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

FORM 10-Q

(Mark One)

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2009

Or

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to .

Commission File Number: 001-32269

EXTRA SPACE STORAGE INC.
(Exact name of registrant as specified in its charter)

Maryland	**20-1076777**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

2795 East Cottonwood Parkway, Suite 400
Salt Lake City, Utah 84121
(Address of principal executive offices)

Registrant's telephone number, including area code: **(801) 562-5556**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes o No o

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

Large accelerated filer x	Accelerated filer o
Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No x

The number of shares outstanding of the registrant's common stock, par value $0.01 per share, as of July 31, 2009 was 86,438,578.

EXTRA SPACE STORAGE INC.

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STATEMENT ON FORWARD-LOOKING INFORMATION

Certain information set forth in this report contains "forward-looking statements" within the meaning of the federal securities laws. Forward-looking statements include statements concerning our plans, objectives, goals, strategies, future events, future revenues or performance, capital expenditures, financing needs, plans or intentions relating to acquisitions and other information that is not historical information. In some cases, forward-looking statements can be identified by terminology such as "believes," "expects," "estimates," "may," "will," "should," "anticipates," or "intends" or the negative of such terms or other comparable terminology, or by discussions of strategy. We may also make additional forward-looking statements from time to time. All such subsequent forward-looking statements, whether written or oral, by us or on our behalf, are also expressly qualified by these cautionary statements.

All forward-looking statements, including without limitation, management's examination of historical operating trends and estimate of future earnings, are based upon our current expectations and various assumptions. Our expectations, beliefs and projections are expressed in good faith and we believe there is a reasonable basis for them, but there can be no assurance that management's expectations, beliefs and projections will result or be achieved. All forward-looking statements apply only as of the date made. We undertake no obligation to publicly update or revise forward-looking statements which may be made to reflect events or circumstances after the date made or to reflect the occurrence of unanticipated events.

There are a number of risks and uncertainties that could cause our actual results to differ materially from the forward-looking statements contained in or contemplated by this report. Any forward-looking statements should be considered in light of the risks referenced in "Part II. Item 1A. Risk Factors" below and in "Part I. Item 1A. Risk Factors" included in our most recent Annual Report on Form 10-K. Such factors include, but are not limited to:

- changes in general economic conditions and in the markets in which we operate;
- the effect of competition from new self-storage facilities or other storage alternatives, which could cause rents and occupancy rates to decline;
- potential liability for uninsured losses and environmental contamination;
- difficulties in our ability to evaluate, finance and integrate acquired and developed properties into our existing operations and to lease up those properties, which could adversely affect our profitability;
- the impact of the regulatory environment as well as national, state, and local laws and regulations including, without limitation, those governing real estate investment trusts, or REITs, which could increase our expenses and reduce our cash available for distribution;
- the possibility that the joint venture transaction with Harrison Street Real Estate Capital, LLC may not close on the terms previously disclosed or at all, or that the expected benefits from the transaction may not be realized;
- recent disruptions in credit and financial markets and resulting difficulties in raising capital at reasonable rates, which could impede our ability to grow;
- delays in the development and construction process, which could adversely affect our profitability;
- economic uncertainty due to the impact of war or terrorism, which could adversely affect our business plan;
- the successful realignment of our executive management team; and

· our ability to attract and retain qualified personnel and management members.

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

Extra Space Storage Inc.
Condensed Consolidated Balance Sheets
(in thousands, except share data)

	June 30, 2009 (unaudited)	December 31, 2008
Assets:		
Real estate assets:		
Net operating real estate assets	$ 1,940,232	$ 1,938,922
Real estate under development	89,310	58,734
Net real estate assets	2,029,542	1,997,656
Investments in real estate ventures	132,272	136,791
Cash and cash equivalents	131,551	63,972
Restricted cash	40,927	38,678
Receivables from related parties and affiliated real estate joint ventures	5,666	11,335
Other assets, net	42,486	42,576
Total assets	$ 2,382,444	$ 2,291,008
Liabilities, Noncontrolling Interests and Equity:		
Notes payable	$ 1,065,502	$ 943,598
Notes payable to trusts	119,590	119,590
Exchangeable senior notes	95,163	209,663
Discount on exchangeable senior notes	(5,070)	(13,031)
Lines of credit	100,000	27,000
Accounts payable and accrued expenses	34,462	35,128
Other liabilities	26,823	22,267
Total liabilities	1,436,470	1,344,215
Commitments and contingencies		
Equity:		
Extra Space Storage Inc. stockholders' equity:		
Preferred stock, $0.01 par value, 50,000,000 shares authorized, no shares issued or outstanding	—	—
Common stock, $0.01 par value, 300,000,000 shares authorized, 86,432,978 and 85,790,331 shares issued and outstanding at June 30, 2009 and December 31, 2008, respectively	864	858
Paid-in capital	1,132,073	1,130,964
Accumulated other comprehensive income	189	—
Accumulated deficit	(254,500)	(253,052)
Total Extra Space Storage Inc. stockholders' equity	878,626	878,770
Noncontrolling interest represented by Preferred Operating Partnership units, net of $100,000 note receivable	29,891	29,837
Noncontrolling interest in Operating Partnership	35,866	36,628
Other noncontrolling interests	1,591	1,558
Total noncontrolling interests and equity	945,974	946,793
Total liabilities, noncontrolling interests and equity	$ 2,382,444	$ 2,291,008

See accompanying notes to unaudited condensed consolidated financial statements.

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Extra Space Storage Inc.
Condensed Consolidated Statements of Operations
(in thousands, except share data)
(unaudited)

	Three months ended June 30, 2009	Three months ended June 30, 2008 (As revised-see Note 2)	Six months ended June 30, 2009	Six months ended June 30, 2008 (As revised-see Note 2)
Revenues:				
Property rental	$ 58,705	$ 57,885	$ 118,114	$ 114,909

Management and franchise fees	5,275	5,343	10,494	10,420
Tenant reinsurance	5,085	3,980	9,704	7,458
Other income	3	128	10	256
Total revenues	69,068	67,336	138,322	133,043
Expenses:				
Property operations	21,567	20,863	44,434	41,504
Tenant reinsurance	1,471	1,370	2,732	2,532
Unrecovered development and acquisition costs	18,801	1,428	18,883	1,592
Severance costs associated with wind-down of development program	1,400	—	1,400	—
General and administrative	10,615	10,183	21,213	20,062
Depreciation and amortization	12,840	11,697	25,363	23,278
Total expenses	66,694	45,541	114,025	88,968
Income before interest, equity in earnings of real estate ventures, gain on repurchase of exchangeable senior notes, loss on sale of investments available for sale and income tax expense	2,374	21,795	24,297	44,075
Interest expense	(15,816)	(15,962)	(31,611)	(32,316)
Non-cash interest expense related to amortization of discount on exchangeable senior notes	(563)	(1,059)	(1,404)	(2,088)
Interest income	321	870	853	1,295
Interest income on note receivable from Preferred Operating Partnership unit holder	1,212	1,212	2,425	2,425
Equity in earnings of real estate ventures	1,641	1,373	3,536	2,595
Gain on repurchase of exchangeable senior notes	5,093	—	27,576	—
Loss on sale of investments available for sale	—	—	—	(1,415)
Income tax expense	(943)	113	(1,591)	(187)
Net income (loss)	(6,681)	8,342	24,081	14,384
Net income allocated to Preferred Operating Partnership noncontrolling interests	(1,369)	(1,539)	(3,175)	(3,057)
Net (income) loss allocated to Operating Partnership and other noncontrolling interests	509	(306)	(828)	(495)
Net income (loss) attributable to common stockholders	$ (7,541)	$ 6,497	$ 20,078	$ 10,832
Net income (loss) per common share				
Basic	$ (0.09)	$ 0.09	$ 0.23	$ 0.15
Diluted	$ (0.09)	$ 0.09	$ 0.23	$ 0.15
Weighted average number of shares				
Basic	86,397,618	73,900,524	86,170,270	70,034,123
Diluted	91,607,503	79,572,767	91,375,416	75,646,629
Cash dividends paid per common share	$ —	$ 0.25	$ 0.25	$ 0.50

See accompanying notes to unaudited condensed consolidated financial statements.

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Extra Space Storage Inc.
Condensed Consolidated Statement of Equity
(in thousands, except share data)
(unaudited)

	Noncontrolling Interests			Extra Space Storage Inc. Stockholders' Equity					
	Preferred OP	OP	Other	Shares	Par Value	Paid-in Capital	Accumulated Other Comprehensive Income	Accumulated Deficit	Total Equity
Balances at December 31, 2008	$ 29,837	$ 36,628	$ 1,558	85,790,331	$ 858	$1,130,964	$ —	$ (253,052)	$946,793
Restricted stock grants issued	—	—	—	538,865	5	—	—	—	5
Restricted stock grants cancelled	—	—	—	(11,146)	—	—	—	—	—
Compensation expense related to stock-based awards	—	—	—	—	—	2,160	—	—	2,160
Noncontrolling interest consolidated as business acquisition	—	—	1,118	—	—	—	—	—	1,118
Investments from other noncontrolling interests	—	—	(615)	—	—	—	—	—	(615)

Repurchase of equity portion of exchangeable senior notes	—	—	—	—	—	(2,053)	—	—	(2,053)
Conversion of Operating Partnership units to common stock	—	(1,003)	—	114,928	1	1,002	—	—	—
Comprehensive income:									
Net income (loss)	3,175	1,298	(470)	—	—	—	—	20,078	24,081
Change in fair value of interest rate swap	2	9	—	—	—	—	189	—	200
Total comprehensive income									24,281
Distributions to Operating Partnership units held by noncontrolling interests	(3,123)	(1,066)	—	—	—	—	—	—	(4,189)
Dividends paid on common stock at $0.25 per share	—	—	—	—	—	—	—	(21,526)	(21,526)
Balances at June 30, 2009	$ 29,891	$ 35,866	$ 1,591	86,432,978	$ 864	$1,132,073	$ 189	$ (254,500)	$945,974

See accompanying notes to unaudited condensed consolidated financial statements.

Extra Space Storage Inc.
Condensed Consolidated Statements of Cash Flows
(in thousands)
(unaudited)

	Six months ended June 30, 2009	Six months ended June 30, 2008 (As revised—see Note 2)
Cash flows from operating activities:		
Net income	$ 24,081	$ 14,384
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	25,363	23,278
Amortization of deferred financing costs	1,881	1,708
Non-cash interest expense related to amortization of discount on exchangeable senior notes	1,404	2,088
Gain on repurchase of exchangeable senior notes	(27,576)	—
Compensation expense related to stock-based awards	2,160	1,984
Loss on investments available for sale	—	1,415
Unrecovered development and acquisition costs	18,883	1,592
Severance costs associated with wind-down of development program	1,400	—
Distributions from real estate ventures in excess of earnings	3,136	2,400
Changes in operating assets and liabilities:		
Receivables from related parties	(4,306)	(1,852)
Other assets	465	(525)
Accounts payable and accrued expenses	(1,762)	2,263
Other liabilities	4,003	1,384
Net cash provided by operating activities	49,132	50,119
Cash flows from investing activities:		
Acquisition of real estate assets	(24,001)	(37,017)
Development and construction of real estate assets	(43,293)	(31,124)
Proceeds from sale of real estate assets	4,652	340
Investments in real estate ventures	(1,155)	(3,050)
Net proceeds from sale of investments available for sale	—	21,812
Change in restricted cash	(2,239)	(2,703)
Purchase of equipment and fixtures	(471)	(885)
Net cash used in investing activities	(66,507)	(52,627)
Cash flows from financing activities:		
Repurchase of exchangeable senior notes	(80,853)	—
Proceeds from notes payable and lines of credit	277,546	3,384
Principal payments on notes payable and lines of credit	(81,592)	(22,965)
Deferred financing costs	(4,432)	(542)
Proceeds from issuance of common shares, net	—	232,718
Net proceeds from exercise of stock options	—	872
Dividends paid on common stock	(21,526)	(37,088)
Distributions to noncontrolling interests in Operating Partnership	(4,189)	(5,411)
Net cash provided by financing activities	84,954	170,968
Net increase in cash and cash equivalents	67,579	168,460
Cash and cash equivalents, beginning of the period	63,972	17,377
Cash and cash equivalents, end of the period	$ 131,551	$ 185,837
Supplemental schedule of cash flow information		
Interest paid, net of amounts capitalized	$ 31,752	$ 31,509
Supplemental schedule of noncash investing and financing activities:		

Conversion of Operating Partnership Units held by noncontrolling interests for common stock	$	1,003	$	—

See accompanying notes to unaudited condensed consolidated financial statements.

Extra Space Storage Inc.
Notes to Condensed Consolidated Financial Statements (unaudited)
Amounts in thousands, except property and share data

1. ORGANIZATION

Extra Space Storage Inc. (the "Company") is a self-administered and self-managed real estate investment trust ("REIT"), formed as a Maryland corporation on April 30, 2004 to own, operate, manage, acquire, develop and redevelop professionally managed self-storage facilities located throughout the United States. The Company continues the business of Extra Space Storage LLC and its subsidiaries, which had engaged in the self-storage business since 1977. The Company's interest in its properties is held through its operating partnership, Extra Space Storage LP (the "Operating Partnership"), which was formed on May 5, 2004. The Company's primary assets are general partner and limited partner interests in the Operating Partnership. This structure is commonly referred to as an umbrella partnership REIT, or UPREIT. The Company has elected to be taxed as a REIT under the Internal Revenue Code of 1986, as amended (the "Internal Revenue Code"). To the extent the Company continues to qualify as a REIT, it will not be subject to tax, with certain limited exceptions, on the taxable income that is distributed to its stockholders.

The Company invests in self-storage facilities by acquiring or developing wholly-owned facilities or by acquiring an equity interest in real estate entities. At June 30, 2009, the Company had direct and indirect equity interests in 628 operating storage facilities located in 33 states and Washington, D.C. In addition, the Company managed 110 properties for franchisees and third parties, bringing the total number of operating properties which it owns and/or manages to 738.

The Company operates in two distinct segments: (1) property management, acquisition and development; and (2) rental operations. The Company's property management, acquisition and development activities include managing, acquiring, developing and selling self-storage facilities. On June 2, 2009, the Company announced the wind-down of its development activities. As of June 30, 2009, there were 22 development projects in process that the Company expects to complete by the third quarter of 2010. The rental operations activities include rental operations of self-storage facilities. No single tenant accounts for more than 5% of rental income.

2. BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements of the Company are presented on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles ("GAAP") for interim financial information and in accordance with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they may not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, all adjustments (including normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three and six months ended June 30, 2009 are not necessarily indicative of results that may be expected for the year ended December 31, 2009. The Condensed Consolidated Balance Sheet as of December 31, 2008 has been derived from the Company's audited financial statements as of that date, but does not include all of the information and footnotes required by GAAP for complete financial statements. For further information refer to the consolidated financial statements and footnotes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2008 and Form 8-K dated June 5, 2009, updating Items 6, 7 and 8 of the Company's Form 10-K for the year ended December 31, 2008, filed with the Securities and Exchange Commission ("SEC").

Reclassifications

Certain amounts in the 2008 financial statements and supporting note disclosures have been reclassified to conform to the current year presentation. Such reclassification did not impact previously reported net income or accumulated deficit.

Revisions to Prior Period Numbers

Effective January 1, 2009, the Company adopted certain recently issued accounting standards that required the Company to retroactively adopt the presentation and disclosure requirements and to restate prior period financial statements as noted in "Recently Issued Accounting Standards," below. The Company also revised the amounts allocated to its noncontrolling interests in its Operating Partnership and calculated earnings per share for 2008.

Recently Issued Accounting Standards

In September 2006, the Financial Accounting Standards Board ("FASB") issued Statement No. 157, *"Fair Value Measurements"* ("FAS 157"). FAS 157 defines fair value, establishes guidelines for measuring fair value and expands

disclosures regarding fair value measurement. FAS 157 applies under other accounting pronouncements that require or permit fair value measurements, and does not require any new fair value measurements. FAS 157 was effective for financial statements issued for fiscal years beginning after November 15, 2007 and interim periods within those fiscal years. In February 2008, the FASB issued FASB Statement of Position No. 157-2, *"Effective Date of FASB Statement No. 157"* ("the FSP"). The FSP amends FAS 157 to delay the effective date for FAS 157 for nonfinancial assets and nonfinancial liabilities, except for items that are recognized or disclosed at fair value in the financial statements on a recurring basis. The Company adopted FAS 157 effective January 1, 2008, except as it related to nonfinancial assets and liabilities. The Company adopted FAS 157 for nonfinancial assets and liabilities effective January 1, 2009.

In December 2007, the FASB issued revised Statement No. 141, "*Business Combinations*" ("FAS 141(R)"). FAS 141(R) establishes principles and requirements for how an acquirer in a business combination recognizes and measures in its financial statements the assets acquired and liabilities assumed. Generally, assets acquired and liabilities assumed in a transaction are recorded at the acquisition-date fair value with limited exceptions. FAS 141(R) also changed the accounting treatment and disclosure for certain specific items in a business combination. FAS 141(R) applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first fiscal year beginning on or after December 15, 2008. The Company adopted FAS 141(R) for all acquisitions subsequent to January 1, 2009.

In December 2007, the FASB issued Statement No. 160, "*Noncontrolling Interests in Consolidated Financial Statements — An Amendment of ARB No. 51*" ("FAS 160"). FAS 160 establishes new accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. FAS 160 requires a company to clearly identify and present ownership interests in subsidiaries held by parties other than the company in the consolidated financial statements within the equity section but separate from the company's equity. FAS 160 also requires the amount of consolidated net income attributable to the parent and to the noncontrolling interest to be clearly identified and presented on the face of the consolidated statement of operations and requires changes in ownership interest to be accounted for similarly as equity transactions. As a result of the issuance of FAS 160, the guidance in EITF Topic D-98, "*Classification and Measurement of Redeemable Securities*" was amended to include redeemable noncontrolling interests within its scope. If noncontrolling interests are determined to be redeemable, they are to be carried at the higher of (a) their carrying value or (b) their redeemable value as of the balance sheet date and reported as temporary equity. FAS 160 requires retroactive adoption of the presentation and disclosure requirements for existing noncontrolling interests, with all other requirements applied prospectively. The Company adopted FAS 160 and related guidance effective January 1, 2009.

In March 2008, the FASB issued Statement No. 161, "*Disclosures about Derivative Instruments and Hedging Activities,*" an amendment of FASB Statement No. 133, "*Accounting for Derivative Instruments and Hedging Activities*" ("FAS 161"). FAS 161 changes the disclosure requirements for derivative instruments and hedging activities. Entities are required to provide enhanced disclosures stating how and why an entity uses derivative instruments; how derivative instruments and related hedged items are accounted for under SFAS No. 133 and its related interpretations; and how derivative instruments and related hedged items affect an entity's financial position, financial performance and cash flows. FAS 161 requires that objectives for using derivative instruments be disclosed in terms of underlying risk and acc ounting designation. FAS 161 is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008. FAS 161 also encourages but does not require comparative disclosures for earlier periods at initial adoption. The Company adopted FAS 161 effective January 1, 2009. Since FAS 161 only requires additional disclosures concerning derivatives and hedging activities, the adoption of FAS 161 did not have any impact on the Company's net income (loss), cash flows, or financial position.

In May 2008, the FASB issued FASB Statement of Position No. APB 14-1, "*Accounting for Convertible Debt Instruments That May Be Settled in Cash upon Conversion (Including Partial Cash Settlement)*" ("FSP APB 14-1"). Under FSP APB 14-1, entities with convertible debt instruments that may be settled entirely or partially in cash upon conversion should separately account for the liability and equity components of the instrument in a manner that reflects the issuer's economic interest cost. The effect of the adoption FSP APB 14-1 on the Company's exchangeable senior notes is that the equity component is included in the paid-in-capital section of stockholders' equity on the consolidated balance sheet and the value of the equity component is treated as original issue discount for purposes of accounting for the debt component. The original issue discount is amortized over the period of the debt as additional interest expense. FSP APB 14-1 is effective for fiscal years beginning after December 15, 2008, and for interim periods within those fiscal years, with retrospective application required. The Company adopted FSP APB 14-1 effective January 1, 2009.

In April 2008, the FASB issued FASB Staff Position No. 142-3, "*Determination of the Useful Life of Intangible Assets*" ("FSP FAS 142-3"). FSP FAS 142-3 amends the factors that should be considered in developing renewal or extension assumptions used in determining the useful life of a recognized intangible asset under Statement of Financial Accounting Standard No. 142, "*Goodwill and Other Intangible Assets.*" This new guidance applies prospectively to intangible assets

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that are acquired individually or with a group of other assets in business combinations and asset acquisitions. FSP FAS 142-3 is effective for fiscal years beginning after December 31, 2008. The Company adopted FSP FAS 142-3 for all acquisitions subsequent to January 1, 2009.

In June 2008, the FASB issued FASB Staff Position EITF 03-6-1, "*Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities,*" ("FSP EITF 03-6-1"). FSP EITF 03-6-1 provides that unvested share-based payment awards that contain non-forfeitable rights to dividends or dividend equivalents (whether paid or unpaid) are participating securities and shall be included in the computation of earnings per share pursuant to the two-class method as described in FASB Statement of Financial Accounting Standards No. 128, "*Earnings per Share.*" FSP EITF 03-6-1 is effective for financial statements issued for fiscal years beginning on or after December 15, 2008. The Company adopted FSP EITF 03-6-1 effective January 1, 2009 and has applied this guidance to all p eriods presented.

In April 2009, the FASB issued FASB Staff Position No. FAS 107-1 and APB 28-1, "*Interim Disclosures About Fair Value of Financial Instruments*" ("FSP 107-1"), which amends FASB Statement No. 107, "*Disclosures about Fair Value of Financial Instruments*," to require disclosures about fair value of financial instruments for interim reporting periods of publicly traded companies as well as in annual financial statements. In addition, FSP 107-1 amends APB Opinion No. 28, "*Interim Financial Reporting*," to require those disclosures in summarized financial information at interim reporting periods. Companies will also be required to disclose the method and significant assumptions used to estimate the fair value of financial instruments and describe any changes in the methods or methodology occurring during the period. FSP 107-1 is effective for interim reporting periods ending after June 15, 2009, with early adoption permitted, but does not require disclosures for earlier periods presented for comparative purposes at adoption. The Company adopted FSP 107-1 effective June 15, 2009 and has applied this guidance to all periods presented. The adoption of FSP 107-1 did not have any impact on the Company's net income (loss), cash flows, or financial position.

In April 2009, the FASB issu ed FASB Staff Position No. FAS 157-4, "*Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly*" ("FSP 157-4"), which provides guidance for estimating fair value in accordance with FAS 157 when the volume and level of activity for the asset or liability have significantly decreased and identifying circumstances that may indicate that a transaction is not orderly. FSP 157-4 is effective for interim and annual reporting periods ending after June 15, 2009, with early adoption for periods ending after March 15, 2009 permitted. FSP 115-2 does not require disclosures for earlier periods presented for comparative purposes at adoption. The Company adopted FSP 157-4 effective March 15, 2009 and has applied this guidance to all periods presented. The adoption of FSP 157-4 did not have any impact on the Company's net income (loss), cash flows, or f inancial position.

In May 2009, the FASB issued Statement of Financial Accounting Standards No. 165, "*Subsequent Events*" ("FAS 165"), which provides guidance to establish general standards of accounting for and disclosures of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. FAS 165 also requires entities to disclose the date through which subsequent events were evaluated as well as the rationale for why that date was selected. FAS 165 is effective for interim and annual periods ending after June 15, 2009, and accordingly, the Company adopted this standard during the second quarter of 200 9. FAS 165 requires that public entities evaluate subsequent events through the date that the financial statements are issued. The Company has evaluated subsequent events through the time of filing these financial statements with the SEC on August 7, 2009.

In June 2009, the FASB issued Statement of Financial Accounting Standards No. 167, *"Amendments to FASB Interpretation No. 46(R),"* ("FAS 167"), which amends guidance in FIN 46(R) for determining whether an entity is a variable interest entity, or VIE, and requires the performance of a qualitative rather than a quantitative analysis to determine the primary beneficiary of a VIE. Under this guidance, an entity would be required to consolidate a VIE if it has (i) the power to direct the activities that most significantly impact the entity's economic performance and (ii) the obligation to absorb losses of the VIE or the right to receive benefits from the VIE that could be significant to the VIE. FAS 167 is effective for the first annual reporting period that begins after November 15, 2009, with early adoption prohibited. The Company is currently evaluating the effect of the adoption of FAS 167 on its financial statements.

Fair Value Disclosures

Assets and Liabilities Measured at Fair Value on a Recurring Basis

The following table provides information for each major category of assets and liabilities that are measured at fair value on a recurring basis:

Description	June 30, 2009	Fair Value Measurements at Reporting Date Using Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Notes payable associated with Swap Agreement	$ (63,492)	$ —	$ (63,492)	$ —
Other assets - Swap Agreement	200	—	200	—
Total	$ (63,292)	$ —	$ (63,292)	$ —

The Company did not have any significant assets or liabilities that are re-measured on a recurring basis using significant unobservable inputs (Level 3) for the three and six months ended June 30, 2009.

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Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis

Long-lived assets held for use are evaluated for impairment when events or circumstances indicate there may be impairment. When such an event occurs, the Company compares the carrying value of these long-lived assets to the undiscounted future net operating cash flows attributable to the assets using significant unobservable inputs. An impairment loss is recorded if the net carrying value of the assets exceeds the undiscounted future net operating cash flows attributable to the asset. The impairment loss recognized equals the excess of net carrying value over the related fair value of the asset.

When real estate assets are identified as held for sale, the Company discontinues depreciating the assets and estimates the fair value of the assets, net of selling costs, using significant unobservable inputs. If the estimated fair value, net of selling costs, of the assets that have been identified as held for sale is less than the net carrying value of the assets, then a valuation allowance is established. The operations of assets held for sale or sold during the period are generally presented as discontinued operations for all periods presented.

The Company assesses whether there are any indicators that the value of its investments in unconsolidated real estate ventures may be impaired when events or circumstances indicate there may be an impairment. An investment is impaired if the Company's estimate of the fair value of the investment is less than its carrying value using significant unobservable inputs. To the extent impairment has occurred, and is considered to be other-than-temporary, the loss is measured as the excess of the carrying amount over the fair value of the investment.

In connection with the Company's acquisition of properties, the assets are valued as tangible and intangible assets and liabilities acquired based on their fair values using significant unobservable inputs. The value of the tangible assets, consisting of land and buildings, are determined as if vacant, that is, at replacement cost. Intangible assets, which represent the value of existing tenant relationships, are recorded at their fair values based on the avoided cost to replace the current leases. The Company measures the value of tenant relationships based on the Company's historical experience with turnover in its facilities. Debt assumed as part of an acquisition is recorded at fair value based on current interest rates compared to contractual rates.

On June 2, 2009, the Company announced the wind-down of its development activities. As a result of this change, the Company reviewed its properties under construction, unimproved land and its investments in development projects for potential impairments. This review included the preparation of updated models based on current market conditions, obtaining appraisals and reviewing recent sales and list prices of undeveloped land and mature self storage facilities. Based on this review, the Company has identified certain assets as being impaired. The impairments relating to long lived assets where the Company intends to complete the development and hold the asset are the result of the estimated future undiscounted cash flows being less than the current carrying value of the assets. The Company compared the carrying value of certain undeveloped land and seven condominiums that the Company intends to sell to the fair market value of similar undeveloped land and condominiums. For the assets that the Company intends to sell, where the current estimated fair market value less costs to sell was below the carrying value, the Company reduced the asset to the current fair market value less selling costs and recorded an impairment charge. The impairments relating to investments in development joint ventures are the result of the Company comparing the estimated current fair market value to the carrying value of the investment. For those investments in development joint ventures where the current estimated fair market value was below the carrying value, the Company reduced the investment to the current fair market value through an impairment charge.

The following table provides information for each major category of assets and liabilities that are measured at fair value on a non-recurring basis:

Description	June 30, 2009	Fair Value Measurements at Reporting Date Using Quoted Prices in Active Markets for	Significant Other Observable Inputs	Significant Unobservable Inputs	Total Gains (Losses)

		Identical Assets (Level 1)	(Level 2)	(Level 3)	
Long-lived assets held and used	$ 12,392	$ —	$ —	$ 12,392	$ (6,862)
Investments in real estate ventures	9,934	—	—	9,934	(2,936)
Real estate assets held for sale included in net real estate assets	11,275	—	—	11,275	(9,085)
	$ 33,601	$ —	$ —	$ 33,601	$ (18,883)

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3. NET INCOME (LOSS) PER SHARE

Basic earnings per common share is computed by dividing net income (loss) attributable to common stockholders by the weighted average number of common shares outstanding. Diluted earnings per common share measures the performance of the Company over the reporting period while giving effect to all potential common shares that were dilutive and outstanding during the period. The denominator includes the number of additional common shares that would have been outstanding if the potential common shares that were dilutive had been issued and is calculated using either the treasury stock or if-converted method. Potential common shares are securities (such as options, warrants, convertible debt, Contingent Conversion Shares ("CCSs"), Contingent Conversion Units ("CCUs"), exchangeable Series A Participating Redeemable Preferred Operating Partnership units ("Preferred OP units") and exchangeable Operating Partnership units ("OP units")) that do not have a current right to participate in earnings but could do so in the future by virtue of their option or conversion right. In computing the dilutive effect of convertible securities, net income (loss) is adjusted to add back any changes in earnings in the period associated with the convertible security. The numerator also is adjusted for the effects of any other non-discretionary changes in income or loss that would result from the assumed conversion of those potential common shares. In computing diluted earnings per share, only potential common shares that are dilutive, or reduce earnings per share, are included.

The Company's Operating Partnership has $95,163 principal amount of exchangeable senior notes issued and outstanding as of June 30, 2009 that also can potentially have a dilutive effect on its earnings per share calculations. The exchangeable senior notes are exchangeable by holders into shares of the Company's common stock under certain circumstances per the terms of the indenture governing the exchangeable senior notes. The exchangeable senior notes are not exchangeable unless the price of the Company's common stock is greater than or equal to 130% of the applicable exchange price for a specified period during a quarter, or unless certain other events occur. The exchange price was $23.48 per share at June 30, 2009, and could change over time as described in the indenture. The price of the Company's common stock did not exceed 130% of the exchange price for the specified period of time during the second quarter of 2009; therefore holders of the exchangeable senior notes may not elect to convert them during the third quarter of 2009.

The Company has irrevocably agreed to pay only cash for the accreted principal amount of the exchangeable senior notes relative to its exchange obligations, but has retained the right to satisfy the exchange obligations in excess of the accreted principal amount in cash and/or common stock. Though the Company has retained that right, FAS 128 requires an assumption that shares will be used to pay the exchange obligations in excess of the accreted principal amount, and requires that those shares be included in the Company's calculation of weighted average common shares outstanding for the diluted earnings per share computation. No shares were included in the computation at June 30, 2009 or 2008 because there was no excess over the accreted principal for the period.

For the purposes of computing the diluted impact on earnings per share of the potential conversion of Preferred OP units into common shares, where the Company has the option to redeem in cash or shares as discussed in Note 16 and where the Company has stated the positive intent and ability to settle at least $115,000 of the instrument in cash (or net settle a portion of the Preferred OP units against the related outstanding note receivable), only the amount of the instrument in excess of $115,000 is considered in the calculation of shares contingently issuable for the purposes of computing diluted earnings per share as allowed by paragraph 29 of FAS 128.

For the three months ended June 30, 2009 and 2008, options to purchase 5,698,996 and 547,392 shares of common stock and for the six months ended June 30, 2009 and 2008, 5,773,724 and 561,600 shares of common stock, respectively, were excluded from the computation of earnings per share as their effect would have been anti-dilutive. All unreleased restricted stock grants have been included in basic and diluted shares outstanding as required by EITF 03-6-1 because such shares earn a non-forfeitable dividend and carry voting rights.

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The computation of net income (loss) per common share is as follows:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2009	2008	2009	2008
Net income (loss) attributable to common stockholders	$ (7,541)	$ 6,497	$ 20,078	$ 10,832
Add: Income allocated to noncontrolling interest - Preferred Operating Partnership and Operating Partnership	1,082	1,963	4,473	3,808
Subtract: Fixed component of income allocated to noncontrolling interest - Preferred Operating Partnership	(1,438)	(1,438)	(2,875)	(2,875)
Net income (loss) for diluted computations	$ (7,897)	$ 7,022	$ 21,676	$ 11,765
Weighted average common shares outstanding:				
Average number of common shares outstanding - basic	86,397,618	73,900,524	86,170,270	70,034,123
Operating Partnership units	4,150,040	4,090,771	4,150,040	4,090,771
Preferred Operating Partnership units	989,980	989,980	989,980	989,980

Dilutive and cancelled stock options and CCS/CCU conversions	69,865	591,492	65,126	531,755
Average number of common shares outstanding - diluted	91,607,503	79,572,767	91,375,416	75,646,629
Net income (loss) per common share				
Basic	$ (0.09)	$ 0.09	$ 0.23	$ 0.15
Diluted	$ (0.09)	$ 0.09	$ 0.23	$ 0.15

4. REAL ESTATE ASSETS

The components of real estate assets are summarized as follows:

	June 30, 2009	December 31, 2008
Land - operating	$ 465,244	$ 461,883
Land - development	65,259	64,392
Buildings and improvements	1,577,484	1,555,598
Intangible assets - tenant relationships	33,355	33,234
Intangible lease rights	6,150	6,150
	2,147,492	2,121,257
Less: accumulated depreciation and amortization	(207,260)	(182,335)
Net operating real estate assets	1,940,232	1,938,922
Real estate under development	89,310	58,734
Net real estate assets	$ 2,029,542	$ 1,997,656
Real estate assets held for sale included in net real estate assets	$ 11,275	$ —

Real estate assets held for sale include five parcels of vacant land and seven condominiums currently under construction.

On April 10, 2009, the Company sold vacant land in Los Angeles, California for cash of $4,652. A loss of $343 was recorded as a result of this sale, and is included in unrecovered development and acquisition costs.

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5. PROPERTY ACQUISITIONS

The following table shows the Company's acquisitions of operating properties for the six months ended June 30, 2009, and does not include purchases of raw land or improvements made to existing assets:

			Consideration Paid			Acquisition Date Fair Value				
Property Location	Number of Properties	Date of Acquisition	Total Paid	Cash Paid	Net Liabilities/ (Assets) Assumed	Land	Building	Intangible	Closing costs - expensed	Source of Acquisition
Virginia	1	1/23/2009	$ 7,425	$ 7,438	$ (13)	2,076	5,175	122	52	Unrelated franchisee

Under FAS 141(R), the Company treats property acquisitions as businesses and records the assets and the liabilities at their fair values as of the acquisition date. Acquisition-related transaction costs are expensed as incurred.

6. INVESTMENTS IN REAL ESTATE VENTURES

Investments in real estate ventures consisted of the following:

	Equity Ownership %	Excess Profit Participation %	Investment balance at June 30, 2009	Investment balance at December 31, 2008
Extra Space West One LLC ("ESW")	5%	40%	$ 1,305	$ 1,492
Extra Space West Two LLC ("ESW II")	5%	40%	4,814	4,874
Extra Space Northern Properties Six, LLC ("ESNPS")	10%	35%	1,451	1,482
Extra Space of Santa Monica LLC ("ESSM")	41%	41%	2,532	3,225
Clarendon Storage Associates Limited Partnership ("Clarendon")	50%	50%	3,239	3,318
PRISA Self Storage LLC ("PRISA")	2%	17%	12,073	12,460
PRISA II Self Storage LLC ("PRISA II")	2%	17%	10,350	10,431
PRISA III Self Storage LLC ("PRISA III")	5%	20%	3,968	4,118
VRS Self Storage LLC ("VRS")	45%	9%	46,410	47,488
WCOT Self Storage LLC ("WCOT")	5%	20%	5,122	5,229
Storage Portfolio I, LLC ("SP I")	25%	40%	16,913	17,471
Storage Portfolio Bravo II ("SPB II")	20%	25-45%	13,925	14,168
U-Storage de Mexico S.A. and related entities ("U-Storage")	35-40%	35-40%	7,379	9,205
Other minority owned properties	10-50%	10-50%	2,791	1,830
			$ 132,272	$ 136,791

In these joint ventures, the Company and the joint venture partner generally receive a preferred return on their invested capital. To the extent that cash/profits in excess of these preferred returns are generated through operations or capital transactions, the Company would receive a higher percentage of the excess cash/profits than its equity interest.

The components of equity in earnings of real estate ventures consist of the following:

	Three months ended June 30,		Six months ended June 30,	
	2009	2008	2009	2008
Equity in earnings of ESW	$ 275	$ 371	$ 584	$ 693
Equity in earnings (losses) of ESW II	(6)	(21)	(10)	(38)
Equity in earnings of ESNPS	49	64	96	119
Equity in earnings of Clarendon	89	98	184	189
Equity in earnings (losses) of PRISA	(20)	169	147	346
Equity in earnings of PRISA II	140	148	277	296
Equity in earnings of PRISA III	59	55	116	126
Equity in earnings of VRS	527	67	1,052	131
Equity in earnings of WCOT	61	72	129	147
Equity in earnings of SP I	230	293	465	553
Equity in earnings of SPB II	108	149	234	321
Equity in earnings (losses) of U-Storage	(1)	(43)	9	(116)
Equity in earnings (losses) of other minority owned properties	130	(49)	253	(172)
	$ 1,641	$ 1,373	$ 3,536	$ 2,595

Equity in earnings (losses) of ESW II, SP I and SPB II include the amortization of the Company's excess purchase price of $25,713 of these equity investments over its original basis. The excess basis is amortized over 40 years.

