING CREDIT FACILITY AND UNSECURED TERM LOANS**

On June 20, 2011, the Company entered into an unsecured term loan agreement (the Term Loan Facility) which consisted of a \$100 million term loan with a five-year maturity (Term Loan A) and a \$100 million term loan with a seven-year maturity (Term Loan B). On December 9, 2011, the Company entered into a credit facility (the Credit Facility) comprised of a \$100 million unsecured term loan maturing in December 2014 (Term Loan C); a \$200 million unsecured term loan maturing in March 2017 (Term Loan D); and a \$300 million unsecured revolving facility maturing in December 2015 (Revolver).

On June 18, 2013, the Company amended both the Term Loan Facility and Credit Facility. With respect to the Term Loan Facility, among other things, the amendment extended the maturity and decreased the pricing of Term Loan A, while Term Loan B remained unchanged by the amendment. On August 5, 2014, the Company further amended the Term Loan Facility (collectively with the amendment on June 18, 2013, the Amendments) to extend the maturity and decrease the pricing of Term Loan B. On December 17, 2013, the Company repaid the \$100 million balance under Term Loan C that was scheduled to mature in December 2014.

Pricing on the Term Loan Facility depends on the Company's unsecured debt credit ratings. On September 25, 2014, the Company's unsecured debt credit rating was upgraded to Baa2 from Baa3 by Moody's Investors Service with a stable outlook. As a result, the LIBOR spreads applicable to our borrowings under the Term Loan Facility were reduced, effective October 1, 2014. In addition, on November 3, 2014, the Company's unsecured bonds and issuer ratings were upgraded to BBB from BBB- by Standard and Poor's Ratings Services with a stable outlook. At the Company's current Baa2/BBB level, amounts drawn under Term Loan A are priced at 1.30% over LIBOR, with no LIBOR floor, while amounts drawn under Term Loan B are priced at 1.15% over LIBOR, with no LIBOR floor.

|             | Amount         | Maturity Date | Term Loan Facility Prior to Amendments<br>LIBOR Spread |          | Maturity Date | Term Loan Facility As Amended<br>LIBOR Spread |          |
|-------------|----------------|---------------|--|----------|---------------|---|----------|
|             |                |               | Baa3/BBB-  | Baa2/BBB |               | Baa3/BBB-                                     | Baa2/BBB |
| Term Loan A | \$ 100 million | June 2016     | 1.85%  | 1.65%    | June 2018     | 1.50%   | 1.30%    |
| Term Loan B | \$ 100 million | June 2018     | 2.00%  | 1.80%    | January 2020  | 1.40%   | 1.15%    |

With respect to the Credit Facility, among other things, the Amendments extended the maturities of the Revolver and Term Loan D and decreased the pricing of the Revolver, Term Loan C and Term Loan D. Pricing on the Credit Facility depends on the Company's unsecured debt credit ratings. At the Company's current Baa2/BBB level, amounts drawn under the Revolver are priced at 1.30% over LIBOR, inclusive of a facility fee of 0.20%, with no LIBOR floor, while amounts drawn under Term Loan C and Term Loan D are priced at 1.30% over LIBOR, with no LIBOR floor.

|                 | Amount         | Maturity Date | Credit Facility Prior to Amendments<br>LIBOR Spread |          | Maturity Date | Credit Facility As Amended<br>LIBOR Spread |          |
|-----------------|----------------|---------------|---|----------|---------------|--|----------|
|                 |                |               | Baa3/BBB-   | Baa2/BBB |               | Baa3/BBB-                                  | Baa2/BBB |
| Revolver        | \$ 300 million | December 2015 | 1.80%   | 1.50%    | June 2017     | 1.60%                                      | 1.30%    |
| Term Loan C (1) | \$ 100 million | December 2014 | 1.75%   | 1.45%    | December 2014 | 1.50%                                      | 1.30%    |

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|        |    |         |            |       |       |              |       |       |
|--------|----|---------|------------|-------|-------|--------------|-------|-------|
| Term   |    | 200     |            |       |       |              |       |       |
| Loan D | \$ | million | March 2017 | 1.75% | 1.45% | January 2019 | 1.50% | 1.30% |

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(1) On December 17, 2013, the Company repaid the \$100 million balance under Term Loan C that was scheduled to mature in December 2014.

The Company incurred costs of \$2.1 million in 2013 and \$0.2 million in 2014 in connection with the Amendments and capitalized such costs as a component of loan procurement costs, net of amortization on the consolidated balance sheets. Unamortized costs, along with costs incurred in connection with the amendments, are amortized as an adjustment to interest expense over the remaining term of the modified facilities. In connection with the repayment of Term Loan C, the Company recognized \$0.4 million related to the write-off of unamortized loan procurement costs associated with that term loan.

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As of December 31, 2014, \$200 million of unsecured term loan borrowings were outstanding under the Term Loan Facility, \$200 million of unsecured term loan borrowings were outstanding under the Credit Facility, \$78.0 million of unsecured revolving credit facility borrowings were outstanding under the Credit Facility and \$222.0 million was available for borrowing on the unsecured revolving portion of the Credit Facility. The available balance under the unsecured revolving portion of the Credit Facility is reduced by an outstanding letter of credit of \$30 thousand. In connection with a portion of the unsecured borrowings, the Company had interest rate swaps as of December 31, 2014 that fix 30-day LIBOR (see note 10). As of December 31, 2014, borrowings under the Credit Facility and Term Loan Facility, as amended and after giving effect to the interest rate swaps, had an effective weighted average interest rate of 2.95%.

The Term Loan Facility and the term loan under the Credit Facility were fully drawn at December 31, 2014 and no further borrowings may be made under the term loans. The Company's ability to borrow under the revolving portion of the Credit Facility is subject to ongoing compliance with certain financial covenants which include:

- Maximum total indebtedness to total asset value of 60.0% at any time;
- Minimum fixed charge coverage ratio of 1.50:1.00; and
- Minimum tangible net worth of \$821,211,200 plus 75% of net proceeds from equity issuances after June 30, 2010.

Further, under the Credit Facility and Term Loan Facility, the Company is restricted from paying distributions on the Parent Company's common shares in excess of the greater of (i) 95% of funds from operations, and (ii) such amount as may be necessary to maintain the Parent Company's REIT status.

As of and for the year ended December 31, 2014, the Company was in compliance with all of its financial covenants and anticipates being in compliance with all of its financial covenants through the terms of the Credit Facility and Term Loan Facility.



Table of Contents**8. MORTGAGE LOANS AND NOTES PAYABLE**

The Company's mortgage loans and notes payable are summarized as follows:

| Mortgage Loan                          | Carrying Value as of: |                   | Effective Interest Rate | Maturity Date |
|--|-----------------------|-------------------|-------------------------|---------------|
|  | December 31, 2014     | December 31, 2013 |                         |               |
|  | (in thousands)        |                   |                         |               |
| YSI 10                                 |                       | 3,839             | 5.87%                   | Jan-15        |
| YSI 15                                 |                       | 1,733             | 6.41%                   | Jan-15        |
| YSI 52                                 |                       | 4,548             | 5.63%                   | Jan-15        |
| YSI 58                                 |                       | 8,676             | 2.97%                   | Jan-15        |
| YSI 29                                 | 12,635                | 12,853            | 3.69%                   | Aug-15        |
| YSI 13                                 | 8,427                 | 8,500             | 3.00%                   | Oct-15        |
| YSI 20                                 | 54,091                | 56,373            | 5.97%                   | Nov-15        |
| YSI 63                                 | 7,466                 |                   | 2.82%                   | Dec-15        |
| YSI 59                                 | 9,221                 | 9,418             | 4.82%                   | Mar-16        |
| YSI 60                                 | 3,610                 | 3,670             | 5.04%                   | Aug-16        |
| YSI 51                                 | 7,105                 | 7,219             | 5.15%                   | Sep-16        |
| YSI 64                                 | 7,919                 |                   | 3.54%                   | Oct-16        |
| YSI 62                                 | 7,962                 |                   | 3.54%                   | Dec-16        |
| YSI 35                                 |                       | 4,274             | 6.90%                   | Jul-19        |
| YSI 33                                 | 10,429                | 10,688            | 6.42%                   | Jul-19        |
| YSI 26                                 | 8,780                 | 8,945             | 4.56%                   | Nov-20        |
| YSI 57                                 | 3,082                 | 3,140             | 4.61%                   | Nov-20        |
| YSI 55                                 | 23,767                | 24,145            | 4.85%                   | Jun-21        |
| YSI 24                                 | 27,873                | 28,523            | 4.64%                   | Jun-21        |
| Unamortized fair value adjustment      | 3,484                 | 3,674             |                         |               |
| Total mortgage loans and notes payable | \$ 195,851            | \$ 200,218        |                         |               |

As of December 31, 2014 and 2013, the Company's mortgage loans payable were secured by certain of its self-storage facilities with net book values of approximately \$344 million and \$371 million, respectively. The following table represents the future principal payment requirements on the outstanding mortgage loans and notes payable at December 31, 2014 (in thousands):

|   |            |
|---|------------|
| 2015                                    | \$ 84,874  |
| 2016                                    | 36,837     |
| 2017                                    | 1,784      |
| 2018                                    | 1,886      |
| 2019                                    | 10,852     |
| 2020 and thereafter                     | 56,134     |
| Total mortgage payments                 | 192,367    |
| Plus: Unamortized fair value adjustment | 3,484      |
| Total mortgage indebtedness             | \$ 195,851 |



Table of Contents**9. ACCUMULATED OTHER COMPREHENSIVE LOSS**

The following table summarizes the changes in accumulated other comprehensive loss by component for the year ended December 31, 2014 (in thousands):

|  | Unrealized losses<br>on interest rate<br>swaps | Unrealized loss on<br>foreign currency<br>translation | Total       |
|--|--|---|-------------|
| Balance at December 31, 2013                                   | \$ (10,222)                                    | \$ (792)  | \$ (11,014) |
| Other comprehensive loss before reclassifications              | (3,885)  | (172)   | (4,057)     |
| Amounts reclassified from accumulated other comprehensive loss | 6,312(a)                                       |   | 6,312       |
| Net current-period other comprehensive income                  | 2,427  | (172)   | 2,255       |
| Balance at December 31, 2014                                   | \$ (7,795)                                     | \$ (964)  | \$ (8,759)  |

(a) See note 10 for additional information about the effects of the amounts reclassified.

**10. RISK MANAGEMENT AND USE OF FINANCIAL INSTRUMENTS**

The Company's use of derivative instruments is limited to the utilization of interest rate agreements or other instruments to manage interest rate risk exposures and not for speculative purposes. The principal objective of such arrangements is to minimize the risks and/or costs associated with the Company's operating and financial structure, as well as to hedge specific transactions. The counterparties to these arrangements are major financial institutions with which the Company and its subsidiaries may also have other financial relationships. The Company is potentially exposed to credit loss in the event of non-performance by these counterparties. However, because of the high credit ratings of the counterparties, the Company does not anticipate that any of the counterparties will fail to meet these obligations as they come due. The Company does not hedge credit or property value market risks.

The Company has entered into interest rate swap agreements that qualify and are designated as cash flow hedges designed to reduce the impact of interest rate changes on its variable rate debt. Therefore, the interest rate swaps are recorded in the consolidated balance sheet at fair value and the related gains or losses are deferred in shareholders' equity as accumulated other comprehensive loss. These deferred gains and losses are amortized into interest expense during the period or periods in which the related interest payments affect earnings. However, to the extent that the interest rate swaps are not perfectly effective in offsetting the change in value of the interest payments being hedged, the ineffective portion of these contracts is recognized in earnings immediately.

The Company formally assesses, both at inception of a hedge and on an on-going basis, whether each derivative is highly-effective in offsetting changes in cash flows of the hedged item. If management determines that a derivative is highly-effective as a hedge, then the Company accounts for the derivative using hedge accounting, pursuant to which gains or losses inherent in the derivative do not impact the Company's results of

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operations. If management determines that a derivative is not highly-effective as a hedge or if a derivative ceases to be a highly-effective hedge, the Company will discontinue hedge accounting prospectively and will reflect in its statement of operations realized and unrealized gains and losses in respect of the derivative.

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The following table summarizes the terms and fair values of the Company's derivative financial instruments at December 31, 2014 and December 31, 2013, respectively (in thousands):

| Hedge Product | Hedge Type (a) | Notional Amount | Strike  | Effective Date | Maturity  | Fair Value        |                   |
|---------------|----------------|-----------------|---------|----------------|-----------|-------------------|-------------------|
|               |                |                 |         |                |           | December 31, 2014 | December 31, 2013 |
| Swap          | Cash flow      | \$ 40,000       | 1.8025% | 6/20/2011      | 6/20/2016 | \$ (757)          | \$ (1,265)        |
| Swap          | Cash flow      | \$ 40,000       | 1.8025% | 6/20/2011      | 6/20/2016 | (757)             | (1,265)           |
| Swap          | Cash flow      | \$ 20,000       | 1.8025% | 6/20/2011      | 6/20/2016 | (378)             | (632)             |
| Swap          | Cash flow      | \$ 75,000       | 1.3360% | 12/30/2011     | 3/31/2017 | (841)             | (1,132)           |
| Swap          | Cash flow      | \$ 50,000       | 1.3360% | 12/30/2011     | 3/31/2017 | (561)             | (752)             |
| Swap          | Cash flow      | \$ 50,000       | 1.3360% | 12/30/2011     | 3/31/2017 | (561)             | (754)             |
| Swap          | Cash flow      | \$ 25,000       | 1.3375% | 12/30/2011     | 3/31/2017 | (281)             | (380)             |
| Swap          | Cash flow      | \$ 40,000       | 2.4590% | 6/20/2011      | 6/20/2018 | (1,654)           | (1,820)           |
| Swap          | Cash flow      | \$ 40,000       | 2.4725% | 6/20/2011      | 6/20/2018 | (1,672)           | (1,842)           |
| Swap          | Cash flow      | \$ 20,000       | 2.4750% | 6/20/2011      | 6/20/2018 | (837)             | (921)             |
|               |                | \$ 400,000      |         |                |           | \$ (8,299)        | \$ (10,763)       |

(a) Hedging unsecured variable rate debt by fixing 30-day LIBOR.

The Company measures its derivative instruments at fair value and records them in the balance sheet as either an asset or liability. As of December 31, 2014 and 2013, all derivative instruments were included in accounts payable, accrued expenses and other liabilities in the accompanying consolidated balance sheets. The effective portions of changes in the fair value of the derivatives are reported in accumulated other comprehensive income (loss). Amounts reported in accumulated other comprehensive income (loss) related to derivatives will be reclassified to interest expense as interest payments are made on the Company's variable-rate debt. The change in unrealized loss on interest rate swap reflects a reclassification of \$6.3 million of unrealized losses from accumulated other comprehensive loss as an increase to interest expense during 2014. The Company estimates that \$5.7 million will be reclassified as an increase to interest expense in 2015.

### 11. FAIR VALUE MEASUREMENTS

The Company applies the methods of determining fair value, as described in authoritative guidance, to value its financial assets and liabilities. As defined in the guidance, fair value is based on the price that would be received from the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements, the guidance establishes a fair value hierarchy that prioritizes observable and unobservable inputs used to measure fair value into three broad levels, which are described below:

Level 1: Quoted prices (unadjusted) in active markets that are accessible at the measurement date for assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

Level 2: Observable prices that are based on inputs not quoted on active markets, but corroborated by market data.

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Level 3: Unobservable inputs are used when little or no market data is available. The fair value hierarchy gives the lowest priority to Level 3 inputs.

In determining fair value, the Company utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs, to the extent possible, as well as considering counterparty credit risk in its assessment of fair value.

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Financial assets and liabilities carried at fair value as of December 31, 2014 are classified in the table below in one of the three categories described above (in thousands):

|  | Level 1   | Level 2   | Level 3         |
|--|-----------|-----------|-----------------|
| Interest Rate Swap                     |           |           |                 |
| Derivative Liabilities                 | \$        | \$        | 8,299 \$        |
| <b>Total liabilities at fair value</b> | <b>\$</b> | <b>\$</b> | <b>8,299 \$</b> |

Financial assets and liabilities carried at fair value as of December 31, 2013 are classified in the table below in one of the three categories described above (in thousands):

|  | Level 1   | Level 2   | Level 3          |
|--|-----------|-----------|------------------|
| Interest Rate Swap                     |           |           |                  |
| Derivative Liabilities                 | \$        | \$        | 10,763 \$        |
| <b>Total liabilities at fair value</b> | <b>\$</b> | <b>\$</b> | <b>10,763 \$</b> |

Financial assets and liabilities carried at fair value were classified as Level 2 inputs. For financial liabilities that utilize Level 2 inputs, the Company utilizes both direct and indirect observable price quotes, including LIBOR yield curves, bank price quotes for forward starting swaps, NYMEX futures pricing and common stock price quotes. Below is a summary of valuation techniques for Level 2 financial liabilities:

- Interest rate swap derivative assets and liabilities valued using LIBOR yield curves at the reporting date. Counterparties to these contracts are most often highly rated financial institutions, none of which experienced any significant downgrades in 2014 that would reduce the amount owed by the Company. Although the Company has determined that the majority of the inputs used to value its derivatives fall within Level 2 of the fair value hierarchy, the credit valuation adjustments associated with the Company's derivatives utilize Level 3 inputs, such as estimates of current credit spreads, to evaluate the likelihood of default by the Company and the counterparties. However, as of December 31, 2014, the Company has assessed the significance of the effect of the credit valuation adjustments on the overall valuation of its derivative positions and has determined that the credit valuation adjustments are not significant to the overall valuation of its derivatives. As a result, the Company has determined that its derivative valuations in their entirety are classified in Level 2 of the fair value hierarchy.

