

Extra Space Storage Inc.
Form 8-K/A
December 02, 2005
Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K/A

Amendment No. 2

to

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): July 14, 2005

Extra Space Storage Inc.

(Exact name of registrant as specified in its charter)

Maryland
(State or other jurisdiction

of incorporation)

2795 Cottonwood Parkway, Suite 400

001-32269
(Commission File Number)

201076777
(IRS Employer

Identification Number)

84121

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Salt Lake City, UT
(Address of principal executive offices)

(Zip Code)

801-562-5556

Registrant's telephone number, including area code

N/A

(Former name or former address, if changed since last report.)

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(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Table of Contents

ITEM 2.01 Completion of Acquisition or Disposition of Assets

On July 20, 2005, Extra Space Storage Inc. (the Company) filed a Form 8-K with regard to the closing of an acquisition (the Transaction) by the Company, through its subsidiaries Extra Space Storage LLC (ESS LLC) and Extra Space Storage LP (ESS OP), of various entities that collectively comprise the Storage USA self-storage business pursuant to the Purchase and Sale Agreement, dated as of May 5, 2005, between ESS LLC, ESS OP, Security Capital Self Storage Incorporated, a Delaware corporation, PRISA Self Storage LLC, a Delaware limited liability company, PRISA II Self Storage LLC, a Delaware limited liability company, PRISA III Self Storage LLC, a Delaware limited liability company, VRS Self Storage LLC, a Delaware limited liability company, WCOT Self Storage LLC, a Delaware limited liability company, and The Prudential Insurance Company of America, a New Jersey corporation.

On September 27, 2005, the Company filed a Form 8-K/A, describing the Transaction more fully and for the purpose of providing the financial statements of the business acquired and the Company's pro forma financial information, reflecting the Transaction.

The Company now amends the aforementioned Form 8-K/A in order to amend the pro forma financial information regarding the Transaction which was filed on September 27, 2005. Specifically, the pro forma financial information included herein reflects changes from the pro forma financial information included in the September 27, 2005 Form 8-K/A, including:

In the Unaudited Pro Forma Condensed Consolidated Statement of Operations for the six months ended June 30, 2005 and for the year ended December 31, 2004, lock and packaging income and expense for the Storage USA Carve-out Company were previously presented on net basis and included in property rental revenue and now lock and packaging expense has been reclassified from property rental revenue to property operations expenses. There was no impact to net income (loss) for the six months ended June 30, 2004 and December 31, 2004.

For the year ended December 31, 2004, \$1.9 million of gain on sale of real estate assets, which was not included previously, has now been included and results in an increase of \$1.9 million to net income (loss) of the Unaudited Pro Forma Condensed Consolidated Statement of Operations.

Disclosures in adjustments No. 2 and 5 for the unaudited pro forma condensed statements of operations for the six months ended June 30, 2005 and for the year ended December 31, 2004 were expanded to more clearly describe the adjustments to which they give effect and the related assumptions.

The Company also amends the aforementioned Form 8-K/A to amend certain information contained in the notes to the Storage USA Carve-out Company's combined unaudited financial statements for the six months ended June 30, 2005 as follows:

Note 4 (b) Investments in Joint Ventures relating to the Heitman Joint Venture (which represents an unconsolidated joint venture investment in which the Storage USA Carve-out Company holds a 20% equity interest) was corrected to increase the total third party debt from \$1.6 million to \$67.4 million as of June 30, 2005. There was no impact to the Storage USA Carve-out Company's equity investment as shown in the Storage USA Carve-out Company balance sheet as of June 30, 2005. Nor was there any impact on the Storage USA Carve-out Company net income for the six months ended June 30, 2005.

Note 7 (b) Mortgage Notes Payable relating to the fixed rate mortgage note payable totaling \$5.2 million as of June 30, 2005 was shown previously as \$2.2 million in the footnote, but was properly shown on the face of the balance sheet.

Table of Contents

ITEM 9.01 Financial Statements and Exhibits

Set forth below is the pro forma financial information regarding the Transaction that are required to be filed as part of this Form 8-K/A:

- (a) *Pro Forma Financial Information.*
- (b) *Financial Statements of Business Acquired.*
- (c) *Exhibits.*

None.

