UNITED STATES SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark one)

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

For the quarterly period ended June 30, 2013.

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)
000-54662 (CubeSmart, L.P.)

CUBESMART

CUBESMART, L.P.

(Exact Name of Registrant as Specified in its Charter)

Maryland (CubeSmart) **Delaware (CubeSmart, L.P.)** (State or Other Jurisdiction of Incorporation or Organization)	**20-1024732** **34-1837021** (I.R.S. Employer Identification No.)
460 East Swedesford Road **Suite 3000** **Wayne, Pennsylvania** (Address of Principal Executive Offices)	**19087** (Zip Code)

(610) 293-5700

(Registrant s Telephone Number, Including Area Code)

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

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

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

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

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

CubeSmart:

Large accelerated filer R	Accelerated filer o	Non-accelerated filer o	Smaller reporting company o

CubeSmart, L.P.:

Large accelerated filer £	Accelerated filer £	Non-accelerated filer R	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 R
CubeSmart, L.P.	Yes £ No R

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

Class	Outstanding at August 7, 2013
Common shares, $0.01 par value per share, of CubeSmart	135,120,940

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EXPLANATORY NOTE

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

The Parent Company is the sole general partner of the Operating Partnership and, as of June 30, 2013, owned a 98.3% interest in the Operating Partnership. The remaining 1.7% interest consists of common units of limited partnership interest issued by the Operating Partnership to third parties in exchange for contributions of properties to the Operating Partnership. As the sole general partner of the Operating Partnership, the Parent Company has full and complete authority over the Operating Partnership s day-to-day operations and management.

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

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

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

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

- facilitate a better understanding by the investors of the Parent Company and the Operating Partnership by enabling them to view the business as a whole in the same manner as management views and operates the business;

- remove duplicative disclosures and provide a more straightforward presentation in light of the fact that a substantial portion of the disclosure applies to both the Parent Company and the Operating Partnership; and

- create time and cost efficiencies through the preparation of one combined report instead of two separate reports.

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

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

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

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

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Filing Format

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

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Forward-Looking Statements

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

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

- national and local economic, business, real estate and other market conditions;

- the competitive environment in which we operate, including our ability to maintain or raise occupancy and rental rates;

- the execution of our business plan;

- the availability of external sources of capital;

- financing risks, including the risk of over-leverage and the corresponding risk of default on our mortgage and other debt and potential inability to refinance existing indebtedness;

- increases in interest rates and operating costs;

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

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

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

CUBESMART AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(in thousands, except share data)

(unaudited)

	June 30, 2013	December 31, 2012
ASSETS		
Storage facilities	$ 2,536,592	$ 2,443,022
Less: Accumulated depreciation	(386,924)	(353,315)
Storage facilities, net	2,149,668	2,089,707
Cash and cash equivalents	4,021	4,495
Restricted cash	4,540	6,070
Loan procurement costs, net of amortization	9,421	8,253
Other assets, net	30,072	41,794
Total assets	$ 2,197,722	$ 2,150,319
LIABILITIES AND EQUITY		
Unsecured senior notes	$ 250,000	$ 250,000
Revolving credit facility	110,000	45,000
Unsecured term loans	500,000	500,000
Mortgage loans and notes payable	214,453	228,759
Accounts payable, accrued expenses and other liabilities	54,241	60,708
Distributions payable	16,550	16,419
Deferred revenue	12,682	11,090
Security deposits	427	444
Total liabilities	1,158,353	1,112,420
Noncontrolling interests in the Operating Partnership	36,446	47,990
Commitments and contingencies		
Equity		
7.75% Series A Preferred shares $.01 par value, 3,220,000 shares authorized, 3,100,000 shares issued and outstanding at June 30, 2013 and December 31, 2012, respectively	31	31
Common shares $.01 par value, 200,000,000 shares authorized, 134,430,071 and 131,794,547 shares issued and outstanding at June 30, 2013 and December 31, 2012, respectively	1,344	1,318
Additional paid in capital	1,457,271	1,418,463
Accumulated other comprehensive loss	(11,794)	(19,796)
Accumulated deficit	(444,044)	(410,225)
Total CubeSmart shareholders equity	1,002,808	989,791
Noncontrolling interest in subsidiaries	115	118
Total equity	1,002,923	989,909
Total liabilities and equity	$ 2,197,722	$ 2,150,319

See accompanying notes to the unaudited consolidated financial statements.

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CUBESMART AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except per share data)

(unaudited)

	Three Months Ended June 30, 2013	Three Months Ended June 30, 2012	Six Months Ended June 30, 2013	Six Months Ended June 30, 2012
REVENUES				
Rental income	$ 72,231	$ 59,424	$ 141,849	$ 116,741
Other property related income	8,854	6,741	16,548	12,517
Property management fee income	1,217	1,103	2,362	2,123
Total revenues	82,302	67,268	160,759	131,381
OPERATING EXPENSES				
Property operating expenses	29,955	26,707	60,776	52,650
Depreciation and amortization	29,241	27,077	59,073	52,160
General and administrative	7,515	6,278	15,128	12,722
Total operating expenses	66,711	60,062	134,977	117,532
OPERATING INCOME	15,591	7,206	25,782	13,849
OTHER INCOME (EXPENSE)				
Interest:				
Interest expense on loans	(10,683)	(9,280)	(21,050)	(18,570)
Loan procurement amortization expense	(497)	(1,114)	(973)	(1,917)
Acquisition related costs	(1,648)	(313)	(1,763)	(863)
Equity in losses of real estate ventures	-	(210)	-	(461)
Other	(187)	(107)	(260)	(178)
Total other expense	(13,015)	(11,024)	(24,046)	(21,989)
INCOME (LOSS) FROM CONTINUING OPERATIONS	2,576	(3,818)	1,736	(8,140)
DISCONTINUED OPERATIONS				
(Loss) Income from discontinued operations	(8)	967	176	2,031
Gain on disposition of discontinued operations	-	6,206	228	6,206
Total discontinued operations	(8)	7,173	404	8,237
NET INCOME	2,568	3,355	2,140	97
NET (INCOME) LOSS ATTRIBUTABLE TO NONCONTROLLING INTERESTS				
Noncontrolling interests in the Operating Partnership	(18)	(38)	17	111
Noncontrolling interest in subsidiaries	-	(774)	1	(1,508)
NET INCOME (LOSS) ATTRIBUTABLE TO THE COMPANY	2,550	2,543	2,158	(1,300)
Distribution to Preferred Shares	(1,502)	(1,502)	(3,004)	(3,004)
NET INCOME (LOSS) ATTRIBUTABLE TO THE COMPANY S COMMON SHAREHOLDERS	$ 1,048	$ 1,041	$ (846)	$ (4,304)
Basic earnings (loss) per share from continuing operations attributable to common shareholders	$ 0.01	$ (0.05)	$ (0.01)	$ (0.10)
Basic earnings per share from discontinued operations attributable to common shareholders	$ -	$ 0.06	$ -	$ 0.06
Basic earnings (loss) per share attributable to common shareholders	$ 0.01	$ 0.01	$ (0.01)	$ (0.04)

Diluted earnings (loss) per share from continuing operations attributable to common shareholders	$	0.01	$	(0.05)	$	(0.01)	$	(0.10)
Diluted earnings per share from discontinued operations attributable to common shareholders	$	-	$	0.06	$	-	$	0.06
Diluted earnings (loss) per share attributable to common shareholders	$	0.01	$	0.01	$	(0.01)	$	(0.04)
Weighted-average basic shares outstanding		133,677		122,599		133,316		122,433
Weighted-average diluted shares outstanding		136,329		122,599		133,316		122,433
AMOUNTS ATTRIBUTABLE TO THE COMPANY S COMMON SHAREHOLDERS:								
Income (loss) from continuing operations	$	1,056	$	(5,960)	$	(1,243)	$	(12,343)
Total discontinued operations		(8)		7,001		397		8,039
Net income (loss)	$	1,048	$	1,041	$	(846)	$	(4,304)

See accompanying notes to the unaudited consolidated financial statements.

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CUBESMART AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(in thousands)

(unaudited)

	Three Months Ended June 30, 2013	Three Months Ended June 30, 2012	Six Months Ended June 30, 2013	Six Months Ended June 30, 2012
NET INCOME	$ 2,568	$ 3,355	$ 2,140	$ 97
Other comprehensive income (loss):				
Unrealized gain (loss) on interest rate swap	5,595	(8,303)	5,286	(9,099)
Reclassification of realized losses on interest rate swap	1,554	1,512	3,085	2,996
Unrealized gain (loss) on foreign currency translation	25	(105)	(231)	19
OTHER COMPREHENSIVE INCOME (LOSS)	7,174	(6,896)	8,140	(6,084)
COMPREHENSIVE INCOME (LOSS)	9,742	(3,541)	10,280	(5,987)
Comprehensive (income) loss attributable to noncontrolling interests in the Operating Partnership	(140)	197	(123)	317
Comprehensive (income) loss attributable to noncontrolling interests in subsidiaries	(7)	(771)	3	(1,509)
COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO THE COMPANY	$ 9,595	$ (4,115)	$ 10,160	$ (7,179)

See accompanying notes to the unaudited consolidated financial statements.

