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As filed with the Securities and Exchange Commission on July 26, 2004

Registration No. 333-115436

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Amendment No. 2 to
Form S-11

FOR REGISTRATION UNDER THE SECURITIES ACT OF 1933
OF SECURITIES OF CERTAIN REAL ESTATE COMPANIES

EXTRA SPACE STORAGE INC.

(Exact Name of Registrant as Specified in its Governing Instruments)

2795 East Cottonwood Parkway, Suite 400
Salt Lake City, UT 84121
(801) 562-5556
(Address, Including Zip Code, and Telephone Number, including Area Code, of Registrant's Principal Executive Offices)

Kenneth M. Woolley
Chairman and Chief Executive Officer
Extra Space Storage Inc.
2795 East Cottonwood Parkway, Suite 400
Salt Lake City, UT 84121
(801) 562-5556
(Name, Address, Including Zip Code, and Telephone Number, Including Area Code, of Agent for Service)

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Approximate date of commencement of proposed sale to the public: As soon as practicable after this registration statement becomes effective.
If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐
If this form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐
If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐
If delivery of this prospectus is expected to be made pursuant to Rule 434, check the following box. ☐

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the registration statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to Section 8(a), may determine.

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The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and we are not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

PRELIMINARY PROSPECTUS Subject to Completion July 26, 2004

Shares

Common Stock

This is our initial public offering of shares of our common stock. We are offering all shares of our common stock. All of the shares being offered by this prospectus are being sold by us. No public market currently exists for our common stock. We intend to elect to qualify as a real estate investment trust, or REIT, for U.S. federal income tax purposes.

The initial offering price of our common stock is expected to be between $ and $ per share. Our shares have been approved for listing subject to official notice of issuance on the New York Stock Exchange under the symbol "EXR."

The shares of our common stock are subject to certain restrictions on ownership and transfer intended to preserve our qualification as a REIT. See "Description of Stock—Restrictions on Transfer."

Investing in our common stock involves a high degree of risk. Before buying any shares, you should read the discussion of some risks of investing in our common stock in " Risk Factors" beginning on page 21, including, among others:

- We may not be successful in identifying and consummating suitable acquisitions that meet our criteria, which may impede our growth and negatively affect our results of operations.
- Our ability to pay our estimated initial annual distribution, which represents approximately % of our estimated cash available for distribution to our common stockholders for the twelve months ended March 31, 2005, depends upon our actual operating results, and we may have to borrow funds under our proposed line of credit to pay this distribution, which could slow our growth.
- We have high concentrations of self-storage properties in the California, Massachusetts and New Jersey markets, and changes in the economic climates of these markets may materially adversely affect us.
- Our operating results will be harmed if we are unable to achieve and sustain high occupancy rates at our 28 lease-up properties.
- Required payments of principal and interest on borrowings may leave us with insufficient cash to operate our properties or to pay the distributions currently contemplated or necessary to maintain our qualification as a REIT and may expose us to the risk of default under our debt obligations.
- Our failure to qualify as a REIT would have significant adverse consequences to us and the value of our stock.
- Upon completion of the offering and the formation transactions, our two largest stockholders, Kenneth M. Woolley, who is our Chairman and Chief Executive Officer, and Spencer F. Kirk, who is one of our other directors, and their respective affiliates will own % and %, respectively, of our outstanding common stock on a fully-diluted basis and will have the ability to exercise significant control of our company and any matter presented to our stockholders.
- We could become highly leveraged in the future because our organizational documents contain no limitation on the amount of debt we may incur.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

	Per Share	Total
Public offering price	$	$
Underwriting discounts and commissions(1)	$	$
Proceeds, before expenses, to us	$	$

(1) Excludes a financial advisory fee of % of the public offering price payable to UBS Securities LLC and Merrill Lynch, Pierce, Fenner & Smith Incorporated.

The underwriters may also purchase up to additional shares of common stock from us at the public offering price, less underwriting discounts and commissions, within 30 days from the date of this prospectus. The underwriters may exercise this option only to cover over-allotments, if any.

The underwriters are offering the common stock as set forth under "Underwriting." Delivery of the shares of common stock will be made on or about , 2004.

UBS Investment Bank **Merrill Lynch & Co.**

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[PICTURES, TEXT AND GRAPHICS FOR INSIDE FRONT COVER]

You should rely on the information contained in this prospectus. We have not authorized anyone to provide you with information different from that contained in this prospectus. We are offering to sell, and seeking offers to buy, shares of our common stock only in jurisdictions where offers and sales are permitted. The information contained in this prospectus is accurate only as of the date of this prospectus, regardless of the time of delivery of this prospectus or any sale of common stock.

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Through and including , 2004 (the 25th day after the date of this prospectus), federal securities laws may require all dealers that effect transactions in our common stock, whether or not participating in the offering, to deliver a prospectus. This is in addition to the dealers' obligation to deliver a prospectus when acting as underwriters and with respect to their unsold allotments or subscriptions.

Prospectus summary

You should read the following summary together with the more detailed information regarding our company, including under the caption "Risk Factors," and the historical and pro forma financial statements, including the related notes, appearing elsewhere in this prospectus. Unless the context otherwise requires or indicates, references in this prospectus to "Extra Space Storage," "we," "our company," "our" and "us" refer to Extra Space Storage Inc., a Maryland corporation, together with our consolidated subsidiaries, including Extra Space Storage LP, a Delaware limited partnership, which we refer to in this prospectus as our "operating partnership," Extra Space Management, Inc., a Utah corporation, which we refer to in this prospectus as our "taxable REIT subsidiary," and Extra Space Storage LLC, a Delaware limited liability company, and its affiliates which we refer to in this prospectus as the "Extra Space Predecessor" or "our predecessor." Unless the context otherwise indicates, the information about our company assumes that the formation transactions described in this prospectus have been completed. In addition, the information contained in this prospectus assumes that the underwriters' over-allotment option is not exercised, and the common stock to be sold in the offering is sold at $ per share, which is the mid-point of the price range indicated on the cover page of this prospectus. References to "common stock" exclude contingent conversion shares, or CCSs, unless otherwise indicated.

OVERVIEW

We are a fully integrated, self-administered and self-managed real estate investment trust formed to continue the business commenced in 1977 by our predecessor companies to own, operate, acquire, develop and redevelop professionally managed self-storage properties. Since 1996, our fully integrated development and acquisition teams have completed the development or acquisition of more than 100 self-storage properties and we continue to evaluate a range of new growth initiatives and opportunities for our company. To enable us to maximize revenue generating opportunities for our properties, we employ a state-of-the-art proprietary web-based tracking and yield management technology called STORE. Developed by our management team, STORE enables us to analyze, set and adjust rental rates in real time across our portfolio in order to respond to changing market conditions.

Upon completion of the offering and the formation transactions, we will own and operate 136 self-storage properties located in 20 states, 118 of which are wholly owned and 18 of which are held in joint ventures with third parties, and we also manage for unaffiliated third parties an additional 9 properties. Our properties are generally situated in convenient, highly-visible locations regionally clustered around high-density, high-income population centers, such as Boston, Chicago, Los Angeles, Miami, New York/Northern New Jersey and San Francisco. Our properties contain an aggregate of approximately 8.9 million net rentable square feet of space configured in approximately 84,800 separate storage units as of May 31, 2004. As of May 31, 2004, our stabilized portfolio (which consists of 108 properties) was on average 87.4% occupied, while our lease-up portfolio (which consists of 28 properties) was on average 62.4% occupied. 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 either has achieved an 85% occupancy rate, or has been open for four years. Over the next 24 months, we expect our lease-up properties to achieve 85% occupancy, which we believe is in-line with lease-up periods typical in the self-storage industry.

As of May 31, 2004, we had more than 70,000 tenants leasing storage units at our 136 properties, primarily on a month-to-month basis, providing us with flexibility to increase rental rates over time as market conditions permit. Although our leases are short-term in duration, our typical tenant tends to

remain at our properties for an extended period of time. For properties that were stabilized as of May 31, 2004, the average length of stay for our tenants was approximately 16 months.

Members of our senior management team have significant experience in all aspects of the self-storage industry, with an average of more than nine years of industry experience. Our senior management team has collectively acquired and/or developed more than 176 properties during the past 25 years for our predecessor and other entities. Kenneth M. Woolley, our Chairman and Chief Executive Officer, and Richard S. Tanner, our Senior Vice President, East Coast Development, have worked in the self-storage industry since 1977 and led two of the earlier self-storage facility development projects in the United States. In addition, eight members of our management team have worked together for our predecessors for more than five years. Members of this management team have guided our predecessor through substantial growth, developing and acquiring $699.0 million in assets since 1996. Our senior management team funded this growth with internal funds and more than $245.0 million raised in private equity capital since 1998, largely from sophisticated, high net-worth individuals and institutional investors such as affiliates of Prudential Financial, Inc. and Fidelity Investments. Our Chairman and Chief Executive Officer, Spencer F. Kirk, one of our directors, and our senior executive officers may be considered promoters with respect to the company. See “Management—Directors and Executive Officers.”

Our principal corporate offices are located at 2795 East Cottonwood Parkway, Suite 400, Salt Lake City, Utah 84121, our website address is www.extraspace.com and our telephone number is (801) 562-5556. The information included in our website is not considered to be a part of this prospectus. Upon completion of the offering and the formation transactions, substantially all of our business will be conducted through Extra Space Storage LP, our operating partnership, and our primary assets will be our general partner and limited partner interests in Extra Space Storage LP. This structure is commonly referred to as an umbrella partnership REIT, or UPREIT.

THE SELF-STORAGE INDUSTRY

Self-storage refers to properties that offer do-it-yourself, month-to-month storage space rental for personal or business use. Self-storage provides a convenient way for individuals and businesses to store their possessions, whether due to a life-change, or simply because of a need for extra storage space. According to the 2004 Self-Storage Almanac, there were approximately 37,000 self-storage properties in the United States in 2003 with average occupancy rates of 84.6%, compared with approximately 19,500 U.S. self-storage properties in 1992 with average occupancy rates of 84.8%. As population densities have increased in the United States, there has been an increase in self-storage awareness and development, which we expect will continue in the future.

The self-storage industry is also characterized by fragmented ownership. According to the 2004 Self-Storage Almanac, as of December 31, 2003 the top five and top 50 self-storage companies in the United States owned only approximately 10.2% and 15.7%, respectively, of the total U.S. self-storage properties. We believe this market fragmentation will provide opportunities for continued consolidation in the self-storage industry, particularly for well-capitalized, publicly-traded companies with experienced acquisition teams.

We have found that the factors most important to tenants when choosing a self-storage site are a convenient location, a clean environment, friendly service and a professional helpful staff. Our experience also indicates that successfully competing in the self-storage industry requires an experienced and dedicated management team that is supported by an efficient and flexible operating platform that is responsive to tenants’ needs and expectations.

COMPETITIVE STRENGTHS

We believe we distinguish ourselves from other owners, operators and developers of self-storage properties in a number of ways and enjoy significant competitive strengths, which include:

Ø Geographic Diversity Combined with Concentration in Strong Markets.

Our properties are generally situated in convenient, highly-visible locations clustered around large population centers such as Boston, Chicago, Los Angeles, Miami, New York/Northern New Jersey and San Francisco. The clustering of our assets around these population centers enables us to reduce our operating costs through economies of scale. At the same time, we believe that the significant size and overall geographic diversification of our portfolio reduces risks associated with economic downturns or natural disasters in any one market in which we operate.

Ø Strong Property and Operating Management Capabilities.

We have developed and utilize a comprehensive centralized approach to property and operational management to maximize the operating performance of our properties. We use STORE to support all aspects of our property management operations, enabling our management team to centrally analyze, set and adjust rental rates in real time on a case-by-case basis across our entire portfolio to maximize revenue-generating opportunities.

Ø Consumer Oriented Marketing Approach.

Our property management and operations groups are supported by our marketing team that provides sales, marketing and advertising support for our properties and operations. We employ highly targeted direct response marketing programs, such as direct mail and coupon mailers, in combination with more broad-based marketing initiatives such as advertising in the Yellow Pages and on the internet.

Ø Successful Acquirer and Developer of Properties.

Our fully-integrated development and acquisition teams have completed the development or acquisition of more than 100 different self-storage properties since 1996. In addition, we have entered into agreements to acquire 29 properties from unaffiliated third parties upon completion of the offering. We believe that we have developed a reputation as a trusted and reliable buyer. In addition, following completion of the offering and the formation transactions, we expect to be one of only two publicly-traded REITs in the self-storage industry that is organized in the UPREIT format, which will enable us to acquire new properties from tax-deferred transactions.

Ø Experienced Senior Management Team.

Our Chairman and Chief Executive Officer, Kenneth M. Woolley, and our co-founder, Richard S. Tanner, have been in the self-storage business for more than 25 years. Together, they have acquired or developed more than 176 self-storage properties. Our senior management team has an average of more than nine years of self-storage experience.

Ø Nationally-Recognized Institutional Joint Venture Partners.

We have developed and/or acquired more than 70 properties since 1999 employing strategic joint ventures with nationally-recognized institutional investors such as affiliates of Prudential Financial, Inc. and Fidelity Investments. We believe our reputation for quality within our industry, and our management and development expertise, make us an attractive strategic partner for institutional investors.

BUSINESS AND GROWTH STRATEGIES

Our primary business objectives are to maximize cash flow available for distribution to our stockholders and to achieve sustainable long-term growth in cash flow per share in order to maximize long-term stockholder value. Our business strategy to achieve these objectives consists of the following elements:

Ø Maximize Cash Flow at Our Properties.

We will seek to maximize revenue generating opportunities by responding to changing local market conditions through interactive yield management of the rental rates at our properties.

Ø Pursue Opportunities to Acquire Privately-Held Self-Storage Portfolios.

We intend to selectively acquire, for cash or by utilizing units in our operating partnership as acquisition currency, privately-held self-storage portfolios and single self-storage assets in our target markets.

Ø Strategically Select and Develop Sites.

We plan to continue to expand also by selecting and developing new self-storage properties with cost-effective, appealing construction in desirable areas based on specific data, including visibility and convenience of location, market occupancy and rental rates, market saturation, traffic count, household density, median household income, barriers to entry and future demographic and migration trends. As of July 15, 2004 we had 12 undeveloped parcels of land under contract that we believe are suitable for new property developments and are proceeding with the requisite due diligence for these properties. We also have a right of first refusal with respect to sales of the interests in the 13 early-stage development properties owned by Extra Space Development LLC and the two early-stage lease-up stage properties owned by third party individuals as well as certain of our executive officers and directors. We also are currently reviewing more than 22 other sites that we believe may also be suitable development candidates.

Ø Continue Joint Venture Strategy to Pursue Development Opportunities and Enhance Returns.

We plan to grow our business by continuing our development activities in conjunction with our joint venture partners, while mitigating the risks normally associated with early-stage development and lease-up activities. Where appropriate, we will also seek to acquire properties in a capital efficient manner in conjunction with our joint venture partners.

SUMMARY RISK FACTORS

You should carefully consider the matters discussed in the section “Risk Factors” beginning on page 21 prior to deciding whether to invest in our common stock. Some of the risks include:

- We may not be successful in identifying and consummating suitable acquisitions that meet our criteria, which may impede our growth and negatively affect our results of operations.
- Our ability to pay our estimated initial annual distribution, which represents approximately % of our estimated cash available for distribution to our common stockholders for the twelve months ended March 31, 2005, depends upon our actual operating results, and we may have to borrow funds under our proposed line of credit to pay this distribution, which could slow our growth.
- We have high concentrations of self-storage properties in the California, Massachusetts and New Jersey markets, and changes in the economic climates of these markets may materially adversely affect us.
- Our operating results will be harmed if we are unable to achieve and sustain high occupancy rates at our 28 lease-up properties.
- Required payments of principal and interest on borrowings may leave us with insufficient cash to operate our properties or to pay the distributions currently contemplated or necessary to maintain our qualification as a REIT and may expose us to the risk of default under our debt obligations.

- Our failure to qualify as a REIT would have significant adverse consequences to us and the value of our stock.
- Upon completion of the offering and the formation transactions, our two largest stockholders, Kenneth M. Woolley, who is our Chairman and Chief Executive Officer, and Spencer F. Kirk, who is one of our other directors, and their respective affiliates will own % and %, respectively, of our outstanding common stock on a fully-diluted basis and will have the ability to exercise significant control of our company and any matter presented to our stockholders.
- Our Chairman and Chief Executive Officer and other members of our senior management have outside business interests which could divert their time and attention away from us, which could harm our business.
- Our business could be harmed if key personnel with long-standing business relationships in the self-storage industry terminate their employment with us.
- Our investments in development and redevelopment projects may not yield anticipated returns, which would harm our operating results and reduce the amount of funds available for distributions.
- We may assume unknown liabilities in connection with the formation transactions.
- If you purchase shares of common stock in the offering, you will experience immediate and significant dilution in the book value of our common stock offered in the offering equal to $ per share.
- We could become highly leveraged in the future because our organizational documents contain no limitation on the amount of debt we may incur.

OWNED PROPERTIES

Upon completion of the offering and the formation transactions, we will own and operate 136 self-storage properties located in 20 states, 118 of which are wholly owned and 18 of which are held in joint ventures with third parties. The following tables set forth summary information regarding our 108 stabilized and our 28 lease-up properties:

Stabilized Property Data

State	Number of Properties	Number of Units	Net Rentable Square Feet	Occupancy Rate at May 31, 2004(1)	Occupancy Rate at December 31, 2003(1)
Wholly Owned Properties:					
California	18	11,175	1,166,967	88.9%	88.1%
Massachusetts	19	9,538	1,033,585	81.6%	78.8%
Florida	14	9,394	941,656	90.3%	87.7%
New Jersey	10	8,172	805,048	87.8%	85.8%
Texas	7	4,287	463,143	85.7%	85.2%
Georgia	5	2,688	357,228	85.2%	83.1%
Pennsylvania	4	2,122	246,551	85.7%	86.3%
South Carolina	4	2,090	246,969	91.8%	88.7%
Colorado	4	1,801	231,608	86.1%	82.8%
Louisiana	2	1,411	147,900	92.5%	90.1%
Missouri	2	808	97,517	90.1%	89.8%
Virginia	1	551	73,310	91.4%	78.6%
Utah	1	551	72,750	87.6%	79.5%
New Hampshire	1	623	72,600	86.3%	91.6%
New York	1	1,270	58,526	89.1%	87.5%
Arizona	1	480	57,630	98.2%	84.1%
Nevada	1	460	56,500	88.8%	90.1%
Total Wholly Owned Properties	95	57,421	6,120,803	87.2%	84.8%
Properties Held in Joint Ventures:					
California	7	3,851	400,363	89.4%	87.3%
New Hampshire	2	801	83,675	90.6%	87.1%
New Jersey	2	1,737	166,845	83.0%	81.3%
New York	2	1,515	136,919	86.0%	83.7%
Total Properties Held in Joint Ventures	13	7,904	787,802	87.6%	85.4%
Total Stabilized Properties	108	65,325	6,917,290	87.4%	84.9%

(1) Occupancy rate is the total occupied square feet divided by total net rentable square feet.

Lease-Up Property Data

State	Number of Properties	Number of Units	Net Rentable Square Feet	Occupancy Rate at May 31, 2004(1)	Occupancy Rate at December 31, 2003(1)
Wholly Owned Properties:					
Massachusetts	6	3,511	375,505	45.7%	39.0%
California	4	2,319	267,622	63.5%	51.2%
New York	3	2,522	207,821	65.2%	62.1%
New Jersey	3	2,584	201,223	52.6%	42.2%
Pennsylvania	2	1,473	186,154	82.5%	82.7%
Illinois	2	1,140	145,315	51.6%	40.1%
Maryland	1	925	144,980	75.8%	82.2%
Connecticut	2	1,377	124,540	44.9%	51.0%
Total Wholly Owned Properties	23	15,851	1,653,160	59.1%	53.3%
Properties Held in Joint Ventures:					
California	2	1,412	150,415	80.9%	67.6%
Pennsylvania	1	916	73,125	78.6%	70.7%
New York	1	657	60,070	78.7%	74.4%
New Jersey	1	664	58,650	78.8%	71.0%
Total Properties Held in Joint Ventures	5	3,649	342,260	78.6%	70.7%
Total Lease-Up Properties	28	19,500	1,995,420	62.4%	56.5%

(1) Occupancy rate is the total occupied square feet divided by total net rentable square feet.

FORMATION TRANSACTIONS

We currently conduct our business relating to the ownership, operation, acquisition, development and redevelopment of self-storage properties through our predecessor, Extra Space Storage LLC, which is organized as a Delaware limited liability company, and certain affiliated companies. The ownership interests in Extra Space Storage LLC consist of Class A (voting and non-voting), Class B, Class C and Class E membership interests, which are held by Kenneth M. Woolley, our Chairman and Chief Executive Officer, and his affiliates, other members of our senior management team and their affiliates, certain of our employees, and other third-party investors. We refer to the Class A, Class B, Class C and Class E membership interests collectively as the "membership interests." Our existing portfolio of properties is held directly by Extra Space Storage LLC, by its wholly owned subsidiaries or in joint ventures with third-party investors. A transfer of assets to the company will be accounted for at the predecessor's historical cost as a transfer of assets between companies under common control.

Contribution and Exchange by Members of Extra Space Storage LLC

Prior to or concurrently with the closing of the offering, we will engage in a series of transactions, which we refer to in this prospectus as the formation transactions, that are intended to reorganize our company, facilitate the offering, refinance our existing indebtedness and allow the owners of our predecessor and certain affiliated companies to exchange their existing membership interests for shares of common stock, units of limited partnership interests in our operating partnership, or OP units, CCSs and contingent conversion units, or CCUs, which we refer to collectively in this section as equity securities, and $ in cash. Pursuant to this exchange, we will acquire our predecessor, including its portfolio of 107 properties, which includes 14 early-stage lease-up properties.

We will issue the CCSs and CCUs in exchange for the contribution by the owners of our predecessor of their indirect interest in 14 early-stage lease-up properties which we will wholly own through various subsidiaries of our operating partnership upon completion of the offering and the formation transactions.

CCSs and CCUs will generally not carry any voting rights or entitle their holders to receive distributions. Upon the achievement of certain performance thresholds relating to the 14 lease-up properties described above, all or a portion of the CCSs and the CCUs will be automatically converted into shares of our common stock or OP units, as described elsewhere in this prospectus. Initially, each CCS and CCU will be convertible on a one-for-one basis into shares of common stock or OP units, subject to customary anti-dilution adjustments. These performance thresholds have been structured to result in the conversion of CCSs into shares of common stock and CCUs into OP units on a proportionate basis as the net operating income produced by the 14 early-stage lease-up properties grows from $5.1 million to $9.7 million over any of the 12-month measurement periods commencing with the 12 months ended March 31, 2006 and ending with the 12 months ending December 31, 2008. For the 12-month period ended March 31, 2004, the net operating income produced by these lease-up properties (which were 37.5% occupied on a weighted average basis as of the end of this period) totaled $142,484. This means that none of the CCS or CCUs will convert into shares of common stock or OP units until the net operating income produced by these lease up properties first increases by a minimum of $ over any of the 12-month measurement periods. No CCSs or CCUs will be convertible prior to March 31, 2006 nor for any measurement period after December 31, 2008. See “Formation Transactions—Contribution and Exchange by Members of Extra Space Storage LLC,” “Description of Stock—Contingent Conversion Shares” and “Extra Space Storage LP Partnership Agreement—Contingent Conversion Units.”

Based upon the initial public offering price of our common stock, the aggregate value of the shares of common stock and OP units to be issued in the formation transactions is approximately $, which is in addition to the approximately $26.8 million in cash that will be paid to certain unaffiliated third-party holders of the Class A, Class B and Class C membership interests. Further, the aggregate value of the CCSs and CCUs issued in the formation transactions is approximately $, assuming conversion of all such CCSs and CCUs. The aggregate historical combined net tangible book value of the Class A, Class B and Class C membership interests to be contributed to us was approximately $, $ and $, respectively, as of March 31, 2004. The existing holders of membership interests in Extra Space Storage LLC who will receive equity securities include members of our board of directors and members of our senior management team. The aggregate number of equity securities to be received by each such person and his or her affiliates and the net tangible book value attributable to the membership interests to be contributed to us are set forth below under the heading “Benefits to Related Parties.”

Joint Venture Restructuring

In connection with the formation transactions, we have acquired or will acquire the interests of our joint venture partners in all but three of our existing joint ventures to be funded in part out of the net proceeds of the offering. Our operating partnership has acquired or will acquire the joint venture interests held by various third parties unrelated to our management, for an aggregate of $116.7 million in cash and OP units having an aggregate value (based on the initial public offering price) of approximately $ million.

Extra Space Development LLC

Effective January 1, 2004, our predecessor distributed to certain holders of its Class A membership interests, 100% of the membership interests in Extra Space Development LLC, which was previously a wholly owned subsidiary of our predecessor. Extra Space Development LLC owns, and upon completion of the offering and the formation transactions will continue to own, interests in 13 early-stage development

properties and two parcels of undeveloped land, which are currently subject to significant construction-related indebtedness and have been incurring substantial development-related expenditures. Extra Space Development LLC has granted us a right of first refusal with respect to its interests in the 13 properties described above. Extra Space Development LLC will continue to hold its interests in 13 properties to which we hold a right of first refusal upon the completion of the formation transactions. Extra Space Development LLC intends to enter into agreements with third parties to receive management and development services. Extra Space Development LLC is owned by third-party individuals, as well as by executive officers and directors in the following approximate percentages: Kenneth M. Woolley (33%), Spencer F. Kirk (33%), Richard S. Tanner (7%), Kent Christensen (3%), Charles L. Allen (2%), David L. Rasmussen (0.5%) and Timothy Arthurs (0.5%). For financial reporting purposes, our predecessor continues to consolidate these properties pursuant to certain financial guarantees. These properties will be de-consolidated upon the elimination of the guarantees prior to completion of the offering.

Acquisition of Storage Spot Properties

Effective May 28, 2004, Extra Space Storage LLC entered into a purchase and sale agreement with Storage Spot Properties No. 1, L.P. and Storage Spot Properties No. 4, L.P. for the acquisition of 26 self-storage properties for which the purchase price under this agreement is $147.0 million. For the year ended December 31, 2003, the net revenues less bad debt expenses for these properties totaled $16.0 million. None of the sellers are currently our affiliates. Hugh W. Horne is president of Storage World Properties GP No. 1, LLC and Storage World Properties GP No. 4, LLC, the general partners of the selling parties under the agreement. In connection with this transaction, we agreed to name Mr. Horne as a director of our company effective upon the closing of this offering. Additionally, if at any time prior to February 15, 2006, Hugh W. Horne is not serving as one of our directors, Storage Spot shall have the right to have one representative present at all meetings of our board of directors and all of our board committees during such time. The purchase and sale agreement contains customary representations, warranties and covenants and is subject to customary closing conditions (such as those relating to the accuracy of representations and warranties and the performance of covenants contained in the purchase and sale agreement) as well as the completion of the offering. Our predecessor has deposited $3.0 million in escrow under the purchase and sale agreement. Storage Spot may be entitled to receive up to an additional $5.0 million cash consideration depending upon the performance of the 26 properties for the 12 months ended December 31, 2005. Under this earn-out provision, we have agreed to pay in February 2006, $8.45 for each dollar that the net revenues from these properties for calendar year 2005 exceeds $17.9 million, up to a maximum of $5.0 million. The entire $5.0 million is also payable upon the occurrence of certain other conditions, including any change of control of the purchaser or a third-party sale of any of the 26 properties prior to December 31, 2005. Our predecessor’s obligation to pay any additional funds will be guaranteed by our operating partnership. Subject to customary closing conditions, including the completion of due diligence, we expect this transaction to close concurrently with the completion of the offering and to be funded with the net proceeds of the offering. See “Use of Proceeds.”

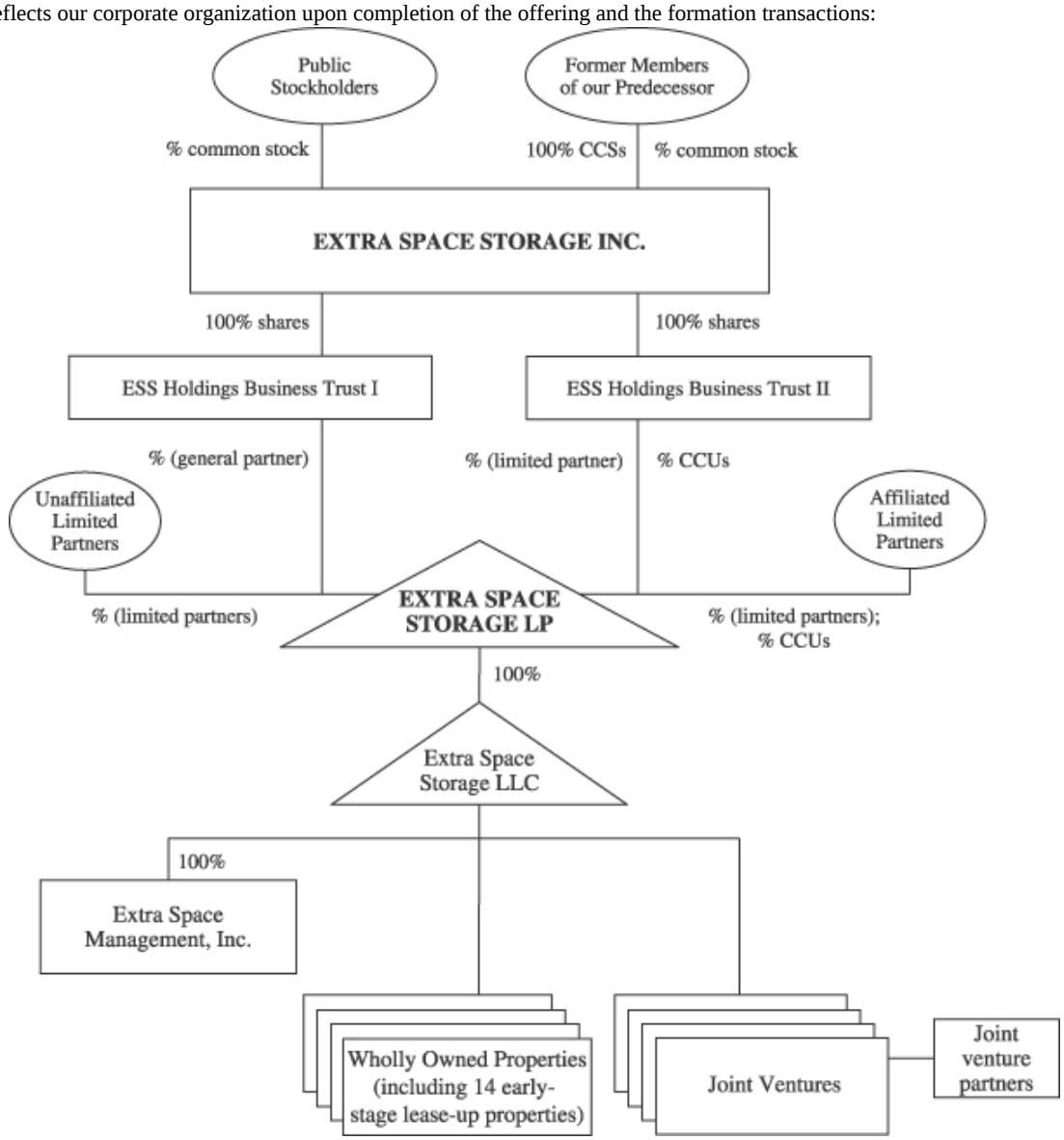
Centershift, Inc.

Effective January 1, 2004, we entered into a license agreement with Centershift, Inc. which secures for our company a perpetual right to continue to enjoy the benefits of STORE in all aspects of our property acquisition, development, redevelopment and operational activities, while the cost of maintaining the infrastructure required to support this product remains the responsibility of Centershift. This license agreement provides for an annual license fee payable by us which we estimate for the year ended December 31, 2004 will aggregate approximately $130,000, in exchange for which we will receive all product upgrades and enhancements and customary customer support services from Centershift.

Centershift is required to secure our consent before entering into a license covering STORE with other publicly-traded self-storage companies. Centershift is owned by third-party individuals, as well as by executive officers and directors in the following approximate percentages: Kenneth M. Woolley (28%), Spencer F. Kirk (29%), Richard S. Tanner (7%), Kent Christensen (3%), Charles L. Allen (2%), David L. Rasmussen (0.4%) and Timothy Arthurs (0.4%).

OUR STRUCTURE

The following chart reflects our corporate organization upon completion of the offering and the formation transactions:



BENEFITS TO RELATED PARTIES

Upon completion of the offering and the formation transactions, our senior executive officers and members of our board of directors will receive material financial and other benefits, as shown below. For a more detailed discussion of these benefits see “Management,” “Benefits to Related Parties” and “Certain Relationships and Related Transactions.”

Formation Transactions

In connection with the formation transactions, the following executive officers, directors and director nominees of our company will exchange membership interests in our predecessor for securities in our company and in our operating partnership, as described below:

Name	Securities Received
Kenneth M. Woolley	Together with his affiliates, shares of common stock, OP units, CCSs and CCUs (with a combined aggregate value of $) in exchange for membership interests having an aggregate net tangible book value attributable to such interests as of March 31, 2004 of approximately $.
Spencer F. Kirk	Together with his affiliates, shares of common stock, OP units, CCSs and CCUs (with a combined aggregate value of $) in exchange for membership interests having an aggregate net tangible book value attributable to such interests as of March 31, 2004 of approximately $.
Kent W. Christensen	shares of common stock and CCSs (with an aggregate value of $) in exchange for membership interests having an aggregate net tangible book value attributable to such interests as of March 31, 2004 of approximately $.
Charles L. Allen	shares of common stock and CCSs (with an aggregate value of $) in exchange for membership interests having an aggregate net tangible book value attributable to such interests as of March 31, 2004 of approximately $.
Timothy Arthurs	shares of common stock and CCSs (with an aggregate value of $) in exchange for membership interests having an aggregate net tangible book value attributable to such interests as of March 31, 2004 of approximately $.
David L. Rasmussen	shares of common stock and CCSs (with an aggregate value of $) in exchange for membership interests having an aggregate net tangible book value attributable to such interests as of March 31, 2004 of approximately $.
Richard S. Tanner	Together with his affiliates, shares of common stock and CCSs (with an aggregate value of $) in exchange membership interests having an aggregate net tangible book value attributable to such interests as of March 31, 2004 of approximately $.

Release of Guarantees

Upon completion of the offering and the formation transactions, the following individuals will be released from guarantees related to the indebtedness described below:

Name	Guarantees Released
Kenneth M. Woolley	Release of guarantees of approximately $64.9 million of outstanding indebtedness.
Spencer F. Kirk	Release of guarantees of approximately $17.3 million of outstanding indebtedness.

Employment Agreements

Upon closing of the offering, Kenneth M. Woolley, Kent W. Christensen and Charles L. Allen each will enter into an employment agreement with our company each of which will have a term of three years, with automatic one year renewals and will provide for an annual base salary, eligibility for annual bonuses, eligibility for participation in our 2004 long-term stock incentive plan and participation in all of the employee benefit plans and arrangements made available by us to our similarly situated executives.

Stock Options

Upon closing of the offering, stock options, with a vesting period of four years, will be granted to the following individuals to purchase the number of shares of our common stock set forth below, with an exercise price equal to the initial public offering price:

Name	Number of Options
Kenneth M. Woolley	150,000
Spencer F. Kirk	30,000
Kent W. Christensen	100,000
Charles L. Allen	65,000
Timothy Arthurs	65,000
David L. Rasmussen	45,000
Richard S. Tanner	45,000
Anthony Fanticola	30,000
Hugh W. Horne	30,000
Dean Jernigan	30,000
Roger B. Porter	30,000
K. Fred Skousen	30,000
Total	650,000

Acquisition of Extra Space Management, Inc.

In order to bring our predecessor's employees and employee benefit programs within our organizational structure, on March 31, 2004, our predecessor acquired Extra Space Management, Inc. from Kenneth M. Woolley, Spencer M. Kirk and Richard S. Tanner for an aggregate of approximately $184,000. Upon the completion of the offering and the formation transactions, Extra Space Management, Inc. will become our taxable REIT subsidiary and will be responsible for all property management operations that we perform for properties owned by third parties.

Registration Rights Agreement

As holders of OP units, common stock and/or CCSs, our executive officers and directors will receive registration rights with respect to shares of our common stock acquired by them.

Repayment of a Note

We will use approximately $4.0 million of the net proceeds of the offering to repay a note held by Anthony and Joann Fanticola, cotrustees of the Anthony and Joann Fanticola Trust. We have also agreed to pay $1.1 million in defeasance fees on behalf of Mr. Fanticola.

Aircraft Dry Lease

SpenAero, L.L.C., an affiliate of Spencer F. Kirk, will enter into an Aircraft Dry Lease with us which provides that we have the right to use a 2002 Falcon 50EX aircraft owned by SpenAero, L.L.C. at a rate of $1,740 for each hour of use by us of the aircraft and the payment of all taxes by us associated with our use of the aircraft.

CONFLICTS OF INTEREST

Following completion of the offering and the formation transactions, conflicts of interest will exist between our directors and executive officers and our company as described below.

We have entered into certain tax protection agreements with Kenneth M. Woolley and Richard S. Tanner which may limit our ability to sell certain of our properties. See “Certain relationships and related transactions—Description of tax indemnity and debt guarantees.”

Certain members of our senior management team have outside business interests which include the ownership of Extra Space Development LLC. See “Formation transactions—Extra Space Development LLC.”

Our senior management team will own CCSs and/or CCUs. Our management’s ownership of CCSs and CCUs may cause them to devote a disproportionate amount of time to the performance of the 14 early-stage lease-up properties associated with the CCSs and CCUs. See “Risk Factors—Risks Related To Our Organization and Structure.”

Certain of our directors and members of our senior management have direct or indirect ownership interests in certain properties to be contributed to our operating partnership in the formation transactions. Accordingly, to the extent these individuals are parties to any of our contribution agreements, we may pursue less vigorous enforcement of the terms of these agreements. See “Risk Factors—Risks Related To Our Organization and Structure.”

Additional conflicts of interest could arise in the future as a result of the relationships between us and our affiliates, on the one hand, and our operating partnership or any partner thereof, on the other. Our directors and officers have duties to our company and our stockholders under applicable Maryland law in connection with their management of our company. At the same time, we, as a general partner of our operating partnership through a wholly owned Massachusetts business trust, have fiduciary duties to our operating partnership and to the limited partners under Delaware law in connection with the management of our operating partnership. Our duties as a general partner to our operating partnership

and its partners may come into conflict with the duties of our directors and officers to our company and our stockholders. The partnership agreement of our operating partnership does not require us to resolve such conflicts in favor of either our stockholders or the limited partners of our operating partnership.

We have adopted policies that are designed to eliminate or minimize potential conflicts of interest. See "Policies with respect to certain activities—Conflicts of Interest Policies."

PROPOSED LINE OF CREDIT

We have received commitments from a group of banks, led by Wells Fargo Bank, N.A. and including Bank of America, N.A., La Salle Bank National Association and Wachovia Bank, N.A., for a $100.0 million line of credit. Subject to the completion of definitive loan documentation and the completion of due diligience, we expect to close this line of credit immediately following the completion of the offering. The line of credit provides for availability of up to 70.0% of the appraised value of the 17 properties securing the line of credit. The line is also limited by debt service coverage tests on each property, calculated for the prior two quarters of operating income for each property. Based on the recent appraisals of these 17 properties and the prior two quarters of activity, we expect to have approximately $56.0 million of availability under the line of credit upon completion of the offering. To increase availability under this line of credit, we would need to increase the operating income at the properties securing the line of credit or add additional properties as security. We expect to use this line of credit to fund the equity portion of acquisitions and our investments in joint venture development projects.

OUR OWNERSHIP LIMIT

Due to limitations on the concentration of ownership of REIT stock imposed by the Internal Revenue Code of 1986, as amended, or the Internal Revenue Code, our charter documents generally prohibit any person from actually or constructively owning more than % (by value or by number of shares, whichever is more restrictive) of our common stock or % (by value or by number of shares, whichever is more restrictive) of our outstanding capital stock. Our charter documents, however, will permit exceptions to be made for stockholders provided our board of directors determines such exceptions will not jeopardize our tax status as a REIT. In addition, different ownership limits will apply to Kenneth M. Woolley, certain of his affiliates, family members and estates and trusts formed for the benefit of the foregoing and Spencer F. Kirk, certain of his affiliates, family members and estates and trusts formed for the benefit of the foregoing. These ownership limits, which our board has determined will not jeopardize our REIT status, will allow the excepted parties to hold % (by value or by number of shares, whichever is more restrictive) of our common stock or % (by value or number of shares, whichever is more restrictive) of our outstanding capital stock.

OUR TAX STATUS

We intend to elect to qualify as a REIT under Sections 856 through 860 of the Internal Revenue Code, commencing with our taxable year ending December 31, 2004. We believe that we are organized in conformity with the requirements for qualification and taxation as a REIT and that our proposed method of operation will enable us to meet the requirements for qualification and taxation as a REIT for U.S. federal income tax purposes. We have received an opinion of Clifford Chance US LLP to the effect that commencing with our taxable year ending December 31, 2004, we have been organized in conformity with the requirements for qualification and taxation as a REIT under the Internal Revenue Code, and that our proposed method of operation will enable us to meet the requirements for qualification and taxation as a REIT.

To maintain our REIT status, we must meet a number of organizational and operational requirements, including a requirement that we annually distribute at least 90% of our net taxable income, excluding net capital gains, to our stockholders. As a REIT, we generally will not be subject to U.S. federal income tax on net taxable income that we currently distribute to our stockholders. If we fail to qualify as a REIT in any taxable year, we will be subject to U.S. federal income tax at regular corporate rates. Even if we qualify for taxation as a REIT, we may be subject to some U.S. federal, state and local taxes on our income or property and the income of our taxable REIT subsidiary will be subject to taxation at normal corporate rates. See "U.S. federal income tax considerations."

DISTRIBUTION POLICY

We intend to make regular quarterly distributions to holders of our common stock. We intend to pay a pro rata distribution with respect to the period commencing on the completion of the offering and ending September 30, 2004, based on a distribution of $ per share for a full quarter. On an annualized basis, this would be $ per share, of which we currently estimate that approximately % may represent a return of capital for tax purposes, or an annual distribution rate of approximately % based on the initial public offering price of $ per share. We estimate that this initial annual distribution will represent approximately % of our estimated cash available for distribution to our common stockholders for the 12 months ended March 31, 2005. We have estimated our cash available for distribution to our common stockholders for the 12 months ended March 31, 2005 based on adjustments to our pro forma net income available to common stockholders before allocation to minority interest for the 12 months ended March 31, 2004 (giving effect to the offering and the formation transactions). This estimate was based upon our predecessor's historical operating results and does not take into account our growth initiatives which are intended to improve our occupancy and operating results, nor does it take into account any unanticipated expenditures we may have to make or any debt we may have to incur. We intend to maintain our initial distribution rate for the 12-month period following completion of the offering unless our actual results of operations, economic conditions or other factors differ materially from the assumptions used in our estimate. Unless our operating cash flow increases, we expect that we will be required either to fund future distributions from borrowings under our proposed line of credit or to reduce such distributions. If we use working capital or borrowings under our proposed line of credit to fund these distributions, this will reduce the cash we have available to fund our acquisition and development activities and other growth initiatives. See "Distribution Policy" for more information.

The offering

Common stock offered by us	shares(1)
Common stock to be outstanding prior to completion of the offering	shares(2)
Common stock to be outstanding after the offering	shares(1)(3)
Common stock and OP units to be outstanding after the offering	shares and units(1)(3)
Use of proceeds	We intend to use the net proceeds of the offering together with a new $15.0 million proposed variable rate mortgage due 2007 and a new proposed $111.0 million fixed rate mortgage due 2010, as follows: Ø acquisition of properties ($167.6 million); Ø repayment of existing indebtedness related to our initial assets ($106.4 million); Ø payment of certain loan exit fees ($3.3 million); Ø purchase of interests of certain joint venture partners in connection with the formation transactions including amounts used to retire certain loans incurred in connection with such purchase ($37.9 million); Ø redemption of certain holders of Class A, Class B and Class C membership interests in our predecessor ($26.8 million); Ø repayment of certain short term notes payable ($22.1 million); Ø repayment of a note held by Anthony Fanticola (a director-nominee) and Joann Fanticola, co-trustees of the Anthony and Joann Fanticola Trust ($4.0 million) and payment of a related loan exit fee ($1.1 million); and Ø repayment of the Fidelity minority interest ($22.4 million). Ø payment of loan origination fees ($2.9 million) We will use the remainder of the net proceeds for working capital and general corporate purposes, including future acquisitions and development activities.
Proposed NYSE symbol	“EXR”

(1) Excludes shares of common stock that may be issued by us upon exercise of the underwriters' over-allotment option.
(2) Represents the number of shares of common stock outstanding prior to the completion of the offering and following completion of the formation transactions.
(3) Excludes shares of common stock reserved for issuance upon the exercise of options to be granted prior to or concurrently with the offering with an exercise price equal to the initial public offering price, shares of common stock available for future issuance under our 2004 long-term stock incentive plan, shares of common stock that may be issued upon conversion of CCSs issued pursuant to the formation transactions and shares of common stock that may be issued by us upon redemption of OP units outstanding (including OP units issuable upon conversion of CCUs).

Summary consolidated pro forma and historical financial data

The following table shows summary consolidated pro forma financial data for our company and historical financial data for the Extra Space Predecessor for the periods indicated. You should read the following summary pro forma and historical financial data together with “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” the pro forma and historical consolidated financial statements and related notes included elsewhere in this prospectus.

The following summary consolidated historical financial data has been derived from financial statements audited by PricewaterhouseCoopers LLP, independent registered public accounting firm. Consolidated balance sheets as of December 31, 2003 and 2002 and the related consolidated statements of operations and of cash flows for the three years in the period ended December 31, 2003, and the related notes thereto appear elsewhere in this prospectus.

Our unaudited summary consolidated pro forma results of operations data and balance sheet data as of and for the three months ended March 31, 2004 and for the year ended December 31, 2003 give effect to the formation transactions, the offering, the use of proceeds from the offering and certain related transactions as described elsewhere herein. Our pro forma financial information is not necessarily indicative of what our actual financial position and results of operations would have been as of the dates and for the periods indicated, nor does it purport to represent our future financial position or results of operations.

	Company		Extra Space Predecessor				
	(Pro Forma)		(Historical)				
	Three Months Ended March 31, 2004	Year Ended December 31, 2003	Three Months Ended March 31,		Year Ended December 31,		
			2004	2003	2003	2002	2001
	(dollars in thousands, except per share data)						
Statement of Operations Data:							
Revenues:							
Property rental revenues	$ 19,635	$ 77,408	$ 9,996	$ 7,481	$ 33,054	$ 28,811	$ 19,375
Management fees	274	1,162	548	483	1,935	2,018	2,179
Acquisition fees and development fees	265	654	265	252	654	922	834
Other income	75	107	117	114	618	635	611
Total revenues	20,249	79,331	10,926	8,330	36,261	32,386	22,999
Expenses:							
Property operating expenses	7,850	30,825	4,410	3,638	14,858	11,640	8,152
Unrecovered development/acquisition costs and support payments	498	—	498	275	4,937	1,938	2,227
General and administrative (1)	3,020	9,233	2,970	1,990	8,297	5,916	6,750
Depreciation and amortization (2)	5,411	20,694	2,677	1,432	6,805	5,652	3,105
Total operating expenses	16,779	60,752	10,555	7,335	34,897	25,146	20,234
Income (loss) before interest expense, minority interests, equity in earnings of real estate ventures and gain on sale of real estate assets	3,470	18,579	371	995	1,364	7,240	2,765
Interest expense	(4,892)	(18,356)	(4,724)	(3,313)	(13,795)	(11,428)	(10,844)
Minority interest—Fidelity preferred return	—	—	(1,096)	(999)	(4,132)	(3,759)	(322)
Income allocated to minority interest	—	—	(439)	(773)	(3,904)	(2,781)	(1,403)
Equity in earnings of real estate ventures	355	1,168	261	401	1,465	971	105
Gain on sale of real estate assets	(171)	672	(171)	—	672	—	4,677
Net income (loss)	$ (1,238)	$ 2,063	$ (5,798)	$ (3,689)	$ (18,330)	$ (9,757)	$ (5,022)
Basic earnings (loss) per share (3)(4)							
Diluted earnings (loss) per share (4)							
Weighted average common shares outstanding—basic (4)							
Weighted average common shares outstanding—diluted (4)							
Balance Sheet Data (as of end of period):							
Investments in real estate, net of accumulated depreciation and amortization	$ 679,274		$ 440,152		$ 354,374	$ 306,415	$ 242,086
Total assets	719,844		476,645		383,751	332,290	270,265
Mortgages and other secured loans	419,308		345,507		273,808	231,025	178,552
Total liabilities	423,893		380,451		306,226	259,903	191,667
Minority interest	33,783		64,915		56,521	45,184	43,231
Stockholders'/members' equity	262,168		31,279		21,004	27,203	35,367
Total liabilities and stockholders'/members' equity	719,844		476,645		383,751	332,290	270,265
Cash Flow Data:							
Net cash flow provided by (used in):							
Operating activities			(2,503)	(237)	(5,342)	1,842	(4,385)
Investing activities			(84,865)	(16,375)	(57,757)	(65,666)	(8,884)
Financing activities			79,204	10,922	68,384	63,051	18,867
Other Data: (5)							
Funds from operations (6)			(2,922)	(2,163)	(12,177)	(5,811)	(7,013)
Total properties			108	87	94	88	63
Total net rentable square feet			7,028,750	5,492,481	6,008,781	5,555,191	3,757,178
Occupancy			74.9%	76.3%	76.9%	75.6%	79.9%

(footnotes on following page)

(1) General and administrative expenses of our predecessor have historically been paid to Extra Space Management, Inc. as management fees. Pro forma general and administrative expenses include estimated public company costs less capitalization of development costs associated with internal development projects.

(2) The pro forma year ended December 31, 2003 amount includes real estate depreciation and amortization of $, amortization of intangibles related to tenant relationships acquired of $ and other non-real estate depreciation of $.

(3) Pro forma basic earnings (loss) per share is computed assuming the offering was consummated as of the first day of the period presented and equals pro forma net income (loss) available to common stockholders divided by the pro forma number of shares of our common stock outstanding, which amount excludes shares of common stock reserved for issuance upon the exercise of options outstanding, shares of common stock that may be issued by us upon exercise of the underwriters' over-allotment option with respect to the offering, shares of common stock available for future issuance under our 2004 long-term stock incentive plan, shares of common stock that may be issued upon conversion of CCSs outstanding and shares of common stock that may be issued by us upon redemption of OP units outstanding (including OP units issuable upon conversion of CCUs).

(4) The pro forma weighted average shares and earnings per share does not include the potential effects of the CCSs and CCUs as such securities would not have participated in earnings on a pro forma basis for the year ended December 31, 2003 and the quarter ended March 31, 2004 had they been issued effective January 1, 2003. These securities will not participate in distributions until they are converted, which cannot occur prior to March 31, 2006. We are currently evaluating the accounting impact of the conversion of CCSs and CCUs into shares of common stock and OP units.

(5) Other data includes properties that we consolidated or in which we held an equity interest.

(6) As defined by the National Association of Real Estate Investment Trusts, or NAREIT, funds from operations, or FFO, represents net income (computed in accordance with GAAP), excluding gains (or losses) from sales of property, plus depreciation and amortization and after adjustments for unconsolidated partnerships and joint ventures. We present FFO because we consider it an important supplemental measure of our operation performance and believe it is frequently used by securities analysts, investors and other interested parties in the evaluation of REITs, many of which present FFO when reporting their results. FFO is intended to exclude GAAP historical cost depreciation and amortization of real estate and related assets, which assumes that the value of real estate assets diminishes ratably over time. Historically, however, real estate values have risen or fallen with market conditions. Because FFO excludes depreciation and amortization unique to real estate, gains and losses from property dispositions and extraordinary items, it provides a performance measure that, when compared year over year, reflects the impact to operations from trends in occupancy rates, rental rates, operating costs, development activities and interest costs, providing perspective not immediately apparent from net income. We compute FFO in accordance with standards established by the Board of Governors of NAREIT in its March 1995 White Paper (as amended in November 1999 and April 2002), which may differ from the methodology for calculating FFO utilized by other equity REITs and, accordingly, may not be comparable to such other REITs. Further, FFO does not represent amounts available for management's discretionary use because of needed capital replacement or expansion, debt service obligations, or other commitments and uncertainties. FFO should not be considered as an alternative to net income (loss) (computed in accordance with GAAP) as an indicator of our liquidity, nor is it indicative of funds available to fund our cash needs, including our ability to pay dividends or make distributions.

The following table presents the reconciliation of FFO to our net income (loss) before allocation to minority interest, which we believe is the most directly comparable GAAP measure to FFO:

	Company		Extra Space Predecessor				
	(Pro Forma)		(Historical)				
	Three Months Ended March 31,	Year Ended December 31,	Three Months Ended March 31,		Year Ended December 31,		
Reconciliation of FFO:	2004	2003	2004	2003	2003	2002	2001
	(dollars in thousands)						
Net income (loss)	$ (1,238)	$ 2,063	$ (5,798)	$ (3,689)	$ (18,330)	$ (9,757)	$ (5,022)
Plus:							
Real estate depreciation and amortization	4,024	14,167	2,477	1,249	6,048	3,075	2,554
Real estate depreciation and amortization included in equity in earnings of unconsolidated joint ventures	82	358	107	112	447	211	132
Amortization of intangibles related to tenant relationships	1,306	6,171	121	165	330	660	—
Less:							
Gain on sale of real estate assets	171	(672)	171	—	(672)	—	(4,677)
FFO(1)	$ 4,345	$ 22,087	$ (2,922)	$ (2,163)	$ (12,177)	$ (5,811)	$ (7,013)

(1) The FFO for the year ended December 31, 2003 of the company on a pro forma basis, as compared to the historical amount, has increased due to the purchase of the joint venture interest in 13 properties, the minority interest in 31 consolidated properties and the acquisition of 49 properties from third parties. These acquisitions resulted in an increase in revenues of approximately $44.2 million, and an increase in net income of approximately $20.0 million.

Risk factors

Investment in our common stock involves risks. You should carefully consider the following risk factors in addition to other information contained in this prospectus before purchasing the common stock we are offering. The occurrence of any of the following risks might cause you to lose all or part of your investment. Some statements in this prospectus, including statements in the following risk factors, constitute forward-looking statements. Please refer to the section entitled "Statements Regarding Forward-Looking Information."

RISKS RELATED TO OUR PROPERTIES AND OPERATIONS

Adverse economic or other conditions in the markets in which we do business could negatively affect our occupancy levels and rental rates and therefore our operating results.

Our operating results are dependent upon our ability to maximize occupancy levels and rental rates in our self-storage properties. Adverse economic or other conditions in the markets in which we operate may lower our occupancy levels and limit our ability to increase rents or require us to offer rental discounts. If our properties fail to generate revenues sufficient to meet our cash requirements, including operating and other expenses, debt service and capital expenditures, our net income, FFO, cash flow, financial condition, ability to make distributions to stockholders and common stock trading price could be adversely affected. The following factors, among others, may adversely affect the operating performance of our properties:

- the national economic climate and the local or regional economic climate in the markets in which we operate, which may be adversely impacted by, among other factors, industry slowdowns, relocation of businesses and changing demographics;
- periods of economic slowdown or recession, rising interest rates or declining demand for self-storage or the public perception that any of these events may occur could result in a general decline in rental rates or an increase in tenant defaults;
- local or regional real estate market conditions such as the oversupply of self-storage or a reduction in demand for self-storage in a particular area;
- perceptions by prospective users of our self-storage properties of the safety, convenience and attractiveness of our properties and the neighborhoods in which they are located;
- increased operating costs, including need for capital improvements, insurance premiums, real estate taxes and utilities;
- changes in supply of or demand for similar or competing properties in an area;
- the impact of environmental protection laws;
- earthquakes and other natural disasters, terrorist acts, civil disturbances or acts of war which may result in uninsured or underinsured losses; and
- changes in tax, real estate and zoning laws.

We have high concentrations of self-storage properties in the California, Massachusetts and New Jersey markets, and changes in the economic climates of these markets may materially adversely affect us.

Our properties located in California, Massachusetts and New Jersey provided approximately 33.5%, 17.6% and 19.3%, respectively, of our pro forma total revenue for the three months ended March 31, 2004. As a result of the geographic concentration of properties in these markets, we are particularly

exposed to downturns in these local economies or other changes in local real estate market conditions. In addition, the properties in our California market could be subject to earthquakes and our New Jersey properties located in the New York City metropolitan area may have a higher likelihood of becoming targets of future terrorist acts. As a result of economic changes and geopolitical risks in these markets, our business, financial condition, operating results, cash flow, the trading price of our common stock and our ability to satisfy our debt service obligations and our ability to pay distributions could be materially adversely affected.

If we are unable to promptly re-let our units or if the rates upon such re-letting are significantly lower than expected, then our business and results of operations would be adversely affected.

Virtually all of our leases are on a month-to-month basis. Any delay in re-letting units as vacancies arise would reduce our revenues and harm our operating results. In addition, lower than expected rental rates upon re-letting could impede our growth.

We face increasing competition for the acquisition of self-storage properties and other assets, which may impede our ability to make future acquisitions or may increase the cost of these acquisitions.

We compete with many other entities engaged in real estate investment activities for acquisitions of self-storage properties and other assets, including national, regional and local operators and developers of self-storage properties. These competitors may drive up the price we must pay for self-storage properties or other assets we seek to acquire or may succeed in acquiring those properties or assets themselves. In addition, our potential acquisition targets may find our competitors to be more attractive suitors because they may have greater resources, may be willing to pay more or may have a more compatible operating philosophy. In particular, larger self-storage REITs may enjoy significant competitive advantages that result from, among other things, a lower cost of capital and enhanced operating efficiencies. In addition, the number of entities and the amount of funds competing for suitable investment properties may increase. This competition will result in increased demand for these assets and therefore increased prices paid for them. Because of an increased interest in single-property acquisitions among tax-motivated individual purchasers, we may pay higher prices if we purchase single properties in comparison with portfolio acquisitions. If we pay higher prices for self-storage properties or other assets, our profitability will be reduced, and you may experience a lower return on your investment.

Our investments in development and redevelopment projects may not yield anticipated returns, which would harm our operating results and reduce the amount of funds available for distributions.

A key component of our growth strategy is exploring new-asset development and redevelopment opportunities through strategic joint ventures. To the extent that we engage in these development and redevelopment activities, they will be subject to the following risks normally associated with these projects:

- we may be unable to obtain financing for these projects on favorable terms or at all;
- we may not complete development projects on schedule or within budgeted amounts;
- we may encounter delays or refusals in obtaining all necessary zoning, land use, building, occupancy and other required governmental permits and authorizations; and
- occupancy rates and rents at newly developed or redeveloped properties may fluctuate depending on a number of factors, including market and economic conditions, and may result in our investment not being profitable.

In deciding whether to develop or redevelop a particular property, we make certain assumptions regarding the expected future performance of that property. We may underestimate the costs necessary to bring the property up to the standards established for its intended market position or may be unable to increase occupancy at a newly acquired property as quickly as expected or at all. Any substantial unanticipated delays or expenses could adversely affect the investment returns from these development or redevelopment projects and harm our operating results, liquidity and financial condition, which could result in a decline in the value of our securities.

We may in the future develop self-storage properties in geographic regions where we do not currently have a significant presence and where we do not possess the same level of familiarity with development, which could adversely affect our ability to develop such properties successfully or at all or to achieve expected performance.

We rely to a large extent on the investments of our joint venture partners for funding our development and redevelopment projects. If our reputation in the self-storage industry changes or the number of investors considering us an attractive strategic partner is otherwise reduced, our ability to develop or redevelop properties could be affected, which would limit our growth.

We may not be successful in identifying and consummating suitable acquisitions that meet our criteria, which may impede our growth and negatively affect our results of operations.

Our ability to expand through acquisitions is integral to our business strategy and requires us to identify suitable acquisition candidates or investment opportunities that meet our criteria and are compatible with our growth strategy. We may not be successful in identifying suitable properties or other assets that meet our acquisition criteria or in consummating acquisitions or investments on satisfactory terms or at all. Failure to identify or consummate acquisitions will slow our growth, which could in turn adversely affect our stock price.

Our ability to acquire properties on favorable terms and successfully integrate and operate them may be constrained by the following significant risks:

- competition from local investors and other real estate investors with significant capital, including other publicly-traded REITs and institutional investment funds;
- competition from other potential acquirers may significantly increase the purchase price which could reduce our profitability;
- satisfactory completion of due diligence investigations and other customary closing conditions;
- failure to finance an acquisition on favorable terms or at all;
- we may spend more than the time and amounts budgeted to make necessary improvements or renovations to acquired properties; and
- we may acquire properties subject to liabilities and without any recourse, or with only limited recourse, with respect to unknown liabilities such as liabilities for clean-up of undisclosed environmental contamination, claims by persons dealing with the former owners of the properties and claims for indemnification by general partners, directors, officers and others indemnified by the former owners of the properties.

In addition, strategic decisions by us such as acquisitions may adversely affect the price of our common stock.

Risk factors

We may not be successful in integrating and operating acquired properties.

We expect to make future acquisitions of self-storage properties. If we acquire any self-storage properties, we will be required to integrate them into our existing portfolio. The acquired properties may turn out to be less compatible with our growth strategy than originally anticipated, may cause disruptions in our operations or may divert management's attention away from day-to-day operations, which could impair our results of operations as a whole.

Our operating results will be harmed if we are unable to achieve and sustain high occupancy rates at our 28 lease-up properties.

Following completion of the offering and the formation transactions, 28 of our properties will be in their lease-up stage. Our lease-up properties require start-up expenditures and may not contribute to our growth until they reach stabilization or at all. Start-up costs may be higher than anticipated, and stabilized operating levels, if achieved, may take longer to reach than we expect. To the extent that our start-up costs are higher than anticipated or these properties fail to reach stabilization or achieve stabilization later than we expect, our operating results and our ability to make distributions to our stockholders may be adversely affected.

We depend upon our on-site personnel to maximize tenant satisfaction at each of our properties, and any difficulties we encounter in hiring, training and maintaining skilled field personnel may harm our operating performance.

As of March 31, 2004, we had 229 field personnel in the management and operating of our properties. The general professionalism of our site managers and staff are contributing factors to a site's ability to successfully secure rentals. We also rely upon our field personnel to maintain clean and secure self-storage properties. If we are unable to successfully recruit, train and retain qualified field personnel, the quality of service we strive to provide at our properties could be adversely affected which could lead to decreased occupancy levels and reduced operating performance.

Other self-storage operators may employ STORE or a technology similar to STORE, which could enhance their ability to compete with us.

We rely on STORE to support all aspects of our business operations and to help us implement new development and acquisition opportunities and strategies. If other self-storage companies obtain a license to use STORE, employ or develop a technology similar to STORE, their ability to compete with us could be enhanced.

Uninsured losses or losses in excess of our insurance coverage could adversely affect our financial condition and our cash flow.

We maintain comprehensive liability, fire, flood, earthquake, wind (as deemed necessary or as required by our lenders), extended coverage and rental loss insurance with respect to our properties with policy specifications, limits and deductibles customarily carried for similar properties. Certain types of losses, however, may be either uninsurable or not economically insurable, such as losses due to earthquakes, riots, acts of war or terrorism. Should an uninsured loss occur, we could lose both our investment in and anticipated profits and cash flow from a property. In addition, if any such loss is insured, we may be required to pay a significant deductible on any claim for recovery of such a loss prior to our insurer being obligated to reimburse us for the loss, or the amount of the loss may exceed our coverage for the loss. As a result, our operating results may be adversely affected.

Increases in taxes and regulatory compliance costs may reduce our revenue.

Costs resulting from changes in real estate tax laws generally are not passed through to tenants directly and will affect us. Increases in income, service or other taxes generally are not passed through to tenants under leases and may reduce our net income, funds from operations, or FFO, cash flow, financial condition, ability to pay or refinance our debt obligations, ability to make distributions to stockholders, and the per share trading price of our common stock. Similarly, changes in laws increasing the potential liability for environmental conditions existing on properties or increasing the restrictions on discharges or other conditions may result in significant unanticipated expenditures, which could similarly adversely affect our business and results of operations.

We did not always obtain independent appraisals of our properties, and thus the consideration paid for these properties may exceed the value that may be indicated by third-party appraisals.

We did not always obtain third-party appraisals of the properties in connection with our acquisition of these properties and the consideration being paid by us in exchange for the initial properties may exceed the value as determined by third-party appraisals. The terms of these agreements and the valuation methods used to determine the value of the properties were determined by our senior management team.

Environmental compliance costs and liabilities associated with operating our properties may affect our results of operations.

Under various U.S. federal, state and local laws, ordinances and regulations, owners and operators of real estate may be liable for the costs of investigating and remediating certain hazardous substances or other regulated materials on or in such property. Such laws often impose such liability without regard to whether the owner or operator knew of, or was responsible for, the presence of such substances or materials. The presence of such substances or materials, or the failure to properly remediate such substances, may adversely affect the owner’s or operator’s ability to lease, sell or rent such property or to borrow using such property as collateral. Persons who arrange for the disposal or treatment of hazardous substances or other regulated materials may be liable for the costs of removal or remediation of such substances at a disposal or treatment facility, whether or not such facility is owned or operated by such person. Certain environmental laws impose liability for release of asbestos-containing materials into the air and third parties may seek recovery from owners or operators of real properties for personal injury associated with asbestos-containing materials.

Certain environmental laws also impose liability, without regard to knowledge or fault, for removal or remediation of hazardous substances or other regulated materials upon owners and operators of contaminated property even after they no longer own or operate the property. Moreover, the past or present owner or operator from which a release emanates could be liable for any personal injuries or property damages that may result from such releases, as well as any damages to natural resources that may arise from such releases.

Certain environmental laws impose compliance obligations on owners and operators of real property with respect to the management of hazardous materials and other regulated substances. For example, environmental laws govern the management of asbestos-containing materials and lead-based paint. Failure to comply with these laws can result in penalties or other sanctions.

No assurances can be given that existing environmental studies with respect to any of our properties reveal all environmental liabilities, that any prior owner or operator of our properties did not create any material environmental condition not known to us, or that a material environmental condition does not

otherwise exist as to any one or more of our properties. There also exists the risk that material environmental conditions, liabilities or compliance concerns may have arisen after the review was completed or may arise in the future. Finally, future laws, ordinances or regulations and future interpretations of existing laws, ordinances or regulations may impose additional material environmental liability.

Two of our properties have been the subject of cleanup activities to address contamination that occurred prior to our ownership or operation of the sites. For a more detailed discussion of these two properties, see “Business and Properties—Environmental Matters.” No assurances can be given that investigation or cleanup activities will not be required at these sites, or that we will not be held responsible for some portion of the cleanup costs.

RISKS RELATED TO THE REAL ESTATE INDUSTRY

Our primary business involves the ownership, operation and development of self-storage properties.

Our current strategy is to own, operate and develop only self-storage properties. Consequently, we are subject to risks inherent in investments in a single industry. Because investments in real estate are inherently illiquid, this strategy makes it difficult for us to diversify our investment portfolio and to limit our risk when economic conditions change. Decreases in market rents, negative tax, real estate and zoning law changes and changes in environmental protection laws may also increase our costs, lower the value of our investments and decrease our income, which would adversely affect our business, financial condition and operating results.

Any negative perceptions of the self-storage industry generally may result in a decline in our stock price.

To the extent that the investing public has a negative perception of the self-storage industry, the value of our common stock may be negatively impacted, which would result in our common stock trading at a discount below the inherent value of our assets as a whole.

Costs associated with complying with the Americans with Disabilities Act of 1990 may result in unanticipated expenses.

Under the Americans with Disabilities Act of 1990, or ADA, all places of public accommodation are required to meet certain federal requirements related to access and use by disabled persons. These requirements became effective in 1992. A number of additional U.S. federal, state and local laws may also require modifications to our properties, or restrict certain further renovations of the properties, with respect to access thereto by disabled persons. Noncompliance with the ADA could result in the imposition of fines or an award of damages to private litigants and also could result in an order to correct any non-complying feature, which could result in substantial capital expenditures. We have not conducted an audit or investigation of all of our properties to determine our compliance and we cannot predict the ultimate cost of compliance with the ADA or other legislation. If one or more of our properties is not in compliance with the ADA or other legislation, then we would be required to incur additional costs to bring the facility into compliance. If we incur substantial costs to comply with the ADA or other legislation, our financial condition, results of operations, cash flow, per share trading price of our common stock and our ability to satisfy our debt service obligations and to make distributions to our stockholders could be adversely affected.

Illiquidity of real estate investments could significantly impede our ability to respond to adverse changes in the performance of our properties.

Because real estate investments are relatively illiquid, our ability to promptly sell one or more properties in our portfolio in response to changing economic, financial and investment conditions is limited. The real estate market is affected by many factors, such as general economic conditions, availability of financing, interest rates and other factors, including supply and demand, that are beyond our control. We cannot predict whether we will be able to sell any property for the price or on the terms set by us or whether any price or other terms offered by a prospective purchaser would be acceptable to us. We also cannot predict the length of time needed to find a willing purchaser and to close the sale of a property.

We may be required to expend funds to correct defects or to make improvements before a property can be sold. We cannot assure you that we will have funds available to correct those defects or to make those improvements. In acquiring a property, we may agree to transfer restrictions that materially restrict us from selling that property for a period of time or impose other restrictions, such as a limitation on the amount of debt that can be placed or repaid on that property. These transfer restrictions would impede our ability to sell a property even if we deem it necessary or appropriate.

Any investments in unimproved real property may take significantly longer to yield income-producing returns, if at all, and may result in additional costs to us to comply with re-zoning restrictions or environmental regulations.

We have in the past, and may in the future, invest in unimproved real property. Unimproved properties generally take longer to yield income-producing returns based on the typical time required for development. Any development of unimproved property may also expose us to the risks and uncertainties associated with re-zoning the land for a higher use or development and environmental concerns of governmental entities and/or community groups. Any unsuccessful investments or delays in realizing an income-producing return or increased costs to develop unimproved real estate could restrict our ability to earn our targeted rate of return on an investment or adversely affect our ability to pay operating expenses which would harm our financial condition and operating results.

RISKS RELATED TO OUR DEBT FINANCINGS

Required payments of principal and interest on borrowings may leave us with insufficient cash to operate our properties or to pay the distributions currently contemplated or necessary to maintain our qualification as a REIT and may expose us to the risk of default under our debt obligations.

Upon completion of the offering and the formation transactions, we expect to have approximately $419.3 million of outstanding indebtedness, 100% of which will be secured. We expect to incur additional debt in connection with future acquisitions. We may borrow under our proposed line of credit, or borrow new funds to acquire these future properties. Additionally, we do not anticipate that our internally generated cash flow will be adequate to repay our existing indebtedness upon maturity and, therefore, we expect to repay our indebtedness through refinancing and equity and/or debt offerings. Further, we may need to borrow funds to make distributions required to maintain our qualification as a REIT or to meet our expected distributions.

If we are required to utilize our proposed line of credit for purposes other than acquisition activity, this will reduce the amount available for acquisitions and could slow our growth. Therefore, our level of debt and the limitations imposed on us by our debt agreements could have significant adverse consequences, including the following:

- our cash flow may be insufficient to meet our required principal and interest payments;
- we may be unable to borrow additional funds as needed or on favorable terms, including to make acquisitions or distributions required to maintain our qualification as a REIT;
- we may be unable to refinance our indebtedness at maturity or the refinancing terms may be less favorable than the terms of our original indebtedness;
- because a portion of our debt bears interest at variable rates, an increase in interest rates could materially increase our interest expense;
- we may be forced to dispose of one or more of our properties, possibly on disadvantageous terms;
- after debt service, the amount available for distributions to our stockholders is reduced;
- our debt level could place us at a competitive disadvantage compared to our competitors with less debt;
- we may experience increased vulnerability to economic and industry downturns, reducing our ability to respond to changing business and economic conditions;
- we may default on our obligations and the lenders or mortgagees may foreclose on our properties that secure their loans and receive an assignment of rents and leases;
- we may violate restrictive covenants in our loan documents, which would entitle the lenders to accelerate our debt obligations; and
- our default under any one of our mortgage loans with cross-default or cross-collateralization provisions could result in default on other indebtedness or result in the foreclosures of other properties.

Our ability to pay our estimated initial annual distribution, which represents approximately % of our estimated cash available for distribution to our common stockholders for the twelve months ended March 31, 2005, depends upon our actual operating results, and we may have to borrow funds under our proposed line of credit to pay this distribution, which could slow our growth.

We expect to pay an initial annual distribution of $ per share, which represents approximately % of our estimated cash available for distribution to our common stockholders for the twelve months ended March 31, 2005 calculated as described in “Distribution Policy.” Accordingly, we currently expect that we will be unable to pay our estimated initial annual distribution to stockholders out of cash available for distribution to our common stockholders as calculated in “Distribution Policy.” Unless our operating cash flow increases, we will be required either to fund future distributions from borrowings under our proposed line of credit or to reduce such distributions. If we need to borrow funds on a regular basis to meet our distribution requirements or if we reduce the amount of our distribution, our stock price may be adversely affected.

We could become highly leveraged in the future because our organizational documents contain no limitation on the amount of debt we may incur.

Our organizational documents contain no limitations on the amount of indebtedness that we or our operating partnership may incur. We could alter the balance between our total outstanding indebtedness and the value of our portfolio at any time. If we become more highly leveraged, then the resulting

increase in debt service could adversely affect our ability to make payments on our outstanding indebtedness and to pay our anticipated distributions and/or the distributions required to maintain our REIT status, and could harm our financial condition.

Increases in interest rates may increase our interest expense and adversely affect our cash flow and our ability to service our indebtedness and make distributions to our stockholders.

Upon completion of the offering and the formation transactions, we expect to have approximately $419.3 million of debt outstanding, of which approximately $119.8 million, or 28.6%, will be subject to variable interest rates. This variable rate debt had a weighted average interest rate of approximately 2.71% per annum as of March 31, 2004. Increases in interest rates on this variable rate debt would increase our interest expense, which could harm our cash flow and our ability to pay distributions. For example, if market rates of interest on this variable rate debt increased by 100 basis points, the increase in interest expense would decrease future earnings and cash flows by approximately $1.2 million annually as a result of the interest rate floor in place.

Failure to hedge effectively against interest rate changes may adversely affect our results of operations.

In certain cases we may seek to manage our exposure to interest rate volatility by using interest rate hedging arrangements. Hedging involves risks, such as the risk that the counterparty may fail to honor their obligations under an arrangement. Failure to hedge effectively against interest rate changes may adversely affect our financial condition, results of operations and ability to make distributions to our stockholders.

RISKS RELATED TO OUR ORGANIZATION AND STRUCTURE

Upon completion of the offering and the formation transactions, our two largest stockholders, Kenneth M. Woolley, who is our Chairman and Chief Executive Officer, and Spencer F. Kirk, who is one of our other directors, and their respective affiliates will own % and %, respectively, of our outstanding common stock on a fully-diluted basis and will have the ability to exercise significant control of our company and any matter presented to our stockholders.

After completion of the offering, our two largest stockholders, one of whom is Kenneth M. Woolley, our Chairman and Chief Executive Officer, and one of whom is Spencer F. Kirk, one of our other directors, and their affiliates will own approximately %, and %, respectively, of our outstanding common stock, on a fully-diluted basis. Consequently, those stockholders, individually or to the extent their interests are aligned, collectively, may be able to control the outcome of matters submitted for stockholder action, including the election of our board of directors and approval of significant corporate transactions, including business combinations, consolidations and mergers and the determination of our day-to-day corporate and management policies. Therefore, those stockholders have substantial influence on us and could exercise their influence in a manner that is not in the best interests of our other stockholders.

Our business could be harmed if key personnel with long-standing business relationships in the self-storage industry terminate their employment with us.

Our success depends, to a significant extent, on the continued services of our Chairman and Chief Executive Officer and the other members of our senior management team. Our senior management team has an average of nine years of experience in the self-storage industry. In addition, our ability to continue

to develop properties depends on the significant relationships our senior management team has developed with our institutional joint venture partners such as affiliates of Prudential Financial, Inc. and Fidelity Investments. There is no guarantee that any of them will remain employed by us. We do not maintain key person life insurance on any of our officers. The loss of services of one or more members of our senior management team, particularly our Chairman and Chief Executive Officer, could harm our business and our prospects.

We may change our investment and financing strategies and enter into new lines of business without stockholder consent, which may subject us to different risks.

We may change our investment and financing strategies and enter into new lines of business without stockholder consent, which may subject us to different risks. We may change our investment and financing strategies and enter into new lines of business at any time without the consent of our stockholders, which could result in our making investments and engaging in business activities that are different from, and possibly riskier than, the investments and businesses described in this prospectus. A change in our investment strategy or our entry into new lines of business may increase our exposure to other risks or real estate market fluctuations.

If other self-storage companies convert to the UPREIT structure or if tax laws change, we may no longer have an advantage in competing for potential acquisitions.

Because we are structured as an UPREIT, we are a more attractive purchaser of property to tax-motivated sellers than our competitors that are not structured as UPREITs. However, if other self-storage companies restructure their holdings to become UPREITs, this competitive advantage will disappear. In addition, new legislation may be enacted or new interpretations of existing legislation may be issued by the IRS or the U.S. Treasury Department that could affect the attractiveness of our UPREIT structure so that it may no longer assist us in competing for acquisitions.

Tax indemnification obligations in the event that we sell or otherwise dispose of certain properties could limit our operating flexibility.

In connection with the formation transactions, we have agreed to indemnify certain third parties for their tax liabilities attributable to the built-in gain on the assets held by the Moss Group in the event that our operating partnership directly or indirectly sells, exchanges or otherwise disposes (including by way of merger, sale of assets or otherwise) of any portion of its interests in or the properties held by the Moss Group, in a taxable transaction. These tax indemnity obligations apply for each of the contributors of interests in the Moss Group for nine years, with a three-year extension, respectively, if the applicable party owns at least 50% of the OP units received by it in the formation transactions at the expiration of the initial nine-year period. Although it may be in our stockholders' best interest that we sell a property, it may be economically prohibitive for us to do so because of these obligations.

Tax indemnification obligations may require the operating partnership to maintain certain debt levels.

In connection with the formation transactions, we have agreed to make available to each of Kenneth M. Woolley, Richard S. Tanner and other third parties, the following tax protections: for nine years, with a three-year extension if the applicable party continues to own at least 50% of the OP units received by it in the formation transactions at the expiration of the initial nine-year period, the opportunity to (1) guarantee debt or (2) enter into a special loss allocation and deficit restoration obligation, in an aggregate amount, with respect to the foregoing contributors, at least equal to $60.0 million. See "Certain relationships and related transactions—Description of tax indemnity and debt guarantees." We

agreed to these provisions in order to assist these contributors in preserving their tax position after their contributions. These obligations may require us to maintain more or different indebtedness than we would otherwise require for our business.

Our joint venture investments could be adversely affected by our lack of sole decision-making authority.

Immediately following completion of the offering and the formation transactions, we will hold interests in 18 properties through three joint venture partnerships, which could be adversely affected by our lack of sole decision-making authority, our reliance on co-venturers' financial conditions and disputes between us and our co-venturers. We expect to continue our joint venture strategy by entering into one or more joint ventures for the purpose of developing new self-storage properties and acquiring existing properties. In such event, we would not be in a position to exercise sole decision-making authority regarding the property, partnership, joint venture or other entity. The decision-making authority regarding the properties we currently hold through joint ventures is either vested exclusively with our joint venture partners, is subject to a majority vote of the joint venture partners or equally shared by us and the joint venture partners. In addition, investments in partnerships, joint ventures or other entities may, under certain circumstances, involve risks not present were a third party not involved, including the possibility that partners or co-venturers might become bankrupt or fail to fund their share of required capital contributions. Partners or co-venturers may have economic or other business interests or goals which are inconsistent with our business interests or goals, and may be in a position to take actions contrary to our policies or objectives. Such investments may also have the potential risk of impasses on decisions, such as a sale, because neither we nor the partner or co-venturer would have full control over the partnership or joint venture. Disputes between us and partners or co-venturers may result in litigation or arbitration that would increase our expenses and prevent our officers and/or directors from focusing their time and efforts on our business. Consequently, actions by or disputes with partners or co-venturers might result in subjecting properties owned by the partnership or joint venture to additional risk. In addition, we may in certain circumstances be liable for the actions of our third-party partners or co-venturers.

Our Chairman and Chief Executive Officer and other members of our senior management have outside business interests which could divert their time and attention away from us, which could harm our business.

Kenneth M. Woolley, our Chairman and Chief Executive Officer, as well as certain other members of our senior management team, have outside business interests. These business interests include the ownership of two self-storage properties, one located in Palmdale, California and the other located in Pico Rivera, California, which as of March 2004 were in the early lease-up stage and the ownership of Extra Space Development LLC. Other than these two properties and Extra Space Development, LLC, the members of our senior management are not currently engaged in any other self-storage activities outside the company. In addition, Kenneth M. Woolley's employment agreement includes an exception to his non-competition covenant pursuant to which he is permitted to devote a portion of his time to the management and operations of RMI Development, LLC, a multi-family business in which he has a majority ownership. Although Kenneth M. Woolley's employment agreement requires that he devote substantially his full business time and attention to us, this agreement also permits him to devote time to his outside business interests. These outside business interests could interfere with his ability to devote time to our business and affairs and as a result, our business could be harmed.

Conflicts of interest could arise as a result of our relationship with our operating partnership.

Conflicts of interest could arise in the future as a result of the relationships between us and our affiliates, on the one hand, and our operating partnership or any partner thereof, on the other. Our directors and officers have duties to our company and our stockholders under applicable Maryland law in connection with their management of our company. At the same time, we, through our wholly owned subsidiary, have fiduciary duties, as a general partner, to our operating partnership and to the limited partners under Delaware law in connection with the management of our operating partnership. Our duties, through our wholly owned subsidiary, as a general partner to our operating partnership and its partners may come into conflict with the duties of our directors and officers to our company and our stockholders. The partnership agreement of our operating partnership does not require us to resolve such conflicts in favor of either our stockholders or the limited partners in our operating partnership.

Unless otherwise provided for in the relevant partnership agreement, Delaware law generally requires a general partner of a Delaware limited partnership to adhere to fiduciary duty standards under which it owes its limited partners the highest duties of good faith, fairness and loyalty and which generally prohibit such general partner from taking any action or engaging in any transaction as to which it has a conflict of interest.

Additionally, the partnership agreement expressly limits our liability by providing that neither we, our direct wholly owned Massachusetts business trust subsidiary, as the general partner of the operating partnership, nor any of our or their trustees, directors or officers, will be liable or accountable in damages to our operating partnership, the limited partners or assignees for errors in judgment, mistakes of fact or law or for any act or omission if we, or such trustee, director or officer, acted in good faith. In addition, our operating partnership is required to indemnify us, our affiliates and each of our respective trustees, officers, directors, employees and agents to the fullest extent permitted by applicable law against any and all losses, claims, damages, liabilities (whether joint or several), expenses (including, without limitation, attorneys' fees and other legal fees and expenses), judgments, fines, settlements and other amounts arising from any and all claims, demands, actions, suits or proceedings, civil, criminal, administrative or investigative, that relate to the operations of the operating partnership, provided that our operating partnership will not indemnify for (1) willful misconduct or a knowing violation of the law, (2) any transaction for which such person received an improper personal benefit in violation or breach of any provision of the partnership agreement, or (3) in the case of a criminal proceeding, the person had reasonable cause to believe the act or omission was unlawful.

The provisions of Delaware law that allow the common law fiduciary duties of a general partner to be modified by a partnership agreement have not been resolved in a court of law, and we have not obtained an opinion of counsel covering the provisions set forth in the partnership agreement that purport to waive or restrict our fiduciary duties that would be in effect under common law were it not for the partnership agreement.

Our management's ownership of CCSs and CCUs may cause them to devote a disproportionate amount of time to the performance of the 14 wholly owned early-stage lease-up properties, which could cause our overall operating performance to suffer.

Upon completion of the offering and the formation transactions, we will issue to our contributors, which include certain members of our senior management, in addition to shares of our common stock, CCSs and/or a combination of OP units and CCUs. The terms of the CCSs and CCUs provide that they will convert into our common stock and OP units, respectively, only if the relevant 14 early-stage lease-up

properties achieve specified performance thresholds prior to December 31, 2008. As a result, our directors and officers who own CCSs and CCUs may have an incentive to devote a disproportionately large amount of their time and attention to these properties in comparison with our remaining properties, which could harm our operating results.

We may pursue less vigorous enforcement of terms of contribution and other agreements because of conflicts of interest with certain of our officers.

Kenneth M. Woolley, our Chairman and Chief Executive Officer, and Spencer F. Kirk, Kent W. Christensen, Charles L. Allen, Richard S. Tanner and Hugh W. Horne, who serve as directors and members of our senior management, have direct or indirect ownership interests in certain properties to be contributed to our operating partnership in the formation transactions. Following the completion of the offering and the formation transactions, we, under the agreements relating to the contribution of such interests, will be entitled to indemnification and damages in the event of breaches of representations or warranties made by the contributors. In addition, Kenneth M. Woolley's employment agreement includes an exception to his non-competition covenant pursuant to which he is permitted to devote time to the management and operations of RMI Development, LLC, a multi-family business. None of these contribution and non-competition agreements was negotiated on an arm's-length basis. We may choose not to enforce, or to enforce less vigorously, our rights under these contribution and non-competition agreements because of our desire to maintain our ongoing relationships with the individuals party to these agreements.

Certain provisions of Maryland law and our organizational documents, including the stock ownership limit imposed by our charter, may inhibit market activity in our stock and could prevent or delay a change in control transaction.

Our charter, subject to certain exceptions, authorizes our directors to take such actions as are necessary and desirable to preserve our qualification as a REIT and to limit any person to actual or constructive ownership of no more than % (by value or by number of shares, whichever is more restrictive) of our outstanding common stock or % (by value or by number of shares, whichever is more restrictive) of our outstanding capital stock. Our board of directors, in its sole discretion, may exempt a proposed transferee from the ownership limit. However, our board of directors may not grant an exemption from the ownership limit to any proposed transferee whose ownership could jeopardize our status as a REIT. See "Description of Stock—Restrictions on Transfer." These restrictions on ownership will not apply if our board of directors determines that it is no longer in our best interests to attempt to qualify, or to continue to qualify, as a REIT. The ownership limit may delay or impede a transaction or a change of control that might involve a premium price for our common stock or otherwise be in the best interests of our stockholders. See "Description of Stock—Restrictions on Transfer." Different ownership limits apply to Kenneth M. Woolley, certain of his affiliates, family members and estates and trusts formed for the benefit of the foregoing and Spencer F. Kirk, certain of his affiliates, family members and estates and trusts formed for the benefit of the foregoing.

Our board of directors has the power to issue additional shares of our stock in a manner that may not be in your best interests.

Our charter authorizes our board of directors to issue additional authorized but unissued shares of common stock or preferred stock and to increase the aggregate number of authorized shares or the number of shares of any class or series without stockholder approval. In addition, our board of directors may increase or decrease the aggregate number of our shares or the number of our shares of any class or series and may classify or reclassify any unissued shares of common stock or preferred stock and set the preferences, rights and other terms of the classified or reclassified shares. See "Description of stock—Power to Increase Authorized Stock and Issue Additional Shares of Our Common Stock and Preferred

Stock." Our board of directors could issue additional shares of our common stock or establish a series of preferred stock that could have the effect of delaying, deferring or preventing a change in control or other transaction that might involve a premium price for our common stock or otherwise be in the best interests of our stockholders.

Our rights and the rights of our stockholders to take action against our directors and officers are limited.

Maryland law provides that a director or officer has no liability in that capacity if he or she performs his or her duties in good faith, in a manner he or she reasonably believes to be in our best interests and with the care that an ordinarily prudent person in a like position would use under similar circumstances. In addition, our charter eliminates our directors' and officers' liability to us and our stockholders for money damages except for liability resulting from actual receipt of an improper benefit in money, property or services or active and deliberate dishonesty established by a final judgment and which is material to the cause of action. Our bylaws require us to indemnify our directors and officers for liability resulting from actions taken by them in those capacities to the maximum extent permitted by Maryland law. As a result, we and our stockholders may have more limited rights against our directors and officers than might otherwise exist under common law. In addition, we may be obligated to fund the defense costs incurred by our directors and officers. See "Certain Provisions of Maryland Law."

We may assume unknown liabilities in connection with the formation transactions.

As part of the formation transactions, we (through our operating partnership) will receive the contribution of certain assets or interests in certain assets subject to existing liabilities, some of which may be unknown at the time the offering is consummated. Unknown liabilities might include liabilities for cleanup or remediation of undisclosed environmental conditions, claims of tenants, vendors or other persons dealing with the entities prior to the offering (that had not been asserted or threatened prior to the offering), tax liabilities, and accrued but unpaid liabilities incurred in the ordinary course of business. Our recourse with respect to such liabilities will be limited.

To the extent our distributions represent a return of capital for tax purposes, you could recognize an increased capital gain upon a subsequent sale of your common stock.

Distributions in excess of our current and accumulated earnings and profits and not treated by us as a dividend will not be taxable to a taxable U.S. stockholder under current U.S. federal income tax law to the extent those distributions do not exceed the stockholder's adjusted tax basis in his or her common stock, but instead will constitute a return of capital and will reduce such adjusted basis. If distributions result in a reduction of a stockholder's adjusted basis in such holder's common stock, subsequent sales of such holder's common stock potentially will result in recognition of an increased capital gain due to the reduction in such adjusted basis.

RISKS RELATED TO QUALIFICATION AND OPERATION AS A REIT

To maintain our qualification as a REIT, we may be forced to borrow funds on a short-term basis during unfavorable market conditions.

To qualify as a REIT, we generally must distribute to our stockholders at least 90% of our net taxable income each year, excluding net capital gains, and we will be subject to regular corporate income taxes to the extent that we distribute less than 100% of our net taxable income each year. In addition, we will be subject to a 4% nondeductible excise tax on the amount, if any, by which distributions paid by us in

any calendar year are less than the sum of 85% of our ordinary income, 95% of our capital gain net income and 100% of our undistributed income from prior years. In order to maintain our REIT qualification and avoid the payment of income and excise taxes, we may need to borrow funds on a short-term basis to meet the REIT distribution requirements even if the then prevailing market conditions are not favorable for these borrowings. These short-term borrowing needs could result from a difference in timing between the actual receipt of cash and inclusion of income for U.S. federal income tax purposes, or the effect of non-deductible capital expenditures, the creation of reserves or required debt or amortization payments.

Dividends payable by REITs do not qualify for the reduced tax rates under recently enacted tax legislation.

Recently enacted tax legislation reduces the maximum tax rate for dividends payable by domestic corporations to individual U.S. stockholders (as such term is defined under "U.S. federal income tax considerations" below) to 15% (through 2008). Dividends payable by REITs, however, are generally not eligible for the reduced rates. Although this legislation does not adversely affect the taxation of REITs or dividends paid by REITs, the more favorable rates applicable to regular corporate dividends could cause stockholders who are individuals to perceive investments in REITs to be relatively less attractive than investments in the stocks of non-REIT corporations that pay dividends, which could adversely affect the value of the stock of REITs, including our common stock.

In addition, the relative attractiveness of real estate in general may be adversely affected by the newly favorable tax treatment given to corporate dividends, which could negatively affect the value of our properties.

Possible legislative or other actions affecting REITs could adversely affect our stockholders.

The rules dealing with federal income taxation are constantly under review by persons involved in the legislative process and by the IRS and the U.S. Treasury Department. Changes to tax laws (which changes may have retroactive application) could adversely affect our stockholders. It cannot be predicted whether, when, in what forms, or with what effective dates, the tax laws applicable to us or our stockholders will be changed.

The ability of our board of directors to revoke our REIT election without stockholder approval may cause adverse consequences to our stockholders.

Our charter provides that our board of directors may revoke or otherwise terminate our REIT election, without the approval of our stockholders, if it determines that it is no longer in our best interests to continue to qualify as a REIT. If we cease to qualify as a REIT, we would become subject to federal income tax on our taxable income and would no longer be required to distribute most of our taxable income to our stockholders, which may have adverse consequences on the total return to our stockholders.

Our failure to qualify as a REIT would have significant adverse consequences to us and the value of our stock.

We intend to operate in a manner that will allow us to qualify as a REIT for U.S. federal income tax purposes under the Internal Revenue Code. We have not requested and do not plan to request a ruling from the Internal Revenue Service, or the IRS, that we qualify as a REIT, and the statements in this prospectus are not binding on the IRS or any court. If we fail to qualify as a REIT or lose our status as a

REIT at any time, we will face serious tax consequences that would substantially reduce the funds available for distribution to you for each of the years involved because:

- we would not be allowed a deduction for distributions to stockholders in computing our taxable income and would be subject to U.S. federal income tax at regular corporate rates;
- we also could be subject to the U.S. federal alternative minimum tax and possibly increased state and local taxes; and
- unless we are entitled to relief under applicable statutory provisions, we could not elect to be taxed as a REIT for four taxable years following a year during which we were disqualified.

In addition, if we fail to qualify as a REIT, we will not be required to make distributions to stockholders, and all distributions to stockholders will be subject to tax as regular corporate dividends to the extent of our current and accumulated earnings and profits. This means that our stockholders who are taxed as individuals would be taxed on our dividends at capital gains rates, and our corporate stockholders generally would be entitled to the dividends received deductions with respect to such dividends, subject, in each case, to applicable limitations under the Internal Revenue Code. As a result of all these factors, our failure to qualify as a REIT also could impair our ability to expand our business and raise capital, and would adversely affect the value of our common stock.

Qualification as a REIT involves the application of highly technical and complex Internal Revenue Code provisions for which there are only limited judicial and administrative interpretations. The complexity of these provisions and of the applicable Treasury regulations that have been promulgated under the Internal Revenue Code is greater in the case of a REIT that, like us, holds its assets through a partnership. The determination of various factual matters and circumstances not entirely within our control may affect our ability to qualify as a REIT. In order to qualify as a REIT, we must satisfy a number of requirements, including requirements regarding the composition of our assets and sources of our gross income. Also, we must make distributions to stockholders aggregating annually at least 90% of our net taxable income, excluding capital gains. In addition, legislation, new regulations, administrative interpretations or court decisions may adversely affect our investors, our ability to qualify as a REIT for federal income tax purposes or the desirability of an investment in a REIT relative to other investments.

We will pay some taxes.

Even if we qualify as a REIT for U.S. federal income tax purposes, we will be required to pay some U.S. federal, state and local taxes on our income and property. We expect that we and Extra Space Management, Inc. will elect for Extra Space Management, Inc. to be treated as “taxable REIT subsidiary” of our company for U.S. federal income tax purposes. A taxable REIT subsidiary is a fully taxable corporation and may be limited in its ability to deduct interest payments made to us. In addition, we will be subject to a 100% penalty tax on certain amounts if the economic arrangements among our tenants, our taxable REIT subsidiary and us are not comparable to similar arrangements among unrelated parties or if we receive payments for inventory or property held for sale to tenants in the ordinary course of business. To the extent that we are or our taxable REIT subsidiary is required to pay U.S. federal, state or local taxes, we will have less cash available for distribution to stockholders.

RISKS RELATED TO THE OFFERING

If you purchase shares of common stock in the offering, you will experience immediate and significant dilution in the book value of our common stock offered in the offering equal to $ per share.

We expect the initial public offering price of our common stock to be substantially higher than the book value per share of our outstanding common stock will be immediately after the offering. If you purchase our common stock in the offering, you will incur immediate dilution of approximately $ in the book value per share of common stock from the price you pay for our common stock in the offering. This means that the investors who purchase shares:

- will pay a price per share that substantially exceeds the per share value of our assets after subtracting our liabilities; and
- will have contributed % of the total amount of our equity funding since inception but will only own % of the shares outstanding.

In addition, we are issuing CCSs and CCUs in connection with the offering and the formation transactions. These CCSs and CCUs are convertible into shares of our common stock and OP units, respectively, upon achievement by our company of certain performance results relating to the 14 early-stage lease-up properties. The conversion of CCSs into common stock and CCUs into OP units will be dilutive to investors in the offering. We also have offered and expect to continue to offer stock options to our employees and have reserved 8,000,000 shares of common stock for future issuance under our stock incentive plan. To the extent that stock options are granted and ultimately exercised, there will be further dilution to investors in the offering.

There is currently no public market for our common stock, an active trading market for our common stock may never develop following the offering and the trading and our common stock price may be volatile and could decline substantially following the offering.

Prior to the offering, there has been no public market for our common stock and an active trading market for our common stock may never develop or be sustained. You may not be able to resell our common stock at or above the initial public offering price. The initial public offering price of our common stock has been determined based on negotiations between us and the representatives of the underwriters and may not be indicative of the market price for our common stock after the offering. See “Underwriting.” Performance, government regulatory action, tax laws, interest rates and market conditions in general could have a significant impact on the future market price of our common stock. Some of the factors that could negatively affect our share price or result in fluctuations in the price of our stock include:

- actual or anticipated variations in our quarterly operating results;
- changes in our funds from operations or earnings estimates or publication of research reports about us or the real estate industry;
- increases in market interest rates may lead purchasers of our shares to demand a higher yield;
- changes in market valuations of similar companies;
- adverse market reaction to any increased indebtedness we incur in the future;
- additions or departures of key personnel;
- actions by institutional stockholders;

- speculation in the press or investment community; and
- general market, economic and political conditions.

Future sales of shares of our common stock may depress the price of our shares.

We cannot predict whether future issuance of shares of our common stock or the availability of shares for resale in the open market will decrease the market price per share of our common stock. Any sales of a substantial number of shares of our common stock in the public market, including upon the redemption of OP units, or the perception that such sales might occur, may cause the market price of our shares to decline. Upon completion of the offering and the formation transactions, all common shares sold in the offering will be freely tradable without restriction (other than any restrictions set forth in our charter relating to our qualification as a REIT) after the expiration of the 180-day lock-up period described under the heading "Underwriting," unless the shares are owned by one of our affiliates. Affiliates may only sell their shares pursuant to the requirements of Rule 144 under the Securities Act of 1933, as amended, or the Securities Act, or as described below.

Holders of shares of our unregistered common stock and all holders of OP units (representing shares of common stock that may be issued by us upon redemption of OP units (assuming conversion of all CCUs into OP units)), have registration rights requiring us to register their common stock with the SEC and holders of 100% of these shares of common stock and of units are subject to agreements prohibiting them from disposing of these shares for 180 days following completion of the offering. In the aggregate, these shares of common stock and OP units represent % of our outstanding shares of common stock on a fully-diluted basis after completion of the offering. In addition, after completion of the offering and the formation transactions, we intend to register all common stock that we may issue under our 2004 long-term stock incentive plan, and once we register these shares they can be freely sold in the public market after issuance. If any or all of these holders cause a large number of their shares to be sold in the public market, such sales could reduce the trading price of our common stock and could impede our ability to raise future capital.

The exercise of the underwriters' over-allotment option, the redemption of OP units for common stock, the exercise of any options or the vesting of any restricted stock granted to directors, executive officers and other employees under our 2004 long-term stock incentive plan, the issuance of our common stock or OP units in connection with property, portfolio or business acquisitions and other issuances of our common stock could have an adverse effect on the market price of the shares of our common stock, and the existence of OP units, options and shares of our common stock reserved for issuance as restricted shares of our common stock or upon redemption of OP units or exercise of options may adversely affect the terms upon which we may be able to obtain additional capital through the sale of equity securities. In addition, future sales of shares of our common stock may be dilutive to existing stockholders.

Statements regarding forward-looking information

This prospectus contains various “forward-looking statements.” You can identify forward-looking statements by the use of forward-looking terminology such as “believes,” “expects,” “may,” “will,” “would,” “could,” “should,” “seeks,” “approximately,” “intends,” “plans,” “projects,” “estimates” or “anticipates” or the negative of these words and phrases or similar words or phrases. You can also identify forward-looking statements by discussions of strategy, plans or intentions. Statements regarding the following subjects may be impacted by a number of risks and uncertainties:

- our business strategy;
- our ability to obtain future financing arrangements;
- estimates relating to our future distributions;
- our understanding of our competition;
- information relating to the conversion of CCSs and CCUs;
- market trends;
- projected capital expenditures;
- the impact of technology on our products, operations and business; and
- use of the proceeds of the offering.

The forward-looking statements contained in this prospectus reflect our beliefs, assumptions and expectations of our future performance, taking into account all information currently available to us. These beliefs, assumptions and expectations are subject to risks and uncertainties and can change as a result of many possible events or factors, not all of which are known to us. If a change occurs, our business, financial condition, liquidity and results of operations may vary materially from those expressed in our forward-looking statements. You should carefully consider these risks before you make an investment decision with respect to our common stock.

For more information regarding risks that may cause our actual results to differ materially from any forward-looking statements, see “Risk Factors.” We do not intend and disclaim any duty or obligation to update or revise any industry information or forward-looking statements set forth in this prospectus to reflect new information, future events or otherwise.

Use of proceeds

We will receive net proceeds from the offering of approximately $ million and approximately $ million if the underwriters' over-allotment option is exercised in full after deducting the underwriting discounts and commissions, financial advisory fees and estimated expenses of the offering.

We will contribute the net proceeds of the offering to our operating partnership. In addition, concurrently with the closing of the offering we expect to enter into a variable rate mortgage loan in the aggregate principal amount of $15.0 million with U.S. Bank, and a fixed rate mortgage loan in the aggregate principal amount of $111.0 million with Wachovia Bank, N.A. The U.S. Bank mortgage, which will be secured by five properties, will bear interest at a variable rate equal to LIBOR plus 175 basis points and will mature in three years after its inception. The Wachovia loan, which will be secured by the 26 properties that we expect to acquire in the Storage Spot transaction, will bear interest at a fixed rate equal to 150 basis points above the five-year Treasury rate and will mature in 2010. We have been proffered a binding commitment letter from U.S. Bank relating to the U.S. Bank loan. We have also executed a non-binding term sheet with Wachovia but have not yet been proffered a binding commitment letter relating to the Wachovia loan. There can be no assurance that we will be able to close the Wachovia loan. However, Wachovia currently has a mortgage loan outstanding covering the 26 properties that will secure the Wachovia loan and we believe, based on our discussions with Wachovia, that it will be in a position to close this loan in accordance with the terms outlined in our non-binding term sheet. If the Wachovia loan does not close, we will seek alternative mortgage financing which we believe, based on the number of lenders that have provided loan proposals to us relating to this financing, will be available on acceptable terms. If such alternative financing is not available, we may not be able to complete the Storage Spot acquisition as outlined in this prospectus. We do not intend to use the proceeds of these two mortgage loans to fund distributions.

The following table sets forth the sources and uses of funds that we expect in connection with the offering and the U.S. Bank loan and the Wachovia loan described above. Some of the uses indicated in the following table could be funded from other sources, such as cash on hand or our proposed line of credit.

Sources (dollars in thousands)		Uses (dollars in thousands)	
Gross proceeds from the offering	$ 15,000	Acquisition of properties	$ 167,637
Proposed variable rate mortgage due 2007		Repayment of existing indebtedness related to our initial assets	106,366
Proposed fixed rate mortgage due 2010	111,000	Payment of certain loan exit fees	3,274
		Purchase of interests of certain joint venture partners in connection with the formation transactions including amounts used to retire certain loans incurred in connection with such purchase	37,925
		Redemption of certain holders of Class A, Class B and Class C membership interests in our predecessor	26,814
		Repayment of certain short term notes payable	22,074
		Repayment of a note held by Anthony Fanticola (a director-nominee) and Joann Fanticola, cotrustees of the Anthony and Joann Fanticola Trust and payment of related loan exit fee	5,139
		Payment of loan origination fees	2,865
		Repayment of the Fidelity minority interest	22,382
		Working capital interest	
		Subtotal	$
		Payment of fees and expenses of the offering:	
		Underwriting commission	
		Financial advisory fee	
		Other fees and expenses	
		Subtotal	
Total Sources	**$**	**Total Uses**	**$**

Pending the use of any cash proceeds, we intend to invest the net proceeds in interest-bearing, short-term investment-grade securities or money-market accounts which are consistent with our intention to qualify as a REIT. Such investments may include, for example, government and government agency certificates, certificates of deposit, interest-bearing bank deposits and mortgage loan participations.

Any net proceeds remaining after the uses set forth in the table above will be used for working capital purposes, including future acquisitions and development activities. If the underwriters exercise their over-allotment option for the offering in full, we expect to use the additional net proceeds to us, which will be approximately $ million in aggregate, for working capital needs, including future acquisitions and developments. We do not intend to use any of the net proceeds from this offering to fund distributions to our stockholders, but to the extent we use these proceeds to fund distributions, these payments will be treated as a return of capital to our stockholders.

Use of proceeds

Our repayment of existing indebtedness and related loan exit fees related to our initial assets consists of the following:

	Debt	Exit Fees
Senior fixed rate mortgage due 2009 which bears interest at a rate of 8.97% per annum	$ 1,246,658	$ 384,323
Senior fixed rate mortgage due 2008, which bears interest at a rate of 7.15% per annum	5,004,897	931,900
Senior variable rate mortgage due 2007, which bears interest at LIBOR plus 4.50% per annum with a LIBOR floor of 1.50%(1)	52,201,299	1,957,549
Nine senior mortgage and construction loans due October 2004 through December 2011, which bear interest from LIBOR plus 2.75% to LIBOR plus 3.00% and prime plus .50% to prime plus 4.75%(2)	30,570,128	
Wells Fargo property credit line due September 2004, which bears interest at the prime rate	5,000,000	
Wells Fargo corporate credit line due July 2004, which bears interest at prime plus 4.00%	905,339	
Zions Bank corporate credit line due July 2004, which bears interest at the prime rate	11,437,458	
	$ 106,365,779	$ 3,273,772

(1) At March 31, 2004, this senior variable rate mortgage bore interest at a rate equal to 6.00% per annum.
(2) At March 31, 2004, these senior mortgage and construction loans bore interest at rates equal to 3.87% to 8.75% per annum.

Our repayment of $22.1 million of certain short-term notes payable consists of our repayment of three separate loans. First, we will repay loans of $10.0 million and $8.4 million borrowed from one of our joint venture partners to fund the purchase of interests in two of our joint ventures. These loans bear interest at a rate of 12.50% per annum and mature on the earlier of October 2004 or the closing of the offering. Kenneth M. Woolley, our Chairman and Chief Executive Officer, has guaranteed the payment of these loans. For more information, see “Formation transactions—Joint Venture Restructuring.” Second, we will repay a short-term note issued to Strategic Performance Fund, Inc. in the amount of $3.7 million which bears interest at a rate of 15.9% per annum and is due October 15, 2004.

The Fanticola note referred to above that we intend to repay out of the net proceeds of the offering bears interest at a rate of 9.34% per annum and is due August 15, 2010.

Distribution policy

We intend to make regular quarterly distributions to holders of our common stock. We intend to pay a pro rata distribution with respect to the period commencing on the completion of the offering and ending September 30, 2004, based on a distribution of $ per share for a full quarter. On an annualized basis, this would be $ per share, or an annual distribution rate of approximately % based on the initial public offering price of $ per share. We estimate that this initial annual distribution will represent approximately % of our estimated cash available for distribution to our common stockholders for the 12 months ended March 31, 2005. We have estimated our cash available for distribution to our common stockholders for the 12 months ended March 31, 2005 based on adjustments to our pro forma net income available to common stockholders before allocation to minority interest for the 12 months ended March 31, 2004 (giving effect to the offering and the formation transactions), as described below. This estimate was based upon our predecessor's historical operating results and does not take into account our growth initiatives which are intended to improve our occupancy and operating results, nor does it take into account any unanticipated expenditures we may have to make or any debt we may have to incur. In estimating our cash available for distribution to our holders of common stock, we have made certain assumptions as reflected in the table and footnotes below. Unless our operating cash flow increases, we expect that we will be required either to fund future distributions from borrowings under our proposed line of credit or to reduce such distributions. If we use working capital or borrowings under our proposed line of credit to fund these distributions, this will reduce the cash we have available to fund our acquisition and development activities and other growth initiatives.

We intend to maintain our initial distribution rate for the 12-month period following completion of the offering unless our actual results of operations, economic conditions or other factors differ materially from the assumptions used in our estimate.

Distributions made by us will be authorized and determined by our board of directors in its sole discretion out of funds legally available therefor and will be dependent upon a number of factors, including restrictions under applicable law and the capital requirements of our company. Actual distributions may be significantly different from the expected distributions. See "Statements Regarding Forward-Looking Information." We do not intend to reduce the expected distribution per share if the underwriters' over-allotment option is exercised.

We anticipate that, at least initially, our distributions will exceed our current and accumulated earnings and profits as determined for U.S. federal income tax purposes. Therefore, a portion of these distributions may represent a return of capital for U.S. federal income tax purposes. Distributions in excess of our current and accumulated earnings and profits will not be taxable to a taxable U.S. stockholder under current U.S. federal income tax law to the extent those distributions do not exceed the stockholder's adjusted tax basis in his or her common stock, but rather will reduce such adjusted basis in our common stock. Therefore, the gain (or loss) recognized on the sale of that common stock or upon our liquidation will be increased (or decreased) accordingly. To the extent those distributions exceed a taxable U.S. stockholder's adjusted tax basis in his or her common stock, they generally will be treated as a capital gain realized from the taxable disposition of those shares. We expect that the first $ of our initial distribution will represent a dividend taxable at ordinary income rates and that any amounts in excess of the initial $ will represent a return of capital for the tax period ending December 31, 2004. The percentage of our stockholder distributions that exceeds our current and accumulated earnings and profits may vary substantially from year to year. For a more complete discussion of the tax treatment of distributions to holders of our common stock, see "U.S. federal income tax considerations."

Distribution policy

We cannot assure you that our estimated distributions will be made or sustained. Any distributions we pay in the future will depend upon our actual results of operations, economic conditions and other factors that could differ materially from our current expectations. Our actual results of operations will be affected by a number of factors, including the revenue we receive from our properties, our operating expenses, interest expense, our occupancy levels, the ability of our tenants to meet their obligations and unanticipated expenditures. For more information regarding risk factors that could materially adversely affect our actual results of operations, see “Risk Factors.” If our properties do not generate sufficient cash flow to allow cash to be distributed by us, we may be required to fund distributions from working capital or borrowings or reduce such distributions.

U.S. federal income tax law requires that a REIT distribute annually at least 90% of its net taxable income excluding net capital gains, and that it pay tax at regular corporate rates to the extent that it annually distributes less than 100% of its REIT taxable income including capital gains. For more information, see “U.S. federal income tax considerations.” We anticipate that our estimated cash available for distribution will exceed the annual distribution requirements applicable to REITs. However, under some circumstances, we may be required to pay distributions in excess of cash available for distribution in order to meet these distribution requirements and, unless our operating cash flow increases, we expect that we will need to borrow funds to make future distributions.

Distribution policy

The following table describes our pro forma net income before allocation to minority interest for the 12 months ended March 31, 2004, and the adjustments we have made thereto in order to estimate our initial cash available for distribution to the holders of our common stock for the 12 months ended March 31, 2005.

	dollars in thousands
Pro forma net income available to our holders of common stock for the year ended December 31, 2003	$ 2,063
Less: Income before minority interests for the three months ended March 31, 2003	(387)
Add: Loss before minority interests for the three months ended March 31, 2004	(1,238)
Pro forma net income available to our holders of common stock before allocation to minority interest for the 12 months ended March 31, 2004	438
Add: Pro forma depreciation and amortization(1)	23,183
Add: Net rental increases for continuing tenants for rental increases effective through March 31, 2004 (wholly owned stabilized properties)(2)(3)	265
Add: Net rental increases for continuing tenants for rental increases effective through March 31, 2004 (wholly owned lease-up properties) (3)(4)	21
Add: Net rental increases from occupancy changes effective through March 31, 2004 (wholly owned stabilized properties)(3)(5)	1,212
Add: Net rental increases from occupancy changes effective through March 31, 2004 (wholly owned lease-up properties) (3)(6)	866
Add: Net rental increases for continuing tenants for rental increases effective through March 31, 2004 (joint venture stabilized properties)(3)(7)	31
Add: Net rental increases for continuing tenants for rental increases effective through March 31, 2004 (joint venture lease-up properties)(3)(8)	7
Add: Net rental increases from occupancy changes effective through March 31, 2004 (joint venture stabilized properties)(3)(9)	72
Add: Net rental increases from occupancy changes effective through March 31, 2004 (joint venture lease-up properties)(3)(10)	71
Less: Gain on sale of real estate assets	(501)
Estimated cash flows from operations available to our holders of common stock for the 12 months ended March 31, 2005	25,665
Less: Estimated cash flows used in investing activities—property improvements(11)	(1,308)
Less: Estimated cash flows used in financing activities—scheduled mortgage loan principal payments(12)	(2,676)
Estimated cash available for distribution to our holders of common stock for the 12 months ended March 31, 2005	$ 21,681
Estimated initial annual distribution (including distributions to minority interest)(13)	
Payout ratio based on estimated cash available for distribution to our holders of common stock(13)	
Estimated cash available for distribution to our holders of common stock applicable to:	
Minority interest	
Common Shares	

(1) Includes real estate depreciation and amortization on wholly owned and joint venture properties of $13,551 and $336, respectively, amortization of intangibles related to tenant relationships acquired with respect to wholly owned properties of $6,318, other non-real estate depreciation on wholly owned and joint venture properties of $1,317 and $22, respectively, and loan fee amortization of $1,637.