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Variable Interests in Unconsolidated Real Estate Joint Ventures:

The Company has interests in two unconsolidated joint ventures with unrelated third parties ("Montrose" and "Eastern Avenue") which are variable interest entities ("VIEs"). The Company holds a 10% equity interest in Montrose and Eastern Avenue, but has 50% of the voting rights. Qualification as a VIE was based on the disproportionate voting and ownership percentages. The Company performed a probability-based cash flow analysis for each of these joint ventures to determine which party was the primary beneficiary of these VIEs. These analyses were performed using the Company's best estimates of the future cash flows based on its historical experience with numerous similar assets. As a result of these analyses, the Company determined that it was not the primary beneficiary of either Montrose or Eastern Avenue as the Company does not receive a majority of either joint venture's expected residual returns or bear a majority of the expected losses. Accordingly, these interests are carried on the equity method.

Both Montrose and Eastern Avenue each own a single pre-stabilized self-storage property. The joint ventures are financed through a combination of (1) equity contributions from the Company and its joint venture partners, (2) mortgage notes payable and (3) payables to the Company for working capital. The payables to the Company are generally amounts owed for expenses paid on behalf of the joint ventures by the Company as manager. The Company performs management services for both the Montrose and Eastern Avenue joint ventures in exchange for a management fee of approximately 6% of cash collected by the properties. The Company's joint venture partners can replace the Company as manager of the properties upon written notice. The Company has not provided financial or other support during the periods presented to Montrose or Eastern Avenue that it was not previously contractually obligated to provide.

As of June 30, 2009, there were no amounts for Montrose and Eastern Avenue included in Investments in Real Estate on the Company's consolidated balance sheet. No liability was recorded associated with the Company's guarantee of the construction loans of Montrose or Eastern Avenue. The Company's maximum exposure to loss for each joint venture as of June 30, 2009 is the total of the guaranteed loan balance, the payables due to the Company and the Company's investment balances in each joint venture. The Company believes that the risk of incurring a loss as a result of having to perform on the guarantee is remote and therefore no liability has been recorded. Also, repossessing and/or selling the self-storage facilities and land that collateralize the loans could provide funds sufficient to reimburse the Company. Additionally, the Company believes the payables to the Company are collectible. The following table compares the liability balances and the maximum exposure to loss related to Montrose and Eastern Avenue as of June 30, 2009:

	Liability Balance	Investment balance	Balance of Guaranteed loan	Payables to Company	Maximum exposure to loss	Difference
Eastern Avenue	$ —	$ —	$ 5,484	$ 1,697	$ 7,181	$ (7,181)
Montrose	—	—	7,295	1,385	8,680	(8,680)
	$ —	$ —	$ 12,779	$ 3,082	$ 15,861	$ (15,861)

Variable Interests in Consolidated Real Estate Joint Ventures

The Company has variable interests in four consolidated joint ventures with third parties (the "VIE JVs") which are VIEs. The VIE JVs are financed through a combination of (1) equity contributions from the Company and its joint venture partners, (2) mortgage notes payable and (3) payables to the Company for working capital. The payables to the Company are generally amounts owed for expenses paid on behalf of the joint ventures by the Company as manager. The Company owns 50% to 72% of the common equity interests in the VIE JVs. The Company performed probability-based cash flow projections for each venture using the Company's best estimates of future revenues and expenses based on historical experience with numerous similar assets. According to these analyses, the joint ventures were determined to be VIEs based on an assessment that the equity financing was inadequate to support operations. The Company was also determined to be the primary beneficiary of each of the VIE JVs, as it receives the majority of the benefits and bears the majority of the expected losses of each as a result of its majority ownership and the management agreements. Therefore, each of the VIE JVs are consolidated with the assets and liabilities of each joint venture included in the Company's consolidated financial statements, with intercompany balances and transactions eliminated.

In January 2009, the Company purchased a lender's interest in a construction loan to a joint venture that owns a single property located in Sacramento, CA. The construction loan was to ESS of Sacramento One LLC, a joint venture in which the Company owns a 50% interest. This joint venture was not consolidated and was not considered a VIE JV as of December 31, 2008. The Company considers the purchase of this loan to be a reconsideration event and now considers ESS of Sacramento One LLC to be a VIE JV and has determined that the Company now bears the majority of the risk of loss. As a result of this

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loan purchase by the Company, the joint venture is now consolidated. The assets and liabilities were recorded at fair value as required by FAS 141(R).

The Company performs development services for Washington Ave. and ESS of Plantation LLC in exchange for a development fee of 2% and 1% of budgeted costs, respectively. The Company performs management services for ESS of Sacramento One LLC and Franklin Blvd. in exchange for a management fee of approximately 6% of cash collected by the properties.

The table below illustrates the financing of each of the VIE JVs as well as the carrying amounts of the related assets and liabilities as of June 30, 2009:

Joint Venture	Equity Ownership %	Excess Profit Participation %	Total Assets	Notes Payable	Payables to Company (eliminated)	Payables and Other Liabilities	Company's Equity (eliminated)	JV Partners' Equity (non-controlling interest)
ESS of Sacramento One LLC	50%	50%	$ 10,364	$ 5,000	$ 5,247	$ 49	$ (516)	$ 584
Franklin Blvd.	50%	50%	7,098	5,149	1,987	84	(61)	(61)
Washington Ave.	50%	50%	9,597	4,457	2,875	731	767	767
ESS of Plantation LLC	72%	40%	2,087	—	6	49	1,472	560
			$ 29,146	$ 14,606	$ 10,115	$ 913	$ 1,662	$ 1,850

Except as disclosed above, the Company has not provided financial or other support during the periods presented to these VIEs that it was not previously contractually obligated to provide. The Company has guaranteed the notes payable for these VIEs. The notes payable are secured by the related self-storage properties and are non-recourse. If the joint ventures default on the loans, the Company may be forced to repay its portion of the balance owed. However, repossessing and/or selling the self-storage facilities and land that collateralize the loans could provide funds sufficient to reimburse the Company, and the Company believes that the risk of incurring a loss as a result of having to perform on the guarantees is remote.

7. OTHER ASSETS

The components of other assets are summarized as follows:

	June 30, 2009	December 31, 2008
Equipment and fixtures	$ 11,146	$ 10,671
Less: accumulated depreciation	(8,141)	(7,309)
Other intangible assets	3,296	3,296
Deferred financing costs, net	13,321	12,330
Prepaid expenses and deposits	6,578	5,828
Accounts receivable, net	9,493	11,120
Fair value of interest rate swaps	200	647
Investments in Trusts	3,590	3,590
Deferred tax asset	3,003	2,403
	$ 42,486	$ 42,576

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8. NOTES PAYABLE

The components of notes payable are summarized as follows:

	June 30, 2009	December 31, 2008
Fixed Rate		
Mortgage and construction loans with banks (includling loans subject to interest rate swaps) bearing interest at fixed rates between 4.65% and 7.30%. The loans are collateralized by mortgages on real estate assets and the assignment of rents. Principal and interest payments are made monthly with all outstanding principal and interest due between August 2009 and April 2019.	$ 949,960	$ 818,166
Variable Rate		
Mortgage and construction loans with banks bearing floating interest rates (including loans subject to reverse interest rate swaps) based on LIBOR and Prime. Interest rates based on LIBOR are between LIBOR plus 1.45% (1.76% and 1.89% at June 30, 2009 and December 31, 2008, respectively) and LIBOR plus 3.25% (3.56% and 3.69% at June 30, 2009 and December 31, 2008, respectively). Interest rates based on Prime are at Prime plus 1.50% (4.75% and 4.75% at June 30, 2009 and December 31, 2008, respectively). The loans are collateralized by mortgages on real estate assets and the assignment of rents. Principal and interest payments are made monthly with all outstanding principal and interest due between October 2009 and May 2014.	115,542	125,432

	$	1,065,502	$	943,598

Real estate assets are pledged as collateral for the notes payable. The Company is subject to certain restrictive covenants relating to the outstanding notes payable. The Company was in compliance with all covenants at June 30, 2009.

9. DERIVATIVES

FASB Statement No. 133, *"Accounting for Derivative Instruments and Hedging Activities, as amended"* ("FAS 133") requires the recognition of all derivative instruments as either assets or liabilities on the balance sheet at fair value. The accounting for changes in fair value of a derivative instrument depends on whether it has been designated and qualifies as part of a hedging relationship and further, on the type of hedging relationship. A company must designate each qualifying hedging instrument, based upon the exposure being hedged, as a fair value hedge, cash flow hedge, or a hedge of a net investment in foreign operation.

The Company is exposed to certain risks relating to its ongoing business operations. The primary risk managed by using derivative instruments is interest rate risk. Interest rate swaps are entered into to manage interest rate risk associated with Company's fixed and variable-rate borrowings. In accordance with FAS 133, the Company designates certain interest rate swaps as cash flow hedges of variable-rate borrowings and the remainder as fair value hedges of fixed-rate borrowings.

In October 2004, the Company entered into a reverse interest rate swap agreement ("Reverse Swap Agreement") to float $61,770 of 4.30% fixed interest rate. The Company entered into the Reverse Swap Agreement to hedge the risk of changes in the fair value of the related debt attributed to changes in interest rates. The Reverse Swap Agreement allowed fluctuations in the fair value of the debt to be offset by the value of the interest rate swap. The fair value of the Swap Agreement was determined through observable prices in active markets for identical agreements. Under this Reverse Swap Agreement, the Company received interest at a fixed rate of 4.30% and paid interest at a variable rate equal to LIBOR plus 0.65%. The Reverse Swap Agreement expired on June 1, 2009.

Monthly variable interest payments were recognized as an increase or decrease in interest expense as follows:

Type	Classification of Income (Expense)	Three months ended June 30, 2009		Three months ended June 30, 2008		Six months ended June 30, 2009		Six months ended June 30, 2008	
Reverse Swap Agreement (fair value hedge)	Interest expense	$	495	$	119	$	916	$	7
Swap Agreement (cash flow hedge)	Interest expense		(244)		—		(244)		—
		$	251	$	119	$	672	$	7

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On June 30, 2008, the Company entered into a loan agreement in the amount of $64,530 secured by certain properties. The loan bears interest at LIBOR plus 2.0%, maturing on June 30, 2011. The loan agreement has a two year extension, at the option of the Company, which would extend the loan maturity to June 30, 2013. On January 28, 2009, the Company entered into an interest rate swap agreement ("Swap Agreement") with an effective date of February 1, 2009 and a maturity date of June 30, 2013. Under the Swap Agreement, the Company will receive interest at a variable rate of LIBOR plus 2.0% and pay interest at a fixed rate of 4.24%. The Company entered into the Swap Agreement to hedge the risk of changes in interest rate payments attributed to changes in the LIBOR rate. The other critical terms of the Swap Agreement are identical to those of the underlying debt. This Swap Agreement is a cash flow hedge, as defined by FAS 133, and the effective portion of the gain or loss on the Swap Agreement will be reported as a component of other comprehensive income and reclassified into interest expense when the forecasted transaction affects earnings. Information relating to the gain recognized relating to the Swap Agreement is as follows:

Type	Gain/(loss) recognized in OCI Six months ended June 30, 2009		Location of amounts reclassified from OCI into income	Gain/(loss) reclassified from OCI Six months ended June 30, 2009	
Swap Agreement (cash flow hedge)	$	200	Interest expense	$	—

The Swap Agreement was highly effective for the three and six months ended June 30, 2009.

The balance sheet classification and carrying amounts of the Reverse Swap Agreement and the Swap Agreement are as follows:

Derivatives designated as hedging instruments under FAS 133:	Asset/(Liability) Derivatives — June 30, 2009 — Balance Sheet Location	Fair Value		December 31, 2008 — Balance Sheet Location	Fair Value	
Reverse Swap Agreement (expired 6/1/2009)	n/a	$	—	Other assets	$	647
Swap Agreement	Other assets		200	n/a		—
		$	200		$	647

10. NOTES PAYABLE TO TRUSTS

During July 2005, ESS Statutory Trust III (the "Trust III"), a newly formed Delaware statutory trust and a wholly-owned, unconsolidated subsidiary of the Operating Partnership, issued an aggregate of $40,000 of preferred securities which mature on July 31, 2035. In addition, the Trust III issued 1,238 of Trust common securities to the Operating Partnership for a purchase price of $1,238. On July 27, 2005, the proceeds from the sale of the preferred and common securities of $41,238 were loaned in the form of a note to the Operating Partnership ("Note 3"). Note 3 has a fixed rate of 6.91% through July 31, 2010, and then will be payable at a variable rate equal to the three-month LIBOR plus 2.40% per annum. The interest on Note 3, payable quarterly, will be used by the Trust III to pay dividends on the trust preferred securities. The trust preferred securities may be redeemed by the Trust with no prepayment premium after July 27, 2010.

During May 2005, ESS Statutory Trust II (the "Trust II"), a newly formed Delaware statutory trust and a wholly-owned, unconsolidated subsidiary of the Operating Partnership, issued an aggregate of $41,000 of preferred securities which mature on June 30, 2035. In addition, the Trust II issued 1,269 of Trust common securities to the Operating Partnership for a purchase price of $1,269. On May 24, 2005, the proceeds from the sale of the preferred and common securities of $42,269 were loaned in the form of a note to the Operating Partnership ("Note 2"). Note 2 has a fixed rate of 6.67% through June 30, 2010, and then will be payable at a variable rate equal to the three-month LIBOR plus 2.40% per annum. The interest on Note 2, payable quarterly, will be used by the Trust II to pay dividends on the trust preferred securities. The trust preferred securities may be redeemed by the Trust with no prepayment premium after June 30, 2010.

During April 2005, ESS Statutory Trust I (the "Trust"), a newly formed Delaware statutory trust and a wholly-owned, unconsolidated subsidiary of the Operating Partnership issued an aggregate of $35,000 of trust preferred securities which mature on June 30, 2035. In addition, the Trust issued 1,083 of trust common securities to the Operating Partnership for a purchase price of $1,083. On April 8, 2005, the proceeds from the sale of the trust preferred and common securities of $36,083 were loaned in the form of a note to the Operating Partnership (the "Note"). The Note has a variable rate equal to the three-month LIBOR plus 2.25% per annum. The interest on the Note, payable quarterly, will be used by the Trust to pay dividends on the trust preferred securities. The trust preferred securities may be redeemed by the Trust with no prepayment premium after June 30, 2010.

The Company follows FASB Interpretation No. 46R, "*Consolidation of Variable Interest Entities*" ("FIN 46R"), which addresses the consolidation of VIEs. Under FIN 46R, Trust, Trust II and Trust III are VIEs because the holders of the equity investment at risk (the trust preferred securities) do not have adequate decision making ability over the trusts' activities because of their lack of voting or similar rights. Because the Operating Partnership's investment in the trusts' common securities was financed directly by the trusts as a result of its loan of the proceeds to the Operating Partnership, that investment is not considered to be an equity investment at risk. The Operating Partnership's investment in the trusts is not a variable interest because equity interests are variable interests only to the extent that the investment is considered to be at risk, and therefore the Operating Partnership cannot be the primary beneficiary of the trusts. Since the Company is not the primary beneficiary of the trusts, they have not been consolidated. A debt obligation has been recorded in the form of notes as discussed above for the proceeds, which are owed to the Trust, Trust II and Trust III by the Company. The Company has also recorded its investment in the trusts' common securities as other assets.

The Company has not provided financing or other support during the periods presented to the trusts that it was not previously contractually obligated to provide. The Company's maximum exposure to loss as a result of its involvement with the trusts is equal to the total amount of the notes discussed above less the amounts of the Company's investments in the trusts' common securities. The net amount is the notes payable that the trusts owe to third parties for their investments in the trusts' preferred securities. Following is a tabular comparison of the liabilities the Company has recorded as a result of its involvements with the trusts to the maximum exposure to loss the Company is subject to related to the trusts as of June 30, 2009:

	Notes payable to Trusts as of June 30, 2009	Maximum exposure to loss	Difference
Trust	$ 36,083	$ 35,000	$ 1,083
Trust II	42,269	41,000	1,269
Trust III	41,238	40,000	1,238
	$ 119,590	$ 116,000	$ 3,590

As noted above, these differences represent the amounts that the trusts would repay the Company for its investment in the trusts' common securities.

11. EXCHANGEABLE SENIOR NOTES

On March 27, 2007, our Operating Partnership issued $250,000 of its 3.625% Exchangeable Senior Notes due April 1, 2027 (the "Notes"). Costs incurred to issue the Notes were approximately $5,700. These costs are being amortized over five years, which represents the estimated term of the Notes, and are included in other assets in the condensed consolidated balance sheet as of June 30, 2009. The Notes are general unsecured senior obligations of the Operating Partnership and are fully guaranteed by the Company. Interest is payable on April 1 and October 1 of each year until the maturity date of April 1, 2027. The Notes bear interest at 3.625% per annum and contain an exchange settlement feature, which provides that the Notes may, under certain circumstances, be exchangeable for cash (up to the principal amount of the Notes) and, with respect to any excess exchange value, for cash, shares of our common stock or a combination of cash and shares of our common stock at an exchange rate of approximately 43.1091 shares per one thousand dollars principal amount of Notes at the option of the Operating Partnership.

The Operating Partnership may redeem the Notes at any time to preserve the Company's status as a REIT. In addition, on or after April 5, 2012, the Operating Partnership may redeem the Notes for cash, in whole or in part, at 100% of the principal amount plus accrued and unpaid interest, upon at least 30 days but not more than 60 days prior written notice to holders of the Notes.

The holders of the Notes have the right to require the Operating Partnership to repurchase the Notes for cash, in whole or in part, on each of April 1, 2012, April 1, 2017 and April 1, 2022, and upon the occurrence of a designated event, in each case for a repurchase price equal to 100% of the principal amount of the Notes plus accrued and unpaid interest. Certain events are

considered "Events of Default," as defined in the indenture governing the Notes, which may result in the accelerated maturity of the Notes.

Adoption of FSP APB 14-1

In May 2008, the FASB issued FSP ABP 14-1. Under FSP APB 14-1, entities with convertible debt instruments that may be settled entirely or partially in cash upon conversion should separately account for the liability and equity components of the instrument in a manner that reflects the issuer's economic interest cost. The Company retroactively adopted FSP APB 14-1 effective January 1, 2009. As a result, the liability and equity components of the Notes are now accounted for separately. The equity component is included in the paid-in-capital section of stockholders' equity on the condensed consolidated balance sheet, and the value of the equity component is treated as original issue discount for purposes of accounting for the debt component. The discount is being amortized over the period of the debt as additional interest expense.

Information about the carrying amounts of the equity component, the principal amount of the liability component, its unamortized discount, and its net carrying amount are as follows:

	June 30, 2009	December 31, 2008
Carrying amount of equity component	$ 19,726	$ 21,779
Principal amount of liability component	$ 95,163	$ 209,663
Unamortized discount	(5,070)	(13,031)
Net carrying amount of liability component	$ 90,093	$ 196,632

The discount will be amortized over the remaining period of the debt through its first redemption date (April 1, 2012). The effective interest rate on the liability component is 5.75%. The amount of interest cost recognized relating to the contractual interest rate and the amortization of the discount on the liability component is as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
Contractual interest	$ 1,135	$ 2,266	$ 2,853	$ 4,531
Amortization of discount	563	1,059	1,404	2,088
Total interest expense recognized	$ 1,698	$ 3,325	$ 4,257	$ 6,619

Repurchases of Notes

During May 2009, the Company repurchased $43,000 principal amount of Notes. The Company paid cash of $36,340 to repurchase the Notes, exclusive of $268 paid for interest accrued on the repurchased Notes through the date of repurchase.

During March 2009, the Company repurchased $71,500 principal amount of Notes. The Company paid cash of $44,513 to repurchase the Notes, exclusive of $1,136 paid for interest accrued on the repurchased Notes through the date of repurchase.

During October 2008, the Company repurchased $40,337 principal amount of Notes. The Company paid cash of $31,721 to repurchase the Notes, exclusive of $35 paid for interest accrued on the repurchased Notes through the date of repurchase.

FSP APB 14-1 requires that the value of the consideration paid to repurchase the Notes be allocated (1) to the extinguishment of the liability component and (2) the reacquisition of the equity component. The amount allocated to the extinguishment of the liability component is equal to the fair value of that component immediately prior to extinguishment. The difference between the consideration attributed to the extinguishment of the liability component and the sum of (a) the net carrying amount of the repurchased liability component, and (b) the related unamortized debt issuance costs is recognized as a gain on debt extinguishment. The remaining settlement consideration is allocated to the reacquisition of the equity component of the repurchased Notes, and recognized as a reduction of stockholders' equity.

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Information on the repurchases and the related gains is as follows:

	May 2009	March 2009	October 2008 (As revised—see Note 2)
Principal amount repurchased	$ 43,000	$ 71,500	$ 40,337
Amount allocated to:			
Extinguishment of liability component	$ 35,000	$ 43,800	$ 30,696
Reacquisition of equity component	1,340	713	1,025
Total cash paid for repurchase	$ 36,340	$ 44,513	$ 31,721
Exchangeable senior notes repurchased	$ 43,000	$ 71,500	$ 40,337
Extinguishment of liability component	(35,000)	(43,800)	(30,696)
Discount on exchangeable senior notes	(2,349)	(4,208)	(2,683)
Related debt issuance costs	(558)	(1,009)	(646)
Gain on repurchase	$ 5,093	$ 22,483	$ 6,312

12. LINES OF CREDIT

On October 19, 2007, the Operating Partnership entered into a $100,000 revolving line of credit (the "Credit Line") that matures October 31, 2010 with two one-year extensions available. The Company intends to use the proceeds of the Credit Line to repay debt and for general corporate purposes. The Credit Line has an interest rate of between 100 and 205 basis points over LIBOR, depending on certain financial ratios of the Company (1.31% at June 30, 2009). The Credit Line is collateralized by mortgages on certain real estate assets. As of June 30, 2009, the Credit Line had $100,000 of capacity based on the assets collateralizing the Credit Line. $100,000 and $27,000 was drawn on the Credit Line as of June 30, 2009 and December 31, 2008, respectively. The Company is subject to certain restrictive covenants relating to the Credit Line. The Company was in compliance with all covenants as of June 30, 2009.

On February 13, 2009, the Company entered into a $50,000 revolving secured line of credit (the "Secondary Credit Line") that is collateralized by mortgages on certain real estate assets and matures on February 13, 2012. The Company intends to use the proceeds of the Secondary Credit Line to repay debt and for general corporate purposes. The Secondary Credit Line has an interest rate of LIBOR plus 325 basis points (3.56% at June 30, 2009). As of June 30, 2009, there were no amounts drawn on the Secondary Credit Line. The Company is subject to certain restrictive covenants relating to the Secondary Credit Line. The Company was in compliance with all covenants as of June 30, 2009.

13. OTHER LIABILTIES

The components of other liabilities are summarized as follows:

	June 30, 2009	December 31, 2008
Deferred rental income	$ 12,823	$ 12,535
Lease obligation liability	6,805	3,029
Income taxes payable	364	2,825
Other miscellaneous liabilities	6,831	3,878
	$ 26,823	$ 22,267

14. RELATED PARTY AND AFFILIATED REAL ESTATE JOINT VENTURE TRANSACTIONS

The Company provides management and development services to certain joint ventures, franchises, third parties and other related party properties. Management agreements provide generally for management fees of 6% of cash collected from properties for the management of operations at the self-storage facilities.

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Management fee revenues for related parties and affiliated real estate joint ventures are summarized as follows:

		For the Three Months ended June 30,		For the Six Months ended June 30,	
Entity	Type	2009	2008	2009	2008
ESW	Affiliated real estate joint ventures	$ 99	$ 110	$ 202	$ 218
ESW II	Affiliated real estate joint ventures	77	76	154	151
ESNPS	Affiliated real estate joint ventures	111	117	228	231
PRISA	Affiliated real estate joint ventures	1,179	1,258	2,431	2,521
PRISA II	Affiliated real estate joint ventures	977	1,026	2,002	2,057
PRISA III	Affiliated real estate joint ventures	416	438	841	881
VRS	Affiliated real estate joint ventures	280	291	567	583
WCOT	Affiliated real estate joint ventures	359	381	732	765
SP I	Affiliated real estate joint ventures	306	318	627	638
SPB II	Affiliated real estate joint ventures	233	251	476	506
Various	Franchisees, third parties and other	1,238	1,077	2,234	1,869
		$ 5,275	$ 5,343	$ 10,494	$ 10,420

Receivables from related parties and affiliated real estate joint ventures are summarized as follows:

	June 30, 2009	December 31, 2008
Development fees receivable	$ 250	$ 1,382
Other receivables from properties	5,416	9,953
	$ 5,666	$ 11,335

Development fees receivable consist of amounts due for development services from third parties and unconsolidated affiliated joint ventures. The Company earns development fees of 1% - 6% of budged costs on development projects. Other receivables from properties consist of amounts due for management fees and expenses paid by the Company on behalf of the properties that the Company manages. The Company believes that all of these related party and affiliated joint venture receivables are fully collectible. The Company did not have any payables to related parties at June 30, 2009 or December 31, 2008.

Centershift, a related party service provider, is partially owned by certain directors and members of management of the Company. Effective January 1, 2004, the Company entered into a license agreement with Centershift to secure a perpetual right for continued use of STORE (the site management software used at all sites operated by the Company) in all aspects of the Company's property acquisition, development, redevelopment and operational activities. The Company paid Centershift $293 and $222 for the three months ended June 30, 2009 and 2008, respectively, and $584 and $427 for the six months ended June 30, 2009 and 2008, respectively, relating to the purchase of software and to license agreements.

The Company has entered into an aircraft dry lease and service and management agreement with SpenAero, L.C. ("SpenAero"), an affiliate of Spencer F. Kirk, the Company's Chairman and Chief Executive Officer. Under the terms of the agreement, the Company pays a defined hourly rate for use of the aircraft. The Company paid SpenAero $130 and $50 for the three months ended June 30, 2009 and 2008, respectively, and $310 and $160, for the six months ended June 30, 2009 and 2008, respectively. The services that the Company receives from SpenAero are similar in nature and price to those that are provided to third parties.

15. STOCKHOLDERS' EQUITY

The Company's charter provides that it can issue up to 300,000,000 shares of common stock, $0.01 par value per share, 4,100,000 CCSs, $.01 par value per share, and 50,000,000 shares of preferred stock, $0.01 par value per share. As of June 30, 2009, 86,432,978 shares of common stock were issued and outstanding and no shares of preferred stock or CCSs were issued and outstanding.

All holders of the Company's common stock are entitled to receive dividends and to one vote on all matters submitted to a vote of stockholders. The transfer agent and registrar for the Company's common stock is American Stock Transfer & Trust Company.

Unlike the Company's shares of common stock, CCSs did not carry any voting rights. Upon the achievement of certain performance thresholds relating to 14 properties, a portion of the CCSs were automatically converted into shares of the Company's common stock. Each CCS was convertible on a one-for-one basis into shares of common stock, subject to customary anti-dilution adjustments. Beginning with the quarter ended March 31, 2006, and ending with the quarter ended December 31, 2008, the Company calculated the net operating income from the 14 wholly-owned properties over the 12-

month period ending in such quarter. Within 35 days following the end of each quarter referred to above, some of the CCSs were converted so that the total percentage of CCSs issued in connection with the formation transactions that had been converted to common stock was equal to the percentage determined by dividing the net operating income for such period in excess of $5,100 by $4,600. The 1,087,790 CCSs remaining unconverted through the calculation made in respect of the 12-month period ended December 31, 2008 were cancelled as of February 4, 2009 and restored to the status of authorized but unissued shares of common stock.

16. NONCONTROLLING INTEREST REPRESENTED BY PREFERRED OPERATING PARTNERSHIP UNITS

On June 15, 2007, the Operating Partnership entered into a Contribution Agreement with various limited partnerships affiliated with AAAAA Rent-A-Space to acquire ten self-storage facilities (the "Properties") in exchange for the issuance of newly designated Preferred OP units of the Operating Partnership. The self-storage facilities are located in California and Hawaii.

On June 25 and 26, 2007, nine of the ten properties were contributed to the Operating Partnership in exchange for consideration totaling $137,800. Preferred OP units totaling 909,075, with a value of $121,700, were issued along with the assumption of approximately $14,200 of third-party debt, of which $11,400 was paid off at close. The final property was contributed on August 1, 2007 in exchange for consideration totaling $14,700. 80,905 Preferred OP units with a value of $9,800 were issued along with $4,900 of cash.

On June 25, 2007, the Operating Partnership loaned the holders of the Preferred OP units $100,000. The note receivable bears interest at 4.85%, and is due September 1, 2017. The loan is secured by the borrower's Preferred OP units. The holders of the Preferred OP units can convert up to 114,500 Preferred OP units prior to the maturity date of the loan. If any redemption in excess of 114,500 Preferred OP units occurs prior to the maturity date, the holder of the Preferred OP units is required to repay the loan as of the date of that Preferred OP unit redemption. Preferred OP units are shown on the balance sheet net of the $100,000 loan under the guidance in EITF No. 85-1, "*Classifying Notes Receivable for Capital,*" because the borrower under the loan receivable is also the holder of the Preferred OP units.

The Operating Partnership entered into a Second Amended and Restated Agreement of Limited Partnership (the "Partnership Agreement") which provides for the designation and issuance of the Preferred OP units. The Preferred OP units will have priority over all other partnership interests of the Operating Partnership with respect to distributions and liquidation.

Under the Partnership Agreement, Preferred OP units in the amount of $115,000 bear a fixed priority return of 5% and have a fixed liquidation value of $115,000. The remaining balance will participate in distributions with and have a liquidation value equal to that of the common OP units. The Preferred OP units became redeemable at the option of the holder on September 1, 2008, which redemption obligation may be satisfied, at the Company's option, in cash or shares of its common stock.

On September 18, 2008, the Operating Partnership entered into a First Amendment to the Second Amended and Restated Agreement of Limited Partnership of Extra Space Storage LP to clarify certain tax-related provisions relating to the Preferred OP units.

The Company adopted FAS 160 effective January 1, 2009. FAS 160 requires a company to present ownership interests in subsidiaries held by parties other than the company in the consolidated financial statements within the equity section but separate from the company's equity. FAS 160 also requires the amount of consolidated net income attributable to the parent and to the noncontrolling interest to be clearly identified and presented on the face of the consolidated statement of operations and requires changes in ownership interest to be accounted for similarly as equity transactions. FAS 160 was required to be adopted prospectively with the exception of the presentation and disclosure requirements, which were applied retrospectively for all periods presented. As a result of the issuance of FAS 160, the guidance in EITF Topic D-98, *"Classification and Measurement of Redeemable Securities"* was amended to include redeemable noncontrolling interests within its scope. If noncontrolling interests are determined to be redeemable, they are to be carried at their redemption value as of the balance sheet date and reported as temporary equity.

The Company has evaluated the terms of the Preferred OP units, and as a result of the adoption of FAS 160, the Company reclassified the noncontrolling interest represented by the Preferred OP units to stockholders' equity in the accompanying condensed consolidated balance sheets. In periods subsequent to the adoption of FAS 160, the Company will periodically evaluate individual noncontrolling interests for the ability to continue to recognize the noncontrolling amount as permanent equity in the consolidated balance sheets. Any noncontrolling interests that fail to quality as permanent equity will be reclassified as temporary equity and adjusted to the greater of (a) the carrying amount, or (b) its redemption value as of the end of the period in which the determination is made.

17. NONCONTROLLING INTEREST IN OPERATING PARTNERSHIP

The Company's interest in its properties is held through the Operating Partnership. ESS Holding Business Trust I, a wholly owned subsidiary of the Company, is the sole general partner of the Operating Partnership. The Company, through ESS Holding Business Trust II, a wholly owned subsidiary of the Company, is also a limited partner of the Operating Partnership. Between its general partner and limited partner interests, the Company held a 94.39% majority ownership interest therein as of June 30, 2009. The remaining ownership interests in the Operating Partnership (including Preferred OP units) of 5.61% are held by certain former owners of assets acquired by the Operating Partnership, which include officers and a director of the Company. As of June 30, 2009, the Operating Partnership had 4,150,040 common OP units outstanding.

The noncontrolling interest in the Operating Partnership represents common OP units that are not owned by the Company. In conjunction with the formation of the Company and as a result of subsequent acquisitions, certain persons and entities contributing interests in properties to the Operating Partnership received limited partnership units in the form of either OP units or CCUs. Limited partners who received OP units in the formation transactions or in exchange for contributions for interests in properties have the right to require the Operating Partnership to redeem part or all of their common OP units for cash based upon the fair market value of an equivalent number of shares of the Company's common stock (10 day average) at the time of the redemption. Alternatively, the Company may, at its option, elect to acquire those OP units in exchange for shares of its common stock on a one-for-one basis, subject to anti-dilution adjustments provided in the Partnership Agreement. When the Company elects to exchange the OP units for shares of its common stock, the noncontrolling interest is reduced by the fair value of the OP units on the day of exchange, and the Company's equity is increased for the fair value of the common stock issued with the difference being recorded to the Company's retained earnings. The ten day average closing stock price at June 30, 2009 was $8.07 and there were 4,150,040 OP units outstanding. Assuming that all of the unit holders exercised their right to redeem all of their common OP units on June 30, 2009 and the Company elected to pay the noncontrolling members cash, the Company would have paid $33,491 in cash consideration to redeem the OP units.

During April 2009, 114,928 OP units were redeemed in exchange for the Company's common stock.

Unlike the OP units, CCUs did not carry any voting rights. Upon the achievement of certain performance thresholds relating to 14 properties, a portion of the CCUs automatically converted into OP units. Each CCU was convertible on a one-for-one basis into OP units, subject to customary anti-dilution adjustments. Beginning with the quarter ended March 31, 2006, and ending with the quarter ended December 31, 2008, the Company calculated the net operating income from the 14 wholly-owned properties over the 12-month period ending in such quarter. Within 35 days following the end of each quarter referred to above, some of the CCUs were converted so that the total percentage of CCUs issued in connection with the formation transactions that were converted to OP units was equal to the percentage determined by dividing the net operating income for such period in excess of $5,100 by $4,600. The 55,957 CCUs remaining unconverted through the calculation made in respect of the 12-month period ended December 31, 2008 were cancelled as of February 4, 2009.

The Company adopted FAS 160 effective January 1, 2009. FAS 160 requires a company to present ownership interests in subsidiaries held by parties other than the company in the consolidated financial statements within the equity section but separate from the company's equity. FAS 160 also requires the amount of consolidated net income attributable to the parent and to the noncontrolling interest to be clearly identified and presented on the face of the consolidated statement of operations and requires changes in ownership interest to be accounted for similarly as equity transactions. FAS 160 is required to be adopted prospectively with the exception of the presentation and disclosure requirements, which are applied retrospectively for all periods presented. As a result of the issuance of FAS 160, the guidance in EITF Topic D-98, *"Classification and Measurement of Redeemable Securities"* was amended to include redeemable noncontrolling interests within its scope. If noncontrolling interests are determined to be redeemable, they are to be carried at their redemption value as of the balance sheet date and reported as temporary equity.

The Company has evaluated the terms of the common OP units, and as a result of the adoption of FAS 160, the Company reclassified the noncontrolling interest in the Operating Partnership to stockholders' equity in the accompanying condensed consolidated balance sheets. In periods subsequent to the adoption of FAS 160, the Company will periodically evaluate individual noncontrolling interests for the ability to continue to recognize the noncontrolling amount as permanent equity in the consolidated balance sheets. Any noncontrolling interests that fail to quality as permanent equity will be reclassified as temporary equity and adjusted to the greater of (a) the carrying amount, or (b) its redemption value as of the end of the period in which the determination is made.

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18. OTHER NONCONTROLLING INTERESTS

Other noncontrolling interests represent the ownership interests of various third parties in nine consolidated self-storage properties as of June 30, 2009. Five of these consolidated properties were under development, and four were in the lease-up stage during the six months ended June 30, 2009. The ownership interests of the third party owners range from 5% to 50%. As required by FAS 160, other noncontrolling interests are included in the stockholders' equity section of the Company's consolidated balance sheet. The income or losses attributable to these third party owners based on their ownership percentages are reflected in net (income) loss allocated to the Operating Partnership and other noncontrolling interests in the consolidated statement of operations.

In April 2009, the Company requested a capital contribution from its partners in Westport Ewing LLC, a consolidated joint venture, in order to refinance the joint venture's loan with its current lender. The partners were unable to provide their pro rata share of the funds required to satisfy the bank and deeded their interest in Westport Ewing LLC to the Company on June 1, 2009. As a result, the property held by this joint venture became a wholly owned property of the Company. The Company recorded a loss of $800 related to the reassessment of the fair value of the property.

19. STOCK-BASED COMPENSATION

The Company has the following plans under which shares were available for grant at June 30, 2009:

- The 2004 Long-Term Incentive Compensation Plan as amended and restated, effective March 25, 2008, and
- The 2004 Non-Employee Directors' Share Plan (together, the "Plans").

Option grants are issued with an exercise price equal to the closing price of the Company's common stock on the date of grant. Unless otherwise determined by the Compensation, Nominating and Governance Committee at the time of grant, options vest ratably over a four-year period beginning on the date of grant. Each option will be exercisable once it has vested. Options are exercisable at such times and subject to such terms as determined by the Compensation, Nominating and Governance Committee, but under no circumstances will be exercised if such exercise would cause a violation of the ownership limit in the Company's charter. Options expire 10 years from the date of grant.

Also, as defined under the terms of the Plans, restricted stock grants may be awarded. The stock grants are subject to a performance or vesting period over which the restrictions are lifted and the stock certificates are given to the grantee. During the performance or vesting period, the grantee is not permitted to sell, transfer, pledge, encumber or assign shares of restricted stock granted under the Plans, however the grantee has the ability to vote the shares and receive non-forfeitable dividends paid on the shares. The forfeiture and transfer restrictions on the shares lapse over a four-year period beginning on the date of grant.

As of June 30, 2009, 3,476,276 shares were available for issuance under the Plans.

