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

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark one)

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

For the quarterly period ended September 30, 2012.

or

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 **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 x No o
CubeSmart, L.P.	Yes x 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 x No o
CubeSmart, L.P.	Yes x No o

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 x	Accelerated filer o
Non-accelerated filer o	Smaller reporting company o

CubeSmart, L.P.:

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

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

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

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

Class	**Outstanding at November 5, 2012**
common shares of CubeSmart, $.01 par value	129,306,038

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EXPLANATORY NOTE

This report combines the quarterly reports on Form 10-Q for the period ended September 30, 2012 of CubeSmart (the Parent Company or CubeSmart) and CubeSmart, L.P. (the Operating Partnership). The Parent Company is a Maryland real estate investment trust, or REIT, that owns its assets and conducts its operations through the Operating Partnership, a Delaware limited partnership, and subsidiaries of the Operating Partnership. The Parent Company, the Operating Partnership and their consolidated subsidiaries are collectively referred to in this report as the Company. In addition, terms such as we , us , or our used in this report may refer to the Company, the Parent Company, or the Operating Partnership.

The Parent Company is the sole general partner of the Operating Partnership and, as of September 30, 2012, owned a 96.7% interest in the Operating Partnership. The remaining 3.3% interest consists of common units of limited partnership interest issued by the Operating Partnership to third parties in exchange for contributions of properties to the Operating Partnership. As the sole general partner of the Operating Partnership, the Parent Company has full and complete authority over the Operating Partnership s day-to-day operations and management.

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

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

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

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

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

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

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

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

This report also includes separate Item 4 Controls and Procedures sections, signature pages and Exhibit 31 and 32 certifications for each of the Parent Company and the Operating Partnership in order to establish that the Chief Executive Officer and the Chief Financial Officer of the Parent Company and the Chief Executive Officer and the Chief Financial Officer of the Operating Partnership

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have made the requisite certifications and that the Parent Company and the Operating Partnership are compliant with Rule 13a-15 or Rule 15d-15 of the Securities Exchange Act of 1934 and 18 U.S.C. §1350.

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

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

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Filing Format

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

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Forward-Looking Statements

This Quarterly Report on Form 10-Q, or this Report , together with other statements and information publicly disseminated by the Parent Company and the Operating Partnership, contain certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act. Forward-looking statements include statements concerning the Company s plans, objectives, goals, strategies, future events, future revenues or performance, capital expenditures, financing needs, plans or intentions relating to acquisitions and other information that is not historical information. In some cases, forward-looking statements can be identified by terminology such as believes, expects, estimates, may, will, should, anticipates, or 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, 2011 and in our other filings with the Securities and Exchange Commission (SEC). These risks include, but are not limited to, the following:

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

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

- the execution of our business plan;

- the availability of external sources of capital;

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

- increases in interest rates and operating costs;

- counterparty non-performance related to the use of derivative financial instruments;
- our ability to maintain our Parent Company s qualification as a real estate investment trust (REIT) for federal income tax purposes;
- acquisition and development risks;
- increases in taxes, fees, and assessments from state and local jurisdictions;
- changes in real estate and zoning laws or regulations;
- risks related to natural disasters;
- potential environmental and other liabilities;

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- other factors affecting the real estate industry generally or the self-storage industry in particular; and

- other risks identified in the Parent Company s and the Operating Partnership s Annual Report on Form 10-K, as amended, and, from time to time, in other reports that we file with the SEC or in other documents that we publicly disseminate.

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

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

CUBESMART AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(in thousands, except share data)

(unaudited)

	September 30, 2012	December 31, 2011
ASSETS		
Storage facilities	$ 2,432,415	$ 2,107,469
Less: Accumulated depreciation	(340,365)	(318,749)
Storage facilities, net	2,092,050	1,788,720
Cash and cash equivalents	2,707	9,069
Restricted cash	7,579	11,291
Loan procurement costs, net of amortization	8,943	8,073
Investment in real estate ventures, at equity		15,181
Assets held for sale	6,452	
Other assets, net	49,982	43,645
Total assets	$ 2,167,713	$ 1,875,979
LIABILITIES AND EQUITY		
Unsecured senior notes	$ 250,000	$
Revolving credit facility	65,500	
Unsecured term loans	500,000	400,000
Mortgage loans and notes payable	258,849	358,441
Accounts payable, accrued expenses and other liabilities	63,033	51,025
Distributions payable	12,110	11,401
Deferred revenue	10,950	9,568
Security deposits	487	490
Total liabilities	1,160,929	830,925
Noncontrolling interests in the Operating Partnership	56,740	49,732
Commitments and contingencies		
Equity		
7.75% Series A Preferred shares $.01 par value, 3,220,000 shares authorized, 3,100,000 shares issued and outstanding at September 30, 2012 and December 31, 2011	31	31
Common shares $.01 par value, 200,000,000 shares authorized, 127,430,047 and 122,058,919 shares issued and outstanding at September 30, 2012 and December 31, 2011, respectively	1,274	1,221
Additional paid in capital	1,357,888	1,309,505
Accumulated other comprehensive loss	(21,203)	(12,831)
Accumulated deficit	(388,061)	(342,013)