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CUBESMART AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF EQUITY

(in thousands)

(unaudited)

	Common Shares		Preferred Shares		Additional Paid in	Accumulated Other Comprehensive (Loss)	Accumulated	Total Shareholders	Noncontrolling Interest in	Total	Noncontrolling Interests in the Operating
	Number	**Amount**	**Number**	**Amount**	**Capital**	**Income**	**Deficit**	**Equity**	**Subsidiaries**	**Equity**	**Partnership**
Balance at December 31, 2012	131,795	$ 1,318	3,100	$ 31	$ 1,418,463	$ (19,796)	$ (410,225)	$ 989,791	$ 118	$ 989,909	$ 47,990
Issuance of common shares	1,225	12			20,374			20,386		20,386	
Issuance of restricted shares	215	2						2		2	
Conversion from units to shares	1,013	10			14,591			14,601		14,601	(14,601)
Exercise of stock options	182	2			1,276			1,278		1,278	
Amortization of restricted shares					2,131			2,131		2,131	
Share compensation expense					436			436		436	
Adjustment for noncontrolling interest in the Operating Partnership							(3,436)	(3,436)		(3,436)	3,436
Net income (loss)							2,158	2,158	(1)	2,157	(17)
Other comprehensive gain (loss):											
Unrealized gain on interest rate swap						8,227		8,227		8,227	144
Unrealized loss on foreign currency translation						(225)		(225)	(2)	(227)	(4)
Preferred distributions							(3,004)	(3,004)		(3,004)	
Common distributions							(29,537)	(29,537)		(29,537)	(502)
Balance at June 30, 2013	134,430	$ 1,344	3,100	$ 31	$ 1,457,271	$ (11,794)	$ (444,044)	$ 1,002,808	$ 115	$ 1,002,923	$ 36,446

	Common Shares		Preferred Shares				Accumulated			Total	Noncontrolling

	Number	Amount	Number	Amount	Additional Paid in Capital	Accumulated Other Comprehensive (Loss) Income	Deficit	Total Shareholders Equity	Noncontrolling Interest in Subsidiaries	Equity	Interests in the Operating Partnership
Balance at December 31, 2011	122,059	$ 1,221	3,100	$ 31	$ 1,309,505	$ (12,831)	$ (342,013)	$ 955,913	$ 39,409	$ 995,322	$ 49,732
Issuance of restricted shares	238	2						2		2	
Conversion from units to shares	265	3			3,310			3,313		3,313	(3,313)
Exercise of stock options	123	1			971			972		972	
Amortization of restricted shares					1,032			1,032		1,032	
Share compensation expense					606			606		606	
Adjustment for noncontrolling interest in the Operating Partnership							(6,072)	(6,072)		(6,072)	6,072
Net (loss) income							(1,300)	(1,300)	1,508	208	(111)
Other comprehensive (loss) gain:											
Unrealized loss on interest rate swap						(5,897)		(5,897)		(5,897)	(206)
Unrealized gain on foreign currency translation						18		18	1	19	
Preferred distributions							(3,004)	(3,004)		(3,004)	
Common distributions							(19,693)	(19,693)	(2,309)	(22,002)	(724)
Balance at June 30, 2012	122,685	$ 1,227	3,100	$ 31	$ 1,315,424	$ (18,710)	$ (372,082)	$ 925,890	$ 38,609	$ 964,499	$ 51,450

See accompanying notes to the unaudited consolidated financial statements.

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CUBESMART AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

(unaudited)

	Six Months Ended June 30, 2013	Six Months Ended June 30, 2012
Operating Activities		
Net income	$ 2,140	$ 97
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation and amortization	60,103	55,297
Gain on disposition of discontinued operations	(228)	(6,206)
Equity compensation expense	2,567	1,638
Accretion of fair market value adjustment of debt	(488)	(242)
Equity in loss of real estate venture	-	461
Changes in other operating accounts:		
Other assets	(2,133)	(127)
Restricted cash	1,062	3,294
Accounts payable and accrued expenses	1,099	(2,418)
Other liabilities	1,189	801
Net cash provided by operating activities	$ 65,311	$ 52,595
Investing Activities		
Acquisitions of storage facilities	$ (93,743)	$ (86,778)
Additions and improvements to storage facilities	(9,399)	(9,187)
Development costs	(17,557)	-
Cash distributions from real estate venture	-	633
Proceeds from sales of properties, net	10,993	22,662
Proceeds from notes receivable	5,192	-
Change in restricted cash	468	1,789
Net cash used in investing activities	$ (104,046)	$ (70,881)
Financing Activities		
Proceeds from:		
Unsecured senior notes, net of discounts	$ -	$ 249,638
Revolving credit facility	229,200	246,300
Unsecured term loans	-	100,000
Principal payments on:		
Revolving credit facility	(164,200)	(246,300)
Mortgage loans and notes payable	(13,352)	(175,963)
Loan procurement costs	(2,141)	(2,019)
Settlement of hedge transaction	-	(195)
Proceeds from issuance of common shares, net	20,388	-
Exercise of stock options	1,278	972
Distributions paid to common shareholders	(29,258)	(19,643)
Distributions paid to preferred shareholders	(3,004)	(2,720)
Distributions paid to noncontrolling interests in Operating Partnership	(650)	(749)
Distributions paid to noncontrolling interests in subsidiaries	-	(2,308)
Net cash provided by financing activities	$ 38,261	$ 147,013
Change in cash and cash equivalents	(474)	128,727
Cash and cash equivalents at beginning of period	4,495	9,069
Cash and cash equivalents at end of period	$ 4,021	$ 137,796

Supplemental Cash Flow and Noncash Information		
Cash paid for interest, net of interest capitalized	$ 22,522	$ 18,030
Supplemental disclosure of noncash activities:		
Derivative valuation adjustment	$ 8,371	$ (5,908)
Foreign currency translation adjustment	$ (231)	$ 19
Mortgage loan assumption - acquisition of storage facility	$ -	$ 62,467

See accompanying notes to the unaudited consolidated financial statements.

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CUBESMART, L.P. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(in thousands)

(unaudited)

	June 30, 2013	December 31, 2012
ASSETS		
Storage facilities	$ 2,536,592	$ 2,443,022
Less: Accumulated depreciation	(386,924)	(353,315)
Storage facilities, net	2,149,668	2,089,707
Cash and cash equivalents	4,021	4,495
Restricted cash	4,540	6,070
Loan procurement costs, net of amortization	9,421	8,253
Other assets, net	30,072	41,794
Total assets	$ 2,197,722	$ 2,150,319
LIABILITIES AND CAPITAL		
Unsecured senior notes	$ 250,000	$ 250,000
Revolving credit facility	110,000	45,000
Unsecured term loan	500,000	500,000
Mortgage loans and notes payable	214,453	228,759
Accounts payable, accrued expenses and other liabilities	54,241	60,708
Distributions payable	16,550	16,419
Deferred revenue	12,682	11,090
Security deposits	427	444
Total liabilities	1,158,353	1,112,420
Limited Partnership interest of third parties	36,446	47,990
Commitments and contingencies		
Capital		
Operating Partner	1,014,602	1,009,587
Accumulated other comprehensive loss	(11,794)	(19,796)
Total CubeSmart L.P. capital	1,002,808	989,791
Noncontrolling interests in subsidiaries	115	118
Total capital	1,002,923	989,909
Total liabilities and capital	$ 2,197,722	$ 2,150,319

See accompanying notes to the unaudited consolidated financial statements.

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CUBESMART, L.P. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except per common unit data)

(unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
REVENUES				
Rental income	$ 72,231	$ 59,424	$ 141,849	$ 116,741
Other property related income	8,854	6,741	16,548	12,517
Property management fee income	1,217	1,103	2,362	2,123
Total revenues	82,302	67,268	160,759	131,381
OPERATING EXPENSES				
Property operating expenses	29,955	26,707	60,776	52,650
Depreciation and amortization	29,241	27,077	59,073	52,160
General and administrative	7,515	6,278	15,128	12,722
Total operating expenses	66,711	60,062	134,977	117,532
OPERATING INCOME	15,591	7,206	25,782	13,849
OTHER INCOME (EXPENSE)				
Interest:				
Interest expense on loans	(10,683)	(9,280)	(21,050)	(18,570)
Loan procurement amortization expense	(497)	(1,114)	(973)	(1,917)
Acquisition related costs	(1,648)	(313)	(1,763)	(863)
Equity in losses of real estate ventures	-	(210)	-	(461)
Other	(187)	(107)	(260)	(178)
Total other expense	(13,015)	(11,024)	(24,046)	(21,989)
INCOME (LOSS) FROM CONTINUING OPERATIONS	2,576	(3,818)	1,736	(8,140)
DISCONTINUED OPERATIONS				
(Loss) income from discontinued operations	(8)	967	176	2,031
Gain of disposition of discontinued operations	-	6,206	228	6,206
Total discontinued operations	(8)	7,173	404	8,237
NET INCOME	2,568	3,355	2,140	97
NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS				
Noncontrolling interest in subsidiaries	-	(774)	1	(1,508)
NET INCOME (LOSS) ATTRIBUTABLE TO CUBESMART L.P.	2,568	2,581	2,141	(1,411)
Limited Partnership interest of third parties	(18)	(38)	17	111
NET INCOME (LOSS) ATTRIBUTABLE TO OPERATING PARTNER	2,550	2,543	2,158	(1,300)
Distribution to Preferred Units	(1,502)	(1,502)	(3,004)	(3,004)
NET INCOME (LOSS) ATTRIBUTABLE TO COMMON UNITHOLDERS	$ 1,048	$ 1,041	$ (846)	$ (4,304)
Basic earnings (loss) per unit from continuing operations attributable to common unitholders	$ 0.01	$ (0.05)	$ (0.01)	$ (0.10)
Basic earnings per unit from discontinued operations attributable to common unitholders	$ -	$ 0.06	$ -	$ 0.06
Basic earnings (loss) per unit attributable to common unitholders	$ 0.01	$ 0.01	$ (0.01)	$ (0.04)
	$ 0.01	$ (0.05)	$ (0.01)	$ (0.10)

Diluted earnings (loss) per unit from continuing operations attributable to common unitholders				
Diluted earnings per unit from discontinued operations attributable to common unitholders	$ -	$ 0.06	$ -	$ 0.06
Diluted earnings (loss) per unit attributable to common unitholders	$ 0.01	$ 0.01	$ (0.01)	$ (0.04)
Weighted-average basic units outstanding	133,677	122,599	133,316	122,433
Weighted-average diluted units outstanding	136,329	122,599	133,316	122,433
AMOUNTS ATTRIBUTABLE TO COMMON UNITHOLDERS				
Income (loss) from continuing operations	$ 1,056	$ (5,960)	$ (1,243)	$ (12,343)
Total discontinued operations	(8)	7,001	397	8,039
Net income (loss)	$ 1,048	$ 1,041	$ (846)	$ (4,304)

See accompanying notes to the unaudited consolidated financial statements.