Table of Contents

SIGNATURES

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

EXTRA SPACE STORAGE INC.

By: /s/ Kent W. Christensen

Kent W. Christensen
Chief Financial Officer

Date: December 2, 2005

Table of Contents

EXTRA SPACE STORAGE INC.
UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL
INFORMATION

The following unaudited pro forma condensed consolidated financial information of Extra Space Storage Inc. (the Company or EXR) as of and for the six months ended June 30, 2005 and for the year ended December 31, 2004 has been derived from the historical audited financial statements of Extra Space Storage Inc. as filed in the Company's 2004 Form 10K and the Company's unaudited 2005 second Quarter 10Q. In addition, the audited statements of the Storage USA (SUSA) Carve-out Company consisting of: (i) 61 self-storage properties; (ii) all Franchise rights of General Electric (GE) relative to Storage USA Franchises; (iii) GE's equity position in various franchises and three joint ventures involving 54 properties; (iv) assumption of 10 Franchise Notes Receivables; and (v) the assets and liabilities of various SUSA entities owned by GE, included in this filing and the equity position purchased with Prudential Real Estate Investors (PREI) in five joint ventures involving 259 properties purchased from GE. The assets of the SUSA Carve-out Company and the equity position purchased with PREI were purchased from GE in a transaction (the Transaction) that closed on July 14, 2005.

The pro forma condensed consolidated balance sheet reflects adjustments to the Company's historical financial data to give effect to the following as if each had occurred on June 30, 2005: (i) the acquisition of the SUSA Carve-out Company; (ii) the acquisition of an equity position in five separate joint ventures held with PREI, involving 259 self-storage properties purchased from GE; and (iii) the completion of certain financing transactions.

The pro forma condensed consolidated statement of operations reflects adjustments to the Company's historical financial data to give effect to the following as if each had occurred on January 1, 2004: (i) the acquisition of the SUSA Carve-out Company; (ii) the acquisition of a minority equity position in five separate joint ventures with PREI involving 259 self-storage properties purchased from GE; (iii) the acquisition of certain properties by the Company during 2004 and 2005; (iv) the interest impact from certain financing transactions; and (v) to give effect to certain transactions that occurred in 2004 as if they occurred on January 1, 2004 because in the opinion of EXR the pro forma financial presentation related to these transactions provides material information about the impact of these events on ongoing operations.

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

Table of Contents**EXTRA SPACE STORAGE INC.****UNAUDITED PRO FORMA CONDENSED CONSOLIDATED BALANCE SHEET**

As of June 30, 2005

(in thousands, except per share data)

| | SUSA Carve- out Company and Equity Interest in | | | Pro Forma |
|---|---|------------------|-------------------|---------------------|
| | Historical | PREI JV | Financing | |
| | Extra Space | Acquisitions | Transactions | |
| | (1) | (2) | (3) | |
| Assets | | | | |
| Real estate assets: | | | | |
| Net operating real estate assets | \$ 759,237 | \$ 438,345 | \$ | \$ 1,197,582 |
| Real estate under development | 4,332 | 172 | | 4,504 |
| | <u>763,569</u> | <u>438,517</u> | | <u>1,202,086</u> |
| Investments in real estate ventures | 7,773 | 88,646 | | 96,419 |
| Cash and cash equivalents | 95,042(a) | (538,780) | 447,855(a) | 4,117 |
| Restricted cash | 5,996 | 9,430 | | 15,426 |
| Receivables from related parties | 3,264 | | | 3,264 |
| Other assets, net | 26,266 | 43,406 | 5,613(a) | 75,285 |
| | <u>901,910</u> | <u>41,219</u> | <u>453,468</u> | <u>1,396,597</u> |
| Total assets | \$ 901,910 | \$ 41,219 | \$ 453,468 | \$ 1,396,597 |
| Liabilities, Minority Interests and Stockholders Equity | | | | |
| Line of credit | \$ | \$ | \$ 10,000 | \$ 10,000 |
| Notes payable | 480,743 | 10,270 | 402,230(b) | 893,243 |
| Notes payable to trusts | 78,352 | | 41,238(c) | 119,590 |
| Accounts payable and accrued expenses | 1,281 | 3,763 | | 5,044 |
| Other liabilities | 12,341 | 4,499 | | 16,840 |
| | <u>572,717</u> | <u>18,532</u> | <u>453,468</u> | <u>1,044,717</u> |
| Total liabilities | 572,717 | 18,532 | 453,468 | 1,044,717 |
| Minority interest in Operating Partnership | 20,045 | 22,687 | | 42,732 |
| Other minority interests | 225 | | | 225 |
| 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, 37,369,950 shares issued and outstanding at June 30, 2005 | 374(b) | | | 374 |
| Paid-in capital | 429,179(b) | | | 429,179 |
| Accumulated deficit | (120,630) | | | (120,630) |

