

Extra Space Storage Inc.  
Form 8-K/A  
September 27, 2005  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

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**FORM 8-K/A**

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**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**

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**Extra Space Storage Inc.**

(Exact name of registrant as specified in its charter)

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**Maryland**  
(State or other jurisdiction

of incorporation)

**001-32269**  
(Commission File Number)

**201076777**  
(IRS Employer

Identification Number)

**2795 Cottonwood Parkway, Suite 400**

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

**84121**  
(Zip Code)

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801-562-5556

Registrant's telephone number, including area code

N/A

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

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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 14, 2005, Extra Space Storage Inc. (the Company ), through its subsidiaries Extra Space Storage LLC ( ESS LLC ) and Extra Space Storage LP ( ESS OP ), closed the acquisition (the Transaction ) of various entities that collectively comprise the Storage USA self-storage business pursuant to the Purchase and Sale Agreement (the Agreement ), dated as of May 5, 2005, between ESS LLC, ESS OP, Security Capital Self Storage Incorporated ( Seller ), 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 (together with its affiliates, Prudential ). The Transaction was previously announced by the Company in its Form 8-K dated May 5, 2005.

In connection with the Transaction, the Company acquired 61 wholly-owned self storage properties, acquired SUSA Partnership, L.P.'s equity interest in 54 joint venture properties and assumed the management of 84 franchise and managed properties. In addition, 259 of the self-storage properties acquired in the Transaction were contributed to five separate limited liability companies that are owned by five subsidiaries of the Company (each, a Company Sub ) and Prudential. As part of this contribution, the Company Subs and Prudential entered into limited liability company agreements which govern the rights and responsibilities of each such limited liability company. The following table summarizes the material terms of such agreements:

	<u>JV 1</u>	<u>JV 2</u>	<u>JV 3</u>	<u>JV 4</u>	<u>JV 5</u>	<u>Totals</u>
Number of Properties	97	74	36	29	23	259
Acquisition Cost (in millions)	\$ 674.6	\$ 547.5	\$ 232.8	\$ 191.2	\$ 142.4	\$ 1,788.5
Debt Financing (in millions)	\$	\$	\$ 145.0	\$ 93.3	\$ 52.1	\$ 290.4
Equity Investment by Company Subsidiaries	\$ 13.5	\$ 11.0	\$ 4.4	\$ 4.9	\$ 4.5	\$ 38.2
Initial Percentage Interest of Company Subs	2%	2%	5%	5%	5%	
Preferred Return (through December 31, 2007)	8%	8%	10%	10%	9%	
Promoted Percentage Interest of Company Subs	17%	17%	20%	20%	20%	

Pursuant to the terms of each agreement, each limited liability company entered into a property management agreement with a subsidiary of the Company which authorizes such subsidiary to act as the day-to-day property manager of the properties held by such limited liability company in exchange for a property management fee equal to 6% of gross revenues derived therefrom. Joint approval by each Company Sub and Prudential is required with respect to certain major decisions relating to, among other things, acquisitions, certain dispositions, financing and leasing of the properties. In addition, subject to the terms of the applicable limited liability company agreement: (i) each Company Sub and Prudential have a right of first refusal with respect to the transfer of the other party's interest in the applicable limited liability company; (ii) the applicable Company Sub has a right of first offer as a condition precedent to any sale by the applicable limited liability company of a property to a third party; and (iii) following the second anniversary of the closing, each Company Sub and Prudential have the right to trigger a buy-sell with respect to their interest in the applicable limited liability company.

The Company reported in a Form 8-K filed on July 20, 2005 that it would file pro forma financial information and financial statements relating to the Transaction. This Form 8-K/A is being filed to file such pro forma financial information and financial statements. No other change is effected by this Form 8-K/A.

**ITEM 2.02 Results of Operations and Financial Condition**

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### Funds from Operations:

Funds from operations ( FFO ) provides relevant and meaningful information about the Company's operating performance that is necessary, along with net loss and cash flows, for an understanding of the Company's operating results. FFO is defined by the National Association of Real Estate Investment Trusts, Inc. ( NAREIT ) as net income (loss) computed in accordance with accounting principles generally accepted in the United States ( GAAP ), excluding gains or losses on sales of properties, plus depreciation and amortization and after adjustments to record unconsolidated partnerships and joint ventures on the same basis. The Company believes that to further understand its performance, FFO should be considered along with the reported net loss and cash flows in accordance with GAAP, as presented in the pro forma consolidated financial statements.