During 2012, the Company recorded a nonrecurring Level 3 fair value measurement gain of approximately \$7.0 million resulting from the remeasurement of its investment in HSREV (see note 5). Fair value for those assets measured using Level 3 inputs was determined through the use of a direct capitalization approach. The direct capitalization approach applies a projected yield for the investment to the estimated stabilized income for the facility. Yield rates utilized in this approach are derived from market transactions as well as other financial and industry data. The yield rates used in determining the fair value of HSREV ranged from 6%-7%.

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The fair values of financial instruments, including cash and cash equivalents, accounts receivable and accounts payable approximate their respective carrying values at December 31, 2014 and 2013. The aggregate carrying value of the Company's debt was \$1.2 billion and \$1.1 billion at December 31, 2014 and 2013, respectively. The estimated fair value of the Company's debt was \$1.2 billion and \$1.1 billion at December 31, 2014 and 2013, respectively. These estimates were based on a discounted cash flow analysis assuming market interest rates for comparable obligations at December 31, 2014 and 2013. The Company estimates the fair value of its fixed rate debt and the credit spreads over variable market rates on its variable rate debt by discounting the future cash flows of each instrument at estimated market rates or credit spreads consistent with the maturity of the debt obligation with similar credit policies, which is classified within level 2 of the fair value hierarchy. Rates and credit spreads take into consideration general market conditions and maturity.

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**12. NONCONTROLLING INTERESTS**

*Interests in Consolidated Real Estate Joint Ventures*

2301 Tillotson Ave, LLC ( Tillotson ) was formed to own, operate, and develop a self-storage facility in New York, NY. The Company owns a 51% interest in Tillotson and 49% is owned by another member (the Tillotson Member ). The facility is expected to commence operations during 2016. The Tillotson Member has an option to put its ownership interest in the venture to the Company for \$17.0 million within the one-year period after construction of the facility is substantially complete. Additionally, the Company has a one-year option to call the ownership interest of the Tillotson Member for \$17.0 million beginning on the second anniversary of the facility's construction being substantially complete. The Company is accreting the \$17.0 million liability during the development period and has accrued \$2.4 million as of December 31, 2014. The Company determined that Tillotson is a variable interest entity, and that the Company is the primary beneficiary. Accordingly, the Company consolidates the assets, liabilities, and results of operations of Tillotson. At December 31, 2014, Tillotson had total assets of \$2.9 million and total liabilities of \$2.8 million.

251 Jamaica Ave, LLC ( Jamaica Ave ) was formed to own, operate, and develop a self-storage facility in New York, NY. The Company owns a 51% interest in Jamaica Ave and 49% is owned by another member (the Jamaica Ave Member ). The facility is expected to commence operations during 2016. The Jamaica Ave Member has an option to put its ownership interest in the venture to the Company for \$12.5 million within the one-year period after construction of the facility is substantially complete. Additionally, the Company has a one-year option to call the ownership interest of the Jamaica Ave Member for \$12.5 million beginning on the second anniversary of the facility's construction being substantially complete. The Company is accreting the \$12.5 million liability during the development period and has accrued \$6.6 million as of December 31, 2014. The Company determined that Jamaica Ave is a variable interest entity, and that the Company is the primary beneficiary. Accordingly, the Company consolidates the assets, liabilities, and results of operations of Jamaica Ave. At December 31, 2014, Jamaica Ave had total assets of \$15.2 million and total liabilities of \$7.3 million.

CS SNL New York Ave, LLC and 186 Jamaica Avenue, LLC, collectively known as SNL , were formed with a partner to own, operate and develop two self-storage facilities in the boroughs of New York, NY. The Company owns 90% of SNL and the facilities are expected to commence operations during 2015. The Company consolidates the assets, liabilities, and results of operations of SNL. At December 31, 2014, SNL had total assets of \$12.3 million and total liabilities of \$2.3 million. The Company has provided \$1.2 million of a total \$20.1 million loan commitment to SNL which is secured by a mortgage on the real estate assets of SNL. The loan and related interest was eliminated during consolidation.

Shirlington Rd, LLC ( SRLLC ) was formed to own, operate, and develop a self-storage facility in Northern Virginia. The Company owns a 90% interest in SRLLC and the facility is expected to commence operations during 2015. The Company consolidates the assets, liabilities, and results of operations of SRLLC. During 2013, SRLLC acquired land for development for \$13.1 million. In 2014, SRLLC completed the planned subdivision of the land into two parcels and sold one parcel for \$6.5 million. No gain or loss was recorded as a result of this transaction. SRLLC retained the second parcel of land for the development of the storage facility. At December 31, 2014, SRLLC had total assets of \$14.7 million and total liabilities of \$10.6 million. The Company has provided \$9.6 million of a total \$14.6 million loan commitment to SRLLC, which loan is secured by a mortgage on the real estate assets of SRLLC. The loan and related interest was eliminated during consolidation.

USIFB, LLP ( USIFB ) was formed to own, operate, acquire and develop self-storage facilities in England. The Company owns a 97% interest in the USIFB through a wholly-owned subsidiary and USIFB commenced operations at two facilities in London, England during 2008. The Company determined that USIFB is a variable interest entity, and that the Company is the primary beneficiary. Accordingly, the Company

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consolidates the assets, liabilities and results of operations of USIFB. On December 31, 2013 the Company provided a \$6.8 million (£4.1 million) loan secured by a mortgage on real estate assets of USIFB. On June 30, 2014, one of the assets was sold for net proceeds of \$7.0 million and the loan was repaid with proceeds from the sale. The loan and any related interest was eliminated during consolidation. At December 31, 2014, USIFB had total assets of \$5.7 million and total liabilities of \$0.2 million.

On August 13, 2009, the Company, through a wholly-owned affiliate, formed a joint venture ( HART ) with an affiliate of Heitman, LLC ( Heitman ) to own and operate 22 self-storage facilities, which are located throughout the United States. Upon formation, Heitman contributed approximately \$51 million of cash to a newly-formed limited partnership and the Company contributed certain unencumbered wholly-owned facilities with an agreed upon value of approximately \$102 million to such limited partnership. In exchange for its contribution of those facilities, the Company received a cash distribution from HART of approximately \$51 million and retained a 50% interest in HART. The Company was the managing partner of HART and managed the facilities owned by HART in exchange for a market rate management fee. The Company determined that HART was a variable interest entity, and that the Company was the primary beneficiary. Accordingly, the Company consolidated the assets, liabilities and results of operations of HART. The 50% interest that was owned by Heitman was reflected as noncontrolling interest in subsidiaries within permanent equity, separate from the Company's equity on the consolidated balance sheets.

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On August 13, 2012, the Company purchased the remaining 50% interest in HART from Heitman for \$61.1 million, and now owns 100% of HART. Accordingly, the Company wholly owns the facilities which are unencumbered by any property-level secured debt. The Company previously consolidated HART, and therefore the acquisition of the remaining 50% interest is reflected in the equity section of the accompanying consolidated balance sheets. As a result of the transaction, the Company eliminated noncontrolling interest in subsidiaries of \$38.7 million and recorded a reduction to additional paid-in capital of \$18.5 million.

*Operating Partnership Ownership*

The Company follows guidance regarding the classification and measurement of redeemable securities. Under this guidance, securities that are redeemable for cash or other assets, at the option of the holder and not solely within the control of the issuer, must be classified outside of permanent equity/capital. This classification results in certain outside ownership interests being included as redeemable noncontrolling interests outside of permanent equity/capital in the consolidated balance sheets. The Company makes this determination based on terms in applicable agreements, specifically in relation to redemption provisions.

Additionally, with respect to redeemable ownership interests in the Operating Partnership held by third parties for which CubeSmart has a choice to settle the redemption by delivery of its own shares, the Operating Partnership considered the guidance regarding accounting for derivative financial instruments indexed to, and potentially settled in, a company's own shares, to evaluate whether CubeSmart controls the actions or events necessary to presume share settlement. The guidance also requires that noncontrolling interests classified outside of permanent capital be adjusted each period to the greater of the carrying value based on the accumulation of historical cost or the redemption value.

Approximately 1.4% and 1.6% of the outstanding OP Units as of December 31, 2014 and December 31, 2013, respectively, were not owned by CubeSmart, the sole general partner. The interests in the Operating Partnership represented by these OP Units were a component of the consideration that the Operating Partnership paid to acquire certain self-storage facilities. The holders of the OP Units are limited partners in the Operating Partnership and have the right to require CubeSmart to redeem all or part of their OP Units for, at the general partner's option, an equivalent number of common shares of CubeSmart or cash based upon the fair value of an equivalent number of common shares of CubeSmart. However, the partnership agreement contains certain provisions that could result in a cash settlement outside the control of CubeSmart and the Operating Partnership, as CubeSmart does not have the ability to settle in unregistered shares. Accordingly, consistent with the guidance, the Operating Partnership will record the OP Units owned by third parties outside of permanent capital in the consolidated balance sheets. Net income or loss related to the OP Units owned by third parties is excluded from net income or loss attributable to Operating Partner in the consolidated statements of operations.

At December 31, 2014 and 2013, 2,257,486 and 2,275,730 OP Units, respectively, were held by third parties. The per unit cash redemption amount of the outstanding OP Units was calculated based upon the average of the closing prices of the common shares of CubeSmart on the New York Stock Exchange for the final 10 trading days of the year. Based on the Company's evaluation of the redemption value of the redeemable noncontrolling interests, the Company has reflected these interests at their redemption value at December 31, 2014 and 2013, as the estimated redemption value exceeded their carrying value. The Operating Partnership recorded an increase to OP Units owned by third parties and a corresponding decrease to capital of \$14.8 million and \$3.3 million at December 31, 2014 and 2013, respectively.

Table of Contents**13. RELATED PARTY TRANSACTIONS***Affiliated Real Estate Investments*

The Company provides management services to certain joint ventures and other related party facilities. Management agreements provide generally for management fees of between 5-6% of total revenues earned on a cash basis at the facilities. Total management fees for unconsolidated joint ventures or other entities in which the Company held an ownership interest for the years ending December 31, 2014, 2013 and 2012 respectively, were \$0.9 million, \$0.1 million and \$0.2 million, respectively.

The management agreements for certain joint ventures, other related parties and third-party facilities provide for the reimbursement to the Company for certain expenses incurred to manage the facilities. These amounts consist of amounts due for management fees, payroll and other expenses incurred on behalf of the facilities. The amounts due to the Company were \$1.6 million and \$2.1 million as of December 31, 2014 and 2013, respectively. Additionally, as discussed in note 12 the Company has outstanding mortgage loans receivable from consolidated joint ventures of \$10.8 million and \$15.8 million as of December 31, 2014 and 2013, respectively, which are eliminated for consolidation purposes. The Company believes that all of these related-party receivables are fully collectible.

*Corporate Office Leases*

Subsequent to its entry into lease agreements with related parties for office space, the Operating Partnership entered into sublease agreements with various unrelated tenants for the related office space. Each of these properties is part of Airport Executive Park, a 50-acre office and flex development located in Cleveland, Ohio, which is owned by former executives. Our independent Trustees approved the terms of, and entry into, each of the office lease agreements by the Operating Partnership. The table below shows the office space subject to these lease agreements and certain key provisions, including the maturity date of each lease agreement and the minimum and maximum rents payable per month during the term. The Operating Partnership did not extend these lease agreements beyond the maturity dates set forth below.

| Office Space   | Approximate<br>Square Footage | Maturity Date | Fixed Minimum<br>Rent Per Month | Fixed Maximum<br>Rent Per Month |
|--|-------------------------------|---------------|---------------------------------|---------------------------------|
| The Parkview Building<br>6745 Engle Road; and<br>6751 Engle Road | 21,900                        | 12/31/2014    | \$ 25,673                       | \$ 31,205                       |
| 6745 Engle Road<br>Suite 100                                     | 2,212                         | 12/31/2014    | \$ 3,051                        | \$ 3,709                        |
| 6745 Engle Road<br>Suite 110                                     | 1,731                         | 12/31/2014    | \$ 2,387                        | \$ 2,901                        |
| 6751 Engle Road Suites<br>C and D                                | 3,000                         | 12/31/2014    | \$ 3,137                        | \$ 3,771                        |

In addition to monthly rent, the office lease agreements provide that our Operating Partnership reimburse for certain maintenance and improvements to the leased office space. The aggregate amount of lease payments incurred under these lease agreements for each of the years ended December 31, 2014, 2013 and 2012 was approximately \$0.5 million.

**14. COMMITMENTS AND CONTINGENCIES**

The Company currently owns six operating self-storage facilities and one self-storage facility currently under development that are subject to ground leases and four other operating self-storage facilities having portions of land that are subject to ground leases. The Company recorded ground rent expense of approximately \$2.0 million, \$2.2 million, and \$1.2 million for the years ended December 31, 2014, 2013 and 2012, respectively. Total future minimum rental payments under non-cancelable ground leases are as follows:

|                     | <b>Ground Lease<br/>Amount<br/>(in thousands)</b> |
|---------------------|---|
| 2015                | \$ 1,443  |
| 2016                | 1,649   |
| 2017                | 1,649   |
| 2018                | 1,562   |
| 2019                | 1,557   |
| 2020 and thereafter | 87,393  |
|                     | \$ 95,253   |

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The Company has development agreements for the construction of five new self-storage facilities (see note 4), which will require payments of approximately \$50.3 million, due in installments upon completion of certain construction milestones, during 2015 and 2016.

The Company has been named as a defendant in lawsuits in the ordinary course of business. In most instances, these claims are covered by the Company's liability insurance coverage. Management believes that the ultimate settlement of the suits will not have a material adverse effect on the Company's financial statements.

## 15. SHARE-BASED COMPENSATION PLANS

On June 2, 2010 the Company's shareholders approved an amendment and restatement of the Company's 2007 Equity Incentive Plan, a share-based employee compensation plan originally approved by shareholders on May 8, 2007 (as amended and restated, the 2007 Plan). On October 19, 2004, the Company's sole shareholder approved a share-based employee compensation plan, the 2004 Equity Incentive Plan (the 2004 Plan) and collectively with the 2007 Plan, the Plans). The purpose of the Plans is to attract and retain highly qualified executive officers, Trustees and key employees and other persons and to motivate such officers, Trustees, key employees and other persons to serve the Company and its affiliates to expend maximum effort to improve the business results and earnings of the Company, by providing to such persons an opportunity to acquire or increase a direct proprietary interest in the operations and future success of the Company. To this end, the Plans provide for the grant of share options, share appreciation rights, restricted shares, share units, unrestricted shares, dividend equivalent rights and cash awards. Any of these awards may, but need not, be made as performance incentives to reward attainment of annual or long-term performance goals. Share options granted under the Plans may be non-qualified share options or incentive share options.

The Plans are administered by the Compensation Committee of the Company's Board of Trustees (the Compensation Committee), which is appointed by the Board of Trustees. The Compensation Committee interprets the Plans and, subject to its right to delegate authority to grant awards, determines the terms and provisions of option grants and share awards.

The 2007 Plan uses a Fungible Units methodology for computing the maximum number of common shares available for issuance under the 2007 Plan. The Fungible Units methodology assigns weighted values to different types of awards under the 2007 Plan without assigning specific numerical limits for different types of awards. Upon shareholder approval of the amendment and restatement of the 2007 Plan in June 2010, a Fungible Pool Limit was established consisting of 4,728,561 shares plus any common shares restored to availability upon expiration or forfeiture of then-currently outstanding options or restricted share awards (consisting of 372,135 shares).

The 2007 Plan provides that any common shares made the subject of awards in the form of options or share appreciation rights shall be counted against the Fungible Pool Limit as one (1) unit. Any common shares made the subject of awards under the 2007 Plan in the form of restricted shares or share units (each a Full-Value Award) shall be counted against the Fungible Pool Limit as 1.66 units. The Fungible Pool Limit and the computation of the number of common shares available for issuance are subject to adjustment upon certain corporate transactions or events, including share splits, reverse share splits and recapitalizations. The number of shares counted against the Fungible Pool Limit includes the full number of shares subject to the award, and is not reduced in the event shares are withheld to fund withholding tax obligations, or, in the case of options and share appreciation rights, where shares are applied to pay the exercise price. If an option or other award granted under the 2007 Plan expires, is forfeited or otherwise terminates, the common shares subject to any portion of such option or other award that expires, is forfeited or that otherwise terminates, as the case may be, will again become available for issuance under the 2007 Plan.



