

Extra Space Storage Inc.
Form 8-K
October 24, 2007

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT

PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

October 24, 2007

(Date of Report (Date of Earliest Event Reported))

EXTRA SPACE STORAGE INC.

(Exact Name of Registrant as Specified in Its Charter)

Maryland
(State or Other Jurisdiction
of Incorporation)

001-32269
(Commission File Number)

20-1076777
(IRS Employer
Identification Number)

2795 East Cottonwood Parkway, Suite 400

Salt Lake City, Utah 84121

(Address of Principal Executive Offices)

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(801) 562-5556

(Registrant's Telephone Number, Including Area Code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4© under the Exchange Act (17 CFR 240.13e-4©)
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ITEM 2.01 Completion of Acquisition or Disposition of Assets.

On September 10, 2007, Extra Space Storage Inc. (the Company or EXR) filed a Form 8-K for 23 acquisitions that occurred between January 1, 2007 and August 30, 2007. On August 31, 2007, the Company acquired eight additional properties. The data on these eight acquisitions was not included in the Form 8-K filed on September 10, 2007. This Form 8-K reflects these eight acquisitions.

The financial statements in this Form 8-K summarize the pro forma adjustments in the previously filed Form 8-K and detail the pro forma adjustments related to the eight acquisitions that occurred on August 31, 2007. These eight properties were acquired from joint ventures in which the Company held a minority interest. Audits were performed on the eight acquired properties as defined under Regulation S-X Rule 3-14 except as discussed on page 5 of this Form 8-K. The audited properties included in this Form 8-K and the eleven audited properties included in the previously filed Form 8-K represent the mathematical majority of the Company's pool of acquired properties as of September 30, 2007.

ITEM 9.01 Financial Statements and Exhibits.

Pro Forma Financial Information:

Unaudited Pro Forma Condensed Consolidated Balance Sheet as of June 30, 2007

Unaudited Pro Forma Condensed Consolidated Statement of Operations for the Six Months Ended June 30, 2007

Unaudited Pro Forma Condensed Consolidated Statement of Operations for the Year Ended December 31, 2006

Audited Historical Financial Statements with Unaudited Interim Periods:

ESS PRISA LLC

Report of Independent Certified Public Accountants

Statements of Revenues and Certain Operating Expenses

Notes to Statements of Revenues and Certain Operating Expenses

SING, Ltd. Co.

Report of Independent Certified Public Accountants

Statements of Revenues and Certain Operating Expenses

Notes to Statements of Revenues and Certain Operating Expenses

SIGNATURES

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 hereunto duly authorized.

EXTRA SPACE STORAGE INC.

Date: October 24, 2007

By /s/ Kent W. Christensen
Name: Kent W. Christensen
Title: Executive Vice President and Chief

Financial Officer

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Unaudited Pro Forma Condensed Consolidated Financial Information

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Extra Space Storage Inc.

Unaudited Pro Forma Condensed Consolidated Financial Information

On September 10, 2007, Extra Space Storage Inc. (the Company or EXR) filed a Form 8-K for 23 acquisitions that occurred between January 1, 2007 and August 30, 2007. On August 31, 2007, the Company acquired eight additional properties. The data on these eight acquisitions was not included in the Form 8-K filed on September 10, 2007. This Form 8-K reflects these eight acquisitions.

The financial statements in this Form 8-K summarize the pro forma adjustments in the previously filed Form 8-K and detail the pro forma adjustments related to the eight acquisitions that occurred on August 31, 2007. These eight properties were acquired from joint ventures in which the Company held a minority interest. Audits were performed on the eight acquired properties as defined under Regulation S-X Rule 3-14 except as discussed in the next paragraph. The audited properties included in this Form 8-K and the 11 audited properties included in the previously filed Form 8-K represent the mathematical majority of the Company's pool of acquired properties as of September 30, 2007.