The computation of FFO may not be comparable to FFO reported by other REITs or real estate companies that do not define the term in accordance with the current NAREIT definition or that interpret the current NAREIT definition differently. FFO does not represent cash generated from operating activities determined in accordance with GAAP, and should not be considered as an alternative to net income (loss) as an indication of the Company's performance, as an alternative to net cash flow from operating activities as a measure of its liquidity, or as an indicator of the Company's ability to make cash distributions.

The following table sets forth the calculation of FFO per share:

	<b>Extra Space Storage Inc.- Historic six months ended June 30, 2005</b>	<b>Extra Space Storage Inc.-Pro forma six months ended June 30, 2005</b>
<b>(in thousands, except per share data)</b>		
<b>Net Loss</b>	\$ (1,860)	\$ (3,492)
Plus:		
Real estate depreciation	7,666	11,801
Amortization of intangibles	4,036	7,020
Joint venture real estate depreciation	201	1,767
Less:		
Loss allocated to operating partnership	(166)	(400)
<b>Funds from operations</b>	<b>\$ 9,877</b>	<b>\$ 16,696</b>
<b>Share Count</b>	<b>34,244,444(1)</b>	<b>41,647,527(2)</b>
<b>Funds from operations per share</b>	<b>\$ 0.29</b>	<b>\$ 0.40</b>

(1) Share count includes weighted average common shares of 31,514,394 plus 2,730,050 OP units.

(2) Share count includes all issued common shares of 37,369,950 plus 4,277,577 OP units.

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**ITEM 9.01 Financial Statements and Exhibits.**

Set forth below are the financial statements relating to the completed acquisition described above 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.

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**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.

By:  /s/ Charles L. Allen

Name: Charles L. Allen  
Title: Senior Vice President,  
Senior Legal Counsel

Date: September 27, 2005

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**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 an 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) the adjustment for items that have been eliminated in preparing the pro forma because they will not be included as part of the 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)

	Historical	SUSA Carve- out Company and Equity Interest in PREI JV	Financing	Pro Forma
	Extra Space	Acquisitions	Transactions	
	(1)	(2)	(3)	
<b>Assets</b>				
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>
<b>Total assets</b>	<b>\$ 901,910</b>	<b>\$ 41,219</b>	<b>\$ 453,468</b>	<b>\$ 1,396,597</b>
<b>Liabilities, Minority Interests and Stockholders Equity</b>				
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>
<b>Total liabilities</b>	<b>572,717</b>	<b>18,532</b>	<b>453,468</b>	<b>1,044,717</b>
Minority interest in Operating Partnership	20,045	22,687		42,732
Other minority interests	225			225
<b>Stockholders equity:</b>				
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>

