

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark one)

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

For the quarterly period ended June 30, 2020.

or

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

For the transition period from _____ to _____ .

Commission file number:
001-32324 (CubeSmart)
000-54462 (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.)

5 Old Lancaster Rd. Malvern, Pennsylvania
(Address of Principal Executive Offices)

19355
(Zip Code)

(610) 535-5000

(Registrant's Telephone Number, Including Area Code)

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

<u>Title of Each Class</u>	<u>Trading Symbol(s)</u>	<u>Name of Each Exchange on Which Registered</u>
Common Shares, \$0.01 par value per share, of CubeSmart	CUBE	New York Stock Exchange

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

CubeSmart Yes No
CubeSmart, L.P. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 such files).

CubeSmart Yes No
CubeSmart, L.P. Yes No

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

CubeSmart:
Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company Emerging growth company

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

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

CubeSmart
CubeSmart, L.P.

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

CubeSmart Yes No
CubeSmart, L.P. Yes No

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

<u>Class</u>	<u>Outstanding at August 5, 2020</u>
Common shares, \$0.01 par value per share, of CubeSmart	193,747,732

EXPLANATORY NOTE

This report combines the quarterly reports on Form 10-Q for the period ended June 30, 2020 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, 2020, owned a 99.0% interest in the Operating Partnership. The remaining 1.0% 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 a 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 of 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 the 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.

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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 Exhibits 31 and 32, certifications for each of the Parent Company and the Operating Partnership, in order to establish that the Chief Executive Officer and the Chief Financial Officer of the Parent Company and the Chief Executive Officer and the Chief Financial Officer of the Operating Partnership have made the requisite certifications and that the Parent Company and the Operating Partnership are compliant with Rule 13a-15 or Rule 15d-15 of the Securities Exchange Act of 1934, as amended, and 18 U.S.C. §1350.

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Filing Format

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

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 “intends” or the 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 or persons acting on their behalf 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 such forward-looking 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, 2019](#) and in the Parent Company’s and the Operating Partnership’s combined [Quarterly Report on Form 10-Q for the quarter ended March 31, 2020](#) and in our other filings with the Securities and Exchange Commission (“SEC”). These risks include, but are not limited to, the following:

- adverse changes in the national and local economic, business, real estate and other market conditions;
- the effect of competition from existing and new self-storage properties and operators on our ability to maintain or raise occupancy and rental rates;
- the failure to execute our business plan;
- adverse impacts from the COVID-19 pandemic, including the impact on demand for self-storage, rental rates and rent collection levels;
- reduced availability and increased costs 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 or future indebtedness;
- increases in interest rates and operating costs;
- counterparty non-performance related to the use of derivative financial instruments;
- risks related to our ability to maintain our Parent Company’s qualification as a REIT for federal income tax purposes;
- the failure of acquisitions and developments to close on expected terms, or at all, or to perform as expected;
- increases in taxes, fees and assessments from state and local jurisdictions;
- the failure of our joint venture partners to fulfill their obligations to us or their pursuit of actions that are inconsistent with our objectives;
- reductions in asset valuations and related impairment charges;

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- cyber security breaches or a failure of our networks, systems or technology, which could adversely impact our business, customer and employee relationships;
- changes in real estate, zoning, use and occupancy laws or regulations;
- risks related to natural disasters or acts of violence, pandemics, active shooters, terrorism, or war that affect the markets in which we operate;
- potential environmental and other liabilities;
- uninsured or uninsurable losses and the ability to obtain insurance coverage against risks and losses;
- the ability to attract and retain talent in the current labor market;
- 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 for the year ended December 31, 2019](#) and, from time to time, in other reports that we file with the SEC or in other documents that we publicly disseminate.

Given these uncertainties and the other risks identified elsewhere in this Report, we caution readers not to place undue reliance on forward-looking statements. We undertake no obligation to publicly update or revise these forward-looking statements, whether as a result of new information, future events or otherwise except as may be required by securities laws. Because of the factors referred to above, the future events discussed in or incorporated by reference in this Report may not occur and actual results, performance or achievement could differ materially from that anticipated or implied in the forward-looking statements.

PART I. FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS

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

	June 30, 2020	December 31, 2019
	(unaudited)	
ASSETS		
Storage properties	\$ 4,802,024	\$ 4,699,844
Less: Accumulated depreciation	(972,536)	(925,359)
Storage properties, net (including VIE assets of \$111,945 and \$92,612, respectively)	3,829,488	3,774,485
Cash and cash equivalents	3,457	54,857
Restricted cash	2,935	3,584
Loan procurement costs, net of amortization	3,609	4,059
Investment in real estate ventures, at equity	93,697	91,117
Other assets, net	91,154	101,443
Total assets	<u>\$ 4,024,340</u>	<u>\$ 4,029,545</u>
LIABILITIES AND EQUITY		
Unsecured senior notes, net	\$ 1,836,721	\$ 1,835,725
Revolving credit facility	15,400	—
Mortgage loans and notes payable, net	94,488	96,040
Accounts payable, accrued expenses and other liabilities	165,635	137,880
Distributions payable	64,703	64,688
Deferred revenue	26,787	25,313
Security deposits	482	475
Total liabilities	<u>2,204,216</u>	<u>2,160,121</u>
Noncontrolling interests in the Operating Partnership	<u>51,407</u>	<u>62,088</u>
Commitments and contingencies		
Equity		
Common shares \$.01 par value, 400,000,000 shares authorized, 193,728,951 and 193,557,024 shares issued and outstanding at June 30, 2020 and December 31, 2019, respectively	1,937	1,936
Additional paid-in capital	2,680,468	2,674,745
Accumulated other comprehensive loss	(689)	(729)
Accumulated deficit	(920,964)	(876,606)
Total CubeSmart shareholders' equity	<u>1,760,752</u>	<u>1,799,346</u>
Noncontrolling interests in subsidiaries	<u>7,965</u>	<u>7,990</u>
Total equity	<u>1,768,717</u>	<u>1,807,336</u>
Total liabilities and equity	<u>\$ 4,024,340</u>	<u>\$ 4,029,545</u>

See accompanying notes to the unaudited consolidated financial statements.

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

	<u>Three Months Ended June 30,</u>		<u>Six Months Ended June 30,</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
REVENUES				
Rental income	\$ 140,484	\$ 136,027	\$ 281,469	\$ 267,619
Other property related income	16,522	16,922	33,424	32,597
Property management fee income	6,792	6,068	12,986	11,646
Total revenues	<u>163,798</u>	<u>159,017</u>	<u>327,879</u>	<u>311,862</u>
OPERATING EXPENSES				
Property operating expenses	55,345	50,120	111,085	101,545
Depreciation and amortization	39,893	40,663	80,731	79,105
General and administrative	9,543	9,800	19,908	18,947
Total operating expenses	<u>104,781</u>	<u>100,583</u>	<u>211,724</u>	<u>199,597</u>
OTHER (EXPENSE) INCOME				
Interest:				
Interest expense on loans	(18,702)	(18,134)	(37,383)	(35,651)
Loan procurement amortization expense	(753)	(771)	(1,507)	(1,395)
Equity in (losses) earnings of real estate ventures	(174)	10,527	(179)	10,788
Other	(456)	(178)	163	(343)
Total other expense	<u>(20,085)</u>	<u>(8,556)</u>	<u>(38,906)</u>	<u>(26,601)</u>
NET INCOME	<u>38,932</u>	<u>49,878</u>	<u>77,249</u>	<u>85,664</u>
NET (INCOME) LOSS ATTRIBUTABLE TO NONCONTROLLING INTERESTS				
Noncontrolling interests in the Operating Partnership	(389)	(499)	(772)	(857)
Noncontrolling interest in subsidiaries	<u>(38)</u>	<u>41</u>	<u>(76)</u>	<u>111</u>
NET INCOME ATTRIBUTABLE TO THE COMPANY'S COMMON SHAREHOLDERS	<u>\$ 38,505</u>	<u>\$ 49,420</u>	<u>\$ 76,401</u>	<u>\$ 84,918</u>
Basic earnings per share attributable to common shareholders	\$ 0.20	\$ 0.26	\$ 0.39	\$ 0.45
Diluted earnings per share attributable to common shareholders	\$ 0.20	\$ 0.26	\$ 0.39	\$ 0.45
Weighted average basic shares outstanding	193,629	189,667	193,605	188,467
Weighted average diluted shares outstanding	194,192	190,543	194,231	189,286

See accompanying notes to the unaudited consolidated financial statements.

CUBESMART AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(in thousands)
(unaudited)

	<u>Three Months Ended June 30,</u>		<u>Six Months Ended June 30,</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
NET INCOME	\$ 38,932	\$ 49,878	\$ 77,249	\$ 85,664
Other comprehensive income:				
Unrealized gains on interest rate swaps	—	—	—	232
Reclassification of realized losses on interest rate swaps	20	20	40	30
OTHER COMPREHENSIVE INCOME	<u>20</u>	<u>20</u>	<u>40</u>	<u>262</u>
COMPREHENSIVE INCOME	38,952	49,898	77,289	85,926
Comprehensive income attributable to noncontrolling interests in the Operating Partnership	(389)	(499)	(772)	(859)
Comprehensive (income) loss attributable to noncontrolling interest in subsidiaries	(38)	41	(76)	111
COMPREHENSIVE INCOME ATTRIBUTABLE TO THE COMPANY	<u>\$ 38,525</u>	<u>\$ 49,440</u>	<u>\$ 76,441</u>	<u>\$ 85,178</u>

See accompanying notes to the unaudited consolidated financial statements.

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

	Common Shares		Additional Paid in Capital	Accumulated Other Comprehensive (Loss) Income	Accumulated Deficit	Total Shareholders' Equity	Noncontrolling Interest in Subsidiaries	Total Equity	Noncontrolling Interests in the Operating Partnership
	Number	Amount							
Balance at December 31, 2019	193,557	\$ 1,936	\$ 2,674,745	\$ (729)	\$ (876,606)	\$ 1,799,346	\$ 7,990	\$ 1,807,336	\$ 62,088
Distributions paid to noncontrolling interests in subsidiaries							(59)	(59)	
Issuance of common shares			(118)			(118)		(118)	
Issuance of restricted shares	30								
Amortization of restricted shares			710			710		710	
Share compensation expense			530			530		530	
Adjustment for noncontrolling interests in the Operating Partnership					7,976	7,976		7,976	(7,976)
Net income					37,896	37,896	38	37,934	383
Other comprehensive income, net				20		20		20	
Common share distributions (\$0.33 per share)					(64,039)	(64,039)		(64,039)	(650)
Balance at March 31, 2020	193,587	\$ 1,936	\$ 2,675,867	\$ (709)	\$ (894,773)	\$ 1,782,321	\$ 7,969	\$ 1,790,290	\$ 53,845
Distributions paid to noncontrolling interests in subsidiaries							(42)	(42)	
Issuance of common shares			(70)			(70)		(70)	
Issuance of restricted shares	28								
Conversion from units to shares	100	1	2,823			2,824		2,824	(2,824)
Exercise of stock options	14		135			135		135	
Amortization of restricted shares			1,249			1,249		1,249	
Share compensation expense			464			464		464	
Adjustment for noncontrolling interests in the Operating Partnership					(615)	(615)		(615)	615
Net income					38,505	38,505	38	38,543	389
Other comprehensive income, net				20		20		20	
Common share distributions (\$0.33 per share)					(64,081)	(64,081)		(64,081)	(618)
Balance at June 30, 2020	193,729	\$ 1,937	\$ 2,680,468	\$ (689)	\$ (920,964)	\$ 1,760,752	\$ 7,965	\$ 1,768,717	\$ 51,407

	Common Shares		Additional Paid in Capital	Accumulated Other Comprehensive (Loss) Income	Accumulated Deficit	Total Shareholders' Equity	Noncontrolling Interest in Subsidiaries	Total Equity	Noncontrolling Interests in the Operating Partnership
	Number	Amount							
Balance at December 31, 2018	187,145	\$ 1,871	\$ 2,500,751	\$ (1,029)	\$ (791,915)	\$ 1,709,678	\$ 6,771	\$ 1,716,449	\$ 55,819
Contributions from noncontrolling interests in subsidiaries							4,828	4,828	
Distributions paid to noncontrolling interests in subsidiaries							(66)	(66)	
Acquisition of noncontrolling interest in subsidiary			(9,728)			(9,728)	(272)	(10,000)	
Issuance of common shares	773	8	24,572			24,580		24,580	
Issuance of restricted shares	19								
Conversion from units to shares	60	1	1,841			1,842		1,842	(1,842)
Exercise of stock options	140	1	1,048			1,049		1,049	
Amortization of restricted shares			798			798		798	
Share compensation expense			468			468		468	
Adjustment for noncontrolling interests in the Operating Partnership					(6,681)	(6,681)		(6,681)	6,681
Net income (loss)					35,498	35,498	(70)	35,428	358
Other comprehensive income, net				240		240		240	2
Common share distributions (\$0.32 per share)					(60,375)	(60,375)		(60,375)	(604)
Balance at March 31, 2019	188,137	\$ 1,881	\$ 2,519,750	\$ (789)	\$ (823,473)	\$ 1,697,369	\$ 11,191	\$ 1,708,560	\$ 60,414
Distributions paid to noncontrolling interests in subsidiaries							(8)	(8)	
Acquisition of noncontrolling interest in subsidiary			(22,573)			(22,573)	(5,045)	(27,618)	
Issuance of common shares	3,353	34	110,487			110,521		110,521	
Issuance of restricted shares	31								
Conversion from units to shares	20		644			644		644	(644)
Exercise of stock options	85	1	961			962		962	
Amortization of restricted shares			1,231			1,231		1,231	
Share compensation expense			439			439		439	
Adjustment for noncontrolling interests in the Operating Partnership					(2,713)	(2,713)		(2,713)	2,713
Net income (loss)					49,420	49,420	(41)	49,379	499
Other comprehensive income, net				20		20		20	
Common share distributions (\$0.32 per share)					(61,431)	(61,431)		(61,431)	(597)
Balance at June 30, 2019	191,626	\$ 1,916	\$ 2,610,939	\$ (769)	\$ (838,197)	\$ 1,773,889	\$ 6,097	\$ 1,779,986	\$ 62,385

See accompanying notes to the unaudited consolidated financial statements.

CUBESMART AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(unaudited)

	Six Months Ended June 30,	
	2020	2019
Operating Activities		
Net income	\$ 77,249	\$ 85,664
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation and amortization	82,238	80,500
Equity in losses (earnings) of real estate ventures	179	(10,788)
Equity compensation expense	3,603	3,314
Accretion of fair market value adjustment of debt	(354)	(360)
Changes in other operating accounts:		
Other assets	324	(2,388)
Accounts payable and accrued expenses	23,940	19,409
Other liabilities	1,336	1,913
Net cash provided by operating activities	<u>\$ 188,515</u>	<u>\$ 177,264</u>
Investing Activities		
Acquisitions of storage properties	(72,814)	(45,417)
Additions and improvements to storage properties	(30,772)	(16,484)
Development costs	(18,180)	(71,684)
Cash paid for partner's interest in real estate venture, net of cash, cash equivalents and restricted cash acquired	—	(117,959)
Investment in real estate ventures	(5,908)	(3,166)
Cash distributed from real estate ventures	3,149	3,867
Net cash used in investing activities	<u>\$ (124,525)</u>	<u>\$ (250,843)</u>
Financing Activities		
Proceeds from:		
Unsecured senior notes	—	347,746
Revolving credit facility	127,217	621,401
Principal payments on:		
Revolving credit facility	(111,817)	(663,714)
Unsecured term loans	—	(200,000)
Mortgage loans and notes payable	(1,262)	(1,385)
Loan procurement costs	—	(3,026)
Settlement of hedge transactions	—	(807)
Acquisition of noncontrolling interest in subsidiary, net	—	(32,790)
Proceeds from issuance of common shares, net	(188)	135,101
Cash paid upon vesting of restricted shares	(650)	(378)
Exercise of stock options	135	2,011
Distributions paid to noncontrolling interests in subsidiaries	(101)	(74)
Distributions paid to common shareholders	(128,074)	(120,379)
Distributions paid to noncontrolling interests in Operating Partnership	(1,299)	(1,226)
Net cash (used in) provided by financing activities	<u>\$ (116,039)</u>	<u>\$ 82,480</u>
Change in cash, cash equivalents and restricted cash	(52,049)	8,901
Cash, cash equivalents and restricted cash at beginning of period	58,441	6,482
Cash, cash equivalents and restricted cash at end of period	<u>\$ 6,392</u>	<u>\$ 15,383</u>
Supplemental Cash Flow and Noncash Information		
Cash paid for interest, net of interest capitalized	\$ 37,726	\$ 32,220
Supplemental disclosure of noncash activities:		
Acquisitions of storage properties	\$ (2,623)	\$ —
Proceeds held in escrow from real estate venture's sale of real estate (see note 4)	\$ —	\$ 8,288
Noncash consideration for acquisition of partner's interest in real estate venture (see note 4)	\$ —	\$ (8,288)
Issuance of note receivable (see note 12)	\$ —	\$ (946)
Discount on issuance of unsecured senior notes	\$ —	\$ 2,254
Noncash drawdown on revolving credit facility	\$ —	\$ 103,938
Repayment of unsecured term loan through noncash drawdown on revolving credit facility	\$ —	\$ (100,000)
Accretion of put liability	\$ 1,792	\$ 5,308
Derivative valuation adjustment	\$ 40	\$ 262
Loan procurement costs	\$ —	\$ (3,848)
Acquisition of noncontrolling interest in subsidiary	\$ —	\$ (4,828)
Contributions from noncontrolling interests in subsidiaries	\$ —	\$ 4,828

See accompanying notes to the unaudited consolidated financial statements.

CUBESMART, L.P. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(in thousands)

	<u>June 30,</u> <u>2020</u>	<u>December 31,</u> <u>2019</u>
	<u>(unaudited)</u>	
ASSETS		
Storage properties	\$ 4,802,024	\$ 4,699,844
Less: Accumulated depreciation	(972,536)	(925,359)
Storage properties, net (including VIE assets of \$111,945 and \$92,612, respectively)	3,829,488	3,774,485
Cash and cash equivalents	3,457	54,857
Restricted cash	2,935	3,584
Loan procurement costs, net of amortization	3,609	4,059
Investment in real estate ventures, at equity	93,697	91,117
Other assets, net	91,154	101,443
Total assets	<u>\$ 4,024,340</u>	<u>\$ 4,029,545</u>
LIABILITIES AND CAPITAL		
Unsecured senior notes, net	\$ 1,836,721	\$ 1,835,725
Revolving credit facility	15,400	—
Mortgage loans and notes payable, net	94,488	96,040
Accounts payable, accrued expenses and other liabilities	165,635	137,880
Distributions payable	64,703	64,688
Deferred revenue	26,787	25,313
Security deposits	482	475
Total liabilities	<u>2,204,216</u>	<u>2,160,121</u>
Limited Partnership interests of third parties	<u>51,407</u>	<u>62,088</u>
Commitments and contingencies		
Capital		
Operating Partner	1,761,441	1,800,075
Accumulated other comprehensive loss	(689)	(729)
Total CubeSmart, L.P. capital	<u>1,760,752</u>	<u>1,799,346</u>
Noncontrolling interests in subsidiaries	<u>7,965</u>	<u>7,990</u>
Total capital	<u>1,768,717</u>	<u>1,807,336</u>
Total liabilities and capital	<u>\$ 4,024,340</u>	<u>\$ 4,029,545</u>

See accompanying notes to the unaudited consolidated financial statements.

CUBESMART, L.P. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per common unit data)
(unaudited)

	<u>Three Months Ended June 30,</u>		<u>Six Months Ended June 30,</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
REVENUES				
Rental income	\$ 140,484	\$ 136,027	\$ 281,469	\$ 267,619
Other property related income	16,522	16,922	33,424	32,597
Property management fee income	6,792	6,068	12,986	11,646
Total revenues	<u>163,798</u>	<u>159,017</u>	<u>327,879</u>	<u>311,862</u>
OPERATING EXPENSES				
Property operating expenses	55,345	50,120	111,085	101,545
Depreciation and amortization	39,893	40,663	80,731	79,105
General and administrative	9,543	9,800	19,908	18,947
Total operating expenses	<u>104,781</u>	<u>100,583</u>	<u>211,724</u>	<u>199,597</u>
OTHER (EXPENSE) INCOME				
Interest:				
Interest expense on loans	(18,702)	(18,134)	(37,383)	(35,651)
Loan procurement amortization expense	(753)	(771)	(1,507)	(1,395)
Equity in (losses) earnings of real estate ventures	(174)	10,527	(179)	10,788
Other	(456)	(178)	163	(343)
Total other expense	<u>(20,085)</u>	<u>(8,556)</u>	<u>(38,906)</u>	<u>(26,601)</u>
NET INCOME	<u>38,932</u>	<u>49,878</u>	<u>77,249</u>	<u>85,664</u>
NET (INCOME) LOSS ATTRIBUTABLE TO NONCONTROLLING INTERESTS				
Noncontrolling interest in subsidiaries	(38)	41	(76)	111
NET INCOME ATTRIBUTABLE TO CUBESMART L.P.	<u>38,894</u>	<u>49,919</u>	<u>77,173</u>	<u>85,775</u>
Operating Partnership interests of third parties	(389)	(499)	(772)	(857)
NET INCOME ATTRIBUTABLE TO COMMON UNITHOLDERS	<u>\$ 38,505</u>	<u>\$ 49,420</u>	<u>\$ 76,401</u>	<u>\$ 84,918</u>
Basic earnings per unit attributable to common unitholders	\$ 0.20	\$ 0.26	\$ 0.39	\$ 0.45
Diluted earnings per unit attributable to common unitholders	\$ 0.20	\$ 0.26	\$ 0.39	\$ 0.45
Weighted average basic units outstanding	193,629	189,667	193,605	188,467
Weighted average diluted units outstanding	194,192	190,543	194,231	189,286

See accompanying notes to the unaudited consolidated financial statements.

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

	<u>Three Months Ended June 30,</u>		<u>Six Months Ended June 30,</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
NET INCOME	\$ 38,932	\$ 49,878	\$ 77,249	\$ 85,664
Other comprehensive income:				
Unrealized gains on interest rate swaps	—	—	—	232
Reclassification of realized losses on interest rate swaps	20	20	40	30
OTHER COMPREHENSIVE INCOME	<u>20</u>	<u>20</u>	<u>40</u>	<u>262</u>
COMPREHENSIVE INCOME	38,952	49,898	77,289	85,926
Comprehensive income attributable to Operating Partnership interests of third parties	(389)	(499)	(772)	(859)
Comprehensive (income) loss attributable to noncontrolling interest in subsidiaries	(38)	41	(76)	111
COMPREHENSIVE INCOME ATTRIBUTABLE TO OPERATING PARTNER	<u>\$ 38,525</u>	<u>\$ 49,440</u>	<u>\$ 76,441</u>	<u>\$ 85,178</u>

See accompanying notes to the unaudited consolidated financial statements.

CUBESMART, L.P. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CAPITAL
(in thousands)
(unaudited)

	Number of Common OP Units Outstanding	Operating Partner	Accumulated Other Comprehensive (Loss) Income	Total CubeSmart L.P. Capital	Noncontrolling Interests in Subsidiaries	Total Capital	Operating Partnership Interest of Third Parties
Balance at December 31, 2019	193,557	\$ 1,800,075	\$ (729)	\$ 1,799,346	\$ 7,990	\$ 1,807,336	\$ 62,088
Distributions to noncontrolling interests in subsidiaries					(59)	(59)	
Issuance of common OP units		(118)		(118)		(118)	
Issuance of restricted OP units	30						
Amortization of restricted OP units		710		710		710	
OP unit compensation expense		530		530		530	
Adjustment for Limited Partnership interests of third parties		7,976		7,976		7,976	(7,976)
Net income		37,896		37,896	38	37,934	383
Other comprehensive income, net			20	20		20	
Common OP unit distributions (\$0.33 per unit)		(64,039)		(64,039)		(64,039)	(650)
Balance at March 31, 2020	193,587	\$ 1,783,030	\$ (709)	\$ 1,782,321	\$ 7,969	\$ 1,790,290	\$ 53,845
Distributions to noncontrolling interests in subsidiaries					(42)	(42)	
Issuance of common OP units		(70)		(70)		(70)	
Issuance of restricted OP units	28						
Conversion from OP units to shares	100	2,824		2,824		2,824	(2,824)
Exercise of OP unit options	14	135		135		135	
Amortization of restricted OP units		1,249		1,249		1,249	
OP unit compensation expense		464		464		464	
Adjustment for Limited Partnership interests of third parties		(615)		(615)		(615)	615
Net income		38,505		38,505	38	38,543	389
Other comprehensive income, net			20	20		20	
Common OP unit distributions (\$0.33 per unit)		(64,081)		(64,081)		(64,081)	(618)
Balance at June 30, 2020	193,729	\$ 1,761,441	\$ (689)	\$ 1,760,752	\$ 7,965	\$ 1,768,717	\$ 51,407

	Number of Common OP Units Outstanding	Operating Partner	Accumulated Other Comprehensive (Loss) Income	Total CubeSmart L.P. Capital	Noncontrolling Interests in Subsidiaries	Total Capital	Operating Partnership Interest of Third Parties
Balance at December 31, 2018	187,145	\$ 1,710,707	\$ (1,029)	\$ 1,709,678	\$ 6,771	\$ 1,716,449	\$ 55,819
Contributions from noncontrolling interests in subsidiaries					4,828	4,828	
Distributions to noncontrolling interests in subsidiaries					(66)	(66)	
Acquisition of noncontrolling interest in subsidiary		(9,728)		(9,728)	(272)	(10,000)	
Issuance of common OP units	773	24,580		24,580		24,580	
Issuance of restricted OP units	19						
Conversion from OP units to shares	60	1,842		1,842		1,842	(1,842)
Exercise of OP unit options	140	1,049		1,049		1,049	
Amortization of restricted OP units		798		798		798	
OP unit compensation expense		468		468		468	
Adjustment for Limited Partnership interests of third parties		(6,681)		(6,681)		(6,681)	6,681
Net income (loss)		35,498		35,498	(70)	35,428	358
Other comprehensive income, net			240	240		240	2
Common OP unit distributions (\$0.32 per unit)		(60,375)		(60,375)		(60,375)	(604)
Balance at March 31, 2019	188,137	\$ 1,698,158	\$ (789)	\$ 1,697,369	\$ 11,191	\$ 1,708,560	\$ 60,414
Distributions to noncontrolling interests in subsidiaries					(8)	(8)	
Acquisition of noncontrolling interest in subsidiary		(22,573)		(22,573)	(5,045)	(27,618)	
Issuance of common OP units	3,353	110,521		110,521		110,521	
Issuance of restricted OP units	31						
Conversion from OP units to shares	20	644		644		644	(644)
Exercise of OP unit options	85	962		962		962	
Amortization of restricted OP units		1,231		1,231		1,231	
OP unit compensation expense		439		439		439	
Adjustment for Limited Partnership interests of third parties		(2,713)		(2,713)		(2,713)	2,713
Net income (loss)		49,420		49,420	(41)	49,379	499
Other comprehensive income, net			20	20		20	
Common OP unit distributions (\$0.32 per unit)		(61,431)		(61,431)		(61,431)	(597)
Balance at June 30, 2019	191,626	\$ 1,774,658	\$ (769)	\$ 1,773,889	\$ 6,097	\$ 1,779,986	\$ 62,385

See accompanying notes to the unaudited consolidated financial statements.