(footnotes continued on following page)

(2) *For wholly owned stabilized properties, represents additional revenues on a pro forma basis based on rental increases achieved by March 31, 2004 as if the increases were in effect beginning on April 1, 2003, for those tenants who were tenants at the properties for the entirety of the 12 months ended March 31, 2004.*

(3) *For the 12 months ended March 31, 2004, we did not experience increases in expenses in the properties for which we have given pro forma effect to the rental increases.*

(4) *For wholly owned lease-up properties, represents additional revenues on a pro forma basis based on rental increases achieved by March 31, 2004 as if the increases were in effect beginning on April 1, 2003, for those tenants who were tenants at the properties for the entirety of the 12 months ended March 31, 2004.*

(5) *For wholly owned stabilized properties, represents additional revenues on a pro forma basis due to increase in occupancy calculated by taking the difference between (A) and (B), as follows: (A) the sum of $2,159, which was determined by adding for each tenant commencing a unit rental during the 12 months ended March 31, 2004, an amount equal to the number of months such new tenant did not occupy its unit during such period multiplied by its rental rate in effect for such tenant for March 2004; less (B) the sum of $947 , which was determined by adding for each tenant vacating a unit rental during the 12 months ended March 31, 2004, an amount equal to the number of months such tenant occupied its unit during such period multiplied by its monthly rental rate in effect as of the month of departure.*

(6) *For wholly owned lease-up properties, represents additional revenues on a pro forma basis due to increase in occupancy calculated by taking the difference between (A) and (B), as follows: (A) the sum of $1,625, which was determined by adding for each tenant commencing a unit rental during the 12 months ended March 31, 2004, an amount equal to the number of months such new tenant did not occupy its unit during such period multiplied by its rental rate in effect for such tenant for March 2004; less (B) the sum of $759 , which was determined by adding for each tenant vacating a unit rental during the 12 months ended March 31, 2004, an amount equal to the number of months such tenant occupied its unit during such period multiplied by its monthly rental rate in effect as of the month of departure.*

(7) *For joint venture stabilized properties, represents our portion of additional revenues on a pro forma basis based on rental increases achieved by March 31, 2004, or $31 as if the increases were in effect beginning on April 1, 2004, for those tenants who were tenants at the properties for the entirety of the 12 months ended March 31, 2004.*

(8) *For joint venture lease-up properties, represents our portion of additional revenues on a pro forma basis based on rental increases achieved by March 31, 2004, or $7 as if the increase were in effect beginning on April 1, 2004, for those tenants who were tenants at the properties for the entirety of the 12 months ended March 31, 2004.*

(9) *For joint venture stabilized properties, represents our portion of additional revenues on a pro forma basis due to increase in occupancy calculated by taking the difference between (A) and (B), as follows: (A) the sum of $170, which was determined by adding for each tenant commencing a unit rental during the 12 months ended March 31, 2004, an amount equal to the number of months such new tenant did not occupy its unit during such period multiplied by its rental rate in effect for such tenant for March 2004; less (B) the sum of $98, which was determined by adding for each tenant vacating a unit rental during the 12 months ended March 31, 2004, an amount equal to the number of months such tenant occupied its unit during such period multiplied by its monthly rental rate in effect as of the month of departure.*

(10) *For joint venture lease-up properties, represents our portion of additional revenues on a pro forma basis due to increase in occupancy calculated by taking the difference between (A) and (B), as follows: (A) the sum of $191, which was determined by adding for each tenant commencing a unit rental during the 12 months ended March 31, 2004, an amount equal to the number of months such new tenant did not occupy its unit during such period multiplied by its rental rate in effect for such tenant for March 2004; less (B) the sum of $120, which was determined by adding for each tenant vacating a unit rental during the 12 months ended March 31, 2004, an amount equal to the number of months such tenant occupied its unit during such period multiplied by its monthly rental rate in effect as of the month of departure.*

(11) *Represents estimated annual recurring capital expenditures of $ per net rentable square foot for the net rentable square feet at our properties:*

	Extra Space Predecessor		
	Year Ended December 31,		
	2003	2002	Average
Recurring capital expenditures (dollars in thousands)	$ 1,224	$ 1,109	$ 1,167
Net rentable square feet	5,304,547	5,028,766	5,166,657
Average annual recurring capital expenditure per net rentable square foot	$ 0.23	$ 0.22	$ 0.23

(12) *Represents the amortization of principal on indebtedness on a pro forma basis.*

(13) *If the underwriters' over-allotment option of shares of our common stock is exercised in full at the mid-point of the price range on the cover page of this prospectus, our initial annual distribution would increase by $ and our payout ratio would increase to %. We do not intend to use the proceeds from the over-allotment option to fund distributions, but to the extent we use these proceeds to fund distributions, these payments will be treated as a return of capital to our stockholders.*

Capitalization

The following table presents the capitalization as of March 31, 2004 on a historical basis for Extra Space Storage LLC and its affiliates, which we consider to be our predecessor for accounting purposes, on a pro forma basis for our company taking into account the formation transactions and the offering. The pro forma adjustments give effect to the offering and the formation transactions as if they had occurred on March 31, 2004 and the application of the net proceeds as described in "Use of proceeds." You should read this table in conjunction with "Use of proceeds," "Summary consolidated pro forma and historical financial data," "Management's discussion and analysis of financial condition and results of operations," and the more detailed information contained in the consolidated financial statements and notes thereto included elsewhere in this prospectus.

	Historical (Extra Space predecessor)	Pro Forma (Company)
	(dollars in thousands)	
Mortgages and other secured loans	$ 345,507	$ 419,308
Minority interest in our operating partnership	—	
Redeemable minority interest—Fidelity	18,712	—
Other minority interests	46,203	33,783
Redeemable Class C and Class E Units	44,522	—
Stockholders' equity (deficit):		
Common stock, $.01 par value, shares authorized, issued and outstanding(1)	—	
Additional paid in capital	—	
Members' equity (deficit)	(13,243)	(91,640)
Total members'/shareholders' equity (deficit)	(13,243)	
Total capitalization	$ 441,701	$

(1) Our pro forma outstanding common stock excludes shares of common stock reserved for issuance upon the exercise of options to be granted prior to or concurrently with the offering at an exercise price equal to the initial public offering price, shares of common stock that may be issued by us upon exercise of the underwriters' over-allotment option, shares of common stock available for future issuance under our 2004 long-term stock incentive plan, shares of common stock that may be issued upon conversion of CCSs issued pursuant to the formation transactions and shares of common stock that may be issued by us upon redemption of OP units outstanding (including OP units issuable upon conversion of CCUs).

Dilution

DILUTION AFTER THIS OFFERING

Purchasers of our common stock will experience an immediate and significant dilution of the net tangible book value of our common stock from the initial public offering price. On a pro forma basis at March 31, 2004, after giving effect to the formation transactions but before the offering, the net tangible book value of our company was $ million or $ per share of our common stock. After giving effect to the sale of shares of common stock in the offering, the receipt by us of the net proceeds from the offering, the deduction of underwriting discounts and commissions, financial advisory fees and estimated offering expenses payable by us, the formation transactions and payment of related expenses, the pro forma net tangible book value at March 31, 2004 would have been $ million or $ per share of our common stock. This amount represents an immediate dilution in pro forma net tangible book value of $ per share from the assumed initial public offering price of $ per share, which is the mid-point of the price range on the cover page of this prospectus of common stock to new public stockholders. The following table illustrates this per share dilution:

Initial public offering price per share	$	
Net tangible book value per share of our predecessor as of March 31, 2004, before reorganization transactions, the formation transactions, financing transactions and the offering	$	(0.51)
Increase in pro forma net tangible book value per share attributable to reorganization transactions (see page F-3 of the unaudited pro forma condensed consolidated balance sheet as of March 31, 2004)	$	0.18
Net tangible book value per share of our predecessor after the reorganization transactions, but before the formation transactions and offering and related transactions	$	(0.33)
Increase (Decrease) in pro forma net tangible book value per share of our predecessor attributable to the formation transactions and financing transactions, but before the offering(1)	$	
Increase in pro forma net tangible book value attributable to the offering	$	
Net increase in pro forma net intangible book value per share attributable to the reorganization transactions, formation transactions, financing transactions and the offering	$	
Pro forma net tangible book value after the formation transactions and the offering(2)	$	
Dilution in pro forma net tangible book value to new stockholders in common stock(3)	$	

(1) *Determined by dividing pro forma net tangible book value after the formation transactions, financing transactions and before the offering by the number of shares of common stock to be issued to the former members of our predecessor upon completion of the offering.*

(2) *Determined by dividing pro forma net tangible book value of approximately $ million by shares of common stock, which amount excludes shares of common stock reserved for issuance upon the exercise of options to be granted prior to or concurrently with the offering at an exercise price equal to the initial public offering price, shares of common stock that may be issued by us upon exercise of the underwriters' over-allotment option, shares of common stock available for future issuance under our 2004 long-term stock incentive plan, shares of common stock that may be issued upon conversion of CCSs issued pursuant to the formation transactions and shares of common stock that may be issued by us upon redemption of OP units outstanding (including OP units issuable upon conversion of CCUs).*

(3) *Determined by subtracting pro forma net tangible book value per share of common stock from the assumed initial public offering price paid by a new stockholder for a share of common stock.*

DIFFERENCES BETWEEN NEW INVESTORS AND FORMER MEMBERS OF OUR PREDECESSOR IN NUMBER OF SHARES AND AMOUNT PAID

The table below summarizes, as of March 31, 2004, on the pro forma basis after giving effect to the formation transactions but before the offering discussed above, the differences between the number of shares of common stock purchased from us, the total consideration paid and the average price per share paid by former members of our predecessor and by the new investors purchasing shares in the offering. We used the initial public offering price of $ per share, and we have not deducted estimated underwriting discounts and commissions and estimated offering expenses in our calculations.

	Shares Purchased Assuming No Exercise of Underwriters' Over-Allotment Option		Total Consideration		Average Price per Share
	Number	Percentage	Amount	Percentage	
Former members of our predecessor		%	$	%	$
New investors					
Total		%	$	%	

This table excludes shares of common stock reserved for issuance upon the exercise of options to be granted prior to or concurrently with the offering at an exercise price equal to the initial public offering price, shares of common stock that may be issued by us upon exercise of the underwriters' over-allotment option, shares of common stock available for future issuance under our 2004 long-term stock incentive plan, shares of common stock that may be issued upon conversion of CCSs issued pursuant to the formation transactions and shares of common stock that may be issued by us upon redemption of OP units outstanding (including OP units issuable upon conversion of CCUs). Further dilution to our new investors will result if these excluded shares of common stock are issued by us in the future.

Selected consolidated pro forma and historical financial data

The following table shows selected consolidated pro forma financial data for our company and historical financial data for our predecessor for the periods indicated. You should read the following selected historical and pro forma and financial data together with the discussion under the caption “Management’s discussion and analysis of financial condition and results of operations”, and the pro forma and historical consolidated financial statements and related notes included elsewhere in this prospectus.

The following selected consolidated historical financial data for 1999 to 2003 has been derived from financial statements audited by PricewaterhouseCoopers LLP, independent registered public accounting firm. Consolidated balance sheets as of December 31, 2003 and 2002 and the related consolidated statements of operations and of cash flows for the three years in the period ended December 31, 2003, and the related notes thereto appear elsewhere in this prospectus.

Our unaudited selected consolidated pro forma results of operations data and balance sheet data as of and for the three months ended March 31, 2004 and for the year ended December 31, 2003 give effect to the formation transactions, the offering, the use of proceeds from the offering and certain related transactions as summarized below.

FORMATION TRANSACTIONS

- Existing holders of membership interests in Extra Space Storage LLC exchanged their membership interests for shares of common stock, OP units, CCSs or CCUs.
- Extra Space Storage LLC distributed to certain holders of its Class A membership interests a convertible note receivable who then converted the convertible note receivable into a 40% equity interest in Centershift.
- Extra Space Storage LLC purchased 100% of the common stock of Extra Space Management, Inc.
- Extra Space Storage LLC contributed to Extra Space Development LLC six wholly owned early stage development properties, interests in seven early stage development properties owned through joint ventures and two undeveloped parcels of land, and any related indebtedness.
- Extra Space Storage LLC distributed to certain holders of its Class A membership interests, 100% of the membership interests in Extra Space Development LLC, which was previously a wholly owned subsidiary of our predecessor.
- Certain holders of Class A and Class C membership interests in Extra Space Storage LLC holding short-term debt and certain other holders of short-term debt converted $1.7 million dollars of short-term debt into additional Class A and Class C membership interests.
- Extra Space Storage LLC issued additional Class A, Class B and Class C membership interests following December 31, 2003.
- Extra Space Storage LLC will sell Extra Space of Laguna Hills LLC to its joint venture partner in such entity.
- Extra Space Storage LLC will acquire 29 additional self-storage properties for an aggregate purchase price of $167.6 million.

USE OF PROCEEDS

- We will receive proceeds from the offering of approximately $ million and approximately $ million if the underwriters' over-allotment option is exercised in full after deducting the underwriting discounts and commissions, financial advisory fees and estimated expenses of the offering.
- We will use $167.6 million of the net proceeds of the offering to acquire 29 properties.
- We will use $106.4 million of the net proceeds of the offering to repay existing indebtedness related to our initial assets.
- We will use $37.9 million of the net proceeds of the offering to purchase interests of certain joint venture partners in connection with the formation transactions including amounts used to retire certain loans incurred in connection with such purchase.
- We will use $22.1 million to repay certain short term notes payable.
- We will use $4.0 million to repay a note held by Anthony Fanticola (a director-nominee) and Joann Fanticola, cotrustees of the Anthony and Joann Fanticola Trust and $1.1 million to repay loan exit fees associated with this note.
- We will use $26.8 million of the net proceeds of the offering to redeem certain holders of Class A, Class B and Class C membership interests in our predecessor.
- We will use $22.4 million of the net proceeds to repay the Fidelity minority interest.
- We will use $3.3 million of the net proceeds of the offering to pay certain other loan exit fees.
- We will use $2.9 million of the net proceeds of the offering to pay certain loan origination fees.

REFINANCING

- We will refinance approximately $15.0 million in principal amount of additional third-party mortgage debt with new secured financings described below.

Our pro forma financial information is not necessarily indicative of what our actual financial position and results of operations would have been as of the dates and for the periods indicated, nor does it purport to represent our future financial position or results of operations.

Selected consolidated pro forma and historical financial data

	Company		Extra Space Predecessor						
	(Pro Forma)		(Historical)						
	Three Months Ended March 31, 2004	Year Ended December 31, 2003	Three Months Ended March 31,		Year Ended December 31,				
			2004	2003	2003	2002	2001	2000	1999
	(dollars in thousands, except per share data)								
Statement of Operations Data:									
Property rental revenues	$ 19,635	$ 77,408	$ 9,996	$ 7,481	$ 33,054	$ 28,811	$ 19,375	$ 5,603	$ 280
Management fees	274	1,162	548	483	1,935	2,018	2,179	1,895	1,082
Acquisition fees and development fees	265	654	265	252	654	922	834	1,323	1,645
Other income	75	107	117	114	618	635	611	948	656
Total revenues	20,249	79,331	10,926	8,330	36,261	32,386	22,999	9,769	3,663
Expenses:									
Property operating expenses	7,850	30,825	4,410	3,638	14,858	11,640	8,152	2,347	351
Unrecovered development/acquisition costs and support payments	498	—	498	275	4,937	1,938	2,227	3,854	214
General and administrative(1)	3,020	9,233	2,970	1,990	8,297	5,916	6,750	7,698	7,532
Depreciation and amortization(2)	5,411	20,694	2,677	1,432	6,805	5,652	3,105	1,147	81
Total operating expenses	16,779	60,752	10,555	7,335	34,897	25,146	20,234	15,046	8,178
Income(loss) before interest expense, minority interests, equity in earnings of real estate ventures and gain on sale of real estate assets	3,470	18,579	371	995	1,364	7,240	2,765	(5,277)	(4,515)
Interest expense	(4,892)	(18,356)	(4,724)	(3,313)	(13,795)	(11,428)	(10,844)	(4,763)	(410)
Minority interest—Fidelity preferred return	—	—	(1,096)	(999)	(4,132)	(3,759)	(322)	—	—
Income allocated to minority interest	—	—	(439)	(773)	(3,904)	(2,781)	(1,403)	—	—
Equity in earnings of real estate ventures	355	1,168	261	401	1,465	971	105	171	233
Gain(loss) on sale of real estate assets	(171)	672	(171)	—	672	—	4,677	—	—
Net income (loss)	$ (1,238)	$ 2,063	$ (5,798)	$ (3,689)	$ (18,330)	$ (9,757)	$ (5,022)	$ (9,869)	$ (4,692)
Basic earnings (loss) per share(3)(4)		$							
Diluted earnings (loss) per share(4)									
Weighted average shares of common stock outstanding—basic(4)									
Weighted average shares of common stock outstanding—diluted(4)									

Selected consolidated pro forma and historical financial data

	Company	Extra Space Predecessor				
	Pro Forma As of March 31, 2004	Historical Consolidated Year Ended December 31,				
		2003	2002	2001	2000	1999
		(dollars in thousands, except per share data)				
Balance Sheet Data (as of end of period):						
Investments in real estate, net of accumulated depreciation and amortization	$ 679,274	$ 354,374	$ 306,415	$ 242,086	$ 133,299	$ 34,013
Total assets	719,844	383,751	332,290	270,265	153,341	52,153
Mortgages and other secured loans	419,308	273,808	231,025	178,552	118,515	19,257
Total liabilities	423,893	306,226	259,903	191,667	127,739	22,197
Minority interest	33,783	56,521	45,184	43,231	—	—
Stockholders'/members' equity	262,168	21,004	27,203	35,367	25,602	29,956
Total liabilities and stockholders'/members' equity	719,844	383,751	332,290	270,265	153,341	52,153
Cash Flow Data:						
Net cash flow provided by (used in):						
Operating activities		(5,342)	1,842	(4,385)	(6,794)	(30,282)
Investing activities		(57,757)	(65,666)	(8,884)	(98,387)	(847)
Financing activities		68,384	63,051	18,867	101,352	35,791
Other Data:(5)						
Funds from operations(6)		(12,177)	(5,811)	(7,013)	(4,148)	(4,544)
Total properties		96	89	69	57	27
Total net rentable square feet		6,146,391	5,656,071	4,345,628	3,475,282	1,622,144
Occupancy		75.4%	75.6%	80.9%	70.8%	70.2%

(1) General and administrative expenses of our predecessor have historically been paid to Extra Space Management, Inc. as management fees. Pro forma general and administrative expenses include estimated public company costs less capitalization of development costs associated with internal development projects.

(2) Includes real estate depreciation and amortization of $, amortization of intangibles related to tenant relationships acquired of $ and other non-real estate depreciation of $.

(3) Pro forma basic earnings (loss) per share is computed assuming the offering was consummated as of the first day of the period presented and equals pro forma net income (loss) available to common stockholders divided by the pro forma number of shares of our common stock to be granted immediately prior to the offering, which amount excludes shares of common stock reserved for issuance upon the exercise of options to be granted prior to or concurrently with the offering at an exercise price equal to the initial public offering price, shares of common stock that may be issued by us upon exercise of the underwriters' over-allotment option, shares of common stock available for future issuance under our 2004 long-term stock incentive plan, shares of common stock that may be issued upon conversion of CCSs issued pursuant to the formation transactions and shares of common stock that may be issued by us upon redemption of OP units outstanding (including OP units issuable upon conversion of CCUs).

(4) The pro forma weighted average shares and earnings per share does not include the potential affects of the CCSs and CCUs as such securities would not have participated in earnings on a pro forma basis for the year ended December 31, 2003 and the quarter ended March 31, 2004 had they been issued effective January 1, 2003. These securities will not participate in distributions until they are converted which cannot occur prior to March 31, 2006. We are currently evaluating the accounting impact of the conversion of CCSs and CCUs into shares of common stock and OP units.

(5) Other data includes properties that we consolidated or in which we held an equity interest.

(6) As defined by NAREIT, FFO represents net income (computed in accordance with GAAP), excluding gains (or losses) from sales of property, plus depreciation and amortization and after adjustments for unconsolidated partnerships and joint ventures. We present FFO because we consider it an important supplemental measure of our operating performance and believe it is frequently used by securities analysts, investors and other interested parties in the evaluation of REITs, many of which present FFO when reporting their results. FFO is intended to exclude GAAP historical cost depreciation and amortization of real estate and related assets, which assumes that the value of real estate assets diminishes ratably over time. Historically, however, real estate values have risen or fallen with market conditions. Because FFO excludes depreciation and amortization unique to real estate, gains and losses from property dispositions and extraordinary items, it provides a performance measure that, when compared year over year, reflects the impact to operations from trends in occupancy rates, rental rates, operating costs, development activities and interest costs, providing perspective not immediately apparent from net income. We compute FFO in accordance with standards established by the Board of Governors of NAREIT in its March 1995 White Paper (as amended in November 1999 and April 2002), which may differ from the methodology for calculating FFO utilized by other equity REITs and, accordingly, may not be comparable to such other REITs. Further, FFO does not represent amounts available for management's discretionary use because of needed capital replacement or expansion, debt service obligations, or other commitments and uncertainties. FFO should not be considered as an alternative to net income (loss) (computed in accordance with GAAP) as an indicator of our liquidity, nor is it indicative of funds available to fund our cash needs, including our ability to pay dividends or make distributions.

Selected consolidated pro forma and historical financial data

The following table presents the reconciliation of FFO to our net income (loss) before allocation to minority interest, which we believe is the most directly comparable GAAP measure to FFO.

	Company		Extra Space Predecessor						
	(Pro Forma)		(Historical)						
	Three Months Ended March 31,	Year Ended December 31,	Three Months Ended March 31,		Year Ended December 31,				
Reconciliation of FFO:	2004	2003	2004	2003	2003	2002	2001	2000	1999
	(dollars in thousands)								
Net income (loss)	$ (1,238)	$ 2,063	$ (5,798)	$ (3,689)	$ (18,330)	$ (9,757)	$ (5,022)	$ (5,055)	$ (4,692)
Plus:									
Real estate depreciation and amortization	4,024	14,167	2,477	1,249	6,048	3,075	2,554	800	81
Real estate depreciation and amortization included in equity in earnings of unconsolidated joint ventures	82	358	107	112	447	211	132	106	67
Amortization of intangibles related to tenant relationships	1,306	6,171	121	165	330	660	—	—	—
Less:									
Gain on sale of real estate assets	171	(672)	171	—	(672)	—	(4,677)	—	—
FFO(1)	$ 4,345	$ 22,087	$ (2,922)	$ (2,163)	$ (12,177)	$ (5,811)	$ (7,013)	$ (4,148)	$ (4,544)

(1) The FFO for the year ended December 31, 2003 of the company on a pro forma basis as compared to the historical amount, has increased due to the purchase of the joint venture interest in 13 properties, the minority interest in 31 consolidated properties and the acquisition of 49 properties from third parties. These acquisitions resulted in an increase in revenues of approximately $44.2 million, and an increase in net income of approximately $20.0 million.

Management's discussion and analysis of financial condition and results of operations

You should read the following discussion together with the "Selected consolidated pro forma and historical financial data" and the pro forma and historical consolidated financial statements, and related notes appearing elsewhere in this prospectus and the financial information set forth in the tables below. All amounts in the following discussion are in thousands except per share and storage unit data, or as indicated otherwise.

OVERVIEW

We are a fully integrated, self-administered and self-managed real estate investment trust formed to continue the business commenced in 1977 by our predecessor companies to own, operate, acquire, develop and redevelop professionally managed self-storage properties. Since 1996, our fully integrated development and acquisition teams have completed the development or acquisition of more than 100 self-storage properties. We continue to evaluate a range of new growth initiatives and opportunities for our company. To enable us to maximize revenue generating opportunities for our properties, we employ a state-of-the-art proprietary web-based tracking and yield management technology called STORE. Developed by our management team, STORE enables us to analyze, set and adjust rental rates in real time across our portfolio in order to respond to changing market conditions.

We derive substantially all of our revenues from rents received from tenants under existing leases on each of our self-storage properties. We experience minor seasonal fluctuations in occupancy levels, with occupancy levels generally higher in the summer months due to increased moving activity. Our operating results therefore depend materially on our ability to lease available self-storage space 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 adjusting rental rates through use of STORE.

In the future, we intend to focus on increasing the operating performance of our existing portfolio, and will continue to seek to acquire privately-held self-storage properties and to pursue new development opportunities. We will attempt to mitigate the risks normally associated with early-stage development and lease-up by undertaking development activities in conjunction with our joint venture partners.

The indebtedness we expect to have outstanding upon completion of the offering will be comprised principally of mortgage indebtedness secured by our properties, including those acquired in the formation transactions. We expect this indebtedness to aggregate approximately $419.3 million in principal amount. We also received commitments from a group of banks, led by Wells Fargo Bank, N.A. for a $100.0 million line of credit, subject to the completion of definitive loan documentation and the completion of due diligence. We expect to have an aggregate of $26.2 million of indebtedness maturing at various times during 2004 and $27.5 million of indebtedness maturing at various times during 2005. We expect that each of these loans will be refinanced as they mature either through unsecured private or public debt offerings, additional debt financings secured by individual properties or groups of properties or by additional equity offerings.

Prior to the completion of the offering and the formation transactions, our business has been operated by our predecessor, Extra Space Storage LLC, and its affiliates. The consolidated financial statements of our predecessor for the three months ended March 31, 2004 and the year ended December 31, 2003 include the operating results of 22 properties held in joint ventures which our predecessor accounted for using

the equity method of accounting. Following completion of the offering and the formation transactions, we will consolidate the results of operations of the 22 properties previously held in our non-consolidated joint ventures and will purchase the equity interests held by third parties in all but three of our consolidated joint ventures.

As a result of the above changes and other structural changes that will occur as part of the formation transactions, our intention to qualify as a REIT for U.S. federal income tax purposes beginning with the taxable year ended December 31, 2004 and the improving climate for the self-storage industry as described below, we do not believe that the results of operations discussion of the Extra Space Predecessor set forth below is necessarily indicative of our future operating results.

RESTATEMENT OF PREDECESSOR FINANCIAL STATEMENTS AND INTERNAL CONTROL REMEDIATION

In connection with our preparation for the offering, we engaged in a process that involved the intensive review of the various joint venture arrangements that Extra Space Storage LLC had historically employed to finance part of its development and acquisition activities. As a result of this process, we reissued the historical financial statements of Extra Space Storage LLC for the years ended December 31, 2002 and 2001 to reflect a restatement of those financial statements to (1) consolidate some of our joint venture arrangements (relating to a total of 20 of our properties in 2002 and a total of 12 of our properties in 2001), (2) reverse certain gains relating to transactions that we had accounted for as property sales, (3) add additional footnote disclosures to the notes to such financial statements to disclose the existence of debt and preferred return guarantees that Extra Space Storage LLC and one member of our management team had provided in connection with such joint ventures and (4) adjust certain other items. For the years ended December 31, 2002 and 2001, these changes did not affect the cash available for distribution to the members of Extra Space Storage LLC but resulted in an increase in the net loss of Extra Space Storage LLC for the year ended December 31, 2002 from $1,334 to $9,757, an increase in revenues (including equity in earnings and gain on sale of real estate assets) from $28,562 to $33,357, an increase in expenses from $29,013 to $36,574 and an increase in income allocated to minority interest from $883 to $6,540. For the year ended December 31, 2001, the changes resulted in a decrease in net income of Extra Space Storage LLC from $522 to a net loss of $5,022, an increase in revenues (including equity in earnings and gain on sale of real estate assets) from $23,210 to $27,781, an increase in expenses from $22,688 to $31,078 and an increase in income allocated to minority interest from $0 to $1,725. The restatement also resulted in an increase as of December 31, 2002 in total assets of $52,187, total liabilities of $45,718 and other minority interests of $20,631 and a decrease in accumulated deficit of $13,942. The restatement also resulted in an increase as of December 31, 2001 in total assets of $33,569, total liabilities of $19,119 and other minority interests of $21,562 and a decrease in accumulated deficit of $6,612.

In connection with this process, our independent auditors have informed us that for the years ended December 31, 2002 and 2001, they determined that there was a material weakness in internal control over the manner in which our predecessor accounted for and reported on the terms of transactions involving certain of our joint venture arrangements and company and related party guarantees. We took steps to improve our predecessor's internal controls in this area and we believe that we have remedied this weakness. As a result of these efforts, our independent auditors have not advised us of any material weakness in our predecessor's internal controls for the year ended December 31, 2003. Our board of directors and management team are committed to evaluating and continuing to improve our procedures relating to internal controls over our financial reporting as we complete our transition from a private to a publicly-traded company.

INDUSTRY TRENDS AND OUTLOOK

From the beginning of 2001 through the end of 2003, regional and national economic conditions, industry dynamics and competitive pressures have prevented many self-storage operators from increasing rental rates at their properties and have led others to offer rental discounts to tenants in order to improve occupancy rates. As a result, it has been difficult for us as well as many operators in many regions to improve the operating performance of their properties. We believe that, although the industry continues to face challenges, recent improvements in economic conditions and changes in industry dynamics have enhanced the prospects for operators to grow revenues by increasing rents from existing tenants and by adding new tenants to properties at rising price levels. As a result, we anticipate an improving climate for the self-storage industry, particularly for well-located, convenient, and highly-visible self-storage properties. The performance of our same-store portfolio in the fourth quarter of 2003, which is discussed below, supports our assessment of improving conditions for the self-storage industry.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

We have prepared the consolidated financial statements of the Extra Space Predecessor and will prepare the consolidated financial statements for our company in accordance with GAAP which require us to make certain estimates and assumptions that affect the recorded amount of assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results may differ from these estimates. We have provided a summary of our significant accounting policies in Note 1 to the Notes to our consolidated financial statements as of and for the year ended December 31, 2003. We have summarized below those accounting policies that require our most difficult, subjective or complex judgments and that have the most significant impact on our financial condition and results of operations. Our management evaluates these estimates on an ongoing basis. These estimates are based on information currently available to management and on various other assumptions management believes are reasonable as of the date of this prospectus.

- **Acquisitions of real estate and intangible assets.** When we acquire real estate properties, we allocate the components of the acquisition price using relative fair values determined based on certain estimates and assumptions. These estimates and assumptions impact the allocation of costs between land and different categories of land improvements as well as the amount of costs assigned to individual properties in multiple property acquisitions. These allocations impact the amount of depreciation expense and gains and losses recorded on future sales of communities, and therefore the net income or loss we report.

  We determine the fair value of the real estate we acquire, including land, land improvements and buildings, by valuing the real estate at the purchase price less any intangible assets. We then allocate this fair value to land, land improvements and buildings based on our determination of the relative fair values of these assets.

  We determine the fair value of the intangible assets we acquire in accordance with purchase accounting for acquisitions by considering the value of in-place leases and the value of tenant relationships. We do not place a value on the in-place leases due to the month-to-month terms of the leases. We value tenant relationships as two months' projected rent (end of month rent roll), based on the stable nature of rentals and vacates in our self-storage properties and the minimal amount of time and effort required to replace an existing tenant.

- **Useful lives of assets and amortization methods.** We determine the useful lives of our real estate assets (generally 39 years) based on historical and industry experience with the lives of those particular assets and experience with the timing of significant repairs and replacement of those assets.

We have estimated the useful life of tenant relationships to be approximately 18 months based on our experience with the period of time a tenant stays in our facility.

- **Impairment of real estate.** We recognize an impairment loss on a real estate asset to be held and used in our operations if the asset's undiscounted expected future cash flows are less than its depreciated cost whenever events and circumstances indicate that the carrying value of the real estate asset may not be recoverable. We compute a real estate asset's undiscounted expected future cash flow using certain estimates and assumptions. We calculate the impairment loss as the difference between the asset's fair market value and its carrying value.

- **Impairment of intangible assets.** We combine our intangible assets, which consist primarily of lease and customer intangibles with a definite life, with the related tangible assets (primarily consisting of real estate assets) at the lowest level for which cash flows are readily identifiable.

  Whenever events or circumstances indicate that the carrying amount of the asset group is not recoverable, the asset group is tested for recoverability. If the asset group is not recoverable from the undiscounted cash flows attributable to that asset group, an impairment loss is recognized as the difference between the carrying value of the asset group and the estimated fair value of the asset group.

- **Investments in unconsolidated real estate ventures.** We evaluate each of our real estate ventures to determine whether it is a variable interest entity under the provisions of FASB Interpretation No. 46R, "Consolidation of Variable Interest Entities, an interpretation of ARB No. 51 (revised December 2003)" which we refer to as FIN 46R. We will consolidate the variable interest entity for which we are deemed to be the primary beneficiary under FIN 46R. We account for our investments in unconsolidated real estate ventures under the equity method of accounting, as we exercise significant influence over, but do not control, these entities under the provisions of the entities' governing agreements. These investments are recorded initially at cost, as investments in real estate ventures, and subsequently adjusted for equity in earnings and cash contributions and distributions.

- **Derivatives.** We manage our exposure to interest rate risk through the use of cash flow hedges and recognize in earnings the ineffective portion of gains or losses associated with cash flow hedges immediately. We obtain values for the interest rate caps from financial institutions that market these instruments.

- **Allowance for doubtful accounts.** We have not recorded an allowance for doubtful accounts. Substantially all of our receivables are comprised of rent due from our tenants. Historically, we have not experienced significant losses on our tenant's receivables. However, collection of future receivables cannot be assured.

REIT QUALIFICATION TESTS

We will be subject to a number of operational and organizational requirements to maintain our qualification as a REIT. If we are subject to audit and if the Internal Revenue Service determined that we failed one or more of these tests, we could lose our REIT qualification. If we did not qualify as a REIT, our income would become subject to federal, state and local income taxes, which would be substantial, and the resulting adverse effects on our results of operations, liquidity and amounts distributable to our stockholders would be material.

RESULTS OF OPERATIONS FOR THE EXTRA SPACE PREDECESSOR

Comparison of the Three Months Ended March 31, 2004 to the Three Months Ended March 31, 2003

Overview

Results for the three months ended March 31, 2004 included the operations of 108 properties (70 of which were consolidated and 38 of which were in joint ventures historically accounted for using the equity method) compared to the results for the three months ended March 31, 2003, which included the operations of 87 properties (51 of which were consolidated and 36 of which were in joint ventures historically accounted for using the equity method). Results for both periods also included equity in earnings of real estate ventures, third-party management fees, acquisition fees and development fees.

Total Revenue

Revenue for the three months ended March 31, 2004 was $10,926 compared to $8,330 for the three months ended March 31, 2003, an increase of $2,596, or 31.2%. This increase was primarily due to an increase of $2,515 in property rental revenues.

Property rental revenues (including merchandise sales, insurance administrative fees and late fees) increased by $2,515, or 33.6%. This increase consisted of approximately a $1,680 increase from 12 stabilized properties that were acquired, a $300 increase from 10 additional lease-up properties that opened after March 31, 2003, a $660 increase from existing lease-up properties, a $150 decrease from two properties that were previously consolidated, a $200 decrease from the sale of two properties, and a $225 increase from stabilized properties. The increase relating to lease-up properties primarily resulted from occupancy increases, while the increase in stabilized property revenues consists primarily of increased rental rates. Two properties were no longer consolidated in 2004 following the satisfaction and expiration of certain performance guarantees.

Management fees represent 6.0% of cash collected from the management of properties owned by third parties and unconsolidated joint ventures.

Acquisition fees and development fees increased by $13. The increase in acquisition and development was primarily due to a decrease in development activity.

Other income represents interest income and income from truck rentals.

Total Operating Expenses

Total operating expenses for the three months ended March 31, 2004 were $10,555 compared to $7,335 for the three months ended March 31, 2003, an increase of $3,220, or 43.9%. This increase was primarily due to an increase of $772 in property operating expenses, an increase of $980 in general and administrative expenses, and an increase of $1,245 in depreciation and amortization.

Property Operating Expenses

For the three months ended March 31, 2004, property operating expenses were $4,410 compared to $3,638 for the three months ended March 31, 2003, an increase of $772, or 21.2%, consisting of approximately a $600 increase from the acquisition of 12 stabilized properties, a $425 increase from 10 additional lease-up properties that opened after March 31, 2003, a $155 increase from existing lease-up properties, a $140 decrease from two properties that were previously consolidated, a $175 decrease from the sale of two properties and approximately a $93 decrease in expenses from stabilized properties. The increase in expenses on lease-up properties relates primarily to increased operating costs such as payroll,

utilities, office expenses and repairs and maintenance. In addition, these lease-up properties have experienced reassessments resulting in increased property taxes. The decrease in stabilized property expenses consists primarily of snow removal and property tax expenses.

General and Other Administrative Expenses

General and administrative expenses for the three months ended March 31, 2004 were $2,970 compared to $1,990 for the three months ended March 31, 2003, an increase of $980, or 49.2%. This increase is primarily due to an increase in payroll related expenses of approximately $300 resulting from increased wages and personnel and a decrease of approximately $400 in development expenses capitalized in 2004 compared to 2003 and $100 in additional professional fees.

Unrecovered Development/Acquisition Costs and Support Payments

Unrecovered development costs were $498 for the three months ended March 31, 2004 compared to $275 for the three months ended March 31, 2003, an increase of $223, or 81.1%. The increase in unrecovered development costs was due to the write-off of approximately $300 in costs relating to a development project in Inglewood, California during the three months ended March 31, 2004.

Depreciation and Amortization

Depreciation and amortization for the three months ended March 31, 2004, was $2,677 compared to $1,432 for the three months ended March 31, 2003, an increase of $1,245, or 86.9%. The difference primarily relates to the 12 stabilized properties that were acquired, and the 10 new lease-up properties.

Interest Expense

Interest expense for the three months ended March 31, 2004 was $4,724 compared to $3,313 for the three months ended March 31, 2003, an increase of $1,411, or 42.6%. The increase was due primarily to an increase of approximately $785 relating to additional indebtedness used to purchase the 12 stabilized properties, approximately $275 relating to additional indebtedness on new and existing lease-up properties, the write-off of $400 on deferred financing costs on loans that were repaid and approximately $260 decrease in capitalized interest in 2004 compared to 2003.

Minority Interest-Fidelity Preferred Return

Minority interest-Fidelity preferred return for the three months ended March 31, 2004 was $1,096 compared to $999 for the three months ended March 31, 2003, an increase of $97, or 9.7%. The increase was primarily due to additional interest being accrued on the initial investment and unpaid preference amounts.

Minority Interest

Minority interest for the three months ended March 31, 2004 was $439 compared to $773 for the three months ended March 31, 2003, a decrease of $334, or 43.2%. The decrease was primarily due to additional interest expense being incurred by Extra Space Properties Three, LLC, due to refinancing and the amortization of loan fees. This increase in expense left less income to be allocated to minority investors in 2004 than in 2003.

Loss on the Sale of Real Estate Assets

Loss on the sale of real estate assets for the three months ended March 31, 2004 was $171 compared to $0 for the three months ended March 31, 2003. The increase was due to the sale of a property in Walnut, California to Extra Space West, LLC, a joint venture partner, for $6,406. This loss was a result of construction costs overruns.

Comparison of the Year Ended December 31, 2003 to the Year Ended December 31, 2002

Overview

Results for the year ended December 31, 2003 included the operations of 94 properties (57 of which were consolidated and 37 of which were in joint ventures historically accounted for using the equity method) compared to the results for the year ended December 31, 2002, which included the operations of 88 properties (54 of which were consolidated and 34 of which were joint ventures historically accounted for using the equity method). Results for both periods also included equity and earnings of real estate ventures, third-party management fees, acquisition fees and development fees.

Total Revenue

Revenue for the year ended December 31, 2003 was $36,261 compared to $32,386 for the year ended December 31, 2002, an increase of $3,875, or 11.9%. This increase was primarily due to an increase of $4,243 in property rental revenues.

Property rental revenues (including merchandise sales, insurance administrative fees and late fees) increased by $4,243, or 14.7%, consisting of approximately $3,840 from the lease-up properties and $403 from stabilized properties. During the year ended December 31, 2003, the Extra Space Predecessor opened six new properties, and continued to increase the occupancy at its other lease-up properties. The increase in stabilized property revenues consists primarily of increased rental rates.

Management fees represent 6.0% of cash collected from the management of properties owned by third-parties and unconsolidated joint ventures.

Acquisition fees and development fees decreased by $268. The decrease in acquisition fees and development fees was primarily due to the decreased volume of acquisitions in 2003. This decrease in the number of properties acquired was the result of increased competition for these properties and overall higher prices for the properties for sale.

Other income represents interest income and income from truck rentals.

Total Operating Expenses

Total operating expenses for the year ended December 31, 2003 were $34,897 compared to $25,146 for the year ended December 31, 2002, an increase of $9,751, or 38.8%. This increase was primarily due to an increase of $3,218 in property operating expenses, an increase of $2,381 in general and administrative expenses, and an increase of $2,999 in unrecovered development/acquisition costs.

Property Operating Expenses

For the year ended December 31, 2003, property operating expenses were $14,858 compared to $11,640 for the year ended December 31, 2002, an increase of $3,218, or 27.6%. The increase was due primarily to increases in expenses of approximately $2,810 resulting from lease-up properties and approximately $408 in expenses from stabilized properties.

During the year ended December 31, 2003, the Extra Space Predecessor opened six new properties, and continued to increase the occupancy at its other lease-up properties. Existing lease-up property expenses increased due to increases in utilities, office expenses, repairs and maintenance and property taxes due to reassessment. The increase in stabilized property expenses consists primarily of payroll and repairs and maintenance.

General and Other Administrative Expenses

General and administrative expenses for the year ended December 31, 2003, were $8,297 compared to $5,916 for the year ended December 31, 2002, an increase of $2,381, or 40.2%. This increase is primarily due to fewer development expenses capitalized in 2003—$1,797—than were capitalized in 2002—$3,788.

Unrecovered Development/Acquisition Costs and Support Payments

Unrecovered development costs were $4,937 for the year ended December 31, 2003 compared to $1,938 for the year ended December 31, 2002, an increase of $2,999, or 154.7%. Unrecovered development costs for 2003 and 2002 included $1,520 and $314, respectively, relating to the final performance guarantee payments to Extra Space West One, LLC and Extra Space East One, LLC, joint venture partners. In addition, the increase was due to approximately $2,500 in costs relating to a potential acquisition written off during the year ended December 31, 2003.

Depreciation and Amortization

Depreciation and amortization for the year ended December 31, 2003, was $6,805 compared to $5,652 for the year ended December 31, 2002, an increase of $1,153, or 20.4%. The difference relates to more properties being open for the entire year ended December 31, 2003, than were open during the year ended December 31, 2002.

Interest Expense

Interest expense for the year ended December 31, 2003 was $13,795 compared to $11,428 for the year ended December 31, 2002, an increase of $2,367, or 20.7%. The increase was due primarily to indebtedness relating to new properties entering the lease-up stage being expensed rather than capitalized (interest was capitalized during the development phase). Capitalized interest during the years ended December 31, 2003 and 2002 was $2,593 and $2,071, respectively. During the year ended December 31, 2003, our predecessor opened six new properties, which increased our predecessor's average outstanding debt and, as a consequence, increased interest costs. This increase in interest expense was partially offset by lower interest rates on variable rate debt.

Minority Interest-Fidelity Preferred Return

Minority interest-Fidelity preferred return for the year ended December 31, 2003 was $4,132 compared to $3,759 for the year ended December 31, 2002, an increase of $373, or 9.9%. The increase was primarily due to an increased investment by Fidelity that was outstanding for the entire year of 2003 compared to three months of 2002.

Minority Interest

Minority interest for the year ended December 31, 2003 was $3,904 compared to $2,781 for the year ended December 31, 2002, an increase of $1,123, or 40.4%. The increase was primarily due to additional income allocated to minority investors in 2003 than in 2002 on lease-up properties, and to additional income allocated to a minority investor to cover the preferred return incurred.

Gain on the Sale of Real Estate Assets

Gain on the sale of real estate assets for the year ended December 31, 2003 was $672 compared to $0 for the year ended December 31, 2002. The increase was due to the sale of a facility in Kings Park, New York for $6,241 to Extra Space East One, LLC, a joint venture partner.

Comparison of the Year Ended December 31, 2002 to the Year Ended December 31, 2001

Overview

Results for the year ended December 31, 2002 include the operations of the 88 properties (54 of which were consolidated and 34 of which were in joint ventures historically accounted for using the equity method) as compared to the year ended December 31, 2001 which included 63 properties (35 of which were consolidated and 28 of which were in joint ventures historically accounted for using the equity method). Results for both periods also included equity in earnings of real estate ventures, third-party management fees, acquisition fees and development fees.

Total Revenue

Revenue for the year ended December 31, 2002 was $32,386 compared to $22,999 for the year ended December 31, 2001, an increase of $9,387, or 40.8%. This increase was primarily due to an increase of $9,437 in property rental revenues.

Property rental revenues (including merchandise sales, insurance administrative fees and late fees) increased by $9,437, consisting of $6,665 from seven properties that were acquired at the end of 2001, approximately $2,469 from the lease-up properties and approximately $301 from stabilized properties. During the year ended December 31, 2001, our predecessor opened 11 new development properties. The increase in lease-up property revenues consists primarily of occupancy increases. The increase in stabilized property revenues consists primarily of increased rental rates.

Management fees represent 6.0% of cash collected from the management of properties owned by third parties and unconsolidated joint ventures.

Acquisition fees and development fees increased by $88. The increase in acquisition fees and development fees was primarily due to the size of the acquisitions in 2002 by affiliates of our predecessor. In particular, our predecessor received an acquisition fee in connection with the acquisition by Extra Space Northern Properties Six, LLC, a joint venture partner, of six properties.

Other income represents interest income and income from truck rentals.

Total Operating Expenses

Total operating expenses for the year ended December 31, 2002 were $25,146 compared to $20,234 for the year ended December 31, 2001, an increase of $4,912, or 24.3%. This increase was primarily due to an increase of $3,488 in property operating expenses.

Property Operating Expenses

For the year ended December 31, 2002, property operating expenses were $11,640 compared to $8,152 for the year ended December 31, 2001, an increase of $3,488, or 42.8%. The increase was due primarily to increases in expenses of $2,308 from seven properties that were acquired at the end of 2001, approximately $1,097 from the lease-up properties and approximately $82 from stabilized properties. Lease-up property expenses increased due to increases in utilities, office expenses, repairs and maintenance, and property taxes due to reassessment.

General and Other Administrative Expenses

Other administrative expense for the year ended December 31, 2002, was $5,916 compared to $6,750 for the year ended December 31, 2001, a decrease of $834, or 12.4%. This decrease was primarily due to more development expenses capitalized in 2002, $3,788, than were capitalized in 2001, $2,695.

Unrecovered Development/Acquisition Costs and Support Payments

Unrecovered development costs were $1,938 for the year ended December 31, 2002 compared to $2,227 for the year ended December 31, 2001, a decrease of $289, or 12.9%. Excluding performance guarantee payments to Extra Space West One, LLC, a joint venture partner of $314 in 2002 and $1,577 in 2001, unrecovered development costs were $1,624 and $650, respectively. This increase was due to the write-off of $1.1 million in additional development costs in 2002 relating to two development projects on which all development activities had been suspended.

Interest Expense

Interest expense for the year ended December 31, 2002 was $11,428 compared to $10,844 for the year ended December 31, 2001, an increase of $584, or 5.4%. The increase was due primarily to interest expense of $2,403 from seven properties that were acquired at the end of 2001. The increased interest expense was offset by lower interest rates on variable rate debt in 2002.

Depreciation and Amortization Expense

Depreciation and amortization expense for the year ended December 31, 2002, was $5,652 compared to $3,105 for the year ended December 31, 2001, an increase of $2,547, or 82.0%. The increase was due primarily to increases in expenses of $1,272 from seven properties that were acquired on December 31, 2001, and additional expense relating to 11 new properties, which were completed in 2002.

Minority Interest-Fidelity Preferred Return

Minority interest-Fidelity preferred return for the year ended December 31, 2002 was $3,759 compared to $322 for the year ended December 31, 2002, an increase of $3,437, or 1067.4%. The increase was due to the Fidelity investment being outstanding for the entire year of 2002 and approximately one month of 2001.

Minority Interest

Minority interest for the year ended December 31, 2002 was $2,781 compared to $1,403 for the year ended December 31, 2001, an increase $1,378, or 98.2%. The increase was primarily due to additional income allocated to minority investors in 2002 than in 2001 on lease-up properties, and to additional income allocated to the minority investor to cover the preferred return paid.

Gain on the Sale of Real Estate Assets

Gain on the sale of real estate assets for the year ended December 31, 2002 was $0 as compared to $4,677 for the year ended December 31, 2001. The gain on sale of real estate recognized in 2001 related to two separate sales with proceeds totaling $37,205.

SAME-STORE STABILIZED PROPERTY RESULTS

We consider our same-store stabilized portfolio to consist of only those properties owned by the Extra Space Predecessor at the beginning and at the end of the applicable periods presented and that had achieved stabilization as of the first day of such period. The following table sets forth operating data for our same-store portfolio for the periods presented. We consider the following same-store presentation to be meaningful for investors because it provides information relating to property-level operating changes without the effects of acquisitions or completed developments. Although the number of same-store stabilized properties reflects information for only a portion of our total portfolio following completion of the offering and the formation transactions, we believe this presentation provides a meaningful period-over-period comparison because it includes all stabilized properties that were consolidated for all periods presented.

Extra Space Predecessor Same-Store Stabilized Property Results

	Three Months Ended March 31,			Year Ended December 31,			Year Ended December 31,		
	2004	2003	Percent Change	2003	2002	Percent Change	2002	2001	Percent Change
	(dollars in thousands)								
Same-store rental revenues	$5,448	$5,292	3.0%	$21,862	$21,459	1.9%	$12,197	$11,896	2.5%
Same-store operating expenses	2,122	2,176	(2.5%)	8,604	8,196	5.0%	4,917	4,834	1.7%
Non same-store rental revenues	4,548	2,189	107.8%	11,192	7,352	52.2%	16,614	7,479	122.1%
Non same-store operating expenses	2,288	1,462	56.5%	6,254	3,444	81.6%	6,723	3,317	102.7%
Total rental revenues	9,996	7,481	33.6%	33,054	28,811	14.7%	28,811	19,375	48.7%
Total operating expenses	4,410	3,638	21.2%	14,858	11,640	27.7%	11,640	8,151	42.8%
Number of properties included in same-store	31	31		31	31		20	20	

Comparison of the Three Months Ended March 31, 2004 to the Three Months Ended March 31, 2003

Same-Store Rental Revenues. Total revenue for our predecessor's same-store stabilized property portfolio for the three months ended March 31, 2004 was $5,448 compared to $5,292 for the three months ended March 31, 2003, an increase of $156, or 3.0%. This increase was primarily due to increased rental rates.

Same-Store Operating Expenses. Total operating expenses for our predecessor's same-store stabilized property portfolio for the three months ended March 31, 2004 was $2,122 compared to $2,176 for the three months ended March 31, 2003, a decrease of $54, or 2.5%. This decrease was primarily due to additional property taxes being expensed in the three months ended March 31, 2003.

Comparison of the Year Ended December 31, 2003 to the Year Ended December 31, 2002

Same-Store Rental Revenues. Total revenue for our predecessor's same-store stabilized property portfolio for the year ended December 31, 2003 was $21,862 compared to $21,459 for the year ended December 31, 2002, an increase of $403, or 1.9%. This increase was primarily due to increased rental rates.

Same-Store Operating Expenses. Total operating expenses for our predecessor's same-store stabilized property portfolio for the year ended December 31, 2003 was $8,604 compared to $8,196 for the year ended December 31, 2002, an increase of $408, or 5.0%. This increase was primarily due to increased payroll, advertising, snow removal (due to heavy snow falls experienced in New England) and property taxes.

Comparison of the Year Ended December 31, 2002 to the Year Ended December 31, 2001

Same-Store Rental Revenues. Total revenue for our predecessor's same-store stabilized property portfolio for the year ended December 31, 2002 was $12,197 compared to $11,896 for the year ended December 31, 2001, an increase of $301, or 2.5%. This increase was primarily due to increased rental rates.

Same-Store Operating Expenses. Total operating expenses for our predecessor's same-store property portfolio for the year ended December 31, 2002 was $4,917 compared to $4,834 for the year ended December 31, 2001, an increase of $83, or 1.7%. This increase was primarily due to increased payroll costs and increased property taxes.

CASH FLOWS

Comparison of the Three Months Ended March 31, 2004 to the Three Months Ended March 31, 2003

Cash used in operations was ($2,503) and ($237) for the three months ended March 31, 2004 and 2003, respectively. The increase in 2004 was primarily due to additional lease-up properties being added to the portfolio, and the need to fund the operations of these properties.

Cash used in investing activities was ($84,865) and ($16,375) for the three months ended March 31, 2004 and 2003, respectively. The increase in 2004 was primarily due to the acquisition of nine stabilized properties for $79,250 offset by $6,406 of proceeds from the sale of one property.

Cash provided by financing activities was $79,204 and $10,922 for the three months ended March 31, 2004 and 2003, respectively. The increase in 2004 was due primarily to member contributions of $19,480, additional borrowings of $188,512 including borrowings to fund the purchase of nine stabilized properties, the development of existing projects, and the repayment of $123,143 of borrowings.

Comparison of the Year Ended December 31, 2003 to the Year Ended December 31, 2002

Cash provided by (used in) operations was ($5,342) and $1,842 for the years ended December 31, 2003 and 2002, respectively. The decrease in 2003 was primarily due to a decrease in the acquisition of properties and sale of a property in 2003. There were no property sales in 2002. These properties continue to increase in occupancy, but it has still been necessary to fund the cash shortfalls relating to these properties.

Cash used in investing activities was ($57,757) and ($65,666) for the years ended December 31, 2003 and 2002, respectively. The increase in 2003 was due to the sale of a property in Kings Park, New York for $6,241 to Extra Space East One, LLC, a joint venture partner. Development activity in 2003 was similar to 2002.

Cash provided by financing activities was $68,384 and $63,051 for the years ended December 31, 2003 and 2002, respectively. The increase in 2003 was due primarily to additional borrowings and additional equity contributions by members of the company, offset by distributions to minority investors. These borrowings have been primarily in the form of construction loans on development properties and mortgage loans on operating properties.

Comparison of the Year Ended December 31, 2002 to the Year Ended December 31, 2001

Cash provided by (used in) operations was $1,842 and ($4,385) for the years ended December 31, 2002 and 2001, respectively. The improvement in 2002 was primarily due to changes in operating assets and liabilities including increases in other assets and the add back of the minority interest relating to the Fidelity preferred return and depreciation.

Cash used in investing activities was ($65,666) and ($8,884) for the years ended December 31, 2002 and 2001, respectively. The increase in 2002 was due primarily to a higher level of development and acquisition of self-storage properties and fewer sales of assets.

Cash provided by financing activities was $63,051 and $18,867 for the years ended December 31, 2002 and 2001, respectively. The increase in 2002 was due primarily to additional borrowings to fund the increased level of development and acquisition of self-storage properties. Related party borrowings and additional funds provided by joint venture partners to fund the development and operations of lease-up properties increased in 2002.

LIQUIDITY AND CAPITAL RESOURCES

As of March 31, 2004, we had approximately $3,582 available in cash and cash equivalents. As a REIT, we will be required to distribute at least 90% of our net taxable income, excluding net capital gains, to our stockholders on an annual basis. Therefore, as a general matter, 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.

We believe that the offering and the formation transactions will improve our capital structure by increasing our equity capitalization and reducing our overall leverage. Upon completion of the offering and the financing transactions, we expect to have approximately $419.3 million of outstanding indebtedness and our debt to total market capitalization ratio, defined as total outstanding indebtedness divided by the sum of the market value of our outstanding common stock (which may decrease, thereby increasing our debt to total capitalization ratio), including options that we will grant to certain of our officers plus the aggregate value of OP units not owned by us, plus the book value of our total consolidated indebtedness, will be approximately %. Approximately $299.5 million, or 71.4%, of our pro forma total indebtedness will be fixed rate and approximately $119.8 million, or 28.6%, will be variable rate. With respect to $61.8 million of our fixed rate indebtedness, prior to completion of the offering and the formation transactions we expect to swap this indebtedness with a proposed $61.8 million variable rate mortgage due 2009 which we expect to bear interest at a variable rate equal to LIBOR plus 32 basis points. We have only one interest rate hedge instrument in place in an amount of $3.1 million and currently do not intend to enter into any further interest rate hedge agreements.

Short-Term Liquidity Requirements

Our short-term liquidity needs are primarily to fund operating expenses, recurring capital expenditures, interest on our credit properties and distributions to our common stockholders and holders of OP units. Holders of CCSs or CCUs will not, however, be entitled to receive dividends or distributions from the company or the operating partnership unless such CCSs or CCUs are converted to shares of common stock or OP units, which cannot occur until after the quarter ended March 31, 2006. Our properties require recurring investment of funds for property related capital expenditures and general capital improvements, which we estimate will amount to approximately $1.0 million for 2004. In addition, we expect to have non-recurring capital expenditures of approximately $0 to $500,000 during the 12 to 18 months following completion of the offering to optimize our long-term results from the formation transactions.

We have received a commitment from a group of banks, led by Wells Fargo Bank, N.A. and including Bank of America, N.A., La Salle Bank National Association and Wachovia Bank, N.A. for a $100.0 million line of credit. Subject to the completion of definitive loan documentation and the completion of due diligence by the lenders, we expect to close this line of credit immediately following

the completion of the offering. The line of credit provides for availability of up to 70.0% of the appraised value of the 17 properties securing the line of credit. The line is also limited by debt service coverage tests on each property, calculated based on its prior two quarters of operating income. Based on these covenants, we expect to have approximately $56.0 million of availability under the line of credit upon completion of the offering. To increase availability under this line of credit, we would need to increase the operating income at the properties securing the line of credit or add additional properties as security. We expect to use this line of credit to fund the equity portion of acquisitions and our portion of joint venture development projects.

If we are unable to increase the availability under this line of credit, we may be unable to fund our acquisition plans, and our ability to maintain or improve our occupancy and our results of operations may be adversely affected. We expect that we will be able to meet our short-term liquidity needs generally through net cash provided by operations, working capital generated from the offering and the formation transactions, existing cash and funding under our proposed line of credit. In order to meet our short-term liquidity needs, if we are unable to enter into this line of credit, we will pursue other credit options using the same properties that we are proposing to use as collateral for the line of credit in connection with obtaining alternative financing.

Long-Term Liquidity Needs

Our long-term liquidity needs consist primarily of new facility development, property acquisitions, principal payments under our secured credit facilities and non-recurring capital expenditures. We do not expect the net cash provided by operations will be sufficient to meet all of these long-term liquidity needs.

We expect to finance new property developments through modest equity capital contributed by our company in conjunction with construction loans. Upon issuance of a certificate of occupancy covering a new development project, we will have the right, under our new strategic joint venture with an affiliate of Prudential Financial, Inc. to contribute such development projects, subject to any construction financing, to this joint venture. Upon contribution, we expect that Prudential will contribute 95% or more of the capital to the joint venture in order to enable the joint venture to repay any such construction financing and to fund the property's capital obligations during the lease-up stage. We will have a small capital interest in the contributed property (generally 5% or less). Any operating losses during the lease-up stage will be borne by the joint venture and will be allocated to the joint venture partners in proportion to their invested capital. In this joint venture, we will have the right to receive 40% of the available cash flow from operations once our joint venture partner has received a predetermined return on its investment, and 40% of the available cash flow from capital transactions once our joint venture partner has received a return of its capital plus such predetermined return. The joint venture agreement will include certain buy-sell rights, including a right of first refusal in favor of us to purchase the property from the joint venture following stabilization. We also expect to enter into new joint venture arrangements with other of our existing joint venture partners.

We expect to fund our property acquisitions through a combination of borrowings under our proposed line of credit and traditional secured mortgage financing. In addition, we expect to use our OP units as currency to acquire self-storage facilities from existing owners seeking a tax deferred transaction.

We expect to meet our other long-term liquidity requirements through net cash provided by operations and through additional equity and debt financings, including loans from banks, institutional investors or other lenders, bridge loans, letters of credit, and other arrangements, most of which in the short-term following completion of the offering will be secured by mortgages on our properties. Additionally, we

may also issue unsecured debt in the future. We also may issue publicly or privately placed debt securities. We do not currently have in place commitments for any such financings and our ability to meet our long-term liquidity needs over time will depend upon prevailing market conditions.

Except as disclosed in the notes to the financial statements of the Extra Space Predecessor, we do not currently have and have never had 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, we have not guaranteed any obligations of unconsolidated entities nor do we have any commitment 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.

Expenditures for maintenance and repairs are charged to operations as incurred. Major replacements and betterments that improve or extend the life of the property are capitalized and depreciated over their estimated useful lives. We expect our 2004 capital expenditures to be approximately $1.4 million for ongoing maintenance and repairs.

INDEBTEDNESS OUTSTANDING AFTER THE OFFERING

In addition to our proposed line of credit, our indebtedness outstanding upon completion of the offering and the formation transactions will be comprised principally of mortgage indebtedness secured by our properties, including those acquired in the formation transactions. On a pro forma basis, our indebtedness will be approximately $419.3 million in principal amount. The following table sets forth certain information with respect to such indebtedness:

	Amount of Debt	Weighted Average Interest Rate	Maturity Date	Annual Debt Service	Balance at Maturity(1)
			(dollars in thousands)		
Fixed Rate Debt:					
New senior fixed rate mortgage due 2009	$ 83,102	4.70%	2009	$ 5,657	$ 73,253
New senior fixed rate mortgage due 2011	68,400	4.79	2011	3,276	63,890
Proposed senior fixed rate mortgage due 2010	111,000	5.14	2010	5,705	111,000
Eight existing individual fixed rate mortgages(2)	37,020	5.42	Various	2,885	Various
Variable Rate Debt:					
Eleven existing individual variable rate mortgages	43,016	4.42(3)	Various	1,902(3)	Various
Proposed variable rate mortgage due 2007	15,000	3.00(3)	2007	1,110(3)	15,000
Proposed senior variable rate mortgage due 2009	61,770	1.57(3)	2009	772(3)	61,770
Total Debt	$ 419,308				

(1) Assumes no early repayment of principal.
(2) Includes three loans that will be assumed by our company in connection with the formation transactions.
(3) Assumes a LIBOR rate of 1.25%.

The following table sets forth the repayment schedule with respect to the indebtedness we expect to have outstanding upon completion of the offering and the formation transactions:

	Amounts (dollars in thousands)
Through December 31, 2004	$ 26,154
2005	27,492
2006	6,332
2007	15,000
2008	3,500
Thereafter	340,830
Total Commitments	$ 419,308

Material Provisions of Consolidated Indebtedness to be Outstanding Upon Completion of the Offering

The following is a summary of our material indebtedness expected to be outstanding after the offering and the formation transactions:

New Senior Fixed Rate Mortgage Due 2009. On March 16, 2004, we entered into a new $83.1 million senior fixed rate mortgage due 2009 with GE Capital Corporation which is secured by 20 self-storage properties. This debt bears interest at a fixed rate of 4.70% per annum and requires principal repayments based on a 25-year amortization schedule. The terms of this debt require us to establish reserves relating to the mortgaged properties for real estate taxes, insurance and capital spending.

New Senior Fixed Rate Mortgage Due 2011. On May 4, 2004, we entered into a new $68.4 million senior fixed rate mortgage due 2011 with Bank of America, N.A., which is secured by 20 self-storage properties. This debt bears interest at a fixed rate of approximately 4.79% per annum and will require principal repayments based on a 30-year amortization schedule following the first three years of payments of interest only. The terms of this debt require us to establish reserves relating to the mortgaged properties for real estate taxes, insurance and capital spending.

Proposed Senior Fixed Rate Mortgage Due 2010. We have executed a non-binding term sheet and intend to enter into a proposed $111.0 million senior fixed rate mortgage due 2010 with Wachovia Bank, N.A., which will be secured by 26 self-storage properties. If we enter into this mortgage, it will bear interest at a fixed rate of 1.50% over the five-year Treasury rate. This mortgage will require no principal payments during the term of the loan. The terms of this loan will require us to establish reserves relating to the mortgaged properties for real estate taxes, insurance and capital spending. There can be no assurance that we will be able to close the Wachovia loan. However, Wachovia currently has a mortgage loan outstanding covering the 26 properties that will secure the Wachovia loan and we believe, based on our discussions with Wachovia, that it will be in a position to close this loan in accordance with the terms outlined in our non-binding term sheet. If the Wachovia loan does not close, we will seek alternative mortgage financing which we believe, based on the number of lenders that have provided loan proposals to us relating to this financing, will be available on acceptable terms. If such alternative financing is not available, we may not be able to complete the Storage Spot acquisition as outlined in this prospectus.

Eight Existing Individual Fixed Rate Mortgages. Eight existing individual fixed rate mortgage loans, including three that we will assume upon completion of the offering and the formation

transactions, are outstanding with various lenders which aggregate $37.0 million in principal amount. The weighted average interest rate of these mortgages is 5.42% and their maturity dates range from September 2005 to October 2013. These mortgages require the borrower to establish reserves relating to the mortgaged properties for real estate taxes, insurance and capital spending.

Proposed Senior Variable Rate Mortgage Due 2009. Prior to completion of the offering, we expect to swap our existing $61.8 million senior fixed rate mortgage due 2009 with Wachovia Bank, N.A., which is secured by 11 properties and bears interest at a rate of 4.30% per annum, with a new $61.8 million variable rate mortgage due 2009 which will bear interest at a variable rate equal to LIBOR plus 32 basis points.

Eleven Existing Individual Variable Rate Mortgages. Eleven existing individual variable rate mortgage loans are outstanding with various lenders which aggregate $43.0 million in principal amount. These mortgages bear interest at variable rates tied to Prime Rate plus 100 or LIBOR plus a spread ranging from 250 to 300 basis points, with a portion carrying an interest floor of 4.25% or 4.75%. Their maturity dates range from June 2004 to May 2006. These mortgages require us to establish reserves relating to the mortgaged properties for real estate taxes, insurance and capital spending.

Proposed Variable Rate Mortgage Due 2007. Upon completion of the offering and the formation transactions, we expect to enter into a variable rate mortgage loan in the aggregate principal amount of $15.0 million with U.S. Bank. We have an executed commitment letter from U.S. Bank relating to this loan which we intend to execute upon completion of the offering. We expect this mortgage to be secured by five properties and to bear interest at a variable rate equal to LIBOR plus 175 basis points and to mature three years after inception with a two year extension available at our option. We expect this mortgage will require us to establish reserves relating to the mortgaged properties for real estate taxes, insurance and capital spending.

FINANCING STRATEGY

We expect to employ leverage in our capital structure in amounts determined 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, it 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 and variable rate, and in making financial decisions, including, among others, the following:

- the interest rate of the proposed financing;
- the extent to which the financing impacts our flexibility in managing our properties;
- prepayment penalties and restrictions on refinancing;
- the purchase price of properties we acquire with debt financing;
- our long-term objectives with respect to the financing;
- our 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 market 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 secured 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.

OFF-BALANCE SHEET ARRANGEMENTS

As of December 31, 2003, our predecessor had, and upon completion of the offering and the formation transactions, we expect to have one off-balance sheet arrangement, a guarantee of a loan made to Extra Space Northern Properties Six, LLC, one of our joint ventures, in connection with two lease-up properties owned by this joint venture located in Concord and San Ramon, California, for $7.8 million that was entered into November 2002 and is due on May 20, 2005. We believe the fair value of this guarantee will be negligible. At this time, we do not anticipate a substantial risk of incurring a loss with respect to the above arrangement.

RELATED PARTY TRANSACTIONS

Extra Space Development LLC

Effective January 1, 2004, our predecessor distributed to certain holders of its Class A membership interests, 100% of the membership interests in Extra Space Development LLC, which was previously a wholly owned subsidiary of our predecessor. Extra Space Development LLC owns, and upon completion of the offering and the formation transactions will continue to own, interests in 13 early-stage development properties and two parcels of undeveloped land, which are currently subject to significant construction-related indebtedness and have been incurring substantial development-related expenditures. In connection with this distribution, Extra Space Development LLC has granted us a right of first refusal with respect to its interests in 13 early-stage development properties. Extra Space Development LLC will continue to hold its interests in these 13 properties. Extra Space Development LLC intends to enter into agreements with third parties to receive management and development services. Extra Space Development LLC is owned by third-party individuals, as well as by executive officers and directors in the following approximate percentages: Kenneth M. Woolley (33%), Spencer F. Kirk (33%), Richard S. Tanner (7%), Kent Christensen (3%), Charles L. Allen (2%), David L. Rasmussen (0.5%) and Timothy Arthurs (0.5%).

For financial reporting purposes, our predecessor continues to consolidate these properties pursuant to certain financial guarantees. These properties will be de-consolidated upon the elimination of the guarantees prior to completion of the offering.

Centershift, Inc.

As part of the formation transactions, we have secured for our company through a license agreement with Centershift a perpetual right to continue to enjoy the benefits of STORE in all aspects of our property acquisition, development, redevelopment and operational activities, while the cost of maintaining the infrastructure required to support this product remain the responsibility of Centershift. This license agreement provides for an annual license fee payable by us which we estimate for the year ended December 31, 2004 will aggregate approximately $130,000, in exchange for which we will receive all product upgrades and enhancements and customary customer support services from Centershift. Centershift is required to secure our consent before entering into a license covering STORE with other publicly-traded self-storage companies.

Properties Subject to Transfer Restrictions

Two of the properties acquired as part of the formation transactions located in Venice, California and Sherman Oaks, California are subject to transfer restrictions. Our operating partnership cannot sell these properties for up to 12 years following the closing dates of the acquisitions if such sale would cause certain contributors to recognize a taxable gain for federal income tax purposes. However, if the operating partnership makes an indemnity payment to the contributors, the properties could be sold.

Aircraft Dry Lease

An affiliate of Spencer F. Kirk, one of our directors, has provided us with the benefit of an Aircraft Dry Lease which provides that we have the right to use a 2002 Falcon 50EX aircraft owned by SpenAero, L.L.C. at a rate of $1,740 for each hour of use by us of the aircraft and the payment of all taxes by us associated with our use of the aircraft.

SEASONALITY

Our business is subject to seasonal fluctuations. A greater portion of our revenues and profits are realized from May through September. Our results for any quarter may not be indicative of the results that may be achieved for the full fiscal year.

INFLATION

Inflation in the United States has been relatively low in recent years and did not have a material impact on the results of operations for the Extra Space Predecessor for the three months ended March 31, 2004 and the years ended December 31, 2003 and December 31, 2002. Although the impact of inflation has been relatively insignificant in recent years, it remains a factor in the United States economy and may increase the cost of acquiring or replacing property, plant and equipment and the costs of labor and utilities. Because our leases are month-to-month, we are able to rapidly adjust our rental rates to minimize the adverse impact of any inflation. This reduces our exposure to increases in costs and expenses resulting from inflation.

OTHER

We currently offer a tenant insurance program. Under this program, policies are issued and administered by a third party for a fee. The storage properties also receive an administrative fee for handling certain administrative duties on the policy. Losses in excess of premiums collected are covered by reinsurance carried by a third party. During the three months ended March 31, 2004 and the years ended December

31, 2003 and 2002, we recognized $132,000 (of which $93,000 is consolidated and $39,000 is in joint ventures historically accounted for using the equity method), $451,000 (of which $288,000 is consolidated and $163,000 is in joint ventures historically accounted for using the equity method) and $198,000 (of which $102,000 is consolidated and $97,000 is in joint ventures historically accounted for using the equity method) in revenue, respectively, which is our administrative fee for administrative duties relating to this insurance program.

We currently sell boxes, packing supplies, locks and other storage and moving supplies. Revenue and expense relating to these activities are collected and paid by our storage facilities. During the three months ended March 31, 2004 and the years ended December 31, 2003 and 2002, we recognized revenue of $266,000 (of which $187,000 is consolidated and $79,000 is in joint ventures historically accounted for using the equity method), $1.1 million (of which $689,000 is consolidated and $367,000 is in joint ventures historically accounted for using the equity methods) and $708,000 (of which $368,000 is consolidated and $340,000 is in joint ventures historically accounted for using the equity methods), respectively.

Other than our third-party development and management business discussed above and the other miscellaneous operations discussed in the previous two paragraphs, we do not currently conduct any other material operations that will be subject to corporate level tax through our taxable REIT subsidiary. These activities will be conducted upon completion of the offering and the formation transactions through our taxable REIT subsidiary.

RECENT ACCOUNTING PRONOUNCEMENTS

In December 2003, the FASB issued FASB Interpretation No. 46R ("FIN 46R"), "Consolidation of Variable Interest Entities, an Interpretation of ARB No. 51 (revised December 2003)." FIN 46R addresses consolidation by business enterprises of variable interest entities. For entities created after

In December 2003, the FASB issued FASB Interpretation No. 46R (FIN 46R), "Consolidation of Variable Interest Entities, an Interpretation of ARB No. 51 (revised December 2003)." FIN 46R addresses consolidation by business enterprises of variable interest entities ("VIEs"), as defined. For entities created after December 31, 2003, we will be required to apply FIN 46R immediately. FIN 46R is effective for the company for entities created before December 31, 2003, effective for three months ended March 31, 2004. As of March 31, 2004, we have evaluated its investments in joint ventures and economic interests in Extra Space Development LLC with regards to FIN 46R, and has determined the joint ventures and Extra Space Development LLC are VIEs. We are not consolidating Extra Space Development LLC and the ventures as we are not the primary beneficiary. With respect to Extra Space Development LLC's investees, we have determined that certain of these entities are VIEs and we are the primary beneficiary and therefore have consolidated these entities in our consolidated financial statements.

In May 2003, the FASB issued SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity." This statement establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. Under SFAS No. 150, an issuer is required to classify financial instruments issued in the form of shares that are mandatorily redeemable, financial instruments that, at inception, embody an obligation to repurchase the issuer's equity shares and financial instruments that embody an unconditional obligation, as liabilities. SFAS No. 150 is effective for financial instruments entered into or modified after May 31, 2003, and was effective for us for the year ended December 31, 2003. The adoption of SFAS No. 150 had no impact on our financial position, results of operations and cash flows.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our future income, cash flows and fair values relevant to financial instruments are dependent upon prevalent market interest rates. Market risk refers to the risk of loss from adverse changes in market prices and interest rates. We use some derivative financial instruments to manage, or hedge, interest rate risks related to our borrowings. We do not use derivatives for trading or speculative purposes and only enter into contracts with major financial institutions based on their credit rating and other factors.

Upon completion of the offering and the formation transactions, we expect to have outstanding approximately $419.3 million of consolidated debt. We expect approximately $119.8 million, or 28.6%, of our total consolidated debt, to be variable rate debt. We expect that approximately $299.5 million, or 71.4%, of our total indebtedness upon completion of the offering and the formation transactions will be subject to fixed interest rates for a minimum of four years. With respect to $61.8 million of our fixed rate indebtedness, we expect to swap this indebtedness with a proposed $61.8 variable rate mortgage due 2009 which we expect to bear interest at a variable rate equal to LIBOR plus 32 basis points. We have only one interest rate hedge instrument in place in an amount of $3.1 million.

If, after consideration of the interest rate cap agreement described above, LIBOR were to increase by 100 basis points, the increase in interest expense on the variable rate debt would decrease future earnings and cash flows by approximately $1.2 million annually as a result of the interest rate floor in place.

Interest 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 in that environment. 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 fair value of our debt outstanding as of March 31, 2004 was approximately $345.5 million.

CONTRACTUAL OBLIGATIONS

The following table summarizes our known contractual obligations as of December 31, 2003 (dollars in thousands):

	Payments Due by Period at December 31, 2003				
	Total	Less than 1 Year	1-3 Years	4-5 Years	After 5 Years
Operating leases	$ 16,371	$ 372	$ 756	$ 783	$ 14,460
Mortgage debt	273,808	160,141	88,451	13,946	11,270
Total contractual obligations	$ 290,179	$ 160,513	$ 89,207	$ 14,729	$ 25,730

The following table summarizes our contractual obligations as of March 31, 2004 on a pro forma basis to reflect the obligations we expect to have following completion of the offering and the formation transactions (dollars in thousands):

	Payments Due by Period at March 31, 2004				
	Total	Less than 1 Year	1-3 Years	4-5 Years	After 5 Years
Operating leases	$ 28,762	$ 1,077	$ 3,247	$ 2,181	$ 22,257
Mortgage debt	419,308	26,154	48,824	148,372	195,958
Total contractual obligations	$ 448,070	$ 27,231	$ 52,071	$ 150,553	$ 218,215

Formation transactions

OVERVIEW

We currently conduct our business relating to the ownership, operation, acquisition, development and redevelopment of self-storage properties through our predecessor, Extra Space Storage LLC, which is organized as a Delaware limited liability company, and certain affiliated companies. The ownership interests in Extra Space Storage LLC consist of Class A (voting and non-voting), Class B, Class C and Class E membership interests, which are held by Kenneth M. Woolley, our Chairman and Chief Executive Officer, and his affiliates, other members of our senior management team and their affiliates, certain of our employees, and other third-party investors. We refer to the Class A, Class B, Class C and Class E membership interests collectively as the "membership interests." Our existing portfolio of properties is held directly by Extra Space Storage LLC, by its wholly owned subsidiaries or in joint ventures with third-party investors. Transfer of assets to the company will be accounted for at the predecessor's historical cost as a transfer of assets between companies under common control.

Prior to or concurrently with the closing of the offering, we will engage in a series of transactions, which we refer to in this prospectus as the formation transactions, that are intended to reorganize our company, facilitate the offering, refinance our existing indebtedness and allow the owners of our predecessor and certain affiliated companies to exchange their existing membership interests for shares of common stock, OP units CCSs, CCUs, which we refer to collectively in this section as "equity securities" and $ in cash. We will issue the CCSs and CCUs in exchange for the contribution by the owners of our predecessor in respect of their indirect interests in the 14 early-stage lease-up properties.

We discuss below the following significant elements of our formation transactions undertaken in connection with this offering:

- formation of our company and our operating partnership;
- acquisition of our predecessor through contribution and exchange by members of Extra Space Storage LLC;
- two properties subject to transfer restrictions;
- joint venture restructuring;
- management company restructuring;
- distribution of early-stage development properties for which we retained a right of first refusal;
- other properties subject to first refusal rights;
- Centershift;
- acquisition of 29 additional properties;
- new property management arrangements; and
- debt refinancing.

Formation of Our Company and Our Operating Partnership

We were organized on April 30, 2004 as a corporation under the laws of the State of Maryland. We intend to elect to qualify as a REIT for U.S. federal income tax purposes beginning with our initial

taxable year ending December 31, 2004. Kenneth M. Woolley, our Chairman and Chief Executive Officer, Spencer F. Kirk, one of our directors, and members of our senior management team may be considered promoters of the offering. See “Management—Directors and Executive Officers.”

Extra Space Storage LP, our operating partnership, was organized as a limited partnership under the laws of the State of Delaware on May 5, 2004. Upon completion of the offering and the formation transactions, we will, through our qualified REIT subsidiaries, act as the operating partnership’s sole general partner and will hold units of the operating partnership’s limited partner interest.

Contribution and Exchange by Members of Extra Space Storage LLC

Prior to or concurrently with the closing of the offering, holders of membership interests in our predecessor, Extra Space Storage LLC, will contribute and exchange their membership interests as follows:

- The existing holders of Class A, Class B, Class C and Class E membership interests in Extra Space Storage LLC will, pursuant to contribution and related agreements, contribute these membership interests to our company and/or our operating partnership in exchange for an aggregate of shares of common stock, OP units, CCSs issued by us and/or CCUs issued by our operating partnership, which we refer to collectively as “equity securities.” In addition, certain holders of Class A, Class B and Class C membership interests (none of whom are directors or executive officers of our company or their affiliates), pursuant to elections made by them, will redeem an aggregate of % of these interests from our predecessor for an aggregate of $26.8 million in cash to be funded out of the net proceeds of the offering. All existing holders of membership interests will receive either equities securities or cash for their interests.

- In determining the number of equity securities that will be issued in exchange for the membership interests, the management of our predecessor took into account the value of the properties that will be owned by our predecessor and the amount of the related debt and other liabilities of our predecessor that will be outstanding immediately prior to the closing of the offering. The factors considered by our predecessor’s management included an analysis of market sales comparables, market capitalization rates for other self-storage properties and general market conditions for self-storage properties.

- CCSs and CCUs will generally not carry any voting rights or entitle their holders to receive distributions. Upon the achievement of certain performance thresholds relating to the 14 early-stage lease-up properties described above, all or a portion of the CCSs and the CCUs will be automatically converted into shares of our common stock or OP units, as described elsewhere in this prospectus. Initially, each CCS and CCU will be convertible on a one-for-one basis into shares of common stock or OP units, subject to customary anti-dilution adjustments. These performance thresholds have been structured to result in the conversion of CCSs into shares of common stock and CCUs into OP units on a proportionate basis as the net operating income produced by the 14 early-stage lease-up properties grows from $5.1 million to $9.7 million over any of the 12-month measurement periods commencing with the 12 months ended March 31, 2006 and ending with the 12 months ending December 31, 2008. For the 12-month period ended March 31, 2004, the net operating income produced by these lease-up properties (which were % occupied on a weighted average basis as of the end of this period) totaled $. This means that none of the CCS or CCUs will convert into shares of common stock or OP units until the net operating income produced by these lease up properties first increases by a minimum of $ over any of the 12-month measurement periods. No CCSs or CCUs will be convertible prior to March 31, 2006 nor for any measurement period after

December 31, 2008. See “Description of Stock—Contingent Conversion Shares” and “Extra Space Storage LP Partnership Agreement—Contingent Conversion Units.”

- The number of CCSs and CCUs to be issued in the formation transactions was determined based on negotiations between the company and the underwriters. The factors considered by the company and the underwriters in determining the number of CCSs and CCUs to be issued included the historical lease-up performance of properties similar to the properties to which the CCSs and CCUs relate, market capitalization rates for self-storage facilities and general market conditions in the self-storage industry. CCS and CCUs were allocated among the holders of membership interests in our predecessor on a pro rata basis based on the number of shares of common stock and OP units that each such holder will receive in the formation transactions.

- Each class of membership interest in Extra Space Storage LLC is divided into individual units. As of March 31, 2004, 76,892,885 Class A units, 50,082,096 Class B units, 29,622,196 Class C units and 14,900,000 Class E units were outstanding. In the formation transactions, for members not receiving cash, each Class A unit is exchangeable for shares of common stock (or OP units) CCSs (or CCUs), each Class B unit is exchangeable for shares of common stock and CCSs, each Class C unit is exchangeable for shares of common stock and CCSs and each Class E unit is exchangeable for OP units.

- Based upon the initial public offering price of our common stock, the aggregate value of the shares of common stock and OP units to be issued in the formation transactions is approximately $. Further, assuming that each CCS and CCU converted, based upon the initial public offering price, the aggregate value of the CCSs and CCUs issued in the formation transactions would be approximately $. The aggregate historical combined net tangible book value of the membership interests to be contributed to us was approximately $ as of March 31, 2004. The existing holders of membership interests in Extra Space Storage LLC who will receive equity securities include members of our board of directors and members of our senior management team. The aggregate number of equity securities to be received by each such person and his or her affiliates and the net tangible book value attributable to the membership interests as of March 31, 2004, are set forth below under the heading “Benefits to related parties.”

- The value of the equity securities that we will give in exchange for contributed membership interests will increase or decrease if our common stock is priced above or below the mid-point of the range of prices shown on the front cover of this prospectus. If the initial public offering price of our common stock is outside of the range set forth on the cover page of this prospectus, we may increase or decrease the number of shares of common stock in the offering or increase or decrease the number of OP units to be issued by our operating partnership in connection with the formation transactions. The initial public offering price of our common stock will be determined by negotiations between us and the underwriters. Among the factors to be considered in determining the initial public offering price are our record of operations, our management, our estimated net income, our estimated funds from operations, our estimated cash available for distribution, our anticipated dividend yield, our growth prospects, the current market valuations, financial performance and dividend yields of publicly-traded companies considered by us and the underwriters to be comparable to us and the current state of the self-storage industry and the economy as a whole. The initial public offering price does not necessarily bear any relationship to our book value, assets, financial condition or any other established criteria of value and may not be indicative of the market price for our common stock after the offering. In addition, we have not and will not conduct an asset-by-asset valuation of our company based on historical cost or current market valuation. We also have not always obtained appraisals of the properties in connection with the offering. As a result, the consideration given by us in exchange for

the properties in our portfolio may exceed the value of these properties that may be reflected in appraisals or may be obtained in sales of these properties to third parties.

- We will contribute, through our qualified REIT subsidiary, the membership interests we receive from the contributors to our operating partnership in exchange for OP units and CCUs.
- Extra Space Management, Inc. a Utah corporation and an indirect wholly owned subsidiary of our operating partnership, will, together with our company, make an election to be treated as our taxable REIT subsidiary. Extra Space Management, Inc. will be responsible for all property management operations that we perform for properties owned by third parties. We expect that this taxable REIT subsidiary will earn income and engage in activities that might otherwise jeopardize our status as a REIT or that would cause us to be subject to a 100% tax on prohibited transactions. A taxable REIT subsidiary is taxed as a corporation and its income will therefore be subject to U.S. federal, state and local corporate level tax.

Properties Subject to Transfer Restrictions

Two of the properties acquired as part of the formation transactions, one located in Venice, California and the other in Sherman Oaks, California, are subject to transfer restrictions. Our operating partnership cannot sell these properties for up to 12 years following the closing date of the acquisitions if such sale would cause certain contributors to recognize a gain. However, if the operating partnership makes an indemnity payment to the contributors, the properties could be sold.

Joint Venture Restructuring

In May 20, 2004, we acquired the equity interest held by Strategic Performance Fund-II, Inc., an affiliate of Prudential Financial, Inc., in our joint venture called Extra Space East One, LLC, which currently owns nine properties, for approximately $18.3 million of which $8.4 million was paid in the form of a note that we intend to repay out of the net proceeds of the offering. The note matures on the earlier of six months from its date of issuance and the closing of the offering and is personally guaranteed by Kenneth M. Woolley.

On June 1, 2004, we acquired nine of the 16 properties held in a joint venture arrangement called Extra Space West One, LLC with the Prudential Insurance Company of America for $52.4 million, of which approximately $10.0 million was paid in the form of a note that we intend to repay out of the net proceeds of the offering. The note will mature on the earlier of six months from its date of issuance and the closing of the offering and is personally guaranteed by Kenneth M. Woolley. We and Prudential have retained our respective ownership interests in the joint venture which will continue to own the remaining seven properties.

Immediately after the offering, our operating partnership will acquire all of the outstanding third-party interests in the following joint ventures in which Extra Space Storage LLC or its subsidiaries are currently joint venture partners and will fund the cash portion of these acquisitions out of the net proceeds of the offering:

- Our operating partnership will use approximately $22.4 million in cash to acquire the preferred equity interest held by FREAM No. 39 LLC and the Fidelity Pension Fund Real Estate Investment LLC, affiliates of the Fidelity Management Trust Company, in our joint venture called Extra Space Properties Four LLC, which currently owns 19 properties.

- Our operating partnership will acquire the joint venture interests held by Equibase Mini Warehouse and its affiliates in seven joint ventures, which currently own an aggregate of 30 properties, for an aggregate of approximately $35.8 million in cash and OP units having an aggregate value (based on the initial public offering price) of approximately $1.4 million.
- Our operating partnership will acquire the joint venture interests held by affiliates of the Moss Group in two joint ventures, which currently own an aggregate of two properties, for an aggregate of approximately $800,000 in cash and OP units having an aggregate value based on the initial public offering price of approximately $12.5 million.
- Our operating partnership will acquire the joint venture interests held by certain third parties, including Kenneth M. Woolley, our Chairman and Chief Executive Officer, Spencer F. Kirk, one of our directors, and certain members of our senior management team, in three additional joint ventures, which currently own three properties for an aggregate of approximately $2.1 million in cash.

Management Company Restructuring

In connection with the formation transactions, our predecessor acquired Extra Space Management, Inc. from Kenneth M. Woolley, our Chairman and Chief Executive Officer, Richard S. Tanner, one of our senior vice presidents, and Spencer F. Kirk, one of our directors, for approximately $184,000, which, following the completion of the offering and the formation transactions, will be our taxable REIT subsidiary and will be responsible for all property management operations that we perform for properties owned by third parties.

Extra Space Development LLC

Effective January 1, 2004, our predecessor distributed to certain holders of its Class A membership interests, 100% of the membership interests in Extra Space Development LLC, which was previously a wholly owned subsidiary of our predecessor. Extra Space Development LLC owns, and upon completion of the offering and the formation transactions will continue to own, interests in 13 early-stage development properties and two parcels of undeveloped land, which are currently subject to significant construction-related indebtedness and have been incurring substantial development-related expenditures. Extra Space Development LLC has granted us a right of first refusal with respect to its interests in the 13 properties described above. Extra Space Development LLC will continue to hold its interests in the 13 properties described above. Extra Space Development LLC is owned by third-party individuals, as well as by executive officers and directors in the following approximate percentages: Kenneth M. Woolley (33%), Spencer F. Kirk (33%), Richard S. Tanner (7%), Kent Christensen (3%), Charles L. Allen (2%), David L. Rasmussen (0.5%) and Timothy Arthurs (0.5%).

Other Rights of First Refusal

In connection with the formation transactions, Extra Space of Palmdale LLC and Extra Space of Pico Rivera Two LLC, each of which is a California limited partnership, have granted us a right of first refusal with respect to a subsequent sale of these properties. These two properties are owned by third-party individuals, as well as by executive officers and directors. Extra Space of Palmdale LLC is owned by executive officers and directors in the following approximately percentages: Kenneth M. Woolley (39.0%), Spencer F. Kirk (17.9%), Richard S. Tanner (8.6%), Kent Christensen (8.6%) and Charles L. Allen (8.6%).

Formation transactions

Extra Space of Pico Rivera Two LLC is owned by executive officers and directors in the following approximate percentages: Kenneth M. Woolley (38.2%), Spencer F. Kirk (17.4%), Richard S. Tanner (7.0%), Kent Christensen (8.3%), Charles L. Allen (9.7%), David Rasmussen (8.3%) and Timothy Arthurs (1.4%).

Centershift, Inc.

Effective January 1, 2004, we entered into a license agreement with Centershift which secures for our company a perpetual right to continue to enjoy the benefits of STORE in all aspects of our property acquisition, development, redevelopment and operational activities, while the cost of maintaining the infrastructure required to support this product remains the responsibility of Centershift. This license agreement provides for an annual license fee payable by us which we estimate for the year ended December 31, 2004 will aggregate approximately $130,000, in exchange for which we will receive all product upgrades and enhancements and customary customer support services from Centershift. Centershift is required to secure our consent before entering into a license covering STORE with other publicly-traded self-storage companies. Centershift is owned by third-party individuals, as well as by executive officers and directors in the following approximate percentages: Kenneth M. Woolley (28%), Spencer F. Kirk (29%), Richard S. Tanner (7%), Kent Christensen (3%), Charles L. Allen (2%), David L. Rasmussen (0.4%) and Timothy Arthurs (0.4%).

Acquisition of Storage Spot Properties

Effective May 28, 2004, Extra Space Storage LLC entered into a purchase and sale agreement with Storage Spot Properties No. 1, L.P. and Storage Spot Properties No. 4, L.P. for the acquisition of 26 self-storage properties for which the purchase price under this agreement is $147.0 million. For the year ended December 31, 2003, the net revenues less bad debt expenses for these properties totaled $16.0 million. None of the sellers are currently our affiliates. Hugh W. Horne is president of Storage World Properties GP No. 1, LLC and Storage World Properties GP No. 4, LLC, the general partners of the selling parties under the agreement. In connection with this transaction, we agreed to name Mr. Horne as a director of our company effective upon the closing of this offering. Additionally, if at any time prior to February 15, 2006, Hugh W. Horne is not serving as one of our directors, Storage Spot shall have the right to have one representative present at all meetings of our board of directors and all of our board committees during such time. The purchase and sale agreement contains customary representations, warranties and covenants and is subject to customary closing conditions (such as those relating to the accuracy of representations and warranties and the performance of covenants contained in the purchase and sale agreement) as well as the completion of the offering. Our predecessor has deposited $3.0 million in escrow under the purchase and sale agreement. Storage Spot may be entitled to receive up to an additional $5.0 million cash consideration depending upon the performance of the 26 properties for the 12 months ended December 31, 2005. Under this earn-out provision, we have agreed to pay in February 2006, $8.45 for each dollar that the net revenues from these properties for calendar year 2005 exceeds $17.9 million, up to a maximum of $5.0 million. The entire $5.0 million is also payable upon the occurrence of certain other conditions, including any change of control of the purchaser or a third-party sale of any of the 26 properties prior to December 31, 2005. Our predecessor's obligation to pay any additional funds will be guaranteed by our operating partnership. Subject to customary closing conditions, including the completion of due diligence, we expect this transaction to close concurrently with the completion of the offering and to be funded with the net proceeds of the offering. See "Use of Proceeds."

Other Acquisitions

Concurrently with the completion of the offering, we will acquire three self-storage properties, two in Arizona and California from Red Hat Enterprises and one in New York from Storage Deluxe, both of which are unaffiliated third parties, for cash in the amount of approximately $21.0 million.

Property Management

Upon completion of the offering and the formation transactions, through our subsidiary, Extra Space Management, Inc., we will provide management services to 9 self-storage properties, which are owned by unrelated third parties. The amount of management fees we received for the year ended December 31, 2003 relating to these 9 third party management contracts, was approximately $365,000 and for the three months ended March 31, 2004 it was approximately $120,000. In addition, we recorded approximately $1,570,000 of management fees for joint ventures for total management fees of $1,935,000 for the year ended December 31, 2003 and approximately $430,000 of management fees for joint ventures for total management fees of $550,000 for the three months ended March 31, 2004. We may consider managing additional properties owned by related and unrelated third parties in the future for strategic reasons including to diversify our revenue base or as a means of analyzing potential acquisitions.

Debt Refinancing

Upon completion of the offering and the formation transactions, we expect to enter into a variable rate mortgage loan in the aggregate principal amount of $15.0 million. This mortgage, which will be secured by five properties, will bear interest at a variable rate equal to LIBOR plus 225 basis points and will mature three years after inception. This mortgage will require us to establish reserves relating to the mortgaged properties for real estate taxes, insurance and capital spending. In addition, we have recently refinanced other indebtedness which we expect will be outstanding upon completion of the offering. See “Management’s discussion and analysis of financial condition and results of operations—Indebtedness Outstanding After the Offering.” The formation transactions also include a series of debt refinancings which are described in this prospectus.

Business and properties

All statistical data contained in this prospectus is the most recently available data from the sources cited. Where no source is cited, statistical data has been derived from internal data prepared by our management.

OVERVIEW

We are a fully integrated, self-administered and self-managed real estate investment trust formed to continue the business commenced in 1977 by our predecessor companies to own, operate, acquire, develop and redevelop professionally managed self-storage properties. Since 1996, our fully integrated development and acquisition teams have completed the development or acquisition of more than 100 self-storage properties and we continue to evaluate a range of new growth initiatives and opportunities for our company. To enable us to maximize revenue generating opportunities for our properties, we employ a state-of-the-art proprietary web-based tracking and yield management technology called STORE. Developed by our management team, STORE enables us to analyze, set and adjust rental rates in real time across our portfolio in order to respond to changing market conditions.

Upon completion of the offering and the formation transactions, we will own and operate 136 self-storage properties located in 20 states, 118 of which are wholly owned and 18 of which are held in joint ventures with third parties, and we also manage for unaffiliated third parties an additional 9 properties. Our properties are generally situated in convenient, highly-visible locations regionally clustered around high-density, high-income population centers, such as Boston, Chicago, Los Angeles, Miami, New York/Northern New Jersey and San Francisco. Our properties contain an aggregate of approximately 8.9 million net rentable square feet of space configured in approximately 84,800 separate storage units as of May 31, 2004. As of May 31, 2004, our stabilized portfolio (which consists of 108 properties) was on average 87.4% occupied, while our lease-up portfolio (which consists of 28 properties) was on average 62.4% occupied. 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 either has achieved an 85% occupancy rate, or has been open for four years. Over the next 24 months, we expect our lease-up properties to achieve 85% occupancy, which we believe is in line with lease-up periods typical in the self-storage industry.

As of May 31, 2004, we had more than 70,000 tenants leasing storage units at our 136 properties, primarily on a month-to-month basis, providing us with flexibility to increase rental rates over time as market conditions permit. Although our leases are short-term in duration, our typical tenant tends to remain at our properties for an extended period of time. For properties that were stabilized as of May 31, 2004, the average length of stay for our tenants was approximately 16 months.

Members of our senior management team have significant experience in all aspects of the self-storage industry, with an average of more than nine years of industry experience. Our senior management team has collectively acquired and/or developed more than 176 properties during the past 25 years for our predecessor and other entities. Kenneth M. Woolley, our Chairman and Chief Executive Officer, and Richard S. Tanner, our Senior Vice President, East Coast Development, have worked in the self-storage industry since 1977 and led two of the earlier self-storage facility development projects in the United States. In addition, eight members of our management team have worked together for our predecessors for more than five years. Members of this management team have guided our predecessor through substantial growth, developing and acquiring $699.0 million in assets since 1996. Our senior management team funded this growth with internal funds and more than $245.0 million raised in private

equity capital since 1998, largely from sophisticated, high net-worth individuals and institutional investors such as affiliates of Prudential Financial, Inc. and Fidelity Investments.

We intend to qualify as a REIT for federal income tax purposes beginning with our initial taxable year ending December 31, 2004. We intend to make regular quarterly distributions to our stockholders, beginning with a distribution for the period commencing on the completion of the offering and ending on September 30, 2004.

Upon completion of the offering and the formation transactions, substantially all of our business will be conducted through Extra Space Storage LP, our operating partnership, and our primary asset will be our interest in Extra Space Storage LLC.

THE SELF-STORAGE INDUSTRY

Self-storage refers to properties that offer do-it-yourself, month-to-month storage space rental for personal or business use. Self-storage offers a cost-effective and flexible storage alternative. Tenants rent fully enclosed spaces that can vary in size according to their specific needs and to which they have unlimited, exclusive access. Tenants have responsibility for moving their items into and out of their units. Self-storage unit sizes typically range from five feet by five feet to 20 feet by 20 feet, with an interior height of eight to 12 feet.

Self-storage provides a convenient way for individuals and businesses to store their possessions, whether due to a life-change, or simply because of a need for extra storage space. The mix of residential tenants using a self-storage property is determined by a property's local demographics and often includes people who are looking to downsize their living space or others who are not yet settled in large homes. The range of items residential tenants place in self-storage properties range from cars, boats and recreational vehicles, to furniture, household items and appliances. Commercial tenants tend to include small business owners who require easy and frequent access to their goods, records or extra inventory or storage for seasonal goods. Self-storage properties provide an accessible storage alternative at a relatively low cost. Tenants typically rent an enclosed space to which they have unlimited, exclusive access. Properties generally have on-site managers who supervise and run the day-to-day operations, providing tenants with assistance as needed.

Our research has shown that tenants choose a self-storage property based primarily on the convenience of the site to their home or business, making high-density, high-traffic population centers ideal locations for locating a self-storage property. A property's perceived security and the general professionalism of the site managers and staff are also contributing factors to a site's ability to successfully secure rentals. Although most self-storage properties are leased to tenants on a month-to-month basis, tenants tend to continue their leases for extended periods of time. However, there are seasonal fluctuations in occupancy rates for self-storage properties. Based on our experience, generally, there is increased leasing activity at self-storage properties during the summer months due to the higher number of people who relocate during this period.

As population densities increase in the United States, there has been an increase in self-storage awareness and development. Although the industry originated in the southwestern United States, this increase in awareness of the self-storage option has contributed to the industry's recent growth throughout the country. The relatively recent increase in development of self-storage properties on the east coast of the United States is indicative of the growing nature of the industry. According to the 2004 Self-Storage Almanac, in 1992 there were approximately 19,500 self-storage properties in the United States, with an average occupancy rate of 84.8% of net rentable square feet compared to approximately 37,000 properties in 2003 with an average occupancy rate of 84.6% of net rentable square feet. The growth in

the industry has created more competition in various geographic regions, and therefore has led to an increased emphasis on site location, property design, innovation and functionality, especially for new sites slated for high-density population centers to accommodate the requirements and tastes of local planning and zoning boards, and to distinguish a facility from other offerings in the market.

The self-storage industry is also characterized by fragmented ownership. As illustrated by the following chart, according to the 2004 Self-Storage Almanac, as of December 31, 2003, the top five self-storage companies in the United States owned only approximately 10.2% of total U.S. self-storage properties, and the top 50 self-storage companies own only approximately 15.7% of the total U.S. properties. The 2004 Self-Storage Almanac also states that approximately 84.3% of all self-storage properties in the United States were owned by small operators. We believe this fragmentation will contribute to continued consolidation in the industry in the future.

Source: 2004 Self-Storage Almanac

We believe that, unlike other REIT sectors, the self-storage industry brings with it attractive characteristics, including:

- Ø Self-storage properties are not reliant on a “single large tenant” whose vacating can have devastating impact on rental revenue.
- Ø Brand names can be developed at local, regional and even national levels. Marketing and development of a brand identity, therefore, take on a critical role in the success of a self-storage operator.
- Ø Self-storage companies have an opportunity for a great deal of geographic diversification, which could enhance the stability and predictability of cash flows.
- Ø A property’s location, convenience and security is more important than rental rate when it comes to a tenant making a leasing decision.
- Ø Ancillary products contribute incremental revenue for the self-storage operator. Moving and packing supplies, such as locks and boxes, and the offering of other services, such as property insurance and truck rentals, all help to increase revenues. As more sophisticated self-storage operators continue to develop innovative products and services such as on-line rentals, 24-hour accessibility, climate controlled properties, tenant-service call center access and after-hours storage, local operators may be increasingly unable to meet higher tenant expectations, which could encourage further consolidation in the industry.
- Ø Self-storage properties also generally have lower maintenance costs and capital expenditures as compared to other types of commercial real estate (which can require substantial improvements to

secure new tenants) due to the comparative simplicity of building materials and systems of most properties. Typical expenditures include structural work such as roofing and pavement repair, the occasional addition of units to the property, landscaping maintenance and general repairs.

- Well-run self-storage properties also tend to operate with a comparatively low level of bad debt and collection expense. Tenant evictions for non-payment of rent can be effective in most situations without any formal judicial proceeding, and the contents of individual storage units can be sold to offset the costs of any unpaid rents in accordance with state lien laws. For example, for our current portfolio of properties, bad debt expense has averaged less than 1.5% for each of the three years ended December 31, 2003.

We have found that the factors most important to tenants when choosing a self-storage site are a convenient location, a clean environment, friendly service and a professional helpful staff. Our experience also indicates that successfully competing in the self-storage industry requires an experienced and dedicated management team that is supported by an efficient and flexible operating platform that is responsive to tenants' needs and expectations.

COMPETITIVE STRENGTHS

We believe we distinguish ourselves from other owners, operators and developers of self-storage properties in a number of ways, and enjoy significant competitive strengths, which include:

- **Geographic Diversity Combined with Concentration in Strong Markets.**

  Upon completion of the offering and the formation transactions, we will own and operate through our operating partnership a portfolio of 136 self-storage properties located in 20 states, including 18 properties that we own an interest in through joint venture arrangements. Our properties are generally situated in convenient, highly-visible locations clustered around large population centers such as Boston, Chicago, Los Angeles, Miami, New York/Northern New Jersey and San Francisco. These areas all enjoy above average population and income demographics and high barriers to entry for new self-storage properties. The clustering of our assets around these population centers enables us to reduce our operating costs through economies of scale. For example, we are able to employ our regional property management infrastructure to spread our advertising investment and other operating overhead over a larger number of properties and to increase our visibility and brand recognition. Our research indicates most tenants utilize properties within a three to five mile radius of their home or business, therefore focus on high-concentration areas is key. At the same time, we believe that the significant size and overall geographic diversification of our portfolio reduces risks associated with economic downturns or natural disasters in any one market in which we operate.

- **Strong Property and Operating Management Capabilities.**

  We have developed and utilize a comprehensive centralized approach to property and operational management to increase and maintain occupancy, improve tenant satisfaction and maximize the operating performance and margin of our properties. We have developed market-tested operating procedures for our properties and we invest in the training and development of employees to enable them to understand and implement these procedures in a professional and highly tenant-friendly manner. We have developed and employ a state-of-the-art web-based tracking and yield management technology called STORE to support all aspects of our property management operations, enabling our management team to centrally analyze, set and adjust rental rates in real time on a case-by-case basis across our entire portfolio to maximize revenue-generating opportunities. Unique in the self-storage industry, this technology provides a web-based application distributed via the internet to remote sites. Instead of software installed on each of our facility's computers, both software and data reside at a central, secure location. This system allows us to gather, organize and provide critical analyses of

detailed financial, operating, marketing and tenant information for our properties and the markets in which they operate on a real-time, easy-to-access basis. By allowing our management to proactively manage this dynamic pricing structure, our management can successfully integrate various operating initiatives. As part of the formation transactions, we have secured a perpetual license to continue to employ STORE in operating our business.

- **Consumer Oriented Marketing Approach.**

We approach our business with a value-added consumer product focus and an emphasis on value and quality through employee training and strict adherence to guidelines developed by our senior management. Our tenant focus and quality controls provide consistency and quality of product and enable our on-site and regional managers to effectively manage our properties and improve our occupancy and tenant retention across our portfolio. Our property management and operations groups are supported by our marketing team that provides sales, marketing and advertising support for our properties and operations. We employ highly targeted direct response marketing programs, such as direct mail and coupon mailers, in combination with more broad-based marketing initiatives such as advertising in the Yellow Pages and on the internet.

- **Successful Acquirer and Developer of Properties.**

Our fully-integrated development and acquisition teams have completed the development or acquisition of more than 100 different self-storage properties since 1996. We believe that we have developed a reputation as a trusted and reliable buyer. In addition, following completion of the offering and the formation transactions, we expect to be one of only two publicly-traded REITs in the self-storage industry that is organized in the UPREIT format, which will enable us to acquire new properties from tax-deferred transactions. As a result, we have a competitive advantage over most of our competitors that are structured as traditional REITs and non-REITs in pursuing acquisitions with tax-sensitive sellers. Also, unlike many other larger owners and operators of self-storage properties, we maintain a highly flexible approach to facility design and layout, which positions us to consider the broadest possible array of potential acquisitions and development sites. Our in-house development capability and our commitment to research allows us to access additional growth opportunities through the development or redevelopment of self-storage sites in different geographic regions.

- **Experienced Senior Management Team.**

Our Chairman and Chief Executive Officer, Kenneth M. Woolley, and our co-founder, Richard S. Tanner, have been in the self-storage business for more than 25 years. Together, they have acquired or developed more than 176 properties. Our senior management team has an average of more than nine years of self-storage experience. Upon completion of the offering and the related formation transactions, our senior management team will own an approximately % equity interest in our company on a fully-diluted basis. This senior management team includes a fully integrated acquisitions group that through May 31, 2004, had acquired 54 self-storage properties in the United States since 1996, a development team with a proven track record of strategic site selection and retail construction management of 50 self-storage properties in the United States since 1996, an operations team with 97 combined years of experience in profitably managing self-storage properties, and a marketing group with consumer marketing experience in research, strategic program implementation and brand development. All of these groups form a cohesive management team with a seamless approach to growing the company.

- **Nationally-Recognized Institutional Joint Venture Partners.**

We have developed and/or acquired more than 70 properties since 1999 employing strategic joint ventures with nationally-recognized institutional investors such as affiliates of Prudential Financial, Inc. and Fidelity Investments. We believe our reputation for quality within our industry, and our

management and development expertise, make us an attractive strategic partner for institutional investors. By partnering with institutions in this way, we can mitigate acquisition, development and lease-up risks, while retaining day-to-day operational control over, and a significant stake in the performance of, certain properties. Eighteen of our properties are held in joint venture format.

BUSINESS AND GROWTH STRATEGIES

Our primary business objectives are to maximize cash flow available for distribution to our stockholders and to achieve sustainable long-term growth in cash flow per share in order to maximize long-term stockholder value. Our business strategy to achieve these objectives consists of the following elements:

- **Maximize Cash Flow at Our Properties.**

  We will seek to maximize revenue generating opportunities by responding to changing local market conditions through interactive yield management of the rental rates at our properties. Supported by STORE, we will seek to respond to changing market conditions and to maximize revenue generating opportunities through interactive rental rate management.

- **Pursue Opportunities to Acquire Privately-Held Self-Storage Portfolios.**

  We intend to selectively acquire, for cash or by utilizing units in our operating partnership as acquisition currency, privately-held self-storage portfolios and single self-storage assets in high population density areas with an undersupply or equilibrium of self-storage demand, re-flag them under the Extra Space Storage brand name, and implement our comprehensive property and operating systems so as to maximize their operating performance over time.

- **Strategically Select and Develop Sites.**

  We will seek to maximize revenue generating opportunities from our lease-up properties by actively managing these properties toward stabilization. We plan to continue to expand also by selecting and developing new self-storage properties with cost-effective, appealing construction in desirable areas based on specific data, including: visibility and convenience of location, market occupancy and rental rates, market saturation, traffic count, household density, median household income, barriers to entry and future demographic and migration trends. We have utilized a nationwide network of brokers and developers to consistently identify new opportunities. Because of the attractive architecture of many of our properties, we have been able to eliminate a typical barrier of entry for most self-storage developers in areas usually reserved for more traditional retail and commercial properties. As of July 15, 2004 we had 12 undeveloped parcels of land under contract that we believe are suitable for new property developments and are proceeding with the requisite due diligence for these properties. We also have a right of first refusal with respect to sales of the interests in the 13 early-stage development properties owned by Extra Space Development LLC. We also are currently reviewing more than 22 other sites that we believe also may be suitable development candidates.

- **Continue Joint Venture Strategy to Pursue Development Opportunities and Enhance Returns.**

  We plan to grow by continuing our development activities in conjunction with our joint venture partners while mitigating the risks normally associated with early-stage development and lease-up activities. Where appropriate, we will also seek to acquire properties in a capital-efficient manner in conjunction with our joint venture partners. Upon completion of the offering and the formation transactions, we intend to enter into a new strategic joint venture with an affiliate of Prudential Financial, Inc., one of our current joint venture partners, with respect to various future development properties. Prudential will contribute substantially all of the capital to the joint venture to enable the

joint venture to repay any in-place construction financing and to fund the property's capital obligations during the lease-up stage. We also expect to enter into joint venture arrangements with other of our existing joint venture partners. Typically in these deals, we will seek to have a small capital interest, and once our joint venture partner receives a predetermined return on its investment the remaining profits will be distributed to the joint venture partners.

PROPERTIES

Upon completion of the offering and the formation transactions, we will own and operate 136 properties located in 20 states, of which 118 are wholly owned and 18 are held in joint ventures with third parties. In addition, through our subsidiary Extra Space Management, Inc., we will provide management services to 9 self-storage properties. Our managed properties are held to the same high quality standards as our owned properties. Our properties contain an aggregate of approximately 8.9 million net rentable square feet of space configured in approximately 84,800 separate storage units as of May 31, 2004. The following table sets forth additional information regarding our stabilized properties as of May 31, 2004, and December 31, 2003, as noted:

Stabilized Property Data Based on Location

Location	Number of Units	Year Placed in Operation(1)	Net Rentable Square Feet	Occupancy Rate as of May 31, 2004	Occupancy Rate as of December 31, 2003
Wholly Owned Properties:					
Arizona:					
Mesa	480	2001	57,630	98.2%	84.1%
Total Arizona	480		57,630	98.2%	84.1%
California:					
Burbank	986	1987	81,158	96.0%	94.1%
Claremont	409	1996	47,765	90.9	87.6
Fontana	710	2000	86,155	84.9	84.0
Glendale (2)	429	1975	42,200	93.6	96.6
Hawthorne	583	1991	47,915	84.3	86.5
Inglewood	567	1987	53,730	92.9	95.1
Livermore	677	2000	77,573	92.1	84.5
Los Angeles (Casitas Avenue)	661	1998	64,527	87.5	87.1
Manteca	545	2000	60,225	81.9	82.0
Oakland (2)	538	1986	55,650	88.5	88.7
Pico Rivera I	464	2000	51,918	95.5	94.2
Richmond	773	1987	62,215	86.6	84.0
Riverside	732	1984	82,085	84.4	86.7
San Bernardino	506	1983	63,385	90.7	94.3
Sherman Oaks	843	1998	91,545	96.6	92.5
Torrance	737	1994	80,051	89.3	89.1
Tracy I	462	1988	62,400	72.4	68.9
Venice	553	1999	56,470	92.3	92.4
Total California	11,175		1,166,967	88.9%	88.1%

Location	Number of Units	Year Placed in Operation(1)	Net Rentable Square Feet	Occupancy Rate as of May 31, 2004	Occupancy Rate as of December 31, 2003
Colorado:					
Arvada	268	1975	46,250	94.7%	86.4%
Denver	565	1974	68,190	85.8	81.2
Thornton	533	1975	58,300	83.7	85.7
Westminster	435	1979	58,868	82.2	79.1
Total Colorado	1,801		231,608	86.1%	82.8%
Florida:					
Margate	636	1985	53,651	94.3%	90.3%
Miami (Fountainbleau)	771	1987	74,739	83.5	84.0
Miami (Kendall)	949	1986	87,387	93.2	90.1
North Miami	806	1999	75,747	90.3	88.7
North Lauderdale	797	1985	74,885	89.6	91.7
West Palm Beach (Forest Hill)	656	1985	53,422	86.3	82.3
West Palm Beach (Military Trail)	677	1987	59,592	86.9	83.1
Ft. Lauderdale (3)	527	2001	58,250	80.2	84.1
Ft. Myers (3)	605	2000	73,728	92.2	90.4
Madeira Beach (3)	644	1999	56,939	96.3	93.8
Orlando (3)	718	2000	92,611	88.8	81.5
Port Charlotte (3)	582	1999	69,660	97.6	95.4
Riverview (3)	533	2000	57,245	87.4	81.8
Valrico (3)	493	2000	53,800	98.8	90.8
Total Florida	9,394		941,656	90.3%	87.7%
Georgia:					
Atlanta (Cheshire) (3)	799	2000	105,878	86.7%	80.9%
Atlanta (Rosewell) (3)	336	2000	41,416	85.8	83.5
Alpharetta (3)	467	1999	52,158	79.0	77.3
Snellville (3)	603	1999	85,656	84.1	83.5
Stone Mountain (3)	483	1999	72,120	88.4	89.9
Total Georgia	2,688		357,228	85.2%	83.1%
Louisiana:					
Metairie (3)	647	1999	67,850	87.6%	87.1%
New Orleans (3)	764	2000	80,050	96.6	92.5
Total Louisiana	1,411		147,900	92.5%	90.1%
Massachusetts:					
Auburn	461	1999	55,750	81.8%	83.0%
Brockton	375	1999	44,400	72.3	71.3
Cambridge (4)	462	1983	29,585	73.8	73.8
Dedham II	671	1999	78,675	80.8	80.2
Foxboro	454	1996	53,040	84.2	83.9
Hudson	365	1990	50,050	83.4	81.9
Lynn	668	2001	66,575	73.1	66.1
Marshfield	462	2001	49,675	79.1	77.3
Norwood	636	1999	71,721	76.1	78.5
Oxford	389	1999	47,194	90.0	89.3
Quincy	725	1997	55,370	66.5	67.0
Raynham	525	2000	56,100	77.9	72.0
Somerville	705	2000	58,075	89.2	77.5

Location	Number of Units	Year Placed in Operation(1)	Net Rentable Square Feet	Occupancy Rate as of May 31, 2004	Occupancy Rate as of December 31, 2003
Stoughton	498	1987	58,025	81.2	81.1
Waltham	497	1984	78,215	93.9	90.6
Weymouth	716	2000	68,050	83.4	82.1
Woburn (4)	607	1989	47,990	71.8	77.4
Worcester	271	1996	32,200	81.9	80.2
Worcester II	51	1987	32,895	88.7	92.4
Total Massachusetts	9,538		1,033,585	81.6%	78.8%
Missouri:					
Forest Park	368	1997	40,517	87.8%	87.9%
Halls Ferry	440	1999	57,000	91.7	91.2
Total Missouri	808		97,517	90.1%	89.8%
Nevada:					
Las Vegas (Lamont)	460	1987	56,500	88.8%	90.1%
Total Nevada	460		56,500	88.8%	90.1%
New Hampshire:					
Merrimack	623	1999	72,600	86.3%	91.6%
Total New Hampshire	623		72,600	86.3%	91.6%
New Jersey:					
Edison	1,005	1983	92,002	87.3%	87.7%
Egg Harbor	1,130	1978	97,000	89.1	89.5
Glen Rock	331	1998	35,285	94.6	91.9
Hazlet	1,147	1987	114,025	88.4	88.5
Howell	684	1987	69,200	72.7	74.8
Lawrenceville	964	1998	115,678	80.5	72.8
Lyndhurst	622	1997	59,070	98.1	92.4
Old Bridge	814	1977	80,900	94.7	89.2
Parlin (2)	607	1998	66,980	85.2	87.6
Woodbridge	868	1986	74,908	95.0	90.2
Total New Jersey	8,172		805,048	87.8%	85.8%
New York:					
Bronx-Fordham	1,270	1999	58,526	89.1%	87.5%
Total New York	1,270		58,526	89.1%	87.5%
Pennsylvania:					
Banksville	478	1999	60,650	83.8%	83.1%
Doylestown	537	1988	74,825	91.5	89.5
Kennedy Township	458	1988	55,950	82.8	89.2
Pittsburgh (Penn Ave)	649	1989	55,126	83.2	82.6
Total Pennsylvania	2,122		246,551	85.7%	86.3%
South Carolina:					
Charleston (3)	464	2000	49,354	92.6%	89.6%
Columbia (3)	530	2000	59,650	86.3	85.5
Goose Creek (3)	521	2000	67,440	94.7	91.0
Summerville (3)	575	2000	70,525	93.1	88.5
Total South Carolina	2,090		246,969	91.8%	88.7%

Location	Number of Units	Year Placed in Operation(1)	Net Rentable Square Feet	Occupancy Rate as of May 31, 2004	Occupancy Rate as of December 31, 2003
Texas:					
Arlington (3)	556	1999	69,665	77.7%	81.1%
Austin (3)	556	2000	59,605	89.5	83.8
Dallas (3)	946	1999	94,108	90.1	85.2
Fort Worth (3)	589	1999	70,785	97.6	92.0
Grand Prairie (3)	658	1999	70,300	71.2	81.2
San Antonio (Culebra) (3)	557	1999	49,955	90.2	93.3
San Antonio (Westchase) (3)	425	1999	48,725	83.5	80.5
Total Texas	4,287		463,143	85.7%	85.2%
Virginia:					
Richmond (3)	551	2000	73,310	91.4%	78.6%
Total Virginia	551		73,310	91.4%	78.6%
Utah:					
Kearns	551	1986	72,750	87.6%	79.5%
Total Utah	551		72,750	87.6%	79.5%
Total Wholly Owned Properties	57,421		6,129,488	87.2%	84.8%
Properties Held in Joint Ventures:					
California:					
Concord	822	1999	75,085	79.3%	82.4%
Hollywood	507	1999	50,650	96.0	87.8
LaVerne	608	2001	69,287	94.2	89.7
Newbury Park	402	1999	44,250	87.9	81.5
Simi Valley	687	2000	78,157	86.5	90.0
Studio City	379	2000	33,589	91.8	85.0
Thousand Oaks	446	1997	49,345	95.6	93.6
Total California	3,851		400,363	89.4%	87.3%
New Hampshire:					
Derry	367	1985	38,600	90.2%	82.5%
Manchester	434	1985	45,075	91.0	91.1
Total New Hampshire	801		83,675	90.6%	87.1%
New Jersey:					
Blackhorse	781	1990	70,325	87.8%	86.3%
Mahwah (4)	956	1995	96,520	79.6	77.7
Total New Jersey	1,737		166,845	83.0%	81.3%
New York:					
Brentwood	730	1999	69,094	81.8%	79.2%
Port Washington	785	2000	67,825	90.2	88.3
Total New York	1,515		136,919	86.0%	83.7%
Total Properties Held in Joint Ventures	7,904		787,802	87.6%	85.4%
Total Stabilized Properties	65,325		6,917,290	87.4%	84.9%

(1) Represents the year in which the property was first placed in service as a self-storage property.
(2) We are a tenant under a long-term ground lease on the property with an unrelated third party.
(3) Represents properties to be acquired in an acquisition from Storage Spot that will close simultaneously with the offering.
(4) We are a tenant under a leasehold interest in the property with an unrelated third party.