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**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	Other Assets	Total SUSA	SUSA Carve-
	Properties	Investments	in Various	&	Carve-out	out Company
			Joint	Liabilities	Company	and Equity in
			Ventures		Acquisition	PREI JV
					Acquisitions	PREI JV
						Acquisitions
<b>Assets</b>						
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	88,646
Cash and cash equivalents				(498,210)	(498,210)	(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>\$ 41,219</u>
<b>Liabilities and Minority Interests</b>						
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>\$ 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)
	<hr/>
Net cash provided by financing transactions	\$ 447,855
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**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)	
<b>Revenues</b>						
Property rental	\$ 46,041	\$ 27,115	\$ 888	\$		\$ 74,044
Franchise Fees		865				865
Management Fees	768	8,209				8,977
Acquisition and development fees	529					529
Other income	197	1,340				1,537
<b>Total Revenues</b>	<b>47,535</b>	<b>37,529</b>	<b>888</b>			<b>85,952</b>
<b>Expenses</b>						
Property operations	17,919	8,998	353			27,270
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
<b>Total Expenses</b>	<b>36,434</b>	<b>27,360</b>	<b>611</b>			<b>64,405</b>
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
<b>Net income (loss)</b>	<b>\$ (1,860)</b>	<b>\$ 12,510</b>	<b>\$ 277</b>	<b>\$ (14,653)</b>	<b>\$ 234</b>	<b>\$ (3,492)</b>
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
<b>Revenues:</b>				
Property rental	\$ 26,062	\$ 1,053 (a)	\$	\$ 27,115
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	8,209
Other income		1,340 (e)		1,340
<b>Total Revenues</b>	<b>32,375</b>	<b>(1,173)</b>	<b>6,327</b>	<b>37,529</b>
<b>Expenses:</b>				
Property operations	9,905	(907)(b)		8,998
Lock and packaging expense	1,216	(1,216)(a)		
Tenant insurance claims reserve	1,297	(1,297)(a)		
Real estate taxes	2,688	(2,688)(b)		
General and administrative	5,225	(363)(c)	6,638	11,500
Depreciation and amortization	5,179	1,683 (d)		6,862
<b>Total Expenses</b>	<b>25,510</b>	<b>(4,788)</b>	<b>6,638</b>	<b>27,360</b>
Income before interest expense, equity in earnings of real estate ventures and income taxes	6,865	3,615	(311)	10,169
Interest expense, net	(1,452)	1,452 (e)		
Equity in earnings of real estate ventures	1,687		654	2,341
<b>Net income from continuing operations</b>	<b>7,100</b>	<b>5,067</b>	<b>343</b>	<b>12,510</b>
Provision for income taxes	386	(386)(f)		
<b>Net income attributable to Common Unitholders</b>	<b>\$ 6,714</b>	<b>\$ 5,453</b>	<b>\$ 343</b>	<b>\$ 12,510</b>



- 
- (a) Lock and packaging and Tenant insurance income and expenses were netted into Property rental to reflect EXR's historical presentation of these sources of income.
  - (b) Property taxes were combined with Property operations 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.
  - (d) Depreciation and amortization expense adjustment of \$6,862 includes 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.

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**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 as all interest expense is reflected in the financing disclosed in this filing. 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.

(3) Represents the pro forma income from operations of eight sites acquired by EXR since January 1, 2005. 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, 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)
<b>Net increase in interest expense</b>	<b>14,368</b>

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## 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
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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) Adjust 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)	
<b>Revenues</b>						
Property rental	\$ 62,656	\$ 48,740	\$ 28,939	\$	\$ (397) a	\$ 139,938
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
<b>Total Revenues</b>	<b>65,971</b>	<b>69,441</b>	<b>28,497</b>		<b>(397)</b>	<b>163,512</b>
<b>Expenses</b>						
Property operations	26,066	17,551	11,165		(533) a	54,249
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
<b>Total Expenses</b>	<b>54,822</b>	<b>54,275</b>	<b>19,202</b>		<b>(614)</b>	<b>127,685</b>
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	(28,491)			(24,957)	1,622 a	(51,826)
Loss on debt extinguishments	(3,523)				3,523 b	
Minority interest - Fidelity preferred return	(3,136)				3,136 b	
Minority interest - Operating Partnership	113				801 c	914
(Income) loss allocated to other minority interests	2,290				(2,290) a	
Equity and gain on sale of real estate ventures	1,387	4,215			(255) d	5,347
<b>Income (loss) before gain on sale of real estate assets</b>	<b>(20,211)</b>	<b>19,381</b>	<b>9,295</b>	<b>(24,957)</b>	<b>6,754</b>	<b>(9,738)</b>
Gain on sale of real estate assets	1,749					1,749
<b>Net income (loss)</b>	<b>\$ (18,462)</b>	<b>\$ 19,381</b>	<b>\$ 9,295</b>	<b>\$ (24,957)</b>	<b>\$ 6,754</b>	<b>\$ (7,989)</b>