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In addition to the overall limit on the number of shares that may be subject to awards under the 2007 Plan, the 2007 Plan limits the number of shares that may be the subject of awards during the three-year period ending December 31, 2014. Specifically, the average of the following three ratios (each expressed as a percentage) shall not exceed the greater of two percent (2%) or the mean of the Company's GICS peer group for the three-year period beginning January 1, 2012 and ending December 31, 2014. The three ratios would correspond to the three calendar years in the three-year period ending December 31, 2014, and each ratio would be computed as (i) the number of shares subject to awards granted in the applicable year divided by (ii) the sum of the number of common shares and OP units exchangeable into common shares outstanding at the end of such year. Solely for purposes of calculating the number of shares subject to awards under this limitation, shares underlying Full-Value Awards will be taken into account in the numerator of the foregoing ratios as 1.5 shares.

Subject to adjustment upon certain corporate transactions or events, a participant may not receive awards (with shares subject to awards being counted, depending on the type of award, in the proportions ranging from 1.0 to 1.66), as described above in any one calendar year covering more than 1,000,000 units.

With respect to the 2004 Plan, a total of 3 million common shares are reserved for issuance under the 2004 Plan. The maximum number of common shares underlying equity awards that may be granted to an individual participant under the 2004 Plan during any calendar year is 400,000 for options or share appreciation rights and 100,000 for restricted shares or restricted share units. The maximum number of common shares that can be awarded under the Plan to any person, other than pursuant to an option, share appreciation rights or time-vested restricted shares, is 250,000 per calendar year under the 2004 Plan. To the extent that options expire unexercised or are terminated, surrendered or canceled, the options and share awards become available for future grants under the 2004 Plan, unless the 2004 Plan has been terminated.

Under the Plans, the Compensation Committee determines the vesting schedule of each share award and option. The exercise price for options is equivalent to the fair value of the underlying common shares at the grant date. The Compensation Committee also determines the term of each option, which shall not exceed 10 years from the grant date.

**Share Options**

The fair values for options granted in 2014, 2013, and 2012 were estimated at the time the options were granted using the Black-Scholes option-pricing model applying the following weighted average assumptions:

| <b>Assumptions:</b>   | <b>2014</b> | <b>2013</b> | <b>2012</b> |
|---|-------------|-------------|-------------|
| Risk-free interest rate   | 1.9%        | 1.0%        | 2.0%        |
| Expected dividend yield   | 3.2%        | 3.3%        | 4.5%        |
| Volatility (a)  | 37.98%      | 42.00%      | 52.22%      |
| Weighted average expected life of the options (b)                   | 6.0 years   | 6.0 years   | 9.59 years  |
| Weighted average grant date fair value of options granted per share | \$ 4.33     | \$ 4.28     | \$ 3.94     |

(a) Expected volatility is based upon the level of volatility historically experienced.



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(b) Expected life is based upon our expectations of share option recipients' expected exercise and termination patterns.

The Black-Scholes option-pricing model was developed for use in estimating the fair value of traded options. In addition, option-pricing models require the input of highly subjective assumptions, including the expected share price volatility. Volatility for the 2014, 2013 and 2012 grants was based on the trading history of the Company's shares.

In 2014, 2013, and 2012, the Company recognized compensation expense related to options issued to employees and executives of approximately \$0.9 million, \$0.9 million and \$1.2 million, respectively, which was recorded in general and administrative expense. Approximately 223,590 share options were issued during 2014 for which the fair value of the options at their respective grant dates was approximately \$1.0 million, which vest over three years. As of December 31, 2014, the Company had approximately \$1.0 million of unrecognized option compensation cost related to all grants that will be recorded over the next three years.

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The table below summarizes the option activity under the Plan for the years ended December 31, 2014, 2013 and 2012:

|   | Number of Shares<br>Under Option | Weighted Average<br>Strike Price | Weighted Average<br>Remaining<br>Contractual Term |
|---|----------------------------------|----------------------------------|---|
| Balance at December 31, 2011                    | 5,255,718                        | \$ 10.35                         | 6.33  |
| Options granted                                 | 222,421                          | 11.48                            | 9.14  |
| Options canceled                                | (10,375)                         | 9.01                             |   |
| Options exercised                               | (209,900)                        | 7.89                             | 6.08  |
| Balance at December 31, 2012                    | 5,257,864                        | \$ 10.50                         | 5.49  |
| Options granted                                 | 182,297                          | 14.84                            | 9.08  |
| Options canceled                                | (24,000)                         | 13.57                            |   |
| Options exercised                               | (511,548)                        | 7.24                             | 4.53  |
| Balance at December 31, 2013                    | 4,904,613                        | \$ 10.99                         | 4.66  |
| Options granted                                 | 223,590                          | 15.73                            | 9.08  |
| Options canceled                                | (10,731)                         | 17.38                            |   |
| Options exercised                               | (1,425,171)                      | 9.69                             | 3.21  |
| Balance at December 31, 2014                    | 3,692,301                        | \$ 11.76                         | 4.16  |
| Vested or expected to vest at December 31, 2014 | 3,692,301                        | \$ 11.76                         | 4.16  |
| Exercisable at December 31, 2014                | 3,271,474                        | \$ 11.37                         | 3.60  |

At December 31, 2014, the aggregate intrinsic value of options outstanding, of options that vested or expected to vest and of options that were exercisable was approximately \$38.1 million. The aggregate intrinsic value of options exercised was approximately \$15.5 million for the year ended December 31, 2014.

### ***Restricted Shares***

The Company applies the fair value method of accounting for contingently issued shares. As such, each grant is recognized ratably over the related vesting period. Approximately 194,000 restricted shares and share units were issued during 2014 for which the fair value of the restricted shares and share units at their respective grant dates was approximately \$3.4 million, which vest over three to five years. During 2013, approximately 219,000 restricted shares and share units were issued for which the fair value of the restricted shares and share units at their respective grant dates was approximately \$3.4 million. As of December 31, 2014 the Company had approximately \$3.0 million of remaining unrecognized restricted share and share unit compensation costs that will be recognized over the next four years. Restricted share awards are considered to be performance awards and are valued using the share price on the grant date. The compensation expense recognized related to these awards and remaining unrecognized compensation costs are included in the amounts disclosed above.

In 2014, 2013 and 2012, the Company recognized compensation expense related to restricted shares and share units issued to employees and Trustees of approximately \$3.5 million, \$5.4 million, and \$3.9 million, respectively; these amounts were recorded in general and administrative expense. The following table presents non-vested restricted share and share unit activity during 2014:

**Number of Non-  
Vested Restricted**

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|                                 | <b>Shares and Share<br/>Units</b> |
|---------------------------------|-----------------------------------|
| Non-Vested at January 1, 2014   | 711,631                           |
| Granted                         | 194,495                           |
| Vested                          | (523,700)                         |
| Forfeited                       | (1,643)                           |
| Non-Vested at December 31, 2014 | 380,783                           |

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On January 24, 2014, 47,487 restricted share units were granted to certain executives. The restricted share units were granted in the form of deferred share units with a market condition, entitling the holders thereof to receive common shares at a future date. The deferred share units will be awarded based on the Company's total return to shareholders with respect to a specified peer group consisting of publicly traded REITs over a three-year period. The fair value of the restricted share units on the grant date was approximately \$0.9 million. The Company used a Monte Carlo simulation analysis to estimate the fair value of the awards. The restricted share units will cliff vest upon the third anniversary of the effective date, or December 31, 2016. The compensation expense recognized related to these awards and remaining unrecognized compensation costs are included in the amounts disclosed above.

On January 25, 2013, 41,503 restricted share units were granted to certain executives. The restricted share units were granted in the form of deferred share units with a market condition, entitling the holders thereof to receive common shares at a future date. The deferred share units will be awarded based on the Company's total return to shareholders with respect to a specified peer group consisting of publicly traded REITs over a three-year period. The fair value of the restricted share units on the grant date was approximately \$0.8 million. The Company used a Monte Carlo simulation analysis to estimate the fair value of the awards. The restricted share units will cliff vest upon the third anniversary of the effective date, or December 31, 2015. The compensation expense recognized related to these awards and remaining unrecognized compensation costs are included in the amounts disclosed above.

On January 25, 2012, 49,981 restricted share units were granted to certain executives. The restricted share units were granted in the form of deferred share units with a market condition, entitling the holders thereof to receive common shares at a future date. The deferred share units will be awarded based on the Company's total return to shareholders with respect to a specified peer group consisting of publicly traded REITs over a three-year period. The fair value of the restricted share units on the grant date was approximately \$0.8 million. The Company used a Monte Carlo simulation analysis to estimate the fair value of the awards. The restricted share units cliff vested on December 31, 2014. The compensation expense recognized related to these awards and remaining unrecognized compensation costs are included in the amounts disclosed above.

On May 30, 2012, 274,668 restricted share units were granted to our former chief executive officer. The restricted share units were granted in the form of deferred share units with a market condition, entitling the holder thereof to receive common shares at a future date. The deferred share units were awarded based on the price return of the Company's share price over a two-year period. The fair value of the restricted share units on the grant date was approximately \$3.0 million. The Company used a Monte Carlo simulation analysis to estimate the fair value of the awards. The restricted share units cliff vested on December 31, 2013. The compensation expense recognized related to these awards and remaining unrecognized compensation costs are included in the amounts disclosed above.

Table of Contents**16. EARNINGS PER SHARE AND UNIT AND SHAREHOLDERS EQUITY AND CAPITAL***Earnings (loss) per common share and shareholders equity*

The following is a summary of the elements used in calculating basic and diluted earnings (loss) per common share:

|  | For the year ended December 31,                             |           |             |
|--|---|-----------|-------------|
|  | 2014  | 2013      | 2012        |
|  | (Dollars and shares in thousands, except per share amounts) |           |             |
| Income (loss) from continuing operations   | \$ 26,366   | \$ 10,409 | \$ (13,276) |
| Noncontrolling interests in the Operating Partnership                                      | (302)   | (51)      | 513         |
| Noncontrolling interest in subsidiaries  | (16)  | 42        | (1,918)     |
| Distribution to preferred shares (1)   | (6,008)   | (6,008)   | (6,008)     |
| Income (loss) from continuing operations attributable to the Company's common shareholders | \$ 20,040   | \$ 4,392  | \$ (20,689) |
| Total discontinued operations  | 336   | 31,585    | 16,904      |
| Noncontrolling interests in the Operating Partnership                                      | (5)   | (537)     | (406)       |
| Total discontinued operations attributable to the Company's common shareholders            | \$ 331  | \$ 31,048 | \$ 16,498   |
| Net income (loss) attributable to the Company's common shareholders                        | \$ 20,371   | \$ 35,440 | \$ (4,191)  |
| Weighted-average shares outstanding  | 149,107   | 135,191   | 124,548     |
| Share options and restricted share units (2)   | 1,756   | 2,551     |             |
| Weighted-average diluted shares outstanding (3)  | 150,863   | 137,742   | 124,548     |
| Earnings (loss) per common share:  |   |           |             |
| Continuing operations  | \$ 0.13   | \$ 0.03   | \$ (0.17)   |
| Discontinued operations  | 0.01  | 0.23      | 0.14        |
| Basic and diluted earnings (loss) per common share   | \$ 0.14   | \$ 0.26   | \$ (0.03)   |

Table of Contents*Earnings (loss) per common unit and capital*

The following is a summary of the elements used in calculating basic and diluted earnings (loss) per common unit:

|   | For the year ended December 31,                           |           |             |
|---|---|-----------|-------------|
|   | 2014  | 2013      | 2012        |
|   | (Dollars and units in thousands, except per unit amounts) |           |             |
| Income (loss) from continuing operations                                    | \$ 26,366   | \$ 10,409 | \$ (13,276) |
| Operating Partnership interests of third parties                            | (302)   | (51)      | 513         |
| Noncontrolling interest in subsidiaries                                     | (16)  | 42        | (1,918)     |
| Distribution to preferred unitholders (1)                                   | (6,008)   | (6,008)   | (6,008)     |
| Income (loss) from continuing operations attributable to common unitholders | \$ 20,040   | \$ 4,392  | \$ (20,689) |
| Total discontinued operations   | 336   | 31,585    | 16,904      |
| Operating Partnership interests of third parties                            | (5)   | (537)     | (406)       |
| Total discontinued operations attributable to common unitholders            | \$ 331  | \$ 31,048 | \$ 16,498   |
| Net income (loss) attributable to common unitholders                        | \$ 20,371   | \$ 35,440 | \$ (4,191)  |
| Weighted-average units outstanding  | 149,107   | 135,191   | 124,548     |
| Unit options and restricted share units (2)                                 | 1,756   | 2,551     |             |
| Weighted-average diluted units outstanding (3)                              | 150,863   | 137,742   | 124,548     |
| <b>Earnings (loss) per common unit:</b>                                     |   |           |             |
| Continuing operations   | \$ 0.13   | \$ 0.03   | \$ (0.17)   |
| Discontinued operations   | 0.01  | 0.23      | 0.14        |
| Basic and diluted earnings (loss) per common unit                           | \$ 0.14   | \$ 0.26   | \$ (0.03)   |

(1) For each of the years ended December 31, 2014, 2013 and 2012, the Company declared cash dividends per preferred share/unit of \$1.938.

(2) For the year ended December 31, 2012, the potentially dilutive shares/units of approximately 2,000,000 were not included in the earnings per share/unit calculation as their effect is antidilutive.

(3) For the years ended December 31, 2014, 2013 and 2012, the Company declared cash dividends per common share/unit of \$0.550, \$0.460 and \$0.350, respectively.

The OP units and common units have essentially the same economic characteristics as they share equally in the total net income or loss and distributions of the Operating Partnership. An Operating Partnership unit may be redeemed for cash, or at the Company's option, common units on a one-for-one basis. Outstanding noncontrolling interest units in the Operating Partnership were 2,257,486, 2,275,730 and 3,293,730 as of December 31, 2014, 2013 and 2012, respectively. There were 163,956,675, 139,328,366 and 131,794,547 common units outstanding as of

December 31, 2014, 2013 and 2012, respectively.

*Common and Preferred Shares*

Pursuant to a previous sales agreement, the Company had an at-the-market equity program that enabled it to sell common shares through a sales agent. On May 7, 2013, the Company terminated the previous sales agreement with its previous sales agent and entered into separate equity distribution agreements (the Equity Distribution Agreements ) with each of Wells Fargo Securities LLC; BMO Capital Markets Corp.; Jefferies LLC; Merrill Lynch, Pierce, Fenner & Smith Incorporated; and RBC Capital Markets, LLC (collectively, the Sales Agents ). The Equity Distribution Agreements replaced the previous sale agreement and were amended on May 5, 2014 and October 2, 2014 to increase the number of common shares authorized for sale through at-the-market equity offerings. Pursuant to the Equity Distribution Agreements, as amended, the Company may sell, from time to time, up to 30 million common shares of beneficial interest through the Sales Agents.

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During 2014, the Company sold a total of 15.2 million common shares under the agreements at an average sales price of \$18.22 per share, resulting in net proceeds of \$273.0 million after deducting offering costs. The proceeds from the sales conducted during the year ended December 31, 2014 were used to fund acquisitions of self-storage facilities and for general corporate purposes. As of December 31, 2014, 9.2 million common shares remained available for issuance under the Equity Distribution Agreements.

During 2013, the Company sold a total of 5.7 million common shares under the previous sales agreement and the Equity Distribution Agreements at an average sales price of \$17.92 per share, resulting in net proceeds of \$100.3 million after deducting offering costs. The proceeds from the sales conducted during the year ended December 31, 2013 were used to fund acquisitions of self-storage facilities and for general corporate purposes.

On October 20, 2014, the Parent Company completed its public offering of 7,475,000 common shares at a public offering price of \$19.33, inclusive of the full exercise by the underwriters of their option to purchase 975,000 shares to cover over-allotments. The Company received approximately \$143.0 million in net proceeds from the offering after deducting the underwriting discount and other offering expenses. The proceeds combined with the proceeds raised from the program were used for general corporate purposes including funding a portion of the Company's investment activity.

The Parent Company had 3.1 million 7.75% Series A preferred shares outstanding as of December 31, 2014 and 2013, with a liquidation preference of \$77.5 million, or \$25.00 per share.

## **17. INCOME TAXES**

Deferred income taxes are established for temporary differences between financial reporting basis and tax basis of assets and liabilities at the enacted tax rates expected to be in effect when the temporary differences reverse. A valuation allowance for deferred tax assets is provided if the Company believes that it is more likely than not that all or some portion of the deferred tax asset will not be realized. No valuation allowance was recorded at December 31, 2014 or 2013. The Company had net deferred tax assets of \$1.0 million and \$0.7 million, which are included in other assets on the Company's consolidated balance sheets as of December 31, 2014 and 2013, respectively. The Company recorded \$0.7 million in windfall tax benefits associated with share-based compensation during the year, which is included in Additional paid-in capital on the Company's consolidated balance sheets. The Company believes it is more likely than not the deferred tax assets will be realized.