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

See accompanying notes to the unaudited consolidated financial statements.

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CUBESMART AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except per share data)

(unaudited)

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

Basic earnings (loss) per share from continuing operations attributable to common shareholders	$	0.00	$	0.03	$	(0.09)	$	(0.01)
Basic earnings per share from discontinued operations attributable to common shareholders	$	0.00	$	0.04	$	0.06	$	0.09
Basic earnings (loss) per share attributable to common shareholders	$	0.00	$	0.07	$	(0.03)	$	0.08
Diluted earnings (loss) per share from continuing operations attributable to common shareholders	$	0.00	$	0.02	$	(0.09)	$	(0.01)
Diluted earnings per share from discontinued operations attributable to common shareholders	$	0.00	$	0.05	$	0.06	$	0.09
Diluted earnings (loss) per share attributable to common shareholders	$	0.00	$	0.07	$	(0.03)	$	0.08
Weighted-average basic shares outstanding		124,169		98,895		123,016		98,836
Weighted-average diluted shares outstanding		125,976		100,284		123,016		100,264
AMOUNTS ATTRIBUTABLE TO THE COMPANY S COMMON SHAREHOLDERS:								
(Loss) income from continuing operations	$	(20)	$	2,473	$	(11,445)	$	(863)
Total discontinued operations		154		4,355		7,275		8,476
Net income (loss)	$	134	$	6,828	$	(4,170)	$	7,613

See accompanying notes to the unaudited consolidated financial statements.

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CUBESMART AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME

(in thousands)

(unaudited)

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

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, 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 common shares, net	4,691	47			59,096			59,143		59,143	
Issuance of restricted shares	245	2						2		2	
Exercise of stock options	170	1			1,360			1,361		1,361	
Conversion from units to shares	265	3			3,310			3,313		3,313	(3,313)
Amortization of restricted shares					2,169			2,169		2,169	
Share compensation expense					900			900		900	
Net income (loss)							336	336	1,918	2,254	(106)
Adjustment for noncontrolling interest in the Operating Partnership							(11,930)	(11,930)		(11,930)	11,930
Acquisition of noncontrolling interest					(18,452)			(18,452)	(38,532)	(56,984)	(132)
Unrealized loss on interest rate swap						(8,513)		(8,513)		(8,513)	(298)
Unrealized gain on foreign currency translation						141		141	6	147	4
Preferred distributions							(4,506)	(4,506)		(4,506)	
Common distributions							(29,948)	(29,948)	(2,686)	(32,634)	(1,077)
Balance at September 30, 2012	127,430	$ 1,274	3,100	$ 31	$ 1,357,888	$ (21,203)	$ (388,061)	$ 949,929	$ 115	$ 950,044	$ 56,740

	Common Shares		Preferred Shares		Additional Paid in	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, 2010	98,597	$ 986	$	$ 1,026,952	$ (1,121)	$ (302,601)	$ 724,216	$ 41,192	$ 765,408	$ 45,145
Contributions from noncontrolling interests in subsidiaries								3	3	
Issuance of common shares, net	140	1		1,451			1,452		1,452	
Issuance of restricted shares	233	3					3		3	
Exercise of stock options	24			121			121		121	
Conversion from units to shares	8			85			85		85	(85)
Amortization of restricted shares				1,069			1,069		1,069	
Share compensation expense				1,169			1,169		1,169	
Net income						7,613	7,613	2,011	9,624	368
Adjustment for noncontrolling interest in the Operating Partnership						1,509	1,509		1,509	(1,509)
Unrealized loss on interest rate swap					(8,504)		(8,504)	(276)	(8,780)	(409)
Unrealized gain on foreign currency translation					141		141	5	146	6
Common distributions						(20,901)	(20,901)	(3,452)	(24,353)	(995)
Balance at September 30, 2011	99,002	$ 990	$	$ 1,030,847	$ (9,484)	$ (314,380)	$ 707,973	$ 39,483	$ 747,456	$ 42,521

See accompanying notes to the unaudited consolidated financial statements.