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Preferred return on Class B, C, and E units	(5,758)				5,758 (b)	
Loss on early redemption of Fidelity minority interest	(1,478)				1,478 (b)	
Net income (loss) attributable to common stockholders	\$ (25,698)	\$ 19,381	\$ 9,295	\$ (24,957)	\$ 13,990	\$ (7,989)
Basic loss per share	\$ (1.68)					\$ (0.19)
Diluted loss per share	\$ (1.68)					\$ (0.19)
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
<b>Revenues:</b>				
Rental and other property income	\$ 46,576	\$ 2,164 (a)	\$	\$ 48,740
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	15,485
Other income		3,434 (e)		3,434
<b>Total revenues</b>	<b>58,950</b>	<b>(1,768)</b>	<b>12,259</b>	<b>69,441</b>
<b>Expenses:</b>				
Cost of property operations and maintenance	18,286	(735)(b)		17,551
Lock and packaging expense	2,647	(2,647)(a)		
Tenant insurance claims reserve	2,556	(2,556)(a)		
Real estate taxes	5,542	(5,542)(b)		
General and administrative	9,231	494 (c)	13,275	23,000
Depreciation and amortization	10,162	3,562 (d)		13,724
<b>Total expenses</b>	<b>48,424</b>	<b>(7,424)</b>	<b>13,275</b>	<b>54,275</b>
<b>Income (loss) from operations</b>	<b>10,526</b>	<b>5,656</b>	<b>(1,016)</b>	<b>15,166</b>
Interest expense, net	(2,514)	2,514 (e)		
Equity in earnings of real estate ventures	3,079		1,136	4,215
Gain on sale of investment in real estate ventures	1,926	(1,926)(f)		
<b>Income before income taxes</b>	<b>13,017</b>	<b>6,244</b>	<b>120</b>	<b>19,381</b>
Provision from income taxes	1,382	(1,382)(g)		

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Net income	\$ 11,635	\$ 7,626	\$ 120	\$ 19,381
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- (a) Lock and packaging and Tenant insurance income and expenses were netted into Property rental to reflect EXR's historical presentation of these sources of income.
- (b) Property taxes were combined with Property operations 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.
- (d) Depreciation and amortization expense adjustment of \$13,724 includes depreciation of \$7,143 computed on a straight line basis over the estimated useful life (40 years) on depreciable assets acquired of \$285,714, and amortization of \$64, \$735, and \$5,762 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.

**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)**

- (e) Historical interest expense has been eliminated as all interest expense is reflected in the financing disclosed in this filing. Interest income of \$3,434 has been reclassified to other income to reflect EXR's historical presentation of this source of income.
- (f) The elimination of gain that will not be carried over in on-going operations.
- (g) No tax liability is shown as the pro forma statement of operation reflects a loss.
- (3) Represents the pro forma income from operations of 47 sites acquired by EXR since January 1, 2004. Depreciation and amortization expense adjustment of \$8,037 includes depreciation of \$4,956 computed on a straight line basis over the estimated useful life (40 years) on depreciable assets acquired of \$338,655, and amortization of \$3,081 computed on a straight line basis over the estimated life of 18 months on \$7,924 of intangible assets relating to tenant relationships acquired.
- (4) Represents the consummation of the financing transactions, consisting of the following:

Adjustments to net pro forma interest expense computed as follows:

Interest expense adjustments:	
4.70% senior fixed rate mortgage of \$83,100 due 2009	\$ 933
4.79% senior fixed rate mortgage of \$68,400 due 2011	690
5.14% senior fixed rate mortgage of \$111,000 due 2010	3,202
4.95% senior fixed rate mortgage of \$32,502 due 2015	1,609
4.87% senior fixed rate mortgage of \$13,400 due 2015	653
Assumed 6.88% fixed rate CMBS Mortgage due 2010	287
Assumed 5.94% fixed rate CMBS Mortgage due 2010	130
Assumed 5.80% fixed rate CMBS Mortgage due 2010	179
Assumed 5.40% fixed rate CMBS Mortgage due 2010	275
6.53% Trust Preferred Security Note due 2035	2,286
6.67% Trust Preferred Security Note due 2035	2,735
6.91% Trust Preferred Security Note due 2035	2,764
5.29% senior fixed rate mortgage of \$213,000 due 2015	11,257
5.26% senior fixed rate mortgage of \$100,000 due 2010	5,260
Variable rate senior mortgage of \$37,000 due 2007, based upon a spread of 1.75% over LIBOR (5.17% at December 31, 2004)	786
Variable rate senior mortgage of \$61,770 due 2009, based upon a spread of 0.655% over LIBOR (3.075% at December 31, 2004)	129
Variable rate Bridge loan of \$61,230 due December 2005, based upon a spread of 1.50% over LIBOR (3.92% at December 31, 2004)	1,798
Variable rate Bridge loan of \$28,000 due June 2006, based upon a spread of 2.00% over LIBOR (5.42% at December 31, 2004)	962
Assumed variable rate Construction loan of \$3,829 due 2006, based upon a spread of 2.75% over LIBOR (5.17% at December 31, 2004)	160
Adjustment for other minority interest	1,622