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CUBESMART, L.P. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(in thousands)

(unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
NET INCOME	$ 2,568	$ 3,355	$ 2,140	$ 97
Other comprehensive income (loss):				
Unrealized gain (loss) on interest rate swap	5,595	(8,303)	5,286	(9,099)
Reclassification of realized losses on interest rate swap	1,554	1,512	3,085	2,996
Unrealized gain (loss) on foreign currency translation	25	(105)	(231)	19
OTHER COMPREHENSIVE INCOME (LOSS)	7,174	(6,896)	8,140	(6,084)
COMPREHENSIVE INCOME (LOSS)	9,742	(3,541)	10,280	(5,987)
Comprehensive (income) loss attributable to Limited Partnership interest of third parties	(140)	197	(123)	317
Comprehensive (income) loss attributable to noncontrolling interests in subsidiaries	(7)	(771)	3	(1,509)
COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO OPERATING PARTNER	$ 9,595	$ (4,115)	$ 10,160	$ (7,179)

See accompanying notes to the unaudited consolidated financial statements.

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CUBESMART, L.P. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CAPITAL

(in thousands)

(unaudited)

	Number of OP Units Outstanding		Operating	Accumulated Other Comprehensive	Total CubeSmart L.P.	Noncontrolling Interest in	Total	Limited Partnership Interest of Third
	Common	Preferred	Partner	(Loss) Income	Capital	Subsidiaries	Capital	Parties
Balance at December 31, 2012	131,795	3,100	$ 1,009,587	$ (19,796)	$ 989,791	$ 118	$ 989,909	$ 47,990
Issuance of common OP units	1,225		20,386		20,386		20,386	
Issuance of restricted OP units	215		2		2		2	
Conversion from OP units to shares	1,013		14,601		14,601		14,601	(14,601)
Exercise of OP unit options	182		1,278		1,278		1,278	
Amortization of restricted OP units			2,131		2,131		2,131	
OP unit compensation expense			436		436		436	
Adjustment for Limited Partnership interest of third parties			(3,436)		(3,436)		(3,436)	3,436
Net income (loss)			2,158		2,158	(1)	2,157	(17)
Other comprehensive gain (loss):								
Unrealized gain on interest rate swap				8,227	8,227		8,227	144
Unrealized loss on foreign currency translation				(225)	(225)	(2)	(227)	(4)
Preferred OP unit distributions			(3,004)		(3,004)		(3,004)	
Common OP unit distributions			(29,537)		(29,537)		(29,537)	(502)
Balance at June 30, 2013	134,430	3,100	$ 1,014,602	$ (11,794)	$ 1,002,808	$ 115	$ 1,002,923	$ 36,446

	Number of OP Units Outstanding		Operating	Accumulated Other Comprehensive	Total CubeSmart L.P.	Noncontrolling Interest in	Total	Limited Partnership Interest of Third
	Common	Preferred	Partner	(Loss) Income	Capital	Subsidiaries	Capital	Parties
Balance at December 31, 2011	122,059	3,100	$ 968,744	$ (12,831)	$ 955,913	$ 39,409	$ 995,322	$ 49,732
Issuance of restricted OP units	238		2		2		2	
	265		3,313		3,313		3,313	(3,313)

Conversion from OP units to shares								
Exercise of OP unit options	123		972		972		972	
Amortization of restricted OP units			1,032		1,032		1,032	
OP unit compensation expense			606		606		606	
Adjustment for Limited Partnership interest of third parties			(6,072)		(6,072)		(6,072)	6,072
Net (loss) income			(1,300)		(1,300)	1,508	208	(111)
Other comprehensive (loss) gain:								
Unrealized loss on interest rate swap				(5,897)	(5,897)		(5,897)	(206)
Unrealized gain on foreign currency translation				18	18	1	19	
Preferred OP unit distributions			(3,004)		(3,004)		(3,004)	
Common OP unit distributions			(19,693)		(19,693)	(2,309)	(22,002)	(724)
Balance at June 30, 2012	122,685	3,100	$ 944,600	$ (18,710)	$ 925,890	$ 38,609	$964,499	$ 51,450

See accompanying notes to the unaudited consolidated financial statements.

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CUBESMART, L.P. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

(unaudited)

	Six Months Ended June 30, 2013	Six Months Ended June 30, 2012
Operating Activities		
Net income	$ 2,140	$ 97
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation and amortization	60,103	55,297
Gain on disposition of discontinued operations	(228)	(6,206)
Equity compensation expense	2,567	1,638
Accretion of fair market value adjustment of debt	(488)	(242)
Equity in loss of real estate venture	-	461
Changes in other operating accounts:		
Other assets	(2,133)	(127)
Restricted cash	1,062	3,294
Accounts payable and accrued expenses	1,099	(2,418)
Other liabilities	1,189	801
Net cash provided by operating activities	$ 65,311	$ 52,595
Investing Activities		
Acquisitions of storage facilities	$ (93,743)	$ (86,778)
Additions and improvements to storage facilities	(9,399)	(9,187)
Development costs	(17,557)	-
Cash distributed from real estate venture	-	633
Proceeds from sales of properties, net	10,993	22,662
Proceeds from notes receivable	5,192	-
Change in restricted cash	468	1,789
Net cash used in investing activities	$ (104,046)	$ (70,881)
Financing Activities		
Proceeds from:		
Unsecured senior notes, net of discounts	$ -	$ 249,638
Revolving credit facility	229,200	246,300
Unsecured term loans	-	100,000
Principal payments on:		
Revolving credit facility	(164,200)	(246,300)
Unsecured term loans	-	-
Mortgage loans and notes payable	(13,352)	(175,963)
Loan procurement costs	(2,141)	(2,019)
Settlement of hedge transaction	-	(195)
Proceeds from issuance of common OP units	20,388	-
Exercise of OP unit options	1,278	972
Distributions paid to common unitholders	(29,908)	(20,392)
Distributions paid to preferred unitholders	(3,004)	(2,720)
Distributions paid to noncontrolling interests in subsidiaries	0	(2,308)
Net cash provided by financing activities	$ 38,261	$ 147,013
Change in cash and cash equivalents	(474)	128,727
Cash and cash equivalents at beginning of period	4,495	9,069
Cash and cash equivalents at end of period	$ 4,021	$ 137,796

Supplemental Cash Flow and Noncash Information				
Cash paid for interest, net of interest capitalized	$	22,522	$	18,030
Supplemental disclosure of noncash activities:				
Derivative valuation adjustment	$	8,371	$	(5,908)
Foreign currency translation adjustment	$	(231)	$	19
Mortgage loan assumption - acquisition of storage facility	$	-	$	62,467

See accompanying notes to the unaudited consolidated financial statements.

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CUBESMART AND CUBESMART, L.P.

NOTES TO UNAUDITED 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. The Company s self-storage facilities (collectively, the Properties) are located in 21 states throughout the United States and the District of Columbia and are presented under one reportable segment: the Company owns, operates, develops, manages and acquires self-storage facilities.

As of June 30, 2013, the Parent Company owned approximately 98.3% 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 properties 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

Basis of Presentation

The accompanying unaudited consolidated financial statements have been prepared pursuant to the rules and regulations of the SEC regarding interim financial reporting and, in the opinion of each of the Parent Company s and Operating Partnership s respective management, include all adjustments (consisting of normal recurring adjustments) necessary for a fair presentation of financial position, results of operations and cash flows for each respective company for the interim periods presented in accordance with generally accepted accounting principles (GAAP) in the United States. Accordingly, readers of this Quarterly Report on Form 10-Q should refer to the Parent Company s and the Operating Partnership s audited financial statements prepared in accordance with GAAP, and the related notes thereto, for the year ended December 31, 2012, which are included in the Parent Company s and the Operating Partnership s Annual Report on Form 10-K for the fiscal year ended December 31, 2012. The results of operations for the three and six months ended June 30, 2013 and 2012 are not necessarily indicative of the results of operations to be expected for any future period or the full year.

Immaterial Correction to Prior Period Financial Statements

In the second quarter of 2013, we revised our 2012 disclosure in the consolidated statement of cash flows to reflect a decrease in both net cash provided by operating activities and net cash used in investing activities of $6.0 million. This adjustment was made after completing an analysis that determined cash paid for acquisitions of storage facilities did not properly reflect the use of earnest money deposits, paid to Storage Deluxe in 2011, when certain facilities within the portfolio were acquired in 2012. After evaluating the quantitative and qualitative effects of this error, we have concluded that the impact on the Company s prior interim period consolidated statements of cash flows was not material.

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Recent Accounting Pronouncements

In February 2013, the Financial Accounting Standards Board (FASB) issued an amendment to the accounting standard for the reporting of amounts reclassified out of accumulated other comprehensive income (AOCI). The amendment requires entities to disclose for items reclassified out of AOCI and into net income in their entirety, the effect of the reclassification on each affected income statement line item and for AOCI items that are not reclassified in their entirety into net income, a cross reference to other required GAAP disclosures. This amendment became effective for fiscal years and interim periods beginning after December 15, 2012. The adoption of this guidance in 2013 did not have a material impact on the Company s consolidated financial position or results of operations as its impact was limited to disclosure requirements (see note 8).