The following table sets forth additional information regarding our lease-up properties as of May 31, 2004, and December 31, 2004, as noted:

Lease-Up Property Data Based on Location

Location	Number of Units	Year Placed in Operation(1)	Net Rentable Square Feet	Occupancy Rate of May 31, 2004	Occupancy Rate as of December 31, 2003
Wholly Owned Properties:					
California:					
Fontana II (Valley Blvd) (2)	715	2003	79,125	32.4%	13.8%
Stockton	611	2002	74,520	73.4	70.0
Tracy II (2)	433	2003	53,475	69.1	49.4
Whittier (3)	560	2002	60,502	86.8	78.6
Total California	2,319		267,622	63.5%	51.2%
Connecticut:					
Groton (2)	630	2002	61,550	31.7%	0.0%
Wethersfield (2)	747	2002	62,990	57.9	51.0
Total Connecticut	1,377		124,540	44.9%	51.0%
Illinois:					
Crest Hill (2)	592	2003	76,025	28.7%	19.6%
South Holland	548	2002	69,290	76.8	62.6
Total Illinois	1,140		145,315	51.6%	40.1%
Massachusetts:					
Ashland (2)	505	2002	61,375	35.6%	26.6%
Dedham (2)	621	2002	58,125	47.3	47.2
Kingston	443	2002	60,830	80.1	70.9
Milton (2)	554	2002	58,850	26.9	20.8
Northborough	516	2001	50,175	76.7	75.6
Saugus (2)	872	2002	88,150	22.3	11.6
Total Massachusetts	3,511		377,505	45.7%	39.0%
Maryland:					
Lanham	925	1998	144,980	75.8%	82.2%
Total Maryland	925		144,980	75.8%	82.2%
New Jersey:					
Hoboken (2)	812	2002	56,873	63.7%	50.6%
Metuchen	757	2001	74,030	68.0	61.5
N. Bergen (2)	1,015	2002	70,320	27.4	15.0
Total New Jersey	2,584		201,223	52.6%	42.2%
New York:					
Mt. Vernon (2)	914	2002	69,340	46.7%	50.3%
Nanuet (2)	806	2002	58,288	68.7	54.1
Plainview (2)	802	2000	80,193	78.7	76.2
Total New York	2,522		207,821	65.2%	62.1%

Location	Number of Units	Year Placed in Operation(1)	Net Rentable Square Feet	Occupancy Rate of May 31, 2004	Occupancy Rate as of December 31, 2003
Pennsylvania:					
Morrisville	677	1999	86,252	90.4%	83.8%
Philadelphia	796	1999	99,902	75.6	81.7
Total Pennsylvania	1,473		186,154	82.5%	82.7%
Total Wholly Owned Properties	15,851		1,655,160	59.1%	53.3%
Properties Held in Joint Ventures:					
California:					
San Ramon	727	2002	77,390	86.3%	73.5%
Walnut	685	2002	73,025	75.2	61.3
Total California	1,412		150,415	80.9%	67.6%
New Jersey:					
Green Brook	664	2000	58,650	78.8%	71.0%
Total New Jersey	664		58,650	78.8%	71.0%
New York:					
Kings Park	657	2001	60,070	78.7%	74.4%
Total New York	657		60,070	78.7%	74.4%
Pennsylvania:					
Willow Grove	916	2000	73,125	73.6%	73.9%
Total Pennsylvania	916		73,125	73.6%	73.9%
Total Properties Held in Joint Ventures	3,649		342,260	78.6%	70.7%
Total Lease-Up Properties	19,500		1,997,420	62.4%	56.5%

(1) Represents the year in which the property was first placed in service as a self-storage property.
(2) Represents a property to which the terms of the CCSs and CCUs relate.
(3) We are a tenant under a long-term ground lease on this property with an unrelated third party.

As of May 31, 2004, our 95 wholly owned stabilized properties had an average occupancy rate of 87.2% while our stabilized properties held in joint ventures had an average occupancy rate of 87.6% with all stabilized properties having an average occupancy rate of 87.4%. Our wholly owned lease-up properties had an average occupancy rate of 59.1% while our lease-up properties held in joint ventures had an average occupancy rate of 78.6% with all lease-up properties having an average occupancy rate of 62.4%. As of May 31, 2004, more than 70,000 tenants occupied storage space at the 136 properties. Most of our properties are leased to our tenants on a short term, month-to-month basis, providing us with flexibility to increase rental rates over time as market conditions permit. At our stabilized properties, the average length of stay for our tenants has been approximately 16 months. At our more established properties, those more than five years old, our current tenants have an average length of stay of approximately 17 months.

HISTORICAL PERFORMANCE

The following tables set forth, on a historical basis, the monthly average occupancy rates for our stabilized properties and for our lease-up properties based on the year each property achieved stabilization for each of the periods identified below. For purposes of the following tables, the total

number of properties includes all wholly owned and joint venture properties of our predecessor and excludes nine properties purchased by us during 2004 and one property identified for acquisition by us in 2004. As illustrated by the data included in the tables above, we have successfully maintained occupancy rates at our stabilized properties while our occupancy rates at our lease-up properties have continued to grow.

Stabilized Properties

Year of Stabilization (Number of Properties)	Net Rentable Square Feet	Monthly Average Occupancy Rates(1)					
		1999	2000	2001	2002	2003	2004
1999 and earlier (14)	832,041	89.5%	89.6%	90.5%	89.2%	88.7%	88.3%
2000 (9)	554,975		85.8%	88.8%	87.2%	87.6%	87.3%
2001 (15)	959,995			88.3%	88.5%	87.5%	89.0%
2002 (7)	395,597				80.2%	84.4%	89.5%
2003 Properties (11)	869,470					86.1%	86.6%

(1) The monthly average square foot occupancy is the average of the occupancy rates at the end of each month in each calendar year and in the case of May 31, 2004 the rolling twelve months. The occupancy rates were calculated by dividing total occupied square feet by our total square feet available at the end of each month for the properties indicated.

Lease-Up Properties

Year Certificate of Occupancy Obtained (Number of Properties)	Net Rentable Square Feet	Monthly Average Occupancy Rates(1)					
		1999	2000	2001	2002	2003	2004
1999 and earlier (5)	243,004	46.2%	72.4%	84.1%	85.2%	86.1%	89.4%
2000 (8)	471,355		44.5%	73.5%	83.8%	82.6%	83.3%
2001 (3)	161,789			55.0%	83.0%	84.7%	85.7%
2002 (4)	257,400				54.1%	68.9%	74.3%
2003 Properties (12)	778,023					47.1%	65.8%

(1) The monthly average square foot occupancy is the average of the occupancy rates at the end of each month in each calendar year and in the case of May 31, 2004 the rolling twelve months. The occupancy rates were calculated by dividing total occupied square feet by our total square feet available at the end of each month for the properties indicated.

OUR JOINT VENTURE AGREEMENTS

We own 13 of our stabilized properties and five of our lease-up properties in joint venture with third parties, including affiliates of Prudential Financial, Inc. In each joint venture, we exercise control over the day-to-day operations of the underlying properties and have the right to participate in major decisions relating to sales of properties or financings by the joint venture. Our joint venture partners typically provide most of the equity capital required for the business of the joint venture. Under the operating agreements for our joint ventures, we generally have the right to receive between 35% and 40% of the available cash flow from operations after our joint venture partner has received a predetermined return, and between 35% and 40% of the available cash flow from capital transactions after our joint venture partner has received a return of its capital plus such predetermined return. Some of our joint venture agreements include certain buy-sell rights, as well as rights of first refusal in connection with the sale of properties by the joint venture.

PROPERTY MANAGEMENT AND OPERATIONS

Our property management and operations function is led by our Senior Vice President of Operations. He is supported by two divisional managers, with an average of approximately 13 years of self-storage industry experience, and nine regional managers, with an average of approximately eight years of self-storage industry experience. Our regional managers oversee a particular geographic area and are responsible for an average of 12 to 15 properties depending on geographic limitations. This team leads our more than 229 field personnel in the management and operation of properties. Many of our properties are fitted with built-in residential apartments for our facility managers which enhances operating efficiencies and adds an extra level of perceived security to each location.

Our operating structure is centered on providing leadership, management support and information systems to our field organization, especially our site managers. Our operating system emphasizes uniform operating procedures that standardize operations, employee standards and expectations and tenant experiences to fully develop our brand. They are responsible for monthly and quarterly audits, staff development and training, delinquency management and monitor the professionalism of our staff through periodic site visits. Our system allows our operational management team to remotely monitor site performance on an up-to-the-minute basis through use of the STORE software system.

Our senior operations team provides leadership and support for our site managers, who handle the day-to-day operational duties at our properties. It is this group of on-site managers who are integral to our goal of maximizing tenant satisfaction as they are the face of our company. These managers are responsible for maintaining operational, administrative, transactional and maintenance functions and have one-on-one contact with our tenants. The interaction between these management levels has helped to create a cohesive, efficient operational structure that can accommodate portfolio expansion.

Our operating objectives include the following:

- aggressively manage our properties to increase operating cash flow and margins through rate and occupancy increases and expense control;
- incorporate tactical business initiatives and controls through strategic business and budget planning;
- maintain and improve strong internal controls covering cash management, accounting procedures and other financial activities;
- provide tenant access to on-site managers to maximize tenant retention, foster a sense of pride in the property and minimize tenant turnover;
- maintain and upgrade our properties on a continuous basis through a regular preventative maintenance program and support the curb-appeal of our properties by making them clean, attractive, secure and professional looking; and
- continue to focus on our marketing strategy by further developing our tenant research database and increasing brand awareness through targeted direct response marketing and broad-based advertisements.

Each property is subject to planning and budgeting processes which take into account local market, economic and industry conditions. These budgets are used to measure financial performance and to reward employee performance. We have developed an incentive-based compensation system in which we measure and reward executives, managers and other employees based on specific performance criteria linked to our operating objectives.

We emphasize the use of quantitative and qualitative research in our operating system and support the growth of our tenant information and knowledge database. Our quantitative research is performed annually and typically consists of more than 300 phone interviews from a representative list of tenants throughout the United States, which helps us to better understand the usage, demographics and buying behaviors of our tenants.

MARKETING

Our property management and operations groups are supported by our marketing team which provides sales, marketing and advertising support for our properties and operations. We employ highly targeted direct response marketing programs, such as direct mail and coupon mailers, in combination with more broad-based marketing initiatives such as advertising in the Yellow Pages and on the internet. With information generated by STORE, our marketing team is able to stimulate traffic at specific properties. We also ensure that our on-site telephones are answered promptly by knowledgeable personnel whenever they ring through the use of an off-site call center when on-site personnel are not available. We have integrated these initiatives into our business in order to achieve maximum exposure for our company. When combined with a well-located, visible self-storage property, these programs can help to accelerate the stabilization of a property.

Advertising in the Yellow Pages is one of the keys to our marketing approach as our research demonstrates that 80% of tenants will use the Yellow Pages during some stage of the purchasing process. For this reason, Yellow Page advertising comprises the largest portion of our advertising budget as we try to focus on the prominent placement of our ads and seek to use a clear format that is easy to follow. We also utilize direct mail programs in which we target households within a three to five mile radius of a property. In addition, we rely on website advertising on search engines and portals which seek maximum exposure for our properties in a cost-effective manner. We also use coupon programs, which like our direct mail program, target households within the same three to five mile radius of our properties. These coupons offer a low-cost marketing alternative.

ACQUISITION AND MARKET SELECTION PROCESS

Our Acquisition Track Record. Our acquisition team has a proven record of strong lead generation and possesses strong financial and negotiating skills. Members of this team have acquired 57 properties since 1999 and have entered into agreements to acquire 29 properties from third parties upon completion of the offering. They proactively identify and develop relationships with self-storage property owners. Given the highly fragmented nature of our industry and the relative lack of institutional ownership, acquisition activity frequently occurs at the local level and at an active pace. We believe our direct relationships with and research of owners, self-storage properties and markets and our self-storage industry database allow us to pursue an active and intense acquisition process and often enable us to acquire properties outside of competitive bidding situations. As a public company, we believe our liquidity and public ownership profile will further enhance our ability to acquire properties. Our UPREIT structure provides us with a competitive advantage by allowing us to offer existing owners of self-storage properties the opportunity to contribute those properties to our company in tax-deferred transactions using our OP units as transactional currency.

As illustrated by the following tables, we believe our acquisitions have achieved attractive returns based on invested capital. The following tables set forth aggregate acquisition cost data relating to the acquisitions we completed in each of the five years as follows:

Acquisition History By Year

	1999	2000	2001	2002	2003	2004 (as of May 31)
			(dollars in thousands)			
Number of Properties	9	19	9	7	1	12
Aggregate Acquisition Cost(1)	$ 33,308	$ 76,118	$ 69,564	$ 36,213	$ 2,580	$ 93,844

(1) Aggregate acquisition costs include purchase price plus all closing costs.

Our acquisition strategy is focused on acquiring a mix of stabilized and non-stabilized properties that exhibit the potential to benefit from our operating systems and strategies and, in the case of non-stabilized properties, our repositioning expertise. We believe future acquisitions of stabilized and non-stabilized properties and the expansion and renovation of owned properties represent the best opportunities to maximize returns for our stockholders. We intend to pursue acquisitions of properties located in our existing markets or in markets that we believe will become key markets in the future. We generally will seek to select assets in locations that we believe will complement our existing portfolio. We may also selectively pursue portfolio opportunities outside of our existing markets that we believe will not only add incremental value, but will also add diversification and economies of scale to our already existing portfolio.

In assessing a potential acquisition opportunity, we focus on a variety of demographic factors including household income and population density. Our analysis tends to focus on areas extending within a three to five mile radius of a self-storage property as, our research indicates, most tenants utilize properties within that proximity to their home or business.

Our objective is to acquire and develop properties that both provide or are capable of providing stable revenue growth and strategically fit within our portfolio. In connection with our review and consideration of property acquisition we take into account a variety of market and asset considerations.

Market Considerations. Our acquisition process entails a rigorous review of market conditions, including:

- Ø population density and growth potential;
- Ø median income;
- Ø property location with a particular emphasis on access to major thoroughfares and a high level of drive-by traffic;
- Ø visibility of a property;
- Ø demand for self-storage, current and future supply in an area and occupancy in the market;
- Ø economic dynamics and the tax and regulatory environment of the area;
- Ø ability to attain or enhance our market share with an objective of becoming the market share leader in the target market;
- Ø ability to achieve economies of scale with our existing self-storage properties or anticipated acquisitions;

- supply constraints marked by a difficult or expensive development approval process; and
- existing and potential competition from other self-storage properties and operators.

Asset Considerations. We also seek to acquire assets that both provide or are capable of providing stable revenue growth and strategically fit within our portfolio. In connection with our review and consideration of property acquisition opportunities we take into account a variety of factors related to the asset including:

- quality of the design and construction, current physical condition, occupancy and tenant quality;
- stable or potential for stable average net operating income for the property of at least $200,000 annually;
- stabilized physical occupancy of the property of at least 60% net rentable square feet or a trend of increasing physical occupancy and a minimum of 25,000 net rentable square feet at the property;
- terms and structure of tenant leases and other potential constraints in managing the property;
- below-market rental rates as compared to other self-storage properties in the area;
- high expenses due to inefficient operations;
- expansion opportunities; and
- opportunities to enhance value through professional property management and renovating/repositioning of the property.

We are continually actively considering self-storage property acquisition opportunities. Each acquisition opportunity is subject to due diligence, financing and negotiation of the purchase price and other key terms.

Financing Considerations. We expect to maintain a flexible approach in financing new property acquisitions. In general, we expect to fund our property acquisitions through a combination of borrowings under our proposed line of credit, traditional secured mortgage financing and additional equity offerings.

DEVELOPMENT

Our development team has a proven record in new asset development and redevelopment. This team, consisting of professionals with an average of 10 years of development experience, covers all aspects of the development process, including site selection and analysis, property design, construction management and financing. Since 1996, our predecessor has completed the development of 50 self-storage properties and we currently have 10 projects in the development stage.

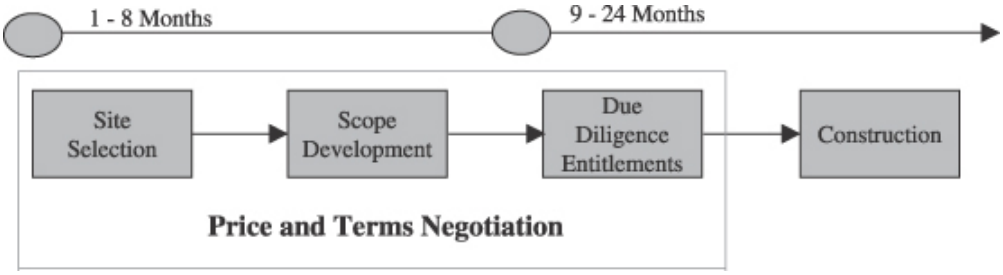
Market Considerations. We strategically select new sites and implement cost-effective, architecturally appealing construction in desirable areas based on specific data, including: visibility and convenience of location, competitive occupancy and rental rates, market saturation, traffic count, household density, median household income, barriers to entry and future demographic and migration trends. Our development group uses the same market and asset considerations as our acquisition team. See “—Acquisition and Market Selection Process” for reviewing a potential development. We have a creative and flexible approach to our development projects and are open to a broad array of opportunities because of this flexibility. Due to the attractive architecture of many of our properties, we have been able to eliminate a typical barrier of entry for most self-storage developers in areas usually reserved for more traditional retail and commercial users.

Development Assets. As of July 15, 2004 we had 12 undeveloped parcels of land under contract that we believe are suitable for new property developments and are proceeding with the requisite due diligence for these properties. We also have a right of first refusal with respect to sales of the 13 properties currently owned by Extra Space Development LLC and the two early lease-up stage properties owned by third party individuals as well as certain of our executive officers and directors. We also are currently reviewing more than 20 other sites that we believe may also be suitable development candidates.

The following table sets forth additional information regarding our development properties that are currently under contract:

Name	Location	Total Expected Costs	Projected Year of Completion
Eastern Ave.	Baltimore, MD	$ 5.9 million	2005
Harbor Blvd.	Belmont, CA	8.0 million	2005
Stony Island	Chicago, IL	5.4 million	2005
Clinton	Clinton, MD	6.2 million	2005
Rancho Cucamonga	Rancho Cucamonga, CA	3.7 million	2005
San Bernardino	San Bernardino, CA	4.5 million	2005
75th & Cactus	Peoria, AZ	3.9 million	2005
Warrenville	Warrenville, IL	4.5 million	2005
Montross Avenue	Chicago, IL	7.7 million	2005
Towson	Townson, MD	5.1 million	2005
Santa Monica	Santa Monica, CA	12.1 million	2005
San Fernando	San Fernando, CA	3.6 million	2006
		$70.6 million	

Based on our experience, the following diagram depicts an approximate timeline of the events that take place during the course of development of one of our properties.



Financing Considerations. We expect to finance new property developments through modest equity capital contributed by our company in conjunction with construction loans. We have also arranged potential take-out financing through our joint venture with an affiliate of Prudential Financial, Inc. We also expect to enter into other joint venture arrangements to help us mitigate certain risks related to new property development activities.

MANAGEMENT OF THIRD-PARTY PROPERTIES

Upon completion of the offering and the formation transactions, through our subsidiary, Extra Space Management, Inc., we will provide property management services for 9 self-storage properties which are owned by unaffiliated third parties. The amount of management fees we received for the year ended

December 31, 2003 relating to these 9 third party management contracts, was approximately $365,000 and for the three months ended March 31, 2004 it was approximately $120,000. In addition, we recognized approximately $1,570,000 of management fees for joint venture partnerships for total management fees of $1,935,000 for the year ended December 31, 2003 and approximately $430,000 of management fees for joint venture partnerships for total management fees of $550,000 for the three months ended March 31, 2004. We may consider managing additional properties owned by related or unrelated third parties in the future for strategic reasons, including to diversify our revenue base or as a means of analyzing potential acquisitions. Our management fees associated with property management contracts entered into with unrelated third parties typically range between 5 to 6% of total cash collected at such property.

COMPETITION

We compete with other owners and operators of self-storage properties in all of our markets. The number of competing self-storage properties in a particular market could have a material effect on our occupancy levels, rental rates and on the operating expenses of certain of our properties. See “Risk factors—Risks Related to Our Properties and Operations—We are subject to the risks posed by significant competition in the self-storage industry”. The continued development of new storage properties has intensified the competition among storage operators in many market areas in which we operate. We compete based on a number of factors including location, rental rates, security, suitability of the property’s design to prospective tenants’ needs and the manner in which the property is operated and marketed. We believe that the primary competition for potential tenants of any of our self-storage centers comes from other self-storage properties within a three to five mile radius of that store. We have positioned our stores within their respective markets as high-quality operators that emphasize tenant convenience, security and professionalism.

We also may compete with numerous other potential buyers when pursuing a possible property for acquisition or development, which can increase the potential cost of a project. These competing bidders also may possess greater resources than us and therefore be in a better position to acquire a property. These same entities seek financing through similar channels to our company. Therefore, we will continue to compete for institutional investors in a market where funds for real estate investment may decrease.

Our primary national competitors for both tenants in many of our markets and for acquisition opportunities are Public Storage Inc., Storage USA, Inc., U-Haul International, Inc., Shurgard Storage Centers Inc., Sovran Self Storage Inc. and several regional players such as U-Store-It, Inc., Metro Self Storage, National Self Storage, Storage Mart, and small and local operators in the industry.

We believe that our senior management’s experience, coupled with our financing, professionalism, diversity of properties and reputation in the industry will enable us to compete with the other self-storage companies.

Because we are organized as an UPREIT, we are well-positioned within the self-storage industry to offer existing owners of self-storage properties the opportunity to contribute those properties to our company in tax-deferred transactions using our OP units as transactional currency. As a result, we have a competitive advantage over most of our competitors that are structured as traditional REITs and non-REITs in pursuing acquisitions with tax-sensitive sellers.

OFFICES

Our corporate headquarters are located at 2795 East Cottonwood Parkway, Suite 400, Salt Lake City, Utah 84121. Our regional and development offices are located in California (LaVerne, Valencia, San Jose

and Murrieta), Massachusetts (Brockton and Norwood), New Jersey (Gibbsboro), Florida (North Miami and Tampa) and New York (Yonkers). We believe that our current properties are adequate for our present and future operations, although we may add regional offices depending on future acquisition and development projects.

LEGAL PROCEEDINGS

We are a party to various legal actions resulting from our operating activities. These actions are routine litigation and administrative proceedings arising in the ordinary course of business, some of which are covered by liability insurance, and none of which is expected to have a material adverse effect on our consolidated financial condition, results of operations or cash flows taken as a whole.

EMPLOYEES

Certain of our employees are jointly employed by Extra Space Management, Inc., our taxable REIT subsidiary, and us, and perform various property management, maintenance, acquisition, renovation and management functions. As of March 31, 2004, we had 229 field employees, 316 full-time employees and 377 employees in total. We believe that our relations with our employees are good. None of our employees are represented by a union.

REGULATION

Generally, self-storage properties are subject to various laws, ordinances and regulations, including regulations relating to lien sale rights and procedures. Changes in any of these laws or regulations, as well as changes in laws, such as the Comprehensive Environmental Response and Compensation Liability Act, or CERCLA, increasing the potential liability for environmental conditions or circumstances existing or created by tenants or others on properties, or laws affecting development, construction, operation, upkeep, safety and taxation requirements may result in significant unanticipated expenditures, loss of self-storage sites or other impairments to operations, which would adversely affect our cash flows from operating activities.

Under the ADA, all places of public accommodation are required to meet certain federal requirements related to access and use by disabled persons. These requirements became effective in 1992. A number of additional U.S. federal, state and local laws also exist that may require modifications to the properties, or restrict certain further renovations thereof, with respect to access thereto by disabled persons. Noncompliance with the ADA could result in the imposition of fines or an award of damages to private litigants and also could result in an order to correct any non-complying feature, and in substantial capital expenditures. To the extent our properties are not in compliance, we are likely to incur additional costs to comply with the ADA.

Insurance activities are subject to state insurance laws and regulations as determined by the particular insurance commissioner for each state in accordance with the McCarran-Ferguson Act, as well as subject to the Gramm-Leach-Bliley Act and the privacy regulations promulgated by the Federal Trade Commission pursuant thereto.

Property management activities are often subject to state real estate brokerage laws and regulations as determined by the particular real estate commission for each state.

Changes in any of the laws governing our conduct could have an adverse impact on our ability to conduct our business or could materially affect our financial position, operating income, expense or cash flow.

ENVIRONMENTAL MATTERS

Pursuant to U.S. federal, state and local environmental laws and regulations, a current or previous owner or operator of real property may be required to investigate, remove and/or remediate a release of hazardous substances or other regulated materials at or emanating from such property. Further, under certain circumstances, such owners or operators of real property may be held liable for property damage, personal injury and/or natural resource damage resulting from or arising in connection with such releases. Certain of these laws have been interpreted to be joint and several unless the harm is divisible and there is a reasonable basis for allocation of responsibility. The failure to properly remediate the property may also adversely affect the owner's ability to lease, sell or rent the property or to borrow using the property as collateral.

In connection with the ownership, operation and management of our current or past properties and any properties that we may acquire and/or manage in the future, we could be legally responsible for environmental liabilities or costs relating to a release of hazardous substances or other regulated materials at or emanating from such property. In order to assess the potential for such liability, we conduct an environmental assessment of each property prior to acquisition and manage our properties in accordance with environmental laws while we own or operate them. We have engaged qualified, reputable and adequately insured environmental consulting firms to perform environmental site assessments of all of our properties and are not aware of any environmental issues that are expected to have materially impact the operations of any property. See "Risk factors—Risks Related to Our Properties and Operations—Environmental compliance costs and liabilities associated with operating our properties may affect our results of operations."

Two of our properties have been the subject of cleanup activities to address contamination that occurred prior to our ownership or operation of the sites. We operate our facility in Woburn, Massachusetts pursuant to a lease with an unrelated third party (the "Lessor"). The Lessor and four other parties are or have been working for a number of years under the supervision of the Massachusetts Department of Environmental Protection and the U.S. Environmental Protection Agency to remediate groundwater contamination at this property, which is thought to have been caused by a former on-site dry cleaning operation. This is a mature case with responsible parties identified to the U.S. Environmental Protection Agency and the Massachusetts Department of Environmental Protection. These responsible parties are performing the required remedial activities to the satisfaction of such agencies. Pursuant to the terms of our lease agreement, the Lessor has indemnified us against any loss, cost or damages that we may incur as the result of this environmental condition. While it is unlikely that a third party would try to make us pay for or participate in the ongoing remediation, we have recourse against the Lessor under the terms of our lease. Further, while there is always a risk that the Lessor would not be able to pay a judgment in our favor, we have the ability to offset our significant rent obligation against any unpaid judgment against Lessor.

Our property in North Bergen, New Jersey has undergone significant soil removal activities to address contamination issues that occurred prior to our purchase of the site. After all soil removal activities were complete, we detected no further contamination in the soil above the state's cleanup criteria. Groundwater sampling showed concentrations of benzene, xylene and tetrachioroethene slightly above state groundwater standards, but our environmental consulting firm expects the remaining contamination will break down readily through natural processes. We have requested that the New Jersey Department of Environmental Protection ("NJDEP") confirm that no further action must be taken to address contamination issues at this site. The NJDEP will review groundwater data submitted by our consultant, and any additional data that may be required pursuant to a memorandum of

agreement, in considering our request for a no further action determination. Until the NJDEP issues such a determination, however, there is a risk that the NJDEP will require us to take further investigation or remedial actions.

INSURANCE

We believe that our properties are covered by adequate fire, flood, earthquake, wind (as deemed necessary or as required by our lenders) and property insurance as well as commercial liability insurance provided by reputable companies and with commercially reasonable deductibles and limits. Furthermore, we believe our businesses and business assets are likewise adequately insured against casualty loss and third-party liabilities. Changes in the insurance market since September 11, 2001 have caused increases in insurance costs and deductibles, and have led to more active management of our insurance component.

Management

DIRECTORS, DIRECTOR NOMINEES AND EXECUTIVE OFFICERS

Upon completion of the offering, our board of directors will consist of seven individuals. Our board of directors has determined that four of our director nominees will satisfy the NYSE's listing standards for independence. Certain information regarding our executive officers, directors, director nominees and certain other senior officers upon completion of the offering is set forth below.

Name	Age	Position
Kenneth M. Woolley	58	Chief Executive Officer and Chairman of the Board
Kent W. Christensen	45	Senior Vice President and Chief Financial Officer
Richard S. Tanner	51	Senior Vice President, East Coast Development
Charles L. Allen	54	Senior Vice President and Senior Legal Counsel
David L. Rasmussen	58	Vice President and General Counsel
Timothy Arthurs	45	Senior Vice President, Operations
Anthony Fanticola	61	Director Nominee
Hugh W. Horne	60	Director Nominee
Dean Jernigan	58	Director Nominee
Spencer F. Kirk	43	Director Nominee
Roger B. Porter	58	Director Nominee
K. Fred Skousen	62	Director Nominee

The following are biographical summaries of the experience of our executive officers, directors, director nominees and certain other senior officers.

Kenneth M. Woolley, Chairman and Chief Executive Officer. Kenneth M. Woolley, a founder of our company and the brother-in-law of Richard S. Tanner, a founder of our company and our Senior Vice President, East Coast Development, has served as our Chairman and Chief Executive Officer since our inception, and was formerly Chief Executive Officer of our predecessor. He directs all strategic planning and oversees the development and acquisition activities for our company. Mr. Woolley has been involved in all aspects of the self-storage industry since 1977. He has been directly responsible for developing over 100 properties and acquiring over 176 self-storage properties throughout the United States. From 1982 to 1983 he worked as an in-house acquisition broker at Public Storage, Inc. From 1983 to 1989 he acted as a preferred developer for Public Storage, Inc. and developed 22 storage properties which were acquired by Public Storage. From 1994 to 2002, he was an active participant on Storage USA's Advisory Board. Early in his career he was a management consultant with the Boston Consulting Group. From 1979 to 1998 he was an Associate Professor, and later an Adjunct Associate Professor, of Business Administration at Brigham Young University where he taught undergraduate and MBA classes in Corporate Strategy and Real Estate. Mr. Woolley has also developed more than 7,000 apartment units, and been the founder of several companies in the retail, electronics, food manufacturing and natural resources industries. Mr. Woolley holds a BA in physics from Brigham Young University and an MBA and PhD in business administration from Stanford University Graduate School of Business.

Management

Kent W. Christensen, Senior Vice President and Chief Financial Officer. Kent Christensen has served as our Senior Vice President and Chief Financial Officer since our inception, and was the Chief Financial Officer of our predecessor since 1998. Prior to joining our predecessor, Kent Christensen was the Chief Financial Officer of Source One Management for 10 years, where he designed and installed financial and accounting systems for the geographically dispersed organization. Prior to his time at Source One, he worked at KPMG Peat Marwick. Mr. Christensen holds a BS and an Masters in accounting from Utah State University.

Richard S. Tanner, Senior Vice President, East Coast Development. Richard Tanner, a founder of our company and the brother-in-law of Kenneth M. Woolley, our Chief Executive Officer, has served as our Senior Vice President, East Coast Development since our inception, as he was a co-founder, and the Senior Vice President for East Coast Development of our predecessor. He has been responsible for New England development since 1979. He recently served as President of the Self-Storage Association (SSA) and previously as the SSA National Director and Treasurer. Mr. Tanner holds a BS degree from Brigham Young University and an MBA from the University of Utah.

Charles L. Allen, Senior Vice President, Senior Legal Counsel and Secretary. Charles Allen has served as our Senior Vice President, Senior Legal Counsel and Secretary since our inception, and was the General Counsel of our predecessor from 1998 to 2002. From 2002 to 2003, he served as Senior Vice President of Development. He coordinates and supervises all acquisition, development and related legal support and corporate matters, nationwide. Prior to joining our predecessor, Charles Allen was a Senior Managing Partner at Allen, Nelson, Hardy & Evans and Associate General Counsel for Megahertz Corporation, a public company that had been a worldwide market leader in PC card modems until it was acquired by US Robotics/3 Com Corporation. Mr. Allen holds a BS in accounting from Brigham Young University and a JD from the J. Reuben Clark Law School of Brigham Young University.

David L. Rasmussen, Vice President and General Counsel. David Rasmussen has served as our Vice President and General Counsel since our inception, and joined our predecessor as General Counsel in 2002. Mr. Rasmussen currently supervises legal matters associated with real estate development and acquisitions, project operations, numerous joint ventures and all lending arrangements. Previously, David Rasmussen was engaged in a private law practice for 23 years, with emphasis on real estate transactions and loans, corporate law and commercial contracts. He served as managing partner of the law firm of Nelson Rasmussen & Christensen, P.C. Mr. Rasmussen holds a BS in mathematics from Brigham Young University, a Masters of Science in mathematics from Brigham Young University and a JD from the J. Reuben Clark Law School of Brigham Young University.

Timothy Arthurs, Senior Vice President Operations. Timothy Arthurs has served as our Senior Vice President Operations since our inception, and joined our predecessor as Vice President of East Coast Operations in June 2000. Since that time, Mr. Arthurs has been involved in the successful day-to-day management of our rapidly growing eastern region. Today, he is responsible for the operations of our properties nationwide. Prior to joining our predecessor, Mr. Arthurs spent 11 years with Public Storage, Inc. most recently serving as its Regional Vice President of Operations for the Northeast.

Anthony Fanticola, Director Nominee. Anthony Fanticola currently manages his personal portfolio. He formerly served as the owner, Chairman and Chief Executive Officer of A. Fanticola Companies, Inc., Oil Express, Inc. and Lube Pit, Inc. (parent companies of 90 Jiffy Lube stores located in Southern California, Seattle/ Tacoma, Washington and in Tucson, Arizona). Prior to his involvement with Oil Express, Inc. and Lube Pit, Inc., Mr. Fanticola owned and operated a variety of privately owned businesses and served as Vice President of Vons Food and Drug where he was responsible for overseeing approximately $800 million in sales.

Management

Hugh W. Horne, Director Nominee. Hugh W. Horne has served as President and Chief Executive Officer of Storageworld, L.P. and Storage Spot, Inc. since 1998. Storageworld, L.P. owns 26 state-of-the-art self-storage assets which it operates under the brand name Storage Spot. For 25 years, Mr. Horne was employed by Public Storage, Inc. where he served in a number of capacities. His primary responsibility was that of President of the Real Estate Development Group responsible for all aspects of development of approximately 750 self-storage properties, totaling 45 million square feet, the development of approximately 100 commercial properties, totaling 6 million square feet, and the acquisition of approximately 450 existing self-storage properties, representing 27 million square feet. At Public Storage, Mr. Horne also served as Corporate Secretary and as Vice President of Public Storage Management, Inc., its property management subsidiary. From 1968 to 1970, Mr. Horne served as a weapons officer in South Vietnam. Mr. Horne holds a B.S. in business from Eastern New Mexico University.

Dean Jernigan, Director Nominee. Dean Jernigan was a founder, former Chairman of the Board and Chief Executive Officer of Storage USA from 1985 until 2002. Storage USA was publicly traded on the New York Stock Exchange from 1994 through 2002 when it was purchased by GE Capital. Presently, Mr. Jernigan is an active private investor and serves on the board of directors of Thomas & Betts Corporation.

Spencer F. Kirk, Director Nominee. Spencer Kirk served as our predecessor's Executive Vice President. He joined our predecessor in June of 1998. Prior to that time, he co-founded and served as Chairman and Chief Executive Officer of Megahertz Corporation. Mr. Kirk holds a BA in finance and an MBA from the University of Utah.

Roger B. Porter, Director Nominee. Roger Porter is the IBM Professor of Business and Government and the Master of Dunster House at Harvard University. He also is a Senior Scholar at the Woodrow Wilson International Center for Scholars and Faculty Chairman of Harvard's Program for Senior Managers in Government. Mr. Porter has served for more than a decade in various senior economic policy positions in the Ford, Reagan and Bush White Houses. Under President Bush, Mr. Porter served as Assistant to the President for Economic and Domestic Policy from 1989 to 1993. Mr. Porter is a director of Tenneco Automotive, Inc., Pactiv Corporation, Zions Bancorporation and National Life Insurance Company and RightChoice Managed Care, Inc. Mr. Porter holds a BA degree from Brigham Young University and was selected as a Rhodes Scholar and Woodrow Wilson Fellow, receiving his B.Phil. degree from Oxford University. He received his MA and PhD in political science from Harvard University.

K. Fred Skousen, Director Nominee. K. Fred Skousen serves as Advancement Vice President at Brigham Young University. Previously, he was Dean of the Marriott School of Management and Director of the School of Accountancy at Brigham Young University. Mr. Skousen has been a consultant to the Financial Executive Research Foundation, The Controller General of the United States, the Federal Trade Commission, and to several large companies. Mr. Skousen currently serves on the Audit Committee and Board of Directors of two companies. Mr. Skousen has been a visiting professor at the University of California, Berkeley, and the University of Missouri, as well as a faculty resident on the staff of the Securities and Exchange Commission and a faculty fellow at Price Waterhouse and Co. He served as Director of Research and a member of the Executive Committee of the American Accounting Association from 1974 to 1976 and is a member of the American Institute of CPAs and is past-president of the Utah Association of CPAs. Mr. Skousen earned a Bachelor's degree from Brigham Young University and Master's and Ph.D. degrees from the University of Illinois.

The officers of the company shall be elected annually by the board of directors, except that the chief executive officer may from time to time appoint one or more vice presidents, assistant secretaries and assistant treasurers or other officers. Each officer shall hold office until his or her successor is elected and qualifies or until their term is terminated. See "—Employment Agreements."

CORPORATE GOVERNANCE PROFILE

In connection with the offering and the formation transactions, we have revised our organizational structure and corporate governance in a manner we believe more closely aligns our interests with those of our stockholders as follows:

- Ø Our board of directors is not staggered and all of our directors are subject to re-election annually.
- Ø Of our seven directors, four have been determined by our board of directors to be independent for purposes of the NYSE's listing standards and Rule 10A-3 under the Securities Exchange Act of 1934, as amended.
- Ø We have, by resolution, exempted Kenneth M. Woolley, his affiliates, associates and people acting in concert with any of the foregoing and Spencer F. Kirk, his affiliates, associates and people acting in concert with any of the foregoing, from the provisions of the Maryland Business Combination Act, and consequently, the five-year prohibition and the supermajority vote requirements will not apply to business combinations between us and any person described above.
- Ø Our bylaws currently contain a provision exempting from the control share acquisition statute, any and all acquisitions by any person of our common stock.
- Ø We do not have a stockholder rights plan.
- Ø Different ownership limits apply to Kenneth M. Woolley, certain of his affiliates, family members and estates and trusts formed for the benefit of the foregoing and Spencer F. Kirk, certain of his affiliates, family members and estates and trusts formed for the benefit of the foregoing.

BOARD COMPENSATION

Following completion of the offering, each member of our board of directors who is not an employee of our company will be entitled to receive annual compensation for their services as a director as follows: $30,000 per year plus $2,500 per meeting attended, $500 per committee meeting attended and $500 per teleconference meeting attended. The chairman of the audit committee will be entitled to receive an additional $20,000 and the chairman of each other committee will be entitled to receive an additional $5,000 annually in compensation. Concurrently, with the completion of the offering, each non-employee director also will be entitled to receive 30,000 options to purchase our common stock at an exercise price equal to the initial public offering price, pursuant to a written non-employee director plan.

Additionally, each continuing non-employee director as of the date of each annual meeting of stockholders of our company will be entitled to receive 5,000 options to purchase our common stock at an exercise price equal to the fair market value on the date of the grant, pursuant to a written non-employee director plan. Non-employee directors who join our board of directors after the offering initially will receive 30,000 options to purchase our common stock at an exercise price equal to the fair market value on the date of the grant. Directors who are employees of our company will not receive any compensation for their services as directors. Each member of our board of directors will be reimbursed for out-of-pocket expenses associated with service on our behalf and associated with attendance at or participation in board meetings or committee meetings.

BOARD COMMITTEES

Upon consummation of the offering, our board of directors will appoint an audit committee, a compensation committee and a nominating and corporate governance committee. Each of these committees will have at least three directors and will be composed exclusively of independent directors, by reference to the rules, regulations and listing qualifications of the NYSE.

Audit Committee

The audit committee will help ensure the integrity of our financial statements, the qualifications and independence of our independent auditor and the performance of our internal audit function and independent auditors. The audit committee will select, assist and meet with the independent auditor, oversee each annual audit and quarterly review, establish and maintain our internal audit controls and prepare the report that federal securities laws require to be included in our annual proxy statement. Mr. Skousen has been designated as chair and Messrs. Fanticola and Porter have been appointed as members of the audit committee.

Compensation Committee

The compensation committee will review and approve the compensation and benefits of our executive officers, administer and make recommendations to our board of directors regarding our compensation and stock incentive plans, produce an annual report on executive compensation for inclusion in our proxy statement and publish an annual committee report for our stockholders. Mr. Jernigan has been designated as chair and Messrs. Fanticola and Porter have been appointed as a member of the compensation committee.

Nominating and Corporate Governance Committee

The nominating and corporate governance committee will develop and recommend to our board of directors a set of corporate governance principles, adopt a code of ethics, adopt policies with respect to and to resolve conflicts of interest, monitor our compliance with corporate governance requirements of state and federal law and the rules and regulations of the NYSE, establish criteria for prospective members of our board of directors, conduct candidate searches and interviews, oversee and evaluate our board of directors and management, evaluate from time to time the appropriate size and composition of our board of directors and recommend, as appropriate, increases, decreases and changes in the composition of our board of directors, formally propose the slate of directors to be elected at each annual meeting of our stockholders. Mr. Porter has been designated as chair and Messrs. Fanticola and Skousen have been appointed as members of the nominating and corporate governance committee.

Our board of directors may from time to time establish certain other committees to facilitate the management of our company.

EXECUTIVE COMPENSATION

Because we were only recently organized, meaningful individual compensation information is not available for prior periods. The following table sets forth the annual base salary and other compensation expected to be paid in 2004 to our Chief Executive Officer and our four other most highly-compensated executive officers. Such executive officers are referred to herein collectively as the "named executive officers." Contemporaneously with the closing of the offering, we will grant options to acquire an aggregate of 650,000 shares of the company's common stock at an exercise price equal to the initial public offering price.

Summary Compensation Table(1)

		Annual Compensation			Long-Term Compensation		
Name and Principal Position	Year	Base Salary ($)	Expected Bonus ($)(2)	Other Annual Compensation ($)	Restricted Stock Awards ($)	Securities Underlying Options	All Other Compensation ($)
Kenneth M. Woolley Chairmanand Chief Executive Officer	2004	$ 250,000	$ 90,000	0	—	150,000	—
Kent W. Christensen SeniorVice President and Chief Financial Officer	2004	$ 175,000	$ 65,000	0	—	100,000	—
Charles L. Allen SeniorVice President and Senior Legal Counsel	2004	$ 175,000	$ 45,000	0	—	65,000	—
David L. Rasmussen Vice President and General Counsel	2004	$ 170,000	$ 21,000	0	—	45,000	—
Timothy Arthurs Senior Vice President, Operations	2004	$ 130,000	$ 35,000	0	—	65,000	—

(1) The foregoing disclosure is an estimate of the annualized compensation for each of the foregoing.
(2) Annual bonuses under our incentive bonus plan shall be based on corporate factors or individual factors (or a combination of both) selected before the end of the applicable performance year by the compensation committee of the board of directors. The committee may provide for partial bonus payments at target and other levels.

EMPLOYMENT AGREEMENTS

We will enter into written employment agreements, effective as of the completion of the offering, with Messrs. Woolley, Christensen and Allen. The employment agreements provide for Kenneth M. Woolley to serve as our Chairman and Chief Executive Officer, Mr. Christensen to serve as our Senior Vice President and Chief Financial Officer and Mr. Allen to serve as our Senior Vice President and Senior Legal Counsel. These employment agreements require the executives to devote substantially all of their business attention and time to our affairs, with certain specified exceptions.

The employment agreements each have a term of three years, with automatic one year renewals commencing on the third anniversary of the offering, unless either party provides at least ninety days' notice of non-renewal.

The employment agreements provide for:

- an annual base salary, subject to increase by our board of directors in its sole discretion;
- eligibility for annual bonuses;
- eligibility for participation in our 2004 long-term stock incentive plan; and
- participation in all of the employee benefit plans and arrangements made available by us to our similarly situated executives.

Messrs. Woolley, Christensen and Allen's employment agreements provide that, if their employment is terminated by us without "cause" or by Messrs. Woolley, Christensen and Allen for "good reason" (each as defined in their employment agreements), they will be entitled to the following severance payments and benefits: (1) two years of annual base salary and two times the average of the two previous annual bonuses, (2) annual salary and other benefits earned and accrued under the applicable employment agreement prior to the termination of employment, (3) two year continuation of health benefits and (4) acceleration of vesting of incentive compensation and any non-qualified pension or deferred compensation benefits.

Upon the termination of an executive officer's employment either by us for "cause" or by Messr. Woolley, Christensen or Allen without "good reason" during the term, such executive officer will be entitled to receive his annual salary and bonus earned and accrued through the date of termination of the executive officer's employment.

For these purposes, "cause" generally includes (1) conviction of felony or certain other crimes, (2) willful misconduct, willful or gross neglect, fraud, misappropriation or embezzlement, (3) repeated failure to adhere to certain directions, policies and practices or to devote required time and efforts to us, (4) certain willful and continued failures to perform properly assigned duties, (5) material breach of certain restrictive covenants, or (6) certain other breaches of the employment agreement. "Good reason" generally includes (A) the material reduction of authority, duties and responsibilities, the failure to continue as a member of our board (or as chairman of the board, as applicable), or the assignment of duties materially inconsistent with the executive's positions, (B) a reduction in salary, (C) the relocation of the executive's office to more than 100 miles from Salt Lake City, Utah or (D) our material and willful breach of the employment agreement.

Messrs. Woolley, Christensen and Allen's employment agreements also provide for payment of any annual salary or other benefits earned and accrued in the event of their death or "disability" (as defined in the employment agreement), to the executive, or his estate or beneficiaries, and payment of applicable life insurance and long term disability benefits.

Messrs. Woolley, Christensen and Allen will enter into a non-competition period that will extend for one year after termination by the employee or by us.

LONG-TERM STOCK INCENTIVE PLAN

We expect to adopt a 2004 long-term stock incentive plan. The purpose of the 2004 long-term stock incentive plan is to provide us with the flexibility to use stock options and other awards as part of an overall compensation package to provide a means of performance-based compensation to attract and retain qualified personnel. We believe that awards under the 2004 long-term stock incentive plan may serve to broaden the equity participation of employees, directors and consultants, and further link the long-term interests of such individuals and stockholders.

ADMINISTRATION

The 2004 long-term stock incentive plan will be administered by our board of directors or a committee of our board of directors. From and after the time of a public offering, the plan will be administered by a committee consisting of two or more non-employee directors, each of whom is intended to be, to the extent required by Rule 16b-3 under the Securities Exchange Act of 1934 and Section 162(m) of the Internal Revenue Code, a non-employee director under Rule 16b-3 and an outside director under Section 162(m), or, if no committee exists, the board of directors. References below to the committee include a reference to the board for those periods in which the board is acting.

The committee has the full authority to administer and interpret the 2004 long-term stock incentive plan, to authorize the granting of awards, to determine the eligibility of an employee, director or consultant to receive an award, to determine the number of shares of common stock to be covered by each award (subject to the individual participant limitations provided in the 2004 long-term stock incentive plan), to determine the terms, provisions and conditions of each award (which may not be inconsistent with the terms of the 2004 long-term stock incentive plan), to prescribe the form of instruments evidencing awards and to take any other actions and make all other determinations that it deems necessary or appropriate in connection with the 2004 long-term stock incentive plan or the administration or interpretation thereof. In connection with this authority, the committee may establish performance goals that must be met in order for awards to be granted or to vest, or for the restrictions on any such awards to lapse.

ELIGIBILITY AND TYPES OF AWARDS

Employees, directors and consultants, of us or our affiliates, are eligible to be granted stock options, restricted stock, phantom shares, dividend equivalent rights and other stock-based awards under the 2004 long-term stock incentive plan. As of the date hereof, no awards have been granted under the 2004 long-term stock incentive plan. Eligibility for awards under the 2004 long-term stock incentive plan is determined by the committee.

AVAILABLE SHARES

Subject to adjustment upon certain corporate transactions or events, a maximum of 6,000,000 shares of our common stock may be subject to stock options, shares of restricted stock, phantom shares and dividend equivalent rights under the 2004 long-term stock incentive plan. In addition, subject to adjustment upon certain corporate transactions or events, a participant may not receive options for more than shares of our common stock in any one year. Our common stock forfeited by plan participants in connection with the payment of an option exercise price will not count towards the share limitation and will be available for issuance under the 2004 stock incentive plan. If an option or other award granted under the 2004 stock incentive plan expires or terminates, the shares subject to any portion of the award that expires or terminates without having been exercised or paid, as the case may be, will again become available for the issuance of additional awards. Unless previously terminated by our board of directors, no new award may be granted under the 2004 stock incentive plan after the tenth anniversary of the date that such plan was initially approved by our board of directors. Also, no award may be granted under our stock incentive plans to any person who, assuming exercise of all options and payment of all awards held by such person immediately prior to such grant would own or be deemed to own more than % of the outstanding shares of our common stock or % of the outstanding shares of our capital stock, unless the restriction was specifically waived by action of the board of directors or a designated committee thereby.

AWARDS UNDER THE PLAN

Stock Options

The terms of specific options, including whether options shall constitute “incentive stock options” for purposes of Section 422(b) of the Internal Revenue Code, shall be determined by the committee (but shall be no less than 100% of the fair market value on the date of the grant). The exercise price of an option shall be determined by the committee and reflected in the applicable award agreement. The exercise price with respect to incentive stock options may not be lower than 100% (110% in the case of an incentive stock option granted to a 10% stockholder, if permitted under the plan) of the fair market value of our common stock on the date of grant. Each option will be exercisable after the period or periods specified in the award agreement, which will generally not exceed 10 years from the date of grant (or five years in the case of an incentive stock option granted to a 10% stockholder, if permitted under the plan). Options will be exercisable at such times and subject to such terms as determined by the committee, but under no circumstances may be exercised if such exercise would cause a violation of the ownership limit in our charter. Unless otherwise determined by the committee at the time of grant, such stock options shall vest ratably over a five-year period beginning on the date of grant.

Restricted Stock

Restricted stock will be subject to restrictions (including, without limitation, any limitation on the right to vote a share of restricted stock or the right to receive any dividend or other right or property) as the committee shall determine. The committee shall set forth in the applicable award agreement the period over which the shares of restricted stock will vest. Except as otherwise provided in the applicable award agreement, upon a termination of grantee’s employment or other service by the company for “cause” or, by the holder of restricted stock for any reason other than death, retirement, or disability, during the applicable restriction period, all shares of restricted stock still subject to restrictions shall be forfeited to us. Except as otherwise provided in the applicable award agreement, upon a termination of grantee’s employment or other services on account of the grantee’s death, disability or retirement, or by us for any reason other than “cause,” during the applicable restriction period, the restricted stock will vest.

Phantom Shares

Phantom shares will vest as provided in the applicable award agreement. A phantom share represents a right to receive the fair market value of a share of our common stock, or, if provided by the committee, the right to receive the fair market value of a share of our common stock in excess of a base value established by the committee at the time of grant. Except as otherwise provided in the applicable award agreement, the settlement date with respect to a grantee is the first day of the month to follow grantee’s termination of service. Phantom shares may generally be settled in cash or by transfer of shares of common stock (as may be elected by the participant or the committee, as may be provided by the committee at grant). The committee may, in its discretion and under certain circumstances, permit a participant to receive as settlement of the phantom shares installments over a period not to exceed 10 years. In addition, the committee may establish a program under which distributions with respect to phantom shares may be deferred for additional periods as set forth in the preceding sentence.

Dividend Equivalents

A dividend equivalent is a right to receive (or have credited) the equivalent value (in cash or shares of common stock) of dividends declared on shares of common stock otherwise subject to an award. The committee may provide that amounts payable with respect to dividend equivalents shall be converted into cash or additional shares of common stock. The committee will establish all other limitations and conditions of awards of dividend equivalents as it deems appropriate.

Other Stock-Based Awards

The 2004 long-term stock incentive plan authorizes the granting of other awards based upon the common stock (including the grant of securities convertible into common stock and stock appreciation rights), and subject to terms and conditions established at the time of grant.

CHANGE IN CONTROL

Upon a change in control of us (as defined in the 2004 long-term stock incentive plan), the committee may make such adjustments as it, in its discretion, determines are necessary or appropriate in light of the change in control, including the accelerated vesting of awards issued under the plan but only if the committee determines that the adjustments do not have an adverse economic impact on the participants (as determined at the time of the adjustments).

AMENDMENT AND TERMINATION

Our board of directors may amend the 2004 long-term stock incentive plan as it deems advisable, except that it may not amend the 2004 long-term stock incentive plan in any way that would adversely affect a participant with respect to an award previously granted unless the amendment is required in order to comply with applicable laws. In addition, our board of directors may not amend the 2004 stock incentive plan without stockholder approval if such approval is required by applicable law, rule or regulation.

MATERIAL U.S. FEDERAL INCOME TAX CONSEQUENCES

Qualified Stock Options

In general, neither the grant nor the exercise of an incentive stock option will result in taxable income to an option holder or a deduction for us. To receive special tax treatment as an incentive stock option under the Internal Revenue Code as to shares acquired upon exercise of an incentive stock option, an option holder must neither dispose of the shares within two years after the incentive stock option is granted nor within one year after the transfer of the shares to the option holder pursuant to exercise of the option. In addition, the option holder must be an employee of us or a qualified subsidiary at all times between the date of grant and the date three months (one year in the case of disability) before exercise of the option. (Special rules apply in the case of the death of the option holder.) Incentive stock option treatment under the Internal Revenue Code generally allows the sale of common stock received upon the exercise of an incentive stock option to result in any gain being treated as a capital gain to the option holder, but we will not be entitled to a tax deduction. The exercise of an incentive stock option (if the holding period rules described in this paragraph are satisfied), however, will give rise to income includable by the option holder in his or her alternative minimum taxable income for purposes of the alternative minimum tax in an amount equal to the excess of the fair market value of the stock acquired on the date of the exercise of the option over the exercise price.

If the holding period rules noted above are not satisfied, gain recognized on the disposition of the shares acquired upon the exercise of an incentive stock option will be characterized as ordinary income. This gain will be equal to the difference between the exercise price and the fair market value of the shares at the time of exercise. (Special rules may apply to disqualifying dispositions where the amount realized is less than the value at exercise.) We will generally be entitled to a deduction equal to the amount of such gain included by an option holder as ordinary income. Any excess of the amount realized upon such disposition over the fair market value at exercise will generally be long-term or short-term capital gain depending on the holding period involved. Notwithstanding the foregoing, if exercise of the option is permitted other than by cash payment of the exercise price, various special tax rules may apply.

Non-Qualified Stock Options

No income will be recognized by an option holder at the time a non-qualified stock option is granted. Ordinary income will generally be recognized by an option holder, however, at the time a non-qualified stock option is exercised in an amount equal to the excess of the fair market value of the underlying common stock on the exercise date over the exercise price. We will generally be entitled to a deduction for federal income tax purposes in the same amount as the amount included in ordinary income by the option holder with respect to his or her non-qualified stock option. Gain or loss on a subsequent sale or other disposition of the shares acquired upon the exercise of a non-qualified stock option will be measured by the difference between the amount realized on the disposition and the tax basis of such shares, and will generally be long-term or short-term capital gain depending on the holding period involved. The tax basis of the shares acquired upon the exercise of any non-qualified stock option will be equal to the sum of the exercise price of the non-qualified stock option and the amount included in income with respect to the option. Notwithstanding the foregoing, in the event that exercise of the option is permitted other than by cash payment of the exercise price, various special tax rules may apply.

Restricted Stock

Unless a holder of restricted stock makes an “83(b) election” (as discussed below), there generally will be no tax consequences as a result of the grant of restricted stock until the restricted stock is no longer subject to a substantial risk of forfeiture or is transferable (free of the risk). Generally, when the restrictions are lifted, the holder will recognize ordinary income, and we will be entitled to a deduction, equal to the difference between the fair market value of the stock at that time and the amount, if any, paid by the holder for the restricted stock. Subsequently realized changes in the value of the stock generally will be treated as long-term or short-term capital gain or loss, depending on the length of time the shares are held prior to disposition of the shares. In general terms, if a holder makes an 83(b) election (under Section 83(b) of the Internal Revenue Code) upon the award of restricted stock, the holder will recognize ordinary income on the date of the award of restricted stock, and we will be entitled to a deduction, equal to (1) the fair market value of the restricted stock as though the stock were (A) not subject to a substantial risk of forfeiture or (B) transferable, minus (2) the amount, if any, paid for the restricted stock. If an 83(b) election is made, there will generally be no tax consequences to the holder upon the lifting of restrictions, and all subsequent appreciation in the restricted stock generally would be eligible for capital gains treatment.

Phantom Shares

The phantom shares have been designed with the intention that there will be no tax consequences as a result of the granting of a phantom share until payment is made with respect to the phantom share. When payment is made, the participant generally will recognize ordinary income, and we will generally be entitled to a deduction, equal to the fair market value of the common stock and cash, as applicable, received upon payment.

Dividend Equivalents

There generally will be no tax consequences as a result of the award of a dividend equivalent. When payment is made, the holder of the dividend equivalent generally will recognize ordinary income, and we will be entitled to a deduction, equal to the amount received in respect of the dividend equivalent.

Securities Exchange Act of 1934

Additional special tax rules may apply to those award holders who are subject to the rules set forth in Section 16 of the Securities Exchange Act of 1934.

The foregoing tax discussion is a general description of certain expected federal income tax results under current law, and all affected individuals should consult their own advisors if they wish any further details or have special questions.

INCENTIVE BONUS PLAN

We intend to adopt the performance bonus plan for the payment of bonuses to certain key employees, including our executive officers. Annual bonuses under our incentive bonus plan shall be based on corporate factors or individual factors (or a combination of both) selected before the end of the applicable performance year by the Compensation Committee of the Board. The committee may provide for partial bonus payments at target and other levels. The committee may allocate portions of the bonus to specified indexed factors. Corporate performance hurdles for annual bonuses may be adjusted by the committee in its discretion to reflect (1) dilution from corporate acquisitions and share offerings and (2) changes in applicable accounting rules and standards. No bonus shall exceed 100% of the key employee's aggregate salary for the year (or, in the case of employees with employment agreements with the company, three times such individual's annual salary). The incentive bonus plan is administered by the compensation committee.

401(k) PLAN

We intend to establish and maintain a retirement savings plan under Section 401(k) of the Internal Revenue Code to cover our eligible employees. The plan will allow eligible employees to defer, within prescribed limits, up to 15% of their compensation on a pre-tax basis through contributions to the plan. We will match each eligible participant's contributions, within prescribed limits, with an amount equal to 50% of such participant's first 6% of contributions. In addition, we intend to reserve the right to make additional discretionary contributions on behalf of eligible participants. Our employees will be eligible to participate in the plan if they meet certain requirements, including a minimum period of credited service. Any matching and discretionary company contributions may be subject to certain vesting requirements. Some classes of employees, such as those covered by a collective bargaining agreement, will not be eligible to participate in the plan.

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

There are no compensation committee interlocks and none of our employees participate on the compensation committee.

Certain relationships and related transactions

REGISTRATION RIGHTS AGREEMENTS

As holders of OP units, common stock and/or CCSs, Kenneth M. Woolley, our Chairman and Chief Executive Officer and our officers and directors will receive registration rights with respect to shares of our common stock acquired by them in connection with their exercise of redemption/exchange rights under the partnership agreement. See “Shares eligible for future sale—Registration Rights.”

AGREEMENTS WITH EXTRA SPACE DEVELOPMENT LLC

Extra Space Development LLC has granted us a right of first refusal with respect to the interests in 13 early-stage development properties and Extra Space Development LLC is owned by third-party individuals, as well as by executive officers and directors in the following approximate percentages: Kenneth M. Woolley (33%), Spencer F. Kirk (33%), Richard S. Tanner (7%), Kent Christensen (3%), Charles L. Allen (2%), David L. Rasmussen (0.5%) and Timothy Arthurs (0.5%).

CENTERSHIFT, INC.

Effective January 1, 2004, we entered into a license agreement with Centershift which secures for our company a perpetual right to continue to enjoy the benefits of STORE in all aspects of our property acquisition, development, redevelopment and operational activities, while the cost of maintaining the infrastructure required to support this product remains the responsibility of Centershift. This license agreement provides for an annual license fee payable by us which we estimate for the year ended December 31, 2004 will aggregate approximately $130,000, in exchange for which we will receive all product upgrades and enhancements and customary customer support services from Centershift. Centershift is required to secure our consent before entering into a license covering STORE with other publicly-traded self-storage companies. Centershift is owned by third-party individuals, as well as by executive officers and directors in the following approximate percentages: Kenneth M. Woolley (28%), Spencer F. Kirk (29%), Richard S. Tanner (7%), Kent Christensen (3%), Charles L. Allen (2%), David L. Rasmussen (0.4%) and Timothy Arthurs (0.4%).

ACQUISITION OF EXTRA SPACE MANAGEMENT, INC.

Effective March 31, 2004, our predecessor acquired Extra Space Management, Inc. from Kenneth M. Woolley, Spencer M. Kirk and Richard S. Tanner for an aggregate of approximately $184,000. Upon completion of the offering and the formation transactions, Extra Space Management, Inc. will become our taxable REIT subsidiary and will be responsible for all property management operations that we perform for 9 properties owned by third parties.

DEBT GUARANTEES

We have agreed to make available to each of Kenneth M. Woolley, our Chairman and Chief Executive Officer, his affiliates, associates and people acting in concert with any of the foregoing, Richard S. Tanner, his affiliates, associates and people acting in concert with any of the foregoing and David Lackland, one of the members of our predecessor, and his related entities, the contributors of Sepulveda Associates, LLC and of 658 Venice, Ltd., the following protections: for nine years with a three-year

extension if the applicable party continues to maintain ownership of at least 50% of the OP units received by it in the formation transactions, the opportunity to:

- guarantee debt; or
- enter into a special loss allocation and deficit restoration obligation,

in an aggregate amount, with respect to the foregoing contributors, at least equal to $60.0 million.
The ability of the foregoing contributors to guarantee debt or enter into a special loss allocation and deficit restoration obligation with our operating partnership may enable them to continue to defer any taxable gain attributable to their negative capital accounts in our predecessor. If we were to breach our agreement to make available these opportunities, we would be required to make an indemnification payment to the contributors.

ACQUISITION OF STORAGE SPOT PROPERTIES

Effective May 28, 2004, Extra Space Storage LLC entered into a purchase and sale agreement with Storage Spot Properties No. 1, L.P. and Storage Spot Properties No. 4, L.P. for the acquisition of 26 self-storage properties for which the purchase price under this agreement is $147.0 million. For the year ended December 31, 2003, the net revenues less bad debt expenses for these properties totaled $16.0 million. None of the sellers are currently our affiliates. Hugh W. Horne is president of Storage World Properties GP No. 1, LLC and Storage World Properties GP No. 4, LLC, the general partners of the selling parties under the agreement. In connection with this transaction, we agreed to name Mr. Horne as a director of our company effective upon the closing of this offering. Additionally, if at any time prior to February 15, 2006, Hugh W. Horne is not serving as one of our directors, Storage Spot shall have the right to have one representative present at all meetings of our board of directors and all of our board committees during such time. The purchase and sale agreement contains customary representations, warranties and covenants and is subject to customary closing conditions (such as those relating to the accuracy of representations and warranties and the performance of covenants contained in the purchase and sale agreement) as well as the completion of the offering. Our predecessor has deposited $3.0 million in escrow under the purchase and sale agreement. Storage Spot may be entitled to receive up to an additional $5.0 million cash consideration depending upon the performance of the 26 properties for the 12 months ended December 31, 2005. Under this earn-out provision, we have agreed to pay in February 2006, $8.45 for each dollar that the net revenues from these properties for calendar year 2005 exceeds $17.9 million, up to a maximum of $5.0 million. The entire $5.0 million is also payable upon the occurrence of certain other conditions, including any change of control of the purchaser or a third-party sale of any of the 26 properties prior to December 31, 2005. Our predecessor's obligation to pay any additional funds will be guaranteed by our operating partnership. Subject to customary closing conditions, including the completion of due diligence, we expect this transaction to close concurrently with the completion of the offering and to be funded with the net proceeds of the offering. See "Use of Proceeds."

REPAYMENT OF NOTE

We will repay out of the proceeds of the offering a note held by Anthony Fanticola (a director-nominee) and Joann Fanticola, cotrustees of the Anthony and Joann Fanticola Trust for approximately $4.0 million. We will also pay $1.1 million in defeasance fees associated with repayment of the Fanticola note.

AIRCRAFT DRY LEASE

SpenAero, L.L.C., an affiliate of Spencer F. Kirk, will enter into an Aircraft Dry Lease with us which provides that we have the right to use a 2002 Falcon 50EX aircraft owned by SpenAero, L.L.C. at a rate of $1,740 for each hour of use by us of the aircraft and payment of all taxes by us associated with our use of the aircraft.

Benefits to related parties

BENEFITS TO RELATED PARTIES

Upon completion of the offering and the formation transactions, our senior executive officers and members of our board of directors will receive material financial and other benefits that include:

Kenneth M. Woolley and affiliates

In the case of Kenneth M. Woolley, our Chairman and Chief Executive Officer:

- together with his affiliates, shares of common stock, OP units, CCSs and CCUs (with a combined aggregate value of $) in exchange for membership interests in Extra Space Storage LLC having an aggregate net tangible book value attributable to such interests as of March 31, 2004 of approximately $;
- the release of guarantees of approximately $64.9 million of outstanding indebtedness;
- an employment agreement providing him with salary, bonus and other benefits, including severance upon a termination of his employment under certain circumstances;
- options to acquire 150,000 shares of common stock at an exercise price equal to the initial public offering price;
- indemnification by us for certain liabilities and expenses incurred as a result of actions brought, or threatened to be brought, against him as an officer or director;
- $82,360 (together with Messrs. Kirk and Tanner) for the acquisition of Extra Space Management, Inc. by our predecessor; and
- registration rights afforded by the registration rights agreement.

Spencer F. Kirk and affiliates

In the case of Spencer F. Kirk, a member of our Board of Directors:

- together with his affiliates, shares of common stock, OP units, CCSs and CCUs (with a combined aggregate value of $) in exchange for membership interests having an aggregate net tangible book value attributable to such interests as of March 31, 2004 of approximately $;
- the release of guarantees of approximately $17.3 million of outstanding indebtedness;
- options to acquire 30,000 shares of common stock at an exercise price equal to the initial public offering price;

	Ø indemnification by us for certain liabilities and expenses incurred as a result of actions brought, or threatened to be brought, against him as a director; Ø will enter into with SpenAero, L.L.C., an affiliate of Spencer F. Kirk, an Aircraft Dry Lease with us which provides that we have the right to use a 2002 Falcon 50EX aircraft owned by SpenAero, L.L.C. at a rate of $1,740 for each hour of use by us of the aircraft and the payment of all taxes by us associated with our use of the aircraft; Ø $82,360 (together with Messrs. Woolley and Tanner) for the acquisition of Extra Space Management, Inc. by our predecessor; and Ø registration rights afforded by the registration rights agreement.
Kent W. Christensen	In the case of Kent W. Christensen, our Senior Vice President and Chief Financial Officer: Ø shares of common stock and CCSs (with an aggregate value of $) in exchange for membership interests in Extra Space Storage LLC having an aggregate net tangible book value attributable to such interests as of March 31, 2004 of approximately $; Ø an employment agreement providing him with salary, bonus and other benefits, including severance upon a termination of his employment under certain circumstances; Ø options to acquire 100,000 shares of the company's common stock at the offering price; Ø indemnification by us for certain liabilities and expenses incurred as a result of actions brought, or threatened to be brought, against him as an officer; and Ø registration rights afforded by the registration rights agreement.
Charles L. Allen	In the case of Charles Allen, Senior Vice President and Senior Legal Counsel: Ø shares of common stock and CCSs (with an aggregate value of $) in exchange for membership interests having an aggregate net tangible book value attributable to such interests as of March 31, 2004 of approximately $; Ø an employment agreement providing him with salary, bonus and other benefits, including severance upon a termination of his employment under certain circumstances; Ø options to acquire 65,000 shares of the company's common stock at the offering price;

	ø indemnification by us for certain liabilities and expenses incurred as a result of actions brought, or threatened to be brought, against him as an officer; and ø registration rights afforded by the registration rights agreement.
Timothy Arthurs	In the case of Timothy Arthurs, our Senior Vice President of Operations: ø shares of common stock and CCSs (with an aggregate value of $) in exchange for membership interests having an aggregate book value attributable to such interests as of March 31, 2004 of approximately $; ø options to acquire 65,000 shares of the company's common stock at the offering price; ø indemnification by us for certain liabilities and expenses incurred as a result of actions brought, or threatened to be brought, against him as an officer; and ø registration rights afforded by the registration rights agreement.
David L. Rasmussen	In the case of David L. Rasmussen, our Vice President and General Counsel: ø shares of common stock and CCSs (with an aggregate value of $) in exchange for membership interests having an aggregate net tangible book value to such interests as of March 31, 2004 of approximately $; ø options to acquire 45,000 shares of the company's common stock at the offering price; ø indemnification by us for certain liabilities and expenses incurred as a result of actions brought, or threatened to be brought, against him as an officer; and ø registration rights afforded by the registration rights agreement.
Richard S. Tanner	In the case of Richard S. Tanner, our Senior Vice President, East Coast Development: ø together with his affiliates, shares of common stock and CCSs (with an aggregate value of $) in exchange for membership interests having an aggregate net tangible book value attributable to such interests as of March 31, 2004 of approximately $; ø options to acquire 45,000 shares of the company's common stock at the offering price;

Benefits to related parties

	ø indemnification by us for certain liabilities and expenses incurred as a result of actions brought, or threatened to be brought, against him as an officer; ø registration rights afforded by the registration rights agreement; and ø $16,448 (together with Messrs. Kirk and Tanner) for the acquisition of Extra Space Management, Inc. by our predecessor.
Anthony Fanticola	In the case of Anthony Fanticola, a member of our Board of Directors: ø options to acquire 30,000 shares of the company's common stock at the offering price; ø indemnification by us for certain liabilities and expenses incurred as a result of actions brought, or threatened to be brought, against him as a director; ø registration rights afforded by the registration rights agreement; ø approximately $4.0 million of the net proceeds of the offering in repayment of a note held by Anthony Fanticola and Joann Fanticola, trustees of the Anthony Fanticola and Joann Fanticola Family Trust; and ø $1.1 million in defeasance fees to be paid on behalf of Mr. Fanticola.
Hugh W. Horne	In the case of Hugh W. Horne, a member of our Board of Directors: ø options to acquire 30,000 shares of the company's common stock at the offering price; ø indemnification by us for certain liabilities and expenses incurred as a result of actions brought, or threatened to be brought, against him as a director; and ø registration rights afforded by the registration rights agreement.
Dean Jernigan	In the case of Dean Jernigan, a member of our Board of Directors: ø options to acquire 30,000 shares of the company's common stock at the offering price; and ø indemnification by us for certain liabilities and expenses incurred as a result of actions brought, or threatened to be brought, against him as a director.

Benefits to related parties

Roger B. Porter	In the case of Roger B. Porter, a member of our Board of Directors: ø options to acquire 30,000 shares of the company's common stock at the offering price; ø indemnification by us for certain liabilities and expenses incurred as a result of actions brought, or threatened to be brought, against him as a director; and ø registration rights afforded by the registration rights agreement.
K. Fred Skousen	In the case of K. Fred Skousen, a member of our Board of Directors: ø options to acquire 30,000 shares of the company's common stock at the offering price; ø indemnification by us for certain liabilities and expenses incurred as a result of actions brought, or threatened to be brought, against him as a director; and ø registration rights afforded by the registration rights agreement.

Policies with respect to certain activities

The following is a discussion of our policies with respect to investments, financing and certain other activities. Our policies with respect to these activities have been determined by our board of directors and, in general, may be amended and revised from time to time at the discretion of our board of directors without notice to or a vote of our stockholders.

Investment Policies

Investments in Real Estate or Interests in Real Estate. We conduct all of our investment activities through our operating partnership and its affiliates. Our investment objectives are to increase cash flow, provide quarterly cash distributions, maximize the value of our current properties and acquire properties with cash flow growth potential. Additionally, we will seek to selectively expand and upgrade both our current properties and any newly-acquired properties. Our business will be focused primarily on self-storage properties and activities directly related thereto. We have not established a specific policy regarding the relative priority of the investment objectives. For a discussion of our properties and our business and other strategic objectives, see “Business and properties.”

We expect to pursue our investment objectives through the ownership by our operating partnership of properties, but may also make investments in other entities, including joint ventures. We currently intend to focus on self-storage properties in those areas in which we operate and strategically select new markets when opportunities are available that meet our investment criteria or areas that have development potential. We anticipate that future investment and development activity will be focused primarily in the United States, but will not be limited to any geographic area. We intend to engage in such future investment activities in a manner that is consistent with the maintenance of our status as a REIT for U.S. federal income tax purposes.

We may also participate with other entities in the ownership of self-storage properties through joint ventures or other types of co-ownership. We may enter into joint ventures from time to time, if we determine that doing so would be the most effective means of raising capital, especially with respect to non-stabilized properties that we acquire. Equity investments may be subject to existing mortgage financing and other indebtedness or such financing or indebtedness may be incurred in connection with acquiring investments. Any such financing or indebtedness will have priority over our equity interest in such property. Investments are also subject to our policy not to be treated as an investment company under the Investment Company Act of 1940, as amended, or the 1940 Act.

Purchase and Sale of Investments. Our policy is to acquire assets primarily for generation of current income and long-term value appreciation; however, where appropriate, we will sell certain self-storage properties where our board of directors determine such properties doe not fit our strategic objectives.

Investments in Real Estate Mortgages. While we will emphasize equity real estate investments in self-storage properties, we may, at the discretion of our board of directors, invest in mortgages and other interests consistent with our qualification as a REIT. We do not presently intend to invest in mortgages or deeds of trust, but may do so subject to the investment restrictions applicable to REITs. The mortgages in which we may invest may be either first mortgages or junior mortgages, and may or may not be insured by a governmental agency. We do not expect to invest in mortgages other than the type we currently own. Investments in real estate mortgages run the risk that one or more borrowers may default under certain mortgages and that the collateral securing certain mortgages may not be sufficient to enable us to recoup our full investment.

Policies with respect to certain activities

Investments in Securities or Interests in Entities Primarily Engaged in Real Estate Activities and Other Issuers. Subject to the percentage of ownership limitations and gross income tests necessary for REIT qualification, we may invest in securities of entities engaged in real estate activities or securities of other issuers, including for the purpose of exercising control over such entities. We may acquire all or substantially all of the securities or assets of other REITs or similar entities where such investment would be consistent with our investment policies. In any event, we do not intend that our investments in securities will require us to register as an "investment company" under the 1940 Act, and we would intend to divest securities before any such registration would be required.

Dispositions

We do not currently intend to dispose of any of our properties, although we reserve the right to do so if, based upon our management's periodic review of our portfolio, our board of directors determines that such action would be in the best interests of our stockholders. Any decision to dispose of a property will be made by our board of directors.

Financing Policies

We expect to employ leverage in our capital structure in amounts determined from time to time by our Board of Directors. Upon completion of the offering and the formation transactions, we estimate that our debt-to-total market capitalization ratio will be %. Although our board of directors has not adopted a policy which limits the total amount of indebtedness that we may incur, it 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 either be fixed and variable rate. Our total market capitalization is defined as the sum of the market value of our outstanding common stock (which may decrease, thereby increasing our debt to total capitalization ratio), including shares of restricted stock that we will issue to certain of our officers plus the aggregate value of OP units not owned by us, plus the book value of our total consolidated indebtedness. Because this ratio is based, in part, upon market values of equity, it will fluctuate with changes in the price of our common stock, however, we believe that this ratio provides an appropriate indication of leverage for a company whose assets are primarily real estate. We expect that our ratio of debt-to-total market capitalization upon completion of the offering and the formation transactions will be approximately % (% if the underwriters' over-allotment option is exercised in full). Our charter and bylaws do not limit the amount or percentage of indebtedness that we may incur. Our board of directors may from time to time modify our debt policy in light of then-current economic conditions, relative costs of debt and equity capital, market values of our properties, general conditions in the market for debt and equity securities, fluctuations in the market price of our common stock, growth and acquisition opportunities and other factors. Accordingly, we may increase or decrease our ratio of debt-to-total market capitalization beyond the limits described above. If these policies were changed, we could become more highly leveraged, resulting in an increased risk of default on our obligations and a related increase in debt service requirements that could adversely affect our financial condition and results of operations and our ability to make distributions to our stockholders. See "Risk Factors—Risks Related to Our Debt Financing" and "Management's discussion and analysis of financial condition and results of operations—Liquidity and Capital Resources."

To the extent that our board of directors determines to obtain additional capital, we may issue debt or equity securities, including additional OP units, retain earnings (subject to provisions in the
Internal Revenue Code requiring distributions of income to maintain REIT status) or pursue a combination of these methods. As long as our operating partnership is in existence, the proceeds of all

equity capital raised by us will be contributed to our operating partnership in exchange for additional interests in our operating partnership, which will dilute the ownership interests of the limited partners in our operating partnership.

In addition, our charter requires us to at all times reserve and keep available a sufficient number of shares of common stock and OP units to allow for full conversion of the CCSs and CCUs.

Conflicts of Interest Policies

Conflicts of interest could arise in the future as a result of the relationships between us and our affiliates, on the one hand, and our operating partnership or any partner thereof, on the other. Our directors and officers have duties to our company and our stockholders under applicable Maryland law in connection with their management of our company. At the same time, we, through our wholly owned subsidiary, have fiduciary duties, as a general partner, to our operating partnership and to the limited partners under Delaware law in connection with the management of our operating partnership. Our duties, through our wholly owned subsidiary, as a general partner to our operating partnership and its partners may come into conflict with the duties of our directors and officers to our company and our stockholders. The partnership agreement of our operating partnership does not require us to resolve such conflicts in favor of either our stockholders or the limited partners in our operating partnership.

Unless otherwise provided for in the relevant partnership agreement, Delaware law generally requires a general partner of a Delaware limited partnership to adhere to fiduciary duty standards under which it owes its limited partners the highest duties of good faith, fairness and loyalty and which generally prohibit such general partner from taking any action or engaging in any transaction as to which it has a conflict of interest.

Additionally, the partnership agreement expressly limits our liability by providing that neither we, our direct wholly owned Massachusetts business trust subsidiary, as the general partner of the operating partnership, nor any of our or their trustees, directors or officers, will be liable or accountable in damages to our operating partnership, the limited partners or assignees for errors in judgment, mistakes of fact or law or for any act or omission if we, or such trustee, director or officer, acted in good faith. In addition, our operating partnership is required to indemnify us, our affiliates and each of our respective trustees, officers, directors, employees and agents to the fullest extent permitted by applicable law against any and all losses, claims, damages, liabilities (whether joint or several), expenses (including, without limitation, attorneys' fees and other legal fees and expenses), judgments, fines, settlements and other amounts arising from any and all claims, demands, actions, suits or proceedings, civil, criminal, administrative or investigative, that relate to the operations of the operating partnership, provided that our operating partnership will not indemnify for (1) willful misconduct or a knowing violation of the law, (2) any transaction for which such person received an improper personal benefit in violation or breach of any provision of the partnership agreement, or (3) in the case of a criminal proceeding, the person had reasonable cause to believe the act or omission was unlawful.

The provisions of Delaware law that allow the common law fiduciary duties of a general partner to be modified by a partnership agreement have not been resolved in a court of law, and we have not obtained an opinion of counsel covering the provisions set forth in the partnership agreement that purport to waive or restrict our fiduciary duties that would be in effect under common law were it not for the partnership agreement.

Upon completion of this offering, certain members of our senior management team will have interests in (1) 13 early-stage development properties and two parcels of undeveloped land through their ownership

of Extra Space Development LLC, (2) Extra Space of Palmdale LLC, the owner of one self storage property and (3) Extra Space of Pico Rivera Two LLC, the owner of one self-storage property. We will not own any interest in these properties but the owners have granted us a right of first refusal with respect to the sale of these properties. Except as set forth above, none of our executive officers will be permitted to compete with us during their employment with us.

Interested Director and Officer Transactions

Pursuant to Maryland law, a contract or other transaction between us and a director or between us and any other corporation or other entity in which any of our directors is a director or has a material financial interest is not void or voidable solely on the grounds of such common directorship or interest, the presence of such director at the meeting at which the contract or transaction is authorized, approved or ratified or the counting of the director's vote in favor thereof. However, such transaction will not be void or voidable only if:

- Ø the material facts relating to the common directorship or interest and as to the transaction are disclosed to our board of directors or a committee of our board, and our board or committee authorizes, approves or ratifies the transaction or contract by the affirmative vote of a majority of disinterested directors, even if the disinterested directors constitute less than a quorum;
- Ø the material facts relating to the common directorship or interest and as to the transaction are disclosed to our stockholders entitled to vote thereon, and the transaction is authorized, approved or ratified by a majority of the votes cast by the stockholders entitled to vote (other than the votes of shares owned of record or beneficially by the interested director); or
- Ø the transaction or contract is fair and reasonable to us at the time it is authorized, ratified or approved.

Furthermore, under Delaware law (where our operating partnership is formed), we, acting through the general partner, have a fiduciary duty to our operating partnership and, consequently, such transactions are also subject to the duties of care and loyalty that we, as a general partner, owe to limited partners in our operating partnership (to the extent such duties have not been eliminated pursuant to the terms of the partnership agreement). We will adopt a policy which requires that all contracts and transactions between us, our operating partnership or any of our subsidiaries, on the one hand, and any of our directors or executive officers or any entity in which such director or executive officer is a director or has a material financial interest, on the other hand, must be approved by the affirmative vote of a majority of the disinterested directors. Where appropriate, in the judgment of the disinterested directors, our board of directors may obtain a fairness opinion or engage independent counsel to represent the interests of non-affiliated security holders, although our board of directors will have no obligation to do so.

Policies with Respect to Other Activities

We may, but do not presently intend to, make investments other than as previously described. We have authority to offer shares of our common stock or other equity or debt securities in exchange for property and to repurchase or otherwise re-acquire shares of our common stock or other equity or debt securities in exchange for property. Similarly, we may offer additional OP units, which are redeemable, in exchange for property. Although we have not made loans to third parties, we may in the future make loans to third parties, including joint ventures in which we participate, subject to the REIT asset test requirements. As described in "Extra Space Storage LP partnership agreement," we expect, but are not obligated, to issue shares of our common stock to holders of OP units upon exercise of their respective redemption rights. Our board of directors has no present intention of causing us to repurchase any common stock. We may issue preferred stock from time to time, in one or more series, as authorized by

our board of directors without the need for stockholder approval. See “Description of stock—Power to Increase Authorized Stock and Issue Additional Shares of Our Common Stock and Preferred Stock.” We have not engaged in trading, underwriting or the agency distribution or sale of securities of other issuers and do not intend to do so. At all times, we intend to make investments in such a manner as to be consistent with the requirements of the Internal Revenue Code to qualify as a REIT unless, because of circumstances or changes in the Internal Revenue Code (or the regulations promulgated thereunder), our board of directors determines that it is no longer in our best interests to continue to have us qualify as a REIT. We intend to make investments in such a way that we will not be treated as an investment company under the 1940 Act. Our policies with respect to such activities may be reviewed and modified from time to time by our board of directors without notice to or the vote of the stockholders.

Reporting Policies

Generally speaking, we intend to make available to our stockholders audited annual financial statements and annual reports. After the offering, we will become subject to the information reporting requirements of the Exchange Act. Pursuant to these requirements, we will file periodic reports, proxy statements and other information, including audited financial statements, with the SEC.

Lending Policies

We do not have a policy limiting our ability to make loans to other persons. Subject to REIT qualification rules, we may consider offering purchase money financing in connection with the sale of properties where the provision of that financing will increase the value to be received by us for the property sold. We and our operating partnership may make loans to joint ventures in which we or they participate or may participate in the future. We have not engaged in any significant lending activities in the past nor do we intend to in the future.

Principal stockholders

The following table presents information regarding the beneficial ownership of our common stock, following completion of the offering and the formation transactions, with respect to:

- each person who is the beneficial owner of more than five percent of our outstanding common stock;
- each of our directors;
- each of our named executive officers; and
- all directors and executive officers as a group.

Unless otherwise indicated, all shares are owned directly and the indicated person has sole voting and investment powers.

	Shares Beneficially Owned After The Offering(1)	
Name and Address(2)	**Number**	**Percentage**
Directors and Executive Officers:		
Kenneth M. Woolley(3)		
Kent W. Christensen(3)		
Richard S. Tanner(3)		
Charles L. Allen(3)		
David L. Rasmussen(3)		
Timothy Arthurs(3)		
Anthony Fanticola(3)		
Hugh W. Horne(3)		
Dean Jernigan(3)		
Spencer F. Kirk(3)		
Roger B. Porter(3)		
K. Fred Skousen(3)		
All directors and executive officers as a group		
5% Stockholders:		
None.		

(1) Assumes shares of our common stock outstanding immediately after completion of the offering and the formation transactions.
(2) The address for each of our named executive officers is 2795 East Cottonwood Parkway, Suite 400, Salt Lake City, Utah 84121.
(3) Beneficial ownership is determined in accordance with Rule 13d-3 of the Exchange Act. A person is deemed to be the beneficial owner of any shares of common stock if that person has or shares voting power or investment power with respect to those shares, or has the right to acquire beneficial ownership at any time within 60 days of the date of the table. As used herein, "voting power" is the power to vote or direct the voting of shares and "investment power" is the power to dispose or direct the disposition of shares.

Description of stock

The following summary of the material terms of the stock of our company. See "Where you can find more information."

GENERAL

Our charter provides that we may issue up to shares of our common stock, $ par value per share, or common stock, contingent conversion shares, $.01 par value per share, or CCSs, and shares of preferred stock, $ par value per share, or preferred stock. Our charter authorizes our board of directors to increase the aggregate number of authorized shares or the number of shares of any class or series without stockholder approval. Upon completion of the offering and the formation transactions, shares of our common stock will be issued and outstanding (if the underwriters' over-allotment option is exercised in full), shares of our CCSs will be issued and outstanding (if the underwriters' over-allotment option is exercised in full) and no shares of preferred stock will be issued and outstanding. Under Maryland law, stockholders generally are not liable for the corporation's debts or obligations.

COMMON STOCK

All shares of our common stock offered hereby will be duly authorized, fully paid and nonassessable. Subject to the preferential rights of any other class or series of stock and to the provisions of the charter regarding the restrictions on transfer of stock, holders of shares of our common stock are entitled to receive dividends on such stock if, as and when authorized by our board of directors out of assets legally available therefor and declared by us and, the holders of our common stock are entitled to share ratably in the assets of our company legally available for distribution to our stockholders in the event of our liquidation, dissolution or winding up after payment of or adequate provision for all known debts and liabilities of our company.

Subject to the provisions of our charter regarding the restrictions on transfer of stock, each outstanding share of our common stock entitles the holder to one vote on all matters submitted to a vote of stockholders, including the election of directors and, except as provided with respect to any other class or series of stock, the holders of such shares will possess the exclusive voting power. There is no cumulative voting in the election of our board of directors, which means that the holders of a majority of the outstanding shares of our common stock can elect all of the directors then standing for election and the holders of the remaining shares will not be able to elect any directors. Holders of CCSs shall not have any voting rights with respect to their shares.

Holders of shares of our common stock have no preference, conversion, exchange, sinking fund, redemption or appraisal rights and have no preemptive rights to subscribe for any securities of our company. Subject to the provisions of the charter regarding the restrictions on transfer of stock, shares of our common stock will have equal dividend, liquidation and other rights. Unless otherwise indicated, we have assumed for purposes of this prospectus, that there is no conversion feature associated with the CCSs.

Under the Maryland General Corporation Law, or MGCL, a Maryland corporation generally cannot dissolve, amend its charter, merge, sell all or substantially all of its assets, engage in a share exchange or engage in similar transactions outside the ordinary course of business unless approved by the affirmative vote of stockholders holding at least two-thirds of the shares entitled to vote on the matter unless a lesser percentage (but not less than a majority of all of the votes entitled to be cast on the matter) is set forth in the corporation's charter. Except for certain charter amendments, our charter provides for a majority

percentage in these situations. However, because operating assets may be held by a corporation's subsidiaries, as in our situation, this may mean that a subsidiary of a corporation can transfer all of its assets without any vote of the corporation's stockholders.

Our charter authorizes our board of directors to reclassify any unissued shares of our common stock into other classes or series of classes of stock and to establish the number of shares in each class or series and to set the preferences, conversion and other rights, voting powers, restrictions, limitations as to dividends or other distributions, qualifications or terms or conditions of redemption for each such class or series.

CONTINGENT CONVERSION SHARES

Unlike our shares of common stock, CCSs will not carry any voting rights except as provided in the next sentence or entitle the holders to receive distributions from the company. The charter provides that we shall not, without the affirmative vote of at least two-thirds of the CCSs outstanding at the time, amend, alter or repeal the provisions of our charter, whether by merger, consolidation or otherwise, so as to materially and adversely affect any right, preference, privilege or voting power of the CCSs.

Upon the achievement of certain performance thresholds described below relating to the 14 early-stage lease-up properties which we will wholly own through various subsidiaries of our operating partnership upon completion of the offering and the formation transactions, all or a portion of the CCSs will be automatically converted into shares of our common stock. Initially, each CCS will be convertible on a one-for-one basis into shares of common stock (but not before March 31, 2006), subject to customary anti-dilution adjustments.

Within 30 days after the end of each quarter beginning with the quarter ending March 31, 2006 and ending with the quarter ending December 31, 2008, we will calculate the net operating income from the 14 wholly owned early-stage lease-up properties over the 12-month period ending in such quarter. We consider such net operating income to equal total revenues less property related expenses from such lease-up properties over the measurement period, subject to adjustment to take into account sales of any of the lease-up properties that occur on or prior to December 31, 2008. Within 35 days following the end of each quarter referred to above, some or all of the CCSs will be converted so that the total percentage (not to exceed 100%) of CCSs issued in connection with the formation transactions that have been converted to common stock will be equal to the percentage determined by dividing the net operating income for such period in excess of $5.1 million by $4.6 million. If any CCSs are not converted through the calculation made in respect of the 12-month period ending December 31, 2008, all remaining outstanding CCSs will be cancelled and restored to the status of authorized but unissued shares of common stock.

This provision in our charter is intended to allow a proportionate conversion of the CCSs into shares of common stock as the net operating income produced by the 14 early-stage lease-up properties grows from $5.1 million to $9.7 million (the projected fully stabilized net operating income) during any of the 12-month measurement periods. For the 12-month period ended March 31, 2004, the net operating income produced by these lease-up properties (which were 37.5% occupied as of the end of this period) totaled $142,484. This means that none of the CCSs will convert into shares of common stock until the net operating income produced by these lease-up properties first increases by a minimum of $ over any of the 12-month measurement periods.

Our charter provides that, while any CCSs remain outstanding, a majority of our independent directors must review and approve the net operating income calculation for each measurement period and also must approve any sales of any of the 14 wholly owned early-stage lease-up properties.

Our charter also requires us to at all times reserve and keep available a sufficient number of shares of common stock to allow for the full conversion of all CCSs.

PREFERRED STOCK

Our charter authorizes our board of directors to classify any unissued shares of preferred stock and to reclassify any previously classified but unissued shares of any series. Prior to issuance of shares of each series, our board of directors is required by the MGCL and our charter to set the terms, preferences, conversion or other rights, voting powers, restrictions, limitations as to dividends or other distributions, qualifications and terms or conditions of redemption for each such series. Thus, our board of directors could authorize the issuance of shares of preferred stock with terms and conditions which could have the effect of delaying, deferring or preventing a transaction or a change of control of our company that might involve a premium price for holders of our common stock or otherwise be in their best interests. As of the date hereof, no shares of preferred stock are outstanding and we have no present plans to issue any preferred stock.

Power to Increase or Decrease Authorized Stock and Issue Additional Shares of Our Common Stock and Preferred Stock

We believe that the power of our board of directors to increase or decrease the number of authorized shares of stock, approve additional authorized but unissued shares of our common stock or preferred stock and to classify or reclassify unissued shares of our common stock or preferred stock and thereafter to cause us to issue such classified or reclassified shares of stock will provide us with increased flexibility in structuring possible future financings and acquisitions and in meeting other needs which might arise. The additional classes or series, as well as the common stock, will be available for issuance without further action by the company's stockholders, unless such action is required by applicable law or the rules of any stock exchange or automated quotation system on which the company's securities may be listed or traded. Although our board of directors does not intend to do so, it could authorize us to issue a class or series that could, depending upon the terms of the particular class or series, delay, defer or prevent a transaction or a change of control of our company that might involve a premium price for our stockholders or otherwise be in their best interests.

Restrictions on Transfer

In order for us to qualify as a REIT under the Internal Revenue Code, our stock must be beneficially owned by 100 or more persons during at least 335 days of a taxable year of 12 months (other than the first year for which an election to be a REIT has been made) or during a proportionate part of a shorter taxable year. Also, not more than 50% of the value of the outstanding shares of stock may be owned, directly or indirectly, by five or fewer individuals (as defined in the Internal Revenue Code to include certain entities such as qualified pension plans) during the last half of a taxable year (other than the first year for which an election to be a REIT has been made).

Our charter contains restrictions on the ownership and transfer of our common stock and outstanding capital stock which are intended to assist us in complying with these requirements and continuing to qualify as a REIT. The relevant sections of our charter provide that, subject to the exceptions described below, no person or entity may beneficially own, or be deemed to own by virtue of the applicable constructive ownership provisions of the Internal Revenue Code, more than % (by value or by number of shares, whichever is more restrictive) of our outstanding common stock (the common stock ownership limit) or % (by value or by number of shares, whichever is more restrictive) of our outstanding capital stock (the aggregate stock ownership limit). We refer to this restriction as the "ownership limit." In addition,

different ownership limits apply to Kenneth M. Woolley, certain of his affiliates, family members and estates and trusts formed for the benefit of the foregoing and Spencer F. Kirk, certain of his affiliates, family members and estates and trusts formed for the benefit of the foregoing. A person or entity that becomes subject to the ownership limit by virtue of a violative transfer that results in a transfer to a trust, as set forth below, is referred to as a "purported beneficial transferee" if, had the violative transfer been effective, the person or entity would have been a record owner and beneficial owner or solely a beneficial owner of our common stock, or is referred to as a "purported record transferee" if, had the violative transfer been effective, the person or entity would have been solely a record owner of our common stock.

The constructive ownership rules under the Internal Revenue Code are complex and may cause stock owned actually or constructively by a group of related individuals and/or entities to be owned constructively by one individual or entity. As a result, the acquisition of less than % (by value or by number of shares, whichever is more restrictive) of our outstanding common stock or % (by value or by number of shares, whichever is more restrictive) of our outstanding capital stock (or the acquisition of an interest in an entity that owns, actually or constructively, our capital stock by an individual or entity), could, nevertheless, cause that individual or entity, or another individual or entity, to own constructively in excess of % (by value or by number of shares, whichever is more restrictive) of our outstanding common stock or % (by value or by number of shares, whichever is more restrictive) of our outstanding capital stock and thereby subject the common stock or capital stock to the applicable ownership limit.

Our board of directors may, in its sole discretion, waive the above-referenced ownership limits with respect to a particular stockholder if:

- our board of directors obtains such representations and undertakings from such stockholder as are reasonably necessary to ascertain that no individual's beneficial or constructive ownership of our stock will result in our being "closely held" under Section 856(h) of the Internal Revenue Code or otherwise failing to qualify as a REIT;
- such stockholder does not and represents that it will not own, actually or constructively, an interest in a tenant of ours (or a tenant of any entity owned in whole or in part by us) that would cause us to own, actually or constructively, more than a 9.9% interest (as set forth in Section 856(d)(2)(B) of the Internal Revenue Code) in such tenant (or the board of directors determines that revenue derived from such tenant will not affect our ability to qualify as a REIT) and our board of directors obtains such representations and undertakings from such stockholder as are reasonably necessary to ascertain this fact; and
- such stockholder agrees that any violation or attempted violation of such representations or undertakings will result in shares of stock being automatically transferred to a charitable trust.

As a condition of its waiver, our board of directors may require an opinion of counsel or IRS ruling satisfactory to our board of directors with respect to preserving our REIT status.

In connection with the waiver of an ownership limit or at any other time, our board of directors may from time to time increase or decrease the ownership limit for all other persons and entities; provided, however, that any decrease may be made only prospectively as to subsequent holders (other than a decrease as a result of a retroactive change in existing law, in which case the decrease shall be effective immediately); and the ownership limit may not be increased if, after giving effect to such increase, five persons could beneficially own or constructively own in the aggregate, more than % of the shares then outstanding. A reduced ownership limit will not apply to any person or entity whose percentage ownership in our common stock or capital stock, as applicable, is in excess of such decreased ownership limit until

such time as such person or entity's percentage of our common stock or capital stock, as applicable, equals or falls below the decreased ownership limit, but any further acquisition of our common stock or capital stock, as applicable, in excess of such percentage ownership of our common stock or capital stock will be in violation of the ownership limit. Additionally, the new ownership limit may not allow five or fewer stockholders to beneficially own more than 49% in value of our outstanding capital stock.

Our charter provisions further prohibit:

- any person from beneficially or constructively owning shares of our stock that would result in us being "closely held" under Section 856(h) of the Internal Revenue Code or otherwise cause us to fail to qualify as a REIT; and
- any person from transferring shares of our common stock if such transfer would result in shares of our stock being beneficially owned by fewer than 100 persons (determined without reference to any rules of attribution).

Any person who acquires or attempts or intends to acquire beneficial or constructive ownership of shares of our capital stock that will or may violate any of the foregoing restrictions on transferability and ownership will be required to give written notice immediately to us and provide us with such other information as we may request in order to determine the effect of such transfer on our status as a REIT. The foregoing provisions on transferability and ownership will not apply if our board of directors determines that it is no longer in our best interests to attempt to qualify, or to continue to qualify, as a REIT.

Pursuant to our charter, if any transfer of our common stock would result in shares of our stock being beneficially owned by fewer than 100 persons, such transfer will be null and void and the intended transferee will acquire no rights in such shares. In addition, if any purported transfer of our common stock or any other event would otherwise result in any person violating the ownership limits or such other limit as permitted by our board of directors or in our being "closely held" under Section 856(h) of the Code or otherwise failing to qualify as a REIT, then that number of shares (rounded up to the nearest whole share) that would cause us to violate such restrictions, will be automatically transferred to, and held by, a trust for the exclusive benefit of one or more charitable organizations selected by us and the intended transferees will acquire no rights in such shares. The automatic transfer will be effective as of the close of business on the business day prior to the date of the violative transfer or other event that results in a transfer to the trust. Any dividend or other distribution paid to the purported record transferee, prior to our discovery that the shares had been automatically transferred to a trust as described above, must be repaid to the trustee upon demand for distribution to the beneficiary of the trust. If the transfer to the trust as described above is not automatically effective, for any reason, to prevent violation of the applicable ownership limit or as otherwise permitted by our board of directors, then our charter provides that the transfer of the excess shares will be void.

Shares of our common stock transferred to the trustee are deemed offered for sale to us, or our designee, at a price per share equal to the lesser of (1) the price paid by the purported record transferee for the shares (or, if the event which resulted in the transfer to the trust did not involve a purchase of such shares of our common stock at market price, the last reported sales price reported on the NYSE on the trading day immediately preceding the day of the event which resulted in the transfer of such shares of our common stock to the trust) and (2) the market price on the date we, or our designee, accepts such offer. We have the right to accept such offer until the trustee has sold the shares of our common stock held in the trust pursuant to the clauses discussed below. Upon a sale to us, the interest of the charitable beneficiary in the shares sold terminates and the trustee must distribute the net proceeds of the sale to the

purported record transferee and any dividends or other distributions held by the trustee with respect to such common stock will be paid to the charitable beneficiary.

If we do not buy the shares, the trustee must, within 20 days of receiving notice from us of the transfer of shares to the trust, sell the shares to a person or entity designated by the trustee who could own the shares without violating the ownership limits. After that, the trustee must distribute to the purported record transferee an amount equal to the lesser of (1) the price paid by the purported record transferee for the shares (or, if the event which resulted in the transfer to the trust did not involve a purchase of such shares at market price, the last reported sales price reported on the NYSE on the trading day immediately preceding the relevant date) and (2) the sales proceeds (net of commissions and other expenses of sale) received by the trust for the shares. The purported beneficial transferee or purported record transferee has no rights in the shares held by the trustee.

The trustee shall be designated by us and shall be unaffiliated with us and with any purported record transferee or purported beneficial transferee. Prior to the sale of any excess shares by the trust, the trustee will receive, in trust for the beneficiary, all dividends and other distributions paid by us with respect to the excess shares, and may also exercise all voting rights with respect to the excess shares.

Subject to Maryland law, effective as of the date that the shares have been transferred to the trust, the trustee shall have the authority, at the trustee's sole discretion:

- to rescind as void any vote cast by a purported record transferee prior to our discovery that the shares have been transferred to the trust; and
- to recast the vote in accordance with the desires of the trustee acting for the benefit of the beneficiary of the trust.

However, if we have already taken irreversible corporate action, then the trustee may not rescind and recast the vote.

Any beneficial owner or constructive owner of shares of our common stock and any person or entity (including the stockholder of record) who is holding shares of our common stock for a beneficial owner must, on request, provide us with a completed questionnaire containing the information regarding their ownership of such shares, as set forth in the applicable Treasury regulations. In addition, any person or entity that is a beneficial owner or constructive owner of shares of our common stock and any person or entity (including the stockholder of record) who is holding shares of our common stock for a beneficial owner or constructive owner shall, on request, be required to disclose to us in writing such information as we may request in order to determine the effect, if any, of such stockholder's actual and constructive ownership of shares of our common stock on our status as a REIT and to ensure compliance with the ownership limit, or as otherwise permitted by our board of directors.

All certificates representing shares of our common stock bear a legend referring to the restrictions described above.

These ownership limits could delay, defer or prevent a transaction or a change of control of our company that might involve a premium price for our common stock or otherwise be in the best interests of our stockholders.

TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar for our common stock is American Stock Transfer & Trust Company.

Certain provisions of Maryland law and of our charter and bylaws

The following summary of certain provisions of Maryland law and of our charter and bylaws does not purport to be complete and is subject to and qualified in its entirety by reference to Maryland law and our charter and bylaws, copies of which are exhibits to the registration statement of which this prospectus is a part. See "Where you can find more information."

OUR BOARD OF DIRECTORS

Our bylaws provide that the number of directors of our company may be established by our board of directors but may not be fewer than the minimum number permitted under the MGCL nor more than 15. Any vacancy may be filled, at any regular meeting or at any special meeting called for that purpose, only by a majority of the remaining directors, even if the remaining directors do not constitute a quorum.

Pursuant to our charter, each of our directors is elected by our common stockholders entitled to vote to serve until the next annual meeting and until their successors are duly elected and qualify. Holders of shares of our common stock will have no right to cumulative voting in the election of directors. Consequently, at each annual meeting of stockholders, the holders of a majority of the shares of our common stock entitled to vote will be able to elect all of our directors.

REMOVAL OF DIRECTORS

Our charter provides that a director may be removed only for cause (as defined in our charter) and only by the affirmative vote of at least two-thirds of the votes of common stockholders entitled to be cast generally in the election of directors. This provision, when coupled with the exclusive power of our board of directors to fill vacant directorships, precludes stockholders from removing incumbent directors except upon the existence of cause for removal and a substantial affirmative vote and filling the vacancies created by such removal with their own nominees.

BUSINESS COMBINATIONS

Under the MGCL, certain "business combinations" (including a merger, consolidation, share exchange or, in certain circumstances, an asset transfer or issuance or reclassification of equity securities) between a Maryland corporation and an interested stockholder (*i.e.* any person who beneficially owns 10% or more of the voting power of the corporation's shares or an affiliate or associate of the corporation who, at any time within the two-year period prior to the date in question, was the beneficial owner of 10% or more of the voting power of the then outstanding voting stock of the corporation, or an affiliate of such an interested stockholder) are prohibited for five years after the most recent date on which the interested stockholder becomes an interested stockholder. Thereafter, any such business combination must be recommended by the board of directors of such corporation and approved by the affirmative vote of at least (1) a majority of the votes entitled to be cast by holders of outstanding shares of voting stock of the corporation and (2) two-thirds of the votes entitled to be cast by holders of voting stock of the corporation other than shares held by the interested stockholder with whom (or with whose affiliate) the business combination is to be effected or held by an affiliate or associate of the interested stockholder, unless, among other conditions, the corporation's common stockholders receive a minimum price (as defined in the MGCL) for their shares and the consideration is received in cash or in the same form as previously paid by the interested stockholder for its shares. A person is not an interested stockholder under the statute if the board of directors approved in advance the transaction by which the person

otherwise would have become an interested stockholder. Our board of directors may provide that its approval is subject to compliance with any terms and conditions determined by it.

These provisions of the MGCL do not apply, however, to business combinations that are approved or exempted by a board of directors prior to the time that the interested stockholder becomes an interested stockholder. Pursuant to the statute, our board of directors has by resolution exempted Kenneth M. Woolley, his affiliates and associates and all persons acting in concert with the foregoing and Spencer F. Kirk, his affiliates and associates and all persons acting in concert with the foregoing, from these provisions of the MGCL and, consequently, the five-year prohibition and the supermajority vote requirements will not apply to business combinations between us and any person described above. As a result, any person described above may be able to enter into business combinations with us that may not be in the best interests of our stockholders without compliance by our company with the supermajority vote requirements and the other provisions of the statute.

CONTROL SHARE ACQUISITIONS

The MGCL provides that “control shares” of a Maryland corporation acquired in a “control share acquisition” have no voting rights except to the extent approved at a special meeting by the affirmative vote of two-thirds of the votes entitled to be cast on the matter, excluding shares of stock in a corporation in respect of which any of the following persons is entitled to exercise or direct the exercise of the voting power of shares of stock of the corporation in the election of directors: (1) a person who makes or proposes to make a control share acquisition, (2) an officer of the corporation or (3) an employee of the corporation who is also a director of the corporation. “Control shares” are voting shares of stock which, if aggregated with all other such shares of stock previously acquired by the acquirer or in respect of which the acquirer is able to exercise or direct the exercise of voting power (except solely by virtue of a revocable proxy), would entitle the acquirer to exercise voting power in electing directors within one of the following ranges of voting power: (1) one-tenth or more but less than one-third, (2) one-third or more but less than a majority, or (3) a majority or more of all voting power. Control shares do not include shares the acquiring person is then entitled to vote as a result of having previously obtained stockholder approval. A “control share acquisition” means the acquisition of control shares, subject to certain exceptions.

A person who has made or proposes to make a control share acquisition, upon satisfaction of certain conditions (including an undertaking to pay expenses), may compel our board of directors to call a special meeting of stockholders to be held within 50 days of demand to consider the voting rights of the shares. If no request for a meeting is made, the corporation may itself present the question at any stockholders meeting.

If voting rights are not approved at the meeting or if the acquiring person does not deliver an acquiring person statement as required by the statute, then, subject to certain conditions and limitations, the corporation may redeem any or all of the control shares (except those for which voting rights have previously been approved) for fair value determined, without regard to the absence of voting rights for the control shares, as of the date of the last control share acquisition by the acquirer or of any meeting of stockholders at which the voting rights of such shares are considered and not approved. If voting rights for control shares are approved at a stockholders meeting and the acquirer becomes entitled to vote a majority of the shares entitled to vote, all other stockholders may exercise appraisal rights. The fair value of the shares as determined for purposes of such appraisal rights may not be less than the highest price per share paid by the acquirer in the control share acquisition.

The control share acquisition statute does not apply (1) to shares acquired in a merger, consolidation or share exchange if the corporation is a party to the transaction or (2) to acquisitions approved or exempted by the charter or bylaws of the corporation.

Our bylaws contain a provision exempting from the control share acquisition statute any and all acquisitions by any person of our common stock. There can be no assurance that such provision will not be amended or eliminated at any time in the future.

SUBTITLE 8

Subtitle 8 of Title 3 of the MGCL permits a Maryland corporation with a class of equity securities registered under the Exchange Act and at least three independent directors to elect to be subject, by provision in its charter or bylaws or a resolution of its board of directors and notwithstanding any contrary provision in the charter or bylaws, to any or all of five provisions:

- a classified board,
- a two-thirds vote requirement for removing a director,
- a requirement that the number of directors be fixed only by vote of the directors,
- a requirement that a vacancy on the board be filled only by the remaining directors and for the remainder of the full term of the class of directors in which the vacancy occurred, and
- a majority requirement for the calling of a special meeting of stockholders.

Pursuant to Subtitle 8, we have elected to provide that vacancies on our board be filled only by the remaining directors and for the remainder of the full term of the directorship in which the vacancy occurred. Through provisions in our charter and bylaws unrelated to Subtitle 8, we already (1) require the affirmative vote of the holders of not less than two-thirds of all of the votes entitled to be cast on the matter for the removal of any director from the board, which removal shall only be allowed for cause, (2) vest in the board the exclusive power to fix the number of directorships and (3) require, unless called by our chairman of the board, our president, our chief executive officer or the board, the request of holders of not less than a majority of our outstanding shares of common stock to call a special meeting.

AMENDMENT TO OUR CHARTER AND BYLAWS

Except for amendments relating to removal of directors (which require the affirmative vote of the holders of not less than two-thirds of all of the votes entitled to be cast on the matter, which removal shall only be allowed for cause), the restrictions on ownership and transfer of our stock (which require the affirmative vote of the holders of not less than two-thirds of all the votes entitled to be cast on the matter) and the terms of our CCSs (which require the affirmative vote of the holders of not less than two-thirds of all CCSs and not less than a majority of all outstanding shares of common stock), our charter may be amended only with the approval of our board of directors and the affirmative vote of the holders of not less than a majority of all of the votes entitled to be cast on the matter.

Our board of directors has the exclusive power to adopt, alter or appeal any provision of our bylaws and to make new bylaws.

DISSOLUTION OF OUR COMPANY

The dissolution of our company must be approved by a majority of our entire board of directors and the affirmative vote of the holders of not less than a majority of all of the votes entitled to be cast on the matter.

ADVANCE NOTICE OF DIRECTOR NOMINATIONS AND NEW BUSINESS

Our bylaws provide that with respect to an annual meeting of stockholders, nominations of individuals for election to our board of directors and the proposal of business to be considered by stockholders may be made only (1) pursuant to our notice of the meeting, (2) by or at the direction of our board of directors or (3) by a stockholder who is entitled to vote at the meeting and has complied with the advance notice procedures set forth in our bylaws.