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Less interest expense on loans repaid in the financing transaction:	
Corporate Credit lines and unsecured debt	(4,801)
Senior variable rate mortgage due 2004, LIBOR plus 3.00% per annum with a floor of 6.00%(6.00% at December 31, 2004)	(1,083)
Senior variable rate mortgage due 2005, LIBOR plus 3.50% per annum with a floor of 5.50%(5.92% at December 31, 2004)	(2,146)
Senior variable rate mortgage due 2005, LIBOR plus 3.00% per annum(5.42% at December 31, 2004)	(1,355)
Various individual property senior mortgages and construction loans	(4,202)
	<hr/>
Net increase in interest expense	\$ 24,130
	<hr/>

**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)**

Loan origination cost amortization adjustment:	
Loan origination cost amortization on new loans:	
4.70% senior fixed rate mortgage of \$83,100 due 2009	\$ 234
4.79% senior fixed rate mortgage of \$68,400 due 2011	175
5.14% senior fixed rate mortgage of \$111,000 due 2010	423
4.95% senior fixed rate mortgage of \$32,502 due 2015	10
4.87% senior fixed rate mortgage of \$13,400 due 2015	15
6.53% Trust Preferred Security Note due 2035	37
6.67% Trust Preferred Security Note due 2035	42
6.91% Trust Preferred Security Note due 2035	41
5.29% senior fixed rate mortgage of \$213,000 due 2015	163
5.26% senior fixed rate mortgage of \$100,000 due 2010	153
Variable rate senior mortgage of \$37,000 due 2007, based upon a spread of 1.75% over LIBOR (5.17% at December 31, 2004)	140
Variable rate senior mortgage of \$61,770 due 2009, based upon a spread of 0.655% over LIBOR (3.075% at December 31, 2004)	81
Variable rate Bridge loan of \$61,230 due December 2005, based upon a spread of 1.50% over LIBOR (3.92% at December 31, 2004)	343
Variable rate Bridge loan of \$28,000 due June 2006, based upon a spread of 2.00% over LIBOR (5.42% at December 31, 2004)	114
Revolving credit facility	333
Less - loan origination cost amortization related to repaid indebtedness	(1,477)
	<hr/>
Net increase in loan origination cost amortization expense, included with interest expense	827
	<hr/>
Total increase in pro forma interest expense	\$ 24,957
	<hr/>

At the completion of the private placement 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) Represents the following adjustments to pro forma operations:

- (a) The reallocation of the Income (loss) allocated to other minority interest for proper classification and elimination due to deconsolidation of prior consolidated interests.
- (b) The elimination of items that relate to one time events that would not affect the pro forma operations.
- (c) Minority interest Operating Partnership is adjusted for the change in income.

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- (d) Equity in earnings of real estate ventures Two Joint Ventures had changes in the capital structure during 2004. We have adjusted the allocation of income to reflect these changes as if they had taken place as of January 1, 2004. This results in an additional participation by EXR of \$1,119 on a pro forma basis. As part of the IPO process completed in 2004 EXR purchased the interest of several of their joint venture partners. This results in the pro forma elimination of \$1,374 of Equity in Earnings that were included in the Historical Extra Space amount.

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**Storage USA Carve-out Company**

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**Independent Auditors Report**

The Board of Directors

Extra Space Storage, Inc.:

We have audited the accompanying combined balance sheets of Storage USA Carve-out Company as of December 31, 2004 and 2003, and the related combined statements of operations, equity, and cash flows for each of the years in the three-year period ended December 31, 2004. These combined financial statements are the responsibility of the Carve-out Company's management. Our responsibility is to express an opinion on these combined financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Carve-out Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of Storage USA Carve-out Company as of December 31, 2004 and 2003, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2004 in conformity with accounting principles generally accepted in the United States of America.