## **18. DISCONTINUED OPERATIONS**

For the year ended December 31, 2014, discontinued operations relates to real estate tax refunds received as a result of appeals of previous tax assessments on six self-storage facilities that the Company sold in prior years. For the years ended December 31, 2013 and 2012, discontinued operations relates to 35 facilities that the Company sold during 2013 and 26 facilities that the Company sold during 2012. Each of the sales during 2013 and 2012 resulted in the recognition of a gain, which totaled \$27.4 million and \$9.8 million, respectively.



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The following table summarizes the revenue and expense information for the period the Company owned the facilities classified as discontinued operations during the years ended December 31, 2014, 2013 and 2012 (in thousands):

|   | For the year ended December 31, |              |              |
|---|---------------------------------|--------------|--------------|
|   | 2014                            | 2013         | 2012         |
| <b>REVENUES</b>                                   |                                 |              |              |
| Rental income                                     | \$                              | \$           | \$           |
|   |                                 | 10,795       | 21,077       |
| Other property related income                     |                                 | 1,583        | 2,703        |
| Total revenues                                    |                                 | 12,378       | 23,780       |
| <b>OPERATING EXPENSES</b>                         |                                 |              |              |
| Property operating expenses                       | (336)                           | 5,318        | 10,742       |
| Depreciation and amortization                     |                                 | 2,703        | 5,548        |
| Total operating expenses                          | (336)                           | 8,021        | 16,290       |
| <b>OPERATING INCOME</b>                           | <b>336</b>                      | <b>4,357</b> | <b>7,490</b> |
| <b>OTHER INCOME (EXPENSE)</b>                     |                                 |              |              |
| Interest expense on loans                         |                                 | (212)        | (397)        |
| Gain from dispositions of discontinued operations |                                 | 27,440       | 9,811        |
| Income from discontinued operations               | \$                              | \$           | \$           |
|   | 336                             | 31,585       | 16,904       |

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Table of Contents**19. PRO FORMA FINANCIAL INFORMATION (UNAUDITED)**

During the year ended December 31, 2014, the Company acquired 53 self-storage facilities for an aggregate purchase price of approximately \$568.2 million (see note 3).

The condensed consolidated pro forma financial information set forth below reflects adjustments to the Company's historical financial data to give effect to each of the acquisitions and related financing activity (including the issuance of common shares) that occurred during 2014 and 2013 as if each had occurred as of January 1, 2013 and 2012, respectively. The unaudited pro forma information presented below does not purport to represent what the Company's actual results of operations would have been for the periods indicated, nor does it purport to represent the Company's future results of operations.

The following table summarizes, on a pro forma basis, the Company's consolidated results of operations for the year ended December 31, 2014 and 2013 based on the assumptions described above:

|  | Year ended December 31,               |            |
|--|---------------------------------------|------------|
|  | 2014                                  | 2013       |
|  | (unaudited)                           |            |
|  | (in thousands, except per share data) |            |
| Pro forma revenue  | \$ 405,171                            | \$ 378,518 |
| Pro forma income from continuing operations                  | \$ 59,406                             | \$ (276)   |
| Earnings (loss) per common share from continuing operations: |                                       |            |
| Basic and diluted as reported                                | \$ 0.13                               | \$ 0.03    |
| Basic as pro forma   | \$ 0.36                               | \$ (0.05)  |
| Diluted as pro forma   | \$ 0.35                               | \$ (0.05)  |

**20. SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED)**

The following is a summary of quarterly financial information for the years ended December 31, 2014 and 2013 (in thousands, except per share data):

|  | For the three months ended |           |               |              |
|--|----------------------------|-----------|---------------|--------------|
|  | March 31,                  | June 30,  | September 30, | December 31, |
|  | 2014                       | 2014      | 2014          | 2014         |
| Total revenues                         | \$ 87,267                  | \$ 92,337 | \$ 97,092     | \$ 100,267   |
| Total operating expenses               | 68,653                     | 70,347    | 73,966        | 82,454       |
| Net income attributable to the Company | 4,530                      | 7,886     | 8,480         | 5,483        |
| Basic and diluted earnings per share   | 0.03                       | 0.04      | 0.05          | 0.02         |

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|   | <b>March 31,<br/>2013</b> | <b>For the three months ended</b> |                               | <b>December 31,<br/>2013</b> |
|---|---------------------------|-----------------------------------|-------------------------------|------------------------------|
|   |                           | <b>June 30,<br/>2013</b>          | <b>September 30,<br/>2013</b> |                              |
| Total revenues                                | \$ 74,655                 | \$ 78,289                         | \$ 82,487                     | \$ 82,964                    |
| Total operating expenses                      | 65,871                    | 66,025                            | 66,255                        | 65,796                       |
| Net (loss) income attributable to the Company | (392)                     | 2,550                             | 16,342                        | 22,948                       |
| Basic and diluted (loss) earnings per share   | (0.01)                    | 0.01                              | 0.11                          | 0.15                         |

The sum of quarterly earnings per share amounts do not necessarily equal the full year amounts. The above information was updated to reclassify amounts to discontinued operations (see note 18).

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**CUBESMART  
SCHEDULE III  
REAL ESTATE AND RELATED DEPRECIATION  
December 31, 2014  
(dollars in thousands)**

| Description           | Square<br>Footage | Encumbrances | Initial Cost |                               | Costs<br>Subsequent<br>to<br>Acquisition |                               | Gross Carrying Amount<br>at December 31, 2014 |              | Accumulated<br>Depreciation<br>(C) | Year<br>Acquired /<br>Developed |
|-----------------------|-------------------|--------------|--------------|-------------------------------|--|-------------------------------|---|--------------|------------------------------------|---------------------------------|
|                       |                   |              | Land         | Buildings and<br>Improvements | Land                                     | Buildings and<br>Improvements | Land  | Improvements |                                    |                                 |
| Chandler I, AZ        | 47,520            |              | 327          | 1,257                         | 271                                      | 327                           | 1,353   | 1,680        | 421                                | 2005                            |
| Chandler II, AZ       | 83,819            |              | 1,518        | 7,485                         | 12                                       | 1,518                         | 7,496   | 9,014        | 474                                | 2013                            |
| Gilbert, AZ           | 57,380            |              | 951          | 4,688                         | 11                                       | 951                           | 4,699   | 5,650        | 1,305                              | 2013                            |
| Glendale, AZ          | 56,807            |              | 201          | 2,265                         | 1,010                                    | 418                           | 2,725   | 3,143        | 1,249                              | 1998                            |
| Green Valley, AZ      | 25,050            |              | 298          | 1,153                         | 132                                      | 298                           | 1,075   | 1,373        | 297                                | 2005                            |
| Mesa I, AZ            | 52,575            |              | 920          | 2,739                         | 176                                      | 921                           | 2,469   | 3,390        | 690                                | 2006                            |
| Mesa II, AZ           | 45,511            |              | 731          | 2,176                         | 189                                      | 731                           | 2,048   | 2,779        | 566                                | 2006                            |
| Mesa III, AZ          | 58,264            |              | 706          | 2,101                         | 182                                      | 706                           | 1,899   | 2,605        | 538                                | 2006                            |
| Phoenix I, AZ         | 100,775           |              | 1,134        | 3,376                         | 348                                      | 1,135                         | 3,075   | 4,210        | 870                                | 2006                            |
| Phoenix II, AZ        | 83,160            |              | 756          | 2,251                         | 1,554                                    | 847                           | 3,109   | 3,956        | 712                                | 2006/2011                       |
| Phoenix III, AZ       | 121,761           |              | 2,115        | 10,429                        | 24                                       | 2,115                         | 10,453  | 12,568       | 83                                 | 2014                            |
| Scottsdale, AZ        | 79,525            |              | 443          | 4,879                         | 1,698                                    | 883                           | 5,475   | 6,358        | 2,499                              | 1998                            |
| Tempe I, AZ           | 53,890            |              | 749          | 2,159                         | 236                                      | 749                           | 2,086   | 2,835        | 552                                | 2005                            |
| Tempe II, AZ          | 35,125            |              | 588          | 2,898                         | 31                                       | 588                           | 2,929   | 3,517        | 518                                | 2013                            |
| Tucson I, AZ          | 59,800            |              | 188          | 2,078                         | 966                                      | 384                           | 2,590   | 2,974        | 1,169                              | 1998                            |
| Tucson II, AZ         | 43,950            |              | 188          | 2,078                         | 1,032                                    | 391                           | 2,635   | 3,026        | 1,122                              | 1998                            |
| Tucson III, AZ        | 49,832            | (A)          | 532          | 2,048                         | 243                                      | 533                           | 1,930   | 2,463        | 520                                | 2005                            |
| Tucson IV, AZ         | 48,040            | (A)          | 674          | 2,595                         | 262                                      | 675                           | 2,436   | 3,111        | 662                                | 2005                            |
| Tucson V, AZ          | 45,134            | (A)          | 515          | 1,980                         | 333                                      | 515                           | 1,957   | 2,472        | 520                                | 2005                            |
| Tucson VI, AZ         | 40,814            | (A)          | 440          | 1,692                         | 201                                      | 430                           | 1,595   | 2,025        | 439                                | 2005                            |
| Tucson VII, AZ        | 52,688            | (A)          | 670          | 2,576                         | 275                                      | 670                           | 2,440   | 3,110        | 673                                | 2005                            |
| Tucson VIII, AZ       | 46,650            | (A)          | 589          | 2,265                         | 268                                      | 589                           | 2,182   | 2,771        | 578                                | 2005                            |
| Tucson IX, AZ         | 67,545            | (A)          | 724          | 2,786                         | 349                                      | 725                           | 2,619   | 3,344        | 730                                | 2005                            |
| Tucson X, AZ          | 46,350            | (A)          | 424          | 1,633                         | 203                                      | 425                           | 1,526   | 1,951        | 424                                | 2005                            |
| Tucson XI, AZ         | 42,940            | (A)          | 439          | 1,689                         | 391                                      | 439                           | 1,791   | 2,230        | 507                                | 2005                            |
| Tucson XII, AZ        | 42,225            | (A)          | 671          | 2,582                         | 285                                      | 672                           | 2,454   | 3,126        | 653                                | 2005                            |
| Tucson XIII, AZ       | 45,800            | (A)          | 587          | 2,258                         | 271                                      | 587                           | 2,167   | 2,754        | 584                                | 2005                            |
| Tucson XIV, AZ        | 49,095            |              | 707          | 2,721                         | 455                                      | 708                           | 2,642   | 3,350        | 707                                | 2005                            |
| Benicia, CA           | 74,770            |              | 2,392        | 7,028                         | 191                                      | 2,392                         | 6,146   | 8,538        | 1,642                              | 2005                            |
| Citrus Heights,<br>CA | 75,620            | (A)          | 1,633        | 4,793                         | 213                                      | 1,634                         | 4,254   | 5,888        | 1,198                              | 2005                            |
| Corona, CA            | 95,125            |              | 2,107        | 10,385                        | 1  | 2,107                         | 10,385  | 12,492       | 55                                 | 2014                            |
| Diamond Bar, CA       | 102,984           |              | 2,522        | 7,404                         | 179                                      | 2,524                         | 6,491   | 9,015        | 1,820                              | 2005                            |
| Escondido, CA         | 142,895           |              | 3,040        | 11,804                        | 161                                      | 3,040                         | 9,611   | 12,651       | 1,991                              | 2007                            |

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| Description             | Square Footage | Encumbrances | Initial Cost |                            | Costs Subsequent to Acquisition | Gross Carrying Amount at December 31, 2014 |                            |        | Accumulated Depreciation (C) | Year Acquired / Developed |
|-------------------------|----------------|--------------|--------------|----------------------------|---------------------------------|--|----------------------------|--------|------------------------------|---------------------------|
|                         |                |              | Land         | Buildings and Improvements |                                 | Land                                       | Buildings and Improvements | Total  |                              |                           |
| Fallbrook, CA           | 46,401         |              | 133          | 1,492                      | 1,736                           | 432  | 2,722                      | 3,154  | 1,084                        | 1997                      |
| Fremont, CA             | 51,243         |              | 1,158        | 5,711                      | 38                              | 1,158                                      | 5,750                      | 6,908  | 45                           | 2014                      |
| Lancaster, CA           | 60,675         |              | 390          | 2,247                      | 956                             | 556  | 2,703                      | 3,259  | 950                          | 2001                      |
| Long Beach, CA          | 124,571        |              | 3,138        | 14,368                     | 493                             | 3,138                                      | 12,950                     | 16,088 | 3,352                        | 2006                      |
| Murrieta, CA            | 49,795         |              | 1,883        | 5,532                      | 167                             | 1,903                                      | 4,835                      | 6,738  | 1,295                        | 2005                      |
| North Highlands, CA     | 57,169         | (A)          | 868          | 2,546                      | 390                             | 868  | 2,480                      | 3,348  | 690                          | 2005                      |
| Ontario, CA             | 93,590         |              | 1,705        | 8,401                      | 17                              | 1,705                                      | 8,418                      | 10,123 | 44                           | 2014                      |
| Orangevale, CA          | 50,542         | (A)          | 1,423        | 4,175                      | 267                             | 1,423                                      | 3,770                      | 5,193  | 1,066                        | 2005                      |
| Pleasanton, CA          | 85,045         |              | 2,799        | 8,222                      | 54                              | 2,799                                      | 7,034                      | 9,833  | 1,896                        | 2005                      |
| Rancho Cordova, CA      | 53,978         | (A)          | 1,094        | 3,212                      | 250                             | 1,095                                      | 2,930                      | 4,025  | 845                          | 2005                      |
| Rialto I, CA            | 57,391         |              | 899          | 4,118                      | 177                             | 899  | 3,725                      | 4,624  | 972                          | 2006                      |
| Rialto II, CA           | 99,783         |              | 277          | 3,098                      | 1,715                           | 672  | 4,034                      | 4,706  | 1,815                        | 1997                      |
| Riverside I, CA         | 67,120         |              | 1,351        | 6,183                      | 417                             | 1,351                                      | 5,768                      | 7,119  | 1,473                        | 2006                      |
| Riverside II, CA        | 85,076         |              | 1,170        | 5,359                      | 355                             | 1,170                                      | 4,980                      | 6,150  | 1,289                        | 2006                      |
| Roseville, CA           | 59,944         | (A)          | 1,284        | 3,767                      | 319                             | 1,284                                      | 3,491                      | 4,775  | 1,002                        | 2005                      |
| Sacramento I, CA        | 50,714         | (A)          | 1,152        | 3,380                      | 237                             | 1,152                                      | 3,058                      | 4,210  | 875                          | 2005                      |
| Sacramento II, CA       | 62,088         | (A)          | 1,406        | 4,128                      | 233                             | 1,407                                      | 3,696                      | 5,103  | 1,039                        | 2005                      |
| San Bernardino I, CA    | 31,070         |              | 51           | 572                        | 1,166                           | 182  | 1,422                      | 1,604  | 537                          | 1997                      |
| San Bernardino II, CA   | 41,546         |              | 112          | 1,251                      | 1,228                           | 306  | 1,949                      | 2,255  | 817                          | 1997                      |
| San Bernardino III, CA  | 35,416         |              | 98           | 1,093                      | 1,194                           | 242  | 1,806                      | 2,048  | 706                          | 1997                      |
| San Bernardino IV, CA   | 83,307         |              | 1,872        | 5,391                      | 154                             | 1,872                                      | 4,828                      | 6,700  | 1,316                        | 2005                      |
| San Bernardino V, CA    | 57,595         |              | 783          | 3,583                      | 478                             | 783  | 3,534                      | 4,317  | 923                          | 2006                      |
| San Bernardino VII, CA  | 78,753         |              | 1,475        | 6,753                      | 274                             | 1,290                                      | 6,281                      | 7,571  | 1,643                        | 2006                      |
| San Bernardino VIII, CA | 99,004         |              | 1,691        | 7,741                      | 439                             | 1,692                                      | 6,237                      | 7,929  | 2,519                        | 2006                      |
| San Marcos, CA          | 37,430         |              | 775          | 2,288                      | 119                             | 776  | 2,043                      | 2,819  | 571                          | 2005                      |
| Santa Ana, CA           | 64,071         |              | 1,223        | 5,600                      | 280                             | 1,223                                      | 5,107                      | 6,330  | 1,331                        | 2006                      |
| South Sacramento, CA    | 52,490         | (A)          | 790          | 2,319                      | 236                             | 791  | 2,143                      | 2,934  | 622                          | 2005                      |
| Spring Valley, CA       | 55,045         |              | 1,178        | 5,394                      | 561                             | 1,178                                      | 5,210                      | 6,388  | 1,368                        | 2006                      |
| Temecula I, CA          | 81,320         |              | 660          | 4,735                      | 1,231                           | 899  | 5,409                      | 6,308  | 1,257                        | 1998                      |
| Temecula II, CA         | 84,318         |              | 3,080        | 5,839                      | 198                             | 3,080                                      | 5,108                      | 8,188  | 1,060                        | 2007                      |
| Vista I, CA             | 74,481         |              | 711          | 4,076                      | 2,293                           | 1,118                                      | 5,442                      | 6,560  | 1,800                        | 2001                      |
| Vista II, CA            | 147,871        |              | 4,629        | 13,599                     | 142                             | 4,629                                      | 11,698                     | 16,327 | 3,165                        | 2005                      |