CUBESMART, L.P. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(unaudited)

	Six Months Ended June 30,	
	2020	2019
Operating Activities		
Net income	\$ 77,249	\$ 85,664
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation and amortization	82,238	80,500
Equity in losses (earnings) of real estate ventures	179	(10,788)
Equity compensation expense	3,603	3,314
Accretion of fair market value adjustment of debt	(354)	(360)
Changes in other operating accounts:		
Other assets	324	(2,388)
Accounts payable and accrued expenses	23,940	19,409
Other liabilities	1,336	1,913
Net cash provided by operating activities	<u>\$ 188,515</u>	<u>\$ 177,264</u>
Investing Activities		
Acquisitions of storage properties	(72,814)	(45,417)
Additions and improvements to storage properties	(30,772)	(16,484)
Development costs	(18,180)	(71,684)
Cash paid for partner's interest in real estate venture, net of cash, cash equivalents and restricted cash acquired	—	(117,959)
Investment in real estate ventures	(5,908)	(3,166)
Cash distributed from real estate ventures	3,149	3,867
Net cash used in investing activities	<u>\$ (124,525)</u>	<u>\$ (250,843)</u>
Financing Activities		
Proceeds from:		
Unsecured senior notes	—	347,746
Revolving credit facility	127,217	621,401
Principal payments on:		
Revolving credit facility	(111,817)	(663,714)
Unsecured term loans	—	(200,000)
Mortgage loans and notes payable	(1,262)	(1,385)
Loan procurement costs	—	(3,026)
Settlement of hedge transactions	—	(807)
Acquisition of noncontrolling interest in subsidiary, net	—	(32,790)
Proceeds from issuance of common OP units	(188)	135,101
Cash paid upon vesting of restricted OP units	(650)	(378)
Exercise of OP unit options	135	2,011
Distributions paid to noncontrolling interests in subsidiaries	(101)	(74)
Distributions paid to common OP unitholders	(129,373)	(121,605)
Net cash (used in) provided by financing activities	<u>\$ (116,039)</u>	<u>\$ 82,480</u>
Change in cash, cash equivalents and restricted cash	(52,049)	8,901
Cash, cash equivalents and restricted cash at beginning of period	58,441	6,482
Cash, cash equivalents and restricted cash at end of period	<u>\$ 6,392</u>	<u>\$ 15,383</u>
Supplemental Cash Flow and Noncash Information		
Cash paid for interest, net of interest capitalized	\$ 37,726	\$ 32,220
Supplemental disclosure of noncash activities:		
Acquisitions of storage properties	\$ (2,623)	\$ —
Proceeds held in escrow from real estate venture's sale of real estate (see note 4)	\$ —	\$ 8,288
Noncash consideration for acquisition of partner's interest in real estate venture (see note 4)	\$ —	\$ (8,288)
Issuance of note receivable (see note 12)	\$ —	\$ (946)
Discount on issuance of unsecured senior notes	\$ —	\$ 2,254
Noncash drawdown on revolving credit facility	\$ —	\$ 103,938
Repayment of unsecured term loan through noncash drawdown on revolving credit facility	\$ —	\$ (100,000)
Accretion of put liability	\$ 1,792	\$ 5,308
Derivative valuation adjustment	\$ 40	\$ 262
Loan procurement costs	\$ —	\$ (3,848)
Acquisition of noncontrolling interest in subsidiary	\$ —	\$ (4,828)
Contributions from noncontrolling interests in subsidiaries	\$ —	\$ 4,828

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 REIT, as its sole general partner. In the notes to the consolidated financial statements, we use the terms “the Company”, “we” or “our” to refer to the Parent Company and the Operating Partnership together, unless the context indicates otherwise. As of June 30, 2020, the Company owned self-storage properties located in 24 states throughout the United States and the District of Columbia that are presented under one reportable segment: the Company owns, operates, develops, manages and acquires self-storage properties.

As of June 30, 2020, the Parent Company owned approximately 99.0% 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 the Operating Partnership 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 following a specified restricted period 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”.

Impact of COVID-19 on the Consolidated Financial Statements and Business Operations

Since the first quarter of 2020, the world has been impacted by the spread of a novel strain of coronavirus and the disease that it causes known as COVID-19, which has limited the Company’s ability to operate its business using traditional means. Since mid-March, federal, state and local government agencies in the markets within which the Company operates have issued public health responses aimed at reducing the spread of COVID-19, which include quarantines, stay-at-home orders and similar mandates for many individuals to substantially restrict daily activities and for many businesses to curtail or cease normal operations. As a result, the United States has experienced, among other things, an unprecedented increase in unemployment, significant volatility within its debt and equity capital markets and extreme economic contraction during the second quarter of 2020.

Despite the operating restrictions placed on many businesses by governmental mandates that promote distancing, self-storage has been designated as an essential business. Accordingly, the Company’s stores have remained open throughout the pandemic to allow for customers to move in, move out, pay rent and access their belongings at all locations. Additionally, with the health and welfare of its teammates and customers in mind, the Company has implemented SmartRental™, a contactless online rental process that eliminates the need for face-to-face interaction, and shifted its corporate headquarters, divisional offices and sales center to remote work.

Although the Company has been able to serve customers both in-person and through virtual solutions, the stay-at-home orders that have been in place, with varying scopes and durations, in most of the markets within which the Company operates, as well as the reduced financial capacity of potential customers due to the rise in unemployment, have discouraged customer activity and caused decreases in rental volume and rates throughout the second quarter of 2020, which have negatively impacted the Company’s results of operations. In late March, in response to the pandemic and certain state and local government orders, the Company paused all rate increases to existing customers and suspended its normal delinquency processes temporarily, which have impacted revenue growth. In May, as permitted by

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governmental mandates, the Company began resuming its delinquency and rental rate increase processes on a jurisdiction by jurisdiction basis and expects to fully resume these processes by the end of the third quarter. To date, the Company has not experienced any material degradation in rent collections or occupancy, however future customer behavior and their ability to pay rent will be determined by the duration and scope of the pandemic; actions that have been and continue to be taken by governmental entities, individuals and businesses in response to the pandemic, and; the continued impact on economic activity from the pandemic and actions taken in response thereto.

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 Securities and Exchange Commission (“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, 2019, 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, 2019](#). The results of operations for the three and six months ended June 30, 2020 and 2019 are not necessarily indicative of the results of operations to be expected for any future period or the full year.

The Operating Partnership meets the criteria as a variable interest entity (“VIE”). The Parent Company’s sole significant asset is its investment in the Operating Partnership. As a result, substantially all of the Parent Company’s assets and liabilities represent those assets and liabilities of the Operating Partnership. All of the Parent Company’s debt is an obligation of the Operating Partnership, and the Parent Company guarantees the unsecured debt obligations of the Operating Partnership.

Recent Accounting Pronouncements

In June 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standard Update (“ASU”) No. 2016-13 – Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments. The new guidance changes how entities measure credit losses for most financial assets. This standard requires an entity to estimate its lifetime expected credit loss and record an allowance that, when deducted from the amortized cost basis of the financial asset, presents the net amount expected to be collected on the financial asset. In November 2018, the FASB issued ASU No. 2018-19 – Codification Improvements to Topic 326, Financial Instruments - Credit Losses, which clarifies that receivables arising from operating leases are within the scope of the leasing standard (ASU No. 2016-02), and not within the scope of ASU No. 2016-13. The standard became effective on January 1, 2020. The adoption of this guidance did not have a material impact on the Company’s consolidated financial statements.

3. STORAGE PROPERTIES

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

	June 30, 2020	December 31, 2019
	(in thousands)	
Land	\$ 897,979	\$ 858,541
Buildings and improvements	3,697,758	3,619,594
Equipment	130,198	128,111
Construction in progress	76,089	93,598
Storage properties	4,802,024	4,699,844
Less: Accumulated depreciation	(972,536)	(925,359)
Storage properties, net	<u>\$ 3,829,488</u>	<u>\$ 3,774,485</u>

The following table summarizes the Company's acquisition and disposition activity during the period beginning on January 1, 2019 through June 30, 2020.

Asset/Portfolio	Metropolitan Statistical Area	Transaction Date	Number of Stores	Purchase / Sale Price (in thousands)
<i>2020 Acquisitions:</i>				
Texas Asset	San Antonio, TX	February 2020	1	\$ 9,025
Maryland Asset	Baltimore-Towson, MD	April 2020	1	17,200
New Jersey Asset	New York-Northern New Jersey-Long Island, NY-NJ-PA	April 2020	1	48,450
			<u>3</u>	<u>\$ 74,675</u>
<i>2019 Acquisitions:</i>				
Maryland Asset	Baltimore-Towson, MD	March 2019	1	\$ 22,000
Florida Assets	Cape Coral-Fort Myers, FL	April 2019	2	19,000
Arizona Asset	Phoenix-Mesa-Scottsdale, AZ	May 2019	1	1,550
HVP III Assets	Various (see note 4)	June 2019	18	128,250 ⁽¹⁾
Georgia Asset	Atlanta-Sandy Springs-Marietta, GA	August 2019	1	14,600
South Carolina Asset	Charleston-North Charleston, SC	August 2019	1	3,300
Texas Asset	Dallas-Fort Worth-Arlington, TX	October 2019	1	7,300
Florida Assets	Orlando-Kissimmee, FL	November 2019	3	32,100
California Asset	Los Angeles-Long Beach-Santa Ana, CA	December 2019	1	18,500
			<u>29</u>	<u>\$ 246,600</u>
<i>2019 Disposition:</i>				
Texas Asset	College Station-Bryan, TX	October 2019	1	\$ 4,146
			<u>1</u>	<u>\$ 4,146</u>

(1) Amount represents the purchase price for 90% of the ownership interest in 191 III CUBE LLC ("HVP III"), which, at the time of the acquisition, owned 18 storage properties (see note 4).

4. INVESTMENT ACTIVITY

2020 Acquisitions

During the six months ended June 30, 2020, the Company acquired three stores located in Maryland (1), New Jersey (1) and Texas (1) for an aggregate purchase price of approximately \$74.7 million. In connection with these transactions, which were accounted for as asset acquisitions, the Company allocated the purchase price and acquisition related costs to the tangible and intangible assets acquired based on fair value. Intangible assets consisted of in-place leases, which aggregated to \$2.5 million at the time of the acquisitions and prior to amortization of such amounts. The estimated life of these in-place leases was 12 months and the amortization expense that was recognized during the three and six months ended June 30, 2020 was approximately \$0.4 million and \$0.5 million, respectively.

2019 Acquisitions

During the year ended December 31, 2019, the Company acquired 11 stores located in Arizona (1), California (1), Florida (5), Georgia (1), Maryland (1), South Carolina (1) and Texas (1) for an aggregate purchase price of approximately \$118.3 million. In connection with these transactions, which were accounted for as asset acquisitions, the Company allocated the purchase price and acquisition related costs to the tangible and intangible assets acquired based on fair value. Intangible assets consisted of in-place leases, which aggregated to \$6.2 million at the time of the acquisitions and prior to amortization of such amounts. The estimated life of these in-place leases was 12 months and the amortization expense that was recognized during the three and six months ended June 30, 2020 was approximately \$1.2 million and \$2.7 million, respectively. The amortization expense that was recognized during the three and six months ended June 30, 2019 was approximately \$0.4 million. In connection with one of the acquisitions, the Company paid \$14.9 million of cash and issued OP Units that were valued at approximately \$3.6 million as consideration for the purchase price (see note 12).

Additionally, on June 6, 2019, the Company acquired its partner's 90% ownership interest in HVP III, an unconsolidated real estate venture in which the Company previously owned a 10% noncontrolling interest and that was accounted for under the equity method of accounting. As of the date of acquisition, HVP III owned 18 stores located in Georgia (1), Massachusetts (7), North Carolina (1), South Carolina (7) and Tennessee (2) (the "HVP III Assets"). The purchase price for the 90% ownership interest was \$128.3 million, which was comprised of cash consideration of \$120.0 million and \$8.3 million of the Company's escrowed proceeds from HVP III's sale of 50 properties to an unaffiliated buyer on June 5, 2019 (see note 5). The HVP III Assets were recorded by the Company at \$137.5 million, which consisted of the \$128.3 million purchase price plus the Company's \$10.6 million carryover basis of its previously held equity interest in HVP III, offset by \$1.4 million of acquired cash. As a result of the transaction, which was accounted for as an asset acquisition, the HVP III Assets became wholly-owned by the Company and are now consolidated within its financial statements. No gain or loss was recognized as a result of the transaction. In connection with the transaction, the Company allocated the value of the HVP III Assets and acquisition related costs to the tangible and intangible assets acquired based on fair value. Intangible assets consisted of in-place leases, which aggregated to \$14.3 million at the time of the acquisition and prior to amortization of such amounts. The estimated life of these in-place leases was 12 months and the amortization expense that was recognized during the three and six months ended June 30, 2020 was approximately \$2.4 million and \$6.0 million, respectively.

2019 Disposition

On October 7, 2019, the Company sold a self-storage property located in Texas for a sales price of \$4.1 million. The Company recorded a \$1.5 million gain in connection with the sale.

Development Activity

As of June 30, 2020, the Company had invested in joint ventures to develop four self-storage properties located in Massachusetts (1), New York (1), Pennsylvania (1) and Virginia (1). Construction for all projects is expected to be completed by the second quarter of 2021 (see note 12). As of June 30, 2020, development costs incurred to date for these projects totaled \$51.4 million. Total construction costs for these projects are expected to be \$94.6 million. These costs

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are capitalized to construction in progress while the projects are under development and are reflected in Storage properties on the Company's consolidated balance sheets.

The Company has completed the construction and opened for operation the following stores during the period beginning on January 1, 2019 through June 30, 2020. The costs associated with the construction of these stores are capitalized to land, building and improvements, as well as equipment and are reflected in Storage properties on the Company's consolidated balance sheets.

<u>Store Location</u>	<u>Number of Stores</u>	<u>Date Opened</u>	<u>CubeSmart Ownership Interest</u>	<u>Total Construction Costs (in thousands)</u>
Brooklyn, NY	1	Q2 2020	51%	\$ 45,900
Waltham, MA ⁽¹⁾	1	Q3 2019	100%	18,000
Queens, NY ⁽²⁾	1	Q2 2019	100%	47,500
Bayonne, NJ ^{(2) (3)}	1	Q2 2019	100%	25,100
	<u>4</u>			<u>\$ 136,500</u>

- (1) On August 8, 2019, the Company, through a joint venture in which the Company owned a 90% interest and that it previously consolidated, completed the construction and opened for operation a store located in Waltham, MA. On September 6, 2019, the Company acquired the noncontrolling member's 10% interest in the venture for \$2.6 million. Prior to this transaction, the noncontrolling member's interest was reported in Noncontrolling interests in subsidiaries on the consolidated balance sheets. Since the Company retained its controlling interest in the joint venture and the store is now wholly owned, this transaction was accounted for as an equity transaction. The carrying amount of the noncontrolling interest was reduced to zero to reflect the purchase and the \$2.0 million difference between the purchase price paid by the Company and the carrying amount of the noncontrolling interest was recorded as an adjustment to equity attributable to the Company, with no gain or loss recorded. In conjunction with the Company's acquisition of the noncontrolling interest, the \$10.5 million related party loan extended by the Company to the venture during the construction period was repaid in full.
- (2) These stores were previously owned by two separate consolidated joint ventures, of which the Company held a 51% ownership interest in each. On June 25, 2019, the noncontrolling member in the venture that owned the Bayonne, NJ store put its 49% interest in the venture to the Company for \$11.5 million. On September 17, 2019, the noncontrolling member in the venture that owned the Queens, NY store put its 49% interest in the venture to the Company for \$15.2 million. These amounts are included in Development costs in the consolidated statements of cash flows.
- (3) This property is subject to a ground lease.

During the fourth quarter of 2015 and the third quarter of 2017, the Company, through two separate joint ventures in which it owned a 90% interest in each and that were previously consolidated, completed the construction and opened for operation a store located in Queens, NY and a store located in New York, NY, respectively. On June 25, 2019, the Company acquired the noncontrolling member's 10% interest in the venture that owned the New York, NY store for \$18.5 million, and on June 28, 2019, the Company acquired the noncontrolling member's 10% interest in the venture that owned the Queens, NY store for \$9.0 million. Prior to these transactions, the noncontrolling members' interest in each venture was reported in Noncontrolling interests in subsidiaries on the consolidated balance sheets. Since the Company retained its controlling interest in each joint venture and the stores are now wholly owned, these transactions were accounted for as equity transactions. In each case, the carrying amount of the noncontrolling interest was reduced to zero to reflect the purchase, and the difference between the purchase price paid by the Company and the carrying amount of the noncontrolling interest, which aggregated to \$22.6 million, was recorded as an adjustment to equity attributable to the Company, with no gain or loss recorded. The \$12.4 million related party loan extended by the Company to the venture that owned the Queens, NY store was repaid in conjunction with the Company's acquisition of the noncontrolling member's ownership interest.

5. INVESTMENT IN UNCONSOLIDATED REAL ESTATE VENTURES

The Company's investments in unconsolidated real estate ventures, in which it holds common ownership interests, are summarized as follows (in thousands):

Unconsolidated Real Estate Ventures	CubeSmart Ownership Interest	Number of Stores as of:		Carrying Value of Investment as of:	
		June 30, 2020	December 31, 2019	June 30, 2020	December 31, 2019
191 IV CUBE Southeast LLC ("HVPSE") ⁽¹⁾	10%	14	—	\$ 5,384	\$ —
191 IV CUBE LLC ("HVP IV") ⁽²⁾	20%	21	21	22,375	23,112
CUBE HHF Northeast Venture LLC ("HHFNE") ⁽³⁾	10%	13	13	1,824	1,998
CUBE HHF Limited Partnership ("HHF") ⁽⁴⁾	50%	35	35	64,114	66,007
		<u>83</u>	<u>69</u>	<u>\$ 93,697</u>	<u>\$ 91,117</u>

- (1) On March 19, 2020, the Company invested a 10% ownership interest in a newly-formed real estate venture that acquired 14 self-storage properties located in Florida (2), Georgia (8) and South Carolina (4). HVPSE paid \$135.3 million for these stores, of which \$7.7 million was allocated to the value of the in-place lease intangible. The acquisition was funded primarily through the venture's \$81.6 million secured term loan. The remainder of the purchase price was contributed pro-rata by the Company and its unaffiliated joint venture partner. The Company's total contribution to HVPSE related to this portfolio acquisition was \$5.6 million. The secured loan bears interest at LIBOR plus 1.60% and matures on March 19, 2023 with options to extend the maturity date through March 19, 2025, subject to satisfaction of certain conditions and payment of the extension fees as stipulated in the loan agreement.
- (2) The stores owned by HVP IV are located in Arizona (2), Connecticut (2), Florida (4), Georgia (2), Maryland (1), Minnesota (1), Pennsylvania (1) and Texas (8). The Company's total contribution to HVP IV in connection with these store acquisitions was \$26.3 million. As of June 30, 2020, HVP IV had \$82.2 million outstanding on its \$107.0 million secured loan facility, which bears interest at LIBOR plus 1.70% per annum, and matures on May 16, 2021 with options to extend the maturity date through May 16, 2023, subject to satisfaction of certain conditions and payment of the extension fees as stipulated in the loan agreement. As of June 30, 2020, HVP IV also had \$55.5 million outstanding under a separate secured loan that bears interest at LIBOR plus 2.75% per annum, and matures on June 9, 2022 with options to extend the maturity date through June 9, 2024, subject to satisfaction of certain conditions and payment of the extension fees as stipulated in the loan agreement.
- (3) The stores owned by HHFNE are located in Connecticut (3), Massachusetts (6), Rhode Island (2) and Vermont (2). The Company's total contribution to HHFNE in connection with these store acquisitions was \$3.8 million. As of June 30, 2020, HHFNE had an outstanding \$45.0 million secured loan facility, which bears interest at LIBOR plus 1.20% per annum and matures on December 16, 2024.
- (4) The stores owned by HHF are located in North Carolina (1) and Texas (34). As of June 30, 2020, HHF had an outstanding \$100.0 million secured loan, which bears interest at 3.59% per annum and matures on April 30, 2021.

On June 5, 2019, HVP III sold 50 stores located in Florida (3), Georgia (4), Michigan (17), North Carolina (3), South Carolina (15) and Tennessee (8), to an unaffiliated third party buyer for an aggregate sales price of \$293.5 million. As of the transaction date, HVP III had five mortgage loans with an aggregate outstanding balance of \$22.9 million, as well as \$179.5 million outstanding on its \$185.5 million loan facility, all of which were defeased or repaid in full at the time of the sale. Net proceeds to the venture from the transaction totaled \$82.9 million. The venture recorded gains which aggregated to approximately \$106.7 million in connection with the sale. Subsequent to the sale, the Company acquired its partner's 90% ownership interest in HVP III, which at the time of the acquisition, owned the remaining 18 storage properties (see note 4).

Based upon the facts and circumstances at formation of HVPSE, HVP IV, HHFNE and HHF (the "Ventures"), the Company determined that the Ventures are not VIEs in accordance with the accounting standard for the consolidation of VIEs. As a result, the Company used the voting interest model under the accounting standard for consolidation in order

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to determine whether to consolidate the Ventures. Based upon each member's substantive participating rights over the activities of each entity as stipulated in the operating agreements, the Ventures are not consolidated by the Company and are accounted for under the equity method of accounting (except for HVP III, which was consolidated as of June 6, 2019). The Company's investments in the Ventures are included in Investment in real estate ventures, at equity on the Company's consolidated balance sheets and the Company's earnings from its investments in the Ventures are presented in Equity in earnings (losses) of real estate ventures on the Company's consolidated statements of operations.

The amounts reflected in the following table are based on the historical financial information of the Ventures.

The following is a summary of the financial position of the Ventures as of June 30, 2020 and December 31, 2019.

	June 30, 2020	December 31, 2019 ⁽¹⁾
Assets		
	(in thousands)	
Storage properties, net	\$ 672,554	\$ 552,791
Other assets	22,520	11,997
Total assets	<u>\$ 695,074</u>	<u>\$ 564,788</u>
Liabilities and equity		
Other liabilities	\$ 14,670	\$ 10,064
Debt	361,421	280,392
Equity		
CubeSmart	93,697	91,117
Joint venture partners	225,286	183,215
Total liabilities and equity	<u>\$ 695,074</u>	<u>\$ 564,788</u>

(1) Excludes HVPSE as it acquired its initial assets on March 19, 2020.

The following is a summary of results of operations of the Ventures for the three and six months ended June 30, 2020 and 2019.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019 ⁽¹⁾	2020	2019 ⁽¹⁾
	(in thousands)			
Total revenues	\$ 16,797	\$ 21,075	\$ 31,402	\$ 44,278
Operating expenses	(7,978)	(9,082)	(14,920)	(19,244)
Other expenses	(121)	(2,936)	(234)	(3,079)
Interest expense, net	(2,985)	(5,089)	(5,705)	(9,305)
Depreciation and amortization	(9,100)	(8,415)	(15,523)	(17,921)
Gains from sale of real estate, net	—	106,667	—	106,667
Net (loss) income	<u>\$ (3,387)</u>	<u>\$ 102,220</u>	<u>\$ (4,980)</u>	<u>\$ 101,396</u>
Company's share of net (loss) income	\$ (174)	\$ 10,527	\$ (179)	\$ 10,788

(1) Excludes HVPSE as it acquired its initial assets on March 19, 2020 and includes HVP III's results of operations through June 6, 2019 (date of consolidation).

Capital Storage Partners, LLC (“Capital Storage”)

On September 5, 2018, the Company invested \$5.0 million in exchange for 100% of the Class A Preferred Units of Capital Storage Partners, LLC, a then newly formed venture that acquired 22 self-storage properties located in Florida (4), Oklahoma (5) and Texas (13). The Class A Preferred Units earn an 11% cumulative dividend prior to any other distributions. The Company’s investment in Capital Storage and the related dividends are included in Other assets, net on the Company’s consolidated balance sheets and in Other income on the Company’s consolidated statements of operations, respectively.

6. UNSECURED SENIOR NOTES

The Company’s unsecured senior notes are summarized as follows (collectively referred to as the “Senior Notes”):

Unsecured Senior Notes	June 30, 2020	December 31, 2019	Effective Interest Rate	Issuance Date	Maturity Date
	(in thousands)				
\$250M 4.800% Guaranteed Notes due 2022	\$ 250,000	\$ 250,000	4.82 %	Jun-12	Jul-22
\$300M 4.375% Guaranteed Notes due 2023 ⁽¹⁾	300,000	300,000	4.33 %	Various ⁽¹⁾	Dec-23
\$300M 4.000% Guaranteed Notes due 2025 ⁽²⁾	300,000	300,000	3.99 %	Various ⁽²⁾	Nov-25
\$300M 3.125% Guaranteed Notes due 2026	300,000	300,000	3.18 %	Aug-16	Sep-26
\$350M 4.375% Guaranteed Notes due 2029	350,000	350,000	4.46 %	Jan-19	Feb-29
\$350M 3.000% Guaranteed Notes due 2030	350,000	350,000	3.04 %	Oct-19	Feb-30
Principal balance outstanding	1,850,000	1,850,000			
Less: Discount on issuance of unsecured senior notes, net	(3,659)	(3,860)			
Less: Loan procurement costs, net	(9,620)	(10,415)			
Total unsecured senior notes, net	\$ 1,836,721	\$ 1,835,725			

(1) On April 4, 2017, the Operating Partnership issued \$50.0 million of its 4.375% senior notes due 2023, which are part of the same series as the \$250.0 million principal amount of the Operating Partnership’s 4.375% senior notes due December 15, 2023 issued on December 17, 2013. The \$50.0 million and \$250.0 million tranches were priced at 105.040% and 98.995%, respectively, of the principal amount to yield 3.495% and 4.501%, respectively, to maturity. The combined weighted average effective interest rate of the 2023 notes is 4.330%.