Option Grants to Employees

A summary of stock option activity is as follows:

Options	Number of Shares		Weighted Average Exercise Price	Weighted Average Remaining Contractual Life		Aggregate Intrinsic Value as of June 30, 2009
Outstanding at December 31, 2008	2,841,923	$	14.76			
Granted	723,000		6.22			
Forfeited	(25,250)		14.84			
Outstanding at June 30, 2009	3,539,673	$	13.02	6.91	$	1,540
Vested and Expected to Vest	3,348,235	$	13.26	6.77	$	1,238
Ending Exercisable	2,090,533	$	14.22	5.70	$	—

The aggregate intrinsic value in the table above represents the total value (the difference between the Company's closing stock price on the last trading day of the second quarter of 2009 and the exercise price, multiplied by the number of in-the-money options) that would have been received by the option holders had all option holders exercised their options on June 30, 2009. The amount of aggregate intrinsic value will change based on the fair market value of the Company's stock.

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The fair value of each option grant is estimated using the Black-Scholes option-pricing model with the following assumptions:

	Six Months Ended June 30,	
	2009	2008
Expected volatility	48%	26%
Dividend yield	6.9%	6.4%
Risk-free interest rate	2.5%	2.7%
Average expected term (years)	5	5

The Black-Scholes model incorporates assumptions to value stock-based awards. The risk-free rate is based on the U.S. Treasury yield curve in effect at the time of grant for the estimated life of the option. The Company uses actual historical data to calculate the expected price volatility, dividend yield and average expected term. The forfeiture rate, which is estimated at a weighted-average of 19.43% of unvested options outstanding as of June 30, 2009, is adjusted based on the extent to which actual forfeitures differ, or are expected to differ, from the previous estimates.

The Company recorded compensation expense relating to outstanding options of $216 and $232 for the three months ended June 30, 2009 and 2008, respectively, and $477 and $495 for the six months ended June 30, 2009 and 2008, respectively. The Company received cash from the exercise of options of $0 and $274 for the three months ended June 30, 2009 and 2008, respectively, and $0 and $940 for the six months ended June 30, 2009 and 2008, respectively. At June 30, 2009, there was $1,474 of total unrecognized compensation expense related to non-vested stock options under the Company's 2004 Long-Term Incentive Compensation Plan. That cost is expected to be recognized over a weighted-average period of 2.65 years. The valuation model applied in this calculation utilizes subjective assumptions that could potentially change over time, including the expected forfeiture rate. Therefore, the amount of unrecognized compensation expense at June 30, 2009, noted above does not necessarily represent the expense that will ultimately be realized by the Company in the Statement of Operations.

Common Stock Granted to Employees and Directors

The Company granted 223,828 and 182,139 shares of common stock to certain employees and directors, without monetary consideration under the Plans during the three months ended June 30, 2009 and 2008, respectively, and 538,865 and 353,939 shares during the six months ended June 30, 2009 and 2008, respectively. The Company recorded compensation expense related to outstanding shares of common stock granted to employees and directors of $1,045 and $951 for the three months ended June 30, 2009 and 2008, respectively, and $1,683 and $1,489 for the six months ended June 30, 2009 and 2008, respectively.

The fair value of common stock awards is determined based on the closing trading price of the Company's common stock on the grant date. A summary of the Company's employee share grant activity is as follows:

Restricted Stock Grants	Shares		Weighted-Average Grant-Date Fair Value
Unreleased at December 31, 2008	441,204	$	16.21
Granted	538,865		6.14
Released	(109,863)		16.41
Cancelled	(11,146)		10.73
Unreleased at June 30, 2009	859,060	$	9.94

20. INCOME TAXES

As a REIT, the Company is generally not subject to federal income tax with respect to that portion of its income which is distributed annually to its stockholders. However, the Company has elected to treat one of its corporate subsidiaries, Extra Space Management, Inc., as a taxable REIT subsidiary ("TRS"). In general, the Company's TRS may perform additional services for tenants and generally may engage in any real estate or non-real estate related business (except for the operation or management of health care facilities or lodging facilities or the provision to any person, under a franchise, license or otherwise, of rights to any brand name under which lodging facility or health care facility is operated). A TRS is subject to corporate federal income tax. The Company accounts for income taxes in accordance with the provisions of FASB Statement No. 109, "*Accounting for Income Taxes*" ("FAS 109"). Under FAS 109, deferred tax assets and liabilities are determined based on differences between financial reporting and tax bases of assets and liabilities. There was no material income tax provision for the three and six months ended June 30, 2008.

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The income tax provision for the six months ended June 30, 2009 is comprised of the following components:

	For the Six Months Ended June 30, 2009		
	Federal	State	Total
Current	$ 1,998	$ 194	$ 2,192
Deferred benefit	(547)	(54)	(601)
Total tax expense	$ 1,451	$ 140	$ 1,591

The major sources of temporary differences stated at their deferred tax effect at June 30, 2009 and December 31, 2008 are as follows:

	June 30, 2009	December 31, 2008
Captive insurance subsidiary	$ 88	$ 109
Fixed assets	(251)	34
Various liabilities	1,455	1,042
Stock compensation	1,711	1,218
State net operating losses	688	587
	3,691	2,990
Valuation allowance	(688)	(587)
Net deferred tax asset	$ 3,003	$ 2,403

The state income tax net operating losses expire between 2012 and 2027 and have been fully reversed through the valuation allowance.

21. UNRECOVERED DEVELOPMENT AND ACQUISITION COSTS AND SEVERANCE COSTS ASSOCIATED WITH THE WIND-DOWN OF DEVELOPMENT PROGRAM

On June 2, 2009, the Company announced that it had begun the wind-down of its development program. As a result of the decision, the Company incurred $18,883 of impairment charges in order to write down the carrying value of undeveloped land, development projects that will be completed and investments in development projects to their estimated fair values less cost to sell. In addition, the Company recorded severance costs of $1,400. The Company expects to spend approximately $50,000 to $55,000 on the completion of 18 remaining wholly-owned development properties currently under construction. Construction of these properties is estimated to be completed by the third quarter of 2010.

Unrecovered development and acquisition costs incurred during the three and six months ended June 30, 2008 include $1,257 relating to due diligence costs that were part of an unsuccessful attempt by the Company to purchase a large portfolio of properties in May and June of 2008. The remainder of these costs relate to entitlement and other due diligence work done on development projects that the Company elected not to pursue.

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22. SEGMENT INFORMATION

The Company operates in two distinct segments: (1) property management, acquisition and development and (2) rental operations. Financial information for the Company's business segments is set forth below:

	June 30, 2009	December 31, 2008
Balance Sheet		
Investment in real estate ventures		
Rental operations	$ 132,272	$ 136,791
Total assets		
Property management, acquisition and development	$ 572,006	$ 479,591
Rental operations	1,810,438	1,811,417
	$ 2,382,444	$ 2,291,008

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	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
Statement of Operations				
Total revenues				
Property management, acquisition and development	$ 10,363	$ 9,451	$ 20,208	$ 18,134

Rental operations	58,705	57,885	118,114	114,909
	$ 69,068	$ 67,336	$ 138,322	$ 133,043
Operating expenses, including depreciation and amortization				
Property management, acquisition and development	$ 32,686	$ 13,355	$ 45,032	$ 24,912
Rental operations	34,008	32,186	68,993	64,056
	$ 66,694	$ 45,541	$ 114,025	$ 88,968
Income (loss) before interest, equity in earnings of real estate ventures, gain on repurchase of exchangeable notes, loss on sale of investments available for sale and income tax expense				
Property management, acquisition and development	$ (22,323)	$ (3,904)	$ (24,824)	$ (6,778)
Rental operations	24,697	25,699	49,121	50,853
	$ 2,374	$ 21,795	$ 24,297	$ 44,075
Interest expense				
Property management, acquisition and development	$ 445	$ (1,387)	$ (1,984)	$ (2,764)
Rental operations	(16,824)	(15,634)	(31,031)	(31,640)
	$ (16,379)	$ (17,021)	$ (33,015)	$ (34,404)
Interest income				
Property management, acquisition and development	$ 321	$ 870	$ 853	$ 1,295
Interest income on note receivable from Preferred Operating Partnership unit holder				
Property management, acquisition and development	$ 1,212	$ 1,212	$ 2,425	$ 2,425
Equity in earnings of real estate ventures				
Rental operations	$ 1,641	$ 1,373	$ 3,536	$ 2,595
Gain on repurchase of exchangeable notes payable				
Property management, acquisition and development	$ 5,093	$ —	$ 27,576	$ —
Loss on sale of investments available for sale				
Property management, acquisition and development	$ —	$ —	$ —	$ (1,415)
Income tax expense				
Property management, acquisition and development	$ (943)	$ 113	$ (1,591)	$ (187)
Net income (loss)				
Property management, acquisition and development	$ (16,195)	$ (3,096)	$ 2,455	$ (7,424)
Rental operations	9,514	11,438	21,626	21,808
	$ (6,681)	$ 8,342	$ 24,081	$ 14,384
Depreciation and amortization expense				
Property management, acquisition and development	$ 399	$ 374	$ 804	$ 726
Rental operations	12,441	11,323	24,559	22,552
	$ 12,840	$ 11,697	$ 25,363	$ 23,278
Statement of Cash Flows				
Acquisition of real estate assets				
Property management, acquisition and development			$ (24,001)	$ (37,017)
Development and construction of real estate assets				
Property management, acquisition and development			$ (43,293)	$ (31,124)

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23. COMMITMENTS AND CONTINGENCIES

The Company has guaranteed two construction loans for unconsolidated partnerships that own development properties in Baltimore, Maryland and Chicago, Illinois. These properties are owned by joint ventures in which the Company has 10% equity interests. These guarantees were entered into in November 2004 and July 2005, respectively. At June 30, 2009, the total amount of guaranteed mortgage debt relating to these joint ventures was $12,779. These mortgage loans mature December 12, 2009 and July 28, 2009, respectively. If the joint ventures default on the loans, the Company may be forced to repay the loans. Repossessing and/or selling the self-storage facilities and land that collateralize the loans could provide funds sufficient to reimburse the Company. The estimated fair market value of the encumbered assets at June 30, 2009 was $15,861. The Company recorded no liability in relation to these guarantees as of June 30, 2009, as the fair values of the guarantees were not material. To date, the joint ventures have not defaulted on their mortgage debt. The Company believes the risk of incurring a loss as a result of having to perform on these guarantees is remote.

The Company has been involved in routine litigation arising in the ordinary course of business. As of June 30, 2009, the Company was not involved in any material litigation nor, to its knowledge, was any material litigation threatened against it, or its properties.

24. SUBSEQUENT EVENTS

The Company has evaluated subsequent events through the time of filing these financial statements with the SEC on August 7, 2009.

Extra Space Storage Inc.
Management's Discussion and Analysis
Amounts in thousands, except property and share data

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

CAUTIONARY LANGUAGE

The following discussion and analysis should be read in conjunction with our "*Unaudited Condensed Consolidated Financial Statements*" and the "*Notes to Unaudited Condensed Consolidated Financial Statements*" contained in this report and the *"Consolidated Financial Statements," "Notes to Consolidated Financial Statements"* and *"Management's Discussion and Analysis of Financial Condition and Results of Operations"* contained in our Form 10-K for the year ended December 31, 2008, as updated in our Form 8-K filed on June 5, 2009. The Company makes statements in this section that are forward-looking statements within the meaning of the federal securities laws. For a complete discussion of forward-looking statements, see the section in this Form 10-Q entitled "*Statement on Forward-Looking Information*." Amounts are in thousands (except property and share data and unless otherwise stated).

CRITICAL ACCOUNTING POLICIES

Our discussion and analysis of our financial condition and results of operations are based on our unaudited condensed consolidated financial statements contained elsewhere in this report, which have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP"). Certain amounts in the unaudited condensed consolidated financial statements have been restated to reflect the retroactive application of new accounting standards. Our notes to the unaudited condensed consolidated financial statements contained elsewhere in this report and the audited financial statements contained in our Form 10-K for the year ended December 31, 2008, as updated in our Form 8-K filed on June 5, 2009, describe the significant accounting policies essential to our unaudited condensed consolidated financial statements. Preparation of our financial statements requires estimates, judgments and assumptions. We believe that the estimates, judgments and assumptions which we have used are appropriate and correct based on information available at the time that they were made. These estimates, judgments and assumptions can affect our reported assets and liabilities as of the date of the financial statements, as well as the reported revenues and expenses during the period presented. If there are material differences between these estimates, judgments and assumptions and actual facts, our financial statements may be affected.

In many cases, the accounting treatment of a particular transaction is specifically dictated by GAAP and does not require our judgment in its application. There are areas in which our judgment in selecting among available alternatives would not produce a materially different result, but there are some areas in which our judgment in selecting among available alternatives would produce a materially different result. See the notes to the unaudited condensed consolidated financial statements that contain additional information regarding our accounting policies and other disclosures.

OVERVIEW

We are a fully integrated, self-administered and self-managed real estate investment trust, or REIT, formed to continue the business commenced in 1977 by our predecessor companies to own, operate, manage, acquire and redevelop professionally managed self-storage properties. We derive substantially all of our revenues from rents received from tenants under existing leases at each of our self-storage properties, from management fees on the properties we manage for joint-venture partners, franchisees and unaffiliated third parties and from our tenant reinsurance program. Our management fee is equal to approximately 6% of cash collected by the managed properties.

We operate in competitive markets, often where consumers have multiple self-storage properties from which to choose. Competition has impacted, and will continue to impact our property results. We experience seasonal fluctuations in occupancy levels, with occupancy levels generally higher in the summer months due to increased moving activity. Our operating results depend materially on our ability to lease available self-storage units, to actively manage rental rates, and on the ability of our tenants to make required rental payments. We believe we are able to respond quickly and effectively to changes in local, regional and national economic conditions by centrally adjusting rental rates through the combination of our revenue management team and our industry-leading technology systems.

We continue to evaluate a range of new initiatives and opportunities in order to enable us to maximize stockholder value. Our strategies to maximize stockholder value include the following:

- *Maximize the performance of properties through strategic, efficient and proactive management.* We plan to pursue revenue generating and expense minimizing opportunities in our operations. Our revenue management team will

seek to maximize revenue by responding to changing market conditions through our technology system's ability to provide real-time, interactive rental rate and discount management. Our size allows greater ability than the majority of our competitors to implement national, regional and local marketing programs, which we believe will attract more customers to our stores at a lower net cost.

- *Expand our management business*. Our management business enables us to generate increased revenues through management fees and expand our geographic footprint. This expanded footprint enables us to reduce our operating costs through economies of scale. In addition, we see our management business as a future acquisition pipeline. We expect to pursue strategic relationships with owners that should strengthen our acquisition pipeline through agreements which give us first right of refusal to purchase the managed property in the event of a potential sale.

- *Acquire self-storage properties from strategic partners and third parties.* Our acquisitions team will continue to selectively pursue the acquisition of single properties and multi-property portfolios that we believe can provide stockholder value. We have sought to establish a reputation as a reliable, ethical buyer, which we believe enhances our ability to negotiate and close acquisitions. In addition, we believe our status as an UPREIT enables flexibility when structuring deals.

Recent U.S. and international market and economic conditions have been unprecedented and challenging, with tighter credit conditions and slower growth through the second half of 2008 and the first two quarters of 2009. For the six months ended June 30, 2009, continued concerns about the systemic impact of inflation, energy costs, geopolitical issues, the availability and cost of credit and other macro-economic factors have contributed to increased market volatility and diminished expectations for the global economy and increased market uncertainty and instability. Continued turbulence in U.S. and international markets and economies may adversely affect our liquidity and financial condition, and the financial condition of our customers. If these market conditions continue, they may result in an adverse effect on our financial condition and results of operations.

PROPERTIES

As of June 30, 2009, we owned or had ownership interests in 628 operating self-storage properties. Of these properties, 281 are wholly-owned and 347 are held in joint ventures. In addition, we managed an additional 110 properties for franchisees or third parties bringing the total number of operating properties which we own and/or manage to 738. These properties are located in 33 states and Washington, D.C. As of June 30, 2009, we owned and/or managed approximately 53 million square feet of space with more than 300,000 customers.

Our properties are generally situated in convenient, highly visible locations clustered around large population centers such as Atlanta, Baltimore/Washington, D.C., Boston, Chicago, Dallas, Houston, Las Vegas, Los Angeles, Miami, New York City, Orlando, Philadelphia, Phoenix, St. Petersburg/Tampa and San Francisco/Oakland. These areas all enjoy above-average population growth and income levels. The clustering of assets around these population centers enables us to reduce our operating costs through economies of scale.

We consider a property to be in the lease-up stage after it has been issued a certificate of occupancy, but before it has achieved stabilization. We consider a property to be stabilized once it has achieved either an 80% occupancy rate for a full year measured as of January 1, or has been open for three years. Although leases are short-term in duration, the typical tenant tends to remain at our properties for an extended period of time. For properties that were stabilized as of June 30, 2009, the median length of stay was approximately eleven months.

Our property portfolio is a made up of different types of construction and building configurations depending on the site and the municipality where it is located. Most often sites are what we consider “hybrid” facilities, a mix of both drive-up buildings and multi-floor buildings. We have a number of multi-floor buildings with elevator access only, and a number of facilities featuring ground-floor access only.

The following table sets forth additional information regarding the occupancy of our stabilized properties on a state-by-state basis as of June 30, 2009 and 2008. The information as of June 30, 2008 is on a pro forma basis as though all the properties owned and/or managed at June 30, 2009 were under our control as of June 30, 2008.

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Stabilized Property Data Based on Location

Location	Number of Properties	Company Number of Units as of June 30, 2009(1)	Pro forma Number of Units as of June 30, 2008	Company Net Rentable Square Feet as of June 30, 2009(2)	Pro forma Net Rentable Square Feet as of June 30, 2008	Company Square Foot Occupancy % June 30, 2009	Pro forma Square Foot Occupancy % June 30, 2008
Wholly-owned properties							
Alabama	1	587	582	76,960	76,025	81.0%	82.3%
Arizona	5	2,836	2,848	347,138	347,318	84.0%	89.0%
California	46	36,828	37,358	3,625,317	3,647,587	83.5%	86.2%
Colorado	8	3,796	3,800	476,409	476,084	85.3%	90.2%
Connecticut	3	2,028	2,036	178,115	178,115	88.8%	86.0%
Florida	31	20,536	20,606	2,186,609	2,185,814	81.8%	83.6%
Georgia	12	6,433	6,436	837,242	835,326	83.1%	90.4%
Hawaii	2	2,859	2,869	145,657	149,917	77.3%	83.8%
Illinois	5	3,323	3,267	342,092	339,014	81.9%	83.2%
Indiana	6	3,510	3,525	412,796	415,107	86.6%	90.5%
Kansas	1	508	504	50,190	49,690	86.0%	93.3%
Kentucky	3	1,587	1,585	194,101	194,470	90.5%	90.3%
Louisiana	2	1,412	1,409	149,875	148,315	87.3%	90.3%
Maryland	10	7,934	7,932	847,522	844,574	86.7%	86.2%
Massachusetts	26	15,257	15,291	1,573,990	1,574,847	83.8%	85.0%
Michigan	2	1,029	1,042	134,866	135,906	86.1%	93.5%
Missouri	6	3,157	3,149	374,437	374,332	83.3%	88.9%
Nevada	2	1,242	1,255	132,115	132,315	84.5%	88.4%
New Hampshire	2	1,006	1,006	125,691	125,909	84.4%	87.4%
New Jersey	23	18,847	18,858	1,835,821	1,835,271	84.5%	87.1%
New Mexico	1	539	535	69,745	68,090	81.8%	85.5%
New York	10	8,730	8,691	611,426	610,041	81.5%	83.3%
Ohio	4	2,025	2,025	273,242	273,492	88.6%	89.9%
Oregon	1	766	765	103,190	103,450	88.9%	89.8%
Pennsylvania	9	6,574	6,569	688,515	684,059	85.2%	87.4%
Rhode Island	1	730	728	75,521	75,361	88.2%	89.4%
South Carolina	3	1,553	1,554	178,749	178,719	85.1%	92.3%
Tennessee	6	3,494	3,508	473,962	475,267	84.2%	88.4%
Texas	20	12,413	12,425	1,403,160	1,402,715	86.9%	89.5%
Utah	3	1,539	1,537	210,636	210,976	88.3%	93.6%
Virginia	5	3,562	3,578	346,907	347,559	87.0%	89.4%
Washington	4	2,554	2,541	308,015	305,815	88.8%	89.7%
Total Wholly-Owned Stabilized	**263**	**179,194**	**179,814**	**18,790,011**	**18,801,480**	**84.4%**	**87.0%**
Joint-venture properties							
Alabama	3	1,707	1,708	205,958	205,553	83.9%	90.0%
Arizona	11	6,834	6,887	751,614	751,271	83.0%	87.4%
California	77	55,149	55,171	5,650,924	5,641,944	85.8%	90.1%
Colorado	2	1,331	1,334	158,433	158,413	85.9%	87.1%
Connecticut	8	5,993	5,989	693,285	692,477	79.6%	80.6%
Delaware	1	587	589	71,655	71,655	90.2%	90.2%
Florida	23	19,221	19,258	1,941,291	1,939,953	80.6%	84.3%
Georgia	3	1,870	1,889	245,270	246,926	81.7%	83.4%
Illinois	7	4,661	4,675	503,621	504,031	86.0%	88.1%
Indiana	8	3,155	3,151	405,479	405,269	83.1%	87.2%
Kansas	3	1,213	1,222	160,600	163,800	82.7%	86.3%
Kentucky	4	2,279	2,284	269,044	268,358	85.3%	89.0%
Maryland	14	11,073	11,111	1,083,008	1,081,082	85.7%	86.9%
Massachusetts	17	9,218	9,257	1,045,895	1,047,132	82.3%	83.7%
Michigan	10	5,936	5,965	784,703	786,623	84.5%	90.4%

Missouri	2	956	951	117,695	117,715	85.5%	94.1%
Nevada	7	4,615	4,621	619,358	619,079	82.9%	84.5%
New Hampshire	3	1,318	1,320	137,754	138,034	86.2%	88.6%
New Jersey	21	15,671	15,691	1,647,450	1,649,733	82.4%	84.7%
New Mexico	9	4,683	4,691	542,894	539,008	83.2%	85.5%
New York	21	21,655	21,677	1,735,860	1,737,285	86.4%	89.1%
Ohio	11	5,017	5,016	754,347	747,777	80.9%	84.3%
Oregon	2	1,292	1,293	136,660	136,830	84.7%	94.0%
Pennsylvania	10	7,229	7,214	764,655	762,520	87.0%	88.4%
Rhode Island	1	607	607	73,880	73,880	72.0%	79.1%
Tennessee	22	11,766	11,795	1,548,807	1,548,493	85.0%	89.4%
Texas	18	11,724	11,789	1,549,200	1,559,796	82.5%	82.1%
Utah	1	520	519	59,000	59,400	90.3%	94.6%
Virginia	16	11,270	11,279	1,191,393	1,191,648	87.8%	88.7%
Washington	1	545	551	62,730	62,730	89.2%	91.2%
Washington, DC	1	1,536	1,536	102,003	102,003	92.6%	98.2%
Total Stabilized Joint-Ventures	**337**	**230,631**	**231,040**	**25,014,466**	**25,010,418**	**84.3%**	**87.3%**

Location	Number of Properties	Company Number of Units as of June 30, 2009(1)	Pro forma Number of Units as of June 30, 2008	Company Net Rentable Square Feet as of June 30, 2009(2)	Pro forma Net Rentable Square Feet as of June 30, 2008	Company Square Foot Occupancy % June 30, 2009	Pro forma Square Foot Occupancy % June 30, 2008
Managed properties							
Alabama	2	825	826	95,175	95,207	92.8%	92.1%
California	6	3,925	3,907	488,335	488,260	72.4%	78.3%
Colorado	1	339	339	31,639	31,639	92.6%	88.1%
Florida	1	650	650	51,966	51,966	83.1%	90.0%
Georgia	5	2,715	2,755	404,165	416,408	71.4%	78.4%
Illinois	4	2,320	2,331	261,666	248,780	74.3%	71.2%
Indiana	1	502	502	55,425	55,425	71.4%	81.0%
Kansas	3	1,519	1,534	226,370	225,460	73.0%	80.1%
Kentucky	1	539	542	65,900	65,900	77.0%	83.1%
Maryland	12	7,666	7,665	842,014	846,925	73.3%	77.1%
Massachusetts	1	1,198	1,204	108,830	108,980	65.6%	68.2%
Missouri	3	1,558	1,525	308,528	306,333	79.9%	74.0%
Nevada	2	1,576	1,576	171,555	171,555	82.7%	87.4%
New Jersey	5	4,337	4,334	419,420	418,512	80.6%	75.9%
New Mexico	2	1,107	1,103	131,797	131,867	88.3%	90.6%
New York	1	704	706	77,955	78,075	81.9%	84.2%
Ohio	4	1,098	1,095	167,060	162,200	57.3%	68.9%
Pennsylvania	20	8,386	8,367	1,018,991	1,018,947	60.5%	66.0%
Tennessee	2	881	886	130,940	130,750	89.5%	92.4%
Texas	3	1,648	1,654	194,935	195,095	88.8%	89.7%
Utah	1	371	371	46,855	46,955	98.2%	98.8%
Virginia	4	2,767	2,788	270,183	269,977	84.9%	85.7%
Washington, DC	2	1,255	1,255	111,759	111,759	87.2%	88.1%
Total Stabilized Managed Properties	**86**	**47,886**	**47,915**	**5,681,463**	**5,676,975**	**74.3%**	**77.3%**
Total Stabilized Properties	**686**	**457,711**	**458,769**	**49,485,940**	**49,488,873**	**83.2%**	**86.0%**

(1) Represents unit count as of June 30, 2009, which may differ from June 30, 2008 unit count due to unit conversions or expansions.

(2) Represents net rentable square feet as of June 30, 2009, which may differ from June 30, 2008 net rentable square feet due to unit conversions or expansions.

The following table sets forth additional information regarding the occupancy of our lease-up properties on a state-by-state basis as of June 30, 2009 and 2008. The information as of June 30, 2008 is on a pro forma basis as though all the properties owned and/or managed at June 30, 2009 were under our control as of June 30, 2008.

Lease-up Property Data Based on Location

Location	Number of Properties	Company Number of Units as of June 30, 2009(1)	Pro forma Number of Units as of June 30, 2008	Company Net Rentable Square Feet as of June 30, 2009(2)	Pro forma Net Rentable Square Feet as of June 30, 2008	Company Square Foot Occupancy % June 30, 2009	Pro forma Square Foot Occupancy % June 30, 2008
Wholly-owned properties							
California	6	4,279	2,073	464,903	209,049	42.1%	41.7%
Florida	1	816	—	71,545	—	26.3%	0.0%
Illinois	4	2,727	1,383	276,435	156,980	36.6%	22.0%
Maryland	2	1,397	635	149,937	79,958	40.1%	31.9%
Massachusetts	3	2,068	2,031	215,617	212,607	66.4%	72.1%
New Jersey	1	636	635	57,300	57,360	50.9%	27.1%
South Carolina	1	622	513	74,657	67,045	83.2%	93.3%
Total Wholly-Owned Lease up	**18**	**12,545**	**7,270**	**1,310,394**	**782,999**	**46.6%**	**48.4%**
Joint-venture properties							
California	4	2,812	2,874	328,172	329,352	56.3%	54.9%
Florida	1	910	827	113,485	113,401	44.3%	48.5%
Illinois	2	1,777	1,812	190,483	190,533	77.9%	71.5%
Maryland	1	853	859	71,349	71,249	79.1%	75.5%
New Jersey	1	712	—	60,098	—	24.2%	0.0%
Rhode Island	1	485	498	55,995	55,645	64.7%	52.9%
Total Lease up Joint-Ventures	**10**	**7,549**	**6,870**	**819,582**	**760,180**	**59.9%**	**59.9%**

Location	Number of Properties	Company Number of Units as of June 30, 2009(1)	Pro forma Number of Units as of June 30, 2008	Company Net Rentable Square Feet as of June 30, 2009(2)	Pro forma Net Rentable Square Feet as of June 30, 2008	Company Square Foot Occupancy % June 30, 2009	Pro forma Square Foot Occupancy % June 30, 2008
Managed properties							
Alabama	1	632	—	77,627	—	0.0%	0.0%
California	1	1,054	1,048	100,236	98,558	27.3%	1.5%
Colorado	1	531	536	60,995	60,940	68.8%	9.8%
Florida	5	3,366	926	316,112	78,130	16.6%	22.0%
Georgia	7	4,745	836	664,183	147,469	38.9%	51.0%
Massachusetts	2	1,591	1,590	151,289	151,549	50.7%	43.2%
New Jersey	1	860	860	77,905	77,770	54.6%	39.3%
New York	1	574	—	37,600	—	1.7%	0.0%
Pennsylvania	2	1,990	1,994	173,044	174,186	30.2%	25.2%
Tennessee	1	508	510	69,550	68,960	53.7%	54.9%
Utah	1	659	—	75,477	—	34.6%	0.0%

Virginia	1	476	480	63,809	63,899	32.9%	12.0%
Total Lease up Managed Properties	**24**	**16,986**	**8,780**	**1,867,827**	**921,461**	**34.1%**	**31.0%**
Total Lease up Properties	**52**	**37,080**	**22,920**	**3,997,803**	**2,464,640**	**43.5%**	**45.4%**

(1) Represents unit count as of June 30, 2009, which may differ from June 30, 2008 unit count due to unit conversions or expansions.

(2) Represents net rentable square feet as of June 30, 2009, which may differ from June 30, 2008 net rentable square feet due to unit conversions or expansions.

RESULTS OF OPERATIONS

Comparison of the three and six months ended June 30, 2009 and 2008

Overview

Results for the three and six months ended June 30, 2009 include the operations of 628 properties (285 of which were consolidated and 343 of which were in joint ventures accounted for using the equity method) compared to the results for the three and six months ended June 30, 2008, which included the operations of 610 properties (265 of which were consolidated and 345 of which were in joint ventures accounted for using the equity method).

Revenues

The following table sets forth information on revenues earned for the periods indicated:

	Three Months Ended June 30, 2009	Three Months Ended June 30, 2008	$ Change	% Change	Six Months Ended June 30, 2009	Six Months Ended June 30, 2008	$ Change	% Change
Revenues:								
Property rental	$ 58,705	$ 57,885	$ 820	1.4%	$ 118,114	$ 114,909	$ 3,205	2.8%
Management and franchise fees	5,275	5,343	(68)	(1.3)%	10,494	10,420	74	0.7%
Tenant reinsurance	5,085	3,980	1,105	27.8%	9,704	7,458	2,246	30.1%
Other income	3	128	(125)	(97.7)%	10	256	(246)	(96.1)%
Total revenues	$ 69,068	$ 67,336	$ 1,732	2.6%	$ 138,322	$ 133,043	$ 5,279	4.0%

Property Rental — The increase in property rental revenue for the three and six months ended June 30, 2009 consists of $2,379 and $4,686, respectively associated with acquisitions completed during 2009 and 2008 and $491 and $1,021, respectively from increases in occupancy and rental rates at lease-up properties. These increases were offset by decreases of $2,050 and $2,502, respectively in revenues at stabilized properties due mainly to a decrease in occupancy compared with the same periods in the prior year.

Management and Franchise Fees — Our taxable REIT subsidiary, Extra Space Management, Inc. manages properties owned by our joint ventures, franchisees and third parties. Management and franchise fees generally represent 6% of cash collected from properties owned by third parties, franchisees and unconsolidated joint ventures. Revenues from management fees and franchise fees have remained stable compared to the previous year.

Tenant Reinsurance — The increase in tenant reinsurance revenues is due to our continued success in promoting the tenant reinsurance program at our sites during 2008 and the first and second quarters of 2009. Overall customer participation increased to approximately 53% at June 30, 2009 compared to approximately 43% at June 30, 2008.

Other Income — The decrease in other income is primarily due to the expiration of a sublease agreement.

Expenses

The following table sets forth information on expenses for the periods indicated:

	Three Months Ended June 30, 2009	Three Months Ended June 30, 2008	$ Change	% Change	Six Months Ended June 30, 2009	Six Months Ended June 30, 2008	$ Change	% Change
Expenses:								
Property operations	$ 21,567	$ 20,863	$ 704	3.4%	$ 44,434	$ 41,504	$ 2,930	7.1%
Tenant reinsurance	1,471	1,370	101	7.4%	2,732	2,532	200	7.9%
Unrecovered development and acquisition costs	18,801	1,428	17,373	1,216.6%	18,883	1,592	17,291	1,086.1%
Severance costs associated with wind-down of development program	1,400	—	1,400	100.0%	1,400	—	1,400	100.0%
General and administrative	10,615	10,183	432	4.2%	21,213	20,062	1,151	5.7%
Depreciation and amortization	12,840	11,697	1,143	9.8%	25,363	23,278	2,085	9.0%
Total expenses	$ 66,694	$ 45,541	$ 21,153	46.4%	$ 114,025	$ 88,968	$ 25,057	28.2%

Property Operations — The increase in property operations expense during the three and six months ended June 30, 2009 was primarily due to increases of $826 and $1,430 associated with acquisitions of new properties during 2008 and 2009, respectively. For the three months ended June 30, 2009, the increase was offset by a reduction in property tax expense. For the six months ended June 30, 2009, the property operations expense also increased due to increases in telephone and property taxes.

Tenant Reinsurance — The increase in tenant reinsurance expense is due to the increase in tenant reinsurance contracts. A portion of tenant reinsurance expense is variable and increases as tenant reinsurance contracts increase. During 2008 and the first and second quarters of 2009, we continued to promote the tenant reinsurance program and successfully increased overall customer participation to approximately 53% at June 30, 2009 compared to approximately 43% at June 30, 2008.

Unrecovered Development and Acquisition Costs — These costs relate to unsuccessful development and acquisition activities during the periods indicated. On June 2, 2009, the Company announced that it had begun a wind-down of its development program. As a result of the decision, the Company recorded $18,883 of one time impairment charges in order to write down the carrying value of undeveloped land, development projects that will be completed and investments in development projects to their estimated fair values less cost to sell. The unrecovered development and acquisition costs incurred in the three and six months ended June 30, 2008 include $1,257 relating to due diligence costs that were part of an unsuccessful attempt by the Company to purchase a large portfolio of properties in May and June of 2008. The remainder of these costs relate to entitlement and other due diligence work done on development projects that the Company elected not to pursue.

Severance costs associated with wind-down of development program — On June 2, 2009, the Company announced that it has begun a wind-down of its development program. As a result of the decision, the Company recorded severance costs of $1,400.

General and Administrative — The increase in general and administrative expenses was due to the overall cost associated with the management of our properties which increased as we operated 738 properties as of June 30, 2009 compared to 673 properties as of June 30, 2008.

Depreciation and Amortization — The increase in depreciation and amortization expense is a result of additional properties that were added through acquisitions and development in 2008 and 2009.

<u>Other Revenues and Expenses</u>

The following table sets forth information on other revenues and expenses for the periods indicated:

	Three Months Ended June 30,				Six Months Ended June 30,			
	2009	2008	$ Change	% Change	2009	2008	$ Change	% Change
Other revenue and expenses:								
Interest expense	$ (15,816)	$ (15,962)	$ 146	(0.9)%	$ (31,611)	$ (32,316)	$ 705	(2.2)%
Non-cash interest expense related to amortization of discount on exchangeable senior notes	(563)	(1,059)	496	(46.8)%	(1,404)	(2,088)	684	(32.8)%
Interest income	321	870	(549)	(63.1)%	853	1,295	(442)	(34.1)%
Interest income on note receivable from Preferred Operating Partnership unit holder	1,212	1,212	—	—	2,425	2,425	—	—
Equity in earnings of real estate ventures	1,641	1,373	268	19.5%	3,536	2,595	941	36.3%
Gain on repurchase of exchangeable senior notes	5,093	—	5,093	100.0%	27,576	—	27,576	100.0%
Loss on sale of investments available for sale	—	—	—	—	—	(1,415)	1,415	(100.0)%
Income tax expense	(943)	113	(1,056)	(934.5)%	(1,591)	(187)	(1,404)	750.8%
Total other revenue (expense)	$ (9,055)	$ (13,453)	$ 4,398	(32.7)%	$ (216)	$ (29,691)	$ 29,475	(99.3)%

Interest Expense — The decrease in interest expense for the three and six months ended June 30, 2009 consists primarily of a decrease in the Company's interest rates compared to the same period in the prior year. As of June 30, 2009, we had drawn

$100,000 on our Credit Line which has an interest rate of between 100 and 205 basis points over LIBOR, depending on certain financial ratios of the Company. This decrease was slightly offset by new loans on properties acquired during 2008 and 2009.

Non-cash Interest Expense Related to Amortization of Discount on Exchangeable Senior Notes — The decrease in non-cash interest expense related to amortization of discount on exchangeable senior notes for the three and six months ended June 30, 2009 was due to the Company repurchasing a total of $154,837 of its notes in 2008 and 2009. The discount associated with the repurchased notes was written off as a result of these repurchases which decreased the ongoing amortization of the discount in 2009 when compared to 2008.

Interest Income — The decrease in interest income is primarily due to the decrease in our investments available for sale from $21,812 to $0 in early 2008 in addition to the decrease in cash compared to the same periods in the prior year.

Interest Income on Note Receivable from Preferred Operating Partnership Unit Holder — Represents interest on a $100,000 loan to the holders of the Preferred OP units.

Equity in Earnings of Real Estate Ventures — The increase in equity in earnings of real estate ventures for the three and six months ended June 30, 2009 compared to the prior year is due primarily to the increase in our investment in the VRS joint venture from 5% to 45% on July 1, 2008.

Gain on Repurchase of Exchangeable Senior Notes — This amount represents the gain recorded on the repurchase of $114,500 principal amount of our exchangeable senior notes in March and May 2009. There were no repurchases of exchangeable senior notes during the six months ended June 30, 2008.