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| | | | | |
|--|-------------------|------------------|-------------------|---------------------|
| Total stockholders' equity | <u>308,923</u> | <u></u> | <u></u> | <u>308,923</u> |
| Total liabilities, minority interests and stockholders' equity | <u>\$ 901,910</u> | <u>\$ 41,219</u> | <u>\$ 453,468</u> | <u>\$ 1,396,597</u> |

Table of Contents

EXTRA SPACE STORAGE INC.

NOTES TO UNAUDITED PRO FORMA CONDENSED CONSOLIDATED

BALANCE SHEET

(in thousands, except per share data)

(1) The historical column reflects the assets, liabilities and members equity of Extra Space Storage Inc. as filed on form 10Q.

(a) On June 24, 2005 EXR executed a private placement offering (Offering). Cash proceeds from the Offering are shown below:

| | |
|-------------------------|-------------------|
| Gross Offering proceeds | \$ 83,514 |
| Less Offering costs | (2,155) |
| | <u> </u> |
| Net proceeds | <u>\$ 81,359</u> |

(b) In the Offering we issued 6,200 shares of \$0.01 par common stock at \$13.47 per share, for \$83,514 of gross proceeds, before offering costs of \$2,155. The costs of common stock related to this Offering include \$2,155 of underwriting discounts and commissions and financial advisory fees.

Common stock and additional paid-in-capital consist of the following:

| | |
|---|-------------------|
| Issuance of 6,200 shares of common stock at \$13.47 per share | \$ 83,514 |
| Less Offering costs | (2,155) |
| | <u> </u> |
| Common stock and paid in capital from the Offering | <u>\$ 81,359</u> |

(2) Represents the purchase price of all assets purchased in the Transaction including the following:

The purchase of 61 Self-Storage operating sites and one piece of undeveloped land. \$10,270 in property debt was assumed.

The purchase of franchise contracts with 74 franchisees and the assumption of \$39,967 in franchise loans receivable.

The purchase of the equity interest in 54 properties held in three separate joint ventures and 25 individual joint venture properties held with Franchisees.

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Other assets and liabilities acquired as part of the Transaction, including the issuance of \$22,687 in Extra Space Storage LP (ESSLP), Operating Partnership (OP) units to SUSA OP unit holders that traded their SUSA OP units for OP units in ESSLP.

The purchase of the equity interest in 259 properties held in five separate joint ventures with PREI.

Table of Contents**EXTRA SPACE STORAGE INC.****NOTES TO UNAUDITED PRO FORMA CONDENSED CONSOLIDATED****BALANCE SHEET**

(in thousands)