With respect to special meetings of stockholders, only the business specified in our notice of meeting may be brought before the meeting. Nominations of individuals for election to our board of directors may be made only (1) pursuant to our notice of the meeting, (2) by or at the direction of our board of directors or (3) provided that our board of directors has determined that directors shall be elected at such meeting, by a stockholder who is entitled to vote at the meeting and has complied with the advance notice provisions set forth in our bylaws.

ANTI-TAKEOVER EFFECT OF CERTAIN PROVISIONS OF MARYLAND LAW AND OF OUR CHARTER AND BYLAWS

Our charter bylaws and Maryland law contain provisions that may delay, defer or prevent a change of control or other transaction that might involve a premium price for our common stock or otherwise be in the best interests of our stockholders, including business combination provisions, supermajority vote and cause requirements for removal of directors and advance notice requirements for director nominations and stockholder proposals. Likewise, if the provision in the bylaws opting out of the control share acquisition provisions of the MGCL were rescinded, these provisions of the MGCL could have similar anti-takeover effects.

INDEMNIFICATION AND LIMITATION OF DIRECTORS' AND OFFICERS' LIABILITY

Our charter and the partnership agreement provide for indemnification of our officers and directors against liabilities to the fullest extent permitted by the MGCL, as amended from time to time.

The MGCL permits a Maryland corporation to include in its charter a provision limiting the liability of its directors and officers to the corporation and its stockholders for money damages except for liability resulting from actual receipt of an improper benefit or profit in money, property or services or active and deliberate dishonesty established by a final judgment as being material to the cause of action. Our charter contains such a provision which eliminates such liability to the maximum extent permitted by Maryland law.

The MGCL requires a corporation (unless its charter provides otherwise, which our company's charter does not) to indemnify a director or officer who has been successful, on the merits or otherwise, in the defense of any proceeding to which he or she is made a party by reason of his or her service in that capacity. The MGCL permits a corporation to indemnify its present and former directors and officers, among others, against judgments, penalties, fines, settlements and reasonable expenses actually incurred by them in connection with any proceeding to which they may be made a party by reason of their service in those or other capacities unless it is established that:

- the act or omission of the director or officer was material to the matter giving rise to the proceeding and:
  - was committed in bad faith or
  - was the result of active and deliberate dishonesty;
- the director or officer actually received an improper personal benefit in money, property or services; or
- in the case of any criminal proceeding, the director or officer had reasonable cause to believe that the act or omission was unlawful.

Certain provisions of Maryland law and of our charter and bylaws

However, under the MGCL, a Maryland corporation may not indemnify for an adverse judgment in a suit by or in the right of the corporation or for a judgment of liability on the basis that personal benefit was improperly received, unless in either case a court orders indemnification and then only for expenses. In addition, the MGCL permits a corporation to advance reasonable expenses to a director or officer upon the corporation's receipt of:

- a written affirmation by the director or officer of his or her good faith belief that he or she has met the standard of conduct necessary for indemnification by the corporation; and
- a written undertaking by the director or on the director's behalf to repay the amount paid or reimbursed by the corporation if it is ultimately determined that the director did not meet the standard of conduct.

Our charter authorizes us to obligate us and our bylaws obligate us, to the fullest extent permitted by Maryland law in effect from time to time, to indemnify and, without requiring a preliminary determination of the ultimate entitlement to indemnification, pay or reimburse reasonable expenses in advance of final disposition of a proceeding to:

- any present or former director or officer who is made a party to the proceeding by reason of his or her service in that capacity; or
- any individual who, while a director or officer of our company and at our request, serves or has served another corporation, real estate investment trust, partnership, joint venture, trust, employee benefit plan or any other enterprise as a director, officer, partner or trustee of such corporation, real estate investment trust, partnership, joint venture, trust, employee benefit plan or other enterprise and who is made a party to the proceeding by reason of his or her service in that capacity.

Our charter and bylaws also permit us to indemnify and advance expenses to any person who served a predecessor of ours in any of the capacities described above and to any employee or agent of our company or a predecessor of our company.

The partnership agreement provides that we, as general partner, and our officers and directors are indemnified to the fullest extent permitted by law. See "Extra Space Storage LP partnership agreement—Management Liability and Indemnification."

Insofar as the foregoing provisions permit indemnification of directors, officers or persons controlling us for liability arising under the Securities Act, we have been informed that in the opinion of the SEC, this indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable.

REIT STATUS

Our charter provides that our board of directors may revoke or otherwise terminate our REIT election, without approval of our stockholders, if it determines that it is no longer in our best interests to continue to qualify as a REIT.

Extra Space Storage LP partnership agreement

The following is a summary of the material terms of the partnership agreement, a copy of which is filed as an exhibit to the registration statement of which this prospectus is a part. See "Where you can find more information." All references to the "general partner" refer to us acting as the general partner of Extra Space Storage LP through our wholly owned subsidiary.

GENERAL; MANAGEMENT

Our operating partnership is a Delaware limited partnership that was formed on May 5, 2004. Through a wholly owned Massachusetts business trust, we are the sole general partner of our operating partnership. Pursuant to the partnership agreement, through the sole general partner of the operating partnership, we have, subject to certain protective rights of limited partners described below, full, exclusive and complete responsibility and discretion in the management and control of our operating partnership, including the ability to cause the partnership to enter into certain major transactions including a merger of our operating partnership or a sale of substantially all of the assets of our operating partnership.

The limited partners of our operating partnership expressly acknowledged that, as general partner of our operating partnership through a wholly owned Massachusetts business trust, we are acting for the benefit of the operating partnership, the limited partners and our stockholders collectively. Our company is under no obligation to give priority to the separate interests of the limited partners or our stockholders in deciding whether to cause our operating partnership to take or decline to take any actions.

MANAGEMENT LIABILITY AND INDEMNIFICATION

The general partner of our operating partnership, and its trustees and officers are not liable to our operating partnership for losses sustained, liabilities incurred or benefits not derived as a result of errors in judgment or mistakes of fact or law or of any act or omission, so long as it acted in good faith. The partnership agreement provides for indemnification of us, any of our directors, and both our officers or employees or those of the operating partnership and other persons as we may designate from and against all losses, claims, damages, liabilities, expenses, fines, settlements and other amounts incurred in connection with any actions relating to the operations of our operating partnership, as set forth in the partnership agreement (subject to the exceptions described below under "—Fiduciary Responsibilities").

FIDUCIARY RESPONSIBILITIES

Our directors and officers have duties under applicable Maryland law to manage us in a manner consistent with the best interests of our stockholders. At the same time, the general partner of our operating partnership has fiduciary duties to manage our operating partnership in a manner beneficial to our operating partnership and its partners. Our duties, through the general partner, to our operating partnership and its limited partners, therefore, may come into conflict with the duties of our directors and officers to our stockholders.

The partnership agreement expressly limits our liability and that of the general partner by providing that we and our officers and directors and the general partner and its officers and trustees are not liable or accountable in damages to our operating partnership, the limited partners or assignees for errors in judgment or mistakes of fact or law or of any act or omission if we or the director or officer acted in good faith. In addition, our operating partnership is required to indemnify us, the general partner, a trustee of the general partner, our directors, and both our officers and employees and those of the operating partnership to the fullest extent permitted by applicable law, against any and all losses, claims,

damages, liabilities, expenses, judgments, fines and other actions incurred by us or the other persons in connection with any actions relating to the operations of our operating partnership, provided that our operating partnership will not indemnify for willful misconduct or a knowing violation of the law or any transaction for which the person received an improper personal benefit in violation or breach of any provision of the partnership agreement.

DISTRIBUTIONS

The partnership agreement provides that holders of OP units are entitled to receive quarterly distributions of available cash (1) first, with respect to any OP units that are entitled to any preference with their respective percentage interests and (2) second, with respect to any OP units that are not entitled to any preference in distribution, in accordance with the rights of such class of OP unit (and, within such class, pro rata in accordance with their respective percentage interests). Holders of CCUs are not entitled to receive distributions.

ALLOCATIONS OF NET INCOME AND NET LOSS

Net income and net loss of our operating partnership are determined and allocated with respect to each fiscal year of our operating partnership as of the end of the year. Except as otherwise provided in the partnership agreement, an allocation of a share of net income or net loss is treated as an allocation of the same share of each item of income, gain, loss or deduction that is taken into account in computing net income or net loss. Except as otherwise provided in the partnership agreement, net income and net loss are allocated to the holders of OP units holding the same class of OP units in accordance with their respective percentage interests in the class at the end of each fiscal year. The partnership agreement contains provisions for special allocations intended to comply with certain regulatory requirements, including the requirements of Treasury Regulations Sections 1.704-1(b) and 1.704-2. Except as otherwise provided in the partnership agreement, for income tax purposes under the Internal Revenue Code and the Treasury Regulations, each operating partnership item of income, gain, loss and deduction is allocated among the limited partners of our operating partnership in the same manner as its correlative item of book income, gain, loss or deduction is allocated pursuant to the partnership agreement.

REDEMPTION RIGHTS

After the first anniversary of becoming a holder of OP units, each limited partner of our operating partnership and certain transferees will have the right, subject to the terms and conditions set forth in the partnership agreement, to require our operating partnership to redeem all or a portion of the OP units held by the party in exchange for a cash amount equal to the value of our OP units. On or before the close of business on the fifth business day after we receive a notice of redemption, we may, in our sole and absolute discretion, but subject to the restrictions on the ownership of our common stock imposed under our charter and the transfer restrictions and other limitations thereof, elect to acquire some or all of the tendered OP units from the tendering party in exchange for shares of our common stock, based on an exchange ratio of one share of our common stock for each OP unit (subject to antidilution adjustments provided in the partnership agreement). It is our current intention to exercise this right in connection with any redemption of OP units. Each limited partner may effect a redemption of OP units only once in each fiscal quarter, unless otherwise permitted by us, in our sole and absolute discretion, and may not effect a redemption for less than OP units. CCUs will not have a right of redemption.

CONTINGENT CONVERSION UNITS

Like our OP units, CCUs will not carry any voting rights except as provided in the next sentence or entitle the holders to receive distributions from our operating partnership. The partnership agreement of

our operating partnership provides that we shall not, without the affirmative vote of at least two-thirds of the CCUs outstanding at the time, amend, alter or repeal the provisions of the partnership agreement of our operating partnership, whether by merger, consolidation or otherwise, so as to materially and adversely affect any right, preference, privilege or voting power of the CCUs.

Upon the achievement of certain performance thresholds described below relating to the 14 early-stage lease-up properties which we will wholly own through various subsidiaries of our operating partnership upon completion of the offering and the formation transactions, all or a portion of the CCUs will be automatically converted into OP units. Initially, each CCS will be convertible on a one-for-one basis into OP units (but not before March 31, 2006), subject to customary anti-dilution adjustments.

Within 30 days after the end of each quarter beginning with the quarter ending March 30, 2006 and ending with the quarter ending December 31, 2008, we will calculate the net operating income from the 14 wholly owned early-stage lease-up properties over the 12-month period ending in such quarter. We consider such net operating income to equal total revenues less property related expenses from such lease-up properties over the measurement period, subject to adjustment to take into account sales of any of the lease properties that occur on or prior to December 31, 2008. Within 35 days following each measurement period, we will convert some or all of the CCUs so that the total percentage (not to exceed 100%) of CCUs issued in connection with the formation transactions that have been converted to OP units will be equal to the percentage determined by dividing the net operating income for such period in excess of $5.1 million by $4.6 million. If any CCUs are not converted through the calculation made in respect of the 12-month period ending December 31, 2008, all remaining outstanding CCUs will be cancelled.

This provision in the partnership agreement of our operating partnership is intended to allow a proportionate conversion of the CCUs into OP units as the net operating income produced by the 14 wholly owned early-stage lease-up properties grows from $5.1 million to $9.7 million (the projected fully stabilized net operating income) during any of the 12-month measurement periods. For the 12-month period ended March 31, 2004, the net operating income produced by these lease-up properties (which were 37.5% occupied on as of the end of this period) totaled $142,484. This means that none of the CCUs will convert into OP units until the net operating income produced by these lease-up properties first increases by a minimum of $ over any of the 12-month measurement periods.

The partnership agreement of our operating partnership provides that, while any CCUs remain outstanding, a majority of our independent directors must review and approve the net operating income calculation for each measurement period and also must approve any sales of the any of the 14 wholly owned early-stage lease-up properties.

The partnership agreement of our operating partnership also requires us to at all times reserve and keep available a sufficient number of OP units to allow for the full conversion of all CCUs.

TRANSFERABILITY OF OP UNITS

In general, the general partner may not voluntarily withdraw from our operating partnership or transfer all or a portion of its interest in the operating partnership unless the holders of limited partners entitled to vote consent by approval of a majority in interest or immediately after a merger of us into another entity. With certain limited exceptions, the limited partners may not transfer their interests in our operating partnership, in whole or in part, without our written consent, which consent may be withheld in the general partner’s sole discretion.

ISSUANCE OF OUR STOCK

Pursuant to the partnership agreement, upon the issuance of our stock other than in connection with a redemption of OP units, we will generally be obligated to contribute or cause to be contributed the cash proceeds or other consideration received from the issuance to our operating partnership in exchange for, in the case of common stock or CCSs, OP units or CCUs, as the case may be, or in the case of an issuance of preferred stock, preferred OP units with designations, preferences and other rights, terms and provisions that are substantially the same as the designations, preferences and other rights, terms and provisions of the preferred stock.

TAX MATTERS

Pursuant to the partnership agreement, the general partner is the tax matters partner of our operating partnership. Accordingly, through our role as the general partner of our operating partnership, we have the authority to handle or cause to be handled tax audits and to make or cause to be made tax elections under the Internal Revenue Code on behalf of our operating partnership.

TERM

The term of the operating partnership commenced on May 5, 2004 and will continue until December 31, 2104:

- the general partner’s bankruptcy, judicial dissolution or withdrawal (unless, in the case of a withdrawal, a majority-in-interest of the remaining limited partners agree to continue the partnership and to the appointment of a successor general partner);
- the sale or other disposition of all or substantially all of the general partner’s assets;
- redemption (or acquisition by us) of all OP units and CCUs other than OP units held by the general partner; or
- an election by the general partner in its capacity as the sole general partner of our operating partnership.

Shares eligible for future sale

GENERAL

Upon completion of the offering and the formation transactions, based upon an offering at the mid-point of the range of prices set forth on the front cover of this prospectus, we expect to have outstanding shares of our common stock (shares if the underwriters' over-allotment option is exercised in full).

Of these shares, the shares sold in the offering (shares if the underwriters' over-allotment option is exercised in full) will be freely transferable without restriction or further registration under the Securities Act, subject to the limitations on ownership set forth in our charter, except for any shares held by our "affiliates," as that term is defined by Rule 144 under the Securities Act. The remaining shares issued to our officers, directors and other employees plus any shares purchased by affiliates in the offering and the shares of our common stock owned by affiliates upon redemption of OP units and conversion of CCSs will be "restricted shares" as defined in Rule 144.

RULE 144

In general, under Rule 144 as currently in effect, beginning 90 days after the date of this prospectus, a person who has beneficially owned restricted shares of our common stock for at least one year would be entitled to sell, within any three-month period, that number of shares that does not exceed the greater of:

- 1% of the shares of our common stock then outstanding, which will equal approximately shares immediately after the offering (approximately shares if the underwriters' over-allotment option is exercised in full); or
- the average weekly trading volume of our common stock on the NYSE during the four calendar weeks preceding the date on which notice of the sale is filed with the SEC.

Sales under Rule 144 are also subject to manner of sale provisions, notice requirements and the availability of current public information about us.

REGISTRATION RIGHTS

We have granted those persons who will receive common stock, CCSs, OP units and CCUs in the formation transactions certain registration rights with respect to the shares of our common stock that may be acquired by them in the formation transactions or in connection with the exercise of the redemption/exchange rights under the partnership agreement or conversion of CCSs under our charter. These registration rights require us to seek to register all such shares of our common stock no later than 14 months following the completion of the offering and during a period of time that we are eligible to use a registration statement on Form S-3. We will bear expenses incident to our registration requirements under the registration rights, except that such expenses shall not include any out-of-pocket expenses of the persons exercising the redemption/exchange rights or conversion rights or transfer taxes, if any, relating to such shares, any underwriting or brokerage commissions or discounts.

STOCK OPTIONS AND INCENTIVE PLAN

We intend to adopt the 2004 long-term stock incentive plan of Extra Space Storage Inc. Key employees, directors and consultants are eligible to be granted stock options, restricted stock, phantom shares,

dividend equivalent rights and other stock-based awards under the 2004 stock incentive plan. We intend to reserve a total of 8,000,000 shares of our common stock for issuance pursuant to the 2004 long-term stock incentive plan, subject to certain adjustments as set forth in the plan.

We anticipate that we will file a registration statement on Form S-8 with respect to the shares of our common stock issuable under the 2004 long-term stock incentive plan following the consummation of the offering. Shares of our common stock covered by this registration statement, including shares of our common stock issuable upon the exercise of options or restricted shares of our common stock, will be eligible for transfer or resale without restriction under the Securities Act unless held by affiliates.

We intend to adopt the Non-Employee Director Plan. Non-employee directors are eligible to be granted options upon joining the company and annually thereafter. We intend to reserve a total of 800,000 shares of our common stock for issuance pursuant to the plan, subject to certain adjustments.

LOCK-UP AGREEMENTS

Our officers and directors and all of our other stockholders, who collectively will own shares of our common stock in the aggregate following completion of the offering, have agreed, with some exceptions, that, for a period of 180 days after the date of this prospectus, they will not, without in each case the prior written consent of UBS Securities LLC and Merrill Lynch, Pierce, Fenner & Smith Incorporated:

- offer, sell, contract to sell, pledge or otherwise dispose of, directly or indirectly, any shares of our common stock, enter into a transaction that would have the same effect, or enter into any swap, hedge or other arrangement that transfers, in whole or in part, any of the economic consequences of ownership of our common stock, whether any of these transactions are to be settled by delivery of our common stock or other securities, in cash or otherwise, or publicly disclose the intention to make any offer, sale, pledge or disposition, or to enter into any transaction, swap, hedge or other arrangement, or
- make any demand for or exercise any right with respect to, the registration of our common stock or any securities convertible into or exercisable or exchangeable for our common stock.

We have agreed that, for a period of 180 days after the date of the common stock prospectus, we will not offer, sell, contract to sell, pledge or otherwise dispose of, directly or indirectly, or file with the SEC a registration statement (except a registration statement on Form S-8 relating to the restricted share awards or our 2004 long-term stock incentive plan or a registration statement on Form S-4 relating to our acquisition of another entity under the 1933 Act relating to, any additional shares of our common stock or securities convertible into or exchangeable or exercisable for any shares of our common stock), or publicly disclose the intention to make any offer, sale, pledge, disposition or filing, without the prior written consent of UBS Securities LLC Bank and Merrill Lynch, Pierce, Fenner & Smith Incorporated other than grants of restricted stock to employees or directors pursuant to the terms of our 2004 long-term stock incentive plan, issuances of our common stock in connection with redemptions of OP units, issuances of our common stock or securities convertible into or exchangeable for shares of our common stock in connection with acquisitions, and issuances of our common stock in connection with the exercise of the warrants that are outstanding as of the date of the common stock prospectus. The 180-day lock up period may be extended for up to 15 calendar days plus three business days under certain circumstances where we announce or pre-announce earnings or material news or a material event within 15 calendar days plus three business days prior to, or approximately 16 days after, the termination of the 180-day period. Even under those circumstances, however, the lock-up period will not be extended if we are actively traded, meaning that we have a public float of at least $150.0 million and average trading volume of at least $1.0 million per day.

U.S. federal income tax considerations

The following is a summary of the material federal income tax consequences relating to our qualification and taxation as a REIT and the acquisition, holding, and disposition of our common stock. For purposes of this section under the heading “U.S. federal income tax considerations,” references to “the company,” “we,” “our” and “us” mean only Extra Space Storage Inc. and not its subsidiaries or other lower-tier entities or predecessor, except as otherwise indicated. Clifford Chance US LLP has rendered an opinion that this section, to the extent that it describes applicable U.S. federal income tax law, is correct in all material respects. You should be aware that the opinion is based on current law and is not binding on the IRS or any court. The IRS may challenge Clifford Chance US LLP’s opinion, and such challenge could be successful. You are urged to both review the following discussion and to consult with your own tax advisor to determine the effect of ownership and disposition of our shares on your individual tax situation, including any state, local or non-U.S. tax consequences.

This summary is based upon the Internal Revenue Code, the regulations promulgated by the U.S. Treasury Department, or the Treasury regulations, current administrative interpretations and practices of the IRS (including administrative interpretations and practices expressed in private letter rulings which are binding on the IRS only with respect to the particular taxpayers who requested and received those rulings) and judicial decisions, all as currently in effect, and all of which are subject to differing interpretations or to change, possibly with retroactive effect. No assurance can be given that the IRS would not assert, or that a court would not sustain, a position contrary to any of the tax consequences described below. No advance ruling has been or will be sought from the IRS regarding any matter discussed in this summary. The summary is also based upon the assumption that the operation of the company, and of its subsidiaries and other lower-tier and affiliated entities, will in each case be in accordance with its applicable organizational documents or partnership agreement. This summary does not purport to discuss all aspects of federal income taxation that may be important to a particular stockholder in light of its investment or tax circumstances, or to stockholders subject to special tax rules, such as:

- expatriates;
- persons who mark-to-market our common stock;
- subchapter S corporations;
- U.S. stockholders (as defined below) whose functional currency is not the U.S. dollar;
- financial institutions;
- insurance companies;
- broker-dealers;
- regulated investment companies;
- trusts and estates;
- holders who receive our common stock through the exercise of employee stock options or otherwise as compensation;
- persons holding our common stock as part of a “straddle,” “hedge,” “conversion transaction,” “synthetic security” or other integrated investment;
- persons subject to the alternative minimum tax provisions of the Internal Revenue Code;

- persons holding their interest through a partnership or similar pass-through entity;
- persons holding a 10% or more (by vote or value) beneficial interest in us;

and, except to the extent discussed below:

- tax-exempt organizations; and
- non-U.S. stockholders (as defined below).

This summary assumes that stockholders will hold our common stock as capital assets, which generally means as property held for investment.

THE U.S. FEDERAL INCOME TAX TREATMENT OF HOLDERS OF OUR COMMON STOCK DEPENDS IN SOME INSTANCES ON DETERMINATIONS OF FACT AND INTERPRETATIONS OF COMPLEX PROVISIONS OF U.S. FEDERAL INCOME TAX LAW FOR WHICH NO CLEAR PRECEDENT OR AUTHORITY MAY BE AVAILABLE. IN ADDITION, THE TAX CONSEQUENCES OF HOLDING OUR COMMON STOCK TO ANY PARTICULAR STOCKHOLDER WILL DEPEND ON THE STOCKHOLDER'S PARTICULAR TAX CIRCUMSTANCES. YOU ARE URGED TO CONSULT YOUR OWN TAX ADVISOR REGARDING THE U.S. FEDERAL, STATE, LOCAL, AND FOREIGN INCOME AND OTHER TAX CONSEQUENCES TO YOU, IN LIGHT OF YOUR PARTICULAR INVESTMENT OR TAX CIRCUMSTANCES, OF ACQUIRING, HOLDING, AND DISPOSING OF OUR COMMON STOCK.

TAXATION OF THE COMPANY

We intend to elect to be taxed as a REIT under the Internal Revenue Code, commencing with our initial taxable year ending December 31, 2004. We believe that we are organized and will operate in a manner that will allow us to qualify for taxation as a REIT under the Internal Revenue Code commencing with our taxable year ending December 31, 2004, and we intend to continue to be organized and operate in such a manner.

The law firm of Clifford Chance US LLP has acted as our tax counsel in connection with the offering. We have received the opinion of Clifford Chance US LLP to the effect that commencing with our taxable year ending December 31, 2004, we are organized in conformity with the requirements for qualification and taxation as a REIT under the Internal Revenue Code, and our proposed method of operation will enable us to meet the requirements for qualification and taxation as a REIT under the Internal Revenue Code. It must be emphasized that the opinion of Clifford Chance US LLP is based on various assumptions relating to our organization and operation, including that all factual representations and statements set forth in all relevant documents, records and instruments are true and correct, all actions described in this prospectus are completed in a timely fashion and that we will at all times operate in accordance with the method of operation described in our organizational documents and this prospectus, and is conditioned upon factual representations and covenants made by our management and affiliated entities regarding our organization, assets, and present and future conduct of our business operations, and assumes that such representations and covenants are accurate and complete and that we will take no action inconsistent with our status as a REIT. While we believe that we are organized and intend to operate so that we will qualify as a REIT, given the highly complex nature of the rules governing REITs, the ongoing importance of factual determinations, and the possibility of future changes in our circumstances, no assurance can be given by Clifford Chance US LLP or us that we will so qualify for any particular year. Clifford Chance US LLP will have no obligation to advise us or the holders of our common stock of any subsequent change in the matters stated, represented or assumed, or of any

subsequent change in the applicable law. You should be aware that opinions of counsel are not binding on the IRS, and no assurance can be given that the IRS will not challenge the conclusions set forth in such opinions.

Qualification and taxation as a REIT depends on our ability to meet, on a continuing basis, through actual operating results, distribution levels, and diversity of stock ownership, various qualification requirements imposed upon REITs by the Internal Revenue Code, the compliance with which will not be reviewed by Clifford Chance US LLP. Our ability to qualify as a REIT also requires that we satisfy certain asset tests, some of which depend upon the fair market values of assets directly or indirectly owned by us. Such values may not be susceptible to a precise determination. Accordingly, no assurance can be given that the actual results of our operations for any taxable year will satisfy such requirements for qualification and taxation as a REIT.

Taxation of REITs in General

As indicated above, our qualification and taxation as a REIT depend upon our ability to meet, on a continuing basis, various qualification requirements imposed upon REITs by the Internal Revenue Code. The material qualification requirements are summarized below under "—Requirements for Qualification—General." While we intend to operate so that we qualify as a REIT, no assurance can be given that the IRS will not challenge our qualification as a REIT, or that we will be able to operate in accordance with the REIT requirements in the future. See "—Failure to Qualify."

Provided that we qualify as a REIT, we will generally be entitled to a deduction for dividends that we pay and therefore will not be subject to U.S. federal corporate income tax on our net income that is currently distributed to our stockholders. This treatment substantially eliminates the "double taxation" at the corporate and stockholder levels that results generally from investment in a corporation. Rather, income generated by a REIT generally is taxed only at the stockholder level upon a distribution of dividends by the REIT.

The Jobs and Growth Tax Relief Reconciliation Act of 2003, which we refer to in this prospectus as the 2003 Act, was enacted in May 2003. Among other provisions, the 2003 Act generally lowered the rate at which stockholders who are individual U.S. stockholders (as defined below) are taxed on corporate dividends to a maximum rate of 15% (the same as long-term capital gains), for the 2003 through 2008 tax years, thereby substantially reducing, though not completely eliminating, the double taxation that has historically applied to corporate dividends. With limited exceptions, however, dividends received by individual U.S. stockholders (as defined below) from us or from other entities that are taxed as REITs will continue to be taxed at rates applicable to ordinary income, which, pursuant to the 2003 Act, will be as high as 35% through 2010.

Net operating losses, foreign tax credits and other tax attributes of a REIT generally do not pass through to the stockholders of the REIT, subject to special rules for certain items such as capital gains recognized by REITs. See "—Taxation of Stockholders."

If we qualify as a REIT, we will nonetheless be subject to U.S. federal tax in the following circumstances:

- We will be taxed at regular corporate rates on any undistributed income, including undistributed net capital gains.
- We may be subject to the "alternative minimum tax" on our items of tax preference, if any.

- If we have net income from prohibited transactions, which are, in general, sales or other dispositions of property held primarily for sale to tenants in the ordinary course of business, other than foreclosure property, such income will be subject to a 100% tax. See "—Prohibited Transactions," and "—Foreclosure Property," below.
- If we elect to treat property that we acquire in connection with a foreclosure of a mortgage loan or certain leasehold terminations as "foreclosure property," we may thereby avoid (a) the 100% tax on gain from a resale of that property (if the sale would otherwise constitute a prohibited transaction), and (b) the inclusion of any income from such property not qualifying for purposes of the REIT gross income tests discussed below, but the income from the sale or operation of the property may be subject to corporate income tax at the highest applicable rate (currently 35%).
- If we fail to satisfy the 75% gross income test or the 95% gross income test, as discussed below, but nonetheless maintain our qualification as a REIT because other requirements are met, we will be subject to a 100% tax on an amount equal to (a) the greater of (1) the amount by which we fail the 75% gross income test or (2) the amount by which 90% of our gross income exceeds the amount qualifying under the 95% gross income test, as the case may be, multiplied by (b) a fraction intended to reflect our profitability.
- If we fail to distribute during each calendar year at least the sum of (a) 85% of our REIT ordinary income for such year, (b) 95% of our REIT capital gain net income for such year and (c) any undistributed taxable income from prior periods, or the "required distribution," we will be subject to a 4% excise tax on the excess of the required distribution over the sum of (i) the amounts actually distributed (taking into account excess distributions from prior years), plus (ii) retained amounts on which income tax is paid at the corporate level.
- We may be required to pay monetary penalties to the IRS in certain circumstances, including if we fail to meet record-keeping requirements intended to monitor our compliance with rules relating to the composition of our stockholders, as described below in "—Requirements for Qualification—General."
- A 100% excise tax may be imposed on some items of income and expense that are directly or constructively paid between us, our tenants and/or our "taxable REIT subsidiary" (as described below) if and to the extent that the IRS successfully adjusts the reported amounts of these items.
- If we acquire appreciated assets from a corporation that is not a REIT (*i.e.*, a corporation taxable under subchapter C of the Internal Revenue Code) in a transaction in which the adjusted tax basis of the assets in our hands is determined by reference to the adjusted tax basis of the assets in the hands of the subchapter C corporation, we may be subject to tax on such appreciation at the highest corporate income tax rate then applicable if we subsequently recognize gain on a disposition of any such assets during the ten-year period following their acquisition from the subchapter C corporation. The results described in this paragraph assume that the subchapter C corporation will not elect in lieu of this treatment to be subject to an immediate tax when the asset is acquired.
- We may elect to retain and pay income tax on our net long-term capital gain. In that case, a stockholder would include its proportionate share of our undistributed long-term capital gain (to the extent we make a timely designation of such gain to the stockholder) in its income, we would be deemed to have paid the tax that we paid on such gain, and would be allowed a credit for its proportionate share of the tax deemed to have been paid, and an adjustment would be made to increase the stockholders' basis in our common stock.
- We may have subsidiaries or own interests in other lower-tier entities that are subchapter C corporations, the earnings of which could be subject to federal corporate income tax.

In addition, we and our subsidiaries may be subject to a variety of taxes other than U.S. federal income tax, including payroll taxes and state, local, and foreign income, property and other taxes on assets and operations. We could also be subject to tax in situations and on transactions not presently contemplated.

Requirements for Qualification—General

The Internal Revenue Code defines a REIT as a corporation, trust or association:

(1) that is managed by one or more trustees or directors;

(2) the beneficial ownership of which is evidenced by transferable shares, or by transferable certificates of beneficial interest;

(3) that would be taxable as a domestic corporation but for the special Internal Revenue Code provisions applicable to REITs;

(4) that is neither a financial institution nor an insurance company subject to specific provisions of the Internal Revenue Code;

(5) the beneficial ownership of which is held by 100 or more persons;

(6) in which, during the last half of each taxable year, not more than 50% in value of the outstanding stock is owned, directly or indirectly, by five or fewer "individuals" (as defined in the Internal Revenue Code to include specified entities);

(7) which meets other tests described below, including with respect to the nature of its income and assets and the amount of its distributions; and

(8) that makes an election to be a REIT for the current taxable year or has made such an election for a previous taxable year that has not been terminated or revoked.

The Internal Revenue Code provides that conditions (1) through (4) must be met during the entire taxable year, and that condition (5) must be met during at least 335 days of a taxable year of 12 months, or during a proportionate part of a shorter taxable year. Conditions (5) and (6) do not need to be satisfied for the first taxable year for which an election to become a REIT has been made. Our charter provides restrictions regarding the ownership and transfer of its shares, which are intended to assist in satisfying the share ownership requirements described in conditions (5) and (6) above. For purposes of condition (6), an "individual" generally includes a supplemental unemployment compensation benefit plan, a private foundation, or a portion of a trust permanently set aside or used exclusively for charitable purposes, but does not include a qualified pension plan or profit sharing trust.

To monitor compliance with the share ownership requirements, we are generally required to maintain records regarding the actual ownership of our shares. To do so, we must demand written statements each year from the record holders of significant percentages of our stock in which the record holders are to disclose the actual owners of the shares, *i.e.*, the persons required to include in gross income the dividends paid by us. A list of those persons failing or refusing to comply with this demand must be maintained as part of our records. Failure by us to comply with these record-keeping requirements could subject us to monetary penalties. If we satisfy these requirements and have no reason to know that condition (6) is not satisfied, we will be deemed to have satisfied such condition. A stockholder that fails or refuses to comply with the demand is required by Treasury regulations to submit a statement with its tax return disclosing the actual ownership of the shares and other information.

In addition, a corporation generally may not elect to become a REIT unless its taxable year is the calendar year. We satisfy this requirement.

Effect of Subsidiary Entities

Ownership of Partnership Interests. In the case of a REIT that is a partner in a partnership, Treasury regulations provide that the REIT is deemed to own its proportionate share of the partnership's assets, and to earn its proportionate share of the partnership's gross income based on its pro rata share of capital interest in the partnership, for purposes of the asset and gross income tests applicable to REITs as described below. In addition, the assets and gross income of the partnership generally are deemed to retain the same character in the hands of the REIT. Thus, our proportionate share, based upon our percentage capital interest, of the assets and items of income of partnerships in which we own an equity interest (including our interest in our operating partnership and its equity interests in lower-tier partnerships), is treated as assets and items of income of our company for purposes of applying the REIT requirements described below. Consequently, to the extent that we directly or indirectly hold a preferred or other equity interest in a partnership, the partnership's assets and operations may affect our ability to qualify as a REIT, even though we may have no control, or only limited influence, over the partnership. A summary of certain rules governing the U.S. federal income taxation of partnerships and their partners is provided below in "—Tax Aspects of Investments in Partnerships."

Disregarded Subsidiaries. If a REIT owns a corporate subsidiary that is a "qualified REIT subsidiary," that subsidiary is disregarded for U.S. federal income tax purposes, and all assets, liabilities and items of income, deduction and credit of the subsidiary are treated as assets, liabilities and items of income, deduction and credit of the REIT itself, including for purposes of the gross income and asset tests applicable to REITs as summarized below. A qualified REIT subsidiary is any corporation, other than a "taxable REIT subsidiary" (as described below), that is wholly owned by a REIT, or by other disregarded subsidiaries, or by a combination of the two. Single member limited liability companies that are wholly owned by a REIT are also generally disregarded as separate entities for U.S. federal income tax purposes, including for purposes of the REIT gross income and asset tests. Disregarded subsidiaries, along with partnerships in which we hold an equity interest, are sometimes referred to herein as "pass-through subsidiaries."

In the event that a disregarded subsidiary ceases to be wholly owned by us—for example, if any equity interest in the subsidiary is acquired by a person other than us or another disregarded subsidiary of us—the subsidiary's separate existence would no longer be disregarded for U.S. federal income tax purposes. Instead, it would have multiple owners and would be treated as either a partnership or a taxable corporation. Such an event could, depending on the circumstances, adversely affect our ability to satisfy the various asset and gross income tests applicable to REITs, including the requirement that REITs generally may not own, directly or indirectly, more than 10% of the value of voting power of the outstanding securities of another corporation. See "—Asset Tests" and "—Gross Income Tests."

Taxable Subsidiaries. A REIT, in general, may jointly elect with a subsidiary corporation, whether or not wholly owned, to treat the subsidiary corporation as a taxable REIT subsidiary. The separate existence of a taxable REIT subsidiary or other taxable corporation, unlike a disregarded subsidiary as discussed above, is not ignored for U.S. federal income tax purposes. Accordingly, such an entity would generally be subject to corporate income tax on its earnings, which may reduce the cash flow generated by us and our subsidiaries in the aggregate, and our ability to make distributions to our stockholders.

A REIT is not treated as holding the assets of a taxable subsidiary corporation or as receiving any income that the subsidiary earns. Rather, the stock issued by the subsidiary is an asset in the hands of the REIT, and the REIT recognizes as income the dividends, if any, that it receives from the subsidiary. This treatment can affect the gross income and asset test calculations that apply to the REIT, as described below. Because a parent REIT does not include the assets and income of such subsidiary corporations in

determining the parent's compliance with the REIT requirements, such entities may be used by the parent REIT to undertake indirectly activities that the REIT rules might otherwise preclude it from doing directly or through pass-through subsidiaries (for example, activities that give rise to certain categories of income such as management fees or foreign currency gains).

Certain restrictions imposed on taxable REIT subsidiaries are intended to ensure that such entities will be subject to appropriate levels of U.S. federal income taxation. First, a taxable REIT subsidiary may not deduct interest payments made in any year to an affiliated REIT to the extent that such payments exceed, generally, 50% of the taxable REIT subsidiary's adjusted taxable income for that year (although the taxable REIT subsidiary may carry forward to, and deduct in, a succeeding year the disallowed interest amount if the 50% test is satisfied in that year). In addition, if amounts are paid to a REIT or deducted by a taxable REIT subsidiary due to transactions between a REIT, its tenants and/or a taxable REIT subsidiary, that exceed the amount that would be paid to or deducted by a party in an arm's-length transaction, the REIT generally will be subject to an excise tax equal to 100% of such excess. We expect that we and one of our corporate subsidiaries, Extra Space Management Inc., will make an election for that subsidiary to be treated as a taxable REIT subsidiary for U.S. federal income tax purposes.

Gross Income Tests

In order to maintain qualification as a REIT, we annually must satisfy two gross income tests. First, at least 75% of our gross income for each taxable year, excluding gross income from sales of inventory or dealer property in "prohibited transactions," must be derived from investments relating to real property or mortgages on real property, including "rents from real property," dividends received from other REITs, interest income derived from mortgage loans secured by real property (including certain types of mortgage-backed securities), and gains from the sale of real estate assets, as well as income from certain kinds of temporary investments. Second, at least 95% of our gross income in each taxable year, excluding gross income from prohibited transactions, must be derived from some combination of income that qualifies under the 75% income test described above, as well as other dividends, interest, and gain from the sale or disposition of stock or securities, which need not have any relation to real property and certain payments under certain interest rate hedging instruments.

Rents received by us will qualify as "rents from real property" in satisfying the gross income tests described above, only if several conditions are met, including the following. The rent must not be based in whole or in part on the income or profits of any person. However, an amount will not be excluded from rents from real property solely by being based on a fixed percentage or percentages of sales or if it is based on the net income of a tenant which derives substantially all of its income with respect to such property from subleasing of substantially all of such property, to the extent that the rents paid by the sublessees would qualify as rents from real property, if earned directly by us. If rent is partly attributable to personal property leased in connection with a lease of real property, the portion of the total rent that is attributable to the personal property will not qualify as "rents from real property" unless it constitutes 15% or less of the total rent received under the lease. Moreover, for rents received to qualify as "rents from real property," we generally must not operate or manage the property or furnish or render certain services to the tenants of such property, other than through an "independent contractor" who is adequately compensated and from which we derive no income or through a taxable REIT subsidiary, as discussed below. We are permitted, however, to perform services that are "usually or customarily rendered" in connection with the rental of space for occupancy only and are not otherwise considered rendered to the occupant of the property. In addition, we may directly or indirectly provide non-customary services to tenants of our properties without disqualifying all of the rent from the property if the payment for such services does not exceed 1% of the total gross income from the property. In such a case, only the amounts for non-customary services are not treated as rents from real property. The rest of the rent will be

qualifying income. For purposes of this test, the income received from such non-customary services is deemed to be at least 150% of the direct cost of providing the services. Moreover, we are permitted to provide services to tenants or others through a taxable REIT subsidiary without disqualifying the rental income received from tenants for purposes of the REIT income tests. Also, rental income will qualify as rents from real property only to the extent that we do not directly or constructively own, (i) in the case of any lessee which is a corporation, stock possessing 10% or more of the total combined voting power of all classes of stock entitled to vote, or 10% or more of the total value of shares of all classes of stock of such lessee, or (ii) in the case of any lessee which is not a corporation, an interest of 10% or more in the assets or net profits of such lessee. However, rental payments from a taxable REIT subsidiary will qualify as rents from real property even if we own more than 10% of the combined voting power of the taxable REIT subsidiary if at least 90% of the property is leased to unrelated tenants and the rent paid by the taxable REIT subsidiary is substantially comparable to the rent paid by the unrelated tenants for comparable space.

Unless we determine that the resulting nonqualifying income under any of the following situations, taken together with all other nonqualifying income earned by us in the taxable year, will not jeopardize our status as a REIT, we do not and do not intend to:

- charge rent for any property that is based in whole or in part on the income or profits of any person, except by reason of being based on a fixed percentage or percentages of receipts or sales, as described above;
- rent any property to a related party tenant, including a taxable REIT subsidiary, unless the rent from the lease to the taxable REIT subsidiary would qualify for the special exception from the related party tenant rule applicable to certain leases with a taxable REIT subsidiary;
- derive rental income attributable to personal property other than personal property leased in connection with the lease of real property, the amount of which is less than 15% of the total rent received under the lease; or
- directly perform services considered to be noncustomary or rendered to the occupant of the property.

We may indirectly receive distributions from taxable REIT subsidiaries or other corporations that are not REITs or qualified REIT subsidiaries. These distributions will be classified as dividend income to the extent of the earnings and profits of the distributing corporation. Such distributions will generally constitute qualifying income for purposes of the 95% gross income test, but not under the 75% gross income test. Any dividends received by us from a REIT will be qualifying income in our hands for purposes of both the 95% and 75% gross income tests.

Interest income constitutes qualifying mortgage interest for purposes of the 75% gross income test (as described above) to the extent that the obligation is secured by a mortgage on real property. If we receive interest income with respect to a mortgage loan that is secured by both real property and other property, and the highest principal amount of the loan outstanding during a taxable year exceeds the fair market value of the real property on the date that we acquired or originated the mortgage loan, the interest income will be apportioned between the real property and the other property, and our income from the arrangement will qualify for purposes of the 75% gross income test only to the extent that the interest is allocable to the real property. Even if a loan is not secured by real property or is undersecured, the income that it generates may nonetheless qualify for purposes of the 95% gross income test.

To the extent that the terms of a loan provide for contingent interest that is based on the cash proceeds realized upon the sale of the property securing the loan (a “shared appreciation provision”), income attributable to the participation feature will be treated as gain from sale of the underlying property, which generally will be qualifying income for purposes of both the 75% and 95% gross income tests, provided that the property is not inventory or dealer property in the hands of the borrower or us.

To the extent that we derive interest income from a loan where all or a portion of the amount of interest payable is contingent, such income generally will qualify for purposes of the gross income tests only if it

is based upon the gross receipts or sales, and not the net income or profits of any person. This limitation does not apply, however, to a mortgage loan where the borrower derives substantially all of its income from the property from the leasing of substantially all of its interest in the property to tenants, to the extent that the rental income derived by the borrower would qualify as rents from real property had it been earned directly by us.

If we fail to satisfy one or both of the 75% or 95% gross income tests for any taxable year, we may still qualify as a REIT for the year if we are entitled to relief under applicable provisions of the Internal Revenue Code. These relief provisions will generally be available if the failure of our company to meet these tests was due to reasonable cause and not due to willful neglect. We attach to our U.S. federal income tax return a schedule of the sources of our income, and any incorrect information on the schedule was not due to fraud with intent to evade tax. It is not possible to state whether we would be entitled to the benefit of these relief provisions in all circumstances. If these relief provisions are inapplicable to a particular set of circumstances involving us, we will not qualify as a REIT. As discussed above under "—Taxation of REITs in General," even where these relief provisions apply, a tax would be imposed upon certain amounts by which we fail to satisfy the particular gross income test.

Asset Tests

We, at the close of each calendar quarter, must also satisfy four tests relating to the nature of our assets. First, at least 75% of the value of our total assets must be represented by some combination of "real estate assets," cash, cash items, U.S. government securities, and, under some circumstances, stock or debt instruments purchased with new capital. For this purpose, real estate assets include interests in real property, such as land, buildings, leasehold interests in real property, stock of other corporations that qualify as REITs, and certain kinds of mortgage-backed securities and mortgage loans. Assets that do not qualify for purposes of the 75% test are subject to the additional asset tests described below.

The second asset test is that the value of any one issuer's securities owned by us may not exceed 5% of the value of our gross assets. Third, we may not own more than 10% of any one issuer's outstanding securities, as measured by either voting power or value. The 5% and 10% asset tests do not apply to securities of taxable REIT subsidiaries and qualified REIT subsidiaries, and the 10% value test does not apply to "straight debt" having specified characteristics. Fourth, the aggregate value of all securities of taxable REIT subsidiaries held by us may not exceed 20% of the value of our gross assets. In general, straight debt is a written unconditional promise to pay on demand or at a specific date a fixed principal amount. The interest rate and payment dates must not be contingent on profits or the discretion of the debtor, and the security may not contain a convertibility feature.

If we hold indebtedness from any issuer, including an individual or partnership, the indebtedness will be subject to, and may cause a violation of, the asset tests, unless it is a qualifying real estate asset or otherwise satisfies the rules for "straight debt."

After initially meeting the asset tests at the close of any quarter, we will not lose our status as a REIT for failure to satisfy the asset tests at the end of a later quarter solely by reason of changes in asset values. If we fail to satisfy the asset tests because we acquire securities during a quarter, we can cure this failure by disposing of sufficient non-qualifying assets within 30 days after the close of that quarter.

We believe that our holdings of securities and other assets will comply with the foregoing REIT asset requirements, and we intend to monitor compliance on an ongoing basis. Moreover, values of some assets may not be susceptible to a precise determination, and values are subject to change in the future. Furthermore, the proper classification of an instrument as debt or equity for U.S. federal income tax purposes may be uncertain in some circumstances, which could affect the application of the REIT asset tests. Accordingly, there can be no assurance that the IRS will not contend that our interests in subsidiaries or in the securities of other issuers cause a violation of the REIT asset tests.

U.S. federal income tax considerations

Annual Distribution Requirements

In order to qualify as a REIT, we are required to distribute dividends, other than capital gain dividends, to our stockholders in an amount at least equal to:

(a) the sum of:

- 90% of our "REIT taxable income" (computed without regard to our deduction for dividends paid and our net capital gains), and
- 90% of the net income, if any (after tax), from foreclosure property (as described below), minus

(b) the sum of specified items of non-cash income that exceeds a percentage of our income.

These distributions must be paid in the taxable year to which they relate, or in the following taxable year if such distributions are declared in October, November or December of the taxable year, payable to stockholders of record on a specified date in any such month, and are actually paid before the end of January of the following year. Such distributions are treated as both paid by us and received by each stockholder on December 31 of the year in which they are declared. In addition, at our election, a distribution for a taxable year may be declared before we timely file our tax return for the year and paid with or before the first regular dividend payment after such declaration, provided such payment is made during the 12-month period following the close of such taxable year. These distributions are taxable to our stockholders in the year in which paid, even though the distributions relate to our prior taxable year for purposes of the 90% distribution requirement.

In order for distributions to be counted towards our distribution requirement, and to give rise to a tax deduction by us, they must not be "preferential dividends." A dividend is not a preferential dividend if it is pro rata among all outstanding shares of stock within a particular class, and is in accordance with the preferences among different classes of stock as set forth in the organizational documents.

To the extent that we distribute at least 90%, but less than 100%, of our "REIT taxable income," as adjusted, we will be subject to tax at ordinary corporate tax rates on the retained portion. In addition, we may elect to retain, rather than distribute, our net long-term capital gains and pay tax on such gains. In this case, we could elect to have our stockholders include their proportionate share of such undistributed long-term capital gains in income and receive a corresponding credit for their proportionate share of the tax paid by us. Our stockholders would then increase the adjusted basis of their stock in us by the difference between the designated amounts included in their long-term capital gains and the tax deemed paid with respect to their proportionate shares.

If we fail to distribute during each calendar year at least the sum of (1) 85% of our REIT ordinary income for such year, (2) 95% of our REIT capital gain net income for such year and (3) any undistributed taxable income from prior periods, we will be subject to a 4% excise tax on the excess of such required distribution over the sum of (A) the amounts actually distributed (taking into account excess distributions from prior periods) and (B) the amounts of income retained on which we have paid corporate income tax. We intend to make timely distributions so that we are not subject to the 4% excise tax.

It is possible that we, from time to time, may not have sufficient cash to meet the distribution requirements due to timing differences between (1) the actual receipt of cash, including receipt of distributions from our subsidiaries and (2) the inclusion of items in income by us for U.S. federal income tax purposes. Potential sources of non-cash taxable income include loans or mortgage-backed securities held by us as assets that are issued at a discount and require the accrual of taxable interest income in

advance of our receipt in cash, loans on which the borrower is permitted to defer cash payments of interest and distressed loans on which we may be required to accrue taxable interest income even though the borrower is unable to make current servicing payments in cash. In the event that such timing differences occur, in order to meet the distribution requirements, it might be necessary to arrange for short-term, or possibly long-term, borrowings, or to pay dividends in the form of taxable in-kind distributions of property.

We may be able to rectify a failure to meet the distribution requirements for a year by paying "deficiency dividends" to stockholders in a later year, which may be included in our deduction for dividends paid for the earlier year. In this case, we may be able to avoid losing our REIT status or being taxed on amounts distributed as deficiency dividends. However, we will be required to pay interest and a penalty based on the amount of any deduction taken for deficiency dividends.

Failure to Qualify

If we fail to qualify for taxation as a REIT in any taxable year, and the relief provisions of the Internal Revenue Code do not apply, we will be subject to tax, including any applicable alternative minimum tax, on our taxable income at regular corporate rates. Distributions to our stockholders in any year in which we are not a REIT will not be deductible by us, nor will they be required to be made. In this situation, to the extent of current and accumulated earnings and profits, and, subject to limitations of the Internal Revenue Code, distributions to our stockholders will generally be taxable in the case of our stockholders who are individual U.S. stockholders (as defined below), at a maximum rate of 15%, pursuant to the 2003 Act, and dividends in the hands of our corporate U.S. stockholders may be eligible for the dividends received deduction. Unless we are entitled to relief under specific statutory provisions, we will also be disqualified from re-electing to be taxed as a REIT for the four taxable years following a year during which qualification was lost. It is not possible to state whether, in all circumstances, we will be entitled to this statutory relief.

Prohibited Transactions

Net income derived from a prohibited transaction is subject to a 100% tax. The term "prohibited transaction" generally includes a sale or other disposition of property (other than foreclosure property) that is held primarily for sale to tenants in the ordinary course of a trade or business by a REIT, by a lower-tier partnership in which the REIT holds an equity interest or by a borrower that has issued a shared appreciation mortgage or similar debt instrument to the REIT. We intend to hold our properties for investment with a view to long-term appreciation, to engage in the business of owning and operating properties and to make sales of properties that are consistent with our investment objectives. However, whether property is held "primarily for sale to tenants in the ordinary course of a trade or business" depends on the particular facts and circumstances. No assurance can be given that any particular property in which we hold a direct or indirect interest will not be treated as property held for sale to tenants, or that certain safe-harbor provisions of the Internal Revenue Code that prevent such treatment will apply. The 100% tax will not apply to gains from the sale of property that is held through a taxable REIT subsidiary or other taxable corporation, although such income will be subject to tax in the hands of the corporation at regular corporate income tax rates.

Foreclosure Property

Foreclosure property is real property and any personal property incident to such real property (1) that is acquired by a REIT as a result of the REIT having bid in the property at foreclosure, or having otherwise reduced the property to ownership or possession by agreement or process of law, after there was a

default (or default was imminent) on a lease of the property or a mortgage loan held by the REIT and secured by the property, (2) for which the related loan or lease was acquired by the REIT at a time when default was not imminent or anticipated and (3) for which such REIT makes a proper election to treat the property as foreclosure property. REITs generally are subject to tax at the maximum corporate rate (currently 35%) on any net income from foreclosure property, including any gain from the disposition of the foreclosure property, other than income that would otherwise be qualifying income for purposes of the 75% gross income test. Any gain from the sale of property for which a foreclosure property election has been made will not be subject to the 100% tax on gains from prohibited transactions described above, even if the property would otherwise constitute inventory or dealer property in the hands of the selling REIT. We do not anticipate that we will receive any income from foreclosure property that is not qualifying income for purposes of the 75% gross income test, but, if we do receive any such income, we intend to make an election to treat the related property as foreclosure property.

Hedging Transactions

We may enter into hedging transactions with respect to one or more of our assets or liabilities. Hedging transactions could take a variety of forms, including interest rate swaps or cap agreements, options, futures contracts, forward rate agreements or similar financial instruments. To the extent that we enter into hedging transactions to reduce our interest rate risk on indebtedness incurred to acquire or carry real estate assets, any income or gain from the disposition of hedging transactions should qualify for purposes of the 95% gross income test, but not the 75% gross income test. Recently proposed legislation, if enacted, would exclude such income from the REIT 95% gross income test altogether, treating it as neither qualifying nor non-qualifying income for purposes of that test, while not changing the treatment as non-qualifying income for purposes of the 75% gross income test. See “—Other Tax Considerations—Legislative or Other Actions Affecting REITs.”

Foreign Investments

To the extent that our company and our subsidiaries hold or acquire any investments and, accordingly, pay taxes in foreign countries, taxes paid by us in foreign jurisdictions may not be passed through to, or used by, our stockholders as a foreign tax credit or otherwise. Any foreign investments may also generate foreign currency gains and losses. Foreign currency gains are generally treated as income that does not qualify under the 95% or 75% gross income tests. Recently proposed legislation, if enacted, would exclude from the 95% income test calculation, but not from the 75% gross income test, foreign currency gains arising from transactions to hedge risks associated with debt incurred to acquire or carry real estate assets. See “—Other Tax Considerations—Legislative or Other Actions Affecting REITs.”

TAX ASPECTS OF INVESTMENTS IN PARTNERSHIPS

General

We may hold investments through entities that are classified as partnerships for federal income tax purposes, including our interest in our operating partnership and the equity interests in lower-tier partnerships. In general, partnerships are “pass-through” entities that are not subject to U.S. federal income tax. Rather, partners are allocated their proportionate shares of the items of income, gain, loss, deduction and credit of a partnership, and are potentially subject to tax on these items without regard to whether the partners receive a distribution from the partnership. We will include in our income our proportionate share of these partnership items for purposes of the various REIT income tests, based on our capital interest in such partnership, and in the computation of our REIT taxable income. Moreover, for purposes of the REIT asset tests, we will include our proportionate share of assets held by subsidiary partnerships, based on our

capital interest in such partnerships. See "—Taxation of the Company—Effect of Subsidiary Entities—Ownership of Partnership Interests" above. Consequently, to the extent that we hold an equity interest in a partnership, the partnership's assets and operations may affect our ability to qualify as a REIT, even though we may have no control, or only limited influence, over the partnership.

Entity Classification

The investment by us in partnerships involves special tax considerations, including the possibility of a challenge by the IRS of the status of any of our subsidiary partnerships as a partnership, as opposed to an association taxable as a corporation, for U.S. federal income tax purposes. If any of these entities were treated as an association for U.S. federal income tax purposes, it would be taxable as a corporation and therefore could be subject to an entity-level tax on its income. In such a situation, the character of our assets and items of our gross income would change and could preclude us from satisfying the REIT asset tests (particularly the tests generally preventing a REIT from owning more than 10% of the voting securities, or more than 10% of the value of the securities, of a corporation) or the gross income tests as discussed in "—Taxation of the Company—Asset Tests" and "—Income Tests" above, and in turn could prevent us from qualifying as a REIT. See "—Taxation of the Company—Failure to Qualify," above, for a discussion of the effect of our failure to meet these tests for a taxable year. In addition, any change in the status of any of our subsidiary partnerships for tax purposes might be treated as a taxable event, in which case we could have taxable income that is subject to the REIT distribution requirements without receiving any cash.

Tax Allocations with Respect to Partnership Properties

Under the Internal Revenue Code and the Treasury regulations, income, gain, loss and deduction attributable to appreciated or depreciated property that is contributed to a partnership in exchange for an interest in the partnership must be allocated for tax purposes in a manner such that the contributing partner is charged with, or benefits from, the unrealized gain or unrealized loss associated with the property at the time of the contribution. The amount of the unrealized gain or unrealized loss is generally equal to the difference between the fair market value of the contributed property at the time of contribution, and the adjusted tax basis of such property at the time of contribution (a "book-tax difference"). Such allocations are solely for U.S. federal income tax purposes and do not affect the book capital accounts or other economic or legal arrangements among the partners.

To the extent that any of our subsidiary partnerships acquires appreciated (or depreciated) properties by way of capital contributions from its partners, allocations would need to be made in a manner consistent with these requirements. In connection with the formation transactions, appreciated property will be contributed to our operating partnership by both us as a result of our contribution to the operating partnership of the Extra Space Storage membership interests contributed to us by the members of Extra Space Storage LLC, our predecessor, and by other partners of our operating partnership. As a result, partners, including us, in subsidiary partnerships, could be allocated greater or lesser amounts of depreciation and taxable income in respect of a partnership's properties than would be the case if all of the partnership's assets (including any contributed assets) had a tax basis equal to their fair market values at the time of any contributions to that partnership. This could cause us to recognize, over a period of time, (1) lower amounts of depreciation deductions for tax purposes than if all of the contributed properties were to have a tax basis equal to their fair market value at the time of their contribution to the operating partnership and (2) taxable income in excess of economic or book income as a result of a sale of a property, which might adversely affect our ability to comply with the REIT distribution requirements discussed above and result in our stockholders recognizing additional dividend income without an increase in distributions.

TAXATION OF STOCKHOLDERS

Taxation of Taxable U.S. Stockholders

This section summarizes the taxation of U.S. stockholders that are not tax-exempt organizations. For these purposes, a U.S. stockholder is a beneficial owner of our common stock that for U.S. federal income tax purposes is:

- a citizen or resident of the United States;
- a corporation (including an entity treated as a corporation for U.S. federal income tax purposes) created or organized in or under the laws of the United States or of a political subdivision thereof (including the District of Columbia);
- an estate whose income is subject to U.S. federal income taxation regardless of its source; or
- any trust if (1) a U.S. court is able to exercise primary supervision over the administration of such trust and one or more U.S. persons have the authority to control all substantial decisions of the trust or (2) it has a valid election in place to be treated as a U.S. person.

If an entity or arrangement treated as a partnership for U.S. federal income tax purposes holds our stock, the U.S. federal income tax treatment of a partner generally will depend upon the status of the partner and the activities of the partnership. A partner of a partnership holding our common stock should consult its own tax advisor regarding the U.S. federal income tax consequences to the partner of the acquisition, ownership and disposition of our stock by the partnership.

Distributions. Provided that we qualify as a REIT, distributions made to our taxable U.S. stockholders out of our current and accumulated earnings and profits, and not designated as capital gain dividends, will generally be taken into account by them as ordinary dividend income and will not be eligible for the dividends received deduction for corporations. In determining the extent to which a distribution with respect to our common stock constitutes a dividend for U.S. federal income tax purposes, our earnings and profits will be allocated first to distributions with respect to our preferred stock, if any, and then to our common stock. Dividends received from REITs are generally not eligible to be taxed at the preferential qualified dividend income rates applicable to individual U.S. stockholders who receive dividends from taxable subchapter C corporations pursuant to the 2003 Act.

In addition, distributions from us that are designated as capital gain dividends will be taxed to U.S. stockholders as long-term capital gains, to the extent that they do not exceed the actual net capital gain of our company for the taxable year, without regard to the period for which the U.S. stockholder has held its stock. To the extent that we elect under the applicable provisions of the Internal Revenue Code to retain our net capital gains, U.S. stockholders will be treated as having received, for U.S. federal income tax purposes, our undistributed capital gains as well as a corresponding credit for taxes paid by us on such retained capital gains. U.S. stockholders will increase their adjusted tax basis in our common stock by the difference between their allocable share of such retained capital gain and their share of the tax paid by us. Corporate U.S. stockholders may be required to treat up to 20% of some capital gain dividends as ordinary income. Long-term capital gains are generally taxable at maximum federal rates of 15% (through 2008) in the case of U.S. stockholders who are individuals, and 35% for corporations. Capital gains attributable to the sale of depreciable real property held for more than 12 months are subject to a 25% maximum federal income tax rate for individual U.S. stockholders who are individuals, to the extent of previously claimed depreciation deductions. Because many of our assets were contributed to us in a carryover basis transaction at the time of our formation, we may recognize capital gain on the sale of assets that is attributable to gain that was built into the asset at the time of formation.

U.S. federal income tax considerations

Distributions in excess of our current and accumulated earnings and profits will not be taxable to a U.S. stockholder to the extent that they do not exceed the adjusted tax basis of the U.S. stockholder's shares in respect of which the distributions were made, but rather will reduce the adjusted tax basis of these shares. To the extent that such distributions exceed the adjusted tax basis of an individual U.S. stockholder's shares, they will be included in income as long-term capital gain, or short-term capital gain if the shares have been held for one year or less. In addition, any dividend declared by us in October, November or December of any year and payable to a U.S. stockholder of record on a specified date in any such month will be treated as both paid by us and received by the U.S. stockholder on December 31 of such year, provided that the dividend is actually paid by us before the end of January of the following calendar year.

With respect to U.S. stockholders who are taxed at the rates applicable to individuals, we may elect to designate a portion of our distributions paid to such U.S. stockholders as "qualified dividend income." A portion of a distribution that is properly designated as qualified dividend income is taxable to non-corporate U.S. stockholders as capital gain, provided that the U.S. stockholder has held the common stock with respect to which the distribution is made for more than 60 days during the 120-day period beginning on the date that is 60 days before the date on which such common stock became ex-dividend with respect to the relevant distribution. The maximum amount of our distributions eligible to be designated as qualified dividend income for a taxable year is equal to the sum of:

(a) the qualified dividend income received by us during such taxable year from non-REIT C corporations (including our taxable REIT subsidiaries);

(b) the excess of any "undistributed" REIT taxable income recognized during the immediately preceding year over the federal income tax paid by us with respect to such undistributed REIT taxable income; and

(c) the excess of any income recognized during the immediately preceding year attributable to the sale of a built-in-gain asset that was acquired in a carry-over basis transaction from a non-REIT C corporation over the federal income tax paid by us with respect to such built-in gain.

Generally, dividends that we receive will be treated as qualified dividend income for purposes of (a) above if the dividends are received from a domestic C corporation (other than a REIT or a regulated investment company) or a "qualifying foreign corporation" and specified holding period requirements and other requirements are met. A foreign C corporation (other than a "foreign personal holding company," a "foreign investment company," or "passive foreign investment company") will be a qualifying foreign corporation if it is incorporated in a possession of the United States, the corporation is eligible for benefits of an income tax treaty with the United States that the Secretary of Treasury determines is satisfactory, or the stock of the foreign corporation on which the dividend is paid is readily tradable on an established securities market in the United States. We generally expect that an insignificant portion of our distributions will consist of qualified dividend income.

To the extent that we have available net operating losses and capital losses carried forward from prior tax years, such losses may reduce the amount of distributions that must be made in order to comply with the REIT distribution requirements. See "—Taxation of the Company—Annual Distribution Requirements." Such losses, however, are not passed through to U.S. stockholders and do not offset income of U.S. stockholders from other sources, nor do they affect the character of any distributions that are actually made by us, which are generally subject to tax in the hands of U.S. stockholders to the extent that we have current or accumulated earnings and profits.

Dispositions of Our Common Stock. In general, a U.S. stockholder will realize gain or loss upon the sale, redemption or other taxable disposition of our common stock in an amount equal to the difference

between the sum of the fair market value of any property and the amount of cash received in such disposition and the U.S. stockholder's adjusted tax basis in the common stock at the time of the disposition. In general, a U.S. stockholder's adjusted tax basis will equal the U.S. stockholder's acquisition cost, increased by the excess of net capital gains deemed distributed to the U.S. stockholder (discussed above) less tax deemed paid on it and reduced by returns of capital. In general, capital gains recognized by individuals and other non-corporate U.S. stockholders upon the sale or disposition of shares of our common stock will, pursuant to the 2003 Act, be subject to a maximum federal income tax rate of 15% for taxable years through 2008, if our common stock is held for more than 12 months, and will be taxed at ordinary income rates (of up to 35% through 2010) if our common stock is held for 12 months or less. Gains recognized by U.S. stockholders that are corporations are subject to U.S. federal income tax at a maximum rate of 35%, whether or not classified as long-term capital gains. The IRS has the authority to prescribe, but has not yet prescribed, regulations that would apply a capital gain tax rate of 25% (which is generally higher than the long-term capital gain tax rates for non-corporate holders) to a portion of capital gain realized by a non-corporate holder on the sale of REIT stock or depositary shares that would correspond to the REIT's "unrecaptured Section 1250 gain." Holders are advised to consult with their own tax advisors with respect to their capital gain tax liability. Capital losses recognized by a U.S. stockholder upon the disposition of our common stock held for more than one year at the time of disposition will be considered long-term capital losses, and are generally available only to offset capital gain income of the U.S. stockholder but not ordinary income (except in the case of individuals, who may offset up to $3,000 of ordinary income each year). In addition, any loss upon a sale or exchange of shares of our common stock by a U.S. stockholder who has held the shares for six months or less, after applying holding period rules, will be treated as a long-term capital loss to the extent of distributions received from us that were required to be treated by the U.S. stockholder as long-term capital gain.

If a U.S. stockholder recognizes a loss upon a subsequent disposition of our common stock in an amount that exceeds a prescribed threshold, it is possible that the provisions of recently adopted Treasury regulations involving "reportable transactions" could apply, with a resulting requirement to separately disclose the loss generating transaction to the IRS. While these regulations are directed towards "tax shelters," they are written quite broadly, and apply to transactions that would not typically be considered tax shelters. In addition, legislative proposals have been introduced in Congress, that, if enacted, would impose significant penalties for failure to comply with these requirements. You should consult your tax advisors concerning any possible disclosure obligation with respect to the receipt or disposition of our common stock, or transactions that might be undertaken directly or indirectly by us. Moreover, you should be aware that we and other participants in transactions involving us (including our advisors) might be subject to disclosure or other requirements pursuant to these regulations.

Passive Activity Losses and Investment Interest Limitations

Distributions made by us and gain arising from the sale or exchange by a U.S. stockholder of our common stock will not be treated as passive activity income. As a result, U.S. stockholders will not be able to apply any "passive losses" against income or gain relating to our common stock. Distributions made by us, to the extent they do not constitute a return of capital, generally will be treated as investment income for purposes of computing the investment interest limitation. A U.S. stockholder that elects to treat capital gain dividends, capital gains from the disposition of stock or qualified dividend income as investment income for purposes of the investment interest limitation will be taxed at ordinary income rates on such amounts.

Taxation of Tax-Exempt U.S. Stockholders

U.S. tax-exempt entities, including qualified employee pension and profit sharing trusts and individual retirement accounts, generally are exempt from U.S. federal income taxation. However, they are subject to taxation on their unrelated business taxable income, which we refer to in this prospectus as UBTI. While many investments in real estate may generate UBTI, the IRS has ruled that dividend distributions from a REIT to a tax-exempt entity do not constitute UBTI. Based on that ruling, and provided that (1) a tax-exempt U.S. stockholder has not held our common stock as "debt financed property" within the meaning of the Internal Revenue Code (*i.e.*, where the acquisition or holding of the property is financed through a borrowing by the tax-exempt stockholder), and (2) our common stock is not otherwise used in an unrelated trade or business, distributions from us and income from the sale of our common stock generally should not give rise to UBTI to a tax-exempt U.S. stockholder.

Tax-exempt U.S. stockholders that are social clubs, voluntary employee benefit associations, supplemental unemployment benefit trusts, and qualified group legal services plans exempt from U.S. federal income taxation under sections 501(c)(7), (c)(9), (c)(17) and (c)(20) of the Internal Revenue Code, respectively, are subject to different UBTI rules, which generally will require them to characterize distributions from us as UBTI.

In certain circumstances, a pension trust (1) that is described in Section 401(a) of the Internal Revenue Code, (2) is tax exempt under section 501(a) of the Internal Revenue Code, and (3) that owns more than 10% of our stock could be required to treat a percentage of the dividends from us as UBTI if we are a "pension-held REIT." We will not be a pension-held REIT unless (1) either (A) one pension trust owns more than 25% of the value of our stock, or (B) a group of pension trusts, each individually holding more than 10% of the value of our stock, collectively owns more than 50% of such stock and (2) we would not have qualified as a REIT but for the fact that Section 856(h)(3) of the Internal Revenue Code provides that stock owned by such trusts shall be treated, for purposes of the requirement that not more than 50% of the value of the outstanding stock of a REIT is owned, directly or indirectly, by few or fewer "individuals" (as defined in the Internal Revenue Code to include certain entities). Certain restrictions on ownership and transfer of our stock should generally prevent a tax-exempt entity from owning more than 10% of the value of our stock, or us from becoming a pension-held REIT.

Tax-exempt U.S. stockholders are urged to consult their own tax advisors regarding the U.S. federal, state, local and foreign tax consequences of owning our stock.

Taxation of Non-U.S. Stockholders

The following is a summary of certain U.S. federal income tax consequences of the acquisition, ownership and disposition of our common stock applicable to non-U.S. stockholders of our common stock. For purposes of this summary, a non-U.S. stockholder is a beneficial owner of our common stock that is not a U.S. stockholder. The discussion is based on current law and is for general information only. It addresses only selective and not all aspects of U.S. federal income taxation.

Ordinary Dividends. The portion of dividends received by non-U.S. stockholders payable out of our earnings and profits that are not attributable to gains from sales or exchanges of U.S. real property interests and which are not effectively connected with a U.S. trade or business of the non-U.S. stockholder will generally be subject to U.S. federal withholding tax at the rate of 30%, unless reduced or eliminated by an applicable income tax treaty. Under some treaties, however, lower rates generally applicable to dividends do not apply to dividends from REITs.

In general, non-U.S. stockholders will not be considered to be engaged in a U.S. trade or business solely as a result of their ownership of our stock. In cases where the dividend income from a non-U.S.

stockholder's investment in our common stock is, or is treated as, effectively connected with the non-U.S. stockholder's conduct of a U.S. trade or business, the non-U.S. stockholder generally will be subject to U.S. federal income tax at graduated rates, in the same manner as U.S. stockholders are taxed with respect to such dividends, and may also be subject to the 30% branch profits tax on the income after the application of the income tax in the case of a non-U.S. stockholder that is a corporation.

Non-Dividend Distributions. Unless (1) our common stock constitutes a U.S. real property interest, or USRPI, or (2) either (A) if the non-U.S. stockholder's investment in our common stock is effectively connected with a U.S. trade or business conducted by such non-U.S. stockholder (in which case the non-U.S. stockholder will be subject to the same treatment as U.S. stockholders with respect to such gain) or (B) if the non-U.S. stockholder is a nonresident alien individual who was present in the United States for 183 days or more during the taxable year and has a "tax home" in the United States (in which case the non-U.S. stockholder will be subject to a 30% tax on the individual's net capital gain for the year), distributions by us which are not dividends out of our earnings and profits will not be subject to U.S. federal income tax. If it cannot be determined at the time at which a distribution is made whether or not the distribution will exceed current and accumulated earnings and profits, the distribution will be subject to withholding at the rate applicable to dividends. However, the non-U.S. stockholder may seek a refund from the IRS of any amounts withheld if it is subsequently determined that the distribution was, in fact, in excess of our current and accumulated earnings and profits. If our company's common stock constitutes a USRPI, as described below, distributions by us in excess of the sum of our earnings and profits plus the non-U.S. stockholder's adjusted tax basis in our common stock will be taxed under the Foreign Investment in Real Property Tax Act of 1980, or FIRPTA, at the rate of tax, including any applicable capital gains rates, that would apply to a U.S. stockholder of the same type (*e.g.*, an individual or a corporation, as the case may be), and the collection of the tax will be enforced by a refundable withholding at a rate of 10% of the amount by which the distribution exceeds the stockholder's share of our earnings and profits.

Capital Gain Dividends. Under FIRPTA, a distribution made by us to a non-U.S. stockholder, to the extent attributable to gains from dispositions of USRPIs held by us directly or through pass-through subsidiaries ("USRPI capital gains"), will be considered effectively connected with a U.S. trade or business of the non-U.S. stockholder and will be subject to U.S. federal income tax at the rates applicable to U.S. stockholders, without regard to whether the distribution is designated as a capital gain dividend. In addition, we will be required to withhold tax equal to 35% of the amount of capital gain dividends to the extent the dividends constitute USRPI capital gains. Recently proposed legislation, if enacted, would modify the tax treatment of capital gain dividends distributed by REITs to non-U.S. holders. See "—Other Tax Considerations—Legislative or Other Actions Affecting REITs." Distributions subject to FIRPTA may also be subject to a 30% branch profits tax in the hands of a non-U.S. holder that is a corporation. A distribution is not a USRPI capital gain if we held the underlying asset solely as a creditor, although the holding of a shared appreciation mortgage loan would not be solely as a creditor. Capital gain dividends received by a non-U.S. stockholder from a REIT that are not USRPI capital gains are generally not subject to U.S. federal income or withholding tax, unless either (1) if the non-U.S. stockholder's investment in our common stock is effectively connected with a U.S. trade or business conducted by such non-U.S. stockholder (in which case the non-U.S. stockholder will be subject to the same treatment as U.S. stockholders with respect to such gain) or (2) if the non-U.S. stockholder is a nonresident alien individual who was present in the United States for 183 days or more during the taxable year and has a "tax home" in the United States (in which case the non-U.S. stockholder will be subject to a 30% tax on the individual's net capital gain for the year).

Dispositions of Our Common Stock. Unless our common stock constitutes a USRPI, a sale of the stock by a non-U.S. stockholder generally will not be subject to U.S. federal income taxation under FIRPTA.

The stock will not be treated as a USRPI if less than 50% of our assets throughout a prescribed testing period consist of interests in real property located within the United States, excluding, for this purpose, interests in real property solely in a capacity as a creditor. However, we expect more than 50% of our assets will consist of interests in real property located in the United States.

Still, our common stock nonetheless will not constitute a USRPI if we are a "domestically controlled REIT." A domestically controlled REIT is a REIT in which, at all times during a specified testing period, less than 50% in value of its outstanding stock is held directly or indirectly by non-U.S. stockholders. We believe we are, and we expect to continue to be, a domestically controlled REIT and, therefore, the sale of our common stock should not be subject to taxation under FIRPTA. Because our stock will be publicly-traded, however, no assurance can be given that we will be a domestically controlled REIT.

In the event that we do not constitute a domestically controlled REIT, a non-U.S. stockholder's sale of our common stock nonetheless will generally not be subject to tax under FIRPTA as a sale of a USRPI, provided that (1) our common stock owned is of a class that is "regularly traded," as defined by applicable Treasury Department regulations, on an established securities market, and (2) the selling non-U.S. stockholder owned, actually or constructively, 5% or less of our outstanding stock of that class at all times during a specified testing period.

If gain on the sale of our common stock were subject to taxation under FIRPTA, the non-U.S. stockholder would be subject to the same treatment as a U.S. stockholder with respect to such gain, subject to applicable alternative minimum tax and a special alternative minimum tax in the case of non-resident alien individuals, and the purchaser of the stock could be required to withhold 10% of the purchase price and remit such amount to the IRS.

Gain from the sale of our common stock that would not otherwise be subject to FIRPTA will nonetheless be taxable in the United States to a non-U.S. stockholder in two cases: (1) if the non-U.S. stockholder's investment in our common stock is effectively connected with a U.S. trade or business conducted by such non-U.S. stockholder, the non-U.S. stockholder will be subject to the same treatment as a U.S. stockholder with respect to such gain, or (2) if the non-U.S. stockholder is a nonresident alien individual who was present in the United States for 183 days or more during the taxable year and has a "tax home" in the United States, the nonresident alien individual will be subject to a 30% tax on the individual's capital gain.

Backup Withholding and Information Reporting

We will report to our U.S. stockholders and the IRS the amount of dividends paid during each calendar year and the amount of any tax withheld. Under the backup withholding rules, a U.S. stockholder may be subject to backup withholding with respect to dividends paid unless the holder is a corporation or comes within other exempt categories and, when required, demonstrates this fact or provides a taxpayer identification number or social security number, certifies as to no loss of exemption from backup withholding and otherwise complies with applicable requirements of the backup withholding rules. A U.S. stockholder that does not provide his or her correct taxpayer identification number or social security number may also be subject to penalties imposed by the IRS. Backup withholding is not an additional tax. In addition, we may be required to withhold a portion of capital gain distribution to any U.S. stockholder who fails to certify their non-foreign status.

We must report annually to the IRS and to each non-U.S. stockholder the amount of dividends paid to such holder and the tax withheld with respect to such dividends, regardless of whether withholding was required. Copies of the information returns reporting such dividends and withholding may also be made

available to the tax authorities in the country in which the non-U.S. stockholder resides under the provisions of an applicable income tax treaty. A non-U.S. stockholder may be subject to back-up withholding unless applicable certification requirements are met.

Payment of the proceeds of a sale of our common stock within the United States is subject to both backup withholding and information reporting unless the beneficial owner certifies under penalties of perjury that it is a non-U.S. stockholder (and the payor does not have actual knowledge or reason to know that the beneficial owner is a United States person) or the holder otherwise establishes an exemption. Payment of the proceeds of a sale of our common stock conducted through certain United States related financial intermediaries is subject to information reporting (but not backup withholding) unless the financial intermediary has documentary evidence in its records that the beneficial owner is a non-U.S. stockholder and specified conditions are met or an exemption is otherwise established.

Any amounts withheld under the backup withholding rules may be allowed as a refund or a credit against such holder's U.S. federal income tax liability provided the required information is furnished to the IRS.

Other Tax Considerations

Legislative or Other Actions Affecting REITs

The rules dealing with U.S. federal income taxation are constantly under review by persons involved in the legislative process and by the IRS and the U.S. Treasury Department. No assurance can be given as to whether, or in what form, the legislative proposals described below (or any other proposals affecting REITs or their stockholders) will be enacted. Changes to the federal tax laws and interpretations of federal tax laws could adversely affect an investment in our common stock.

Recently proposed legislation would modify the tax treatment of capital gain dividends distributed by REITs to non-U.S. stockholders. See "—Taxation of Stockholders—Taxation of Non-U.S. Stockholders—Capital Gain Dividends." The proposed legislation would treat capital gain dividends received by a non-U.S. stockholder in the same manner as ordinary income dividends, provided that (1) the capital gain dividends are received with respect to a class of stock that is regularly traded on an established securities market located in the United States and (2) the non-U.S. stockholder does not own more than 5% of that class of stock at any time during the taxable year in which the capital gain dividends are received. Another proposal would modify the effect of specified types of hedging income on the REIT 95% gross income requirement. See "—Taxation of the Company—Hedging Transactions" and "—Taxation of the Company—Foreign Investments." These proposals would apply to taxable years beginning after the date of enactment.

State, Local and Foreign Taxes

Our company and our subsidiaries and stockholders may be subject to state, local or foreign taxation in various jurisdictions, including those in which it or they transact business, own property or reside. We own interests in properties located in a number of jurisdictions, and may be required to file tax returns in certain of those jurisdictions. The state, local or foreign tax treatment of our company and our stockholders may not conform to the federal income tax treatment discussed above. Any foreign taxes incurred by us would not pass through to stockholders as a credit against their U.S. federal income tax liability. Prospective stockholders should consult their own tax advisors regarding the application and effect of state, local and foreign income and other tax laws on an investment in our company's common stock.

ERISA considerations

GENERAL

The following is a summary of certain material considerations arising under the Employee Retirement Income Securities Act of 1974, as amended, or ERISA, and the prohibited transaction provisions of Section 4975 of the Internal Revenue Code that may be relevant to a prospective purchaser. The following summary may also be relevant to a prospective purchaser that is not an employee benefit plan which is subject to ERISA, but is a tax-qualified retirement plan or an individual retirement account, individual retirement annuity, medical savings account, health savings account or education individual retirement account, which we refer to collectively as an "IRA." This discussion does not address all aspects of ERISA or Section 4975 of the Internal Revenue Code or, to the extent not preempted, state law that may be relevant to particular employee benefit plan stockholders in light of their particular circumstances, including plans subject to Title I of ERISA, other employee benefit plans and IRAs subject to the prohibited transaction provisions of Section 4975 of the Internal Revenue Code, and governmental, church, foreign and other plans that are exempt from ERISA and Section 4975 of the Internal Revenue Code but that may be subject to other U.S. federal, state, local or foreign law requirements.

A fiduciary making the decision to invest in shares of our common stock on behalf of a prospective purchaser which is an ERISA plan, a tax qualified retirement plan, an IRA or other employee benefit plan is advised to consult its legal advisor regarding the specific considerations arising under ERISA, Section 4975 of the Internal Revenue Code, and, to the extent not preempted, state law with respect to the purchase, ownership or sale of shares of our common stock by the plan or IRA.

Plans should also consider the entire discussion under the heading "U.S. federal income tax considerations," as material contained in that section is relevant to any decision by an employee benefit plan, tax-qualified retirement plan or IRA to purchase our common stock.

EMPLOYEE BENEFIT PLANS, TAX-QUALIFIED RETIREMENT PLANS AND IRAS

Each fiduciary of an "ERISA plan," which is an employee benefit plan subject to Title I of ERISA, should carefully consider whether an investment in shares of our common stock is consistent with its fiduciary responsibilities under ERISA. The fiduciary requirements of Part 4 of Title I of ERISA require that, among other things:

- an ERISA plan make investments that are prudent and in the best interests of the ERISA plan, its participants and beneficiaries;
- an ERISA plan make investments that are diversified in order to reduce the risk of large losses, unless it is clearly prudent for the ERISA plan not to do so;
- an ERISA plan's investments are authorized under ERISA and the terms of the governing documents of the ERISA plan; and
- the fiduciary not cause the ERISA plan to enter into transactions prohibited under Section 406 of ERISA (and certain corresponding provisions of the Internal Revenue Code).

In determining whether an investment in shares of our common stock is prudent for ERISA purposes, the appropriate fiduciary of an ERISA plan should consider all of the facts and circumstances, including, without limitation, whether the investment is reasonably designed, as a part of the ERISA plan's portfolio for which the fiduciary has investment responsibility, to meet the objectives of the ERISA plan,

taking into consideration the risk of loss and opportunity for gain or other return from the investment, the diversification, cash flow and funding requirements of the ERISA plan, and the liquidity and current return of the ERISA plan's portfolio. A fiduciary should also take into account, for example, the nature of our business, the length of our operating history and other matters described in the section entitled "Risk Factors."

The fiduciary of an IRA or an employee benefit plan not subject to Title I of ERISA because it is a governmental or church plan (assuming no election has been made under Section 410(d) of the Internal Revenue Code) or because it does not cover common law employees, or because it is otherwise subject to ERISA, should consider whether it may only make investments that are either authorized or not prohibited by the appropriate governing documents, or, in the case of an IRA, not prohibited under Section 4975 of the Internal Revenue Code, or whether the investment is permitted under all applicable U.S. federal, state, local and foreign law.

OUR STATUS UNDER ERISA

In some circumstances where an ERISA plan holds an interest in an entity, the underlying assets of the entity are deemed to be ERISA plan assets. This rule is known to some as the "look-through rule." Under those circumstances, the obligations and other responsibilities of plan sponsors, plan fiduciaries and plan administrators, and of parties in interest and disqualified persons, under Parts 1 and 4 of Subtitle B of Title I of ERISA and Section 4975 of the Internal Revenue Code, as applicable, may be expanded, and there may be an increase in their liability under these and other provisions of ERISA and the Internal Revenue Code. For example, a prohibited transaction may occur if our underlying assets are deemed to be assets of ERISA plans that invest in our common stock and persons who have certain specified relationships to an ERISA plan ("parties in interest" within the meaning of ERISA, and "disqualified persons" within the meaning of the Internal Revenue Code) deal with these assets for their own interests. Further, if our underlying assets are deemed to be assets of investing ERISA plans, any person that exercises authority or control with respect to the management or disposition of our underlying assets may be an ERISA plan fiduciary.

The term "plan assets" is not defined in ERISA or the Internal Revenue Code, but the U.S. Department of Labor has issued regulations that outline the circumstances under which an ERISA plan's interest in an entity will be subject to the look-through rule. The Department of Labor regulations apply to the purchase by an ERISA plan of an "equity interest" in an entity, such as stock of a REIT. However, the Department of Labor regulations provide an exception to the look-through rule for equity interests that are "publicly offered securities."

Under the Department of Labor regulations, a "publicly offered security" is a security that is:

- freely transferable;
- part of a class of securities that is widely held; and
- either part of a class of securities that is registered under section 12(b) or 12(g) of the Exchange Act or sold to an ERISA plan as part of an offering of securities to the public pursuant to an effective registration statement under the Securities Act, and the class of securities of which this security is a part is registered under the Exchange Act within 120 days, or longer if allowed by the SEC, after the end of the fiscal year of the issuer during which the offering of these securities to the public occurred.

Whether a security is considered "freely transferable" is a factual question that depends on the facts and circumstances of each case. Under the Department of Labor regulations, if the security is part of an

offering in which the minimum investment is $10,000 or less, then certain restrictions on or prohibitions against transfer or assignment of the security for the purposes of preventing a termination or reclassification of the entity for federal or state tax purposes will not ordinarily prevent the security from being considered freely transferable. As another example, limitations or restrictions on the transfer or assignment of a security which are created or imposed by persons other than the issuer of the security or persons acting for or on behalf of the issuer will ordinarily not prevent the security from being considered freely transferable.

A class of securities is considered "widely held" if it is a class of securities that is owned by 100 or more investors independent of the issuer and of one another. A security will not fail to be "widely held" because the number of independent investors falls below 100 subsequent to the initial public offering as a result of events beyond the issuer's control.

We believe the shares of our common stock offered in this prospectus may meet the criteria of the publicly offered securities exception to the look-through rule. First, as to free transferability, the minimum investment will be less than $10,000 and the only restrictions upon its transfer are those generally permitted under the Department of Labor regulations, those required under federal tax laws to maintain our status as a REIT, resale restrictions under applicable federal securities laws with respect to securities not purchased pursuant to this prospectus and those owned by our officers, directors and other affiliates.

Second, we expect (although we cannot confirm) that our common stock will be held by 100 or more investors, and we expect that at least 100 or more of these investors will be independent of us and of one another.

Third, the shares of our common stock will be part of an offering of securities to the public pursuant to an effective registration statement under the Securities Act and the common stock is registered under the Exchange Act.

In addition, the Department of Labor regulations provide exceptions to the look-through rule for equity interests in some types of entities, including any entity which qualifies as either a "real estate operating company" or a "venture capital operating company."

Under the Department of Labor regulations, a "real estate operating company" is defined as an entity which:

- on testing dates has at least 50% of its assets, other than short-term investments pending long-term commitment or distribution to investors, valued at cost invested in real estate which is managed or developed and with respect to which the entity has the right to substantially participate directly in the management or development activities; and
- in the ordinary course of its business, is engaged directly in real estate management or development activities.

According to those same regulations, a "venture capital operating company" is generally defined as an entity which:

- on testing dates has at least 50% of its assets, other than short-term investments pending long-term commitment or distribution to investors, valued at cost invested in one or more operating companies other than venture capital operating companies and with respect to which the entity has or obtains direct management rights; and

Ø in the ordinary course of its business, actually exercises its management rights with respect to one or more of the operating companies in which it invests.

We have not endeavored to determine whether we will satisfy the “real estate operating company” or “venture capital operating company” exception.

Prior to making an investment in the shares offered in this prospectus, prospective employee benefit plan investors (whether or not subject to ERISA or section 4975 of the Internal Revenue Code) should consult with their legal and other advisors concerning the impact of ERISA and the Internal Revenue Code (and, particularly in the case of non-ERISA plans and arrangements, any additional state, local and foreign law considerations), as applicable, and the potential consequences in their specific circumstances of an investment in such shares.

Underwriting

We are offering the shares of our common stock described in this prospectus through the underwriters named below. UBS Securities LLC and Merrill Lynch, Pierce, Fenner & Smith Incorporated are the representatives of the underwriters and the joint book-running managers. We have entered into an underwriting agreement with the representatives. Subject to the terms and conditions of the underwriting agreement, each of the underwriters has severally agreed to purchase the number of shares of common stock listed next to its name in the following table:

Underwriters	Number of Shares
UBS Securities LLC	
Merrill Lynch, Pierce, Fenner & Smith Incorporated	
Total	

The underwriting agreement provides that the underwriters must buy all of the shares if they buy any of them. However, the underwriters are not required to take or pay for the shares covered by the underwriters' over-allotment option except as described below.

Our common stock is offered subject to a number of conditions, including:

- receipt and acceptance of our common stock by the underwriters; and
- the underwriters' right to reject orders in whole or in part.

We have been advised by the representatives that the underwriters intend to make a market in our common stock but that they are not obligated to do so and may discontinue making a market at any time without notice.

In connection with the offering, certain of the underwriters or securities dealers may distribute prospectuses electronically.

Sales of shares made outside of the United States may be made by affiliates of the underwriters. Upon the execution of the underwriting agreement, the underwriters will be obligated to purchase the shares at the prices and upon the terms stated therein, and, as a result, will thereafter bear any risk associated with changing the offering price to the public or other selling terms.

OVER-ALLOTMENT OPTION

We have granted the underwriters an option to buy up to an aggregate of additional shares of our common stock. The underwriters may exercise this option solely for the purpose of covering over-allotments, if any, made in connection with the offering. The underwriters have 30 days from the date of this prospectus to exercise this option. If the underwriters exercise this option, they will each purchase additional shares approximately in proportion to the amounts specified in the table above.

COMMISSIONS AND DISCOUNTS

Shares sold by the underwriters to the public will initially be offered at the initial public offering price set forth on the cover of this prospectus. Any shares sold by the underwriters to securities dealers may be sold at a discount of up to $ per share from the initial public offering price. Any of these securities

dealers may resell any shares purchased from the underwriters to other brokers or dealers at a discount of up to $ per share from the initial public offering price. If all the shares are not sold at the initial public offering price, the representatives may change the offering price and the other selling terms. Sales of shares made outside of the United States may be made by affiliates of the underwriters. Upon execution of the underwriting agreement, the underwriters will be obligated to purchase the shares at the prices and upon the terms stated therein and, as a result, will thereafter bear any risk associated with changing the offering price to the public or other selling terms. The underwriters do not expect to sell more than 5% of the shares in the aggregate to accounts over which they exercise discretionary authority.

The following table shows the per share and total underwriting discounts and commissions payable by us to the underwriters. These amounts are shown assuming both no exercise and full exercise of the underwriters' option to purchase up to an additional shares from us.

	No Exercise	Full Exercise
Per Share	$	$
Total	$	$

We estimate that the total expenses of the offering, payable by us, excluding underwriting discounts and commissions and financial advisory fees, will be approximately $.

NO SALES OF SIMILAR SECURITIES

We and each of our directors, executive officers and all of our stockholders have entered into lock-up agreements with the underwriters. Under these agreements, subject to certain permitted exceptions, we and each of these persons or entities may not, without the prior written consent of UBS Securities LLC and Merrill Lynch, Pierce, Fenner & Smith Incorporated, sell, offer to sell, contract or agree to sell, hedge or otherwise dispose of, directly or indirectly, any of our common stock or securities convertible into or exchangeable or exercisable for shares of common stock during the period from the date of this prospectus continuing through the date 180 days after the date of this prospectus. UBS Securities LLC and Merrill Lynch, Pierce, Fenner & Smith Incorporated, in their sole discretion, may permit early release of shares of our common stock subject to the restrictions detailed above prior to the expiration of the 180-day lock up period and without public notice. The 180-day lock up period may be extended for up to 15 calendar days plus three business days under certain circumstances where we announce or pre-announce earnings or material news or a material event within 15 calendar days plus three business days prior to, or approximately 16 days after, the termination of the 180-day period. Even under those circumstances, however, the lock-up period will not be extended if we are actively traded, meaning that we have a public float of at least $150 million and average trading volume at least $1 million per day.

DIRECTED SHARE PROGRAM

At our request, the underwriters have reserved up to 5% of the shares of common stock for sale at the initial public offering price to persons who are directors, officers or employees, or who are otherwise associated with us through a directed share program. The sales will be made by UBS Financial Services Inc., an affiliate of UBS Securities LLC, and Merrill Lynch, Pierce, Fenner & Smith Incorporated through a directed share program. We do not know if these persons will choose to purchase all or any portion of these reserved shares, but any purchases they do make will reduce the number of shares available to the general public. These persons must commit to purchase no later than the close of business on the day following the date of this prospectus. Any employees, strategic partners or other persons purchasing such reserved shares will be prohibited from disposing of or hedging such shares for a period of at least 180 days after the date of this prospectus.

We have agreed to indemnify the underwriters against certain liabilities and expenses, including liabilities under the 1933 Act, in connection with the sales of the directed shares.

NEW YORK STOCK EXCHANGE LISTING

Our shares have been approved for listing subject to official notice of issuance on the New York Stock Exchange under the trading symbol "EXR." In order to meet the requirements for listing on the New York Stock Exchange, the underwriters have undertaken to sell lots of 100 or more shares to a minimum of 2,000 beneficial owners of such lots.

Before the offering, there has been no public market for our common stock. The initial public offering price will be determined through negotiations among us and the underwriters. In addition to prevailing market conditions, the factors to be considered in determining the initial public offering price are:

- the information set forth in this prospectus and otherwise available to representatives;
- our history and prospects, and the history and prospects of the industry in which we compete;
- our past and present financial performance and an assessment of our management;
- our prospects for future earnings, the present state of our development;
- the general condition of the securities markets at the time of the offering;
- the recent market prices of, and demand for, public traded common stock of generally comparable companies; and
- other factors deemed relevant by the underwriters and us.

An active trading market for the shares may not develop. It is also possible that after the offering the shares will not trade in the public market at or above the initial public offering price.

PRICE STABILIZATION AND SHORT POSITIONS

In connection with the offering, the underwriters may engage in activities that stabilize, maintain or otherwise affect the price of our common stock including:

- stabilizing transactions;
- short sales;
- purchases to cover positions created by short sales;
- imposition of penalty bids; and
- syndicate covering transactions.

Stabilizing transactions consist of bids or purchases made for the purpose of preventing or retarding a decline in the market price of our common stock while the offering is in progress. These transactions may also include making short sales of our common stock, which involves the sale by the underwriters of a greater number of shares of common stock than they are required to purchase in the offering. Short sales may be either "covered" shorts, which are short positions in an amount not greater than the underwriters' over-allotment option referred to above, or may be "naked" shorts, which are short positions in excess of that amount.

The underwriters may close out any covered short position by either exercising their over-allotment option, in whole or in part, or by purchasing shares in the open market. In determining the source of shares to close out the covered short position, the underwriters will consider, among other things, the price of shares available for purchase in the open market as compared to the price at which they may purchase shares through the over-allotment option.

Naked short sales are in excess of the over-allotment option. The underwriters must close out any naked short position by purchasing shares in the open market. A naked short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of shares in the open market after pricing that could adversely affect investors who purchase in the offering.

The underwriters also may impose a penalty bid. This occurs when a particular underwriter repays to the underwriters a portion of the underwriting discount received by it because the underwriters have repurchased shares sold by or for the account of that underwriter in stabilizing or short covering transactions.

In addition, in connection with the offering, certain of the underwriters may engage in passive market making transactions in the common stock on the NYSE prior to the pricing and completion of the offering. Passive market making consists of displaying bids on the NYSE no higher than the bid prices of independent market makers and making purchases at prices no higher than these independent bids and effected in response to order flow. Net purchases by a passive market maker on each day are limited to a specified percentage of the passive market maker's average daily trading volume in the common stock during a specified period and must be discontinued when such limit is reached. Passive market making may cause the price of our common stock to be higher than the price that otherwise would exist in the open market in the absence of such transactions. If passive market making is commenced, it may be discontinued at any time.

As a result of these activities, the price of our common stock may be higher than the price that otherwise might exist in the open market. If these activities are commenced, the underwriters may discontinue them at any time. The underwriters may carry out these transactions on the NYSE, in the over-the-counter market or otherwise.

INDEMNIFICATION AND CONTRIBUTION

We have agreed to indemnify the several underwriters against some liabilities, including liabilities under the Securities Act, as amended, and to contribute to payments that the underwriters may be required to make in respect of these liabilities.

AFFILIATIONS

The underwriters and their affiliates have provided and may provide certain commercial banking, financial advisory and investment banking services for us for which they have received and may receive customary fees.

The underwriters and their affiliates may from time to time in the future engage in transactions with us and perform services for us in the ordinary course of their business.

CERTAIN SELLING RESTRICTIONS

Each underwriter, severally and not jointly, represents and agrees as follows:

- Ø it has not offered or sold and, prior to the expiry of six months from the date of this prospectus, it will not offer or sell any shares of our common stock to persons in the United Kingdom except to persons

whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or otherwise in circumstances that have not constituted or resulted in and will not constitute or result in an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995 (as amended);

- it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000, or the FSMA) received by it in connection with the issue or sale of the shares of our common stock in circumstances in which Section 21(1) of the FSMA does not apply to the company;
- it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the shares of our common stock in, from or otherwise involving the United Kingdom; and
- in order to comply with the Netherlands Securities Market Supervision Act 1995 (Wet soezicht effect werkeer 1995), the shares of common stock offered hereby shall only be offered in The Netherlands, as part of their initial distribution or by way of reoffering, to individuals or legal entities who or which trade or invest in securities in the conduct of a business or profession (which includes banking securities intermediaries (including dealers and brokers), insurance companies, pension funds, collective investment institutions, central governments, large international and supranational organizations, other institutional investors and other parties, including treasury departments of commercial enterprises, which as an ancillary activity regularly invest in securities; hereinafter, “Professional Investors”), provided that it must be made clear both upon making the offer and in any documents or advertisements in which a forthcoming offering of such shares is publicly announced (whether electronically or otherwise) that such offer is exclusively made to such Professional Investors.

Legal matters

Certain legal matters, including the validity of common stock offered hereby and our qualification as a real estate investment trust, will be passed upon for us by Clifford Chance US LLP, New York, New York, and for the underwriters by Hogan & Hartson L.L.P. Venable LLP will issue an opinion to us regarding certain matters of Maryland law. Certain matters of Massachusetts law may be passed upon by a law firm reasonably acceptable to the underwriters. Clifford Chance US LLP may rely upon the opinion of Venable LLP, Baltimore, Maryland.

Experts

The balance sheet of Extra Space Storage Inc. as of May 5, 2004; the consolidated financial statements of Extra Space Storage LLC and its subsidiaries as of December 31, 2003 and 2002 and for each of the three years in the period ended December 31, 2003; the combined statement of revenues and certain expenses of properties owned by Extra Space West One, LLC and Extra Space East One, LLC for the years ended December 31, 2003, 2002 and 2001; the combined statement of revenues and certain expenses of properties owned by 5255 Sepulveda, LLC and 658 Venice, LTD for the years ended December 31, 2003, 2002 and 2001; the statement of revenues and certain expenses of properties owned by Red Hat Enterprises for the year ended December 31, 2003; the statement of revenues and certain expenses of properties owned by Storage Depot for the year ended December 31, 2003; and the statement of revenues and certain expenses of properties owned by Storage Deluxe for the year ended December 31, 2003 included in this prospectus and the financial statement schedule included in the Registration Statement have been so included in reliance on the reports of PricewaterhouseCoopers LLP, independent registered public accounting firm, given on the authority of said firm as experts in auditing and accounting.

The statement of revenues and certain expenses of properties owned by Devon/Boston, LLC for the year ended December 31, 2003 included in this Registration Statement has been so included in reliance on the reports of Timpson Garcia, LLP, independent accountants, given on the authority of said firm as experts in auditing and accounting.

The statement of revenues and certain expenses of properties owned by Storage Spot Properties No. 1, L.P. and Storage Spot Properties No. 4, L.P. for the year ended December 31, 2003 included in this Registration Statement has been so included in reliance on the report of R.J. Gold & Company, P.C., independent accountants, given or the authority of said firm as experts in auditing and accounting.

Where you can find more information

We have filed with the SEC a registration statement on Form S-11, including exhibits and schedules filed with the registration statement of which this prospectus is a part, under the Securities Act with respect to the shares of our common stock to be sold in the offering. This prospectus does not contain all of the information set forth in the registration statement and exhibits and schedules to the registration statement. For further information with respect to our company and the shares of our common stock to be sold in the offering, reference is made to the registration statement, including the exhibits and schedules to the registration statement. Copies of the registration statement, including the exhibits and schedules to the registration statement, may be examined without charge at the public reference room of

the SEC, 450 Fifth Street, N.W. Room 1024, Washington, DC 20549. Information about the operation of the public reference room may be obtained by calling the SEC at 1-800-SEC-0300. Copies of all or a portion of the registration statement can be obtained from the public reference room of the SEC upon payment of prescribed fees. Our SEC filings, including our registration statement, are also available to you on the SEC's website at *www.sec.gov*.

As a result of the offering, we will become subject to the information and reporting requirements of the Exchange Act, and will file periodic reports, proxy statements and will make available to our stockholders annual reports containing audited financial information for each year and quarterly reports for the first three quarters of each fiscal year containing unaudited interim financial information.

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Extra Space Storage Inc.

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL INFORMATION

The following unaudited pro forma condensed consolidated financial information of Extra Space Storage Inc. (formerly known as Extra Space Storage LLC) as of and for the three months ended March 31, 2004 and for the year ended December 31, 2003 has been derived from the historical financial statements of its predecessor, Extra Space Storage LLC (our predecessor or "ESS") included in this prospectus.

Our pro forma condensed consolidated balance sheet reflects adjustments to our predecessor's historical financial data to give effect to the following as if each had occurred on March 31, 2004; (i) the de-consolidation of the assets and liabilities of 13 early-stage development properties that were spun-off as part of the distribution of the equity interests of Extra Space Development LLC ("ESD") on January 1, 2004, but were continued to be consolidated by ESS for financial reporting purposes due to certain financial guarantees, sale and grant of voting and non-voting Class A units to certain employees in April 2004, and the sale of a partnership interest by the predecessor company (collectively, the Reorganization Transactions"), (ii) the acquisition of nine non-consolidated properties currently owned by Extra Space West One, LLC ("ESW"), a joint venture with Prudential in June 2004 and the acquisition of Prudential's interest in Extra Space East One, LLC in May 2004 (collectively, the "Prudential Acquisition"), (iii) certain other property and minority interest acquisitions, (iv) the completion of certain financing transactions (both prior to and concurrent with the Offering) and (v) the effects of the Offering.

Our pro forma condensed consolidated statement of operations reflects adjustments to our predecessor's historical financial data to give effect to the following as if each of the aforementioned transactions had occurred on January 1, 2003; (i) the de-consolidation of the assets and liabilities of 13 early-stage development properties, the distribution of the Centershift note and the acquisition of the common stock of ESMI (collectively, the "Reorganization Transactions"), (ii) the Prudential Acquisition, (iii) certain other property and minority interest acquisitions and (iv) the completion of certain financing transactions (both prior to and concurrent with the Offering) and the effects of the Offering.

We have based our unaudited pro forma adjustments on available information and assumptions that we consider reasonable. Our unaudited pro forma condensed consolidated financial information is not necessarily indicative of what our actual financial position or results of operations would have been as of the date and for the periods indicated, nor does it purport to represent our future financial position or results of operations.

You should read our unaudited pro forma condensed consolidated financial information, together with the notes thereto, in conjunction with the more detailed information contained in the historical financial statements and related notes of ESS's "Management's Discussion and Analysis of Financial Condition and Results of Operations", and the financial statements of certain recently acquired properties included in this prospectus.

Extra Space Storage Inc.

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED BALANCE SHEET
AS OF MARCH 31, 2004
(in thousands, except for share amounts)

	Historical Extra Space Storage	Reorganization Transactions	Prudential Acquisition	Other Property Acquisitions	Financing Transactions	Pro Forma Before Offering and Related Transactions	Offering and Related Transactions	Pro Forma
	(1)	(2)	(3)	(4)	(5)		(6)	
Assets:								
Real estate assets:								
Net operating real estate assets	$ 365,561	$ —	$ 88,986(a)	$ 219,508	$ —	$ 674,055	$ —	$ 674,055
Real estate under development	74,591	(69,372)	—	—	—	5,219	—	5,219
Net real estate assets	440,152	(69,372)	88,986	219,508	—	679,274	—	679,274
Investments in real estate ventures	8,232	(1,659)	(696)(b)	(196)	—	5,681	—	5,681
Cash	3,582	11,138	(13,438)	(96,227)	5,757(a)	(89,188)	104,990	15,802
Restricted cash	4,165	(276)	348	—	—	4,237	—	4,237
Receivables from related parties	9,415	(9,415)	—	—	—	—	—	—
Other assets, net	11,099	(43)	139	1,678	777(b)	13,650	1,200	14,850
Total assets	$ 476,645	$ (69,627)	$ 75,339	$ 124,763	$ 6,534	$ 613,654	$ 106,190	$ 719,844
Liabilities and Shareholders/Members' Equity:								
Borrowings	$ 345,507	$ (34,371)	$ 34,659(c)	$ 134,364	$ 32,857(c)(d)	$ 513,016	$ (93,708)	$ 419,308
Short term note payable	—	—	40,408(d)	—	(22,008)	18,400	(18,400)	—
Accounts payable and accrued expenses	1,133	(1,130)	25	—	—	28	—	28
Payables to related parties	28,671	(20,119)	—	—	(746)	7,806	(7,705)	101
Other liabilities	5,140	(928)	247	(3)	—	4,456	—	4,456
Total liabilities	380,451	(56,548)	75,339	134,361	10,103	543,706	(119,813)	423,893
Commitments and contingencies								
Redeemable minority interest—								
Fidelity	18,712	—	—	—		18,712	(18,712)	—
Minority interest in Operating Partnership	—	—	—	14,032		14,032	19,751	33,783
Other minority interests	46,203	(22,037)	—	(24,166)		—	—	—
Redeemable Class C Units	29,622	—	—	455		30,077	(30,077)	—
Redeemable Class E Units	14,900	—	—	—		14,900	(14,900)	—
Shareholders' Equity	—	—	—	—		—	—	—
Common stock and additional paid-in-capital	—	—	—	—		—	353,808	353,808
Members' equity:						—		—
Class A Units	10,804	1,265	—	81		12,150	(12,150)	—
Class B Units	50,082	—	—	—		50,082	(50,082)	—
Note Receivable from Centershift	—	—	—	—		—	—	—
Accumulated deficit	(74,129)	7,693	—	—	(3,569)(e)	(70,005)	(21,635)	(91,640)
Total liabilities and shareholders/members' equity	$ 476,645	$ (69,627)	$ 75,339	$ 124,763	$ 6,534	$ 613,654	$ 106,190	$ 719,844

NOTES TO UNAUDITED PRO FORMA CONDENSED CONSOLIDATED BALANCE SHEET
(in thousands)

(1) The "historical" column reflects the assets, liabilities and members equity of Extra Space Storage LLC (ESS). With respect to contributions of assets from ESS to the Company, such contributions would be accounted for at the Predecessor's historical cost as a transfer of assets between companies under common control.

(2) Represents the following transactions:

- The de-consolidation of 13 properties owned by ESD which results from the release of ESS as guarantor of certain guarantees and repayment of receivables prior to the Offering. The properties will be de-consolidated upon the elimination of the guarantees and repayment of the receivable prior to the completion of Offering, and the Company will not have any variable economic interest in the properties.
  On January 1, 2004, ESS distributed the equity interest of ESD to certain Class A Unitholders. ESD held the assets and liabilities of 13 early stage development properties and two parcels of undeveloped land. For financial reporting purposes, ESS was required to continue to consolidate the 13 properties due to certain financial guarantees provided by ESS on these properties. Subsequent to the distribution, ESS no longer has any equity interest in ESD.
- Sale of ESS partnership interest in Extra Space of Laguna Hills LLC to our former partner effective the date of the Offering. The sale resulted in a gain of $1,815.
- Sale and Grant of Class A units to certain employees by our predecessor subsequent to March 31, 2004.

The Reorganization Transactions adjustments consisted of the following:

	De-consolidation of 13 ESD Properties	Sale of Laguna Hills	Sale and Grant of Class A Units	Total Reorganization Transaction
Assets:				
Real estate assets:				
Net operating real estate assets	$ —	$ —	$ —	$ —
Real estate under development	(69,372)	—	—	(69,372)
Net real estate assets	(69,372)	—	—	(69,372)
Investments in real estate ventures	—	(1,659)	—	(1,659)
Cash	9,604	1,474	60	11,138
Restricted cash	(276)	—	—	(276)
Receivables from related parties	(9,415)	—	—	(9,415)
Other assets, net	(43)	—	—	(43)
Total assets	$ (69,502)	$ (185)	$ 60	$ (69,627)
Liabilities and Members' Equity:				
Borrowings	$ (34,371)	$ —	$ —	$ (34,371)
Accounts payable	(1,130)	—	—	(1,130)
Payables to related parties	(18,119)	(2,000)	—	(20,119)
Other liabilities	(928)	—	—	(928)
Total liabilities	(54,548)	(2,000)	—	(56,548)
Other minority interests	(22,037)	—	—	(22,037)
Members' equity				
Class A Units	—	—	1,265	1,265
Class B Units	—	—	—	—
Note receivable from Centershift	—	—	—	—
Accumulated deficit	7,083	1,815	(1,205)(a)	7,693
Total liabilities and members' equity	$ (69,502)	$ (185)	$ 60	$ (69,627)

(a) Represents the adjustment to reflect the grant of 2,120,958 of voting class A units, and 1,895,880 of non-voting units to certain employees, which resulted in a non-recurring charge of $1,205.

NOTES TO UNAUDITED PRO FORMA
CONDENSED CONSOLIDATED BALANCE SHEET—(Continued)

(3) Represents the adjustments related to the acquisition of nine non-consolidated properties currently owned by ESW and the acquisition of Prudential's interest in ESE (collectively, the "Prudential Acquisition"). **These acquisitions were completed on June 1, 2004 and May 10, 2004, respectively.**

(a) The purchase price of the assets acquired in the Prudential Acquisition is calculated as follows:

Cash paid	$ 13,438
Short term notes payable to Prudential	40,408
Fair value of debt assumed	34,659
Other liabilities assumed	968
	$ 89,473

The allocation of the purchase price to the assets acquired in the Prudential Acquisition is shown as follows:

Purchase price allocated to:	
Net operating real estate assets	$ 87,237
Intangible assets related to tenant relationships	1,749
Net operating real estate assets	88,986
Other operating assets and liabilities, net	487
Total assets acquired	$ 89,473

(b) Represents the elimination of the ESS investment in ESE.

(c) In conjunction with the Prudential Acquisition, we will assume $34,387 of existing fixed and variable rate indebtedness on 18 self storage facilities. This indebtedness is comprised of three mortgages with an average interest rate of 3.03% and an average maturity of 19 months at March 31, 2004. The fair value of the assumed indebtedness is $34,659, which includes $272 in prepayment penalties on debt to be refinanced concurrent with the Offering.

(d) Represents two short term notes aggregating $40,408 bearing interest at 12.5%, executed between Prudential and ESS for the proceeds due to Prudential on the purchase of these properties. These notes will be paid from the proceeds of financing transactions and our Offering at closing as discussed in Note 5(a) and 6(c).

(4) Represents the adjustments related to (i) the acquisition of **five** properties through the purchase of the outside interest in three joint ventures previously accounted for under the equity method by ESS; (ii) the acquisition of **30** properties from third parties and (iii) the acquisition of the outside minority interest of certain consolidated properties. The acquisitions of minority interests have been reflected using the purchase method with a step up in the assets for the excess of the cash purchase price over carrying value of the minority interest. **All of these acquisitions are scheduled to be completed at or around the date of the Offering.**

NOTES TO UNAUDITED PRO FORMA CONDENSED CONSOLIDATED BALANCE SHEET—(Continued)

	Acquisition of Joint Venture Interests	Acquisition of Properties	Acquisition of Minority Interests (a)	Total Other Property Acquisitions
Assets:				
Real estate assets:				
Net operating real estate assets	$ 30,533	$ 174,969	$ 14,006	$ 219,508(b)
Net real estate assets	30,533	174,969	14,006	219,508
Investments in real estate ventures	(196)	—	—	(196)(c)
Cash	(1,202)	(58,302)	(36,723)	(96,227)(d)
Receivables from related parties	—	—	—	—
Other assets	13	1,665	—	1,678
Total assets	$ 29,148	$ 118,332	$ (22,717)	$ 124,763
Liabilities and Members' Equity:				
Borrowings	$ 16,032	$ 118,332	$ —	$ 134,364(e)
Other liabilities	(3)	—	—	(3)
Total liabilities	16,029	118,332	—	134,361
Minority interest in Operating Partnership	12,583	—	1,449	14,032(f)
Other minority interests	—	—	(24,166)	(24,166)
Redeemable Class C Units	455	—	—	455
Class A Units	81	—	—	81
Total liabilities and members' equity	$ 29,148	$ 118,332	$ (22,717)	$ 124,763

(a) Represents the purchase of the minority interest in certain consolidated properties for cash of $36,723 using a portion of the proceeds of the Offering and issuance of units in the Operating Partnership valued at $1,449.

(b) The total purchase price of the Other Property Acquisitions is as follows:

Cash paid	$ 96,227
Value of Operating Partnership Units issued	14,568
Fair value of debt assumed	134,364
Accounts payable and other liabilities assumed	(3)
	$245,156

The allocation of the purchase price to the assets acquired is as follows:

Purchase price allocated to:	
Net operating real estate assets:	
Land and buildings	$ 217,140
Intangible assets related to tenant relationships	2,368
	219,508
Other operating assets and liabilities, net	1,482
Redemption of minority interest	24,166
Total assets acquired	$ 245,156

**NOTES TO UNAUDITED PRO FORMA
CONDENSED CONSOLIDATED BALANCE SHEET—(Continued)**

(c) Represents the elimination of ESS' equity method investments in the joint ventures where ESS purchased the remaining interest of their partner.

(d) Represents the cash from the Offering used to consummate the Other Property Acquisitions.

(e) In conjunction with the Other Property Acquisitions, we will assume $20,462 of existing indebtedness on five facilities and incur $111,000 of new indebtedness. The assumed indebtedness is comprised of five mortgages with an average interest rate of 5.31% and an average maturity of 7.3 years at March 31, 2004. The new indebtedness is comprised of a $111,000, interest only 6 year senior mortgage on 26 properties, interest will be fixed at 150 basis points over the 5 year Treasury rate (5.14% as of March 31, 2004) and will be paid monthly, the fair value of the assumed indebtedness $134,364 which includes $2,902 in prepayment penalties on debt to be refinanced concurrent with the Offering.