(2) On April 4, 2017, the Operating Partnership issued \$50.0 million of its 4.000% senior notes due 2025, which are part of the same series as the \$250.0 million principal amount of the Operating Partnership’s 4.000% senior notes due November 15, 2025 issued on October 26, 2015. The \$50.0 million and \$250.0 million tranches were priced at 101.343% and 99.735%, respectively, of the principal amount to yield 3.811% and 4.032%, respectively, to maturity. The combined weighted average effective interest rate of the 2025 notes is 3.994%.

The indenture under which the Senior Notes were issued restricts the ability of the Operating Partnership and its subsidiaries to incur debt unless the Operating Partnership and its consolidated subsidiaries comply with a leverage ratio not to exceed 60% and an interest coverage ratio of more than 1.5:1.0 after giving effect to the incurrence of the debt. The indenture also restricts the ability of the Operating Partnership and its subsidiaries to incur secured debt unless the Operating Partnership and its consolidated subsidiaries comply with a secured debt leverage ratio not to exceed 40% after giving effect to the incurrence of the debt. The indenture also contains other financial and customary covenants, including a covenant not to own unencumbered assets with a value less than 150% of the unsecured indebtedness of the Operating Partnership and its consolidated subsidiaries. As of June 30, 2020, the Operating Partnership was in compliance with all of the financial covenants under the Senior Notes.

7. REVOLVING CREDIT FACILITY AND UNSECURED TERM LOANS

On December 9, 2011, the Company entered into a credit agreement (the “Credit Facility”), which was subsequently amended on April 5, 2012, June 18, 2013 and April 22, 2015 to provide for, among other things, a \$200.0 million

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unsecured term loan with a maturity date of January 31, 2019 and a \$500.0 million unsecured revolving facility with a maturity date of April 22, 2020. On June 19, 2019, the Company amended and restated, in its entirety, the Credit Facility (the “Amended and Restated Credit Facility”) which, subsequent to the amendment and restatement, is comprised of a \$750.0 million unsecured revolving facility (the “Revolver”) maturing on June 19, 2024. Under the Amended and Restated Credit Facility, pricing on the Revolver is dependent upon the Company’s unsecured debt credit ratings. At the Company’s current Baa2/BBB level, amounts drawn under the Revolver are priced at 1.10% over LIBOR, inclusive of a facility fee of 0.15%. The Company incurred costs of \$3.9 million in 2019 in connection with amending and restating the Credit Facility and capitalized such costs as a component of Loan procurement costs, net of amortization on the consolidated balance sheets.

As of June 30, 2020, borrowings under the Revolver had an effective weighted average interest rate of 1.26%. Additionally, as of June 30, 2020, \$733.9 million was available for borrowing under the Revolver. The available balance under the Revolver is reduced by an outstanding letter of credit of \$0.7 million.

On January 31, 2019, the Company used a portion of the net proceeds from the issuance of \$350.0 million of 4.375% Senior Notes due 2029 (the “2029 Notes”) to repay all of the outstanding indebtedness under the \$200.0 million unsecured term loan portion of the Credit Facility.

On June 20, 2011, the Company entered into an unsecured term loan agreement (the “Term Loan Facility”), which was subsequently amended on June 18, 2013 and August 5, 2014, consisting of, among other things, a \$100.0 million unsecured term loan that was scheduled to mature in January 2020. On June 19, 2019, the Company used an initial advance at closing of the Amended and Restated Credit Facility to repay all of the outstanding indebtedness under the unsecured term loan portion of the Term Loan Facility. Unamortized loan procurement costs of \$0.1 million were written off in conjunction with the repayment.

Under the Amended and Restated Credit Facility, the Company’s ability to borrow under the Revolver is subject to ongoing compliance with certain financial covenants which include, among other things, (1) a maximum total indebtedness to total asset value of 60.0%, and (2) a minimum fixed charge coverage ratio of 1.5:1.0. As of June 30, 2020, the Company was in compliance with all of its financial covenants.

8. 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:		Effective Interest Rate	Maturity Date
	June 30, 2020	December 31, 2019		
	(in thousands)			
YSI 26	\$ 7,692	\$ 7,805	4.56 %	Nov-20
YSI 57	2,700	2,740	4.61 %	Nov-20
YSI 55	21,292	21,547	4.85 %	Jun-21
YSI 24	23,601	24,042	4.64 %	Jun-21
YSI 65	2,287	2,313	3.85 %	Jun-23
YSI 66	30,288	30,588	3.51 %	Jun-23
YSI 68	5,372	5,459	3.78 %	May-24
Principal balance outstanding	93,232	94,494		
Plus: Unamortized fair value adjustment	1,479	1,833		
Less: Loan procurement costs, net	(223)	(287)		
Total mortgage loans and notes payable, net	\$ 94,488	\$ 96,040		

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As of June 30, 2020 and December 31, 2019, the Company's mortgage loans payable were secured by certain of its self-storage properties with net book values of approximately \$203.6 million and \$206.3 million, respectively. The following table represents the future principal payment requirements on the outstanding mortgage loans and notes payable as of June 30, 2020 (in thousands):

2020	\$	11,529
2021		45,057
2022		923
2023		31,019
2024		4,704
2025 and thereafter		—
Total mortgage payments		93,232
Plus: Unamortized fair value adjustment		1,479
Less: Loan procurement costs, net		(223)
Total mortgage loans and notes payable, net	\$	94,488

9. ACCUMULATED OTHER COMPREHENSIVE LOSS

The following table summarizes the changes in accumulated other comprehensive loss by component for the six months ended June 30, 2020 (in thousands):

	<u>Unrealized Gains (Losses)</u> <u>on Interest Rate Swaps</u> (in thousands)	
Balance at December 31, 2019	\$	(729)
Amounts reclassified from accumulated other comprehensive loss		40 ⁽¹⁾
Balance at June 30, 2020	\$	(689)

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

10. RISK MANAGEMENT AND USE OF FINANCIAL INSTRUMENTS

The Company's use of derivative instruments is limited to the utilization of interest rate swap agreements or other instruments to manage interest rate risk exposure 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 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 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 the 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 the derivative is not highly-effective as a hedge or if a derivative ceases to be a highly-effective hedge, the Company discontinues hedge accounting prospectively and reflects in its statement of operations realized and unrealized gains and losses with respect to the derivative. As of June 30, 2020 and December 31, 2019, all derivative instruments entered into by the Company had been settled.

On December 24, 2018, the Company entered into interest rate swap agreements with notional amounts that aggregated to \$150.0 million (the "Interest Rate Swaps") to protect the Company against adverse fluctuations in interest rates by reducing exposure to variability in cash flows relating to interest payments on a forecasted issuance of long-term

debt. The Interest Rate Swaps qualified and were designated as cash flow hedges. Accordingly, the Interest Rate Swaps were recorded on the consolidated balance sheet at fair value and the related gains or losses were deferred in shareholders' equity as accumulated other comprehensive income or loss. These deferred gains and losses were amortized into interest expense during the period or periods in which the related interest payments affected earnings. On January 24, 2019, in conjunction with the issuance of the 2029 Notes, the Company settled the Interest Rate Swaps for \$0.8 million. The \$0.8 million termination premium will be reclassified from accumulated other comprehensive loss as an increase to interest expense over the life of the 2029 Notes, which mature on February 15, 2029. The change in unrealized losses on interest rate swaps reflects a reclassification of twenty thousand dollars and forty thousand dollars of unrealized losses from accumulated other comprehensive loss as an increase to interest expense during the three and six months ended June 30, 2020, respectively. The Company estimates that \$0.1 million will be reclassified as an increase to interest expense in the next 12 months.

11. FAIR VALUE MEASUREMENTS

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

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

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

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.

There were no financial assets or liabilities carried at fair value as of June 30, 2020 or December 31, 2019.

The fair values of financial instruments, including cash and cash equivalents, restricted cash, accounts receivable and accounts payable approximate their respective carrying values at June 30, 2020 and December 31, 2019. The aggregate carrying value of the Company's debt was \$1,946.6 million and \$1,931.8 million at June 30, 2020 and December 31, 2019, respectively. The estimated fair value of the Company's debt was \$2,130.7 million and \$2,037.6 million at June 30, 2020 and December 31, 2019, respectively. The fair value of debt estimates were based on a discounted cash flow analysis assuming market interest rates for comparable obligations at June 30, 2020 and December 31, 2019. 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.

12. NONCONTROLLING INTERESTS

Interests in Consolidated Joint Ventures

Noncontrolling interests in subsidiaries represent the ownership interests of third parties in the Company's consolidated real estate ventures. The Company has determined that these ventures are VIEs, and that the Company is the primary beneficiary. Accordingly, the Company consolidates the assets, liabilities and results of operations of the real estate ventures in the table below (dollars in thousands):

Consolidated Joint Ventures	Number of Stores	Location	Date Opened / Estimated Opening	CubeSmart Ownership Interest	June 30, 2020	
					Total Assets	Total Liabilities
CS Valley Forge Village Storage, LLC ("VFV") ⁽¹⁾	1	King of Prussia, PA	Q2 2021 (est.)	70%	\$ 10,000	\$ 1,916
Shirlington Rd II, LLC ("SH2") ⁽²⁾	1	Arlington, VA	Q1 2021 (est.)	90%	13,377	1,440
CS 2087 Hempstead Tpk, LLC ("Hempstead") ⁽³⁾	1	East Meadow, NY	Q1 2021 (est.)	51%	14,714	4,980
CS SDP Newtonville, LLC ("Newton") ⁽¹⁾	1	Newton, MA	Q4 2020 (est.)	90%	13,709	7,188
CS 1158 McDonald Ave, LLC ("McDonald Ave") ⁽³⁾	1	Brooklyn, NY	Q2 2020	51%	42,715	11,004
Shirlington Rd, LLC ("SH1") ⁽²⁾	1	Arlington, VA	Q2 2015	90%	14,640	167
	<u>6</u>				<u>\$ 109,155</u>	<u>\$ 26,695</u>

- (1) The Company has a related party loan commitment to VFV and Newton to fund a portion of the construction costs. As of June 30, 2020, the Company has funded \$6.0 million of the total \$12.1 million loan commitment to Newton, which is included in the total liability amount within the table above. This loan and the related interest were eliminated for consolidation purposes. As of June 30, 2020, the Company had not funded any of its \$12.4 million loan commitment to VFV.
- (2) On March 7, 2019, the Company acquired the noncontrolling member's ownership interest in SH1, inclusive of its promoted interest in the venture, for \$10.0 million. Prior to this transaction, the noncontrolling member's interest was reported in Noncontrolling interests in subsidiaries on the consolidated balance sheets. Since the Company retained its controlling interest in the joint venture, this transaction was accounted for as an equity transaction. The carrying amount of the noncontrolling interest was reduced to zero to reflect the purchase, and the \$9.7 million difference between the purchase price paid by the Company and the carrying amount of the noncontrolling interest was recorded as an adjustment to equity attributable to the Company. In conjunction with the Company's acquisition of the noncontrolling interest in SH1, the \$12.2 million related party loan extended by the Company to the venture during the construction period was repaid in full. Subsequently, the noncontrolling member re-acquired a 10% interest in SH1 and a 10% interest in SH2 for a combined \$4.8 million, which is included in Noncontrolling interests in subsidiaries on the consolidated balance sheets.
- (3) The noncontrolling members of Hempstead and McDonald Ave have the option to put their ownership interest in the ventures to the Company for \$6.6 million and \$10.0 million, respectively, within the one-year period after construction of each store is substantially complete. Additionally, the Company has a one-year option to call the ownership interest of the noncontrolling members of Hempstead and McDonald Ave for \$6.6 million and \$10.0 million, respectively, beginning on the second anniversary of the respective store's construction being substantially complete. The Company, at its sole discretion, may pay cash and/or issue OP Units in exchange for the noncontrolling member's interest in Hempstead and McDonald. The Company is accreting the respective liabilities during the development periods and, as of June 30, 2020, has accrued \$4.4 million and \$10.0 million, related to Hempstead and McDonald Ave, respectively, which are included in Accounts payable, accrued expenses and other liabilities on the Company's consolidated balance sheets.

On May 30, 2019, the Company sold its 90% ownership interest in CS SJM E 92nd Street, LLC, a previously consolidated development joint venture, for \$3.7 million. In conjunction with the sale, \$0.7 million of the \$1.7 million related party loan extended by the Company to the venture was repaid. The remaining \$1.0 million was recorded as a note receivable and was repaid during the third quarter of 2019. Additionally, as a result of the transaction, the Company was released from its obligations under the venture's ground lease, and right-of-use assets and lease liabilities totaling \$13.4 million and \$14.6 million, respectively, were removed from the Company's consolidated balance sheets.

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 1.0% of the outstanding OP Units, as of June 30, 2020 and December 31, 2019, 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 properties. 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.

On December 16, 2019, the Company acquired a store in California for \$18.5 million. In conjunction with the closing, the Company paid \$14.9 million and issued 106,738 OP Units, valued at approximately \$3.6 million, to pay the remaining consideration.

On January 31, 2018, the Company acquired a store in Texas for \$12.2 million and assumed an existing mortgage loan with an outstanding balance of approximately \$7.2 million, which was immediately repaid by the Company. In conjunction with the closing, the Company paid \$0.2 million in cash and issued 168,011 OP Units, valued at approximately \$4.8 million, to pay the remaining consideration.

As of June 30, 2020 and December 31, 2019, 1,872,308 and 1,972,308 OP units, respectively, were held by third parties. The per unit cash redemption amount of the outstanding OP units was calculated based upon the average of the closing prices of the common shares of CubeSmart on the New York Stock Exchange for the final 10 trading days of the quarter. Based on the Company's evaluation of the redemption value of the redeemable noncontrolling interest, the Company has reflected these interests at the greater of the carrying value based on the accumulation of historical cost or the redemption value at June 30, 2020 and December 31, 2019. As of June 30, 2020, the Operating Partnership recorded a decrease in the value of OP Units owned by third parties and a corresponding increase to capital of \$7.4 million. As of December 31, 2019, the Operating Partnership recorded an increase in the value of OP Units owned by third parties and a corresponding decrease to capital of \$5.9 million.

13. LEASES

CubeSmart as Lessor

The Company derives revenue primarily from rents received from customers who rent cubes at its self-storage properties under month-to-month leases for personal or business use. The self-storage lease agreements utilized by the Company vary slightly to comply with state-specific laws and regulations, but, subject to such laws and regulations,

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generally provide for automatic monthly renewals, flexibility to increase rental rates over time as market conditions permit and the collection of contingent fees such as administrative and late fees. None of the self-storage lease agreements contain options that allow the customer to purchase the leased space at any time during, or at the expiration of, the lease term. All self-storage leases in which the Company serves as lessor have been classified as operating leases. Accordingly, storage cubes are carried at historical cost less accumulated depreciation and impairment, if any, and are included in Storage properties on the Company's consolidated balance sheets. Operating lease income for amounts received under the Company's self-storage lease agreements is recognized on a straight-line basis which, due to the month-to-month nature of the leases, results in the recognition of income during the initial term and each subsequent monthly renewal using the then-in-place rent amount. Operating lease income is included in Rental income within the Company's consolidated statements of operations. Variable lease income related to the Company's self-storage lease agreements consists of administrative and late fees charged to customers. For the three and six months ended June 30, 2020, administrative and late fees totaled \$4.5 million and \$9.9 million, respectively. For the three and six months ended June 30, 2019, administrative and late fees totaled \$5.6 million and \$11.0 million, respectively. Administrative and late fees are included in Other property related income within the Company's consolidated statements of operations.

CubeSmart as Lessee

The Company serves as lessee in lease agreements for land, office space, automobiles and certain equipment, which have remaining lease terms ranging from one year to 44 years. Certain of the Company's leases contain provisions that (1) provide for one or more options to renew, with renewal options that can extend the lease term from one year to 69 years, (2) allow for early termination at certain points during the lease term and/or (3) give the Company the option to purchase the leased property. In all cases, the exercise of the lease renewal, termination and purchase options, if provided for in the lease, are at the Company's sole discretion. Certain of the Company's lease agreements, particularly its land leases, require rental payments that are periodically adjusted for inflation using a defined index. None of the Company's lease agreements contain any material residual value guarantees or material restrictive covenants. As a result of the Company's election of the package of practical expedients permitted within ASC 842, which among other things, allows for the carryforward of historical lease classification, all of the Company's lease agreements have been classified as operating leases. Lease expense for payments related to the Company's operating leases is recognized on a straight-line basis over the related lease term, which includes options to extend or terminate the lease when it is reasonably certain that the Company will exercise that option.

Right-of-use assets represent the Company's right to use an underlying asset during the lease term and lease liabilities represent the Company's obligation to make lease payments as specified in the lease. Right-of-use assets and lease liabilities related to the Company's operating leases are recognized at the lease commencement date based on the present value of the remaining lease payments over the lease term. As the Company's leases do not provide an implicit rate, the Company uses its incremental borrowing rate based on the information available surrounding the Company's unsecured borrowing rates and implied secured spread at the lease commencement date in determining the present value of lease payments. The right-of-use asset also includes any lease payments made at or before lease commencement less any lease incentives.

The Company's right-of-use assets, lease liabilities and other supplemental balance sheet information associated with its operating leases as of June 30, 2020 and December 31, 2019 are summarized in the table below.

	June 30, 2020	December 31, 2019
	(dollars in thousands)	
Right-of-use assets ⁽¹⁾	\$ 41,317	\$ 41,698
Lease liabilities ⁽¹⁾	\$ 46,364	\$ 46,391
Weighted average lease term	35.5 years	35.9 years
Weighted average discount rate	4.74 %	4.74 %

- (1) Right-of-use assets and lease liabilities are included in Other assets, net and Accounts payable, accrued expenses and other liabilities, respectively, on the Company's consolidated balance sheets.

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For the three and six months ended June 30, 2020 and 2019, the Company's lease cost consists of the following components, each of which is included in Property operating expenses within the Company's consolidated statements of operations:

	<u>Three Months Ended June 30,</u>		<u>Six Months Ended June 30,</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
	(in thousands)			
Operating lease cost	\$ 746	\$ 829	\$ 1,492	\$ 1,809
Short-term lease cost ⁽¹⁾	275	317	583	613
Total lease cost	<u>\$ 1,021</u>	<u>\$ 1,146</u>	<u>\$ 2,075</u>	<u>\$ 2,422</u>

- (1) Represents automobile leases that have a lease term of 12 months. The Company has made an accounting policy election not to apply the recognition requirements of ASC 842 to this asset class. The lease cost associated with these leases is recognized on a straight-line basis over the related lease term.

The following table represents the future operating lease liability maturities as of June 30, 2020 (in thousands):

2020	\$ 1,157
2021	2,327
2022	2,461
2023	2,523
2024	2,373
2025 and thereafter	91,241
Total operating lease payments	102,082
Less: Imputed interest	(55,718)
Present value of operating lease liabilities	<u>\$ 46,364</u>

During the three and six months ended June 30, 2020, the cash paid for amounts included in the measurement of lease liabilities related to the Company's operating leases was approximately \$0.6 million and \$1.1 million, respectively, which is included as an operating cash outflow within the consolidated statements of cash flows. During the three and six months ended June 30, 2019, the cash paid for amounts included in the measurement of lease liabilities related to the Company's operating leases was approximately \$0.6 million and \$1.3 million, respectively, which is included as an operating cash outflow within the consolidated statements of cash flows. During the three and six months ended June 30, 2020 and 2019, the Company did not enter into any lease agreements set to commence in the future.

14. COMMITMENTS AND CONTINGENCIES

The Company is involved in claims from time to time, which arise in the ordinary course of business. In accordance with applicable accounting guidance, management establishes an accrued liability for claim expenses, insurance retention and litigation costs when those matters present loss contingencies that are both probable and reasonably estimable. In such cases, there may be exposure to loss in excess of those amounts accrued. The estimated loss, if any, is based upon currently available information and is subject to significant judgment, a variety of assumptions, and known and unknown uncertainties. In the opinion of management, the Company has made adequate provisions for potential liabilities, arising from any such matters, which are included in Accounts payable, accrued expenses and other liabilities on the Company's consolidated balance sheets.

15. RELATED PARTY TRANSACTIONS

The Company provides management services to certain joint ventures and other related parties. Management agreements provide for fee income to the Company based on a percentage of revenues at the managed stores. Total management fees for unconsolidated real estate ventures or other entities in which the Company held an ownership interest for the three and six months ended June 30, 2020 totaled \$1.0 million and \$1.8 million, respectively. Total management fees for unconsolidated real estate ventures or other entities in which the Company held an ownership interest for the three and six months ended June 30, 2019 totaled \$1.1 million and \$2.4 million, respectively.

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The management agreements for certain joint ventures, other related parties and third-party stores provide for the reimbursement to the Company for certain expenses incurred to manage the stores. These amounts consist of amounts due for management fees, payroll, and other store expenses. The amounts due to the Company were \$14.0 million and \$10.5 million as of June 30, 2020 and December 31, 2019, respectively, and are reflected in Other assets, net on the Company's consolidated balance sheets. Additionally, as discussed in note 12, the Company had outstanding mortgage loans receivable from consolidated joint ventures of \$6.0 million and \$3.1 million as of June 30, 2020 and December 31, 2019, respectively, which are eliminated for consolidation purposes. The Company believes that all of these related-party receivables are fully collectible.

The HVPSE, HVP III, HVP IV and HHFNE operating agreements provide for acquisition, disposition and other fees payable from HVPSE, HVP III, HVP IV and HHFNE to the Company upon the closing of a property transaction by HVPSE, HVP III, HVP IV and HHFNE, or any of their subsidiaries and completion of certain measures as defined in the operating agreements. During the six months ended June 30, 2020, the Company recognized \$0.7 million in fees associated with property transactions. There were no property transaction fees recognized during the three months ended June 30, 2020. During the three and six months ended June 30, 2019, the Company recognized \$0.2 million in fees associated with property transactions. Property transaction fees are included in Other income on the consolidated statements of operations.

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. Some of the statements we make in this section 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 complete 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, 2019](#) and in the Parent Company's and Operating Partnership's combined [Quarterly Report on Form 10-Q for the quarter ended March 31, 2020](#).

Overview

We are an integrated self-storage real estate company, and as such we have in-house capabilities in the operation, design, development, leasing, management and acquisition of self-storage properties. 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, 2020 and December 31, 2019, we owned 527 self-storage properties totaling approximately 37.0 million rentable square feet and 523 self-storage properties totaling approximately 36.6 million rentable square feet, respectively. As of June 30, 2020, we owned stores in the District of Columbia and the following 24 states: Arizona, California, Colorado, Connecticut, Florida, Georgia, Illinois, Indiana, Maryland, Massachusetts, Minnesota, Nevada, New Jersey, New Mexico, New York, North Carolina, Ohio, Pennsylvania, Rhode Island, South Carolina, Tennessee, Texas, Utah and Virginia. In addition, as of June 30, 2020, we managed 719 stores for third parties (including 105 stores containing an aggregate of approximately 7.5 million rentable square feet as part of five separate unconsolidated real estate ventures) bringing the total number of stores which we owned and/or managed to 1,246. As of June 30, 2020, we managed stores for third parties in the District of Columbia and the following 38 states: Alabama, Arizona, California, Colorado, Connecticut, Florida, Georgia, Illinois, Indiana, Iowa, Kansas, Kentucky, Louisiana, Maryland, Massachusetts, Michigan, Minnesota, Mississippi, Missouri, Nevada, New Hampshire, New Jersey, New Mexico, New York, North Carolina, Ohio, Oklahoma, Oregon, Pennsylvania, Rhode Island, South Carolina, Tennessee, Texas, Utah, Vermont, Virginia, Washington and Wisconsin.

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

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

Our results of operations may be sensitive to changes in overall economic conditions that impact consumer spending, including discretionary spending, as well as to increased bad debts due to recessionary pressures. Adverse economic conditions affecting disposable consumer income, such as employment levels, business conditions, interest rates, tax rates, fuel and energy costs, inflation 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.

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

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

Our self-storage properties are located in major metropolitan and suburban areas and have numerous customers per store. No single customer represents a significant concentration of our revenues. Our stores in Florida, New York, Texas and California provided approximately 16%, 16%, 9% and 8%, respectively, of total revenues for the six months ended June 30, 2020.

Summary of Critical Accounting Policies and Estimates

Set forth below is a summary of the accounting policies and estimates that management believes are critical to the preparation of the 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 (see note 2 to the unaudited consolidated financial statements). These policies require the application of judgment and assumptions by management and, as a result, are subject to a degree of uncertainty. Due to this uncertainty, actual results could differ materially from estimates calculated and utilized by management.

Basis of Presentation

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

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

Self-Storage Properties

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

When stores are acquired, the purchase price and acquisition related costs are allocated to the tangible and intangible assets acquired and liabilities assumed based on estimated fair values. Allocations to the individual assets and liabilities are based upon their respective fair values as estimated by management.

In allocating the purchase price and acquisition related costs for an acquisition, the Company determines whether the acquisition includes intangible assets or liabilities. The Company allocates a portion of the purchase price to an intangible asset attributable to the value of in-place leases. This intangible asset is generally amortized to expense over the expected remaining term of the respective leases. Substantially all of the leases in place at acquired stores 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 customer relationships, because the Company does not have any concentrations of significant customers and the average customer turnover is fairly frequent.

Long-lived assets classified as “held for use” are reviewed for impairment when events and circumstances such as declines in occupancy and operating results indicate that there may be an impairment. The carrying value of these long-lived assets is compared to the undiscounted future net operating cash flows, plus a terminal value, attributable to the assets to determine if the store’s basis is recoverable. If a store’s basis is not considered recoverable, an impairment loss

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is recorded to the extent the net carrying value of the asset exceeds the fair value. The impairment loss recognized equals the excess of net carrying value over the related fair value of the asset. There were no impairment losses recognized in accordance with these procedures during the six months ended June 30, 2020 and 2019.

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 store (or group of stores), (b) the store is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such stores, (c) an active program to locate a buyer and other actions required to complete the plan to sell the store have been initiated, (d) the sale of the store is probable and transfer of the asset is expected to be completed within one year, (e) the store 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. Stores classified as held for sale are reported at the lesser of carrying value or fair value less estimated costs to sell. There were no stores classified as held for sale as of June 30, 2020.