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| Description             | Square Footage | Encumbrances | Initial Cost |                            | Costs Subsequent to Acquisition | Gross Carrying Amount at December 31, 2014 |                            |        | Accumulated Depreciation (C) | Year Acquired / Developed |
|-------------------------|----------------|--------------|--------------|----------------------------|---------------------------------|--|----------------------------|--------|------------------------------|---------------------------|
|                         |                |              | Land         | Buildings and Improvements |                                 | Land                                       | Buildings and Improvements | Total  |                              |                           |
| Walnut, CA              | 50,708         |              | 1,578        | 4,635                      | 236                             | 1,595                                      | 4,133                      | 5,728  | 1,105                        | 2005                      |
| West Sacramento, CA     | 40,015         | (B)          | 1,222        | 3,590                      | 200                             | 1,222                                      | 3,236                      | 4,458  | 868                          | 2005                      |
| Westminster, CA         | 68,428         |              | 1,740        | 5,142                      | 303                             | 1,743                                      | 4,560                      | 6,303  | 1,292                        | 2005                      |
| Aurora, CO              | 75,867         | (A)          | 1,343        | 2,986                      | 313                             | 1,343                                      | 2,764                      | 4,107  | 739                          | 2005                      |
| Colorado Springs I, CO  | 47,975         |              | 771          | 1,717                      | 337                             | 771  | 1,711                      | 2,482  | 449                          | 2005                      |
| Colorado Springs II, CO | 62,400         |              | 657          | 2,674                      | 210                             | 656  | 2,377                      | 3,033  | 641                          | 2006                      |
| Denver I, CO            | 59,200         |              | 673          | 2,741                      | 197                             | 671  | 2,436                      | 3,107  | 694                          | 2006                      |
| Denver II, CO           | 74,295         |              | 1,430        | 7,053                      | 71                              | 1,430                                      | 7,123                      | 8,553  | 341                          | 2012                      |
| Federal Heights, CO     | 54,770         | (A)          | 878          | 1,953                      | 251                             | 879  | 1,810                      | 2,689  | 471                          | 2005                      |
| Golden, CO              | 87,800         | (A)          | 1,683        | 3,744                      | 404                             | 1,684                                      | 3,477                      | 5,161  | 915                          | 2005                      |
| Littleton, CO           | 53,490         | (A)          | 1,268        | 2,820                      | 277                             | 1,268                                      | 2,589                      | 3,857  | 655                          | 2005                      |
| Northglenn, CO          | 52,102         | (A)          | 862          | 1,917                      | 365                             | 862  | 1,869                      | 2,731  | 477                          | 2005                      |
| Bloomfield, CT          | 48,700         |              | 78           | 880                        | 2,338                           | 360  | 2,644                      | 3,004  | 1,029                        | 1997                      |
| Branford, CT            | 50,679         |              | 217          | 2,433                      | 1,317                           | 504  | 3,055                      | 3,559  | 1,626                        | 1995                      |
| Bristol, CT             | 47,725         |              | 1,819        | 3,161                      | 63                              | 1,819                                      | 2,759                      | 4,578  | 849                          | 2005                      |
| East Windsor, CT        | 46,016         |              | 744          | 1,294                      | 458                             | 744  | 1,482                      | 2,226  | 448                          | 2005                      |
| Enfield, CT             | 52,875         |              | 424          | 2,424                      | 396                             | 473  | 2,229                      | 2,702  | 873                          | 2001                      |
| Gales Ferry, CT         | 54,805         |              | 240          | 2,697                      | 1,458                           | 489  | 3,473                      | 3,962  | 1,503                        | 1995                      |
| Manchester I, CT        | 46,925         |              | 540          | 3,096                      | 360                             | 563  | 2,684                      | 3,247  | 1,100                        | 2002                      |
| Manchester II, CT       | 52,725         |              | 996          | 1,730                      | 255                             | 996  | 1,677                      | 2,673  | 495                          | 2005                      |
| Manchester III, CT      | 60,113         |              | 671          | 3,308                      | 6                               | 671  | 3,314                      | 3,985  | 26                           | 2014                      |
| Milford, CT             | 44,885         |              | 87           | 1,050                      | 1,129                           | 274  | 1,707                      | 1,981  | 819                          | 1996                      |
| Monroe, CT              | 58,500         |              | 2,004        | 3,483                      | 600                             | 2,004                                      | 3,399                      | 5,403  | 1,072                        | 2005                      |
| Mystic, CT              | 50,825         |              | 136          | 1,645                      | 1,927                           | 410  | 2,840                      | 3,250  | 1,377                        | 1996                      |
| Newington I, CT         | 42,620         |              | 1,059        | 1,840                      | 206                             | 1,059                                      | 1,752                      | 2,811  | 518                          | 2005                      |
| Newington II, CT        | 36,140         |              | 911          | 1,584                      | 231                             | 911  | 1,541                      | 2,452  | 463                          | 2005                      |
| Norwalk, CT             | 30,414         |              | 646          | 3,187                      | 48                              | 646  | 3,235                      | 3,881  | 171                          | 2012                      |
| Old Saybrook I, CT      | 86,950         |              | 3,092        | 5,374                      | 519                             | 3,092                                      | 5,039                      | 8,131  | 1,537                        | 2005                      |
| Old Saybrook II, CT     | 26,425         |              | 1,135        | 1,973                      | 231                             | 1,135                                      | 1,877                      | 3,012  | 586                          | 2005                      |
| Shelton, CT             | 78,430         |              | 1,449        | 8,221                      | 179                             | 1,449                                      | 7,317                      | 8,766  | 678                          | 2011                      |
| South Windsor, CT       | 72,075         |              | 90           | 1,127                      | 1,322                           | 272  | 2,062                      | 2,334  | 859                          | 1996                      |
| Stamford, CT            | 28,907         |              | 1,941        | 3,374                      | 102                             | 1,941                                      | 2,940                      | 4,881  | 891                          | 2005                      |
| Wilton, CT              | 84,515         | 12,635       | 2,409        | 12,261                     | 172                             | 2,421                                      | 12,494                     | 14,915 | 824                          | 2012                      |
| Washington I, DC        | 63,085         | (B)          | 871          | 12,759                     | 403                             | 894  | 10,480                     | 11,374 | 2,048                        | 2008                      |

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| Description           | Square Footage | Encumbrances | Initial Cost |                            | Costs Subsequent to Acquisition | Gross Carrying Amount at December 31, 2014 |                            |        | Accumulated Depreciation (C) | Year Acquired / Developed |
|-----------------------|----------------|--------------|--------------|----------------------------|---------------------------------|--|----------------------------|--------|------------------------------|---------------------------|
|                       |                |              | Land         | Buildings and Improvements |                                 | Land                                       | Buildings and Improvements | Total  |                              |                           |
| Washington II, DC     | 82,982         |              | 3,152        | 13,612                     | 146                             | 3,154                                      | 11,983                     | 15,137 | 856                          | 2011                      |
| Boca Raton, FL        | 37,958         |              | 529          | 3,054                      | 1,564                           | 813  | 3,711                      | 4,524  | 1,259                        | 2001                      |
| Boynton Beach I, FL   | 61,749         |              | 667          | 3,796                      | 1,801                           | 958  | 4,507                      | 5,465  | 1,530                        | 2001                      |
| Boynton Beach II, FL  | 61,579         |              | 1,030        | 2,968                      | 329                             | 1,030                                      | 2,861                      | 3,891  | 778                          | 2005                      |
| Boynton Beach III, FL | 67,393         |              | 1,225        | 6,037                      | 12                              | 1,225                                      | 6,050                      | 7,275  | 48                           | 2014                      |
| Bradenton I, FL       | 68,441         |              | 1,180        | 3,324                      | 225                             | 1,180                                      | 3,028                      | 4,208  | 854                          | 2004                      |
| Bradenton II, FL      | 87,958         |              | 1,931        | 5,561                      | 975                             | 1,931                                      | 5,441                      | 7,372  | 1,507                        | 2004                      |
| Cape Coral I, FL      | 76,842         |              | 472          | 2,769                      | 2,538                           | 830  | 4,371                      | 5,201  | 1,786                        | 2000                      |
| Cape Coral II, FL     | 67,955         |              | 1,093        | 5,387                      | 1                               | 1,093                                      | 5,388                      | 6,481  | 14                           | 2014                      |
| Coconut Creek I, FL   | 78,883         |              | 1,189        | 5,863                      | 106                             | 1,189                                      | 5,968                      | 7,157  | 286                          | 2012                      |
| Coconut Creek II, FL  | 90,400         |              | 1,937        | 9,549                      | 109                             | 1,937                                      | 9,658                      | 11,595 | 77                           | 2014                      |
| Dania Beach, FL       | 168,724        |              | 3,584        | 10,324                     | 1,171                           | 3,584                                      | 9,999                      | 13,583 | 2,827                        | 2004                      |
| Dania, FL             | 58,145         |              | 205          | 2,068                      | 1,442                           | 481  | 2,813                      | 3,294  | 1,375                        | 1996                      |
| Davie, FL             | 81,235         |              | 1,268        | 7,183                      | 815                             | 1,373                                      | 5,735                      | 7,108  | 2,500                        | 2001                      |
| Deerfield Beach, FL   | 57,230         |              | 946          | 2,999                      | 2,019                           | 1,311                                      | 4,524                      | 5,835  | 1,631                        | 1998                      |
| Delray Beach I, FL    | 67,833         |              | 798          | 4,539                      | 690                             | 883  | 4,229                      | 5,112  | 1,535                        | 2001                      |
| Delray Beach II, FL   | 75,712         |              | 957          | 4,718                      | 194                             | 957  | 4,912                      | 5,869  | 1,507                        | 2013                      |
| Delray Beach III, FL  | 94,495         |              | 2,086        | 10,286                     | 2                               | 2,086                                      | 10,289                     | 12,375 | 82                           | 2014                      |
| Fernandina Beach, FL  | 121,083        |              | 378          | 4,222                      | 3,668                           | 643  | 6,991                      | 7,634  | 2,432                        | 1996                      |
| Ft. Lauderdale I, FL  | 70,063         |              | 937          | 3,646                      | 2,438                           | 1,384                                      | 5,416                      | 6,800  | 1,994                        | 1999                      |
| Ft. Lauderdale II, FL | 49,507         |              | 862          | 4,250                      | 54                              | 862  | 4,305                      | 5,167  | 1,834                        | 2013                      |
| Ft. Myers I, FL       | 67,546         |              | 303          | 3,329                      | 824                             | 328  | 3,167                      | 3,495  | 1,637                        | 1999                      |
| Ft. Myers II, FL      | 83,125         |              | 1,030        | 5,080                      | 4                               | 1,030                                      | 5,084                      | 6,114  | 40                           | 2014                      |
| Ft. Myers III, FL     | 81,554         |              | 1,148        | 5,658                      | 29                              | 1,148                                      | 5,688                      | 6,836  | 46                           | 2014                      |
| Jacksonville I, FL    | 80,215         |              | 1,862        | 5,362                      | 72                              | 1,862                                      | 4,752                      | 6,614  | 1,190                        | 2005                      |
| Jacksonville II, FL   | 65,070         |              | 950          | 7,004                      | 120                             | 950  | 5,571                      | 6,521  | 1,143                        | 2007                      |
| Jacksonville III, FL  | 65,590         |              | 860          | 7,409                      | 989                             | 1,670                                      | 5,997                      | 7,667  | 1,239                        | 2007                      |
| Jacksonville IV, FL   | 77,535         |              | 870          | 8,049                      | 1,030                           | 1,651                                      | 7,004                      | 8,655  | 1,449                        | 2007                      |

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| Description               | Square Footage | Encumbrances | Initial Cost |                            | Costs Subsequent to Acquisition | Gross Carrying Amount at December 31, 2014 |                            |        | Accumulated Depreciation (C) | Year Acquired / Developed |
|---------------------------|----------------|--------------|--------------|----------------------------|---------------------------------|--|----------------------------|--------|------------------------------|---------------------------|
|                           |                |              | Land         | Buildings and Improvements |                                 | Land                                       | Buildings and Improvements | Total  |                              |                           |
| Jacksonville V, FL        | 82,235         |              | 1,220        | 8,210                      | 312                             | 1,220                                      | 6,813                      | 8,033  | 1,406                        | 2007                      |
| Jacksonville VI, FL       | 74,425         |              | 755          | 3,725                      | 1                               | 755  | 3,725                      | 4,480  | 10                           | 2014                      |
| Kendall, FL               | 75,495         | (B)          | 2,350        | 8,106                      | 201                             | 2,350                                      | 6,534                      | 8,884  | 1,346                        | 2007                      |
| Lake Worth I, FL          | 160,949        |              | 183          | 6,597                      | 7,161                           | 354  | 11,076                     | 11,430 | 4,680                        | 1998                      |
| Lake Worth II, FL         | 87,050         |              | 1,552        | 7,654                      | 100                             | 1,552                                      | 7,753                      | 9,305  | 61                           | 2014                      |
| Lakeland, FL              | 49,095         |              | 81           | 896                        | 1,127                           | 256  | 1,440                      | 1,696  | 803                          | 1994                      |
| Leisure City, FL          | 56,042         |              | 409          | 2,018                      | 127                             | 409  | 2,144                      | 2,553  | 105                          | 2012                      |
| Lutz I, FL                | 66,795         |              | 901          | 2,478                      | 232                             | 901  | 2,325                      | 3,226  | 640                          | 2004                      |
| Lutz II, FL               | 69,232         |              | 992          | 2,868                      | 339                             | 992  | 2,717                      | 3,709  | 769                          | 2004                      |
| Margate I, FL             | 53,660         |              | 161          | 1,763                      |                                 | 399  | 3,196                      | 3,595  | 1,402                        | 1996                      |
| Margate II, FL            | 65,180         |              | 132          | 1,473                      |                                 | 383  | 2,663                      | 3,046  | 1,204                        | 1996                      |
| Merritt Island, FL        | 50,281         |              | 716          | 2,983                      | 606                             | 796  | 2,851                      | 3,647  | 888                          | 2002                      |
| Miami I, FL               | 46,500         |              | 179          | 1,999                      | 1,811                           | 484  | 3,123                      | 3,607  | 1,720                        | 1996                      |
| Miami II, FL              | 66,960         |              | 253          | 2,544                      | 1,456                           | 561  | 3,183                      | 3,744  | 1,634                        | 1996                      |
| Miami III, FL             | 150,425        |              | 4,577        | 13,185                     | 816                             | 4,577                                      | 12,177                     | 16,754 | 3,073                        | 2005                      |
| Miami IV, FL              | 76,337         |              | 1,852        | 10,494                     | 878                             | 1,963                                      | 9,812                      | 11,775 | 933                          | 2011                      |
| Miramar, FL               | 75,530         |              | 1,206        | 5,944                      | 50                              | 1,206                                      | 5,995                      | 7,201  | 697                          | 2013                      |
| Naples I, FL              | 48,150         |              | 90           | 1,010                      | 2,509                           | 270  | 3,139                      | 3,409  | 1,362                        | 1996                      |
| Naples II, FL             | 65,850         |              | 148          | 1,652                      | 4,320                           | 558  | 5,278                      | 5,836  | 2,162                        | 1997                      |
| Naples III, FL            | 80,021         |              | 139          | 1,561                      | 4,090                           | 598  | 4,340                      | 4,938  | 2,100                        | 1997                      |
| Naples IV, FL             | 40,550         |              | 262          | 2,980                      | 580                             | 407  | 2,977                      | 3,384  | 1,445                        | 1998                      |
| <b>New Smyrna</b>         |                |              |              |                            |                                 |  |                            |        |                              |                           |
| Beach, FL                 | 81,454         |              | 1,261        | 6,215                      | 1                               | 1,261                                      | 6,215                      | 7,476  | 33                           | 2014                      |
| Ocoee, FL                 | 76,250         |              | 1,286        | 3,705                      | 176                             | 1,286                                      | 3,364                      | 4,650  | 880                          | 2005                      |
| Orange City, FL           | 59,580         |              | 1,191        | 3,209                      | 205                             | 1,191                                      | 2,926                      | 4,117  | 823                          | 2004                      |
| Orlando II, FL            | 63,084         |              | 1,589        | 4,576                      | 148                             | 1,589                                      | 4,085                      | 5,674  | 1,089                        | 2005                      |
| Orlando III, FL           | 101,330        |              | 1,209        | 7,768                      | 646                             | 1,209                                      | 7,028                      | 8,237  | 1,546                        | 2006                      |
| Orlando IV, FL            | 76,565         |              | 633          | 3,587                      | 102                             | 633  | 3,185                      | 3,818  | 337                          | 2010                      |
| Orlando V, FL             | 75,358         |              | 950          | 4,685                      | 101                             | 950  | 4,785                      | 5,735  | 205                          | 2012                      |
| Orlando VI, FL            | 71,475         |              | 640          | 3,154                      | 1                               | 640  | 3,155                      | 3,795  | 8                            | 2014                      |
| Oviedo, FL                | 49,276         |              | 440          | 2,824                      | 551                             | 440  | 2,704                      | 3,144  | 620                          | 2006                      |
| Palm Coast I, FL          | 47,400         |              | 555          | 2,735                      | 60                              | 555  | 2,795                      | 3,350  | 22                           | 2014                      |
| Palm Coast II, FL         | 122,490        | 7,962        | 1,511        | 7,450                      | 250                             | 1,511                                      | 7,700                      | 9,211  | 63                           | 2014                      |
| <b>Pembroke Pines, FL</b> |                |              |              |                            |                                 |  |                            |        |                              |                           |
| FL                        | 67,321         |              | 337          | 3,772                      | 2,745                           | 953  | 5,375                      | 6,328  | 3,171                        | 1997                      |
| <b>Royal Palm Beach</b>   |                |              |              |                            |                                 |  |                            |        |                              |                           |
| II, FL                    | 81,394         |              | 1,640        | 8,607                      | 225                             | 1,640                                      | 7,171                      | 8,811  | 1,478                        | 2007                      |
| Sanford I, FL             | 61,810         |              | 453          | 2,911                      | 164                             | 453  | 2,509                      | 2,962  | 589                          | 2006                      |
| Sanford II, FL            | 70,054         |              | 1,003        | 4,944                      | 1                               | 1,003                                      | 4,945                      | 5,948  | 26                           | 2014                      |