Loss on Sale of Investments Available for Sale — The amount for the six months ended June 30, 2008 represents the amount of loss recorded on February 29, 2008 related to the liquidation of auction rates securities held in investments available for sale. There was no loss for the three or six months ended June 30, 2009.

Income tax expense — The increase in income tax expense relates to our net operating loss carryforward being used completely in 2008 in addition to the increased profitability of our TRS.

<u>Net Income Allocated to Noncontrolling Interests</u>

The following table sets forth information on net income allocated to noncontrolling interests for the periods indicated:

	Three Months Ended June 30,				Six Months Ended June 30,			
	2009	2008	$ Change	% Change	2009	2008	$ Change	% Change
Net income allocated to noncontrolling interests:								
Net income allocated to Preferred Operating Partnership noncontrolling interests	$ (1,369)	$ (1,539)	$ 170	(11.0)%	$ (3,175)	$ (3,057)	$ (118)	3.9%
Net (income) loss allocated to Operating Partnership and other non-controlling interests	509	(306)	815	(266.3)%	(828)	(495)	(333)	67.3%
Total income allocated to noncontrolling interests:	$ (860)	$ (1,845)	$ 985	(53.4)%	$ (4,003)	$ (3,552)	$ (451)	12.7%

Net income allocated to Preferred Operating Partnership noncontrolling interests — Income allocated to the Preferred Operating Partnership equals the fixed distribution paid to the Preferred OP unit holder plus approximately 1.08% and 1.27% of the remaining net income (loss) allocated after the adjustment for the fixed distribution paid as of June 30, 2009 and 2008, respectively.

Net (income) loss allocated to Operating Partnership and other noncontrolling interests — Income allocated to the Operating Partnership as of June 30, 2009 and 2008 represents approximately 4.55% and 5.23%, respectively, of net income (loss) after the allocation of the fixed distribution paid to the Preferred OP unit holder. Loss allocated to other noncontrolling interests represents the losses allocated to partners in consolidated joint ventures on three properties that were in the lease-up phase during the three and six months ended June 30, 2009.

FUNDS FROM OPERATIONS

Funds from Operations ("FFO") provides relevant and meaningful information about our operating performance that is necessary, along with net income (loss) and cash flows, for an understanding of our operating results. We believe FFO is a meaningful disclosure as a supplement to net earnings. Net earnings assume that the values of real estate assets diminish predictably over time as reflected through depreciation and amortization expenses. The values of real estate assets fluctuate due to market conditions and we believe FFO more accurately reflects the value of our real estate assets. 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 operating properties, plus depreciation and amortization and after adjustments to record unconsolidated partnerships and joint ventures on the same basis. We believe that to further understand our performance, FFO should be considered along with the reported net income (loss) and cash flows in accordance with GAAP, as presented in our consolidated financial statements.

Our 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 our performance, as an alternative to net cash flow from operating activities, as a measure of liquidity, or as an indicator of our ability to make cash distributions. The following table sets forth our calculation of FFO for the three and six months ended June 30, 2009 and 2008:

	Three months ended June 30, 2009	Three months ended June 30, 2008	Six months ended June 30, 2009	Six months ended June 30, 2008
Net income (loss) attributable to common stockholders	$ (7,541)	$ 6,497	$ 20,078	$ 10,832
Adjustments:				
Real estate depreciation	11,554	9,975	22,984	19,735
Amortization of intangibles	725	1,159	1,248	2,437
Joint venture real estate depreciation and amortization	1,414	1,058	2,809	2,110
Joint venture loss on sale of properties	188	—	188	—
Distributions paid on Preferred Operating Partnership units	(1,437)	(1,437)	(2,875)	(2,875)
Income allocated to Operating Partnership noncontrolling interests	1,082	1,963	4,473	3,808
Funds from operations	$ 5,985	$ 19,215	$ 48,905	$ 36,047

SAME-STORE STABILIZED PROPERTY RESULTS

We consider our same-store stabilized portfolio to consist of only those properties which were wholly-owned at the beginning and at the end of the applicable periods presented that have achieved stabilization as of the first day of such period. The following table sets forth operating data for our same-store portfolio (revenues include tenant reinsurance income). We consider the following same-store presentation to be meaningful in regards to the properties shown below. These results provide information relating to property-level operating changes without the effects of acquisitions or completed developments.

	Three Months Ended June 30, 2009	Three Months Ended June 30, 2008	Percent Change	Six Months Ended June 30, 2009	Six Months Ended June 30, 2008	Percent Change
Same-store rental and tenant reinsurance revenues	$ 56,277	$ 57,988	(3.0)%	$ 113,388	$ 115,116	(1.5)%
Same-store operating and tenant reinsurance expenses	19,357	20,002	(3.2)%	40,001	40,255	(0.6)%
Same-store net operating income	36,920	37,986	(2.8)%	73,387	74,861	(2.0)%
Non same-store rental and tenant reinsurance revenues	7,513	3,877	93.8%	14,430	7,251	99.0%
Non same-store operating and tenant reinsurance expenses	3,681	2,231	65.0%	7,165	3,781	89.5%
Total rental and tenant reinsurance revenues	63,790	61,865	3.1%	127,818	122,367	4.5%
Total operating and tenant reinsurance expenses	23,038	22,233	3.6%	47,166	44,036	7.1%
Same-store square foot occupancy as of quarter end	84.3%	87.0%		84.3%	87.0%	
Properties included in same-store	252	252		252	252	

The decrease in same-store rental revenues for the three and six months ended June 30, 2009 as compared to the three and six months ended June 30, 2008 was due to decreased rental rates to incoming customers and a reduction in occupancy due to lower move-in activity and higher move-out activity. The decrease in same-store operating expenses was primarily due to lower payroll, advertising and property taxes.

CASH FLOWS

Cash flows provided by operating activities were $49,132 and $50,119, respectively, for the six months ended June 30, 2009 and 2008. The decrease compared to the prior year primarily relates to the increase in net income exclusive of gain on sale of exchangeable notes and unrecovered development costs and severance costs relating to the wind-down of our development program.

Cash used in investing activities was $66,507 and $52,627, respectively, for the six months ended June 30, 2009 and 2008. The increase relates primarily to the change in investments available for sale offset by the increase in cash used for development and construction of real estate assets. For the six months ended June 30, 2008, there were proceeds from the sale of investments available for sale of $21,812, and for the six months ended June 30, 2009, there were no proceeds from the sale of investments available for sale. Additionally, for the six months ended June 30, 2009, $43,293 was paid for the development and construction of real estate assets, compared to $31,124 for the six months ended June 30, 2008.

Cash provided by financing activities was $84,954 and $170,968, respectively, for the six months ended June 30, 2009 and 2008. The decrease in cash provided by financing activities is primarily the result of the $232,718 in proceeds from selling common stock in 2008 compared to $0 in 2009. In addition, during the six months ended June 30, 2009, we drew an additional $73,000 on our lines of credit and obtained proceeds of $204,546 from additional notes payable, compared to proceeds of only $3,384 from notes payable and lines of credit during the six months ended June 30, 2008. This was offset by the increase of $80,853 in the amount paid by the Company to repurchase a portion of our exchangeable senior notes during the six months ended June 30, 2009, and an increase of $58,912 in the principal payments made on borrowings compared to the six months ended June 30, 2008.

OPERATIONAL SUMMARY

Our net operating income for the six months ended June 30, 2009 decreased on a same-store basis with decreases in revenues and decreases in expenses. Same-store revenue decreased 1.5% and NOI decreased 2.0%. Same-store expenses showed a modest year-on-year decrease of 0.6 %. Occupancy decreased to 84.3 % as compared to 87.0% for the same period of the previous year.

Massachusetts, New York, Northern California, Texas, and Washington, D.C. were our top performing markets with year-on-year revenue growth at stabilized properties. Markets experiencing negative year-on-year revenue growth at stabilized properties included Arizona, Florida, Georgia, New Jersey, Pennsylvania and Southern California.

LIQUIDITY AND CAPITAL RESOURCES

As of June 30, 2009, we had $131,551 available in cash and cash equivalents. We intend to use this cash to repay debt scheduled to mature in 2009 and for general corporate purposes. We are required to distribute at least 90% of our net taxable income, excluding net capital gains, to our stockholders on an annual basis to maintain our qualification as a REIT. Recently issued guidance from the IRS allows for up to 90% of a REIT's dividends to be paid with its common stock in 2009 if certain conditions are met.

On April 6, 2009, we announced modifications to our 2009 dividend distributions. We did not distribute a dividend in the second quarter of 2009 and do not expect to distribute a dividend in the third quarter of 2009. We expect to pay an estimated fourth quarter dividend of between $0.24 and $0.30 per share using a combination of approximately 10% cash and 90% common stock, as allowed by the Internal Revenue Service Revenue Procedure 2009-15, to fully distribute our 2009 net taxable income. The fourth quarter dividend, when combined with the first quarter 2009 cash dividend of $0.25 per share, previously paid on March 31, 2009, is expected to satisfy the REIT distribution requirements and allow us to avoid the payment of corporate income tax for the year. We reserve the right to change the percentage of cash paid in the fourth quarter dividend, including paying such dividend entirely in cash if determined to be in the best interest of stockholders. It is unlikely that we will have any substantial cash balances that could be used to meet our liquidity needs. Instead, these needs must be met from cash generated from operations and external sources of capital.

Our cash and cash equivalents are held in accounts managed by third party financial institutions and consist of invested cash and cash in our operating accounts. During 2008 and the first six months of 2009 we experienced no loss or lack of access to our cash or cash equivalents; however, there can be no assurance that access to our cash and cash equivalents will not be impacted by adverse conditions in the financial markets.

On October 19, 2007, we entered into a $100,000 revolving line of credit (the "Credit Line"). We intend to use the proceeds of the Credit Line to repay debt and for general corporate purposes. The Credit Line has an interest rate of between 100 and 205 basis points over LIBOR, depending on certain of our financial ratios (1.31% at June 30, 2009). The Credit Line is collateralized by mortgages on certain real estate assets. The Credit Line matures on October 31, 2010 with two one-year extensions available. Outstanding balances on the Credit Line at June 30, 2009 and December 31, 2008 were $100,000 and $27,000, respectively.

On February 13, 2009, we entered into a $50,000 revolving secured line of credit (the "Secondary Credit Line") that is collateralized by mortgages on certain real estate assets and matures on February 13, 2012. We intend to use the proceeds of the Secondary Credit Line to repay debt and for general corporate purposes. The Secondary Credit Line has an interest rate of LIBOR plus 325 basis

points (3.56% at June 30, 2009). As of June 30, 2009, there were no amounts drawn on the Secondary Credit Line. We are subject to certain restrictive covenants relating to the Secondary Credit Line. The Company was in compliance with all covenants as of June 30, 2009.

On June 30, 2008, we entered into a loan agreement in the amount of $64,530 secured by certain properties. At June 30, 2009, the full balance was drawn on the loan. The loan bears interest at LIBOR plus 2.0%, maturing on June 30, 2011. The loan agreement has a two year extension, at our option that would extend the loan maturity to June 30, 2013. On January 28, 2009, we entered into an interest rate swap agreement ("Swap Agreement") with an effective date of February 1, 2009 and a maturity date of June 30, 2013. Under the Swap Agreement, we will receive interest at a variable rate of LIBOR plus 2.0% and pay interest at a fixed rate of 4.24%.

As of June 30, 2009, we had $1,380,255 of debt, resulting in a debt to total capitalization ratio of 64.4%. As of June 30, 2009, the ratio of total fixed rate debt and other instruments to total debt was 84.4% (including $63,740 on which we have an interest rate swap that has been included as fixed-rate debt). The weighted average interest rate of the total of fixed and variable rate debt at June 30, 2009 was 4.9%. Certain of our real estate assets are pledged as collateral for our debt. We are subject to certain restrictive covenants relating to our outstanding debt. We were in compliance with all covenants at June 30, 2009.

We expect to fund our short-term liquidity requirements, including operating expenses, recurring capital expenditures, dividends to stockholders, distributions to holders of OP units and interest on our outstanding indebtedness out of our operating cash flow, cash on hand and borrowings under our lines of credit. In addition, the Company is actively pursuing additional term loans secured by unencumbered properties.

Our liquidity needs consist primarily of cash distributions to stockholders, facility development, property acquisitions, principal payments under our borrowings and non-recurring capital expenditures. In addition, we evaluate, on an ongoing basis, the merits of strategic acquisitions and other relationships, which may require us to raise additional funds. We do not expect that our operating cash flow will be sufficient to fund our liquidity needs and instead expect to fund such needs out of additional borrowings of secured or unsecured indebtedness, joint ventures with third parties, and from the proceeds of public and private offerings of equity and debt. Additional capital may not be available on terms favorable to us or at all. Any additional issuance of equity or equity-linked securities may result in dilution to our stockholders. In addition, any new securities we issue could have rights, preferences and privileges senior to holders of our common stock. We may also use OP units as currency to fund acquisitions from self-storage owners who desire tax-deferral in their exiting transactions.

The U.S. credit markets are experiencing significant dislocations and liquidity disruptions which have caused the spreads on prospective debt financings to widen considerably. These circumstances have materially impacted liquidity in the debt markets, making financing terms for borrowers less attractive, and in certain cases have resulted in the unavailability of certain types of debt financing. Continued uncertainty in the credit markets may negatively impact our ability to make acquisitions and fund current development projects. In addition, the financial condition of the lenders of our credit facilities may worsen to the point that they default on their obligations to make available to us the funds under those facilities. A prolonged downturn in the credit markets may cause us to seek alternative sources of potentially less attractive financing, and may require us to adjust our business plan accordingly. In addition, these factors may make it more difficult for us to sell properties or may adversely affect the price we receive for properties that we do sell, as prospective buyers may experience increased costs of debt financing or difficulties in obtaining debt financing. These events in the credit markets have also had an adverse effect on other financial markets in the United States, which may make it more difficult or costly for us to raise capital through the issuance of common stock, preferred stock or other equity securities. These disruptions in the financial market may have other adverse effects on us or the economy generally, which could cause our stock price to decline.

OFF-BALANCE SHEET ARRANGEMENTS

Except as disclosed in the notes to our financial statements, we do not currently have any relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special purposes entities, which typically are established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes. Further, except as disclosed in the notes to our financial statements, we have not guaranteed any obligations of unconsolidated entities nor do we have any commitments or intent to provide funding to any such entities. Accordingly, we are not materially exposed to any financing, liquidity, market or credit risk that could arise if we had engaged in these relationships.

Our exchangeable senior notes provide for excess exchange value to be paid in shares of our common stock if our stock price exceeds a certain amount. See the notes to our financial statements for a further description of our exchangeable senior notes.

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CONTRACTUAL OBLIGATIONS

The following table summarizes our contractual obligations as of June 30, 2009:

	Payments due by Period:				
	Total	Less Than 1 Year	1-3 Years	3-5 Years	After 5 Years
Operating leases	$ 58,755	$ 5,795	$ 9,911	$ 8,284	$ 34,765
Notes payable, notes payable to trusts, exchangeable senior notes and line of credit					
Interest	495,546	62,497	102,079	91,996	238,974
Principal	1,380,255	193,538	349,975	199,518	637,224
Total contractual obligations	$ 1,934,556	$ 261,830	$ 461,965	$ 299,798	$ 910,963

At June 30, 2009, the weighted-average interest rate for all fixed rate loans was 5.4%, and the weighted-average interest rate for all variable rate loans was 2.1%.

FINANCING STRATEGY

We will continue to employ leverage in our capital structure in amounts reviewed from time to time by our board of directors. Although our board of directors has not adopted a policy which limits the total amount of indebtedness that we may incur, we will consider a number of factors in evaluating our level of indebtedness from time to time, as well as the amount of such indebtedness that will be either fixed or variable rate. In making financing decisions, we will consider factors including but not limited to:

- the interest rate of the proposed financing;
- the extent to which the financing impacts flexibility in managing our properties;
- prepayment penalties and restrictions on refinancing;
- the purchase price of properties acquired with debt financing;
- long-term objectives with respect to the financing;
- target investment returns;
- the ability of particular properties, and our Company as a whole, to generate cash flow sufficient to cover expected debt service payments;
- overall level of consolidated indebtedness;
- timing of debt and lease maturities;
- provisions that require recourse and cross-collateralization;
- corporate credit ratios including debt service coverage, debt to total capitalization and debt to undepreciated assets; and
- the overall ratio of fixed and variable rate debt.

Our indebtedness may be recourse, non-recourse or cross-collateralized. If the indebtedness is non-recourse, the collateral will be limited to the particular properties to which the indebtedness relates. In addition, we may invest in properties subject

to existing loans collateralized by mortgages or similar liens on our properties, or may refinance properties acquired on a leveraged basis. We may use the proceeds from any borrowings to refinance existing indebtedness, to refinance investments, including the redevelopment of existing properties, for general working capital or to purchase additional interests in partnerships or joint ventures or for other purposes when we believe it is advisable.

During 2008 and 2009, we repurchased $154,837 in aggregate principal amount of our exchangeable senior notes for $112,574 in cash. We may from time to time seek to retire, repurchase or redeem our additional outstanding debt including our exchangeable senior notes as well as shares of common stock or other securities in open market purchases, privately negotiated transactions or otherwise. Such repurchases or redemptions, if any, will depend on prevailing market conditions, our liquidity requirements, contractual restrictions and other factors. The amounts involved may be material.

SEASONALITY

The self-storage business is subject to seasonal fluctuations. A greater portion of revenues and profits are realized from May through September. Historically, our highest level of occupancy has been as of the end of July, while our lowest level of occupancy has been in late February and early March. Results for any quarter may not be indicative of the results that may be achieved for the full fiscal year.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market Risk

Market risk refers to the risk of loss from adverse changes in market prices and interest rates. Our future income, cash flows and fair values of financial instruments are dependent upon prevailing market interest rates.

Interest Rate Risk

Interest rate risk is highly sensitive to many factors, including governmental monetary and tax policies, domestic and international economic and political considerations and other factors beyond our control.

As of June 30, 2009, we had $1.4 billion in total debt, of which $215.5 million was subject to variable interest rates. If LIBOR were to increase or decrease by 100 basis points, the increase or decrease in interest expense on the variable rate debt would increase or decrease future earnings and cash flows by $2.15 million annually.

Interest rate risk amounts were determined by considering the impact of hypothetical interest rates on our financial instruments. These analyses do not consider the effect of any change in overall economic activity that could occur. Further, in the event of a change of that magnitude, we may take actions to further mitigate our exposure to the change. However, due to the uncertainty of the specific actions that would be taken and their possible effects, these analyses assume no changes in our financial structure.

The aggregate fair value of our fixed rate notes payable and notes payable to trusts at June 30, 2009 was $1.13 billion. The carrying value of these fixed rates notes payable and notes payable to trusts at June 30, 2009 was $1.07 billion. The fair value of the exchangeable senior notes at June 30, 2009 was $85.6 million. The carrying value of the exchangeable senior notes at June 30, 2009 was $95.2 million.

ITEM 4. CONTROLS AND PROCEDURES

(i) Disclosure Controls and Procedures

We maintain disclosure controls and procedures to ensure that information required to be disclosed in the reports we file pursuant to the Securities Exchange Act of 1934, as amended, are recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure based on the definition of "disclosure controls and procedures" in Rule 13a-15(e) of the Exchange Act. In designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can only provide a reasonable assurance of achieving the desired control objectives, and in reaching a reasonable level of assurance, management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

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We have a disclosure committee that is responsible to ensure that all disclosures made by the Company to its security holders or to the investment community will be accurate and complete and fairly present the Company's financial condition and results of operations in all material respects, and are made on a timely basis as required by applicable laws, regulations and stock exchange requirements.

We carried out an evaluation, under the supervision and with the participation of management, including the Chief Executive Officer and the Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by this report. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of the end of the period covered by this report.

(ii) Changes in internal control over financial reporting

There were no changes in our internal control over financial reporting (as such term is defined in Exchange Act Rule 13a-15(f)) that occurred during our most recent quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

We are involved in various litigation and proceedings in the ordinary course of business. We are not a party to any material litigation or legal proceedings, or to the best of our knowledge, any threatened litigation or legal proceedings, which, in the opinion of management, will have a material adverse effect on our financial condition or results of operations either individually or in the aggregate.

ITEM 1A. RISK FACTORS

There have been no material changes in our risk factors from those disclosed in our 2008 Annual Report on Form 10-K.

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

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

We held our annual meeting of stockholders on May 20, 2009. The first item of business was the election of seven members of the board of directors. The votes were tabulated as follows: 77,075,932 votes were cast for Spencer F. Kirk and 950,122 votes were withheld; 60,899,069 votes were cast for Anthony Fanticola and 17,097,923 votes were withheld; 77,303,699 votes were cast for Hugh W. Horne and 722,355 votes were withheld; 77,159,854 votes were cast for Joseph D. Margolis and 866,200 votes were withheld; 60,873,652 votes were cast for Roger B. Porter and 17,152,402 votes were withheld; 61,064,428 votes were cast for K. Fred Skousen and 16,961,626 votes were withheld and 76,752,967 votes were cast for Kenneth M. Woolley and 1,273,087 votes were withheld. The second item of business was a proposal to ratify the selection of Ernst & Young LLP as our independent registered public accounting firm for the year ending December 31, 2009. The votes were tabulated as follows: 77,279,434 were cast for, 701,519 were cast against, and 45,097 abstained.

ITEM 5. OTHER INFORMATION

None.

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ITEM 6. EXHIBITS

10.1 Contribution Agreement between Extra Space Storage LLC and HSRE-ESP IA, LLC (Pool 1)

10.2 Contribution Agreement between Extra Space Storage LLC and HSRE-ESP IA, LLC (Pool 2)

31.1 Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

31.2 Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

32.1*	Certifications of the Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

*****These certifications are being furnished solely to accompany this quarterly report pursuant to 18 U.S.C. Section 1350, and are not being filed for purposes of Section 18 of the Securities Exchange Act of 1934 and are not to be incorporated by reference into any filing of Extra Space Storage Inc., whether made before or after the date hereof, regardless of any general incorporation language in such filing.

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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. *Registrant*
Date: August 7, 2009	/s/ Spencer F. Kirk Spencer F. Kirk *Chairman and Chief Executive Officer* *(Principal Executive Officer)*
Date: August 7, 2009	/s/ Kent W. Christensen Kent W. Christensen *Executive Vice President and Chief Financial Officer* *(Principal Financial Officer)*

Exhibit 10.1

CONTRIBUTION AGREEMENT
(Pool 1)

THIS CONTRIBUTION AGREEMENT (this "**Agreement**") is made and entered into as of the 23rd day of June, 2009 by and between **EXTRA SPACE STORAGE LLC**, a Delaware limited liability company ("**Extra Space**"), and **HSRE-ESP IA, LLC**, a Delaware limited liability company ("**HSRE**").

RECITALS

WHEREAS, Extra Space is the owner of a ninety nine percent (99%) ownership interest (the "**ESP 52 Interest**") in Extra Space Properties Fifty Two LLC ("**ESP 52**") and one hundred percent (100%) of the ownership interest (the "**ESP 58 Interest**"; together with the ESP 52 Interest, the "**ESP Interests**") in Extra Space Properties Fifty Eight LLC ("**ESP 58**"), which owns the remaining one percent (1%) interest in ESP 52;

WHEREAS, ESP 52 is the direct owner of nineteen self storage facilities more particularly described on **Schedule R-1**, attached hereto (each, a "**Facility**" or a "**Direct Facility**" and collectively, the "**Direct Facilities**");

WHEREAS, ESP 52 is the owner of one hundred percent (100%) of the ownership interest (the "**ESP Maryland Interests**") in Extra Space Maryland Two LLC, a Delaware limited liability company ("**ESP Maryland Two**");

WHEREAS, ESP Maryland Two is the direct owner of four self storage facilities more particularly described on **Schedule R-2**, attached hereto (each, a "**Facility**" or a "**Maryland Facility**" and collectively, the "**Maryland Facilities**"; the Direct Facilities and the Maryland Facilities are collectively referred to herein as the "**Facilities**");

WHEREAS, pursuant to a separate Contribution Agreement (Pool 2) executed concurrently herewith between HSRE and Extra Space (the "**Pool 2 Contribution Agreement**") and relating to Extra Space's direct or indirect interest in nineteen (19) self storage facilities (the "**Pool 2 ESP Interests**") (as more particularly described in the Pool 2 Contribution Agreement), the parties have agreed, subject to the terms and conditions of the Pool 2 Contribution Agreement, to engage in a series of transactions pursuant to which:

(1) Extra Space and HSRE will form a new limited liability company to be named HSRE-ESP I, LLC ("**HSRE-ESP**") to be owned by Extra Space and HSRE and, as Extra Space's initial capital contribution to HSRE-ESP, Extra Space will contribute cash in the amount specified in the Pool 2 Contribution Agreement and all of Extra Space's right, title, and interest in and to the Pool 2 ESP Interests in exchange for membership interests in HSRE-ESP (the "**Initial ESS HSRE-ESP Interests**"), which Initial ESS HSRE-ESP Interests are more particularly described in the form of limited liability company agreement for HSRE-ESP attached as **Exhibit A** to the Pool 2 Contribution Agreement and by this reference made a part hereof (the "**HSRE-ESP Operating Agreement**");

(2) As HSRE's initial capital contribution to HSRE-ESP, HSRE will contribute cash in the amount specified in the Pool 2 Contribution Agreement in exchange for membership interests in HSRE-ESP (the "**HSRE HSRE-ESP Interests**"), which HSRE HSRE-ESP Interests are more particularly described in the HSRE-ESP Operating Agreement; and

(3) HSRE-ESP will distribute cash to Extra Space in the amount specified in the Pool 2 Contribution Agreement;

WHEREAS, subject to the terms and conditions of this Agreement, Extra Space and HSRE desire to engage in a series of transactions pursuant to which:

(1) Extra Space will contribute cash in the amount specified in this Agreement and all of Extra Space's right, title, and interest in and to the ESP Interests in exchange for additional membership interests in HSRE-ESP (the "**Additional ESS HSRE-ESP Interests**"), which Additional ESS HSRE-ESP Interests are more particularly described in the HSRE-ESP Operating Agreement;

(2) As an additional capital contribution to HSRE-ESP, HSRE will contribute cash in the amount specified in this Agreement in exchange for additional membership interests in HSRE-ESP (the "**Additional HSRE HSRE-ESP Interests**"), which Additional HSRE HSRE-ESP Interests are more particularly described in the HSRE-ESP Operating Agreement; and

(3) HSRE-ESP will distribute cash to Extra Space in the amount specified in this Agreement;

WHEREAS, the Facilities are subject to the Existing Indebtedness (defined below) in the aggregate approximate amount of $112,000,000.00 and after contribution of the ESP Interests to HSRE-ESP, the Facilities will continue to be subject to the Existing Indebtedness.

THEREFORE, in consideration of the terms and conditions contained in this Agreement and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Extra Space and HSRE agree as follows:

1. AGREEMENT TO CONTRIBUTE. Subject to the conditions and on the terms contained in this Agreement, HSRE agrees to contribute to HSRE-ESP cash in the amount specified in Section 2.2.3 below and Extra Space agrees to (i) contribute, assign, convey and transfer to HSRE-ESP the ESP Interests, on the terms and conditions set forth in this Agreement and in the Assignment Agreement (as defined in Section 4.2.2.2 below) and (ii) contribute to HSRE-ESP cash in the amount specified in Section 2.2.4 below.

2. TRANSFER OF ESP INTERESTS.

2.1 **Recitals**. The foregoing recitals are hereby incorporated by this reference.

2.2 **Consideration and Closing Structure**.

2.2.1 Contribution Value. The parties hereby agree that the gross fair value of the ESP Interests (which include the value of all of the Facilities), for all purposes of this Agreement, is equal to $155,500,000 (the "**Contribution Value**").

2.2.2 Distribution Amount. Immediately after the Closing Extra Space and HSRE shall cause HSRE-ESP to distribute to Extra Space cash in an amount (the "**Extra Space Distribution Amount**") equal to the sum of: (i) the "Initial HSRE Contribution Amount" (hereinafter defined) minus (ii) any closing costs and prorations described in Section 4.3 below (including the costs described in Section 4.3.4 below) (collectively, the "**Prorations**") and credited, as of the Proration Date (as defined below), to HSRE-ESP, plus (iii) any Prorations credited, as of the Proration Date, to Extra Space. As used herein, the term "**Initial HSRE Contribution Amount**" shall mean eighty percent (80%) of the difference between (A) the Contribution Value, minus (B) the sum of the aggregate unpaid principal balance of the Existing Indebtedness plus all accrued and unpaid interest with respect to the Existing Indebtedness as of the Proration Date. Extra Space and HSRE agree that for purposes of determining the balance of Extra Space's "Capital Account" (as defined in the HSRE-ESP Operating Agreement) and Extra Space's "Adjusted Capital Account" (as defined in the HSRE-ESP Operating Agreement), the gross amount of Extra Space's initial "Capital Contribution" to HSRE-ESP shall be reduced by the Initial HSRE Contribution Amount notwithstanding the fact that the amount actually distributed to Extra Space by HSRE-ESP is adjusted (either increased or decreased) pursuant to the provisions of this Section 2.2.2. The parties hereby agree that the provisions of this Section 2.2.2 are intended to cause the Adjusted Capital Accounts of HSRE and Extra Space to be in an 80.00%/20.00% ratio, respectively, following the contribution of the ESP Interests by Extra Space and the Initial HSRE Contribution Amount by HSRE and the distribution of the Extra Space Distribution Amount to Extra Space and the pro-rations and credits provided for herein.

2.2.3 Cash to be Contributed by HSRE. At Closing, HSRE shall contribute to HSRE-ESP cash in an amount (the "**Total HSRE Contribution Amount**") equal to the sum of (i) the Initial HSRE Contribution Amount, plus (ii) Eighty Percent (80.00%) of the total Prorations charged to HSRE-ESP.

2.2.4 Cash to be Contributed by Extra Space. At Closing, Extra Space shall contribute to HSRE-ESP cash in an amount (the "**Total Extra Space Contribution Amount**") equal to the sum of Twenty Percent (20.00%) of the Prorations charged to HSRE-ESP.

3. THE PROPERTY; EXISTING INDEBTEDNESS.

3.1 **Property**. As used herein, "**Property**" shall mean and include all of the following:

3.1.1 **Land**. Those certain tracts of real estate underlying the Facilities, as more particularly described on **Schedules 3.1(a) 1 through 23**, together with all easements, covenants, rights, privileges, tenements, hereditaments and appurtenances thereunto now or hereafter belonging or appertaining thereto (collectively, the "**Land**");

3.1.2 **Improvements**. All of the buildings, structures, fixtures and other improvements located on or used in connection with the Land, including, without limitation, any and all plumbing, air conditioning, heating, ventilating, mechanical, electrical and other utility systems, parking lots and facilities, landscaping, roadways, sidewalks, security devices, signs and light fixtures (the "**Improvements**") (the Land and the Improvements are collectively referred to as the "**Premises**");

3.1.3 **Tangible Personal Property**. To the extent owned by either ESP 52 or ESP Maryland Two, all furniture, furnishings, fixtures, equipment, machinery, maintenance vehicles and equipment, tools, parts, recreational equipment, carpeting, window treatments, stationery and other office supplies and other tangible personal property of every kind situated in, on, over and under the Premises or used in connection therewith, which is not owned by tenants under the Leases (defined below), together with all replacements and substitutions therefor between the date hereof and Closing (the "**Tangible Personal Property**"), including but not limited to those items set forth on **Schedule 3.1(c)** attached hereto;

3.1.4 **Leases and Contracts**. All right, title and interest of ESP 52 or ESP Maryland Two (as applicable) in and to the Contracts, if any, and the Leases (as such terms are defined below); and

3.1.5 **Intangibles**. All transferable warranties or guaranties issued in connection with the Improvements or Tangible Personal Property, and any other intangible personal property, and used exclusively in connection with the Premises or the business transacted thereon (collectively, the "**Intangible Personal Property**"), including, without limitation, to the extent assignable, all land use entitlements, development rights, licenses, permits, authorizations, names, and telephone exchange numbers; provided, however, that notwithstanding anything to the contrary set forth in this Section 3.1, the terms Property and Intangible Personal Property shall expressly exclude any and all trade names and trademarks owned, directly or indirectly, by Extra Space Storage Inc. regardless of whether such trade names or trademarks are used on or with respect to the Property and nothing in this Agreement shall be construed to either convey or to create any obligation on the part of Extra Space to convey, to HSRE-ESP any rights in or rights to use any such trade names or trademarks.

Notwithstanding anything to the contrary set forth above or otherwise contained herein, "**Property**" expressly excludes (i) all property owned by tenants or other users or occupants of the Premises (other than ESP 52 and ESP Maryland Two), (ii) all property

owned by the property manager of the Premises, (iii) all property owned by any vendor under any Contract, (iv) all rights and liabilities of either ESP 52 or ESP Maryland Two in, to and under those litigation matters, if any, described in **Schedule 3.1** attached hereto.

3.2 **Existing Indebtedness**. As used in this Agreement, the term "**Existing Indebtedness**" shall mean those certain loans evidenced by separate Promissory Notes with respect to each of the Facilities in which either ESP 52 or ESP Maryland Two appears as Borrower and Wachovia Bank N.A. appears as Lender (each a "**Third Party Note**" and collectively the "**Third Party Notes**"). The Third Party Notes are secured by one or more mortgages or deeds of trust against the Property (each a the "**Third Party Mortgage**" and collectively the "**Third Party Mortgages**"). Extra Space and HSRE agree as follows with respect to the Existing Indebtedness:

3.2.1 The obligations of Extra Space and HSRE under this Agreement shall be subject to the following:

3.2.1.1 HSRE's approval, prior to the expiration of the Due Diligence Period (defined below) of the Existing Indebtedness, including, but not limited to, HSRE's approval of the amount, interest rate, payment schedule, repayment term and other terms of the Existing Indebtedness, and the form of the documents evidencing and or securing the Existing Indebtedness, including, but not limited to, any guarantees of the Existing Indebtedness (the "**Third Party Loan Documents**"), which approvals shall be in HSRE's sole and absolute discretion.

3.2.1.2 The current holder or holders of the Existing Indebtedness (the "**Lender**") and each servicer of the Existing Indebtedness consenting to the transaction which is the subject of this Agreement and HSRE-ESP's assumption of the Existing Indebtedness, all on terms that are acceptable to HSRE and Extra Space, in their respective sole discretions (the "**Lender Conditions**"). The parties acknowledge that the Lender may require as a Lender Condition that the Existing Indebtedness be guaranteed by HSRE-ESP and that Extra Space continue to provide certain guarantees and/or indemnifications with respect to the Existing Indebtedness. Subject to the terms and conditions of this Agreement, Extra Space agrees to provide such guarantees and/or indemnifications. The Parties also acknowledge that (i) any required guaranties or indemnifications from either HSRE-ESP or Extra Space that are more burdensome or onerous, in any material respects, than the existing guarantees and indemnifications provided by Extra Space shall not be acceptable, (ii) any Lender Conditions that require any guaranties or indemnifications from HSRE or any Affiliate of HSRE (other than HSRE-ESP) are not acceptable to HSRE.

3.2.2 Extra Space agrees that, within ten (10) days of the execution of this Agreement, Extra Space will apply for and will thereafter pursue with

reasonable diligence Lender's consent to the transaction which is the subject of this Agreement. Extra Space will advance the non-refundable amounts charged by the Lender as a condition to processing the request that Lender consent to the transaction which is the subject of this Agreement. Extra Space agrees, from time to time, to inform HSRE as to the status of the approval process and Extra Space and HSRE each agree to use commercially reasonable efforts to cooperate with each other and with Lender and any servicer in seeking such approval and consent and in responding to the reasonable requests of Lender and/or such servicer. Provided that the Closing occurs, HSRE-ESP shall be responsible for and pay all fees, costs, expenses, and other charges charged by Lender and/or any servicer of the Existing Indebtedness or incurred in the satisfaction of any condition or requirement imposed by Lender or such servicer with respect to Lender's consenting to the transaction which is the subject of this Agreement ("**Lender Expenses**") and any party advancing such costs prior to Closing shall be reimbursed for such costs at Closing. If the Closing does not occur, neither Extra Space nor HSRE shall be reimbursed for any of the Lender Expenses advanced by such party. The obligations of this Section 3.2.2 shall survive the Closing and shall survive the termination of this Agreement.

3.2.3 Notwithstanding anything to the contrary in this Agreement, if at the Closing Date, Lender and/or any servicer of Existing Indebtedness has not consented to the transaction which is the subject of this Agreement and provided that HSRE has not terminated this Agreement pursuant to Section 8.3 below, HSRE shall have the option to either (A) extend the Closing for an additional sixty (60) days (hereinafter the "**Lender Approval Extension Period**") to permit Extra Space to continue to pursue with reasonable diligence Lender's consent to the transaction which is the subject of this Agreement or (B) terminate this Agreement. Such option shall be exercised by HSRE giving Extra Space written notice of HSRE's election to either extend the Closing or terminate this Agreement pursuant to this Section 3.2.3 at any time on or before the date on which the Closing Date would be scheduled to occur but for such extension. If HSRE fails to give such written notice to Extra Space, such failure shall be deemed to be an election to terminate this Agreement.

3.2.4 During the Due Diligence Period, Extra Space will make available to HSRE true and correct copies of all of the material Third Party Loan Documents for inspection, copying and review.

4. CLOSING.

4.1 **Closing Date**. The "**Closing Date**" or "**Closing**" of the transaction contemplated by this Agreement shall be on or before the date which is fifteen (15) days from the end of the Due Diligence Period. The "**Closing Date**" shall be the date on which the "**Closing**" occurs. The Closing shall occur at the office of HSRE's Counsel, DLA Piper LLP (US), 203 North LaSalle Street, 19th Floor, Chicago, IL, 60601. The "**Closing**" shall be deemed to have occurred when all of the conditions to Closing (as set forth in this Agreement) have either been satisfied or waived, the Escrow Agent (defined

below) holds a settlement statement signed by Extra Space, a settlement statement signed by HSRE, and all of the funds and all of the other documents required by this Agreement, and Extra Space and HSRE have authorized Escrow Agent to disburse such funds and deliver such documents in accordance with the provisions of this Agreement.