Investments in Unconsolidated Real Estate Ventures

The Company accounts for its investments in unconsolidated real estate ventures under the equity method of accounting when it is determined that the Company has the ability to exercise significant influence over the venture. Under the equity method, investments in unconsolidated real estate ventures are recorded initially at cost, as investments in real estate entities, and subsequently adjusted for equity in earnings (losses), cash contributions, less distributions and impairments. On a periodic basis, management also assesses whether there are any indicators that the carrying value of the Company’s investments in unconsolidated real estate entities may be other than temporarily impaired. An investment is impaired only if the fair value of the investment, as estimated by management, is less than the carrying value of the investment and the decline is other than temporary. To the extent impairment has occurred, the loss shall be measured as the excess of the carrying amount of the investment over the fair value of the investment, as estimated by management. The determination as to whether impairment exists requires significant management judgment about the fair value of its ownership interest. Fair value is determined through various valuation techniques, including but not limited to, discounted cash flow models, quoted market values and third party appraisals. There were no impairment losses related to the Company’s investments in unconsolidated real estate ventures recognized during the six months ended June 30, 2020 and 2019.

Recent Accounting Pronouncements

For a discussion of recent accounting pronouncements affecting our business, see note 2 to the consolidated financial statements.

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 stores and should not be taken as indicative of future operations. We consider our same-store portfolio to consist of only those stores owned and operated on a stabilized basis at the beginning and at the end of the applicable periods presented. We consider a store to be stabilized once it has achieved an occupancy rate that we believe, based on our assessment of market-specific data, is representative of similar self-storage assets in the applicable market for a full year measured as of the most recent January 1 and has not been significantly damaged by natural disaster or undergone significant renovation. We believe that same-store results are useful to investors in evaluating our performance because they provide information relating to changes in store-level operating performance without taking into account the effects of acquisitions, developments or dispositions. As of June 30, 2020, we owned 477 same-store properties and 50 non-same-store properties. For analytical presentation, all percentages are calculated using the numbers presented in the financial statements contained in this Report.

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Acquisition and Development Activities

The comparability of our results of operations is affected by the timing of acquisition and disposition activities during the periods reported. As of June 30, 2020 and 2019, we owned 527 and 516 self-storage properties and related assets, respectively. The following table summarizes the change in number of owned stores from January 1, 2019 through June 30, 2020:

	<u>2020</u>	<u>2019</u>
Balance - January 1	523	493
Stores acquired	1	1
Balance - March 31	524	494
Stores acquired	2	21
Stores developed	1	2
Stores combined ⁽¹⁾	—	(1)
Balance - June 30	527	516
Stores acquired		2
Stores developed		1
Balance - September 30		519
Stores acquired		5
Stores sold		(1)
Balance - December 31		<u>523</u>

- (1) On May 24, 2019, the Company acquired a store located in Tempe, AZ for approximately \$1.6 million, which is located adjacent to an existing wholly-owned store. Given their proximity to each other, the stores have been combined in our store count, as well as for operational and reporting purposes.

Factors that Have Impacted and May Continue to Impact Results of Operations

We are not aware of any material trends or uncertainties other than those risks identified in Part I. Item 1A. "Risk Factors," of our [Annual Report on Form 10-K for the year ended December 31, 2019](#) and in Part II. Item 1A. "Risk Factors," of our [Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2020](#), that may reasonably be expected to have a material impact, favorable or unfavorable, on our results of operations. However, due to the economic impact of the recent outbreak of a novel coronavirus in the United States, and the disease that it causes known as COVID-19, our ability to operate our business using traditional means has been impacted. Since mid-March, federal, state and local government agencies in the markets within which we operate have issued public health responses aimed at reducing the spread of COVID-19, which include quarantines, stay-at-home orders and similar mandates for many individuals to substantially restrict daily activities and for many businesses to curtail or cease normal operations. As a result, the United States has experienced, among other things, an unprecedented increase in unemployment, significant volatility within its debt and equity capital markets and extreme economic contraction during the second quarter of 2020.

Despite the operating restrictions placed on many businesses by governmental mandates that promote distancing, self-storage has been designated as an essential business. Accordingly, our stores have remained open throughout the pandemic to allow for customers to move in, move out, pay rent and access their belongings at all locations. Additionally, with the health and welfare of our teammates and customers in mind, we have implemented SmartRental™, our contactless online rental process that eliminates the need for face-to-face interaction, and shifted our corporate headquarters, divisional offices and sales center to remote work.

Although we have been able to serve customers both in-person and through virtual solutions, the stay-at-home orders that have been in place, with varying scopes and durations, in most of the markets within which we operate, as well as the reduced financial capacity of potential customers due to the rise in unemployment, have discouraged customer activity and caused decreases in rental volume and rates throughout the second quarter of 2020, which have negatively impacted our results of operations. In late March, in response to the pandemic and certain state and local government orders, we paused all rate increases to existing customers and suspended our normal delinquency processes temporarily,

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which have impacted our revenue growth. In May, as permitted by governmental mandates, we began resuming our delinquency and rental rate increase processes on a jurisdiction by jurisdiction basis and expect to fully resume these processes by the end of the third quarter. To date, we have not experienced any material degradation in rent collections or occupancy, however future customer behavior and their ability to pay rent will be determined by the duration and scope of the pandemic; actions that have been and continue to be taken by governmental entities, individuals and businesses in response to the pandemic, and; the continued impact on economic activity from the pandemic and actions taken in response thereto.

We anticipate that if the above-described impacts from the COVID-19 pandemic, and the volatile economic, business and financial market conditions resulting therefrom, continue for an extended period of time, we will continue to see a reduction in customer activity, net effective rental rates and our customers' ability to make rental payments, all of which would adversely impact our cash flow from operations.

Comparison of the three months ended June 30, 2020 to the three months ended June 30, 2019 (in thousands)

	Same-Store Property Portfolio				Non Same-Store Properties		Other/ Eliminations		Total Portfolio			
	2020	2019	Increase/ (Decrease)	% Change	2020	2019	2020	2019	2020	2019	Increase/ (Decrease)	% Change
REVENUES:												
Rental income	\$ 128,941	\$ 130,478	\$ (1,537)	(1.2)%	\$ 11,543	\$ 5,549	\$ —	\$ —	\$ 140,484	\$ 136,027	\$ 4,457	3.3 %
Other property related income	12,254	13,858	(1,604)	(11.6)%	1,341	777	2,927	2,287	16,522	16,922	(400)	(2.4)%
Property management fee income	—	—	—	0.0 %	—	—	6,792	6,068	6,792	6,068	724	11.9 %
Total revenues	141,195	144,336	(3,141)	(2.2)%	12,884	6,326	9,719	8,355	163,798	159,017	4,781	3.0 %
OPERATING EXPENSES:												
Property operating expenses	43,500	42,494	1,006	2.4 %	4,878	3,142	6,967	4,484	55,345	50,120	5,225	10.4 %
NET OPERATING INCOME:	97,695	101,842	(4,147)	(4.1)%	8,006	3,184	2,752	3,871	108,453	108,897	(444)	(0.4)%
Store count	477	477			50	39			527	516		
Total square footage	33,238	33,238			3,800	2,811			37,038	36,049		
Period end occupancy ⁽¹⁾	94.0 %	93.5 %			79.4 %	69.9 %			92.5 %	91.6 %		
Period average occupancy ⁽²⁾	93.0 %	93.0 %										
Realized annual rent per occupied sq. ft. ⁽³⁾	\$ 16.69	\$ 16.91										
Depreciation and amortization									39,893	40,663	(770)	(1.9)%
General and administrative									9,543	9,800	(257)	(2.6)%
Subtotal									49,436	50,463	(1,027)	(2.0)%
OTHER (EXPENSE) INCOME												
Interest:												
Interest expense on loans									(18,702)	(18,134)	(568)	(3.1)%
Loan procurement amortization expense									(753)	(771)	18	2.3 %
Equity in (losses) earnings of real estate ventures									(174)	10,527	(10,701)	(101.7)%
Other									(456)	(178)	(278)	(156.2)%
Total other expense									(20,085)	(8,556)	(11,529)	(134.7)%
NET INCOME									38,932	49,878	(10,946)	(21.9)%
NET (INCOME) LOSS ATTRIBUTABLE TO NONCONTROLLING INTERESTS												
Noncontrolling interests in the Operating Partnership									(389)	(499)	110	22.0 %
Noncontrolling interests in subsidiaries									(38)	41	(79)	(192.7)%
NET INCOME ATTRIBUTABLE TO THE COMPANY'S COMMON SHAREHOLDERS									\$ 38,505	\$ 49,420	\$ (10,915)	(22.1)%

(1) Represents occupancy at June 30th of the respective period.

(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 \$136.0 million during the three months ended June 30, 2019 to \$140.5 million during the three months ended June 30, 2020, an increase of \$4.5 million, or 3.3%. The \$1.5 million decrease in same-store rental income was due primarily to lower net rental rates. Realized annual rent per square foot on our same-store portfolio decreased 1.3% as a result of lower rental rates for new and existing customers for the three months ended June 30, 2020 as compared to the three months ended June 30, 2019. This decrease is offset by \$6.0 million of additional rental income from the stores acquired or opened in 2019 and 2020 included in our non-same store portfolio.

Other property related income decreased from \$16.9 million during the three months ended June 30, 2019 to \$16.5 million during the three months ended June 30, 2020, a decrease of \$0.4 million, or 2.4%. The \$1.6 million decrease in same-store other property related income is mainly attributable to a decrease in fee revenue due to the impact of COVID-19. This decrease is offset by a \$0.6 million increase in other property related income derived from the stores acquired or

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opened in 2019 and 2020 included in our non-same store portfolio as well as a \$0.6 million increase resulting primarily from increased customer insurance participation at our managed stores.

Property management fee income increased from \$6.1 million during the three months ended June 30, 2019 to \$6.8 million during the three months ended June 30, 2020, an increase of \$0.7 million, or 11.9%. This increase was attributable to an increase in management fees related to the third-party management business resulting from more stores under management (719 stores as of June 30, 2020 compared to 648 stores as of June 30, 2019).

Operating Expenses

Property operating expenses increased from \$50.1 million during the three months ended June 30, 2019 to \$55.3 million during the three months ended June 30, 2020, an increase of \$5.2 million, or 10.4%. The \$1.0 million increase in property operating expenses on the same-store portfolio was primarily due to increases in property taxes and advertising costs of \$1.0 million and \$1.3 million, respectively, offset by decreases in personnel expenses and maintenance costs of \$0.6 million and \$0.4 million, respectively. Additionally, \$1.7 million of the increase is attributable to expenses associated with newly acquired or developed stores.

Other (Expense) Income

Interest expense increased from \$18.1 million during the three months ended June 30, 2019 to \$18.7 million during the three months ended June 30, 2020, an increase of \$0.6 million, or 3.1%. The increase is attributable to a higher amount of outstanding debt during the three months ended June 30, 2020 as compared to the three months ended June 30, 2019. The average outstanding debt balance increased \$159.1 million to \$1,980.7 million during the three months ended June 30, 2020 as compared to \$1,821.6 million during the three months ended June 30, 2019 as the result of borrowings to fund a portion of the Company's acquisition activity. The weighted average effective interest rate on the Company's outstanding debt for the three months ended June 30, 2020 and 2019 was 3.92% and 4.13%, respectively.

Equity in (losses) earnings of real estate ventures decreased \$10.7 million from the three months ended June 30, 2019 to the three months ended June 30, 2020. The change is mainly driven by our prior year share of the gains attributable to HVP III, a real estate venture in which we previously owned a 10% interest. The gains were recorded in connection with HVP III's sale of 50 properties during the three months ended June 30, 2019.

Comparison of the six months ended June 30, 2020 to the six months ended June 30, 2019 (in thousands)

	Same-Store Property Portfolio				Non Same-Store Properties		Other/ Eliminations		Total Portfolio			
	2020	2019	Increase/ (Decrease)	% Change	2020	2019	2020	2019	2020	2019	Increase/ (Decrease)	% Change
REVENUES:												
Rental income	\$ 259,467	\$ 258,256	\$ 1,211	0.5 %	\$ 22,002	\$ 9,363	\$ —	\$ —	\$ 281,469	\$ 267,619	\$ 13,850	5.2 %
Other property related income	25,177	27,146	(1,969)	(7.3)%	2,590	1,253	5,657	4,198	33,424	32,597	827	2.5 %
Property management fee income	—	—	—	0.0 %	—	—	12,986	11,646	12,986	11,646	1,340	11.5 %
Total revenues	284,644	285,402	(758)	(0.3)%	24,592	10,616	18,643	15,844	327,879	311,862	16,017	5.1 %
OPERATING EXPENSES:												
Property operating expenses	87,322	84,707	2,615	3.1 %	9,615	5,337	14,148	11,501	111,085	101,545	9,540	9.4 %
NET OPERATING INCOME:	197,322	200,695	(3,373)	(1.7)%	14,977	5,279	4,495	4,343	216,794	210,317	6,477	3.1 %
Store count	477	477			50	39			527	516		
Total square footage	33,238	33,238			3,800	2,811			37,038	36,049		
Period end occupancy ⁽¹⁾	94.0 %	93.5 %			79.4 %	69.9 %			92.5 %	91.6 %		
Period average occupancy ⁽²⁾	92.2 %	92.1 %										
Realized annual rent per occupied sq. ft. ⁽³⁾	\$ 16.92	\$ 16.87										
Depreciation and amortization									80,731	79,105	1,626	2.1 %
General and administrative									19,908	18,947	961	5.1 %
Subtotal									100,639	98,052	2,587	2.6 %
OTHER (EXPENSE) INCOME												
Interest:												
Interest expense on loans									(37,383)	(35,651)	(1,732)	(4.9)%
Loan procurement amortization expense									(1,507)	(1,395)	(112)	(8.0)%
Equity in (losses) earnings of real estate ventures									(179)	10,788	(10,967)	(101.7)%
Other									163	(343)	506	147.5 %
Total other expense									(38,906)	(26,601)	(12,305)	(46.3)%
NET INCOME									77,249	85,664	(8,415)	(9.8)%
NET (INCOME) LOSS ATTRIBUTABLE TO NONCONTROLLING INTERESTS												
Noncontrolling interests in the Operating Partnership									(772)	(857)	85	9.9 %
Noncontrolling interests in subsidiaries									(76)	111	(187)	(168.5)%
NET INCOME ATTRIBUTABLE TO THE COMPANY'S COMMON SHAREHOLDERS									\$ 76,401	\$ 84,918	\$ (8,517)	(10.0)%

(1) Represents occupancy at June 30th of the respective period.

(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 \$267.6 million during the six months ended June 30, 2019 to \$281.5 million during the six months ended June 30, 2020, an increase of \$13.9 million, or 5.2%. The \$1.2 million increase in same-store rental income was due primarily to higher net rental rates prior to the impact of COVID-19. Realized annual rent per square foot on our same-store portfolio increased 0.3% as a result of higher rental rates for new and existing customers for the six months ended June 30, 2020 as compared to the six months ended June 30, 2019. The remaining increase is primarily attributable to \$12.6 million of additional rental income from the stores acquired or opened in 2019 and 2020 included in our non-same store portfolio.

Other property related income increased from \$32.6 million during the six months ended June 30, 2019 to \$33.4 million during the six months ended June 30, 2020, an increase of \$0.8 million, or 2.5%. The \$2.0 million decrease in same-store other property related income is mainly attributable to a decrease in fee revenue due to the impact of COVID-19. This decrease is offset by a \$1.3 million increase in other property related income derived from the stores acquired or opened in 2019 and 2020 included in our non-same store portfolio as well as a \$1.5 million increase resulting primarily from increased customer insurance participation at our managed stores.

Property management fee income increased from \$11.6 million during the six months ended June 30, 2019 to \$13.0 million during the six months ended June 30, 2020, an increase of \$1.3 million, or 11.5%. This increase was attributable to an increase in management fees related to the third-party management business resulting from more stores under management (719 stores as of June 30, 2020 compared to 648 stores as of June 30, 2019) and higher revenue at these managed stores.

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Operating Expenses

Property operating expenses increased from \$101.5 million during the six months ended June 30, 2019 to \$111.1 million during the six months ended June 30, 2020, an increase of \$9.5 million, or 9.4%. The \$2.6 million increase in property operating expenses on the same-store portfolio was primarily due to increases in property taxes and advertising costs of \$2.2 million and \$1.7 million, respectively, offset by decreases in personnel expenses and maintenance costs of \$0.3 million and \$0.5 million, respectively. Additionally, \$4.3 million of the increase is attributable to expenses associated with newly acquired or developed stores.

Depreciation and amortization increased from \$79.1 million during the six months ended June 30, 2019 to \$80.7 million during the six months ended June 30, 2020, an increase of \$1.6 million, or 2.1%. This increase is primarily attributable to depreciation and amortization expense related to stores acquired and developed during 2019 and 2020.

General and administrative expenses increased from \$18.9 million during the six months ended June 30, 2019 to \$19.9 million during the six months ended June 30, 2020, an increase of \$1.0 million, or 5.1%. The change is primarily attributable to increased personnel expenses resulting from additional employee headcount to support our growth.

Other (Expense) Income

Interest expense increased from \$35.7 million during the six months ended June 30, 2019 to \$37.4 million during the six months ended June 30, 2020, an increase of \$1.7 million, or 4.9%. The increase is attributable to a higher amount of outstanding debt during the six months ended June 30, 2020 as compared to the six months ended June 30, 2019. The average outstanding debt balance increased \$146.2 million to \$1,962.5 million during the six months ended June 30, 2020 as compared to \$1,816.3 million during the six months ended June 30, 2019 as the result of borrowings to fund a portion of the Company's acquisition activity. The weighted average effective interest rate on the Company's outstanding debt for the six months ended June 30, 2020 and 2019 was 3.94% and 4.11%, respectively.

Equity in (losses) earnings of real estate ventures decreased \$11.0 million from the six months ended June 30, 2019 to the six months ended June 30, 2020. The change is mainly driven by our prior year share of the gains attributable to HVP III, a real estate venture in which we previously owned a 10% interest. The gains were recorded in connection with HVP III's sale of 50 properties during the six months ended June 30, 2019.

Cash Flows

Comparison of the six months ended June 30, 2020 to the six months ended June 30, 2019

A comparison of cash flow from operating, investing and financing activities for the six months ended June 30, 2020 and 2019 is as follows:

Net cash provided by (used in):	Six Months Ended June 30,		Change
	2020	2019	
	(in thousands)		
Operating activities	\$ 188,515	\$ 177,264	\$ 11,251
Investing activities	\$ (124,525)	\$ (250,843)	\$ 126,318
Financing activities	\$ (116,039)	\$ 82,480	\$ (198,519)

Cash provided by operating activities increased from \$177.3 million for the six months ended June 30, 2019 to \$188.5 million for the six months ended June 30, 2020, reflecting an increase of \$11.3 million. Our increased cash flow from operating activities was primarily attributable to stores acquired and developed during 2019 and 2020 as well as increased management fees related to the third-party management business resulting from more stores under management (719 stores as of June 30, 2020 compared to 648 stores as of June 30, 2019).

Cash used in investing activities decreased from \$250.8 million for the six months ended June 30, 2019 to \$124.5 million for the six months ended June 30, 2020, reflecting a decrease of \$126.3 million. The change was primarily driven by \$118.0 million of cash used for the acquisition of our partner's ownership interest in HVP III, a previously

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unconsolidated real estate venture, during the six months ended June 30, 2019 with no comparable payments during the six months ended June 30, 2020.

Cash used in financing activities was \$116.0 million during the six months ended June 30, 2020 compared to \$82.5 million of cash provided by financing activities during the six months ended June 30, 2019, reflecting a change of \$198.5 million. This change is primarily the result of \$347.7 million of net proceeds from our issuance of unsecured senior notes in January 2019, with no comparable cash inflow during the 2020 period, as well as a decrease of \$135.2 million in proceeds received from the issuance of common shares during the six months ended June 30, 2020 compared to the six months ended June 30, 2019. These reductions in cash inflows were offset by a \$200.0 million cash payment made to repay our unsecured term loan in January 2019 and a \$57.7 million increase in net revolving credit facility payments during the six months ended June 30, 2020 compared to the six months ended June 30, 2019. The change is also impacted by the combined \$32.7 million cash outflow for the acquisition of the noncontrolling members' interests in three separate consolidated joint ventures during the six months ended June 30, 2019.

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 at our stores and fees earned from managing stores. 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 properties in which we invest, self-storage properties, are less sensitive than other real estate product types to near-term economic downturns. However, prolonged economic downturns will adversely affect our cash flows from operations.

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

Our short-term liquidity needs consist primarily of funds necessary to pay operating expenses associated with our stores, refinancing of certain mortgage indebtedness, interest expense and scheduled principal payments on debt, expected distributions to limited partners and shareholders, capital expenditures and the development of new stores. These funding requirements will vary from year to year, in some cases significantly. For the remainder of the 2020 fiscal year, we expect recurring capital expenditures to be approximately \$6.0 million to \$11.0 million, planned capital improvements and store upgrades to be approximately \$11.0 million to \$16.0 million and costs associated with the development of new stores to be approximately \$21.5 million to \$36.5 million. Our currently scheduled principal payments on our outstanding debt are approximately \$11.5 million for the remainder of 2020.

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

Our liquidity needs beyond 2020 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 stores; (iii) acquisitions of additional stores; and (iv) development of new stores. We will have to satisfy the portion of our needs not covered by cash flow from operations through additional borrowings, including borrowings under our Amended and Restated Credit Facility, sales of common or preferred shares of the Parent Company and common or preferred units of the Operating Partnership and/or cash generated through store dispositions and joint venture transactions.

We believe that, as a publicly traded REIT, we will have access to multiple sources of capital to fund our long-term liquidity requirements, including the incurrence of additional debt and the issuance of additional equity. However, we

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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 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, 2020, we had approximately \$3.5 million in available cash and cash equivalents. In addition, we had approximately \$733.9 million of availability for borrowings under our Amended and Restated Credit Facility.

The COVID-19 pandemic has impacted the cost of debt and equity capital, and may continue to do so. Based upon our substantial current liquidity relative to our capital requirements discussed above, and our strong financial profile and credit ratings, we do not expect such capital market dislocations to have a material impact on our ability to raise capital. However, these market dislocations, if they were to persist for a long period of time or intensify, could impact our ability to raise capital in the future.

Unsecured Senior Notes

Our unsecured senior notes, which are issued by the Operating Partnership and guaranteed by the Parent Company, are summarized as follows (collectively referred to as the “Senior Notes”):

Unsecured Senior Notes	June 30, 2020	December 31, 2019	Effective Interest Rate	Issuance Date	Maturity Date
	(in thousands)				
\$250M 4.800% Guaranteed Notes due 2022	\$ 250,000	\$ 250,000	4.82 %	Jun-12	Jul-22
\$300M 4.375% Guaranteed Notes due 2023 ⁽¹⁾	300,000	300,000	4.33 %	Various ⁽¹⁾	Dec-23
\$300M 4.000% Guaranteed Notes due 2025 ⁽²⁾	300,000	300,000	3.99 %	Various ⁽²⁾	Nov-25
\$300M 3.125% Guaranteed Notes due 2026	300,000	300,000	3.18 %	Aug-16	Sep-26
\$350M 4.375% Guaranteed Notes due 2029	350,000	350,000	4.46 %	Jan-19	Feb-29
\$350M 3.000% Guaranteed Notes due 2030	350,000	350,000	3.04 %	Oct-19	Feb-30
Principal balance outstanding	1,850,000	1,850,000			
Less: Discount on issuance of unsecured senior notes, net	(3,659)	(3,860)			
Less: Loan procurement costs, net	(9,620)	(10,415)			
Total unsecured senior notes, net	\$ 1,836,721	\$ 1,835,725			

(1) On April 4, 2017, the Operating Partnership issued \$50.0 million of its 4.375% senior notes due 2023, which are part of the same series as the \$250.0 million principal amount of the Operating Partnership’s 4.375% senior notes due December 15, 2023 issued on December 17, 2013. The \$50.0 million and \$250.0 million tranches were priced at 105.040% and 98.995%, respectively, of the principal amount to yield 3.495% and 4.501%, respectively, to maturity. The combined weighted average effective interest rate of the 2023 notes is 4.330%.

(2) On April 4, 2017, the Operating Partnership issued \$50.0 million of its 4.000% senior notes due 2025, which are part of the same series as the \$250.0 million principal amount of the Operating Partnership’s 4.000% senior notes due November 15, 2025 issued on October 26, 2015. The \$50.0 million and \$250.0 million tranches were priced at 101.343% and 99.735%, respectively, of the principal amount to yield 3.811% and 4.032%, respectively, to maturity. The combined weighted average effective interest rate of the 2025 notes is 3.994%.

The indenture under which the Senior Notes were issued restricts the ability of the Operating Partnership and its subsidiaries to incur debt unless the Operating Partnership and its consolidated subsidiaries comply with a leverage ratio not to exceed 60% and an interest coverage ratio of more than 1.5:1.0 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,

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including a covenant not to own unencumbered assets with a value less than 150% of the unsecured indebtedness of the Operating Partnership and its consolidated subsidiaries. As of June 30, 2020, the Operating Partnership was in compliance with all of the financial covenants under the Senior Notes.

Revolving Credit Facility and Unsecured Term Loans

On December 9, 2011, we entered into a credit agreement (the “Credit Facility”), which was subsequently amended on April 5, 2012, June 18, 2013 and April 22, 2015 to provide for, among other things, a \$200.0 million unsecured term loan with a maturity date of January 31, 2019 and a \$500.0 million unsecured revolving facility with a maturity date of April 22, 2020. On June 19, 2019, we amended and restated, in its entirety, the Credit Facility (the “Amended and Restated Credit Facility”) which, subsequent to the amendment and restatement, is comprised of a \$750.0 million unsecured revolving facility (the “Revolver”) maturing on June 19, 2024. Under the Amended and Restated Credit Facility, pricing on the Revolver is dependent upon our unsecured debt credit ratings. At the Company’s current Baa2/BBB level, amounts drawn under the Revolver are priced at 1.10% over LIBOR, inclusive of a facility fee of 0.15%. We incurred costs of \$3.9 million in 2019 in connection with amending and restating the Credit Facility and capitalized such costs as a component of Loan procurement costs, net of amortization on the consolidated balance sheets.