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| Description             | Square Footage | Encumbrances | Initial Cost |                            | Costs Subsequent to Acquisition | Gross Carrying Amount at December 31, 2014 |                            |        | Accumulated Depreciation (C) | Year Acquired / Developed |
|-------------------------|----------------|--------------|--------------|----------------------------|---------------------------------|--|----------------------------|--------|------------------------------|---------------------------|
|                         |                |              | Land         | Buildings and Improvements |                                 | Land                                       | Buildings and Improvements | Total  |                              |                           |
| Sarasota, FL            | 71,152         |              | 333          | 3,656                      | 1,313                           | 529  | 3,774                      | 4,303  | 1,912                        | 1999                      |
| St. Augustine, FL       | 59,725         |              | 135          | 1,515                      | 3,330                           | 383  | 4,274                      | 4,657  | 1,858                        | 1996                      |
| Stuart, FL              | 87,176         |              | 324          | 3,625                      | 3,070                           | 685  | 5,762                      | 6,447  | 2,504                        | 1997                      |
| SW Ranches, FL          | 64,955         |              | 1,390        | 7,598                      | 139                             | 1,390                                      | 5,875                      | 7,265  | 1,215                        | 2007                      |
| Tampa, FL               | 83,913         |              | 2,670        | 6,249                      | 121                             | 2,670                                      | 5,017                      | 7,687  | 1,036                        | 2007                      |
| West Palm Beach I, FL   | 68,061         |              | 719          | 3,420                      | 1,547                           | 835  | 3,992                      | 4,827  | 1,439                        | 2001                      |
| West Palm Beach II, FL  | 94,428         |              | 2,129        | 8,671                      | 356                             | 2,129                                      | 7,724                      | 9,853  | 2,173                        | 2004                      |
| West Palm Beach III, FL | 77,664         |              | 804          | 3,962                      | 41                              | 804  | 4,002                      | 4,806  | 168                          | 2012                      |
| West Palm Beach IV, FL  | 102,912        |              | 1,499        | 7,392                      | 133                             | 1,499                                      | 7,524                      | 9,023  | 59                           | 2014                      |
| Winter Park, FL         | 54,356         |              | 866          | 4,268                      | 1                               | 866  | 4,269                      | 5,135  | 23                           | 2014                      |
| Alpharetta, GA          | 90,501         |              | 806          | 4,720                      | 1,006                           | 967  | 4,128                      | 5,095  | 1,328                        | 2001                      |
| Atlanta, GA             | 66,675         |              | 822          | 4,053                      | 37                              | 822  | 4,091                      | 4,913  | 206                          | 2012                      |
| Austell, GA             | 83,675         |              | 1,635        | 4,711                      | 201                             | 1,643                                      | 4,257                      | 5,900  | 973                          | 2006                      |
| Decatur, GA             | 145,280        |              | 616          | 6,776                      | 220                             | 616  | 6,089                      | 6,705  | 3,106                        | 1998                      |
| Duluth, GA              | 70,885         |              | 373          | 2,044                      | 164                             | 373  | 1,884                      | 2,257  | 164                          | 2011                      |
| Lawrenceville, GA       | 73,615         |              | 546          | 2,903                      | 327                             | 546  | 2,813                      | 3,359  | 246                          | 2011                      |
| Norcross I, GA          | 85,420         |              | 514          | 2,930                      | 817                             | 632  | 3,017                      | 3,649  | 1,201                        | 2001                      |
| Norcross II, GA         | 52,545         |              | 366          | 2,025                      | 154                             | 366  | 1,895                      | 2,261  | 165                          | 2011                      |
| Norcross III, GA        | 47,220         |              | 938          | 4,625                      | 51                              | 938  | 4,677                      | 5,615  | 310                          | 2012                      |
| Norcross IV, GA         | 57,505         |              | 576          | 2,839                      | 48                              | 576  | 2,887                      | 3,463  | 144                          | 2012                      |
| Peachtree City I, GA    | 49,875         |              | 435          | 2,532                      | 668                             | 529  | 2,571                      | 3,100  | 846                          | 2001                      |
| Peachtree City II, GA   | 59,950         |              | 398          | 1,963                      | 16                              | 398  | 1,979                      | 2,377  | 100                          | 2012                      |
| Smyrna, GA              | 57,015         |              | 750          | 4,271                      | 242                             | 750  | 3,483                      | 4,233  | 1,130                        | 2001                      |
| Snellville, GA          | 79,950         |              | 1,660        | 4,781                      | 319                             | 1,660                                      | 4,438                      | 6,098  | 942                          | 2007                      |
| Suwanee I, GA           | 85,125         |              | 1,737        | 5,010                      | 282                             | 1,737                                      | 4,593                      | 6,330  | 990                          | 2007                      |
| Suwanee II, GA          | 79,590         |              | 800          | 6,942                      | 37                              | 622  | 5,775                      | 6,397  | 1,196                        | 2007                      |
| Addison, IL             | 31,325         |              | 428          | 3,531                      | 341                             | 428  | 3,372                      | 3,800  | 934                          | 2004                      |
| Aurora, IL              | 73,985         |              | 644          | 3,652                      | 153                             | 644  | 3,285                      | 3,929  | 919                          | 2004                      |
| Bartlett, IL            | 51,425         |              | 931          | 2,493                      | 278                             | 931  | 2,389                      | 3,320  | 654                          | 2004                      |
| Bellwood, IL            | 86,550         |              | 1,012        | 5,768                      | 805                             | 1,012                                      | 5,275                      | 6,287  | 1,820                        | 2001                      |
| Bolingbrook, IL         | 80,070         |              | 1,675        | 8,254                      | 4                               | 1,675                                      | 8,259                      | 9,934  | 44                           | 2014                      |
| Chicago I, IL           | 95,715         |              | 2,667        | 13,118                     | 1                               | 2,667                                      | 13,118                     | 15,785 | 69                           | 2014                      |
| Chicago II, IL          | 78,980         |              | 833          | 4,035                      | 1                               | 833  | 4,036                      | 4,869  | 21                           | 2014                      |
| Chicago III, IL         | 84,964         |              | 2,427        | 11,962                     | 1                               | 2,427                                      | 11,963                     | 14,390 | 63                           | 2014                      |
| Countryside, IL         | 99,931         |              | 2,607        | 12,684                     | 2                               | 2,607                                      | 12,687                     | 15,294 | 67                           | 2014                      |
| Des Plaines, IL         | 69,600         |              | 1,564        | 4,327                      | 519                             | 1,564                                      | 4,207                      | 5,771  | 1,150                        | 2004                      |

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|------------------------------|----------------|--------------|--------------|----------------------------|---------------------------------|--|----------------------------|--------|------------------------------|---------------------------|
|                              |                |              | Land         | Buildings and Improvements |                                 | Land                                       | Buildings and Improvements | Total  |                              |                           |
| <b>Elk Grove Village, IL</b> | 64,104         |              | 1,446        | 3,535                      | 285                             | 1,446                                      | 3,292                      | 4,738  | 946                          | 2004                      |
| <b>Evanston, IL</b>          | 58,050         |              | 1,103        | 5,440                      | 184                             | 1,103                                      | 5,623                      | 6,726  | 964                          | 2013                      |
| <b>Glenview, IL</b>          | 100,085        |              | 3,740        | 10,367                     | 559                             | 3,740                                      | 9,461                      | 13,201 | 2,599                        | 2004                      |
| <b>Gurnee, IL</b>            | 80,300         |              | 1,521        | 5,440                      | 263                             | 1,521                                      | 4,940                      | 6,461  | 1,414                        | 2004                      |
| <b>Hanover, IL</b>           | 41,190         |              | 1,126        | 2,197                      | 261                             | 1,126                                      | 2,119                      | 3,245  | 583                          | 2004                      |
| <b>Harvey, IL</b>            | 60,090         |              | 869          | 3,635                      | 208                             | 869  | 3,304                      | 4,173  | 923                          | 2004                      |
| <b>Joliet, IL</b>            | 72,865         |              | 547          | 4,704                      | 229                             | 547  | 4,274                      | 4,821  | 1,195                        | 2004                      |
| <b>Kildeer, IL</b>           | 46,485         |              | 2,102        | 2,187                      | 217                             | 1,997                                      | 2,203                      | 4,200  | 584                          | 2004                      |
| <b>Lombard, IL</b>           | 57,691         |              | 1,305        | 3,938                      | 659                             | 1,305                                      | 3,996                      | 5,301  | 1,158                        | 2004                      |
| <b>Mount Prospect, IL</b>    | 65,000         |              | 1,701        | 3,114                      | 412                             | 1,701                                      | 3,074                      | 4,775  | 827                          | 2004                      |
| <b>Mundelein, IL</b>         | 44,700         |              | 1,498        | 2,782                      | 236                             | 1,498                                      | 2,606                      | 4,104  | 715                          | 2004                      |
| <b>North Chicago, IL</b>     | 53,400         |              | 1,073        | 3,006                      | 370                             | 1,073                                      | 2,891                      | 3,964  | 810                          | 2004                      |
| <b>Plainfield I, IL</b>      | 53,900         |              | 1,770        | 1,715                      | 237                             | 1,740                                      | 1,660                      | 3,400  | 452                          | 2004                      |
| <b>Plainfield II, IL</b>     | 51,900         |              | 694          | 2,000                      | 153                             | 694  | 1,820                      | 2,514  | 476                          | 2005                      |
| <b>Schaumburg, IL</b>        | 31,160         |              | 538          | 645                        | 183                             | 538  | 692                        | 1,230  | 184                          | 2004                      |
| <b>Streamwood, IL</b>        | 64,305         |              | 1,447        | 1,662                      | 352                             | 1,447                                      | 1,703                      | 3,150  | 470                          | 2004                      |
| <b>Warrenville, IL</b>       | 48,796         |              | 1,066        | 3,072                      | 222                             | 1,066                                      | 2,862                      | 3,928  | 745                          | 2005                      |
| <b>Waukegan, IL</b>          | 79,500         |              | 1,198        | 4,363                      | 337                             | 1,198                                      | 4,047                      | 5,245  | 1,138                        | 2004                      |
| <b>West Chicago, IL</b>      | 48,175         |              | 1,071        | 2,249                      | 341                             | 1,071                                      | 2,232                      | 3,303  | 605                          | 2004                      |
| <b>Westmont, IL</b>          | 53,150         |              | 1,155        | 3,873                      | 226                             | 1,155                                      | 3,559                      | 4,714  | 974                          | 2004                      |
| <b>Wheeling I, IL</b>        | 54,210         |              | 857          | 3,213                      | 325                             | 857  | 3,065                      | 3,922  | 858                          | 2004                      |
| <b>Wheeling II, IL</b>       | 67,825         |              | 793          | 3,816                      | 451                             | 793  | 3,716                      | 4,509  | 1,036                        | 2004                      |
| <b>Woodridge, IL</b>         | 50,232         |              | 943          | 3,397                      | 182                             | 943  | 3,103                      | 4,046  | 870                          | 2004                      |
| <b>Schererville, IN</b>      | 67,280         |              | 1,134        | 5,589                      | 21                              | 1,134                                      | 5,611                      | 6,745  | 45                           | 2014                      |
| <b>Boston I, MA</b>          | 33,286         |              | 538          | 3,048                      | 107                             | 538  | 2,731                      | 3,269  | 294                          | 2010                      |
| <b>Boston II, MA</b>         | 60,420         |              | 1,516        | 8,628                      | 333                             | 1,516                                      | 7,125                      | 8,641  | 2,410                        | 2002                      |
| <b>Boston III, MA</b>        | 108,205        |              | 3,211        | 15,829                     | 2                               | 3,211                                      | 15,831                     | 19,042 | 126                          | 2014                      |
| <b>Leominster, MA</b>        | 54,023         |              | 90           | 1,519                      | 2,445                           | 338  | 3,346                      | 3,684  | 1,621                        | 1998                      |
| <b>Medford, MA</b>           | 58,725         |              | 1,330        | 7,165                      | 241                             | 1,330                                      | 5,928                      | 7,258  | 1,188                        | 2007                      |
| <b>Stoneham, MA</b>          | 60,900         |              | 1,558        | 7,679                      | 62                              | 1,558                                      | 7,741                      | 9,299  | 1,176                        | 2013                      |
| <b>Tewksbury, MA</b>         | 61,832         |              | 1,537        | 7,579                      | 14                              | 1,537                                      | 7,593                      | 9,130  | 60                           | 2014                      |
| <b>Baltimore, MD</b>         | 93,550         |              | 1,050        | 5,997                      | 1,285                           | 1,173                                      | 5,857                      | 7,030  | 2,132                        | 2001                      |
| <b>Beltsville, MD</b>        | 63,707         |              | 1,277        | 6,295                      | 41                              | 1,277                                      | 6,335                      | 7,612  | 2,053                        | 2013                      |
| <b>California, MD</b>        | 77,840         |              | 1,486        | 4,280                      | 169                             | 1,486                                      | 3,857                      | 5,343  | 1,079                        | 2004                      |
| <b>Clinton, MD</b>           | 84,225         | 8,427        | 2,182        | 10,757                     | 26                              | 2,182                                      | 10,782                     | 12,964 | 1,043                        | 2013                      |
| <b>District Heights, MD</b>  | 78,490         |              | 1,527        | 8,313                      | 460                             | 1,527                                      | 7,648                      | 9,175  | 626                          | 2011                      |
| <b>Elkridge, MD</b>          | 63,525         |              | 1,155        | 5,695                      | 120                             | 1,155                                      | 5,815                      | 6,970  | 382                          | 2013                      |
| <b>Gaithersburg, MD</b>      | 87,045         |              | 3,124        | 9,000                      | 392                             | 3,124                                      | 8,132                      | 11,256 | 2,256                        | 2005                      |
| <b>Hyattsville, MD</b>       | 52,765         |              | 1,113        | 5,485                      | 33                              | 1,113                                      | 5,519                      | 6,632  | 2,085                        | 2013                      |