On August 31, 2007, the Company purchased eight properties from joint ventures in which it was a partner. The joint venture interests were originally acquired by the Company as part of the Storage USA acquisition that was completed on July 14, 2005. The Company has included these properties in its pool of audited individually insignificant acquisitions for the purpose of complying with SEC Regulation S-X, Rule 3-14. Only one year of audited financial statements (versus three years) was included for the following reasons: (i) the amount of the acquisitions was not considered by management to be materially individually or in the aggregate to the Company's financial statements; (ii) the acquisitions were not typical related party transactions (i.e., where the counterparty is a significant shareholder, officer, director, etc.); and (iii) completing three years of audits would have been burdensome to the Company due to the incomplete nature of the related records. Management believes the absence of the two additional years of audited financial statements is not material to a reader's understanding of the Company's financial results, financial condition and related trends.

The following unaudited pro forma condensed consolidated financial information of Extra Space Storage Inc. as of and for the six months ended June 30, 2007 has been derived from (1) the historical unaudited financial statements of Extra Space Storage Inc. as filed in the Company's second quarter 2007 Form 10-Q, (2) the unaudited financial statements included in the Company's Form 8-K as filed September 10, 2007, and (3) the historical unaudited statements of revenues and certain operating expenses of the eight audited properties acquired on August 31, 2007.

The following unaudited pro forma condensed consolidated financial information of Extra Space Storage Inc. for the year ended December 31, 2006 has been derived from (1) the historical audited financial statements of Extra Space Storage Inc. as filed in the Company's 2006 Form 10-K, (2) the audited and unaudited financial statements included in the Company's Form 8-K as filed September 10, 2007, and (3) the historical statements of revenues and certain operating expenses of the eight audited properties acquired on August 31, 2007.

The unaudited pro forma condensed consolidated balance sheet as of June 30, 2007 reflects adjustments to the Company's unaudited historical financial data to give effect to the properties acquired subsequent to June 30, 2007 as if the acquisitions occurred on June 30, 2007.

The pro forma condensed consolidated statements of operations for the six months ended June 30, 2007 and for the year ended December 31, 2006 reflect adjustments to the Company's historical financial data to give effect to the acquisition of all the self-storage properties purchased in 2007 as if each had occurred on January 1, 2006. The pro forma amounts have been adjusted to exclude any operations from the date of acquisition to June 30, 2007 if such acquisition occurred before June 30, 2007 because such amounts are already included in the historical

results.

The unaudited pro forma adjustments are based on available information. The unaudited pro forma condensed consolidated financial information is not necessarily indicative of what the Company's actual financial position or results of operations for the period would have been as of the date and for the

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periods indicated, nor does it purport to represent the Company's future financial position or results of operations.

The unaudited pro forma condensed consolidated financial information should be read, together with the notes thereto, in conjunction with the more detailed information contained in the historical financial statements referenced in this filing.

Extra Space Storage Inc.

Unaudited Pro Forma Condensed Consolidated Balance Sheet

as of June 30, 2007

(in thousands, except share data)