3. STORAGE FACILITIES

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

	June 30, 2013	December 31, 2012
	(in thousands)	
Land	$ 470,598	$ 462,626
Buildings and improvements	1,888,942	1,828,388
Equipment	151,836	143,836
Construction in progress	25,216	8,172
Storage facilities	2,536,592	2,443,022
Less: Accumulated depreciation	(386,924)	(353,315)
Storage facilities, net	$ 2,149,668	$ 2,089,707

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The following table summarizes the Company s acquisition and disposition activity from January 1, 2012 through June 30, 2013:

Facility/Portfolio	Location	Transaction Date	Number of Facilities	Purchase / Sales Price (in thousands)	
2013 Acquisitions:					
Gilbert Asset	Gilbert, AZ	March 2013	1	$	6,900
Evanston Asset	Evanston, IL	May 2013	1		8,300
Delray Beach Asset	Delray Beach, FL	May 2013	1		7,150
Miramar Asset	Miramar, FL	June 2013	1		9,000
Stoneham Asset	Stoneham, MA	June 2013	1		10,600
Maryland/New Jersey Assets	Multiple locations in MD and NJ	June 2013	5		52,400
			10	$	94,350
2013 Dispositions:					
Texas/Indiana Assets	Multiple locations in TX and IN	March 2013	5	$	11,400
2012 Acquisitions:					
Houston Asset	Houston, TX	February 2012	1	$	5,100
Dunwoody Asset	Dunwoody, GA	February 2012	1		6,900
Mansfield Asset	Mansfield, TX	June 2012	1		4,970
Texas Assets	Multiple locations in TX	July 2012	4		18,150
Allen Asset	Allen, TX	July 2012	1		5,130
Norwalk Asset	Norwalk, CT	July 2012	1		5,000
Storage Deluxe Assets	Multiple locations in NY and CT	February/ April/ August 2012	6		201,910
Eisenhower Asset	Alexandria, VA	August 2012	1		19,750
New Jersey Assets	Multiple locations in NJ	August 2012	2		10,750
Georgia/ Florida Assets	Multiple locations in GA and FL	August 2012	3		13,370
Peachtree Asset	Peachtree City, GA	August 2012	1		3,100
HSREV Assets	Multiple locations in PA, NY, NJ, VA and FL	September 2012	9		102,000
Leetsdale Asset	Denver, CO	September 2012	1		10,600
Orlando/ West Palm Beach Assets	Multiple locations in FL	November 2012	2		13,010
Exton/ Cherry Hill Assets	Multiple locations in NJ and PA	December 2012	2		7,800
Carrollton Asset	Carrollton, TX	December 2012	1		4,800
			37	$	432,340
2012 Dispositions:					
Michigan Assets	Multiple locations in MI	June 2012	3	$	6,362
Gulf Coast Assets	Multiple locations in LA, AL and MS	June 2012	5		16,800
New Mexico Assets	Multiple locations in NM	August 2012	6		7,500
San Bernardino Asset	San Bernardino, CA	August 2012	1		5,000
Florida/ Tennessee Assets	Multiple locations in FL and TN	November 2012	3		6,550
Ohio Assets	Multiple locations in OH	November 2012	8		17,750
			26	$	59,962

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4. INVESTMENT ACTIVITY

2013 Acquisitions

During the six months ended June 30, 2013, the Company acquired ten facilities located throughout the United States for an aggregate purchase price of approximately $94.4 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 $6.9 million. The estimated life of these in-place leases is 12 months and the amortization expense that was recognized during the six months ended June 30, 2013 was approximately $0.7 million.

Development

During 2012, the Company commenced construction of 5 Old Lancaster Road located in Malvern, PA, a suburb of Philadelphia. Upon completion, the mixed-use facility will be comprised of rentable storage space and office space for the Company s corporate headquarters. Construction is expected to be completed during the fourth quarter of 2013. At June 30, 2013 and December 31, 2012, development costs for this project totaled $11.6 million and $4.7 million, respectively. These costs are capitalized to construction in progress while the project is under development and are reflected in Storage facilities on the Company s consolidated balance sheets.

During the second quarter of 2013, the Company entered into contracts for the construction of a storage facility located in Bronx, NY. Construction is expected to be completed during the first quarter of 2014. At June 30, 2013, development costs for this project totaled $11.8 million. These costs are capitalized to construction in progress while the project is under development and are reflected in Storage facilities on the Company s consolidated balance sheets.

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 properties with a purchase price of approximately $201.9 million. The six properties 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. The estimated life of these in-place leases is 12 months and the amortization expense that was recognized during the six months ended June 30, 2013 was approximately $4.1 million. 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 includes 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 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 properties. Following the purchase, the Company wholly owned the nine storage facilities which were unencumbered and had a fair value of $102 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 is 12 months and the amortization expense that was recognized during the six months ended June 30, 2013 was approximately $4.2 million.

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. The estimated life of these in-place leases is 12 months and the amortization expense that was recognized during the six months ended June 30, 2013 was approximately $6.1 million. 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 includes 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.

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5. UNSECURED SENIOR NOTES

On June 26, 2012, the Operating Partnership issued $250 million in aggregate principal amount of unsecured senior notes due July 15, 2022 (the senior notes) which bear interest at a rate of 4.80%. The indenture under which the unsecured 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. The Operating Partnership is currently in compliance with all of the financial covenants under the senior notes.

6. 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). The Company incurred costs of $2.1 million in connection with executing the agreement and capitalized such costs as a component of loan procurement costs, net of amortization on the consolidated balance sheet.

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). The Company incurred costs of $3.4 million in connection with executing the agreement and capitalized such costs as a component of loan procurement costs, net of amortization on the consolidated balance sheet.

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. Pricing on the Term Loan Facility depends on the Company s unsecured debt credit ratings. At the Company s current Baa3/BBB- level, amounts drawn under Term Loan A are priced at 1.50% over LIBOR, with no LIBOR floor, while amounts drawn under Term Loan B are priced at 2.00% over LIBOR, with no LIBOR floor.

		Term Loan Facility Prior to Amendment		**Term Loan Facility As Amended**	
	Amount	Maturity Date	LIBOR Spread	Maturity Date	LIBOR Spread
Term Loan A	$100 million	June 2016	1.85%	June 2018	1.50%
Term Loan B	$100 million	June 2018	2.00%	June 2018	2.00%

With respect to the Credit Facility, among other things, the amendment 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 Baa3/BBB- level, amounts drawn under the Revolver are priced at 1.60% over LIBOR, inclusive of a facility fee of 0.30%, with no LIBOR floor, while amounts drawn under Term Loan C and Term Loan D are priced at 1.50% over LIBOR, with no LIBOR floor.

		Credit Facility Prior to Amendment		Credit Facility As Amended	
	Amount	Maturity Date	LIBOR Spread	Maturity Date	LIBOR Spread
Revolver	$300 million	December 2015	1.80%	June 2017	1.60%
Term Loan C	$100 million	December 2014	1.75%	December 2014	1.50%
Term Loan D	$200 million	March 2017	1.75%	January 2019	1.50%

The Company incurred costs of $2.1 million in connection with amending the agreements and capitalized such costs as a component of loan procurement costs, net of amortization on the consolidated balance sheet. 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.

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As of June 30, 2013, $200 million of unsecured term loan borrowings were outstanding under the Term Loan Facility, $300 million of unsecured term loan borrowings were outstanding under the Credit Facility, $110 million of unsecured revolving credit facility borrowings were outstanding and $189.8 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 $0.2 million. In connection with the unsecured borrowings, the Company had interest rate swaps as of June 30, 2013 that fix 30-day LIBOR (see note 9). As of June 30, 2013, borrowings under the Credit Facility and Term Loan Facility, as amended, had an effective weighted average interest rate of 2.80%.

The Term Loan Facility and the term loans under the Credit Facility were fully drawn at June 30, 2013 and no further borrowings may be made under that facility and those term loans. The Company s ability to borrow under the revolving 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 common shares that would exceed an amount equal to 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.

The Company is currently 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.

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7. MORTGAGE LOANS AND NOTES PAYABLE

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

Mortgage Loans and Notes Payable	Carrying Value as of: June 30, 2013	December 31, 2012	Effective Interest Rate	Maturity Date
	(dollars in thousands)			
YSI 7	$ -	$ 2,962	6.50%	Jun-13
YSI 8	-	1,692	6.50%	Jun-13
YSI 9	-	1,862	6.50%	Jun-13
YSI 17	-	3,846	6.32%	Jul-13
YSI 27	451	461	5.59%	Nov-13
YSI 30	6,616	6,765	5.59%	Nov-13
USIFB	6,437	7,221	3.57%	Dec-13
YSI 11	2,236	2,276	5.87%	Jan-14
YSI 5	2,949	3,001	5.25%	Jan-14
YSI 28	1,435	1,460	5.59%	Mar-14
YSI 10	3,884	3,928	5.87%	Jan-15
YSI 15	1,758	1,784	6.41%	Jan-15
YSI 52	4,636	4,721	5.63%	Jan-15
YSI 58	8,826	8,974	2.97%	Jan-15
YSI 29	12,957	13,060	3.69%	Aug-15
YSI 20	57,465	58,524	5.97%	Nov-15
YSI 59	9,511	9,603	4.82%	Mar-16
YSI 60	3,698	3,725	5.04%	Aug-16
YSI 51	7,272	7,325	5.15%	Sep-16
YSI 35	4,324	4,373	6.90%	Jul-19 (a)
YSI 33	10,811	10,930	6.42%	Jul-19
YSI 26	9,024	9,102	4.56%	Nov-20
YSI 57	3,168	3,195	4.61%	Nov-20
YSI 55	24,325	24,502	4.85%	Jun-21
YSI 24	28,832	29,141	4.64%	Jun-21
Unamortized fair value adjustment	3,838	4,326		
Total mortgage loans and notes payable	$ 214,453	$ 228,759		

(a) This borrowing has a fixed interest rate for the first five years of the term, and the rate then resets and remains constant over the final five years of the loan term.