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| Description         | Square Footage | Encumbrances | Initial Cost |                            |       | Costs                     |        | Gross Carrying Amount      |       |      | Accumulated Depreciation (C) | Year Acquired / Developed |
|---------------------|----------------|--------------|--------------|----------------------------|-------|---------------------------|--------|----------------------------|-------|------|------------------------------|---------------------------|
|                     |                |              | Land         | Buildings and Improvements | Land  | Subsequent to Acquisition | Land   | Buildings and Improvements | Total |      |                              |                           |
| Laurel, MD          | 162,696        |              | 1,409        | 8,035                      | 3,592 | 1,928                     | 9,521  | 11,449                     | 3,297 | 2001 |                              |                           |
| Temple Hills I, MD  | 97,150         |              | 1,541        | 8,788                      | 2,391 | 1,800                     | 9,333  | 11,133                     | 3,743 | 2001 |                              |                           |
| Temple Hills II, MD | 84,100         | 7,466        | 2,229        | 10,988                     | 15    | 2,229                     | 11,003 | 13,232                     | 88    | 2014 |                              |                           |
| Timonium, MD        | 66,717         | 7,919        | 2,269        | 11,184                     | 36    | 2,269                     | 11,220 | 13,489                     | 89    | 2014 |                              |                           |
| Upper Marlboro, MD  | 62,290         |              | 1,309        | 6,455                      | 59    | 1,309                     | 6,513  | 7,822                      | 3,569 | 2013 |                              |                           |
| Belmont, NC         | 81,850         |              | 385          | 2,196                      | 834   | 451                       | 2,349  | 2,800                      | 783   | 2001 |                              |                           |
| Burlington I, NC    | 109,396        |              | 498          | 2,837                      | 706   | 498                       | 2,910  | 3,408                      | 1,008 | 2001 |                              |                           |
| Burlington II, NC   | 42,165         |              | 320          | 1,829                      | 363   | 340                       | 1,760  | 2,100                      | 605   | 2001 |                              |                           |
| Cary, NC            | 112,402        |              | 543          | 3,097                      | 670   | 543                       | 3,495  | 4,038                      | 1,326 | 2001 |                              |                           |
| Charlotte, NC       | 69,000         |              | 782          | 4,429                      | 1,458 | 1,068                     | 4,693  | 5,761                      | 1,469 | 2002 |                              |                           |
| Raleigh, NC         | 48,675         |              | 209          | 2,398                      | 327   | 296                       | 2,255  | 2,551                      | 1,083 | 1998 |                              |                           |
| Bordentown, NJ      | 50,600         |              | 457          | 2,255                      | 22    | 457                       | 2,277  | 2,734                      | 115   | 2012 |                              |                           |
| Brick, NJ           | 51,725         |              | 234          | 2,762                      | 1,431 | 485                       | 3,393  | 3,878                      | 1,750 | 1996 |                              |                           |
| Cherry Hill I, NJ   | 51,500         |              | 222          | 1,260                      | 81    | 222                       | 1,159  | 1,381                      | 129   | 2010 |                              |                           |
| Cherry Hill II, NJ  | 64,825         |              | 471          | 2,323                      | 88    | 471                       | 2,410  | 2,881                      | 105   | 2012 |                              |                           |
| Clifton, NJ         | 105,550        |              | 4,346        | 12,520                     | 240   | 4,340                     | 11,081 | 15,421                     | 2,899 | 2005 |                              |                           |
| Cranford, NJ        | 91,280         |              | 290          | 3,493                      | 2,423 | 779                       | 4,748  | 5,527                      | 2,289 | 1996 |                              |                           |
| East Hanover, NJ    | 107,679        |              | 504          | 5,763                      | 3,961 | 1,315                     | 7,861  | 9,176                      | 3,963 | 1996 |                              |                           |
| Egg Harbor I, NJ    | 35,825         |              | 104          | 510                        | 30    | 104                       | 529    | 633                        | 57    | 2010 |                              |                           |
| Egg Harbor II, NJ   | 70,400         |              | 284          | 1,608                      | 183   | 284                       | 1,571  | 1,855                      | 178   | 2010 |                              |                           |
| Elizabeth, NJ       | 38,830         |              | 751          | 2,164                      | 454   | 751                       | 2,294  | 3,045                      | 601   | 2005 |                              |                           |
| Fairview, NJ        | 27,876         |              | 246          | 2,759                      | 442   | 246                       | 2,608  | 2,854                      | 1,454 | 1997 |                              |                           |
| Freehold, NJ        | 81,420         |              | 1,086        | 5,355                      | 96    | 1,086                     | 5,451  | 6,537                      | 264   | 2012 |                              |                           |
| Hamilton, NJ        | 70,450         |              | 1,885        | 5,430                      | 246   | 1,893                     | 4,911  | 6,804                      | 1,166 | 2006 |                              |                           |
| Hoboken, NJ         | 34,180         |              | 1,370        | 3,947                      | 641   | 1,370                     | 3,961  | 5,331                      | 1,138 | 2005 |                              |                           |
| Linden, NJ          | 100,425        |              | 517          | 6,008                      | 2,291 | 1,043                     | 6,817  | 7,860                      | 3,669 | 1996 |                              |                           |
| Lumberton, NJ       | 96,025         |              | 987          | 4,864                      | 88    | 987                       | 4,952  | 5,939                      | 251   | 2012 |                              |                           |
| Morris Township, NJ | 71,976         |              | 500          | 5,602                      | 2,687 | 1,072                     | 6,679  | 7,751                      | 4,646 | 1997 |                              |                           |
| Parsippany, NJ      | 58,550         |              | 475          | 5,322                      | 2,008 | 844                       | 6,016  | 6,860                      | 3,096 | 1997 |                              |                           |
| Rahway, NJ          | 83,121         |              | 1,486        | 7,326                      | 98    | 1,486                     | 7,424  | 8,910                      | 1,725 | 2013 |                              |                           |
| Randolph, NJ        | 52,565         |              | 855          | 4,872                      | 1,323 | 1,108                     | 4,861  | 5,969                      | 1,707 | 2002 |                              |                           |
| Sewell, NJ          | 57,826         |              | 484          | 2,766                      | 1,317 | 706                       | 3,232  | 3,938                      | 1,123 | 2001 |                              |                           |
| Somerset, NJ        | 57,485         |              | 1,243        | 6,129                      | 71    | 1,243                     | 6,199  | 7,442                      | 295   | 2012 |                              |                           |
| Whippany, NJ        | 92,070         |              | 2,153        | 10,615                     | 86    | 2,153                     | 10,701 | 12,854                     | 332   | 2013 |                              |                           |
| Albuquerque I, NM   | 65,927         | (A)          | 1,039        | 3,395                      | 273   | 1,039                     | 3,084  | 4,123                      | 879   | 2005 |                              |                           |
| Albuquerque II, NM  | 58,798         | (A)          | 1,163        | 3,801                      | 257   | 1,163                     | 3,435  | 4,598                      | 981   | 2005 |                              |                           |

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| Description          | Square Footage | Encumbrances | Initial Cost |                            |       | Costs                     |        | Gross Carrying Amount      |       |      | Accumulated Depreciation (C) | Year Acquired / Developed |
|----------------------|----------------|--------------|--------------|----------------------------|-------|---------------------------|--------|----------------------------|-------|------|------------------------------|---------------------------|
|                      |                |              | Land         | Buildings and Improvements | Land  | Subsequent to Acquisition | Land   | Buildings and Improvements | Total |      |                              |                           |
| Albuquerque III, NM  | 57,536         | (A)          | 664          | 2,171                      | 334   | 664                       | 2,117  | 2,781                      | 592   | 2005 |                              |                           |
| Henderson, NV        | 75,150         |              | 1,246        | 6,143                      | 1     | 1,246                     | 6,143  | 7,389                      | 33    | 2014 |                              |                           |
| Las Vegas I, NV      | 48,332         |              | 1,851        | 2,986                      | 486   | 1,851                     | 3,061  | 4,912                      | 874   | 2006 |                              |                           |
| Las Vegas II, NV     | 48,850         |              | 3,354        | 5,411                      | 306   | 3,355                     | 5,136  | 8,491                      | 1,515 | 2006 |                              |                           |
| Bronx I, NY          | 69,308         |              | 2,014        | 11,411                     | 738   | 2,014                     | 10,556 | 12,570                     | 1,172 | 2010 |                              |                           |
| Bronx II, NY         | 90,170         |              |              | 31,561                     | 92    |                           | 31,118 | 31,118                     | 1,914 | 2011 |                              |                           |
| Bronx III, NY        | 106,065        |              | 6,017        | 33,999                     | 142   | 6,017                     | 29,794 | 35,811                     | 2,588 | 2011 |                              |                           |
| Bronx IV, NY         | 75,030         |              |              | 22,830                     | 96    |                           | 20,272 | 20,272                     | 1,442 | 2011 |                              |                           |
| Bronx V, NY          | 54,733         |              |              | 17,564                     | 157   |                           | 15,610 | 15,610                     | 1,192 | 2011 |                              |                           |
| Bronx VI, NY         | 46,020         |              |              | 15,095                     | 327   |                           | 13,391 | 13,391                     | 1,249 | 2011 |                              |                           |
| Bronx VII, NY        | 78,625         | 8,780        |              | 22,512                     | 67    |                           | 22,688 | 22,688                     | 1,501 | 2012 |                              |                           |
| Bronx VIII, NY       | 30,550         | 3,082        | 1,245        | 6,137                      | 128   | 1,251                     | 6,295  | 7,546                      | 412   | 2012 |                              |                           |
| Bronx IX, NY         | 147,720        | 23,767       | 7,967        | 39,279                     | 847   | 7,967                     | 40,124 | 48,091                     | 2,447 | 2012 |                              |                           |
| Bronx X, NY          | 159,780        | 27,873       | 9,090        | 44,816                     | 270   | 9,090                     | 45,086 | 54,176                     | 2,402 | 2012 |                              |                           |
| Bronx XI, NY         | 46,902         |              |              | 17,130                     | 11    |                           | 17,141 | 17,141                     | 115   | 2014 |                              |                           |
| Brooklyn I, NY       | 57,500         |              | 1,795        | 10,172                     | 247   | 1,795                     | 9,002  | 10,797                     | 997   | 2010 |                              |                           |
| Brooklyn II, NY      | 60,920         |              | 1,601        | 9,073                      | 438   | 1,601                     | 8,213  | 9,814                      | 905   | 2010 |                              |                           |
| Brooklyn III, NY     | 41,585         |              | 3,195        | 15,657                     | 75    | 3,195                     | 15,814 | 19,009                     | 911   | 2011 |                              |                           |
| Brooklyn IV, NY      | 37,467         |              | 2,500        | 12,252                     | 130   | 2,500                     | 12,445 | 14,945                     | 799   | 2011 |                              |                           |
| Brooklyn V, NY       | 47,010         |              | 2,207        | 10,814                     | 79    | 2,207                     | 10,947 | 13,154                     | 953   | 2011 |                              |                           |
| Brooklyn VI, NY      | 75,640         |              | 4,016        | 19,680                     | 69    | 4,016                     | 19,856 | 23,872                     | 1,655 | 2011 |                              |                           |
| Brooklyn VII, NY     | 72,685         |              | 5,816        | 28,498                     | 98    | 5,816                     | 28,761 | 34,577                     | 2,052 | 2011 |                              |                           |
| Brooklyn VIII, NY    | 61,075         |              | 4,982        | 24,561                     | 26    | 4,982                     | 24,586 | 29,568                     | 196   | 2014 |                              |                           |
| Brooklyn IX, NY      | 46,980         |              | 2,966        | 14,620                     | 25    | 2,966                     | 14,645 | 17,611                     | 117   | 2014 |                              |                           |
| Jamaica I, NY        | 88,385         |              | 2,043        | 11,658                     | 1,614 | 2,043                     | 10,648 | 12,691                     | 3,949 | 2001 |                              |                           |
| Jamaica II, NY       | 91,245         |              | 5,496        | 26,930                     | 121   | 5,496                     | 27,194 | 32,690                     | 2,006 | 2011 |                              |                           |
| Long Island City, NY | 89,125         |              | 5,700        | 28,101                     | 1     | 5,700                     | 28,102 | 33,802                     | 74    | 2014 |                              |                           |
| New Rochelle I, NY   | 46,037         |              | 1,673        | 4,827                      | 667   | 1,673                     | 4,846  | 6,519                      | 1,179 | 2005 |                              |                           |
| New Rochelle II, NY  | 63,145         |              | 3,167        | 2,713                      | 276   | 3,762                     | 18,822 | 22,584                     | 1,206 | 2012 |                              |                           |
| North Babylon, NY    | 78,341         |              | 225          | 2,514                      | 4,080 | 568                       | 5,496  | 6,064                      | 2,423 | 1998 |                              |                           |
| Patchogue, NY        | 47,739         |              | 1,141        | 5,624                      | 1     | 1,141                     | 5,625  | 6,766                      | 30    | 2014 |                              |                           |
| Riverhead, NY        | 38,340         |              | 1,068        | 1,149                      | 195   | 1,068                     | 1,111  | 2,179                      | 342   | 2005 |                              |                           |
| Southold, NY         | 59,595         |              | 2,079        | 2,238                      | 260   | 2,079                     | 2,094  | 4,173                      | 653   | 2005 |                              |                           |

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| Description              | Square Footage | Encumbrances | Initial Cost |                            | Costs Subsequent to Acquisition | Gross Carrying Amount at December 31, 2014 |                            |        | Accumulated Depreciation (C) | Year Acquired / Developed |
|--------------------------|----------------|--------------|--------------|----------------------------|---------------------------------|--|----------------------------|--------|------------------------------|---------------------------|
|                          |                |              | Land         | Buildings and Improvements |                                 | Land                                       | Buildings and Improvements | Total  |                              |                           |
| Staten Island, NY        | 96,623         |              | 1,919        | 9,463                      | 53                              | 1,919                                      | 9,517                      | 11,436 | 784                          | 2013                      |
| Tuckahoe, NY             | 51,343         |              | 1,516        | 13,236                     | 168                             | 1,516                                      | 7,633                      | 9,149  | 1,179                        | 2011                      |
| West Hempstead, NY       | 84,457         |              | 2,237        | 11,030                     | 113                             | 2,237                                      | 11,142                     | 13,379 | 534                          | 2012                      |
| White Plains, NY         | 86,465         |              | 3,295        | 18,049                     | 835                             | 3,295                                      | 16,393                     | 19,688 | 1,521                        | 2011                      |
| Woodhaven, NY            | 50,665         |              | 2,028        | 11,285                     | 56                              | 2,028                                      | 10,044                     | 12,072 | 759                          | 2011                      |
| Wyckoff, NY              | 61,565         |              | 1,961        | 11,113                     | 218                             | 1,961                                      | 9,849                      | 11,810 | 1,013                        | 2010                      |
| Yorktown, NY             | 78,595         |              | 2,710        | 13,338                     | 126                             | 2,710                                      | 13,477                     | 16,187 | 795                          | 2011                      |
| Cleveland I, OH          | 46,000         |              | 525          | 2,592                      | 175                             | 524  | 2,419                      | 2,943  | 690                          | 2005                      |
| Cleveland II, OH         | 58,325         |              | 290          | 1,427                      | 177                             | 289  | 1,353                      | 1,642  | 391                          | 2005                      |
| Columbus I, OH           | 71,905         |              | 1,234        | 3,151                      | 69                              | 1,239                                      | 2,745                      | 3,984  | 715                          | 2006                      |
| Columbus II, OH          | 36,844         |              | 769          | 3,788                      | 1                               | 769  | 3,788                      | 4,557  | 20                           | 2014                      |
| Columbus III, OH         | 51,400         |              | 326          | 1,607                      | 1                               | 326  | 1,608                      | 1,934  | 9                            | 2014                      |
| Columbus IV, OH          | 60,575         |              | 443          | 2,182                      | 1                               | 443  | 2,183                      | 2,626  | 12                           | 2014                      |
| Columbus V, OH           | 60,925         |              | 838          | 4,128                      | 1                               | 838  | 4,129                      | 4,967  | 22                           | 2014                      |
| Columbus VI, OH          | 63,725         |              | 701          | 3,454                      | 1                               | 701  | 3,455                      | 4,156  | 18                           | 2014                      |
| Grove City, OH           | 89,290         |              | 1,756        | 4,485                      | 177                             | 1,761                                      | 4,044                      | 5,805  | 1,018                        | 2006                      |
| Hilliard, OH             | 89,190         |              | 1,361        | 3,476                      | 222                             | 1,366                                      | 3,210                      | 4,576  | 804                          | 2006                      |
| Lakewood, OH             | 39,332         |              | 405          | 854                        | 560                             | 405  | 1,281                      | 1,686  | 859                          | 1989                      |
| Lewis Center, OH         | 80,830         |              | 1,056        | 5,206                      | 1                               | 1,056                                      | 5,207                      | 6,263  | 28                           | 2014                      |
| Middleburg Heights, OH   | 93,200         |              | 63           | 704                        | 2,179                           | 332  | 2,271                      | 2,603  | 1,037                        | 1980                      |
| North Olmsted I, OH      | 48,665         |              | 63           | 704                        | 1,350                           | 214  | 1,613                      | 1,827  | 804                          | 1979                      |
| North Olmsted II, OH     | 47,850         |              | 290          | 1,129                      | 1,135                           | 469  | 1,997                      | 2,466  | 1,353                        | 1988                      |
| North Randall, OH        | 80,239         |              | 515          | 2,323                      | 3,071                           | 898  | 4,149                      | 5,047  | 1,756                        | 1998                      |
| Reynoldsburg, OH         | 67,245         |              | 1,290        | 3,295                      | 251                             | 1,295                                      | 3,092                      | 4,387  | 792                          | 2006                      |
| Strongsville, OH         | 43,683         |              | 570          | 3,486                      | 336                             | 570  | 2,989                      | 3,559  | 622                          | 2007                      |
| Warrensville Heights, OH | 90,281         |              | 525          | 766                        | 2,925                           | 935  | 3,103                      | 4,038  | 1,248                        | 1980                      |
| Westlake, OH             | 62,750         |              | 509          | 2,508                      | 202                             | 508  | 2,322                      | 2,830  | 680                          | 2005                      |
| Conshohocken, PA         | 81,255         |              | 1,726        | 8,508                      | 103                             | 1,726                                      | 8,611                      | 10,337 | 415                          | 2012                      |
| Exton, PA                | 57,750         |              | 541          | 2,668                      | 110                             | 541  | 2,778                      | 3,319  | 119                          | 2012                      |
| Langhorne, PA            | 65,050         |              | 1,019        | 5,023                      | 158                             | 1,019                                      | 5,181                      | 6,200  | 242                          | 2012                      |