| | 61 Operating | Franchise | Investment in Various Joint | Other Assets & Liabilities | Total SUSA Carve-out Company Acquisition | SUSA Carve- out Company Equity in PREI JV Acquisitions | SUSA Carve- out Company and Equity in PREI JV Acquisitions |
|--|-------------------|------------------|-----------------------------------|----------------------------------|---|--|--|
| | Properties | Investments | Ventures | | | | |
| Assets | | | | | | | |
| Real estate assets: | | | | | | | |
| Net operating real estate assets | \$ 438,345 | \$ | \$ | \$ | \$ 438,345 | | \$ 438,345 |
| Real estate under development | 172 | | | | 172 | | 172 |
| | <u>438,517</u> | | | | <u>438,517</u> | | <u>438,517</u> |
| Investments in real estate ventures | | 7,300 | 40,776 | | 48,076 | 40,570 | 88,646 |
| Cash and cash equivalents | | | | (498,210) | (498,210) | (40,570) | (538,780) |
| Restricted cash | | | | 9,430 | 9,430 | | 9,430 |
| Other assets, net | | 39,967 | | 3,439 | 43,406 | | 43,406 |
| | <u>\$ 438,517</u> | <u>\$ 47,267</u> | <u>\$ 40,776</u> | <u>\$ (485,341)</u> | <u>\$ 41,219</u> | <u>\$</u> | <u>\$ 41,219</u> |
| Liabilities and Minority Interests | | | | | | | |
| Notes payable | \$ 10,270 | \$ | \$ | \$ | \$ 10,270 | \$ | \$ 10,270 |
| Accounts payable and accrued expenses | | | | 3,763 | 3,763 | | 3,763 |
| Other liabilities | | | | 4,499 | 4,499 | | 4,499 |
| | <u>10,270</u> | | | <u>8,262</u> | <u>18,532</u> | | <u>18,532</u> |
| Minority interest in Operating Partnership | | | | 22,687 | 22,687 | | 22,687 |
| | <u>\$ 10,270</u> | <u>\$</u> | <u>\$</u> | <u>\$ 30,949</u> | <u>\$ 41,219</u> | <u>\$</u> | <u>\$ 41,219</u> |

(3) Represents financing transactions including issuance of new indebtedness and repayment of certain existing indebtedness.

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(a) The Company received net cash from the financing transactions as follows:

| | |
|---|-------------------|
| Cash from 5.29% fixed rate senior mortgage due 2012 | \$ 213,000 |
| Cash from 5.26% fixed rate senior mortgage due 2012 | 100,000 |
| Cash from variable rate loan due on collection of Franchise Notes Receivable, Libor plus 3.00%. (6.34% at June 30, 2004) | 28,000 |
| Cash from bridge loan due on January 14, 2006, Libor plus 1.50% until November 14, 2005 and Libor plus 2.50% until January 14, 2006. (4.84% as of June 30, 2006) | 61,230 |
| Cash from 6.91% fixed rate Trust Preferred Security due 2035 | 41,238 |
| Cash form advance on Revolving Credit Line | 10,000 |
| Less cash used to invest in required offsetting investment in entity involved with the Trust Preferred Security | (1,238) |
| Less loan origination fees on new mortgages and other debt. | (4,375) |
| | _____ |
| Net cash provided by financing transactions | \$ 447,855 |
| | _____ |

Table of Contents

EXTRA SPACE STORAGE INC.

NOTES TO UNAUDITED PRO FORMA CONDENSED CONSOLIDATED

BALANCE SHEET

(in thousands)

(b) The Company incurred the following new indebtedness:

| | |
|--|-------------------|
| 5.29% fixed rate senior mortgage due 2012 | \$ 213,000 |
| 5.26% fixed rate senior mortgage due 2012 | 100,000 |
| Variable rate loan due on collection of Franchise Notes Receivable, Libor plus 3.00%. (6.34% at June 30, 2004) | 28,000 |
| Bridge loan due on January 14, 2006, Libor plus 1.50% until November 14, 2005 and Libor plus 2.50% until January 14, 2006. (4.84% as of June 30, 2006) | 61,230 |
| | <u>\$ 402,230</u> |

(c) The Company incurred the following additional Note Payable Trust:

| | |
|--|------------------|
| 6.91% fixed rate Trust Preferred Security due 2035 | <u>\$ 41,238</u> |
| | <u>\$ 41,238</u> |

Table of Contents**EXTRA SPACE STORAGE INC****Unaudited Pro Forma Condensed Consolidated Statement of Operations**