As of June 30, 2020, borrowings under the Revolver had an effective weighted average interest rate of 1.26%. Additionally, as of June 30, 2020, \$733.9 million was available for borrowing under the Revolver. The available balance under the Revolver is reduced by an outstanding letter of credit of \$0.7 million.

On January 31, 2019, we used a portion of the net proceeds from the issuance of \$350.0 million of 4.375% Senior Notes due 2029 (the “2029 Notes”) to repay all of the outstanding indebtedness under the \$200.0 million unsecured term loan portion of the Credit Facility.

On June 20, 2011, we entered into an unsecured term loan agreement (the “Term Loan Facility”), which was subsequently amended on June 18, 2013 and August 5, 2014, consisting of, among other things, a \$100.0 million unsecured term loan that was scheduled to mature in January 2020. On June 19, 2019, we used an initial advance at closing of the Amended and Restated Credit Facility to repay all of the outstanding indebtedness under the unsecured term loan portion of the Term Loan Facility. Unamortized loan procurement costs of \$0.1 million were written off in conjunction with the repayment.

Under the Amended and Restated Credit Facility, our ability to borrow under the Revolver is subject to ongoing compliance with certain financial covenants which include, among other things, (1) a maximum total indebtedness to total asset value of 60.0%, and (2) a minimum fixed charge coverage ratio of 1.5:1.0. As of June 30, 2020, we were in compliance with all of our financial covenants.

At-the-Market Equity Program

We maintain an “at-the-market” equity program that enables us to sell up to 60.0 million common shares through sales agents pursuant to equity distribution agreements (the “Equity Distribution Agreements”).

We did not sell any common shares under the Equity Distribution Agreements during the six months ended June 30, 2020. As of June 30, 2020, 14.6 million common shares remained available for issuance under the Equity Distribution Agreements.

Non-GAAP Financial Measures

NOI

We define net operating income, which we refer to as “NOI”, as total continuing revenues less continuing property operating expenses. NOI also can be calculated by adding back to net income (loss): interest expense on loans, loan procurement amortization expense, loan procurement amortization expense - early repayment of debt, acquisition related costs, equity in losses of real estate ventures, other expense, depreciation and amortization expense, general and administrative expense, and deducting from net income (loss): gains from sale of real estate, net, other income, gains

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from remeasurement of investments in real estate ventures and interest income. NOI is not a measure of performance calculated in accordance with GAAP.

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

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

FFO

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

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

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

[Table of Contents](#)**FFO, as adjusted**

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

The following table presents a reconciliation of net income attributable to the Company's common shareholders to FFO (and FFO, as adjusted) attributable to common shareholders and OP unitholders for the three and six months ended June 30, 2020 and 2019.

	<u>Three Months Ended June 30,</u>		<u>Six Months Ended June 30,</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
	(dollars in thousands)			
Net income attributable to the Company's common shareholders	\$ 38,505	\$ 49,420	\$ 76,401	\$ 84,918
Add (deduct):				
Real estate depreciation and amortization:				
Real property	39,021	39,903	79,029	77,629
Company's share of unconsolidated real estate ventures	1,953	1,812	3,662	3,756
Gains from sale of real estate, net ⁽¹⁾	—	(10,667)	—	(10,667)
Noncontrolling interests in the Operating Partnership	389	499	772	857
FFO attributable to common shareholders and OP unitholders	<u>\$ 79,868</u>	<u>\$ 80,967</u>	<u>\$ 159,864</u>	<u>\$ 156,493</u>
Add:				
Loan procurement amortization expense - early repayment of debt	—	141	—	141
FFO, as adjusted, attributable to common shareholders and OP unitholders	<u>\$ 79,868</u>	<u>\$ 81,108</u>	<u>\$ 159,864</u>	<u>\$ 156,634</u>
Weighted average diluted shares outstanding	194,192	190,543	194,231	189,286
Weighted average diluted units outstanding	1,949	1,866	1,961	1,897
Weighted average diluted shares and units outstanding	196,141	192,409	196,192	191,183

(1) The three and six months ended June 30, 2019 include \$10.7 million of gains from sale of real estate, net that are included in the Company's share of equity in (losses) earnings of real estate ventures.

Off-Balance Sheet Arrangements

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

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

Market Risk

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

Effect of Changes in Interest Rates on our Outstanding Debt

Our interest rate risk objectives are to limit the impact of interest rate fluctuations on earnings and cash flows and to lower our overall borrowing costs. To achieve these objectives, we manage our exposure to fluctuations in market interest rates for a portion of our borrowings through the use of derivative financial instruments such as interest rate swaps or caps to mitigate our interest rate risk on a related financial instrument or to effectively lock the interest rate on a portion of our variable rate debt. The analysis below presents the sensitivity of the market value of our financial instruments to selected changes in market 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, 2020, our consolidated debt consisted of \$1,943.2 million of outstanding mortgage loans and notes payable and unsecured senior notes that are subject to fixed rates. Additionally, as of June 30, 2020, there were \$15.4 million of outstanding unsecured credit facility borrowings subject to floating rates. Changes in market interest rates have different impacts on the fixed and variable rate portions of our debt portfolio. A change in market interest rates on the fixed portion of the debt portfolio impacts the net financial instrument position, but has no impact on interest incurred or cash flows. A change in market interest rates on the variable portion of the debt portfolio impacts the interest incurred and cash flows, but does not impact the net financial instrument position.

If market interest rates on our variable rate debt increase by 100 basis points, the increase in annual interest expense on our variable rate debt would decrease future earnings and cash flows by approximately \$0.2 million a year. If market interest rates on our variable rate debt decrease by 100 basis points, the decrease in interest expense on our variable rate debt would increase future earnings and cash flows by approximately \$0.2 million a year.

If market interest rates increase by 100 basis points, the fair value of our outstanding fixed-rate mortgage debt and unsecured senior notes would decrease by approximately \$107.2 million. If market rates of interest decrease by 100 basis points, the fair value of our outstanding fixed-rate mortgage debt and unsecured senior notes would increase by approximately \$121.0 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 Exchange Act).

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

Changes in Internal Control Over Financial Reporting

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

Controls and Procedures (Operating Partnership)

Evaluation of Disclosure Controls and Procedures

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

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

Changes in Internal Control Over Financial Reporting

There has been no change in the Operating Partnership's internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) during 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 1. LEGAL PROCEEDINGS

To our knowledge and except as otherwise disclosed in this quarterly report, no legal proceedings are pending against us, other than routine actions and administrative proceedings, and other actions not deemed material, and which, in the aggregate, are not expected to have a material adverse effect on our financial condition, results of operations or cash flows.

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

Repurchases of Parent Company Common Shares

The following table provides information about repurchases of the Parent Company's common shares during the three months ended June 30, 2020:

	<u>Total Number of Shares Purchased ⁽¹⁾</u>	<u>Average Price Paid Per Share</u>	<u>Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs</u>	<u>Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs</u>
April 1 - April 30	380	\$ 25.46	N/A	3,000,000
May 1 - May 31	290	\$ 26.91	N/A	3,000,000
June 1 - June 30	43	\$ 26.93	N/A	3,000,000
Total	713	\$ 26.14	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.

On September 27, 2007, the Parent Company announced that the Board of Trustees (the "Board") 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, 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.

ITEM 5. OTHER INFORMATION

Compensatory Arrangements of Certain Officers

On November 1, 2016, the Compensation Committee (the "Committee") of the Board as well as the Board, approved an Executive Severance Plan (the "Severance Plan"). The Severance Plan provides for certain severance benefits to the Company's President and Chief Executive Officer; the Chief Financial Officer; and the Chief Legal Officer on account of an involuntary termination, including a termination by the Company without "cause" (as defined in the Severance Plan) or on account of the employee's disability, a termination by the employee for "good reason" (as defined in the Severance Plan), or a termination on account of the employee's death. On August 5, 2020, the Committee and the Board approved the participation of the Company's Chief Operating Officer in the Severance Plan effective immediately. The Committee designated the Chief Operating Officer as a Tier III employee under the Severance Plan.

Amendment to Bylaws

On August 5, 2020, the Board of the Company approved amendments to amend and restate the Company's Bylaws (the "Bylaws"). Prior thereto, the Bylaws were last amended on September 14, 2011.

Set forth below is a summary of the amendments to the Bylaws. Capitalized terms used but not defined herein have the meanings ascribed thereto in the Bylaws.

Provisions Relating to Shareholders' Meetings

- Clarify that the annual meeting of the Company's shareholders for the election of the Board's Trustees (each, a "Trustee" and, collectively, the "Trustees") and the transaction of any other business that is properly brought before the meeting in accordance with the requirements of the Bylaws, the Maryland General Corporation law, as amended

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from time to time (the “MGCL”), the Maryland REIT Law, and other applicable law shall be held on such date and time designated by resolution of the Board adopted by a majority of the total number of authorized Trustees, whether or not there exists any vacancies in previously authorized Trusteeships at the time such resolution is presented to the Board for adoption (the “Entire Board”).

- Provide that the date and time of the Company’s annual meeting of shareholders may be changed in the same manner as is required to fix the original date and time of the Company’s annual meeting.
- Provide greater specificity as to who is permitted to call a special meeting of shareholders, including providing that, in addition to special meetings called by the chair of the Board at the request of shareholders who comply with the procedures and requirements of the Bylaws with regard to shareholder requests for a special meeting to be called, special meetings of the shareholders for any purpose or purposes may be called by (i) the chair of the board if delegated that authority by a resolution of the Board adopted by the affirmative vote of a majority of the Entire Board, (ii) the chief executive officer, if delegated that authority by a resolution of the Board adopted by the affirmative vote of a majority of the Entire Board, and (iii) the Board by resolution of the Board adopted by the affirmative vote of a majority of the Entire Board.
- Provide greater specificity as to the process to be followed by shareholders who want a special meeting of shareholders to be called, including (i) providing procedures for shareholders to follow in submitting a request to the Company for a record date to be fixed for determining the shareholders that beneficially own (within the meaning of Rule 13d-3 under the Securities Exchange Act of 1934, as amended (the “Exchange Act”)) the ownership percentage required to request that a special meeting be called (a “Record Date Request), (ii) specifying the content required to be included in a Record Date Request, (iii) providing procedures for shareholders to follow in submitting a request to the Company for a special meeting of shareholders to be called (a “Special Meeting Request”), and (iv) specifying the content required to be included in a Special Meeting Request.
- Provide that shareholders cannot request that a special meeting be called unless a shareholder of record of the Trust has first caused a Record Date Request, in proper written form, to be delivered to, or mailed and received by, the secretary of the Trust.
- Provide that, to be in proper form, a Record Date Request shall be in writing and shall include the following: (i) with respect to each of the shareholders (and each of their Shareholder Associated Persons) requesting that a Request Record Date be set, the information that such shareholder (and each of its Shareholder Associated Persons) would be required by the Bylaws to be provided in an advance notice submitted by such shareholder in connection with an annual meeting of shareholders, (ii) a description in reasonable detail of the business desired to be brought before the special meeting, (iii) the text of the proposed business (including the text of any resolutions proposed for consideration and in the event such business includes a proposal, whether binding or precatory, to amend the Bylaws, the Company’s Amended and Restated Declaration of Trust (the “Declaration of Trust”), or any policy of the Trust, the text of the proposed amendment), (iv) a description in reasonable detail of the reasons for conducting such business at a special meeting, (v) a description in reasonable detail of any interest in such business, direct or indirect, monetary or non-monetary, of such requesting shareholders or any of their respective Shareholder Associated Persons, including any anticipated benefit to such requesting shareholders or any of their respective Shareholder Associated Persons therefrom, and (vi) a reasonably detailed description of all agreements, arrangements, and understandings (whether written or oral, formal or informal) between or among any of the shareholders requesting a record date for a special meeting (including their respective Shareholder Associated Persons), or between or among any such requesting shareholders (including their respective Shareholder Associated Persons) and any other person (naming each such person), in connection with their Record Date Request or the business or nominees for election to the Board proposed to be acted on at a special meeting; and providing further that, if Trustees are proposed to be elected at such shareholder requested special meeting, the Record Date Request shall also include the information for each such person whom the shareholders (or any of their Shareholder Associated Persons) submitting the Record Date Request propose to nominate for election as a Trustee at such special meeting that would be required by the Bylaws to be provided for each such person in an advance notice submitted in connection with an annual meeting of shareholders where such person was proposed as a nominee for election to the Board.

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- Provide that, to be in proper form, a Special Meeting Request shall be in writing and shall include the following: (i) with respect to each of the shareholders (and each of their Shareholder Associated Persons) requesting the special meeting (but excluding any shareholder that has made such request in response to a solicitation made pursuant to, and in accordance with, Section 14(a) of the Exchange Act by way of a solicitation statement filed with the U.S. Securities and Exchange Commission (the “SEC”) on Schedule 14A), the information that such shareholder (and each of its Shareholder Associated Persons) would be required by the Bylaws to be provided in an advance notice submitted by such shareholder in connection with an annual meeting of shareholders, (ii) a description in reasonable detail of the business desired to be brought before a special meeting, (iii) the text of the proposed business (including the text of any resolutions proposed for consideration and in the event such business includes a proposal, whether binding or precatory, to amend the Bylaws, the Declaration of Trust, or any policy of the Trust, the text of the proposed amendment), (iv) a description in reasonable detail of the reasons for conducting such business at a special meeting, (v) a description in reasonable detail of any interest in such business, direct or indirect, monetary or non-monetary, of such requesting shareholders or any of their respective Shareholder Associated Persons, including any anticipated benefit to such requesting shareholders or any of their respective Shareholder Associated Persons therefrom, and (vi) a reasonably detailed description of all agreements, arrangements, and understandings (whether written or oral, formal or informal) between or among any of the shareholders requesting a special meeting (including their respective Shareholder Associated Persons), or between or among any such requesting shareholders (including their respective Shareholder Associated Persons) and any other person (naming each such person), in connection with the Special Meeting Request or the business or nominees for election to the Board proposed to be acted on at the special meeting; and further, if Trustees are proposed to be elected at the special meeting, the Special Meeting Request must also include the information for each such person whom the requesting shareholders (or any of their Shareholder Associated Persons) propose to nominate for election as a Trustee at the special meeting that would be required by the Bylaws to be provided for each such person in an advance notice submitted in connection with an annual meeting of shareholders where such person was proposed as a nominee for election to the Board.
- Provide that the Board shall have the sole power to fix, by resolution of the Board adopted by the affirmative vote of a majority of the Entire Board, the record date for determining the shareholders who beneficially own (within the meaning of Rule 13d-3 under the Exchange Act) the ownership percentage required to request that a special meeting be called.
- Facilitate the conduct of orderly meetings of shareholders by providing for how the chair and secretary of the meeting are designated, by providing the Board and the chair of the meeting with the authority, to the maximum extent permitted by applicable law, to prescribe the rules, regulations, and procedures, and to take such action, as is appropriate for the proper conduct of the meeting, and providing that the chair of the meeting shall have the authority to rule of the precedence of, and procedure for, motions and other procedural matters.
- Provide for an orderly and transparent process by which proposed business and nomination of persons for election to the Board are brought before an annual and special meeting of shareholders and clarify that that no business can be brought before a meeting of shareholders unless brought in accordance with the processes set forth in the Bylaws.
- Require that any business proposed for consideration by shareholders at any annual or special meeting of shareholders must (i) be a proper subject to be proposed and voted upon by shareholders of the Company under the Bylaws, the Declaration of Trust, the MGCL, the Maryland REIT Law, and other applicable law, and (ii) must not relate to a matter that is expressly reserved for action by the Board under the Bylaws, the Declaration of Trust, the MGCL, the Maryland REIT Law, and other applicable law.
- Provide that any previously scheduled annual or special meeting of the shareholders may be postponed, and any previously scheduled annual or special meeting of the shareholders called by the Board may be canceled, by resolution of the Board upon public notice given prior to the time previously scheduled for such meeting of shareholders.

Provisions Relating to Advance Notices of Shareholder Proposals and Trustee Nominations

- Enhance the information that the Board has access to about any shareholders and their Shareholder Associated Persons (as defined in the Bylaws) proposing to bring business before a meeting of the shareholders, including requiring (i) disclosure of the class and number of all Trust Securities (as defined in the Bylaws) which are owned beneficially (within the meaning of Rule 13d-3 under the Exchange Act) or of record by such shareholder and any Shareholder Associated Person and the date(s) on which each such Trust Security was acquired; provided, however, that such shareholder and any Shareholder Associated Person shall in all events be deemed to beneficially own any Trust Securities as to which such shareholder or Shareholder Associated Person has a right to acquire beneficial ownership at any time in the future, whether such right is exercisable immediately, only after the passage of time or only upon the satisfaction of certain conditions precedent, (ii) a reasonably detailed description of any agreement, arrangement, or understanding (whether written or oral, formal or informal), including any short interest or any borrowing or lending of shares of stock, that has been made by or on behalf of such shareholder or any Shareholder Associated Person, the effect or intent of any of the foregoing being to profit or share in any benefit from any decrease in the price of any Trust Security held by such shareholder or any Shareholder Associated Person or to mitigate loss from, or to manage risk of, stock price changes for, such shareholder or any Shareholder Associated Person or to increase or decrease the voting power or pecuniary or economic interest of such shareholder or any Shareholder Associated Person with respect to any Trust Securities, (iii) a reasonably detailed description of any proxy, contract, arrangement, understanding, or relationship, whether written or oral and formal or informal, between or among such shareholder or any Shareholder Associated Person and any other person (naming each such person) pursuant to which such shareholder has a right to vote any shares of the Company, (iv) a reasonably detailed description of any plans or proposals of such shareholder or any Shareholder Associated Person relating to the Company that would be required to be disclosed by such shareholder or Shareholder Associated Person pursuant to Item 4 of Schedule 13D if a Schedule 13D relating to the Company was filed with the SEC by such shareholder or Shareholder Associated Person pursuant to the Exchange Act (regardless of whether the requirement to file a Schedule 13D with the SEC is applicable to such shareholder or Shareholder Associated Person) together with a description of any agreements, arrangements, or understandings (whether written or oral and whether formal or informal) that relate to such plans or proposals and naming all the parties to any such agreements, arrangements, or understandings, and (v) disclosure of any information about any Shareholder Associated Person required to be disclosed in a proxy statement filed with the SEC in connection with a contested election of Trustees (even if a contested election is not involved) in which such shareholder or such Shareholder Associated Person is a participant or is otherwise involved, in each case, pursuant to Regulation 14A under the Exchange Act.
- Enhance the information that the Board has access to about any nominees proposed for election to the Board including, but not limited to, as to each person the shareholder proposes to nominate for election or re-election as a Trustee (i) all information that would be required to be set forth in an advance notice pursuant to the Bylaws' advance notice provisions if such proposed nominee was the shareholder submitting the advance notice, (ii) a description in reasonable detail of any direct and indirect compensation, reimbursement, indemnification, benefits, and other agreements, arrangements, or understandings (written or oral and formal or informal and whether monetary or non-monetary) and any other material relationships (A) between or among such proposed nominee and the shareholder submitting the advance notice or any Shareholder Associated Person, and (B) between or among such proposed nominee and any other person or entity (naming such person or entity) in connection with such proposed nominee's nomination to the Board, and, if elected, such nominee's service as a member of the Board, (iii) to the extent that such proposed nominee has been previously convicted in any state or federal court of any criminal offense involving a felony, fraud, dishonesty, or a breach of trust or duty, a description in reasonable detail of such offense and all legal proceedings relating thereto, (iv) a description in reasonable detail of any and all litigation, whether or not judicially resolved, settled, or dismissed, relating to the proposed nominee's past or current service on the board of directors, board of trustees, or similar governing body of any corporation, limited liability company, partnership, trust, or any other entity, (v) a description in reasonable detail of any agreements, arrangements, or understandings (whether written or oral, formal or informal) between such proposed nominee and any person as to how such proposed nominee, if elected as a Trustee, would act or vote on any issue or question that may come before the Board, (vi) a description in reasonable detail of any agreements, arrangements, or understandings (whether written or oral, formal or informal) between such proposed nominee and any person that could limit or interfere with such proposed nominee's ability to comply, if elected as a Trustee, with his or her fiduciary duties

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under applicable law, (vii) any agreement, arrangement or understanding between the proposed nominee and any person that contemplates such proposed nominee, if elected to the Board, resigning as a member of the Board prior to the conclusion of the term of office to which such proposed nominee was elected, and (viii) the amount of any equity securities beneficially owned by such proposed nominee in any company that is a direct competitor of the Company.

- Enhance the information that the Board has access to about any business proposed by a shareholder, including (i) the text of the proposed business (including the text of any resolutions proposed for consideration and in the event such business includes a proposal, whether binding or precatory, to amend the Bylaws, the Declaration of Trust or any policy of the Company, the text of the proposed amendment), and, (ii) expanding the information required to be disclosed about the interests, direct or indirect, monetary or non-monetary, of the proposing shareholder or any Shareholder Associated Person in such proposed business, including any anticipated benefit to the proposing shareholder or any Shareholder Associated Person therefrom.
- In furtherance of the Company's majority voting policy applicable to the election of Trustees, require a shareholder to provide, for each proposed nominee for election to the Board, each proposed nominee's irrevocable and executed advance letter of resignation as a Trustee, effective upon such person's failure to receive, at the next duly called meeting of shareholders at which a quorum is present and at which such person faces re-election, the affirmative vote of a majority of the total votes cast for and affirmatively withheld as to such individual's re-election, such resignation being effective only upon acceptance thereof by the Board.
- Provide that a shareholder cannot include in a Shareholder Notice a number of proposed nominees for election as Trustees that is greater than the number of Trustees to be elected to the Board at the shareholders' meeting which, in the absence of any contrary public announcement, may be assumed to be the number of Trustees serving on the Board at the time that the advance notice is submitted to the Company.
- Provide that, with respect to a shareholder who submitted to the Company, prior to the Shareholder Notice Deadline (as defined in the Bylaws), an advance notice of nominations in compliance with the Bylaws' advance notice provisions in all applicable respects, in the event that, subsequent to the Shareholder Notice Deadline, the number of Trustees to be elected to the Board is increased and there is no public announcement by the Company of such action or specifying the size of the increased Board at least 100 calendar days prior to the first anniversary of the date of mailing of the proxy statement with respect to the preceding year's annual meeting of shareholders, the advance notice of nominations required by the Bylaws' advance notice provisions shall also be considered timely, but only with respect to nominees for any new Trustee positions created by such increase, and only if such advance notice is delivered to, or mailed to and received by, the secretary of the Company at the principal executive offices of the Company not later than the close of business on the 10th calendar day immediately following the day on which such public announcement is first made by the Company.
- Provide that a person shall be deemed "Acting in Concert" with another person if such person knowingly acts (whether or not pursuant to an express, written or oral, agreement, arrangement or understanding) in concert with, or towards a common goal relating to the leadership, management, governance, board composition, strategic direction, value enhancement plans, or control of the Company in parallel with, such other person where (i) each person is conscious of the other person's conduct or intent and this awareness is an element in their decision-making processes, and (ii) at least two additional factors suggest that such persons knowingly intend to act in concert or in parallel towards a common goal relating to the leadership, management, governance, board composition, strategic direction, value enhancement plans, or control of the Company, which such additional factors may include, without limitation, exchanging information (whether publicly or privately), attending meetings, conducting discussions, or making or soliciting invitations to act in concert or in parallel; provided, however, that a person shall not be deemed to be Acting in Concert with any other person solely as a result of the solicitation or receipt of revocable proxies or consents from such other person in response to a solicitation made pursuant to, and in accordance with, Section 14(a) of the Exchange Act by way of a proxy or consent solicitation statement filed with the SEC on Schedule 14A.
- Expand the definition of "Shareholder Associated Persons" of a proposing and/or nominating shareholder to include, among others, (i) any beneficial owner of the Trust Securities owned of record or beneficially by such

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shareholder (other than a shareholder that is a depository), (ii) any Affiliate or Associate (within the meaning of Rule 12b-2 under the Exchange Act) of such shareholder or beneficial owner, (iii) any person Acting in Concert with such shareholder or beneficial owner, (iv) any participant (as defined in paragraphs (a)(ii)-(vi) of Instruction 3 to Item 4 of Schedule 14A) with such shareholder or beneficial owner in any solicitation of proxies contemplated by the advance notice delivered to the Company pursuant to the Bylaws, (v) any person who may be deemed to be a member of a “group” (as such term is used in Rule 13d-5 under the Exchange Act) with any such shareholder or beneficial owner (or any of their respective Affiliates or Associates) relating to the shares of beneficial interest of the Company, regardless of whether such person is disclosed as a member of a “group” in a Schedule 13D or an amendment thereto filed with the SEC relating to the Company, and (vi) any person that, directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, such shareholder or any Shareholder Associated Person identified in the foregoing clauses (i), (ii), (iii), (iv), or (v).

- Provide that a shareholder, by its delivery of an advance notice to the Company, represents and warrants that all information contained in such advance notice is true and accurate in all material respects.
- Provide that, for an advance notice to comply with the advance notice provisions of the Bylaws, all the information required to be included therein by the Bylaws’ advance notice provisions must be set forth in writing directly within the body of the advance notice, rather than be incorporated by reference from any pre-existing document or writing, including, but not limited to, any documents publicly filed with the SEC.
- Provide that, for an advance notice to comply with the advance notice provisions of the Bylaws, each of the requirements of such advance notice provisions must be directly and expressly responded to and an advance notice must clearly indicate and expressly reference which of the advance notice provisions the information disclosed is intended to be responsive to.
- Provide that a shareholder submitting an advance notice, by its delivery to the Company, acknowledges that it understands that nothing contained therein shall be considered confidential or proprietary information and that neither the Company, the Board, nor any agents or representatives thereof shall be restricted, in any manner, from publicly disclosing or using any of the information contained in an advance notice.
- Provide that, notwithstanding any notice of the shareholders’ meeting, proxy statement, or supplement thereto sent to shareholders on behalf of the Company, a shareholder must separately comply with the Bylaws’ advance notice provisions to propose any nominations or other business at any shareholders’ meeting, including delivering its own separate and timely advance notice to the secretary of the Company that complies in all respects with the requirements of the Bylaws’ advance notice provisions.
- Provide that, notwithstanding the other requirements contained in the Bylaws’ advance notice provisions, a shareholder must also comply with all applicable requirements of the MGCL, the Maryland REIT Law, the Exchange Act and the rules and regulations thereunder and of the SEC, and other applicable law with respect to the matters set forth in the Bylaws’ advance notice provisions, any solicitation of proxies contemplated by the shareholder in connection with its submission of an advance notice, and any filings made, or required to be made, with the SEC in connection therewith.
- Provide that a shareholder’s proposed nominations and other business can be disregarded if the shareholder is not Present in Person (as defined in the Bylaws) at the shareholders’ meeting to present its proposed nominations and/or other business, or if the shareholder breaches, or takes any action contrary to, any of the representations it made in its advance notice applicable to such shareholder’s proposed nominations and/or other business.
- Clarify that the disclosures required by the Bylaws’ advance notice provisions to be included in an advance notice shall not include any disclosures with respect to the ordinary course of business activities of any broker, dealer, commercial bank, or trust company who is deemed a Shareholder Associated Person solely as a result of being the shareholder directed to prepare and submit the advance notice on behalf of a beneficial owner of the shares held of record by such broker, dealer, commercial bank, or trust company and who is not otherwise affiliated or associated with such beneficial owner.