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The following table represents the future principal payment requirements on the outstanding mortgage loans and notes payable at June 30, 2013 (in thousands):

2013	$	16,071
2014		11,633
2015		86,978
2016		21,342
2017		1,915
2018 and thereafter		72,676
Total mortgage payments		210,615
Plus: Unamortized fair value adjustment		3,838
Total mortgage indebtedness	$	214,453

The Company currently intends to fund its remaining 2013 principal payment requirements from cash provided by operating activities, new debt originations, and/or additional borrowings under its unsecured Credit Facility ($189.8 million available as of June 30, 2013).

8. ACCUMULATED OTHER COMPREHENSIVE LOSS

The following table summarizes the changes in accumulated other comprehensive loss by component for the six months ended June 30, 2013 (dollars in thousands):

		Unrealized loss on interest rate swap		Unrealized loss on foreign currency translation		Total
Balance at December 31, 2012	$	(18,973)	$	(823)	$	(19,796)
Other comprehensive gain (loss) before reclassifications		5,196		(225)		4,971
Amounts reclassified from accumulated other comprehensive loss		3,031 (a)		-		3,031
Net current-period other comprehensive income (loss)		8,227		(225)		8,002
Balance at June 30, 2013	$	(10,746)	$	(1,048)	$	(11,794)

(a) See note 9 for additional information about the effects of the amounts reclassified.

9. 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 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 June 30, 2013 and December 31, 2012, respectively (dollars in thousands):

Hedge Product	Hedge Type (a)	Notional Amount	Strike	Effective Date	Maturity	Fair Value June 30, 2013	Fair Value December 31, 2012
Swap	Cash flow	$ 40,000	1.8025%	6/20/2011	6/20/2016	$ (1,347)	$ (1,873)
Swap	Cash flow	$ 40,000	1.8025%	6/20/2011	6/20/2016	(1,348)	(1,875)
Swap	Cash flow	$ 20,000	1.8025%	6/20/2011	6/20/2016	(673)	(937)
Swap	Cash flow	$ 75,000	1.3360%	12/30/2011	3/31/2017	(1,036)	(2,378)
Swap	Cash flow	$ 50,000	1.3360%	12/30/2011	3/31/2017	(681)	(1,583)
Swap	Cash flow	$ 50,000	1.3360%	12/30/2011	3/31/2017	(684)	(1,583)
Swap	Cash flow	$ 25,000	1.3375%	12/30/2011	3/31/2017	(350)	(799)
Swap	Cash flow	$ 40,000	2.4590%	6/20/2011	6/20/2018	(2,053)	(3,433)
Swap	Cash flow	$ 40,000	2.4725%	6/20/2011	6/20/2018	(2,082)	(3,470)
Swap	Cash flow	$ 20,000	2.4750%	6/20/2011	6/20/2018	(1,040)	(1,734)
		$ 400,000				$ (11,294)	$ (19,665)

(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 June 30, 2013 and December 31, 2012, 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 approximately $3.1 million of unrealized losses from accumulated other comprehensive loss as an increase to interest expense during the six months ended June 30, 2013.

10. 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.

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 June 30, 2013 are classified in the table below in one of the three categories described above (dollars in thousands):

	Level 1	Level 2	Level 3
Interest Rate Swap Derivative Liabilities	$ -	$ 11,294	$ -
Total liabilities at fair value	$ -	$ 11,294	$ -

Financial assets and liabilities carried at fair value as of December 31, 2012 are classified in the table below in one of the three categories described above (dollars in thousands):

	Level 1	Level 2	Level 3
Interest Rate Swap Derivative Liabilities	$ -	$ 19,665	$ -
Total liabilities at fair value	$ -	$ 19,665	$ -

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 2013 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 June 30, 2013, 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.

The fair values of financial instruments, including cash and cash equivalents, accounts receivable and accounts payable approximate their respective carrying values at June 30, 2013 and December 31, 2012. The aggregate carrying value of the Company s debt was $1,074.5 million and $1,023.8 million at June 30, 2013 and December 31, 2012, respectively. The estimated fair value of the Company s debt was $1,085.9 million and $1,017.3 million at June 30, 2013 and December 31, 2012, respectively. These estimates were based on a discounted cash flow analysis assuming market interest rates for comparable obligations at June 30, 2013 and December 31, 2012. 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.

11. NONCONTROLLING INTERESTS

Variable Interests in Consolidated Real Estate Joint Ventures

USIFB, LLP (the Venture) was formed to own, operate, acquire and develop self-storage facilities in England. The Company owns a 97% interest in the Venture through a wholly-owned subsidiary and the Venture commenced operations at two facilities in London, England during 2008. The Company determined that the Venture 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 the Venture. At June 30, 2013, the Venture had total assets of $11.2 million and total liabilities of $7.1 million, including two mortgage loans totaling $6.4 million secured by storage facilities with a net book value of $10.8 million. At June 30, 2013, the Venture s creditors had no recourse to the general credit of the Company.

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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 1.7% and 2.4% of the outstanding OP Units as of June 30, 2013 and December 31, 2012, 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 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 June 30, 2013 and December 31, 2012, 2,280,730 and 3,293,730 OP units, respectively, were outstanding. 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 10 trading days ending prior to CubeSmart s receipt of the redemption notice for the applicable Unit. Based on the Company s evaluation of the redemption value of the redeemable noncontrolling interest, the Company has reflected these interests at their redemption value at June 30, 2013 and December 31, 2012, 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 $3.4 million and $19.5 million at June 30, 2013 and December 31, 2012, respectively.

12. RELATED PARTY TRANSACTIONS

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 are 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 term of each lease agreement, the period for which the Operating Partnership may extend the term of each lease agreement, and the minimum and maximum rents payable per month during the term.

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

(1) Our Operating Partnership may extend the lease agreement beyond the termination date by the period set forth in this column at prevailing market rates upon the same terms and conditions contained in each of the lease agreements.

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 payments incurred under these lease agreements for each of the six months ended June 30, 2013 and 2012, was approximately $0.3 million.

Total future minimum rental payments due in accordance with the related party lease agreements and total future cash receipts due from our subtenants as of June 30, 2013 are as follows:

	Due to Related Party Amount	Due from Subtenant Amount
	(in thousands)	
2013	$ 250	$ 157
2014	499	315
	$ 749	$ 472

13. DISCONTINUED OPERATIONS

For the three and six months ended June 30, 2013, discontinued operations relates to five properties that the Company sold during 2013. Each of the sales during 2013 resulted in the recognition of a gain, which in the aggregate totaled $0.2 million. For the three and six months ended June 30, 2012, discontinued operations relates to five properties that the Company sold during 2013 and 26 properties that the Company sold during 2012.

The following table summarizes the revenue and expense information for the period the Company owned the properties classified as discontinued operations during the three and six months ended June 30, 2013 and 2012 (in thousands):

	Three months ended June 30,	Six months ended June 30,

	2013	2012	2013	2012
REVENUES				
Rental income	$ -	$ 2,706	$ 389	$ 5,497
Other property related income	5	347	78	643
Total revenues	5	3,053	467	6,140
OPERATING EXPENSES				
Property operating expenses	13	1,469	234	2,812
Depreciation and amortization	-	617	57	1,297
Total operating expenses	13	2,086	291	4,109
OPERATING (LOSS) INCOME	(8)	967	176	2,031
(Loss) Income from discontinued operations	(8)	967	176	2,031
Gain on disposition of discontinued operations	-	6,206	228	6,206
(Loss) Income from discontinued operations	$ (8)	$ 7,173	$ 404	$ 8,237

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14. PRO FORMA FINANCIAL INFORMATION

During the six months ended June 30, 2013 and 2012, the Company acquired ten self-storage facilities for an aggregate purchase price of approximately $94.4 million (see note 4) and 37 self-storage facilities for an aggregate purchase price of approximately $432.3 million, respectively.

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 2013 and 2012 as if each had occurred as of January 1, 2012 and 2011, 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 six months ended June 30, 2013 and 2012 based on the assumptions described above:

	Six Months Ended June 30,	
	2013	**2012**
	(in thousands, except per share data)	

[redacted]

The following table summarizes the Company s revenue and earnings related to the 2013 and 2012 acquisitions from the respective acquisition dates in the period they were acquired, included in the consolidated income statement for the three and six months ended June 30, 2013 and 2012:

	Three months ended June 30,		Six months ended June 30,	
	2013	**2012**	**2013**	**2012**
		(in thousands)		
Total revenue	$ 755	$ 2,832	$ 788	$ 3,672
Net loss	(582)	(1,741)	(634)	(2,110)

15. SUBSEQUENT EVENTS

Subsequent to June 30, 2013, the Company sold eight facilities in the Knoxville, TN area for an aggregate sales price of $25.0 million.

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ITEM 2. 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. The Company makes certain statements in this section that are forward-looking statements within the meaning of the federal securities laws. For a 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 entitled Risk Factors in the Parent Company s and Operating Partnership s combined Annual Report on Form 10-K for the year ended December 31, 2012.

Overview

The Company is 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 June 30, 2013 and December 31, 2012, the Company owned 386 and 381 self-storage facilities, respectively, totaling approximately 25.8 million and 25.5 million rentable square feet, respectively. As of June 30, 2013, the Company owned facilities in the District of Columbia and the following 21 states: Arizona, California, Colorado, Connecticut, Florida, Georgia, Illinois, Maryland, Massachusetts, Nevada, New Jersey, New Mexico, New York, North Carolina, Ohio, Pennsylvania, Tennessee, Texas, Utah, Virginia and Wisconsin. In addition, as of June 30, 2013, the Company managed 133 facilities for third parties bringing the total number of facilities which it owned and/or managed to 519. As of June 30, 2013, the Company managed facilities for third parties in the District of Columbia and the following 25 states: Alabama, Arkansas , California, Colorado, Connecticut, Florida, Georgia, Illinois, Louisiana, Maryland, Massachusetts, Michigan, Minnesota, Mississippi, New Hampshire, New Jersey, New York, North Carolina, Ohio, Pennsylvania, Rhode Island, South Carolina, Tennessee, Texas, and Virginia.