(f) Represents the dollar value of Operating Partnership Units to be issued to joint venture partners for the purchase of their interests.

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

(a) Amount represents the net cash used in the financing transactions as follows:

Cash from New Senior 4.79% fixed rate mortgage due 2011	$ 68,400
Cash from New Senior LIBOR plus 22 basis points variable rate mortgage due 2009	61,770
Less loan origination fees on new mortgages	(1,959)
Less cash used to pay off certain existing indebtedness	(97,313)
Less cash used to pay down Prudential short term notes	(22,008)
Less cash paid for loan prepayment penalties on existing indebtedness	(2,387)
Less cash paid to related parties	(746)
Net cash provided by financing transactions	$ 5,757

(b) The adjustments represent loan origination costs of $1,959 incurred with the issuance of all new indebtedness contemplated before the Offering, net of the write off of unamortized loan origination costs of $1,182 related to the existing senior fixed and variable rate mortgages, which are being repaid.

(c) As part of completed or contemplated transactions we will repay certain indebtedness:

Senior variable rate mortgage due 2005, LIBOR plus 1.65% per annum (2.90% at March 31, 2004)	$(15,625)
Senior variable rate mortgage due 2005, LIBOR plus 3.00% per annum (4.25% at March 31, 2004)	(22,000)
Senior fixed rate mortgage due 2006, based on a rate of 9.49% per annum (Includes $272 in prepayment penalties)	(1,827)
Senior variable rate mortgage due 2005, LIBOR plus 1.50% per annum (2.75% at March 31, 2004)	(17,207)
Senior fixed rate mortgage due 2011, based on a rate of 8.20% per annum	(6,929)
Senior variable rate mortgage due 2007, LIBOR plus 4.50% per annum with a LIBOR floor of 1.50% (6.00% at March 31, 2004) (Includes $560 in prepayment penalties)	(14,560)
Various individual property senior mortgages and construction loans	(19,122)
Various short term related party notes payable	(43)
Total repaid with financing transactions	$(97,313)

NOTES TO UNAUDITED PRO FORMA CONDENSED CONSOLIDATED BALANCE SHEET—(Continued)

(d) We intend to incur the following new indebtedness:

New Senior 4.79% fixed rate mortgage due 2011, three year interest only.	$ 68,400
New Senior variable rate LIBOR plus 22 basis points mortgage due 2009, five year interest only (1.25% at March 31, 2004)	61,770
Total of debt contemplated before Offering	$ 130,170

(e) Prior to Offering, we will incur $2,387 of loan prepayment penalties to repay certain of our existing senior fixed and variable rate mortgage obligations. We will also write off unamortized loan origination costs of $1,182 related to the existing senior fixed and variable rate mortgages.

(6) Represents the consummation of the Offering and use of proceeds consisting of the following:

- Redemption of Fidelity minority interest
- Exchange of certain outstanding Class A, Class B, Class C and Class E interest in ESS for common stock and Operating Partnership units.

	Redemption of Fidelity Minority Interest (a)	Exchange (b)	Offering	Total Offering and Related Transactions
Assets:				
Real estate assets:				
Net operating real estate assets	$ —	$ —	$ —	$ —
Net real estate assets	—	—	—	—
Investments in real estate ventures	—	—	—	—
Cash	(22,382)	(26,814)	154,186(c)	104,990
Other assets, net	—	—	1,200(d)	1,200
Total assets	$ (22,382)	$(26,814)	$ 155,386	$ 106,190
Liabilities and Shareholders/Members' Equity:				
Borrowings	$ —	$ —	$(108,708)(e)	$ (108,708)
	—	—	15,000(f)	15,000
Short term notes payable to Prudential	—	—	(18,400)	(18,400)
Accounts payable and accrued expenses	—	—	—	—
Payables to related parties	—	—	(7,705)(g)	(7,705)
Total liabilities	—	—	(119,813)	(119,813)
Redeemable minority interest-Fidelity	(18,712)	—	—	(18,712)
Minority interest in OP Partnership	—	19,751		19,751
Redeemable Class C Units	—	(30,077)	—	(30,077)
Redeemable Class E Units	—	(14,900)	—	(14,900)
Common stock and additional paid-in-capital	—	76,569	277,239(h)	353,808
Members' equity				
Class A Units	—	(12,150)	—	(12,150)
Class B Units	—	(50,082)	—	(50,082)
Accumulated Deficit	(3,670)	(15,925)	(2,040)(i)	(21,635)
Total liabilities and shareholders'/ members' equity	$ (22,382)	$(26,814)	$ 155,386	$ 106,190

NOTES TO UNAUDITED PRO FORMA
CONDENSED CONSOLIDATED BALANCE SHEET—(Continued)

(a) Represents the redemption of the minority equity interest held by FREAM No. 39 LLC and the Fidelity Pension Fund Real Estate Investment LLC, affiliates of the Fidelity Management Trust Company, in a consolidated subsidiary, Extra Space Properties Four LLC. The redemption price will be $22,382, which includes the return of principal of $15,558 and unpaid preferred return of $3,926 as of March 31, 2004 and a prepayment of unearned guaranteed preferred return of $2,897 through the initial call date of November 26, 2004. This unearned guarantee preferred return amount of $2,897 and net original issue costs of $773 are included in the charge to accumulated deficit.

(b) Exchange of common stock for units of ESS and cash redemption of units of ESS as follows:

Exchange of common stock for class C Units	$ 30,077
Exchange of common stock for class E Units	14,900
Exchange of common stock for class B Units	66,007
Exchange of common stock for class A Units	12,150
Total units available to exchange for common stock	123,134
Units redeemed for cash	(26,814)
Units redeemed for minority interest in Operating Partnership	(19,751)
Total common stock exchanged	$ 76,569

(c) Cash proceeds from the Offering are shown below:

Gross Offering proceeds	$ 300,000
Cash from New Senior variable rate mortgage due 2009	15,000
Use of proceeds:	
Offering costs	(22,761)
Loan origination fees on new mortgages	(1,200)
Cash paid for loan prepayment penalties on existing indebtedness, including $1.1 million of defeasance fee paid on behalf of Mr. Fanticola	(2,040)
Pay down Debt	(108,708)
Pay down related party debt	(7,705)
Payment of Prudential short term note	(18,400)
Net proceeds	$ 154,186

(d) The adjustments represent loan origination costs of $1,200 incurred with the issuance of new debt at the time of the Offering.

NOTES TO UNAUDITED PRO FORMA
CONDENSED CONSOLIDATED BALANCE SHEET—(Continued)

(e) As part of the contemplated Offering we will repay certain indebtedness:

Senior fixed rate mortgage due 2009, based on a rate of 8.97% per annum (Includes $384 in prepayment penalties)	$ (1,631)
Senior fixed rate mortgage due 2008, based on a rate of 7.15% per annum	(5,005)
Senior variable rate mortgage due 2007, LIBOR plus 4.50% per annum with a LIBOR floor of 1.50% (6.00% at March 31, 2004) (Includes $1,958 in prepayment penalties)	(54,159)
Various individual property senior mortgages and construction loans	(30,571)
Wells Fargo credit line-property purchase	(5,000)
ESS—line of credit—Wells Fargo	(905)
ESS—line of credit—Zions	(11,437)
Total repaid with Offering	$(108,708)

(f) We intend to incur the following new indebtedness as part of the Offering:

New Senior variable rate mortgage due 2007, based on a spread of 1.75% over one-month LIBOR (3.00% at March 31, 2004)	$ 15,000
Total of debt contemplated at Offering	$ 15,000

(g) Repayment of the following related party payables of $8,133 as follows:

SPF-II	$ 3,674
Anthony and Joann Fanticola	4,031
	$ 7,705

The Company has also agreed to pay $1.1 million in defeasance fee on behalf of Mr. Fanticola to be paid from the Offering.

(h) Represents the consummation of our offering. In our offering we intend to issue 12,000 shares of $ Par common stock at $25.00 per share, for $300,000 of gross proceeds, before offering costs of $. The costs of our common stock offering include $ of underwriting discounts and commissions and financial advisory fees on the shares sold by us and $ of other costs payable by us.

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

Issuance of 12,000 shares of Common Stock at $25 per share.	$300,000
Less offering costs	(22,761)
Common stock and paid in capital from the Offering	$277,239

(i) At the time of the Offering we will incur $2,040 of loan prepayment penalties to repay certain of our existing senior fixed rate mortgages and related party payables.

Extra Space Storage Inc.

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE THREE MONTHS ENDED MARCH 31, 2004
(in thousands, except for share amounts)

	Historical Extra Space (1)	Distribution of ESD (2)	Prudential Acquisition (3)	Other Property Acquisitions (4)	Financing Transactions (5)	Other Adjustments (6)	Pro Forma
Revenues:							
Property rental revenues	$ 9,996	$ 2	$ 2,748	$ 6,889	$ —	$ —	$ 19,635
Management fees	548	—	—	—	—	(274)	274
Acquisition fees and development fees	265	—	—	—	—	—	265
Other income	117	(42)	—	—	—	—	75
	10,926	(40)	2,748	6,889	—	(274)	20,249
Expenses:							
Property operating expenses	4,410	(28)	1,010	2,458	—	—	7,850
Unrecovered development/acquisition costs and support payments	498	—	—	—	—	—	498
Depreciation and amortization	2,677	—	743	1,685	—	306	5,411
General and administrative expense/management fee	2,970	—	169	76	—	(195)	3,020
	10,555	(28)	1,922	4,219	—	111	16,779
Income (loss) before interest expense, minority interests, equity in earnings of real estate ventures and gain (loss) on sale of real estate assets	371	(12)	826	2,670	—	(385)	3,470
Interest expense	(4,724)	—	—	—	(168)	—	(4,892)
Minority interest—Fidelity preferred return	(1,096)	—	—	—	—	1,096	—
Income allocated to other minority interests	(439)	258	—	—	—	181	—
Equity in earnings of real estate ventures	261	—	344	—	—	(250)	355
Loss on sale of real estate assets	(171)	—	—	—	—	—	(171)
Net income (loss)	$ (5,798)	$ 246	$ 1,170	$ 2,670	$ (168)	$ 642	$ (1,238)

NOTES TO UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS FOR THE THREE MONTHS ENDED MARCH 31, 2004

(1) The "historical" column reflects the results of operations of ESS.

(2) Represents the de-consolidation of the assets and liabilities of 13 early-stage development properties held by ESD, resulting from the release of certain financial guarantees provided by ESS. The properties will be de-consolidated upon the elimination of the guarantees and repayment of the receivable prior to the completion of Offering, and the Company will not have any variable economic interest in the properties.

(3) Represents the operations related to the acquisition of nine non-consolidated properties currently owned by ESW and the acquisition of Prudential's interest in ESE (collectively, the "Prudential Acquisition"). These acquisitions were completed on June 1, 2004 and May 4, 2004, respectively. The operations of the related properties are shown below:

	Extra Space East One LLC and Extra Space West One LLC	Depreciation and Amortization Adjustment	Total Prudential Acquisition
Revenues:			
Property rental revenues	$ 2,748	$ —	$ 2,748
	2,748	—	2,748
Expenses:			
Property operating expenses	1,010	—	1,010
Management fee	169	—	169
Depreciation and amortization	—	743	743
	1,179	743	1,922
Income (loss) before minority interests, equity in earnings of real estate ventures and gain on sale of real estate assets	1,569	(743)	826
Equity in earnings of real estate ventures	344		344
Net income (loss)	$ 1,913	$ (743)	$ 1,170

Depreciation and amortization expense adjustment of $743 includes depreciation of $451 computed on a straight line basis over the estimated useful life (39 years) on depreciable assets acquired of $69,849, and amortization of $292 computed on a straight line basis over the estimated useful life of 18 months on $1,748 of intangible assets relating to tenant relationships acquired.

In connection with the purchase of properties from ESW, the proceeds were distributed entirely to our joint venture partner in accordance with the distribution priorities contained in the existing joint venture agreement. Accordingly, our joint venture partner's capital balance on which it earns a preferential return will be substantially reduced and the allocation of historical income of the remaining properties in the joint venture has been adjusted to reflect the allocation of income in accordance with the existing terms of the agreement as if such return of capital had occurred on January 1, 2003. This results in an additional participation by ESS of $344 on a pro forma basis in the operations of the property retained in the joint venture.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(CONTINUED)

(4) Represents the results of operations which will be reflected in the Company as a result of the purchase of four properties through the purchase of the controlling interest in three joint ventures and the acquisition of 39 properties from third parties as shown below (11 acquisitions have been completed and 31 will be completed at the time of the Offering):

	Storage Depot & Devon	Other Properties	Total Completed Acquisitions	Sherman Oaks & Venice	Riverside and Mesa	Storage Deluxe	Storage Spot	Total Proposed Acquisitions	Adjustments	Total Other Property Acquisitions
Number of Properties	9	2		2	2	1	26			42
Revenues:										
Property rental revenues	$ 1,092	$ 228	$ 1,320	$ 824	$ 271	$ 433	$ 4,041	$ 5,569	—	$ 6,889
	1,092	228	1,320	824	271	433	4,041	5,569	—	6,889
Expenses:										
Property operating expenses	605	69	674	130	94	110	1,450	1,824	—	2,458
General and administrative expenses/management fee	45	13	58	49	14	26	242	331	(313)	76
Depreciation and amortization	—	—	—	—	—	—		—	1,685	1,685
	650	82	732	179	108	136	1,692	2,155	1,372	4,219
Income	$ 442	$ 146	$ 588	$ 645	$ 163	$ 297	$ 2,349	$ 3,414	$ (1,372)	$ 2,670

Depreciation and amortization expense adjustment of $1,685 includes depreciation of $1,042 computed on a straight line basis over the estimated useful life (39 years) on depreciable assets acquired of $162,554 and amortization of $642 computed on a straight line basis over the estimated useful life of 18 months on $3,854 of intangibles assets related to tenant relationships acquired.

Management fees of $313 that are eliminated represent fees paid to unaffiliated management companies that will no longer be incurred.

NOTES TO UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS FOR THE THREE MONTHS ENDED MARCH 31, 2004—(Continued)

(5) Represents the consummation of the financing transactions, consisting of the following:

Adjustments to net pro forma interest expense computed as follows:	
Interest expense adjustment:	
Interest expense on new 4.70% senior fixed rate mortgage of $83,100 due 2009	$ 954
Interest expense on new 4.79% senior fixed rate mortgage of $68,400 due 2011	819
Interest expense on new senior variable rate, LIBOR plus 32 basis points, mortgage of $61,770 due 2007 (1.57% at March 31, 2004)	243
Interest expense on new 5.14% senior fixed rate mortgage of $111,000	1,426
Interest expense on new variable rate senior mortgage of $15,000 due 2007, based upon a spread of 1.75% over LIBOR (3.00% at March 31, 2004)	113
Interest expense on assumed 4.90% fixed rate CMBS Mortgage due 2013	89
Interest expense on assumed 5.91% fixed rate CMBS Mortgage due 2013	23
Interest expense on assumed 5.76% fixed rate CMBS Mortgage due 2013	40
Less interest expense on loans repaid in the financing transactions:	
Corporate Credit lines and unsecured debt	(591)
Senior variable rate mortgage due 2004, LIBOR plus 3.00% per annum with a floor of 6.00% (6.00% at March 31, 2004)	(383)
Senior fixed rate mortgage due 2011, based on a rate of 8.20% per annum	(173)
Senior variable rate mortgage due 2005, LIBOR plus 3.50% per annum with a floor of 5.50% (5.50% at March 31, 2004)	(701)
Senior variable rate mortgage due 2005, LIBOR plus 3.00% per annum (4.25% at March 31, 2004)	(228)
Senior fixed rate mortgage due 2008, based on a rate of 7.15% per annum	(110)
Senior variable rate mortgage due 2007, LIBOR plus 4.50% per annum with a LIBOR floor of 1.50% (6.00% at March 31, 2004)	(718)
Various individual property senior mortgages and construction loans	(565)
Net Increase in interest expense	238
Loan origination cost amortization adjustment:	
Loan origination cost amortization on new loans:	
New 4.79% senior fixed rate mortgage of $68,400 due 2011	41
New variable rate LIBOR plus 22 basis points senior mortgage of $61,770 due 2009…	41
New 5.14% senior fixed rate mortgage of $ 111,000	69
New variable rate senior mortgage of $37,000 due 2007	38
New revolving credit facility	38
Less—loan origination cost amortization related to repaid indebtedness	(297)
Net increase in loan origination cost amortization expense, included with interest expense	(70)
Total increase in pro forma interest expense	$ 168

At the completion of the offering we expect to have variable rate debt of $119,786. An increase of 1% in the interest rate will result in an increase in interest expense of $288, due to the fixed floors in certain variable rate debt arrangements. The increase in interest expense would be $300 without the impact of floors.

NOTES TO UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS FOR THE THREE MONTHS ENDED MARCH 31, 2004—(Continued)

(6) Represents the following adjustments to pro forma operations:

- Ø Elimination of $274 intercompany management fees received and $245 of fees paid. The remaining balance in the pro forma represents management fees received on third party managed properties.
- Ø Adjustment to increase payroll cost for proposed employment contracts.
- Ø Elimination of Fidelity preferred return of $1,096 for the quarter ended March 31, 2004 due to redemption of Fidelity Minority Interest.
- Ø Adjustment to ESS' share of equity in earnings of ESW, a joint venture with Prudential, due to ESS' acquisition of nine of the 15 properties in ESW. ESS continues to account for its investment in ESW under the equity method.
- Ø Elimination of income allocated to minority interest of $181 as a result of the redemption of those minority interests, and the depreciation and amortization adjustment resulting from the acquisition of the minority interest. Depreciation and amortization expense adjustment of $306 includes depreciation of $54 computed on a straight line basis over the estimated useful life (39 years) on the step up to depreciable assets of $8,450 and amortization of $252 computed on a straight line basis over the estimated useful life of 18 months on $1,538 in intangible assets relating to tenant relationships acquired.

	Mgmt fee Adjustments	Employment Contracts	Fidelity Preferred	Adj Equity in Earnings	Purchase of Partnership Interests	Total Other Adjustments
Revenues:						
Management fees	$ (274)	$ —	$ —	$ —	$ —	$ (274)
Acquisition fees and development fees	—	—	—	—	—	—
	(274)	—	—	—	—	(274)
Expenses:						
Unrecovered development and acquisition costs	—	—	—	—	—	—
General and administrative expenses/management fee	(245)	50	—	—	—	(195)
Depreciation and amortization	—	—	—	—	306	306
	(245)	50	—	—	306	111
Income (loss) before interest expense, minority interests, equity in earnings of real estate ventures and loss on sale of real estate assets	(29)	(50)	—	—	(306)	(385)
Minority Interest—Fidelity preferred return	—	—	1,096	—	—	1,096
Income allocated to minority interest	—	—	—	—	181	181
Equity in earnings of real estate ventures	—	—	—	(250)	—	(250)
Net income (loss)	$ (29)	$ (50)	$ 1,096	$ (250)	$ (125)	$ 642

Extra Space Storage Inc.

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS FOR THE YEAR ENDED DECEMBER 31, 2003 (in thousands, except for share amounts)

	Historical Extra Space	Reorganization Transactions	Prudential Acquisition	Other Property Acquisitions	Financing Transactions	Other Adjustments	Pro Forma
	(1)	(2)	(3)	(4)	(5)	(6)	
Revenues:							
Property rental revenues	$ 33,054	$ —	$ 9,872	$ 35,147	$ —	$ (665)	$ 77,408
Management fees	1,935	—	—	—	—	(773)	1,162
Acquisition fees and development fees	654	—	—	—	—	—	654
Other income	618	(511)	—	—	—	—	107
	36,261	(511)	9,872	35,147	—	(1,438)	79,331
Expenses:							
Property operating expenses	14,858	—	3,302	13,120	—	(455)	30,825
Unrecovered development/acquisition costs and support payments	4,937	(3,416)	—	—	—	(1,521)	—
Depreciation and amortization	6,805	252	2,972	9,423	—	1,242	20,694
General and administrative expense/management fee	8,297	(24)	562	335	—	63	9,233
	34,897	(3,188)	6,836	22,878	—	(671)	60,752
Income (loss) before interest expense, minority interests, equity in earnings of real estate ventures and gain on sale of real estate assets	1,364	2,677	3,036	12,269	—	(767)	18,579
Interest expense	(13,795)	9	—	—	(4,570)	—	(18,356)
Minority interest—Fidelity preferred return	(4,132)	—	—	—	—	4,132	—
Income allocated to other minority interests	(3,904)	768	—	—	—	3,136	—
Equity in earnings of real estate ventures	1,465	—	621	—	—	(918)	1,168
Gain on sale of real estate assets	672	—	—	—	—	—	672
Net income (loss)	$ (18,330)	$ 3,454	$ 3,657	$ 12,269	$ (4,570)	$ 5,583	$ 2,063
Income (loss) per share:							
Basic loss per share							
Diluted income (loss) per share							
Weighted average unit information:							
Basic units outstanding							
Diluted units outstanding							

NOTES TO UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS FOR THE YEAR ENDED DECEMBER 31, 2003

(1) The "historical" column reflects the results of operations of ESS.

(2) Represents the Reorganization Transactions that were executed in anticipation of the offering. These transactions consist of the following:

- Ø De-consolidation of ESD, resulting from the release of certain financial guarantees provided by ESS. De-consolidation of the assets and liabilities of 13 early-stage development properties, held by ESD. The properties will be de-consolidated upon the elimination of the guarantees and repayment of the receivable prior to the completion of Offering, and the Company will not have any variable economic interest in the properties.
- Ø Distribution of a convertible note receivable from Centershift, an affiliated software company, to the Class A unit holders. The note was subsequently converted into a 40% interest in Centershift.
- Ø Purchase of the assets and liabilities of ESMI, the management company, contemporaneous with the Offering for its' net book value of $184.

	Distribution of ESD a	Centershift Distribution b	ESMI Purchase c	Total Reorganization Transactions
Revenues:				
Other income	$ (199)	$ (312)	$ —	$ (511)
	(199)	(312)	—	(511)
Expenses:				
Abandoned project costs	(3,416)	—	—	(3,416)
Interest expense	(28)	—	19	(9)
Depreciation and amortization	—	—	252	252
General and administrative/management fee	(24)	—	—	(24)
	(3,468)	—	271	(3,197)
Income (loss) before minority interests	3,269	(312)	(271)	2,686
Income allocated to minority interests	768	—	—	768
Net income (loss)	$ 4,037	$ (312)	$ (271)	$ 3,454

(a) Represents the historical activity of ESD.

(b) Represents the elimination of interest income recorded by ESS related to the Centershift note receivable.

(c) General and administrative costs of ESMI historically have been charged to ESS as management fees and are included in the ESS historical General and Administration of $8,297.

NOTES TO UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS FOR THE YEAR ENDED DECEMBER 31, 2003—(Continued)

(3) Represents the adjustments related to the Prudential Acquisition. The operations of the related properties are shown below:

	Extra Space East One LLC and Extra Space West One LLC	Depreciation and Amortization Adjustment	Elimination of Consolidated NOI Income and Expenses	Total Prudential Acquisition
Revenues:				
Property rental revenues	$ 10,827	$ —	$ (955)	$ 9,872
	10,827	—	(955)	9,872
Expenses:				
Property operating expenses	3,776	—	(474)	3,302
Management fee	667	—	(105)	562
Depreciation and amortization	—	2,972		2,972
	4,443	2,972	(579)	6,836
Income (loss) before interest expense, minority interests, equity in earnings of real estate ventures and gain on sale of real estate assets	6,384	(2,972)	(376)	3,036
Equity in earnings of real estate ventures	621			621
Net income (loss)	$ 7,005	$ (2,972)	$ (376)	$ 3,657

Depreciation and amortization expense adjustment of $2,972 includes depreciation of $1,806 computed on a straight line basis over the estimated useful life (39 years) on depreciable assets acquired of $69,849, and amortization of $1,166 computed on a straight line basis over the estimated useful life of 18 months on $1,748 of intangible assets relating to tenant relationships acquired.

In connection with the purchase of properties from ESW, the proceeds were distributed entirely to our joint venture partner in accordance with the distribution priorities contained in the existing joint venture agreement. Accordingly, our joint venture partner's capital balance on which it earns a preferential return will be substantially reduced and the allocation of historical income of the remaining properties in the joint venture has been adjusted to reflect the allocation of income in accordance with the existing terms of the agreement as if such return of capital had occurred on January 1, 2003. This results in an additional participation by ESS of $621 on a pro forma basis in the operations of the property retained in the joint venture.

Because of certain performance guarantees provided by ESS, the two properties were consolidated into the historical accounts of the Company. Accordingly, the income and expenses are eliminated as part of the pro forma adjustment.

NOTES TO UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS FOR THE YEAR ENDED DECEMBER 31, 2003—(Continued)

(4) Represents the results of operations which will be reflected in the Company as a result of the purchase of four properties through the purchase of the controlling interest in three joint ventures and the acquisition of 40 properties from third parties as shown below:

	Storage Depot	Devon	Other Properties	Total Completed Acquisitions	Sherman Oaks & Venice	Riverside and Mesa	Storage Deluxe	Storage Spot	Total Projected Acquisitions	Adjust-ments	Total Other Property Acquisitions
Number of Properties	5	4	4	13	2	2	1	26	31		44
Revenues:											
Property rental revenues	$ 6,640	$ 4,826	$ 1,858	$ 13,324	$ 3,061	$ 1,086	$ 1,719	$ 15,957	$ 21,925	$ —	$ 35,147
	6,640	4,826	1,858	13,324	3,061	1,086	1,719	15,957	21,925	—	35,147
Expenses:											
Property operating expenses	3,510	1,548	636	5,694	551	406	456	6,014	7,530	—	13,120
Depreciation and amortization	—	—	—	—	—	—	—	—	—	9,423	9,423
General and administrative/ management fee	415	191	97	703	184	54	102	957	1,298	(1,666)	335
	3,925	1,739	733	6,397	735	460	558	6,971	8,828	7,757	22,878
Income	$ 2,715	$ 3,087	$ 1,125	$ 6,927	$ 2,326	$ 626	$ 1,161	$ 8,986	$ 13,097	$ (7,757)	$ 12,269

Depreciation and amortization expense adjustment of $9,423 includes depreciation of $5,773 computed on a straight line basis over the estimated useful life (39 years) on depreciable assets acquired of $223,890 and amortization of $3,650 computed on a straight line basis over the estimated useful life of 18 months on $5,476 of intangibles assets related to tenant relationships acquired.

Management fees of $1,666 that are eliminated represent fees paid to unaffiliated management companies that will no longer be incurred.

NOTES TO UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS FOR THE YEAR ENDED DECEMBER 31, 2003—(Continued)

(5) Represents the consummation of the financing transactions, consisting of the following:

Adjustments to net pro forma interest expense computed as follows:

Interest expense adjustment:	
Interest expense on new 4.70% senior fixed rate mortgage of $83,100 due 2009	$ 3,906
Interest expense on new 4.79% senior fixed rate mortgage of $68,400 due 2011	3,276
Interest expense on new variable rate LIBOR plus 32 basis points senior mortgage of $61,770 due 2009 (1.44% at December 31, 2003)	890
Interest expense on new variable rate senior mortgage of $15,000 due 2007, based upon a spread of 1.75% over LIBOR (2.87% at December 31, 2003)	431
Interest expense on assumed 4.90% fixed rate CMBS Mortgage due 2013	312
Interest expense on assumed 5.91% fixed rate CMBS Mortgage due 2013	92
Interest expense on assumed 5.76% fixed rate CMBS Mortgage due 2013	160
Interest expense on new 5.14 % senior fixed rate mortgage of $111,000 due 2010	5,705
Less interest expense on loans repaid in the financing transactions:	
Corporate Credit lines and unsecured debt	(2,067)
Senior variable rate mortgage due 2004, LIBOR plus 3.00% per annum with a floor of 6.00% (6.00% at December 31, 2003)	(1,741)
Senior fixed rate mortgage due 2011, based on a rate of 8.20% per annum	(580)
Senior variable rate mortgage due 2005, LIBOR plus 3.50% per annum with a floor of 5.50% (5.50% at December 31, 2003)	(2,878)
Senior variable rate mortgage due 2005, LIBOR plus 3.00% per annum (4.12% at December 31, 2003)	(939)
Senior fixed rate mortgage due 2008, based on a rate of 7.15% per annum	(414)
Various individual property senior mortgages and construction loans	(1,780)
Net increase in interest expense	4,373
Loan origination cost amortization adjustment:	
Loan origination cost amortization on new loans:	
New 4.70% senior fixed rate mortgage of $83,100 due 2009…	331
New 4.79% senior fixed rate mortgage of $68,400 due 2011	164
New variable rate LIBOR plus 22 basis points senior mortgage of $61,770 due 2009…	163
New variable rate senior mortgage of $37,000 due 2007	150
New revolving credit facility	150
New 5.14% senior fixed rate mortgage of $111,000 due 2010	333
Less loan origination cost amortization related to repaid indebtedness	(1,094)
Net increase in loan origination cost amortization expense, included with interest expense	197
Total increase in pro forma interest expense	$ 4,570

At the completion of the offering we expect to have variable rate debt of $119,780. An increase of 1% in the interest rate will result in an increase in interest expense of $1,151 due to the fixed floors in certain variable rate debt arrangements. The increase in interest expense would be $1,198 for the period without the impact of floors.

NOTES TO UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS FOR THE YEAR ENDED DECEMBER 31, 2003—(Continued)

(6) Represents the following adjustments to pro forma operations:

- Elimination of $773 intercompany management fees received and $897 of fees paid. The remaining balance in the pro forma represents management fees received on third party managed properties.
- Elimination of certain non-recurring guarantee payments made to joint venture partners of $1,521, relating to joint venture interests that were acquired by ESS.
- Adjustment to increase general and administrative expenses for costs of being a public company.
- Adjustment to increase payroll costs of the proposed employment contracts.
- Elimination of Fidelity preferred return of $4,132 for the year ended December 31, 2003 due to redemption of Fidelity Minority Interest.
- Elimination of equity in earnings of $918 resulting from the acquisition by ESS of joint venture partners' interests in certain real estate joint ventures.
- Elimination of income and expenses on three properties that were sold and will not be part of the ongoing company.
- Elimination of income allocated to minority interest of $3,136 as a result of the redemption of those minority interests, and the depreciation and amortization adjustment resulting from the acquisition of the minority interest. Depreciation and amortization expense adjustment of $1,242 includes depreciation of $216 computed on a straight line basis over the estimated useful life (39 years) on the step up to depreciable assets of $8,450 and amortization of $1,025 computed on a straight line basis over the estimated useful life of 18 months on $1,538 in intangible assets relating to tenant relationships acquired.

NOTES TO UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS FOR THE YEAR ENDED DECEMBER 31, 2003—(Continued)

	Mgmt fee & Devel fee Adjustments	One time Payments to JV Partners	Public Company Costs	Employment Contracts	Fidelity Preferred	Adj Equity in Earnings	Elimination of Income and Expenses on Sold Properties	Purchase of Partnership Interests	Total Other Adjustments
Revenues:									
Rental Income	$ —	$ —	$ —	—	$ —	$ —	$ (665)	$ —	$ (665)
Management fees	(773)	—	—	—	—	—	—	—	(773)
Acquisition fees and development fees	—	—	—	—	—	—	—	—	—
Other Income	—	—	—	—	—	—	—	—	—
	(773)	—	—		—	—	(665)	—	(1,438)
Expenses:									
Property operating expenses	—	—	—	—	—	—	(455)	—	(455)
Unrecovered development and acquisition costs	—	(1,521)	—	—	—	—	—	—	(1,521)
Depreciation and amortization	—	—	—	—	—	—	—	1,242	1,242
General and administrative/management fee	(897)	—	700	300	—	—	(40)	—	63
	(897)	(1,521)	700	300	—	—	(495)	1,242	(671)
Income (loss) before interest expense, minority interests, equity in earnings of real estate ventures and gain on sale of real estate assets	124	1,521	(700)	(300)	—	—	(170)	(1,242)	(767)
Minority Interest—Fidelity preferred return	—	—	—	—	4,132	—	—	—	4,132
Income allocated to minority interest	—	—	—	—	—	—	—	3,136	3,136
Equity in earnings of real estate ventures	—	—	—	—	—	(918)	—	—	(918)
Net income (loss)	$ 124	$ 1,521	$ (700)	$ (300)	$ 4,132	$ (918)	$ (170)	$ 1,894	$ 5,583

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholder
of Extra Space Storage Inc.:

In our opinion, the accompanying balance sheet presents fairly, in all material respects, the financial position of Extra Space Storage Inc. (the “Company”) at May 5, 2004 in conformity with accounting principles generally accepted in the United States of America. This financial statement is the responsibility of the Company’s management; our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit of this statement in accordance with the standards of the Public Company Accounting Oversight Board (United States), which require that we plan and perform the audit to obtain reasonable assurance about whether the balance sheet is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the balance sheet, assessing the accounting principles used and significant estimates made by management, and evaluating the overall balance sheet presentation. We believe that our audit of the balance sheet provides a reasonable basis for our opinion.

/s/ PricewaterhouseCoopers LLP

Salt Lake City, Utah
May 6, 2004

Extra Space Storage Inc.

BALANCE SHEET
May 5, 2004

ASSETS	
Cash	$ 1,000
Total assets	$ 1,000
LIABILITIES AND STOCKHOLDER'S EQUITY	
Liabilities	$ —
Stockholder's equity	
Common stock, $.01 par value, 1,000 shares authorized, 1,000 share issued and outstanding	10
Additional paid-in capital	990
Total stockholder's equity	1,000
Total liabilities and stockholder's equity	$ 1,000

The accompanying notes are an integral part of this balance sheet.

NOTES TO BALANCE SHEET

(1) Organization and Description of Business

Extra Space Storage Inc. (the Company) was incorporated in Maryland on April 30, 2004. The Company has filed a Registration Statement on Form S-11 with the Securities and Exchange Commission with respect to a proposed public offering (the Offering) of common stock. The Company is the indirect majority owner and, through a wholly owned subsidiary, sole general partner of Extra Space Storage LP (the Operating Partnership), which was formed on May 5, 2004 in anticipation of the Offering. The Company and the Operating Partnership were formed to continue to operate and expand the business of Extra Space Storage LLC (the Predecessor). The Predecessor is engaged in the business of acquiring, owning, managing, developing and selling self-storage facilities across the United States. From inception through May 5, 2004, neither the Company nor the Operating Partnership has had any operations. The operations are planned to commence upon completion of the Formation Transactions and Offering.

Concurrent with the Offering, the Company and the Operating Partnership, together with the partners and members of the affiliated partnerships and limited liability companies of the Predecessor and other parties which hold direct or indirect ownership interests in the properties (collectively, the Participants), will engage in certain formation transactions (the Formation Transactions). The Formation Transactions are designed to (i) continue the operations of the Predecessor, (ii) enable the Company to raise the necessary capital to acquire interests in certain of the properties, repay mortgage debt relating thereto and pay other indebtedness, (iii) fund costs, capital expenditures and working capital, (iv) provide a vehicle for future acquisitions, (v) enable the Company to comply with requirements under the federal income tax laws and regulations relating to real estate investment trusts and (vi) preserve tax advantages for certain Participants.

The operations of the Company will be carried on primarily through the Operating Partnership. It is the intent of the Company to elect the status of and qualify as a REIT under Sections 856 through 860 of the Internal Revenue Code of 1986, as amended. Pursuant to contribution agreements among the owners of the Predecessor and the Operating Partnership, which were executed in 2004, the Operating Partnership will receive a contribution of direct and indirect interests in certain of the properties, as well as certain assets of the management, leasing and real estate development operations of the Predecessor, in exchange for units. The Operating Partnership will acquire additional interests in certain properties, to be paid in cash. In connection with the Formation Transactions the Operating Partnership will assume debt and other obligations. The value of the units that the Operating Partnership will give for contributed property interests and other assets will increase or decrease based on the initial public offering price of the Company’s common stock.

The initial public offering price of the Company’s common stock will be determined in consultation with the underwriters. Among the factors that will be considered are the Predecessor’s record of operations, the Company’s management, estimated net income, estimated funds from operations, estimated cash available for distribution, anticipated dividend yield, growth prospects, the current market valuations, financial performance and dividend yields of publicly traded companies considered by the Company and the underwriters to be comparable to the Company and the current state of the commercial real estate industry and the economy as a whole. The initial public offering price does not necessarily bear any relationship to book value or the value of the assets. The Company has not obtained any recent third-party appraisals of the properties and other assets to be contributed to the Operating Partnership or purchased by the Operating Partnership for cash. As a result, the consideration to be given in exchange for the properties and other assets, may exceed the fair market value of these properties and assets. The Company will be fully integrated, self-administered, and self-managed.

NOTES TO BALANCE SHEET—(Continued)

(2) Income Taxes

As a REIT, the Company will be permitted to deduct distributions paid to its stockholders, eliminating the federal taxation of income represented by such distributions at the Company level. REITs are subject to a number of organizational and operational requirements. If the Company fails to qualify as a REIT in any taxable year, the Company will be subject to federal income tax (including any applicable alternative minimum tax) on its taxable income at regular corporate tax rates.

(3) Offering Costs

In connection with the Offering, affiliates have or will incur legal, accounting, and related costs, which will be reimbursed by the Company upon the consummation of the Offering. Such costs will be deducted from the gross proceeds of the Offering.

Report of Independent Registered Public Accounting Firm

To the Members of
Extra Space Storage LLC

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations, of redeemable units and members' equity (deficit) and of cash flows present fairly, in all material respects, the financial position of Extra Space Storage LLC and its subsidiaries (the "Company") at December 31, 2003 and 2002, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2003 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the accompanying index presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. These financial statements and financial statement schedule are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audits. We conducted our audits of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

/s/ PricewaterhouseCoopers LLP

Salt Lake City, Utah
April 20, 2004

Extra Space Storage LLC

CONSOLIDATED BALANCE SHEETS
(in thousands)

	March 31,	December 31,	
	2004 (Unaudited)	2003	2002
Assets:			
Real estate assets:			
Net operating real estate assets	$ 365,561	$ 274,434	$ 234,648
Real estate under development	74,591	79,940	71,767
Net real estate assets	440,152	354,374	306,415
Investments in real estate ventures	8,232	8,438	9,096
Cash	3,582	11,746	6,461
Restricted cash	4,165	1,558	1,055
Receivables from related parties	9,415	2,066	3,802
Other assets, net	11,099	5,569	5,461
Total assets	$ 476,645	$ 383,751	$ 332,290
Liabilities, Minority Interests, Redeemable Units and Members' Equity (Deficit):			
Liabilities:			
Borrowings	$ 345,507	$ 273,808	$ 231,025
Accounts payable	1,133	2,318	3,770
Payables to related parties	28,671	24,824	19,532
Other liabilities	5,140	5,276	5,576
Total liabilities	380,451	306,226	259,903
Commitments and contingencies (Note 14)			
Redeemable minority interest—Fidelity	18,712	17,966	16,134
Other minority interests	46,203	38,555	29,050
Redeemable Class C Units (liquidation preference of $29,622 at March 31, 2004 and $11,208 at December 31, 2003)	29,622	11,208	3,644
Redeemable Class E Units (liquidation preference of $14,900 at March 31, 2004 and December 31, 2004)	14,900	14,900	14,900
Members' equity (deficit):			
Class A Units	10,804	5,226	1,735
Class B Units (liquidation preference of $66,949 at March 31, 2004 and $64,198 at December 31, 2003)	50,082	48,274	43,639
Note receivable from Centershift	—	(4,493)	(2,385)
Accumulated deficit	(74,129)	(54,111)	(34,330)
Total members' equity (deficit)	(13,243)	(5,104)	8,659
Total liabilities, minority interests, redeemable units and members' equity (deficit)	$ 476,645	$ 383,751	$ 332,290

The accompanying notes are an integral part of these consolidated financial statements.

Extra Space Storage LLC

CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands)

	Three months ending March 31,		For the years ending December 31,		
	2004	2003	2003	2002	2001
	(Unaudited)				
Revenues:					
Property rental revenues	$ 9,996	$ 7,481	$ 33,054	$ 28,811	$ 19,375
Management fees	548	483	1,935	2,018	2,179
Acquisition fees and development fees	265	252	654	922	834
Other income	117	114	618	635	611
Total Revenues:	10,926	8,330	36,261	32,386	22,999
Operating Expenses:					
Property operating expenses	4,410	3,638	14,858	11,640	8,152
Unrecovered development/acquisition costs and support payments	498	275	4,937	1,938	2,227
General and administrative expenses	2,970	1,990	8,297	5,916	6,750
Depreciation and amortization	2,677	1,432	6,805	5,652	3,105
Total Operating Expenses:	10,555	7,335	34,897	25,146	20,234
Income before interest expense, minority interest, equity in earnings of real estate ventures and gain (loss) on sale of real estate assets	371	995	1,364	7,240	2,765
Interest expense	(4,724)	(3,313)	(13,795)	(11,428)	(10,844)
Minority interest—Fidelity preferred return	(1,096)	(999)	(4,132)	(3,759)	(322)
Income allocated to other minority interests	(439)	(773)	(3,904)	(2,781)	(1,403)
Equity in earnings of real estate ventures	261	401	1,465	971	105
Gain (loss) on sale of real estate assets	(171)	—	672	—	4,677
Net loss	$ (5,798)	$ (3,689)	$ (18,330)	$ (9,757)	$ (5,022)

The accompanying notes are an integral part of these consolidated financial statements.

Extra Space Storage LLC

CONSOLIDATED STATEMENT OF REDEEMABLE UNITS AND MEMBERS' EQUITY (DEFICIT)
(dollars in thousands)

	Redeemable Units				Members' Equity						
	Class C		Class E		Class A		Class B				
	Units	Amount	Units	Amount	Units	Amount	Units	Amount	Note Receivable from Centershift	Accumulated Deficit	Total Members' Equity
Balance at December 31, 2000	3,072,858	$ 3,073	—	$ —	35,507,336	$ 4	40,030,803	$ 40,031	$ —	$ (17,506)	$ 22,529
Member units issued in acquisition of self storage facilities	1,109,030	1,109	14,900,000	14,900	400,000	100	—	—	—	—	100
Member contributions	—	—	—	—	350,000	679	993,000	993	—	—	1,672
Redemption of units	(10,000)	(10)	—	—	(1,957)	—	(2,707,235)	(2,707)	—	—	(2,707)
Return paid on Class C and Class E Units	—	—	—	—	—	—	—	—	—	(277)	(277)
Net loss	—	—	—	—	—	—	—	—	—	(5,022)	(5,022)
Balance at December 31, 2001	4,171,888	4,172	14,900,000	14,900	36,255,379	783	38,316,568	38,317	—	(22,805)	16,295
Member units issued in acquisition of a self storage facility	—	—	—	—	259,425	52	294,014	294	—	—	346
Advances to Centershift	—	—	—	—	—	—	—	—	(2,259)	—	(2,259)
Accrued interest on advances to Centershift	—	—	—	—	—	—	—	—	(126)	—	(126)
Member contributions	—	—	—	—	4,763,526	900	5,100,000	5,100	—	—	6,000
Redemption of units	(527,680)	(528)	—	—	—	—	(71,542)	(72)	—	—	(72)
Non-cash distribution of assets	—	—	—	—	—	—	—	—	—	(699)	(699)
Return paid on Class C and Class E Units	—	—	—	—	—	—	—	—	—	(1,069)	(1,069)
Net loss	—	—	—	—	—	—	—	—	—	(9,757)	(9,757)
Balance at December 31, 2002	3,644,208	3,644	14,900,000	14,900	41,278,330	1,735	43,639,040	43,639	(2,385)	(34,330)	8,659
Member units issued in acquisition of a self storage facility	1,021,024	1,021	—	—	900,905	180	—	—	—	—	180
Advances to Centershift	—	—	—	—	—	—	—	—	(1,798)	—	(1,798)
Accrued interest on advances to Centershift	—	—	—	—	—	—	—	—	(310)	—	(310)
Member contributions	6,867,514	6,868	—	—	16,218,769	3,341	6,505,986	6,506	—	—	9,847
Redemption of units	(324,585)	(325)	—	—	(100,263)	(30)	(1,870,943)	(1,871)	—	—	(1,901)
Return paid on Class C and Class E Units	—	—	—	—	—	—	—	—	—	(1,451)	(1,451)
Net loss	—	—	—	—	—	—	—	—	—	(18,330)	(18,330)
Balance at December 31, 2003	11,208,161	11,208	14,900,000	14,900	58,297,741	5,226	48,274,083	48,274	(4,493)	(54,111)	(5,104)
Member units issued in acquisition of self storage facilities (unaudited)	2,012,646	2,013	—	—	1,325,977	398	241,513	242	—	—	640
Member units issued in exchange for receivable (unaudited)	944,370	944	—	—	6,666,667	2,000	—	—	—	—	2,000
Member units issued to repay borrowings and related party payables (unaudited)	1,466,250	1,466	—	—	862,500	258	—	—	—	—	258
Member contributions (unaudited)	14,858,000	14,858	—	—	9,740,000	2,922	1,700,000	1,700	—	—	4,622
Redemption of units (unaudited)	(20,835)	(21)	—	—	—	—	(133,500)	(134)	—	—	(134)
Redemption of units in exchange for land (unaudited)	(846,396)	(846)	—	—	—	—	—	—	—	—	—
Distribution of equity ownership in Extra Space Development (unaudited)	—	—	—	—	—	—	—	—	—	(9,000)	(9,000)
Distribution of notes receivable from Centershift (unaudited)	—	—	—	—	—	—	—	—	4,493	(4,493)	—
Return paid on Class C and Class E Units (unaudited)	—	—	—	—	—	—	—	—	—	(727)	(727)
Net loss (unaudited)	—	—	—	—	—	—	—	—	—	(5,798)	(5,798)
Balance at March 31, 2004 (unaudited)	29,622,196	$ 29,622	14,900,000	$ 14,900	76,892,885	$ 10,804	50,082,096	$ 50,082	$ —	$ (74,129)	$ (13,243)

The accompanying notes are an integral part of these consolidated financial statements.

Extra Space Storage LLC

CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	For the three months ending March 31,		For the year ending December 31,		
	2004	2003	2003	2002	2001
	(Unaudited)				
Cash flows from operating activities:					
Net loss	$ (5,798)	$ (3,689)	$ (18,330)	$ (9,757)	$ (5,022)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:					
Minority interest—Fidelity preferred return	1,096	999	4,132	3,759	322
Income allocated to other minority interests	439	773	3,904	2,781	1,403
Depreciation and amortization	2,677	1,432	6,805	5,652	3,105
(Gain) loss on sale of real estate assets	171	—	(672)	—	(4,677)
Equity in (earnings) losses of real estate ventures in excess of distributions	—	(91)	21	202	399
Accrued interest on advances to Centershift	—	(56)	(310)	(126)	—
Increase (decrease) in cash due to changes in:					
Receivables from related parties	41	1,459	1,068	(4,227)	(4,143)
Payable to related parties	(83)	(336)	174	300	2,427
Other assets	(710)	(186)	927	1,903	(78)
Accounts payable	233	351	(1,312)	(2,199)	3,144
Other liabilities	(569)	(893)	(1,749)	3,554	(1,265)
Net cash provided by (used in) operating activities	(2,503)	(237)	(5,342)	1,842	(4,385)
Cash flows from investing activities:					
Investment in real estate assets	(85,785)	(15,954)	(62,632)	(65,433)	(47,792)
Proceeds from sale of real estate assets	6,406	—	6,241	—	37,205
Investments in real estate ventures	(89)	(2)	(144)	(2,973)	(865)
Distributions from real estate ventures in excess of earnings	194	—	781	1,683	504
Net proceeds from repayment of loans to related parties	—	271	668	1,900	1,995
Advances to Centershift and Extra Space Development	(2,884)	(175)	(1,798)	(2,259)	—
Purchase of equipment	(456)	(176)	(798)	(158)	(181)
Increase in cash resulting from de-consolidation of real estate assets and distribution of equity ownership in Extra Space Development	471	—	428	1,263	—
Change in restricted cash	(2,722)	(339)	(503)	311	250
Net cash used in investing activities	(84,865)	(16,375)	(57,757)	(65,666)	(8,884)
Cash flows from financing activities:					
Proceeds from borrowings	188,512	25,652	106,323	86,567	31,296
Payments on borrowings	(123,143)	(16,010)	(61,613)	(38,749)	(27,623)
Deferred financing costs	(5,009)	(382)	(420)	(1,194)	(661)
Payments on other liabilities	(7)	(39)	(113)	(172)	(173)
Net advances from (payments to) related parties	(1,587)	(4,270)	5,118	14,369	(2,790)
Member contributions	19,480	3,000	16,715	6,000	1,672
Return paid on Class C and Class E units	(727)	(684)	(1,451)	(1,069)	(277)
Redemption of units	(155)	(177)	(2,226)	(600)	(2,717)
Minority interest investments	3,266	5,028	12,629	15,172	7,900
Minority interest distributions	(1,076)	(850)	(4,278)	(15,879)	(1,707)
Minority interest investment by Fidelity	—	—	—	709	13,947
Preferred return paid to Fidelity	(350)	(346)	(2,300)	(2,103)	—
Net cash provided by financing activities	79,204	10,922	68,384	63,051	18,867
Net increase (decrease) in cash	(8,164)	(5,690)	5,285	(773)	5,598
Cash, beginning of period	11,746	6,461	6,461	7,234	1,636
Cash, end of period	$ 3,582	$ 771	$ 11,746	$ 6,461	$ 7,234

The accompanying notes are an integral part of these consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(dollars in thousands)

1. BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business

Extra Space Storage LLC ("ESS" or the "Company"), a limited liability company, was formed September 14, 1998. ESS is involved in the business of acquiring, owning, managing, developing and selling self-storage facilities across the United States.

ESS invests in self-storage facilities by acquiring or developing wholly-owned facilities or by acquiring an interest in entities which own facilities. The Company owns interests in various self-storage properties located throughout the United States. No single tenant accounts for more than 5% of rental income.

Basis of presentation

The consolidated financial statements include the accounts of ESS and its wholly or majority owned subsidiaries. All intercompany balances and transactions have been eliminated.

The Company operates in two distinct segments, the Property Management and Development segment and the Rental Operations segment. The Company's Property Management and Development activities include acquiring, managing, developing and selling self-storage facilities. The Rental Operations include rental operations of self-storage facilities (Note 12).

Unaudited Interim Consolidated Financial Information

The consolidated financial statements as of March 31, 2004 and for the three months ended March 31, 2004 and 2003 are unaudited. In the opinion of management, such financial statements reflect all adjustments necessary for a fair presentation of the results of the respective interim periods. All such adjustments are of a normal recurring nature.

Real estate assets

Real estate assets are stated at cost less accumulated depreciation. Costs directly related to the acquisition and development of real estate assets are capitalized once the due diligence process has been completed and the project has been approved by management. Interest and real estate taxes incurred during the development and construction periods are also capitalized. Once real estate assets are placed in service, depreciation is provided on a straight-line basis over 39 years for buildings.

Expenditures for maintenance and repairs are charged to operations as incurred. Major replacements and betterments that improve or extend the life of the asset are capitalized and depreciated over their estimated useful lives.

The Company evaluates long-lived assets which are held for use for impairment when events and circumstances indicate that there may be an impairment. The Company compares the carrying value of these long-lived assets to the undiscounted future net operating cash flows attributable to the assets. An impairment loss is recorded if the net carrying value of the asset 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. No impairment charges have been recognized through December 31, 2003 and March 31, 2004 (unaudited).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(dollars in thousands)

When real estate assets are identified by management as held for sale, the Company discontinues depreciating the assets and estimates the fair value, net of selling costs, of such assets. If, the estimated fair value, net of selling costs, of the assets which have been identified for sale is less than the net carrying value of the assets, a valuation allowance is established.

In connection with the Company's acquisition of properties, the purchase price is allocated to the tangible and intangible assets and liabilities acquired based on their estimated fair values. 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 tenant relationships, are recorded at their fair values.

Because the Company's leases are month-to-month, no value is assigned to acquired in-place leases other than the tenant relationship. The Company measures the value of tenant relationships based on the Company's historical experience with turnover in its facilities. The Company amortizes the tenant relationships on a straight-line basis over the estimated life that a tenant utilizes the facility (18 months).

Fair value of financial instruments

The fair value of financial instruments, including cash, receivables, payables and borrowings, approximates their respective book values at March 31, 2004, December 31, 2003 and 2002.

Investments in Unconsolidated Real Estate Ventures

The Company accounts for its investments in unconsolidated real estate ventures under the equity method of accounting as the Company exercises significant influence, but does not control these entities under the provisions of the entities' governing agreements. These investments are recorded initially at cost, as investments in real estate ventures, and subsequently adjusted for equity in earnings and cash contributions and distributions.

Annually, management assesses whether there are any indicators that the value of the Company's investments in unconsolidated real estate ventures may be impaired. An investment is impaired only if management's estimate of the fair value of the investment is less than the carrying value of the investment. To the extent impairment has occurred, and it is considered to be other than temporary, the loss is measured as the excess of the carrying amount of the investment over the fair value of the investment. No impairment charges have been recognized through December 31, 2003 and March 31, 2004 (unaudited).

Cash and restricted cash

The Company's cash is deposited with financial institutions located throughout the United States of America and at times may exceed federally insured limits. Restricted cash is comprised of escrowed funds deposited with financial institutions located in various states relating to earnest money deposits on potential acquisitions and real estate taxes. As of March 31, 2004 and December 31, 2003, the Company has debt agreements that require the Company to have unrestricted cash of $1,500 available at all times. The Company considers all highly liquid debt instruments with a maturity of three months or less to be cash equivalents.

Other assets

Other assets consist primarily of equipment and fixtures, accounts receivable, deferred financing costs and capitalized advertising costs (Note 4). Depreciation of equipment and fixtures is computed on a straight-line basis over three to seven years. Deferred financing costs are amortized using the effective

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(dollars in thousands)

interest method over the terms of the respective debt agreements. Capitalized direct response advertising costs are amortized to property operating expenses over a thirty-month period on a straight-line basis.

Revenue and expense recognition

Rental revenues are recognized monthly based upon amounts that are currently due from tenants. Leases are generally on month-to-month terms. Prepaid rents are recognized on a straight-line basis over the term of the lease.

The Company charges a management fee to third-party and investee properties to manage ongoing operations. Management fee revenue is recorded monthly when earned, and is based on 6% of cash collected. The Company also charges a development fee to develop properties for third-party and investee entities. Such fees are generally based on a percentage of costs incurred. Development fee revenue is recorded as development costs are incurred.

The Company has direct equity investments in several joint venture projects for which it recognizes income on an equity basis, as the Company exercises significant influence over, but does not control these entities. Earnings from such ventures are recognized based on the provisions of the underlying operating agreements, which are generally consistent with distribution priorities and underlying economics of the arrangements.

The Company evaluates real estate sales for both sale recognition and profit recognition in accordance with the provisions of FAS 66, “Accounting for Sales of Real Estate.” In general, sales of real estate and related profits/losses are recognized when all consideration has changed hands and risks and rewards of ownership have been transferred. Certain types of continuing involvement preclude sale treatment and related profit recognition; other forms of continuing involvement allow for sale recognition but require deferral of profit recognition.

The Company has periodically sold existing properties into real estate joint ventures or identified properties for acquisition by newly formed joint ventures in which it retains an interest. In connection with certain of these transactions, the Company and/or a significant unitholder have provided certain financial guarantees to the lender, or to support a put right on a portion of the joint venture partner’s interest, that effectively provide for a return on and of their investment (Note 9). These arrangements preclude sale accounting under FAS 66 and, accordingly, the Company has reflected these transactions as profit sharing arrangements accounted for similar to a consolidated property with the outside investors’ interest in these ventures reflected as a minority interest in the consolidated financial statements.

Unrecovered development/acquisition costs are expensed when it becomes probable that the related acquisition or development will not be completed. Support payments under certain property performance guarantees are expensed as incurred (Note 9).

Income taxes

The Company has elected to be treated as a partnership for tax purposes. The tax effects of the Company’s operations are passed directly to the members. Therefore, no provision for income taxes has been recorded in the consolidated financial statements.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(dollars in thousands)

the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Recently issued accounting standards

In December 2003, the FASB issued FASB Interpretation No. 46R (FIN 46R), "Consolidation of Variable Interest Entities, an Interpretation of ARB No. 51 (revised December 2003)." FIN 46R addresses consolidation by business enterprises of variable interest entities ("VIEs"), as defined. For entities created after December 31, 2003, the Company will be required to apply FIN 46R as of the date it first becomes involved with the entity. FIN 46R is effective for the Company for entities created before December 31, 2003, effective for quarter ended March 31, 2004. As of March 31, 2004 the Company has evaluated its investments in joint ventures and economic interests in Extra Space Development (ESD) with regards to FIN 46R, and has determined the joint ventures and ESD are VIEs. The Company is not consolidating ESD and the ventures as the Company is not the primary beneficiary. See Note 3 for a description of these joint ventures and Note 7 for a description of the ESD transaction. With respect to ESD's investees, the Company has determined that certain of these entities are VIEs and the Company is the primary beneficiary and accordingly has consolidated these entities in the financial statement.

In May 2003, the FASB issued SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity". This statement establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. Under SFAS No. 150, an issuer is required to classify financial instruments issued in the form of shares that are mandatorily redeemable, financial instruments that, at inception, embody an obligation to repurchase the issuer's equity shares and financial instruments that embody an unconditional obligation, as liabilities. SFAS No. 150 is effective for financial instruments entered into or modified after May 31, 2003, and was effective for the Company for the year ended December 31, 2003. On November 7, 2003, the FASB indefinitely deferred the classification and measurement provisions of SFAS No. 150 as they apply to certain mandatorily redeemable non-controlling interests. This deferral is expected to remain in effect while these provisions are further evaluated by the FASB. The adoption of SFAS No. 150 had no impact on the Company's financial position, results of operations or cash flows.

2. REAL ESTATE ASSETS

The following summarizes the real estate assets of the Company (in thousands):

	March 31, 2004 (Unaudited)	December 31, 2003	December 31, 2002
Land	$ 97,720	$ 75,020	$ 64,159
Buildings and improvements	275,824	210,708	176,649
Intangible lease rights	3,356	—	—
Intangible assets—tenant relationships	2,655	990	990
	379,555	286,718	241,798
Less: accumulated depreciation and amortization	(13,994)	(12,284)	(7,150)
Net operating real estate assets	365,561	274,434	234,648
Real estate under development	74,591	79,940	71,767
Net real estate assets	$ 440,152	$ 354,374	$ 306,415

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(dollars in thousands)

In January 2004, the Company acquired its joint venture partner's interest in a self-storage facility in Manteca, California for $3,436 (unaudited). The Company issued 778,102 $1 par Class C units and 457,706 Class A units valued at $137, assumed existing debt of $2,453 and other liabilities of $68 associated with the property (unaudited). The Company also purchased an office park from members in Worcester, Massachusetts for $2,800 (unaudited). The Company issued 510,000 $1 par Class C units and 300,000 Class A units valued at $90, assumed $2,081 of existing debt and issued notes payable of $119 (unaudited).

In February, 2004, the Company purchased five self-storage facilities located in Massachusetts. The properties were purchased for cash totaling $34,150 (unaudited). Also in February, 2004, the Company purchased four self-storage facilities located in Maryland, New Jersey and Pennsylvania. The properties were purchased for cash totaling $45,100 (unaudited). All nine facilities were purchased from third parties.

In March 2004, the Company purchased a self-storage facility in Marshfield, Massachusetts from members and third parties for $5,278 (unaudited). The Company issued 724,544 $1 par Class C units, 241,513 $1 par Class B units, and 568,271 Class A units, valued at $171. The Company assumed debt of $3,705 and issued notes payable of $436 (unaudited)

The following table reflects the unaudited results of the Company's operations on a pro forma basis as if the acquisitions referred to in the preceding paragraphs had been completed on January 1, 2003. The pro forma financial information is not necessarily indicative of the operating results that would have occurred had the acquisitions been consummated on January 1, 2003, nor is it necessarily indicative of future operating results.

	Pro Forma Three Months Ending March 31,	
	2004	2003
Revenues	$ 12,155	$ 11,433
Expenses	18,160	15,373
Net loss	(6,005)	(3,940)

3. INVESTMENTS IN REAL ESTATE VENTURES

At March 31, 2004, December 31, 2003 and 2002, the Company held minority investments in Extra Space East One LLC (ESE) and Extra Space West One LLC (ESW), which own self-storage facilities in California, Florida, Massachusetts, New Jersey, Pennsylvania and Utah.

During November and December 2002, the Company purchased a minority investment in Extra Space Northern Properties Six, LLC (ESNPS), which owns self-storage facilities located in New Jersey, New York, New Hampshire and California.

In addition to the Company's investments in ESE, ESW and ESNPS, the Company also holds 25-40% investments in other entities which own self-storage facilities.

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(dollars in thousands)

To the extent that properties were sold/transferred into these ventures that did not qualify for sales treatment, those properties are reflected as being owned by Company in the consolidated financial statements with the joint venture partners' interest in these properties reflected as minority interest (Note 1).

Investments in real estate ventures consist of the following:

	Excess Profit Participation %	Equity Ownership %	March 31, 2004 (Unaudited)	December 31, 2003	December 31, 2002
ESE	40%	5%	$ 696	$ 714	$ 979
ESW	40%	5%	2,371	2,369	2,557
ESPNS	35%	10%	2,281	2,424	1,331
Other minority owned properties	25-50%	20-50%	2,884	2,931	4,229
			$ 8,232	$ 8,438	$ 9,096

Equity in earnings of real estate ventures consists of the following:

	For the three months ended		For the years ended December 31,		
	March 31, 2004	March 31, 2004 (Unaudited)	2003	2002	2001
Equity in earnings (losses) of ESE	$ 14	$ 36	$ —	$ (13)	$ 53
Equity in earnings of ESW	178	165	787	661	283
Equity in earnings of ESPNS	(93)	16	151	4	—
Equity in earnings (losses) of other properties	162	184	527	319	(231)
	$ 261	$ 401	$ 1,465	$ 971	$ 105

Combined, condensed financial information of ESE and ESW, which have the same controlling joint venture investor, follows:

Extra Space East One and West One

BALANCE SHEETS	December 31, 2003	December 31, 2002
Assets:		
Net real estate assets	$ 84,900	$ 107,287
Other	2,134	3,341
	$ 87,034	$ 110,628
Liabilities and members' equity:		
Borrowings	$ 46,138	$ 57,359
Other liabilities	1,343	1,725
Members' equity	39,553	51,544
	$ 87,034	$ 110,628

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(dollars in thousands)

	Years ended December 31,		
STATEMENTS OF OPERATIONS	2003	2002	2001
Rents and other income	$ 17,026	$ 16,963	$ 16,576
Expenses	12,279	12,602	10,799
Net income	$ 4,747	$ 4,361	$ 5,777

Condensed financial information of ESNPS follows:

Extra Space Northern Properties Six

	December 31,	
BALANCE SHEETS	2003	2002
Assets:		
Net real estate assets	$ 54,645	$ 29,698
Other	6,767	6,594
	$ 61,412	$ 36,292
Liabilities and members' equity:		
Borrowings	$ 33,117	$ 18,140
Other liabilities	4,941	4,851
Members' equity	23,354	13,301
	$ 61,412	$ 36,292

	Years ended December 31,	
STATEMENTS OF OPERATIONS	2003	2002
Rents and other income	$ 5,961	$ 300
Expenses	5,712	262
Net income (loss)	$ 249	$ 38

Information related to the real estate ventures' debt at December 31, 2003 is set forth below:

	Loan Amount	Current Interest Rate	Debt Maturity
ESE—Fixed rate	1,566	9.49%	Oct 2006
ESE—Variable rate	15,625	2.77%	May 2005
ESW—Variable rate	2,947	2.62%	Jan 2005
ESNPS—Variable rate	33,117	2.87-3.32%	May 2004-June 2006
Other—Fixed rate	13,646	4.90-7.65%	Mar 2003-Aug 2016
Other—Variable rate	13,862	4.50-4.75%	Jul 2004-Dec 2011

Variable interest rates are generally based on 30 day LIBOR plus a spread and are reset monthly.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(dollars in thousands)

4. OTHER ASSETS

The following summarizes other assets of the Company:

	March 31, 2004	December 31, 2003	December 31, 2002
	(Unaudited)		
Equipment and fixtures	$ 4,155	$ 3,443	$ 2,530
Less: accumulated depreciation	(1,975)	(1,817)	(1,101)
Deferred financing costs, net	6,095	1,696	1,554
Capitalized advertising costs, net	783	976	621
Other	2,041	1,271	1,857
Total	$ 11,099	$ 5,569	$ 5,461

5. OTHER LIABILITIES

The following summarizes accrued liabilities of the Company:

	March 31, 2004	December 31, 2003	December 31, 2002
	(Unaudited)		
Deferred rental income	$ 2,478	$ 1,959	$ 1,895
Accrued interest	291	675	619
Other accrued liabilities	692	512	518
Other liabilities	1,679	2,130	2,544
Total	$ 5,140	$ 5,276	$ 5,576

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(dollars in thousands)

6. Borrowings

The following summarizes the borrowings of the Company:

	March 31, 2004	December 31, 2003	December 31, 2002
	(Unaudited)		
Revolving lines of credit of $19,000 bearing interest at Prime (4.00%, 4.00% and 4.25% at March 31, 2004, December 31, 2003 and 2002, respectively). The outstanding principal balance of the lines of credit is due between April 1 and July 31, 2004. The lines of credit are collateralized by accounts receivable, equipment and personal guarantees of a member of the Company.	$ 17,343	$ 18,921	$ 18,955
Mortgage and construction loans with banks bearing interest at fixed rates between 6.25% and 12%. Loans are collateralized by mortgages on real estate assets and the assignment of rents, personal guarantees of a member of the Company, and a $2,400 letter of credit, which is supported by a $2,400 deposit made by a member. The Company pays interest to the member related to this deposit. During the three months ended March 31, 2004 and the years ended December 31, 2003, 2002 and 2001, the Company paid the member interest of $63 (unaudited), $330, $257 and $0, respectively. Principal and interest payments are made monthly with all outstanding principal and interest due between December 31, 2004 and January 1, 2011.	24,909	24,989	24,148
Mortgage and construction loans with banks bearing interest rates based on 30 day LIBOR and Prime. Interest rates based on 30 day LIBOR are between 20 day LIBOR plus 2.25% (3.34%, 3.37% and 3.63% at March 31, 2004, December 31, 2003 and 2002, respectively) and LIBOR plus 3.5% (4.59%, 4.62% and 4.88% at March 31, 2004, December 31, 2003 and 2002, respectively). Interest rates based on Prime are between Prime (4.00%, 4.00% and 4.25% at March 31, 2004, December 31, 2003 and 2002, respectively) and Prime plus 4.0% (8.00%, 8.00% and 8.25% at March 31, 2004, December 31, 2003 and 2002, respectively). Loans are collateralized by mortgages on real estate assets and the assignment of rents, personal guarantees of a member of the Company, and a $2,400 letter of credit, which is supported by a $2,400 deposit made by a member. The Company pays interest to the member related to this deposit. During the three months ended March 31, 2004 and the years ended December 31, 2003, 2002 and 2001, the Company paid the member interest of $63 (unaudited), $330, $257 and $0, respectively. Principal and interest payments are made monthly with all outstanding principal and interest due between February 1, 2004 and August 10, 2007.	303,212	229,395	186,474
Promissory notes bearing interest between 9% and 12%. Principal and interest are paid monthly with principal due on demand. These promisorry notes are collateralized by personal guarantees of a member of the Company.	43	503	1,448
	$ 345,507	$ 273,808	$ 231,025

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(dollars in thousands)

The following summarizes the scheduled maturities of borrowings at December 31:

Year	Total
2004	$ 160,141
2005	70,225
2006	18,226
2007	5,854
2008	8,092
Thereafter	11,270
	$ 273,808

Substantially all of the Company's net real estate assets are pledged as collateral for the borrowings detailed above.

During the three months ended March 31, 2004, the Company refinanced approximately $82 million of borrowings. Associated with this refinancing, approximately $400 of unamortized deferred financing costs associated with the loans that were repaid were written off. This amount is included in interest expense on the statements of operation.

Subsequent to March 31, 2004, the Company obtained additional funds through equity contributions and new borrowings. All debt that was due in the second quarter of 2004, which totaled approximately $61,356 has either been extended six months or has been repaid through these financing transactions. Management believes that the remainder of the borrowings due in 2004 will be refinanced with existing or alternative financial institutions under similar terms.

7. RELATED PARTY TRANSACTIONS

The Company's management agreements provide for management fees of 6% of gross rental revenues for the management of operations at the self-storage facilities. The Company earns interest income during the development period equal to 10% of the Company's net investment in the development property. The Company earns development fees of 4-5% of budgeted costs on developmental projects and acquisition fees of 1% of the gross purchase price or the completed costs of development of acquired properties.

During the years ended December 31, 2003, 2002 and 2001, the Company recognized management fee revenues of $1,038, $1,077 and $844, respectively, relating to ESE and ESW. During the three months ended March 31, 2004 and 2003, the Company recognized management fee revenues of $246 and $285 (unaudited), respectively relating to ESE and ESW. During the year ended December 31, 2003, the Company also recognized development fee revenues of $577 relating to ESE and ESW. During the three months ended March 31, 2004 and 2003, the Company recognized $91 and $252 (unaudited) of development fee revenues relating to ESE and ESW.

During the year ended December 31, 2003, the Company recognized management fee revenue of $353 and acquisition fee revenue of $40 relating to ESNPS. During the three months ended March 31, 2004 and 2003, the Company recognized $84 and $45 (unaudited) of management fee income relating to ESNPS.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(dollars in thousands)

The Company recognizes revenue on various transactions with properties partially owned by the Company or by members of the Company. These transactions are in addition to revenues recognized from ESE, ESW and ESNPS and are summarized below:

	For the Three Months Ended March 31,		Years ended December 31,		
	2004	2003	2003	2002	2001
	(Unaudited)				
Management fees	$ 91	$ 67	$ 95	$ 456	$ 343
Development fees	227	—	—	716	609
Acquisition fees	90	—	37	205	225
Interest inc. from development properties	12	25	113	194	186
	$ 420	$ 92	$ 245	$ 1,571	$ 1,363

At December 31, 2003 and 2002, $438 and $1,122 of related party revenues, respectively, are included in receivables from related parties. As of March 31, 2004, $311 (unaudited) of related party revenues are included in receivables from related parties.

During the years ended December 31, 2003, 2002 and 2001, management fee expense of $7,933, $5,272 and $6,430, respectively, was recorded for services provided to support the Company's self-storage facilities by Extra Space Management, Inc. (ESMI), a corporation that shares common ownership with the Company, including shareholders who are officers of the Company. During the three months ended March 31, 2004 and 2003, management fee expense of $2,802 and $1,933 (unaudited) was recorded relating to services provided by ESMI. Under this agreement, ESMI provides employees who support the operations of existing self-storage facilities and the acquisition and development of new self-storage facilities by the Company.

On March 31, 2004, the Company purchased all of the outstanding common stock of ESMI from members for its net book value of $184 (unaudited), which is included in other related party payables as of March 31, 2004. ESMI has equipment and fixtures of $256, other assets of $736 and liabilities of $808 (unaudited).

At December 31, 2003 and 2002, $334 and $544, respectively, were included in payables to related parties for these expenses. Real estate under development includes capitalized development costs paid by ESMI on behalf of the Company of $1,797 and $3,788 during the years ended December 31, 2003 and 2002, respectively.

The following summarizes the related party balances at:

	March 31, 2004	December 31, 2003	December 31, 2002
	(Unaudited)		
Receivables:			
Loans to properties	$ —	$ 955	$ 1,622
Receivable from ESD	9,096	—	—
Development and management fees receivable	311	781	1,998
Other related party receivables	8	330	182
Totals	$ 9,415	$ 2,066	$ 3,802
Payables:			
Advances from members	4,349	8,369	5,545
Advances from joint venture partner	15,508	15,508	13,214
Other related party payables	8,814	947	773
Totals	$ 28,671	$ 24,824	$ 19,532

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(dollars in thousands)

Receivables from related parties consist of loans to properties in which the Company has no equity interest and development and management fee receivables. Payables to related parties consist primarily of amounts advanced by members of the Company; in addition, a joint venture partner has made advances to the Company in the form of mortgage loans used to purchase land. These related party receivables and payables bear interest at 9-12% and are due upon demand.

As discussed in Note 6, two members of the Company have guaranteed certain borrowings of the Company. The Company did not pay any fees for these guarantees.

During 2002, the Company distributed software with a net book value of $699 to the Class A unitholders. Those members contributed the software to a newly formed company, Centershift. During 2003 and 2002, the Company advanced Centershift $1,798 and $2,257 under the terms of a convertible note which bears interest at 9%. The note receivable from Centershift was classified as a reduction of members' equity at December 31, 2003 and December 31, 2002. On January 1, 2004, the Company distributed the $4,493 note receivable from Centershift to the class A members.

On January 1, 2004, the Company distributed its equity ownership in Extra Space Development (ESD), a consolidated subsidiary, to the Class A members. ESD owned 13 early-stage development properties, two parcels of undeveloped land, and a note receivable. The Company was required to continue consolidating 13 of the properties due to certain financial guarantees. These properties had a net book value of $7,264 (unaudited), debt of $55,362 (unaudited) and minority interest of $22,037 (unaudited). The net book value of the distributed properties was approximately $15,000 (unaudited) with debt of approximately $4,000 (unaudited). The Company retained a receivable of $6,212 (unaudited) from ESD and recorded a net distribution of $9,000 (unaudited). This receivable will be repaid by ESD using funds obtained through new loans on unencumbered properties. During the three months ended March 31, 2004, the Company advanced ESD an additional $2.9 million (unaudited).

8. Redeemable minority interest—Fidelity

Through March 31, 2004, the Company, through a consolidated subsidiary, Extra Space Properties Four, LLC, had received net cash proceeds of $14,156 (net of transaction costs of $1,403) from FREAM No. 39, LLC and Fidelity Pension Fund Real Estate Investments (collectively, Fidelity). The Company is accreting the discount related to the transaction costs over the five year period ending November 25, 2006, the first date the investment is redeemable by Fidelity.

This investment earns a 22% preferred return, of which, 9% is payable quarterly with the remainder payable upon redemption. The earliest date at which the investment may be repaid is November 25, 2004, at the option of the Company. The investment is redeemable November 25, 2006 at the option of Fidelity. As of December 31, 2003 and 2002, the Company owed Fidelity $3,810 and $1,978, respectively in unpaid preferred return which has been accrued and is included in the redeemable minority interest—Fidelity. At March 31, 2004, the Company owed Fidelity $4,556 (unaudited) in unpaid preferred return.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(dollars in thousands)

9. OTHER MINORITY INTERESTS

The following table summarizes other minority interests as of:

	March 31, 2004	December 31, 2003	December 31, 2002
	(Unaudited)		
Extra Space Development	$ 7,385	$ —	$ —
Extra Space Properties Three, LLC	7,373	8,039	7,880
Equibase Mini Warehouse joint ventures	31,099	30,129	17,406
ESE and ESW	—	—	3,168
Other	346	387	596
Total	$ 46,203	$ 38,555	$ 29,050

At March 31, 2004, the Company owns a 50.5% interest in Extra Space Properties Three, LLC. During 2001, the Company sold a 49.5% minority interest in this entity to Equibase Mini Warehouse for $7,900. This arrangement provides for a preferred return of 12% on certain capital provided by both the Company and the joint venture partner, and thereafter returns are split based upon percentage residual interests.

The Company has also entered into joint venture agreements with other entities controlled by Equibase Mini Warehouse. Cash proceeds of $13,050, $15,600 and $3,000 were contributed by this minority investor in the years ended December 31, 2003, 2002 and 2001, respectively. During the three months ended March 31, 2004 and 2003, cash proceeds of $899 and $5,028 were contributed by this minority investor. These arrangements provide for a preferred return of either 10 or 12%, depending on the specific agreement, on certain capital provided by the joint venture partner and thereafter returns are split based on the indicated percentage interests (generally 40% to the Company and 60% to the investors).

In connection with certain of these transactions with Equibase Mini Warehouse and its affiliates, the Company and/or a significant unitholder provided certain financial guarantees to the secured lender (generally providing for performance under the loan including principal and interest payments), or to support a put right on a portion of the joint venture partner's interest, that effectively provide for a return on and of the preferred portion of their investment. In addition, after a fixed period (generally either three or five years) the joint venture has the right to redeem the preferred capital at an amount equal to its unreturned contribution plus any accrued preferred return. Even upon exercise of the put or call on the preferred portion of their investment, the joint venture investors would continue to hold their residual equity interests. As a result of the put rights and guarantees, the Company will continue to consolidate the properties and related debt until the put rights and guarantees have been satisfied or have expired. At March 31, 2004 and December 31, 2003 and 2002, all the joint venture properties were consolidated using the profit sharing method described in Note 1.

During the formation of ESE and ESW, the Company agreed to guarantee the financial performance of certain properties which were acquired on behalf of those entities. As a result of these guarantees, the Company has consolidated these properties until these performance guarantees have been satisfied or have expired. During 2003 and 2002, the guarantees related to two and two properties, respectively, were either satisfied or expired (Note 13). During the years ended December 31, 2003, 2002 and 2001, the Company recognized $1,283, $395 and $0, respectively, of expense related to these guarantees.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(dollars in thousands)

These amounts are classified as a component of unrecovered development/acquisition costs and support payments. At March 31, 2004 and December 31, 2003, there are no active guarantees related to these properties.

10. MEMBERS' EQUITY

Members' profits, losses and distributions are allocated in accordance with the terms of the operating agreement, as amended. Current membership unit holders include members of management. Member interests are divided into four classes of units.

Class A units are common units with voting rights and no par value. These units may not be redeemed at the option of the Company or the holder. There are also non-voting Class A units held by certain employees.

Class B units are preferred units with a par value of $1.00. These units are non-convertible, non-voting and earn a 9% preferred return (non-compounding) with no current dividend paid. The 9% preferred return is paid based upon available funds, including upon liquidation or termination. These units may not be redeemed at the option of the Company or the holder. Unpaid dividends at March 31, 2004 and December 31, 2003 totaled $16,867 (unaudited) and 15,924, respectively.

Class C units are preferred units with a par value of $1.00. These units are non-convertible, non-voting and earn a 9% preferred return with current dividends paid quarterly. These units may be redeemed after August 7, 2004 at the option of the holder.

Class E units are preferred units with a par value of $1.00. These units are non-convertible, non-voting and earn a 7% preferred return with current dividends paid quarterly. These units may be redeemed after July 1, 2004 at the option of the holder. These units may be redeemed after January 1, 2005 at the option of the Company.

Class B, C and E units do not participate in the distribution of profits after payment of the preferred return.

11. GAIN (LOSS) ON SALE OF ASSETS

During 2003, the Company sold a self-storage facility in Kings Park, New York for $6,241 to ESE. The Company recognized a gain on the sale of $672.

During 2001, the Company sold property that was under development in El Segundo, California to a third party for $7,900 in cash. The Company recognized a gain of $2,351 relating to this sale. In addition, during 2001, the Company sold four self-storage facilities located in Brentwood, New York, Port Washington, New York, and Green Brook, New Jersey to ESE for $29,306. The Company recognized a gain on the sale of $2,326.

During the three months ended March 31, 2004, the Company sold a self-storage facility in Walnut, California for $6,406 (unaudited) to ESW. The Company recognized a loss on the sale of $171 (unaudited).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(dollars in thousands)

12. SEGMENT INFORMATION

The Company operates in two distinct segments, Property Management and Development and the Rental Operations. The accounting policies for our segments are the same as those described in Note 1. Financial information for the Company's business segments is set forth below:

	For the three months ending March 31		For the Years Ending December 31,		
	2004	2003	2003	2002	2001
	(Unaudited)				
Total revenues					
Property management and development	$ 931	$ 849	$ 3,207	$ 3,575	$ 3,624
Rental operations	9,995	7,481	33,054	28,811	19,375
	$ 10,926	$ 8,330	$ 36,261	$ 32,386	$ 22,999
Operating expenses, including depreciation and amortization					
Property management and development	$ 3,527	$ 2,271	$ 13,262	$ 7,881	$ 9,265
Rental operations	7,028	5,064	21,635	17,265	10,969
	$ 10,555	$ 7,335	$ 34,897	$ 25,146	$ 20,234
Gain (loss) on sale of real estate ventures					
Property management and development	$ (171)	$ —	$ 672	$ —	$ 4,677
Equity in earnings of real estate ventures					
Rental operations	$ 261	$ 401	$ 1,465	$ 971	$ 105
Income (loss) before minority interest					
Property management and development	$ (2,826)	$ (1,484)	$ (9,566)	$ (4,306)	$ (1,192)
Rental operations	(1,437)	(433)	(728)	12,517	(2,105)
	$ (4,263)	$ (1,917)	$ (10,294)	$ 8,211	$ (3,297)
Depreciation and amortization expense					
Property management and development	$ 59	$ 7	$ 27	$ 26	$ 287
Rental operations	2,618	1,425	6,778	5,626	2,818
	$ 2,677	$ 1,432	$ 6,805	$ 5,652	$ 3,105
Interest expense					
Property management and development	$ 59	$ 62	$ 183	$ 68	$ 228
Rental operations	4,665	3,251	13,612	11,360	10,616
	$ 4,724	$ 3,313	$ 13,795	$ 11,428	$ 10,844
Investment in real estate assets					
Property management and development	$ 81,780	$ 15,954	$ 62,632	$ 65,433	$ 47,792

	March 31,	December 31,	
	2004	2003	2002
	(Unaudited)		
Investment in real estate ventures			
Rental operations	$ 8,232	$ 8,438	$ 9,096
Total Assets			
Operating company	$ 29,461	$ 82,483	$ 70,940
Property operations	447,184	301,268	261,350
	$ 476,645	$ 383,751	$ 332,290

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(dollars in thousands)

13. SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

The Company paid interest of $13,739, $11,280 and $10,673 (net of capitalized interest of $2,593, $2,071 and $2,466, respectively) during the years ended December 31, 2003, 2002 and 2001, respectively. The Company paid interest of $4,650 and $3,535 (net of capitalized interest of $217 and $650) (unaudited) during the three months ending March 31, 2004 and 2003, respectively.

In January 2004, the Company acquired its joint venture partner's interest in a self-storage facility in Manteca, California for $3,436. The Company issued 778,102 $1 par Class C units and 457,706 Class A units valued at $137, assumed existing debt of $2,453 and other liabilities of $68 associated with the property (unaudited). The Company also purchased an office park from members in Worcester, Massachusetts for $2,800 (unaudited). The Company issued 510,000 $1 par Class C units and 300, 000 Class A units valued at $90, assumed $2,081 of existing debt and issued notes payable of $119 (unaudited).

During January 2004, the Company exchanged one parcel of undeveloped land for 846,396 Class C units valued at $846 (unaudited).

On January 1, 2004, a member contributed a $2,944 receivable in exchange for additional equity. The Company issued 6,666,667 Class A units valued at $2,000 and 944,370 Class C member units valued at $944 (unaudited). This receivable was contributed to ESD prior to the distribution of the Company's equity ownership in ESD

In March 2004, the Company purchased a self-storage facility in Marshfield, Massachusetts from members and third parties for $5,278 (unaudited). The Company issued 724,544 $1 par Class C units, 241,513 $1 par Class B units, and 568,271 Class A units, valued at $171. The Company assumed debt of $3,705 and issued notes payable of $436 (unaudited)

On March 31, 2004, the Company purchased all of the outstanding common stock of ESMI from members for its net book value of $184 (unaudited), which is included in other related party payables as of March 31, 2004. ESMI has equipment and fixtures of $256, other assets of $736 and liabilities of $808 (unaudited).

On January 1, 2004, the Company distributed its equity ownership in Extra Space Development (ESD), a consolidated subsidiary, to the Class A members. ESD owned 13 early-stage development properties, two parcels of undeveloped land, and a note receivable. The Company was required to continue consolidating 13 of the properties due to certain financial guarantees. These properties had a net book value of $7,264 (unaudited), debt of $55,362 (unaudited) and minority interest of $22,037 (unaudited). The net book value of the distributed properties was approximately $15,000 (unaudited) with debt of approximately $4,000 (unaudited). The Company retained a receivable of $6,212 (unaudited) from ESD and recorded a net distribution of $9,000 (unaudited). This receivable will be repaid by ESD using funds obtained through new loans on unencumbered properties. During the three months ended March 31, 2004, the Company advanced ESD an additional $2.9 million (unaudited).

During the three months ended March 31, 2004, the Company issued 862,500 Class A units valued at $259 and 1,466,250 Class C units valued at $1,466 to members and third parties in full payment of $1,725 of borrowings and related party payables.

During 2003, the Company acquired one self-storage facility in Bronx, New York for $5,253. An existing member of the Company owned the facility. The Company issued 1,021,024 Class C member units valued at $1,021 and 900,905 Class A member units valued at $180 to the seller. The Company assumed $2,500 in debt and $1,552 in other liabilities associated with the property.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(dollars in thousands)

As a result of the satisfaction or expiration of certain guarantees, the Company de-consolidated two properties in 2003 and two properties in 2002. As a result, the following assets and liabilities were removed from the Company's accounts:

	December 31, 2003	December 31, 2002
Cash	$ (428)	$ (1,263)
Other assets	7,735	8,997
Liabilities	(4,557)	(4,221)
Minority interest	(2,750)	(3,513)

During 2002, the Company acquired one self-storage facility in Somerville, Massachusetts for $8,327. An existing member of the Company owned the facility. The Company issued 294,014 Class B member units and 51,885 Class A member units to the seller valued at $346. The Company assumed $7,981 in debt associated with the property.

During 2002, an affiliated company acquired one self-storage property in California. During 2001, an affiliated company acquired two self-storage properties in New Jersey. The Company agreed to guarantee the financial performance of these properties. As a result, the Company consolidated these properties as follows:

	2002	2001
Cash	$ 4,814	$ 10,220
Liabilities	(3,787)	(7,220)
Minority interest	(1,027)	(3,000)

During 2001, the Company acquired six self-storage facilities in New Jersey for $50,798. The Company assumed $35,798 in debt associated with the properties and issued the seller 14,900,000 Class E member units and 400,000 Class A member units with an aggregate value of $15,000. In a separate transaction, the Company acquired one self-storage facility in California for $4,600. Existing members of the Company owned the facility. The Company issued 1,109,030 Class C member units to sellers valued at $1,109. The Company paid an additional $70 in cash, and the remainder of the purchase was financed with debt.

14. COMMITMENTS AND CONTINGENCIES

The Company currently owns three self-storage facilities that are subject to ground leases. At December 31, 2003, future minimum rental payments under these non-cancelable operating leases are as follows:

Year	Total
2004	$ 372
2005	375
2006	381
2007	390
2008	393
Thereafter	14,460
	$ 16,371

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(dollars in thousands)

The monthly rental amount for one of the ground leases is the greater of a minimum amount or a percentage of gross monthly receipts. The Company recorded rent expense of $277, $206 and $106 related to these leases in the years ended December 31, 2003, 2002 and 2001, respectively, and $42 (unaudited) in the three months ended March 31, 2004, all of which related to minimum lease payments.

The Company has guaranteed four mortgage loans held by joint ventures in which the Company has a non-controlling ownership interest. In addition, a member of the Company has personally guaranteed these loans. These guarantees were entered into prior to January 1, 2003. At December 31, 2003, the total amount of mortgage debt relating to these joint ventures that the Company had guaranteed was $15,228. These mortgage loans mature between May 20, 2004 and September 21, 2005. If the joint ventures defaulted on the loans, the Company may be forced to repay the loans. The Company could be reimbursed by repossessing and/or selling the self-storage facility and land that collateralizes the loan. The estimated fair market value of the encumbered assets at December 31, 2003 is $28,873. The Company has recorded no liability in relation to these guarantees as of December 31, 2003. To date none of these joint ventures has defaulted on its mortgage debt. The Company believes the risk of the Company having to perform on the guarantee is remote.

The Company is not presently involved in any material litigation nor, to its knowledge, is any material litigation threatened against the Company or its properties. The Company is involved in routine litigation arising in the ordinary course of business, none of which is believed to be material.

15. RISK MANAGEMENT AND USE OF FINANCIAL INSTRUMENTS

Risk management

In the normal course of its on-going business operations, the Company encounters economic risk. There are three main components of economic risk: interest rate risk, credit risk and market risk. The Company is subject to interest rate risk on its interest-bearing liabilities. Credit risk is the risk of inability or unwillingness of tenants to make contractually required payments. Market risk is the risk of declines in the value of properties due to changes in rental rates, interest rates or other market factors affecting the valuation of properties held by the Company.

Use of derivative financial instruments

The Company held no significant derivative financial instruments at March 31, 2004, December 31, 2003 or 2002.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(dollars in thousands)

16. SUBSEQUENT EVENTS (Unaudited)

Subsequent to March 31, 2004, the Company acquired an interest in a self-storage facility located in Tracy, California from members and third parties. The Company assumed the existing debt, paid cash and issued additional units to the members for total consideration of $2,878.

Subsequent to March 31, 2004, the Company issued 2,120,958 voting Class A units and 1,895,880 non-voting Class A units, valued at $0.30/unit, to certain employees.

On May 4, 2004, the Company acquired its joint venture partner's interest in ESE. The Company paid cash of $9,888 and issued a note for $8,400 to its joint venture partner for total consideration of $18,288.

On June 1, 2004, the Company acquired nine self-storage facilities from ESW located in Claremont, California, San Bernadino, California, Torrance, California, Livermore, California, Richmond, California, Hawthorne, California, Glendale, California, North Miami, Florida and Kearns, Utah, an aggregate purchase price of $52,390.

On July 2, 2004, the Company filed a registration statement with the Securities and Exchange Commission related to an initial public offering of shares of Extra Space Storage Inc. (the "Offering").

Effective May 28 2004, the Company entered into a purchase and sale agreement for the acquisition of 26 self-storage properties for an aggregate of $147,000 in cash. In addition, the seller may be entitled up to an additional $5,000 based on the performance of the properties for the year ended December 31, 2005. The seller shall be entitled to the additional $5,000 upon the occurrence of certain other conditions, including change of control of the purchaser or a third-party sale of any of the 26 properties. The Company deposited $3,000 in escrow to secure its obligations under the agreement. The transaction, which is subject to the completion of the Offering, is expected to close concurrent with the completion of the Offering and to be funded with the net proceeds of the Offering.

Extra Space Storage LLC

SCHEDULE III
REAL ESTATE AND ACCUMULATED DEPRECIATION
(dollars in thousands)

Description	Encumbrances	Initial cost		Costs subsequent to acquisition	Gross carrying amount at December 31, 2003			Accumulated Depreciation	Date acquired or development completed
		Land	Building and improvements		Land	Building and improvements	Total		
Oxford, MA	$ 1,870	$ 482	$ 1,762	$ 103	$ 482	$ 1,865	$ 2,347	$ 205	Oct-99
Oakland, CA	4,314	—	3,777	137	—	3,914	3,914	374	Apr-00
Casitas, CA	4,468	1,431	3,046	12	1,431	3,058	4,489	293	Mar-00
Lamont St., NV	726	251	717	66	251	783	1,034	76	Feb-00
Halls Ferry, MO	2,101	631	2,159	105	631	2,264	2,895	213	Jun-00
Forest Park, MO	1,327	156	1,313	102	156	1,415	1,571	139	Jun-00
Banksville, PA	2,456	991	1,990	195	991	2,185	3,176	188	Aug-00
N. Lauderdale, FL	2,733	428	3,516	119	428	3,635	4,063	331	Aug-00
Forest Hill, FL	2,446	1,164	2,511	67	1,164	2,578	3,742	234	Aug-00
Fountainbleau, FL	4,827	1,325	4,395	136	1,325	4,531	5,856	416	Aug-00
Kendall, FL	7,864	5,315	4,305	65	5,315	4,370	9,685	390	Aug-00
Margate, FL	3,166	430	3,139	62	430	3,201	3,631	289	Aug-00
Military Trail, FL	2,709	1,312	2,511	85	1,312	2,596	3,908	238	Aug-00
Inglewood, CA	4,306	1,379	3,343	122	1,379	3,465	4,844	319	Aug-00
Burbank, CA	8,225	3,199	5,082	97	3,199	5,179	8,378	460	Aug-00
Pico Rivera, CA	3,500	1,150	3,450	1	1,150	3,451	4,601	185	Aug-00
Northborough, MA	1,497	280	2,715	87	280	2,802	3,082	214	Feb-01
Ashland, MA	2,835	474	3,324	—	474	3,324	3,798	64	Jun-03
Hoboken, NJ	6,230	2,687	6,092	21	2,687	6,113	8,800	234	Jul-02
Plainview, NY	7,323	4,287	3,710	70	4,287	3,780	8,067	297	Dec-00
Metuchen, NJ	4,700	1,153	4,462	42	1,153	4,504	5,657	230	Dec-01
Nanuet, NY	5,200	2,072	4,644	15	2,072	4,659	6,731	219	Feb-02
Dedham, MA	4,322	2,127	3,041	41	2,127	3,082	5,209	153	Mar-02
Whittier, CA	2,481	—	2,985	—	—	2,985	2,985	115	Jun-02
Kingston, MA	2,450	555	2,491	—	555	2,491	3,046	69	Oct-02
Mt. Vernon, NY	6,913	1,926	7,622	—	1,926	7,622	9,548	169	Nov-02
North Bergen, MA	5,629	2,100	6,606	—	2,100	6,606	8,706	85	Jul-03
Saugus, MA	5,134	1,725	5,514	7	1,725	5,521	7,246	81	Jun-03
Stockton, CA	3,016	649	3,272	13	649	3,285	3,934	141	May-02
Wethersfield, CT	3,620	709	4,205	14	709	4,219	4,928	144	Aug-02
Milton, MA	4,690	2,838	3,979	—	2,838	3,979	6,817	94	Nov-02
Weymouth, MA	4,515	2,806	3,103	1	2,806	3,104	5,910	281	Sep-00
Lynn, MA	4,675	1,703	3,237	27	1,703	3,264	4,967	210	Jun-01
Edison, NJ	7,309	2,519	8,547	107	2,519	8,654	11,173	450	Dec-01

SCHEDULE III
REAL ESTATE AND ACCUMULATED DEPRECIATION—(Continued)
(dollars in thousands)

Description	Encumbrances	Initial cost		Costs subsequent to acquisition	Gross carrying amount at December 31, 2003			Accumulated Depreciation	Date acquired or development completed
		Land	Building and improvements		Land	Building and improvements	Total		
Egg Harbor, NJ	$ 5,294	$ 1,724	$ 5,001	$ 193	$ 1,724	$ 5,194	$ 6,918	$ 267	Dec-01
Hazlet, NJ	9,305	1,362	10,262	154	1,362	10,416	11,778	540	Dec-01
Howell, NJ	4,217	2,440	3,407	90	2,440	3,497	5,937	184	Dec-01
Old Bridge, NJ	5,129	2,758	6,450	153	2,758	6,603	9,361	357	Dec-01
Woodbridge, NJ	4,190	505	4,524	134	505	4,658	5,163	257	Dec-01
Norwood, MA	4,550	2,160	2,336	1,035	2,160	3,371	5,531	122	Aug-99
Somerville, MA	4,187	1,728	6,570	38	1,728	6,608	8,336	326	Jun-01
Doylestown, PA	3,553	220	3,442	38	220	3,480	3,700	113	Nov-99
Raynham, MA	2,741	588	2,270	32	588	2,302	2,890	85	May-00
Fontana II, CA	3,453	1,246	3,356	11	1,246	3,367	4,613	18	Oct-03
South Holland, IL	2,782	839	2,879	29	839	2,908	3,747	99	Oct-02
Glen Rock, NJ	2,817	1,109	2,401	22	1,109	2,423	3,532	81	Mar-01
Lyndhurst, NJ	5,857	2,679	4,644	34	2,679	4,678	7,357	154	Mar-01
Fontana, CA	3,787	961	3,846	13	961	3,859	4,820	125	Sep-02
Merrimack, NH	3,245	754	3,299	15	754	3,314	4,068	108	Apr-99
Arvada, CO	1,158	286	1,521	154	286	1,675	1,961	159	Sep-00
Denver, CO	2,120	602	2,052	81	602	2,133	2,735	193	Sep-00
Westminster, CO	1,676	212	2,044	191	212	2,235	2,447	202	Sep-00
Thornton, CO	1,236	291	1,586	111	291	1,697	1,988	153	Sep-00
Crest Hill, IL	2,763	847	2,946	7	847	2,953	3,800	38	Jul-03
Tracy, CA	2,401	778	2,638	13	778	2,651	3,429	34	Jul-03
Miscellaneous other	—	677	2,202	—	677	2,202	2,879	79	
Construction in Progress	48,180	—	—	79,940	—	79,940	79,940	—	
Intangible assets-tenant relationships	—	—	990	—	—	990	990	990	
Total	$ 264,218	$ 75,020	$ 207,231	$ 84,407	$ 75,020	$ 291,638	$ 366,658	$ 12,284	

SCHEDULE III
REAL ESTATE AND ACCUMULATED DEPRECIATION
(dollars in thousands)

Activity in real estate facilities during 2003, 2002 and 2001 is as follows:

	2003	2002	2001
Operating facilities:			
Balance at beginning of year	$ 241,798	$ 191,237	$ 130,876
Acquisitions	—	8,327	70,079
Improvements and equipment purchases	472	1,487	2,532
Transfers from construction in progress	52,753	40,747	12,526
Dispositions and other	(8,305)	—	(24,776)
Balance at end of year	286,718	241,798	191,237
Accumulated depreciation:			
Balance at beginning of year	7,150	3,435	967
Depreciation expense	5,837	4,569	2,468
Dispositions and other	(703)	(854)	—
Balance at end of year	12,284	7,150	3,435
Construction in progress:			
Balance at beginning of year	71,767	54,284	34,239
Current development	65,440	58,230	38,904
Transfers to operating facilities	(52,753)	(40,747)	(12,526)
Dispositions and other	(4,514)	—	(6,333)
Balance at end of year	79,940	71,767	54,284
Net real estate assets	$ 354,374	$ 306,415	$ 242,086

The aggregate cost of real estate for U.S. federal income tax purposes is $286,718.

REPORT OF INDEPENDENT AUDITORS

To the Members of
Extra Space Storage LLC

We have audited the accompanying combined statement of revenues and certain expenses of the properties owned by **Extra Space West One, LLC and Extra Space East One, LLC** (the Properties) for the years ended December 31, 2003, 2002 and 2001 (the Statement). This Statement is the responsibility of the management of Extra Space Storage LLC. Our responsibility is to express an opinion on the Statement based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the Statement. We believe that our audits provide a reasonable basis for our opinion.

The accompanying Statement has been prepared for the purpose of complying with the rules and regulations of the Securities and Exchange Commission for inclusion in the Registration Statement on Form S-11 of Extra Space Storage Inc. Material amounts, as described in note 1 to the Statement, that would not be comparable to those resulting from the proposed future operations of the Properties are excluded and the Statement is not intended to be a complete presentation of the revenues and expenses of the Properties.

In our opinion, the Statement referred to above presents fairly, in all material respects, the revenues and certain expenses of the Properties for the years ended December 31, 2003, 2002 and 2001, in conformity with accounting principles generally accepted in the United States of America.

/s/ PricewaterhouseCoopers LLP

Salt Lake City, Utah
February 29, 2004

Extra Space West One, LLC and Extra Space East One, LLC

COMBINED STATEMENT OF REVENUES AND CERTAIN EXPENSES
(dollars in thousands)

	For the Three Months Ended March 31,		For the Years Ended December 31,		
	2004	2003	2003	2002	2001
	(unaudited)				
Revenues:					
Rents	$ 2,577	$ 2,621	$ 10,384	$ 10,589	$ 10,767
Other	171	174	443	997	738
Total	2,748	2,795	10,827	11,586	11,505
Certain expenses:					
Property operating expenses	1,009	990	3,776	3,678	3,688
Management fees	169	169	667	684	695
Total	1,178	1,159	4,443	4,362	4,383
Revenues in excess of certain expenses	$ 1,570	$ 1,636	$ 6,384	$ 7,224	$ 7,122

The accompanying notes are an integral part of this statement.

NOTES TO STATEMENTS OF REVENUES AND CERTAIN EXPENSES

1. ACQUISITION OF PROPERTIES, BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

Acquisition of Properties

In conjunction with the formation of Extra Space Storage Inc. (the REIT), the REIT intends to acquire certain properties owned by **Extra Space West One, LLC** (West) and the controlling interest in **Extra Space East One, LLC** (East). Extra Space Storage LLC, the predecessor to the REIT, holds an equity interest in West and East. The controlling interests in West and East are held by a single entity. The principal assets of West and East consist of land and self-storage facilities located in California, Florida, Massachusetts, New Jersey, New York, Pennsylvania and Utah (collectively, the Properties).

Basis of presentation

The accompanying combined statement of revenues and certain expenses have been prepared for the purpose of complying with certain rules and regulations of the Securities and Exchange Commission and are not intended to be a complete presentation of the actual operations of the Properties for the periods presented. Certain items may not be comparable to the future operations of the Properties. Excluded items consist of interest expense, depreciation and amortization, and other costs not directly related to the future operations of the Properties.

“The statement of revenues and certain expenses for the three months ended March 31, 2004 and 2003 are unaudited. In the opinion of management, such financial statements reflect all necessary adjustments for a presentation of the revenues and certain expenses of the respective interim periods. All such adjustments are of a normal recurring nature.”

Revenue recognition

The Properties recognize rental revenue over the terms of the respective leases. Generally, leases are on month-to-month terms. The Properties also recognize revenue for merchandise sales, late fees and other miscellaneous items that are included in other revenue as earned.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. OPERATING LEASES

Operating revenue is principally obtained from tenant rentals under month-to-month operating leases.

REPORT OF INDEPENDENT AUDITORS

To the Members of
Extra Space Storage LLC

We have audited the accompanying combined statement of revenues and certain expenses of the properties owned by **5255 Sepulveda, LLC and 658 Venice, LTD** (the Properties) for the years ended December 31, 2003, 2002 and 2001 (the Statement). This Statement is the responsibility of the management of Extra Space Storage, LLC. Our responsibility is to express an opinion on the Statement based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the Statement. We believe that our audits provide a reasonable basis for our opinion.

The accompanying Statement has been prepared for the purpose of complying with the rules and regulations of the Securities and Exchange Commission for inclusion in the Registration Statement on Form S-11 of Extra Space Storage Inc. Material amounts, as described in note 1 to the Statement, that would not be comparable to those resulting from the proposed future operations of the Properties are excluded and the Statement is not intended to be a complete presentation of the revenues and expenses of the Properties.

In our opinion, the Statement referred to above presents fairly, in all material respects, the revenues and certain expenses of the Properties for the years ended December 31, 2003, 2002 and 2001, in conformity with accounting principles generally accepted in the United States of America.

/s/ PricewaterhouseCoopers LLP

Salt Lake City, Utah
February 29, 2004

5255 Sepulveda, LLC and 658 Venice, LTD (Sherman Oaks and Venice)

COMBINED STATEMENT OF REVENUES AND CERTAIN EXPENSES

(dollars in thousands)

	For the Three Months Ended March 31,		For the Years Ended December 31,		
	2004	2003	2003	2002	2001
	(unaudited)				
Revenues:					
Rents	$ 802	$ 733	$ 2,974	$ 2,869	$ 2,726
Other	22	24	87	72	63
Total	824	757	3,061	2,941	2,789
Certain expenses:					
Property operating expenses	130	132	551	502	468
Management fees	49	45	184	176	167
Total	179	177	735	678	635
Revenues in excess of certain expenses	$645	$580	$ 2,326	$ 2,263	$ 2,154

5255 Sepulveda, LLC AND 658 Venice, LTD (Sherman Oaks and Venice)

NOTES TO COMBINED STATEMENT OF REVENUES AND CERTAIN EXPENSES

1. ACQUISITION OF PROPERTIES, BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

Acquisition of Properties

In conjunction with the formation of Extra Space Storage Inc. (the REIT), the REIT intends to acquire certain properties owned by **5255 Sepulveda, LLC** (Sherman Oaks) and **658 Venice, LTD** (Venice). Extra Space Storage LLC, the predecessor to the REIT, holds an equity and/or profits interest in Sherman Oaks and Venice. The controlling interests in Sherman Oaks and Venice are held by a single entity. The principal assets of Sherman Oaks and Venice consist of land and self-storage facilities located in California (the Properties).

Basis of presentation

The accompanying combined statement of revenues and certain expenses have been prepared for the purpose of complying with certain rules and regulations of the Securities and Exchange Commission and are not intended to be a complete presentation of the actual operations of the Properties for the periods presented. Certain items may not be comparable to the future operations of the Properties. Excluded items consist of interest expense, depreciation and amortization, and other costs not directly related to the future operations of the Properties.

The statement of revenues and certain expenses for the three months ended March 31, 2004 and 2003 are unaudited. In the opinion of management, such financial statements reflect all necessary adjustments for a presentation of the revenues and certain expenses of the respective interim periods. All such adjustments are of a normal recurring nature.

Revenue recognition

The Properties recognize rental revenue over the terms of the respective leases. Generally, leases are on month-to-month terms. The Properties also recognize revenue for merchandise sales, late fees and other miscellaneous items that are included in other revenue as earned.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. OPERATING LEASES

Operating revenue is principally obtained from tenant rentals under month-to-month operating leases.

REPORT OF INDEPENDENT AUDITORS

To the Members of
Extra Space Storage LLC

We have audited the accompanying statement of revenues and certain expenses of the properties owned by **Red Hat Enterprises** (the Properties) for the year ended December 31, 2003 (the Statement). This Statement is the responsibility of the management of Extra Space Storage LLC. Our responsibility is to express an opinion on the Statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the Statement. We believe that our audit provides a reasonable basis for our opinion.

The accompanying Statement has been prepared for the purpose of complying with the rules and regulations of the Securities and Exchange Commission for inclusion in the Registration Statement on Form S-11 of Extra Space Storage Inc. Material amounts, as described in note 1 to the Statement, that would not be comparable to those resulting from the proposed future operations of the Properties are excluded and the Statement is not intended to be a complete presentation of the revenues and expenses of the Properties.

In our opinion, the Statement referred to above presents fairly, in all material respects, the revenues and certain expenses of the Properties for the year ended December 31, 2003, in conformity with accounting principles generally accepted in the United States of America.

/s/ PricewaterhouseCoopers LLP

Salt Lake City, Utah
February 29, 2004

Red Hat Enterprises (Riverside and Mesa)

STATEMENT OF REVENUES AND CERTAIN EXPENSES
(dollars in thousands)

	For the Three Months Ended March 31,		For the Year ended December 31, 2003
	2004	2003	
	(unaudited)		
Revenues:			
Rents	$ 247	$ 227	$ 997
Other	24	20	89
Total	271	$ 247	1,086
Certain expenses:			
Property operating expenses	94	94	406
Management fees	14	12	54
Total	108	106	460
Revenues in excess of certain expenses	$ 163	$ 141	$ 626

The accompanying notes are an integral part of this statement.

NOTES TO STATEMENTS OF REVENUES AND CERTAIN EXPENSES

1. ACQUISITION OF PROPERTIES, BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

Acquisition of Properties

In conjunction with the formation of Extra Space Storage Inc. (the REIT), the REIT intends to acquire certain properties owned by **Red Hat Enterprises** (Red Hat). Extra Space Storage LLC, the predecessor to the REIT, does not hold any interest in the Properties. The controlling interests in the Properties are held by a single entity. The principal assets of Red Hat consist of land and self-storage facilities located in California and Arizona (the Properties).

Basis of presentation

The accompanying statement of revenues and certain expenses have been prepared for the purpose of complying with certain rules and regulations of the Securities and Exchange Commission and are not intended to be a complete presentation of the actual operations of the Properties for the period presented. Certain items may not be comparable to the future operations of the Properties. Excluded items consist of interest expense, depreciation and amortization, and other costs not directly related to the future operations of the Properties.

The statement of revenues and certain expenses for the three months ended March 31, 2004 and 2003 are unaudited. In the opinion of management, such financial statements reflect all necessary adjustments for a presentation of the revenues and certain expenses of the respective interim periods. All such adjustments are of a normal recurring nature.

Revenue recognition

The Properties recognize rental revenue over the terms of the respective leases. Generally, leases are on month-to-month terms. The Properties also recognize revenue for merchandise sales, late fees and other miscellaneous items that are included in other revenue as earned.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. OPERATING LEASES

Operating revenue is principally obtained from tenant rentals under month-to-month operating leases.

REPORT OF INDEPENDENT AUDITORS

To the Members of
Extra Space Storage LLC

We have audited the accompanying statement of revenues and certain expenses of the properties owned by **Storage Depot** (the Properties) for the year ended December 31, 2003 (the Statement). This Statement is the responsibility of the management of Extra Space Storage LLC. Our responsibility is to express an opinion on the Statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the Statement. We believe that our audit provides a reasonable basis for our opinion.

The accompanying Statement has been prepared for the purpose of complying with the rules and regulations of the Securities and Exchange Commission for inclusion in the Registration Statement on Form S-11 of Extra Space Storage Inc. Material amounts, as described in note 1 to the Statement, that would not be comparable to those resulting from the proposed future operations of the Properties are excluded and the Statement is not intended to be a complete presentation of the revenues and expenses of the Properties.

In our opinion, the Statement referred to above presents fairly, in all material respects, the revenues and certain expenses of the Properties for the year ended December 31, 2003, in conformity with accounting principles generally accepted in the United States of America.

/s/ PricewaterhouseCoopers LLP

Salt Lake City, Utah
February 29, 2004

Storage Depot

STATEMENT OF REVENUES AND CERTAIN EXPENSES
(dollars in thousands)

	For the Three Months Ended March 31,		For the Year ended December 31, 2003
	2004	2003	
	(unaudited)		
Revenues:			
Rents	$ 1,233	$ 1,306	$ 5,317
Other	43	102	500
Total	1,276	1,408	5,817
Certain expenses:			
Property operating expenses	661	747	2,687
Management Fees	82	88	415
Total	743	835	3,102
Revenues in excess of certain expenses	$ 533	$ 573	$ 2,715

The accompanying notes are an integral part of this statement.

NOTES TO STATEMENT OF REVENUES AND CERTAIN EXPENSES

1. ACQUISITION OF PROPERTIES, BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

Acquisition of Properties

In conjunction with the formation of Extra Space Storage Inc. (the REIT), the REIT intends to acquire certain properties owned by **Storage Depot**. Extra Space Storage LLC, the predecessor to the REIT, does not hold any interest in Storage Depot. The controlling interests in Storage Depot are held by a single entity. The principal assets of Storage Depot consist of land and self-storage facilities located in Massachusetts (the Properties).

Basis of presentation

The accompanying statement of revenues and certain expenses have been prepared for the purpose of complying with certain rules and regulations of the Securities and Exchange Commission and are not intended to be a complete presentation of the actual operations of the Properties for the period presented. Certain items may not be comparable to the future operations of the Properties. Excluded items consist of interest expense, depreciation and amortization, and other costs not directly related to the future operations of the Properties.

The statement of revenues and certain expenses for the three months ended March 31, 2004 and 2003 are unaudited. In the opinion of management, such financial statements reflect all necessary adjustments for a presentation of the revenues and certain expenses of the respective interim periods. All such adjustments are of a normal recurring nature.

Revenue recognition

The Properties recognize rental revenue over the terms of the respective leases. Generally, leases are on month-to-month terms. The Properties also recognize revenue for merchandise sales, late fees and other miscellaneous items that are included in other revenue as earned.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications

Certain amounts from the prior year have been reclassified to conform with the current year presentation. The reclassifications had no impact on total revenues in excess of certain expenses.

2. OPERATING LEASES

Operating revenue is principally obtained from tenant rentals under month-to-month operating leases.

REPORT OF INDEPENDENT ACCOUNTANTS

To the Members of
Extra Space Storage LLC

We have audited the accompanying statement of revenues and certain expenses of the properties owned by **Devon/Boston, LLC** (the Properties) for the year ended December 31, 2003 (the Statement). This Statement is the responsibility of the management of Extra Space Storage LLC. Our responsibility is to express an opinion on the Statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the Statement. We believe that our audit provides a reasonable basis for our opinion.

The accompanying Statement has been prepared for the purpose of complying with the rules and regulations of the Securities and Exchange Commission for inclusion in the Registration Statement on Form S-11 of Extra Space Storage Inc. Material amounts, as described in Note 1 to the Statement, that would not be comparable to those resulting from the proposed future operations of the Properties are excluded and the Statement is not intended to be a complete presentation of the revenues and expenses of the Properties.

In our opinion, the Statement referred to above presents fairly, in all material respects, the revenues and certain expenses of the Properties for the year ended December 31, 2003, in conformity with accounting principles generally accepted in the United States of America.

/s/ Timpson Garcia, LLP

Oakland, California
February 20, 2004

Devon/Boston, LLC

STATEMENT OF REVENUES AND CERTAIN EXPENSES
(dollars in thousands)

	For the Three Months ended March 31,		For the Year ended December 31, 2003
	2004	2003	
	(unaudited)		
Revenues:			
Rents	$ 1,229	$ 1,119	$ 4,763
Other	52	12	63
Total	1,281	1,131	4,826
Certain expenses:			
Property operating expenses	478	424	1,548
Management fees	66	45	191
Total	544	469	1,739
Revenues in excess of certain expenses	$ 737	$ 662	$ 3,087

The accompanying notes are an integral part of this statement.

NOTES TO STATEMENT OF REVENUES AND CERTAIN EXPENSES

NOTE 1. ACQUISITION OF PROPERTIES, BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

Acquisition of Properties

In conjunction with the formation of Extra Space Storage Inc. (the REIT), the REIT intends to acquire certain properties owned by **Devon/Boston, LLC** (Devon). Extra Space Storage LLC, the predecessor to the REIT, does not hold any interest in Devon. The principal assets of Devon consist of land and self-storage facilities located in Maryland, New Jersey and Pennsylvania (the Properties).

Basis of presentation

The accompanying statement of revenues and certain expenses have been prepared for the purpose of complying with certain rules and regulations of the Securities and Exchange Commission and are not intended to be a complete presentation of the actual operations of the Properties for the period presented. Certain items may not be comparable to the future operations of the Properties. Excluded items consist of interest expense, depreciation and amortization, and other costs not directly related to the future operations of the Properties.

The statement of revenues and certain expenses for the three months ended March 31, 2004 and 2003 are unaudited. In the opinion of management, such financial statements reflect all necessary adjustments for a presentation of the revenues and certain expenses of the respective interim periods. All such adjustments are of a normal recurring nature.

Revenue recognition

The Properties recognize rental revenue over the terms of the respective leases. Generally, leases are on month-to-month terms. The Properties also recognize revenue for merchandise sales, late fees and other miscellaneous items that are included in other revenue as earned.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2. OPERATING LEASES

Operating revenue is principally obtained from tenant rentals under month-to-month operating leases.