Provisions Relating to Board Matters

- Provide that, any Trustee may resign by written notice to the Board effective upon (i) execution and delivery to the Company of such written notice, (ii) any future date specified in the notice, (iii) the occurrence of a certain future event (including the failure to receive a specified vote for election as a Trustee), and/or (iv) the acceptance by the Board, and, further, that a Trustee's resignation that is conditioned upon the Trustee failing to receive a specified vote for re-election as a Trustee may provide that it is irrevocable.

Exclusive Forum for Adjudication of Certain Disputes

- Provide that, unless the Company expressly consents in writing to the selection of an alternative forum, the Circuit Court for Baltimore City, Maryland, or, if that Court does not have jurisdiction, the United States District Court for the District of Maryland, Baltimore Division, shall, to the fullest extent permitted by applicable law, be the sole and exclusive forum for (a) any Internal Corporate Claim, as such term is defined in Section 1-101(p) of the MGCL, or any successor provision thereof, (b) any derivative action or proceeding brought on behalf of the Company, (c) any action asserting a claim of breach of any (i) duty owed by any Trustee, officer, manager, agent, or employee of the Company to the Company or to the shareholders of the Company, or (ii) standard of conduct applicable to Trustees, (d) any action asserting a claim against the Company or any Trustee, officer, manager, agent, or employee of the Company arising pursuant to any provision of Maryland law, including, but not limited to, the MGCL and the Maryland REIT Law, the Declaration of Trust, or the Bylaws, including any disputes, claims, or controversies brought by or on behalf of any shareholder (which, for purposes of the Bylaws, shall mean any shareholder of record or any beneficial owner of any Trust Securities, or any former holder of record or beneficial owner of any Trust Securities), either on his, her, or its own behalf, on behalf of the Company or on behalf of shareholders of the Company against the Company or any Trustee, officer, manager, agent, or employee of the Company, including any disputes, claims or controversies relating to the meaning, interpretation, effect, validity, performance, or enforcement of the Declaration of Trust or the Bylaws, including the exclusive forum provisions thereof, or (e) any other action asserting a claim against the Company or any Trustee, officer, manager, agent, or employee of the Company that is governed by the internal affairs doctrine of the State of Maryland.
- Provide that the failure to enforce the exclusive forum provisions of the Bylaws would cause the Company irreparable harm and that the Company shall be entitled to equitable relief, including injunctive relief and specific performance, to enforce the Bylaws' exclusive forum provisions.
- Provide that any person or entity purchasing or otherwise acquiring any interest in any Trust Securities shall be deemed to have notice of and consented to the Bylaws' exclusive forum provisions.

Other Revisions

- Incorporate into the amendment and restatement of the Bylaws the amendment to the Bylaws adopted by the Board on May 31, 2017 that provided shareholders of the Company with the right to propose amendments or modifications to the Bylaws and to approve such amendments or modifications by the affirmative vote of a majority of the shares then outstanding and entitled to vote on the matter.
- Provide various miscellaneous provisions and definitions applicable to the Bylaws.
- Incorporate into the Bylaws various other "clean-up" changes, including, but not limited to, grammatical and other typographical corrections, formatting changes, revisions to headings, titles and captions, and providing capitalized definitions for certain terms.

The foregoing description of the various amendments included in the Bylaws does not purport to be complete and is qualified in its entirety by reference to the complete text of the Bylaws that were adopted by the Board on August 5, 2020, a copy of which is attached to this Quarterly Report on Form 10-Q as Exhibit 3.1 and incorporated by reference in its entirety.

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ITEM 6. EXHIBITS

Exhibit No.	Exhibit Description
3.1	Amended and Restated Bylaws of CubeSmart, as amended and restated as of August 5, 2020. (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 six months ended June 30, 2020, formatted in Inline 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)
104	Cover Page Interactive Data File – the cover page interactive data file does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document

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 7, 2020

By: /s/ Christopher P. Marr
Christopher P. Marr, Chief Executive Officer
(Principal Executive Officer)

Date: August 7, 2020

By: /s/ Timothy M. Martin
Timothy M. Martin, Chief Financial Officer
(Principal Financial Officer)

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 7, 2020

By: /s/ Christopher P. Marr
Christopher P. Marr, Chief Executive Officer
(Principal Executive Officer)

Date: August 7, 2020

By: /s/ Timothy M. Martin
Timothy M. Martin, Chief Financial Officer
(Principal Financial Officer)

**FOURTH AMENDED AND RESTATED BYLAWS
OF
CUBESMART
Adopted as of August 5, 2020**

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FOURTH AMENDED AND RESTATED BYLAWS

OF

CUBESMART

(Adopted as of August 5, 2020)

The following constitutes the Fourth Amended and Restated Bylaws (the “Bylaws”) of CubeSmart, a Maryland real estate investment trust (the “Trust”):

ARTICLE I OFFICES

PRINCIPAL OFFICE. The principal office of the Trust shall be located at such place or places as the board of trustees of the Trust (the “Board of Trustees”) may designate.

ADDITIONAL OFFICES. The Trust may have additional offices at such places as the Board of Trustees may from time to time determine or the business of the Trust may require.

ARTICLE II MEETINGS OF SHAREHOLDERS

PLACE. All meetings of shareholders shall be held at the principal office of the Trust or at such other place within the United States as shall be set by the Board of Trustees and stated in the notice of the meeting.

ANNUAL MEETING. An annual meeting of the shareholders for the election of trustees (the “Trustees”) and the transaction of any other business that is properly brought before the meeting in accordance with the requirements of these Bylaws, including, but not limited to, Section 12 of this Article II, the Trust’s Declaration of Trust, as amended, restated, or supplemented from time to time (the “Declaration of Trust”), the Maryland General Corporation Law, as amended from time to time (the “MGCL”), the Maryland REIT Law, and other applicable law shall be held on a date and at the time designated by resolution of the Board of Trustees adopted by a majority of the total number of authorized Trustees, whether or not there exist any vacancies in previously authorized trusteeships at the time such resolution is presented to the Board of Trustees for adoption (the “Entire Board”). The date and time of the annual meeting may subsequently be changed in the same manner as is required to fix the original date and time of the annual meeting. Failure to hold an annual meeting does not invalidate the Trust’s existence or affect any otherwise valid acts of the Trust.

SPECIAL MEETINGS.

(a) Special meetings of the shareholders for any purpose or purposes may be called by (i) the chair of the board if delegated that authority by a resolution of the Board of Trustees adopted by the affirmative vote of a majority of the Entire Board, (ii) the chief executive officer, if delegated that authority by a resolution of the Board of Trustees adopted by the

affirmative vote of a majority of the Entire Board, or (iii) the Board of Trustees by resolution of the Board of Trustees adopted by the affirmative vote of a majority of the Entire Board, and not by any other person or persons.

(b) Special meetings of the shareholders shall also be called by the chair of the board upon the written request of shareholders (a “Shareholder Requested Special Meeting”) who, at the time such request for a Shareholder Requested Special Meeting (a “Special Meeting Request”) is submitted, beneficially own (within the meaning of Rule 13d-3 under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), in the aggregate, at least a majority of the shares that would be entitled to be voted on the matters such shareholders intend to bring before such Shareholder Requested Special Meeting (the “Requisite Percentage”), and who (i) cause a Special Meeting Request, in proper written form in compliance with Section 3(e) hereof, to be delivered to, or mailed and received by, the secretary of the Trust at the principal executive offices of the Trust, and (ii) comply with the other procedures and requirements contained in this Section 3 in all applicable respects.

(c) Notwithstanding anything to the contrary contained in these Bylaws, no shareholder may request that a Shareholder Requested Special Meeting be called unless a shareholder of record of the Trust has first caused a written request in proper form (“Record Date Request”) to be delivered to, or mailed and received by, the secretary of the Trust requesting that the Board of Trustees fix a record date (a “Request Record Date”) for the purpose of determining the shareholders who beneficially own (within the meaning of Rule 13d-3 under the Exchange Act) the Requisite Percentage and who are entitled to request that a Shareholder Requested Special Meeting be called. The Board of Trustees shall have the sole power to fix, by resolution of the Board of Trustees adopted by the affirmative vote of a majority of the Entire Board, the record date for determining shareholders entitled to request that a Shareholder Requested Special Meeting be called.

(d) To be in proper form, a Record Date Request shall be in writing and shall include the following: (i) with respect to each of the shareholders (and each of their Shareholder Associated Persons (as defined below)) requesting that a Request Record Date be set, the information required by Section 12(a)(2)(iii) hereof, (ii) a description in reasonable detail of the business desired to be brought before a Shareholder Requested Special Meeting, (iii) the text of the proposed business (including the text of any resolutions proposed for consideration and in the event such business includes a proposal, whether binding or precatory, to amend these Bylaws, the Declaration of Trust, or any policy of the Trust, the text of the proposed amendment), (iv) a description in reasonable detail of the reasons for conducting such business at a Shareholder Requested Special Meeting, (v) a description in reasonable detail of any interest in such business, direct or indirect, monetary or non-monetary, of such requesting shareholders or any of their respective Shareholder Associated Persons, including any anticipated benefit to such requesting shareholders or any of their respective Shareholder Associated Persons therefrom, and (vi) a reasonably detailed description of all agreements, arrangements, and understandings (whether written or oral, formal or informal) between or among any of the shareholders requesting a Request Record Date (including their respective Shareholder Associated Persons), or between or among any such requesting shareholders (including their respective Shareholder Associated Persons) and any other person (naming each such person), in connection with their Record Date Request or the business or nominees for election to the Board of Trustees proposed to be acted on at a Shareholder

Requested Special Meeting. If Trustees are proposed to be elected at a Shareholder Requested Special Meeting, the Record Date Request shall also include the information for each such person whom the shareholders (or any of their Shareholder Associated Persons) submitting the Record Date Request propose to nominate for election as a Trustee at the Shareholder Requested Special Meeting that is required to be disclosed for each person pursuant to Section 12(a)(2)(i) hereof.

(e) To be in proper form, a Special Meeting Request shall be in writing and shall include the following: (i) with respect to each of the shareholders (and each of their Shareholder Associated Persons) requesting the Shareholder Requested Special Meeting (but excluding any shareholder that has made such request in response to a solicitation made pursuant to, and in accordance with, Section 14(a) of the Exchange Act by way of a solicitation statement filed with the U.S. Securities and Exchange Commission (the “SEC”) on Schedule 14A), the information required by Section 12(a)(2)(iii) hereof, (ii) a description in reasonable detail of the business desired to be brought before a Shareholder Requested Special Meeting, (iii) the text of the proposed business (including the text of any resolutions proposed for consideration and in the event such business includes a proposal, whether binding or precatory, to amend these Bylaws, the Declaration of Trust, or any policy of the Trust, the text of the proposed amendment), (iv) a description in reasonable detail of the reasons for conducting such business at a Shareholder Requested Special Meeting, (v) a description in reasonable detail of any interest in such business, direct or indirect, monetary or non-monetary, of such requesting shareholders or any of their respective Shareholder Associated Persons (as defined below), including any anticipated benefit to such requesting shareholders or any of their respective Shareholder Associated Persons therefrom, and (vi) a reasonably detailed description of all agreements, arrangements, and understandings (whether written or oral, formal or informal) between or among any of the shareholders requesting a Shareholder Requested Special Meeting (including their respective Shareholder Associated Persons), or between or among any such requesting shareholders (including their respective Shareholder Associated Persons) and any other person (naming each such person), in connection with the Special Meeting Request or the business or nominees for election to the Board of Trustees proposed to be acted on at the Shareholder Requested Special Meeting. If Trustees are proposed to be elected at the Shareholder Requested Special Meeting, the Special Meeting Request must also include the information for each such person whom the requesting shareholders (or any of their Shareholder Associated Persons) propose to nominate for election as a Trustee at the Shareholder Requested Special Meeting that is required to be disclosed for each person pursuant to Section 12(a)(2)(i) hereof.

(f) Any matters proposed by shareholders for action at a Shareholder Requested Special Meeting (i) must be a proper subject to be proposed and voted upon by shareholders of the Trust under these Bylaws, the Declaration of Trust, the MGCL, the Maryland REIT Law, and other applicable law, and (ii) must not relate to a matter that is expressly reserved for action by the Board of Trustees under these Bylaws, the Declaration of Trust, the MGCL, the Maryland REIT Law, or other applicable law. Upon receipt of such Special Meeting Request, the Trust shall inform such shareholders of the reasonably estimated cost of preparing and mailing a notice of the Shareholder Requested Special Meeting and, upon payment of such costs to the Trust, the Trust shall mail the notice to each shareholder entitled to notice of such meeting. The Board of Trustees shall have the sole power to set, by resolution of the Board of Trustees adopted by the affirmative vote of a majority of the Entire Board, the date, time, and place of the Shareholder Requested Special Meeting.

(g) Notwithstanding anything to the contrary contained in these Bylaws, business brought before any Shareholder Requested Special Meeting by shareholders shall be limited to the matters proposed in a Special Meeting Request submitted by such shareholders in compliance with this Section 3; *provided, however*, that nothing herein shall prohibit the Board of Trustees from bringing other matters before the shareholders at any Shareholder Requested Special Meeting and including such matters in the notice of the meeting it provides to shareholders.

NOTICE. Not less than ten nor more than 90 calendar days before each meeting of shareholders, the secretary shall give to each shareholder entitled to vote at such meeting and to each shareholder not entitled to vote who is entitled to notice of the meeting written or printed notice stating the time and place of the meeting and, in the case of a special meeting or as otherwise may be required by applicable law, the purpose for which the meeting is called, either by mail, by presenting it to such shareholder personally or by leaving it at his or her residence or usual place of business, or by transmitting it to such shareholder by electronic mail to any electronic mail address of such shareholder or by any other electronic means. If mailed, such notice shall be deemed to be given when deposited in the United States mail addressed to the shareholder at his or her post office address as it appears on the records of the Trust, with postage thereon prepaid.

SCOPE OF NOTICE. Subject to compliance with Section 12(a) of this Article II with respect to matters intended to be brought before an annual meeting by shareholders, any business of the Trust may be brought before an annual meeting of shareholders by or at the direction of the Board of Trustees (or any duly authorized committee thereof) without being specifically designated in the notice of the meeting (or any supplement thereto), except such business as is required by applicable law to be stated in such notice. No business shall be transacted at a special meeting of shareholders except as specifically designated in the notice of the meeting (or any supplement thereto) given by or at the direction of the person authorized to call the special meeting in accordance with these Bylaws.

ORGANIZATION AND CONDUCT.

(a) Organization of Shareholders' Meetings. At every meeting of the shareholders, the chair of the board, if there be one, or if not, such person who is designated from time to time by the Board by a resolution of the Board adopted by the affirmative vote of a majority of the Entire Board, shall act as chair of the meeting and the presiding officer thereof and shall call all meetings to order. The Secretary of the Trust shall act as secretary of all meetings of the shareholders, and in the absence of the Secretary at a meeting of shareholders, an Assistant Secretary, if any, shall act as secretary of such meeting of the shareholders, and, in the absence of the Secretary or any Assistant Secretary, the chair of the meeting may appoint any person to act as secretary of the meeting. The order of business and all other matters of procedure at any meeting of shareholders shall be determined by the chair of the meeting.

(b) Conduct of Shareholders' Meetings. To the maximum extent permitted by applicable law, the Board of Trustees shall be entitled to prescribe, or in the absence of the Board of Trustees doing so, the chair of the meeting shall be entitled to prescribe, such rules, regulations, and procedures and take such action as it, he, or she, as the case may be, shall deem appropriate for the proper conduct of the meeting, including, without limitation, (i) restricting admission to the time set for the commencement of the meeting; (ii) limiting attendance at the meeting to

shareholders of record of the Trust, their duly authorized proxies or other such persons as the chair of the meeting may determine; (iii) limiting participation at the meeting on any matter to shareholders of record of the Trust entitled to vote on such matter, their duly authorized proxies or other such persons as the chair of the meeting may determine to recognize and, as a condition to recognizing any such participant, requiring such participant to provide the chair of the meeting with evidence of his or her name and affiliation, whether he or she is a shareholder or a proxy for a shareholder, and the class and series and number of shares of each class and series of shares of the Trust which are owned beneficially and/or of record by such shareholder; (iv) limiting the time allotted to questions or comments by participants; (v) taking such actions as are necessary or appropriate to maintain order, decorum, safety and security at the meeting; (vi) complying with any state and local laws and regulations concerning safety and security; (vii) restricting use of audio or video recording devices at the meeting; (viii) removing any shareholder or any other person who refuses to comply with meeting procedures, rules, or guidelines as set forth by the chair of the meeting; (ix) recessing or adjourning the meeting to a later date and time and place announced at the meeting; and (x) taking such other action as, in the discretion of the chair of the meeting, is deemed necessary, appropriate or convenient for the proper conduct of the meeting. Unless otherwise determined by the Board of Trustees or the chair of the meeting, meetings of shareholders shall not be required to be held in accordance with the rules of parliamentary procedure. The chair of the meeting shall also rule on the precedence of, and procedure on, motions and other procedural matters.

QUORUM. At any meeting of shareholders, the presence in person or by proxy of shareholders entitled to cast a majority of all the votes entitled to be cast at such meeting shall constitute a quorum; but this section shall not affect any requirement under any applicable law or the Declaration of Trust for the vote necessary for the adoption of any measure. If, however, such quorum shall not be present at any meeting of the shareholders, the chair of the meeting shall have the power to adjourn the meeting from time to time to a date not more than 120 calendar days after the original record date without a new record date and without notice other than announcement at the meeting. At such adjourned meeting at which a quorum shall be present, any business may be transacted which might have been transacted at the meeting as originally notified. The shareholders present either in person or by proxy, at a meeting which has been duly called and at which a quorum was established, may continue to transact business until adjournment, notwithstanding the withdrawal of enough shareholders to leave less than a quorum.

VOTING. A plurality of all the votes cast at a meeting of shareholders duly called and at which a quorum is present shall be sufficient to elect a Trustee. Each share may be voted for as many individuals as there are Trustees to be elected and for whose election the share is entitled to be voted. A majority of the votes cast at a meeting of shareholders duly called and at which a quorum is present shall be sufficient to approve any other matter which may properly come before the meeting, unless a higher vote is required herein or by applicable law or by the Declaration of Trust. Unless otherwise provided in the Declaration of Trust, each outstanding share, regardless of class, shall be entitled to one vote on each matter submitted to a vote at a meeting of shareholders.

PROXIES. At each meeting of the shareholders, a shareholder may cast the votes entitled to be cast by the shares owned of record by the shareholder either in person or by proxy executed by the shareholder or by the shareholder's duly authorized agent in any manner

permitted by applicable law. Such proxy or evidence of authorization of such proxy shall be filed with the secretary of the Trust before or at the time of the meeting. No proxy shall be valid after eleven months from the date of its execution, unless otherwise expressly provided in the proxy.

VOTING OF SHARES BY CERTAIN HOLDERS.

(a) Shares of the Trust registered in the name of a corporation, partnership, trust or other entity, if entitled to be voted, may be voted by the president or a vice president, a general partner or trustee thereof, as the case may be, or a proxy appointed by any of the foregoing individuals, unless some other person who has been appointed to vote such shares pursuant to a bylaw or a resolution of the governing board of such corporation or other entity or agreement of the partners of the partnership presents a certified copy of such bylaw, resolution or agreement, in which case such person may vote such shares. Any trustee or other fiduciary may vote shares registered in his or her name as such fiduciary, either in person or by proxy.

(b) Shares of the Trust directly or indirectly owned by it shall not be voted at any meeting and shall not be counted in determining the total number of outstanding shares entitled to be voted at any given time, unless they are held in a fiduciary capacity, in which case they may be voted and shall be counted in determining the total number of outstanding shares at any given time.

(c) The Board of Trustees may adopt by resolution a procedure by which a shareholder may certify in writing to the Trust that any shares registered in the name of the shareholder are held for the account of a specified person other than the shareholder. The resolution shall set forth the class of shareholders who may make the certification, the purpose for which the certification may be made, the form of certification and the information to be contained in it; if the certification is with respect to a record date or closing of the share transfer books, the time after the record date or closing of the share transfer books within which the certification must be received by the Trust; and any other provisions with respect to the procedure which the Board of Trustees considers necessary or desirable. On receipt of such certification, the person specified in the certification shall be regarded as, for the purposes set forth in the certification, the shareholder of record of the specified shares in place of the shareholder who makes the certification.

INSPECTORS.

(a) At any meeting of shareholders, the chair of the meeting may, or upon the request of any shareholder shall, appoint one or more persons as inspectors for such meeting. Such inspectors shall ascertain and report the number of shares represented at the meeting based upon their determination of the validity and effect of proxies, count all votes, report the results and perform such other acts as are proper to conduct the election and voting with impartiality and fairness to all the shareholders. In case any person who may be appointed as an inspector fails to appear or act, the vacancy may be filled by appointment made by the Board of Trustees in advance of the meeting or at the meeting by the chair of the meeting. No Trustee or candidate for election as a Trustee shall act as an inspector at a meeting of shareholders at which Trustees are to be elected.

(b) Each report of an inspector shall be in writing and signed by him or her or by a majority of them if there is more than one inspector acting at such meeting. If there is more than one inspector, the report of a majority shall be the report of the inspectors. The report of the inspector or inspectors on the number of shares represented at the meeting and the results of the voting shall be prima facie evidence thereof.

ADVANCE NOTICE OF SHAREHOLDER NOMINEES FOR TRUSTEE AND OTHER PROPOSALS BY SHAREHOLDERS.

(a) Annual Meetings of Shareholders.

(1) Nominations of persons for election to the Board of Trustees and the proposal of business to be considered by the shareholders may be made at an annual meeting of shareholders only (A) pursuant to the Trust's notice of meeting (or any supplement thereto) given by or at the direction of the Board of Trustees (or any duly authorized committee thereof), (B) if not specified in a notice of meeting (or any supplement thereto) given by or at the direction of the Board of Trustees (or any duly authorized committee thereof), otherwise brought before the annual meeting by or at the direction of the Board of Trustees (or any duly authorized committee thereof), or (C) by any shareholder of the Trust who is Present in Person (as defined below) and who (A) was a shareholder of record at the time of giving of notice provided for in this Section 12(a), (B) is a shareholder of record at the time of the annual meeting, (C) is entitled to vote at the meeting in the election of each person so nominated and on any such other business proposed by such shareholder, and (D) complies with this Section 12(a) in all applicable respects. Except for shareholder proposals submitted for inclusion in the Trust's proxy statement pursuant to, and in compliance with, Rule 14a-8 (and the interpretations thereunder) of the Exchange Act, and which proposals are not properly excludable under Rule 14a-8 of the Exchange Act, and which are included in the notice of meeting given by or at the direction of the Board of Trustees (or any duly authorized committee thereof), the foregoing clause (C) shall be the exclusive means for a shareholder to propose nominations of persons for election to the Board of Trustees and other business to be brought before an annual meeting of shareholders.