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CUBESMART AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

(unaudited)

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

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

See accompanying notes to the unaudited consolidated financial statements.

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CUBESMART, L.P. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(in thousands)

(unaudited)

	September 30, 2012	December 31, 2011
ASSETS		
Storage facilities	$ 2,432,415	$ 2,107,469
Less: Accumulated depreciation	(340,365)	(318,749)
Storage facilities, net	2,092,050	1,788,720
Cash and cash equivalents	2,707	9,069
Restricted cash	7,579	11,291
Loan procurement costs, net of amortization	8,943	8,073
Investment in real estate ventures, at equity		15,181
Assets held for sale	6,452	
Other assets, net	49,982	43,645
Total assets	$ 2,167,713	$ 1,875,979
LIABILITIES AND CAPITAL		
Unsecured senior notes	$ 250,000	$
Revolving credit facility	65,500	
Unsecured term loan	500,000	400,000
Mortgage loans and notes payable	258,849	358,441
Accounts payable, accrued expenses and other liabilities	63,033	51,025
Distributions payable	12,110	11,401
Deferred revenue	10,950	9,568
Security deposits	487	490
Total liabilities	1,160,929	830,925
Limited Partnership interest of third parties	56,740	49,732
Commitments and contingencies		
Capital		
Operating Partner	971,132	968,744
Accumulated other comprehensive loss	(21,203)	(12,831)
Total CubeSmart L.P. capital	949,929	955,913
Noncontrolling interests in subsidiaries	115	39,409
Total capital	950,044	995,322
Total liabilities and capital	$ 2,167,713	$ 1,875,979

See accompanying notes to the unaudited consolidated financial statements.

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CUBESMART, L.P. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except per common unit data)

(unaudited)

	Three Months Ended September 30, 2012	Three Months Ended September 30, 2011	Nine Months Ended September 30, 2012	Nine Months Ended September 30, 2011
REVENUES				
Rental income	$ 65,363	$ 51,932	$ 184,355	$ 150,168
Other property related income	7,677	5,679	20,493	15,370
Property management fee income	1,094	878	3,217	2,634
Total revenues	74,134	58,489	208,065	168,172
OPERATING EXPENSES				
Property operating expenses	29,195	24,083	83,027	71,505
Depreciation and amortization	29,774	15,620	82,446	45,573
General and administrative	6,860	5,476	19,582	18,350
Total operating expenses	65,829	45,179	185,055	135,428
OPERATING INCOME	8,305	13,310	23,010	32,744
OTHER EXPENSE				
Interest:				
Interest expense on loans	(11,092)	(8,464)	(29,692)	(24,596)
Loan procurement amortization expense	(699)	(1,093)	(2,585)	(4,124)
Loan procurement amortization expense - early repayment of debt				(2,085)
Acquisition related costs	(1,527)	(374)	(2,390)	(629)
Equity in losses of real estate ventures	(284)	(24)	(745)	(24)
Gain from remeasurement of investment in real estate venture	7,023		7,023	
Other	166	8	(12)	(179)
Total other expense	(6,413)	(9,947)	(28,401)	(31,637)
LOSS FROM CONTINUING OPERATIONS	1,892	3,363	(5,391)	1,107
DISCONTINUED OPERATIONS				
Income from discontinued operations	(38)	1,038	1,136	5,358
Gain on disposition of discontinued operations	197	3,527	6,403	3,527
Total discontinued operations	159	4,565	7,539	8,885
NET INCOME	2,051	7,928	2,148	9,992
NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS				
Noncontrolling interest in subsidiaries	(410)	(771)	(1,918)	(2,011)
NET INCOME ATTRIBUTABLE TO CUBESMART L.P.	1,641	7,157	230	7,981
Limited Partnership interest of third parties	(5)	(329)	106	(368)
NET INCOME ATTRIBUTABLE TO OPERATING PARTNER	1,636	6,828	336	7,613
Distribution to Preferred Shareholders	(1,502)		(4,506)	
NET INCOME (LOSS) ATTRIBUTABLE TO COMMON UNITHOLDERS	$ 134	$ 6,828	$ (4,170)	$ 7,613