/s/ KPMG LLP

Memphis, Tennessee

September 23, 2005

**Table of Contents****Storage USA Carve-out Company**

## Combined Balance Sheets

(amounts in thousands)

	<u>June 30,</u>	<u>December 31,</u>	
	<u>2005</u>	<u>2004</u>	<u>2003</u>
	<u>(unaudited)</u>		
<b>Assets</b>			
Investments in storage facilities	\$ 372,809	\$ 375,977	\$ 334,577
Accumulated depreciation	(24,947)	(20,124)	(10,764)
	<u>347,862</u>	<u>355,853</u>	<u>323,813</u>
Cash and cash equivalents	44	47	52
Cash held by captive insurance subsidiary	8,042	6,960	5,043
	<u>8,086</u>	<u>7,007</u>	<u>5,095</u>
Total cash and cash equivalents	8,086	7,007	5,095
Advances and investments in real estate ventures and franchisees, net of allowance for losses	54,990	60,272	100,401
Due from related parties	6,042	8,790	2,088
Intangible assets, net	40,984	41,124	41,636
Other assets, net	6,428	8,668	6,958
	<u>464,392</u>	<u>481,714</u>	<u>479,991</u>
Total assets	\$ 464,392	\$ 481,714	\$ 479,991
<b>Liabilities and Equity</b>			
Notes payable	\$ 68,901	\$ 69,202	\$ 69,803
Mortgage notes payable	5,162	9,200	6,832
Other borrowings			2,212
Accounts payable and accrued expenses	11,096	14,189	13,640
Unfavorable lease liability	4,437	4,661	5,111
Deferred tax liabilities	816	673	70
Deferred revenue	2,198	2,019	1,995
Tenant insurance claims reserve	1,609	1,266	869
	<u>94,219</u>	<u>101,210</u>	<u>100,532</u>
Total liabilities	94,219	101,210	100,532
Equity	370,173	380,504	379,459
	<u>464,392</u>	<u>481,714</u>	<u>479,991</u>
Total liabilities and equity	\$ 464,392	\$ 481,714	\$ 479,991

See accompanying notes to combined financial statements.

**Table of Contents****Storage USA Carve-out Company**

## Combined Statements of Operations

(amounts in thousands)

	Six months ending June 30,		For the years ending December 31,		
	2005	2004	2004	2003	2002
	(unaudited)				
<b>Operating revenues</b>					
Rental and other property income	\$ 26,062	\$ 22,102	\$ 46,576	\$ 42,112	\$ 40,420
Service and other income	1,882	1,326	3,226	3,799	4,225
Lock and packaging income	1,692	1,929	3,567	3,675	3,493
Tenant insurance income	1,874	1,748	3,799	4,186	3,754
Franchise royalty income	865	927	1,782	2,035	2,025
<b>Total operating revenues</b>	<b>32,375</b>	<b>28,032</b>	<b>58,950</b>	<b>55,807</b>	<b>53,917</b>
<b>Operating expenses</b>					
Cost of property operations and maintenance	9,905	8,729	18,286	15,137	15,432
Lock and packaging expense	1,216	1,333	2,647	2,699	2,800
Tenant insurance claims reserve	1,297	1,278	2,556	2,879	2,241
Real estate taxes	2,688	2,251	5,542	4,767	4,060
General and administrative	5,225	4,594	9,231	8,736	8,875
Legal and acquisition/merger costs					49,322
Loss on extinguishment of debt					4,400
Provision for impairment				4,206	
Depreciation and amortization	5,179	4,971	10,162	7,793	8,965
<b>Total operating expenses</b>	<b>25,510</b>	<b>23,156</b>	<b>48,424</b>	<b>46,217</b>	<b>96,095</b>
<b>Income (loss) from operations</b>	<b>6,865</b>	<b>4,876</b>	<b>10,526</b>	<b>9,590</b>	<b>(42,178)</b>
Interest expense	(2,792)	(3,028)	(5,948)	(7,355)	(7,635)
Interest income	1,340	1,829	3,434	5,278	6,740
Equity in earnings of real estate ventures	1,687	1,391	3,079	1,834	1,484
Gain on sale of investment in real estate ventures		1,046	1,926	283	
<b>Income (loss) before income taxes</b>	<b>7,100</b>	<b>6,114</b>	<b>13,017</b>	<b>9,630</b>	<b>(41,589)</b>
Provision (benefit) for income taxes	386	691	1,382	524	(367)
<b>Net income (loss)</b>	<b>\$ 6,714</b>	<b>\$ 5,423</b>	<b>\$ 11,635</b>	<b>\$ 9,106</b>	<b>\$ (41,222)</b>

See accompanying notes to combined financial statements.