REPORT OF INDEPENDENT AUDITORS

To the Members of
Extra Space Storage LLC

We have audited the accompanying statement of revenues and certain expenses of the properties owned by **Storage Deluxe** (the Property) for the year ended December 31, 2003 (the Statement). This Statement is the responsibility of the management of Extra Space Storage LLC. Our responsibility is to express an opinion on the Statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the Statement. We believe that our audit provides a reasonable basis for our opinion.

The accompanying Statement has been prepared for the purpose of complying with the rules and regulations of the Securities and Exchange Commission for inclusion in the Registration Statement on Form S-11 of Extra Space Storage Inc. Material amounts, as described in note 1 to the Statement, that would not be comparable to those resulting from the proposed future operations of the Property are excluded and the Statement is not intended to be a complete presentation of the revenues and expenses of the Property.

In our opinion, the Statement referred to above presents fairly, in all material respects, the revenues and certain expenses of the Property for the year ended December 31, 2003, in conformity with accounting principles generally accepted in the United States of America.

/s/ PricewaterhouseCoopers LLP

Salt Lake City, Utah
February 29, 2004

Storage Deluxe (Bronx)

STATEMENT OF REVENUES AND CERTAIN EXPENSES
(dollars in thousands)

	For the Three Months Ended March 31,		For the Year ended December 31, 2003
	2004	2003	
	(unaudited)		
Revenues:			
Rents	$ 406	$ 404	$ 1,595
Other	27	34	124
Total	433	438	1,719
Certain expenses:			
Operating and administrative	110	98	455
Management fees	26	22	103
Total	136	120	558
Revenues in excess of certain expenses	$ 297	$ 318	$ 1,161

The accompanying notes are an integral part of this statement.

Storage Deluxe (Bronx)

NOTES TO STATEMENT OF REVENUES AND CERTAIN EXPENSES

1. ACQUISITION OF PROPERTIES, BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

Acquisition of Property

In conjunction with the formation of Extra Space Storage Inc. (the REIT), the REIT intends to acquire a property owned by **Storage Deluxe**. Extra Space Storage LLC, the predecessor to the REIT, does not hold any interest in Storage Deluxe. The controlling interest in Storage Deluxe is held by a single entity. The principal assets of Storage Deluxe consist of land and a self-storage facility located in New York (the Property).

Basis of presentation

The accompanying statement of revenues and certain expenses have been prepared for the purpose of complying with certain rules and regulations of the Securities and Exchange Commission and are not intended to be a complete presentation of the actual operations of the Property for the period presented. Certain items may not be comparable to the future operations of the Property. Excluded items consist of interest expense, depreciation and amortization, and other costs not directly related to the future operations of the Property.

“The statement of revenues and certain expenses for the three months ended March 31, 2004 and 2003 are unaudited. In the opinion of management, such financial statements reflect all necessary adjustments for a presentation of the revenues and certain expenses of the respective interim periods. All such adjustments are of a normal recurring nature.”

Revenue recognition

The Property recognizes rental revenue over the terms of the respective leases. Generally, leases are on month-to-month terms. The Property also recognizes revenue for merchandise sales, late fees and other miscellaneous items that are included in other revenue as earned.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. OPERATING LEASES

Operating revenue is principally obtained from tenant rentals under month-to-month operating leases.

STORAGE SPOT PROPERTIES NO. 1, L.P. and STORAGE SPOT PROPERTIES NO. 4, L.P.

INDEPENDENT AUDITORS' REPORT

To the Partners of
Storage Spot Properties No. 1, L.P. and
Storage Spot Properties No. 4, L.P.

We have audited the accompanying combined statement of revenues and certain expenses of the storage facilities owned by Storage Spot Properties No. 1, L.P. and Storage Spot Properties No. 4, L.P. (the Facilities) for the year ended December 31, 2003 (the Statement). This Statement is the responsibility of the management of Storage Spot Properties No. 1, L.P. and Storage Spot Properties No. 4, L.P. Our responsibility is to express an opinion on the Statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards requires that we plan and perform the audit to obtain reasonable assurance about whether the Statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the Statement. We believe that our audit provides a reasonable basis for our opinion.

The accompanying Statement has been prepared for the purpose of complying with the rules and regulations of the Securities and Exchange Commission for inclusion in the Registration Statement on Form S-l1 of Extra Space Storage, Inc. Material amounts, as described in Note A to the Statement, that would not be comparable to those resulting from the proposed future operations of the Facilities are excluded and the Statement is not intended to be a complete presentation of the revenues and expenses of the Facilities.

In our opinion, the Statement referred to above presents fairly, in all material respects, the revenues and certain expenses of the Facilities for the year ended December 31, 2003, in conformity with accounting principles generally accepted in the United States of America.

/s/ R.J. Gold & Company, P.C.
June 10, 2004
Waltham, Massachusetts

STORAGE SPOT PROPERTIES NO. 1, L.P. and STORAGE SPOT PROPERTIES NO. 4, L.P.

COMBINED STATEMENTS OF REVENUES AND CERTAIN EXPENSES
(dollars in thousands)

	Three Months Ended March 31,		Year Ended December 31,
	2004	2003	2003
	(Unaudited)		
Revenues			
Rental income (Notes A and C)	$ 3,820	$ 3,565	$ 14,967
Other income (Note D)	221	264	990
Total Revenues	4,041	3,829	15,957
Certain Expenses			
Property operating expense (Note B)	1,451	1,371	6,014
Management fee (Note B)	242	228	957
Total Certain Expenses	1,693	1,599	6,971
Revenues in Excess of Certain Expenses	$ 2,348	$ 2,230	$ 8,986

See Notes to the Combined Statements of Revenues and Certain Expenses

STORAGE SPOT PROPERTIES NO. 1, L.P. and STORAGE SPOT PROPERTIES NO. 4, L.P.

NOTES TO COMBINED STATEMENTS OF REVENUES AND CERTAIN EXPENSES
For the Three Months Ended March 31, 2004 and 2003 and the Year Ended December 31, 2003

NOTE A—ACQUISITION OF FACILITIES, BASIS OF PRESENTATION, AND SIGNIFICANT ACCOUNTING POLICIES

Acquisition of facilities

In conjunction with the formation of Extra Space Storage, Inc. (the "REIT"), the REIT intends to acquire twenty-six storage facilities located in the south central and southeastern United States owned by Storage Spot Properties No. 1, L.P. and Storage Spot Properties No. 4, L.P. (the Partnerships). The Partnerships are owned 99% directly and 1% indirectly by StorageWorld, L.P. (SWLP).

Basis of presentation

The accompanying combined statements of revenues and certain expenses have been prepared for the purpose of complying with certain rules and regulations of the Securities and Exchange Commission and are not intended to be a complete presentation of the actual operations of the Facilities for the periods presented. Certain items may not be comparable to the future operations of the Facilities. Excluded items consist of interest expenses, depreciation and amortization, and other costs not related to the future operations of the Facilities.

The combined statements of revenues and certain expenses for the three months ended March 31, 2004 and 2003 are unaudited, however, in the opinion of management, all adjustments (consisting solely of normal recurring adjustments) necessary for the fair presentation of these statements of revenues and certain expenses for the interim periods, on the basis described above, have been included. The results of such interim periods are not necessarily indicative of the results for an entire year.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

Leasing policy

The self-storage units are leased on a month-to-month basis. All leases are accounted for as operating leases and any rents received in advance are deferred until earned. Rental income from retail and billboard operating leases is recognized on a straight-line basis over the life of the lease agreements.

NOTES TO COMBINED STATEMENTS OF REVENUES AND CERTAIN EXPENSES—(Continued)

For the Three Months Ended March 31, 2004 and 2003 and the Year Ended December 31, 2003

NOTE B—RELATED PARTY TRANSACTIONS

The Facilities are managed by SWLP who, directly and indirectly, owns 100% of the Partnerships. The management agreement states that SWLP is to receive a management fee of 6% of all revenue (as defined in the agreement) actually collected. This amounted to $956,989 for the year ended December 31, 2003 and $242,481 and $228,189 for the three months ended March 31, 2004 and 2003, respectively.

The Facilities reimburse SWLP for payroll and related payroll costs associated with employees working at the storage facilities. Such costs are included in property operating expenses and amounted to $1,619,881 for the year ended December 31, 2003 and $427,098 and $416,194 for the three months ended March 31, 2004 and 2003, respectively.

NOTE C—LEASING ARRANGEMENTS

The Facilities lease retail and billboard space under non-cancelable operating leases that expire at various times through December 31, 2006. The lease arrangements typically provide for a specific monthly payment plus reimbursement of certain operating costs, insurance, and real estate taxes. The following is a summary of the future minimum rentals under the leases:

Year Ended December 31,	Amount
2004	$ 168,590
2005	141,936
2006	56,930
	$ 367,456

NOTE D—OTHER INCOME

Other income consists principally of administration and late fees, profit on the sale of packaging supplies and insurance referral fees.

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Part II
Information not required in prospectus

Item 31. Other Expenses of Issuance and Distribution.

The following table itemizes the expenses incurred by us in connection with the issuance and registration of the securities being registered hereunder. All amounts shown are estimates except the Securities and Exchange Commission registration fee.

Securities and Exchange Commission registration fee	$ 41,558
NASD filing fee	30,500
NYSE listing fee	*
Printing and engraving fees	*
Legal fees and expenses	*
Accounting fees and expenses	*
Blue sky fees and expenses	*
Transfer agent and registrar fees	*
Federal and state taxes	*
Miscellaneous expenses	*
Total	$ *

* To be filed by amendment.

Item 32. Sales to Special Parties.

At our request, the underwriters have reserved up to 5% of the common stock being offered by this prospectus for sale to our directors, employees, business associates and related persons at the public offering price. The sales will be made by the underwriters through a directed share program. We do not know if these persons will choose to purchase all or any portion of this reserved common stock, but any purchases they do make will reduce the number of shares available to the general public. To the extent the allotted shares are not purchased in the directed share program, we will offer these shares to the public. These persons must commit to purchase no later than the close of business on the day following the date of this prospectus. Any directors, employees or other persons purchasing such reserved common stock will be prohibited from selling such stock for a period of 180 days after the date of this prospectus. The common stock issued in connection with the directed share program will be issued as part of the underwritten offer.

Item 33. Recent Sales of Unregistered Securities.

Prior to or concurrently with the closing of the offering:

Ø The existing holders of Class A, Class B, Class C and Class E membership interests in Extra Space Storage LLC will, pursuant to contribution and related agreements, contribute these membership interests to our company and/or our operating partnership in exchange for an aggregate of shares of common stock, OP units, contingent conversion shares issued by us (which we refer to as “CCSs”) and/or contingent conversion units issued by our operating partnership (which we refer to as “CCUs”).

- Our operating partnership will acquire the joint venture interests held by Equibase Mini Warehouse and its affiliates in seven joint ventures, which currently own an aggregate of 28 properties, in part, for an aggregate of OP units.
- Our operating partnership will acquire the joint venture interests held by affiliates of the Moss Group in two joint ventures, which currently own an aggregate of two properties, in part, for an aggregate of OP units.

The common stock, OP units, CCSs and CCUs described above will be issued in a private placement that is exempt from the registration requirements of the Securities Act of 1933, as amended, pursuant to Section 4(2) thereof and Regulation D promulgated thereunder.

Item 34. Indemnification of Directors and Officers.

Maryland law permits a Maryland corporation to include in its charter a provision limiting the liability of its directors and officers to the corporation and its stockholders for money damages except for liability resulting from (1) actual receipt of an improper benefit or profit in money, property or services or (2) active and deliberate dishonesty established by a final judgment and which is material to the cause of action. Our charter contains such a provision which eliminates our directors' and officers' liability to the maximum extent permitted by Maryland law.

Our charter authorizes us, to the maximum extent permitted by Maryland law, to obligate us to indemnify any present or former director or officer or any individual who, while a director or officer of the company and at the request of the company, serves or has served another corporation, real estate investment trust, partnership, joint venture, trust, employee benefit plan or other enterprise as a director, officer, partner or trustee, from and against any claim or liability to which that individual may become subject or which that individual may incur by reason of his or her status as a present or former director or officer of the company and to pay or reimburse his or her reasonable expenses in advance of final disposition of a proceeding. Our bylaws obligate us, to the maximum extent permitted by Maryland law, to indemnify any present or former director or officer or any individual who, while a director or officer of the company and at the request of the company, serves or has served another corporation, real estate investment trust, partnership, joint venture, trust, employee benefit plan or other enterprise as a director, officer, partner or trustee and who is made a party to the proceeding by reason of his or her service in that capacity from and against any claim or liability to which that individual may become subject or which that individual may incur by reason of his or her status as a present or former director or officer of the company and to pay or reimburse his or her reasonable expenses in advance of final disposition of a proceeding. The charter and bylaws also permit the company to indemnify and advance expenses to any individual who served a predecessor of the company in any of the capacities described above and any employee or agent of the company or a predecessor of the company.

Maryland law requires us (unless our charter provides otherwise, which it does not) to indemnify a director or officer who has been successful in the defense of any proceeding to which he or she is made a party by reason of his or her service in that capacity. Maryland law permits us to indemnify our present and former directors and officers, among others, against judgments, penalties, fines, settlements and reasonable expenses actually incurred by them in connection with any proceeding to which they may be made a party by reason of their service in those or other capacities unless it is established that (1) the act or omission of the director or officer was material to the matter giving rise to the proceeding and (A) was committed in bad faith or (B) was the result of active and deliberate dishonesty, (2) the director or officer actually received an improper personal benefit in money, property or services or (3) in the case of any criminal proceeding, the director or officer had reasonable cause to believe that the act or omission was

unlawful. However, under Maryland law, we may not indemnify for an adverse judgment in a suit by or in the right of the company or for a judgment of liability on the basis that personal benefit was improperly received, unless in either case a court orders indemnification and then only for expenses. In addition, Maryland law permits us to advance reasonable expenses to a director or officer upon our receipt of (1) a written affirmation by the director or officer of his or her good faith belief that he or she has met the standard of conduct necessary for indemnification by the corporation and (2) a written undertaking by him or her or on his or her behalf to repay the amount paid or reimbursed by the corporation if it is ultimately determined that the standard of conduct was not met.

Furthermore, our officers and directors are indemnified against specified liabilities by the underwriters, and the underwriters are indemnified against certain liabilities by us, under the underwriting agreement relating to the offering. See “Underwriting.”

In addition, certain persons, including trustees of ESS Holdings Business Trust I, directors of our company, officers or employees of the operating partnership, ESS Holdings Business Trust I and our company, and other persons that ESS Holdings Business Trust I designates from time to time, are indemnified for specified liabilities and expenses pursuant to the partnership agreement of Extra Space Storage LP, the partnership in which we serve as a general partner through a wholly owned Massachusetts business trust.

Item 35. Treatment of Proceeds from Stock Being Registered.

None.

Item 36. Financial Statements and Exhibits.

(a) Financial Statements.

Extra Space Storage Inc.
Pro Forma
Unaudited Pro Forma Financial Information
Unaudited Pro Forma Consolidated Balance Sheet as of March 31, 2004
Notes to Unaudited Pro Forma Consolidated Balance Sheet as of March 31, 2004
Unaudited Pro Forma Consolidated Statement of Operations for the Three Months Ended March 31, 2004
Unaudited Pro Forma Condensed Consolidated Statement of Operations for the Year Ended December 31, 2003
Notes to Unaudited Pro Forma Consolidated Statement of Operations for the Three Months Ended March 31, 2004
Notes to Unaudited Pro Forma Consolidated Statement of Operations for the Year Ended December 31, 2003
Historical
Report of Independent Registered Public Accounting Firm
Balance Sheet as of May 5, 2004
Notes to Balance Sheet
Extra Space Storage LLC
Report of Independent Registered Public Accounting Firm

PART II

PART II

(b) Exhibits. The following is a complete list of exhibits filed as part of the registration statement, which are incorporated herein:

Exhibit

1.1*	Underwriting Agreement by and among Extra Space Storage Inc., Extra Space Storage LP, UBS Securities LLC and Merrill Lynch, Pierce, Fenner & Smith Incorporated
3.1*	Amended and Restated Articles of Incorporation of Extra Space Storage Inc.
3.2*	Amended and Restated Bylaws of Extra Space Storage Inc.
3.3*	Amended and Restated Agreement of Limited Partnership of Extra Space Storage LP
3.4***	Declaration of Trust of ESS Holdings Business Trust I
3.5***	Declaration of Trust of ESS Holdings Business Trust II
5.1***	Opinion of Clifford Chance US LLP
8.1***	Tax Opinion of Clifford Chance US LLP
10.1*	Registration Rights Agreement, dated , 2004, by and among Extra Space Storage Inc. and the parties listed on Schedule I thereto
10.2**	License between Centershift Inc. and Extra Space Storage LP
10.3***	Loan Agreement, dated as of March 8, 2004, by and between General Electric Capital Corporation and Extra Space Properties Eight LLC
10.4***	Loan Agreement, dated as of March 8, 2004, by and between General Electric Capital Corporation and Extra Space Properties Three LLC
10.5***	Loan Agreement, dated as of March 8, 2004, by and between General Electric Capital Corporation and Extra Space of New Jersey, L.L.C.
10.6***	Loan Agreement, dated as of May 4, 2004, by and between Extra Space of Northborough LLC, Extra Space of Whittier LLC, Extra Space of Stockton LLC, Extra Space of Weymouth LLC, and Extra Space of Lynn LLC, and Bank of America, N.A.
10.7***	Loan Agreement, dated as of May 4, 2004, by and between Extra Space Properties Ten LLC and Bank of America, N.A.
10.8***	Loan Agreement, dated as of May 4, 2004, by and between Extra Space of Raynham LLC, Extra Space of Doylestown LLC, Extra Space of Glen Rock LLC, Extra Space of Fontana One LLC, and Extra Space of Merrimack LLC, and Bank of America, N.A.
10.9*	2004 Long-Term Compensation Incentive Plan
10.10***	Extra Space Storage Performance Bonus Plan
10.11*	Employment Agreement, dated , 2004, by and between Extra Space Storage Inc. and Kenneth M. Woolley
10.12*	Employment Agreement, dated , 2004, by and between Extra Space Storage Inc. and Kent W. Christensen
10.13*	Employment Agreement, dated , 2004, by and between Extra Space Storage Inc. and Charles L. Allen
10.14***	Joint Venture Agreement, dated June 1, 2004, by and between Extra Space Storage LLC and Prudential Financial, Inc.
10.15*	Purchase Agreement, by and between Extra Space Storage LLC and Fidelity Management Trust Company
10.16**	Membership Interest Purchase Agreement, dated April 27, 2004, by and between Extra Space Storage LLC and Strategic Performance Fund-II, Inc.
10.17**	Promissory Note dated April 28, 2004 from Extra Space Storage payable to Strategic Performance Fund-II, Inc.
10.18**	Purchase and Sale Agreement, by and between Extra Space Storage LLC and Extra Space West One LLC

PART II

10.19**	Promissory Note dated June 1, 2004 from Extra Space Storage LLC payable to Strategic Performance Fund-II, Inc.
10.20***	Purchase Agreement, by and between Extra Space Storage LLC and Fordham Road Storage Partners, LLC
10.21**	Master Membership Interest Contribution Agreement, by and between Extra Space Storage LP, David Husman and Michael Husman
10.22**	Membership Interest Purchase Agreement, by and between Extra Space V LLC and Equibase Mini Warehouse LLC, relating to the purchase of Equibase Mini Warehouse LLC's interest in Extra Space Properties Five LLC
10.23**	Membership Interest Purchase Agreement, by and between Extra Space V LLC and Equibase Mini Warehouse LLC, relating to the purchase of Equibase Mini Warehouse LLC's interest in Extra Space of Fontana Two LLC
10.24**	Membership Interest Purchase Agreement, by and between Extra Space V LLC and Equibase Mini Warehouse LLC, relating to the purchase of Equibase Mini Warehouse LLC's interest in Extra Space of South Holland LLC
10.25**	Contribution Agreement, dated May 10, 2004, by and between Extra Space Storage LP and the parties listed on Schedule A thereto, relating to the acquisition of interests in 5255 Sepulveda Associates, LLC
10.26**	Contribution Agreement, dated May 10, 2004, by and between Extra Space Storage LP and the parties listed on Schedule A thereto, relating to the acquisition of interests in 658 Venice, Ltd.
10.27**	Membership Interest Purchase Agreement, by and between Extra Space Storage LLC and Husman Mini Warehouse LLC
10.28***	Form of Irrevocable Exchange and Subscription Agreement by and between Extra Space Storage Inc. and certain members of Extra Space Storage LLC
10.30**	Purchase and Sale Agreement by and among Storage Spot Properties No. 1, L.P. and Storage Spot Properties No. 4, L.P. and Extra Space Storage LLC, dated May 28, 2004.
10.31*	Extra Space Storage Non-Employee Director Plan.
21.1***	List of Subsidiaries of Extra Space Storage Inc.
23.1***	Consent of PricewaterhouseCoopers LLP
23.2***	Consent of Timpson Garcia, LLP
23.3***	Consent of R.J. Gold & Company, P.C.
23.4***	Consent of Clifford Chance US LLP (included in Exhibit 5.1)
23.5***	Consent of Clifford Chance US LLP (included in Exhibit 8.1)
24.1**	Power of Attorney (included on the Signature Page)
99.1**	Consent of Kenneth M. Woolley to being named as a director
99.2**	Consent of Spencer F. Kirk to being named as a director
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99.6**	Consent of K. Fred Skousen to being named as a director.
99.7***	Consent of Hugh Horne to being named as a director.

* To be filed by amendment.
** Previously filed.
*** Filed herewith.

PART II

Item 37. Undertakings.

(a) The undersigned registrant hereby undertakes to provide to the underwriters at the closing specified in the underwriting agreements certificates in such denominations and registered in such names as required by the underwriters to permit prompt delivery to each purchaser.

(b) Insofar as indemnification for liabilities arising under the Securities Act of 1933, as amended, may be permitted to directors, officers or controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act of 1933, as amended, and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act of 1933, as amended, and will be governed by the final adjudication of such issue.

(c) The undersigned Registrant hereby further undertakes that:

(1) For purposes of determining any liability under the Securities Act of 1933, as amended, the information omitted from the form of prospectus filed as part of this registration statement in reliance under Rule 430A and contained in a form of prospectus filed by the Registrant pursuant to Rule 424(b)(1) or (4), or 497(h) under the Securities Act shall be deemed to part of this registration statement as of the time it was declared effective.

(2) For the purpose of determining any liability under the Securities Act of 1933, as amended, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered herein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

Signatures

Pursuant to the requirements of the Securities Act of 1933, as amended, the registrant certifies that it has reasonable grounds to believe that the registrant meets all of the requirements for filing on Form S-11 and has duly caused this Amendment No. 2 to the registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Salt Lake City, in the State of Utah, on this 26th day of July, 2004.

EXTRA SPACE STORAGE INC.

By: /S/ KENNETH M. WOOLLEY

Name: Kenneth M. Woolley
Title: Chairman and Chief Executive Officer

Pursuant to the requirements of the Securities Act of 1933, as amended, this Amendment No. 2 to the Registration Statement has been signed by the following persons in the capacities and on the dates as indicated.

Name	Title	Date:
/S/ KENNETH M. WOOLLEY Kenneth M. Woolley	Chairman and Chief Executive Officer (Principal Executive Officer)	July 26, 2004
/S/ KENT W. CHRISTENSEN Kent W. Christensen	Chief Financial Officer (Principal Financial Officer)	July 26, 2004
/S/ SCOTT STUBBS Scott Stubbs	Senior Vice President of Accounting (Principal Accounting Officer)	July 26, 2004
* Spencer F. Kirk	Director	July 26, 2004
* By: Kenneth M. Woolley as attorney-in-fact		

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** Previously filed.
*** Filed herewith.

Exhibit 3.4

ESS HOLDINGS BUSINESS TRUST I

AGREEMENT AND DECLARATION OF TRUST

The parties to this Agreement and Declaration of Trust (this "***Declaration***"), dated May 5, 2004, are Kenneth R. Beck, Kent W. Christensen and Charles L. Allen, c/o Extra Space Storage Inc., 2795 Cottonwood Parkway, Suite 400, Salt Lake City, UT 84121 (together with any other trustee or trustees properly appointed and serving at any time under the provisions of this Declaration, the "***Trustees***"), and such persons or entities as may become beneficial owners by the acceptance of certificates evidencing Shares of Beneficial Interest (as defined in Section 6 hereof) issued hereunder (the "***Shareholders***").

The Trustees propose to carry on, directly or through other entities, such general business activity as they deem proper for the Shareholders, including, but not limited to, acquiring, holding and disposing of one or more partnership interests ("***Partnership Interests***") in Extra Space Storage LP, a Delaware limited partnership (the "***Underlying Partnership***"), serving as the general partner of the Underlying Partnership, borrowing and lending money, and engaging in any lawful act or activity in which a trust with transferable shares of beneficial interest (commonly known as a business trust) may engage under the laws of the Commonwealth of Massachusetts (collectively, the "***Business***").

It is proposed that in connection therewith the Trustees manage in the manner hereinafter stated such capital and other property as they may hereafter acquire as Trustees, and that the beneficial interest in the trust created hereby (the "***Trust***") be divided into transferable Shares of Beneficial Interest, evidenced by certificates therefor, as hereinafter provided.

NOW, THEREFORE, intending to be legally bound, the parties hereto agree as follows:

1. Establishment of Trust.

The Trustees shall hold all money and other property now or hereafter acquired by them as Trustees, whether transferred by subscribers for the issuance of shares hereunder or otherwise by any person or entity, together with the proceeds and profits thereof, IN TRUST, to conduct such general business activity as they deem proper for the Shareholders, including, but not limited to, the Business, upon the terms set forth herein.

2. Name of Trust, Location, Etc.

All acts of a Trustee or Trustees relating to the Trust established hereby may be done under the name of "ESS Holdings Business Trust I," or such other name or names as the Trustees may from time to time adopt for the Trust.

The mailing address of the Trust shall be c/o Extra Space Storage Inc., 2795 Cottonwood Parkway, Suite 400, Salt Lake City, UT 84121, or such other place as the Trustees may determine from time to time, and the principal place of business of the Trust shall be 2795 Cottonwood Parkway, Suite 400 Salt Lake City, UT 84121, or such other place as the Trustees may determine from time to time.

The name and address of the resident agent of the Trust in the Commonwealth of Massachusetts is Corporation Service Company, 84 State Street, Boston, Massachusetts 02109.

Copies of this Declaration shall be filed as and to the extent required by Chapter 182, Section 2 of the Massachusetts General Laws, or any other applicable provision of law.

3. Trustees.

The following provisions shall apply to Trustees serving under this Declaration:

(a) Number and Tenure.

There shall be three (3) original Trustees. The original Trustees and any successor or additional Trustees shall remain in office during their respective lifetimes, except that any Trustee's tenure may be sooner terminated (for any reason or for no reason) by his resignation, by adjudication of judicial incompetence, by dissolution (in the event of a non-individual Trustee), by adjudication of bankruptcy or insolvency, or by a written instrument signed by holders of a majority of the then outstanding Shares of Beneficial Interest issued hereunder.

(b) Resignation of Trustees.

Any Trustee hereunder may resign by an instrument in writing delivered to the remaining Trustees, or, if there are no remaining Trustees, to all Shareholders.

(c) Additional Trustees; Succession of Trustees.

Additional Trustees and successor Trustees may be appointed at any time and from time to time by majority vote of the Trustees then serving, or, if there are no remaining Trustees, by an instrument in writing signed by the holders of a majority of the then outstanding Shares of Beneficial Interest issued hereunder.

(d) Effect of Appointment of Successor and Additional Trustees.

Upon the appointment of successor or additional Trustees, the title to the Trust estate shall thereupon and without the necessity of any conveyance be vested in the successor or additional Trustees jointly with the remaining Trustees, if any. Any successor or additional Trustees shall have all the same rights, powers, authority and privileges as the original Trustees hereunder.

(e) Actions by Trustees.

The Trustees may act with or without a meeting. Unless specifically provided otherwise in this Declaration or in any amendment hereto, any action of the Trustees may be taken at a meeting by vote of a majority of the Trustees or without a meeting by written consent of a majority of the Trustees.

(f) Meetings of the Trustees.

No regular meetings of the Trustees shall be held. Meetings may be called by the president or clerk, if either of these be designated, or by any Trustee, by seven (7) days' prior written notice to the Trustees stating the matters to be acted upon, and upon such notice, a majority of the Trustees shall constitute a quorum at such meeting. Meetings may be held in person or by telephone or other communications medium permitting each participating Trustee to hear each other participating Trustee.

4. Powers.

(a) General Power and Authority of Trustees.

The Trustees shall have, without further or other authorization, and free from any power or control on the part of the Shareholders, full, absolute and exclusive power, control and authority over the Trust estate and over the business and affairs of the Trust to the same

extent as if the Trustees were the sole owners thereof in their own right and may do all such acts and things as in their sole judgment and discretion are necessary for, incidental to, or desirable for the conduct of the business of the Trust. Any construction of this Declaration or any determination made in good faith by the Trustees of the purposes of the Trust or the existence of any power or authority hereunder shall be conclusive. In construing the provisions of this Declaration, presumption shall be in favor of the grant of powers and authority to the Trustees. The enumeration of any specific power or authority herein shall not be construed as limiting the aforesaid powers or the general powers or authority or any other specified power or authority conferred herein upon the Trustees. Unless specifically otherwise stated herein, all decisions to be made or actions to be taken by the Trustees hereunder shall be made or taken by a majority of the Trustees.

(b) Specific Powers and Authority.

In the administration of the Trust, in addition to any powers or authority conferred by this Declaration or which the Trustees may have by virtue of any present or future statute or rule of law, the Trustees, without any action or consent by the Shareholders, shall have and may exercise at any time and from time to time the following powers and authority, which may or may not be exercised by them in their sole judgment and discretion and in such manner and upon such terms and conditions as they may from time to time deem proper:

(i) To accept subscriptions and capital in exchange for Shares of Beneficial Interest and to issue certificates evidencing the same;

(ii) To develop, buy, acquire, invest in, maintain, improve, operate, hold, lease, finance, refinance, sell or otherwise dispose of, or in any other manner deal with or exercise powers and privileges with respect to, real or personal (including both tangible and intangible) property of any type or description, including, without limitation, debt or equity interests in one or more other entities, or any interest therein or part thereof, including the Partnership Interests in the Underlying Partnership (including, without limitation, exercising voting rights with respect to Trust property constituting such interests), upon such terms and for such consideration as they deem proper;

(iii) To make such contracts and enter into such other arrangements (including contracts and arrangements with Shareholders and their affiliates) from time to time as they deem expedient in the conduct of the Business;

(iv) To borrow money or guarantee the indebtednesses or contractual obligations of others, and to pledge and/or mortgage any or all of the Trust property as security therefor;

(v) To loan money, with or without security, on such terms as they deem proper;

(vi) To receive or sue for all monies at any time becoming due to the Trust;

(vii) To bring, defend, and compromise actions or arbitrations, in the name of the Trust or the Trustees, at law or in equity;

(viii) To employ or retain as independent contractors any persons or entities ("***Persons***"), including Trustees, Shareholders, or any affiliate(s) of any of them, to perform services related to the conduct of the business of the Trust and the administration of the Trust, to confer upon such Persons such powers and authority as the Trustees may deem expedient, and to pay such Persons reasonable compensation for their services;

(ix) To consent to, and participate in, any plan of reorganization, consolidation, merger or other similar plan and consent to any contract, lease, mortgage, purchase, sale or other action pursuant to such plan;

(x) To hold title in the name of a nominee; and

(xi) To do such other things and incur such other obligations as in their judgment will advance the purposes of the Trust.

5. Officers.

The Trustees may appoint a president, vice president(s), treasurer, clerk, assistant treasurer(s), assistant clerk(s), or any other officers they may deem useful or appropriate, and no such officer need be either a Trustee or a Shareholder. Any such officer, or any agent or employee of the Trust shall have such powers, duties and responsibilities as the Trustees may deem advisable, including, without limitation, executing documents, agreements and instruments on behalf of the Trust as the general partner of the Underlying Partnership, and shall be subject to removal at any time by the Trustees. All officers shall hold office for such period as may be determined by the Trustees, and the Trustees shall fix the compensation of all officers. The Trustees and officers may receive reasonable compensation for their general services as Trustees and officers hereunder (including, without limitation, reimbursement for their out-of-pocket expenses incurred in that capacity), and may be paid such compensation for special services as the Trustees, in good faith, may deem reasonable.

6. Beneficial Interest.

The beneficial interest in the Trust estate shall be divided into transferable shares of beneficial interest ("***Shares of Beneficial Interest***"), the ownership of which shall be evidenced by share certificates. Such certificates shall represent only an equitable interest in the Trust property. The acceptance of such a certificate shall constitute the accepting Person a Shareholder and a party to this Declaration, and he, she, or it shall be bound by the provisions hereof thereby. The rights of a Shareholder shall be limited to those specifically set forth in the certificate and in this Declaration.

(a) Number of Shares of Beneficial Interest.

The beneficial interest in the Trust estate shall be divided into one hundred (100) Shares of Beneficial Interest, without par value. Fractional Shares of Beneficial Interest may be issued. Shares of Beneficial Interest shall be non-assessable.

(b) Change in Number of Shares of Beneficial Interest.

The Trustees, with the written consent of holders of a majority of the Shares of Beneficial Interest, may increase or reduce the number of Shares of Beneficial Interest at any time and from time to time.

(c) Transfer of Shares of Beneficial Interest.

Subject to the provisions of subsections (d) and (e) of this Section 6, certificates for Shares of Beneficial Interest may be transferred by the holders thereof in person, or by a duly authorized attorney. The transferee shall surrender such certificate, duly endorsed for transfer, to the Trustees, who shall execute and deliver to the transferee one or more new certificates representing the Shares of Beneficial Interest so transferred. No such transfer shall be binding upon the Trustees until it has been recorded on the transfer books of the Trust.

(d) Restrictions on Transfer, Etc.

The Trustees shall have the power to enter into agreements on behalf of the Trust with the Shareholders to restrict the transfer of Shares of Beneficial Interest issued hereunder or to provide for the redemption of such Shares of Beneficial Interest or the liquidation of the Trust in accordance with the provisions thereof.

(e) Death, Bankruptcy, Insolvency, Liquidation or Dissolution of Shareholder.

The death, bankruptcy, insolvency, liquidation or dissolution of a Shareholder during the continuance of this Trust shall not terminate the Trust, nor entitle the legal representatives, successors or heirs of such Shareholder to any accounting or to any action in the courts or otherwise against the Trust property or the Trustees. The Shares of Beneficial Interest of a deceased Shareholder may be transferred by will, by operation of law or by agreement.

(f) Lost or Destroyed Certificates.

In the event of the loss or destruction of a certificate, the Trustees may, in their discretion, issue a new certificate representing the Shares of Beneficial Interest evidenced by the lost or destroyed certificate upon satisfactory proof of its loss or destruction.

7. Legal Title; Shareholder Interests.

(a) Trust Property.

Legal title to all property belonging to the Trust, including, without limitation, the Partnership Interests in the Underlying Partnership, shall be held either by the Trustees or in the name of a nominee, including a nominee trust. The Trustees shall have absolute control over the management and disposition of all property in which the Trust has an ownership interest, whether legal title is held by the Trustees or in the name of a nominee.

(b) Interests of the Shareholders in the Trust Property.

The ownership of the Trust's property of every description and the right to conduct any business hereinbefore described (including, without limitation, the Business) are vested exclusively in the Trustees, and the Shareholders shall have no interest therein other than the beneficial interest conferred by their Shares of Beneficial Interest, and they shall have no right to call for any partition or division of any property, profits, rights or interests of the Trust, nor can they be called upon to share or assume any losses of the Trust or suffer an assessment of any kind by virtue of their ownership of Shares of Beneficial Interest. The Shares of Beneficial Interest shall be personal property giving only the rights specifically set forth in this Declaration. The Shares of Beneficial Interest shall not entitle the holder to preference, preemptive, appraisal, conversion or exchange rights.

8. Status of Trust, Trustees and Shareholders.

(a) Trust Relationship.

A trust (and not a partnership, joint stock association, corporation, limited liability company, bailment or any other non-trust relationship), is created by this Declaration. The relationship of the Shareholders to the Trustees is solely that of *cestuis que trustent,* and neither the Shareholders nor the Trustees are partners.

(b) Liability Limited to the Trust Estate.

The Trust estate alone shall be liable for the payment or satisfaction of all obligations, claims and liabilities incurred in carrying on the affairs of this Trust.

(c) No Personal Liability of Shareholders, Trustees, Etc.

No Shareholder shall be subject to any personal liability whatsoever to any Person in connection with the Trust's property or the acts, obligations or affairs of the Trust. No Trustee, officer or employee of the Trust shall be subject to any personal liability whatsoever to any Person, other than to the Trust or its Shareholders, in connection with Trust property or the acts, obligations or affairs or the Trust. If any Shareholder, Trustee, officer or employee, as

such, of the Trust, is made a party to any suit or proceeding to enforce any such liability of the Trust, he shall not on account thereof be held to any personal liability. The Trust shall indemnify and hold each Shareholder and each Shareholder's directors, officers, employees and agents, harmless from and against all claims and liabilities to which such Shareholder or any such other person may become subject by reason of Shareholder being or having been a Shareholder, and shall reimburse such Shareholder and any other such person out of the Trust's property for all legal and other expenses reasonably incurred by such Shareholder or any such other person in connection with any such claim or liability. The rights accruing to a Shareholder and its directors, officers, employees and agents under this Section 8 shall not impair any other right to which such Shareholder or any such other person may be lawfully entitled, nor shall anything herein contained restrict the right of the Trust to indemnify or reimburse a Shareholder or any such other person in any appropriate situation even though not specifically provided herein.

(d) Proceedings.

Proceedings against this Trust may be brought against the Trustees as Trustees hereunder but not personally. The Trustees shall be parties to any such proceedings only insofar as necessary to enable such obligation or liability to be enforced against the Trust estate. In such proceedings, service of process upon one of the Trustees or upon any agent whom they have appointed for that purpose shall be sufficient.

(e) Non-liability of Trustees, Etc.

No Trustee, officer or employee of the Trust shall be liable to the Trust or to any Shareholder, Trustee, officer or employee thereof, for any action or failure to act (including, without limitation, the failure to compel in any way any former or acting Trustee to redress any breach of trust), except for and in the case of such person's own bad faith, willful misfeasance or reckless disregard of the duties involved in the conduct of his office.

(f) Indemnification.

(i) Subject to the exceptions and limitations contained in paragraph (ii) below:

(A) every Person who is, or has been, a Trustee, officer or

employee of the Trust, shall be indemnified by the Trust from and against any and all liability and expenses reasonably incurred or paid by him in connection with any claim, action, suit or proceeding in which he becomes involved as a party or otherwise by virtue of his being or having been a Trustee, officer or employee or for service at the request of the Trust in any capacity with respect to any employee benefit plan and against amounts paid or incurred by him in the settlement thereof;

(B) the words "claim," "action," "suit," or "proceeding" shall apply to all claims, actions, suits or proceedings (civil, criminal, administrative, legislative, investigative or other, including appeals), actual or threatened; and the words "liability" and "expenses" shall include, without limitation, attorneys' fees, costs, judgments, amounts paid in settlement, fines, penalties and other liabilities.

(ii) No indemnification shall be provided hereunder to a Trustee, officer or employee against any liability to the Trust or the Shareholders by reason of a final adjudication by a court or other body before which a proceeding was brought (which adjudication is not subject to appeal or as to which the time for appeal has expired) that he engaged in willful misfeasance, bad faith or reckless disregard of the duties involved in the conduct of his office.

(iii) The rights of indemnification herein provided may be insured against by policies maintained by the Trust, shall be severable, shall not affect any other rights to which any Trustee, officer or employee may now or hereafter be entitled, shall continue as to a Person who has ceased to be such a Trustee, officer or employee, and shall inure to the benefit of the heirs, executors, administrators and assigns of such a Person. Nothing contained herein shall affect any rights to indemnification to which personnel of the Trust other than Trustees, officers or employees may be entitled by contract or otherwise under law.

(iv) Reasonable expenses of preparation and presentation of a defense to any such claim, action, suit or proceeding by any Trustee, officer or employee shall be advanced by the Trust prior to final disposition thereof upon receipt of an undertaking by or on behalf of the recipient to repay such amount if it is ultimately determined that he is not entitled to indemnification under this subsection (f) with respect thereto.

(g) No Bond Required of Trustees.

No Trustee shall be obligated to give any bond, security or surety in any form for the performance of any of his duties hereunder.

(h) Protection of Persons Dealing with Trustees, Etc.

A resolution of the Trustees authorizing a particular act shall be conclusive evidence in favor of other Persons that such act is within the powers of the Trustees. No license of court shall be requisite to the validity of any transaction entered into by the Trustees, and the Trustees shall have full power and authority to execute all deeds and other instruments necessary or proper to carry such transactions into effect. Any certificate executed by an individual who, according to the records of the Trust appears to be a Trustee or officer of the Trust hereunder, certifying to: (i) the number or identity of the Trustees or Shareholders, (ii) the due authorization of the execution of any instrument or writing, (iii) the form of any vote passed at a meeting or by consent of the Trustees or Shareholders, (iv) the fact that the number of Trustees or Shareholders present at any meeting or executing any written instrument satisfies the requirements of this Declaration, (v) the form of any By-laws (if any) adopted by or the identity of any officers elected by the Trustees or (vi) the existence of any fact or facts which in any manner relate to the affairs of the Trust, shall be conclusive evidence as to the matters so certified in favor of any Person dealing with the Trustees and their successors.

No purchaser, lender or other Person dealing with the Trustees or any officer or employee of the Trust shall be bound to make any inquiry concerning the validity of any transaction purporting to be made by the Trustees or by said officer or employee or be liable for the application of money or property paid, loaned or delivered to or on the order of the Trustees or of said officer, employee or agent. Every obligation, contract, instrument, certificate, certificate representing Shares of Beneficial Interest, security or undertaking of the Trust, and every other act or thing whatsoever executed in connection with the Trust, shall be conclusively presumed to have been executed or done by the executors thereof only in their capacity as Trustees under this Declaration or in their capacity as officers, employees or agents of the Trust. Every written obligation, contract, instrument, certificate, certificate representing

Shares of Beneficial Interest, security or undertaking of the Trust made or issued by the Trustees or by an officer, employee or agent of the Trust, may recite that the same is executed or made by them not individually, but as Trustees, officers, employees or agents under this Declaration, and that the obligations of the Trust under any such instrument are not binding upon any of the Trustees, officers, employees, agents or Shareholders individually, but bind only the Trust estate, and may contain any further recital which they may deem appropriate, but the omission of such recital shall not operate to bind the Trustees, officers, employees, agents or Shareholders individually. The Trustees may at all times maintain insurance for the protection of the Trust property, its Shareholders, Trustees, officers, employees and agents in such amount as the Trustees shall deem adequate to cover possible tort liability, and such other insurance as the Trustees in their sole judgment shall deem advisable.

(i) Reliance on Experts, Etc.

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

9. Distributions.

The Trustees shall distribute to the Shareholders out of the net income or corpus of the Trust such sums as they shall determine from time to time. The amounts to be distributed and the time of distributions shall rest in the discretion of the Trustees. The Shareholders shall share in such distributions in proportion to their beneficial interests in the Trust as represented by their holdings of Shares of Beneficial Interest.

10. Meetings of Shareholders.

The Trustees may call meetings of the Shareholders at such times as they may deem advisable in the best interests of the Trust. Written notice of each such meeting, specifying the time, place and purpose thereof, shall be sent by registered mail to the Shareholders at least

seven (7) days prior to the holding of such meeting. A notice addressed to a Shareholder at the address listed in the register of Shareholders maintained by the Trustees shall be sufficient notice under this Section.

11. No Personal Liability.

The Trustees shall have no power to bind the Shareholders personally. All Persons dealing with the Trustees or with any agent of the Trustees shall look only to the Trust estate for the payment of any sum due as a result of such dealing. To the greatest extent feasible, in every instrument executed by the Trustees and creating an obligation of any kind, the Trustees shall stipulate that neither they nor the Shareholders shall be held to any personal liability under such instrument.

12. Records.

The Trustees shall keep a record of all meetings of the Trustees and of the Shareholders and shall keep books of account showing the receipts and disbursements of the Trust estate. The Trustees shall prepare, as soon as practicable after the end of the Trust's fiscal year, a complete report of the business of the Trust during such year. The fiscal year of the Trust shall end on December 31st of each year. In addition, the Trustees shall maintain proper transfer books and a register of the names, addresses and Shares of Beneficial Interest of the Shareholders hereunder.

13. Term.

The Trust shall terminate on December 31, 2104 unless sooner terminated as hereinafter provided. In the case of any such termination, the Trustees shall transfer and convey the entire Trust estate, subject to any leases, mortgages, contracts or other encumbrances thereon, to the holders of the then outstanding Shares of Beneficial Interest hereunder as tenants in common in proportion to their respective interests, or as otherwise directed by holders of a majority of the then outstanding Shares of Beneficial Interest hereunder. Subject to the provisions of Section 3 hereof, the Trustees in office at the time of such termination shall continue in office until the liquidation is completed.

The Trust may be terminated by the Trustees at any time prior to the expiration of the period hereinabove provided.

14. Merger.

The Trustees may at any time agree to, approve and effect the merger of the Trust into a corporation in accordance with Section 83 of Chapter 156B of the General Laws of Massachusetts, into a limited liability company in accordance with Section 59 of Chapter 156C of the General Laws of Massachusetts, or into a limited partnership in accordance with Section 16A of Chapter 109 of the General Laws of Massachusetts.

15. Amendments.

This Declaration may be amended at any time by the Trustees in any particular except that no change may be made in the liability of the Trustees or officers, or of their agents, or of the Shareholders, no amendment may be made that would permit assessments upon Shareholders, and no amendment may be made that would limit the effect of the foregoing restrictions. A certificate signed by a majority of the Trustees setting forth an amendment and reciting that it was duly adopted by the Trustees as aforesaid or a copy of the Declaration, as amended, and executed by a majority of the Trustees, shall be conclusive evidence of such amendment when lodged among the records of the Trust.

16. Miscellaneous.

The following additional provisions shall apply to this Declaration:

(a) The various headings in this Declaration and the groupings of the provisions hereof into separate sections and paragraphs shall not be construed to limit or restrict either the meaning or the application of any provision hereof and are for the purposes of convenience only.

(b) All notices required or permitted to be given hereunder shall be in writing and shall be effective upon receipt.

(c) All provisions of this Declaration shall be construed in accordance with the internal substantive laws of the Commonwealth of Massachusetts, without regards to conflicts of laws principles.

(d) Where a noun or pronoun is used in this Declaration, such noun or pronoun shall be regarded as referring to the appropriate person or persons, even though it be incorrect as to gender or as to being singular or plural.

(e) This Declaration may be executed in any number of counterparts, each of which shall be deemed an original, and all of which together shall constitute one and the same instrument.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the Trustees have hereunto set their hands and seal as of the date first written above.

/s/ Kenneth R. Beck

Kenneth R. Beck, as Trustee and not individually

/s/ Kent W. Christensen

Kent W. Christensen, as Trustee and not individually

/s/ Charles L. Allen

Charles L. Allen, as Trustee and not individually

Exhibit 3.5

ESS HOLDINGS BUSINESS TRUST II

AGREEMENT AND DECLARATION OF TRUST

The parties to this Agreement and Declaration of Trust (this "***Declaration***"), dated May 5, 2004, are Kenneth R. Beck, Kent W. Christensen and Charles L. Allen, c/o Extra Space Storage Inc., 2795 Cottonwood Parkway, Suite 400, Salt Lake City, UT 84121 (together with any other trustee or trustees properly appointed and serving at any time under the provisions of this Declaration, the "***Trustees***"), and such persons or entities as may become beneficial owners by the acceptance of certificates evidencing Shares of Beneficial Interest (as defined in Section 6 hereof) issued hereunder (the "***Shareholders***").

The Trustees propose to carry on, directly or through other entities, such general business activity as they deem proper for the Shareholders, including, but not limited to, acquiring, holding and disposing of one or more partnership interests ("***Partnership Interests***") in Extra Space Storage LP, a Delaware limited partnership (the "***Underlying Partnership***"), borrowing and lending money, and engaging in any lawful act or activity in which a trust with transferable shares of beneficial interest (commonly known as a business trust) may engage under the laws of the Commonwealth of Massachusetts (collectively, the "***Business***").

It is proposed that in connection therewith the Trustees manage in the manner hereinafter stated such capital and other property as they may hereafter acquire as Trustees, and that the beneficial interest in the trust created hereby (the "***Trust***") be divided into transferable Shares of Beneficial Interest, evidenced by certificates therefor, as hereinafter provided.

NOW, THEREFORE, intending to be legally bound, the parties hereto agree as follows:

1. Establishment of Trust.

The Trustees shall hold all money and other property now or hereafter acquired by them as Trustees, whether transferred by subscribers for the issuance of shares hereunder or otherwise by any person or entity, together with the proceeds and profits thereof, IN TRUST, to conduct such general business activity as they deem proper for the Shareholders, including, but not limited to, the Business, upon the terms set forth herein.

2. Name of Trust, Location, Etc.

All acts of a Trustee or Trustees relating to the Trust established hereby may be done under the name of "ESS Holdings Business Trust II," or such other name or names as the Trustees may from time to time adopt for the Trust.

The mailing address of the Trust shall be c/o Extra Space Storage Inc., 2795 Cottonwood Parkway, Suite 400, Salt Lake City, UT 84121, or such other place as the Trustees may determine from time to time, and the principal place of business of the Trust shall be 2795 Cottonwood Parkway, Suite 400 Salt Lake City, UT 84121, or such other place as the Trustees may determine from time to time.

The name and address of the resident agent of the Trust in the Commonwealth of Massachusetts is Corporation Service Company, 84 State Street, Boston, Massachusetts 02109.

Copies of this Declaration shall be filed as and to the extent required by Chapter 182, Section 2 of the Massachusetts General Laws, or any other applicable provision of law.

3. Trustees.

The following provisions shall apply to Trustees serving under this Declaration:

(a) Number and Tenure.

There shall be three (3) original Trustees. The original Trustees and any successor or additional Trustees shall remain in office during their respective lifetimes, except that any Trustee's tenure may be sooner terminated (for any reason or for no reason) by his resignation, by adjudication of judicial incompetence, by dissolution (in the event of a non-individual Trustee), by adjudication of bankruptcy or insolvency, or by a written instrument signed by holders of a majority of the then outstanding Shares of Beneficial Interest issued hereunder.

(b) Resignation of Trustees.

Any Trustee hereunder may resign by an instrument in writing delivered to the remaining Trustees, or, if there are no remaining Trustees, to all Shareholders.

(c) Additional Trustees; Succession of Trustees.

Additional Trustees and successor Trustees may be appointed at any time and from time to time by majority vote of the Trustees then serving, or, if there are no remaining Trustees, by an instrument in writing signed by the holders of a majority of the then outstanding Shares of Beneficial Interest issued hereunder.

(d) Effect of Appointment of Successor and Additional Trustees.

Upon the appointment of successor or additional Trustees, the title to the Trust estate shall thereupon and without the necessity of any conveyance be vested in the successor or additional Trustees jointly with the remaining Trustees, if any. Any successor or additional Trustees shall have all the same rights, powers, authority and privileges as the original Trustees hereunder.

(e) Actions by Trustees.

The Trustees may act with or without a meeting. Unless specifically provided otherwise in this Declaration or in any amendment hereto, any action of the Trustees may be taken at a meeting by vote of a majority of the Trustees or without a meeting by written consent of a majority of the Trustees.

(f) Meetings of the Trustees.

No regular meetings of the Trustees shall be held. Meetings may be called by the president or clerk, if either of these be designated, or by any Trustee, by seven (7) days' prior written notice to the Trustees stating the matters to be acted upon, and upon such notice, a majority of the Trustees shall constitute a quorum at such meeting. Meetings may be held in person or by telephone or other communications medium permitting each participating Trustee to hear each other participating Trustee.

4. Powers.

(a) General Power and Authority of Trustees.

The Trustees shall have, without further or other authorization, and free from any power or control on the part of the Shareholders, full, absolute and exclusive power, control and authority over the Trust estate and over the business and affairs of the Trust to the same

extent as if the Trustees were the sole owners thereof in their own right and may do all such acts and things as in their sole judgment and discretion are necessary for, incidental to, or desirable for the conduct of the business of the Trust. Any construction of this Declaration or any determination made in good faith by the Trustees of the purposes of the Trust or the existence of any power or authority hereunder shall be conclusive. In construing the provisions of this Declaration, presumption shall be in favor of the grant of powers and authority to the Trustees. The enumeration of any specific power or authority herein shall not be construed as limiting the aforesaid powers or the general powers or authority or any other specified power or authority conferred herein upon the Trustees. Unless specifically otherwise stated herein, all decisions to be made or actions to be taken by the Trustees hereunder shall be made or taken by a majority of the Trustees.

(b) Specific Powers and Authority.

In the administration of the Trust, in addition to any powers or authority conferred by this Declaration or which the Trustees may have by virtue of any present or future statute or rule of law, the Trustees, without any action or consent by the Shareholders, shall have and may exercise at any time and from time to time the following powers and authority, which may or may not be exercised by them in their sole judgment and discretion and in such manner and upon such terms and conditions as they may from time to time deem proper:

(i) To accept subscriptions and capital in exchange for Shares of Beneficial Interest and to issue certificates evidencing the same;

(ii) To develop, buy, acquire, invest in, maintain, improve, operate, hold, lease, finance, refinance, sell or otherwise dispose of, or in any other manner deal with or exercise powers and privileges with respect to, real or personal (including both tangible and intangible) property of any type or description, including, without limitation, debt or equity interests in one or more other entities, or any interest therein or part thereof, including the Partnership Interests in the Underlying Partnership (including, without limitation, exercising voting rights with respect to Trust property constituting such interests), upon such terms and for such consideration as they deem proper;

(iii) To make such contracts and enter into such other arrangements (including contracts and arrangements with Shareholders and their affiliates) from time to time as they deem expedient in the conduct of the Business;

(iv) To borrow money or guarantee the indebtednesses or contractual obligations of others, and to pledge and/or mortgage any or all of the Trust property as security therefor;

(v) To loan money, with or without security, on such terms as they deem proper;

(vi) To receive or sue for all monies at any time becoming due to the Trust;

(vii) To bring, defend, and compromise actions or arbitrations, in the name of the Trust or the Trustees, at law or in equity;

(viii) To employ or retain as independent contractors any persons or entities ("***Persons***"), including Trustees, Shareholders, or any affiliate(s) of any of them, to perform services related to the conduct of the business of the Trust and the administration of the Trust, to confer upon such Persons such powers and authority as the Trustees may deem expedient, and to pay such Persons reasonable compensation for their services;

(ix) To consent to, and participate in, any plan of reorganization, consolidation, merger or other similar plan and consent to any contract, lease, mortgage, purchase, sale or other action pursuant to such plan;

(x) To hold title in the name of a nominee; and

(xi) To do such other things and incur such other obligations as in their judgment will advance the purposes of the Trust.

5. Officers.

The Trustees may appoint a president, vice president(s), treasurer, clerk, assistant treasurer(s), assistant clerk(s), or any other officers they may deem useful or appropriate, and no such officer need be either a Trustee or a Shareholder. Any such officer, or any agent or employee of the Trust shall have such powers, duties and responsibilities as the Trustees may deem advisable, and shall be subject to removal at any time by the Trustees. All officers shall hold office for such period as may be determined by the Trustees, and the Trustees shall fix the compensation of all officers. The Trustees and officers may receive reasonable compensation for their general services as Trustees and officers hereunder (including, without limitation, reimbursement for their out-of-pocket expenses incurred in that capacity), and may be paid such compensation for special services as the Trustees, in good faith, may deem reasonable.

6. Beneficial Interest.

The beneficial interest in the Trust estate shall be divided into transferable shares of beneficial interest ("***Shares of Beneficial Interest***"), the ownership of which shall be evidenced by share certificates. Such certificates shall represent only an equitable interest in the Trust property. The acceptance of such a certificate shall constitute the accepting Person a Shareholder and a party to this Declaration, and he, she, or it shall be bound by the provisions hereof thereby. The rights of a Shareholder shall be limited to those specifically set forth in the certificate and in this Declaration.

(a) Number of Shares of Beneficial Interest.

The beneficial interest in the Trust estate shall be divided into one hundred (100) Shares of Beneficial Interest, without par value. Fractional Shares of Beneficial Interest may be issued. Shares of Beneficial Interest shall be non-assessable.

(b) Change in Number of Shares of Beneficial Interest.

The Trustees, with the written consent of holders of a majority of the Shares of Beneficial Interest, may increase or reduce the number of Shares of Beneficial Interest at any time and from time to time.

(c) Transfer of Shares of Beneficial Interest.

Subject to the provisions of subsections (d) and (e) of this Section 6, certificates for Shares of Beneficial Interest may be transferred by the holders thereof in person, or by a duly

authorized attorney. The transferee shall surrender such certificate, duly endorsed for transfer, to the Trustees, who shall execute and deliver to the transferee one or more new certificates representing the Shares of Beneficial Interest so transferred. No such transfer shall be binding upon the Trustees until it has been recorded on the transfer books of the Trust.

(d) Restrictions on Transfer, Etc.

The Trustees shall have the power to enter into agreements on behalf of the Trust with the Shareholders to restrict the transfer of Shares of Beneficial Interest issued hereunder or to provide for the redemption of such Shares of Beneficial Interest or the liquidation of the Trust in accordance with the provisions thereof.

(e) Death, Bankruptcy, Insolvency, Liquidation or Dissolution of Shareholder.

The death, bankruptcy, insolvency, liquidation or dissolution of a Shareholder during the continuance of this Trust shall not terminate the Trust, nor entitle the legal representatives, successors or heirs of such Shareholder to any accounting or to any action in the courts or otherwise against the Trust property or the Trustees. The Shares of Beneficial Interest of a deceased Shareholder may be transferred by will, by operation of law or by agreement.

(f) Lost or Destroyed Certificates.

In the event of the loss or destruction of a certificate, the Trustees may, in their discretion, issue a new certificate representing the Shares of Beneficial Interest evidenced by the lost or destroyed certificate upon satisfactory proof of its loss or destruction.

7. Legal Title; Shareholder Interests.

(a) Trust Property.

Legal title to all property belonging to the Trust, including, without limitation, the Partnership Interests in the Underlying Partnership, shall be held either by the Trustees or in the name of a nominee, including a nominee trust. The Trustees shall have absolute control over the management and disposition of all property in which the Trust has an ownership interest, whether legal title is held by the Trustees or in the name of a nominee.

(b) Interests of the Shareholders in the Trust Property.

The ownership of the Trust's property of every description and the right to conduct any business hereinbefore described (including, without limitation, the Business) are vested exclusively in the Trustees, and the Shareholders shall have no interest therein other than the beneficial interest conferred by their Shares of Beneficial Interest, and they shall have no right to call for any partition or division of any property, profits, rights or interests of the Trust, nor can they be called upon to share or assume any losses of the Trust or suffer an assessment of any kind by virtue of their ownership of Shares of Beneficial Interest. The Shares of Beneficial Interest shall be personal property giving only the rights specifically set forth in this Declaration. The Shares of Beneficial Interest shall not entitle the holder to preference, preemptive, appraisal, conversion or exchange rights.

8. Status of Trust, Trustees and Shareholders.

(a) Trust Relationship.

A trust (and not a partnership, joint stock association, corporation, limited liability company, bailment or any other non-trust relationship), is created by this Declaration. The relationship of the Shareholders to the Trustees is solely that of *cestuis que trustent,* and neither the Shareholders nor the Trustees are partners.

(b) Liability Limited to the Trust Estate.

The Trust estate alone shall be liable for the payment or satisfaction of all obligations, claims and liabilities incurred in carrying on the affairs of this Trust.

(c) No Personal Liability of Shareholders, Trustees, Etc.

No Shareholder shall be subject to any personal liability whatsoever to any Person in connection with the Trust's property or the acts, obligations or affairs of the Trust. No Trustee, officer or employee of the Trust shall be subject to any personal liability whatsoever to any Person, other than to the Trust or its Shareholders, in connection with Trust property or the acts, obligations or affairs or the Trust. If any Shareholder, Trustee, officer or employee, as such, of the Trust, is made a party to any suit or proceeding to enforce any such liability of the Trust, he shall not on account thereof be held to any personal liability. The Trust shall indemnify and hold each Shareholder and each Shareholder's directors, officers, employees and

agents, harmless from and against all claims and liabilities to which such Shareholder or any such other person may become subject by reason of Shareholder being or having been a Shareholder, and shall reimburse such Shareholder and any other such person out of the Trust's property for all legal and other expenses reasonably incurred by such Shareholder or any such other person in connection with any such claim or liability. The rights accruing to a Shareholder and its directors, officers, employees and agents under this Section 8 shall not impair any other right to which such Shareholder or any such other person may be lawfully entitled, nor shall anything herein contained restrict the right of the Trust to indemnify or reimburse a Shareholder or any such other person in any appropriate situation even though not specifically provided herein.

(d) Proceedings.

Proceedings against this Trust may be brought against the Trustees as Trustees hereunder but not personally. The Trustees shall be parties to any such proceedings only insofar as necessary to enable such obligation or liability to be enforced against the Trust estate. In such proceedings, service of process upon one of the Trustees or upon any agent whom they have appointed for that purpose shall be sufficient.

(e) Non-liability of Trustees, Etc.

No Trustee, officer or employee of the Trust shall be liable to the Trust or to any Shareholder, Trustee, officer or employee thereof, for any action or failure to act (including, without limitation, the failure to compel in any way any former or acting Trustee to redress any breach of trust), except for and in the case of such person's own bad faith, willful misfeasance or reckless disregard of the duties involved in the conduct of his office.

(f) Indemnification.

(i) Subject to the exceptions and limitations contained in paragraph (ii) below:

(A) every Person who is, or has been, a Trustee, officer or employee of the Trust, shall be indemnified by the Trust from and against any and all liability and expenses reasonably incurred or paid by him in connection with any claim, action, suit or proceeding in which he becomes involved as a

party or otherwise by virtue of his being or having been a Trustee, officer or employee or for service at the request of the Trust in any capacity with respect to any employee benefit plan and against amounts paid or incurred by him in the settlement thereof;

(B) the words “claim,” “action,” “suit,” or “proceeding” shall apply to all claims, actions, suits or proceedings (civil, criminal, administrative, legislative, investigative or other, including appeals), actual or threatened; and the words “liability” and “expenses” shall include, without limitation, attorneys’ fees, costs, judgments, amounts paid in settlement, fines, penalties and other liabilities.

(ii) No indemnification shall be provided hereunder to a Trustee, officer or employee against any liability to the Trust or the Shareholders by reason of a final adjudication by a court or other body before which a proceeding was brought (which adjudication is not subject to appeal or as to which the time for appeal has expired) that he engaged in willful misfeasance, bad faith or reckless disregard of the duties involved in the conduct of his office.

(iii) The rights of indemnification herein provided may be insured against by policies maintained by the Trust, shall be severable, shall not affect any other rights to which any Trustee, officer or employee may now or hereafter be entitled, shall continue as to a Person who has ceased to be such a Trustee, officer or employee, and shall inure to the benefit of the heirs, executors, administrators and assigns of such a Person. Nothing contained herein shall affect any rights to indemnification to which personnel of the Trust other than Trustees, officers or employees may be entitled by contract or otherwise under law.

(iv) Reasonable expenses of preparation and presentation of a defense to any such claim, action, suit or proceeding by any Trustee, officer or employee shall be advanced by the Trust prior to final disposition thereof upon receipt of an undertaking by or on behalf of the recipient to repay such amount if it is ultimately determined that he is not entitled to indemnification under this subsection (f) with respect thereto.

(g) No Bond Required of Trustees.

No Trustee shall be obligated to give any bond, security or surety in any form for the performance of any of his duties hereunder.

(h) Protection of Persons Dealing with Trustees, Etc.

A resolution of the Trustees authorizing a particular act shall be conclusive evidence in favor of other Persons that such act is within the powers of the Trustees. No license of court shall be requisite to the validity of any transaction entered into by the Trustees, and the Trustees shall have full power and authority to execute all deeds and other instruments necessary or proper to carry such transactions into effect. Any certificate executed by an individual who, according to the records of the Trust appears to be a Trustee or officer of the Trust hereunder, certifying to: (i) the number or identity of the Trustees or Shareholders, (ii) the due authorization of the execution of any instrument or writing, (iii) the form of any vote passed at a meeting or by consent of the Trustees or Shareholders, (iv) the fact that the number of Trustees or Shareholders present at any meeting or executing any written instrument satisfies the requirements of this Declaration, (v) the form of any By-laws (if any) adopted by or the identity of any officers elected by the Trustees or (vi) the existence of any fact or facts which in any manner relate to the affairs of the Trust, shall be conclusive evidence as to the matters so certified in favor of any Person dealing with the Trustees and their successors.

No purchaser, lender or other Person dealing with the Trustees or any officer or employee of the Trust shall be bound to make any inquiry concerning the validity of any transaction purporting to be made by the Trustees or by said officer or employee or be liable for the application of money or property paid, loaned or delivered to or on the order of the Trustees or of said officer, employee or agent. Every obligation, contract, instrument, certificate, certificate representing Shares of Beneficial Interest, security or undertaking of the Trust, and every other act or thing whatsoever executed in connection with the Trust, shall be conclusively presumed to have been executed or done by the executors thereof only in their capacity as Trustees under this Declaration or in their capacity as officers, employees or agents of the Trust. Every written obligation, contract, instrument, certificate, certificate representing Shares of Beneficial Interest, security or undertaking of the Trust made or issued by the Trustees or by an officer, employee or agent of the Trust, may recite that the same is executed

or made by them not individually, but as Trustees, officers, employees or agents under this Declaration, and that the obligations of the Trust under any such instrument are not binding upon any of the Trustees, officers, employees, agents or Shareholders individually, but bind only the Trust estate, and may contain any further recital which they may deem appropriate, but the omission of such recital shall not operate to bind the Trustees, officers, employees, agents or Shareholders individually. The Trustees may at all times maintain insurance for the protection of the Trust property, its Shareholders, Trustees, officers, employees and agents in such amount as the Trustees shall deem adequate to cover possible tort liability, and such other insurance as the Trustees in their sole judgment shall deem advisable.

(i) Reliance on Experts, Etc.

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

9. Distributions.

The Trustees shall distribute to the Shareholders out of the net income or corpus of the Trust such sums as they shall determine from time to time. The amounts to be distributed and the time of distributions shall rest in the discretion of the Trustees. The Shareholders shall share in such distributions in proportion to their beneficial interests in the Trust as represented by their holdings of Shares of Beneficial Interest.

10. Meetings of Shareholders.

The Trustees may call meetings of the Shareholders at such times as they may deem advisable in the best interests of the Trust. Written notice of each such meeting, specifying the time, place and purpose thereof, shall be sent by registered mail to the Shareholders at least seven (7) days prior to the holding of such meeting. A notice addressed to a Shareholder at the address listed in the register of Shareholders maintained by the Trustees shall be sufficient notice under this Section.

11. No Personal Liability.

The Trustees shall have no power to bind the Shareholders personally. All Persons dealing with the Trustees or with any agent of the Trustees shall look only to the Trust estate for the payment of any sum due as a result of such dealing. To the greatest extent feasible, in every instrument executed by the Trustees and creating an obligation of any kind, the Trustees shall stipulate that neither they nor the Shareholders shall be held to any personal liability under such instrument.

12. Records.

The Trustees shall keep a record of all meetings of the Trustees and of the Shareholders and shall keep books of account showing the receipts and disbursements of the Trust estate. The Trustees shall prepare, as soon as practicable after the end of the Trust's fiscal year, a complete report of the business of the Trust during such year. The fiscal year of the Trust shall end on December 31st of each year. In addition, the Trustees shall maintain proper transfer books and a register of the names, addresses and Shares of Beneficial Interest of the Shareholders hereunder.

13. Term.

The Trust shall terminate on December 31, 2104 unless sooner terminated as hereinafter provided. In the case of any such termination, the Trustees shall transfer and convey the entire Trust estate, subject to any leases, mortgages, contracts or other encumbrances thereon, to the holders of the then outstanding Shares of Beneficial Interest hereunder as tenants in common in proportion to their respective interests, or as otherwise directed by holders of a majority of the then outstanding Shares of Beneficial Interest hereunder. Subject to the provisions of Section 3 hereof, the Trustees in office at the time of such termination shall continue in office until the liquidation is completed.

The Trust may be terminated by the Trustees at any time prior to the expiration of the period hereinabove provided.

14. Merger.

The Trustees may at any time agree to, approve and effect the merger of the Trust into a corporation in accordance with Section 83 of Chapter 156B of the General Laws of Massachusetts, into a limited liability company in accordance with Section 59 of Chapter 156C of the General Laws of Massachusetts, or into a limited partnership in accordance with Section 16A of Chapter 109 of the General Laws of Massachusetts.

15. Amendments.

This Declaration may be amended at any time by the Trustees in any particular except that no change may be made in the liability of the Trustees or officers, or of their agents, or of the Shareholders, no amendment may be made that would permit assessments upon Shareholders, and no amendment may be made that would limit the effect of the foregoing restrictions. A certificate signed by a majority of the Trustees setting forth an amendment and reciting that it was duly adopted by the Trustees as aforesaid or a copy of the Declaration, as amended, and executed by a majority of the Trustees, shall be conclusive evidence of such amendment when lodged among the records of the Trust.

16. Miscellaneous.

The following additional provisions shall apply to this Declaration:

(a) The various headings in this Declaration and the groupings of the provisions hereof into separate sections and paragraphs shall not be construed to limit or restrict either the meaning or the application of any provision hereof and are for the purposes of convenience only.

(b) All notices required or permitted to be given hereunder shall be in writing and shall be effective upon receipt.

(c) All provisions of this Declaration shall be construed in accordance with the internal substantive laws of the Commonwealth of Massachusetts, without regards to conflicts of laws principles.

(d) Where a noun or pronoun is used in this Declaration, such noun or pronoun shall be regarded as referring to the appropriate person or persons, even though it be incorrect as to gender or as to being singular or plural.

(e) This Declaration may be executed in any number of counterparts, each of which shall be deemed an original, and all of which together shall constitute one and the same instrument.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the Trustees have hereunto set their hands and seal as of the date first written above.

/s/ Kenneth R. Beck

Kenneth R. Beck, as Trustee and not individually

/s/ Kent W. Christensen

Kent W. Christensen, as Trustee and not individually

/s/ Charles L. Allen

Charles L. Allen, as Trustee and not individually

[CLIFFORD CHANCE US LLP OPINION]

EXHIBIT 5.1

, 2004

Extra Space Storage Inc.
2795 East Cottonwood Parkway, Suite 400
Salt Lake City, Utah 84121

Ladies and Gentlemen:

We have acted as counsel to Extra Space Storage Inc. (the "Company") in connection with the offer and sale by the Company of shares of its common stock, par value $.01 per share (the "Common Stock"). The Common Stock is being sold pursuant to the Company's Registration Statement on Form S-11 (File No. 333-115436) (together with any amendments thereto, the "Registration Statement") under the Securities Act of 1933, as amended (the "Securities Act").

In rendering the opinion expressed below, we have examined and relied upon originals or copies, certified or otherwise identified to our satisfaction, of such corporate records, documents, certificates and other instruments as in our judgment are necessary or appropriate. As to factual matters relevant to the opinion set forth below, we have, with your permission, relied upon certificates of officers of the Company and public officials.

Based on the foregoing, and such other examination of law as we have deemed necessary, we are of the opinion that the Common Stock has been duly and validly authorized and, when issued and sold in the manner contemplated by the prospectus for the offering of shares of Common Stock included in the Registration Statement, such shares of Common Stock will be legally issued, fully paid and non-assessable.

We consent to the filing of this opinion as an exhibit to the Registration Statement and to the reference to us under the caption "Legal Matters" in the prospectus, which is a part of the Registration Statement. In giving this consent, we do not concede that we are within the category of persons whose consent is required under Section 7 of the Securities Act or the rules and regulations of the Commission thereunder.

Very truly yours,

Exhibit 8.1

[Letterhead of Clifford Chance US LLP]

, 2004

Extra Space Storage Inc.
2795 East Cottonwood Parkway, Suite 400
Salt Lake City, Utah 84121

Re: REIT Status of Extra Space Storage Inc.

Ladies and Gentlemen:

We have acted as counsel to Extra Space Storage Inc., a Maryland corporation (the "Company"), in connection with the offer and sale by the Company of shares of its common stock, $.01 par value (the "Common Stock"). The Common Stock is being sold pursuant to the Company's Registration Statement on Form S-11 (File No. 333-115436) under the Securities Act of 1933, as amended (together with any amendments thereto, the "Registration Statement"). Capitalized terms not otherwise defined herein shall have the meanings given in the Registration Statement.

The opinions set forth in this letter are based on relevant provisions of the Internal Revenue Code of 1986, as amended (the "Code"), Treasury Regulations promulgated thereunder, interpretations of the foregoing as expressed in court decisions, legislative history, and existing administrative rulings and practices of the Internal Revenue Service ("IRS") (including its practices and policies in issuing private letter rulings, which are not binding on the IRS except with respect to a taxpayer that receives such a ruling), all as of the date hereof. These provisions and interpretations are subject to change, which may or may not be retroactive in effect, and which may result in modifications of our opinion. Our opinion does not foreclose the possibility of a contrary determination by the IRS or a court of competent jurisdiction, or of a contrary determination by the IRS or the Treasury Department in regulations or rulings issued in the future. In this regard, an opinion of counsel with respect to an issue represents counsel's best professional judgment with respect to the outcome on the merits with respect to such issue, if such issue were to be litigated, but an opinion is not binding on the IRS or the courts and is not a guarantee that the IRS will not assert a contrary position with respect to such issue or that a court will not sustain such a position asserted by the IRS.

In rendering the opinions expressed herein, we have examined the following items:

1. the Articles of Amendment and Restatement of the Company as filed with the Maryland State Department of Assessments and Taxation on , 2004;

2. the Bylaws of the Company;

3. the Certificate of Representations dated as of the date hereof, provided to us by the Company (the "Certificate of Representations");

4. the Registration Statement; and

5. such other documents, records and instruments as we have deemed necessary in order to enable us to render the opinions referred to in this letter.

In our examination of the foregoing documents, we have assumed, with your consent, that (i) all documents reviewed by us are original documents, or true and accurate copies of original documents and have not been subsequently amended; (ii) the signatures of each original document are genuine, (iii) each party who executed the document had proper authority and capacity, (iv) all factual representations and statements set forth in such documents are true and correct, (v) all obligations imposed by any such documents on the parties thereto have been performed or satisfied in accordance with their terms and (vi) the Company at all times will operate in accordance with the method of operation described in its organizational documents, the Certificate of Representations and the Registration Statement.

For purposes of rendering the opinions stated below, we have also assumed, with your consent, the accuracy of the factual representations contained in the Certificate of Representations, dated as of the date hereof, provided to us by the Company and that the factual representations contained in such Certificate of Representations, if any, to the best of the Company's knowledge are accurate and complete without regard to such qualification as to the best of the Company's knowledge. As of the date hereof, no facts have come to our attention which would lead us to believe that we are not justified in relying on the Certificate of Representations.

Based upon, subject to, and limited by the assumptions and qualifications set forth herein, we are of the opinion that:

(1) the Company is organized in conformity with the requirements for qualification and taxation as a REIT under the Code and its proposed method of operation, as described in the Registration Statement and the Certificate of Representations, will enable it to meet the requirements for qualification and taxation as a REIT under the Code for its taxable year ending December 31, 2004 and thereafter; and

(2) the portion of the discussion in the Registration Statement under the caption "U.S. federal income tax considerations" that describe the applicable United States federal income tax law are correct in all material respects as of the date hereof.

The opinions set forth above represent our conclusion based upon the documents, facts, representations and assumptions referred to above. Any material amendments to such documents, changes in any significant facts or inaccuracy of such representations or assumptions could affect the opinions referred to herein. Moreover, the Company's qualification as a REIT depends upon the ability of the Company to meet for each taxable year, through actual annual operating results, requirements under the Code regarding gross income, assets, distributions and diversity of stock ownership. We have not undertaken, and will not undertake, to review the Company's compliance with these requirements on a continuing basis. Accordingly, no assurance can be given that the actual results of the Company's operations for any single taxable year will satisfy the tests necessary to qualify as a REIT under the Code. Although we have made such inquiries and performed such investigations as we have deemed necessary to fulfill our professional responsibilities as counsel, we have not undertaken an independent investigation of all of the facts referred to in this letter or the Certificate of Representations.

The opinions set forth in this letter are (i) limited to those matters expressly covered and no opinion is expressed in respect of any other matter, (ii) as of the date hereof, and (iii) rendered by us at the request of the Company.

We hereby consent to the filing of this opinion letter as Exhibit 8.1 to the Registration Statement and the reference to Clifford Chance US LLP under the captions "Prospectus summary—Our Tax Status", "U.S. federal income tax considerations" and "Legal matters." In giving this consent, we do not admit thereby that we are an "expert" within the meaning of the Securities Act of 1933, as amended.

Very truly yours,

Exhibit 10.3

Loan No. 76-0029710

GENERAL ELECTRIC CAPITAL CORPORATION
(Lender)

to

EXTRA SPACE PROPERTIES EIGHT LLC
(Borrower)

LOAN AGREEMENT

Dated as of: March 8, 2004

Location of Properties: CA, FL, NV

DOCUMENT PREPARED BY:

Sheppard, Mullin, Richter & Hampton LLP
650 Town Center Drive, 4th Floor
Costa Mesa, California 92626-1925

Attention: Steven W. Cardoza, Esquire

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LIST OF EXHIBITS AND SCHEDULES

LOAN AGREEMENT

This Loan Agreement (this "**Agreement**") is entered into as of March 8, 2004 between **GENERAL ELECTRIC CAPITAL CORPORATION**, a Delaware corporation ("**Lender**"), and **EXTRA SPACE PROPERTIES EIGHT LLC**, a Delaware limited liability company, whose organization number is 3772419 ("**Borrower**").

ARTICLE 1

CERTAIN DEFINITIONS

Section 1.1 Certain Definitions. As used herein, the following terms have the meanings indicated:

"**Affiliate**" means (a) any corporation in which Borrower or any partner, shareholder, director, officer, member, or manager of Borrower directly or indirectly owns or controls more than ten percent (10%) of the beneficial interest, (b) any partnership, joint venture or limited liability company in which Borrower or any partner, shareholder, director, officer, member, or manager of Borrower is a partner, joint venturer or member, (c) any trust in which Borrower or any partner, shareholder, director, officer, member or manager of Borrower is a trustee or beneficiary, (d) any entity of any type which is directly or indirectly owned or controlled by Borrower or any partner, shareholder, director, officer, member or manager of Borrower, (e) any partner, shareholder, director, officer, member, manager or employee of Borrower, (f) any Person related by birth, adoption or marriage to any partner, shareholder, director, officer, member, manager, or employee of Borrower, or (g) any Borrower Party.

"**Agreement**" means this Loan Agreement, as amended from time to time.

"**Assignment of Leases and Rents**" means each Assignment of Leases and Rents, executed by Borrower for the benefit of Lender, and pertaining to leases of space in a Project.

"**Award**" has the meaning assigned in Section 3.3.

"**Bankruptcy Party**" has the meaning assigned in Section 9.7.

"**Borrower Party**" means any Joinder Party, any manager or managing member of Borrower, and any manager or managing member in any limited liability company that is a manager or managing member of Borrower, at any level.

"**Business Day**" means a day other than a Saturday, a Sunday, or a legal holiday on which national banks located in the State of New York are not open for general banking business.

"**Casualty**" has the meaning assigned in Section 3.2.

"**Closing Date**" means the date the Loan is funded by Lender.

"**Condemnation**" has the meaning assigned in Section 3.3.

"**Contract Rate**" has the meaning assigned in Section 2.2.

"**Debt**" means, for any Person, without duplication: (a) all indebtedness of such Person for borrowed money, for amounts drawn under a letter of credit, or for the deferred purchase price of property for which such Person or its assets is liable, (b) all unfunded amounts under a loan agreement, letter of credit, or other credit facility for which such Person would be liable, if such amounts were advanced under the credit facility, (c) all amounts required to be paid by such Person as a guaranteed payment to partners or a preferred or special dividend, including any mandatory redemption of shares or interests, (d) all indebtedness guaranteed by such Person, directly or indirectly, (e) all obligations under leases that constitute capital leases for which such Person is liable, and (f) all obligations of such Person under swaps, caps, floors, collars and other hedge agreements, in each case whether such Person is liable contingently or otherwise, as obligor, guarantor or otherwise, or in respect of which obligations such Person otherwise assures a creditor against loss.

"**Debt Service**" means the aggregate interest, fixed principal, and other payments due under the Loan, and on any other outstanding permitted Debt relating to the Projects approved by Lender for the period of time for which calculated.

"**Default Rate**" means the lesser of (a) the maximum rate of interest allowed by applicable law, and (b) five percent (5%) per annum in excess of the Contract Rate.

"**Defeasance Option**" has the meaning assigned in Section 2.3(c).

"**Environmental Laws**" has the meaning assigned in Section 4.1 (a).

"**ERISA**" has the meaning assigned in Section 6.8.

"**Event of Default**" has the meaning assigned in Article 9.

"**Funds**" means the Required Repair Fund and the Replacement Escrow Fund.

"**Hazardous Materials**" has the meaning assigned in Section 4.1(b).

"**Independent Director**" has the meaning assigned in Section 6.14(p).

"**Insurance Premiums**" has the meaning assigned in Section 3.1(c).

"**Joinder Party**" means the Persons, if any, executing the Joinder hereto.

"**Lien**" means, as to any Project, any interest, or claim thereof, in the Project securing an obligation owed to, or a claim by, any Person other than the owner of the Project, whether such interest is based on common law, statute or contract, including the lien or security interest arising from a deed of trust, mortgage, assignment, encumbrance, pledge, security agreement, conditional sale or trust receipt or a lease, consignment or bailment for security purposes. The term "Lien" shall include reservations, exceptions, encroachments, easements, rights of way, covenants, conditions, restrictions, leases and other title exceptions and encumbrances affecting a Project.

"**Loan**" means the loan made by Lender to Borrower under this Agreement and all other amounts secured by the Loan Documents.

"**Loan Documents**" means: (a) this Agreement, (b) the Note, (c) the Mortgages, (d) the Assignments of Leases and Rents, (e) Uniform Commercial Code financing statements, (f) such assignments of management agreements, contracts and other rights as may be required or otherwise

requested by Lender, (g) all other documents evidencing, securing, governing or otherwise pertaining to the Loan, and (h) all amendments, modifications, renewals, substitutions and replacements of any of the foregoing; provided however, in no event shall the term "Loan Documents" include that certain Hazardous Materials Indemnity Agreement (the "**Environmental Indemnity Agreement**") dated the date hereof in favor of Lender.

"**Loan Year**" means (a) for the first Loan Year, the period between the Closing Date and one calendar year from the last day of the month in which the Closing Date occurs (unless the Closing Date is on the first day of a month, in which case the first Loan Year shall commence on such Closing Date and end one calendar year from the last day of the month immediately preceding the Closing Date) and (b) each consecutive twelve month calendar period after the first Loan Year until the Maturity Date.

"**Maturity Date**" means, as applicable, the earlier of (a) April 1, 2009, or (b) any earlier date on which the entire Loan is required to be paid in full, by acceleration or otherwise, under this Agreement or any of the other Loan Documents.

"**Mortgage**" means each Mortgage, Assignment of Leases and Rents, Security Agreement and Fixture Filing, executed by Borrower in favor of Lender, covering a Project.

"**Note**" means the Promissory Note of even date, in the stated principal amount of $20,377,000.00, executed by Borrower, and payable to the order of Lender in evidence of the Loan.

"**Person**" means any individual, corporation, partnership, joint venture, association, joint stock company, trust, trustee, estate, limited liability company, unincorporated organization, real estate investment trust, government or any agency or political subdivision thereof, or any other form of entity.

"**Potential Default**" means the occurrence of any event or condition which, with the giving of notice, the passage of time, or both, would constitute an Event of Default.

"**Project**" means each of the self-storage facilities identified in ***Schedule 1.1*** and all related facilities, amenities, fixtures, and personal property owned by Borrower and any improvements now or hereafter located on the real property on which such self-storage facility is located, described in ***Exhibits A-1*** through ***A-5***.

"**Rating Agencies**" means each of Standard & Poor's Ratings Group, a division of McGraw-Hill, Inc., Moody's Investors Service, Inc. and Fitch, Inc., or any other nationally-recognized statistical rating agency which has been approved by Lender.

"**Replacement Escrow Fund**" has the meaning assigned in Section 2.4.

"**Required Repair Fund**" has the meaning assigned in Section 2.4.

"**Secondary Market Transaction**" has the meaning assigned in Section 8.11.

"**Single Purpose Entity**" shall mean a Person (other than an individual, a government or any agency or political subdivision thereof), which exists solely for the purpose of owning the Projects, observes corporate, company or partnership formalities, as applicable, independent of any other entity, and which otherwise complies with the covenants set forth in Section 6.14 hereof.

"**Site Assessment**" means an environmental engineering report for each Project prepared at Borrower's expense by an engineer engaged by Borrower, or Lender on behalf of Borrower, and approved

by Lender, and in a manner reasonably satisfactory to Lender, based upon an investigation relating to and making appropriate inquiries concerning the existence of Hazardous Materials on or about such Project, and the past or present discharge, disposal, release or escape of any such substances, all consistent with ASTM Standard El527-93 (or any successor thereto published by ASTM) and good customary and commercial practice.

"**SPC Party**" has the meaning assigned in Section 6.14(o).

"**State**" means the State of Utah.

"**Tax and Insurance Escrow Fund**" has the meaning assigned in Section 3.4.

"**Taxes**" has the meaning assigned in Section 8.2.

"**Yield Maintenance Amount**" has the meaning assigned in ***Schedule I***.

ARTICLE 2

LOAN TERMS

Section 2.1 The Loan. Upon satisfaction of all the terms and conditions of Lender to making the Loan, Lender agrees to make a Loan of TWENTY MILLION THREE HUNDRED SEVENTY-SEVEN THOUSAND NO/100 DOLLARS ($20,377,000.00) to the Borrower, which shall be funded in one advance and repaid in accordance with the terms of this Agreement and the Note. Borrower hereby agrees to accept the Loan on the Closing Date, subject to and upon the terms and conditions set forth herein.

Section 2.2 Interest Rate; Late Charge. The outstanding principal balance of the Loan shall bear interest at a rate of interest equal to four and seven-tenths percent (4.70%) per annum (the "**Contract Rate**"). Interest at the Contract Rate shall be computed on the basis of a fraction, the denominator of which is three hundred sixty (360) days and the numerator of which is the actual number of days elapsed from the date of the initial disbursement under the Loan or the date of the preceding interest installment due date, as the case may be, to the date of the next interest installment due date or the Maturity Date. If Borrower fails to pay any installment of interest or principal within five (5) days of (and including) the date on which the same is due, Borrower shall pay to Lender a late charge on such past-due amount, as liquidated damages and not as a penalty, equal to five percent (5%) of such amount, but not in excess of the maximum amount of interest allowed by applicable law. While any Event of Default exists, the Loan shall bear interest at the Default Rate.

Section 2.3 Terms of Payment. The Loan shall be payable as follows:

(a) **Interest and Principal**. A payment of interest only on the Closing Date for the period from the Closing Date through the last day of the current month. Thereafter, a constant payment of $115,587.57, on the first day of May, 2004 and on the first day of each calendar month thereafter; each of such payments, to be applied (i) to the payment of interest computed at the Contract Rate and (ii) the balance applied toward reduction of the principal sum. The constant payment required hereunder is calculated based on a twenty-five (25) year amortization schedule.

(b) **Maturity**. On the Maturity Date, Borrower shall pay to Lender all outstanding principal, accrued and unpaid interest, default interest, late charges and any and all other amounts due under the Loan Documents.

(c) **Prepayment**. Except as set forth herein, the Loan is closed to prepayment in whole or in part. Notwithstanding the foregoing, (i) the Loan may be prepaid in whole, but not in part, on or after the scheduled monthly payment date for the fifty-eighth (58th) payment of principal and interest, and (ii) from the earlier to occur of (x) two (2) years after the sale of the Loan in a Secondary Market Transaction or (y) the fourth (4th) anniversary of the Closing Date, provided no Event of Default exists, Borrower may obtain the release of the Projects from the lien of the Mortgages in accordance with the terms and provisions of ***Schedule I*** attached hereto (the "**Defeasance Option**").

If the Loan is accelerated for any reason other than casualty or condemnation, and the Loan is otherwise closed to prepayment, Borrower shall pay, in addition to all other amounts outstanding under the Loan Documents, a prepayment premium equal to the sum of (i) the Yield Maintenance Amount, if any, that would be required under the Defeasance Option and (ii) five percent (5%) of the outstanding balance of the Loan. If for any reason the Loan is prepaid on a day other than a scheduled monthly payment date, the Borrower shall pay, in addition to the principal, interest and premium, if any, required under this Section, an amount equal to the interest that would have accrued on the Loan from the date of prepayment to the next scheduled monthly payment date. In the event of a prepayment resulting from Lender's application of insurance or condemnation proceeds pursuant to Article 3 hereof, no prepayment penalty or premium shall be imposed.

Section 2.4 Security.

(a) **Establishment of Funds**. The Loan shall be secured by the Mortgages creating a first lien on each Project, the Assignments of Leases and Rents and the other Loan Documents. Borrower agrees to establish the following reserves with Lender, to be held by Lender as further security for the Loan: (i) on the Closing Date, Borrower shall deposit with Lender the amount of $29,485.00 (the "**Required Repair Fund**") which shall be held by Lender for the completion of the required repairs set forth on ***Schedule II*** annexed hereto on or before six months from the Closing Date; and (ii) Borrower shall deposit with Lender on the day of each calendar month a scheduled payment is due the amount of $4,154.00 which shall be held by Lender for replacements and repairs required to be made to the Projects during the calendar year (the "**Replacement Escrow Fund**").

(b) **Pledge and Disbursement of Funds**. Borrower hereby pledges to Lender, and grants a security interest in, any and all monies now or hereafter deposited in the Funds as additional security for the payment of the Loan. Lender may reasonably reassess its estimate of the amount necessary for the Funds from time to time and may adjust the monthly amounts required to be deposited into the Funds upon thirty (30) days notice to Borrower. Lender shall make disbursements from the Funds as requested by Borrower, and approved by Lender in its reasonable discretion, on a quarterly basis in increments of no less than $5,000.00 upon delivery by Borrower of Lender's standard form of draw request accompanied by copies of paid invoices for the amounts requested and, if required by Lender, lien waivers and releases from all parties furnishing materials and/or services in connection with the requested payment. Lender may require an inspection of the applicable Project(s) at Borrower's expense prior to making a quarterly disbursement in order to verify completion of replacements and repairs for which reimbursement is sought. The Funds shall be held without interest in Lender's name and may be commingled with Lender's own funds at financial institutions selected by Lender in its reasonable discretion. Upon the occurrence of an Event of Default, Lender may apply any sums then present in the Funds to the payment of the Loan in any order in its reasonable discretion. Until expended or applied as above provided, the Funds shall constitute additional security for the Loan. Lender shall have no obligation to release any of the Funds while any Event of Default or Potential Default exists or any material adverse change has occurred in Borrower or any Joinder Party or any Project. All costs and expenses incurred by Lender in the disbursement of any of the Funds shall be paid by Borrower promptly upon demand or, at Lender's sole discretion, deducted from the Funds.

ARTICLE 3

INSURANCE, CONDEMNATION, AND IMPOUNDS

Section 3.1 Insurance. Borrower shall maintain insurance as follows:

(a) **Casualty; Business Interruption**. Borrower shall keep the Projects insured against damage by fire and the other hazards covered by a standard extended coverage and all-risk insurance policy for the full insurable value thereof on a replacement cost claim recovery basis (without reduction for depreciation or co-insurance), and shall maintain such other casualty insurance as reasonably required by Lender. **Such insurance shall include coverage against acts of terrorism.** Lender reserves the right to require from time to time the following additional insurance: boiler and machinery; flood; earthquake/sinkhole; windstorm; worker's compensation; and/or building law or ordinance. Borrower shall keep each Project insured against loss by flood if such Project is located currently or at any time in the future in an area identified by the Federal Emergency Management Agency as an area having special flood hazards and in which flood insurance has been made available under the National Flood Insurance Act of 1968, the Flood Disaster Protection Act of 1973 or the National Flood Insurance Reform Act of 1994 (as such acts may from time to time be amended) in an amount at least equal to the lesser of the maximum amount of the Loan or the maximum limit of coverage available under said acts. Any such flood insurance policy shall be issued in accordance with the requirements and current guidelines of the Federal Insurance Administration. Borrower shall maintain use and occupancy insurance for each Project covering, as applicable, rental income or business interruption, with coverage in an amount not less than twelve (12) months anticipated gross rental income or gross business earnings, as applicable in each case, attributable to such Project. Borrower shall not maintain any separate or additional insurance which is contributing in the event of loss unless it is properly endorsed and otherwise reasonably satisfactory to Lender in all respects. The proceeds of insurance paid on account of any damage or destruction to any Project shall be paid to Lender to be applied as provided in Section 3.2.

(b) **Liability**. Borrower shall maintain (i) commercial general liability insurance with respect to each Project providing for limits of liability of not less than $5,000,000 for both injury to or death of a person and for property damage per occurrence, and (ii) other liability insurance as reasonably required by Lender.

(c) **Form and Quality**. All insurance policies shall be endorsed in form and substance acceptable to Lender to name Lender as an additional insured, loss payee or mortgagee thereunder, as its interest may appear, with loss payable to Lender, without contribution, under a standard New York (or local equivalent) mortgagee clause. All such insurance policies and endorsements shall be fully paid for and contain such provisions and expiration dates and be in such form and issued by such insurance companies licensed to do business in the State, with a general company and financial size rating of "A-:IX" or better as established by Best's Rating Guide and "AA" or better by Standard & Poor's Ratings Group. Each policy shall provide that such policy may not be canceled or materially changed except upon thirty (30) days' prior written notice of intention of non-renewal, cancellation or material change to Lender and that no act or thing done by Borrower shall invalidate any policy as against Lender. Blanket policies shall be permitted only if Lender receives appropriate endorsements and/or duplicate policies containing Lender's right to continue coverage on a pro rata pass-through basis and that coverage will not be affected by any loss on other properties covered by the policies. Borrower authorizes Lender to pay the premiums for such policies (the "**Insurance Premiums**") from the Tax and Insurance Escrow Fund as the same become due and payable annually in advance. If Borrower fails to deposit funds into the Tax and Insurance Escrow Fund sufficient to permit Lender to pay the premiums when due, Lender may obtain such insurance and pay the premium therefor and Borrower shall, on demand, reimburse Lender for all expenses incurred in connection therewith. Borrower shall assign the policies or proofs of

insurance to Lender, in such manner and form that Lender and its successors and assigns shall at all times have and hold the same as security for the payment of the Loan. Borrower shall deliver copies of all original policies certified to Lender by the insurance company or authorized agent as being true copies, together with the endorsements required hereunder. The proceeds of insurance policies coming into the possession of Lender shall not be deemed trust funds, and Lender shall be entitled to apply such proceeds as herein provided.

(d) **Adjustments**. Borrower shall give immediate written notice of any loss to the insurance carrier and to Lender. Borrower hereby irrevocably authorizes and empowers Lender, as attorney-in-fact for Borrower coupled with an interest, to make proof of loss, to adjust and compromise any claim under insurance policies, to appear in and prosecute any action arising from such insurance policies, to collect and receive insurance proceeds, and to deduct therefrom Lender's reasonable expenses incurred in the collection of such proceeds. Nothing contained in this Section 3.l(d), however, shall require Lender to incur any expense or take any action hereunder.

Section 3.2 Use and Application of Insurance Proceeds.

(a) If any Project shall be damaged or destroyed, in whole or in part, by fire or other casualty (a "**Casualty**"), Borrower shall give prompt notice thereof to Lender. Following the occurrence of a Casualty, Borrower, regardless of whether insurance proceeds are available, shall promptly proceed to restore, repair, replace or rebuild the same to be of at least equal value and of substantially the same character as prior to such damage or destruction, all to be effected in accordance with applicable law.

(b) Lender shall apply insurance proceeds to costs of restoring a Project or to the payment of the Loan as follows:

(i) if the loss is less than or equal to $100,000, Lender shall apply the insurance proceeds to restoration provided (A) no Event of Default or Potential Default exists, and (B) Borrower promptly commences and is diligently pursuing restoration of the Project;

(ii) if the loss exceeds $100,000 but is not more than 25% of the replacement value of the improvements, Lender shall apply the insurance proceeds to restoration provided that (A) at all times during such restoration no Event of Default or Potential Default exists; (B) Lender determines throughout the restoration that there are sufficient funds available to restore and repair the Project to a condition approved by Lender; (C) Lender determines that the net operating income of the Projects during restoration, taking into account rent loss or business interruption insurance, will be sufficient to pay Debt Service; (D) Lender determines (based on leases which will remain in effect after restoration is complete if the Project is not a multi-family project) that after restoration the ratio of net operating income to Debt Service will equal at least the ratio that existed on the Closing Date; (E) Lender determines that the ratio of the outstanding principal balance of the Loan to appraised value of the Projects after restoration will not exceed the loan-to-value ratio that existed on the Closing Date; (F) Lender determines that restoration and repair of the Project to a condition approved by Lender will be completed within six months after the date of loss or casualty and in any event ninety (90) days prior to the Maturity Date; (G) Borrower promptly commences and is diligently pursuing restoration of the Project; and (H) the Project after the restoration will be in compliance with and permitted under all applicable zoning, building and land use laws, rules, regulations and ordinances; and

(iii) if the conditions set forth in (i) and (ii) above are not satisfied in Lender's reasonable discretion, Lender may apply any insurance proceeds it may receive to the payment of the Loan or allow all or a portion of such proceeds to be used for the restoration of the Project.

(c) Insurance proceeds applied to restoration will be disbursed on receipt of reasonably satisfactory plans and specifications, contracts and subcontracts, schedules, budgets, lien waivers and architects' certificates, and otherwise in accordance with prudent commercial construction lending practices for construction loan advances (including appropriate retainages to ensure that all work is completed in a workmanlike manner).

Section 3.3 Condemnation Awards. Borrower shall promptly give Lender written notice of the actual or threatened commencement of any condemnation or eminent domain proceeding (a "**Condemnation**") and shall deliver to Lender copies of any and all papers served in connection with such Condemnation. Following the occurrence of a Condemnation, Borrower, regardless of whether any award or compensation (an "**Award**") is available, shall promptly proceed to restore, repair, replace or rebuild the applicable Project to the extent practicable to be of at least equal value and of substantially the same character as prior to such Condemnation, all to be effected in accordance with applicable law. Lender may participate in any such proceeding and Borrower will deliver to Lender all instruments necessary or required by Lender to permit such participation. Without Lender's prior consent, Borrower (a) shall not agree to any Award, and (b) shall not take any action or fail to take any action which would cause the Award to be determined. All Awards for the taking or purchase in lieu of condemnation of any Project or any part thereof are hereby assigned to and shall be paid to Lender. Borrower authorizes Lender to collect and receive such Awards, to give proper receipts and acquittances therefor, and in Lender's sole discretion to apply the same toward the payment of the Loan, notwithstanding that the Loan may not then be due and payable, or to the restoration of the affected Project; provided, however, if the Award is less than or equal to $100,000 and Borrower requests that such proceeds be used for non-structural site improvements (such as landscape, driveway, walkway and parking area repairs) required to be made as a result of such condemnation, Lender will apply the Award to such restoration in accordance with disbursement procedures applicable to insurance proceeds provided there exists no Potential Default or Event of Default. Borrower, upon request by Lender, shall execute all instruments requested to confirm the assignment of the Awards to Lender, free and clear of all liens, charges or encumbrances.

Section 3.4 Impounds. Borrower shall deposit with Lender, monthly, (a) one-twelfth (1/12th) of the Taxes that Lender estimates will be payable during the next ensuing twelve (12) months in order to accumulate with Lender sufficient funds to pay all such Taxes at least thirty (30) days prior to their respective due dates, and (b) one-twelfth of the Insurance Premiums that Lender estimates will be payable for the renewal of the coverage afforded by the insurance policies required by Lender upon the expiration thereof in order to accumulate with Lender sufficient funds to pay all such Insurance Premiums at least thirty (30) days prior to expiration (said amounts in (a) and (b) above hereinafter called the "**Tax and Insurance Escrow Fund**"). At or before the advance of the Loan, Borrower shall deposit with Lender a sum of money which together with the monthly installments will be sufficient to make each of such payments thirty (30) days prior to the date any delinquency or penalty becomes due with respect to such payments. Deposits shall be made on the basis of Lender's estimate from time to time of the charges for the current year (after giving effect to any reassessment or, at Lender's election, on the basis of the charges for the prior year, with adjustments when the charges are fixed for the then current year). All funds so deposited shall be held by Lender, without interest, and may be commingled with Lender's general funds. Borrower hereby grants to Lender a security interest in all funds so deposited with Lender for the purpose of securing the Loan. While an Event of Default exists, the funds deposited may be applied in payment of the charges for which such funds have been deposited, or to the payment of the Loan or any other charges affecting the security of Lender, as Lender may elect, but no such application shall be deemed to have been made by operation of law or otherwise until actually made by Lender. Borrower shall furnish Lender with bills for the charges for which such deposits are required at least thirty (30) days prior to the date on which the charges first become payable. If at any time the amount on deposit with Lender, together with amounts to be deposited by Borrower before such charges are payable,

is insufficient to pay such charges, Borrower shall deposit any deficiency with Lender immediately upon demand. Lender shall pay such charges when the amount on deposit with Lender is sufficient to pay such charges and Lender has received a bill for such charges.

ARTICLE 4

ENVIRONMENTAL MATTERS

Section 4.1 Certain Definitions. As used herein, the following terms have the meanings indicated:

(a) "**Environmental Laws**" means any federal, state or local law (whether imposed by statute, ordinance, rule, regulation, administrative or judicial order, or common law), now or hereafter enacted, governing health, safety, industrial hygiene, the environment or natural resources, or Hazardous Materials, including, without limitation, such laws governing or regulating (i) the use, generation, storage, removal, recovery, treatment, handling, transport, disposal, control, release, discharge of, or exposure to, Hazardous Materials, (ii) the transfer of property upon a negative declaration or other approval of a governmental authority of the environmental condition of such property, or (iii) requiring notification or disclosure of releases of Hazardous Materials or other environmental conditions whether or not in connection with a transfer of title to or interest in property.

(b) "**Hazardous Materials**" means (i) petroleum or chemical products, whether in liquid, solid, or gaseous form, or any fraction or by-product thereof, (ii) asbestos or asbestos-containing materials, (iii) polychlorinated biphenyls (pcbs), (iv) radon gas, (v) underground storage tanks, (vi) any explosive or radioactive substances, (vii) lead or lead-based paint, or (viii) any other substance, material, waste or mixture which is or shall be listed, defined, or otherwise determined by any governmental authority to be hazardous, toxic, dangerous or otherwise regulated, controlled or giving rise to liability under any Environmental Laws.

Section 4.2 Representations and Warranties on Environmental Matters. To Borrower's knowledge, except as set forth in the Site Assessments obtained by Lender in connection with the Loan closing (copies of which have been provided to Borrower), (a) no Hazardous Material is now or was formerly used, stored, generated, manufactured, installed, treated, discharged, disposed of or otherwise present at or about any Project or any property adjacent to any Project (except for cleaning and other products currently used in connection with the routine maintenance or repair of the Projects in full compliance with Environmental Laws) and no Hazardous Material was removed or transported from any Project, (b) all permits, licenses, approvals and filings required by Environmental Laws have been obtained, and the use, operation and condition of the Projects do not, and did not previously, violate any Environmental Laws, (c) no civil, criminal or administrative action, suit, claim, hearing, investigation or proceeding has been brought or been threatened, nor have any settlements been reached by or with any parties or any liens imposed in connection with any Project concerning Hazardous Materials or Environmental Laws; and (d) no underground storage tanks exist on any part of any Project.

Section 4.3 Covenants on Environmental Matters.

(a) Borrower shall (i) comply strictly and in all respects with applicable Environmental Laws; (ii) notify Lender immediately upon Borrower's discovery of any spill, discharge, release or presence of any Hazardous Material at, upon, under, within, contiguous to or otherwise affecting any Project; (iii) promptly remove such Hazardous Materials and remediate such Project in full compliance with Environmental Laws or as reasonably required by Lender based upon the recommendations and specifications of an independent environmental consultant approved by Lender;

and (iv) promptly forward to Lender copies of all orders, notices, permits, applications or other communications and reports in connection with any spill, discharge, release or the presence of any Hazardous Material or any other matters relating to the Environmental Laws or any similar laws or regulations, as they may affect any Project or Borrower.

(b) Borrower shall not cause, shall prohibit any other Person within the control of Borrower from causing, and shall use prudent, commercially reasonable efforts to prohibit other Persons (including tenants) from (i) causing any spill, discharge or release, or the use, storage, generation, manufacture, installation, or disposal, of any Hazardous Materials at, upon, under, within or about any Project or the transportation of any Hazardous Materials to or from any Project (except for cleaning and other products used in connection with routine maintenance or repair of the Projects in full compliance with Environmental Laws), (ii) installing any underground storage tanks at any Project, or (iii) conducting any activity that requires a permit or other authorization under Environmental Laws.

(c) Borrower shall provide to Lender, at Borrower's expense promptly upon the written request of Lender from time to time, a Site Assessment for each Project or, if required by Lender, an update to any existing Site Assessment for each Project, to assess the presence or absence of any Hazardous Materials and the potential costs in connection with abatement, cleanup or removal of any Hazardous Materials found on, under, at or within such Project. Borrower shall pay the cost of no more than one such Site Assessment or update for each Project in any twelve (12)-month period, unless Lender's request for a Site Assessment is based on information provided under Section 4.3(a), a reasonable suspicion of Hazardous Materials at or near a Project, a breach of representations under Section 4.2, or an Event of Default, in which case any such Site Assessment or update shall be at Borrower's expense.

(d) Borrower acknowledges that the Site Assessment for the "Casitas" Project located on the land described in ***Exhibit A-1*** identified the possible presence of perchloroethylene and trichloroethylene in the soil and/or groundwater beneath such Project. Borrower shall not undertake any excavation or other activities which could disturb the soils or groundwater at the Casitas Project unless Borrower has established, and follows, procedures which comply with applicable Environmental Laws (and any other applicable laws) with respect to worker health and safety, and any affected soil or groundwater encountered is properly handled and disposed of in accordance with applicable Environmental Laws.

(e) From and after the Closing Dated, Borrower shall implement improved cleaning and maintenance practices at the "Forest Hill" Project located on the land described in ***Exhibit A-3*** to minimize potential for future releases near building C, unit nos. 16-17 and building H, unit no. 47 where oily staining was observed, as noted in the Site Assessment for this Project.

(f) Within ninety (90) days after the Closing Date, Borrower shall provide Lender with satisfactory evidence that Borrower has properly closed, in accordance with applicable Environmental Laws, the three monitoring wells at the "Military Trail" Project located on the land described in ***Exhibit A-4***.

Section 4.4 Allocation of Risks and Indemnity. As between Borrower and Lender, all risk of loss associated with non-compliance with Environmental Laws, or with the presence of any Hazardous Material at, upon, within, contiguous to or otherwise affecting the Projects, shall lie solely with Borrower. Accordingly, Borrower shall bear all risks and costs associated with any loss (including any loss in value attributable to Hazardous Materials), damage or liability therefrom, including all costs of removal of Hazardous Materials or other remediation required by Lender or by law. Borrower shall indemnify, defend and hold Lender and its shareholders, directors, officers, employees and agents harmless from and

against all loss, liabilities, damages, claims, costs and expenses (including reasonable costs of defense and consultant fees, investigation and laboratory fees, court costs, and other litigation expenses) arising out of or associated, in any way, with (a) the non-compliance with Environmental Laws, or (b) the existence of Hazardous Materials in, on, or about any Project, (c) any personal injury (including wrongful death) or property damage (real or personal) arising out of or related to Hazardous Materials; (d) any lawsuit brought or threatened, settlement reached, or government order relating to such Hazardous Materials, (e) a breach of any representation, warranty or covenant contained in this Article 4, whether based in contract, tort, implied or express warranty, strict liability, criminal or civil statute or common law, or (f) the imposition of any environmental lien encumbering any Project; provided, however, Borrower shall not be liable under such indemnification to the extent such loss, liability, damage, claim, cost or expense results solely from Lender's gross negligence or willful misconduct. Borrower's obligations under this Section 4.4 shall arise whether or not any governmental authority has taken or threatened any action in connection with the presence of any Hazardous Material, and whether or not the existence of any such Hazardous Material or potential liability on account thereof is disclosed in a Site Assessment and shall continue notwithstanding the repayment of the Loan or any transfer or sale of any right, title and interest in the Projects (by foreclosure, deed in lieu of foreclosure or otherwise). Any amounts payable to Lender by reason of the application of this Section 4.4 shall become immediately due and payable and shall bear interest at the Default Rate from the date loss or damage is sustained by Lender until paid. The obligations and liabilities of Borrower under this Section 4.4 shall survive any termination, satisfaction, assignment, entry of a judgment of foreclosure or delivery of a deed in lieu of foreclosure.

Section 4.5 No Waiver. Notwithstanding any provision in this Article 4 or elsewhere in the Loan Documents, or any rights or remedies granted by the Environmental Indemnity Agreement or the Loan Documents, Lender does not waive and expressly reserves all rights and benefits now or hereafter accruing to Lender under the "security interest" or "secured creditor" exception under applicable Environmental Laws, as the same may be amended. No action taken by Lender pursuant to the Environmental Indemnity Agreement or the Loan Documents shall be deemed or construed to be a waiver or relinquishment of any such rights or benefits under the "security interest exception."

Section 4.6 Lender Cure Rights. If there is a release of Hazardous Materials affecting any Project, whether or not the release originates or emanates from such Project or any contiguous real estate, or if Borrower shall fail to comply with any Environmental Laws, Lender may at its election, but without the obligation to do so, upon three (3) Business Days' notice to Borrower (provided the delay caused by the giving of notice shall not, in Lender's sole opinion, cause substantial damage such Project), take any and all actions as Lender shall deem necessary or advisable in order to remedy the release of Hazardous Materials or cure said failure of compliance, and any amounts paid by Lender as a result thereof, together with interest thereon at the Default Rate from the date of payment by Lender, shall be immediately due and payable by Borrower to Lender and until paid shall be added to and become part of the Loan and shall have the benefit of the lien created by the Loan Documents.

ARTICLE 5

LEASING MATTERS

Section 5.1 Representations and Warranties on Leases. Borrower represents and warrants to Lender with respect to leases of each Project that: (a) the rent roll delivered to Lender is true and correct, and the leases are valid and in and full force and effect; (b) the leases (including amendments) are in writing, and there are no oral agreements with respect thereto; (c) the copies of the leases (if any) delivered to Lender are true and complete; (d) the landlord is not in default under any of the leases, and not more than (i) five percent (5%) of the tenants at any one Project, and (ii) three percent (3%) of all

tenants at all Projects are more than 30 days delinquent in payment of rent or are otherwise in default in a manner entitling the landlord to terminate their leases; (e) Borrower has not assigned or pledged any of the leases, the rents or any interests therein except to Lender; (f) no tenant or other party has an option to purchase all or any portion of any Project; (g) no tenant has the right to terminate its lease prior to expiration of the stated term of such lease; (h) not more than five percent (5%) of the tenants at any Project have prepaid more than one month's rent in advance (except for bona fide security deposits not in excess of an amount equal to two months' rent), and no tenants have prepaid more than twelve (12) months' rent in advance; and (i) all existing leases are subordinate to the Mortgages either pursuant to their terms or a recorded subordination agreement.

Section 5.2 Standard Lease Form; Approval Rights. All leases and other rental arrangements shall in all respects be approved by Lender and shall be on a standard lease form approved by Lender with no modifications (except as approved by Lender, which approval will not be unreasonably withheld or delayed). Borrower shall hold, in trust, all tenant security deposits in a segregated account, and, to the extent required by applicable law, shall not commingle any such funds with any other funds of Borrower. Within ten (10) days after Lender's request, Borrower shall furnish to Lender a statement of all tenant security deposits and copies of all leases, certified by Borrower as being true and correct. Notwithstanding anything contained in the Loan Documents, Lender's approval shall not be required for future leases or lease extensions at a Project if the following conditions are satisfied: (i) there exists no Potential Default or Event of Default; (ii) the lease is on the standard lease form approved by Lender with no modifications (except as approved by Lender); (iii) the lease does not conflict with any restrictive covenant affecting the Project or any other lease for space in the Project; and (iv) the effective rental rate is at least a market rate.

Section 5.3 Covenants. Borrower (a) shall perform the obligations which Borrower is required to perform under the leases; (b) shall enforce the obligations to be performed by the tenants; (c) shall not collect from more than five percent (5%) of the tenants at any Project (and then, only at the request of such tenants) any rents for more than thirty (30) days in advance of the time when the same shall become due (and in no event shall Borrower collect from any tenant any rents more than twelve (12) months in advance of the time when the same shall become due), except for bona fide security deposits not in excess of an amount equal to two month's rent; (d) shall not enter into any ground lease or master lease of any part of any Project; (e) shall not further assign or encumber any lease; (f) shall not, except with Lender's prior written consent, cancel or accept surrender or termination of any lease except in the ordinary course of business, consistent with prudent property management practices for self-storage facilities; (g) shall not, except with Lender's prior written consent, modify or amend any lease (except for minor modifications and amendments entered into in the ordinary course of business, consistent with prudent property management practices for self-storage facilities, not affecting the economic terms of the lease); and (h) shall maintain all last month's rent and security deposits under leases at each Project in accordance with the requirements of the laws of the state in which such Project is located. Any action in violation of clauses (d), (e), (f), and (g) of this Section 5.3 shall be void at the election of Lender.

Section 5.4 Tenant Estoppels. At Lender's request, Borrower shall obtain and furnish to Lender, written estoppels in form and substance reasonably satisfactory to Lender, executed by tenants under any "corporate" or master leases of any part of any Project and confirming the term, rent, and other provisions and matters relating to the leases.

ARTICLE 6

REPRESENTATIONS AND WARRANTIES

Borrower represents, warrants and covenants to Lender that:

Section 6.1 Organization, Power and Authority. Borrower and each Borrower Party (a) is duly organized, validly existing and in good standing under the laws of the state of its formation or existence, (b) is in compliance with all legal requirements applicable to doing business in the State, and (c) has the necessary governmental approvals to own and operate the Projects and conduct the business now conducted or to be conducted thereon. Borrower has the full power, authority and right to execute, deliver and perform its obligations pursuant to this Loan Agreement and the other Loan Documents, and to mortgage the Projects pursuant to the terms of the Mortgages and to keep and observe all of the terms of this Loan Agreement and the other Loan Documents on Borrower's part to be performed. Borrower is not a "foreign person" within the meaning of § 1445(f)(3) of the Internal Revenue Code.