4.2 **Closing Documents**.

4.2.1 **<u>Coordination with Closing Under Pool 2 Contribution Agreement</u>**. It is the anticipation of the parties to this Agreement that the Closing under the Pool 2 Contribution Agreement will occur prior to the Closing under this Agreement. If the Closing under the Pool 2 Contribution has not occurred prior to the Closing under this Agreement, the parties will, in connection with the Closing under this Agreement, proceed to (a) form HSRE-ESP, (b) make such modifications to the HSRE-ESP Operating Agreement and the Pool 2 Contribution Agreement to reflect the fact that the Closing is occurring under this Agreement prior to the Closing under the Pool 2 Contribution Agreement, and (c) execute the HSRE-ESP Operating Agreement (as modified pursuant to the provisions of this <u>Section 4.2.1</u>) as part of the Closing under this Agreement.

4.2.2 **<u>Extra Space</u>**. At Closing, Extra Space shall deliver each of the following:

4.2.2.1 [**RESERVED**].

4.2.2.2 two counterparts of an Assignment and Assumption of the Membership Interests in ESP 52 and ESP 58 (the "**Assignment Agreement**") executed by Extra Space in the form of **<u>Exhibit B</u>** attached hereto and by this reference made a part hereof [at Closing, one counterpart will be delivered to Extra Space and one counterpart will be delivered to HSRE-ESP];

4.2.2.3 if the Closing under the Pool 2 Contribution Agreement has not occurred, three counterparts of the HSRE-ESP Operating Agreement (as modified pursuant to Section 4.2.1 above), executed by Extra Space [at Closing, one counterpart will be delivered to Extra Space, one counterpart will be delivered to HSRE and one counterpart will be delivered to HSRE-ESP];

4.2.2.4 any and all affidavits, undertakings, certificates or other documents customarily required by Title Insurer in order to cause it to issue the Title Policy or the Endorsements (as defined in Section 11.1.1 hereto), as applicable, to HSRE-ESP or any applicable subsidiary of HSRE-ESP including, without limitation, ESP 52 or ESP Maryland Two;

4.2.2.5 Extra Space's affidavit stating Extra Space's U.S. taxpayer identification number and that Extra Space is not a disregarded entity or foreign person within the meaning of Section 1445 of the Internal

Revenue Code (and any similar affidavit that may be required under state law);

4.2.2.6 to the extent not provided to HSRE prior to Closing, copies of all Contracts, if any, and all Leases (each of which may be delivered at the Facility which is the subject of such Lease) [to be delivered to HSRE-ESP];

4.2.2.7 evidence reasonably satisfactory of termination of the existing property management agreements for the Property [to be delivered to HSRE-ESP];

4.2.2.8 two counterparts of a new property management agreement with respect to each Facility executed by Extra Space Management, Inc. ("**ESMI**"), in the form of Property Management Agreement attached as Exhibit C to the HSRE-ESP Operating Agreement and by this reference made a part hereof (each a "**Property Management Agreement**" and collectively the "**Property Management Agreements**") [at Closing, one counterpart of each Property Management Agreement will be delivered to ESMI and one counterpart of each Property Management Agreement will be delivered to HSRE-ESP];

4.2.2.9 if the Closing under the Pool 2 Contribution Agreement has not occurred, two counterparts of a Non-Competition and Right of First Opportunity Agreement in the form attached hereto as **<u>Exhibit C</u>** and by this reference made a part hereof (the "**ROFO Agreement**") [at Closing, one counterpart will be delivered to Extra Space and one counterpart will be delivered to HSRE];

4.2.2.10 Cash in the amount specified in Section 2.2.4 above [to be delivered to HSRE-ESP]; and

4.2.2.11 all other documents reasonably and customarily required in order to complete the conveyance, transfer and assignment of the ESP Interests to HSRE-ESP.

4.2.3 **<u>HSRE</u>**. At Closing, HSRE shall deliver each of the following:

4.2.3.1 Cash in the amount specified in Section 2.2.3 above [to be delivered to HSRE-ESP];

4.2.3.2 if the Closing under the Pool 2 Contribution Agreement has not occurred, three counterparts of the HSRE-ESP Operating Agreement (as modified pursuant to Section 4.2.1 above), executed by Extra Space [at Closing, one counterpart will be delivered to Extra Space, one counterpart will be delivered to HSRE and one counterpart will be delivered to HSRE-ESP]

4.2.3.3 if the Closing under the Pool 2 Contribution Agreement has not occurred, two counterparts of the ROFO Agreement executed by Harrison Street Real Estate Capital, LLC [at Closing, one counterpart of the ROFO Agreement will be delivered to Extra Space and one counterpart of the ROFO Agreement will be delivered to HSRE]; ;

4.2.4 **<u>HSRE-ESP</u>**. At Closing, Extra Space and HSRE shall cause HSRE-ESP to deliver the following:

4.2.4.1 if the Closing under the Pool 2 Contribution Agreement has not occurred, the Additional ESS HSRE-ESP Interests and the Additional HSRE HSRE-ESP Interests (the delivery of which shall be evidenced by the execution and delivery of the HSRE-ESP Operating Agreement by HSRE and Extra Space);

4.2.4.2 two counterparts of the Assignment Agreement [at Closing, one counterpart will be delivered to Extra Space and one counterpart will be delivered to HSRE-ESP];

4.2.4.3 two counterparts of a Property Management Agreement with respect to each of the Facilities executed, as applicable, by either ESP 52 or ESP Maryland Two [at Closing, one counterpart of each Property Management Agreement will be delivered to ESMI and one counterpart of each Property Management Agreement will be delivered to HSRE-ESP];

4.2.4.4 To Extra Space, cash in the amount of the Extra Space Distribution Amount;

4.2.4.5 any and all affidavits, undertakings, certificates or other documents customarily required by Title Insurer in order to cause it to issue the Title Policy or the Endorsement, as applicable; and

4.2.4.6 copies of resolutions authorizing this transaction and an incumbency certificate evidencing the authority of HSRE's signatories.

4.3 **Credits and Prorations**.

4.3.1 **Prorations**. Subject to the Proration Review (as defined in **Exhibit D**), the following shall be apportioned between Extra Space and HSRE-ESP with respect to the Property, such prorations to be computed based on the number of days Extra Space and HSRE-ESP each own the Property in the month in which the Closing occurs, as of 12:01 a.m. on the third day prior to the Closing Date (the "**Proration Date**"), as if Extra Space were selling the Property to HSRE on the Proration Date, and such prorations shall increase or decrease the amount of cash disbursed to Extra Space at Closing:

4.3.1.1 all collected rents and other sums received under Leases ("**Rents**") (including prepaid Rents) (to the extent that collected rents or other sums are distributed by either ESP 52 or ESP Maryland Two to Extra Space, the applicable prorated portion of such collected rents and other sums shall be a credit to HSRE-ESP and to the extent that such collected rents or other sums are retained by ESP 52 and/or ESP Maryland Two, the applicable prorated portion of such collected rents or other sums shall be a credit to Extra Space);

4.3.1.2 taxes and assessments (including, without limitation, personal property taxes on the Personal Property and rent taxes) levied against the Property;

4.3.1.3 pre-payments and accrued amounts due under any contracts relating to the Property;

4.3.1.4 accrued income and expenses (including, without limitation, gas, electricity and other utility charges for which ESP 52 or ESP Maryland Two is liable, if any, with such charges to be apportioned as of the Proration Date on the basis of the most recent meter reading occurring prior to the Proration Date or, if unmetered, on the basis of a current bill for each such utility);

4.3.1.5 all other expenses pertaining to the Property;

4.3.1.6 premiums under insurance policies; and

4.3.1.7 a credit to Extra Space for the amount of any reserve accounts held by the Lender to the extent retained for the benefit of HSRE-ESP after Closing.

4.3.2 **Method of Prorations**. Notwithstanding anything contained in the foregoing provisions:

4.3.2.1 Real estate and personal property taxes and assessments will be prorated between Extra Space and HSRE-ESP for the period for which such taxes are assessed, regardless of when payable. If the current tax bill is not available at Closing, then the proration shall be made on the basis of 100% of the most recent ascertainable tax bill. Any taxes paid at or prior to Closing shall be prorated based upon the amounts actually paid. If taxes and assessments for the fiscal year in which Closing occurs or any prior years have not been paid before Closing, HSRE-ESP shall be credited by Extra Space at the time of Closing with an amount equal to that portion of such taxes and assessments which are ratably attributable to the period before the Proration Date and HSRE-ESP shall pay the taxes and assessments prior to their becoming delinquent. If taxes and assessments for the fiscal year in which Closing occurs have been paid before Closing, Extra Space shall be credited by HSRE-ESP at the time of

Closing with an amount equal to that portion of such taxes and assessments which are ratably attributable to the period from and after the Proration Date. For each Facility for which a current tax bill for the year in which the Closing occurs is not available at Closing, at such time as the current tax bill for the year in which the Closing occurs becomes available, Extra Space and HSRE-ESP shall re-prorate real estate taxes and each agrees to pay to the other such amounts as are determined to be due and owing by such party pursuant to such re-proration within twenty (20) days written notice from the other.

4.3.2.2 "Delinquent Rents" (as defined below) owed by tenants who have no Delinquent Rents which are more than thirty (30) days delinquent as of the Proration Date shall be prorated as of the Proration Date as if fully collected on the Proration Date. Except as provided in the preceding sentence, Delinquent Rents shall not be prorated and all Delinquent Rents shall be the property of HSRE-ESP as of the Closing Date. As used herein, "**Delinquent Rents**" means all rent due and payable as of the Proration Date and applicable, on an accrual basis, to any period of time preceding the Proration Date, including, but not limited to, checks received after the Proration Date, but prior to the Closing Date.

4.3.3 **Proration Review**. Within sixty (60) days after the Closing, Extra Space and HSRE-ESP shall review the prorations as specified in Sections 4.3.1 and 4.3.2 above in accordance with the provisions of **Exhibit D** attached hereto and by this reference made a part hereof, with any payments that are called for by such review to be made by the applicable party in cash. The provisions of this Section 4.3.3 shall survive the Closing.

4.3.4 **Closing Costs**. At the Closing, the following costs shall be paid by HSRE-ESP and/or reimbursed to Extra Space or HSRE, as applicable: (i) the cost of the Survey, all recording costs and all escrow costs; (ii) all actual out of pocket costs incurred or paid to unaffiliated third parties by HSRE in connection with its due diligence investigation of the Property, the ESP Interests, the ESP Maryland Interests and Extra Space; (iii) all fees, costs, expenses, and other charges charged by Lender and/or any servicer of the Existing Indebtedness or incurred in the satisfaction of any condition or requirement imposed by Lender or such servicer with respect to Lender's consenting to the transaction which is the subject of this Agreement; (iv) all attorney's fees and costs incurred by either Extra Space or HSRE in connection with the negotiation and documentation of the transaction which is the subject of this Agreement and the performance of due diligence for the benefit of HSRE. At Closing, the following costs shall be paid by Extra Space and/or HSRE-ESP in accordance with local practice and custom in the area applicable to each Property: (A) the cost of the base title policy, endorsements, reinsurance or coinsurance, (B) transfer, documentary and similar taxes related to the purchase of the ESP Interests, if any; provided, however, that in the absence of local practice and custom relating to the payment of such costs, such costs shall be paid by HSRE-ESP. Notwithstanding anything to the contrary

in this Section 4.3.4, if the Closing does not occur, no party to this Agreement shall be responsible for reimbursing any other party to this Agreement for fees, expenses costs incurred by or for the benefit of such party except as expressly provided otherwise in Section 13.1.2 below.

4.3.5 **Survival**. The obligations under this Section 4.3 shall survive Closing.

5. REPRESENTATIONS AND WARRANTIES OF EXTRA SPACE.

5.1 **Warranties and Representations** Extra Space represents and warrants to HSRE that, as of the date of this Agreement and at the Closing:

5.1.1 **Authority, etc**. Extra Space is a limited liability company, duly organized and validly existing under the laws of the State of Delaware and is in good standing under the laws of the State of Delaware. Extra Space has full power and lawful authority under its organizational documents to enter into and carry out the terms and provisions of this Agreement and to execute and deliver all documents which are contemplated by this Agreement. All actions necessary to confer such power and authority upon the persons executing this Agreement (and all documents which are contemplated by this Agreement to be executed on behalf of Extra Space) have been taken. Extra Space's execution, delivery and performance of this Agreement will not result in any violation of, or default under, or require any notice or consent under Extra Space's organizational documents.

5.1.2 **No Other Agreements**. Extra Space has not entered into any agreement to dispose of its interest in the Property or any part thereof. Extra Space has not entered into any agreement to dispose of the ESP Interests, except for this Agreement.

5.1.3 **Title and Survey**. At Closing, ESP 52 or ESP Maryland Two (as applicable) shall own a fee simple estate in and to the Property relating to the Direct Facilities and ESP Maryland Two shall own a fee simple estate in and to the Property relating to the Maryland Facilities, subject only to: (i) the Approved Title Matters (as defined in Section 8.2.3 hereto), (ii) the lien of general real estate taxes which are not yet due or payable as of Closing, (iii) the rights of tenants, as tenants only, under the Leases (with no options to purchase or rights of first refusal to purchase thereunder), (iv) acts of, by or through HSRE, (v) matters disclosed by the surveys of the Premises and more particularly described on **Schedule 5.1.3** attached hereto (collectively, the "**Surveys**"), and (vi) standard exceptions which cannot be waived or deleted from the Title Policy (defined below) in the jurisdiction in which the Property is located (collectively, the "**Permitted Exceptions**").

5.1.4 **Leases**. Extra Space has made available to HSRE at the Facilities true and complete copies of all leases set forth in the rent rolls described on

Schedule 5.1.4 attached hereto (the "**Leases**") and all of Extra Space's files and correspondence relating to the Leases. The rent rolls described in **Schedule 5.1.4** are true, correct and complete. As of Closing, ESP 52 or ESP Maryland Two (as applicable) shall be the landlord under each Lease and shall not have assigned any interest therein to any entity or person. The information set forth on Center Shift (as defined in Section 8.2.1) relating to the Property and the Leases is true and correct in all material respects.

5.1.5 **Contracts**. With the exception of the Permitted Exceptions, the Third Party Loan Documents, the Leases, and the existing property management contracts between ESMI and either ESP 52 or ESP Maryland Two, as applicable, all of which property management contracts will be terminated at Closing, there are no service, maintenance, repair, parking, employment, union, construction, leasing or other similar contracts to which either ESP 52 or ESP Maryland Two is a party and relating to the ownership or operation of the Property (the "**Contracts**").

5.1.6 **Litigation**. Except as set forth on **Schedule 5.1.6** attached hereto and neither ESP 52 nor ESP Maryland Two has been served with any litigation (including eminent domain proceedings) which, as of the date of this Agreement, is still pending against any of such parties with respect to the ownership or operation of the Property. Neither ESP 52 nor ESP Maryland Two has been served with any litigation which is still pending against such party with respect to the ESP Interests, the ESP Maryland Interests.

5.1.7 **Violations**. Neither Extra Space, ESP 52 nor ESP Maryland Two has received from any governmental authority written notice of, nor does Extra Space have any Knowledge of, any pending, threatened or currently existing material violation of any zoning, building, fire, environmental or health code or any other statute, ordinance, rule, regulation or order applicable to Extra Space, ESP 52, ESP Maryland Two or the Property or any part thereof.

5.1.8 **Brokerage Agreements**. There are no leasing brokerage agreements, leasing commission agreements or other agreements providing for the payment of any amount for leasing activities with respect to the Property or any portion thereof.

5.1.9 **Licenses**. Extra Space, ESP 52 or ESP Maryland Two (as applicable) has obtained and kept in force any necessary licenses to carry on its business now conducted in the States in which the Property is located. To Extra Space's Knowledge, any necessary business certificates or fictitious name certificates, or both, required to be filed by Extra Space, ESP 52 or ESP Maryland Two (as applicable) under the laws of any state have been duly filed and are in full force and effect in accordance with the respective terms thereof.

5.1.10 **Other Property**. Neither ESP 52 nor ESP Maryland Two owns, nor has it ever owned, directly or indirectly, any real or personal property other

than the Direct Facilities (as to ESP 52) or the Maryland Facilities (as to ESP Maryland Two).

5.1.11 **Employees**. Neither ESP 52 nor ESP Maryland Two have, nor have they ever had, any employees. All employees working at the Facilities are employees of the existing property manager.

5.1.12 **Securities**. Neither ESP 52 nor ESP Maryland Two have sold any securities from and after the date of its formation or have been obligated to file any reports, schedules, forms, statements and other documents with the SEC through the date hereof.

5.1.13 **Tax Status**. Each of ESP 52 and ESP Maryland Two has been at all times since its inception a partnership or disregarded entity for federal income tax purposes and (ii) as of the Closing, shall be treated for federal income tax purposes as a "disregarded entity". There have been properly completed and filed on a timely basis all tax returns required to be filed (if any) by ESP 52 and ESP Maryland Two and its subsidiaries. As of the time of filing, the foregoing tax returns (if any) correctly reflected in all material respects the facts regarding the income, business, assets, operations, activities, status and other matters of or information regarding the ESP 52 or ESP Maryland Two (as applicable) required to be shown thereon and all such tax returns have been filed on a timely basis (including extensions).

5.1.14 **Condemnation**. Neither Extra Space, ESP 52 nor ESP Maryland Two has received written notice of any pending condemnation action with respect to any Facility.

5.1.15 **Bankruptcy**. There are no attachments, executions, assignments for the benefit of creditors or voluntary or involuntary proceedings in bankruptcy pending against Extra Space, ESP 52, ESP 58 or ESP Maryland Two.

5.1.16 **Rezoning and Property Assessments**. To Extra Space's Knowledge and except as set forth on **Schedule 5.1.16**, none of Extra Space, ESP 52 or ESP Maryland Two has received written notice of any pending or proposed proceeding to change or redefine the zoning classification of all or any part of any Facility.

5.1.17 **Tangible Personal Property**. As of Closing, the Tangible Personal Property will be owned by ESP 52 or ESP Maryland Two free and clear of any conditional bills of sale, chattel mortgages, security agreements or financing statements or other security interests of any kind.

5.1.18 **ESP 52, ESP Maryland Two and Storage Facilities In Compliance with Laws, Regulations, Etc**. Each of ESP 52, ESP Maryland Two and the Facilities are in compliance in all material respects with any and all applicable federal, state and local laws, regulations, ordinances and rules pertaining to the operating of the Facilities.

5.1.19 **Environmental Laws**. To the Knowledge of Extra Space and except as disclosed in any environmental site assessment provided by Extra Space to HSRE, none of Extra Space, ESP 52 or ESP Maryland Two are in violation in any material respect, in connection with its respective ownership, use, maintenance or operation of the Property and the conduct of the business related thereto, of any applicable federal, state, county or municipal or local statutes, laws, regulations, rules, ordinances, codes, standards, orders or licenses or permits of any governmental authorities relating to environmental matters, including, without limitation, the Resource Conservation and Recovery Act, the Comprehensive Environmental Response Compensation and Liability Act and the Occupational Health Act (being hereinafter collectively referred to as the "**Environmental Laws**") and all other applicable environmental standards or requirements. **Schedule 5.1.19** is a true, correct and complete, in all material respects, list of all environmental studies or reports prepared at the request of Extra Space and relating to any of the Facilities, copies of which have been provided to HSRE by Extra Space either prior to or concurrently with the execution of this Agreement and Extra Space has no Knowledge that such reports are not true, correct and complete in all material respects.

5.1.20 **Hazardous Materials**. Except as disclosed in any environmental site assessment provided by Extra Space to HSRE, none of Extra Space, ESP 52, ESP Maryland Two nor their its respective agents, employees, or independent contracts, or to the Knowledge of Extra Space, any tenant has (a) operated the Property for the purpose of receiving, handling, using, storing, treatment, transporting and disposing of any hazardous materials (meaning asbestos, urea formaldehyde, polychlorinated biphenyls, lead, nuclear fuel or materials, chemical waste, radioactive materials, explosives, known carcinogens, petroleum hydrocarbon, including crude oil or any fraction thereof and all petroleum products, or other dangerous or toxic or hazardous pollutants, contaminants, chemical materials or other substances defined in or regulated by said Environmental Laws (all of the foregoing being hereinafter collectively referred to as "**Hazardous Materials**"); and/or (b) released (or caused to be released) Hazardous Materials into the environment from a Facility. Except as disclosed in any environmental site assessment provided by Extra Space to HSRE and to the Knowledge of Extra Space, there are no underground storage tanks on the Premises nor have any underground storage tanks been removed from the Premises.

5.1.21 **Operating Agreements; Partnership Agreement**. Attached as **Schedule 5.1.21A** is a true, correct and complete copy of the Operating Agreement of ESP 52. Attached as **Schedule 5.1.21B** is a true, correct and complete copy of the Operating Agreement of ESP 58. Attached as **Schedule 5.1.21C** is a true, correct and complete copy of the Operating Agreement of ESP Maryland Two.

5.1.22 **Title to ESP Interests**. Extra Space owns the ESP Interests and ESP 52 owns the ESP Maryland Interests free and clear of any security

agreements, financing statements, liens, encumbrances, security interests or other claims of any kind. The ESP Interests constitute all of Extra Space's interest in ESP 52 and ESP 58. The ESP Maryland Interests constitute all of Extra Space's interest in ESP Maryland Two. Extra Space has not entered into any side letters or other written instruments relating to the ESP Interests or the ESP Maryland Interests other than the agreements described in Section 5.1.21 other than those described on **Schedule 5.1.22**.

5.1.23 **No Undisclosed Liabilities**. As of the date of this Agreement, except for trade payables incurred in the ordinary course of business respectively of ESP 52, ESP 58 and ESP Maryland Two and except as shown on the balance sheet attached hereto as **Schedule 5.1.23** or disclosed in the financial statements (including the footnotes thereto) that were delivered to HSRE prior to the date of this Agreement (the "**ESP Financials**"), none of ESP 52, ESP 58 nor ESP Maryland Two has any indebtedness or liabilities (whether accrued, absolute, contingent or otherwise; whether due or to become due; and including, without limitation, with respect to taxes) that would normally be disclosed on a balance sheet (including its footnotes) that was prepared in accordance with generally accepted accounting principles if such indebtedness or liabilities had been known at the time of the balance sheet's preparation. The ESP Financials are true, correct and complete in all material respects.

5.1.24 **ERISA**. Neither ESP 52, ESP 58 nor ESP Maryland Two sponsors, maintains, contributes to or has any obligation to sponsor, maintain or contribute to, or has (or may have) liability under any "employee benefit plan," as defined in Section 3(3) of ERISA (whether or not subject to ERISA), or any employment, consulting, or other employee benefit plan, understanding, agreement, arrangement, policy or payroll practice, including, without limitation, severance pay, sick leave, vacation pay, salary continuation for disability, retirement, deferred compensation, bonus, stock purchase, stock option, stock ownership, stock appreciation rights, phantom stock, equity (or equity-based), layoff, dependent care, legal services, cafeteria, health, dental, vision, accident, change of control, termination, hospitalization, medical insurance, life insurance, tuition reimbursement and scholarship programs.

5.1.25 **Existing Indebtedness**. To Extra Space's Knowledge, **Schedule 5.1.25** sets forth the outstanding principal balance owing under each of the Third Party Notes. None of Extra Space, ESP 52 or ESP Maryland Two has received written notice that an event of default by either ESP 52 or ESP Maryland Two exists under the Third Party Loan Documents and, to Extra Space's Knowledge, no events have occurred or conditions exist which, with the giving of notice or lapse of time, or both, would constitute such an event of default. Extra Space agrees that at the Closing, Extra Space will amend and supplement this Section 5.1.25 to provide a representation as to amount of the outstanding balance, as of the Closing, of each reserve being held by Lender, on a Facility by Facility basis, with respect to the Existing Indebtedness. Pursuant to Section 3.2.4 above, Extra Space will, during the Due Diligence Period, make available to HSRE true and

correct copies of the Third Party Loan Documents for inspection and review. Within ten (10) business days after the full execution of this Agreement, Extra Space shall update **Schedule 5.1.25** with a list of all material Third Party Loan Documents, and such update shall constitute Extra Space's representation and warranty that such list is a true and complete list of all such material Third Party Loan Documents. Extra Space agrees that at Closing Extra Space will amend and supplement this Section 5.1.25 to provide a representation that the copies of the material Third Party Loan Documents identified by HSRE during the Due Diligence Period are true and correct copies of the originals of such documents.

5.2 **Definition of Extra Space's Knowledge**. As used in this Agreement "**Extra Space's Knowledge**" and similar references shall mean only that information that is known, or with due diligence and appropriate inquiry or investigation for an owner of self storage facilities, would be known, by any one or more of the Senior Vice Presidents of Extra Space Storage Inc.

5.3 **Remaking of Extra Space Warranties and Representations**. The representations and warranties made in Section 5.1 above shall be deemed remade for the benefit of both HSRE and HSRE-ESP by Extra Space as of the Closing Date with the same force and effect as if, in fact, specifically remade at that time. If prior to the Closing either Extra Space or HSRE learns of any facts or circumstances which make any warranty or representation contained in 5.1 above untrue, incorrect, or misleading in any material respect, HSRE and Extra Space shall each give the other prompt written notice of such facts or circumstances. If either (a) matters occurring after the date of this Agreement render Extra Space unable to remake a representation or warranty as of the Closing Date, and HSRE learns of such matters prior to the Closing, or (b) prior to Closing Extra Space learns of any facts or circumstances which make any warranty or representation made in this Agreement by Extra Space untrue, incorrect, or misleading in any material respect and, at or prior to Closing, Extra Space has given HSRE written notice of such facts or circumstances, and, in each instance, as of the date of this Agreement, Extra Space did not have knowledge of such facts or circumstances, Extra Space shall not have any liability to either HSRE or HSRE-ESP with respect to such warranty or representation and the failure to remake such representation or warranty shall not constitute a default hereunder by Extra Space, except in the event or to the extent that the untruth of such representation or warranty is the result of any willful or intentional act of Extra Space (or anyone acting at his, her or its request) or willful or intentional failure to act on the part of Extra Space (or anyone acting at his, her or its request) and in breach of this Agreement. Notwithstanding anything to the contrary in this Section 5.3, the continuing truth and accuracy in all material respects of all representations and warranties made by Extra Space in Section 5.1 above in this Agreement shall be a condition precedent to HSRE's obligation to Close.

5.4 **Survival and Indemnification**.

5.4.1 **Limited Survival of Extra Space Warranties and Representations**. With the exception of the representations and warranties in Sections 5.1.1, 5.1.10, 5.1.11, 5.1.12, 5.1.13, 5.1.22 and 5.1.23, all of which shall

survive indefinitely, the warranties and representations contained in Section 5.1 above shall survive the Closing and shall inure to the benefit of HSRE, HSRE-ESP and their respective legal representatives, heirs, successors or assigns for a period of one year after the Closing and shall automatically expire on the first anniversary of the Closing unless either HSRE or HSRE-ESP prior thereto has given Extra Space written notice of any alleged breach and either HSRE or HSRE-ESP commences and serves an action against Extra Space within ninety (90) days after such notice is given to Extra Space (and, in the event any such suit is timely commenced by either HSRE or HSRE-ESP and served against Extra Space, shall survive thereafter only insofar as the subject matter of the alleged breach specified in such suit is concerned). If notice is not timely given and suit is not timely commenced and served by either HSRE or HSRE-ESP, such representations and warranties shall thereafter be void and of no force or effect.

5.4.2 **Indemnification**. Subject to the provisions of Section 5.4.1 above, if any Claim (defined below) arises because of any of the representations and warranties of Extra Space set forth in Section 5.1 above proves to the false or misleading in any material respect, Extra Space shall indemnify, defend (with counsel reasonably acceptable to HSRE), protect, and save and hold harmless HSRE and HSRE-ESP with respect to any such Claim. As used herein, the term "**Claim**" shall mean any and all liabilities, judgments, settlement amounts, claims, causes of action, suits penalties, damages, demands, orders, costs and expenses of any kind or nature, including, without limitation, reasonable legal, accounting, consulting, engineering, and other costs and expenses which may be incurred by or asserted against the indemnified party.

5.4.3 **Survival**. The provisions of this Section 5.4 shall survive the Closing. Except as may otherwise be specifically set forth in this Agreement, the obligations of the Extra Space under this Agreement shall not survive the Closing or any termination of this Agreement.

6. WARRANTIES AND REPRESENTATIONS OF HSRE.

6.1 **Warranties and Representations**. HSRE represents and warrants to Extra Space that, as of the date of this Agreement and at the Closing:

6.1.1 **Authority, etc**. HSRE is a limited liability company, duly organized and validly existing under the laws of the State of Delaware and is in good standing under the laws of the State of Delaware, and has full power and lawful authority under HSRE's organizational documents to enter into and carry out the terms and provisions of this Agreement and to execute and deliver all documents which are contemplated by this Agreement. All actions necessary to confer such power and authority upon the persons executing this Agreement on behalf of HSRE (and all documents which are contemplated by this Agreement to be executed on behalf of HSRE) have been taken. HSRE's execution, delivery and performance of this Agreement will not result in any violation of, or default

under, or require any notice or consent under, any of it's organizational documents.

6.1.2 **Litigation**. HSRE has not been served with any litigation which is still pending against HSRE with respect to the transaction which is the subject of this Agreement or which would materially and adversely affect HSRE's ability to consummate the transaction which is the subject of this Agreement.

6.2 **Definition of HSRE'S Knowledge**. As used in this Agreement, "**HSRE's Knowledge**" means only that information that is possessed by Stephen Gordon, Robert Mathias, or any officer, manager, or member of Harrison Street Real Estate Capital, LLC, without investigation, inquiry or review of files, and shall not include any knowledge of any other party which might otherwise be imputed to such party.

6.3 **Remaking of HSRE Warranties and Representations**. The representations and warranties made in Section 6.1 above shall be deemed remade for the benefit of both Extra Space and HSRE-ESP by HSRE as of the Closing Date with the same force and effect as if, in fact, specifically remade at that time. If prior to the Closing either HSRE or Extra Space learns of any facts or circumstances which make any warranty or representation contained in 6.1 above untrue, incorrect, or misleading in any material respect, Extra Space and HSRE shall each give the other prompt written notice of such facts or circumstances. If either (a) matters occurring after the date of this Agreement render HSRE unable to remake a representation or warranty as of the Closing Date, and Extra Space learns of such matters prior to the Closing, or (b) prior to Closing HSRE learns of any facts or circumstances which make any warranty or representation made in this Agreement by Extra Space untrue, incorrect, or misleading in any material respect and, at or prior to Closing, HSRE has given Extra Space written notice of such facts or circumstances, and, in each instance, as of the date of this Agreement, HSRE did not have knowledge of such facts or circumstances, HSRE shall not have any liability to either Extra Space or HSRE-ESP with respect to such warranty or representation and the failure to remake such representation or warranty shall not constitute a default hereunder by HSRE, except in the event or to the extent that the untruth of such representation or warranty is the result of any willful or intentional act of HSRE (or anyone acting at his, her or its request) or willful or intentional failure to act on the part of HSRE (or anyone acting at his, her or its request) and in breach of this Agreement. Notwithstanding anything to the contrary in this Section 6.3, the continuing truth and accuracy in all material respects of all representations and warranties made by HSRE in Section 6.1 in this Agreement shall be a condition precedent to Extra Space's obligation to Close.

6.4 **Survival and Indemnification**.

6.4.1 **Limited Survival of HSRE Warranties and Representations**. With the exception of the representations and warranties in Section 6.1.1, which shall survive indefinitely, the warranties and representations contained in Section 6.1 above shall survive the Closing and shall inure to the benefit of Extra Space, HSRE-ESP and their respective legal representatives, heirs, successors or assigns for a period of one year after the Closing and shall automatically expire on the

first anniversary of the Closing unless either Extra Space or HSRE-ESP prior thereto has given HSRE written notice of any alleged breach and either Extra Space or HSRE-ESP commences and serves an action against HSRE within ninety (90) days after such notice is given to HSRE (and, in the event any such suit is timely commenced by either Extra Space or HSRE-ESP and served against HSRE, shall survive thereafter only insofar as the subject matter of the alleged breach specified in such suit is concerned). If notice is not timely given and suit is not timely commenced and served by either Extra Space or HSRE-ESP, such representations and warranties shall thereafter be void and of no force or effect.

6.4.2 **Indemnification**. Subject to the provisions of Section 6.4.1 above, if any Claim (defined below) arises because of any of the representations and warranties of HSRE set forth in Section 6.1 above proves to the false or misleading in any material respect, HSRE shall indemnify, defend (with counsel reasonably acceptable to Extra Space), protect, and save and hold harmless Extra Space and HSRE-ESP with respect to any such Claim. As used herein, the term "**Claim**" shall mean any and all liabilities, judgments, settlement amounts, claims, causes of action, suits penalties, damages, demands, orders, costs and expenses of any kind or nature, including, without limitation, reasonable legal, accounting, consulting, engineering, and other costs and expenses which may be incurred by or asserted against the indemnified party.

6.4.3 **Survival**. The provisions of this Section 6.4 shall survive the Closing. Except as may otherwise be specifically set forth in this Agreement, the obligations of the HSRE under this Agreement shall not survive the Closing or any termination of this Agreement.

7. ADDITIONAL WARRANTIES AND REPRESENTATIONS OF EXTRA SPACE AND HSRE.

7.1 **Knowledge**. Extra Space and HSRE (each hereinafter a "**Party**" and collectively the "**Parties**"), solely with respect to itself and not with respect to any other Party, each warrants and represents to the other that such Party is aware that:

7.1.1 Acquisition of an Interest in HSRE-ESP is a speculative investment which involves a substantial degree of risk of loss by such Party of such Party's entire investment in HSRE-ESP, that such Party understands and takes full cognizance of the risk factors related to acquisition of an interest in HSRE-ESP.

7.1.2 No federal, state or local agency has passed upon the interests in HSRE-ESP or made any finding or determination concerning the fairness of an investment in HSRE-ESP.

7.1.3 The tax consequences to such Party of investing in HSRE-ESP will depend on such Party's particular circumstances, and neither HSRE-ESP, any member of HSRE-ESP, any other Party, nor any of their respective, agents,

officers, directors, employees, affiliates, or consultants of any of them will be responsible or liable for the tax consequences of an investment in HSRE-ESP. Such Party will look solely to, and rely upon, its own advisers with respect to the tax consequences of an investment in HSRE-ESP.

7.1.4 There can be no assurance that the Internal Revenue Code or the regulations thereunder will not be amended or interpreted in the future in such a manner so as to deprive HSRE-ESP and its members of some or all of the tax benefits they might now receive, nor that some of the deductions claimed by HSRE-ESP or the allocations of items of income, gain, loss, deduction, or credit among its members may not be challenged by the Internal Revenue Service.

7.1.5 Any projections which may have been delivered to such Party (including projections set forth in the "Annual Business Plan and Operating Budget (as defined below)) are based on estimates, assumptions and forecasts of Extra Space and others, are only estimates and opinions, and are not guaranteed by Extra Space, HSRE-ESP any member of HSRE-ESP or any other Person. Such Party has undertaken its own independent review of the investment in HSRE-ESP.

7.1.6 Pursuant to the HSRE-ESP Operating Agreement, there are substantial restrictions on the transferability of the interests in HSRE-ESP and that there is no public market for such interests and none is expected to develop, and that, accordingly, it may not be possible for such Party to liquidate its investment in HSRE-ESP.

7.1.7 Such Party has received and reviewed all information such Party considers necessary or appropriate for deciding whether to acquire an interest in HSRE-ESP. Such Party has had an opportunity to ask questions and receive answers from the other Party and its Affiliates and/or employees regarding the terms and conditions of such Party's acquisition of such interest in HSRE-ESP and regarding the business, financial affairs, and other aspects of HSRE-ESP and has further had the opportunity to obtain all information (to the extent the other Party possesses or can acquire such information without unreasonable effort or expense) which it deems necessary to evaluate the investment and to verify the accuracy of information otherwise provided to such Party.

7.1.8 Neither HSRE-ESP the other Party or any Affiliate, agent or employee of HSRE-ESP, such other Member, or any other person has at any time expressly or implicitly represented, guaranteed, or warranted to such Party that such Party may freely transfer such Party's interest in HSRE-ESP, that a percentage return of profits and/or amount or type of consideration will be realized as a result of an investment in HSRE-ESP, that past performance or experience on the part of any Party or its affiliates or any other person in any way indicates the predictable results of the ownership of such Party's interest in HSRE-ESP or of the overall business of HSRE-ESP, that any cash distributions from HSRE-ESP operations or otherwise will be made to the members by any

specific date or will be made at all, or that any specific tax benefits will accrue as a result of an investment in HSRE-ESP.

7.1.9 Such Party has been advised to consult with such Party's own attorney regarding all legal matters concerning an investment in HSRE-ESP and the tax consequences of participating in HSRE-ESP, and has done so, to the extent such Party considers necessary.

7.1.10 Such Party must bear the economic risk of investment in HSRE-ESP for an indefinite period of time, since the interests have not been registered under the Securities Act of 1933 and, therefore, cannot be sold unless either they are subsequently registered under such Act or an exemption from such registration is available.

7.1.11 Interests in HSRE-ESP have not been registered under the Securities Act of 1933, as amended **("Securities Act")**, or qualified under the securities laws of any state, or any other applicable blue sky laws in reliance, in part, on the warranties and representations of such Party herein.