	Historical EXR (1)	Adjustments as Reported in Form 8-K (2)	Pro forma as Reported in Form 8-K (3)	Audited Acquisitions on 8/31/07 (4)	Pro Forma EXR
Assets:					
Real estate assets:					
Net operating real estate assets	\$ 1,641,120	\$ 14,686	\$ 1,655,806	\$ 45,991	\$ 1,701,797
Real estate under development	35,906		35,906		35,906
Net real estate assets	1,677,026	14,686	1,691,712	45,991	1,737,703
Investments in real estate ventures	91,303		91,303	990	92,293
Cash and cash equivalents	45,790	(4,915)	40,875	(23,838)	17,037
Short-term investments	90,331		90,331		90,331
Restricted cash	35,528		35,528		35,528
Receivables from related parties and affiliated real estate joint ventures	8,321		8,321		8,321
Other assets, net	35,640	78	35,718	799	36,517
Total assets	\$ 1,983,939	\$ 9,849	\$ 1,993,788	\$ 23,942	\$ 2,017,730
Liabilities, Preferred Operating Partnership, Minority Interests, and Stockholders Equity:					
Notes payable	\$ 875,730	\$	\$ 875,730	\$ 23,340	\$ 899,070
Notes payable to trusts	119,590		119,590		119,590
Exchangeable senior notes	250,000		250,000		250,000
Derivative instrument associated with Preferred Operating Partnership units	15,268	1,231	16,499		16,499
Accounts payable and accrued expenses	25,363	66	25,429	152	25,581
Other liabilities	22,960	17	22,977	450	23,427
Total liabilities	1,308,911	1,314	1,310,225	23,942	1,334,167
Preferred Operating Partnership units, net of \$100,000 note receivable	6,465	8,535	15,000		15,000
Minority interest in Operating Partnership	37,020		37,020		37,020
Other minority interests	277		277		277
Stockholders equity:					
Preferred stock, \$0.01 par value, 50,000,000 shares authorized, no shares issued or outstanding					
Common stock, \$0.01 par value, 200,000,000 shares authorized, 64,833,425 shares issued and outstanding	649		649		649
Paid-in capital	824,088		824,088		824,088
Accumulated deficit	(193,471)		(193,471)		(193,471)

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Total stockholders' equity	631,266	631,266	631,266		
Total liabilities, Preferred Operating Partnership, minority interests, and stockholders' equity	\$ 1,983,939	\$ 9,849	\$ 1,993,788	\$ 23,942	\$ 2,017,730

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(1) Reflects the assets, liabilities, Preferred Operating Partnership, minority interest, and stockholders' equity of the Company as filed in Form 10-Q as of June 30, 2007

(2) Reflects the aggregate adjustments to assets, liabilities, Preferred Operating Partnership, minority interest, and stockholders' equity of the Company as filed in Form 8-K on September 10, 2007.

(3) Reflects the pro forma assets, liabilities, Preferred Operating Partnership, minority interest, and stockholders' equity of the Company as filed in Form 8-K on September 10, 2007.

(4) Represents the acquisition of eight properties on August 31, 2007 which include:

(a) The acquisition of one property located in Annapolis, MD for cash of \$10,418.

(b) The acquisition of a seven property portfolio for cash of \$13,558 and loan assumption of \$23,340. The properties are located in Missouri, New Mexico, Indiana, Alabama, and Colorado.

Extra Space Storage Inc.

Unaudited Pro Forma Condensed Consolidated Statement of Operations

for the Six Months Ended June 30, 2007

(in thousands, except share data)

	Historical EXR (1)	Adjustments as Reported in Form 8-K (2)	Pro forma as Reported in Form 8-K (3)	Audited Acquisitions on 8/31/07 (4)	Pro Forma Adjustments	Pro Forma EXR
Revenues:						
Property rental	\$ 94,623	\$ 11,364	\$ 105,987	\$ 2,802		\$ 108,789
Management and franchise fees	10,351		10,351			10,351
Tenant insurance	4,831		4,831			4,831
Acquisition and development fees	237		237			237
Other income	284		284			284
Total revenues	110,326	11,364	121,690	2,802		124,492
Expenses:						
Property operations	34,248	4,583	38,831	1,239	(221)(5)	39,849
Tenant insurance	2,190		2,190			2,190
Unrecovered development and acquisition costs	409		409			409
General and administrative	18,208		18,208			18,208
Depreciation and amortization	17,919	3,521	21,440		790 (6)	22,230
Total expenses	72,974	8,104	81,078	1,239	569	82,886
Income before interest, minority interests, and equity in earnings of real estate ventures	37,352	3,260	40,612	1,563	(569)	41,606
Interest expense	(28,833)	(1,222)	(30,055)		(807)(7)	(30,862)
Interest income	5,116	707	5,823		(632)(8)	5,191
Minority interest - Operating Partnership	(899)		(899)			(899)
Minority interest - other	40		40			40
Equity in earnings of real estate ventures	2,389		2,389		258 (9)	2,647
Net income (loss)	15,165	2,745	17,910	1,563	(1,750)	17,723
Distributions to Preferred Operating Partnership Unit Holders		(2,875)	(2,875)			(2,875)
Net income (loss) available to common stockholders	\$ 15,165	\$ (130)	\$ 15,035	\$ 1,563	\$ (1,750)	\$ 14,848
Basic earnings per common share	\$ 0.24		\$ 0.23			\$ 0.23
Diluted earnings per common share	\$ 0.23		\$ 0.23			\$ 0.22
Weighted average number of common shares-Basic	64,356,827		64,356,827			64,356,827
	69,214,313	964,867	70,179,180			70,179,180