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|---------------------|----------------|--------------|--------------|----------------------------|---------------------------------|--|----------------------------|--------|------------------------------|---------------------------|
|                     |                |              | Land         | Buildings and Improvements |                                 | Land                                       | Buildings and Improvements | Total  |                              |                           |
| Levittown, PA       | 76,180         |              | 926          | 5,296                      | 1,160                           | 926  | 5,444                      | 6,370  | 2,014                        | 2001                      |
| Malvern, PA         | 18,848         |              | 2,959        | 18,198                     | 1,408                           | 2,959                                      | 19,606                     | 22,565 | 174                          | 2013                      |
| Montgomeryville, PA | 84,145         |              | 975          | 4,809                      | 121                             | 975  | 4,929                      | 5,904  | 240                          | 2012                      |
| Norristown, PA      | 54,911         |              | 777          | 3,709                      | 567                             | 777  | 4,381                      | 5,158  | 253                          | 2011                      |
| Philadelphia I, PA  | 97,414         |              | 1,461        | 8,334                      | 1,762                           | 1,461                                      | 6,918                      | 8,379  | 2,612                        | 2001                      |
| Philadelphia II, PA | 68,239         |              | 1,012        | 4,990                      | 68                              | 1,012                                      | 5,057                      | 6,069  | 41                           | 2014                      |
| Exeter, RI          | 41,275         |              | 547          | 2,697                      | 1                               | 547  | 2,698                      | 3,245  | 14                           | 2014                      |
| Johnston, RI        | 80,725         |              | 1,061        | 5,229                      | 1                               | 1,061                                      | 5,231                      | 6,292  | 28                           | 2014                      |
| Wakefield, RI       | 45,895         |              | 823          | 4,058                      | 1                               | 823  | 4,059                      | 4,882  | 21                           | 2014                      |
| Woonsocket, RI      | 72,704         |              | 1,049        | 5,172                      | 1                               | 1,049                                      | 5,173                      | 6,222  | 27                           | 2014                      |
| Antioch, TN         | 76,190         |              | 588          | 4,906                      | 287                             | 588  | 4,426                      | 5,014  | 1,167                        | 2005                      |
| Nashville I, TN     | 103,840        |              | 405          | 3,379                      | 469                             | 405  | 3,270                      | 3,675  | 884                          | 2005                      |
| Nashville II, TN    | 83,384         |              | 593          | 4,950                      | 183                             | 593  | 4,443                      | 5,036  | 1,199                        | 2005                      |
| Nashville III, TN   | 101,575        |              | 416          | 3,469                      | 191                             | 416  | 3,328                      | 3,744  | 873                          | 2006                      |
| Nashville IV, TN    | 102,450        |              | 992          | 8,274                      | 351                             | 992  | 7,385                      | 8,377  | 1,932                        | 2006                      |
| Allen, TX           | 62,870         | 3,610        | 714          | 3,519                      | 59                              | 714  | 3,578                      | 4,292  | 188                          | 2012                      |
| Austin I, TX        | 59,620         |              | 2,239        | 2,038                      | 152                             | 2,239                                      | 1,865                      | 4,104  | 499                          | 2005                      |
| Austin II, TX       | 65,151         | (B)          | 734          | 3,894                      | 245                             | 738  | 3,577                      | 4,315  | 882                          | 2006                      |
| Austin III, TX      | 70,560         |              | 1,030        | 5,468                      | 224                             | 1,035                                      | 5,032                      | 6,067  | 1,175                        | 2006                      |
| Austin IV, TX       | 65,370         |              | 862          | 4,250                      | 106                             | 862  | 4,356                      | 5,218  | 35                           | 2014                      |
| Austin V, TX        | 67,850         |              | 1,050        | 5,175                      | 1                               | 1,050                                      | 5,176                      | 6,226  | 41                           | 2014                      |
| Austin VI, TX       | 62,770         |              | 1,150        | 5,669                      | 2                               | 1,150                                      | 5,671                      | 6,821  | 30                           | 2014                      |
| Bryan, TX           | 60,400         |              | 1,394        | 1,268                      | 146                             | 1,396                                      | 1,194                      | 2,590  | 327                          | 2005                      |
| Carrollton, TX      | 77,140         |              | 661          | 3,261                      | 47                              | 661  | 3,308                      | 3,969  | 132                          | 2012                      |
| College Station, TX | 26,550         |              | 812          | 740                        | 119                             | 813  | 710                        | 1,523  | 188                          | 2005                      |
| Cypress, TX         | 58,181         |              | 360          | 1,773                      | 90                              | 360  | 1,864                      | 2,224  | 97                           | 2012                      |
| Dallas I, TX        | 58,582         |              | 2,475        | 2,253                      | 332                             | 2,475                                      | 2,138                      | 4,613  | 559                          | 2005                      |
| Dallas II, TX       | 79,123         |              | 940          | 4,635                      | 103                             | 940  | 4,738                      | 5,678  | 513                          | 2013                      |
| Dallas III, TX      | 69,589         |              | 2,608        | 12,857                     | 1                               | 2,608                                      | 12,858                     | 15,466 | 34                           | 2014                      |
| Denton, TX          | 60,846         |              | 553          | 2,936                      | 199                             | 569  | 2,645                      | 3,214  | 630                          | 2006                      |
| El Paso I, TX       | 59,852         | (A)          | 1,983        | 1,805                      | 261                             | 1,984                                      | 1,737                      | 3,721  | 464                          | 2005                      |
| El Paso II, TX      | 48,800         | (A)          | 1,319        | 1,201                      | 205                             | 1,320                                      | 1,188                      | 2,508  | 317                          | 2005                      |
| El Paso III, TX     | 71,102         | (A)          | 2,408        | 2,192                      | 216                             | 2,409                                      | 2,075                      | 4,484  | 558                          | 2005                      |
| El Paso IV, TX      | 66,906         | (A)          | 2,073        | 1,888                      | 59                              | 2,074                                      | 1,635                      | 3,709  | 523                          | 2005                      |
| El Paso V, TX       | 62,290         |              | 1,758        | 1,617                      | 157                             | 1,761                                      | 1,514                      | 3,275  | 410                          | 2005                      |
| El Paso VI, TX      | 36,620         |              | 660          | 607                        | 158                             | 662  | 631                        | 1,293  | 171                          | 2005                      |
| El Paso VII, TX     | 34,423         |              | 563          | 517                        | 8                               | 565  | 559                        | 1,124  | 15                           | 2005                      |
| Fort Worth I, TX    | 50,246         |              | 1,253        | 1,141                      | 220                             | 1,253                                      | 1,126                      | 2,379  | 282                          | 2005                      |
| Fort Worth II, TX   | 72,900         |              | 868          | 4,607                      | 292                             | 874  | 4,232                      | 5,106  | 1,034                        | 2006                      |
| Frisco I, TX        | 50,754         |              | 1,093        | 3,148                      | 131                             | 1,093                                      | 2,841                      | 3,934  | 744                          | 2005                      |

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|--------------------------|----------------|--------------|--------------|----------------------------|---------------------------------|--|----------------------------|-------|------------------------------|---------------------------|
|                          |                |              | Land         | Buildings and Improvements |                                 | Land                                       | Buildings and Improvements | Total |                              |                           |
| Frisco II, TX            | 71,399         |              | 1,564        | 4,507                      | 95                              | 1,564                                      | 3,991                      | 5,555 | 1,065                        | 2005                      |
| Frisco III, TX           | 74,765         |              | 1,147        | 6,088                      | 242                             | 1,154                                      | 5,525                      | 6,679 | 1,354                        | 2006                      |
| Frisco IV, TX            | 75,035         |              | 719          | 4,072                      | 117                             | 719  | 3,630                      | 4,349 | 405                          | 2010                      |
| Frisco V, TX             | 74,490         |              | 1,159        | 5,714                      | 16                              | 1,159                                      | 5,729                      | 6,888 | 46                           | 2014                      |
| Frisco VI, TX            | 68,926         |              | 1,064        | 5,247                      | 2                               | 1,064                                      | 5,249                      | 6,313 | 28                           | 2014                      |
| Garland I, TX            | 70,100         |              | 751          | 3,984                      | 419                             | 767  | 3,817                      | 4,584 | 916                          | 2006                      |
| Garland II, TX           | 68,425         |              | 862          | 4,578                      | 206                             | 862  | 4,187                      | 5,049 | 943                          | 2006                      |
| Houston III, TX          | 60,820         |              | 575          | 524                        | 287                             | 576  | 699                        | 1,275 | 196                          | 2005                      |
| Houston IV, TX           | 43,750         |              | 960          | 875                        | 371                             | 961  | 1,052                      | 2,013 | 245                          | 2005                      |
| Houston V, TX            | 125,135        |              | 1,153        | 6,122                      | 712                             | 1,156                                      | 5,972                      | 7,128 | 1,327                        | 2006                      |
| Houston VI, TX           | 54,680         |              | 575          | 524                        | 5,709                           | 983  | 4,912                      | 5,895 | 443                          | 2011                      |
| Houston VII, TX          | 47,102         |              | 681          | 3,355                      | 83                              | 681  | 3,438                      | 4,119 | 238                          | 2012                      |
| Houston VIII, TX         | 54,241         |              | 1,294        | 6,377                      | 136                             | 1,294                                      | 6,514                      | 7,808 | 343                          | 2012                      |
| Houston IX, TX           | 51,218         |              | 296          | 1,459                      | 62                              | 296  | 1,521                      | 1,817 | 80                           | 2012                      |
| Katy, TX                 | 71,308         |              | 1,329        | 6,552                      | 9                               | 1,329                                      | 6,561                      | 7,890 | 957                          | 2013                      |
| Keller, TX               | 61,885         |              | 890          | 4,727                      | 140                             | 890  | 4,282                      | 5,172 | 1,057                        | 2006                      |
| Lewisville I, TX         | 58,140         |              | 476          | 2,525                      | 295                             | 492  | 2,406                      | 2,898 | 566                          | 2006                      |
| Lewisville II, TX        | 127,609        |              | 1,464        | 7,217                      | 135                             | 1,464                                      | 7,353                      | 8,817 | 601                          | 2013                      |
| Mansfield I, TX          | 63,025         |              | 837          | 4,443                      | 197                             | 843  | 4,062                      | 4,905 | 983                          | 2006                      |
| Mansfield II, TX         | 57,775         |              | 662          | 3,261                      | 63                              | 662  | 3,323                      | 3,985 | 193                          | 2012                      |
| McKinney I, TX           | 47,020         |              | 1,632        | 1,486                      | 134                             | 1,634                                      | 1,381                      | 3,015 | 364                          | 2005                      |
| McKinney II, TX          | 70,050         |              | 855          | 5,076                      | 161                             | 857  | 4,612                      | 5,469 | 1,131                        | 2006                      |
| McKinney III, TX         | 67,468         |              | 652          | 3,213                      | 1                               | 652  | 3,214                      | 3,866 |                              | 2014                      |
| North Richland Hills, TX | 57,200         |              | 2,252        | 2,049                      | 126                             | 2,252                                      | 1,798                      | 4,050 | 490                          | 2005                      |
| Pearland, TX             | 72,050         |              | 450          | 2,216                      | 82                              | 450  | 2,299                      | 2,749 | 121                          | 2012                      |
| Richmond, TX             | 102,278        |              | 1,437        | 7,083                      | 66                              | 1,437                                      | 7,149                      | 8,586 | 322                          | 2013                      |
| Roanoke, TX              | 59,660         |              | 1,337        | 1,217                      | 127                             | 1,337                                      | 1,145                      | 2,482 | 295                          | 2005                      |
| San Antonio I, TX        | 73,309         |              | 2,895        | 2,635                      | 306                             | 2,895                                      | 2,410                      | 5,305 | 612                          | 2005                      |
| San Antonio II, TX       | 73,230         |              | 1,047        | 5,558                      | 148                             | 1,052                                      | 5,013                      | 6,065 | 1,134                        | 2006                      |
| San Antonio III, TX      | 71,775         |              | 996          | 5,286                      | 235                             | 996  | 4,799                      | 5,795 | 1,052                        | 2007                      |
| Spring, TX               | 72,751         |              | 580          | 3,081                      | 205                             | 580  | 2,839                      | 3,419 | 690                          | 2006                      |
| Murray I, UT             | 60,280         | (A)          | 3,847        | 1,017                      | 458                             | 3,848                                      | 1,261                      | 5,109 | 337                          | 2005                      |
| Murray II, UT            | 71,221         | (A)          | 2,147        | 567                        | 460                             | 2,148                                      | 865                        | 3,013 | 262                          | 2005                      |
| Salt Lake City I, UT     | 56,446         | (A)          | 2,695        | 712                        | 477                             | 2,696                                      | 1,012                      | 3,708 | 251                          | 2005                      |
| Salt Lake City II, UT    | 51,676         | (A)          | 2,074        | 548                        | 364                             | 1,931                                      | 747                        | 2,678 | 203                          | 2005                      |

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| Description           | Square Footage | Encumbrances | Initial Cost |                            | Costs Subsequent to Acquisition | Gross Carrying Amount at December 31, 2014 |                            |           | Accumulated Depreciation (C) | Year Acquired / Developed |
|-----------------------|----------------|--------------|--------------|----------------------------|---------------------------------|--|----------------------------|-----------|------------------------------|---------------------------|
|                       |                |              | Land         | Buildings and Improvements |                                 | Land                                       | Buildings and Improvements | Total     |                              |                           |
| Alexandria, VA        | 114,150        | 9,221        | 2,812        | 13,865                     | 177                             | 2,812                                      | 14,043                     | 16,855    | 745                          | 2012                      |
| Burke Lake, VA        | 91,667         | 7,105        | 2,093        | 10,940                     | 1,094                           | 2,093                                      | 10,438                     | 12,531    | 1,045                        | 2011                      |
| Fairfax, VA           | 73,325         |              | 2,276        | 11,220                     | 182                             | 2,276                                      | 11,402                     | 13,678    | 541                          | 2012                      |
| Fredericksburg I, VA  | 69,475         |              | 1,680        | 4,840                      | 280                             | 1,680                                      | 4,447                      | 6,127     | 1,086                        | 2005                      |
| Fredericksburg II, VA | 61,057         |              | 1,757        | 5,062                      | 320                             | 1,758                                      | 4,690                      | 6,448     | 1,159                        | 2005                      |
| Leesburg, VA          | 85,503         |              | 1,746        | 9,894                      | 79                              | 1,746                                      | 8,685                      | 10,431    | 644                          | 2011                      |
| Manassas, VA          | 72,745         |              | 860          | 4,872                      | 118                             | 860  | 4,327                      | 5,187     | 467                          | 2010                      |
| McLearen, VA          | 68,960         |              | 1,482        | 8,400                      | 152                             | 1,482                                      | 7,397                      | 8,879     | 764                          | 2010                      |
| Vienna, VA            | 54,698         |              | 2,300        | 11,340                     | 115                             | 2,300                                      | 11,456                     | 13,756    | 549                          | 2012                      |
| Divisional Offices    |                |              |              |                            | 168                             |  | 168                        | 168       | 29                           |                           |
| USIFB                 |                |              |              |                            | 5,702                           |  | 5,702                      | 5,702     | 1,247                        |                           |
|                       | 28,621,742     |              | 524,475      | 2,303,584                  | 221,302                         | 545,393                                    | 2,304,653                  | 2,850,046 | 398,496                      |                           |

(A) This facility is part of the YSI 20 Loan portfolio, with a balance of \$54,091 as of December 31, 2014.

(B) This facility is part of the YSI 33 Loan portfolio, with a balance of \$10,429 as of December 31, 2014.

(C) Depreciation on the buildings and improvements is recorded on a straight-line basis over their estimated useful lives, which range from five to 39 years.

Activity in storage facilities during 2014 and 2013 was as follows (in thousands):

|                              | 2014         | 2013         |
|------------------------------|--------------|--------------|
| Storage facilities*          |              |              |
| Balance at beginning of year | \$ 2,553,706 | \$ 2,443,022 |
| Acquisitions & improvements  | 576,845      | 219,751      |
| Fully depreciated assets     | (6,855)      | (14,398)     |
| Dispositions and other       | (13,716)     | (127,700)    |
| Construction in progress     | 7,218        | 33,031       |
| Balance at end of year       | \$ 3,117,198 | \$ 2,553,706 |
| Accumulated depreciation*    |              |              |
| Balance at beginning of year | \$ 398,536   | \$ 353,315   |
| Depreciation expense         | 101,542      | 87,708       |
| Fully depreciated assets     | (6,855)      | (14,398)     |
| Dispositions and other       | (1,154)      | (28,089)     |
| Balance at end of year       | \$ 492,069   | \$ 398,536   |
| Storage facilities, net      | \$ 2,625,129 | \$ 2,155,170 |

\* These amounts include equipment that is housed at the Company's storage facilities which is excluded from Schedule III above.