The Company derives revenues principally from rents received from its customers who rent cubes at its 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. We have a decentralized approach to the management and operation of our facilities, which places an emphasis on local, 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.

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

The United States continues to experience slow economic growth as it recovers from an economic downturn that resulted in higher unemployment, stagnant employment growth, shrinking demand for products, large-scale business failures and tight credit markets. 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. A continuation of or slow recovery from ongoing 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.

In the future, the Company intends to continue its focus on maximizing internal growth opportunities and selectively pursuing targeted acquisitions and developments of self-storage facilities.

The Company has one reportable segment: we own, operate, develop, manage and acquire self-storage facilities.

The Company s self-storage facilities are located in major metropolitan and rural areas and have numerous tenants per facility. No single tenant represents a significant concentration of our revenues. The facilities in New York, Florida, California and Texas provided approximately 17%, 15%, 10% and 10%, respectively, of total revenues for the three months ended June 30, 2013.

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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 an understanding of the unaudited 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 aforementioned notes to our 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 from estimates calculated and utilized by management.

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 40 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.

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 in-place 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 for an acquired property has been allocated to above- or below-market lease intangibles. To date, no intangible asset has been recorded for the value of tenant relationships, because the Company does not have any concentrations of significant tenants and the average tenant 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 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 property s basis is recoverable. If a property 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 2013 and 2012.

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. Properties classified as held for sale are reported at the lesser of carrying value or fair value less estimated costs to sell.

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Revenue Recognition

Management has determined that all of our leases with tenants 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 on disposition of properties 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. Accordingly, 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 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.

Recent Accounting Pronouncements

In February 2013, the Financial Accounting Standards Board (FASB) issued an amendment to the accounting standard for the reporting of amounts reclassified out of accumulated other comprehensive income (AOCI). The amendment requires entities to disclose for items reclassified out of AOCI and into net income in their entirety, the effect of the reclassification on each affected net income line item and for AOCI items that are not reclassified in their entirety into net income, a cross reference to other required GAAP disclosures. This amendment became effective for fiscal years and interim periods beginning after December 15, 2012. The adoption of this guidance in 2013 did not have a material impact on the Company s consolidated financial position or results of operations as its impact was limited to disclosure requirements.

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. The Company considers its same-store portfolio to consist of only those facilities owned and operated on a stabilized basis at the beginning and at the end of the applicable years presented. We consider a property to be stabilized once it has achieved an occupancy rate representative of similar self-storage assets in the respective markets for a full year measured as of the most recent January 1 or has otherwise been placed in-service and has not been significantly damaged by natural disaster or undergone significant renovation. Same-store results are considered to be useful to investors in evaluating our performance because it provides information relating to changes in facility-level operating performance without taking into account the effects of acquisitions, developments or dispositions. At June 30, 2013, there were 328 same-store properties and 58 non same-store properties, of which 47 were 2012 and 2013 acquisitions and 11 were properties that were not stabilized, had been damaged by natural disaster or had undergone significant renovation.

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Acquisition and Disposition Activities

The comparability of the Company s results of operations is affected by the timing of acquisition and disposition activities during the periods reported. At June 30, 2013 and 2012, the Company owned 386 and 370 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 June 30, 2013:

	2013	**2012**
Balance - January 1	381	370
Facilities acquired	1	6
Facilities sold	(5)	-
Balance - March 31	377	376
Facilities acquired	9	2
Facilities sold	-	(8)
Balance - June 30	386	370
Facilities acquired		24
Facilities sold		(7)
Balance - September 30		387
Facilities acquired		5
Facilities sold		(11)
Balance - December 31		381

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Comparison of the three months ended June 30, 2013 to the three months ended June 30, 2012 (in thousands, except property counts, occupancies and rates)

	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**
REVENUES												
Rental income	$ 58,317	$ 54,195	$ 4,122	7.6%	$ 13,914	$ 5,229	$ -	$ -	$ 72,231	$ 59,424	$ 12,807	21.6%
Other property related income	6,744	5,511	1,233	22.4%	1,433	669	677	561	8,854	6,741	2,113	31.3%
Property management fee income	-	-	-	-	-	-	1,217	1,103	1,217	1,103	114	10.3%
Total revenues	65,061	59,706	5,355	9.0%	15,347	5,898	1,894	1,664	82,302	67,268	15,034	22.3%
OPERATING EXPENSES												
Property operating expenses	21,520	21,204	316	1.5%	5,001	2,391	3,434	3,112	29,955	26,707	3,248	12.2%
NET OPERATING INCOME	$ 43,541	$ 38,502	$ 5,039	13.1%	$ 10,346	$ 3,507	$ (1,540)	$ (1,448)	$ 52,347	$ 40,561	$ 11,786	29.1%
Property count	328	328			58	17			386	345		
Total square footage	21,786	21,786			4,050	1,081			25,836	22,867		
Period End Occupancy (1)	90.0%	84.1%			89.1%	76.1%			89.7%	83.7%		
Period Average Occupancy (2)	88.2%	81.9%										
Realized annual rent per occupied square foot (3)	$ 12.14	$ 12.14										
Depreciation and amortization									29,241	27,077	2,164	8.0%
General and administrative									7,515	6,278	1,237	19.7%
Subtotal									36,756	33,355	3,401	10.2%
OPERATING INCOME									15,591	7,206	8,385	116.4%
OTHER INCOME (EXPENSE)												
Interest:												
Interest expense on loans									(10,683)	(9,280)	(1,403)	-15.1%
Loan procurement amortization expense									(497)	(1,114)	617	55.4%
Acquisition related costs									(1,648)	(313)	(1,335)	-426.5%
Equity in losses of real estate ventures									-	(210)	210	100.0%
Other									(187)	(107)	(80)	-74.8%
Total other expense									(13,015)	(11,024)	(1,991)	-18.1%
INCOME (LOSS) FROM CONTINUING OPERATIONS									2,576	(3,818)	6,394	167.5%
DISCONTINUED OPERATIONS												
(Loss) income from discontinued operations									(8)	967	(975)	-100.8%
Gain on disposition of discontinued operations									-	6,206	(6,206)	-100.0%
Total discontinued operations									(8)	7,173	(7,181)	-100.1%

NET INCOME	2,568	3,355	(787)	-23.5%
NET (INCOME) LOSS ATTRIBUTABLE TO NONCONTROLLING INTERESTS				
Noncontrolling interests in the Operating Partnership	(18)	(38)	20	52.6%
Noncontrolling interests in subsidiaries	-	(774)	774	100.0%
NET INCOME ATTRIBUTABLE TO THE COMPANY	2,550	2,543	7	0.3%

(1) Represents occupancy at June 30th 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 $59.4 million during the three months ended June 30, 2012 to $72.2 million during the three months ended June 30, 2013, an increase of $12.8 million, or 22%. This increase is primarily attributable to $8.7 million of additional income from the properties acquired in 2012 and 2013 and increases in average occupancy on the same-store portfolio which contributed $4.1 million to the increase in rental income during the three months ended June 30, 2013 as compared to the three months ended June 30, 2012.

Other property related income increased from $6.7 million during the three months ended June 30, 2012 to $8.9 million during the three months ended June 30, 2013, an increase of $2.1 million, or 31%. This increase is primarily attributable to $0.8 million of additional income from the 2012 and 2013 acquisitions and increased tenant insurance commissions of $1.2 million during the three months ended June 30, 2013 as compared to the three months ended June 30, 2012.

Operating Expenses

Property operating expenses increased from $26.7 million during the three months ended June 30, 2012 to $30.0 million during the three months ended June 30, 2013, an increase of $3.2 million, or 12%. This increase is primarily attributable to $2.6 million of increased expenses associated with newly acquired properties as well as increased expenses on the same store portfolio. The escalations in same store expenses were primarily associated with expected increases in real estate tax assessments.

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Depreciation and amortization increased from $27.1 million in the three months ended June 30, 2012 to $29.2 million in the three months ended June 30, 2013, an increase of $2.2 million, or 8%. This increase is primarily attributable to depreciation and amortization expense related to the 2012 acquisitions.

Other Income (Expenses)

Interest expense increased from $9.3 million during the three months ended June 30, 2012 to $10.7 million during the three months ended June 30, 2013, an increase of $1.4 million, or 15%. The increase is attributable to a higher amount of outstanding debt in 2013. To fund a portion of the Company s growth, the average debt balance during the three months ended June 30, 2013 increased approximately $119 million from the same period in 2012, from $906 million to $1,025 million. This increase was offset by a decrease in the weighted average effective interest rate of our outstanding debt from 4.08% for the three months ended June 30, 2012 to 4.17% for the three months ended June 30, 2013 as a result of the amendments to our Term Loan Facility and Credit Facility.

Loan procurement amortization expense decreased from $1.1 million during 2012 to $0.5 million during 2013. This decrease is the result of accelerated amortization expense in the prior year related to early repayment of debt.

Acquisition related costs increased from $0.3 million during the three months ended June 30, 2012 to $1.6 million during the three months ended June 30, 2013. Acquisition costs are non-recurring and fluctuate based on quarterly investment activity.

Equity in losses of real estate ventures was $0.2 million for the three months ended June 30, 2012 with no comparable amount during the 2013 period. This expense is related to earnings attributable to HSREV, a partnership in which the Company purchased the remaining 50% ownership interest during September 2012.