Weighted average number of common
shares-Diluted

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(1) Reflects the results of operations of EXR as filed in Form 10-Q for the six months ended June 30, 2007.

(2) Reflects the aggregate adjustments to the results of operations of the Company as filed in Form 8-K on September 10, 2007.

(3) Reflects the pro forma results of operations of the Company as filed in Form 8-K on September 10, 2007.

(4) Represents the pro forma revenues and operating expenses for the six months ended June 30, 2007 of the eight audited properties acquired on August 31, 2007.

Property	Eight Audited Properties Financial Statements		
	Revenues	Expenses	Mgmt. Fee
ESS PRISA LLC (Annapolis, MD)	\$ 536	\$ 198	\$ 32
SING, Ltd. Co. (7 properties)	2,266	1,041	189
Totals	\$ 2,802	\$ 1,239	\$ 221

(5) Adjustment to eliminate the management fee paid to the Company for the management of the properties. Subsequent to the acquisition by the Company, all properties are self-managed.

(6) Depreciation and amortization expense adjustments of \$790 includes real estate depreciation of \$463 computed on a straight-line basis over the estimated useful life (39 years) on depreciable assets acquired of \$36,099 and amortization of \$327 computed on a straight-line basis over 18 months on \$980 of intangible assets relating to tenant relationships.

Eight Audited Properties	Depreciable Assets	Depreciation for Period Prior to Acquisition	Intangibles	Amortization for Period Prior to Acquisition	Total Depreciation / Amortization for Period Prior to Acquisition
ESS PRISA LLC (Annapolis, MD)	\$ 8,896	\$ 114	\$ 200	\$ 67	\$ 181
SING, Ltd. Co. (7 properties)	27,203	349	780	260	609
Totals	\$ 36,099	\$ 463	\$ 980	\$ 327	\$ 790

(7) Debt of \$23,340 was assumed on seven properties with a variable interest rate of LIBOR plus 1.53%. These properties are shown below with interest for the period as if the acquisitions occurred on January 1, 2006.

Property	Debt	Rate	Non-Owned Period Interest	Type
SING, Ltd. Co. (7 properties)	\$ 23,340	6.91%	\$ 807	Assumed Debt

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Total	\$	23,340	\$	807
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(8) Interest income was reduced by \$632 for the use of net cash in the acquisitions as if the acquisitions occurred on January 1, 2006.

(9) Equity in earnings of real estate ventures was increased by \$258 to eliminate the Company's share of the loss incurred by the joint ventures owning the acquired properties during the period.

Extra Space Storage Inc.