Section 6.2 Validity of Loan Documents. The execution, delivery and performance by Borrower and each Borrower Party of the Loan Documents: (a) are duly authorized and do not require the consent or approval of any other party or governmental authority which has not been obtained; and (b) will not violate any law or result in the imposition of any lien, charge or encumbrance upon the assets of any such party, except as contemplated by the Loan Documents. The Loan Documents constitute the legal, valid and binding obligations of Borrower and each Borrower Party, enforceable in accordance with their respective terms, subject to applicable bankruptcy, insolvency, or similar laws generally affecting the enforcement of creditors' rights.

Section 6.3 Liabilities; Litigation.

(a) The financial statements delivered by Borrower and each Borrower Party are true and correct with no significant change since the date of preparation. Except as disclosed in such financial statements, there are no liabilities (fixed or contingent) affecting any Project, Borrower or any Borrower Party. Except as disclosed in such financial statements, there is no litigation, administrative proceeding, investigation or other legal action (including any proceeding under any state or federal bankruptcy or insolvency law) pending or, to the knowledge of Borrower, threatened, against any Project, Borrower or any Borrower Party which if adversely determined could have a material adverse effect on such party, such Project or the Loan.

(b) Neither Borrower nor any Borrower Party is contemplating either the filing of a petition by it under state or federal bankruptcy or insolvency laws or the liquidation of all or a major portion of its assets or property, and neither Borrower nor any Borrower Party has knowledge of any Person contemplating the filing of any such petition against it.

Section 6.4 Taxes and Assessments. Each Project is comprised of one or more parcels, each of which constitutes a separate tax lot and none of which constitutes a portion of any other tax lot. There are no pending or, to Borrower's best knowledge, proposed, special or other assessments for public improvements or otherwise affecting any Project, nor are there any contemplated improvements to any Project that may result in such special or other assessments.

Section 6.5 Other Agreements; Defaults. Neither Borrower nor any Borrower Party is a party to any agreement or instrument or subject to any court order, injunction, permit, or restriction which might adversely affect any Project or the business, operations, or condition (financial or otherwise) of Borrower or any Borrower Party. Neither Borrower nor any Borrower Party is in violation of any agreement which violation would have an adverse effect on any Project, Borrower, or any Borrower Party or Borrower's or any Borrower Party's business, properties, or assets, operations or condition, financial or otherwise.

Section 6.6 Compliance with Law. Borrower and each Borrower Party have all requisite licenses, permits, franchises, qualifications, certificates of occupancy or other governmental

authorizations to own, lease and operate the Projects and carry on its business, and each Project is in compliance with all applicable legal requirements and is free of structural defects, and except as set forth in the property condition reports obtained by Lender in connection with the Loan, all building systems contained therein are in good working order, subject to ordinary wear and tear. No Project constitutes, in whole or in part, a legally non-conforming use under applicable legal requirements;

(b) No condemnation has been commenced or, to Borrower's knowledge, is contemplated with respect to all or any portion of any Project or for the relocation of roadways providing access to any Project; and

(c) Each Project has adequate rights of access to public ways and is served by adequate water, sewer, sanitary sewer and storm drain facilities. All public utilities necessary or convenient to the full use and enjoyment of each Project are located in the public right-of-way abutting such Project, and all such utilities are connected so as to serve such Project without passing over other property, except to the extent such other property is subject to a perpetual easement for such utility benefitting such Project. All roads necessary for the full utilization of each Project for its current purpose have been completed and dedicated to public use and accepted by all governmental authorities.

Section 6.7 Location of Borrower. Borrower's principal place of business and chief executive offices are located at the address stated in Section 11.1.

Section 6.8 ERISA.

(a) As of the Closing Date and throughout the term of the Loan, (i) Borrower is not and will not be an "employee benefit plan" as defined in Section 3(3) of the Employee Retirement Income Security Act of 1974, as amended ("**ERISA**"), which is subject to Title I of ERISA, and (ii) the assets of Borrower do not and will not constitute "plan assets" of one or more such plans for purposes of Title I of ERISA; and

(b) As of the Closing Date and throughout the term of the Loan (i) Borrower is not and will not be a "governmental plan" within the meaning of Section 3(3) of ERISA and (ii) transactions by or with Borrower are not and will not be subject to state statutes applicable to Borrower regulating investments of and fiduciary obligations with respect to governmental plans.

Section 6.9 Forfeiture. There has not been and shall never be committed by Borrower or any other person in occupancy of or involved with the operation or use of the Projects any act or omission affording the federal government or any state or local government the right of forfeiture as against the Projects or any part thereof or any monies paid in performance of Borrower's obligations under any of the Loan Documents. Borrower hereby covenants and agrees not to commit, permit or suffer to exist any act or omission affording such right of forfeiture.

Section 6.10 Tax Filings. Borrower and each Borrower Party have filed (or have obtained effective extensions for filing) all federal, state and local tax returns required to be filed and have paid or made adequate provision for the payment of all federal, state and local taxes, charges and assessments payable by Borrower and each Borrower Party, respectively. Borrower and each Borrower Party believe that their respective tax returns properly reflect the income and taxes of Borrower and each Borrower Party, respectively, for the periods covered thereby, subject only to reasonable adjustments required by the Internal Revenue Service or other applicable tax authority upon audit.

Section 6.11 Solvency. Giving effect to the Loan, the fair saleable value of Borrower's assets exceeds and will, immediately following the making of the Loan, exceed Borrower's total liabilities,

including, without limitation, subordinated, unliquidated, disputed and contingent liabilities. The fair saleable value of Borrower's assets is and will, immediately following the making of the Loan, be greater than Borrower's probable liabilities, including the maximum amount of its contingent liabilities on its Debts as such Debts become absolute and matured, Borrower's assets do not and, immediately following the making of the Loan will not, constitute unreasonably small capital to carry out its business as conducted or as proposed to be conducted. Borrower does not intend to, and does not believe that it will, incur Debts and liabilities (including contingent liabilities and other commitments) beyond its ability to pay such Debts as they mature (taking into account the timing and amounts of cash to be received by Borrower and the amounts to be payable on or in respect of obligations of Borrower). Except as expressly disclosed to Lender in writing, no petition in bankruptcy has been filed against Borrower or any Borrower Party in the last seven (7) years, and neither Borrower or any Borrower Party in the last seven (7) years has ever made an assignment for the benefit of creditors or taken advantage of any insolvency act for the benefit of debtors.

Section 6.12 Full and Accurate Disclosure. No statement of fact made by or on behalf of Borrower or any Borrower Party in this Agreement or in any of the other Loan Documents contains any untrue statement of a material fact or omits to state any material fact necessary to make statements contained herein or therein not misleading. There is no fact presently known to Borrower which has not been disclosed to Lender which adversely affects, nor as far as Borrower can foresee, might adversely affect, any Project or the business, operations or condition (financial or otherwise) of Borrower or any Borrower Party.

Section 6.13 Flood Zone. No portion of the improvements comprising any Project is located in an area identified by the Secretary of Housing and Urban Development or any successor thereto as an area having special flood hazards pursuant to the National Flood Insurance Act of 1968, the Flood Disaster Protection Act of 1973 or the National Flood Insurance Act of 1994, as amended, or any successor law, or, if located within any such area, Borrower has obtained and will maintain the insurance prescribed in Section 3.1 hereof.

Section 6.14 Single Purpose Entity/Separateness. Borrower represents, warrants and covenants as follows:

(a) Borrower has not owned, does not own, and will not own any asset or property other than (i) the Projects, and (ii) incidental personal property necessary for the ownership or operation of the Projects.

(b) Borrower will not engage in any business other than the ownership, management and operation of the Projects and Borrower will conduct and operate its business as presently conducted and operated.

(c) Borrower will not enter into any contract or agreement with any Affiliate of the Borrower, any constituent party of Borrower, or any Affiliate of any constituent party, except upon terms and conditions that are intrinsically fair and substantially similar to those that would be available on an arms-length basis with third parties other than any such party.

(d) Borrower has not incurred and will not incur any Debt other than (i) the Loan, (ii) trade and operational debt incurred in the ordinary course of business with trade creditors and in amounts as are normal and reasonable under the circumstances, provided such debt is not evidenced by a note and is paid when due, and (iii) Debt incurred in the financing of equipment and other personal property used on the Projects. No indebtedness other than the Loan may be secured (subordinate or pari passu) by any Project.

(e) Borrower has not made and will not make any loans or advances to any third party (including any Affiliate or constituent party or any Affiliate of any constituent party), and shall not acquire obligations or securities of its Affiliates or any constituent party.

(f) Borrower is and will remain solvent and Borrower will pay its debts and liabilities (including, as applicable, shared personnel and overhead expenses) from its own funds and assets as the same shall become due.

(g) Borrower has done or caused to be done and will do all things necessary to observe organizational formalities and preserve its existence, and Borrower will not, nor will Borrower permit any constituent party to amend, modify or otherwise change the partnership certificate, partnership agreement, articles of incorporation and bylaws, operating agreement, trust or other organizational documents of Borrower or such constituent party without the prior written consent of Lender.

(h) Borrower will maintain all of its books, records, financial statements and bank accounts separate from those of its Affiliates and any constituent party and Borrower will file its own tax returns, if any, as may be required under applicable law, to the extent not part of a consolidated group filing a consolidated return, and pay any taxes so required to be paid under applicable law. Borrower shall maintain its books, records, resolutions and agreements as official records.

(i) Borrower will be, and at all times will hold itself out to the public as, a legal entity separate and distinct from any other entity (including any Affiliate of Borrower, any constituent party of Borrower, or any Affiliate of any constituent party), shall correct any known misunderstanding regarding its status as a separate entity, shall conduct business in its own name, shall not identify itself or any of its Affiliates as a division or part of the other and shall maintain and utilize a separate telephone number, if any, and separate stationery, invoices and checks.

(j) Borrower will maintain adequate capital for the normal obligations reasonably foreseeable in a business of its size and character and in light of its contemplated business operations.

(k) Neither Borrower nor any constituent party will seek the dissolution, winding up, liquidation, consolidation or merger in whole or in part, of the Borrower.

(l) Borrower will not commingle the funds and other assets of Borrower with those of any Affiliate or constituent party, or any Affiliate of any constituent party, or any other Person.

(m) Borrower has and will maintain its assets in such a manner that it will not be costly or difficult to segregate, ascertain or identify its individual assets from those of any Affiliate or constituent party, or any Affiliate of any constituent party, or any other Person.

(n) Borrower does not and will not hold itself out to be responsible for the debts or obligations of any other Person.

(o) If Borrower is a limited partnership or a limited liability company, each general partner or managing member (each, an "**SPC Party**") shall be a limited liability company whose sole asset is its interest in Borrower and each such SPC Party will at all times comply, and will cause Borrower to comply, with each of the representations, warranties, and covenants contained in this Section 6.14 as if such representation, warranty or covenant was made directly by such SPC Party.

(p) Borrower shall at all times cause there to be at least one duly appointed special manager (an "**Independent Director**") of each SPC Party in Borrower who shall not have been at the

time of such individual's appointment, and may not have been at any time during the preceding five years (i) a shareholder of, or an officer, director, partner, member, or employee of, Borrower or any of their Affiliates, (ii) affiliated with a customer of, or supplier to, the SPC Party, Borrower or any of their Affiliates, or (iii) a spouse, parent, sibling, child, or other family relative of any person described by (i) or (ii) above. As used herein, the term "**Affiliate**" means any Person other than the SPC Party (A) which owns beneficially, directly or indirectly, any outstanding shares of the SPC Party's stock or interest in the Borrower or (B) which controls or is under common control with the SPC Party or the Borrower. As used herein, the term "**control**" means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through ownership of voting securities, by contract or otherwise.

(q) Borrower shall not cause or permit the manager of each SPC Party in Borrower to take any action which, under the terms of such SPC Party's operating agreement, requires the vote of the Independent Director of such SPC Party unless at the time of such action there shall be at least one manager of such SPC Party who is an Independent Director.

(r) Borrower shall conduct its business so that the assumptions made with respect to Borrower in that certain opinion letter dated as of the Closing Date (the "**Insolvency Opinion**") delivered by Goodwin Procter LLP in connection with the Loan shall be true and correct in all respects.

Section 6.15 Compliance with Anti-Terrorism Orders.

(a) Borrower, each member in Borrower, all beneficial owners of Borrower and, to the best of Borrower's knowledge, all beneficial owners of any such member, are in compliance with all laws, statutes, rules and regulations of any federal, state or local governmental authority in the United States of America applicable to such Persons, including, without limitation, the requirements of Executive Order No. 13224, 66 Fed. Reg. 49079 (Sept. 25, 2001) (the "**Order**") and other similar requirements contained in the rules and regulations of the Office of Foreign Asset Control, Department of the Treasury ("**OFAC**") and in any enabling legislation or other Executive Orders in respect thereof (the Order and such other rules, regulations, legislation, or orders are collectively called the "**Orders**"). Borrower agrees to make its policies, procedures and practices regarding compliance with the Orders of any Persons who, pursuant to transfers permitted by the Mortgage, become stockholders, members, partners or other investors of Borrower available to Lender for its review and inspection during normal business hours and upon reasonable prior notice.

(b) Neither Borrower or any member in Borrower nor the beneficial owner of Borrower or any such member:

(i) is listed on the Specially Designated Nationals and Blocked Persons List maintained by OFAC pursuant to the Order and/or on any other list of terrorists or terrorist organizations maintained pursuant to any of the rules and regulations of OFAC or pursuant to any other applicable Orders (such lists are collectively referred to as the "**Lists**");

(ii) is a Person who has been determined by competent authority to be subject to the prohibitions contained in the Orders;

(iii) is owned or controlled by, nor acts for or on behalf of, any Person on the Lists or any other Person who has been determined by competent authority to be subject to the prohibitions contained in the Orders;

(iv) shall transfer or permit the transfer of any interest in Borrower or any Borrower Party to any Person who is or whose beneficial owners are listed on the Lists; or

(v) shall knowingly lease space in any Project to any Person who is listed on the Lists or who is engaged in illegal activities.

(c) If Borrower obtains knowledge that Borrower or any of its members or their beneficial owners become listed on the Lists or are indicted, arraigned, or custodially detained on charges involving money laundering or predicate crimes to money laundering, Borrower shall immediately notify Lender.

(d) If Borrower obtains knowledge that any tenant in any Project has become listed on the Lists or is convicted, pleads nolo contendere, indicted, arraigned, or custodially detained on charges involving money laundering or predicate crimes to money laundering, Borrower shall immediately notify Lender.

(e) If Borrower obtains knowledge that a tenant at any Project is listed on the Lists or is convicted or pleads nolo contendere to charges related to activity prohibited in the Orders, then proceeds from the rents of such tenant shall not be used to pay Debt Service and Borrower shall provide Lender such representations and verifications as Lender shall reasonably request that such rents are not being so used.

(f) If a tenant at any Project is arrested on such charges, and such charge is not dismissed within thirty (30) days thereafter, Lender may at its option notify Borrower to exclude such rents from the Debt Service payments.

(g) If Borrower or any Borrower Party is listed on the Lists, no earn-out disbursements, escrow disbursements, or other disbursements under the Loan Documents shall be made and all of such funds shall be paid in accordance with the direction of a court of competent jurisdiction.

ARTICLE 7

FINANCIAL REPORTING

Section 7.1 Financial Statements.

(a) **Monthly Reports**. Until the Loan is sold in a Secondary Market Transaction, Borrower shall furnish to Lender within twenty-one (21) days after the end of each calendar month, a current rent roll and a detailed operating statement (showing monthly activity and year-to-date) for each Project stating operating revenues, operating expenses, operating income and net cash flow for the calendar month just ended.

(b) **Quarterly Reports**. Within forty-five (45) days after the end of each calendar quarter, Borrower shall furnish to Lender a current rent roll and a detailed operating statement (showing quarterly activity and year-to-date) for each Project stating operating revenues, operating expenses, operating income and net cash flow for the calendar quarter just ended.

(c) **Annual Reports**. Within ninety (90) days after the end of each fiscal year of Borrower's operation of the Projects (on a Project-by-Project basis and on a consolidated basis), Borrower shall furnish to Lender a current (as of the end of such fiscal year) balance sheet, a detailed operating statement stating operating revenues, operating expenses, operating income and net cash flow for each of

Borrower and the Projects, and, if required by Lender, audited financial statements prepared by an independent public accountant reasonably satisfactory to Lender.

(d) **Certification; Supporting Documentation**. Each such financial statement shall be in scope and detail reasonably satisfactory to Lender and certified by the chief financial representative of Borrower.

Section 7.2 Accounting Principles. All financial statements shall be prepared in accordance with generally accepted accounting principles in the United States of America in effect on the date so indicated and consistently applied (or such other accounting basis reasonably acceptable for Lender).

Section 7.3 Other Information; Access. Borrower shall deliver to Lender such additional information regarding Borrower, its subsidiaries, its business, any Borrower Party, and the Projects within 30 days after Lender's request therefor. Borrower shall permit Lender to examine such records, books and papers of Borrower which reflect upon its financial condition and the income and expenses of the Projects. In the event that Borrower fails to forward the financial statements required in this Article 7 within thirty (30) days after written request, Lender shall have the right to audit such records, books and papers at Borrower's expense.

Section 7.4 Annual Budget. At least thirty (30) days prior to the commencement of each fiscal year, Borrower will provide to Lender its proposed annual operating and capital improvements budget for each Project for such fiscal year for review and approval by Lender.

ARTICLE 8

COVENANTS

Borrower covenants and agrees with Lender as follows:

Section 8.1 Due On Sale and Encumbrance; Transfers of Interests. Without the prior written consent of Lender, neither Borrower nor any other Person having an ownership or beneficial interest in Borrower shall sell, transfer, convey, mortgage, pledge, or assign any interest in any Project or any part thereof or further encumber, alienate, grant a Lien or grant any other interest in any Project or any part thereof, whether voluntarily or involuntarily, in violation of the covenants and conditions set forth in the Mortgages.

Section 8.2 Taxes; Utility Charges. Except to the extent sums sufficient to pay all Taxes (defined herein) have been previously deposited with Lender as part of the Tax and Insurance Escrow Fund and subject to Borrower's right to contest in accordance with Section 11.8 hereof, Borrower shall pay before any fine, penalty, interest or cost may be added thereto, and shall not enter into any agreement to defer, any real estate taxes and assessments, franchise taxes and charges, and other governmental charges (the "**Taxes**") that may become a Lien upon any Project or become payable during the term of the Loan. Borrower's compliance with Section 3.4 of this Agreement relating to impounds for Taxes shall, with respect to payment of such Taxes, be deemed compliance with this Section 8.2. Borrower shall not suffer or permit the joint assessment of any Project with any other real property constituting a separate tax lot or with any other real or personal property. Borrower shall promptly pay for all utility services provided to the Projects.

Section 8.3 Control; Management. Except as expressly permitted in Section 3.9 of the Mortgages, there shall be no change in the day-to-day control and management of Borrower or Borrower's general partner or managing member without the prior written consent of Lender. Borrower

shall not terminate, replace or appoint any property manager or terminate or amend the property management agreement for any Project without Lender's prior written approval, which approval shall not be unreasonably withheld. Any change in ownership or control of the property manager shall be cause for Lender to re-approve such property manager and property management agreement. Each property manager shall hold and maintain all necessary licenses, certifications and permits required by law. Borrower shall fully perform all of its covenants, agreements and obligations under the property management agreements. The property management fee payable under each property management agreement shall not exceed six percent (6.0%) of gross revenues collected.

Section 8.4 Operation; Maintenance; Inspection. Borrower shall observe and comply with all legal requirements applicable to the ownership, use and operation of the Projects. Borrower shall maintain the Projects in good condition and promptly repair any damage or casualty. Borrower shall permit Lender and its agents, representatives and employees, upon reasonable prior notice to Borrower, to inspect the Projects and conduct such environmental and engineering studies as Lender may require, provided such inspections and studies do not materially interfere with the use and operation of the Projects.

Section 8.5 Taxes on Security. Borrower shall pay all taxes, charges, filing, registration and recording fees, excises and levies payable with respect to the Note or the Liens created or secured by the Loan Documents, other than income, franchise and doing business taxes imposed on Lender. If there shall be enacted any law (a) deducting all or a portion of the Loan from the value of any Project for the purpose of taxation, (b) affecting any Lien on any Project, or (c) changing existing laws of taxation of mortgages, deeds of trust, security deeds, or debts secured by real property, or changing the manner of collecting any such taxes, Borrower shall promptly pay to Lender, on demand, all taxes, costs and charges for which Lender is or may be liable as a result thereof; however, if such payment would be prohibited by law or would render the Loan usurious, then instead of collecting such payment, Lender may declare all amounts owing under the Loan Documents to be immediately due and payable.

Section 8.6 Legal Existence; Name, Etc. Borrower and each SPC Party shall preserve and keep in full force and effect its entity status, franchises, rights and privileges under the laws of the state of its formation, and all qualifications, licenses and permits applicable to the ownership, use and operation of the Projects. Neither Borrower nor any general partner or managing member of Borrower shall wind up, liquidate, dissolve, reorganize, merge, or consolidate with or into, or convey, sell, assign, transfer, lease, or otherwise dispose of all or substantially all of its assets, or acquire all or substantially all of the assets of the business of any Person, or permit any subsidiary or Affiliate of Borrower to do so (except as permitted in Section 3.9 of the Mortgages with respect to Extra Space Storage LLC). Borrower shall not change its name, identity, state of formation, or organizational structure, or the location of its chief executive office or principal place of business unless Borrower (a) shall have obtained the prior written consent of Lender to such change, and (b) shall have taken all actions necessary or requested by Lender to file or amend any financing statement or continuation statement to assure perfection and continuation of perfection of security interests under the Loan Documents. The name of Borrower, type of entity, organization number, and state of formation set forth in this Agreement accurately reflect such information as shown on the public record of Borrower's jurisdiction of organization.

Section 8.7 Further Assurances. Borrower shall promptly (a) cure any defects in the execution and delivery of the Loan Documents and the Environmental Indemnity Agreement, and (b) execute and deliver, or cause to be executed and delivered, all such other documents, agreements and instruments as Lender may reasonably request to further evidence and more fully describe the collateral for the Loan, to correct any omissions in the Loan Documents, to perfect, protect or preserve any liens created under any of the Loan Documents and the Environmental Indemnity Agreement, or to make any recordings, file any notices, or obtain any consents, as may be necessary or appropriate in connection

therewith. Borrower grants Lender an irrevocable power of attorney coupled with an interest for the purpose of exercising and perfecting any and all rights and remedies available to Lender under the Loan Documents and the Environmental Indemnity Agreement, at law and in equity, including without limitation such rights and remedies available to Lender pursuant to this Section 8.7.

Section 8.8 Estoppel Certificates. Borrower, within ten (10) days after request, shall furnish to Lender a written statement, duly acknowledged, setting forth the amount due on the Loan, the terms of payment of the Loan, the date to which interest has been paid, whether any offsets or defenses exist against the Loan and, if any are alleged to exist, the nature thereof in detail, and such other matters as Lender reasonably may request.

Section 8.9 Notice of Certain Events. Borrower shall promptly notify Lender of (a) any Potential Default or Event of Default, together with a detailed statement of the steps being taken to cure such Potential Default or Event of Default; (b) any notice of default received by Borrower under other obligations relating to any Project or otherwise material to Borrower's business; and (c) any threatened or pending legal, judicial or regulatory proceedings, including any dispute between Borrower and any governmental authority, affecting Borrower or any Project.

Section 8.10 Indemnification. Except for matters caused by Lender's gross negligence or willful misconduct, Borrower shall protect, defend, indemnify and save harmless Lender its shareholders, directors, officers, employees and agents from and against all liabilities, obligations, claims, damages, penalties, causes of action, costs and expenses (including without limitation reasonable attorneys' fees and expenses), imposed upon or incurred by or asserted against Lender by reason of (a) ownership of the Mortgages, the Projects or any interest therein or receipt of any rents; (b) any accident, injury to or death of persons or loss of or damage to property occurring in, on or about any Project or any part thereof or on the adjoining sidewalks, curbs, adjacent property or adjacent parking areas, streets or ways; (c) any use, nonuse or condition in, on or about any Project or any part thereof or on the adjoining sidewalks, curbs, adjacent property or adjacent parking areas, streets or ways; (d) performance of any labor or services or the furnishing of any materials or other property in respect of any Project or any part thereof; and (e) the failure of any Person to file timely with the Internal Revenue Service an accurate Form 1099-B, Statement for Recipients of Proceeds from Real Estate, Broker and Barter Exchange Transactions, which may be required in connection with this Agreement, or to supply a copy thereof in a timely fashion to the recipient of the proceeds of the transaction in connection with which this Agreement is made. Any amounts payable to Lender by reason of the application of this section shall become immediately due and payable and shall bear interest at the Default Rate from the date loss or damage is sustained by Lender until paid.

Section 8.11 Cooperation. Borrower acknowledges that Lender and its successors and assigns may (a) sell this Agreement, the Mortgages, the Note, the other Loan Documents, and the Environmental Indemnity Agreement, and any and all servicing rights thereto to one or more investors as a whole loan, (b) participate the Loan to one or more investors, (c) deposit this Agreement, the Note, other Loan Documents, and the Environmental Indemnity Agreement with a trust, which trust may sell certificates to investors evidencing an ownership interest in the trust assets, or (d) otherwise sell the Loan or interest therein to investors (the transactions referred to in clauses (a) through (d) are hereinafter each referred to as a "**Secondary Market Transaction**"). Borrower shall cooperate with Lender in effecting any such Secondary Market Transaction and shall cooperate to implement all requirements imposed by any Rating Agency involved in any Secondary Market Transaction. Borrower shall provide such information, legal opinions and documents relating to the Borrower, the Projects and any tenants of the Projects as Lender may reasonably request in connection with such Secondary Market Transaction at no third-party professional expense to Borrower unless otherwise required by the Loan Documents. In addition, Borrower shall make available to Lender all information concerning its business and operations,

and any other matters contemplated by the Loan Documents, that Lender may reasonably request. Lender shall be permitted to share all such information with the investment banking firms, Rating Agencies, accounting firms, law firms and other third-party advisory firms involved with the Loan and the Loan Documents or the applicable Secondary Market Transaction. It is understood that the information provided by Borrower to Lender may ultimately be incorporated into the offering documents for the Secondary Market Transaction and thus various investors may also see some or all of the information. Lender and all of the aforesaid third-party advisors and professional firms shall be entitled to rely on the information supplied by, or on behalf of, Borrower and Borrower indemnifies Lender as to any losses, claims, damages or liabilities that arise out of or are based upon any untrue statement or alleged untrue statement of any material fact contained in such information or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated in such information or necessary in order to make the statements in such information, or in light of the circumstances under which they were made, not misleading.

Section 8.12 Payment For Labor and Materials. Subject to Borrower's right to contest in accordance with Section 11.8 hereof, Borrower will promptly pay when due all bills and costs for labor, materials, and specifically fabricated materials incurred in connection with any Project and never permit to exist beyond the due date thereof in respect of such Project or any part thereof any Lien, even though inferior to the Liens hereof, and in any event never permit to be created or exist in respect of any Project or any part thereof any other or additional Lien other than the Liens hereof, except for the Permitted Encumbrances (defined in the Mortgage encumbering such Project).

ARTICLE 9

EVENTS OF DEFAULT

Each of the following shall constitute an Event of Default under the Loan:

Section 9.1 Payments. Borrower's failure to pay any regularly scheduled installment of principal, interest or other amount due under the Loan Documents within five (5) days of (and including) the date when due, or Borrower's failure to pay the Loan at the Maturity Date, whether by acceleration or otherwise.

Section 9.2 Insurance. Borrower's failure to maintain insurance as required under Section 3.1 of this Agreement.

Section 9.3 Sale, Encumbrance, Etc. The sale, transfer, conveyance, pledge, mortgage or assignment of any part or all of any Project, or any interest therein, or of any interest in Borrower, in violation of the Mortgage encumbering such Project.

Section 9.4 Covenants. Borrower's failure to perform or observe any of the agreements and covenants contained in this Agreement or in any of the other Loan Documents (other than payments under Section 9.1, insurance requirements under Section 9.2, transfers and encumbrances under Section 9.3, and the Events of Default described in Sections 9.7, 9.8 and 9.9 below), and the continuance of such failure for ten (10) days after notice by Lender to Borrower; however, subject to any shorter period for curing any failure by Borrower as specified in any of the other Loan Documents, Borrower shall have an additional sixty (60) days to cure such failure if (a) such failure does not involve the failure to make payments on a monetary obligation; (b) such failure cannot reasonably be cured within ten (10) days; (c) Borrower is diligently undertaking to cure such default; and (d) Borrower has provided Lender with security reasonably satisfactory to Lender against any interruption of payment or impairment of collateral as a result of such continuing failure.

Section 9.5 Representations and Warranties. Any representation or warranty made in any Loan Document proves to be untrue in any material respect when made or deemed made.

Section 9.6 Other Encumbrances. Any default under any document or instrument, other than the Loan Documents, evidencing or creating a Lien on any Project or any part thereof, not cured within any applicable grace or cure period therein.

Section 9.7 Involuntary Bankruptcy or Other Proceeding. Commencement of an involuntary case or other proceeding against Borrower, any Borrower Party or any other Person having an ownership or security interest in any Project (each, a "**Bankruptcy Party**") which seeks liquidation, reorganization or other relief with respect to it or its debts or other liabilities under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeks the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any of its property, and such involuntary case or other proceeding shall remain undismissed or unstayed for a period of 60 days; or an order for relief against a Bankruptcy Party shall be entered in any such case under the Federal Bankruptcy Code.

Section 9.8 Voluntary Petitions, Etc. Commencement by a Bankruptcy Party of a voluntary case or other proceeding seeking liquidation, reorganization or other relief with respect to itself or its Debts or other liabilities under any bankruptcy, insolvency or other similar law or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official for it or any of its property, or consent by a Bankruptcy Party to any such relief or to the appointment of or taking possession by any such official in an involuntary case or other proceeding commenced against it, or the making by a Bankruptcy Party of a general assignment for the benefit of creditors, or the failure by a Bankruptcy Party, or the admission by a Bankruptcy Party in writing of its inability, to pay its debts generally as they become due, or any action by a Bankruptcy Party to authorize or effect any of the foregoing.

Section 9.9 Anti-Terrorism. If Borrower or any Borrower Party is listed on the Lists or is convicted or pleads nolo contendere to charges related to activity prohibited in the Orders, or if Borrower or any Borrower Party is arrested on charges related to activity prohibited in the Orders and such charge is not dismissed within sixty (60) days thereafter.

ARTICLE 10

REMEDIES

Section 10.1 Remedies - Insolvency Events. Upon the occurrence of any Event of Default described in Section 9.7 or 9.8, all amounts due under the Loan Documents immediately shall become due and payable, all without written notice and without presentment, demand, protest, notice of protest or dishonor, notice of intent to accelerate the maturity thereof, notice of acceleration of the maturity thereof, or any other notice of default of any kind, all of which are hereby expressly waived by Borrower; however, if the Bankruptcy Party under Section 9.7 or 9.8 is other than Borrower, then all amounts due under the Loan Documents shall become immediately due and payable at Lender's election, in Lender's sole discretion.

Section 10.2 Remedies - Other Events. Except as set forth in Section 10.1 above, while any Event of Default exists, Lender may (a) declare the entire Loan to be immediately due and payable without presentment, demand, protest, notice of protest or dishonor, notice of intent to accelerate the maturity thereof, notice of acceleration of the maturity thereof, or other notice of default of any kind, all of which are hereby expressly waived by Borrower, and (b) exercise all rights and remedies therefor under the Loan Documents and at law or in equity.

Section 10.3 Lender's Right to Perform the Obligations. If Borrower shall fail, refuse or neglect to make any payment or perform any act required by the Loan Documents, then while any Event of Default exists, and without notice to or demand upon Borrower and without waiving or releasing any other right, remedy or recourse Lender may have because of such Event of Default, Lender may (but shall not be obligated to) make such payment or perform such act for the account of and at the expense of Borrower, and shall have the right to enter upon the Projects for such purpose and to take all such action thereon and with respect to the Projects as it may deem necessary or appropriate. If Lender shall elect to pay any sum due with reference to any Project, Lender may do so in reliance on any bill, statement or assessment procured from the appropriate governmental authority or other issuer thereof without inquiring into the accuracy or validity thereof. Similarly, in making any payments to protect the security intended to be created by the Loan Documents, Lender shall not be bound to inquire into the validity of any apparent or threatened adverse title, lien, encumbrance, claim or charge before making an advance for the purpose of preventing or removing the same. Borrower shall indemnify Lender for all losses, expenses, damages, claims and causes of action, including reasonable attorneys' fees, incurred or accruing by reason of any acts performed by Lender pursuant to the provisions of this Section 10.3. All sums paid by Lender pursuant to this Section 10.3, and all other sums expended by Lender to which it shall be entitled to be indemnified, together with interest thereon at the Default Rate from the date of such payment or expenditure until paid, shall constitute additions to the Loan, shall be secured by the Loan Documents and shall be paid by Borrower to Lender upon demand.

ARTICLE 11

MISCELLANEOUS

Section 11.1 Notices. Any notice required or permitted to be given under this Agreement shall be in writing and either shall be mailed by certified mail, postage prepaid, return receipt requested, or sent by overnight air courier service, or personally delivered to a representative of the receiving party, or sent by telecopy (provided an identical notice is also sent simultaneously by mail, overnight courier, or personal delivery as otherwise provided in this Section 11.1). All such communications shall be mailed, sent or delivered, addressed to the party for whom it is intended at its address set forth below.

If to Borrower: Extra Space Properties Eight LLC
2795 East Cottonwood Parkway, Suite 400
Salt Lake City, Utah 84121
Attention: David L. Rasmussen, General Counsel
Telecopy: (801) 365-4947

If to Lender: General Electric Capital Corporation
c/o GEMSA Loan Services, L.P.
1500 City West Boulevard, Suite 200
Houston, Texas 77042-2300
Attention: Portfolio Manager/Access Program
Telecopy: (713) 458-7500

with a copy to: General Electric Capital Corporation
Two Bent Tree Tower
16479 Dallas Parkway, Suite 500
Addison, Texas 75001
Attention: David R. Martindale
Telecopy: (972) 728-7650

Any communication so addressed and mailed shall be deemed to be given on the earliest of (a) when actually delivered, (b) on the first Business Day after deposit with an overnight air courier service, or (c) on the third Business Day after deposit in the United States mail, postage prepaid, in each case to the address of the intended addressee, and any communication so delivered in person shall be deemed to be given when receipted for by, or actually received by Lender or Borrower, as the case may be. If given by telecopy, a notice shall be deemed given and received when the telecopy is transmitted to the party's telecopy number specified above and confirmation of complete receipt is received by the transmitting party during normal business hours or on the next Business Day if not confirmed during normal business hours. Either party may designate a change of address by written notice to the other by giving at least ten (10) days prior written notice of such change of address.

Section 11.2 Amendments and Waivers. No amendment or waiver of any provision of the Environmental Indemnity Agreement and the Loan Documents shall be effective unless in writing and signed by the party against whom enforcement is sought.

Section 11.3 Limitation on Interest. It is the intention of the parties hereto to conform strictly to applicable usury laws. Accordingly, all agreements between Borrower and Lender with respect to the Loan are hereby expressly limited so that in no event, whether by reason of acceleration of maturity or otherwise, shall the amount paid or agreed to be paid to Lender or charged by Lender for the use, forbearance or detention of the money to be lent hereunder or otherwise, exceed the maximum amount allowed by law. If the Loan would be usurious under applicable law (including the laws of the State and the laws of the United States of America), then, notwithstanding anything to the contrary in the Loan Documents: (a) the aggregate of all consideration which constitutes interest under applicable law that is contracted for, taken, reserved, charged or received under the Loan Documents shall under no circumstances exceed the maximum amount of interest allowed by applicable law, and any excess shall be credited on the Note by the holder thereof; and (b) if maturity is accelerated by reason of an election by Lender, or in the event of any prepayment, then any consideration which constitutes interest may never include more than the maximum amount allowed by applicable law. In such case, excess interest, if any, provided for in the Loan Documents or otherwise, to the extent permitted by applicable law, shall be amortized, prorated, allocated and spread from the date of advance until payment in full so that the actual rate of interest is uniform through the term hereof. If such amortization, proration, allocation and spreading is not permitted under applicable law, then such excess interest shall be canceled automatically as of the date of such acceleration or prepayment and, if theretofore paid, shall be credited on the Note. The terms and provisions of this Section 11.3 shall control and supersede every other provision of the Loan Documents. The Loan Documents are contracts made under and shall be construed in accordance with and governed by the laws of the State, except that if at any time the laws of the United States of America permit Lender to contract for, take, reserve, charge or receive a higher rate of interest than is allowed by the laws of the State (whether such federal laws directly so provide or refer to the law of any state), then such federal laws shall to such extent govern as to the rate of interest which Lender may contract for, take, reserve, charge or receive under the Loan Documents.

Section 11.4 Invalid Provisions. If any provision of any Loan Document or the Environmental Indemnity Agreement is held to be illegal, invalid or unenforceable, such provision shall

be fully severable; the Environmental Indemnity Agreement and the Loan Documents shall be construed and enforced as if such illegal, invalid or unenforceable provision had never comprised a part thereof; the remaining provisions thereof shall remain in full effect and shall not be affected by the illegal, invalid, or unenforceable provision or by its severance therefrom; and in lieu of such illegal, invalid or unenforceable provision there shall be added automatically as a part of such Environmental Indemnity Agreement and such Loan Document a provision as similar in terms to such illegal, invalid or unenforceable provision as may be possible to be legal, valid and enforceable.

Section 11.5 Reimbursement of Expenses. Borrower shall pay all reasonable expenses incurred by Lender in connection with the Loan, including reasonable fees and expenses of Lender's attorneys, environmental, engineering and other consultants, and fees, charges or taxes for the recording or filing of Loan Documents. Borrower shall pay all expenses of Lender in connection with the administration of the Loan, including audit costs, inspection fees, settlement of condemnation and casualty awards, premiums for title insurance and endorsements thereto, and Rating Agency fees and expenses in connection with confirmation letters, if required. Borrower shall, upon request, promptly reimburse Lender for all amounts expended, advanced or incurred by Lender to collect the Note, or to enforce the rights of Lender under this Agreement, the Environmental Indemnity Agreement, or any Loan Document, or to defend or assert the rights and claims of Lender under the Environmental Indemnity Agreement or the Loan Documents or with respect to the Projects (by litigation or other proceedings), which amounts will include all court costs, reasonable attorneys' fees and expenses, fees of auditors and accountants, and investigation expenses as may be incurred by Lender in connection with any such matters (whether or not litigation is instituted), together with interest at the Default Rate on each such amount from the date of disbursement until the date of reimbursement to Lender, all of which shall constitute part of the Loan and shall be secured by the Loan Documents.

Section 11.6 Approvals; Third Parties; Conditions. All approval rights retained or exercised by Lender with respect to leases, contracts, plans, studies and other matters are solely to facilitate Lender's credit underwriting, and shall not be deemed or construed as a determination that Lender has passed on the adequacy thereof for any other purpose and may not be relied upon by Borrower or any other Person. This Agreement is for the sole and exclusive use of Lender and Borrower and may not be enforced, nor relied upon, by any Person other than Lender and Borrower. All conditions of the obligations of Lender hereunder, including the obligation to make advances, are imposed solely and exclusively for the benefit of Lender, its successors and assigns, and no other Person shall have standing to require satisfaction of such conditions or be entitled to assume that Lender will refuse to make advances in the absence of strict compliance with any or all of such conditions, and no other Person shall, under any circumstances, be deemed to be a beneficiary of such conditions, any and all of which may be freely waived in whole or in part by Lender at any time in Lender's sole discretion.

Section 11.7 Lender Not in Control; No Partnership. None of the covenants or other provisions contained in this Agreement shall, or shall be deemed to, give Lender the right or power to exercise control over the affairs or management of Borrower, the power of Lender being limited to the rights to exercise the remedies referred to in the Environmental Indemnity Agreement or the Loan Documents. The relationship between Borrower and Lender is, and at all times shall remain, solely that of debtor and creditor. No covenant or provision of the Environmental Indemnity Agreement or the Loan Documents is intended, nor shall it be deemed or construed, to create a partnership, joint venture, agency or common interest in profits or income between Lender and Borrower or to create an equity in the Projects in Lender. Lender neither undertakes nor assumes any responsibility or duty to Borrower or to any other person with respect to the Projects or the Loan, except as expressly provided in the Environmental Indemnity Agreement and the Loan Documents; and notwithstanding any other provision of the Environmental Indemnity Agreement or the Loan Documents: (a) Lender is not, and shall not be construed as, a partner, joint venturer, alter ego, manager, controlling person or other business associate

or participant of any kind of Borrower or its stockholders, members, or partners and Lender does not intend to ever assume such status; (b) Lender shall in no event be liable for any Debts, expenses or losses incurred or sustained by Borrower; and (c) Lender shall not be deemed responsible for or a participant in any acts, omissions or decisions of Borrower or its stockholders, members, or partners. Lender and Borrower disclaim any intention to create any partnership, joint venture, agency or common interest in profits or income between Lender and Borrower, or to create an equity in the Projects in Lender, or any sharing of liabilities, losses, costs or expenses.

Section 11.8 Contest of Certain Claims. Borrower may contest the validity of Taxes or any mechanic's or materialman's lien asserted against any Project so long as (a) Borrower notifies Lender that it intends to contest such Taxes or liens, as applicable, (b) Borrower provides Lender with an indemnity, bond or other security reasonably satisfactory to Lender assuring the discharge of Borrower's obligations for such Taxes or liens, as applicable, including interest and penalties, (c) Borrower is diligently contesting the same by appropriate legal proceedings in good faith and at its own expense and concludes such contest prior to the tenth (10th) day preceding the earlier to occur of the Maturity Date or the date on which such Project is scheduled to be sold for non-payment, (d) Borrower promptly upon final determination thereof pays the amount of any such Taxes or liens, as applicable, together with all costs, interest and penalties which may be payable in connection therewith, and (e) notwithstanding the foregoing, Borrower shall immediately upon request of Lender pay any such Taxes or liens, as applicable, notwithstanding such contest if, in the opinion of Lender, such Project or any part thereof or interest therein may be in danger of being sold, forfeited, foreclosed, terminated, canceled or lost. Lender may pay over any cash deposit or part thereof to the claimant entitled thereto at any time when, in the reasonable judgment of Lender, the entitlement of such claimant is established.

Section 11.9 Time of the Essence. Time is of the essence with respect to this Agreement and the other Loan Documents.

Section 11.10 Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of Lender and Borrower and their respective successors and assigns, provided that neither Borrower nor any other Borrower Party shall, without the prior written consent of Lender, assign any rights, duties or obligations hereunder.

Section 11.11 Renewal, Extension or Rearrangement. All provisions of the Environmental Indemnity Agreement and the Loan Documents shall apply with equal effect to each and all promissory notes and amendments thereof hereinafter executed which in whole or in part represent a renewal, extension, increase or rearrangement of the Loan.

Section 11.12 Waivers. No course of dealing on the part of Lender, its officers, employees, consultants or agents, nor any failure or delay by Lender with respect to exercising any right, power or privilege of Lender under the Environmental Indemnity Agreement and any of the Loan Documents, shall operate as a waiver thereof.

Section 11.13 Cumulative Rights; Joint and Several Liability. Rights and remedies of Lender under the Environmental Indemnity Agreement and the Loan Documents shall be cumulative, and the exercise or partial exercise of any such right or remedy shall not preclude the exercise of any other right or remedy. If more than one person or entity has executed this Agreement as "Borrower," the obligations of all such persons or entities hereunder shall be joint and several.

Section 11.14 Singular and Plural. Words used in this Agreement, the other Loan Documents, and the Environmental Indemnity Agreement in the singular, where the context so permits, shall be deemed to include the plural and vice versa. The definitions of words in the singular in this

Agreement, the other Loan Documents, and the Environmental Indemnity Agreement shall apply to such words when used in the plural where the context so permits and vice versa.

Section 11.15 Phrases. Except as otherwise expressly provided herein, when used in this Agreement, the other Loan Documents, and the Environmental Indemnity Agreement, the phrase "including" shall mean "including, but not limited to," the phrase "satisfactory to Lender" shall mean "in form and substance satisfactory to Lender in all respects," the phrase "with Lender's consent" or "with Lender's approval" shall mean such consent or approval at Lender's sole discretion, and the phrase "acceptable to Lender" shall mean "acceptable to Lender at Lender's sole discretion."

Section 11.16 Exhibits and Schedules. The exhibits and schedules attached to this Agreement are incorporated herein and shall be considered a part of this Agreement for the purposes stated herein.

Section 11.17 Titles of Articles, Sections and Subsections. All titles or headings to articles, sections, subsections or other divisions of this Agreement, the other Loan Documents, and the Environmental Indemnity Agreement or the exhibits hereto and thereto are only for the convenience of the parties and shall not be construed to have any effect or meaning with respect to the other content of such articles, sections, subsections or other divisions, such other content being controlling as to the agreement between the parties hereto.

Section 11.18 Promotional Material. Borrower authorizes Lender to issue press releases, advertisements and other promotional materials in connection with Lender's own promotional and marketing activities, including in connection with a Secondary Market Transaction, and such materials may describe the Loan in general terms or in detail and Lender's participation therein in the Loan. All references to Lender contained in any press release, advertisement or promotional material issued by Borrower shall be approved in writing by Lender in advance of issuance.

Section 11.19 Survival. All of the representations, warranties, covenants, and indemnities hereunder (including environmental matters under Article 4), under the indemnification provisions of the other Loan Documents and under the Environmental Indemnity Agreement, shall survive the repayment in full of the Loan and the release of the liens evidencing or securing the Loan, and shall survive the transfer (by sale, foreclosure, conveyance in lieu of foreclosure or otherwise) of any or all right, title and interest in and to the Projects to any party, whether or not an Affiliate of Borrower.

Section 11.20 Waiver of Jury Trial. To the maximum extent permitted by law, Borrower and Lender hereby knowingly, voluntarily and intentionally waive the right to a trial by jury in respect of any litigation based hereon, arising out of, under or in connection with this Agreement, any other Loan Document, or the Environmental Indemnity Agreement, or any course of conduct, course of dealing, statement (whether verbal or written) or action of either party or any exercise by any party of their respective rights under the Loan Documents and the Environmental Indemnity Agreement or in any way relating to the Loan or the Projects (including, without limitation, any action to rescind or cancel this Agreement, and any claim or defense asserting that this Agreement was fraudulently induced or is otherwise void or voidable): This waiver is a material inducement for Lender to enter this Agreement.

Section 11.21 Waiver of Punitive or Consequential Damages. Neither Lender nor Borrower shall be responsible or liable to the other or to any other Person for any punitive, exemplary or consequential damages which may be alleged as a result of the Loan or the transaction contemplated hereby, including any breach or other default by any party hereto.

Section 11.22 Governing Law. Except as otherwise expressly provided in any of the other Loan Documents, in all respects, including all matters of construction, validity and performance, this

Agreement, the other Loan Documents and the Environmental Indemnity Agreement, and the obligations arising hereunder and thereunder, shall be governed by, and construed and enforced in accordance with, the laws of the State of Utah applicable to contracts made and performed in such state, without regard to the principals thereof regarding conflict of laws, and any applicable laws of the United States of America. Lender and Borrower agree to submit to personal jurisdiction and to waive any objection as to venue in the County of Salt Lake, State of Utah. Nothing herein shall preclude Lender or Borrower from bringing suit or taking other legal action in any other jurisdiction.

Section 11.23 Entire Agreement. This Agreement, the other Loan Documents and the Environmental Indemnity Agreement embody the entire agreement and understanding between Lender and Borrower and supersede all prior agreements and understandings between such parties relating to the subject matter hereof and thereof. Accordingly, the Loan Documents and the Environmental Indemnity Agreement may not be contradicted by evidence of prior, contemporaneous, or subsequent oral agreements of the parties. There are no unwritten oral agreements between the parties.

Section 11.24 Counterparts. This Agreement may be executed in multiple counterparts, each of which shall constitute an original, but all of which shall constitute one document.

ARTICLE 12

LIMITATIONS ON LIABILITY

Section 12.1 Limitation on Liability. Except as provided below, Borrower shall not be personally liable for amounts due under the Loan Documents. Borrower shall be personally liable to Lender for any deficiency, loss or damage suffered by Lender because of: (a) Borrower's commission of a criminal act; (b) the failure to comply with provisions of the Loan Documents prohibiting the sale, transfer or encumbrance of the Projects, any other collateral, or any direct or indirect ownership interest in Borrower; (c) the misapplication by Borrower or any Borrower Party of any funds derived from the Projects, including security deposits, insurance proceeds and condemnation awards in violation of this Agreement or any of the other Loan Documents; (d) the fraud or misrepresentation by Borrower or any Borrower Party made in or in connection with the Loan Documents or the Loan; (e) Borrower's collection of rents more than one month in advance or entering into or modifying leases, or receipt of monies by Borrower or any Borrower Party in connection with the modification of any leases, in violation of this Agreement or any of the other Loan Documents; (f) Borrower's failure to apply proceeds of rents or any other payments in respect of the leases and other income of the Projects or any other collateral when received to the costs of maintenance and operation of the Projects and to the payment of taxes, lien claims, insurance premiums, Debt Service, the Funds, and other amounts due under the Loan Documents to the extent the Loan Documents require such proceeds to be then so applied; (g) Borrower's interference with Lender's exercise of rights under the Assignments of Leases and Rents; (h) Borrower's failure to maintain insurance as required by this Agreement; (i) damage or destruction to any Project caused by the acts or omissions of Borrower, its agents, employees, or contractors; (j) Borrower's obligations with respect to environmental matters under Article 4; (k) Borrower's failure to pay for any loss, liability or expense (including attorneys' fees) incurred by Lender arising out of any claim or allegation made by Borrower, its successors or assigns, or any creditor of Borrower, that this Agreement or the transactions contemplated by the Loan Documents and the Environmental Indemnity Agreement establishes a joint venture, partnership or other similar arrangement between Borrower and Lender; (1) any brokerage commission or finder's fees claimed in connection with the transactions contemplated by the Loan Documents; (m) the filing by Borrower or any of its members, partners, or shareholders, or the filing against Borrower, of a petition under the United States Bankruptcy Code or similar state insolvency laws; or (n) uninsured damage to any Project resulting from acts of terrorism. Nothing herein shall be deemed

to be a waiver of any right which Lender may have under Sections 506(a), 506(b), 111l(b) or any other provision of the United States Bankruptcy Code, to file a claim for the full amount due to Lender under the Loan Documents or to require that all collateral shall continue to secure the amounts due under the Loan Documents.

Section 12.2 Limitation on Liability of Lender's Officers, Employees, Etc. Any obligation or liability whatsoever of Lender which may arise at any time under this Agreement, any other Loan Document, or the Environmental Indemnity Agreement shall be satisfied, if at all, out of the Lender's assets only. No such obligation or liability shall be personally binding upon, nor shall resort for the enforcement thereof be had to, the property of any of Lender's shareholders, directors, officers, employees or agents, regardless of whether such obligation or liability is in the nature of contract, tort or otherwise.

[*Remainder of page intentionally left blank.*]

EXECUTED as of the date first written above.

LENDER:

GENERAL ELECTRIC CAPITAL CORPORATION,
a Delaware corporation

By: /s/ David R. Martindale
David R. Martindale
Managing Director

BORROWER:

EXTRA SPACE PROPERTIES EIGHT LLC,
a Delaware limited liability company

By: /s/ Kent W. Christensen
Kent W. Christensen
Manager

JOINDER

By executing this Joinder (the "**Joinder**"), the undersigned ("**Joinder Parties**") jointly and severally guaranty the performance by Borrower of all obligations and liabilities for which Borrower is personally liable under Section 12.1 of this Agreement. This Joinder is a guaranty of full and complete payment and performance and not of collectability.

1. **Waivers**. To the fullest extent permitted by applicable law, each Joinder Party waives all rights and defenses of sureties, guarantors, accommodation parties and/or co-makers and agrees that its obligations under this Joinder shall be primary, absolute and unconditional, and that its obligations under this Joinder shall be unaffected by any of such rights or defenses, including:

(a) the unenforceability of any Loan Document against Borrower and/or any other Joinder Party;

(b) any release or other action or inaction taken by Lender with respect to the collateral, the Loan, Borrower and/or other Joinder Party, whether or not the same may impair or destroy any subrogation rights of any Joinder Party, or constitute a legal or equitable discharge of any surety or indemnitor;

(c) the existence of any collateral or other security for the Loan, and any requirement that Lender pursue any of such collateral or other security, or pursue any remedies it may have against Borrower and/or any other Joinder Party;

(d) any requirement that Lender provide notice to or obtain a Joinder Party's consent to any modification, increase, extension or other amendment of the Loan, including the guaranteed obligations;

(e) any right of subrogation (until payment in full of the Loan, including the guaranteed obligations, and the expiration of any applicable preference period and statute of limitations for fraudulent conveyance claims);

(f) any defense based on any statute of limitations;

(g) any payment by Borrower to Lender if such payment is held to be a preference or fraudulent conveyance under bankruptcy laws or Lender is otherwise required to refund such payment to Borrower or any other party; and

(h) any voluntary or involuntary bankruptcy, receivership, insolvency, reorganization or similar proceeding affecting Borrower or any of its assets.

2. **Agreements**. Each Joinder Party further represents, warrants and agrees that:

(a) The obligations under this Joinder are enforceable against each such party and are not subject to any defenses, offsets or counterclaims;

(b) The provisions of this Joinder are for the benefit of Lender and its successors and assigns;

(c) Lender shall have the right to (i) renew, modify, extend or accelerate the Loan, (ii) pursue some or all of its remedies against Borrower or any Joinder Party, (iii) add, release or substitute any collateral for the Loan or party obligated thereunder, and (iv) release Borrower or any Joinder Party from liability, all without notice to or consent of any Joinder Party (or other Joinder Party) and without affecting the obligations of any Joinder Party (or other Joinder Party) hereunder;

(d) Each Joinder Party covenants and agrees to furnish to Lender, within ninety (90) days after the end of each fiscal year of such Joinder Party, a current (as of the end of such fiscal year) balance sheet of such Joinder Party, in scope and detail reasonably satisfactory to Lender, certified by the chief financial representative of such Joinder Party and, if required by Lender, prepared on a review basis and certified by an independent public accountant reasonably satisfactory to Lender; and

(e) To the maximum extent permitted by law, each Joinder Party hereby knowingly, voluntarily and intentionally waives the right to a trial by jury in respect of any litigation based hereon. This waiver is a material inducement to Lender to enter into this Agreement.

This Joinder shall be governed by the laws of the State.

Executed as of March 8, 2004.

JOINDER PARTIES:

/s/ Kenneth M. Woolley
KENNETH M. WOOLLEY

EXHIBIT A-1

[LEGAL DESCRIPTION OF CASITAS PROJECT]

LOT 1 OF TRACT 51322, IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 1221, PAGES 92 AND 93 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

EXHIBIT A-2

[LEGAL DESCRIPTION OF LAMONT PROJECT]

PARCEL 1:

THAT PORTION OF THE NORTHEAST QUARTER (NE 1/4) OF THE SOUTHEAST QUARTER (SE 1/4) OF SECTION 8, TOWNSHIP 20 SOUTH, RANGE 62 EAST, M.D.B.&M., MORE PARTICULARLY DESCRIBED AS PARCEL FOUR (4) AS SHOWN BY PARCEL MAP IN FILE 54, PAGE 81, RECORDED NOVEMBER 13, 1987 AS DOCUMENT NO. 00558 OF OFFICIAL RECORDS, CLARK COUNTY, NEVADA.

PARCEL II:

A NON-EXCLUSIVE EASEMENT FOR INGRESS AND EGRESS AS CREATED BY THAT CERTAIN EASEMENT FOR INGRESS AND EGRESS RECORDED OCTOBER 26, 1987 IN BOOK 871026 OF OFFICIAL RECORDS, CLARK COUNTY NEVADA, AS DOCUMENT NO. 00517.

PARCEL III:

AN EASEMENT FOR THE PERMANENT MAINTENANCE TO A SIGN ON THE BLOCK WALL ALONG THE WALL AREA AS CREATED BY THAT CERTAIN SIGN EASEMENT RECORDED JUNE 9, 1999 IN BOOK 990609 OF OFFICIAL RECORDS, CLARK COUNTY NEVADA, AS DOCUMENT NO. 00536.

EXHIBIT A-3

[LEGAL DESCRIPTION OF FOREST HILL PROJECT]

The South one-half (S 1/2) the West one-half (W 1/2) of Lot 4, Block 4, LESS the East 100 feet of the South 260 feet of the East one-half (E 1/2) of the West one-half (W 1/2) of Lot 4, Block 4, all of the sub-division of Section 7, Township 44 South, Range 43 East, according to the Palm Beach Plantations Company Plat thereof on file in the Office of the Clerk of the Circuit Court, in and for Palm Beach County, Florida, in Plat Book 10, Page 20, TOGETHER WITH the West 12 feet of the South 600 feet of the East one-half (E 1/2) of the said Lot 4, Block 4, of Section 7, Township 44 South, Range 43 East, according to the said Plat in Plat Book 10, Page 20, less and excepting therefrom the rights-of-way of Davis Road and Forest Hill Boulevard as now laid out and in use on the West 40 feet and the South 60 feet thereof; being more particularly described as follows:

COMMENCE at the Southwest corner of Lot 4, Block 4, all of the Sub-Division of SECTION 7, TOWNSHIP 44 SOUTH, RANGE 43 EAST, according to the PALM BEACH PLANTATIONS COMPANY PLAT, thereof on file in the Office of the Clerk of the Circuit Court, in and for Palm Beach County, Florida, in Plat Book 10, Page 20; thence N 00° 31’ 45” W along the West boundary of said Lot 4, a distance of 81.39 feet; thence N 89° 28’ 15” E, a distance of 40.04 feet to the POINT OF BEGINNING; thence N 00° 31’ 45” W along the East Right-of-Way line of Davis Road, a distance of 586.39 feet; thence S 87° 25’ 21” E, a distance of 291.15 feet; thence S 00° 09’ 25” W along the East line of the West 1/2 of said Lot 4, a distance of 70.08 feet; thence S 88° 05’ 30” E, a distance of 12.57 feet; thence S 00° 30’ 21” E, a distance of 540.78 feet to a point on the Northerly Right-of-Way line of Forest Hills Boulevard; thence N 87° 34’ 29” W, along said North Right-of-Way line, a distance of 11.99 feet; thence N 00° 31’ 35” W, a distance of 200.30 feet; thence N 87° 20’ 26” W, a distance of 100.72 feet; thence S 00° 41’ 29” E, a distance of 200.15 feet to a point on the aforementioned Right-of-Way line of Forest Hills Boulevard; thence N 87° 16’ 01” W, along said Right-of-Way line, a distance of 167.00 feet; thence continuing along said Right-of-Way line, N 43° 53’ 32” W, a distance of 34.26 feet to the POINT OF BEGINNING.

EXHIBIT A-4

[LEGAL DESCRIPTION OF MILITARY TRAIL PROJECT]

PARCEL 1 – FEE ESTATE:

A parcel of land lying in the SW 1/4 of the NW 1/4 of the SE 1/4 of Section 24, Township 43 South, Range 42 East, Palm Beach County, Florida, being more particularly described as follows:

COMMENCING at the Southwest corner of the said SW 1/4; thence North 01° 23' 24" East, along the West line of said SW 1/4, a distance of 170.00 feet; thence South 89° 08' 36" East, along the North line of the South 170.0 feet of said SW 1/4, a distance of 60.00 feet to the East Right-of-Way line of Military Trail and the POINT OF BEGINNING; thence continue South 89° 08' 36" East, along the said North line of the South 170.00 feet, a distance of 210.00 feet; thence South 01° 23' 24" West, along the East line of the West 270.00 feet of said SW 1/4, a distance of 170.00 feet; thence South 89° 08' 36" East, along the South line of said SW 1/4, a distance of 403.72 feet; thence North 01° 21' 13" East, along the East line of said SW 1/4, a distance of 490.02 feet; thence North 89° 01' 48" West, along the South line of the North 170.00 feet of said SW 1/4, a distance of 218.40 feet; thence South 00° 51' 24" West, a distance of 220.45 feet; thence North 89° 08' 36" West, a distance of 397.05 feet to the said East Right-of-Way of Military Trail; thence South 01° 23' 24" West, along said East right-of-way line, a distance of 100.00 feet to the POINT OF BEGINNING.

PARCEL 2 – EASEMENT ESTATE:

That certain Mutual Driveway Easement as set forth in Official Records Book 5087, Page 831, as modified and restated in Official Records Book 5126, Page 14, both of the Public Records of Palm Beach County, Florida, as more particularly described as follows:

BEING a parcel of land lying in the Southeast one-quarter (SE 1/4) of Section 24, Township 43 South, Range 42 East, Palm Beach County, Florida, and being more particularly described as follows:

COMMENCING at the South quarter corner of said Section 24; thence North 01° 23' 24" East along the West line of said Southeast one-quarter (SE 1/4) of Section 24, a distance of 1493.28 feet; thence departing said West line, South 88° 36' 36" East, a distance of 60.00 feet to a point on the East right-of-way line of Military Trail (S.R. 809), as now laid out and in use; thence North 01° 23' 24" East along said East right-of-way line, a distance of 100.00 feet to the POINT OF BEGINNING of an Access Easement; thence continue North 01° 23' 24" East, a distance of 15.00 feet; thence South 89° 08' 36" East, a distance of 13.63 feet to the beginning of a curve concave to the Southwest having a radius of 46.00 feet and a central angle of 47° 37' 49"; thence Southeasterly along the arc of said curve, a distance of 38.24 feet; thence North 89° 08' 36" West, a distance of 47.76 feet to the POINT OF BEGINNING.

The bearings shown herein are relative to an assumed meridian; the North/South Mid-Section line of Section 24-43-42 is assumed to bear North 01° 23' 24" West.

EXHIBIT A-5

[LEGAL DESCRIPTION OF BURBANK PROJECT]

PARCEL 3, IN THE CITY OF BURBANK, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS SHOWN ON PARCEL MAP 15782, FILED IN BOOK 165, PAGES 19 AND 20 OF PARCEL MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

SCHEDULE 1.1

PROJECT INFORMATION

Name	Address	City	State	Project Type
Casitas	2904 Casitas	Los Angeles	CA	Self Storage
Lamont	3450 N. Lamont	Las Vegas	NV	Self Storage
Forest Hill	3455 Forest Hills Blvd.	West Palm Beach	FL	Self Storage
Military Trail	2300 N. Military Trail	West Palm Beach	FL	Self Storage
Burbank	175 W. Verdugo Avenue	Burbank	CA	Self Storage

SCHEDULE I

DEFEASANCE

1. In accordance with Section 2.3 of the Loan Agreement, Borrower may obtain the release of all, but not less than all, of the Projects from the lien of the Mortgages upon the satisfaction of the following conditions precedent:

(a) not less than thirty (30) days prior written notice to Lender specifying a regularly scheduled payment date (the "**Release Date**") on which the Defeasance Deposit (hereinafter defined) is to be made;

(b) the payment to Lender of interest accrued and unpaid on the principal balance of the Note to and including the Release Date;

(c) the payment to Lender of all other sums, not including scheduled interest or principal payments, due under the Note, the Mortgages, the Assignments of Leases and Rents, and the other Loan Documents;

(d) the payment to Lender of the Defeasance Deposit and a $5,000 non-refundable processing fee;

(e) the delivery to Lender of:

(i) a security agreement in form and substance satisfactory to Lender, creating a first priority lien on the Defeasance Deposit and the U.S. Obligations (hereinafter defined) purchased on behalf of Borrower with the Defeasance Deposit in accordance with this Schedule I (the "**Security Agreement**");

(ii) a release of each Project from the lien of the Mortgage encumbering such Project (for execution by Lender) in a form appropriate for the jurisdiction in which such Project is located;

(iii) an officer's certificate of Borrower certifying that the requirements set forth in this subparagraph (e) have been satisfied;

(iv) an opinion of counsel in form and substance, and rendered by counsel satisfactory to Lender at the expense of Borrower, stating, among other things, that Lender has a perfected first priority security interest in the Defeasance Deposit and the U.S. Obligations purchased by or on behalf of Borrower and pledged to Lender and as to enforceability of the Security Agreement and other documents delivered in connection therewith;

(v) if required by the Rating Agencies and/or pooling and servicing agreement relating to the Secondary Market Transaction, evidence in writing from the applicable Rating Agencies to the effect that such release will not result in a qualification, downgrade or withdrawal of any

rating in effect immediately prior to such defeasance for any securities issued in connection with a Secondary Market Transaction; and

(vi) such other certificates, documents or instruments as Lender may reasonably request.

(f) if the Loan has been sold in a Secondary Market Transaction, Lender shall have received an opinion of counsel acceptable to Lender in form satisfactory to Lender stating, among other things, that the substitution of collateral shall not cause the holder of the Loan to fail to maintain its status as a real estate mortgage investment conduit (REMIC); and

(g) Lender shall have received a certificate from a nationally recognized independent certified public accountant acceptable to Lender, in form and substance satisfactory to Lender, certifying that the U.S. Obligations purchased with the Defeasance Deposit will generate sufficient sums to satisfy the obligations of Borrower under the Note and this Schedule I as and when such obligations become due.

In connection with the conditions set forth above, Borrower hereby appoints Lender as its agent and attorney-in-fact for the purpose of using the Defeasance Deposit to purchase or cause to be purchased U.S. Obligations which provide payments on or prior to, but as close as possible to, all successive scheduled payment dates after the Release Date upon which interest and principal payments are required under the Note (including the amounts due on the Maturity Date) and in amounts equal to the scheduled payments due on such dates under the Note plus Lender's estimate of administrative expenses and applicable federal income taxes associated with or to be incurred by the Successor Borrower during the remaining term of, and applicable to, the Loan (the "**Scheduled Defeasance Payments**"). Borrower, pursuant to the Security Agreement or other appropriate document, shall authorize and direct that the payments received from the U.S. Obligations may be made directly to Lender and applied to satisfy the obligations of Borrower under the Note and this Schedule I.

2. Upon compliance with the requirements of this Schedule I, each Project shall be released from the lien of the Mortgage encumbering such Project and the pledged U.S. Obligations shall be the sole source of collateral securing the Note. Any portion of the Defeasance Deposit in excess of the amount necessary to purchase the U.S. Obligations required by the preceding paragraph and to otherwise satisfy the Borrower's obligations under this Schedule I shall be remitted to Borrower with the release of the Projects from the lien of the Mortgages. In connection with such release, a successor entity meeting Lender's Single Purpose Entity criteria, adjusted, as applicable, for the Defeasance contemplated by this Schedule (the "**Successor Borrower**") shall be established by Borrower subject to Lender's approval (or at Lender's option, by Lender) and Borrower shall transfer and assign all obligations, rights and duties under and to the Note together with the pledged U.S. Obligations to such Successor Borrower pursuant to an assignment and assumption agreement in form and substance satisfactory to Lender (the "**Assignment Agreement**"). Such Successor Borrower shall assume the obligations under the Note and the Security Agreement and Borrower shall be relieved of its obligations thereunder, except that Borrower shall be required to perform its obligations pursuant to this Schedule I, including maintenance of the Successor Borrower, if applicable. Borrower shall pay $1,000.00 to any such Successor Borrower as consideration for assuming the obligations under the Note and the Security Agreement pursuant to the Assignment Agreement. Notwithstanding anything in the Mortgages to the contrary, no other assumption fee shall be payable upon a transfer of the Note in accordance with this paragraph, but Borrower shall pay all costs and expenses incurred by Lender in connection with this Schedule, including Lender's reasonable attorneys' fees and expenses, costs and expenses in obtaining review and confirmation by the applicable Rating Agencies as required herein, and any administrative and tax expenses associated with or incurred by the Successor Borrower.

3. For purposes of this Schedule I, the following terms shall have the following meanings:

(a) The term "**Defeasance Deposit**" shall mean an amount equal to the Yield Maintenance Amount, any costs and expenses incurred or to be incurred in the purchase of U.S. Obligations necessary to meet the Scheduled Defeasance Payments (including Lender's estimate of administrative expenses and applicable federal income taxes associated with or to be incurred by the Successor Borrower during the remaining term of, and applicable to, the Loan) and any revenue, documentary stamp or intangible taxes or any other tax or charge due in connection with the transfer of the Note or otherwise required to accomplish the agreements of this Schedule I.

(b) The term "**Yield Maintenance Amount**" shall mean the amount which will be sufficient to purchase U.S. Obligations providing the required Schedule Defeasance Payments; and

(c) The term "**U.S. Obligations**" shall mean "Government Securities" as defined in the REMIC regulations, specifically, Treasury Regulation § 1.860G-2(a)(8)(i).

SCHEDULE II

REQUIRED REPAIRS

Burbank Project:	
Repair termite and dry rot damage on accent siding of building A and manager's unit balcony	$ 5,500
Repair damaged drywall ceiling in storage unit 816 of building C	
Remove mold from storage unit 317 in building C	
Fix electrical deficiencies (i.e., fix exposed wires in building C, replace missing outlet covers in building C and fix unlabeled circuits and open breaker slots in electrical subpanels)	
Replace improper seismic straps and install a temperature and pressure relief valve on the water heater	
Fix life safety system deficiencies (i.e., close wired open fire doors in building C and repair illuminated exit sign hanging from the conduit in storage unit 848 at building C)	
Obtain five-year certification for fire sprinkler system and provide a spare fire sprinkler head cabinet	
Have an annual inspection of all hand-held fire extinguishers that are due for inspection performed	
Obtain and display a current inspection certificate/permit for elevators	
ADA Compliance (i.e., provide ADA parking stalls and bring the leasing office restroom into ADA compliance)	
Total	$ 5,500
Casitas Project:	
Repair open breaker slot in the electrical subpanel at building C and replace the missing circuit board card in the electrical subpanel at the rear of the leasing office	
Post the five-year fire sprinkler system inspection tags	
Replace missing fire extinguisher in building B	
Total	$ 0

Forest Hill Project:	
ADA Compliance (i.e., install one ADA van accessible parking space with proper signage, install lever door hardware at the public restrooms and leasing office, install ADA restroom signage on doors and install piping insulation beneath the restroom sinks)	$ 500
Total	$ 500
Military Trail Project:	
ADA compliance (i.e., install lever door hardware at one public restroom and install piping insulation beneath the restroom sinks)	
Total	$ 0
Lamont Project:	
Remove and replace dry rot damaged wood at the fascia and door jams near storage units 1001, 1012, 1013, 3115/3116, 4096A and 4108	$ 2,000
Replace damaged stucco exterior walls throughout the property	$ 500
Paint the exterior of the buildings	$ 13,088
Repair and/or replace damaged and missing concrete title shingles throughout the property	$ 2,000
Label the electrical subpanels near the exit gate and at buildings 3 & 4	
Remove debris from the fire department hose connections and replace the missing caps	
Replace the missing fire extinguisher near storage unit 4059	
ADA compliance (i.e., install one ADA van accessible parking space with loading zone, install lever or bar type door handles at the building entrances, install pipe insulation at the public restrooms, install international signage, accessible sink handles and reachable dispensers in the restrooms, and install visual alarms)	
Total	$ 17,588
TOTAL (ALL PROJECTS)	$ 23,588
125%	**$ 29,485**

Exhibit 10.4

Loan No. 76-0032033

GENERAL ELECTRIC CAPITAL CORPORATION
(Lender)

to

EXTRA SPACE PROPERTIES THREE LLC
(Borrower)

AMENDED AND RESTATED LOAN AGREEMENT

Dated as of: March 8, 2004

Location of Properties: CA, FL, MA, MO, PA

DOCUMENT PREPARED BY:

Sheppard, Mullin, Richter & Hampton LLP
650 Town Center Drive, 4th Floor
Costa Mesa, California 92626-1925

Attention: Steven W. Cardoza, Esquire

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LIST OF EXHIBITS AND SCHEDULES

AMENDED AND RESTATED
LOAN AGREEMENT

This Amended and Restated Loan Agreement (this "**Agreement**") is entered into as of March 8, 2004 between **GENERAL ELECTRIC CAPITAL CORPORATION**, a Delaware corporation ("**Lender**"), and **EXTRA SPACE PROPERTIES THREE LLC**, a Delaware limited liability company, whose organization number is 3260433 ("**Borrower**").

RECITALS

Pursuant to the certain Loan Agreement dated as of August 9, 2000 by and between Borrower and Lender, as amended by that certain First Amendment to Loan Agreement between Borrower and Lender dated as January 22, 2001 and by that certain Second Amendment to Loan Agreement between Borrower and Lender dated as September 25, 2002 (as amended, the "**Loan Agreement**"), Lender previously made a loan (the "**Existing Loan**") to Borrower in the aggregate principal amount of $56,100,000. The Existing Loan is evidenced by that certain Second Amended and Restated Promissory Note dated as of September 25, 2002 executed by Borrower in favor of Lender in the face amount of $56,100,000 (the "**Existing Note**").

The Existing Loan is secured by, among other things, (a) that certain Mortgage, Security Agreement and Fixture Financing Statement dated as of August 9, 2000, duplicate counterparts of which were recorded on August 16, 2000 in Official Records Book 19242, Page 548, Public Records of Miami-Dade County, Florida, and on August 17, 2000 in Official Records Book 30772, Page 1274, Public Records of Broward County, Florida, and on August 17, 2000 in Official Records Book 11960, Page 1249, Public Records of Palm Beach County, Florida (as amended to date, the "**Existing Florida Mortgage**"); and (b) that certain Assignment of Leases and Rents dated as of August 9, 2000 executed by Borrower for the benefit of Lender, duplicate counterparts of which were recorded on August 16, 2000 in Official Records Book 19242, Page 582, Public Records of Miami-Dade County, Florida, and on August 17, 2000 in Official Records Book 30772, Page 1300, Public Records of Broward County, Florida, and on August 17, 2000 in Official Records Book 11960, Page 1275, Public Records of Palm Beach County, Florida (the "**Existing Florida Assignment of Leases**").

This Agreement shall renew, amend, restate, replace and supersede the Existing Loan Agreement in its entirety. The Loan described herein shall be secured by, among other things, an Amended and Restated Mortgage, Assignment of Leases and Rents, Security Agreement and Fixture Filing which shall renew, amend, restate, replace and supersede the Existing Florida Mortgage in its entirety, and by an Amended and Restated Assignment of Leases and Rents which shall renew, amend, restate, replace and supersede the Existing Florida Assignment of Leases in its entirety. The Note described below shall renew, amend, restate, replace and supersede the Existing Note in its entirety.

ARTICLE 1

CERTAIN DEFINITIONS

Section 1.1 Certain Definitions. As used herein, the following terms have the meanings indicated:

"**Affiliate**" means (a) any corporation in which Borrower or any partner, shareholder, director, officer, member, or manager of Borrower directly or indirectly owns or controls more than ten percent (10%) of the beneficial interest, (b) any partnership, joint venture or limited liability company in which Borrower or any partner, shareholder, director, officer, member, or manager of Borrower is a partner, joint venturer or member, (c) any trust in which Borrower or any partner, shareholder, director, officer, member or manager of Borrower is a trustee or beneficiary, (d) any entity of any type which is directly or indirectly owned or controlled by Borrower or any partner, shareholder, director, officer, member or manager of Borrower, (e) any partner, shareholder, director, officer, member, manager or employee of Borrower, (f) any Person related by birth, adoption or marriage to any partner, shareholder, director, officer, member, manager, or employee of Borrower, or (g) any Borrower Party.

"**Agreement**" means this Loan Agreement, as amended from time to time.

"**Assignment of Leases and Rents**" means each Assignment of Leases and Rents, executed by Borrower for the benefit of Lender, and pertaining to leases of space in a Project.

"**Award**" has the meaning assigned in Section 3.3.

"**Bankruptcy Party**" has the meaning assigned in Section 9.7.

"**Borrower Party**" means any Joinder Party, any manager or managing member of Borrower, and any manager or managing member in any limited liability company that is a manager or managing member of Borrower, at any level.

"**Business Day**" means a day other than a Saturday, a Sunday, or a legal holiday on which national banks located in the State of New York are not open for general banking business.

"**Casualty**" has the meaning assigned in Section 3.2.

"**Closing Date**" means the date the Loan is funded by Lender.

"**Condemnation**" has the meaning assigned in Section 3.3.

"**Contract Rate**" has the meaning assigned in Section 2.2.

"**Debt**" means, for any Person, without duplication: (a) all indebtedness of such Person for borrowed money, for amounts drawn under a letter of credit, or for the deferred purchase price of property for which such Person or its assets is liable, (b) all unfunded amounts under a loan agreement, letter of credit, or other credit facility for which such Person would be liable, if such amounts were advanced under the credit facility, (c) all amounts required to be paid by such Person as a guaranteed payment to partners or a preferred or special dividend, including any mandatory redemption of shares or interests, (d) all indebtedness guaranteed by such Person, directly or indirectly, (e) all obligations under leases that constitute capital leases for which such Person is liable, and (f) all obligations of such Person under swaps, caps, floors, collars and other hedge agreements, in each case whether such Person is liable contingently or otherwise, as obligor, guarantor or otherwise, or in respect of which obligations such Person otherwise assures a creditor against loss.

"**Debt Service**" means the aggregate interest, fixed principal, and other payments due under the Loan, and on any other outstanding permitted Debt relating to the Projects approved by Lender for the period of time for which calculated.

"**Default Rate**" means the lesser of (a) the maximum rate of interest allowed by applicable law, and (b) five percent (5%) per annum in excess of the Contract Rate.

"**Defeasance Option**" has the meaning assigned in Section 2.3(c).

"**Environmental Laws**" has the meaning assigned in Section 4.1(a).

"**ERISA**" has the meaning assigned in Section 6.8.

"**Event of Default**" has the meaning assigned in Article 9.

"**Funds**" means the Required Repair Fund and the Replacement Escrow Fund.

"**Hazardous Materials**" has the meaning assigned in Section 4.1(b).

"**Independent Director**" has the meaning assigned in Section 6.14(p).

"**Insurance Premiums**" has the meaning assigned in Section 3.1(c).

"**Joinder Party**" means the Persons, if any, executing the Joinder hereto.

"**Lien**" means, as to any Project, any interest, or claim thereof, in the Project securing an obligation owed to, or a claim by, any Person other than the owner of the Project, whether such interest is based on common law, statute or contract, including the lien or security interest arising from a deed of trust, mortgage, assignment, encumbrance, pledge, security agreement, conditional sale or trust receipt or a lease, consignment or bailment for security purposes. The term "Lien" shall include reservations, exceptions, encroachments, easements, rights of way, covenants, conditions, restrictions, leases and other title exceptions and encumbrances affecting a Project.

"**Loan**" means the loan made by Lender to Borrower under this Agreement and all other amounts secured by the Loan Documents.

"**Loan Documents**" means: (a) this Agreement, (b) the Note, (c) the Mortgages, (d) the Assignments of Leases and Rents, (e) Uniform Commercial Code financing statements, (f) such assignments of management agreements, contracts and other rights as may be required or otherwise requested by Lender, (g) all other documents evidencing, securing, governing or otherwise pertaining to the Loan, and (h) all amendments, modifications, renewals, substitutions and replacements of any of the foregoing; provided however, in no event shall the term "Loan Documents" include that certain Hazardous Materials Indemnity Agreement (the "**Environmental Indemnity Agreement**") dated the date hereof in favor of Lender.

"**Loan Year**" means (a) for the first Loan Year, the period between the Closing Date and one calendar year from the last day of the month in which the Closing Date occurs (unless the Closing Date is on the first day of a month, in which case the first Loan Year shall commence on such Closing Date and end one calendar year from the last day of the month immediately preceding the Closing Date) and (b) each consecutive twelve month calendar period after the first Loan Year until the Maturity Date.

"**Maturity Date**" means, as applicable, the earlier of (a) April 1, 2009, or (b) any earlier date on which the entire Loan is required to be paid in full, by acceleration or otherwise, under this Agreement or any of the other Loan Documents.

"**Mortgage**" means each Mortgage, Assignment of Leases and Rents, Security Agreement and Fixture Filing, executed by Borrower in favor of Lender, covering a Project.

"**Note**" means the Amended and Restated Promissory Note of even date, in the stated principal amount of $35,715,000.00, executed by Borrower, and payable to the order of Lender in evidence of the Loan.

"**Oakland Ground Lease**" means that certain Commercial Lease dated as of July 6, 1984, executed by Southern Pacific Land Company, as Lessor, and Integrated Storage Partners, as Lessee, a memorandum of which was recorded on May 15, 1985, in the Official Records of Alameda County, California as Instrument No. 85-093549, as amended by that certain Memorandum of Agreement entered into as of March 5, 1996, by Catellus Development Corporation, a Delaware corporation, as lessor (such lessor and its successors and assigns are hereinafter referred to as the "**Ground Lessor**"), and Annie's Attic II, a California general partnership, as lessee.

"**Oakland Project**" means the Project located on the land described in ***Exhibit A-4***.

"**Person**" means any individual, corporation, partnership, joint venture, association, joint stock company, trust, trustee, estate, limited liability company, unincorporated organization, real estate investment trust, government or any agency or political subdivision thereof, or any other form of entity.

"**Potential Default**" means the occurrence of any event or condition which, with the giving of notice, the passage of time, or both, would constitute an Event of Default.

"**Project**" means each of the self-storage facilities identified in ***Schedule 1.1*** and all related facilities, amenities, fixtures, and personal property owned by Borrower and any improvements now or hereafter located on the real property on which such self-storage facility is located, described in ***Exhibits A-1*** through ***A-10***.

"**Rating Agencies**" means each of Standard & Poor's Ratings Group, a division of McGraw-Hill, Inc., Moody's Investors Service, Inc. and Fitch, Inc., or any other nationally-recognized statistical rating agency which has been approved by Lender.

"**Replacement Escrow Fund**" has the meaning assigned in Section 2.4.

"**Required Repair Fund**" has the meaning assigned in Section 2.4.

"**Secondary Market Transaction**" has the meaning assigned in Section 8.11.

"**Single Purpose Entity**" shall mean a Person (other than an individual, a government or any agency or political subdivision thereof), which exists solely for the purpose of owning the Projects, observes corporate, company or partnership formalities, as applicable, independent of any other entity, and which otherwise complies with the covenants set forth in Section 6.14 hereof.

"**Site Assessment**" means an environmental engineering report for each Project prepared at Borrower's expense by an engineer engaged by Borrower, or Lender on behalf of Borrower, and approved by Lender, and in a manner reasonably satisfactory to Lender, based upon an investigation relating to and making appropriate inquiries concerning the existence of Hazardous Materials on or about such Project, and the past or present discharge, disposal, release or escape of any such substances, all consistent with ASTM Standard E1527-93 (or any successor thereto published by ASTM) and good customary and commercial practice.

"**SPC Party**" has the meaning assigned in Section 6.14(o).

"**State**" means the State of Utah.

"**Tax and Insurance Escrow Fund**" has the meaning assigned in Section 3.4.

"**Taxes**" has the meaning assigned in Section 8.2.

"**Yield Maintenance Amount**" has the meaning assigned in ***Schedule I***.

ARTICLE 2

LOAN TERMS

Section 2.1 The Loan. Upon satisfaction of all the terms and conditions of Lender to making the Loan, Lender agrees to make a Loan of THIRTY-FIVE MILLION SEVEN HUNDRED FIFTEEN THOUSAND AND NO/100 DOLLARS ($35,715,000.00) to the Borrower, which shall be funded in one advance and repaid in accordance with the terms of this Agreement and the Note. Borrower hereby agrees to accept the Loan on the Closing Date, subject to and upon the terms and conditions set forth herein.

Section 2.2 Interest Rate; Late Charge. The outstanding principal balance of the Loan shall bear interest at a rate of interest equal to four and seven-tenths percent (4.70%) per annum (the "**Contract Rate**"). Interest at the Contract Rate shall be computed on the basis of a fraction, the denominator of which is three hundred sixty (360) days and the numerator of which is the actual number of days elapsed from the date of the initial disbursement under the Loan or the date of the preceding interest installment due date, as the case may be, to the date of the next interest installment due date or the Maturity Date. If Borrower fails to pay any installment of interest or principal within five (5) days of (and including) the date on which the same is due, Borrower shall pay to Lender a late charge on such past-due amount, as liquidated damages and not as a penalty, equal to five percent (5%) of such amount, but not in excess of the maximum amount of interest allowed by applicable law. While any Event of Default exists, the Loan shall bear interest at the Default Rate.

Section 2.3 Terms of Payment. The Loan shall be payable as follows:

(a) **Interest and Principal**. A payment of interest only on the Closing Date for the period from the Closing Date through the last day of the current month. Thereafter, a constant payment of $202,591.65, on the first day of May, 2004 and on the first day of each calendar month thereafter; each of such payments, to be applied (i) to the payment of interest computed at the Contract Rate and (ii) the balance applied toward reduction of the principal sum. The constant payment required hereunder is calculated based on a twenty-five (25) year amortization schedule.

(b) **Maturity**. On the Maturity Date, Borrower shall pay to Lender all outstanding principal, accrued and unpaid interest, default interest, late charges and any and all other amounts due under the Loan Documents.

(c) **Prepayment**. Except as set forth herein, the Loan is closed to prepayment in whole or in part. Notwithstanding the foregoing, (i) the Loan may be prepaid in whole, but not in part, on or after the scheduled monthly payment date for the fifty-eighth (58th) payment of principal and interest, and (ii) from the earlier to occur of (x) two (2) years after the sale of the Loan in a Secondary Market Transaction or (y) the fourth (4th) anniversary of the Closing Date, provided no Event of Default exists,

Borrower may obtain the release of the Projects from the lien of the Mortgages in accordance with the terms and provisions of ***Schedule I*** attached hereto (the "**Defeasance Option**").

If the Loan is accelerated for any reason other than casualty or condemnation, and the Loan is otherwise closed to prepayment, Borrower shall pay, in addition to all other amounts outstanding under the Loan Documents, a prepayment premium equal to the sum of (i) the Yield Maintenance Amount, if any, that would be required under the Defeasance Option and (ii) five percent (5%) of the outstanding balance of the Loan. If for any reason the Loan is prepaid on a day other than a scheduled monthly payment date, the Borrower shall pay, in addition to the principal, interest and premium, if any, required under this Section, an amount equal to the interest that would have accrued on the Loan from the date of prepayment to the next scheduled monthly payment date. In the event of a prepayment resulting from Lender's application of insurance or condemnation proceeds pursuant to Article 3 hereof, no prepayment penalty or premium shall be imposed.

Section 2.4 Security.

(a) **Establishment of Funds**. The Loan shall be secured by the Mortgages creating a first lien on each Project, the Assignments of Leases and Rents and the other Loan Documents. Borrower agrees to establish the following reserves with Lender, to be held by Lender as further security for the Loan: (i) on the Closing Date, Borrower shall deposit with Lender the amount of $131,531.00 (the "**Required Repair Fund**") which shall be held by Lender for the completion of the required repairs set forth on ***Schedule II*** annexed hereto on or before six months from the Closing Date; provided, however, that Borrower (A) shall complete leak repairs and mold removal at the "AAA Century (Inglewood)" Project within sixty (60) days after the Closing Date, (B) shall complete the water hook-up and cut off access to the existing water well at the "North Oxford" Project within thirty (30) days after the Closing Date, and (C) shall permanently cap the existing water well at the "North Oxford" Project within thirty (30) days after the date Borrower is first permitted to do so by the applicable regulatory bodies having jurisdiction over such water well and the capping thereof (and Borrower covenants to pursue with all commercially reasonable diligence obtaining permission from such applicable regulatory bodies to cap such well); and (ii) Borrower shall deposit with Lender on the day of each calendar month a scheduled payment is due the amount of $8,027.73 which shall be held by Lender for replacements and repairs required to be made to the Projects during the calendar year (the "**Replacement Escrow Fund**").

(b) **Pledge and Disbursement of Funds**. Borrower hereby pledges to Lender, and grants a security interest in, any and all monies now or hereafter deposited in the Funds as additional security for the payment of the Loan. Lender may reasonably reassess its estimate of the amount necessary for the Funds from time to time and may adjust the monthly amounts required to be deposited into the Funds upon thirty (30) days notice to Borrower. Lender shall make disbursements from the Funds as requested by Borrower, and approved by Lender in its reasonable discretion, on a quarterly basis in increments of no less than $5,000.00 upon delivery by Borrower of Lender's standard form of draw request accompanied by copies of paid invoices for the amounts requested and, if required by Lender, lien waivers and releases from all parties furnishing materials and/or services in connection with the requested payment. Lender may require an inspection of the applicable Project(s) at Borrower's expense prior to making a quarterly disbursement in order to verify completion of replacements and repairs for which reimbursement is sought. The Funds shall be held without interest in Lender's name and may be commingled with Lender's own funds at financial institutions selected by Lender in its reasonable discretion. Upon the occurrence of an Event of Default, Lender may apply any sums then present in the Funds to the payment of the Loan in any order in its reasonable discretion. Until expended or applied as above provided, the Funds shall constitute additional security for the Loan. Lender shall have no obligation to release any of the Funds while any Event of Default or Potential Default exists or any material adverse change has occurred in Borrower or any Joinder Party or any Project. All costs and

expenses incurred by Lender in the disbursement of any of the Funds shall be paid by Borrower promptly upon demand or, at Lender's sole discretion, deducted from the Funds.

ARTICLE 3

INSURANCE, CONDEMNATION, AND IMPOUNDS

Section 3.1 Insurance. Borrower shall maintain insurance as follows:

(a) **Casualty; Business Interruption**. Borrower shall keep the Projects insured against damage by fire and the other hazards covered by a standard extended coverage and all-risk insurance policy for the full insurable value thereof on a replacement cost claim recovery basis (without reduction for depreciation or co-insurance), and shall maintain such other casualty insurance as reasonably required by Lender. **Such insurance shall include coverage against acts of terrorism.** Lender reserves the right to require from time to time the following additional insurance: boiler and machinery; flood; earthquake/sinkhole; windstorm; worker's compensation; and/or building law or ordinance. Borrower shall keep each Project insured against loss by flood if such Project is located currently or at any time in the future in an area identified by the Federal Emergency Management Agency as an area having special flood hazards and in which flood insurance has been made available under the National Flood Insurance Act of 1968, the Flood Disaster Protection Act of 1973 or the National Flood Insurance Reform Act of 1994 (as such acts may from time to time be amended) in an amount at least equal to the lesser of the maximum amount of the Loan or the maximum limit of coverage available under said acts. Any such flood insurance policy shall be issued in accordance with the requirements and current guidelines of the Federal Insurance Administration. Borrower shall maintain use and occupancy insurance for each Project covering, as applicable, rental income or business interruption, with coverage in an amount not less than twelve (12) months anticipated gross rental income or gross business earnings, as applicable in each case, attributable to such Project. Borrower shall not maintain any separate or additional insurance which is contributing in the event of loss unless it is properly endorsed and otherwise reasonably satisfactory to Lender in all respects. The proceeds of insurance paid on account of any damage or destruction to any Project shall be paid to Lender to be applied as provided in Section 3.2.

(b) **Liability**. Borrower shall maintain (i) commercial general liability insurance with respect to each Project providing for limits of liability of not less than $5,000,000 for both injury to or death of a person and for property damage per occurrence, and (ii) other liability insurance as reasonably required by Lender.

(c) **Form and Quality**. All insurance policies shall be endorsed in form and substance acceptable to Lender to name Lender as an additional insured, loss payee or mortgagee thereunder, as its interest may appear, with loss payable to Lender, without contribution, under a standard New York (or local equivalent) mortgagee clause. All such insurance policies and endorsements shall be fully paid for and contain such provisions and expiration dates and be in such form and issued by such insurance companies licensed to do business in the State, with a general company and financial size rating of "A-:IX" or better as established by Best's Rating Guide and "AA" or better by Standard & Poor's Ratings Group. Each policy shall provide that such policy may not be canceled or materially changed except upon thirty (30) days' prior written notice of intention of non-renewal, cancellation or material change to Lender and that no act or thing done by Borrower shall invalidate any policy as against Lender. Blanket policies shall be permitted only if Lender receives appropriate endorsements and/or duplicate policies containing Lender's right to continue coverage on a pro rata pass-through basis and that coverage will not be affected by any loss on other properties covered by the policies. Borrower authorizes Lender to pay the premiums for such policies (the "**Insurance Premiums**") from the Tax and Insurance Escrow Fund as the same become due and payable annually in advance. If Borrower fails to deposit funds into

the Tax and Insurance Escrow Fund sufficient to permit Lender to pay the premiums when due, Lender may obtain such insurance and pay the premium therefor and Borrower shall, on demand, reimburse Lender for all expenses incurred in connection therewith. Borrower shall assign the policies or proofs of insurance to Lender, in such manner and form that Lender and its successors and assigns shall at all times have and hold the same as security for the payment of the Loan. Borrower shall deliver copies of all original policies certified to Lender by the insurance company or authorized agent as being true copies, together with the endorsements required hereunder. The proceeds of insurance policies coming into the possession of Lender shall not be deemed trust funds, and Lender shall be entitled to apply such proceeds as herein provided.

(d) **Adjustments**. Borrower shall give immediate written notice of any loss to the insurance carrier and to Lender. Borrower hereby irrevocably authorizes and empowers Lender, as attorney-in-fact for Borrower coupled with an interest, to make proof of loss, to adjust and compromise any claim under insurance policies, to appear in and prosecute any action arising from such insurance policies, to collect and receive insurance proceeds, and to deduct therefrom Lender's reasonable expenses incurred in the collection of such proceeds. Nothing contained in this Section 3.1(d), however, shall require Lender to incur any expense or take any action hereunder.

Section 3.2 Use and Application of Insurance Proceeds.

(a) If any Project shall be damaged or destroyed, in whole or in part, by fire or other casualty (a "**Casualty**"), Borrower shall give prompt notice thereof to Lender. Following the occurrence of a Casualty, Borrower, regardless of whether insurance proceeds are available, shall promptly proceed to restore, repair, replace or rebuild the same to be of at least equal value and of substantially the same character as prior to such damage or destruction, all to be effected in accordance with applicable law.

(b) Lender shall apply insurance proceeds to costs of restoring a Project or to the payment of the Loan as follows:

(i) if the loss is less than or equal to $100,000, Lender shall apply the insurance proceeds to restoration provided (A) no Event of Default or Potential Default exists, and (B) Borrower promptly commences and is diligently pursuing restoration of the Project;

(ii) if the loss exceeds $100,000 but is not more than 25% of the replacement value of the improvements, Lender shall apply the insurance proceeds to restoration provided that (A) at all times during such restoration no Event of Default or Potential Default exists; (B) Lender determines throughout the restoration that there are sufficient funds available to restore and repair the Project to a condition approved by Lender; (C) Lender determines that the net operating income of the Projects during restoration, taking into account rent loss or business interruption insurance, will be sufficient to pay Debt Service; (D) Lender determines (based on leases which will remain in effect after restoration is complete if the Project is not a multi-family project) that after restoration the ratio of net operating income to Debt Service will equal at least the ratio that existed on the Closing Date; (E) Lender determines that the ratio of the outstanding principal balance of the Loan to appraised value of the Projects after restoration will not exceed the loan-to-value ratio that existed on the Closing Date; (F) Lender determines that restoration and repair of the Project to a condition approved by Lender will be completed within six months after the date of loss or casualty and in any event ninety (90) days prior to the Maturity Date; (G) Borrower promptly commences and is diligently pursuing restoration of the Project; and (H) the Project after the restoration will be in compliance with and permitted under all applicable zoning, building and land use laws, rules, regulations and ordinances; and

(iii) if the conditions set forth in (i) and (ii) above are not satisfied in Lender's reasonable discretion, Lender may apply any insurance proceeds it may receive to the payment of the Loan or allow all or a portion of such proceeds to be used for the restoration of the Project.

(c) Insurance proceeds applied to restoration will be disbursed on receipt of reasonably satisfactory plans and specifications, contracts and subcontracts, schedules, budgets, lien waivers and architects' certificates, and otherwise in accordance with prudent commercial construction lending practices for construction loan advances (including appropriate retainages to ensure that all work is completed in a workmanlike manner).

Section 3.3 Condemnation Awards. Borrower shall promptly give Lender written notice of the actual or threatened commencement of any condemnation or eminent domain proceeding (a "**Condemnation**") and shall deliver to Lender copies of any and all papers served in connection with such Condemnation. Following the occurrence of a Condemnation, Borrower, regardless of whether any award or compensation (an "**Award**") is available, shall promptly proceed to restore, repair, replace or rebuild the applicable Project to the extent practicable to be of at least equal value and of substantially the same character as prior to such Condemnation, all to be effected in accordance with applicable law. Lender may participate in any such proceeding and Borrower will deliver to Lender all instruments necessary or required by Lender to permit such participation. Without Lender's prior consent, Borrower (a) shall not agree to any Award, and (b) shall not take any action or fail to take any action which would cause the Award to be determined. All Awards for the taking or purchase in lieu of condemnation of any Project or any part thereof are hereby assigned to and shall be paid to Lender. Borrower authorizes Lender to collect and receive such Awards, to give proper receipts and acquittances therefor, and in Lender's sole discretion to apply the same toward the payment of the Loan, notwithstanding that the Loan may not then be due and payable, or to the restoration of the affected Project; provided, however, if the Award is less than or equal to $100,000 and Borrower requests that such proceeds be used for non-structural site improvements (such as landscape, driveway, walkway and parking area repairs) required to be made as a result of such condemnation, Lender will apply the Award to such restoration in accordance with disbursement procedures applicable to insurance proceeds provided there exists no Potential Default or Event of Default. Borrower, upon request by Lender, shall execute all instruments requested to confirm the assignment of the Awards to Lender, free and clear of all liens, charges or encumbrances.

Section 3.4 Impounds. Borrower shall deposit with Lender, monthly, (a) one-twelfth (1/12th) of the Taxes that Lender estimates will be payable during the next ensuing twelve (12) months in order to accumulate with Lender sufficient funds to pay all such Taxes at least thirty (30) days prior to their respective due dates, and (b) one-twelfth of the Insurance Premiums that Lender estimates will be payable for the renewal of the coverage afforded by the insurance policies required by Lender upon the expiration thereof in order to accumulate with Lender sufficient funds to pay all such Insurance Premiums at least thirty (30) days prior to expiration (said amounts in (a) and (b) above hereinafter called the "**Tax and Insurance Escrow Fund**"). At or before the advance of the Loan, Borrower shall deposit with Lender a sum of money which together with the monthly installments will be sufficient to make each of such payments thirty (30) days prior to the date any delinquency or penalty becomes due with respect to such payments. Deposits shall be made on the basis of Lender's estimate from time to time of the charges for the current year (after giving effect to any reassessment or, at Lender's election, on the basis of the charges for the prior year, with adjustments when the charges are fixed for the then current year). All funds so deposited shall be held by Lender, without interest, and may be commingled with Lender's general funds. Borrower hereby grants to Lender a security interest in all funds so deposited with Lender for the purpose of securing the Loan. While an Event of Default exists, the funds deposited may be applied in payment of the charges for which such funds have been deposited, or to the payment of the Loan or any other charges affecting the security of Lender, as Lender may elect, but no such application

shall be deemed to have been made by operation of law or otherwise until actually made by Lender. Borrower shall furnish Lender with bills for the charges for which such deposits are required at least thirty (30) days prior to the date on which the charges first become payable. If at any time the amount on deposit with Lender, together with amounts to be deposited by Borrower before such charges are payable, is insufficient to pay such charges, Borrower shall deposit any deficiency with Lender immediately upon demand. Lender shall pay such charges when the amount on deposit with Lender is sufficient to pay such charges and Lender has received a bill for such charges.

ARTICLE 4

ENVIRONMENTAL MATTERS

Section 4.1 Certain Definitions. As used herein, the following terms have the meanings indicated:

(a) "**Environmental Laws**" means any federal, state or local law (whether imposed by statute, ordinance, rule, regulation, administrative or judicial order, or common law), now or hereafter enacted, governing health, safety, industrial hygiene, the environment or natural resources, or Hazardous Materials, including, without limitation, such laws governing or regulating (i) the use, generation, storage, removal, recovery, treatment, handling, transport, disposal, control, release, discharge of, or exposure to, Hazardous Materials, (ii) the transfer of property upon a negative declaration or other approval of a governmental authority of the environmental condition of such property, or (iii) requiring notification or disclosure of releases of Hazardous Materials or other environmental conditions whether or not in connection with a transfer of title to or interest in property.

(b) "**Hazardous Materials**" means (i) petroleum or chemical products, whether in liquid, solid, or gaseous form, or any fraction or by-product thereof, (ii) asbestos or asbestos-containing materials, (iii) polychlorinated biphenyls (pcbs), (iv) radon gas, (v) underground storage tanks, (vi) any explosive or radioactive substances, (vii) lead or lead-based paint, or (viii) any other substance, material, waste or mixture which is or shall be listed, defined, or otherwise determined by any governmental authority to be hazardous, toxic, dangerous or otherwise regulated, controlled or giving rise to liability under any Environmental Laws.

Section 4.2 Representations and Warranties on Environmental Matters. To Borrower's knowledge, except as set forth in the Site Assessments obtained by Lender in connection with the Loan closing (copies of which have been provided to Borrower), (a) no Hazardous Material is now or was formerly used, stored, generated, manufactured, installed, treated, discharged, disposed of or otherwise present at or about any Project or any property adjacent to any Project (except for cleaning and other products currently used in connection with the routine maintenance or repair of the Projects in full compliance with Environmental Laws) and no Hazardous Material was removed or transported from any Project, (b) all permits, licenses, approvals and filings required by Environmental Laws have been obtained, and the use, operation and condition of the Projects do not, and did not previously, violate any Environmental Laws, (c) no civil, criminal or administrative action, suit, claim, hearing, investigation or proceeding has been brought or been threatened, nor have any settlements been reached by or with any parties or any liens imposed in connection with any Project concerning Hazardous Materials or Environmental Laws; and (d) no underground storage tanks exist on any part of any Project.

Section 4.3 Covenants on Environmental Matters.

(a) Borrower shall (i) comply strictly and in all respects with applicable Environmental Laws; (ii) notify Lender immediately upon Borrower's discovery of any spill, discharge,

release or presence of any Hazardous Material at, upon, under, within, contiguous to or otherwise affecting any Project; (iii) promptly remove such Hazardous Materials and remediate such Project in full compliance with Environmental Laws or as reasonably required by Lender based upon the recommendations and specifications of an independent environmental consultant approved by Lender; and (iv) promptly forward to Lender copies of all orders, notices, permits, applications or other communications and reports in connection with any spill, discharge, release or the presence of any Hazardous Material or any other matters relating to the Environmental Laws or any similar laws or regulations, as they may affect any Project or Borrower.

(b) Borrower shall not cause, shall prohibit any other Person within the control of Borrower from causing, and shall use prudent, commercially reasonable efforts to prohibit other Persons (including tenants) from (i) causing any spill, discharge or release, or the use, storage, generation, manufacture, installation, or disposal, of any Hazardous Materials at, upon, under, within or about any Project or the transportation of any Hazardous Materials to or from any Project (except for cleaning and other products used in connection with routine maintenance or repair of the Projects in full compliance with Environmental Laws), (ii) installing any underground storage tanks at any Project, or (iii) conducting any activity that requires a permit or other authorization under Environmental Laws.

(c) Borrower shall provide to Lender, at Borrower's expense promptly upon the written request of Lender from time to time, a Site Assessment for each Project or, if required by Lender, an update to any existing Site Assessment for each Project, to assess the presence or absence of any Hazardous Materials and the potential costs in connection with abatement, cleanup or removal of any Hazardous Materials found on, under, at or within such Project. Borrower shall pay the cost of no more than one such Site Assessment or update for each Project in any twelve (12)-month period, unless Lender's request for a Site Assessment is based on information provided under Section 4.3(a), a reasonable suspicion of Hazardous Materials at or near a Project, a breach of representations under Section 4.2, or an Event of Default, in which case any such Site Assessment or update shall be at Borrower's expense.

(d) Within ninety (90) days after the Closing Date, Borrower shall cause to be prepared by environmental engineers approved by Lender, and shall deliver to Lender, an Operations and Maintenance Program for the "Forest Park" Project located on the land described in ***Exhibit A-1*** for the removal or encapsulation of, or other action for handling, asbestos-containing materials at such Project (the "**O&M Program**"). Borrower shall immediately implement the O&M Program. Prior to the commencement of any construction, rehabilitation, modification or renovation at the Forest Park Project, including any such work which requires the removal of any materials or improvements of any kind in connection with the ceiling, subflooring, floor tiles, baseboard, wall texture, pipe insulation and other portions of such Project containing (or which are identified in a Site Assessment for such Project as possibly containing) asbestos-containing materials (the "**ACM-Related Work**"), all ACM-Related Work shall be implemented in accordance with the procedures and programs in the O&M Program and all applicable governmental requirements. The O&M Program and work resulting therefrom shall be conducted by an accredited, licensed, abatement contractor using state-of-the-art work practices and procedures and shall include all monitoring and project management performed by an accredited asbestos consultant. Borrower shall deliver to Lender promptly when available, copies of all reports, notices, submittals, permits, licenses, and certificates relating to the O&M Program. Until all matters in the O&M Program have been satisfied, Borrower shall deliver to Lender, on or before the first day of each Loan Year, evidence of an annual inspection by the environmental engineer for the Forest Park Project, addressing the status of affected space requiring ACM-Related Work or other action with respect to Hazardous Materials. Borrower shall follow the procedures of the O&M Program with respect to any additional Hazardous Materials revealed by any annual inspection. All fees and expenses incurred for all such inspections and review and approval of the O&M Program shall be paid by Borrower.

(e) Within ninety (90) days after the Closing Date, Borrower shall provide Lender with satisfactory evidence that Borrower has implemented the recommendations of the Florida Department of Environmental Resources Management with respect to the AAA Sentry (N. Lauderdale) Project located on the land described in ***Exhibit A-8***, including installation of secondary containment on the fuel lines for the emergency generator, and the replacement or repair of the emergency generator base with secondary containment to prevent future releases. In addition, Borrower shall implement improved cleaning and maintenance practices at the AAA Sentry (North Lauderdale) Project to minimize potential for future releases near unit no. 63 where oily staining was observed, as noted in the Site Assessment for this Project.

Section 4.4 Allocation of Risks and Indemnity. As between Borrower and Lender, all risk of loss associated with non-compliance with Environmental Laws, or with the presence of any Hazardous Material at, upon, within, contiguous to or otherwise affecting the Projects, shall lie solely with Borrower. Accordingly, Borrower shall bear all risks and costs associated with any loss (including any loss in value attributable to Hazardous Materials), damage or liability therefrom, including all costs of removal of Hazardous Materials or other remediation required by Lender or by law. Borrower shall indemnify, defend and hold Lender and its shareholders, directors, officers, employees and agents harmless from and against all loss, liabilities, damages, claims, costs and expenses (including reasonable costs of defense and consultant fees, investigation and laboratory fees, court costs, and other litigation expenses) arising out of or associated, in any way, with (a) the non-compliance with Environmental Laws, or (b) the existence of Hazardous Materials in, on, or about any Project, (c) any personal injury (including wrongful death) or property damage (real or personal) arising out of or related to Hazardous Materials; (d) any lawsuit brought or threatened, settlement reached, or government order relating to such Hazardous Materials, (e) a breach of any representation, warranty or covenant contained in this Article 4, whether based in contract, tort, implied or express warranty, strict liability, criminal or civil statute or common law, or (f) the imposition of any environmental lien encumbering any Project; provided, however, Borrower shall not be liable under such indemnification to the extent such loss, liability, damage, claim, cost or expense results solely from Lender's gross negligence or willful misconduct. Borrower's obligations under this Section 4.4 shall arise whether or not any governmental authority has taken or threatened any action in connection with the presence of any Hazardous Material, and whether or not the existence of any such Hazardous Material or potential liability on account thereof is disclosed in a Site Assessment and shall continue notwithstanding the repayment of the Loan or any transfer or sale of any right, title and interest in the Projects (by foreclosure, deed in lieu of foreclosure or otherwise). Any amounts payable to Lender by reason of the application of this Section 4.4 shall become immediately due and payable and shall bear interest at the Default Rate from the date loss or damage is sustained by Lender until paid. The obligations and liabilities of Borrower under this Section 4.4 shall survive any termination, satisfaction, assignment, entry of a judgment of foreclosure or delivery of a deed in lieu of foreclosure.

Section 4.5 No Waiver. Notwithstanding any provision in this Article 4 or elsewhere in the Loan Documents, or any rights or remedies granted by the Environmental Indemnity Agreement or the Loan Documents, Lender does not waive and expressly reserves all rights and benefits now or hereafter accruing to Lender under the "security interest" or "secured creditor" exception under applicable Environmental Laws, as the same may be amended. No action taken by Lender pursuant to the Environmental Indemnity Agreement or the Loan Documents shall be deemed or construed to be a waiver or relinquishment of any such rights or benefits under the "security interest exception."

Section 4.6 Lender Cure Rights. If there is a release of Hazardous Materials affecting any Project, whether or not the release originates or emanates from such Project or any contiguous real estate, or if Borrower shall fail to comply with any Environmental Laws, Lender may at its election, but without the obligation to do so, upon three (3) Business Days' notice to Borrower (provided the delay caused by the giving of notice shall not, in Lender's sole opinion, cause substantial damage such Project), take any

and all actions as Lender shall deem necessary or advisable in order to remedy the release of Hazardous Materials or cure said failure of compliance, and any amounts paid by Lender as a result thereof, together with interest thereon at the Default Rate from the date of payment by Lender, shall be immediately due and payable by Borrower to Lender and until paid shall be added to and become part of the Loan and shall have the benefit of the lien created by the Loan Documents.

ARTICLE 5

LEASING MATTERS

Section 5.1 Representations and Warranties on Leases. Borrower represents and warrants to Lender with respect to leases of each Project that: (a) the rent roll delivered to Lender is true and correct, and the leases are valid and in and full force and effect; (b) the leases (including amendments) are in writing, and there are no oral agreements with respect thereto; (c) the copies of the leases (if any) delivered to Lender are true and complete; (d) the landlord is not in default under any of the leases, and not more than (i) five percent (5%) of the tenants at any one Project, and (ii) three percent (3%) of all tenants at all Projects are more than 30 days delinquent in payment of rent or are otherwise in default in a manner entitling the landlord to terminate their leases; (e) Borrower has not assigned or pledged any of the leases, the rents or any interests therein except to Lender; (f) no tenant or other party has an option to purchase all or any portion of any Project; (g) no tenant has the right to terminate its lease prior to expiration of the stated term of such lease; (h) not more than five percent (5%) of the tenants at any Project have prepaid more than one month's rent in advance (except for bona fide security deposits not in excess of an amount equal to two months' rent), and no tenants have prepaid more than twelve (12) months' rent in advance; and (i) all existing leases are subordinate to the Mortgages either pursuant to their terms or a recorded subordination agreement.

Section 5.2 Standard Lease Form; Approval Rights. All leases and other rental arrangements shall in all respects be approved by Lender and shall be on a standard lease form approved by Lender with no modifications (except as approved by Lender, which approval will not be unreasonably withheld or delayed). Borrower shall hold, in trust, all tenant security deposits in a segregated account, and, to the extent required by applicable law, shall not commingle any such funds with any other funds of Borrower. Within ten (10) days after Lender's request, Borrower shall furnish to Lender a statement of all tenant security deposits and copies of all leases, certified by Borrower as being true and correct. Notwithstanding anything contained in the Loan Documents, Lender's approval shall not be required for future leases or lease extensions at a Project if the following conditions are satisfied: (i) there exists no Potential Default or Event of Default; (ii) the lease is on the standard lease form approved by Lender with no modifications (except as approved by Lender); (iii) the lease does not conflict with any restrictive covenant affecting the Project or any other lease for space in the Project; and (iv) the effective rental rate is at least a market rate.

Section 5.3 Covenants. Borrower (a) shall perform the obligations which Borrower is required to perform under the leases; (b) shall enforce the obligations to be performed by the tenants; (c) shall not collect from more than five percent (5%) of the tenants at any Project (and then, only at the request of such tenants) any rents for more than thirty (30) days in advance of the time when the same shall become due (and in no event shall Borrower collect from any tenant any rents more than twelve (12) months in advance of the time when the same shall become due), except for bona fide security deposits not in excess of an amount equal to two month's rent; (d) shall not enter into any ground lease or master lease of any part of any Project; (e) shall not further assign or encumber any lease; (f) shall not, except with Lender's prior written consent, cancel or accept surrender or termination of any lease except in the ordinary course of business, consistent with prudent property management practices for self-storage

facilities; (g) shall not, except with Lender's prior written consent, modify or amend any lease (except for minor modifications and amendments entered into in the ordinary course of business, consistent with prudent property management practices for self-storage facilities, not affecting the economic terms of the lease); and (h) shall maintain all last month's rent and security deposits under leases at each Project in accordance with the requirements of the laws of the state in which such Project is located Any action in violation of clauses (d), (e), (f), and (g) of this Section 5.3 shall be void at the election of Lender.

Section 5.4 Tenant Estoppels. At Lender's request, Borrower shall obtain and furnish to Lender, written estoppels in form and substance reasonably satisfactory to Lender, executed by tenants under any "corporate" or master leases of any part of any Project and confirming the term, rent, and other provisions and matters relating to the leases.

ARTICLE 6

REPRESENTATIONS AND WARRANTIES

Borrower represents, warrants and covenants to Lender that:

Section 6.1 Organization, Power and Authority. Borrower and each Borrower Party (a) is duly organized, validly existing and in good standing under the laws of the state of its formation or existence, (b) is in compliance with all legal requirements applicable to doing business in the State, and (c) has the necessary governmental approvals to own and operate the Projects and conduct the business now conducted or to be conducted thereon. Borrower has the full power, authority and right to execute, deliver and perform its obligations pursuant to this Loan Agreement and the other Loan Documents, and to mortgage the Projects pursuant to the terms of the Mortgages and to keep and observe all of the terms of this Loan Agreement and the other Loan Documents on Borrower's part to be performed. Borrower is not a "foreign person" within the meaning of § 1445(f)(3) of the Internal Revenue Code.

Section 6.2 Validity of Loan Documents. The execution, delivery and performance by Borrower and each Borrower Party of the Loan Documents: (a) are duly authorized and do not require the consent or approval of any other party or governmental authority which has not been obtained; and (b) will not violate any law or result in the imposition of any lien, charge or encumbrance upon the assets of any such party, except as contemplated by the Loan Documents. The Loan Documents constitute the legal, valid and binding obligations of Borrower and each Borrower Party, enforceable in accordance with their respective terms, subject to applicable bankruptcy, insolvency, or similar laws generally affecting the enforcement of creditors' rights.

Section 6.3 Liabilities; Litigation.

(a) The financial statements delivered by Borrower and each Borrower Party are true and correct with no significant change since the date of preparation. Except as disclosed in such financial statements, there are no liabilities (fixed or contingent) affecting any Project, Borrower or any Borrower Party. Except as disclosed in such financial statements, there is no litigation, administrative proceeding, investigation or other legal action (including any proceeding under any state or federal bankruptcy or insolvency law) pending or, to the knowledge of Borrower, threatened, against any Project, Borrower or any Borrower Party which if adversely determined could have a material adverse effect on such party, such Project or the Loan.