For the Six Months Ended June 30, 2005

(in thousands, except per share data)

| | Historical Extra Space | Total Income from SUSA Carve-out Company & PREI JVs | 2005 Other Acquisitions | Financing Transactions | Other Adjustments | Pro Forma |
|---|---------------------------|--|-------------------------------|---------------------------|----------------------|-------------------|
| | (1) | (2) | (3) | (4) | (5) | |
| Revenues | | | | | | |
| Property rental | \$ 46,041 | \$ 28,331 | \$ 888 | \$ | | \$ 75,260 |
| Franchise Fees | | 865 | | | | 865 |
| Management Fees | 768 | 8,209 | | | | 8,977 |
| Acquisition and development fees | 529 | | | | | 529 |
| Other income | 197 | 1,340 | | | | 1,537 |
| Total Revenues | 47,535 | 38,745 | 888 | | | 87,168 |
| Expenses | | | | | | |
| Property operations | 17,919 | 10,214 | 353 | | | 28,486 |
| Unrecovered development/acquisition costs and support payments | 275 | | | | | 275 |
| General and administrative | 6,297 | 11,500 | | | | 17,797 |
| Depreciation and amortization | 11,943 | 6,862 | 258 | | | 19,063 |
| Total Expenses | 36,434 | 28,576 | 611 | | | 65,621 |
| Income before interest expense, minority interests and equity in real estate ventures | 11,101 | 10,169 | 277 | | | 21,547 |
| Interest expense | (13,732) | | | (14,653) | | (28,385) |
| Minority interest - Operating Partnership | 166 | | | | 234 | 400 |
| Equity in earnings of real estate ventures | 605 | 2,341 | | | | 2,946 |
| Net income (loss) | \$ (1,860) | \$ 12,510 | \$ 277 | \$ (14,653) | \$ 234 | \$ (3,492) |
| Basic loss per share | \$ (0.06) | | | | | \$ (0.09) |
| Diluted loss per share | \$ (0.06) | | | | | \$ (0.09) |
| Weighted average common shares outstanding Basic | 31,514,394 | | | | | 37,369,950 |
| Weighted average common shares outstanding Diluted | 31,514,394 | | | | | 37,369,950 |

Table of Contents

EXTRA SPACE STORAGE INC

NOTES TO UNAUDITED PRO FORMA CONDENSED CONSOLIDATED

STATEMENT OF OPERATIONS FOR THE SIX MONTHS ENDED JUNE 30, 2005

(in thousands)

(1) The historical column reflects the results of operations of EXR as filed in form 10Q.

(2) Represents the pro forma income from operations of the SUSA Carve-out Company and the EXR Equity interest in the PREI Joint Ventures.

| | SUSA Carve- out Company | Adjustments | PREI Joint Ventures | Total Income from SUSA Carve-out Company & PREI JVs |
|---|-------------------------------|-----------------|------------------------|--|
| Revenues: | | | | |
| Property rental | \$ 26,062 | \$ 2,266 (a) | \$ | \$ 28,328 |
| Lock and Packaging Income | 1,692 | (1,692)(a) | | |
| Tenant insurance income | 1,874 | (1,874)(a) | | |
| Franchise Royalty Income | 865 | | | 865 |
| Management Fees | 1,882 | | 6,327 (g) | 8,209 |
| Other income | | 1,340 (e) | | 1,340 |
| Total Revenues | 32,375 | 40 | 6,327 | 38,742 |
| Expenses: | | | | |
| Property operations | 9,905 | 306 (b) | | 10,211 |
| Lock and packaging expense | 1,216 | (1,216)(b) | | |
| Tenant insurance claims reserve | 1,297 | (1,297)(a) | | |
| Real estate taxes | 2,688 | (2,688)(b) | | |
| General and administrative | 5,225 | | 6,275 (c) | 11,500 |
| Depreciation and amortization | 5,179 | 1,683 (d) | | 6,862 |
| Total Expenses | 25,510 | (3,212) | 6,275 | 28,573 |
| Income before interest expense, equity in earnings of real estate ventures and income taxes | 6,865 | 3,252 | 52 | 10,169 |
| Interest expense, net | (1,452) | 1,452 (e) | | |
| Equity in earnings of real estate ventures | 1,687 | | 654 (h) | 2,341 |
| Net income from continuing operations | 7,100 | 4,704 | 706 | 12,510 |
| Provision for income taxes | 386 | (386)(f) | | |
| Net income attributable to Common Unitholders | \$ 6,714 | \$ 5,090 | \$ 706 | \$ 12,510 |