(2) For nominations of persons for election to the Board of Trustees or other business to be properly brought before an annual meeting by a shareholder pursuant to the terms hereof, the shareholder must have given timely and proper notice thereof (a "Shareholder Notice") in writing to the secretary of the Trust and such other proposed business must (A) be a proper subject to be proposed and voted upon by shareholders of the Trust under these Bylaws, the Declaration of Trust, the MGCL, the Maryland REIT Law, and other applicable law, and (B) must not relate to a matter that is expressly reserved for action by the Board of Trustees under these Bylaws, the Declaration of Trust, the MGCL, the Maryland REIT Law, or other applicable law. To be timely, a Shareholder Notice must be delivered to, or mailed and received by, the secretary of the Trust at the principal executive offices of the Trust by not later than the close of business on the 90th calendar day prior to the first anniversary of the date of mailing of the proxy statement for the preceding year's annual meeting nor earlier than the close of business on the 120th calendar day prior to the first anniversary of the date of mailing of the proxy statement for the preceding year's annual meeting; *provided, however*, that in the event that the date of the annual meeting is advanced or delayed by more than 30 calendar days from the first anniversary of the date of the preceding year's annual meeting, for a Shareholder Notice to be timely, it must be so

delivered or received not earlier than the close of business on the 120th calendar day prior to the date of such annual meeting and not later than the close of business on the later of the 90th calendar day prior to the date of such annual meeting or the 10th calendar day following the day on which public announcement of the date of such annual meeting is first made by the Trust. In no event shall the public announcement of a postponement or adjournment of an annual meeting to a later date or time commence a new time period for the giving of a Shareholder Notice as described above. For purposes of these Bylaws, “Shareholder Notice Deadline” shall mean the last date for a shareholder to deliver a Shareholder Notice with respect to an annual meeting of shareholders in accordance with the provisions of this Section 12. For a Shareholder Notice to be proper, it must set forth the following:

(i) as to each person whom the shareholder proposes to nominate for election or reelection as a Trustee,

(A) all information that would be required to be set forth in a Shareholder Notice pursuant to this Section 12 if such proposed nominee was the shareholder submitting the Shareholder Notice,

(B) the name, age, business address, residence address, email address, and telephone number of such proposed nominee,

(C) the class and number of shares of beneficial interest or other securities of the Trust (collectively, the “Trust Securities”) that are beneficially owned (within the meaning of Rule 13d-3 under the Exchange Act) or owned of record by such proposed nominee, the date(s) on which each such Trust Security was acquired, and any short interest in any Trust Security (including any opportunity to profit or share in any benefit from any decrease in the price of any Trust Security) held by such proposed nominee,

(D) a description in reasonable detail of any and all direct and indirect compensation, reimbursement, indemnification, benefits, and other agreements, arrangements and understandings (written or oral and formal or informal and whether monetary or non-monetary) and any other material relationships (i) between or among such proposed nominee, and the shareholder submitting the Shareholder Notice or any Shareholder Associated Person, including all information that would be required to be disclosed pursuant to Items 403 and 404 promulgated under Regulation S-K (or any such successor rule) if the shareholder submitting the Shareholder Notice or Shareholder Associated Person was the “registrant” for purposes of such Items and such proposed nominee was a trustee, director, or executive officer of such registrant, and (ii) between or among such proposed nominee and any other person or entity (naming such person or entity) in connection with such nominee’s nomination to the Board of Trustees, and, if elected, such nominee’s service as a member of the Board of Trustees,

(E) to the extent that such proposed nominee has been previously convicted in any state or federal court of any criminal offense involving a felony, fraud, dishonesty, or a breach of trust or duty, a description in reasonable detail of such offense and all legal proceedings relating thereto,

(F) a description in reasonable detail of any and all

litigation, whether or not judicially resolved, settled, or dismissed, relating to the proposed nominee's past or current service on the board of directors, board of trustees, or similar governing body of any corporation, limited liability company, partnership, trust, or any other entity,

(G) a description in reasonable detail of any agreements, arrangements, or understandings (whether written or oral, formal or informal) between such proposed nominee and any person as to how such proposed nominee, if elected as a Trustee, would act or vote on any issue or question that may come before the Board of Trustees,

(H) a description in reasonable detail of any agreements, arrangements, or understandings (whether written or oral, formal or informal) between such proposed nominee and any person that could limit or interfere with such proposed nominee's ability to comply, if elected as a Trustee, with his or her fiduciary duties under applicable law,

(I) a description in reasonable detail of any agreements, arrangements, or understandings (whether written or oral, formal or informal) between such proposed nominee and any person that contemplates such proposed nominee, if elected as a Trustee, resigning as a member of the Board of Trustees prior to the conclusion of the term of office to which such proposed nominee was elected,

(J) the amount of any equity securities beneficially owned by such proposed nominee in any company that is a direct competitor of the Trust, and

(K) all other information relating to such proposed nominee that is required to be disclosed in a proxy statement filed with the SEC in connection with a contested election of Trustees (even if an election contest is not involved) wherein such proposed nominee is named as a candidate for election to the Board of Trustees, or is otherwise required, in each case pursuant to Regulation 14A (or any successor provision) under the Exchange Act;

(ii) as to any other business that the shareholder proposes to bring before the shareholders' meeting, (A) a description in reasonable detail of the business desired to be brought before the meeting, (B) the text of the proposed business (including the text of any resolutions proposed for consideration and in the event such business includes a proposal, whether binding or precatory, to amend these Bylaws, the Declaration of Trust or any policy of the Trust, the text of the proposed amendment), (C) a description in reasonable detail of the reasons for conducting such business at the meeting, and (D) a description in reasonable detail of any interest in such business, direct or indirect, monetary or non-monetary, of such shareholder or any Shareholder Associated Person (as defined below), including any anticipated benefit to the shareholder or Shareholder Associated Person therefrom; and

(iii) as to the shareholder giving the Shareholder Notice:

(A) the name, business address, email address, and telephone number of such shareholder and any Shareholder Associated Person,

(B) the class and number of all Trust Securities which are owned beneficially (within the meaning of Rule 13d-3 under the Exchange Act) or of record by such shareholder and any Shareholder Associated Person and the date(s) on which each such Trust

Security was acquired; *provided, however*, that such shareholder and any Shareholder Associated Person shall in all events be deemed to beneficially own any Trust Securities as to which such shareholder or Shareholder Associated Person has a right to acquire beneficial ownership at any time in the future, whether such right is exercisable immediately, only after the passage of time or only upon the satisfaction of certain conditions precedent,

(C) a reasonably detailed description of any agreement, arrangement, or understanding (whether written or oral, formal or informal), including any short interest or any borrowing or lending of shares of stock, that has been made by or on behalf of such shareholder or any Shareholder Associated Person, the effect or intent of any of the foregoing being to profit or share in any benefit from any decrease in the price of any Trust Security held by such shareholder or any Shareholder Associated Person or to mitigate loss from, or to manage risk of, stock price changes for, such shareholder or any Shareholder Associated Person or to increase or decrease the voting power or pecuniary or economic interest of such shareholder or any Shareholder Associated Person with respect to any Trust Securities,

(D) a reasonably detailed description of any economic interest in or any other right with respect to (including from a third party and naming such third party), any Trust Securities (or any rights, options or other securities convertible into or exercisable or exchangeable for such Trust Securities or any obligations measured by the price or value of any Trust Securities, including, without limitation, any swaps or other derivative arrangements) held by such shareholder or any Shareholder Associated Person,

(E) a reasonably detailed description of any proxy, contract, arrangement, understanding, or relationship, whether written or oral and formal or informal, between or among such shareholder or any Shareholder Associated Person and any other person (naming each such person) pursuant to which such shareholder has a right to vote any shares of the Trust,

(F) a reasonably detailed description of any agreements, arrangements or understandings, whether written or oral and formal or informal, between or among such shareholder or any Shareholder Associated Person, on the one hand, and any other persons (including any Shareholder Associated Person and naming each such persons), on the other hand, in connection with the nomination of any person for election as a Trustee or the proposal of any other business,

(G) a reasonably detailed description of any plans or proposals of such shareholder or any Shareholder Associated Person relating to the Trust that would be required to be disclosed by such shareholder or Shareholder Associated Person pursuant to Item 4 of Schedule 13D if a Schedule 13D relating to the Trust was filed with the SEC by such shareholder or Shareholder Associated Person pursuant to the Exchange Act (regardless of whether the requirement to file a Schedule 13D with the SEC is applicable to such shareholder or Shareholder Associated Person) together with a description of any agreements, arrangements, or understandings (whether written or oral and whether formal or informal) that relate to such plans or proposals and naming all the parties to any such agreements, arrangements, or understandings,

(H) a representation that such shareholder intends to be

Present in Person at the shareholder's meeting to nominate any person(s) named in its Shareholder Notice or to bring such business included in its Shareholder Notice before the meeting and whether or not such shareholder or any Shareholder Associated Person intends or is part of a group which intends to deliver a proxy statement and/or form of proxy to holders of at least the percentage of the outstanding shares of Trust Securities required to elect the proposed nominee(s) or approve the proposed business included in its Shareholder Notice and/or otherwise to solicit proxies from shareholders in support of the election of the proposed nominee(s) or the proposed business, and

(I) all other information relating to such shareholder and any Shareholder Associated Person that is required to be disclosed in a proxy statement filed with the SEC by such shareholder or any Shareholder Associated Person in connection with a contested solicitation of proxies for the election of Trustees (even if an election contest is not involved) in which such shareholder or any Shareholder Associated Person is a participant, or is otherwise required, in each case, pursuant to Regulation 14A (or any successor provision) under the Exchange Act.

In addition, any Shareholder Notice with respect to the nomination of an individual(s) for election as a Trustee must be accompanied by (i) a completed written questionnaire with respect to each proposed nominee with respect to the background and qualifications of such proposed nominee(s) (which questionnaire shall be provided by the Secretary of the Trust upon written request), (ii) each proposed nominee's written consent to being named in the proxy statement of the shareholder submitting the Shareholder Notice as a nominee for election as a Trustee and to serving as a Trustee if elected, and (iii) each proposed nominee's irrevocable and executed advance letter of resignation as a Trustee, effective upon such person's failure to receive, at the next duly called meeting of shareholders at which a quorum is present and at which such person faces re-election, the affirmative vote of a majority of the total votes cast for and affirmatively withheld as to such individual's re-election, such resignation being effective only upon acceptance thereof by the Board of Trustees. The Trust may require any proposed nominee to furnish such additional information as it may reasonably require to determine the eligibility of such proposed nominee to serve as an independent Trustee of the Trust or that could be material to a reasonable shareholder's understanding of the independence, or lack thereof, of such nominee.

(3) In no event can a shareholder include in a Shareholder Notice a number of proposed nominees for election as Trustees that is greater than the number of Trustees to be elected to the Board of Trustees at the shareholders' meeting which, in the absence of any contrary public announcement, may be assumed to be the number of Trustees serving on the Board of Trustees at the time that the Shareholder Notice is submitted to the Trust. Notwithstanding anything in this Section 12(a) to the contrary, in the event that the number of Trustees to be elected to the Board of Trustees is increased and there is no public announcement by the Trust of such action or specifying the size of the increased Board of Trustees at least 100 calendar days prior to the first anniversary of the date of mailing of the proxy statement with respect to the preceding year's annual meeting of shareholders, the Shareholder Notice required by this Section 12(a) shall also be considered timely, but only with respect to nominees for any new Trustee positions created by such increase, and only with respect to a shareholder who had, prior to such increase in the size of the Board of Trustees and the Shareholder Notice Deadline, previously submitted to the Trust, a Shareholder Notice proposing nominees for election to the Board in compliance with this Section 12 in all applicable respects, if the Shareholder Notice is delivered to, or mailed to and received

by, the secretary of the Trust at the principal executive offices of the Trust not later than the close of business on the 10th calendar day immediately following the day on which such public announcement is first made by the Trust.

(4) As used in these Bylaws, the term “Shareholder Associated Person” means, with respect to any shareholder, (i) any beneficial owner of shares of beneficial interest of the Trust owned of record or beneficially by such shareholder (other than a shareholder that is a depository), (ii) any Affiliate or Associate (within the meaning of Rule 12b-2 under the Exchange Act) of such shareholder or beneficial owner, (iii) any person Acting in Concert (as defined below) with such shareholder or beneficial owner, (iv) any participant (as defined in paragraphs (a)(ii)-(vi) of Instruction 3 to Item 4 of Schedule 14A) with such shareholder or beneficial owner in any solicitation of proxies contemplated by the Shareholder Notice delivered to the Trust pursuant to this Section 12, (v) any person who may be deemed to be a member of a “group” (as such term is used in Rule 13d-5 under the Exchange Act) with any such shareholder or beneficial owner (or any of their respective Affiliates or Associates) relating to the shares of beneficial interest of the Trust, regardless of whether such person is disclosed as a member of a “group” in a Schedule 13D or an amendment thereto filed with the SEC relating to the Trust, and (vi) any person that, directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, such shareholder or any Shareholder Associated Person identified in (i), (ii), (iii), (iv), or (v) above. For purposes of these Bylaws, a person shall be deemed to be “Acting in Concert” with another person if such person knowingly acts (whether or not pursuant to an express, written or oral, agreement, arrangement or understanding) in concert with, or towards a common goal relating to the leadership, management, governance, board composition, strategic direction, value enhancement plans, or control of the Trust in parallel with, such other person where (i) each person is conscious of the other person’s conduct or intent and this awareness is an element in their decision-making processes, and (ii) at least two additional factors suggest that such persons knowingly intend to act in concert or in parallel towards a common goal relating to the leadership, management, governance, board composition, strategic direction, value enhancement plans, or control of the Trust, which such additional factors may include, without limitation, exchanging information (whether publicly or privately), attending meetings, conducting discussions, or making or soliciting invitations to act in concert or in parallel; *provided, however*, that a person shall not be deemed to be Acting in Concert with any other person solely as a result of the solicitation or receipt of revocable proxies or consents from such other person in response to a solicitation made pursuant to, and in accordance with, Section 14(a) of the Exchange Act by way of a proxy or consent solicitation statement filed with the SEC on Schedule 14A. A person Acting in Concert with another person shall be deemed to be Acting in Concert with any third party who is also Acting in Concert with such other person.

(b) Special Meetings of Shareholders. Only such business shall be conducted at a special meeting of shareholders as shall have been properly brought before the special meeting. For business to be properly brought before a special meeting, it must be (i) specified in the Trust’s notice of meeting (or any supplement thereto) given by or at the direction of the Board of Trustees (or any duly authorized committee thereof), (ii) if not specified in the notice of meeting (or any supplement thereto) provided by or at the direction of the Board of Trustees (or any duly authorized committee thereof), otherwise properly brought before the special meeting by or at the direction of the Board of Trustees (or any duly authorized committee thereof), or (iii) otherwise properly brought before a properly requested Shareholder Requested Special Meeting in accordance with

the provisions of Section 3 and this Section 12(b). Notwithstanding anything contained herein to the contrary, nominations of persons for election to the Board of Trustees may be made at a special meeting of shareholders at which Trustees are to be elected only (i) pursuant to the Trust's notice of meeting (or any supplement thereto) given by or at the direction of the Board of Trustees (or any duly authorized committee thereof), (ii) by or at the direction of the Board of Trustees (or any duly authorized committee thereof), or (iii) provided that the Board of Trustees has determined that Trustees shall be elected at such special meeting, by any shareholder of the Trust who is Present in Person and who (i) was a shareholder of record at the time of giving of notice provided for in this Section 12(b), (ii) is a shareholder of record at the time of the special meeting, (iii) is entitled to vote at the special meeting in the election of each person so nominated, and (iv) complies with this Section 12(b) in all applicable respects, including, but not limited to, providing the information required by this Section 12(b) for such shareholder, any Shareholder Associated Person, and any proposed nominee. In the event the Trust calls a special meeting of shareholders for the purpose of electing one or more Trustees to the Board of Trustees, any such shareholder may nominate a person or persons (as the case may be) for election as a Trustee as specified in the Trust's notice of meeting, if the information required by Section 12(a)(2) of this Article II, including, but not limited to, providing the information required by Section 12(a)(2) for such shareholder, any Shareholder Associated Person, and any person the shareholder proposes to nominate for election to the Board at such meeting, shall be delivered to, or is mailed to and received by, the secretary of the Trust at the principal executive offices of the Trust not earlier than the close of business on the 120th calendar day prior to such special meeting and not later than the close of business on the later of the 90th calendar day prior to such special meeting or the 10th calendar day following the day on which public announcement is first made by the Trust of the date of the special meeting and the nominees proposed by the Board of Trustees to be elected at such meeting. Any shareholder that requests a Shareholder Requested Special Meeting in accordance with Section 3 of this Article II for the purpose of conducting any business other than the election of the Trustees will be required to cause all the information required by Section 12(a)(2) of this Article II, including, but not limited to, providing the information required by Section 12(a)(2) for such shareholder, any Shareholder Associated Person, and any business proposed to be conducted at such meeting, to be delivered to, or to be mailed to and received by, the secretary of the Trust concurrently with the delivery of their request for a Shareholder Requested Special Meeting and will otherwise be subject to the requirements set forth in Section 12(a)(2) of this Article II. Except as expressly provided by, and subject to compliance with, this Section 12(b), shareholders shall not be permitted to bring before any special meeting of shareholders any proposed business or the nomination of persons for election to the Board of Trustees. In no event shall the public announcement of a postponement or adjournment of a special meeting to a later date or time commence a new time period for providing any notice or other information as described above.

(c) General.

(1) A shareholder submitting a Shareholder Notice, by its delivery to the Trust, represents and warrants that all information contained therein, as of the Shareholder Notice Deadline, is accurate in all material respects. If any information contained in a Shareholder Notice is determined to be inaccurate in any material respect, such information may be deemed not to have been provided in accordance with this Section 12. Any such shareholder shall notify the Trust of any material inaccuracy or material change (within two Business Days of becoming

aware of such inaccuracy or change) in any such information. Upon written request by the secretary or the Board of Trustees or any committee thereof, any such shareholder shall provide, within five Business Days of delivery of such request (or such other period as may be specified in such request), (A) written verification, satisfactory to the secretary of the Trust or the Board of Trustees or any committee thereof, in its, his, or her sole discretion, of the accuracy of any information contained in a Shareholder Notice, and (B) a written update of any information contained in a Shareholder Notice submitted as of an earlier date. If a shareholder fails to provide such written verification or written update within such period, the information in the Shareholder Notice as to which written verification or a written update was requested may be deemed not to have been provided in accordance with this Section 12. For the avoidance of doubt, the corrections and/or updates required pursuant to this Section 12(c)(1) do not cause a Shareholder Notice that was inaccurate in any material respect when first delivered to the Trust prior to the Shareholder Notice Deadline to thereafter be in proper form in accordance with this Section 12.

(2) Only such persons who are nominated in accordance with this Section 12 shall be eligible to serve as Trustees, and only such business shall be conducted at a meeting of shareholders as shall have been properly brought before the meeting in accordance with this Section 12. The chair of the meeting shall have the power to determine, in consultation with counsel (who may be the Trust's internal counsel), and declare to the meeting that a nomination or any other business proposed to be brought before the meeting was not made or proposed, as the case may be, in accordance with this Section 12 and, if he or she should so determine, to declare to the meeting that such defective nomination or proposed business shall be disregarded.

(3) For a Shareholder Notice to comply with the requirements of this Section 12, all the information required to be included therein by this Section 12 must be set forth in writing directly within the body of the Shareholder Notice, rather than being incorporated by reference from any pre-existing document or writing, including, but not limited to, any documents publicly filed with the SEC.

(4) For a Shareholder Notice to comply with the requirements of this Section 12, each of the requirements of this Section 12 shall be directly and expressly responded to and a Shareholder Notice must clearly indicate and expressly reference which provisions of this Section 12 the information disclosed is intended to be responsive to. Any global cross-references shall be disregarded and information disclosed in the Shareholder Notice in response to any provision of this Section 12 shall not be deemed responsive to any other provision hereof unless it is expressly cross-referenced to such other provision and it is clearly apparent how such information is responsive to such other provision.

(5) A shareholder submitting a Shareholder Notice pursuant to this Section 12, by its delivery to the Trust, acknowledges that it understands that nothing contained therein shall be considered confidential or proprietary information and that neither the Trust, the Board of Trustees, nor any agents or representatives thereof shall be restricted, in any manner, from publicly disclosing or using any of the information contained in a Shareholder Notice.

(6) Notwithstanding the foregoing provisions of this Section 12, if a shareholder submitting a Shareholder Notice pursuant to this Section 12 is not Present in Person at the shareholders' meeting to present its proposed nominations or other business, or if the

shareholder breaches, or takes any action contrary to, any of the representations it made in the Shareholder Notice applicable to such shareholder's proposed nominations or other business, such proposed nominations or other business shall be disregarded, notwithstanding that proxies in respect of such matters may have been received by the Trust.

(7) Nothing in this Section 12 shall be deemed to give any shareholder the right to have any nominations of persons for election to the Board of Trustees or other proposed business included in any proxy statement prepared by the Trust. Notwithstanding any notice of the meeting, proxy statement or supplement thereto sent to shareholders on behalf of the Trust, a shareholder must separately comply with this Section 12 to propose any nominations or other business at any shareholders' meeting, including delivering its own separate and timely Shareholder Notice to the secretary of the Trust that complies in all respects with the requirements of this Section 12.

(8) For purposes of this Section 12, (a) "Business Day" shall mean any day other than a Saturday, Sunday, or a day on which banking institutions in the State of Maryland are authorized or obligated by applicable law or executive order to close, (b) "close of business" shall mean 5:00 p.m., local time, at the principal executive offices of the Trust on any calendar day, whether or not such day is a Business Day, (c) the "date of mailing of the proxy statement" shall mean the date of the definitive proxy statement for the solicitation of proxies for election of Trustees as such definitive proxy statement is filed with the SEC, (d) "Present in Person" shall mean that the shareholder proposing nominees for election as Trustees or other business to be brought before the shareholders' meeting, or, if the proposing shareholder is not an individual, a qualified representative of such proposing shareholder, appear in person at such shareholders' meeting (unless such meeting is held by means of the Internet or other electronic technology in which case the proposing shareholder or, if applicable, its qualified representative shall be present at such annual meeting by means of the Internet or other electronic technology), (e) "public announcement" or its corollary "publicly announced" shall mean disclosure by the Trust (i) in a press release either transmitted to the principal securities exchange on which the Trust's common shares are traded or reported by a recognized news or wire service, (ii) in a document publicly filed by the Trust with the SEC pursuant to Section 13, 14, or 15(d) of the Exchange Act, or (iii) pursuant to another method reasonably intended by the Trust to achieve broad-based dissemination of the information contained therein, and (f) "qualified representative" shall mean (i) if the shareholder is a corporation, any duly authorized officer of such corporation, (ii) if the shareholder is a limited liability company, any duly authorized member, manager or officer of such limited liability company, (iii) if the shareholder is a partnership, any general partner or person who functions as general partner for such partnership, (iv) if the shareholder is a trust, the trustee of such trust, or (v) if the shareholder is an entity other than the foregoing, the persons acting in such similar capacities as the foregoing with respect to such entity.

(9) Notwithstanding the foregoing provisions of this Section 12, a shareholder shall also comply with all applicable requirements of the MGCL, the Maryland REIT Law, the Exchange Act and the rules and regulations thereunder and of the SEC, and other applicable law with respect to the matters set forth in this Section 12, any solicitation of proxies contemplated by the shareholder in connection with its submission of a Shareholder Notice, and any filings made, or required to be made, with the SEC in connection therewith.

(10) Notwithstanding the foregoing provisions of this Section 12, the disclosures required by this Section 12 to be included in a Shareholder Notice shall not include any disclosures with respect to the ordinary course of business activities of any broker, dealer, commercial bank, or trust company who is deemed a Shareholder Associated Person solely as a result of being the shareholder directed to prepare and submit the Shareholder Notice on behalf of a beneficial owner of the shares held of record by such broker, dealer, commercial bank, or trust company and who is not otherwise affiliated or associated with such beneficial owner.

(11) Nothing in this Section 12 shall be deemed to affect any right of a shareholder to request inclusion of a proposal in, nor the right of the Trust to omit a proposal from, the Trust's proxy statement pursuant to, and subject to the limitations and requirements of, Rule 14a-8 (or any successor provision) under the Exchange Act and the SEC's and the SEC Staff's interpretations, guidance, and no-action letter determinations relating thereto.

POSTPONEMENT AND CANCELLATION OF MEETINGS. Any previously scheduled annual or special meeting of the shareholders may be postponed, and any previously scheduled annual or special meeting of the shareholders called by the Board of Trustees may be canceled, by resolution of the Board of Trustees upon public notice given prior to the time previously scheduled for such meeting of shareholders.

INFORMAL ACTION BY SHAREHOLDERS. Any action required or permitted to be taken at a meeting of shareholders may be taken without a meeting if a consent in writing, setting forth such action, is signed by each shareholder entitled to vote on the matter and any other shareholder entitled to notice of a meeting of shareholders (but not to vote thereat) has waived in writing any right to dissent from such action, and such consent and waiver are filed with the minutes of proceedings of the shareholders.

VOTING BY BALLOT. Voting on any question or in any election of Trustees may be by voice unless, before the voting begins, the presiding officer shall order or any shareholder shall demand that voting be by ballot.

CONTROL SHARE ACQUISITION ACT. Notwithstanding any other provision of the Declaration of Trust or these Bylaws, Title 3, Subtitle 7 of the MGCL (or any successor statute) shall not apply to any acquisition by any person of shares of beneficial interest of the Trust. This section may be repealed, in whole or in part, at any time, whether before or after an acquisition of control shares and, upon such repeal, may, to the extent provided by any successor bylaw, apply to any prior or subsequent control share acquisition.

ARTICLE III TRUSTEES

GENERAL POWERS; QUALIFICATIONS; TRUSTEES HOLDING OVER. The business and affairs of the Trust shall be managed under the direction of its Board of Trustees. A Trustee shall be an individual at least 21 years of age who is not under legal disability. In case of failure to elect Trustees at an annual meeting of the shareholders, the Trustees holding over shall continue to direct the management of the business and affairs of the Trust until their successors are elected and qualify.

NUMBER AND INDEPENDENCE. At any regular meeting or at any special meeting called for that purpose, a majority of the Entire Board may establish, increase or decrease the number of Trustees, subject to any limitations in the Declaration of Trust. At least a majority of the Board of Trustees shall be trustees whom the Board of Trustees has determined are “independent” under the standards established by the Board of Trustees and in accordance with the then applicable requirements of the New York Stock Exchange for determining such independence. All nominations must be submitted through and approved by the Nominating and Corporate Governance Committee and follow the nominating process established by that committee for the nomination of Trustees and must satisfy the standards for membership on the Board of Trustees approved by the Board of Trustees or that Committee from time to time.

ANNUAL AND REGULAR MEETINGS. An annual meeting of the Board of Trustees shall be held immediately after and at the same place as the annual meeting of shareholders, no notice other than this Bylaw being necessary. The Board of Trustees may provide, by resolution, the time and place, either within or without the State of Maryland, for the holding of regular meetings of the Board of Trustees without other notice than such resolution.

SPECIAL MEETINGS. Special meetings of the Board of Trustees may be called by or at the request of the chair of the board, the chief executive officer or the president or by a majority of the Trustees then in office. The person or persons authorized to call special meetings of the Board of Trustees may fix any place, either within or without the State of Maryland, as the place for holding any special meeting of the Board of Trustees called by them.

NOTICE. Notice of any special meeting of the Board of Trustees shall be given by written notice delivered personally, by telephone, electronically mailed, facsimile-transmitted, or mailed or couriered to each Trustee at his or her business or residence address. Personally delivered notices shall be given at least two calendar days prior to the meeting. Notice by mail shall be given at least five calendar days prior to the meeting. Telephone, electronic mail or facsimile-transmission notice shall be given at least 24 hours prior to the meeting. If mailed, such notice shall be deemed to be given when deposited in the United States mail properly addressed, with postage thereon prepaid. Telephone notice shall be deemed given when the Trustee is personally given such notice in a telephone call to which he or she is a party. Electronic mail notice shall be deemed to be given upon transmission of the message to the electronic mail address given to the Trust by the Trustee. Facsimile-transmission notice shall be deemed given upon completion of the transmission of the message to the number given to the Trust by the Trustee and receipt of a completed answer-back indicating receipt. Notice by courier shall be deemed to be given when deposited with or delivered to a courier properly addressed. Neither the business to

be transacted at, nor the purpose of, any annual, regular, or special meeting of the Board of Trustees need be stated in the notice, unless specifically required by applicable law or these Bylaws.

QUORUM. A majority of the Board of Trustees shall constitute a quorum for transaction of business at any meeting of the Board of Trustees, provided that, if less than a majority of such Trustees are present at said meeting, a majority of the Trustees present may adjourn the meeting from time to time without further notice, and provided further that if, pursuant to the Declaration of Trust or these Bylaws, the vote of a majority of a particular group of Trustees is required for action, a quorum must also include a majority of such group. The Trustees present at a meeting which has been duly called and convened may continue to transact business until adjournment, notwithstanding the withdrawal of enough Trustees to leave less than a quorum.

VOTING. The action of the majority of the Trustees present at a meeting at which a quorum is present shall be the action of the Board of Trustees, unless the concurrence of a greater proportion is required for such action by applicable law.