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Comparison of the six months ended June 30, 2013 to the six months ended June 30, 2012 (in thousands, except property counts, occupancies and rates)

	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**
REVENUES												
Rental income	$ 114,971	$ 107,959	$ 7,012	6.5%	$ 26,878	$ 8,782	$ -	$ -	$ 141,849	$ 116,741	$ 25,108	21.5%
Other property related income	12,652	10,330	2,322	22.5%	2,645	1,116	1,251	1,071	16,548	12,517	4,031	32.2%
Property management fee income	-	-	-	-	-	-	2,362	2,123	2,362	2,123	239	11.3%
Total revenues	127,623	118,289	9,334	7.9%	29,523	9,898	3,613	3,194	160,759	131,381	29,378	22.4%
OPERATING EXPENSES												
Property operating expenses	43,676	42,217	1,459	3.5%	9,901	3,993	7,199	6,440	60,776	52,650	8,126	15.4%
NET OPERATING INCOME	$ 83,947	$ 76,072	$ 7,875	10.4%	$ 19,622	$ 5,905	$ (3,586)	$ (3,246)	$ 99,983	$ 78,731	$ 21,252	27.0%
Property count	328	328			58	17			386	345		
Total square footage	21,786	21,786			4,050	1,081			25,836	22,867		
Period End Occupancy (1)	90.0%	84.1%			89.1%	76.1%			89.7%	83.7%		
Period Average Occupancy (2)	86.7%	80.5%										
Realized annual rent per occupied square foot (3)	$ 12.17	$ 12.31										
Depreciation and amortization									59,073	52,160	6,913	13.3%
General and administrative									15,128	12,722	2,406	18.9%
Subtotal									74,201	64,882	9,319	14.4%
OPERATING INCOME									25,782	13,849	11,933	86.2%
OTHER INCOME (EXPENSE)												
Interest:												
Interest expense on loans									(21,050)	(18,570)	(2,480)	-13.4%
Loan procurement amortization expense									(973)	(1,917)	944	49.2%
Acquisition related costs									(1,763)	(863)	(900)	-104.3%
Equity in losses of real estate ventures									-	(461)	461	100.0%
Other									(260)	(178)	(82)	-46.1%
Total other expense									(24,046)	(21,989)	(2,057)	-9.4%
INCOME (LOSS) FROM CONTINUING OPERATIONS									1,736	(8,140)	9,876	121.3%
DISCONTINUED OPERATIONS												
									176	2,031	(1,855)	-91.3%

Income from discontinued operations				
Gain on disposition of discontinued operations	228	6,206	(5,978)	-96.3%
Total discontinued operations	404	8,237	(7,833)	-95.1%
NET INCOME	2,140	97	2,043	2106.2%
NET LOSS (INCOME) ATTRIBUTABLE TO NONCONTROLLING INTERESTS				
Noncontrolling interests in the Operating Partnership	17	111	(94)	-84.7%
Noncontrolling interests in subsidiaries	1	(1,508)	1,509	100.1%
NET INCOME (LOSS) ATTRIBUTABLE TO THE COMPANY	2,158	(1,300)	3,458	266.0%

(1) Represents occupancy at June 30th 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 $116.7 million during the six months ended June 30, 2012 to $141.8 million during the six months ended June 30, 2013, an increase of $25.1 million, or 22%. This increase is primarily attributable to $18.1 million of additional income from the properties acquired in 2012 and 2013 and increases in average occupancy on the same-store portfolio, which contributed $7.0 million to the increase in rental income during the six months ended June 30, 2013 as compared to the six months ended June 30, 2012.

Other property related income increased from $12.5 million during the six months ended June 30, 2012 to $16.5 million during the six months ended June 30, 2013, an increase of $4.0 million, or 32%. This increase is primarily attributable to $1.5 million of additional income from the 2012 and 2013 acquisitions and increased tenant insurance commissions of $2.3 million during the six months ended June 30, 2013 as compared to the six months ended June 30, 2012.

Operating Expenses

Property operating expenses increased from $52.7 million during the six months ended June 30, 2012 to $60.8 million during the six months ended June 30, 2013, an increase of $8.1 million, or 15%. This increase is primarily attributable to $5.9 million of increased expenses associated with newly acquired properties as well as increased expenses on the same store portfolio. The increases in same store expenses were associated with snow removal and utilities due to a colder winter in 2013 compared to the prior year and expected increases in real estate tax assessments.

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Depreciation and amortization increased from $52.2 million in the six months ended June 30, 2012 to $59.1 million in the six months ended June 30, 2013, an increase of $6.9 million, or 13%. This increase is primarily attributable to depreciation and amortization expense related to the 2012 acquisitions.

Other Income (Expenses)

Interest expense increased from $18.6 million during the six months ended June 30, 2012 to $21.1 million during the six months ended June 30, 2013, an increase of $2.5 million, or 13%. The increase is attributable to a higher amount of outstanding debt in 2013. To fund a portion of the Company s growth, the average debt balance during the six months ended June 30, 2013 increased approximately $171 million from the same period in 2012, from $856 million to $1,027 million. This increase was offset by a decrease in the weighted average effective interest rate of our outstanding debt from 4.34% for the six months ended June 30, 2012 to 4.10% for the six months ended June 30, 2013 as a result of the amendments to our Term Loan Facility and Credit Facility.

Loan procurement amortization expense decreased from $1.9 million during 2012 to $1.0 million during 2013. This decrease is the result of accelerated amortization expense in the prior year related to early repayment of debt.

Acquisition related costs increased from $0.9 million during the six months ended June 30, 2012 to $1.8 million during the six months ended June 30, 2013. Acquisition costs are non-recurring and fluctuate based on investment activity.

Equity in losses of real estate ventures was $0.5 million for the six months ended June 30, 2012 with no comparable amount during the 2013 period. This expense is related to earnings attributable to HSREV, a partnership in which the Company purchased the remaining 50% ownership interest during September 2012.

Cash Flows

Comparison of the six months ended June 30, 2013 to the six months ended June 30, 2012

A comparison of cash flow from operating, investing and financing activities for the six months ended June 30, 2013 and 2012 is as follows (in thousands):

	Six Months Ended June 30,		
	2013	**2012**	**Change**
Net cash flow provided by (used in):			

Operating activities	$	65,311	$	52,595	$	12,716
Investing activities	$	(104,046)	$	(70,881)	$	(33,165)
Financing activities	$	38,261	$	147,013	$	(108,752)

Cash flows provided by operating activities for the six months ended June 30, 2013 and 2012 were $65.3 million and $52.6 million, respectively, an increase of $12.7 million. Our principal source of cash flow is from the operation of our properties. Our increased cash flow from operating activities is primarily attributable to our 2012 acquisitions, the majority of which were completed subsequent to the six months ended June 30, 2012. These acquisitions contributed to the increase in operating cash flows for the six months ended June 30, 2013 when compared to the same period in 2012.

For the six months ended June 30, 2013 and 2012, cash flows used in investing activities were $104.0 million and $70.9 million, respectively, an increase of $33.1 million. Cash flows used in investing activities, except for recurring capital expenditures, are typically non-recurring and fluctuate based on acquisition and disposition activity. The increase was driven in large part by $17.6 million in development costs incurred during the six months ended June 30, 2013 relating to two development properties. Additionally, cash flows from investing activities decreased $11.7 million due to more proceeds from property dispositions during the six months ended June 30, 2012 than during the same period in 2013.

For the six months ended June 30, 2013 and 2012, cash flows provided by financing activities were $38.3 million and $147.0 million, respectively, a decrease of $108.7 million. Cash flows provided by financing activities are primarily used to fund investing activities. The decrease in cash flow provided by financing activities of $108.7 million exceeds the increase in cash flow used in investing activities of $33.1 million as a portion of proceeds from the Company s $249.6 million senior note issuance during the six months ended June 30, 2012 were held as cash as of June 30, 2012 and used to fund investing activities in subsequent quarters.

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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. 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 current 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 its 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, costs to develop facilities and recurring capital expenditures. These funding requirements will vary from year to year, in some cases significantly. We expect remaining recurring capital expenditures in the 2013 fiscal year to be approximately $4.0 million to $8.0 million. In addition, we expect costs associated with development activities for the remainder of the 2013 fiscal year to be approximately $10.0 million to $15.0 million. Our currently scheduled principal payments on debt (including debt maturities) are approximately $16.1 million for the remainder of 2013.

Our most restrictive debt covenants limit the amount of additional leverage we can add; however, we believe cash flow from operations, access to our at the market equity program and access to our Credit Facility are adequate to execute our current business plan and remain in compliance with our debt covenants.

Our liquidity needs beyond 2013 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 our needs through either additional borrowings, including borrowings under the revolving portion of our Credit Facility, sales of common or preferred shares and/or cash generated through facility dispositions and joint venture transactions.

Notwithstanding the discussion above, we believe that, as a publicly traded REIT, we will have access to multiple sources of capital to fund 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 June 30, 2013, we had approximately $4.0 million in available cash and cash equivalents. In addition, we had approximately $189.8 million of availability for borrowings under our Credit Facility.

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Unsecured Senior Notes and Bank Credit Facilities

On June 26, 2012, the Operating Partnership issued $250 million in aggregate principal amount of unsecured senior notes due July 15, 2022 (the senior notes) which bear interest at a rate of 4.80%. The indenture under which the unsecured 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. The Operating Partnership is currently in compliance with all of the financial covenants under the senior notes.

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. Pricing on the Term Loan Facility depends on the Company s unsecured debt credit ratings. At the Company s current Baa3/BBB- level, amounts drawn under Term Loan A are priced at 1.50% over LIBOR, with no LIBOR floor, while amounts drawn under Term Loan B are priced at 2.00% over LIBOR, with no LIBOR floor.