- (a) Lock and packaging and tenant insurance income and tenant insurance expense were reclassified into property rental income to reflect EXR's historical presentation of these sources of income.
- (b) Property operations have been reduced by \$3,598 for general corporate overhead that was allocated to the operations of these properties from the SUSA corporate office (which is not included in SUSA Carve-out Company) which allocation would not have occurred had EXR owned and operated these properties, and increased by property taxes and lock and packaging expense to reflect EXR's historical presentation of this expense.
- (c) General and administrative expense was adjusted to reflect the pro forma cost that EXR estimates will be necessary to manage these properties owned by PREI Joint Ventures for which it earns its management fee (see adjustment (g) below). These costs are based on an average square foot historical cost derived by EXR based on experience in operating and managing self storage facilities over the last twenty years.
- (d) Depreciation and amortization expense was adjusted to \$6,862. This amount is comprised of depreciation of \$3,571 computed on a straight line basis over the estimated useful life (40 years) on depreciable assets acquired of \$285,714 and amortization of \$32, \$368, and \$2,891 computed on a straight line basis over the estimated lives of 11 years, 25 years and 18 months on \$708 of lease rights, \$18,385 of leasehold improvements and \$8,672 of intangible assets relating to tenant relationships, respectively, acquired. The adjustment of \$1,683 reflects the additional depreciation and amortization that results from the increase in basis recorded by EXR upon its acquisition of real estate assets.

Table of Contents**EXTRA SPACE STORAGE INC****NOTES TO UNAUDITED PRO FORMA CONDENSED CONSOLIDATED****STATEMENT OF OPERATIONS FOR THE SIX MONTHS ENDED JUNE 30, 2005**

(in thousands)

- (e) Historical interest expense has been eliminated in this presentation because all interest expense is added to the pro forma presentation in adjustment No. 4 to reflect the financing that EXR used for this transaction as if the transaction and related financing were in place as of January 1, 2004. Interest income of \$1,340 has been reclassified to other income to reflect EXR's historical presentation of this source of income.
- (f) No tax liability is shown as the pro forma statement of operations reflects a net loss.
- (g) Represents the 6% management fee that will be earned by EXR. This amount is calculated using the historical gross revenue of the managed properties for the six month period.
- (h) Represents EXR's portion of the JV earnings based on the JV historical net income times EXR's capital ownership percent.

(3) Represents the pro forma income from operations for the period for the eight sites acquired by EXR since January 1, 2004 as if such acquisition had occurred on January 1, 2004. Depreciation and amortization expense adjustment of \$258 includes depreciation of \$164 computed on a straight line basis over the estimated useful life (40 years) on depreciable assets acquired of \$42,843, and amortization of \$94 computed on a straight line basis over the estimated life of 18 months on \$949 of intangible assets relating to tenant relationships acquired.

(4) Represents the consummation of the financing transactions, as if such financing had occurred on January 1, 2004, consisting of the following:

Adjustments to net pro forma interest expense computed as follows:

| | |
|---|--------|
| Interest expense adjustments: | |
| 4.95% senior fixed rate mortgage of \$32,502 due 2015 | \$ 302 |
| 4.87% senior fixed rate mortgage of \$13,400 due 2015 | 50 |
| Assumed 6.88% fixed rate CMBS Mortgage due 2010 | 22 |
| Assumed 5.94% fixed rate CMBS Mortgage due 2010 | 64 |
| Assumed 5.80% fixed rate CMBS Mortgage due 2010 | 89 |
| Assumed 5.40% fixed rate CMBS Mortgage due 2010 | 138 |
| 6.53% Trust Preferred Security Note due 2035 | 716 |
| 6.67% Trust Preferred Security Note due 2035 | 1,079 |
| 6.91% Trust Preferred Security Note due 2035 | 1,382 |
| 5.29% senior fixed rate mortgage of \$213,000 due 2015 | 5,629 |
| 5.26% senior fixed rate mortgage of \$100,000 due 2010 | 2,630 |
| Variable rate Bridge loan of \$61,230 due December 2005, based upon a spread of 1.50% over LIBOR (4.84% at June 30, 2005) | 1,638 |
| Variable rate Bridge loan of \$28,000 due June 2006, based upon a spread of 2.00% over LIBOR (5.34% at June 30, 2004) | 818 |
| Less interest expense on loans repaid in the financing transaction: | |
| Corporate Credit lines and unsecured debt | (189) |