TELEPHONE MEETINGS. Trustees may participate in a meeting by means of a conference telephone or similar communications equipment if all persons participating in the meeting can hear each other at the same time. Participation in a meeting by these means shall constitute presence in person at the meeting.

INFORMAL ACTION BY TRUSTEES. Any action required or permitted to be taken at any meeting of the Board of Trustees may be taken without a meeting, if a consent in writing or by electronic transmission to such action is given by each Trustee and such written consent is filed with the minutes of proceedings of the Board of Trustees.

ORGANIZATION. At each meeting of the Board of Trustees, the chair of the Board of Trustees or, in the absence of the chair, the vice chair, if any, of the Board of Trustees, if any, shall act as chair. In the absence of both the chair and vice chair of the Board of Trustees, the chief executive officer or in the absence of the chief executive officer, the president or in the absence of the president, a Trustee chosen by a majority of the Trustees present, shall act as chair. The secretary or, in his or her absence, an assistant secretary of the Trust, or in the absence of the secretary and all assistant secretaries, a person appointed by the chair, shall act as secretary of the meeting.

VACANCIES. If for any reason any or all the Trustees cease to be Trustees, such event shall not terminate the Trust, or affect these Bylaws or the powers of the remaining Trustees hereunder (even if fewer than a quorum of Trustees remain). Any vacancy (including a vacancy created by an increase in the number of Trustees) shall be filled, at any regular meeting or at any special meeting called for that purpose, by a majority of the Trustees, even if the remaining Trustees do not constitute a quorum. Any individual so elected as Trustee shall hold office for the unexpired term of the Trustee he or she is replacing and until a successor is elected and qualifies.

COMPENSATION. Trustees shall not receive any stated salary for their services as Trustees but, by resolution of the Board of Trustees or a duly authorized committee thereof, may receive compensation per year and/or per meeting and for any service or activity they

performed or engaged in as Trustees. Trustees may be reimbursed for expenses of attendance, if any, at each annual, regular, or special meeting of the Board of Trustees or of any committee thereof; and for their expenses, if any, in connection with any service or activity performed or engaged in as Trustees; but nothing herein contained shall be construed to preclude any Trustees from serving the Trust in any other capacity and receiving compensation therefor.

REMOVAL OF TRUSTEES. The shareholders may remove any Trustee in the manner provided in the Declaration of Trust.

RELIANCE. Each Trustee, officer, employee and agent of the Trust shall, in the performance of his or her duties with respect to the Trust, be fully justified and protected with regard to any act or failure to act in reliance in good faith upon the books of account or other records of the Trust, upon an opinion of counsel or upon reports made to the Trust by any of its officers or employees or by the adviser, accountants, appraisers or other experts or consultants selected by the Trustees or officers of the Trust, regardless of whether such counsel or expert may also be a Trustee.

INTERESTED TRUSTEE TRANSACTIONS. Section 2-419 of the MGCL shall be available for and apply to any contract or other transaction between the Trust and any of its Trustees or between the Trust and any other trust, corporation, firm or other entity in which any of its Trustees is a trustee or director or has a material financial interest.

RESIGNATION. Any Trustee may resign by written notice to the Board effective upon (a) execution and delivery to the Trust of such written notice, (b) any future date specified in the notice, (c) the occurrence of a certain future event (including the failure to receive a specified vote for election as a Trustee), and/or (d) the acceptance by the Board. A resignation that is conditioned upon the Trustee failing to receive a specified vote for re-election as a Trustee may provide that it is irrevocable.

ARTICLE IV COMMITTEES

NUMBER, TENURE AND QUALIFICATIONS. The Board of Trustees may, by resolution adopted by a majority of the Entire Board, appoint from among its members an Audit Committee, a Compensation Committee, a Nominating and Corporate Governance Committee, and other committees, composed of one or more Trustees, to serve at the pleasure of the Board of Trustees.

POWERS. The Board of Trustees may delegate to committees appointed under Section 1 of this Article any of the powers of the Trustees, except as prohibited by applicable law.

MEETINGS. In the absence of any member of any such committee, the members thereof present at any meeting, whether or not they constitute a quorum, may appoint another Trustee to act in the place of such absent member provided that such Trustee meets the requirements for membership on such committee. Notice of committee meetings shall be given in the same manner as notice for special meetings of the Board of Trustees. Each committee shall keep minutes of its proceedings and shall report the same to the Board of Trustees at the next succeeding meeting, and any action by the committee shall be subject to revision and alteration by

the Board of Trustees, provided that no rights of third persons shall be affected by any such revision or alteration.

QUORUM. A majority of the members of any committee shall constitute a quorum for the transaction of business at a committee meeting, and the act of a majority of the members present shall be the act of such committee. The Board of Trustees, or the members of a committee to which such power has been duly delegated by the Board of Trustees, may designate a chair of any committee, and such chair or any two members of any committee may fix the time and place of its meetings unless the Board of Trustees shall otherwise provide.

TELEPHONE MEETINGS. Members of a committee of the Board of Trustees may participate in a meeting by means of a conference telephone or similar communications equipment if all persons participating in the meeting can hear each other at the same time. Participation in a meeting by these means shall constitute presence in person at the meeting.

INFORMAL ACTION BY COMMITTEES. Any action required or permitted to be taken at any meeting of a committee of the Board of Trustees may be taken without a meeting, if a consent in writing or by electronic transmission to such action is given by each member of the committee and such written consent is filed with the minutes of proceedings of such committee.

VACANCIES, REMOVAL AND DISSOLUTION. Subject to the provisions hereof, the Board of Trustees shall have the power at any time to change the membership of any committee, to fill all vacancies, to designate alternate members to replace any absent or disqualified member or to dissolve any such committee.

ARTICLE V OFFICERS

GENERAL PROVISIONS. The officers of the Trust shall include a president, a secretary and a treasurer and may include a chair of the board, a vice chair of the board, a chief executive officer, a chief operating officer, a chief financial officer, one or more vice presidents, one or more assistant secretaries and one or more assistant treasurers. In addition, the Board of Trustees may from time to time appoint such other officers with such powers and duties as they shall deem necessary or desirable. The officers of the Trust shall be elected annually by the Board of Trustees at the first meeting of the Board of Trustees held after each annual meeting of shareholders, except that the chief executive officer or the president may appoint one or more vice presidents. If the election of officers shall not be held at such meeting, such election shall be held as soon thereafter as may be convenient. Each officer shall hold office until his or her successor is elected and qualifies or until his or her death, resignation or removal in the manner hereinafter provided. Any two or more offices except president and vice president may be held by the same person. In their discretion, the Trustees may leave unfilled any office. Election of an officer or agent shall not of itself create contract rights between the Trust and such officer or agent.

REMOVAL AND RESIGNATION. Any officer or agent of the Trust may be removed by the Board of Trustees if in its judgment the best interests of the Trust would be served thereby, but such removal shall be without prejudice to the contract rights, if any, of the person so removed. Any officer of the Trust may resign at any time by giving written notice of his or her resignation to the Trustees, the chair of the board, the president or the secretary. Any resignation

shall take effect at any time subsequent to the time specified therein or, if the time when it shall become effective is not specified therein, immediately upon its receipt. The acceptance of a resignation shall not be necessary to make it effective unless otherwise stated in the resignation. Such resignation shall be without prejudice to the contract rights, if any, of the Trust.

VACANCIES. A vacancy in any office may be filled by the Board of Trustees for the balance of the term.

CHIEF EXECUTIVE OFFICER. The Board of Trustees may designate a chief executive officer. The chief executive officer shall have responsibility for implementation of the policies of the Trust, as determined by the Board of Trustees, and for the administration of the business affairs of the Trust. In the absence of the chair of the board, the chief executive officer shall preside over the meetings of the Board of Trustees at which he or she shall be present.

CHIEF OPERATING OFFICER. The Board of Trustees may designate a chief operating officer. Said officer will have the responsibilities and duties as set forth by the Board of Trustees or the chief executive officer.

CHIEF FINANCIAL OFFICER. The Board of Trustees may designate a chief financial officer. Said officer will have the responsibilities and duties as set forth by the Board of Trustees or the chief executive officer.

CHAIR OF THE BOARD. The chair of the board shall preside over the meetings of the Board of Trustees and of the shareholders at which he or she shall be present and shall in general oversee all of the business and affairs of the Trust. The chair of the board may execute any deed, mortgage, bond, contract or other instrument, except in cases where the execution thereof shall be expressly delegated by the Board of Trustees or by these Bylaws to some other officer or agent of the Trust or shall be required by applicable law to be otherwise executed. The chair of the board shall perform such other duties as may be assigned to him or her or such other officer or agent of the Trust by the Board of Trustees.

PRESIDENT. In the absence of the chair of the board and the chief executive officer, the president shall preside over the meetings of the Board of Trustees at which he or she shall be present. In the absence of a designation of a chief executive officer by the Board of Trustees, the president shall be the chief executive officer. The president may execute any deed, mortgage, bond, contract or other instrument, except in cases where the execution thereof shall be expressly delegated by the Board of Trustees or by these Bylaws to some other officer or agent of the Trust or shall be required by applicable law to be otherwise executed; and in general shall perform all duties incident to the office of president and such other duties as may be prescribed by the Board of Trustees from time to time.

VICE PRESIDENTS. In the absence of the president or in the event of a vacancy in such office, the vice president (or in the event there be more than one vice president, the vice presidents in the order designated at the time of their election or, in the absence of any designation, then in the order of their election) shall perform the duties of the president and when so acting shall have all the powers of and be subject to all the restrictions upon the president; and shall perform such other duties as from time to time may be assigned to him or her by the president

or by the Board of Trustees. The Board of Trustees may designate one or more vice presidents as executive vice president, as senior vice president or as vice president for particular areas of responsibility. The chief executive officer or the president may designate one or more vice presidents as vice president for particular areas of responsibility.

SECRETARY. The secretary shall (a) keep the minutes of the proceedings of the shareholders, the Board of Trustees and committees of the Board of Trustees in one or more books provided for that purpose; (b) see that all notices are duly given in accordance with the provisions of these Bylaws or as required by applicable law; (c) be custodian of the trust records and of the seal of the Trust; (d) keep a register of the post office address of each shareholder which shall be furnished to the secretary by such shareholder; (e) have general charge of the share transfer books of the Trust; and (f) in general perform such other duties as from time to time may be assigned to him or her by the chief executive officer, the president or by the Board of Trustees.

TREASURER. The treasurer shall have the custody of the funds and securities of the Trust and shall keep full and accurate accounts of receipts and disbursements in books belonging to the Trust and shall deposit all moneys and other valuable effects in the name and to the credit of the Trust in such depositories as may be designated by the Board of Trustees.

The treasurer shall disburse the funds of the Trust as may be ordered by the Board of Trustees, taking proper vouchers for such disbursements, and shall render to the president and Board of Trustees, at the regular meetings of the Board of Trustees or whenever they may require it, an account of all his or her transactions as treasurer and of the financial condition of the Trust.

If required by the Board of Trustees, the treasurer shall give the Trust a bond in such sum and with such surety or sureties as shall be satisfactory to the Board of Trustees for the faithful performance of the duties of his or her office and for the restoration to the Trust, in case of his or her death, resignation, retirement or removal from office, of all books, papers, vouchers, moneys and other property of whatever kind in his or her possession or under his or her control belonging to the Trust.

ASSISTANT SECRETARIES AND ASSISTANT TREASURERS. The assistant secretaries and assistant treasurers, in general, shall perform such duties as shall be assigned to them by the secretary or treasurer, respectively, or by the president, the chief executive officer or the Board of Trustees. The assistant treasurers shall, if required by the Board of Trustees, give bonds for the faithful performance of their duties in such sums and with such surety or sureties as shall be satisfactory to the Board of Trustees.

SALARIES. The salaries and other compensation of the officers shall be fixed from time to time by the Board of Trustees, the chief executive officer or the president and no officer shall be prevented from receiving such salary or other compensation by reason of the fact that he or she is also a Trustee.

ARTICLE VI CONTRACTS, CHECKS AND DEPOSITS

CONTRACTS. The Board of Trustees may authorize any officer or agent to enter into any contract or to execute and deliver any instrument in the name of and on behalf of

the Trust and such authority may be general or confined to specific instances. Any agreement, deed, mortgage, lease or other document executed by one or more of the Trustees or by an authorized person shall be valid and binding upon the Board of Trustees and upon the Trust.

CHECKS AND DRAFTS. All checks, drafts or other orders for the payment of money, notes or other evidences of indebtedness issued in the name of the Trust shall be signed by such officer or agent of the Trust in such manner as shall from time to time be determined by the Board of Trustees.

DEPOSITS. All funds of the Trust not otherwise employed shall be deposited from time to time to the credit of the Trust in such banks, trust companies or other depositories as the Board of Trustees may designate.

ARTICLE VII SHARES

CERTIFICATES. Except as otherwise provided in these Bylaws, this Section 1 shall be interpreted to expressly authorize the Trust to issue shares of beneficial interest of the Trust without certificates. Each shareholder, upon written request to the secretary of the Trust, shall be entitled to a certificate or certificates which shall represent and certify the number of shares of each class of beneficial interest held by him or her in the Trust. In the event that the Trust issues shares of beneficial interest evidenced by certificates, such certificates shall be in such form as prescribed by the Board of Trustees or a duly authorized officer, shall contain the statements and information required by the Maryland REIT Law and shall be signed by the officers of the Trust in the manner permitted by the Maryland REIT Law. In the event that the Trust issues shares of beneficial interest without certificates, to the extent then required by the Maryland REIT Law, the Trust shall provide to the record holders of such shares a written statement of the information required by the Maryland REIT Law to be included on share certificates, including any restrictions, limitation, preference or redemption provision, or a summary thereof. There shall be no differences in the rights and obligations of shareholders based on whether or not their shares are evidenced by certificates.

TRANSFERS. Certificates shall be treated as negotiable and title thereto and to the shares they represent shall be transferred by delivery thereof to the same extent as those of a Maryland stock corporation. Upon surrender to the Trust or the transfer agent of the Trust of a share certificate duly endorsed or accompanied by proper evidence of succession, assignment or authority to transfer, the Trust shall issue a new certificate to the person entitled thereto, cancel the old certificate and record the transaction upon its books.

The Trust shall be entitled to treat the holder of record of any share or shares as the holder in fact thereof and, accordingly, shall not be bound to recognize any equitable or other claim to or interest in such share or shares on the part of any other person, whether or not it shall have express or other notice thereof, except as otherwise provided by the laws of the State of Maryland.

Notwithstanding the foregoing, transfers of shares of beneficial interest of the Trust will be subject in all respects to the Declaration of Trust and all of the terms and conditions contained therein.

REPLACEMENT CERTIFICATE. Any officer designated by the Board of Trustees may direct a new certificate to be issued in place of any certificate previously issued by the Trust alleged to have been lost, stolen or destroyed upon the making of an affidavit of that fact by the person claiming the certificate to be lost, stolen or destroyed. When authorizing the issuance of a new certificate, an officer designated by the Board of Trustees may, in his or her discretion and as a condition precedent to the issuance thereof, require the owner of such lost, stolen or destroyed certificate or the owner's legal representative to advertise the same in such manner as he or she shall require and/or to give bond, with sufficient surety, to the Trust to indemnify it against any loss or claim which may arise as a result of the issuance of a new certificate.

CLOSING OF TRANSFER BOOKS OR FIXING OF RECORD DATE.

(a) The Board of Trustees may set, in advance, a record date for the purpose of determining shareholders entitled to notice of or to vote at any meeting of shareholders or determining shareholders entitled to receive payment of any dividend or the allotment of any other rights, or in order to make a determination of shareholders for any other proper purpose. Such date, in any case, shall not be prior to the close of business on the day the record date is fixed and shall be not more than 90 calendar days and, in the case of a meeting of shareholders not less than ten calendar days, before the date on which the meeting or particular action requiring such determination of shareholders of record is to be held or taken.

(b) In lieu of fixing a record date, the Board of Trustees may provide that the share transfer books shall be closed for a stated period but not longer than 20 calendar days. If the share transfer books are closed for the purpose of determining shareholders entitled to notice of or to vote at a meeting of shareholders, such books shall be closed for at least ten days before the date of such meeting.

(c) If no record date is fixed and the share transfer books are not closed for the determination of shareholders, (i) the record date for the determination of shareholders entitled to notice of or to vote at a meeting of shareholders shall be at the close of business on the day on which the notice of meeting is mailed or the 30th calendar day before the meeting, whichever is the closer date to the meeting; and (ii) the record date for the determination of shareholders entitled to receive payment of a dividend or an allotment of any other rights shall be the close of business on the day on which the resolution of the Board of Trustees, declaring the dividend or allotment of rights, is adopted.

(d) When a determination of shareholders entitled to vote at any meeting of shareholders has been made as provided in this section, such determination shall apply to any adjournment thereof, except when (i) the determination has been made through the closing of the transfer books and the stated period of closing has expired or (ii) the meeting is adjourned to a date more than 120 calendar days after the record date fixed for the original meeting, in either of which case a new record date shall be determined as set forth herein.

SHARE LEDGER. The Trust shall maintain at its principal office or at the office of its counsel, accountants or transfer agent, an original or duplicate share ledger containing the name and address of each shareholder and the number of shares of each class held by such shareholder.

FRACTIONAL SHARES; ISSUANCE OF UNITS. The Board of Trustees may issue fractional shares or provide for the issuance of scrip, all on such terms and under such conditions as they may determine. Notwithstanding any other provision of the Declaration of Trust or these Bylaws, the Board of Trustees may issue units consisting of different securities of the Trust. Any security issued in a unit shall have the same characteristics as any identical securities issued by the Trust, except that the Board of Trustees may provide that for a specified period securities of the Trust issued in such unit may be transferred to the books of the Trust only in such unit.

ARTICLE VIII ACCOUNTING YEAR

The Board of Trustees shall have the power, from time to time, to fix the fiscal year of the Trust by a duly adopted resolution.

ARTICLE IX DISTRIBUTIONS

AUTHORIZATION. Dividends and other distributions upon the shares of beneficial interest of the Trust may be authorized and declared by the Board of Trustees, subject to the provisions of law and the Declaration of Trust. Dividends and other distributions may be paid in cash, property or shares of the Trust, subject to the provisions of law and the Declaration of Trust.

CONTINGENCIES. Before payment of any dividends or other distributions, there may be set aside out of any funds of the Trust available for dividends or other distributions such sum or sums as the Board of Trustees may from time to time, in their absolute discretion, think proper as a reserve fund for contingencies, for equalizing dividends or other distributions, for repairing or maintaining any property of the Trust or for such other purpose as the Board of Trustees shall determine to be in the best interest of the Trust, and the Board of Trustees may modify or abolish any such reserve in the manner in which it was created.

ARTICLE X SEAL

SEAL. The Board of Trustees may authorize the adoption of a seal by the Trust. The seal shall have inscribed thereon the name of the Trust and the year of its formation. The Trustees may authorize one or more duplicate seals and provide for the custody thereof.

AFFIXING SEAL. Whenever the Trust is permitted or required to affix its seal to a document, it shall be sufficient to meet the requirements of any law, rule or regulation relating to a seal to place the word “(SEAL)” adjacent to the signature of the person authorized to execute the document on behalf of the Trust.

ARTICLE XI INDEMNIFICATION AND ADVANCE OF EXPENSES

To the maximum extent permitted by Maryland law in effect from time to time, the Trust shall indemnify (a) any Trustee or officer (including among the foregoing, for all purposes of this

Article XI and without limitation, any individual who, while a Trustee or officer and at the express request of the Trust, serves or has served another real estate investment trust, corporation, partnership, joint venture, trust, employee benefit plan or any other enterprise as a director, officer, shareholder, partner or trustee of such real estate investment trust, corporation, partnership, joint venture, trust, employee benefit plan or other enterprise) who has been successful, on the merits or otherwise, in the defense of a proceeding to which he or she was made or threatened to be made a party by reason of service in such capacity, against reasonable expenses incurred by him or her in connection with the proceeding, and (b) any Trustee or officer or any former Trustee or officer against any claim or liability to which he or she may become subject by reason of such status unless it is established that (i) his or her act or omission was material to the matter giving rise to the proceeding and was committed in bad faith or was the result of active and deliberate dishonesty, (ii) he or she actually received an improper personal benefit in money, property or services or (iii) in the case of a criminal proceeding, he or she had reasonable cause to believe that his or her act or omission was unlawful.

In addition, the Trust shall, without requiring a preliminary determination of the ultimate entitlement to indemnification, pay or reimburse, as incurred, in advance of final disposition of a proceeding, reasonable expenses incurred by a Trustee or officer or former Trustee or officer made or threatened to be made a party to a proceeding by reason of such status, provided that the Trust shall have received (i) a written affirmation by the Trustee or officer of his or her good faith belief that he or she has met the applicable standard of conduct necessary for indemnification by the Trust as authorized by these Bylaws and (ii) a written undertaking by or on his or her behalf to repay the amount paid or reimbursed by the Trust if it shall ultimately be determined that the applicable standard of conduct was not met. The Trust may, with the approval of its Board of Trustees, provide such indemnification or payment or reimbursement of expenses to any Trustee, officer or shareholder or any former Trustee, officer or shareholder who served a predecessor of the Trust and to any employee or agent of the Trust or a predecessor of the Trust.

Neither the amendment nor repeal of this Article, nor the adoption or amendment of any other provision of the Declaration of Trust or these Bylaws inconsistent with this Article, shall apply to or affect in any respect the applicability of this Article with respect to any act or failure to act which occurred prior to such amendment, repeal or adoption.

The Trust may provide to Trustees, officers, employees, agents and shareholders such other and further indemnification or payment or reimbursement of expenses, as the case may be, to the fullest extent permitted by the MGCL, as in effect from time to time, for directors of Maryland corporations.

ARTICLE XII WAIVER OF NOTICE

Whenever any notice is required to be given pursuant to the Declaration of Trust or these Bylaws or pursuant to applicable law, a waiver thereof in writing or by electronic transmission, given by the person or persons entitled to such notice, whether before or after the time stated therein, shall be deemed equivalent to the giving of such notice. Neither the business to be transacted at nor the purpose of any meeting need be set forth in the waiver of notice, unless specifically required by applicable law. The attendance of any person at any meeting shall

constitute a waiver of notice of such meeting, except where such person attends a meeting for the express purpose of objecting to the transaction of any business on the ground that the meeting is not lawfully called or convened.

**ARTICLE XIII
AMENDMENT OF BYLAWS**

The Bylaws of the Trust may be altered, amended or repealed, and new Bylaws adopted, by the affirmative vote of a majority of the Entire Board or, by the shareholders, by the affirmative vote of a majority of the shares then outstanding and entitled to vote on the matter.

**ARTICLE XIV
EXCLUSIVE FORUM**

Unless the Trust expressly consents in writing to the selection of an alternative forum, the Circuit Court for Baltimore City, Maryland, or, if that Court does not have jurisdiction, the United States District Court for the District of Maryland, Baltimore Division, shall, to the fullest extent permitted by applicable law, be the sole and exclusive forum for (a) any Internal Corporate Claim, as such term is defined in Section 1-101(p) of the MGCL, or any successor provision thereof, (b) any derivative action or proceeding brought on behalf of the Trust, (c) any action asserting a claim of breach of any (i) duty owed by any Trustee, officer, manager, agent, or employee of the Trust to the Trust or to the shareholders of the Trust, or (ii) standard of conduct applicable to Trustees, (d) any action asserting a claim against the Trust or any Trustee, officer, manager, agent, or employee of the Trust arising pursuant to any provision of Maryland law, including, but not limited to, the MGCL and the Maryland REIT Law, the Declaration of Trust, or these Bylaws, including any disputes, claims, or controversies brought by or on behalf of any shareholder (which, for purposes of this ARTICLE XIV, shall mean any shareholder of record or any beneficial owner of any Trust Securities, or any former holder of record or beneficial owner of any Trust Securities), either on his, her or its own behalf, on behalf of the Trust or on behalf of shareholders of the Trust against the Trust or any Trustee, officer, manager, agent, or employee of the Trust, including any disputes, claims or controversies relating to the meaning, interpretation, effect, validity, performance, or enforcement of the Declaration of Trust or these Bylaws, including this ARTICLE XIV, or (e) any other action asserting a claim against the Trust or any Trustee, officer, manager, agent, or employee of the Trust that is governed by the internal affairs doctrine of the State of Maryland. Failure to enforce the foregoing provisions would cause the Trust irreparable harm and the Trust shall be entitled to equitable relief, including injunctive relief and specific performance, to enforce the foregoing provisions. Any person or entity purchasing or otherwise acquiring any interest in any Trust Securities shall be deemed to have notice of and consented to the provisions of this Article XIV.

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Christopher P. Marr, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of CubeSmart;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's Board of Trustees (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 7, 2020

/s/ Christopher P. Marr

Christopher P. Marr
Chief Executive Officer

**CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Timothy M. Martin, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of CubeSmart;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's Board of Trustees (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 7, 2020

/s/ Timothy M. Martin

Timothy M. Martin
Chief Financial Officer

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Christopher P. Marr, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of CubeSmart L.P.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's Board of Trustees (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 7, 2020

/s/ Christopher P. Marr

Christopher P. Marr
Chief Executive Officer

**CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Timothy M. Martin, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of CubeSmart L.P.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's Board of Trustees (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 7, 2020

/s/ Timothy M. Martin

Timothy M. Martin
Chief Financial Officer



**Certification of Chief Executive Officer and Chief Financial Officer
Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of the
Sarbanes-Oxley Act of 2002**

The undersigned, the Chief Executive Officer and Chief Financial Officer of CubeSmart (the "Company"), each hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(a) The Quarterly Report on Form 10-Q of the Company for the period ended June 30, 2020 (the "Report") filed on the date hereof with the Securities and Exchange Commission fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(b) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 7, 2020

/s/ Christopher P. Marr
Christopher P. Marr
Chief Executive Officer

Date: August 7, 2020

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

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

**Certification of Chief Executive Officer and Chief Financial Officer
Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of the
Sarbanes-Oxley Act of 2002**

The undersigned, the Chief Executive Officer and Chief Financial Officer of CubeSmart L.P. (the "Company"), each hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(a) The Quarterly Report on Form 10-Q of the Company for the period ended June 30, 2020 (the "Report") filed on the date hereof with the Securities and Exchange Commission fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(b) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 7, 2020

/s/ Christopher P. Marr
Christopher P. Marr
Chief Executive Officer

Date: August 7, 2020

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

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.