Basic earnings (loss) per unit from continuing operations attributable to common unitholders	$ 0.00	$ 0.03	$ (0.09)	$ (0.01)
Basic earnings per unit from discontinued operations attributable to common unitholders	$ 0.00	$ 0.04	$ 0.06	$ 0.09
Basic earnings (loss) per unit attributable to common unitholders	$ 0.00	$ 0.07	$ (0.03)	$ 0.08
Diluted earnings (loss) per unit from continuing operations attributable to common unitholders	$ 0.00	$ 0.02	$ (0.09)	$ (0.01)
Diluted earnings per unit from discontinued operations attributable to common unitholders	$ 0.00	$ 0.05	$ 0.06	$ 0.09
Diluted earnings (loss) per unit attributable to common unitholders	$ 0.00	$ 0.07	$ (0.03)	$ 0.08
Weighted-average basic units outstanding	124,169	98,895	123,016	98,836
Weighted-average diluted units outstanding	125,976	100,284	123,016	100,264
AMOUNTS ATTRIBUTABLE TO COMMON UNITHOLDERS:				
(Loss) income from continuing operations	$ (20)	$ 2,473	$ (11,445)	$ (863)
Total discontinued operations	154	4,355	7,275	8,476
Net income (loss)	$ 134	$ 6,828	$ (4,170)	$ 7,613

See accompanying notes to the unaudited consolidated financial statements.

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CUBESMART, L.P. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME

(in thousands)

(unaudited)

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

See accompanying notes to the unaudited consolidated financial statements.

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CUBESMART, L.P. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CAPITAL

(in thousands)

(unaudited)

	Number of OP Units Outstanding Common	Number of OP Units Outstanding Preferred	Operating Partner	Accumulated Other Comprehensive (Loss) Income	Total CubeSmart L.P. Capital	Noncontrolling Interest in Subsidiaries	Total Capital	Limited Partnership Interest of Third Parties
Balance at December 31, 2011	122,059	3,100	$ 968,744	$ (12,831)	$ 955,913	$ 39,409	$ 995,322	$ 49,732
Issuance of common units	4,691		59,143		59,143		59,143	
Issuance of restricted units	245		2		2		2	
Exercise of unit options	170		1,361		1,361		1,361	
Conversion from units to shares	265		3,313		3,313		3,313	(3,313)
Amortization of restricted units			2,169		2,169		2,169	
Unit compensation expense			900		900		900	
Net income (loss)			336		336	1,918	2,254	(106)
Adjustment for Limited Partnership interest of third parties			(11,930)		(11,930)		(11,930)	11,930
Acquisition of noncontrolling interests			(18,452)		(18,452)	(38,532)	(56,984)	(132)
Unrealized loss on interest rate swap				(8,513)	(8,513)		(8,513)	(298)
Unrealized gain on foreign currency translation				141	141	6	147	4
Preferred distributions			(4,506)		(4,506)		(4,506)	
Common distributions			(29,948)		(29,948)	(2,686)	(32,634)	(1,077)
Balance at September 30, 2012	127,430	3,100	$ 971,132	$ (21,203)	$ 949,929	$ 115	$ 950,044	$ 56,740

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

Issuance of restricted units							
Exercise of unit options	24	121		121		121	
Conversion from units to shares	8	85		85		85	(85)
Amortization of restricted units		1,069		1,069		1,069	
Unit compensation expense		1,169		1,169		1,169	
Net income		7,613		7,613	2,011	9,624	368
Adjustment for Limited Partnership interest of third parties		1,509		1,509		1,509	(1,509)
Unrealized loss on interest rate swap			(8,504)	(8,504)	(276)	(8,780)	(409)
Unrealized gain on foreign currency translation			141	141	5	146	6
Common distributions		(20,901)		(20,901)	(3,452)	(24,353)	(995)
Balance at September 30, 2011	99,002	$ 717,457	$ (9,484)	$ 707,973	$ 39,483	$ 747,456	$ 42,521

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)