| | |
|----------------------------------|---------------|
| Net increase in interest expense | <u>14,368</u> |
|----------------------------------|---------------|

Table of Contents

EXTRA SPACE STORAGE INC

NOTES TO UNAUDITED PRO FORMA CONDENSED CONSOLIDATED

STATEMENT OF OPERATIONS FOR THE SIX MONTHS ENDED JUNE 30, 2005

(in thousands)

| | |
|---|-----------|
| Loan origination cost amortization adjustment: | |
| Loan origination cost amortization on new loans: | |
| 4.95% senior fixed rate mortgage of \$32,502 due 2015 | \$ 5 |
| 4.87% senior fixed rate mortgage of \$13,400 due 2015 | 8 |
| 6.53% Trust Preferred Security Note due 2035 | 18 |
| 6.67% Trust Preferred Security Note due 2035 | 21 |
| 6.91% Trust Preferred Security Note due 2035 | 20 |
| 5.29% senior fixed rate mortgage of \$213,000 due 2015 | 82 |
| 5.26% senior fixed rate mortgage of \$100,000 due 2010 | 77 |
| Variable rate Bridge loan of \$61,230 due December 2005, based upon a spread of 1.50% over LIBOR (4.84% at June 30, 2005) | 172 |
| Variable rate Bridge loan of \$28,000 due June 2006, based upon a spread of 2.00% over LIBOR (5.34% at June 30, 2004) | 57 |
| Less - loan origination cost amortization related to repaid indebtedness | (175) |
| | <hr/> |
| Net increase in loan origination cost amortization expense, included with interest expense | 285 |
| | <hr/> |
| Total increase in pro forma interest expense | \$ 14,653 |
| | <hr/> |

At the completion of the offering we expect to have variable rate debt of \$239,970. A change of 1% in the interest rate will result in a change in interest expense of \$2,400.

(5) Adjusts Minority Interest for the change in Net Income due to the pro forma adjustments.

Table of Contents**EXTRA SPACE STORAGE INC.****UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS****FOR THE YEAR ENDED DECEMBER 31, 2004**

(in thousands, except per share date)

| | Historical Extra Space | Total Income from SUSA Carve-out Company & PREI JVs | 2004 & 2005 Other Acquisitions | Financing Transactions | Other Adjustments | Pro Forma |
|---|---------------------------|---|--------------------------------------|---------------------------|----------------------|-------------------|
| | (1) | (2) | (3) | (4) | (5) | |
| Revenues | | | | | | |
| Property rental | \$ 62,656 | \$ 51,386 | \$ 28,939 | \$ | \$ (397)(a) | \$ 142,584 |
| Franchise Fees | | 1,782 | | | | 1,782 |
| Management Fees | 1,651 | 15,485 | (442) | | | 16,694 |
| Acquisition and development fees | 1,200 | | | | | 1,200 |
| Other income | 464 | 3,434 | | | | 3,898 |
| Total Revenues | 65,971 | 72,087 | 28,497 | | (397) | 166,158 |
| Expenses | | | | | | |
| Property operations | 26,066 | 20,197 | 11,165 | | (533)(a) | 56,895 |
| Unrecovered development/acquisition costs and support payments | 739 | | | | | 739 |
| General and administrative | 12,465 | 23,000 | | | | 35,465 |
| Depreciation and amortization | 15,552 | 13,724 | 8,037 | | (81)(a) | 37,232 |
| Total Expenses | 54,822 | 56,921 | 19,202 | | (614) | 130,331 |
| Income before interest expense, loss on debt extinguishments, minority interests, equity in earnings of real estate ventures and gain on sale of real estate ventures | 11,149 | 15,166 | 9,295 | | 217 | 35,827 |
| Interest expense | (32,014) | | | (24,957) | 5,145 (a)(b) | (51,826) |
| Minority interest - Other | (846) | | | | 846 (a) | |
| Minority interest - Operating Partnership | 113 | | | | 604 (c) | 717 |
| Equity in earnings of real estate ventures | 1,387 | 4,215 | | | (255)(a) | 5,347 |
| Income (loss) before gain on sale of real estate assets | (20,211) | 19,381 | 9,295 | (24,957) | 6,557 | (9,935) |
| Gain on sale of real estate assets | 1,749 | 1,926 | | | | 3,675 |
| Net income (loss) | \$ (18,462) | \$ 21,307 | \$ 9,295 | \$ (24,957) | \$ 6,557 | \$ (6,260) |
| Preferred return on Class B, C, and E units | (5,758) | | | | 5,758 (b) | |