7.2 **Additional Warranties and Representations**. Each Party, solely with respect to such Party and not with respect to any other Party, warrants and represents to the other Party that:

7.2.1 Such Party and such Party's investment advisors, if any, have carefully reviewed and understand the risks of, and other considerations relating to, the purchase of an interest in HSRE-ESP.

7.2.2 Such Party is acquiring such Party's interest in HSRE-ESP for investment purposes only for its own account, and not with a view to the resale, assignment, pledge, mortgage, hypothecation, transfer or distribution of all or any part thereof. No other person will have any direct or indirect beneficial interest in or right to such Party's interest in HSRE-ESP.

7.2.3 Such Party: (1) is authorized and otherwise duly qualified to purchase and hold interests in HSRE-ESP; and (2) has its principal place of business at its address set forth above in this Agreement.

7.2.4 By reason of its business or financial experience, or by reason of the business or financial experience of such Party's financial advisor who is unaffiliated with and who is not compensated, directly or indirectly, by either the other Party or HSRE-ESP or any Affiliate or selling agent of either the other Party or HSRE-ESP, such Party is capable of evaluating the risks and merits of this investment and of protecting such Party's own interests in connection with this investment.

7.2.5 Such Party is an "accredited investor" as defined in Rule 501(a) promulgated by the Securities and Exchange Commission **("SEC")**. Notwithstanding such Party's status as an accredited investor, such Party is

acquiring such Party's interest in HSRE-ESP and entering into this Agreement as a joint venture with the other Party and does not consider the interests in HSRE-ESP to constitute a "security" under any federal or state law.

7.2.6 Such Party is financially able to bear the economic risk of an investment in HSRE-ESP, including the total loss thereof.

7.2.7 Neither the other Party nor HSRE-ESP is under any obligation to register or qualify interests in the Company under the Securities Act or under any state securities law, or to assist such Party in complying with any exemption from registration and qualification. Such Party is an experienced investor in unregistered and restricted securities of limited liability companies or limited partnerships.

7.3 **Indemnification Regarding Warranties and Representations**. Each Party agrees to indemnify and hold harmless each other Party, HSRE-ESP, and any officers, directors, shareholders, managers, members, employees, partners, agents, attorneys, registered representatives, and control persons of any such entity who was or is a party or is threatened to be made a party to any threatened, pending, or completed action, suit, or proceeding, whether civil, criminal, administrative, or investigative, by reason of or arising from any misrepresentation or misstatement of facts or omission to represent or state facts made by such Party including, without limitation, the information in this Agreement, against losses, liabilities, and expenses of HSRE-ESP, each and every other Party, and any officers, directors, shareholders, managers, members, employees, partners, attorneys, agents, registered representatives, and control persons of any such person (including attorneys' fees, judgments, fines, and amounts paid in settlement, payable as incurred) incurred by such person in connection with such action, suit, proceeding, or the like.

7.4 **Survival**. The provisions of this Section 7 shall survive the Closing and/or any termination of this Agreement.

8. INSPECTIONS.

8.1 **Inspections**. Subject to the provisions of this Section 8, during the ninety (90) day period (the "**Due Diligence Period**") following the full execution of this Agreement, HSRE shall be permitted to make a complete review and inspection of the physical, legal, economic and environmental condition of the Property, including, without limitation, interviews with Extra Space's personnel at the Facilities, if any, or the personnel of Extra Space's property manager, any leases and contracts affecting the Premises, books and records maintained by Extra Space or its agents relating to the Property, pest control matters, soil condition, asbestos, PCB, hazardous waste, toxic substance or other environmental matters, compliance with building, health, safety, land use and zoning laws, regulations and orders, plans and specifications, structural, life safety, HVAC and other building system and engineering characteristics, traffic patterns, and all other information pertaining to the Property. Without representation or warranty, Extra Space shall cooperate in HSRE's review and provide HSRE with the opportunity to

review leases, financial reports and other third-party inspection reports and similar materials in Extra Space's possession relating to the Property (excluding appraisals, internal valuations or similar proprietary materials that may be in Extra Space's possession). The property management agreement applicable to each Facility shall be terminated as of Closing. Prior to the expiration of the inspection period, HSRE shall notify Extra Space in writing of any repair and maintenance items that HSRE has identified during the course of its inspections, along with an estimate of the expense to repair such items (the "**Repair Notice**"). Within five (5) business days after Extra Space's receipt of the Repair Notice, Extra Space shall provide written notice (the "**Repair Response**") to HSRE of those items which it agrees to repair (the "**Repair Items**"). If Extra Space does not elect to repair all of the items set forth in the Repair Notice, HSRE may either waive HSRE's requirement that Extra Space repair such Repair Items and proceed to Closing or terminate this Agreement by providing written notice to Extra Space within three (3) business days of HSRE's receipt of the Repair Response. Upon such termination, neither party shall have any further rights or liabilities hereunder except for those provisions which expressly survive the termination of this Agreement. If prior to Closing Extra Space fails to complete the repair of any Repair Items that Extra Space elected to repair, a portion of the Extra Space Distribution Amount equal to one hundred fifty percent (150%) of HSRE's reasonable estimate to repair such items (as set forth in the Repair Notice) shall be held in an escrow with the Title Insurer pursuant to instructions that are reasonably acceptable to HSRE and Extra Space to ensure the completion of such Repair Items.

8.2 **Conduct of Inspections**.

8.2.1 **Inspections in General**. During the Due Diligence Period, HSRE, its agents, and employees shall have the right to enter upon the Property for the purpose of making non-invasive inspections at HSRE's sole risk, cost and expense. Before any such entry, HSRE shall provide Extra Space with a certificate of insurance naming Extra Space as an additional insured and with an insurer and insurance limits and coverage reasonably satisfactory to Extra Space. All such entries upon the Property shall be at reasonable times during normal business hours and after at least 24 hours prior notice to Extra Space or Extra Space's agent, and Extra Space or Extra Space's agent shall have the right to accompany HSRE during any inspection activities performed by HSRE on the Property. HSRE shall not disturb the tenants on the Property, and HSRE's inspection shall be subject to the rights of tenants under the Leases. During the Due Diligence Period, Extra Space shall provide to HSRE, from time to time at the request of HSRE, copies of current reports and information with respect to the Facilities which are available from the Center Shift property management system ("**Center Shift**"). If any inspection or test disturbs the Property, HSRE will restore the Property to the same condition as existed before the inspection or test. HSRE shall indemnify, defend and hold harmless Extra Space and Extra Space's partners and their respective shareholders, directors, officers, affiliates, tenants, agents, contractors, employees, successors and assigns ("Extra Space Related Parties") and the Property from and against any and all losses, costs, damages, claims, or liabilities, including reasonable attorneys' fees, arising out of or in

connection with any entry or inspections performed by HSRE, its agents or representatives. The provisions of this Section 8.2.1 shall survive the Closing or any termination of this Agreement.

8.2.2 **Environmental Inspections**. The inspections permitted under Section 8.2, may include a non-invasive Phase I environmental inspection of the Property, but no Phase II environmental inspection or other invasive inspection or sampling of soil or materials, including without limitation construction materials, either as part of the Phase I inspection or any other inspection, shall be performed without the prior written consent of Extra Space, which may be withheld in Extra Space's sole and absolute discretion, and if consented to by Extra Space, the proposed scope of work and the party who will perform the work shall be subject to Extra Space's review and approval. HSRE shall deliver to Extra Space copies of any Phase I, Phase II or other environmental report to which Extra Space consents as provided above.

8.2.3 **Title and Survey Review**. During the Due Diligence Period, HSRE shall review: Extra Space's existing title insurance policies with respect to the Property and Extra Space's existing surveys with respect to the Property. HSRE may order, at HSRE's expense, updates on the existing surveys. HSRE may, at its sole expense, obtain during the Due Diligence Period any additional title commitment(s) (the "**Title Commitments**") from Chicago Title Insurance Company, National Office, at 171 N. Clark Street, 3rd Floor, Chicago, IL 60601, Attention: Ronald K. Szopa, as the "**Escrow Agent**" or "**Title Insurer**", or survey updates desired by HSRE. HSRE shall work directly with the Title Insurer to resolve any objections to exceptions set forth on the Title Commitments and shall provide Extra Space with copies of final, revised Title Commitments or pro forma policies, which set forth only those title exceptions that have been accepted by HSRE (the "**Approved Title Matters**"). Extra Space shall have no obligation to remove any exceptions to title reflected on the Title Commitments except liens of an ascertainable amount created by Extra Space (but specifically not including liens to secure the Existing Indebtedness), including mechanics' and materialmen's liens filed against the Extra Space and judgment liens filed against the Property with respect to judgments obtained against Extra Space, which liens Extra Space shall cause to be removed as exceptions to the Title Policy at Closing (and if Extra Space fails to remove such matters as exceptions, by bonding over such matters or otherwise, HSRE may direct that a portion of the Extra Space Distribution Amount be applied to remove same). Extra Space further agrees to remove any exceptions or encumbrances to title which are created by Extra Space after the date of this Agreement without HSRE's consent. HSRE may terminate this Agreement if the Title Company revises the Title Report after the expiration of the Due Diligence Period to add exceptions if such additions are not reasonably acceptable to HSRE and are not removed as exceptions to the Title Policy at Closing.

8.3 **Termination During Due Diligence Period**. If HSRE determines, in its sole discretion, before the expiration of the Due Diligence Period that the Property is

unacceptable for HSRE's purposes, HSRE shall have the right to terminate this Agreement by giving to Extra Space written notice of termination before the expiration of the Due Diligence Period, and neither party shall have any further rights or liabilities hereunder except for those provisions which expressly survive the termination of this Agreement.

8.4 **Approval of Annual Business Plan and Annual Operating Budget**. At least ten business days prior to the expiration of the Due Diligence Period, Extra Space shall prepare and submit to HSRE, an Annual Business Plan and Annual Operating Budget (as defined in the HSRE-ESP Operating Agreement) for review and approval by HSRE.

9. DAMAGE TO PROPERTY.

If before the Closing one or more of the Facilities is materially or adversely affected in any way as a result of any fire, flood, earthquake, similar acts of nature or other acts of destruction which involves damage requiring repair and restoration costs of less than or equal to Five Hundred Thousand and No/100 Dollars ($500,000.00), the parties shall be obligated to proceed with the Closing. In that event, if (A) the amount of the insurance proceeds available for such loss have been determined prior to the Closing Date, then the difference between (i) the cost of repairing and restoring such Facilities and (ii) the total amount of insurance proceeds payable with respect to such material adverse change (the "Casualty Adjustment Amount") shall be treated as a "cost" which is charged to Extra Space for purposes of determining the Extra Space Distribution Amount pursuant to Section 2.2.2 above, or (B) the amount of the insurance proceeds available for such loss have not been determined prior to the Closing Date, then the right to receive such insurance proceeds shall be assigned to HSRE-ESP or the title holder of the applicable property, and Extra Space shall pay the Casualty Adjustment Amount to HSRE-ESP within ten (10) days after such amount has been determined. If the material or adverse change involves damage requiring repair and restoration costs in excess of Five Hundred Thousand and No/100 Dollars ($500,000.00) or more (a "Major Event"), the parties shall proceed to Closing with the Facilities being transferred in their un-restored condition together with any insurance proceeds or the right to receive such insurance proceeds, and the rights to any other claims arising as a result of such material or adverse change, in which event, the amount of any "deductible" from the insurance proceeds payable with respect to such material or adverse change shall be treated as a "cost" which is charged to Extra Space for purposes of determining the Extra Space Distribution Amount pursuant to Section 2.2.2 above; provided, however, that HSRE shall have the right, exercisable within twenty (20) days of the occurrence of such Major Event, to terminate this Agreement (and if such Major Event results in uninsured repair and restoration costs in excess of $500,000, either Extra Space or HSRE shall have the right to so terminate this Agreement), in which event, except as specifically provided otherwise in this Agreement, the parties shall have no further obligations to each other under this Agreement.

10. EMINENT DOMAIN.

If, before Closing, proceedings, are commenced or threatened for the taking by exercise of the power of eminent domain (a "**Taking**") of all or a "material" (as defined below) part of any of the Facilities, each of Extra Space or HSRE shall have the right, by giving written notice

to the other within twenty (20) days after Extra Space gives HSRE written notice of the commencement of such proceedings or the threat to commence such proceedings, to terminate this Agreement, in which event, except as specifically provided otherwise in this Agreement, the parties shall have no further obligations to each other under this Agreement. If, before the Closing, proceedings are commenced or threatened for a Taking of less than such a "material" part of a Facility, or if neither Extra Space nor HSRE exercises the right to terminate this Agreement pursuant to the preceding sentence, then this Agreement shall remain in full force and effect and, on the Closing, the condemnation award (or, if not therefore received, the right to receive such portion of the award) payable on account of the Taking shall constitute an asset of the owner of such Facility (i.e., either ESP 52 or ESP Maryland Two) and, as such, shall be part of the Property. Extra Space shall give written notice to HSRE within ten (10) business days after Extra Space receives notice of the commencement of any proceedings for a Taking of all or any part of a Facility. For purposes of this Section 10 a Taking of any portion of a Facility shall be "material" if such Taking would render such Facility unsuitable, in the reasonable determination of Extra Space and HSRE, for use as a self storage facility in the same manner in which such Facility has historically been used by Extra Space.

11. CONDITIONS PRECEDENT.

11.1 **HSRE's Conditions Precedent**. The obligations of HSRE under this Agreement are contingent upon any one or more of the following, the failure of any of which shall, upon written notice by HSRE to Extra Space, render this Agreement and the HSRE Operating Agreement null and void:

11.1.1 **Title Policy**. Title Insurer shall be irrevocably committed to issue for each Facility upon Closing either (x) a Form 2006 ALTA Owner's Policy of Title Insurance (or an applicable local equivalent) with an endorsement deleting the exclusion for creditors' rights and deleting the arbitration provision (or other current form of extended coverage owner's policy if such form is not available), along with such title endorsements reasonably requested by HSRE and in the form previously approved by HSRE (collectively, the "**Title Policy**"), or (y) an endorsement to Extra Space's existing title insurance policy for the Property (collectively, the "**Endorsement**"), in either case, together with a non-imputation endorsement (if available in the jurisdiction in which the Property is located) and insuring ESP 52 or ESP Maryland Two (as applicable) as the owner of fee simple title to the applicable Facility, subject only to Permitted Exceptions, in the amounts set forth on **Schedule 9.1.1** attached hereto.

11.1.2 **No Default**. Extra Space shall not be in default in any material respect under any of its obligations hereunder.

11.1.3 **Representations and Warranties**. Each of the representations and warranties of Extra Space shall be true and correct in all material respects as of Closing.

11.1.4 **Annual Business Plan and Annual Operating Budget**. HSRE and Extra Space shall have approved the Annual Business Plan and Annual Operating Budget.

11.1.5 **Existing Loan**. The Lender and each servicer of the Existing Indebtedness shall have approved the transaction which is the subject of this Agreement and the Lender Conditions are acceptable to both HSRE and Extra Space.

11.2 **Extra Space's Conditions Precedent**. The obligations of Extra Space under this Agreement are contingent upon any one or more of the following, the failure of any of which shall, upon written notice by Extra Space to HSRE, render this Agreement and the HSRE Operating Agreement null and void:

11.2.1 **No Default**. HSRE shall not be in default in any material respect under any of its obligations hereunder.

11.2.2 **Representations and Warranties**. Each of the representations and warranties of HSRE shall be true and correct in all material respects as of Closing.

11.2.3 **Annual Business Plan and Annual Operating Budget**. HSRE and Extra Space shall have approved the Annual Business Plan and Annual Operating Budget.

11.2.4 **Existing Loan**. The Lender and each servicer of the Existing Indebtedness shall have approved the transaction which is the subject of this Agreement and the Lender Conditions are acceptable to both HSRE and Extra Space.

12. BROKERAGE.

Each of Extra Space and HSRE represents that it has not engaged any broker in connection with the transactions contemplated by this Agreement. Each of Extra Space and HSRE shall indemnify and hold the other party harmless from and against any and all claims of all brokers and finders claiming by, through or under the indemnifying party. The provisions of this Section 12 shall survive Closing.

13. DEFAULTS AND REMEDIES.

13.1 **HSRE's Remedies**.

13.1.1 **Pre-Closing Default**. In the event that prior to Closing, Extra Space breaches in any material respect any warranty or representation contained in this Agreement or fails in any material respect to comply with or perform any of the conditions to be complied with or any of the covenants, agreements or obligations to be performed by Extra Space under the terms and provisions of this Agreement and such breach or failure continues for a period of ten (10) business

days after written notice thereof from HSRE to Extra Space, HSRE, as HSRE's exclusive remedies, shall be entitled to (i) terminate this Agreement by giving written notice thereof to Extra Space, whereupon, except as provided below in this Section 13.1.1 and except as expressly provided otherwise in this Agreement, neither party shall have any further rights or obligations under this Agreement; or (ii) enforce specific performance of Extra Space's obligations under this Agreement; provided, however, that notwithstanding anything to the contrary in this Section 13.1.1, in the event of a termination by HSRE under (i) above, Extra Space shall, upon demand from HSRE, reimburse HSRE for the actual and reasonable out-of-pocket expenses paid or incurred by HSRE in connection with this Agreement and/or HSRE's investigation or inspection of the Property in an amount not to exceed Two Hundred Fifty Thousand and No/100 Dollars ($250,000.00). HSRE expressly agrees that in no event shall Extra Space be liable for any special, incidental, consequential or punitive damages whatsoever (including, without limitation, loss of business profits or opportunity) and by execution of this Agreement, HSRE waives any right to claim or seek any such damages. The provisions of this Section 13.1.1 shall survive the Closing or any termination of this Agreement.

13.1.2 **Post Closing Default**. In the event that the transaction which is the subject of this Agreement closes and at or after Closing, Extra Space breaches any warranty, representation or covenant contained in this Agreement which survives Closing or contained in any document delivered by Extra Space at Closing HSRE may, subject to the limitations contained in this Agreement, pursue any and all remedies available at law or in equity; provided, however, in no event shall Extra Space be liable for any special, incidental, consequential or punitive damages whatsoever (including, without limitation, loss of business profits or opportunity) and by execution of this Agreement, HSRE waives any right to claim or seek any such damages. The provisions of this Section 13.1.2 shall survive the Closing.

13.2 **Extra Space's Remedies**. Except as provided below in this Section 13.2, in the event HSRE breaches any warranty or representation contained in this Agreement in any material respect or fails to comply with or perform in any material respect any of the covenants, agreements or obligations to be performed by HSRE under the terms and provisions of this Agreement and such breach or failure continues for a period of ten (10) business days after written notice thereof from Extra Space to HSRE, as the sole and exclusive remedy of Extra Space, Extra Space may terminate this Agreement by written notice to HSRE. Notwithstanding anything to the contrary in this Section 13.2, the limitations set forth above in this Section 13.2 shall not apply to a default by HSRE under (1) Section 8.2.1, (2) any other covenant of HSRE under this Agreement which, pursuant to the express provisions of this Agreement, survives the Closing, but only to the extent that the transaction which is the subject of this Agreement closes and such default occurs at or after the Closing, or (3) any document delivered by HSRE at the Closing; provided, however, in no event shall HSRE be liable for any special, incidental, consequential or punitive damages whatsoever (including, without limitation, loss of business profits or opportunity) and by execution of this Agreement, Extra Space waives any right to claim or seek any such damages. The provisions of this Section 13.2 shall survive the Closing or any termination of this Agreement.

After Closing, each of Extra Space and HSRE shall, subject to the terms and conditions of this Agreement, have such rights and remedies as are available at law or in equity with respect to a default (or breach of a representation or warranty) by another party under this Agreement, except (i) as expressly limited in this Agreement, and (ii) that none of the parties hereto shall be entitled to recover from the other consequential or special damages.

14. MISCELLANEOUS.

14.1 **Entire Agreement**. This Agreement constitutes the entire agreement between Extra Space and HSRE with respect to the matters discussed herein. This Agreement shall not be modified or amended except in a written document signed by Extra Space and HSRE.

14.2 **Time**. Time is of the essence of this Agreement. In the computation of any period of time provided for in this Agreement or by law, the day of the act or event from which the period of time runs shall be excluded, and the last day of such period shall be included, unless it is a Saturday, Sunday, Monday, or legal holiday, in which case the period shall be deemed to run until the end of the next day which is not a Saturday, Sunday, Monday, or legal holiday.

14.3 **Notices**. Any notices required or permitted to be given hereunder shall be in writing and shall be (as elected by the party giving such notice): (i) personally delivered, (ii) sent by a nationally recognized overnight courier service, fees prepaid, or (iii) sent by telecopier, in each instance addressed as provided below. Either party may change its address for purposes hereof by notice given to the other party. Notices hereunder shall be directed:

If to Extra Space:

Extra Space Storage LLC
2795 E. Cottonwood Parkway
Suite 400
Salt Lake City, UT 84121
Attn: Mr. Charles L. Allen
Fax: (801) 365-4947

With a copy to:

Holland & Hart LLP
60 East South Temple, Suite 2000
Salt Lake City, Utah 84111
Attn: Mr. Steven E. Tyler
Fax: (866) 711-8035

2. If to HSRE:

c/o Harrison Street Real Estate Capital, LLC
71 S. Wacker Drive
Suite 3575
Chicago, IL 60606
Attn: Mr. Stephen Gordon and Mr. Robert Mathias
Fax: (312) 920-1855

With copies to:

DLA Piper LLP (US)
203 N. LaSalle Street
Suite 1900
Chicago, IL 60601-1293
Attention: Michael S. Gershowitz
Fax: (312) 630-6306

A notice sent in compliance with the provisions of this 14.3 shall be deemed given on the date of receipt or refusal to accept delivery, provided, however, that a notice delivered by facsimile shall only be effective (retroactive to the time of receipt) if such notice is also delivered within two (2) business days by hand or deposited in the United States mail, postage prepaid, registered or certified mail.

14.4 **No Recordation**. Neither this Agreement nor any memorandum thereof shall be recorded against the Property.

14.5 **Counterparts**. This Agreement may be executed in any number of identical counterparts any or all of which may contain the signatures of fewer than all of the parties but all of which shall be taken together as a single instrument.

14.6 **Waiver**. The failure by either party to enforce against the other any term of this Agreement shall not be deemed a waiver of such party's right to enforce against the other party the same or any other term in the future.

14.7 **Severability**. If any one or more of the provisions hereof shall be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision hereof and this Agreement shall be construed as if such invalid, illegal or unenforceable provision were not herein contained.

14.8 **Jury**. **THE PARTIES HERETO WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING OR CLAIM BROUGHT BY EITHER OF THE PARTIES AGAINST THE OTHER REGARDING ANY MATTERS ARISING OUT OF THIS AGREEMENT.**

14.9 **Further Assurances**. Each party agrees to perform, execute and deliver, on and after the Closing, such further actions and documents as may be reasonably necessary or requested to more fully effectuate the purposes, terms and intent of this Agreement and the conveyances contemplated herein.

14.10 **Attorneys' Fees**. If any party hereto or their respective successors or assigns files suit to enforce the obligations of, or remedy against, any other party to this Agreement, the prevailing party shall be entitled to recover from the non-prevailing party the reasonable fees and expenses of its attorneys and its court costs.

14.11 **Construction**. The parties acknowledge that each party and its counsel have reviewed and revised this Agreement and that the normal rule of construction to the effect that any ambiguities are to be resolved against the drafting party shall not be employed in the interpretation of this Agreement or any amendments or exhibits hereto. The captions preceding the text of each Section are included for convenience of reference only and shall be disregarded in the construction and interpretation of this agreement.

14.12 **No Third-Party Beneficiaries**. This Agreement shall benefit only the parties hereto, and no other person or entity shall have any rights hereunder.

14.13 **As-Is**. HSRE acknowledges that it has had the opportunity to inspect the Property and that it accepts the ESP Interests, the ESP Maryland Interests and the Property in its "as is" condition, subject, in the case of the Property, to use, ordinary wear and tear, and natural deterioration, subject to the other terms of this Agreement. HSRE further acknowledges that, except as expressly provided in this Agreement or in any document delivered by Extra Space at Closing in accordance with this Agreement (collectively "**Extra Space's Closing Documents**"), (i) neither Extra Space nor any agent or representative of such parties has made, and (ii) neither Extra Space nor any such agent or representative is liable for or bound in any manner by, any express or implied warranties, guaranties, promises, statements, inducements, representations or information pertaining to the ESP Interests, the ESP Maryland Interests or the Property.

14.14 **Reporting Person**. Extra Space and HSRE hereby designate Title Insurer to act as and perform the duties and obligations of the "reporting person" with respect to the transaction contemplated by this Agreement for purposes of 26 C.F.R. Section 1.6045-4(e)(5) relating to the requirements for information reporting on real estate transaction closed on or after January 1, 1991. In this regard, Extra Space and HSRE each agree to execute at Closing, and to cause Title Insurer to execute at Closing, a Designation Agreement, designating Title Insurer as the reporting person with respect to the transaction contemplated by this Agreement.

14.15 **Public Notices**. Any press release and other public notice to be released by any party hereto disclosing the consummation of the transactions contemplated hereby shall first be submitted to the other parties hereto for review and comment, and each party hereto shall reasonably cooperate in addressing the concerns of the other with respect to the nature and content of such disclosure (except and to the extent any such disclosure may be required by law).

14.16 **Governing Law**. This Agreement shall be governed by, and construed in accordance with, the laws of the State of Illinois.

14.17 **Confidential Information**. All information obtained pursuant to this Agreement by any party hereto from the other parties hereto and the matters and provisions hereof shall be and remain confidential (subject to the necessity of divulging to third parties, including, without limitation, attorneys, accountants, engineers, architects and prospective equity partners and lenders, such information as either party may require in order to perform its obligations hereunder and subject to disclosure of all information required by governmental authorities (including disclosures required under state or federal securities laws or the rules of a party's principal securities exchange) and any actual or prospective lender to the Company or any Subsidiary). No party will issue or cause the issuance of, and each will prevent its employees or agents from issuing or causing the issuance of, any press or media release or other information in the nature of a press release relating to either this Agreement or the transaction contemplated hereby except upon the prior written approval of Extra Space and HSRE as to the exact text of such press release.

[signature page follows next]

IN WITNESS WHEREOF, this Agreement is executed on the day and year first above written.

EXTRA SPACE

EXTRA SPACE STORAGE LLC, a Delaware limited liability company

By: /s/ Charles L. Allen
Name: Charles L. Allen
Title: Manager

HSRE

HSRE-ESP IA, LLC, a Delaware limited liability company

By: HSREP II Holding LLC, a Delaware limited liability company, its sole member,

HSRE REIT II, a Maryland real estate investment trust, a member

By:	/s/ Stephen M. Gordon
Name:	Stephen M. Gordon
Its:	Trustee

EXHIBIT D

ARBITRATION AND PRORATION REVIEW

1. **Post Closing True-Up**. Within sixty (60) calendar days after Closing, Extra Space shall recalculate the Prorations (other than prorations of real estate and personal property taxes that are based on a tax bill for a period prior to the year in which the Closing occurs, which prorations shall be recalculated upon receipt of the current tax bill for the year in which the Closing occurs, as set forth in Section 4.3.2.1) as of the Proration Date as set forth in Section 4.3 of the Agreement (the “Proration Recalculation”) and shall send a copy of the Proration Recalculation to HSRE. Extra Space and HSRE shall each have an opportunity to provide the other with a review (a “Review”) of the Proration Recalculation setting forth in reasonable detail any discrepancy which it has discovered in the Prorations made at the Closing or in the Proration Recalculation. If either party to which the Proration Recalculation is presented does not provide the other party with a Review within ten (10) business days after receipt of the Proration Recalculation, such party shall be deemed to be in agreement with the Proration Recalculation. If either party to which any such Review is presented disagrees with such Review, it shall give written notice (the “Disagreement Notice”) to the other party within ten (10) business days after receipt of such Review (and, if no such notice is given, the party to which such Review was presented shall be deemed to agree with it). Such Disagreement Notice shall detail all points of disagreement. If Extra Space and HSRE do not resolve such disagreement within ten (10) business days after delivery of the Disagreement Notice, the parties shall proceed to arbitration. If the parties agree or are deemed to agree with either the Proration Recalculation or the Review or if there is an arbitration award, then Extra Space or HSRE shall, as applicable, pay to the other party, in cash, the amount owed within ten (10) days of the date of such agreement or deemed agreement or such arbitration award, as applicable.

2. **Dispute Resolution**. Any controversy or claim between or among the parties hereto relating to or arising from the either the Review or the Proration Recalculation shall be determined by binding arbitration in Cook County, Illinois in accordance with one of the following as selected by HSRE:

a. the Rules of Practice and Procedure for the Arbitration of Commercial Disputes of Judicial Arbitration and Mediation Services, Inc. (J.A.M.S.) or

b. the Rules of Practice and Procedure of the American Arbitration Association (“AAA”), or

c. the Special Rules of an individual mutually agreed upon by the parties. The Special Rules shall be those determined by an individual arbitrator agreed upon by the parties, and shall require that all arbitration hearings will be commenced within ninety (90) days of the demand for arbitration, and that the arbitrator shall only, upon a showing of cause, be permitted to extend the commencement of such hearing for an additional sixty (60) days.

Judgment upon any arbitration award may be entered in any court having jurisdiction. Any party hereto may bring an action, including a summary or expedited proceeding, to compel arbitration of any controversy or claim to which this provision applies in any court having jurisdiction over such action in Cook County, Illinois.

In the event of a controversy or claim between the parties which is subject to arbitration pursuant to this Exhibit D, either party may give written notice (“Arbitration Notice”) to the other requesting arbitration. If HSRE requests an individual arbitrator and the parties have not agreed upon an individual within ten (10) days after delivery of the Arbitration Notice, then AAA shall apply.

The prevailing party in such arbitration or in any proceeding to compel or enforce such arbitration shall be entitled to collect from the non-prevailing party reasonable attorney’s fees and costs.

CONTRIBUTION AGREEMENT
(Pool 2)

THIS CONTRIBUTION AGREEMENT (this "**Agreement**") is made and entered into as of the 23rd day of June, 2009 by and between **EXTRA SPACE STORAGE LLC**, a Delaware limited liability company ("**Extra Space**"), and **HSRE-ESP IA, LLC**, a Delaware limited liability company ("**HSRE**").

RECITALS

WHEREAS, Extra Space is the owner of a ninety nine percent (99%) ownership interest (the "**ESP 51 Interest**") in Extra Space Properties Fifty One LLC ("**ESP 51**") and one hundred percent (100%) of the ownership interest (the "**ESP 57 Interest**"; together with the ESP 51 Interest, the "**ESP Interests**") in Extra Space Properties Fifty Seven LLC ("**ESP 57**"), which owns the remaining one percent (1%) interest in ESP 51;

WHEREAS, ESP 51 is the direct owner of fifteen self storage facilities more particularly described on **Schedule R-1**, attached hereto (each, a "**Facility**" or a "**Direct Facility**" and collectively, the "**Direct Facilities**");

WHEREAS, ESP 51 is the owner of a ninety nine percent (99%) limited partnership interest (the "**Texas LP Interest**") in Extra Space of Texas Eleven LP, a Texas limited partnership ("**ESP Texas**") and one hundred percent (100%) of the ownership interest (the "**Texas GP Interest**"; the Texas LP Interest and the Texas GP Interest are together referred to herein as the "**Texas Interests**") in ESP Texas Eleven GP LLC, a Delaware limited liability company ("**ESP Texas GP**"), which is the owner of a one percent (1%) general partnership interest in ESP Texas;

WHEREAS, ESP Texas is the direct owner of four self storage facilities more particularly described on **Schedule R-2**, attached hereto (each, a "**Facility**" or a "**Texas Facility**" and collectively, the "**Texas Facilities**"; the Direct Facilities and the Texas Facilities are collectively referred to herein as the "**Facilities**");

WHEREAS, subject to the terms and conditions of this Agreement, Extra Space and HSRE desire to engage in a series of transactions pursuant to which:

(1) Extra Space and HSRE will form a new limited liability company to be named HSRE-ESP I, LLC ("**HSRE-ESP**") to be owned by Extra Space and HSRE and, as Extra Space's initial capital contribution to HSRE-ESP, Extra Space will contribute cash in the amount specified in this Agreement and all of Extra Space's right, title, and interest in and to the ESP Interests in exchange for membership interests in HSRE-ESP (the "**ESS HSRE-ESP Interests**"), which ESS HSRE-ESP Interests are more particularly described in the form of limited liability company agreement for HSRE-ESP attached hereto as **Exhibit A** and by this reference made a part hereof (the "**HSRE-ESP Operating Agreement**");

(2) As HSRE's initial capital contribution to HSRE-ESP, HSRE will contribute cash in the amount specified in this Agreement in exchange for membership interests in HSRE-ESP (the "**HSRE HSRE-ESP Interests**"), which HSRE HSRE-ESP Interests are more particularly described in the HSRE-ESP Operating Agreement; and

(3) HSRE-ESP will distribute cash to Extra Space in the amount specified in this Agreement;

WHEREAS, the Facilities are subject to the Existing Indebtedness (defined below) in the aggregate approximate amount of $101,000,000.00 and after contribution of the ESP Interests to HSRE-ESP, the Facilities will continue to be subject to the Existing Indebtedness.

THEREFORE, in consideration of the terms and conditions contained in this Agreement and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Extra Space and HSRE agree as follows:

1. **AGREEMENT TO CONTRIBUTE**. Subject to the conditions and on the terms contained in this Agreement, HSRE agrees to contribute to HSRE-ESP cash in the amount specified in Section 2.2.3 below and Extra Space agrees to (i) contribute, assign, convey and transfer to HSRE-ESP the ESP Interests, on the terms and conditions set forth in this Agreement and in the Assignment Agreement (as defined in Section 4.2.2.2 below) and (ii) contribute to HSRE-ESP cash in the amount specified in Section 2.2.4 below.

2. **TRANSFER OF ESP INTERESTS.**

2.1 **Recitals**. The foregoing recitals are hereby incorporated by this reference.

2.2 **Consideration and Closing Structure**.

2.2.1 Contribution Value. The parties hereby agree that the gross fair value of the ESP Interests (which include the value of all of the Facilities), for all purposes of this Agreement, is equal to $132,500,000 (the "**Contribution Value**").

2.2.2 Distribution Amount. Immediately after the Closing Extra Space and HSRE shall cause HSRE-ESP to distribute to Extra Space cash in an amount (the "**Extra Space Distribution Amount**") equal to the sum of: (i) the "Initial HSRE Contribution Amount" (hereinafter defined) minus (ii) any closing costs and prorations described in Section 4.3 below (including the costs described in Section 4.3.4 below) (collectively, the "**Prorations**") and credited, as of the Proration Date (as defined below), to HSRE-ESP, plus (iii) any Prorations credited, as of the Proration Date, to Extra Space. As used herein, the term "**Initial HSRE Contribution Amount**" shall mean eighty percent (80%) of the difference between (A) the Contribution Value, minus (B) the sum of the aggregate unpaid principal balance of the Existing Indebtedness plus all accrued and unpaid interest with respect to the Existing Indebtedness as of the Proration Date. Extra Space and HSRE agree that for purposes of determining the balance of Extra Space's "Capital Account" (as defined in the HSRE-ESP Operating Agreement) and Extra Space's "Adjusted Capital Account" (as defined in the HSRE-ESP Operating Agreement), the gross amount of Extra Space's initial "Capital Contribution" to HSRE-ESP shall be reduced by the Initial HSRE Contribution Amount notwithstanding the fact that the amount actually distributed to Extra Space by HSRE-ESP is adjusted (either increased or decreased) pursuant to the provisions of this Section 2.2.2. The parties hereby agree that the provisions of this Section 2.2.2 are intended to cause the Adjusted Capital Accounts of HSRE and Extra Space to be in an 80.00%/20.00% ratio, respectively, following the contribution of the ESP Interests by Extra Space and the Initial HSRE Contribution Amount by HSRE and the distribution of the Extra Space Distribution Amount to Extra Space and the pro-rations and credits provided for herein.

2.2.3 Cash to be Contributed by HSRE. At Closing, HSRE shall contribute to HSRE-ESP cash in an amount (the "**Total HSRE Contribution Amount**") equal to the sum of (i) the Initial HSRE Contribution Amount, plus (ii) Eighty Percent (80.00%) of the total Prorations charged to HSRE-ESP.

2.2.4 Cash to be Contributed by Extra Space. At Closing, Extra Space shall contribute to HSRE-ESP cash in an amount (the "**Total Extra Space Contribution Amount**") equal to the sum of Twenty Percent (20.00%) of the Prorations charged to HSRE-ESP.

3. THE PROPERTY; EXISTING INDEBTEDNESS.

3.1 **Property**. As used herein, "**Property**" shall mean and include all of the following:

3.1.1 **Land**. Those certain tracts of real estate underlying the Facilities, as more particularly described on **Schedules 3.1(a) 1 through 19**, together with all easements, covenants, rights, privileges, tenements, hereditaments and appurtenances thereunto now or hereafter belonging or appertaining thereto (collectively, the "**Land**");

3.1.2 **Improvements**. All of the buildings, structures, fixtures and other improvements located on or used in connection with the Land, including, without limitation, any and all plumbing, air conditioning, heating, ventilating, mechanical, electrical and other utility systems, parking lots and facilities, landscaping, roadways, sidewalks, security devices, signs and light fixtures (the "**Improvements**") (the Land and the Improvements are collectively referred to as the "**Premises**");

3.1.3 **Tangible Personal Property**. To the extent owned by either ESP 51 or ESP Texas, all furniture, furnishings, fixtures, equipment, machinery, maintenance vehicles and equipment, tools, parts, recreational equipment, carpeting, window treatments, stationery and other office supplies and other

tangible personal property of every kind situated in, on, over and under the Premises or used in connection therewith, which is not owned by tenants under the Leases (defined below), together with all replacements and substitutions therefor between the date hereof and Closing (the "**Tangible Personal Property**"), including but not limited to those items set forth on **Schedule 3.1(c)** attached hereto;

3.1.4 **Leases and Contracts**. All right, title and interest of ESP 51 or ESP Texas (as applicable) in and to the Contracts, if any, and the Leases (as such terms are defined below); and

3.1.5 **Intangibles**. All transferable warranties or guaranties issued in connection with the Improvements or Tangible Personal Property, and any other intangible personal property, and used exclusively in connection with the Premises or the business transacted thereon (collectively, the "**Intangible Personal Property**"), including, without limitation, to the extent assignable, all land use entitlements, development rights, licenses, permits, authorizations, names, and telephone exchange numbers; provided, however, that notwithstanding anything to the contrary set forth in this Section 3.1, the terms Property and Intangible Personal Property shall expressly exclude any and all trade names and trademarks owned, directly or indirectly, by Extra Space Storage Inc. regardless of whether such trade names or trademarks are used on or with respect to the Property and nothing in this Agreement shall be construed to either convey or to create any obligation on the part of Extra Space to convey, to HSRE-ESP any rights in or rights to use any such trade names or trademarks.