	Nine Months Ended September 30, 2012	Nine Months Ended September 30, 2011
Operating Activities		
Net income	$ 2,148	$ 9,992
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation and amortization	85,912	51,391
Gain on disposition of discontinued operations	(6,403)	(3,527)
Gain on remeasurement of investment in real estate venture	(7,023)	
Equity compensation expense	3,069	2,238
Accretion of fair market value adjustment of debt	(461)	(69)
Loan procurement amortization expense- early repayment of debt		2,085
Equity in loss of real estate venture	745	(24)
Changes in other operating accounts:		
Other assets	8,422	(1,810)
Restricted cash	3,307	(938)
Accounts payable and accrued expenses	7,394	4,830
Other liabilities	55	207
Net cash provided by operating activities	$ 97,165	$ 64,375
Investing Activities		
Acquisitions, additions and improvements to storage facilities	$ (220,764)	$ (81,978)
Cash paid for remaining interest in real estate venture	(81,158)	
Investment in real estate venture, at equity		(15,414)
Cash distributions from real estate venture	909	
Proceeds from sales of properties	27,433	42,799
Decrease (increase) in restricted cash	1,825	(40)
Net cash used in investing activities	$ (271,755)	$ (54,633)
Financing Activities		
Proceeds from:		
Revolving credit facility	$ 343,300	$ 118,700
Unsecured senior notes	249,638	
Unsecured term loans	100,000	200,000
Mortgage loans and notes payable		3,537
Principal payments on:		
Revolving credit facility	(277,800)	(161,700)
Unsecured term loans		(100,000)
Mortgage loans and notes payable	(206,452)	(37,833)
Settlement of hedge transaction	(195)	
Proceeds from issuance of common OP units, net	59,143	1,452
Exercise of unit options	1,361	121
Contributions from noncontrolling interests in subsidiaries		3
Cash paid for acquisition of noncontrolling interests	(61,113)	
Distributions paid to common unitholders	(30,602)	(21,874)

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

See accompanying notes to the unaudited consolidated financial statements.

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 real estate investment trust, 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 with their consolidated subsidiaries, unless the context indicates otherwise. The Company s self-storage facilities (collectively, the Properties) are located in 22 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 September 30, 2012, the Parent Company owned approximately 96.7% 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 in the United States (GAAP). 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, 2011, 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, 2011. The results of operations for the three and nine months ended September 30, 2012 and 2011 are not necessarily indicative of the results of operations to be expected for any future period or the full year.

Recent Accounting Pronouncements

In June 2011, the Financial Accounting Standards Board (FASB) issued an amendment to the accounting standard for the presentation of comprehensive income. The amendment requires entities to present the total of comprehensive income, the components of net income, and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. In addition, the amendment requires entities to present on the face of the financial statements reclassification adjustments for items that are reclassified from other comprehensive income to net income in the statement(s) where the components of net income and the components of other comprehensive income are presented. This amendment became effective for fiscal years and interim periods beginning after December 15, 2011. The Company s adoption of the new standard as of January 1, 2012 did not have a material impact on its consolidated financial position or results of operations as the amendment relates only to changes in financial statement presentation.

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In May 2011, the FASB issued an update to the accounting standard for measuring and disclosing fair value. The update modifies the wording used to describe the requirements for fair value measuring and for disclosing information about fair value measurements to improve consistency between U.S. GAAP and International Financial Reporting Standards (IFRS). This update is effective for the annual and interim periods beginning after December 15, 2011. The adoption of this guidance in 2012 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.

3. STORAGE FACILITIES

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

	September 30, 2012	December 31, 2011
	(in thousands)	
Land	$ 461,816	$ 417,067
Buildings and improvements	1,824,107	1,574,769
Equipment	141,097	110,371
Construction in progress	5,395	5,262
Total	2,432,415	2,107,469
Less accumulated depreciation	(340,365)	(318,749)
Storage facilities net	$ 2,092,050	$ 1,788,720

As assets become fully depreciated, the carrying values are removed from their respective asset categories and accumulated depreciation. During the nine months ended September 30, 2012 and 2011, $24.8 million and $41.2 million of assets, respectively, became fully depreciated and were removed from storage facilities and accumulated depreciation.

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The following table summarizes the Company s acquisition and disposition activity during the period beginning on January 1, 2011 and ended September 30, 2012:

Facility/Portfolio	Location	Transaction Date	Number of Facilities		Purchase / Sales Price (in thousands)
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(a)
Leetsdale Asset	Denver, CO	September 2012	1		10,600
			32	$	406,730
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 (b)	Multiple locations in NM	August 2012	6		7,500
San Bernardino Asset	San Bernardino, CA	August 2012	1		5,000
			15	$	35,662
2011 Acquisitions:					
Burke Lake Asset	Fairfax Station, VA	January 2011	1	$	14,000
West Dixie Asset	Miami, FL	April 2011	1		13,500
White Plains Asset	White Plains, NY	May 2011	1		23,000
Phoenix Asset	Phoenix, AZ	May 2011	1		612
Houston Asset	Houston, TX	June 2011	1		7,600
Duluth Asset	Duluth, GA	July 2011	1		2,500
Atlanta Assets	Atlanta, GA	July 2011	2		6,975
District Heights Asset	District Heights, MD	August 2011	1		10,400
Storage Deluxe Assets	Multiple locations in NY, CT, and PA	November 2011	16		357,310
Leesburg Asset	Leesburg, VA	November 2011	1		13,000
Washington, DC Asset	Washington, DC	December 2011	1		18,250
			27	$	467,147
2011 Dispositions:					
Flagship Assets	Multiple locations in IN and OH	August 2011	18	$	43,500
Portage Asset	Portage, MI	November 2011	1		1,700
			19	$	45,200