Unaudited Pro Forma Condensed Consolidated Statement of Operations

For the Year Ended December 31, 2006

(in thousands, except share data)

	Historical EXR (1)	Adjustments as Reported in Form 8-K (2)	Pro forma as Reported in Form 8-K (3)	Audited Acquisitions on 8/31/07 (4)	Pro Forma Adjustments	Pro Forma EXR
Revenues:						
Property rental	\$ 170,993	\$ 27,267	\$ 198,260	\$ 5,407		\$ 203,667
Management and franchise fees	20,883		20,883			20,883
Tenant insurance	4,318		4,318			4,318
Acquisition and development fees	272		272			272
Other income	798		798			798
Total revenues	197,264	27,267	224,531	5,407		229,938
Expenses:						
Property operations	62,243	10,186	72,429	2,518	(425)(5)	74,522
Tenant insurance	2,328		2,328			2,328
Unrecovered development and acquisition costs	269		269			269
General and administrative	35,600		35,600			35,600
Depreciation and amortization	37,172	8,270	45,442		1,579 (6)	47,021
Total expenses	137,612	18,456	156,068	2,518	1,154	159,740
Income before interest, minority interests, and equity in earnings of real estate ventures	59,652	8,811	68,463	2,889	(1,154)	70,198
Interest expense	(50,953)	(3,361)	(54,314)		(1,609)(7)	(55,923)
Interest income	2,469	2,618	5,087		(1,263)(8)	3,824
Minority interest - Operating Partnership	(985)		(985)			(985)
Equity in earnings of real estate ventures	4,693		4,693		675 (9)	5,368
Net income (loss) available to common stockholders	14,876	8,068	22,944	2,889	(3,351)	22,482
Distributions to Preferred Operating Partnership Unit Holders		(5,750)	(5,750)			(5,750)
Net income (loss) available to common stockholders	\$ 14,876	\$ 2,318	\$ 17,194	\$ 2,889	\$ (3,351)	\$ 16,732
Basic earnings per common share	\$ 0.27		\$ 0.31			\$ 0.30
Diluted earnings per common share	\$ 0.27		\$ 0.30			\$ 0.29
Weighted average number of common shares-Basic	54,998,935		54,998,935			54,998,935
	59,291,749	989,980	60,281,729			60,281,729

Weighted average number of common
shares-Diluted

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(1) Reflects the results of operations of EXR as filed in Form 10-K for the year ended December 31, 2006.

(2) Reflects the aggregate adjustments to the results of operations of the Company as filed in Form 8-K on September 10, 2007.

(3) Reflects the pro forma results of operations of the Company as filed in Form 8-K on September 10, 2007.

(4) Represents the pro forma revenues and operating expenses for the year ended December 31, 2006 of the eight audited properties acquired August 31, 2007:

Property	Eight Audited Properties Financial Statements		
	Revenues	Expenses	Mgmt. Fee
ESS PRISA LLC (Annapolis, MD)	\$ 1,068	\$ 389	\$ 64
SING, Ltd. Co. (7 properties)	4,339	2,129	361
Totals	\$ 5,407	\$ 2,518	\$ 425

(5) Adjustment to eliminate the management fee paid to the Company for the management of the properties. Subsequent to the acquisition by the Company, all properties are self-managed.

(6) Depreciation and amortization expense adjustments of \$1,579 on audited transactions includes real estate depreciation of \$926 computed on a straight-line basis over the estimated useful life (39 years) on depreciable assets acquired of \$36,099 and amortization of \$653 computed on a straight-line basis over 18 months on \$980 of intangible assets relating to tenant relationships.

Eight Audited Properties	Depreciable Assets	2006 Depreciation	Intangible Assets	2006 Amortization	Total 2006 Depreciation / Amortization
ESS PRISA LLC (Annapolis, MD)	\$ 8,896	\$ 228	\$ 200	\$ 133	\$ 361
SING, Ltd. Co. (7 properties)	27,203	698	780	520	1,218
Totals	\$ 36,099	\$ 926	\$ 980	\$ 653	\$ 1,579

(7) Debt of \$23,340 was assumed on seven properties with a variable interest rate of LIBOR plus 1.53%. These properties are shown below with interest for the period as if the acquisitions occurred on January 1, 2006.

Property	Debt	Rate	Annual Interest	Type
SING, Ltd. Co. (7 properties)	\$ 23,340	6.90%	\$ 1,609	Assumed Debt
Total	\$ 23,340			