		Term Loan Facility Prior to Amendment		**Term Loan Facility As Amended**	
	Amount	Maturity Date	LIBOR Spread	Maturity Date	LIBOR Spread
Term Loan A	$100 million	June 2016	1.85%	June 2018	1.50%
Term Loan B	$100 million	June 2018	2.00%	June 2018	2.00%

With respect to the Credit Facility, among other things, the amendment 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 Baa3/BBB- level, amounts drawn under the Revolver are priced at 1.60% over LIBOR, inclusive of a facility fee of 0.30%, with no LIBOR floor, while amounts drawn under Term Loan C and Term Loan D are priced at 1.50% over LIBOR, with no LIBOR floor.

		Credit Facility Prior to Amendment		**Credit Facility As Amended**	
	Amount	Maturity Date	LIBOR Spread	Maturity Date	LIBOR Spread

Revolver	$300 million	December 2015	1.80%	June 2017	1.60%
Term Loan C	$100 million	December 2014	1.75%	December 2014	1.50%
Term Loan D	$200 million	March 2017	1.75%	January 2019	1.50%

As of June 30, 2013, $200 million of unsecured term loan borrowings were outstanding under the Term Loan Facility, $300 million of unsecured term loan borrowings were outstanding under the Credit Facility, $110 million of unsecured revolving credit facility borrowings were outstanding and $189.8 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 $0.2 million.

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In connection with the unsecured borrowings, the Company had interest rate swaps as of June 30, 2013 that fix 30-day LIBOR.

Applicable Hedging Arrangements

Notional Amount	Maturity Date	Effective LIBOR Fixed Rate
$100 million	June 2016	1.803%
$200 million	March 2017	1.336%
$100 million	June 2018	2.468%

As of June 30, 2013, borrowings under the Credit Facility and Term Loan Facility, as amended, had an effective weighted average interest rate of 2.80%.

The Term Loan Facility and the term loans under the Credit Facility were fully drawn at June 30, 2013 and no further borrowings may be made under that facility and those term loans. The Company s ability to borrow under the revolving 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 common shares that would exceed an amount equal to 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.

The Company is currently 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.

At The Market Program

Pursuant to our previous sales agreement with Cantor Fitzgerald & Co. (the Previous Sales Agent), dated April 3, 2009, as amended on January 26, 2011 and September 16, 2011 (as amended, the Previous Sales Agreement), the Company had the option to sell up to 20 million common shares at at the market prices. From January 1, 2013 until the termination of the Previous Sales Agreement on May 7, 2013, we sold 0.1 million common shares under the Previous Sales Agreement with an average sales price of $15.30 per share, resulting in gross proceeds of $1.5 million under the program ($165.3 million of gross proceeds and 16.2 million shares sold with an average sales price of $10.19 since program inception in 2009). The Company incurred $0.02 million of offering costs in conjunction with the 2013 sales. The proceeds from the sales conducted during the six months ended June 30, 2013 under the Previous Sales Agreement were used to fund general working purposes.

On May 7, 2013, the Company terminated the Previous Sales Agreement with the 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). Pursuant to the Equity Distribution Agreements, the Company may sell, from time to time, up to 12 million common shares of beneficial interest through the Sales Agents. From the inception of the Equity Distribution Agreements on May 7, 2013 to June 30, 2013, the Company sold 1.1 million shares under the Equity Distribution Agreements, with an average sales price of $17.19 per share, resulting in gross proceeds of $19.3 million under the program. The Company incurred $0.5 million of offering costs in conjunction with the sales. The proceeds from the sales conducted under the Equity Distribution Agreements from the inception of such agreements on May 7, 2013 to June 30, 2013 were used to fund acquisitions of storage facilities and general working purposes. As of June 30, 2013, 10.9 million common shares remained available for issuance under the Equity Distribution Agreements.

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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, acquisition related costs, equity in losses of real estate venture, amounts attributable to noncontrolling interests, other expense, depreciation and amortization expense, general and administrative expense, and deducting from net income: income from discontinued operations, gain on disposition of discontinued operations, other income, gain from remeasurement of investment in real estate venture 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 expense, which can vary depending upon accounting methods and the book value of assets; and

- It enables 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 property and real estate 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 the Company s facilities. Given the nature of its business as a real estate owner and operator, the Company considers FFO to be a key measure of its operating performance that is not specifically defined by accounting principles generally accepted in the United States. The Company believes that FFO is useful to management and investors as a starting point in measuring its operational performance because it excludes various items included in net income that do not relate to or are not indicative of its operating performance - such as gains (or losses) from sales of property, gains on remeasurement of investment in real estate ventures, impairments of depreciable assets, and depreciation - and 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 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 other non-recurring items, which we believe are not indicative of the Company s operating results.

The following table presents a reconciliation of net income to FFO for the three and six months ended June 30, 2013 and 2012 (in thousands):

	Three months ended June 30,		Six months ended June 30,	
	2013	2012	2013	2012
Net income (loss) attributable to common shareholders	$ 1,048	$ 1,041	$ (846)	$ (4,304)
Add (deduct):				
Real estate depreciation and amortization				
Real property - continuing operations	28,860	26,662	58,322	51,434
Real property - discontinued operations	-	666	57	1,297
Company s share of unconsolidated real estate ventures	-	513	-	1,027
Noncontrolling interest s share of consolidated real estate ventures	-	(424)	-	(858)
Gains on sale of real estate	-	(6,206)	(228)	(6,206)
Noncontrolling interests in the Operating Partnership	18	38	(17)	(111)
FFO	$ 29,926	$ 22,290	$ 57,288	$ 42,279
Add (deduct):				
Acquisition related costs	1,648	313	1,763	863
FFO, as adjusted	$ 31,574	$ 22,603	$ 59,051	$ 43,142
Weighted-average diluted shares and units outstanding	138,610	128,760	138,220	128,156

Off-Balance Sheet Arrangements

We do not currently have any off-balance sheet arrangements**.**

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ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company s future income, cash flows and fair values relevant to financial instruments depend upon prevailing 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 fix 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 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 rates chosen.

As of June 30, 2013 our consolidated debt consisted of $859.7 million 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. As of June 30, 2013, there was $214.8 million of outstanding mortgages and credit facility borrowings subject to floating rates. Changes in interest rates have different impacts on the fixed and variable rate portions of our debt portfolio. A change in 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 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.

If market rates of interest 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 $2.1 million a year. If market rates of interest 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 $2.1 million a year.

If market rates of interest 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 $50.5 million. If market rates of interest 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 $47.8 million.

ITEM 4. 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 Securities Exchange Act of 1934, as amended (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.

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Changes in Internal Controls 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.

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 Controls 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 its most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Operating Partnership s internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

The following table provides information about repurchases of the Parent Company s common shares during the three-month period ended June 30, 2013:

	Total Number of Shares Purchased (1)	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs (2)
April 1 April 30	1,969	$ 16.57	N/A	3,000,000
May 1 May 31	106	17.14	N/A	3,000,000
June 1 June 30	-	-	N/A	3,000,000
Total	2,075	$ 16.60	N/A	3,000,000

(1) Represents common shares withheld by the Parent Company upon the vesting of restricted shares to cover employee tax obligations.

(2) 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 when the number of authorized shares has been repurchased. The Parent Company has made no repurchases under this program to date.

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ITEM 6. EXHIBITS

Exhibit No.	Exhibit Description
10.1	Waiver of Ownership Limitation, incorporated by reference to Exhibit 10.1 to CubeSmart s Quarterly Report on Form 10-Q for the quarter ended March 31, 2013, filed on May 6, 2013.
10.2	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 CubeSmart s Current Report on Form 8-K, filed on May 7, 2013.
10.3	Second Amendment to Credit Agreement, dated as of June 18, 2013, 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 by reference to Exhibit 99.1 to CubeSmart s Current Report on Form 8-K, filed on June 19, 2013.
10.4	Second Amendment to Term Loan Agreement, dated as of June 18, 2013, by and among CubeSmart, L.P., CubeSmart, Wells Fargo Bank, National Association, and each of the lenders party to the term loan agreement dated June 20, 2011, incorporated by reference to Exhibit 99.2 to CubeSmart s Current Report on Form 8-K, filed on June 19, 2013.
12.1	Statement regarding Computation of Ratios of CubeSmart. (filed herewith)
12.2	Statement regarding Computation of Ratios of CubeSmart L.P. (filed herewith)
31.1	Certification of Chief Executive Officer of CubeSmart as 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. (filed herewith)
31.2	Certification of Chief Financial Officer of CubeSmart as 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. (filed herewith)
31.3	Certification of Chief Executive Officer of CubeSmart, L.P., as 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. (filed herewith)
31.4	Certification of Chief Financial Officer of CubeSmart, L.P., as 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. (filed herewith)
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. (furnished herewith)
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 (furnished herewith)
101	The following CubeSmart and CubeSmart, L.P. financial information for the quarter ended June 30, 2013, formatted in XBRL (eXtensible Business Reporting Language): (i) the Condensed Consolidated Balance Sheets, (ii) the Condensed Consolidated Statements of Operations, (iii) the Condensed Consolidated Statements of Cash Flows, and (iv) the Notes to Condensed Consolidated Financial Statements, tagged as blocks of text. (filed herewith)

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SIGNATURES OF REGISTRANT

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

	CUBESMART (Registrant)
Date: August 9, 2013	By: /s/ Dean Jernigan Dean Jernigan, Chief Executive Officer (Principal Executive Officer)
Date: August 9, 2013	By: /s/ Timothy M. Martin Timothy M. Martin, Chief Financial Officer (Principal Financial Officer)

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SIGNATURES OF REGISTRANT

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

	CUBESMART, L.P. (Registrant)
Date: August 9, 2013	By: /s/ Dean Jernigan Dean Jernigan, Chief Executive Officer (Principal Executive Officer)
Date: August 9, 2013	By: /s/ Timothy M. Martin Timothy M. Martin, Chief Financial Officer (Principal Financial Officer)

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EXHIBIT LIST

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