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(a) Purchase price listed represents the fair value of the assets at acquisition.

(b) The Company issued financing in the amount of $5.3 million to the buyer in conjunction with the New Mexico Assets disposition.

4. ACQUISITIONS

Storage Deluxe Acquisition

During the nine months ended September 30, 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 three and nine months ended September 30, 2012 was approximately $2.7 million and $4.8 million, respectively. In connection with the six acquired facilities, the Company assumed mortgage debt, and recorded the debt at a fair value of $93.1 million, which 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 value of the debt at the time of assumption.

On November 3, 2011, the Company acquired 16 properties from Storage Deluxe for a purchase price of approximately $357.3 million. The 16 properties purchased are located in New York, Connecticut and Pennsylvania. In connection with this acquisition, the Company allocated a portion of the purchase price to the intangible value of in-place leases which aggregated $18.1 million. The estimated life of these in-place leases is 12 months and the amortization expense that was recognized during the three and nine months ended September 30, 2012 was approximately $4.5 million and $13.6 million, respectively.

Other 2012 Acquisitions

On September 28, 2012, the Company purchased, from its joint venture partner, the remaining 50% ownership in the HSRE Venture (HSREV). See note 5 Investment in Unconsolidated Real Estate Ventures for additional discussion of this acquisition.

During the nine months ended September 30, 2012, the Company acquired an additional 17 self-storage facilities located throughout the United States for an aggregate purchase price of approximately $102.8 million. In connection with these acquisitions, the Company allocated a portion of the purchase price to the intangible value of in-place leases which aggregated $10.4 million. The estimated life of these in-place leases is 12 months and the amortization expense that was recognized during the three and nine months ended September 30, 2012 was approximately $1.5 million and $2.0 million, respectively. In connection with two of the acquired facilities, the Company assumed mortgage debt, and recorded the debt at a fair value of $13.9 million, which 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 value of the debt at the time of assumption.

Other 2011 Acquisitions

During 2011, the Company acquired 11 self-storage facilities, in addition to the aforementioned Storage Deluxe Acquisition, located throughout the United States for an aggregate purchase price of approximately $109.8 million. In connection with these acquisitions, the Company allocated a portion of the purchase price to the intangible value of in-place leases which aggregated $7.0 million. The estimated life of these in-place leases is 12 months and the amortization expense that was recognized during the three and nine months ended September 30, 2012 was approximately $0.7 million, and $3.7 million, respectively. In connection with three of the acquisitions, the Company assumed mortgage debt, and recorded the debt at a fair value of $21.8 million, which included an outstanding principal balance totaling $21.4 million and a net premium of $0.4 million in addition to the face value of the assumed debt to reflect the fair value of the debt at the time of assumption.

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5. INVESTMENT IN UNCONSOLIDATED REAL ESTATE VENTURES

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

As noted in Note 4 Acquisitions, on September 28, 2012, the Company purchased the remaining 50% ownership in HSREV, for cash of $21.7 million. In addition, upon taking control of these assets, the Company repaid $59.3 million of mortgage loans related to the properties. Following the acquisition, the Company wholly owns the nine storage facilities which are unencumbered and have a fair value of $102 million. 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. As described above, the Company previously accounted for its investment in HSREV using the equity method. As a result of this transaction, the Company obtained control of HSREV. The Company s original 50% interest was remeasured and as a result, during the three and nine months ended September 30, 2012, the Company recorded a gain of approximately $7.0 million, which is reflected in Gain on remeasurement of investment in real estate venture on the accompanying statements of operations.

The Company s equity in losses of real estate ventures for the nine months ended September 30, 2012 was approximately $0.7 million.

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

The following is a summary of the financial position of the real estate venture as of December 31, 2011 (in thousands):

		December 31, 2011
Assets		
Net property	$	78,677