Notwithstanding anything to the contrary set forth above or otherwise contained herein, "**Property**" expressly excludes (i) all property owned by tenants or other users or occupants of the Premises (other than ESP 51 and ESP Texas), (ii) all property owned by the property manager of the Premises, (iii) all property owned by any vendor under any Contract, (iv) all rights and liabilities of either ESP 51 or ESP Texas in, to and under those litigation matters, if any, described in **Schedule 3.1** attached hereto.

3.2 **Existing Indebtedness**. As used in this Agreement, the term "**Existing Indebtedness**" shall mean those certain loans evidenced by separate Promissory Notes with respect to each of the Facilities in which either ESP 51 or ESP Texas appears as Borrower and Wachovia Bank N.A. appears as Lender (each a "**Third Party Note**" and collectively the "**Third Party Notes**"). The Third Party Notes are secured by one or more mortgages or deeds of trust against the Property (each a the "**Third Party Mortgage**" and collectively the "**Third Party Mortgages**"). Extra Space and HSRE agree as follows with respect to the Existing Indebtedness:

3.2.1 The obligations of Extra Space and HSRE under this Agreement shall be subject to the following:

3.2.1.1 HSRE's approval, prior to the expiration of the Due Diligence Period (defined below) of the Existing Indebtedness, including, but not limited to, HSRE's approval of the amount, interest rate, payment schedule, repayment term and other terms of the Existing Indebtedness, and the form of the documents evidencing and or securing the Existing Indebtedness, including, but not limited to, any guarantees of the Existing Indebtedness (the "**Third Party Loan Documents**"), which approvals shall be in HSRE's sole and absolute discretion.

3.2.1.2 The current holder or holders of the Existing Indebtedness (the "**Lender**") and each servicer of the Existing Indebtedness consenting to the transaction which is the subject of this Agreement and HSRE-ESP's assumption of the Existing Indebtedness, all on terms that are acceptable to HSRE and Extra Space, in their respective sole discretions (the "**Lender Conditions**"). The parties acknowledge that the Lender may require as a Lender Condition that the Existing Indebtedness be guaranteed by HSRE-ESP and that Extra Space continue to provide certain guarantees and/or indemnifications with respect to the Existing Indebtedness. Subject to the terms and conditions of this Agreement, Extra Space agrees to provide such guarantees and/or indemnifications. The Parties also acknowledge that (i) any required guaranties or indemnifications from either HSRE-ESP or Extra Space that are more burdensome or onerous, in any material respects, than the existing guarantees and indemnifications provided by Extra Space shall not be acceptable, (ii) any Lender Conditions that require any guaranties or indemnifications from HSRE or any Affiliate of HSRE (other than HSRE-ESP) are not acceptable to HSRE.

3.2.2 Extra Space agrees to promptly apply for and pursue with reasonable diligence Lender's consent to the transaction which is the subject of this Agreement. Extra Space will advance the non-refundable amounts charged by the Lender as a condition to processing the request that Lender consent to the transaction which is the subject of this Agreement. Extra Space agrees, from time to time, to inform HSRE as to the status of the approval process and Extra Space and HSRE each agree to use commercially reasonable efforts to cooperate with each other and with Lender and any servicer in seeking such approval and consent and in responding to the reasonable requests of Lender and/or such servicer. Provided that the Closing occurs, HSRE-ESP shall be responsible for and pay all fees, costs, expenses, and other charges charged by Lender and/or any servicer of the Existing Indebtedness or incurred in the satisfaction of any condition or requirement imposed by Lender or such servicer with respect to Lender's consenting to the transaction which is the subject of this Agreement ("**Lender Expenses**") and any party advancing such costs prior to Closing shall be reimbursed for such costs at Closing. If the Closing does not occur, neither Extra Space nor HSRE shall be reimbursed for any of the Lender Expenses advanced by such party. The obligations of this Section 3.2.2 shall survive the Closing and shall survive the termination of this Agreement.

3.2.3 Notwithstanding anything to the contrary in this Agreement, if at the Closing Date, Lender and/or any servicer of Existing Indebtedness has not consented to the transaction which is the subject of this Agreement and provided that HSRE has not terminated this Agreement pursuant to Section 8.3 below, HSRE shall have the option to either (A) extend the Closing for an additional sixty (60) days (hereinafter the "**Lender Approval Extension Period**") to permit Extra Space to continue to pursue with reasonable diligence Lender's consent to the transaction which is the subject of this Agreement or (B) terminate this Agreement. Such option shall be exercised by HSRE giving Extra Space written notice of HSRE's election to either extend the Closing or terminate this Agreement pursuant to this Section 3.2.3 at any time on or before the date on which the Closing Date would be scheduled to occur but for such extension. If HSRE fails to give such written notice to Extra Space, such failure shall be deemed to be an election to terminate this Agreement.

3.2.4 During the Due Diligence Period, Extra Space will make available to HSRE true and correct copies of all of the material Third Party Loan Documents for inspection, copying and review.

4. <u>CLOSING</u>.

4.1 <u>**Closing Date**</u>. The "**Closing Date**" or "**Closing**" of the transaction contemplated by this Agreement shall be on or before the date which is fifteen (15) days from the end of the Due Diligence Period. The "**Closing Date**" shall be the date on which the "**Closing**" occurs. The Closing shall occur at the office of HSRE's Counsel, DLA Piper LLP (US), 203 North LaSalle Street, 19th Floor, Chicago, IL, 60601. The "**Closing**" shall be deemed to have occurred when all of the conditions to Closing (as set forth in this Agreement) have either been satisfied or waived, the Escrow Agent (defined below) holds a settlement statement signed by Extra Space, a settlement statement signed by HSRE, and all of the funds and all of the other documents required by this Agreement, and Extra Space and HSRE have authorized Escrow Agent to disburse such funds and deliver such documents in accordance with the provisions of this Agreement.

4.2 <u>**Closing Documents**</u>.

4.2.1 <u>**Coordination with Closing Under Pool 1 Contribution Agreement**</u>. Concurrently with the execution of this Agreement, the parties to this Agreement also executed that certain Contribution Agreement (Pool 1) (the "**Pool 1 Contribution Agreement**") relating to certain other self storage facilities, as more particularly described in the Pool 1 Contribution Agreement. It is the anticipation of the parties to this Agreement that the Closing under this Agreement will occur prior to the Closing under the Pool 1 Contribution Agreement. If the Closing under this Agreement does not occur either prior to or concurrently with the Closing under the Pool 1 Contribution, the parties will, in connection with the Closing under this Agreement, proceed with the delivery of documents and funds in accordance with the provisions of this Agreement except to the extent that such documents were executed and delivered in connection with

the Closing under the Pool 1 Contribution Agreement and, to the extent necessary, shall modify this Agreement to reflect the fact that the Closing under the Pool 1 Contribution Agreement occurred prior to the Closing under this Agreement.

4.2.2 <u>**Extra Space**</u>. At Closing, Extra Space shall deliver each of the following:

4.2.2.1 [**RESERVED**].

4.2.2.2 two counterparts of an Assignment and Assumption of the Membership Interests in ESP 51 and ESP 57 (the "**Assignment Agreement**") executed by Extra Space in the form of **Exhibit B** attached hereto and by this reference made a part hereof [at Closing, one counterpart will be delivered to Extra Space and one counterpart will be delivered to HSRE-ESP];

4.2.2.3 unless the Closing under the Pool 1 Contribution Agreement has already occurred, three counterparts of the HSRE-ESP Operating Agreement, executed by Extra Space [at Closing, one counterpart will be delivered to Extra Space, one counterpart will be delivered to HSRE and one counterpart will be delivered to HSRE-ESP];

4.2.2.4 any and all affidavits, undertakings, certificates or other documents customarily required by Title Insurer in order to cause it to issue the Title Policy or the Endorsements (as defined in Section 11.1.1 hereto), as applicable, to HSRE-ESP or any applicable subsidiary of HSRE-ESP including, without limitation, ESP 51 or ESP Texas;

4.2.2.5 Extra Space's affidavit stating Extra Space's U.S. taxpayer identification number and that Extra Space is not a disregarded entity or foreign person within the meaning of Section 1445 of the Internal Revenue Code (and any similar affidavit that may be required under state law);

4.2.2.6 to the extent not provided to HSRE prior to Closing, copies of all Contracts, if any, and all Leases (each of which may be delivered at the Facility which is the subject of such Lease) [to be delivered to HSRE-ESP];

4.2.2.7 evidence reasonably satisfactory of termination of the existing property management agreements for the Property [to be delivered to HSRE-ESP];

4.2.2.8 two counterparts of a new property management agreement with respect to each Facility executed by Extra Space Management, Inc. ("**ESMI**"), in the form of Property Management Agreement attached as Exhibit C to the HSRE-ESP Operating Agreement and by this reference made a part hereof (each a "**Property Management**

Agreement" and collectively the "**Property Management Agreements**") [at Closing, one counterpart of each Property Management Agreement will be delivered to ESMI and one counterpart of each Property Management Agreement will be delivered to HSRE-ESP];

4.2.2.9 unless the Closing under the Pool 1 Contribution Agreement has already occurred, two counterparts of a Non-Competition and Right of First Opportunity Agreement in the form attached hereto as **Exhibit C** and by this reference made a part hereof (the "**ROFO Agreement**") [at Closing, one counterpart of the ROFO Agreement will be delivered to Extra Space and one counterpart of the ROFO Agreement will be delivered to HSRE];

4.2.2.10 Cash in the amount specified in Section 2.2.4 above [to be delivered to HSRE-ESP]; and

4.2.2.11 all other documents reasonably and customarily required in order to complete the conveyance, transfer and assignment of the ESP Interests to HSRE-ESP.

4.2.3 **HSRE**. At Closing, HSRE shall deliver each of the following:

4.2.3.1 Cash in the amount specified in Section 2.2.3 above [to be delivered to HSRE-ESP];

4.2.3.2 unless the Closing has already occurred under the Pool 1 Contribution Agreement, three counterparts of the HSRE-ESP Operating Agreement, executed by Extra Space [at Closing, one counterpart will be delivered to Extra Space, one counterpart will be delivered to HSRE and one counterpart will be delivered to HSRE-ESP];

4.2.3.3 unless the Closing under the Pool 1 Contribution Agreement has already occurred, two counterparts of the ROFO Agreement executed by Harrison Street Real Estate Capital, LLC [at Closing, one counterpart of the ROFO Agreement will be delivered to Extra Space and one counterpart of the ROFO Agreement will be delivered to HSRE];

4.2.4 **HSRE-ESP**. At Closing, Extra Space and HSRE shall cause HSRE-ESP to deliver the following:

4.2.4.1 the ESS HSRE-ESP Interests and the HSRE HSRE-ESP Interests (the delivery of which shall be evidenced by the execution and delivery of the HSRE-ESP Operating Agreement by HSRE and Extra Space);

4.2.4.2 two counterparts of the Assignment Agreement [at Closing, one counterpart will be delivered to Extra Space and one counterpart will be delivered to HSRE-ESP];

4.2.4.3 two counterparts of a Property Management Agreement with respect to each of the Facilities executed, as applicable, by either ESP 51 or ESP Texas [at Closing, one counterpart of each Property Management Agreement will be delivered to ESMI and one counterpart of each Property Management Agreement will be delivered to HSRE-ESP];

4.2.4.4 To Extra Space, cash in the amount of the Extra Space Distribution Amount;

4.2.4.5 any and all affidavits, undertakings, certificates or other documents customarily required by Title Insurer in order to cause it to issue the Title Policy or the Endorsement, as applicable; and

4.2.4.6 copies of resolutions authorizing this transaction and an incumbency certificate evidencing the authority of HSRE's signatories.

4.3 **Credits and Prorations**.

4.3.1 **Prorations**. Subject to the Proration Review (as defined in **Exhibit D**), the following shall be apportioned between Extra Space and HSRE-ESP with respect to the Property, such prorations to be computed based on the number of days Extra Space and HSRE-ESP each own the Property in the month in which the Closing occurs, as of 12:01 a.m. on the third day prior to the Closing Date (the "**Proration Date**"), as if Extra Space were selling the Property to HSRE on the Proration Date, and such prorations shall increase or decrease the amount of cash disbursed to Extra Space at Closing:

4.3.1.1 all collected rents and other sums received under Leases ("**Rents**") (including prepaid Rents) (to the extent that collected rents or other sums are distributed by either ESP 51 or ESP Texas to Extra Space, the applicable prorated portion of such collected rents and other sums shall be a credit to HSRE-ESP and to the extent that such collected rents or other sums are retained by ESP 51 and/or ESP Texas, the applicable prorated portion of such collected rents or other sums shall be a credit to Extra Space);

4.3.1.2 taxes and assessments (including, without limitation, personal property taxes on the Personal Property and rent taxes) levied against the Property;

4.3.1.3 pre-payments and accrued amounts due under any contracts relating to the Property;

4.3.1.4 accrued income and expenses (including, without limitation, gas, electricity and other utility charges for which ESP 51 or ESP Texas is liable, if any, with such charges to be apportioned as of the Proration Date on the basis of the most recent meter reading occurring prior to the Proration Date or, if unmetered, on the basis of a current bill for each such utility);

4.3.1.5 all other expenses pertaining to the Property;

4.3.1.6 premiums under insurance policies; and

4.3.1.7 a credit to Extra Space for the amount of any reserve accounts held by the Lender to the extent retained for the benefit of HSRE-ESP after Closing.

4.3.2 **Method of Prorations**. Notwithstanding anything contained in the foregoing provisions:

4.3.2.1 Real estate and personal property taxes and assessments will be prorated between Extra Space and HSRE-ESP for the period for which such taxes are assessed, regardless of when payable. If the current tax bill is not available at Closing, then the proration shall be made on the basis of 100% of the most recent ascertainable tax bill. Any taxes paid at or prior to Closing shall be prorated based upon the amounts actually paid. If taxes and assessments for the fiscal year in which Closing occurs or any prior years have not been paid before Closing, HSRE-ESP shall be credited by Extra Space at the time of Closing with an amount equal to that portion of such taxes and assessments which are ratably attributable to the period before the Proration Date and HSRE-ESP shall pay the taxes and assessments prior to their becoming delinquent. If taxes and assessments for the fiscal year in which Closing occurs have been paid before Closing, Extra Space shall be credited by HSRE-ESP at the time of Closing with an amount equal to that portion of such taxes and assessments which are ratably attributable to the period from and after the Proration Date. For each Facility for which a current tax bill for the year in which the Closing occurs is not available at Closing, at such time as the current tax bill for the year in which the Closing occurs becomes available, Extra Space and HSRE-ESP shall re-prorate real estate taxes and each agrees to pay to the other such amounts as are determined to be due and owing by such party pursuant to such re-proration within twenty (20) days written notice from the other.

4.3.2.2 "Delinquent Rents" (as defined below) owed by tenants who have no Delinquent Rents which are more than thirty (30) days delinquent as of the Proration Date shall be prorated as of the Proration Date as if fully collected on the Proration Date. Except as provided in the preceding sentence, Delinquent Rents shall not be prorated

and all Delinquent Rents shall be the property of HSRE-ESP as of the Closing Date. As used herein, "**Delinquent Rents**" means all rent due and payable as of the Proration Date and applicable, on an accrual basis, to any period of time preceding the Proration Date, including, but not limited to, checks received after the Proration Date, but prior to the Closing Date.

4.3.3 **Proration Review**. Within sixty (60) days after the Closing, Extra Space and HSRE-ESP shall review the prorations as specified in Sections 4.3.1 and 4.3.2 above in accordance with the provisions of **Exhibit D** attached hereto and by this reference made a part hereof, with any payments that are called for by such review to be made by the applicable party in cash. The provisions of this Section 4.3.3 shall survive the Closing.

4.3.4 **Closing Costs**. At the Closing, the following costs shall be paid by HSRE-ESP and/or reimbursed to Extra Space or HSRE, as applicable: (i) the cost of the Survey, all recording costs and all escrow costs; (ii) all actual out of pocket costs incurred or paid to unaffiliated third parties by HSRE in connection with its due diligence investigation of the Property, the ESP Interests, the Texas Interests and Extra Space; (iii) all fees, costs, expenses, and other charges charged by Lender and/or any servicer of the Existing Indebtedness or incurred in the satisfaction of any condition or requirement imposed by Lender or such servicer with respect to Lender's consenting to the transaction which is the subject of this Agreement; (iv) all attorney's fees and costs incurred by either Extra Space or HSRE in connection with the negotiation and documentation of the transaction which is the subject of this Agreement and the performance of due diligence for the benefit of HSRE. At Closing, the following costs shall be paid by Extra Space and/or HSRE-ESP in accordance with local practice and custom in the area applicable to each Property: (A) the cost of the base title policy, endorsements, reinsurance or coinsurance, (B) transfer, documentary and similar taxes related to the purchase of the ESP Interests, if any; provided, however, that in the absence of local practice and custom relating to the payment of such costs, such costs shall be paid by HSRE-ESP. Notwithstanding anything to the contrary in this Section 4.3.4, if the Closing does not occur, no party to this Agreement shall be responsible for reimbursing any other party to this Agreement for fees, expenses costs incurred by or for the benefit of such party except as expressly provided otherwise in Section 13.1.2 below.

4.3.5 **Survival**. The obligations under this Section 4.3 shall survive Closing.

5. REPRESENTATIONS AND WARRANTIES OF EXTRA SPACE.

5.1 **Warranties and Representations** Extra Space represents and warrants to HSRE that, as of the date of this Agreement and at the Closing:

5.1.1 **Authority, etc**. Extra Space is a limited liability company, duly organized and validly existing under the laws of the State of Delaware and is in

good standing under the laws of the State of Delaware. Extra Space has full power and lawful authority under its organizational documents to enter into and carry out the terms and provisions of this Agreement and to execute and deliver all documents which are contemplated by this Agreement. All actions necessary to confer such power and authority upon the persons executing this Agreement (and all documents which are contemplated by this Agreement to be executed on behalf of Extra Space) have been taken. Extra Space's execution, delivery and performance of this Agreement will not result in any violation of, or default under, or require any notice or consent under Extra Space's organizational documents.

5.1.2 **No Other Agreements**. Extra Space has not entered into any agreement to dispose of its interest in the Property or any part thereof. Extra Space has not entered into any agreement to dispose of the ESP Interests, except for this Agreement.

5.1.3 **Title and Survey**. At Closing, ESP 51 or ESP Texas (as applicable) shall own a fee simple estate in and to the Property relating to the Direct Facilities and ESP Texas shall own a fee simple estate in and to the Property relating to the Texas Facilities, subject only to: (i) the Approved Title Matters (as defined in Section 8.2.3 hereto), (ii) the lien of general real estate taxes which are not yet due or payable as of Closing, (iii) the rights of tenants, as tenants only, under the Leases (with no options to purchase or rights of first refusal to purchase thereunder), (iv) acts of, by or through HSRE, (v) matters disclosed by the surveys of the Premises and more particularly described on **Schedule 5.1.3** attached hereto (collectively, the "**Surveys**"), and (vi) standard exceptions which cannot be waived or deleted from the Title Policy (defined below) in the jurisdiction in which the Property is located (collectively, the "**Permitted Exceptions**").

5.1.4 **Leases**. Extra Space has made available to HSRE at the Facilities true and complete copies of all leases set forth in the rent rolls described on **Schedule 5.1.4** attached hereto (the "**Leases**") and all of Extra Space's files and correspondence relating to the Leases. The rent rolls described in **Schedule 5.1.4** are true, correct and complete. As of Closing, ESP 51 or ESP Texas (as applicable) shall be the landlord under each Lease and shall not have assigned any interest therein to any entity or person. The information set forth on Center Shift (as defined in Section 8.2.1) relating to the Property and the Leases is true and correct in all material respects.

5.1.5 **Contracts**. With the exception of the Permitted Exceptions, the Third Party Loan Documents, the Leases, and the existing property management contracts between ESMI and either ESP 51 or ESP Texas, as applicable, all of which property management contracts will be terminated at Closing, there are no service, maintenance, repair, parking, employment, union, construction, leasing or other similar contracts to which either ESP 51 or ESP Texas is a party and relating to the ownership or operation of the Property (the "**Contracts**").

5.1.6 **Litigation**. Except as set forth on **Schedule 5.1.6** attached hereto and neither ESP 51 nor ESP Texas has been served with any litigation (including eminent domain proceedings) which, as of the date of this Agreement, is still pending against any of such parties with respect to the ownership or operation of the Property. Neither ESP 51 nor ESP Texas has been served with any litigation which is still pending against such party with respect to the ESP Interests, the Texas Interests.

5.1.7 **Violations**. Neither Extra Space, ESP 51 nor ESP Texas has received from any governmental authority written notice of, nor does Extra Space have any Knowledge of, any pending, threatened or currently existing material violation of any zoning, building, fire, environmental or health code or any other statute, ordinance, rule, regulation or order applicable to Extra Space, ESP 51, ESP Texas or the Property or any part thereof.

5.1.8 **Brokerage Agreements**. There are no leasing brokerage agreements, leasing commission agreements or other agreements providing for the payment of any amount for leasing activities with respect to the Property or any portion thereof.

5.1.9 **Licenses**. Extra Space, ESP 51 or ESP Texas (as applicable) has obtained and kept in force any necessary licenses to carry on its business now conducted in the States in which the Property is located. To Extra Space's Knowledge, any necessary business certificates or fictitious name certificates, or both, required to be filed by Extra Space, ESP 51 or ESP Texas (as applicable) under the laws of any state have been duly filed and are in full force and effect in accordance with the respective terms thereof.

5.1.10 **Other Property**. Neither ESP 51 nor ESP Texas owns, nor has it ever owned, directly or indirectly, any real or personal property other than the Direct Facilities (as to ESP 51) or the Texas Facilities (as to ESP Texas).

5.1.11 **Employees**. Neither ESP 51 nor ESP Texas have, nor have they ever had, any employees. All employees working at the Facilities are employees of the existing property manager.

5.1.12 **Securities**. Neither ESP 51 nor ESP Texas have sold any securities from and after the date of its formation or have been obligated to file any reports, schedules, forms, statements and other documents with the SEC through the date hereof.

5.1.13 **Tax Status**. Each of ESP 51 and ESP Texas has been at all times since its inception a partnership or disregarded entity for federal income tax purposes and (ii) as of the Closing, shall be treated for federal income tax purposes as a "disregarded entity". There have been properly completed and filed on a timely basis all tax returns required to be filed (if any) by ESP 51 and ESP Texas and its subsidiaries. As of the time of filing, the foregoing tax returns (if

any) correctly reflected in all material respects the facts regarding the income, business, assets, operations, activities, status and other matters of or information regarding the ESP 51 or ESP Texas (as applicable) required to be shown thereon and all such tax returns have been filed on a timely basis (including extensions).

5.1.14 **Condemnation**. Neither Extra Space, ESP 51 nor ESP Texas has received written notice of any pending condemnation action with respect to any Facility.

5.1.15 **Bankruptcy**. There are no attachments, executions, assignments for the benefit of creditors or voluntary or involuntary proceedings in bankruptcy pending against Extra Space, ESP 51, ESP Texas or ESP Texas GP.

5.1.16 **Rezoning and Property Assessments**. To Extra Space's Knowledge and except as set forth on **Schedule 5.1.16**, none of Extra Space, ESP 51 or ESP Texas has received written notice of any pending or proposed proceeding to change or redefine the zoning classification of all or any part of any Facility.

5.1.17 **Tangible Personal Property**. As of Closing, the Tangible Personal Property will be owned by ESP 51 or ESP Texas free and clear of any conditional bills of sale, chattel mortgages, security agreements or financing statements or other security interests of any kind.

5.1.18 **ESP 51, ESP Texas and Storage Facilities In Compliance with Laws, Regulations, Etc**. Each of ESP 51, ESP Texas and the Facilities are in compliance in all material respects with any and all applicable federal, state and local laws, regulations, ordinances and rules pertaining to the operating of the Facilities.

5.1.19 **Environmental Laws**. To the Knowledge of Extra Space and except as disclosed in any environmental site assessment provided by Extra Space to HSRE, none of Extra Space, ESP 51 or ESP Texas are in violation in any material respect, in connection with its respective ownership, use, maintenance or operation of the Property and the conduct of the business related thereto, of any applicable federal, state, county or municipal or local statutes, laws, regulations, rules, ordinances, codes, standards, orders or licenses or permits of any governmental authorities relating to environmental matters, including, without limitation, the Resource Conservation and Recovery Act, the Comprehensive Environmental Response Compensation and Liability Act and the Occupational Health Act (being hereinafter collectively referred to as the "**Environmental Laws**") and all other applicable environmental standards or requirements. **Schedule 5.1.19** is a true, correct and complete, in all material respects, list of all environmental studies or reports prepared at the request of Extra Space and relating to any of the Facilities, copies of which have been provided to HSRE by Extra Space either prior to or concurrently with the execution of this Agreement

and Extra Space has no Knowledge that such reports are not true, correct and complete in all material respects.

5.1.20 **Hazardous Materials**. Except as disclosed in any environmental site assessment provided by Extra Space to HSRE, none of Extra Space, ESP 51, ESP Texas nor their its respective agents, employees, or independent contracts, or to the Knowledge of Extra Space, any tenant has (a) operated the Property for the purpose of receiving, handling, using, storing, treatment, transporting and disposing of any hazardous materials (meaning asbestos, urea formaldehyde, polychlorinated biphenyls, lead, nuclear fuel or materials, chemical waste, radioactive materials, explosives, known carcinogens, petroleum hydrocarbon, including crude oil or any fraction thereof and all petroleum products, or other dangerous or toxic or hazardous pollutants, contaminants, chemical materials or other substances defined in or regulated by said Environmental Laws (all of the foregoing being hereinafter collectively referred to as "**Hazardous Materials**"); and/or (b) released (or caused to be released) Hazardous Materials into the environment from a Facility. Except as disclosed in any environmental site assessment provided by Extra Space to HSRE and to the Knowledge of Extra Space, there are no underground storage tanks on the Premises nor have any underground storage tanks been removed from the Premises.

5.1.21 **Operating Agreements; Partnership Agreement**. Attached as **Schedule 5.1.21A** is a true, correct and complete copy of the Operating Agreement of ESP 51. Attached as **Schedule 5.1.21B** is a true, correct and complete copy of the Operating Agreement of ESP 57. Attached as **Schedule 5.1.21C** is a true, correct and complete copy of the Operating Agreement of ESP Texas GP. Attached as **Schedule 5.1.21D** is a true, correct and complete copy of the Partnership Agreement of ESP Texas.

5.1.22 **Title to ESP Interests**. Extra Space owns the ESP Interests and ESP 51 owns the Texas Interests free and clear of any security agreements, financing statements, liens, encumbrances, security interests or other claims of any kind. The ESP Interests constitute all of Extra Space's interest in ESP 51 and ESP 57. The Texas Interests constitute all of Extra Space's interest in ESP Texas GP and ESP

Texas. Extra Space has not entered into any side letters or other written instruments relating to the ESP Interests or the Texas Interests other than the agreements described in Section 5.1.21 other than those described on **Schedule 5.1.22**.

5.1.23 **No Undisclosed Liabilities**. As of the date of this Agreement, except for trade payables incurred in the ordinary course of business respectively of ESP 51, ESP 57, ESP Texas GP and ESP Texas and except as shown on the balance sheet attached hereto as **Schedule 5.1.23** or disclosed in the financial statements (including the footnotes thereto) that were delivered to HSRE prior to the date of this Agreement (the "**ESP Financials**"), none of ESP 51, ESP 57, ESP Texas GP nor ESP Texas has any indebtedness or liabilities (whether accrued, absolute, contingent or otherwise; whether due or to become due; and including,

without limitation, with respect to taxes) that would normally be disclosed on a balance sheet (including its footnotes) that was prepared in accordance with generally accepted accounting principles if such indebtedness or liabilities had been known at the time of the balance sheet's preparation. The ESP Financials are true, correct and complete in all material respects.

5.1.24 **ERISA**. Neither ESP 51, ESP 57, ESP Texas GP nor ESP Texas sponsors, maintains, contributes to or has any obligation to sponsor, maintain or contribute to, or has (or may have) liability under any "employee benefit plan," as defined in Section 3(3) of ERISA (whether or not subject to ERISA), or any employment, consulting, or other employee benefit plan, understanding, agreement, arrangement, policy or payroll practice, including, without limitation, severance pay, sick leave, vacation pay, salary continuation for disability, retirement, deferred compensation, bonus, stock purchase, stock option, stock ownership, stock appreciation rights, phantom stock, equity (or equity-based), layoff, dependent care, legal services, cafeteria, health, dental, vision, accident, change of control, termination, hospitalization, medical insurance, life insurance, tuition reimbursement and scholarship programs.

5.1.25 **Existing Indebtedness**. To Extra Space's Knowledge, **Schedule 5.1.25** sets forth the outstanding principal balance owing under each of the Third Party Notes. None of Extra Space, ESP 51 or ESP Texas has received written notice that an event of default by either ESP 51 or ESP Texas exists under the Third Party Loan Documents and, to Extra Space's Knowledge, no events have occurred or conditions exist which, with the giving of notice or lapse of time, or both, would constitute such an event of default. Extra Space agrees that at the Closing, Extra Space will amend and supplement this Section 5.1.25 to provide a representation as to amount of the outstanding balance, as of the Closing, of each reserve being held by Lender, on a Facility by Facility basis, with respect to the Existing Indebtedness. Pursuant to Section 3.2.4, Extra Space will, during the Due Diligence Period, make available to HSRE true and correct copies of the Third Party Loan Documents for inspection and review. Within ten (10) business days after the full execution of this Agreement, Extra Space shall update **Schedule 5.1.25** with a list of all material Third Party Loan Documents, and such update shall constitute Extra Space's representation and warranty that such list is a true and complete list of all such material Third Party Loan Documents. Extra Space agrees that at Closing Extra Space will amend and supplement this Section 5.1.25 to provide a representation that the copies of the material Third Party Loan Documents identified by HSRE during the Due Diligence Period are true and correct copies of the originals of such documents.

5.2 **Definition of Extra Space's Knowledge**. As used in this Agreement "**Extra Space's Knowledge**" and similar references shall mean only that information that is known, or with due diligence and appropriate inquiry or investigation for an owner of self storage facilities, would be known, by any one or more of the Senior Vice Presidents of Extra Space Storage Inc.

5.3 **Remaking of Extra Space Warranties and Representations**. The representations and warranties made in Section 5.1 above shall be deemed remade for the benefit of both HSRE and HSRE-ESP by Extra Space as of the Closing Date with the same force and effect as if, in fact, specifically remade at that time. If prior to the Closing either Extra Space or HSRE learns of any facts or circumstances which make any warranty or representation contained in 5.1 above untrue, incorrect, or misleading in any material respect, HSRE and Extra Space shall each give the other prompt written notice of such facts or circumstances. If either (a) matters occurring after the date of this Agreement render Extra Space unable to remake a representation or warranty as of the Closing Date, and HSRE learns of such matters prior to the Closing, or (b) prior to Closing Extra Space learns of any facts or circumstances which make any warranty or representation made in this Agreement by Extra Space untrue, incorrect, or misleading in any material respect and, at or prior to Closing, Extra Space has given HSRE written notice of such facts or circumstances, and, in each instance, as of the date of this Agreement, Extra Space did not have knowledge of such facts or circumstances, Extra Space shall not have any liability to either HSRE or HSRE-ESP with respect to such warranty or representation and the failure to remake such representation or warranty shall not constitute a default hereunder by Extra Space, except in the event or to the extent that the untruth of such representation or warranty is the result of any willful or intentional act of Extra Space (or anyone acting at his, her or its request) or willful or intentional failure to act on the part of Extra Space (or anyone acting at his, her or its request) and in breach of this Agreement. Notwithstanding anything to the contrary in this Section 5.3, the continuing truth and accuracy in all material respects of all representations and warranties made by Extra Space in Section 5.1 above in this Agreement shall be a condition precedent to HSRE's obligation to Close.

5.4 **Survival and Indemnification**.

5.4.1 **Limited Survival of Extra Space Warranties and Representations**. With the exception of the representations and warranties in Sections 5.1.1, 5.1.10, 5.1.11, 5.1.12, 5.1.13, 5.1.22 and 5.1.23, all of which shall survive indefinitely, the warranties and representations contained in Section 5.1 above shall survive the Closing and shall inure to the benefit of HSRE, HSRE-ESP and their respective legal representatives, heirs, successors or assigns for a period of one year after the Closing and shall automatically expire on the first anniversary of the Closing unless either HSRE or HSRE-ESP prior thereto has given Extra Space written notice of any alleged breach and either HSRE or HSRE-ESP commences and serves an action against Extra Space within ninety (90) days after such notice is given to Extra Space (and, in the event any such suit is timely commenced by either HSRE or HSRE-ESP and served against Extra Space, shall survive thereafter only insofar as the subject matter of the alleged breach specified in such suit is concerned). If notice is not timely given and suit is not timely commenced and served by either HSRE or HSRE-ESP, such representations and warranties shall thereafter be void and of no force or effect.

5.4.2 **Indemnification**. Subject to the provisions of Section 5.4.1 above, if any Claim (defined below) arises because of any of the representations and

warranties of Extra Space set forth in Section 5.1 above proves to the false or misleading in any material respect, Extra Space shall indemnify, defend (with counsel reasonably acceptable to HSRE), protect, and save and hold harmless HSRE and HSRE-ESP with respect to any such Claim. As used herein, the term "**Claim**" shall mean any and all liabilities, judgments, settlement amounts, claims, causes of action, suits penalties, damages, demands, orders, costs and expenses of any kind or nature, including, without limitation, reasonable legal, accounting, consulting, engineering, and other costs and expenses which may be incurred by or asserted against the indemnified party.

5.4.3 **Survival**. The provisions of this Section 5.4 shall survive the Closing. Except as may otherwise be specifically set forth in this Agreement, the obligations of the Extra Space under this Agreement shall not survive the Closing or any termination of this Agreement.

6. WARRANTIES AND REPRESENTATIONS OF HSRE.

6.1 **Warranties and Representations**. HSRE represents and warrants to Extra Space that, as of the date of this Agreement and at the Closing:

6.1.1 **Authority, etc**. HSRE is a limited liability company, duly organized and validly existing under the laws of the State of Delaware and is in good standing under the laws of the State of Delaware, and has full power and lawful authority under HSRE's organizational documents to enter into and carry out the terms and provisions of this Agreement and to execute and deliver all documents which are contemplated by this Agreement. All actions necessary to confer such power and authority upon the persons executing this Agreement on behalf of HSRE (and all documents which are contemplated by this Agreement to be executed on behalf of HSRE) have been taken. HSRE's execution, delivery and performance of this Agreement will not result in any violation of, or default under, or require any notice or consent under, any of it's organizational documents.

6.1.2 **Litigation**. HSRE has not been served with any litigation which is still pending against HSRE with respect to the transaction which is the subject of this Agreement or which would materially and adversely affect HSRE's ability to consummate the transaction which is the subject of this Agreement.

6.2 **Definition of HSRE'S Knowledge**. As used in this Agreement, "**HSRE's Knowledge**" means only that information that is possessed by Stephen Gordon, Robert Mathias, or any officer, manager, or member of Harrison Street Real Estate Capital, LLC, without investigation, inquiry or review of files, and shall not include any knowledge of any other party which might otherwise be imputed to such party.

6.3 **Remaking of HSRE Warranties and Representations**. The representations and warranties made in Section 6.1 above shall be deemed remade for the benefit of both Extra Space and HSRE-ESP by HSRE as of the Closing Date with the

same force and effect as if, in fact, specifically remade at that time. If prior to the Closing either HSRE or Extra Space learns of any facts or circumstances which make any warranty or representation contained in 6.1 above untrue, incorrect, or misleading in any material respect, Extra Space and HSRE shall each give the other prompt written notice of such facts or circumstances. If either (a) matters occurring after the date of this Agreement render HSRE unable to remake a representation or warranty as of the Closing Date, and Extra Space learns of such matters prior to the Closing, or (b) prior to Closing HSRE learns of any facts or circumstances which make any warranty or representation made in this Agreement by Extra Space untrue, incorrect, or misleading in any material respect and, at or prior to Closing, HSRE has given Extra Space written notice of such facts or circumstances, and, in each instance, as of the date of this Agreement, HSRE did not have knowledge of such facts or circumstances, HSRE shall not have any liability to either Extra Space or HSRE-ESP with respect to such warranty or representation and the failure to remake such representation or warranty shall not constitute a default hereunder by HSRE, except in the event or to the extent that the untruth of such representation or warranty is the result of any willful or intentional act of HSRE (or anyone acting at his, her or its request) or willful or intentional failure to act on the part of HSRE (or anyone acting at his, her or its request) and in breach of this Agreement. Notwithstanding anything to the contrary in this Section 6.3, the continuing truth and accuracy in all material respects of all representations and warranties made by HSRE in Section 6.1 in this Agreement shall be a condition precedent to Extra Space's obligation to Close.