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| | | | | | | |
|--|-------------|-----------|----------|-------------|-----------|------------|
| Loss on early redemption of Fidelity minority interest | (1,478) | | | | 1,478 (b) | |
| Net income (loss) attributable to common stockholders | \$ (25,698) | \$ 21,307 | \$ 9,295 | \$ (24,957) | \$ 13,793 | \$ (6,260) |
| Basic loss per share | \$ (1.68) | | | | | \$ (0.15) |
| Diluted loss per share | \$ (1.68) | | | | | \$ (0.15) |
| Weighted average basic shares outstanding | 15,282,725 | | | | | 41,647,527 |
| Weighted average diluted shares outstanding | 15,282,725 | | | | | 41,647,527 |

Table of Contents**EXTRA SPACE STORAGE INC.****NOTES TO UNAUDITED PRO FORMA CONDENSED CONSOLIDATED****STATEMENT OF OPERATIONS FOR THE YEAR ENDED DECEMBER 31, 2004**

(in thousands)

(1) The historical column reflects the results of operations of EXR as filed in form 10K.

(2) Represents the pro forma income from operations of the Storage USA Carve-out Company and the EXR Equity interest in the PREI Joint Ventures.

| | SUSA Carve- out Company | Adjustments | PREI Joint Ventures | Total Income from SUSA Carve-out Company & PREI JVs |
|--|----------------------------|----------------|------------------------|---|
| Revenues: | | | | |
| Rental and other property income | \$ 46,576 | \$ 4,810 (a) | \$ | \$ 51,386 |
| Lock and packaging income | 3,567 | (3,567)(a) | | |
| Tenant insurance income | 3,799 | (3,799)(a) | | |
| Franchise royalty income | 1,782 | | | 1,782 |
| Service and other income | 3,226 | | 12,259 (f) | 15,485 |
| Other income | | 3,434 (e) | | 3,434 |
| Total revenues | 58,950 | 878 | 12,259 | 72,087 |
| Expenses: | | | | |
| Cost of property operations and maintenance | 18,286 | 1,911 (b) | | 20,197 |
| Lock and packaging expense | 2,647 | (2,647)(b) | | |
| Tenant insurance claims reserve | 2,556 | (2,556)(a) | | |
| Real estate taxes | 5,542 | (5,542)(b) | | |
| General and administrative | 9,231 | | 13,769 (c) | 23,000 |
| Depreciation and amortization | 10,162 | 3,562 (d) | | 13,724 |
| Total expenses | 48,424 | (5,272) | 13,769 | 56,921 |
| Income (loss) from operations | 10,526 | 6,150 | (1,510) | 15,166 |
| Interest expense, net | (2,514) | 2,514 (e) | | |
| Equity in earnings of real estate ventures | 3,079 | | 1,136 (h) | 4,215 |
| Gain on sale of investment in real estate ventures | 1,926 | | | 1,926 |
| Income before income taxes | 13,017 | 8,664 | (374) | 21,307 |
| Provision from income taxes | 1,382 | (1,382)(g) | | |