**Table of Contents****Storage USA Carve-out Company**

## Combined Statements of Cash Flow

(amounts in thousands)

	Six months ended June 30,		Years ended December 31,		
	2005	2004	2004	2003	2002
	(unaudited)				
<b>Cash flows from operating activities:</b>					
Net income (loss)	\$ 6,714	\$ 5,423	\$ 11,635	\$ 9,106	\$ (41,222)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:					
Depreciation and amortization	5,179	4,971	10,162	7,793	8,965
Amortization of note premium	(301)	(301)	(601)	(990)	(675)
Provision for impairment				4,206	
Deferred tax expenses (benefit)	143	302	603	524	(367)
Equity in earnings of real estate ventures	1,687	1,391	3,079	1,834	1,484
Distribution from investment in real estate ventures	1,068	1,143	2,708	1,553	1,909
Gain on sale of investment in real estate ventures		(1,046)	(1,926)	(283)	
Increase (decrease) in cash due to changes in:					
Other assets	2,024	(1,136)	(2,000)	1,634	(5,520)
Accounts payable and accrued expenses	(3,093)	7,367	549	(1,238)	12,026
Deferred revenue	298	899	(29)	(592)	182
Net cash provided by (used in) operating activities	13,719	19,013	24,180	23,547	(23,218)
<b>Cash flows from investing activities:</b>					
Acquisition, development, and improvement of storage facilities	(14,878)	(32,886)	(42,310)	(4,864)	(1,194)
Proceeds from sale of land			910		
Advances and investments in real estate	(839)	(2,257)	(8,489)	(42,900)	(4,872)
Repayment of advances to franchisees	3,366	36,580	44,757	50,955	26,343
Net cash provided by (used in) investing activities	(12,351)	1,437	(5,132)	3,191	20,277
<b>Cash flows from financing activities:</b>					
Change in due from related party	2,748	1,158	(6,702)	(737)	1,198
Proceeds from borrowings	5,162		9,243		
Payments on borrowings	(200)		(9,087)	(41)	
Equity contributions	3,377		21,825	466	1,196
Equity distributions and redemptions	(11,376)	(20,651)	(32,415)	(22,799)	
Net cash provided by (used in) financing activities	(289)	(19,493)	(17,136)	(23,111)	2,394
Net increase (decrease) in cash and cash equivalents	1,079	957	1,912	3,627	(547)
Cash and cash equivalents, beginning of the period	7,007	5,095	5,095	1,468	2,015
Cash and cash equivalents, end of the period	\$ 8,086	\$ 6,052	\$ 7,007	\$ 5,095	\$ 1,468



	Six months ended June 30,		Years ended December 31,		
	2005	2004	2004	2003	2002
	(unaudited)				
<b>Supplemental schedule of cash flow information</b>					
Interest paid, net of amounts capitalized	\$ 3,318	\$ 2,933	\$ 5,736	\$ 7,160	\$ 8,882
Equity redemption in exchange for \$18.0 million of land subject to a \$9.0 million note	9,046				
Equity issued in exchange for repayment of notes payable by GE Capital				(13,000)	
Fair value adjustments to the net assets in connection with the GE Capital acquisition					(222,227)

See accompanying notes to combined financial statements.

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**Storage USA Carve-out Company**

Combined Statements of Equity

(amounts in thousands)

Balance at December 31, 2001	\$ 197,485
Net loss	(41,222)
Contributions	1,196
Fair value adjustments to the net assets in connection with the GE Capital Acquisition	222,227
	<hr/>
Balance at December 31, 2002	379,686
Net income	9,106
Contributions	13,466
Distributions and redemptions	(22,799)
	<hr/>
Balance at December 31, 2003	379,459
Net income	