6.4 **Survival and Indemnification**.

6.4.1 **Limited Survival of HSRE Warranties and Representations**. With the exception of the representations and warranties in Section 6.1.1, which shall survive indefinitely, the warranties and representations contained in Section 6.1 above shall survive the Closing and shall inure to the benefit of Extra Space, HSRE-ESP and their respective legal representatives, heirs, successors or assigns for a period of one year after the Closing and shall automatically expire on the first anniversary of the Closing unless either Extra Space or HSRE-ESP prior thereto has given HSRE written notice of any alleged breach and either Extra Space or HSRE-ESP commences and serves an action against HSRE within ninety (90) days after such notice is given to HSRE (and, in the event any such suit is timely commenced by either Extra Space or HSRE-ESP and served against HSRE, shall survive thereafter only insofar as the subject matter of the alleged breach specified in such suit is concerned). If notice is not timely given and suit is not timely commenced and served by either Extra Space or HSRE-ESP, such representations and warranties shall thereafter be void and of no force or effect.

6.4.2 **Indemnification**. Subject to the provisions of Section 6.4.1 above, if any Claim (defined below) arises because of any of the representations and warranties of HSRE set forth in Section 6.1 above proves to the false or misleading in any material respect, HSRE shall indemnify, defend (with counsel reasonably acceptable to Extra Space), protect, and save and hold harmless Extra Space and HSRE-ESP with respect to any such Claim. As used herein, the term "**Claim**" shall mean any and all liabilities, judgments, settlement amounts, claims, causes of action, suits penalties, damages, demands, orders, costs and expenses of any kind or nature, including, without limitation, reasonable legal, accounting, consulting, engineering, and other costs and expenses which may be incurred by or asserted against the indemnified party.

6.4.3 **Survival**. The provisions of this Section 6.4 shall survive the Closing. Except as may otherwise be specifically set forth in this Agreement, the obligations of the HSRE under this Agreement shall not survive the Closing or any termination of this Agreement.

7. ADDITIONAL WARRANTIES AND REPRESENTATIONS OF EXTRA SPACE AND HSRE.

7.1 **Knowledge**. Extra Space and HSRE (each hereinafter a "**Party**" and collectively the "**Parties**"), solely with respect to itself and not with respect to any other Party, each warrants and represents to the other that such Party is aware that:

7.1.1 Acquisition of an Interest in HSRE-ESP is a speculative investment which involves a substantial degree of risk of loss by such Party of such Party's entire investment in HSRE-ESP, that such Party understands and takes full cognizance of the risk factors related to acquisition of an interest in HSRE-ESP.

7.1.2 No federal, state or local agency has passed upon the interests in HSRE-ESP or made any finding or determination concerning the fairness of an investment in HSRE-ESP.

7.1.3 The tax consequences to such Party of investing in HSRE-ESP will depend on such Party's particular circumstances, and neither HSRE-ESP, any member of HSRE-ESP, any other Party, nor any of their respective, agents, officers, directors, employees, affiliates, or consultants of any of them will be responsible or liable for the tax consequences of an investment in HSRE-ESP. Such Party will look solely to, and rely upon, its own advisers with respect to the tax consequences of an investment in HSRE-ESP.

7.1.4 There can be no assurance that the Internal Revenue Code or the regulations thereunder will not be amended or interpreted in the future in such a manner so as to deprive HSRE-ESP and its members of some or all of the tax benefits they might now receive, nor that some of the deductions claimed by HSRE-ESP or the allocations of items of income, gain, loss, deduction, or credit among its members may not be challenged by the Internal Revenue Service.

7.1.5 Any projections which may have been delivered to such Party (including projections set forth in the "Annual Business Plan and Operating Budget (as defined below)) are based on estimates, assumptions and forecasts of Extra Space and others, are only estimates and opinions, and are not guaranteed by Extra Space, HSRE-ESP any member of HSRE-ESP or any other Person.

Such Party has undertaken its own independent review of the investment in HSRE-ESP.

7.1.6 Pursuant to the HSRE-ESP Operating Agreement, there are substantial restrictions on the transferability of the interests in HSRE-ESP and that there is no public market for such interests and none is expected to develop, and that, accordingly, it may not be possible for such Party to liquidate its investment in HSRE-ESP.

7.1.7 Such Party has received and reviewed all information such Party considers necessary or appropriate for deciding whether to acquire an interest in HSRE-ESP. Such Party has had an opportunity to ask questions and receive answers from the other Party and its Affiliates and/or employees regarding the terms and conditions of such Party's acquisition of such interest in HSRE-ESP and regarding the business, financial affairs, and other aspects of HSRE-ESP and has further had the opportunity to obtain all information (to the extent the other Party possesses or can acquire such information without unreasonable effort or expense) which it deems necessary to evaluate the investment and to verify the accuracy of information otherwise provided to such Party.

7.1.8 Neither HSRE-ESP the other Party or any Affiliate, agent or employee of HSRE-ESP, such other Member, or any other person has at any time expressly or implicitly represented, guaranteed, or warranted to such Party that such Party may freely transfer such Party's interest in HSRE-ESP, that a percentage return of profits and/or amount or type of consideration will be realized as a result of an investment in HSRE-ESP, that past performance or experience on the part of any Party or its affiliates or any other person in any way indicates the predictable results of the ownership of such Party's interest in HSRE-ESP or of the overall business of HSRE-ESP, that any cash distributions from HSRE-ESP operations or otherwise will be made to the members by any specific date or will be made at all, or that any specific tax benefits will accrue as a result of an investment in HSRE-ESP.

7.1.9 Such Party has been advised to consult with such Party's own attorney regarding all legal matters concerning an investment in HSRE-ESP and the tax consequences of participating in HSRE-ESP, and has done so, to the extent such Party considers necessary.

7.1.10 Such Party must bear the economic risk of investment in HSRE-ESP for an indefinite period of time, since the interests have not been registered under the Securities Act of 1933 and, therefore, cannot be sold unless either they are subsequently registered under such Act or an exemption from such registration is available.

7.1.11 Interests in HSRE-ESP have not been registered under the Securities Act of 1933, as amended **("Securities Act")**, or qualified under the securities laws of any state, or any other applicable blue sky laws in reliance, in part, on the warranties and representations of such Party herein.

7.2 **Additional Warranties and Representations**. Each Party, solely with respect to such Party and not with respect to any other Party, warrants and represents to the other Party that:

7.2.1 Such Party and such Party's investment advisors, if any, have carefully reviewed and understand the risks of, and other considerations relating to, the purchase of an interest in HSRE-ESP.

7.2.2 Such Party is acquiring such Party's interest in HSRE-ESP for investment purposes only for its own account, and not with a view to the resale, assignment, pledge, mortgage, hypothecation, transfer or distribution of all or any part thereof. No other person will have any direct or indirect beneficial interest in or right to such Party's interest in HSRE-ESP.

7.2.3 Such Party: (1) is authorized and otherwise duly qualified to purchase and hold interests in HSRE-ESP; and (2) has its principal place of business at its address set forth above in this Agreement.

7.2.4 By reason of its business or financial experience, or by reason of the business or financial experience of such Party's financial advisor who is unaffiliated with and who is not compensated, directly or indirectly, by either the other Party or HSRE-ESP or any Affiliate or selling agent of either the other Party or HSRE-ESP, such Party is capable of evaluating the risks and merits of this investment and of protecting such Party's own interests in connection with this investment.

7.2.5 Such Party is an "accredited investor" as defined in Rule 501(a) promulgated by the Securities and Exchange Commission **("SEC")**. Notwithstanding such Party's status as an accredited investor, such Party is acquiring such Party's interest in HSRE-ESP and entering into this Agreement as a joint venture with the other Party and does not consider the interests in HSRE-ESP to constitute a "security" under any federal or state law.

7.2.6 Such Party is financially able to bear the economic risk of an investment in HSRE-ESP, including the total loss thereof.

7.2.7 Neither the other Party nor HSRE-ESP is under any obligation to register or qualify interests in the Company under the Securities Act or under any state securities law, or to assist such Party in complying with any exemption from registration and qualification. Such Party is an experienced investor in unregistered and restricted securities of limited liability companies or limited partnerships.

7.3 **Indemnification Regarding Warranties and Representations**. Each Party agrees to indemnify and hold harmless each other Party, HSRE-ESP, and any

officers, directors, shareholders, managers, members, employees, partners, agents, attorneys, registered representatives, and control persons of any such entity who was or is a party or is threatened to be made a party to any threatened, pending, or completed action, suit, or proceeding, whether civil, criminal, administrative, or investigative, by reason of or arising from any misrepresentation or misstatement of facts or omission to represent or state facts made by such Party including, without limitation, the information in this Agreement, against losses, liabilities, and expenses of HSRE-ESP, each and every other Party, and any officers, directors, shareholders, managers, members, employees, partners, attorneys, agents, registered representatives, and control persons of any such person (including attorneys' fees, judgments, fines, and amounts paid in settlement, payable as incurred) incurred by such person in connection with such action, suit, proceeding, or the like.

7.4 **Survival**. The provisions of this Section 7 shall survive the Closing and/or any termination of this Agreement.

8. INSPECTIONS.

8.1 **Inspections**. Subject to the provisions of this Section 8, during the forty-five (45) day period following the full execution of this Agreement (the "**Due Diligence Period**"), HSRE shall be permitted to make a complete review and inspection of the physical, legal, economic and environmental condition of the Property, including, without limitation, interviews with Extra Space's personnel at the Facilities, if any, or the personnel of Extra Space's property manager, any leases and contracts affecting the Premises, books and records maintained by Extra Space or its agents relating to the Property, pest control matters, soil condition, asbestos, PCB, hazardous waste, toxic substance or other environmental matters, compliance with building, health, safety, land use and zoning laws, regulations and orders, plans and specifications, structural, life safety, HVAC and other building system and engineering characteristics, traffic patterns, and all other information pertaining to the Property. Without representation or warranty, Extra Space shall cooperate in HSRE's review and provide HSRE with the opportunity to review leases, financial reports and other third-party inspection reports and similar materials in Extra Space's possession relating to the Property (excluding appraisals, internal valuations or similar proprietary materials that may be in Extra Space's possession). The property management agreement applicable to each Facility shall be terminated as of Closing. Prior to the expiration of the inspection period, HSRE shall notify Extra Space in writing of any repair and maintenance items that HSRE has identified during the course of its inspections, along with an estimate of the expense to repair such items (the "**Repair Notice**"). Within five (5) business days after Extra Space's receipt of the Repair Notice, Extra Space shall provide written notice (the "**Repair Response**") to HSRE of those items which it agrees to repair (the "**Repair Items**"). If Extra Space does not elect to repair all of the items set forth in the Repair Notice, HSRE may either waive HSRE's requirement that Extra Space repair such Repair Items and proceed to Closing or terminate this Agreement by providing written notice to Extra Space within three (3) business days of HSRE's receipt of the Repair Response. Upon such termination, neither party shall have any further rights or liabilities hereunder except for those provisions which expressly survive the termination of this Agreement. If prior to Closing Extra Space fails to complete the repair of any Repair Items that Extra Space elected to repair, a portion of the Extra Space Distribution Amount equal to one hundred fifty percent (150%) of HSRE's reasonable estimate to repair such items (as set forth in the Repair Notice) shall be held in an escrow with the Title Insurer pursuant to instructions that are reasonably acceptable to HSRE and Extra Space to ensure the completion of such Repair Items.

8.2 **Conduct of Inspections**.

8.2.1 **Inspections in General**. During the Due Diligence Period, HSRE, its agents, and employees shall have the right to enter upon the Property for the purpose of making non-invasive inspections at HSRE's sole risk, cost and expense. Before any such entry, HSRE shall provide Extra Space with a certificate of insurance naming Extra Space as an additional insured and with an insurer and insurance limits and coverage reasonably satisfactory to Extra Space. All such entries upon the Property shall be at reasonable times during normal business hours and after at least 24 hours prior notice to Extra Space or Extra Space's agent, and Extra Space or Extra Space's agent shall have the right to accompany HSRE during any inspection activities performed by HSRE on the Property. HSRE shall not disturb the tenants on the Property, and HSRE's inspection shall be subject to the rights of tenants under the Leases. During the Due Diligence Period, Extra Space shall provide to HSRE, from time to time at the request of HSRE, copies of current reports and information with respect to the Facilities which are available from the Center Shift property management system ("**Center Shift**"). If any inspection or test disturbs the Property, HSRE will restore the Property to the same condition as existed before the inspection or test. HSRE shall indemnify, defend and hold harmless Extra Space and Extra Space's partners and their respective shareholders, directors, officers, affiliates, tenants, agents, contractors, employees, successors and assigns ("Extra Space Related Parties") and the Property from and against any and all losses, costs, damages, claims, or liabilities, including reasonable attorneys' fees, arising out of or in connection with any entry or inspections performed by HSRE, its agents or representatives. The provisions of this Section 8.2.1 shall survive the Closing or any termination of this Agreement.

8.2.2 **Environmental Inspections**. The inspections permitted under Section 8.2, may include a non-invasive Phase I environmental inspection of the Property, but no Phase II environmental inspection or other invasive inspection or sampling of soil or materials, including without limitation construction materials, either as part of the Phase I inspection or any other inspection, shall be performed without the prior written consent of Extra Space, which may be withheld in Extra Space's sole and absolute discretion, and if consented to by Extra Space, the proposed scope of work and the party who will perform the work shall be subject to Extra Space's review and approval. HSRE shall deliver to Extra Space copies of any Phase I, Phase II or other environmental report to which Extra Space consents as provided above.

8.2.3 **Title and Survey Review**. During the Due Diligence Period, HSRE shall review: Extra Space's existing title insurance policies with respect to the Property and Extra Space's existing surveys with respect to the Property. HSRE may order, at HSRE's expense, updates on the existing surveys. HSRE may, at its sole expense, obtain during the Due Diligence Period any additional title commitment(s) (the "**Title Commitments**") from Chicago Title Insurance Company, National Office, at 171 N. Clark Street, 3rd Floor, Chicago, IL 60601, Attention: Ronald K. Szopa, as the "**Escrow Agent**" or "**Title Insurer**", or survey updates desired by HSRE. HSRE shall work directly with the Title Insurer to resolve any objections to exceptions set forth on the Title Commitments and shall provide Extra Space with copies of final, revised Title Commitments or pro forma policies, which set forth only those title exceptions that have been accepted by HSRE (the "**Approved Title Matters**"). Extra Space shall have no obligation to remove any exceptions to title reflected on the Title Commitments except liens of an ascertainable amount created by Extra Space (but specifically not including liens to secure the Existing Indebtedness), including mechanics' and materialmen's liens filed against the Extra Space and judgment liens filed against the Property with respect to judgments obtained against Extra Space, which liens Extra Space shall cause to be removed as exceptions to the Title Policy at Closing (and if Extra Space fails to remove such matters as exceptions, by bonding over such matters or otherwise, HSRE may direct that a portion of the Extra Space Distribution Amount be applied to remove same). Extra Space further agrees to remove any exceptions or encumbrances to title which are created by Extra Space after the date of this Agreement without HSRE's consent. HSRE may terminate this Agreement if the Title Company revises the Title Report after the expiration of the Due Diligence Period to add exceptions if such additions are not reasonably acceptable to HSRE and are not removed as exceptions to the Title Policy at Closing.

8.3 **Termination During Due Diligence Period**. If HSRE determines, in its sole discretion, before the expiration of the Due Diligence Period that the Property is unacceptable for HSRE's purposes, HSRE shall have the right to terminate this Agreement by giving to Extra Space written notice of termination before the expiration of the Due Diligence Period, and neither party shall have any further rights or liabilities hereunder except for those provisions which expressly survive the termination of this Agreement.

8.4 **Approval of Annual Business Plan and Annual Operating Budget**. At least ten business days prior to the expiration of the Due Diligence Period, Extra Space shall prepare and submit to HSRE, an Annual Business Plan and Annual Operating Budget (as defined in the HSRE-ESP Operating Agreement) for review and approval by HSRE.

9. DAMAGE TO PROPERTY.

If before the Closing one or more of the Facilities is materially or adversely affected in any way as a result of any fire, flood, earthquake, similar acts of nature or other acts of

destruction which involves damage requiring repair and restoration costs of less than or equal to Five Hundred Thousand and No/100 Dollars ($500,000.00), the parties shall be obligated to proceed with the Closing. In that event, if (A) the amount of the insurance proceeds available for such loss have been determined prior to the Closing Date, then the difference between (i) the cost of repairing and restoring such Facilities and (ii) the total amount of insurance proceeds payable with respect to such material adverse change (the "Casualty Adjustment Amount") shall be treated as a "cost" which is charged to Extra Space for purposes of determining the Extra Space Distribution Amount pursuant to Section 2.2.2 above, or (B) the amount of the insurance proceeds available for such loss have not been determined prior to the Closing Date, then the right to receive such insurance proceeds shall be assigned to HSRE-ESP or the title holder of the applicable property, and Extra Space shall pay the Casualty Adjustment Amount to HSRE-ESP within ten (10) days after such amount has been determined. If the material or adverse change involves damage requiring repair and restoration costs in excess of Five Hundred Thousand and No/100 Dollars ($500,000.00) or more (a "**Major Event**"), the parties shall proceed to Closing with the Facilities being transferred in their un-restored condition together with any insurance proceeds or the right to receive such insurance proceeds, and the rights to any other claims arising as a result of such material or adverse change, in which event, the amount of any "deductible" from the insurance proceeds payable with respect to such material or adverse change shall be treated as a "cost" which is charged to Extra Space for purposes of determining the Extra Space Distribution Amount pursuant to Section 2.2.2 above; provided, however, that HSRE shall have the right, exercisable within twenty (20) days of the occurrence of such Major Event, to terminate this Agreement (and if such Major Event results in uninsured repair and restoration costs in excess of $500,000, either Extra Space or HSRE shall have the right to so terminate this Agreement), in which event, except as specifically provided otherwise in this Agreement, the parties shall have no further obligations to each other under this Agreement.

10. <u>EMINENT DOMAIN</u>.

If, before Closing, proceedings, are commenced or threatened for the taking by exercise of the power of eminent domain (a "**Taking**") of all or a "material" (as defined below) part of any of the Facilities, each of Extra Space or HSRE shall have the right, by giving written notice to the other within twenty (20) days after Extra Space gives HSRE written notice of the commencement of such proceedings or the threat to commence such proceedings, to terminate this Agreement, in which event, except as specifically provided otherwise in this Agreement, the parties shall have no further obligations to each other under this Agreement. If, before the Closing, proceedings are commenced or threatened for a Taking of less than such a "material" part of a Facility, or if neither Extra Space nor HSRE exercises the right to terminate this Agreement pursuant to the preceding sentence, then this Agreement shall remain in full force and effect and, on the Closing, the condemnation award (or, if not therefore received, the right to receive such portion of the award) payable on account of the Taking shall constitute an asset of the owner of such Facility (i.e., either ESP 51 or ESP Texas) and, as such, shall be part of the Property. Extra Space shall give written notice to HSRE within ten (10) business days after Extra Space receives notice of the commencement of any proceedings for a Taking of all or any part of a Facility. For purposes of this Section 10 a Taking of any portion of a Facility shall be "material" if such Taking would render such Facility unsuitable, in the reasonable determination of Extra Space and HSRE, for use as a self storage facility in the same manner in which such Facility has historically been used by Extra Space.

11. <u>CONDITIONS PRECEDENT</u>.

11.1 **<u>HSRE's Conditions Precedent</u>**. The obligations of HSRE under this Agreement are contingent upon any one or more of the following, the failure of any of which shall, upon written notice by HSRE to Extra Space, render this Agreement and the HSRE Operating Agreement null and void:

11.1.1 **<u>Title Policy</u>**. Title Insurer shall be irrevocably committed to issue for each Facility upon Closing either (x) a Form 2006 ALTA Owner's Policy of Title Insurance (or an applicable local equivalent) with an endorsement deleting the exclusion for creditors' rights and deleting the arbitration provision (or other current form of extended coverage owner's policy if such form is not available), along with such title endorsements reasonably requested by HSRE and in the form previously approved by HSRE (collectively, the "**Title Policy**"), or (y) an endorsement to Extra Space's existing title insurance policy for the Property (collectively, the "**Endorsement**"), in either case, together with a non-imputation endorsement (if available in the jurisdiction in which the Property is located) and insuring ESP 51 or ESP Texas (as applicable) as the owner of fee simple title to the applicable Facility, subject only to Permitted Exceptions, in the amounts set forth on **<u>Schedule 9.1.1</u>** attached hereto.

11.1.2 **<u>No Default</u>**. Extra Space shall not be in default in any material respect under any of its obligations hereunder.

11.1.3 **<u>Representations and Warranties</u>**. Each of the representations and warranties of Extra Space shall be true and correct in all material respects as of Closing.

11.1.4 **<u>Annual Business Plan and Annual Operating Budget</u>**. HSRE and Extra Space shall have approved the Annual Business Plan and Annual Operating Budget.

11.1.5 **<u>Existing Loan</u>**. The Lender and each servicer of the Existing Indebtedness shall have approved the transaction which is the subject of this Agreement and the Lender Conditions are acceptable to both HSRE and Extra Space.

11.2 **<u>Extra Space's Conditions Precedent</u>**. The obligations of Extra Space under this Agreement are contingent upon any one or more of the following, the failure of any of which shall, upon written notice by Extra Space to HSRE, render this Agreement and the HSRE Operating Agreement null and void:

11.2.1 **<u>No Default</u>**. HSRE shall not be in default in any material respect under any of its obligations hereunder.

11.2.2 **<u>Representations and Warranties</u>**. Each of the representations and warranties of HSRE shall be true and correct in all material respects as of Closing.

11.2.3 **<u>Annual Business Plan and Annual Operating Budget</u>**. HSRE and Extra Space shall have approved the Annual Business Plan and Annual Operating Budget.

11.2.4 **<u>Existing Loan</u>**. The Lender and each servicer of the Existing Indebtedness shall have approved the transaction which is the subject of this Agreement and the Lender Conditions are acceptable to both HSRE and Extra Space.

12. <u>BROKERAGE</u>.

Each of Extra Space and HSRE represents that it has not engaged any broker in connection with the transactions contemplated by this Agreement. Each of Extra Space and HSRE shall indemnify and hold the other party harmless from and against any and all claims of all brokers and finders claiming by, through or under the indemnifying party. The provisions of this Section 12 shall survive Closing.

13. DEFAULTS AND REMEDIES.

13.1 **HSRE's Remedies**.

13.1.1 **Pre-Closing Default**. In the event that prior to Closing, Extra Space breaches in any material respect any warranty or representation contained in this Agreement or fails in any material respect to comply with or perform any of the conditions to be complied with or any of the covenants, agreements or obligations to be performed by Extra Space under the terms and provisions of this Agreement and such breach or failure continues for a period of ten (10) business days after written notice thereof from HSRE to Extra Space, HSRE, as HSRE's exclusive remedies, shall be entitled to (i) terminate this Agreement by giving written notice thereof to Extra Space, whereupon, except as provided below in this Section 13.1.1 and except as expressly provided otherwise in this Agreement, neither party shall have any further rights or obligations under this Agreement; or (ii) enforce specific performance of Extra Space's obligations under this Agreement; provided, however, that notwithstanding anything to the contrary in this Section 13.1.1, in the event of a termination by HSRE under (i) above, Extra Space shall, upon demand from HSRE, reimburse HSRE for the actual and reasonable out-of-pocket expenses paid or incurred by HSRE in connection with this Agreement and/or HSRE's investigation or inspection of the Property in an amount not to exceed Two Hundred Fifty Thousand and No/100 Dollars ($250,000.00). HSRE expressly agrees that in no event shall Extra Space be liable for any special, incidental, consequential or punitive damages whatsoever (including, without limitation, loss of business profits or opportunity) and by execution of this Agreement, HSRE waives any right to claim or seek any such damages. The provisions of this Section 13.1.1 shall survive the Closing or any termination of this Agreement.

13.1.2 **Post Closing Default**. In the event that the transaction which is the subject of this Agreement closes and at or after Closing Extra Space breaches any warranty, representation or covenant contained in this Agreement which survives Closing or contained in any document delivered by Extra Space at Closing HSRE may, subject to the limitations contained in this Agreement, pursue any and all remedies available at law or in equity; provided, however, in no event shall Extra Space be liable for any special, incidental, consequential or punitive damages whatsoever (including, without limitation, loss of business profits or opportunity) and by execution of this Agreement, HSRE waives any right to claim or seek any such damages. The provisions of this Section 13.1.2 shall survive the Closing.

13.2 **Extra Space's Remedies**. Except as provided below in this Section 13.2, in the event HSRE breaches any warranty or representation contained in this Agreement in any material respect or fails to comply with or perform in any material respect any of the covenants, agreements or obligations to be performed by HSRE under the terms and provisions of this Agreement and such breach or failure continues for a period of ten (10) business days after written notice thereof from Extra Space to HSRE, as the sole and exclusive remedy of Extra Space, Extra Space may terminate this Agreement by written notice to HSRE. Notwithstanding anything to the contrary in this Section 13.2, the limitations set forth above in this Section 13.2 shall not apply to a default by HSRE under (1) Section 8.2.1, (2) any other covenant of HSRE under this Agreement which, pursuant to the express provisions of this Agreement, survives the Closing, but only to the extent that the transaction which is the subject of this Agreement closes and such default occurs at or after the Closing, or (3) any document delivered by HSRE at the Closing; provided, however, in no event shall HSRE be liable for any special, incidental, consequential or punitive damages whatsoever (including, without limitation, loss of business profits or opportunity) and by execution of this Agreement, Extra Space waives any right to claim or seek any such damages. The provisions of this Section 13.2 shall survive the Closing or any termination of this Agreement.

After Closing, each of Extra Space and HSRE shall, subject to the terms and conditions of this Agreement, have such rights and remedies as are available at law or in equity with respect to a default (or breach of a representation or warranty) by another party under this Agreement, except (i) as expressly limited in this Agreement, and (ii) that none of the parties hereto shall be entitled to recover from the other consequential or special damages.

14. MISCELLANEOUS.

14.1 **Entire Agreement**. This Agreement constitutes the entire agreement between Extra Space and HSRE with respect to the matters discussed herein. This Agreement shall not be modified or amended except in a written document signed by Extra Space and HSRE.

14.2 **Time**. Time is of the essence of this Agreement. In the computation of any period of time provided for in this Agreement or by law, the day of the act or event from which the period of time runs shall be excluded, and the last day of such period

shall be included, unless it is a Saturday, Sunday, Monday, or legal holiday, in which case the period shall be deemed to run until the end of the next day which is not a Saturday, Sunday, Monday, or legal holiday.

14.3 **Notices**. Any notices required or permitted to be given hereunder shall be in writing and shall be (as elected by the party giving such notice): (i) personally delivered, (ii) sent by a nationally recognized overnight courier service, fees prepaid, or (iii) sent by telecopier, in each instance addressed as provided below. Either party may change its address for purposes hereof by notice given to the other party. Notices hereunder shall be directed:

If to Extra Space:

Extra Space Storage LLC
2795 E. Cottonwood Parkway
Suite 400
Salt Lake City, UT 84121

Attn: Mr. Charles L. Allen
Fax: (801) 365-4947

With a copy to:

Holland & Hart LLP
60 East South Temple, Suite 2000
Salt Lake City, Utah 84111
Attn: Mr. Steven E. Tyler
Fax: (866) 711-8035

2. If to HSRE:

c/o Harrison Street Real Estate Capital, LLC
71 S. Wacker Drive
Suite 3575
Chicago, IL 60606
Attn: Stephen Gordon and Robert Mathias
Fax: (312) 920-1855

With copies to:

DLA Piper LLP (US)
203 N. LaSalle Street
Suite 1900
Chicago, IL 60601-1293
Attention: Michael S. Gershowitz
Fax: (312) 630-6306

A notice sent in compliance with the provisions of this 14.3 shall be deemed given on the date of receipt or refusal to accept delivery, provided, however, that a notice delivered by facsimile shall only be effective (retroactive to the time of receipt) if such notice is also delivered within two (2) business days by hand or deposited in the United States mail, postage prepaid, registered or certified mail.

14.4 **No Recordation**. Neither this Agreement nor any memorandum thereof shall be recorded against the Property.

14.5 **Counterparts**. This Agreement may be executed in any number of identical counterparts any or all of which may contain the signatures of fewer than all of the parties but all of which shall be taken together as a single instrument.

14.6 **Waiver**. The failure by either party to enforce against the other any term of this Agreement shall not be deemed a waiver of such party's right to enforce against the other party the same or any other term in the future.

14.7 **Severability**. If any one or more of the provisions hereof shall be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision hereof and this Agreement shall be construed as if such invalid, illegal or unenforceable provision were not herein contained.

14.8 **Jury**. **THE PARTIES HERETO WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING OR CLAIM BROUGHT BY EITHER OF THE PARTIES AGAINST THE OTHER REGARDING ANY MATTERS ARISING OUT OF THIS AGREEMENT.**

14.9 **Further Assurances**. Each party agrees to perform, execute and deliver, on and after the Closing, such further actions and documents as may be reasonably necessary or requested to more fully effectuate the purposes, terms and intent of this Agreement and the conveyances contemplated herein.

14.10 **Attorneys' Fees**. If any party hereto or their respective successors or assigns files suit to enforce the obligations of, or remedy against, any other party to this Agreement, the prevailing party shall be entitled to recover from the non-prevailing party the reasonable fees and expenses of its attorneys and its court costs.

14.11 **Construction**. The parties acknowledge that each party and its counsel have reviewed and revised this Agreement and that the normal rule of construction to the effect that any ambiguities are to be resolved against the drafting party shall not be employed in the interpretation of this Agreement or any amendments or exhibits hereto. The captions preceding the text of each Section are included for convenience of reference only and shall be disregarded in the construction and interpretation of this agreement.

14.12 **No Third-Party Beneficiaries**. This Agreement shall benefit only the parties hereto, and no other person or entity shall have any rights hereunder.

14.13 **As-Is**. HSRE acknowledges that it has had the opportunity to inspect the Property and that it accepts the ESP Interests, the Texas Interests and the Property in its "as is" condition, subject, in the case of the Property, to use, ordinary wear and tear, and natural deterioration, subject to the other terms of this Agreement. HSRE further acknowledges that, except as expressly provided in this Agreement or in any document delivered by Extra Space at Closing in accordance with this Agreement (collectively "**Extra Space's Closing Documents**"), (i) neither Extra Space nor any agent or representative of such parties has made, and (ii) neither Extra Space nor any such agent or representative is liable for or bound in any manner by, any express or implied warranties, guaranties, promises, statements, inducements, representations or information pertaining to the ESP Interests, the Texas Interests or the Property.

14.14 **Reporting Person**. Extra Space and HSRE hereby designate Title Insurer to act as and perform the duties and obligations of the "reporting person" with respect to the transaction contemplated by this Agreement for purposes of 26 C.F.R. Section 1.6045-4(e)(5) relating to the requirements for information reporting on real estate transaction closed on or after January 1, 1991. In this regard, Extra Space and HSRE each agree to execute at Closing, and to cause Title Insurer to execute at Closing, a Designation Agreement, designating Title Insurer as the reporting person with respect to the transaction contemplated by this Agreement.

14.15 **Public Notices**. Any press release and other public notice to be released by any party hereto disclosing the consummation of the transactions contemplated hereby shall first be submitted to the other parties hereto for review and comment, and each party hereto shall reasonably cooperate in addressing the concerns of the other with respect to the nature and content of such disclosure (except and to the extent any such disclosure may be required by law).

14.16 **Governing Law**. This Agreement shall be governed by, and construed in accordance with, the laws of the State of Illinois.

14.17 **Confidential Information**. All information obtained pursuant to this Agreement by any party hereto from the other parties hereto and the matters and provisions hereof shall be and remain confidential (subject to the necessity of divulging to third parties, including, without limitation, attorneys, accountants, engineers, architects and prospective equity partners and lenders, such information as either party may require in order to perform its obligations hereunder and subject to disclosure of all information required by governmental authorities (including disclosures required under state or federal securities laws or the rules of a party's principal securities exchange) and any actual or prospective lender to the Company or any Subsidiary). No party will issue or cause the issuance of, and each will prevent its employees or agents from issuing or causing the issuance of, any press or media release or other information in the nature of a press release relating to either this Agreement or the transaction contemplated hereby except upon the prior written approval of Extra Space and HSRE as to the exact text of such press release.

[signature page follows next]

IN WITNESS WHEREOF, this Agreement is executed on the day and year first above written.

EXTRA SPACE

EXTRA SPACE STORAGE LLC, a Delaware limited liability company

By: /s/ Charles L. Allen
Name: Charles L. Allen
Title: Manager

HSRE

HSRE-ESP IA, LLC, a Delaware limited liability company

By: HSREP II Holding LLC, a Delaware limited liability company, its sole member,

HSRE REIT II, a Maryland real estate investment trust, a member

By:	/s/ Stephen M. Gordon
Name:	Stephen M. Gordon
Its:	Trustee

EXHIBIT D

ARBITRATION AND PRORATION REVIEW

1. **Post Closing True-Up**. Within sixty (60) calendar days after Closing, Extra Space shall recalculate the Prorations (other than prorations of real estate and personal property taxes that are based on a tax bill for a period prior to the year in which the Closing occurs, which prorations shall be recalculated upon receipt of the current tax bill for the year in which the Closing occurs, as set forth in Section 4.3.2.1) as of the Proration Date as set forth in Section 4.3 of the Agreement (the "Proration Recalculation") and shall send a copy of the Proration Recalculation to HSRE. Extra Space and HSRE shall each have an opportunity to provide the other with a review (a "Review") of the Proration Recalculation setting forth in reasonable detail any discrepancy

which it has discovered in the Prorations made at the Closing or in the Proration Recalculation. If either party to which the Proration Recalculation is presented does not provide the other party with a Review within ten (10) business days after receipt of the Proration Recalculation, such party shall be deemed to be in agreement with the Proration Recalculation. If either party to which any such Review is presented disagrees with such Review, it shall give written notice (the "Disagreement Notice") to the other party within ten (10) business days after receipt of such Review (and, if no such notice is given, the party to which such Review was presented shall be deemed to agree with it). Such Disagreement Notice shall detail all points of disagreement. If Extra Space and HSRE do not resolve such disagreement within ten (10) business days after delivery of the Disagreement Notice, the parties shall proceed to arbitration. If the parties agree or are deemed to agree with either the Proration Recalculation or the Review or if there is an arbitration award, then Extra Space or HSRE shall, as applicable, pay to the other party, in cash, the amount owed within ten (10) days of the date of such agreement or deemed agreement or such arbitration award, as applicable.

2. **Dispute Resolution**. Any controversy or claim between or among the parties hereto relating to or arising from the either the Review or the Proration Recalculation shall be determined by binding arbitration in Cook County, Illinois in accordance with one of the following as selected by HSRE:

a. the Rules of Practice and Procedure for the Arbitration of Commercial Disputes of Judicial Arbitration and Mediation Services, Inc. (J.A.M.S.) or

b. the Rules of Practice and Procedure of the American Arbitration Association ("AAA"), or

c. the Special Rules of an individual mutually agreed upon by the parties. The Special Rules shall be those determined by an individual arbitrator agreed upon by the parties, and shall require that all arbitration hearings will be commenced within ninety (90) days of the demand for arbitration, and that the arbitrator shall only, upon a showing of cause, be permitted to extend the commencement of such hearing for an additional sixty (60) days.

Judgment upon any arbitration award may be entered in any court having jurisdiction. Any party hereto may bring an action, including a summary or expedited proceeding, to compel arbitration of any controversy or claim to which this provision applies in any court having jurisdiction over such action in Cook County, Illinois.

In the event of a controversy or claim between the parties which is subject to arbitration pursuant to this Exhibit D, either party may give written notice ("Arbitration Notice") to the other requesting arbitration. If HSRE requests an individual arbitrator and the parties have not agreed upon an individual within ten (10) days after delivery of the Arbitration Notice, then AAA shall apply.

The prevailing party in such arbitration or in any proceeding to compel or enforce such arbitration shall be entitled to collect from the non-prevailing party reasonable attorney's fees and costs.

Exhibit 31.1

CERTIFICATION

I, Spencer F. Kirk, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Extra Space Storage Inc.;

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

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

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

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

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

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

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

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

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

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

Date: August 7, 2009

By:	/s/ Spencer F. Kirk
Name:	Spencer F. Kirk
Title:	Chairman and Chief Executive Officer

CERTIFICATION

I, Kent W. Christensen, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Extra Space Storage Inc.;

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

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

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

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

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

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

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

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

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

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

Date: August 7, 2009	By:	/s/ Kent W. Christensen
	Name:	Kent W. Christensen
	Title:	Executive Vice President and Chief Financial Officer

Exhibit 32.1

Certification of Chief Executive Officer and Chief Financial Officer
Pursuant to
18 U.S. C. Section 1350
as adopted pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002

The undersigned, the Chief Executive Officer of Extra Space Storage Inc. (the “Company”), hereby certifies to his knowledge on the date hereof, pursuant to 18 U.S.C. 1350(a), as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report on Form 10-Q for the quarter ended June 30, 2009 (the “Form 10-Q”), filed concurrently herewith by the Company, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and that the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

By:	/s/ Spencer F. Kirk
Name:	Spencer F. Kirk
Title:	Chairman and Chief Executive Officer
Date:	August 7, 2009

The undersigned, the Chief Financial Officer of Extra Space Storage Inc. (the “Company”), hereby certifies to his knowledge on the date hereof, pursuant to 18 U.S.C. 1350(a), as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report on Form 10-Q for the quarter ended June 30, 2009 (the “Form 10-Q”), filed concurrently herewith by the Company, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and that the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

By:	/s/ Kent W. Christensen
Name:	Kent W. Christensen
Title:	Executive Vice President and Chief Financial Officer
Date:	August 7, 2009