(b) Neither Borrower nor any Borrower Party is contemplating either the filing of a petition by it under state or federal bankruptcy or insolvency laws or the liquidation of all or a major

portion of its assets or property, and neither Borrower nor any Borrower Party has knowledge of any Person contemplating the filing of any such petition against it.

Section 6.4 Taxes and Assessments. Each Project is comprised of one or more parcels, each of which constitutes a separate tax lot and none of which constitutes a portion of any other tax lot. There are no pending or, to Borrower's best knowledge, proposed, special or other assessments for public improvements or otherwise affecting any Project, nor are there any contemplated improvements to any Project that may result in such special or other assessments.

Section 6.5 Other Agreements; Defaults. Neither Borrower nor any Borrower Party is a party to any agreement or instrument or subject to any court order, injunction, permit, or restriction which might adversely affect any Project or the business, operations, or condition (financial or otherwise) of Borrower or any Borrower Party. Neither Borrower nor any Borrower Party is in violation of any agreement which violation would have an adverse effect on any Project, Borrower, or any Borrower Party or Borrower's or any Borrower Party's business, properties, or assets, operations or condition, financial or otherwise.

Section 6.6 Compliance with Law.

(a) Borrower and each Borrower Party have all requisite licenses, permits, franchises, qualifications, certificates of occupancy or other governmental authorizations to own, lease and operate the Projects and carry on its business, and each Project is in compliance with all applicable legal requirements and is free of structural defects, and except as set forth in the property condition reports obtained by Lender in connection with the Loan, all building systems contained therein are in good working order, subject to ordinary wear and tear. No Project constitutes, in whole or in part, a legally non-conforming use under applicable legal requirements other than the "Margate" Project located on the land described in ***Exhibit A-9***, which is legally non-conforming as to use;

(b) No condemnation has been commenced or, to Borrower's knowledge, is contemplated with respect to all or any portion of any Project or for the relocation of roadways providing access to any Project and, without limiting the foregoing, no redevelopment of the Oakland Project is pending or, to the best of Borrower's knowledge, is contemplated by the City of Oakland (or any redevelopment agency with jurisdiction over the Oakland Project); and

(c) Each Project has adequate rights of access to public ways and is served by adequate water, sewer, sanitary sewer and storm drain facilities. All public utilities necessary or convenient to the full use and enjoyment of each Project are located in the public right-of-way abutting such Project, and all such utilities are connected so as to serve such Project without passing over other property, except to the extent such other property is subject to a perpetual easement for such utility benefitting such Project. All roads necessary for the full utilization of each Project for its current purpose have been completed and dedicated to public use and accepted by all governmental authorities.

Section 6.7 Location of Borrower. Borrower's principal place of business and chief executive offices are located at the address stated in Section 11.1.

Section 6.8 ERISA.

(a) As of the Closing Date and throughout the term of the Loan, (i) Borrower is not and will not be an "employee benefit plan" as defined in Section 3(3) of the Employee Retirement Income Security Act of 1974, as amended ("**ERISA**"), which is subject to Title I of ERISA, and (ii) the assets of

Borrower do not and will not constitute "plan assets" of one or more such plans for purposes of Title I of ERISA; and

(b) As of the Closing Date and throughout the term of the Loan (i) Borrower is not and will not be a "governmental plan" within the meaning of Section 3(3) of ERISA and (ii) transactions by or with Borrower are not and will not be subject to state statutes applicable to Borrower regulating investments of and fiduciary obligations with respect to governmental plans.

Section 6.9 Forfeiture. There has not been and shall never be committed by Borrower or any other person in occupancy of or involved with the operation or use of the Projects any act or omission affording the federal government or any state or local government the right of forfeiture as against the Projects or any part thereof or any monies paid in performance of Borrower's obligations under any of the Loan Documents. Borrower hereby covenants and agrees not to commit, permit or suffer to exist any act or omission affording such right of forfeiture.

Section 6.10 Tax Filings. Borrower and each Borrower Party have filed (or have obtained effective extensions for filing) all federal, state and local tax returns required to be filed and have paid or made adequate provision for the payment of all federal, state and local taxes, charges and assessments payable by Borrower and each Borrower Party, respectively. Borrower and each Borrower Party believe that their respective tax returns properly reflect the income and taxes of Borrower and each Borrower Party, respectively, for the periods covered thereby, subject only to reasonable adjustments required by the Internal Revenue Service or other applicable tax authority upon audit.

Section 6.11 Solvency. Giving effect to the Loan, the fair saleable value of Borrower's assets exceeds and will, immediately following the making of the Loan, exceed Borrower's total liabilities, including, without limitation, subordinated, unliquidated, disputed and contingent liabilities. The fair saleable value of Borrower's assets is and will, immediately following the making of the Loan, be greater than Borrower's probable liabilities, including the maximum amount of its contingent liabilities on its Debts as such Debts become absolute and matured, Borrower's assets do not and, immediately following the making of the Loan will not, constitute unreasonably small capital to carry out its business as conducted or as proposed to be conducted. Borrower does not intend to, and does not believe that it will, incur Debts and liabilities (including contingent liabilities and other commitments) beyond its ability to pay such Debts as they mature (taking into account the timing and amounts of cash to be received by Borrower and the amounts to be payable on or in respect of obligations of Borrower). Except as expressly disclosed to Lender in writing, no petition in bankruptcy has been filed against Borrower or any Borrower Party in the last seven (7) years, and neither Borrower or any Borrower Party in the last seven (7) years has ever made an assignment for the benefit of creditors or taken advantage of any insolvency act for the benefit of debtors.

Section 6.12 Full and Accurate Disclosure. No statement of fact made by or on behalf of Borrower or any Borrower Party in this Agreement or in any of the other Loan Documents contains any untrue statement of a material fact or omits to state any material fact necessary to make statements contained herein or therein not misleading. There is no fact presently known to Borrower which has not been disclosed to Lender which adversely affects, nor as far as Borrower can foresee, might adversely affect, any Project or the business, operations or condition (financial or otherwise) of Borrower or any Borrower Party.

Section 6.13 Flood Zone. No portion of the improvements comprising any Project is located in an area identified by the Secretary of Housing and Urban Development or any successor thereto as an area having special flood hazards pursuant to the National Flood Insurance Act of 1968, the Flood Disaster Protection Act of 1973 or the National Flood Insurance Act of 1994, as amended, or any

successor law, or, if located within any such area, Borrower has obtained and will maintain the insurance prescribed in Section 3.1 hereof.

Section 6.14 Single Purpose Entity/Separateness. Borrower represents, warrants and covenants as follows:

(a) Borrower has not owned, does not own, and will not own any asset or property other than (i) the Projects, and (ii) incidental personal property necessary for the ownership or operation of the Projects.

(b) Borrower will not engage in any business other than the ownership, management and operation of the Projects and Borrower will conduct and operate its business as presently conducted and operated.

(c) Borrower will not enter into any contract or agreement with any Affiliate of the Borrower, any constituent party of Borrower, or any Affiliate of any constituent party, except upon terms and conditions that are intrinsically fair and substantially similar to those that would be available on an arms-length basis with third parties other than any such party.

(d) Borrower has not incurred and will not incur any Debt other than (i) the Loan, (ii) trade and operational debt incurred in the ordinary course of business with trade creditors and in amounts as are normal and reasonable under the circumstances, provided such debt is not evidenced by a note and is paid when due, and (iii) Debt incurred in the financing of equipment and other personal property used on the Projects. No indebtedness other than the Loan may be secured (subordinate or pari passu) by any Project.

(e) Borrower has not made and will not make any loans or advances to any third party (including any Affiliate or constituent party or any Affiliate of any constituent party), and shall not acquire obligations or securities of its Affiliates or any constituent party.

(f) Borrower is and will remain solvent and Borrower will pay its debts and liabilities (including, as applicable, shared personnel and overhead expenses) from its own funds and assets as the same shall become due.

(g) Borrower has done or caused to be done and will do all things necessary to observe organizational formalities and preserve its existence, and Borrower will not, nor will Borrower permit any constituent party to amend, modify or otherwise change the partnership certificate, partnership agreement, articles of incorporation and bylaws, operating agreement, trust or other organizational documents of Borrower or such constituent party without the prior written consent of Lender.

(h) Borrower will maintain all of its books, records, financial statements and bank accounts separate from those of its Affiliates and any constituent party and Borrower will file its own tax returns, if any, as may be required under applicable law, to the extent not part of a consolidated group filing a consolidated return, and pay any taxes so required to be paid under applicable law. Borrower shall maintain its books, records, resolutions and agreements as official records.

(i) Borrower will be, and at all times will hold itself out to the public as, a legal entity separate and distinct from any other entity (including any Affiliate of Borrower, any constituent party of Borrower, or any Affiliate of any constituent party), shall correct any known misunderstanding regarding its status as a separate entity, shall conduct business in its own name, shall not identify itself or

any of its Affiliates as a division or part of the other and shall maintain and utilize a separate telephone number, if any, and separate stationery, invoices and checks.

(j) Borrower will maintain adequate capital for the normal obligations reasonably foreseeable in a business of its size and character and in light of its contemplated business operations.

(k) Neither Borrower nor any constituent party will seek the dissolution, winding up, liquidation, consolidation or merger in whole or in part, of the Borrower.

(1) Borrower will not commingle the funds and other assets of Borrower with those of any Affiliate or constituent party, or any Affiliate of any constituent party, or any other Person.

(m) Borrower has and will maintain its assets in such a manner that it will not be costly or difficult to segregate, ascertain or identify its individual assets from those of any Affiliate or constituent party, or any Affiliate of any constituent party, or any other Person.

(n) Borrower does not and will not hold itself out to be responsible for the debts or obligations of any other Person.

(o) If Borrower is a limited partnership or a limited liability company, each general partner or managing member (each, an "**SPC Party**") shall be a limited liability company whose sole asset is its interest in Borrower and each such SPC Party will at all times comply, and will cause Borrower to comply, with each of the representations, warranties, and covenants contained in this Section 6.14 as if such representation, warranty or covenant was made directly by such SPC Party.

(p) Borrower shall at all times cause there to be at least one duly appointed special manager (an "**Independent Director**") of each SPC Party in Borrower who shall not have been at the time of such individual's appointment, and may not have been at any time during the preceding five years (i) a shareholder of, or an officer, director, partner, member, or employee of, Borrower or any of their Affiliates, (ii) affiliated with a customer of, or supplier to, the SPC Party, Borrower or any of their Affiliates, or (iii) a spouse, parent, sibling, child, or other family relative of any person described by (i) or (ii) above. As used herein, the term "**Affiliate**" means any Person other than the SPC Party (A) which owns beneficially, directly or indirectly, any outstanding shares of the SPC Party's stock or interest in the Borrower or (B) which controls or is under common control with the SPC Party or the Borrower. As used herein, the term "**control**" means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through ownership of voting securities, by contract or otherwise.

(q) Borrower shall not cause or permit the manager of each SPC Party in Borrower to take any action which, under the terms of such SPC Party's operating agreement, requires the vote of the Independent Director of such SPC Party unless at the time of such action there shall be at least one manager of such SPC Party who is an Independent Director.

(r) Borrower shall conduct its business so that the assumptions made with respect to Borrower in that certain opinion letter dated as of the Closing Date (the "**Insolvency Opinion**") delivered by Goodwin Procter LLP in connection with the Loan shall be true and correct in all respects.

Section 6.15 Compliance with Anti-Terrorism Orders.

(a) Borrower, each member in Borrower, all beneficial owners of Borrower and, to the best of Borrower's knowledge, all beneficial owners of any such member, are in compliance with all

laws, statutes, rules and regulations of any federal, state or local governmental authority in the United States of America applicable to such Persons, including, without limitation, the requirements of Executive Order No. 13224, 66 Fed. Reg. 49079 (Sept. 25, 2001) (the "**Order**") and other similar requirements contained in the rules and regulations of the Office of Foreign Asset Control, Department of the Treasury ("**OFAC**") and in any enabling legislation or other Executive Orders in respect thereof (the Order and such other rules, regulations, legislation, or orders are collectively called the "**Orders**"). Borrower agrees to make its policies, procedures and practices regarding compliance with the Orders of any Persons who, pursuant to transfers permitted by the Mortgage, become stockholders, members, partners or other investors of Borrower available to Lender for its review and inspection during normal business hours and upon reasonable prior notice.

(b) Neither Borrower or any member in Borrower nor the beneficial owner of Borrower or any such member:

(i) is listed on the Specially Designated Nationals and Blocked Persons List maintained by OFAC pursuant to the Order and/or on any other list of terrorists or terrorist organizations maintained pursuant to any of the rules and regulations of OFAC or pursuant to any other applicable Orders (such lists are collectively referred to as the "**Lists**");

(ii) is a Person who has been determined by competent authority to be subject to the prohibitions contained in the Orders;

(iii) is owned or controlled by, nor acts for or on behalf of, any Person on the Lists or any other Person who has been determined by competent authority to be subject to the prohibitions contained in the Orders;

(iv) shall transfer or permit the transfer of any interest in Borrower or any Borrower Party to any Person who is or whose beneficial owners are listed on the Lists; or

(v) shall knowingly lease space in any Project to any Person who is listed on the Lists or who is engaged in illegal activities.

(c) If Borrower obtains knowledge that Borrower or any of its members or their beneficial owners become listed on the Lists or are indicted, arraigned, or custodially detained on charges involving money laundering or predicate crimes to money laundering, Borrower shall immediately notify Lender.

(d) If Borrower obtains knowledge that any tenant in any Project has become listed on the Lists or is convicted, pleads nolo contendere, indicted, arraigned, or custodially detained on charges involving money laundering or predicate crimes to money laundering, Borrower shall immediately notify Lender.

(e) If Borrower obtains knowledge that a tenant at any Project is listed on the Lists or is convicted or pleads nolo contendere to charges related to activity prohibited in the Orders, then proceeds from the rents of such tenant shall not be used to pay Debt Service and Borrower shall provide Lender such representations and verifications as Lender shall reasonably request that such rents are not being so used.

(f) If a tenant at any Project is arrested on such charges, and such charge is not dismissed within thirty (30) days thereafter, Lender may at its option notify Borrower to exclude such rents from the Debt Service payments.

(g) If Borrower or any Borrower Party is listed on the Lists, no earn-out disbursements, escrow disbursements, or other disbursements under the Loan Documents shall be made and all of such funds shall be paid in accordance with the direction of a court of competent jurisdiction.

Section 6.16 Prior Loan Documents. Borrower hereby represents, warrants and covenants as follows:

(a) The outstanding principal balance of the indebtedness evidenced by the Existing Note as of the Closing Date is $53,240,932.43 and all accrued interest and charges due thereon have been paid in full. Interest shall accrue from and after the Closing Date at the rate set forth herein.

(b) The Existing Florida Mortgage, Existing Note and all other documents evidencing, governing or securing the Existing Note (collectively, the "**Prior Loan Documents**") have not been amended, restated or consolidated in any manner as of the date hereof except as described in the Recitals to this Agreement and in the Recitals to the Mortgage encumbering the Florida Projects. All of the terms, provisions, covenants, warranties and agreements contained, and all liens and security interests granted, in the Prior Loan Documents remain in full force and effect, and the liens and security interests granted therein are acknowledged to be valid and subsisting liens against the Projects.

(c) Except as previously disclosed to Lender in writing, there has not occurred any act or event which constitutes, or which would have constituted, or by the giving of notice or the expiration of any grace period, or both, a default under any of the Prior Loan Documents.

(d) On the date hereof, there exist no defenses or offsets to the obligations evidenced and secured by the Prior Loan Documents and Borrower hereby waives any right to assert any such claims or defenses existing as of the date hereof.

(e) Borrower, for itself and on behalf of each Borrower Party, hereby jointly and severally indemnify, release, acquit, hold harmless and forever discharge Lender, and Lender's subsidiaries, divisions, partners, affiliated corporations, officers, directors, agents, employees, attorneys and representatives, as well as their respective heirs, executors, legal representatives, successors and assigns (herein collectively called the "**Lender Related Parties**") from any and all claims, demands, debts, liabilities, contracts, agreements, obligations, accounts, defenses, suits, offsets against any of the Prior Loan Documents, actions, causes of action or claims for relief of whatever kind of nature, known or unknown to Borrower or any Borrower Party as of the date hereof, which Borrower or any Borrower Party may have, jointly or severally, against Lender or Lender Related Parties, for or by reason of any matter, cause or thing whatsoever occurring prior to the date of this certificate, which relate to, in whole or in part, directly or indirectly, the Prior Loan Documents, the indebtedness evidenced thereby, the loan transactions evidenced thereby, or any prior forbearance granted by any predecessor in interest in connection with any obligations and liabilities of Borrower under the Prior Loan Documents, including, without limitation, any such claims or defenses as fraud, mistake, duress, overreaching, usury, failure to disclose, and interference with business management or relationships relating to any of the matters, documents, transactions, acts or omissions described above.

ARTICLE 7

FINANCIAL REPORTING

Section 7.1 Financial Statements.

(a) **Monthly Reports**. Until the Loan is sold in a Secondary Market Transaction, Borrower shall furnish to Lender within twenty-one (21) days after the end of each calendar month, a current rent roll and a detailed operating statement (showing monthly activity and year-to-date) for each Project stating operating revenues, operating expenses, operating income and net cash flow for the calendar month just ended.

(b) **Quarterly Reports**. Within forty-five (45) days after the end of each calendar quarter, Borrower shall furnish to Lender a current rent roll and a detailed operating statement (showing quarterly activity and year-to-date) for each Project stating operating revenues, operating expenses, operating income and net cash flow for the calendar quarter just ended.

(c) **Annual Reports**. Within ninety (90) days after the end of each fiscal year of Borrower's operation of the Projects (on a Project-by-Project basis and on a consolidated basis), Borrower shall furnish to Lender a current (as of the end of such fiscal year) balance sheet, a detailed operating statement stating operating revenues, operating expenses, operating income and net cash flow for each of Borrower and the Projects, and, if required by Lender, audited financial statements prepared by an independent public accountant reasonably satisfactory to Lender.

(d) **Certification; Supporting Documentation**. Each such financial statement shall be in scope and detail reasonably satisfactory to Lender and certified by the chief financial representative of Borrower.

Section 7.2 Accounting Principles. All financial statements shall be prepared in accordance with generally accepted accounting principles in the United States of America in effect on the date so indicated and consistently applied (or such other accounting basis reasonably acceptable for Lender).

Section 7.3 Other Information; Access. Borrower shall deliver to Lender such additional information regarding Borrower, its subsidiaries, its business, any Borrower Party, and the Projects within 30 days after Lender's request therefor. Borrower shall permit Lender to examine such records, books and papers of Borrower which reflect upon its financial condition and the income and expenses of the Projects. In the event that Borrower fails to forward the financial statements required in this Article 7 within thirty (30) days after written request, Lender shall have the right to audit such records, books and papers at Borrower's expense.

Section 7.4 Annual Budget. At least thirty (30) days prior to the commencement of each fiscal year, Borrower will provide to Lender its proposed annual operating and capital improvements budget for each Project for such fiscal year for review and approval by Lender.

ARTICLE 8

COVENANTS

Borrower covenants and agrees with Lender as follows:

Section 8.1 Due On Sale and Encumbrance; Transfers of Interests. Without the prior written consent of Lender, neither Borrower nor any other Person having an ownership or beneficial interest in Borrower shall sell, transfer, convey, mortgage, pledge, or assign any interest in any Project or any part thereof or further encumber, alienate, grant a Lien or grant any other interest in any Project or any part thereof, whether voluntarily or involuntarily, in violation of the covenants and conditions set forth in the Mortgages.

Section 8.2 Taxes; Utility Charges. Except to the extent sums sufficient to pay all Taxes (defined herein) have been previously deposited with Lender as part of the Tax and Insurance Escrow Fund and subject to Borrower's right to contest in accordance with Section 11.8 hereof, Borrower shall pay before any fine, penalty, interest or cost may be added thereto, and shall not enter into any agreement to defer, any real estate taxes and assessments, franchise taxes and charges, and other governmental charges (the "**Taxes**") that may become a Lien upon any Project or become payable during the term of the Loan. Borrower's compliance with Section 3.4 of this Agreement relating to impounds for Taxes shall, with respect to payment of such Taxes, be deemed compliance with this Section 8.2. Borrower shall not suffer or permit the joint assessment of any Project with any other real property constituting a separate tax lot or with any other real or personal property. Borrower shall promptly pay for all utility services provided to the Projects.

Section 8.3 Control; Management. Except as expressly permitted in Section 3.9 of the Mortgages, there shall be no change in the day-to-day control and management of Borrower or Borrower's general partner or managing member without the prior written consent of Lender. Borrower shall not terminate, replace or appoint any property manager or terminate or amend the property management agreement for any Project without Lender's prior written approval, which approval shall not be unreasonably withheld. Any change in ownership or control of the property manager shall be cause for Lender to re-approve such property manager and property management agreement. Each property manager shall hold and maintain all necessary licenses, certifications and permits required by law. Borrower shall fully perform all of its covenants, agreements and obligations under the property management agreements. The properly management fee payable under each property management agreement shall not exceed six percent (6.0%) of gross revenues collected.

Section 8.4 Operation; Maintenance; Inspection. Borrower shall observe and comply with all legal requirements applicable to the ownership, use and operation of the Projects. Borrower shall maintain the Projects in good condition and promptly repair any damage or casualty. Borrower shall permit Lender and its agents, representatives and employees, upon reasonable prior notice to Borrower, to inspect the Projects and conduct such environmental and engineering studies as Lender may require, provided such inspections and studies do not materially interfere with the use and operation of the Projects.

Section 8.5 Taxes on Security. Borrower shall pay all taxes, charges, filing, registration and recording fees, excises and levies payable with respect to the Note or the Liens created or secured by the Loan Documents, other than income, franchise and doing business taxes imposed on Lender. If there shall be enacted any law (a) deducting all or a portion of the Loan from the value of any Project for the purpose of taxation, (b) affecting any Lien on any Project, or (c) changing existing laws of taxation of mortgages, deeds of trust, security deeds, or debts secured by real property, or changing the manner of

collecting any such taxes, Borrower shall promptly pay to Lender, on demand, all taxes, costs and charges for which Lender is or may be liable as a result thereof; however, if such payment would be prohibited by law or would render the Loan usurious, then instead of collecting such payment, Lender may declare all amounts owing under the Loan Documents to be immediately due and payable. Borrower hereby agrees that, in the event that it is determined that additional documentary stamp tax or intangible tax is due on any Mortgage or promissory note executed in connection herewith (including, without limitation, the Note), Borrower shall pay same within ten (10) days after demand of payment from Lender and the payment of such sums shall be secured by the Mortgages and such sums shall bear interest at the Default Rate until paid in full, and Borrower shall indemnify and hold harmless Lender for all such documentary stamp tax and/or intangible tax, including all penalties and interest assessed or charged in connection therewith.

Section 8.6 Legal Existence; Name, Etc. Borrower and each SPC Party shall preserve and keep in full force and effect its entity status, franchises, rights and privileges under the laws of the state of its formation, and all qualifications, licenses and permits applicable to the ownership, use and operation of the Projects. Neither Borrower nor any general partner or managing member of Borrower shall wind up, liquidate, dissolve, reorganize, merge, or consolidate with or into, or convey, sell, assign, transfer, lease, or otherwise dispose of all or substantially all of its assets, or acquire all or substantially all of the assets of the business of any Person, or permit any subsidiary or Affiliate of Borrower to do so (except as permitted in Section 3.9 of the Mortgages with respect to Extra Space Storage LLC). Borrower shall not change its name, identity, state of formation, or organizational structure, or the location of its chief executive office or principal place of business unless Borrower (a) shall have obtained the prior written consent of Lender to such change, and (b) shall have taken all actions necessary or requested by Lender to file or amend any financing statement or continuation statement to assure perfection and continuation of perfection of security interests under the Loan Documents. The name of Borrower, type of entity, organization number, and state of formation set forth in this Agreement accurately reflect such information as shown on the public record of Borrower's jurisdiction of organization.

Section 8.7 Further Assurances. Borrower shall promptly (a) cure any defects in the execution and delivery of the Loan Documents and the Environmental Indemnity Agreement, and (b) execute and deliver, or cause to be executed and delivered, all such other documents, agreements and instruments as Lender may reasonably request to further evidence and more fully describe the collateral for the Loan, to correct any omissions in the Loan Documents, to perfect, protect or preserve any liens created under any of the Loan Documents and the Environmental Indemnity Agreement, or to make any recordings, file any notices, or obtain any consents, as may be necessary or appropriate in connection therewith. Borrower grants Lender an irrevocable power of attorney coupled with an interest for the purpose of exercising and perfecting any and all rights and remedies available to Lender under the Loan Documents and the Environmental Indemnity Agreement, at law and in equity, including without limitation such rights and remedies available to Lender pursuant to this Section 8.7.

Section 8.8 Estoppel Certificates. Borrower, within ten (10) days after request, shall furnish to Lender a written statement, duly acknowledged, setting forth the amount due on the Loan, the terms of payment of the Loan, the date to which interest has been paid, whether any offsets or defenses exist against the Loan and, if any are alleged to exist, the nature thereof in detail, and such other matters as Lender reasonably may request.

Section 8.9 Notice of Certain Events. Borrower shall promptly notify Lender of (a) any Potential Default or Event of Default, together with a detailed statement of the steps being taken to cure such Potential Default or Event of Default; (b) any notice of default received by Borrower under other obligations relating to any Project or otherwise material to Borrower's business; and (c) any threatened or

pending legal, judicial or regulatory proceedings, including any dispute between Borrower and any governmental authority, affecting Borrower or any Project.

Section 8.10 Indemnification. Except for matters caused by Lender's gross negligence or willful misconduct, Borrower shall protect, defend, indemnify and save harmless Lender its shareholders, directors, officers, employees and agents from and against all liabilities, obligations, claims, damages, penalties, causes of action, costs and expenses (including without limitation reasonable attorneys' fees and expenses), imposed upon or incurred by or asserted against Lender by reason of (a) ownership of the Mortgages, the Projects or any interest therein or receipt of any rents; (b) any accident, injury to or death of persons or loss of or damage to property occurring in, on or about any Project or any part thereof or on the adjoining sidewalks, curbs, adjacent property or adjacent parking areas, streets or ways; (c) any use, nonuse or condition in, on or about any Project or any part thereof or on the adjoining sidewalks, curbs, adjacent property or adjacent parking areas, streets or ways; (d) performance of any labor or services or the furnishing of any materials or other property in respect of any Project or any part thereof; and (e) the failure of any Person to file timely with the Internal Revenue Service an accurate Form 1099-B, Statement for Recipients of Proceeds from Real Estate, Broker and Barter Exchange Transactions, which may be required in connection with this Agreement, or to supply a copy thereof in a timely fashion to the recipient of the proceeds of the transaction in connection with which this Agreement is made. Any amounts payable to Lender by reason of the application of this section shall become immediately due and payable and shall bear interest at the Default Rate from the date loss or damage is sustained by Lender until paid.

Section 8.11 Cooperation. Borrower acknowledges that Lender and its successors and assigns may (a) sell this Agreement, the Mortgages, the Note, the other Loan Documents, and the Environmental Indemnity Agreement, and any and all servicing rights thereto to one or more investors as a whole loan, (b) participate the Loan to one or more investors, (c) deposit this Agreement, the Note, other Loan Documents, and the Environmental Indemnity Agreement with a trust, which trust may sell certificates to investors evidencing an ownership interest in the trust assets, or (d) otherwise sell the Loan or interest therein to investors (the transactions referred to in clauses (a) through (d) are hereinafter each referred to as a "**Secondary Market Transaction**"). Borrower shall cooperate with Lender in effecting any such Secondary Market Transaction and shall cooperate to implement all requirements imposed by any Rating Agency involved in any Secondary Market Transaction. Borrower shall provide such information, legal opinions and documents relating to the Borrower, the Projects and any tenants of the Projects as Lender may reasonably request in connection with such Secondary Market Transaction at no third-party professional expense to Borrower unless otherwise required by the Loan Documents. In addition, Borrower shall make available to Lender all information concerning its business and operations, and any other matters contemplated by the Loan Documents, that Lender may reasonably request. Lender shall be permitted to share all such information with the investment banking firms, Rating Agencies, accounting firms, law firms and other third-party advisory firms involved with the Loan and the Loan Documents or the applicable Secondary Market Transaction. It is understood that the information provided by Borrower to Lender may ultimately be incorporated into the offering documents for the Secondary Market Transaction and thus various investors may also see some or all of the information. Lender and all of the aforesaid third-party advisors and professional firms shall be entitled to rely on the information supplied by, or on behalf of, Borrower and Borrower indemnifies Lender as to any losses, claims, damages or liabilities that arise out of or are based upon any untrue statement or alleged untrue statement of any material fact contained in such information or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated in such information or necessary in order to make the statements in such information, or in light of the circumstances under which they were made, not misleading.

Section 8.12 Payment For Labor and Materials. Subject to Borrower's right to contest in accordance with Section 11.8 hereof, Borrower will promptly pay when due all bills and costs for labor, materials, and specifically fabricated materials incurred in connection with any Project and never permit to exist beyond the due date thereof in respect of such Project or any part thereof any Lien, even though inferior to the Liens hereof, and in any event never permit to be created or exist in respect of any Project or any part thereof any other or additional Lien other than the Liens hereof, except for the Permitted Encumbrances (defined in the Mortgage encumbering such Project).

ARTICLE 9

EVENTS OF DEFAULT

Each of the following shall constitute an Event of Default under the Loan:

Section 9.1 Payments. Borrower's failure to pay any regularly scheduled installment of principal, interest or other amount due under the Loan Documents within five (5) days of (and including) the date when due, or Borrower's failure to pay the Loan at the Maturity Date, whether by acceleration or otherwise.

Section 9.2 Insurance. Borrower's failure to maintain insurance as required under Section 3.1 of this Agreement.

Section 9.3 Sale, Encumbrance, Etc. The sale, transfer, conveyance, pledge, mortgage or assignment of any part or all of any Project, or any interest therein, or of any interest in Borrower, in violation of the Mortgage encumbering such Project.

Section 9.4 Covenants. Borrower's failure to perform or observe any of the agreements and covenants contained in this Agreement or in any of the other Loan Documents (other than payments under Section 9.1, insurance requirements under Section 9.2, transfers and encumbrances under Section 9.3, and the Events of Default described in Sections 9.7, 9.8 and 9.9 below), and the continuance of such failure for ten (10) days after notice by Lender to Borrower; however, subject to any shorter period for curing any failure by Borrower as specified in any of the other Loan Documents, Borrower shall have an additional sixty (60) days to cure such failure if (a) such failure does not involve the failure to make payments on a monetary obligation; (b) such failure cannot reasonably be cured within ten (10) days; (c) Borrower is diligently undertaking to cure such default; and (d) Borrower has provided Lender with security reasonably satisfactory to Lender against any interruption of payment or impairment of collateral as a result of such continuing failure.

Section 9.5 Representations and Warranties. Any representation or warranty made in any Loan Document proves to be untrue in any material respect when made or deemed made.

Section 9.6 Other Encumbrances. Any default under any document or instrument, other than the Loan Documents, evidencing or creating a Lien on any Project or any part thereof, not cured within any applicable grace or cure period therein.

Section 9.7 Involuntary Bankruptcy or Other Proceeding. Commencement of an involuntary case or other proceeding against Borrower, any Borrower Party or any other Person having an ownership or security interest in any Project (each, a "**Bankruptcy Party**") which seeks liquidation, reorganization or other relief with respect to it or its debts or other liabilities under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeks the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any of its property, and such involuntary case or

other proceeding shall remain undismissed or unstayed for a period of 60 days; or an order for relief against a Bankruptcy Party shall be entered in any such case under the Federal Bankruptcy Code.

Section 9.8 Voluntary Petitions, Etc. Commencement by a Bankruptcy Party of a voluntary case or other proceeding seeking liquidation, reorganization or other relief with respect to itself or its Debts or other liabilities under any bankruptcy, insolvency or other similar law or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official for it or any of its property, or consent by a Bankruptcy Party to any such relief or to the appointment of or taking possession by any such official in an involuntary case or other proceeding commenced against it, or the making by a Bankruptcy Party of a general assignment for the benefit of creditors, or the failure by a Bankruptcy Party, or the admission by a Bankruptcy Party in writing of its inability, to pay its debts generally as they become due, or any action by a Bankruptcy Party to authorize or effect any of the foregoing.

Section 9.9 Anti-Terrorism. If Borrower or any Borrower Party is listed on the Lists or is convicted or pleads nolo contendere to charges related to activity prohibited in the Orders, or if Borrower or any Borrower Party is arrested on charges related to activity prohibited in the Orders and such charge is not dismissed within sixty (60) days thereafter.

Section 9.10 Oakland Ground Lease. The occurrence of any one of the following events with respect to the Oakland Ground Lease: (a) Borrower fails in the payment of any rent or other charge mentioned in or made payable by the Oakland Ground Lease as and when such rent or other charge is payable; or (b) there shall occur any default by Borrower, as tenant under the Oakland Ground Lease, in the observance or performance of any term, covenant or condition of the Oakland Ground Lease on the part of Borrower, to be observed or performed, and said default is not cured within thirty (30) days prior to the expiration of any applicable grace period therein provided; or (c) if any one or more of the events referred to in the Oakland Ground Lease shall occur which would cause the Oakland Ground Lease to terminate without notice or action by the Ground Lessor or which would entitle the Ground Lessor to terminate the Oakland Ground Lease and the term thereof by giving notice to Borrower, as tenant thereunder; or (d) if the leasehold estate created by the Oakland Ground Lease shall be surrendered or the Oakland Ground Lease shall be terminated or cancelled for any reason or under any circumstances whatsoever; or (e) if any of the terms, covenants or conditions of the Oakland Ground Lease shall in any manner be modified, changed, supplemented, altered, or amended without consent of Lender.

ARTICLE 10

REMEDIES

Section 10.1 Remedies - Insolvency Events. Upon the occurrence of any Event of Default described in Section 9.7 or 9.8, all amounts due under the Loan Documents immediately shall become due and payable, all without written notice and without presentment, demand, protest, notice of protest or dishonor, notice of intent to accelerate the maturity thereof, notice of acceleration of the maturity thereof, or any other notice of default of any kind, all of which are hereby expressly waived by Borrower; however, if the Bankruptcy Party under Section 9.7 or 9.8 is other than Borrower, then all amounts due under the Loan Documents shall become immediately due and payable at Lender’s election, in Lender’s sole discretion.

Section 10.2 Remedies - Other Events. Except as set forth in Section 10.1 above, while any Event of Default exists, Lender may (a) declare the entire Loan to be immediately due and payable without presentment, demand, protest, notice of protest or dishonor, notice of intent to accelerate the maturity thereof, notice of acceleration of the maturity thereof, or other notice of default of any kind, all

of which are hereby expressly waived by Borrower, and (b) exercise all rights and remedies therefor under the Loan Documents and at law or in equity.

Section 10.3 Lender's Right to Perform the Obligations. If Borrower shall fail, refuse or neglect to make any payment or perform any act required by the Loan Documents, then while any Event of Default exists, and without notice to or demand upon Borrower and without waiving or releasing any other right, remedy or recourse Lender may have because of such Event of Default, Lender may (but shall not be obligated to) make such payment or perform such act for the account of and at the expense of Borrower, and shall have the right to enter upon the Projects for such purpose and to take all such action thereon and with respect to the Projects as it may deem necessary or appropriate. If Lender shall elect to pay any sum due with reference to any Project, Lender may do so in reliance on any bill, statement or assessment procured from the appropriate governmental authority or other issuer thereof without inquiring into the accuracy or validity thereof. Similarly, in making any payments to protect the security intended to be created by the Loan Documents, Lender shall not be bound to inquire into the validity of any apparent or threatened adverse title, lien, encumbrance, claim or charge before making an advance for the purpose of preventing or removing the same. Borrower shall indemnify Lender for all losses, expenses, damages, claims and causes of action, including reasonable attorneys' fees, incurred or accruing by reason of any acts performed by Lender pursuant to the provisions of this Section 10.3. All sums paid by Lender pursuant to this Section 10.3, and all other sums expended by Lender to which it shall be entitled to be indemnified, together with interest thereon at the Default Rate from the date of such payment or expenditure until paid, shall constitute additions to the Loan, shall be secured by the Loan Documents and shall be paid by Borrower to Lender upon demand.

ARTICLE 11

MISCELLANEOUS

Section 11.1 Notices. Any notice required or permitted to be given under this Agreement shall be in writing and either shall be mailed by certified mail, postage prepaid, return receipt requested, or sent by overnight air courier service, or personally delivered to a representative of the receiving party, or sent by telecopy (provided an identical notice is also sent simultaneously by mail, overnight courier, or personal delivery as otherwise provided in this Section 11.1). All such communications shall be mailed, sent or delivered, addressed to the party for whom it is intended at its address set forth below.

If to Borrower:	Extra Space Properties Three LLC 2795 East Cottonwood Parkway, Suite 400 Salt Lake City, Utah 84121 Attention: David L. Rasmussen, General Counsel Telecopy: (801) 365-4947
If to Lender:	General Electric Capital Corporation c/o GEMSA Loan Services, L.P. 1500 City West Boulevard, Suite 200 Houston, Texas 77042-2300 Attention: Portfolio Manager/Access Program Telecopy: (713) 458-7500

with a copy to: General Electric Capital Corporation
Two Bent Tree Tower
16479 Dallas Parkway, Suite 500
Addison, Texas 75001
Attention: David R. Martindale
Telecopy: (972) 728-7650

Any communication so addressed and mailed shall be deemed to be given on the earliest of (a) when actually delivered, (b) on the first Business Day after deposit with an overnight air courier service, or (c) on the third Business Day after deposit in the United States mail, postage prepaid, in each case to the address of the intended addressee, and any communication so delivered in person shall be deemed to be given when receipted for by, or actually received by Lender or Borrower, as the case may be. If given by telecopy, a notice shall be deemed given and received when the telecopy is transmitted to the party's telecopy number specified above and confirmation of complete receipt is received by the transmitting party during normal business hours or on the next Business Day if not confirmed during normal business hours. Either party may designate a change of address by written notice to the other by giving at least ten (10) days prior written notice of such change of address.

Section 11.2 Amendments and Waivers. No amendment or waiver of any provision of the Environmental Indemnity Agreement and the Loan Documents shall be effective unless in writing and signed by the party against whom enforcement is sought.

Section 11.3 Limitation on Interest. It is the intention of the parties hereto to conform strictly to applicable usury laws. Accordingly, all agreements between Borrower and Lender with respect to the Loan are hereby expressly limited so that in no event, whether by reason of acceleration of maturity or otherwise, shall the amount paid or agreed to be paid to Lender or charged by Lender for the use, forbearance or detention of the money to be lent hereunder or otherwise, exceed the maximum amount allowed by law. If the Loan would be usurious under applicable law (including the laws of the State and the laws of the United States of America), then, notwithstanding anything to the contrary in the Loan Documents: (a) the aggregate of all consideration which constitutes interest under applicable law that is contracted for, taken, reserved, charged or received under the Loan Documents shall under no circumstances exceed the maximum amount of interest allowed by applicable law, and any excess shall be credited on the Note by the holder thereof; and (b) if maturity is accelerated by reason of an election by Lender, or in the event of any prepayment, then any consideration which constitutes interest may never include more than the maximum amount allowed by applicable law. In such case, excess interest, if any, provided for in the Loan Documents or otherwise, to the extent permitted by applicable law, shall be amortized, prorated, allocated and spread from the date of advance until payment in full so that the actual rate of interest is uniform through the term hereof. If such amortization, proration, allocation and spreading is not permitted under applicable law, then such excess interest shall be canceled automatically as of the date of such acceleration or prepayment and, if theretofore paid, shall be credited on the Note. The terms and provisions of this Section 11.3 shall control and supersede every other provision of the Loan Documents. The Loan Documents are contracts made under and shall be construed in accordance with and governed by the laws of the State, except that if at any time the laws of the United States of America permit Lender to contract for, take, reserve, charge or receive a higher rate of interest than is allowed by the laws of the State (whether such federal laws directly so provide or refer to the law of any state), then such federal laws shall to such extent govern as to the rate of interest which Lender may contract for, take, reserve, charge or receive under the Loan Documents.

Section 11.4 Invalid Provisions. If any provision of any Loan Document or the Environmental Indemnity Agreement is held to be illegal, invalid or unenforceable, such provision shall be fully severable; the Environmental Indemnity Agreement and the Loan Documents shall be construed

and enforced as if such illegal, invalid or unenforceable provision had never comprised a part thereof; the remaining provisions thereof shall remain in full effect and shall not be affected by the illegal, invalid, or unenforceable provision or by its severance therefrom; and in lieu of such illegal, invalid or unenforceable provision there shall be added automatically as a part of such Environmental Indemnity Agreement and such Loan Document a provision as similar in terms to such illegal, invalid or unenforceable provision as may be possible to be legal, valid and enforceable.

Section 11.5 Reimbursement of Expenses. Borrower shall pay all reasonable expenses incurred by Lender in connection with the Loan, including reasonable fees and expenses of Lender's attorneys, environmental, engineering and other consultants, and fees, charges or taxes for tie recording or filing of Loan Documents. Borrower shall pay all expenses of Lender in connection with the administration of the Loan, including audit costs, inspection fees, settlement of condemnation and casualty awards, premiums for title insurance and endorsements thereto, and Rating Agency fees and expenses in connection with confirmation letters, if required. Borrower shall, upon request, promptly reimburse Lender for all amounts expended, advanced or incurred by Lender to collect the Note, or to enforce the rights of Lender under this Agreement, the Environmental Indemnity Agreement, or any Loan Document, or to defend or assert the rights and claims of Lender under the Environmental Indemnity Agreement or the Loan Documents or with respect to the Projects (by litigation or other proceedings), which amounts will include all court costs, reasonable attorneys' fees and expenses, fees of auditors and accountants, and investigation expenses as may be incurred by Lender in connection with any such matters (whether or not litigation is instituted), together with interest at the Default Rate on each such amount from the date of disbursement until the date of reimbursement to Lender, all of which shall constitute part of the Loan and shall be secured by the Loan Documents.

Section 11.6 Approvals; Third Parties; Conditions. All approval rights retained or exercised by Lender with respect to leases, contracts, plans, studies and other matters are solely to facilitate Lender's credit underwriting, and shall not be deemed or construed as a determination that Lender has passed on the adequacy thereof for any other purpose and may not be relied upon by Borrower or any other Person. This Agreement is for the sole and exclusive use of Lender and Borrower and may not be enforced, nor relied upon, by any Person other than Lender and Borrower. All conditions of the obligations of Lender hereunder, including the obligation to make advances, are imposed solely and exclusively for the benefit of Lender, its successors and assigns, and no other Person shall have standing to require satisfaction of such conditions or be entitled to assume that Lender will refuse to make advances in the absence of strict compliance with any or all of such conditions, and no other Person shall, under any circumstances, be deemed to be a beneficiary of such conditions, any and all of which may be freely waived in whole or in part by Lender at any time in Lender's sole discretion.

Section 11.7 Lender Not in Control; No Partnership. None of the covenants or other provisions contained in this Agreement shall, or shall be deemed to, give Lender the right or power to exercise control over the affairs or management of Borrower, the power of Lender being limited to the rights to exercise the remedies referred to in the Environmental Indemnity Agreement or the Loan Documents. The relationship between Borrower and Lender is, and at all times shall remain, solely that of debtor and creditor. No covenant or provision of the Environmental Indemnity Agreement or the Loan Documents is intended, nor shall it be deemed or construed, to create a partnership, joint venture, agency or common interest in profits or income between Lender and Borrower or to create an equity in the Projects in Lender. Lender neither undertakes nor assumes any responsibility or duty to Borrower or to any other person with respect to the Projects or the Loan, except as expressly provided in the Environmental Indemnity Agreement and the Loan Documents; and notwithstanding any other provision of the Environmental Indemnity Agreement or the Loan Documents: (a) Lender is not, and shall not be construed as, a partner, joint venturer, alter ego, manager, controlling person or other business associate or participant of any kind of Borrower or its stockholders, members, or partners and Lender does not

intend to ever assume such status; (b) Lender shall in no event be liable for any Debts, expenses or losses incurred or sustained by Borrower; and (c) Lender shall not be deemed responsible for or a participant in any acts, omissions or decisions of Borrower or its stockholders, members, or partners. Lender and Borrower disclaim any intention to create any partnership, joint venture, agency or common interest in profits or income between Lender and Borrower, or to create an equity in the Projects in Lender, or any sharing of liabilities, losses, costs or expenses.

Section 11.8 Contest of Certain Claims. Borrower may contest the validity of Taxes or any mechanic's or materialman's lien asserted against any Project so long as (a) Borrower notifies Lender that it intends to contest such Taxes or liens, as applicable, (b) Borrower provides Lender with an indemnity, bond or other security reasonably satisfactory to Lender assuring the discharge of Borrower's obligations for such Taxes or lens, as applicable, including interest and penalties, (c) Borrower is diligently contesting the same by appropriate legal proceedings in good faith and at its own expense and concludes such contest prior to the tenth (10th) day preceding the earlier to occur of the Maturity Date or the date on which such Project is scheduled to be sold for non-payment, (d) Borrower promptly upon final determination thereof pays the amount of any such Taxes or liens, as applicable, together with all costs, interest and penalties which may be payable in connection therewith, and (e) notwithstanding the foregoing, Borrower shall immediately upon request of Lender pay any such Taxes or liens, as applicable, notwithstanding such contest if, in the opinion of Lender, such Project or any part thereof or interest therein may be in danger of being sold, forfeited, foreclosed, terminated, canceled or lost. Lender may pay over any cash deposit or part thereof to the claimant entitled thereto at any time when, in the reasonable judgment of Lender, the entitlement of such claimant is established.

Section 11.9 Time of the Essence. Time is of the essence with respect to this Agreement and the other Loan Documents.

Section 11.10 Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of Lender and Borrower and their respective successors and assigns, provided that neither Borrower nor any other Borrower Party shall, without the prior written consent of Lender, assign any rights, duties or obligations hereunder.

Section 11.11 Renewal, Extension or Rearrangement. All provisions of the Environmental Indemnity Agreement and the Loan Documents shall apply with equal effect to each and all promissory notes and amendments thereof hereinafter executed which in whole or in part represent a renewal, extension, increase or rearrangement of the Loan.

Section 11.12 Waivers. No course of dealing on the part of Lender, its officers, employees, consultants or agents, nor any failure or delay by Lender with respect to exercising any right, power or privilege of Lender under the Environmental Indemnity Agreement and any of the Loan Documents, shall operate as a waiver thereof.

Section 11.13 Cumulative Rights; Joint and Several Liability. Rights and remedies of Lender under the Environmental Indemnity Agreement and the Loan Documents shall be cumulative, and the exercise or partial exercise of any such right or remedy shall not preclude the exercise of any other right or remedy. If more than one person or entity has executed this Agreement as "Borrower," the obligations of all such persons or entities hereunder shall be joint and several.

Section 11.14 Singular and Plural. Words used in this Agreement, the other Loan Documents, and the Environmental Indemnity Agreement in the singular, where the context so permits, shall be deemed to include the plural and vice versa. The definitions of words in the singular in this

Agreement, the other Loan Documents, and the Environmental Indemnity Agreement shall apply to such words when used in the plural where the context so permits and vice versa.

Section 11.15 Phrases. Except as otherwise expressly provided herein, when used in this Agreement, the other Loan Documents, and the Environmental Indemnity Agreement, the phrase "including" shall mean "including, but not limited to," the phrase "satisfactory to Lender" shall mean "in form and substance satisfactory to Lender in all respects," the phrase "with Lender's consent" or "with Lender's approval" shall mean such consent or approval at Lender's sole discretion, and the phrase "acceptable to Lender" shall mean "acceptable to Lender at Lender's sole discretion."

Section 11.16 Exhibits and Schedules. The exhibits and schedules attached to this Agreement are incorporated herein and shall be considered a part of this Agreement for the purposes stated herein.

Section 11.17 Titles of Articles, Sections and Subsections. All titles or headings to articles, sections, subsections or other divisions of this Agreement, the other Loan Documents, and the Environmental Indemnity Agreement or the exhibits hereto and thereto are only for the convenience of the parties and shall not be construed to have any effect or meaning with respect to the other content of such articles, sections, subsections or other divisions, such other content being controlling as to the agreement between the parties hereto.

Section 11.18 Promotional Material. Borrower authorizes Lender to issue press releases, advertisements and other promotional materials in connection with Lender's own promotional and marketing activities, including in connection with a Secondary Market Transaction, and such materials may describe the Loan in general terms or in detail and Lender's participation therein in the Loan. All references to Lender contained in any press release, advertisement or promotional material issued by Borrower shall be approved in writing by Lender in advance of issuance.

Section 11.19 Survival. All of the representations, warranties, covenants, and indemnities hereunder (including environmental matters under Article 4), under the indemnification provisions of the other Loan Documents and under the Environmental Indemnity Agreement, shall survive the repayment in full of the Loan and the release of the liens evidencing or securing the Loan, and shall survive the transfer (by sale, foreclosure, conveyance in lieu of foreclosure or otherwise) of any or all right, title and interest in and to the Projects to any party, whether or not an Affiliate of Borrower.

Section 11.20 Waiver of Jury Trial. To the maximum extent permitted by law, Borrower and Lender hereby knowingly, voluntarily and intentionally waive the right to a trial by jury in respect of any litigation based hereon, arising out of, under or in connection with this Agreement, any other Loan Document, or the Environmental Indemnity Agreement, or any course of conduct, course of dealing, statement (whether verbal or written) or action of either party or any exercise by any party of their respective rights under the Loan Documents and the Environmental Indemnity Agreement or in any way relating to the Loan or the Projects (including, without limitation, any action to rescind or cancel this Agreement, and any claim or defense asserting that this Agreement was fraudulently induced or is otherwise void or voidable). This waiver is a material inducement for Lender to enter this Agreement.

Section 11.21 Waiver of Punitive or Consequential Damages. Neither Lender nor Borrower shall be responsible or liable to the other or to any other Person for any punitive, exemplary or consequential damages which may be alleged as a result of the Loan or the transaction contemplated hereby, including any breach or other default by any party hereto.

Section 11.22 Governing Law. Except as otherwise expressly provided in any of the other Loan Documents, in all respects, including all matters of construction, validity and performance, this

Agreement, the other Loan Documents and the Environmental Indemnity Agreement, and the obligations arising hereunder and thereunder, shall be governed by, and construed and enforced in accordance with, the laws of the State of Utah applicable to contracts made and performed in such state, without regard to the principals thereof regarding conflict of laws, and any applicable laws of the United States of America. Lender and Borrower agree to submit to personal jurisdiction and to waive any objection as to venue in the County of Salt Lake, State of Utah. Nothing herein shall preclude Lender or Borrower from bringing suit or taking other legal action in any other jurisdiction.

Section 11.23 Entire Agreement. This Agreement, the other Loan Documents and the Environmental Indemnity Agreement embody the entire agreement and understanding between Lender and Borrower and supersede all prior agreements and understandings between such parties relating to the subject matter hereof and thereof. Accordingly, the Loan Documents and the Environmental Indemnity Agreement may not be contradicted by evidence of prior, contemporaneous, or subsequent oral agreements of the parties. There are no unwritten oral agreements between the parties.

Section 11.24 Counterparts. This Agreement may be executed in multiple counterparts, each of which shall constitute an original, but all of which shall constitute one document.

ARTICLE 12

LIMITATIONS ON LIABILITY

Section 12.1 Limitation on Liability. Except as provided below, Borrower shall not be personally liable for amounts due under the Loan Documents. Borrower shall be personally liable to Lender for any deficiency, loss or damage suffered by Lender because of: (a) Borrower's commission of a criminal act; (b) the failure to comply with provisions of the Loan Documents prohibiting the sale, transfer or encumbrance of the Projects, any other collateral, or any direct or indirect ownership interest in Borrower; (c) the misapplication by Borrower or any Borrower Party of any funds derived from the Projects, including security deposits, insurance proceeds and condemnation awards in violation of this Agreement or any of the other Loan Documents; (d) the fraud or misrepresentation by Borrower or any Borrower Party made in or in connection with the Loan Documents or the Loan; (e) Borrower's collection of rents more than one month in advance or entering into or modifying leases, or receipt of monies by Borrower or any Borrower Party in connection with the modification of any leases, in violation of this Agreement or any of the other Loan Documents; (f) Borrower's failure to apply proceeds of rents or any other payments in respect of the leases and other income of the Projects or any other collateral when received to the costs of maintenance and operation of the Projects and to the payment of taxes, lien claims, insurance premiums, Debt Service, the Funds, and other amounts due under the Loan Documents to the extent the Loan Documents require such proceeds to be then so applied; (g) Borrower's interference with Lender's exercise of rights under the Assignments of Leases and Rents; (h) Borrower's failure to maintain insurance as required by this Agreement; (i) damage or destruction to any Project caused by the acts or omissions of Borrower, its agents, employees, or contractors; (j) Borrower's obligations with respect to environmental matters under Article 4; (k) Borrower's failure to pay for any loss, liability or expense (including attorneys' fees) incurred by Lender arising out of any claim or allegation made by Borrower, its successors or assigns, or any creditor of Borrower, that this Agreement or the transactions contemplated by the Loan Documents and the Environmental Indemnity Agreement establishes a joint venture, partnership or other similar arrangement between Borrower and Lender; (1) any brokerage commission or finder's fees claimed in connection with the transactions contemplated by the Loan Documents; (m) the filing by Borrower or any of its members, partners, or shareholders, or the filing against Borrower, of a petition under the United States Bankruptcy Code or similar state insolvency laws; (n) uninsured damage to any Project resulting from acts of terrorism; (o) Borrower's obligations set forth

in Section 6.16 and in the last sentence of Section 8.5 of this Agreement; (p) any termination of the Oakland Ground Lease, regardless of the reason therefor; (q) in the event of a condemnation of the Oakland Project, Borrower's failure to receive an Award equal to the value of the improvements and the value of the remaining unexpired term of the Oakland Ground Lease, or (r) in the event of flood damage to a Project for which Borrower is required to maintain flood insurance, the failure of Borrower's flood insurance coverage to be sufficient to pay for all costs incurred in repairing or replacing the damaged structures. Nothing herein shall be deemed to be a waiver of any right which Lender may have under Sections 506(a), 506(b), 111l(b) or any other provision of the United States Bankruptcy Code, to file a claim for the full amount due to Lender under the Loan Documents or to require that all collateral shall continue to secure the amounts due under the Loan Documents.

Section 12.2 Limitation on Liability of Lender's Officers, Employees, Etc. Any obligation or liability whatsoever of Lender which may arise at any time under this Agreement, any other Loan Document, or the Environmental Indemnity Agreement shall be satisfied, if at all, out of the Lender's assets only. No such obligation or liability shall be personally binding upon, nor shall resort for the enforcement thereof be had to, the property of any of Lender's shareholders, directors, officers, employees or agents, regardless of whether such obligation or liability is in the nature of contract, tort or otherwise.

[Remainder of page intentionally left blank.]

EXECUTED as of the date first written above.

LENDER:

GENERAL ELECTRIC CAPITAL CORPORATION,
a Delaware corporation

By: _____
David R. Martindale
Managing Director

BORROWER:

EXTRA SPACE PROPERTIES THREE LLC,
a Delaware limited liability company

By: _____
Kent W. Christensen
Manager

EXHIBIT A-1

[LEGAL DESCRIPTION OF FOREST PARK PROJECT]

THAT CERTAIN LAND SITUATED IN THE STATE OF MISSOURI, CITY OF ST. LOUIS AND DESCRIBED AS FOLLOWS:

PARCEL 1:

A LOT IN BLOCK 3917 OF THE CITY OF ST. LOUIS, MISSOURI, BEGINNING AT A POINT IN THE SOUTH LINE OF FOREST PARK BOULEVARD DISTANT 535 FEET EAST OF THE EAST LINE OF BOYLE AVENUE, THENCE SOUTHWARDLY PARALLEL WITH THE EAST LINE OF BOYLE AVENUE AND ALONG THE EAST LINE OF PROPERTY OF LINDE AIR PRODUCTS COMPANY 176 FEET 1-3/8 INCHES TO A POINT, THENCE SOUTHEASTWARDLY ALONG A CURVE TO THE LEFT, HAVING A RADIUS OF 232 FEET 6 INCHES TO A POINT IN THE NORTH LINE OF A 16 FOOT RAILROAD RIGHT OF WAY DISTANT 609 FEET EAST OF THE EAST LINE OF BOYLE AVENUE, THENCE EAST ALONG SAID RAILROAD RIGHT OF WAY 93 FEET 3 INCHES, TO A POINT, THENCE NORTHWEST ALONG A CURVE TO THE RIGHT WITH A RADIUS OF 232 FEET 6 INCHES TO A POINT IN A LINE PARALLEL WITH AND DISTANT 121 FEET 3 INCHES EAST OF THE EAST LINE OF LINDE AIR PRODUCTS COMPANY AND DISTANT 9 FEET NORTH OF THE NORTH LINE OF SAID RAILROAD RIGHT OF WAY THENCE NORTH PARALLEL WITH THE EAST LINE OF LINDE AIR PRODUCTS COMPANY 184 FEET 4-7/8 INCHES TO THE SOUTH LINE OF FOREST PARK BOULEVARD, THENCE WEST ALONG THE SOUTH LINE OF FOREST PARK BOULEVARD 121 FEET 3 INCHES TO THE PLACE OF BEGINNING.

PARCEL 2:

A LOT IN BLOCK 3917 OF THE CITY OF ST. LOUIS, MISSOURI: STARTING AT A POINT IN THE SOUTH LINE OF FOREST PARK BOULEVARD DISTANT 535 FEET EAST OF THE EAST LINE OF BOYLE AVENUE, THENCE SOUTHWARDLY PARALLEL WITH THE EAST LINE OF BOYLE AVENUE AND ALONG THE EAST LINE OF PROPERTY OF LINDE AIRE PRODUCTS COMPANY, 176 FEET 1-3/8 INCHES TO A POINT; THENCE, SOUTHEASTWARDLY ALONG A CURVE TO THE LEFT, HAVING A RADIUS OF 232 FEET 6 INCHES TO THE POINT OF BEGINNING, AT THE NORTH LINE OF A 16 FOOT WABASH RAILROAD COMPANY RIGHT OF WAY DISTANT 609 FEET EAST OF THE EAST LINE OF BOYLE AVENUE; THENCE, SOUTHWARDLY PARALLEL WITH SAID BOYLE AVENUE A DISTANCE OF 8.0 FEET TO THE CENTERLINE OF SAID RIGHT OF WAY; THENCE, EASTWARDLY ALONG SAID CENTERLINE A DISTANCE OF 93.25 FEET TO A POINT; THENCE, NORTHWARDLY AND PARALLEL TO SAID BOYLE AVENUE A DISTANCE OF 8.0 FEET TO THE NORTH LINE OF SAID RIGHT OF WAY; THENCE WESTWARDLY ALONG THE NORTH LINE OF SAID RIGHT OF WAY A DISTANCE OF 93.25 FEET TO THE POINT OF BEGINNING.

LOCATOR NO.: 3917-00-00700

PARCEL 3:

EASEMENT FOR VEHICULAR INGRESS AND EGRESS, FOR THE BENEFIT OF PARCEL NO. 1, AS CREATED AND ESTABLISHED BY EASEMENT AGREEMENT FOR DRIVEWAY, DATED JUNE 26, 1986 AND RECORDED JULY 3, 1986 IN BOOK M541 PAGE 1252.

EXHIBIT A-2

[LEGAL DESCRIPTION OF HALLS FERRY PROJECT]

THAT CERTAIN LAND SITUATED IN THE STATE OF MISSOURI, COUNTY OF ST. LOUIS AND DESCRIBED AS FOLLOWS:

PARCEL 1:

LOTS 2 AND 3 OF THE RESUBDIVISION OF TRACT 2 OF CHARLES ADAMS PLAT NO. 1, ACCORDING TO THE PLAT THEREOF RECORDED IN PLAT BOOK 346 PAGE 34 OF THE ST. LOUIS COUNTY RECORDS;

EXCEPTING THEREFROM THAT PART CONVEYED TO ST. LOUIS COUNTY, MISSOURI FOR WIDENING OF ST. CYR ROAD, ACCORDING TO INSTRUMENT RECORDED IN BOOK 11512 PAGE 1990.

PARCEL 2:

LOT IB OF THE RESUBDIVISION OF LOT 1 OF RESUBDIVISION OF TRACT 2 OF CHARLES ADAMS PLAT NO. 1, ACCORDING TO THE PLAT THEREOF RECORDED IN PLAT BOOK 347 PAGE 527 OF THE ST. LOUIS COUNTY RECORDS.

EXHIBIT A-3

[LEGAL DESCRIPTION OF NORTH OXFORD PROJECT]

The land in Oxford, Worcester County, Massachusetts, situated on Route 20, and more particularly described in a Deed of Louis Padula dated February 5, 1982, and recorded at the Worcester District Registry of Deeds in Book 7438, Page 393, and also being a portion of a survey plan by Walter N. Brown dated November 30, 1959;

EXCEPTION therefrom the following sale out to William F. Musante, by Deed of Patrick L. Blomberg, Jr., dated February 16, 1984, and recorded at the Worcester District Registry of Deeds in Book 8093, Page 108;

TRACT I BEGINNING at the most easterly corner of the tract to be conveyed at an iron pipe driven in the ground on the northwesterly line of Southbridge Street, also being the southerly corner of land now or formerly of Philip Little et ux, and said pipe is located 789.55 feet southwesterly measured along the northwesterly line of said Street, from the southwesterly corner of land now or formerly of John Peon from said pipe;

THENCE by land now or formerly of Philip Little et ux N. 51° 30’ W. two hundred thirteen and nine-tenths (213.9) feet to an iron pipe set in a stone wall;

THENCE by wall and land now or formerly of Philip Little et ux, N. 3° 52’ W. 103.2 feet to an iron pipe in the stone wall at land now or formerly of Romeo LaFortune;

THENCE by land of said LaFortune S. 80° W. 215.5 feet to a stake at the southerly end of a stone wall at the southeasterly corner of land now or formerly of J. Lucien Arnold;

THENCE by land of said Arnold S. 80° W. 137.2 feet to a stake at other land now or formerly of Philip Little et ux;

THENCE by said land of Philip Little et ux as follows: S. 17° 30’ W. 107.6 feet to a stake; S. 5° 30’ E. 139.6 feet to a stake; S. 16° 45’ E. 53.2 feet to a stake; S. 58° 52’ E. 134.5 feet to a stake; and S. 52° 52’ E. 202.6 feet to an iron pipe driven in the ground on the northwesterly line of Southbridge Street;

THENCE by the northwesterly line of Southbridge Street N. 38° 40’ E. 282 feet to a Massachusetts State Highway boundary post;

THENCE Northeasterly by the northwesterly line of Southbridge Street by a curve to the right whose radius is 1533 feet and length is 119.5 feet to the place of beginning.

ALSO another tract of land in North Oxford, Worcester county, Massachusetts, situated on the northwesterly side of Southbridge Street, bounded and described as follows:

TRACT II – BEGINNING at the most southerly corner of the tract to be conveyed at an iron pipe driven in the ground on the northwesterly line of Southbridge Street and also being the most easterly corner of land now or formerly of Eugene A. Barton et ux.;

THENCE by land now or formerly of said Barton, N. 51° 30’ W. 213.9 feet by pipe set in a stone wall;

THENCE by wall and by land of said Barton, N. 3° 52’ West, 103.2 feet to an iron pipe set in a corner of walls at land of Charles J. Burke, Jr., and Elizabeth P. Burke;

THENCE by land of said Burkes, North 80° East, 139.2 feet to an iron pipe driven in the ground at land now or formerly of Philip Little et ux;

THENCE by said land now or formerly of Philip Little, South 41° 48’ E. 210.4 feet to an iron pipe driven in the ground on the northwesterly line of Southbridge Street;

THENCE Southwesterly by the northwesterly line of said street by a curve to the left whose radius is 1533 feet and length of 140.0 feet to the place of beginning.

EXHIBIT A-4

[LEGAL DESCRIPTION OF OAKLAND PROJECT]

That certain real property located in the City of Oakland, County of Alameda, State of California, more particularly described as follows:

PARCEL ONE:

ALL BUILDINGS AND IMPROVEMENTS COMPLETED ON OR AFTER NOVEMBER 14, 1985 PURSUANT TO THAT CERTAIN LEASE DATED JULY 6, 1984 MADE BY AND BETWEEN SOUTHERN PACIFIC LAND CO., A CORPORATION, AS LESSOR AND INTEGRATED STORAGE INVESTORS, A LIMITED PARTNERSHIP, AS LESSEE DISCLOSED BY MEMORANDUM OF LEASE RECORDED MAY 15, 1985, SERIES NO. 85-093549, OFFICIAL RECORDS, SITUATED ON THE FOLLOWING:

A PIECE OR PARCEL OF LAND SITUATED IN THE CITY OF OAKLAND, COUNTY OF ALAMEDA, STATE OF CALIFORNIA BEING ALL OF PARCEL “A” OF PARCEL MAP 1220, A RESUBDIVISION OF A PORTION OF THE SOUTHERN PACIFIC TRANSPORTATION COMPANY, FILED AUGUST 8, 1973, IN BOOK 80 OF MAPS AT PAGE 2, RECORDS OF ALAMEDA COUNTY, MORE PARTICULARLY DESCRIBED AS FOLLOWS:

COMMENCING AT THE POINT OF INTERSECTION OF THE SOUTHERN LINE OF THE LAND DESCRIBED IN THE DEED FROM J.S. CUNNINGHAM TO STANDARD REALTY AND DEVELOPMENT COMPANY, RECORDED JUNE 19, 1913, IN BOOK 2157 OF DEEDS, PAGE 454, ALAMEDA COUNTY RECORDS (SAID SOUTHERN LINE BEING ALSO THE NORTHERN LINE OF THE LAND OF THE SOUTHERN PACIFIC TRANSPORTATION COMPANY) WITH THE AGREED LOW TIDE LINE OF 1852 AS ESTABLISHED BY PORT ORDINANCE NO. 53, ADOPTED BY THE BOARD OF PORT COMMISSIONERS OF THE CITY OF OAKLAND, APRIL 1, 1929, THENCE SOUTH 26° 15’ WEST ALONG SAID AGREED LOW TIDE LINE 257.21 FEET; THENCE NORTH 77° 55’ 40” WEST 263.00 FEET TO THE TRUE POINT OF BEGINNING; THENCE CONTINUING ALONG LAST SAID LINE NORTH 77° 55’ 40” WEST 98.45 FEET TO AN ARC OF A CURVE TO THE RIGHT FROM WHICH POINT A RADIAL LINE 8,544 FEET LONG BEARS NORTH 14° 58’ 56” 5” EAST (A PORTION OF SAID CURVE BEING ALSO THE NORTHEASTERN LINE OF FIRST STREET, 100 FEET WIDE, AS SAME NOW EXISTS); THENCE ALONG SAID CURVE TO THE RIGHT THROUGH A CENTRAL ANGLE OF 2° 02’41”, 304.91 FEET TO THE INTERSECTION THEREOF WITH THE SOUTHEASTERN LINE OF FALLON STREET; THENCE NORTH 26° 15’ EAST ALONG SAID SOUTHEASTERN LINE OF FALLON STREET 270.19 FEET TO THE INTERSECTION THEREOF WITH THE SOUTHERN LINE OF THAT PARCEL OF LAND DESCRIBED IN THE DEED TO STANDARD REALTY AND DEVELOPMENT COMPANY, HEREIN BEFORE REFERRED TO; THENCE ALONG SAID LAST-NAMED LINE SOUTH 75° 02’ EAST 336.88 FEET; THENCE SOUTH 12° 04’ 20” WEST 265.86 FEET TO THE POINT OF BEGINNING, AS GRANTED IN A CONVEYANCE FROM INTEGRATED STORAGE INVESTORS, A LIMITED PARTNERSHIP TO ANNIE’S ATTIC II, A CALIFORNIA GENERAL PARTNERSHIP DATED JUNE 20, 1995, RECORDED JUNE 30, 1995, SERIES NO. 95143850, OFFICIAL RECORDS, WHICH BUILDINGS AND IMPROVEMENTS ARE AND SHALL REMAIN REAL PROPERTY.

A.P. NO.: 0000-0440-012

PARCEL TWO:

A PIECE OR PARCEL OF LAND SITUATED IN THE CITY OF OAKLAND, COUNTY OF ALAMEDA, STATE OF CALIFORNIA BEING ALL OF PARCEL “A” OF PARCEL MAP 1220, A RESUBDIVISION OF A PORTION OF THE SOUTHERN PACIFIC TRANSPORTATION COMPANY, FILED AUGUST 8, 1973, IN BOOK 80 OF MAPS AT PAGE 2, RECORDS OF ALAMEDA COUNTY, MORE PARTICULARLY DESCRIBED AS FOLLOWS:

COMMENCING AT THE POINT OF INTERSECTION OF THE SOUTHERN LINE OF THE LAND DESCRIBED IN THE DEED FROM J.S. CUNNINGHAM TO STANDARD REALTY AND DEVELOPMENT COMPANY, RECORDED JUNE 19, 1913, IN BOOK 2157 OF DEEDS, PAGE 454, ALAMEDA COUNTY RECORDS (SAID SOUTHERN LINE BEING ALSO THE NORTHERN LINE OF THE LAND OF THE SOUTHERN PACIFIC TRANSPORTATION COMPANY) WITH THE AGREED LOW TIDE LINE OF 1852 AS ESTABLISHED BY PORT ORDINANCE NO. 53, ADOPTED BY THE BOARD OF PORT COMMISSIONERS OF THE CITY OF OAKLAND, APRIL 1, 1929; THENCE SOUTH 26° 15’ WEST ALONG SAID AGREED LOW TIDE LINE 257.21 FEET; THENCE NORTH 77° 55’ 40” WEST 263.00 FEET TO THE TRUE POINT OF BEGINNING; THENCE CONTINUING ALONG LAST SAID LINE NORTH 77°55’40” WEST 98.45 FEET TO AN ARC OF A CURVE TO THE RIGHT FROM WHICH POINT A RADIAL LINE 8,500 FEET LONG BEARS NORTH 14° 58’ 56.5” EAST (A PORTION OF SAID CURVE BEING ALSO THE NORTHEASTERN LINE OF FIRST STREET, 100 FEET WIDE, AS SAME NOW EXISTS); THENCE ALONG SAID CURVE TO THE RIGHT THROUGH A CENTRAL ANGLE OF 2° 02’ 41”, 304.91 FEET TO THE INTERSECTION THEREOF WITH THE SOUTHEASTERN LINE OF FALLON STREET; THENCE NORTH 26° 15’ EAST ALONG SAID SOUTHEASTERN LINE OF FALLON STREET 270.19 FEET TO THE INTERSECTION THEREOF WITH THE SOUTHERN LINE OF THAT PARCEL OF LAND DESCRIBED IN THE DEED TO STANDARD REALTY AND DEVELOPMENT COMPANY, HEREIN BEFORE REFERRED TO; THENCE ALONG SAID LAST NAMED LINE SOUTH 75° 02’ EAST 336.88 FEET; THENCE SOUTH 12° 04’ 20” WEST 265.86 FEET TO THE POINT OF BEGINNING.

EXCEPTING THEREFROM ALL BUILDINGS AND IMPROVEMENTS SITUATED THEREON COMPLETED ON OR AFTER NOVEMBER 14, 1985 PURSUANT TO THAT CERTAIN LEASE DATED JULY 6, 1984 MADE BY AND BETWEEN SOUTHERN PACIFIC LAND CO., A CORPORATION, AS LESSOR AND INTEGRATED STORAGE INVESTORS, A LIMITED PARTNERSHIP, AS LESSEE DISCLOSED BY MEMORANDUM OF LEASE RECORDED MAY 15, 1985, SERIES NO. 85-093549, OFFICIAL RECORDS

A.P. NO. 0000-0440-012

EXHIBIT A-5

[LEGAL DESCRIPTION OF BANKSVILLE PROJECT]

All that certain lot or piece of ground situate in the Twentieth Ward of the City of Pittsburgh, County of Allegheny and Commonwealth of Pennsylvania, being Parcel A in the Banksville Center Plan of Lots No. 2 of record in the Recorder's Office of Allegheny County in Plan Book Volume 204, page 64, being bounded and described as follows:

Beginning at a point on the Southerly right of way line of Crane Avenue and the Northeasterly corner of now or formerly Germinaro Markouitz; thence from said point of beginning in Southerly direction along the right of way line South 60° 13'18" East a distance of 37.71 feet to a point; thence from said point on a curve to the right a radius of 170.00 feet, a length of 114.26 feet to a point; thence South 21°42'48" East a distance of 88.63 feet to a point; thence South 05°09'08" East, a distance of 190.73 feet; thence North 89°50'52" East, a distance of 35.00 feet to a point; thence South 03°54'08" East a distance of 274.44 feet to a point; thence North 79°23'53" West a distance of 82.17 feet to a point; thence South 10°13'00" West a distance of 213.68 feet to a point; thence North 83° 12'53" West a distance of 303.78 feet to a point; thence North 02°41'11" West, a distance of 588.32 feet to a point; thence from said point North 47° 07' 10" East a distance of 324.82 feet to a point and place of beginning.

Together with an easement for ingress, egress and regress to and from Crane Avenue over, across and upon East Entry Drive as shown on the Banksville Center Plan of Lots of record in the Recorder's Office of Allegheny County in Plan Book Volume 76, pages 129 and 130.

Together with an easement for access to and from Crane Avenue over the existing road known as East Entry Drive as reserved in deed from H. Ward Olander et al. to East Entry Associates dated December 1, 1982 and recorded in Deed Book Volume 6575, page 19.

Being designated as Block 16-N, Lot 1 in the Deed Registry Office of Allegheny County, Pennsylvania.

EXHIBIT A-6

[LEGAL DESCRIPTION OF KENDALL SUNSET PROJECT]

Tract A, of NATIONAL SELF STORAGE, according to the plat thereof as recorded in Plat Book 128, Page 64, of the Public Records of Miami – Dade County, Florida.

EXHIBIT A-7

[LEGAL DESCRIPTION OF FOUNTAINBLEAU PROJECT]

Tract D, of SECOND ADDITION TO EXPRESSWAY INDUSTRIAL PARK, according to the plat thereof as recorded in Plat Book 118, Page 25, of the Public Records of Miami – Dade County, Florida.

EXHIBIT A-8

[LEGAL DESCRIPTION OF AAA SENTRY (N. LAUDERDALE) PROJECT]

All that part of Tract 7 in Block 96 of PALM BEACH FARMS COMPANY PLAT NO. THREE, according to the Plat thereof, as recorded in Plat Book 2, at Pages 45 through 54, inclusive, of the Public Records of Palm Beach County, Florida, described as follows:

Beginning at the intersection of the North line of said Tract 7, and the West right-of-way line of Sunshine State Parkway (300 feet right-of-way) thence North 89° 08’ 44” West, along the North line of said Tract 7, a distance of 352.84 feet to a point 237.78 feet East of (as measured along the North line) of the Northwest corner of said Tract 7; thence South 01° 51’ 16” West a distance of 300 feet; thence North 89° 08’ 44” West, along a line 300 feet South of (as measured at right angles) and parallel with the North line of said Tract 7, a distance of 200 feet to a point on the proposed Easterly non-vehicular access right-of-way line of State Road No. 7 (U.S. #441) and a point on a curve; thence Southerly along said proposed Easterly non-vehicular access right-of-way line and along a curve to the right whose tangent bears South 01° 00’ 09” West; with a radius of 17,288.73 feet and a central angle of 01° 08’ 55” an arc distance of 95.12 feet to a point; thence South 80° 52’ 24” East, a distance of 225.98 feet to a point on the said West right-of-way line of Sunshine State Parkway; thence North 38° 30’ 33” East along West right-of-way line a distance of 540.09 feet to the Point of Beginning.

N/K/A as a portion of Tract A, THE CUMMINGS PLAT NO. 1, according to the Plat thereof, recorded in Plat Book 126, Page 35, of the Public Records of Broward County, Florida.

EXHIBIT A-9

[LEGAL DESCRIPTION OF MARGATE PROJECT]

Lot 6, of Mears Commercial Park, according to the plat thereof as recorded in Plat Book 107, Page 12, of the Public Records of Broward County, Florida.

EXHIBIT A-10

[LEGAL DESCRIPTION OF AAA CENTURY (INGLEWOOD) PROJECT]

That certain real property situated in the City of Inglewood and County of Los Angeles, State of California, described as follows:

LOTS 8, 9 AND THE WEST 50 FEET OF LOT 10 OF THE LOCKHAVEN TRACT, IN THE CITY OF INGLEWOOD, IN THE COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 17, PAGE 87 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

SCHEDULE 1.1

PROJECT INFORMATION

Name	Address	City	State	Project Type
Forest Park	4210 Forest Park Blvd.	St. Louis	MO	Self Storage
Halls Ferry	9702 Halls Ferry Road	St. Louis	MO	Self Storage
North Oxford	103 Southridge Road	North Oxford	MA	Self Storage
Oakland	210 Fallon Street	Oakland	CA	Self Storage
Banksville	1005 East Entry Drive	Pittsburgh	PA	Self Storage
Kendall Sunset	8890 SW 72nd Street	Miami	FL	Self Storage
Fountainbleau	8900 NW 12th Street	Miami	FL	Self Storage
AAA Sentry (N. Lauderdale)	2048 S. State Road 7	N. Lauderdale	FL	Self Storage
Margate	1880 N. State Road 7	Margate	FL	Self Storage
AAA Century (Inglewood)	3846 W. Century Blvd.	Inglewood	CA	Self Storage

SCHEDULE I

DEFEASANCE

1. In accordance with Section 2.3 of the Loan Agreement, Borrower may obtain the release of all, but not less than all, of the Projects from the lien of the Mortgages upon the satisfaction of the following conditions precedent:

(a) not less than thirty (30) days prior written notice to Lender specifying a regularly scheduled payment date (the "**Release Date**") on which the Defeasance Deposit (hereinafter defined) is to be made;

(b) the payment to Lender of interest accrued and unpaid on the principal balance of the Note to and including the Release Date;

(c) the payment to Lender of all other sums, not including scheduled interest or principal payments, due under the Note, the Mortgages, the Assignments of Leases and Rents, and the other Loan Documents;

(d) the payment to Lender of the Defeasance Deposit and a $5,000 non-refundable processing fee;

(e) the delivery to Lender of:

(i) a security agreement in form and substance satisfactory to Lender, creating a first priority lien on the Defeasance Deposit and the U.S. Obligations (hereinafter defined) purchased on behalf of Borrower with the Defeasance Deposit in accordance with this Schedule I (the "**Security Agreement**");

(ii) a release of each Project from the lien of the Mortgage encumbering such Project (for execution by Lender) in a form appropriate for the jurisdiction in which such Project is located;

(iii) an officer's certificate of Borrower certifying that the requirements set forth in this subparagraph (e) have been satisfied;

(iv) an opinion of counsel in form and substance, and rendered by counsel satisfactory to Lender at the expense of Borrower, stating, among other things, that Lender has a perfected first priority security interest in the Defeasance Deposit and the U.S. Obligations purchased by or on behalf of Borrower and pledged to Lender and as to enforceability of the Security Agreement and other documents delivered in connection therewith;

(v) if required by the Rating Agencies and/or pooling and servicing agreement relating to the Secondary Market Transaction, evidence in writing from the applicable Rating Agencies to the effect that such release will not result in a qualification, downgrade or withdrawal of any

rating in effect immediately prior to such defeasance for any securities issued in connection with a Secondary Market Transaction; and

(vi) such other certificates, documents or instruments as Lender may reasonably request.

(f) if the Loan has been sold in a Secondary Market Transaction, Lender shall have received an opinion of counsel acceptable to Lender in form satisfactory to Lender stating, among other things, that the substitution of collateral shall not cause the holder of the Loan to fail to maintain its status as a real estate mortgage investment conduit (REMIC); and

(g) Lender shall have received a certificate from a nationally recognized independent certified public accountant acceptable to Lender, in form and substance satisfactory to Lender, certifying that the U.S. Obligations purchased with the Defeasance Deposit will generate sufficient sums to satisfy the obligations of Borrower under the Note and this Schedule I as and when such obligations become due.

In connection with the conditions set forth above, Borrower hereby appoints Lender as its agent and attorney-in-fact for the purpose of using the Defeasance Deposit to purchase or cause to be purchased U.S. Obligations which provide payments on or prior to, but as close as possible to, all successive scheduled payment dates after the Release Date upon which interest and principal payments are required under the Note (including the amounts due on the Maturity Date) and in amounts equal to the scheduled payments due on such dates under the Note plus Lender's estimate of administrative expenses and applicable federal income taxes associated with or to be incurred by the Successor Borrower during the remaining term of, and applicable to, the Loan (the "**Scheduled Defeasance Payments**"). Borrower, pursuant to the Security Agreement or other appropriate document, shall authorize and direct that the payments received from the U.S. Obligations may be made directly to Lender and applied to satisfy the obligations of Borrower under the Note and this Schedule I.

2. Upon compliance with the requirements of this Schedule I, each Project shall be released from the lien of the Mortgage encumbering such Project and the pledged U.S. Obligations shall be the sole source of collateral securing the Note. Any portion of the Defeasance Deposit in excess of the amount necessary to purchase the U.S. Obligations required by the preceding paragraph and to otherwise satisfy the Borrower's obligations under this Schedule I shall be remitted to Borrower with the release of the Projects from the lien of the Mortgages. In connection with such release, a successor entity meeting Lender's Single Purpose Entity criteria, adjusted, as applicable, for the Defeasance contemplated by this Schedule (the "**Successor Borrowed**") shall be established by Borrower subject to Lender's approval (or at Lender's option, by Lender) and Borrower shall transfer and assign all obligations, rights and duties under and to the Note together with the pledged U.S. Obligations to such Successor Borrower pursuant to an assignment and assumption agreement in form and substance satisfactory to Lender (the "**Assignment Agreement**"). Such Successor Borrower shall assume the obligations under the Note and the Security Agreement and Borrower shall be relieved of its obligations thereunder, except that Borrower shall be required to perform its obligations pursuant to this Schedule I, including maintenance of the Successor Borrower, if applicable. Borrower shall pay $1,000.00 to any such Successor Borrower as consideration for assuming the obligations under the Note and the Security Agreement pursuant to the Assignment Agreement. Notwithstanding anything in the Mortgages to the contrary, no other assumption fee shall be payable upon a transfer of the Note in accordance with this paragraph, but Borrower shall pay all costs and expenses incurred by Lender in connection with this Schedule, including Lender's reasonable attorneys' fees and expenses, costs and expenses in obtaining review and confirmation by the applicable Rating Agencies as required herein, and any administrative and tax expenses associated with or incurred by the Successor Borrower.

3. For purposes of this Schedule I, the following terms shall have the following meanings:

(a) The term "**Defeasance Deposit**" shall mean an amount equal to the Yield Maintenance Amount, any costs and expenses incurred or to be incurred in the purchase of U.S. Obligations necessary to meet the Scheduled Defeasance Payments (including Lender's estimate of administrative expenses and applicable federal income taxes associated with or to be incurred by the Successor Borrower during the remaining term of, and applicable to, the Loan) and any revenue, documentary stamp or intangible taxes or any other tax or charge due in connection with the transfer of the Note or otherwise required to accomplish the agreements of this Schedule I.

(b) The term "**Yield Maintenance Amount**" shall mean the amount which will be sufficient to purchase U.S. Obligations providing the required Schedule Defeasance Payments; and

(c) The term "**U.S. Obligations**" shall mean "Government Securities" as defined in the REMIC regulations, specifically, Treasury Regulation § 1.860G-2(a)(8)(i).

SCHEDULE II

REQUIRED REPAIRS

AAA Century (Inglewood) Project:	
Trim trees and bushes/shrubs away from buildings A and D	$ 3,000
Replace roof coverings on all buildings	$ 42,500
Replace dry rot damaged wood siding at building A and on the balcony railing at the manager's apartment	$ 1,000
Repair the chipped and worn paint on plywood sheathing at the second floor corridors and replace damaged plywood sheathing near storage units 192/193	$ 3,000
Repair damage to storage units and common areas caused by roof leaks including replacement of mold and moisture damaged drywall ceilings and walls, and plywood sheathing floors at the storage buildings. Lender's consultant (Project Resource) shall oversee the work and provide final inspection/signoff.	$ 7,500
Install seismic straps on the water heater at the leasing office/manager's apartment	
Replace Hotpoint brand dishwasher at manager's apartment	
Replace damaged illuminated sign and repair all unlit illuminated signs at building C	
Perform corrective compliance actions for the elevators and the elevator equipment rooms and obtain current inspection certificates	$ 4,500
ADA compliance (i.e., provide ADA-compliant van accessible parking space with proper pole signage, install piping insulation beneath the restroom sinks and provide an ADA-compliant sink handle in the common area restroom)	
Total	$ 61,500
Oakland Project:	
Repair roof (i.e., repair damaged roof mounted light supports, apply waterproof coating, repair roof leak at section 1000 near storage unit 1051 and replace moisture damaged plywood sheathing near storage unit 1051 and 6099)	$ 2,600
Replace flood damaged carpet in the leasing office	$ 675
Remove mold in storage unit 1051	

Properly strap the water heater in the leasing office	
Obtain and display a current inspection certificate/permit for elevators	
Repair hole in the overhead steel roll up door in the elevator in section 6000	$ 1,000
ADA Compliance (i.e., install one ADA van accessible parking space with proper signage, install lever door hardware at the public restroom and a bar type handle at the leasing office entry door, install ADA restroom signage on doors and install piping insulation beneath the restroom sinks)	$ 500
Total	$ 4,775

Fountainbleau Project:

Trim trees from buildings A and C	$ 1,000
Remove and replace dry rot damaged wood fascias	$ 1,000
Remove and replace water damaged drywall ceiling at second floor areas near a/c vents	$ 3,000
Repair or replace damaged illuminated exit signs in building B	
Obtain and display a current inspection certificate/permit for elevators	
ADA compliance (i.e., install wall mounted sink with disabled accessible hardware and install piping insulation beneath the sinks in the leasing office)	$ 500
Total	$ 5,500

Kendall Sunset Project:

Regrade soil eroded areas along building A, install erosion protection matting, and install splash blocks or extend roof downspouts	$ 1,200
ADA compliance (i.e., install wall mounted sink with disabled accessible hardware and install piping insulation beneath the sinks in two restrooms)	$ 500
Total	$ 1,700

Margate Project:

Repair or replace the roof ridge trim, drainage gutters and/or downspouts on buildings E, F & G	$ 1,000
ADA compliance (i.e., install lever door and sink hardware at the public restrooms, install ADA restroom signage on doors and install piping insulation beneath the restroom sinks)	$ 500
Total	$ 1,500

AAA Sentry (N. Lauderdale) Proiect:	
Trim trees from buildings E and D	$ 2,000
Repair damaged EPDM roof coverings at building E	$ 1,500
Repair or replace damaged illuminated exit signs in buildings A and B	
ADA compliance (i.e., install wall mounted sink with disabled accessible hardware and install piping insulation beneath the sinks in the leasing office public restroom)	$ 500
Total	$ 4,000
North Oxford Proiect:	
Connect project to municipal water supply and cut-off all access to the water currently supplied by the existing water well located at the project	$ 6,800
Permanently cap water well located at the project in accordance with applicable laws	$ 2,250
Repair retaining wall and install landscaping edging	$ 1,200
Install protective pipe bollard at building N	$ 500
Repair damaged light fixtures at buildings H, J, D, E & F	$ 500
Repair damaged metal roof edges at buildings N, E & F	$ 1,500
ADA compliance (i.e., install an ADA accessible parking space at the leasing office)	
Total	$ 12,750
Forest Park Proiect:	
Repair reinforced concrete floor beam in the basement	$ 1,500
Inspect electrical system	$ 1,500
Inspect elevator	
ADA compliance (i.e., install building or pole mounted signage for two parking stalls and restripe one stall as van accessible)	
Total	$ 3,000
Halls Ferry Proiect:	
Repair asphalt pavement crack routing and sealing	$ 8,000
Repair roofs throughout property	$ 1,000

ADA compliance (i.e., install one ADA van accessible parking space with proper signage at leasing office, install lever or push door hardware at the public restroom, and install international signage at public restroom)	
Total	$ 9,000
Banksville Project:	
Repair damaged metal roof edges on various storage buildings	$ 1,500
ADA compliance (i.e., install an ADA accessible parking space at the leasing office)	
Total	$ 1,500
TOTAL (ALL PROJECTS)	$ 105,225
125%	**$ 131,531**

Exhibit 10.5

Loan No. 76-0031382

GENERAL ELECTRIC CAPITAL CORPORATION
(Lender)

to

EXTRA SPACE OF NEW JERSEY, L.L.C.
(Borrower)

LOAN AGREEMENT

Dated as of: March 8, 2004

Location of Properties: New Jersey

DOCUMENT PREPARED BY:

Sheppard, Mullin, Richter & Hampton LLP
650 Town Center Drive, 4th Floor
Costa Mesa, California 92626-1925

Attention: Steven W. Cardoza, Esquire

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LIST OF EXHIBITS AND SCHEDULES

LOAN AGREEMENT

This Loan Agreement (this "**Agreement**") is entered into as of March 8, 2004 between **GENERAL ELECTRIC CAPITAL CORPORATION**, a Delaware corporation ("**Lender**"), and **EXTRA SPACE OF NEW JERSEY, L.L.C.**, a New Jersey limited liability company, whose organization number is 0600129572 ("**Borrower**").

ARTICLE 1

CERTAIN DEFINITIONS

Section 1.1 Certain Definitions. As used herein, the following terms have the meanings indicated:

"**Affiliate**" means (a) any corporation in which Borrower or any partner, shareholder, director, officer, member, or manager of Borrower directly or indirectly owns or controls more than ten percent (10%) of the beneficial interest, (b) any partnership, joint venture or limited liability company in which Borrower or any partner, shareholder, director, officer, member, or manager of Borrower is a partner, joint venturer or member, (c) any trust in which Borrower or any partner, shareholder, director, officer, member or manager of Borrower is a trustee or beneficiary, (d) any entity of any type which is directly or indirectly owned or controlled by Borrower or any partner, shareholder, director, officer, member or manager of Borrower, (e) any partner, shareholder, director, officer, member, manager or employee of Borrower, (f) any Person related by birth, adoption or marriage to any partner, shareholder, director, officer, member, manager, or employee of Borrower, or (g) any Borrower Party.

"**Agreement**" means this Loan Agreement, as amended from time to time.

"**Assignment of Leases and Rents**" means each Assignment of Leases and Rents, executed by Borrower for the benefit of Lender, and pertaining to leases of space in a Project.

"**Award**" has the meaning assigned in Section 3.3.

"**Bankruptcy Party**" has the meaning assigned in Section 9.7.

"**Borrower Party**" means any Joinder Party, any manager or managing member of Borrower, and any manager or managing member in any limited liability company that is a manager or managing member of Borrower, at any level.

"**Business Day**" means a day other than a Saturday, a Sunday, or a legal holiday on which national banks located in the State of New York are not open for general banking business.

"**Casualty**" has the meaning assigned in Section 3.2.

"**Closing Date**" means the date the Loan is funded by Lender.

"**Condemnation**" has the meaning assigned in Section 3.3.

"**Contract Rate**" has the meaning assigned in Section 2.2.

"**Debt**" means, for any Person, without duplication: (a) all indebtedness of such Person for borrowed money, for amounts drawn under a letter of credit, or for the deferred purchase price of property for which such Person or its assets is liable, (b) all unfunded amounts under a loan agreement, letter of credit, or other credit facility for which such Person would be liable, if such amounts were advanced under the credit facility, (c) all amounts required to be paid by such Person as a guaranteed payment to partners or a preferred or special dividend, including any mandatory redemption of shares or interests, (d) all indebtedness guaranteed by such Person, directly or indirectly, (e) all obligations under leases that constitute capital leases for which such Person is liable, and (f) all obligations of such Person under swaps, caps, floors, collars and other hedge agreements, in each case whether such Person is liable contingently or otherwise, as obligor, guarantor or otherwise, or in respect of which obligations such Person otherwise assures a creditor against loss.

"**Debt Service**" means the aggregate interest, fixed principal, and other payments due under the Loan, and on any other outstanding permitted Debt relating to the Projects approved by Lender for the period of time for which calculated.

"**Default Rate**" means the lesser of (a) the maximum rate of interest allowed by applicable law, and (b) five percent (5%) per annum in excess of the Contract Rate.

"**Defeasance Option**" has the meaning assigned in Section 2.3(c).

"**Environmental Laws**" has the meaning assigned in Section 4.1 (a).

"**ERISA**" has the meaning assigned in Section 6.8.

"**Event of Default**" has the meaning assigned in Article 9.

"**Funds**" means the Required Repair Fund and the Replacement Escrow Fund.

"**Hazardous Materials**" has the meaning assigned in Section 4.1(b).

"**Independent Director**" has the meaning assigned in Section 6.14(p).

"**Insurance Premiums**" has the meaning assigned in Section 3.1(c).

"**Joinder Party**" means the Persons, if any, executing the Joinder hereto.

"**Lien**" means, as to any Project, any interest, or claim thereof, in the Project securing an obligation owed to, or a claim by, any Person other than the owner of the Project, whether such interest is based on common law, statute or contract, including the lien or security interest arising from a deed of trust, mortgage, assignment, encumbrance, pledge, security agreement, conditional sale or trust receipt or a lease, consignment or bailment for security purposes. The term "Lien" shall include reservations, exceptions, encroachments, easements, rights of way, covenants, conditions, restrictions, leases and other title exceptions and encumbrances affecting a Project.

"**Loan**" means the loan made by Lender to Borrower under this Agreement and all other amounts secured by the Loan Documents.

"**Loan Documents**" means: (a) this Agreement, (b) the Note, (c) the Mortgages, (d) the Assignments of Leases and Rents, (e) Uniform Commercial Code financing statements, (f) such assignments of management agreements, contracts and other rights as may be required or otherwise

requested by Lender, (g) all other documents evidencing, securing, governing or otherwise pertaining to the Loan, and (h) all amendments, modifications, renewals, substitutions and replacements of any of the foregoing; provided however, in no event shall the term "Loan Documents" include that certain Hazardous Materials Indemnity Agreement (the "**Environmental Indemnity Agreement**") dated the date hereof in favor of Lender.

"**Loan Year**" means (a) for the first Loan Year, the period between the Closing Date and one calendar year from the last day of the month in which the Closing Date occurs (unless the Closing Date is on the first day of a month, in which case the first Loan Year shall commence on such Closing Date and end one calendar year from the last day of the month immediately preceding the Closing Date) and (b) each consecutive twelve month calendar period after the first Loan Year until the Maturity Date.

"**Maturity Date**" means, as applicable, the earlier of (a) April 1, 2009, or (b) any earlier date on which the entire Loan is required to be paid in full, by acceleration or otherwise, under this Agreement or any of the other Loan Documents.

"**Mortgage**" means each Mortgage, Assignment of Leases and Rents, Security Agreement and Fixture Filing, executed by Borrower in favor of Lender, covering a Project.

"**Note**" means the Promissory Note of even date, in the stated principal amount of $27,010,000.00, executed by Borrower, and payable to the order of Lender in evidence of the Loan.

"**Person**" means any individual, corporation, partnership, joint venture, association, joint stock company, trust, trustee, estate, limited liability company, unincorporated organization, real estate investment trust, government or any agency or political subdivision thereof, or any other form of entity.

"**Potential Default**" means the occurrence of any event or condition which, with the giving of notice, the passage of time, or both, would constitute an Event of Default.

"**Project**" means each of the self-storage facilities identified in ***Schedule 1.1*** and all related facilities, amenities, fixtures, and personal property owned by Borrower and any improvements now or hereafter located on the real property on which such self-storage facility is located, described in ***Exhibits A-1*** through ***A5***.

"**Rating Agencies**" means each of Standard & Poor's Ratings Group, a division of McGraw-Hill, Inc., Moody's Investors Service, Inc. and Fitch, Inc., or any other nationally-recognized statistical rating agency which has been approved by Lender.

"**Replacement Escrow Fund**" has the meaning assigned in Section 2.4.

"**Required Repair Fund**" has the meaning assigned in Section 2.4.

"**Secondary Market Transaction**" has the meaning assigned in Section 8.11.

"**Single Purpose Entity**" shall mean a Person (other than an individual, a government or any agency or political subdivision thereof), which exists solely for the purpose of owning the Projects, observes corporate, company or partnership formalities, as applicable, independent of any other entity, and which otherwise complies with the covenants set forth in Section 6.14 hereof.

"**Site Assessment**" means an environmental engineering report for each Project prepared at Borrower's expense by an engineer engaged by Borrower, or Lender on behalf of Borrower, and approved

by Lender, and in a manner reasonably satisfactory to Lender, based upon an investigation relating to and making appropriate inquiries concerning the existence of Hazardous Materials on or about such Project, and the past or present discharge, disposal, release or escape of any such substances, all consistent with ASTM Standard El527-93 (or any successor thereto published by ASTM) and good customary and commercial practice.

"**SPC Party**" has the meaning assigned in Section 6.14(o).

"**State**" means the State of New Jersey.

"**Tax and Insurance Escrow Fund**" has the meaning assigned in Section 3.4.

"**Taxes**" has the meaning assigned in Section 8.2.

"**Yield Maintenance Amount**" has the meaning assigned in ***Schedule I*.**

ARTICLE 2

LOAN TERMS

Section 2.1 The Loan. Upon satisfaction of all the terms and conditions of Lender to making the Loan, Lender agrees to make a Loan of TWENTY-SEVEN MILLION TEN THOUSAND AND NO/100 DOLLARS ($27,010,000.00) to the Borrower, which shall be funded in one advance and repaid in accordance with the terms of this Agreement and the Note. Borrower hereby agrees to accept the Loan on the Closing Date, subject to and upon the terms and conditions set forth herein.

Section 2.2 Interest Rate; Late Charge. The outstanding principal balance of the Loan shall bear interest at a rate of interest equal to four and seven-tenths percent (4.70%) per annum (the "**Contract Rate**"). Interest at the Contract Rate shall be computed on the basis of a fraction, the denominator of which is three hundred sixty (360) days and the numerator of which is the actual number of days elapsed from the date of the initial disbursement under the Loan or the date of the preceding interest installment due date, as the case may be, to the date of the next interest installment due date or the Maturity Date. If Borrower fails to pay any installment of interest or principal within five (5) days of (and including) the date on which the same is due, Borrower shall pay to Lender a late charge on such past-due amount, as liquidated damages and not as a penalty, equal to five percent (5%) of such amount, but not in excess of the maximum amount of interest allowed by applicable law. While any Event of Default exists, the Loan shall bear interest at the Default Rate.

Section 2.3 Terms of Payment. The Loan shall be payable as follows:

(a) **Interest and Principal**. A payment of interest only on the Closing Date for the period from the Closing Date through the last day of the current month. Thereafter, a constant payment of $153,212.95, on the first day of May, 2004 and on the first day of each calendar month thereafter; each of such payments, to be applied (i) to the payment of interest computed at the Contract Rate and (ii) the balance applied toward reduction of the principal sum. The constant payment required hereunder is calculated based on a twenty-five (25) year amortization schedule.

(b) **Maturity**. On the Maturity Date, Borrower shall pay to Lender all outstanding principal, accrued and unpaid interest, default interest, late charges and any and all other amounts due under the Loan Documents.

(c) **Prepayment**. Except as set forth herein, the Loan is closed to prepayment in whole or in part. Notwithstanding the foregoing, (i) the Loan may be prepaid in whole, but not in part, on or after the scheduled monthly payment date for the fifty-eighth (58th) payment of principal and interest, and (ii) from the earlier to occur of (x) two (2) years after the sale of the Loan in a Secondary Market Transaction or (y) the fourth (4th) anniversary of the Closing Date, provided no Event of Default exists, Borrower may obtain the release of the Projects from the lien of the Mortgages in accordance with the terms and provisions *of* ***Schedule I*** attached hereto (the "**Defeasance Option**").

If the Loan is accelerated for any reason other than casualty or condemnation, and the Loan is otherwise closed to prepayment, Borrower shall pay, in addition to all other amounts outstanding under the Loan Documents, a prepayment premium equal to the sum of (i) the Yield Maintenance Amount, if any, that would be required under the Defeasance Option and (ii) five percent (5%) of the outstanding balance of the Loan. If for any reason the Loan is prepaid on a day other than a scheduled monthly payment date, the Borrower shall pay, in addition to the principal, interest and premium, if any, required under this Section, an amount equal to the interest that would have accrued on the Loan from the date of prepayment to the next scheduled monthly payment date. In the event of a prepayment resulting from Lender's application of insurance or condemnation proceeds pursuant to Article 3 hereof, no prepayment penalty or premium shall be imposed.

Section 2.4 Security.

(a) **Establishment of Funds**. The Loan shall be secured by the Mortgages creating a first lien on each Project, the Assignments of Leases and Rents and the other Loan Documents. Borrower agrees to establish the following reserves with Lender, to be held by Lender as further security for the Loan: (i) on the Closing Date, Borrower shall deposit with Lender the amount of $24,894.00 (the "**Required Repair Fund**"**)** which shall be held by Lender for the completion of the required repairs set forth on ***Schedule II*** annexed hereto on or before six months from the Closing Date; and (ii) Borrower shall deposit with Lender on the day of each calendar month a scheduled payment is due the amount of $5,221.75 which shall be held by Lender for replacements and repairs required to be made to the Projects during the calendar year (the "**Replacement Escrow Fund**").

(b) **Pledge and Disbursement of Funds**. Borrower hereby pledges to Lender, and grants a security interest in, any and all monies now or hereafter deposited in the Funds as additional security for the payment of the Loan. Lender may reasonably reassess its estimate of the amount necessary for the Funds from time to time and may adjust the monthly amounts required to be deposited into the Funds upon thirty (30) days notice to Borrower. Lender shall make disbursements from the Funds as requested by Borrower, and approved by Lender in its reasonable discretion, on a quarterly basis in increments of no less than $5,000.00 upon delivery by Borrower of Lender's standard form of draw request accompanied by copies of paid invoices for the amounts requested and, if required by Lender, lien waivers and releases from all parties furnishing materials and/or services in connection with the requested payment. Lender may require an inspection of the applicable Project(s) at Borrower's expense prior to making a quarterly disbursement in order to verify completion of replacements and repairs for which reimbursement is sought. The Funds shall be held without interest in Lender's name and may be commingled with Lender's own funds at financial institutions selected by Lender in its reasonable discretion. Upon the occurrence of an Event of Default, Lender may apply any sums then present in the Funds to the payment of the Loan in any order in its reasonable discretion. Until expended or applied as above provided, the Funds shall constitute additional security for the Loan. Lender shall have no obligation to release any of the Funds while any Event of Default or Potential Default exists or any material adverse change has occurred in Borrower or any Joinder Party or any Project. All costs and expenses incurred by Lender in the disbursement of any of the Funds shall be paid by Borrower promptly upon demand or, at Lender's sole discretion, deducted from the Funds.

ARTICLE 3

INSURANCE, CONDEMNATION, AND IMPOUNDS

Section 3.1 Insurance. Borrower shall maintain insurance as follows:

(a) **Casualty; Business Interruption**. Borrower shall keep the Projects insured against damage by fire and the other hazards covered by a standard extended coverage and all-risk insurance policy for the full insurable value thereof on a replacement cost claim recovery basis (without reduction for depreciation or co-insurance), and shall maintain such other casualty insurance as reasonably required by Lender. **Such insurance shall include coverage against acts of terrorism.** Lender reserves the right to require from time to time the following additional insurance: boiler and machinery; flood; earthquake/sinkhole; worker's compensation; and/or building law or ordinance. Borrower shall keep each Project insured against loss by flood if such Project is located currently or at any time in the future in an area identified by the Federal Emergency Management Agency as an area having special flood hazards and in which flood insurance has been made available under the National Flood Insurance Act of 1968, the Flood Disaster Protection Act of 1973 or the National Flood Insurance Reform Act of 1994 (as such acts may from time to time be amended) in an amount at least equal to the lesser of the maximum amount of the Loan or the maximum limit of coverage available under said acts. Any such flood insurance policy shall be issued in accordance with the requirements and current guidelines of the Federal Insurance Administration. Borrower shall maintain use and occupancy insurance for each Project covering, as applicable, rental income or business interruption, with coverage in an amount not less than twelve (12) months anticipated gross rental income or gross business earnings, as applicable in each case, attributable to such Project. Borrower shall not maintain any separate or additional insurance which is contributing in the event of loss unless it is properly endorsed and otherwise reasonably satisfactory to Lender in all respects. The proceeds of insurance paid on account of any damage or destruction to any Project shall be paid to Lender to be applied as provided in Section 3.2.

(b) **Liability**. Borrower shall maintain (i) commercial general liability insurance with respect to each Project providing for limits of liability of not less than $5,000,000 for both injury to or death of a person and for property damage per occurrence, and (ii) other liability insurance as reasonably required by Lender.

(c) **Form and Quality**. All insurance policies shall be endorsed in form and substance acceptable to Lender to name Lender as an additional insured, loss payee or mortgagee thereunder, as its interest may appear, with loss payable to Lender, without contribution, under a standard New York (or local equivalent) mortgagee clause. All such insurance policies and endorsements shall be fully paid for and contain such provisions and expiration dates and be in such form and issued by such insurance companies licensed to do business in the State, with a general company and financial size rating of "A-:IX" or better as established by Best's Rating Guide and "AA" or better by Standard & Poor's Ratings Group. Each policy shall provide that such policy may not be canceled or materially changed except upon thirty (30) days' prior written notice of intention of non-renewal, cancellation or material change to Lender and that no act or thing done by Borrower shall invalidate any policy as against Lender. Blanket policies shall be permitted only if Lender receives appropriate endorsements and/or duplicate policies containing Lender's right to continue coverage on a pro rata pass-through basis and that coverage will not be affected by any loss on other properties covered by the policies. Borrower authorizes Lender to pay the premiums for such policies (the "**Insurance Premiums**"**)** from the Tax and Insurance Escrow Fund as the same become due and payable annually in advance. If Borrower fails to deposit funds into the Tax and Insurance Escrow Fund sufficient to permit Lender to pay the premiums when due, Lender may obtain such insurance and pay the premium therefor and Borrower shall, on demand, reimburse Lender for all expenses incurred in connection therewith. Borrower shall assign the policies or proofs of

insurance to Lender, in such manner and form that Lender and its successors and assigns shall at all times have and hold the same as security for the payment of the Loan. Borrower shall deliver copies of all original policies certified to Lender by the insurance company or authorized agent as being true copies, together with the endorsements required hereunder. The proceeds of insurance policies coming into the possession of Lender shall not be deemed trust funds, and Lender shall be entitled to apply such proceeds as herein provided.

(d) **Adjustments**. Borrower shall give immediate written notice of any loss to the insurance carrier and to Lender. Borrower hereby irrevocably authorizes and empowers Lender, as attorney-in-fact for Borrower coupled with an interest, to make proof of loss, to adjust and compromise any claim under insurance policies, to appear in and prosecute any action arising from such insurance policies, to collect and receive insurance proceeds, and to deduct therefrom Lender's reasonable expenses incurred in the collection of such proceeds. Nothing contained in this Section 3.1(d), however, shall require Lender to incur any expense or take any action hereunder.

Section 3.2 Use and Application of Insurance Proceeds.

(a) If any Project shall be damaged or destroyed, in whole or in part, by fire or other casualty (a "**Casualty**"), Borrower shall give prompt notice thereof to Lender. Following the occurrence of a Casualty, Borrower, regardless of whether insurance proceeds are available, shall promptly proceed to restore, repair, replace or rebuild the same to be of at least equal value and of substantially the same character as prior to such damage or destruction, all to be effected in accordance with applicable law.

(b) Lender shall apply insurance proceeds to costs of restoring a Project or to the payment of the Loan as follows:

(i) if the loss is less than or equal to $100,000, Lender shall apply the insurance proceeds to restoration provided (A) no Event of Default or Potential Default exists, and (B) Borrower promptly commences and is diligently pursuing restoration of the Project;

(ii) if the loss exceeds $100,000 but is not more than 25% of the replacement value of the improvements, Lender shall apply the insurance proceeds to restoration provided that (A) at all times during such restoration no Event of Default or Potential Default exists; (B) Lender determines throughout the restoration that there are sufficient funds available to restore and repair the Project to a condition approved by Lender; (C) Lender determines that the net operating income of the Projects during restoration, taking into account rent loss or business interruption insurance, will be sufficient to pay Debt Service; (D) Lender determines (based on leases which will remain in effect after restoration is complete if the Project is not a multi-family project) that after restoration the ratio of net operating income to Debt Service will equal at least the ratio that existed on the Closing Date; (E) Lender determines that the ratio of the outstanding principal balance of the Loan to appraised value of the Projects after restoration will not exceed the loan-to-value ratio that existed on the Closing Date; (F) Lender determines that restoration and repair of the Project to a condition approved by Lender will be completed within six months after the date of loss or casualty and in any event ninety (90) days prior to the Maturity Date; (G) Borrower promptly commences and is diligently pursuing restoration of the Project; and (H) the Project after the restoration will be in compliance with and permitted under all applicable zoning, building and land use laws, rules, regulations and ordinances; and

(iii) if the conditions set forth in (i) and (ii) above are not satisfied in Lender's reasonable discretion, Lender may apply any insurance proceeds it may receive to the payment of the Loan or allow all or a portion of such proceeds to be used for the restoration of the Project.

(c) Insurance proceeds applied to restoration will be disbursed on receipt of reasonably satisfactory plans and specifications, contracts and subcontracts, schedules, budgets, lien waivers and architects' certificates, and otherwise in accordance with prudent commercial construction lending practices for construction loan advances (including appropriate retainages to ensure that all work is completed in a workmanlike manner).

Section 3.3 Condemnation Awards. Borrower shall promptly give Lender written notice of the actual or threatened commencement of any condemnation or eminent domain proceeding (a "**Condemnation**") and shall deliver to Lender copies of any and all papers served in connection with such Condemnation. Following the occurrence of a Condemnation, Borrower, regardless of whether any award or compensation (an "**Award**") is available, shall promptly proceed to restore, repair, replace or rebuild the applicable Project to the extent practicable to be of at least equal value and of substantially the same character as prior to such Condemnation, all to be effected in accordance with applicable law. Lender may participate in any such proceeding and Borrower will deliver to Lender all instruments necessary or required by Lender to permit such participation. Without Lender's prior consent, Borrower (a) shall not agree to any Award, and (b) shall not take any action or fail to take any action which would cause the Award to be determined. All Awards for the taking or purchase in lieu of condemnation of any Project or any part thereof are hereby assigned to and shall be paid to Lender. Borrower authorizes Lender to collect and receive such Awards, to give proper receipts and acquittances therefor, and in Lender's sole discretion to apply the same toward the payment of the Loan, notwithstanding that the Loan may not then be due and payable, or to the restoration of the affected Project; provided, however, if the Award is less than or equal to $100,000 and Borrower requests that such proceeds be used for non-structural site improvements (such as landscape, driveway, walkway and parking area repairs) required to be made as a result of such condemnation, Lender will apply the Award to such restoration in accordance with disbursement procedures applicable to insurance proceeds provided there exists no Potential Default or Event of Default. Borrower, upon request by Lender, shall execute all instruments requested to confirm the assignment of the Awards to Lender, free and clear of all liens, charges or encumbrances.

Section 3.4 Impounds. Borrower shall deposit with Lender, monthly, (a) one-twelfth (1/12th) of the Taxes that Lender estimates will be payable during the next ensuing twelve (12) months in order to accumulate with Lender sufficient funds to pay all such Taxes at least thirty (30) days prior to their respective due dates, and (b) one-twelfth of the Insurance Premiums that Lender estimates will be payable for the renewal of the coverage afforded by the insurance policies required by Lender upon the expiration thereof in order to accumulate with Lender sufficient funds to pay all such Insurance Premiums at least thirty (30) days prior to expiration (said amounts in (a) and (b) above hereinafter called the "**Tax and Insurance Escrow Fund**"). At or before the advance of the Loan, Borrower shall deposit with Lender a sum of money which together with the monthly installments will be sufficient to make each of such payments thirty (30) days prior to the date any delinquency or penalty becomes due with respect to such payments. Deposits shall be made on the basis of Lender's estimate from time to time of the charges for the current year (after giving effect to any reassessment or, at Lender's election, on the basis of the charges for the prior year, with adjustments when the charges are fixed for the then current year). All funds so deposited shall be held by Lender, without interest, and may be commingled with Lender's general funds. Borrower hereby grants to Lender a security interest in all funds so deposited with Lender for the purpose of securing the Loan. While an Event of Default exists, the funds deposited may be applied in payment of the charges for which such funds have been deposited, or to the payment of the Loan or any other charges affecting the security of Lender, as Lender may elect, but no such application shall be deemed to have been made by operation of law or otherwise until actually made by Lender. Borrower shall furnish Lender with bills for the charges for which such deposits are required at least thirty (30) days prior to the date on which the charges first become payable. If at any time the amount on deposit with Lender, together with amounts to be deposited by Borrower before such charges are payable,

is insufficient to pay such charges, Borrower shall deposit any deficiency with Lender immediately upon demand. Lender shall pay such charges when the amount on deposit with Lender is sufficient to pay such charges and Lender has received a bill for such charges.

ARTICLE 4

ENVIRONMENTAL MATTERS

Section 4.1 Certain Definitions. As used herein, the following terms have the meanings indicated:

(a) "**Environmental Laws**" means any federal, state or local law (whether imposed by statute, ordinance, rule, regulation, administrative or judicial order, or common law), now or hereafter enacted, governing health, safety, industrial hygiene, the environment or natural resources, or Hazardous Materials, including, without limitation, such laws governing or regulating (i) the use, generation, storage, removal, recovery, treatment, handling, transport, disposal, control, release, discharge of, or exposure to, Hazardous Materials, (ii) the transfer of property upon a negative declaration or other approval of a governmental authority of the environmental condition of such property, or (iii) requiring notification or disclosure of releases of Hazardous Materials or other environmental conditions whether or not in connection with a transfer of title to or interest in property, which laws include, without limitation, the New Jersey Industrial Site Recovery Act (N.J.S.A. 13:1K-6, et seq.) ("**ISRA**") and the New Jersey Spill Compensation and Control Act (N.J.S.A. 58:10-23.11 et seq.)

(b) "**Hazardous Materials**" means (i) petroleum or chemical products, whether in liquid, solid, or gaseous form, or any fraction or by-product thereof, (ii) asbestos or asbestos-containing materials, (iii) polychlorinated biphenyls (pcbs), (iv) radon gas, (v) underground storage tanks, (vi) any explosive or radioactive substances, (vii) lead or lead-based paint, or (viii) any other substance, material, waste or mixture which is or shall be listed, defined, or otherwise determined by any governmental authority to be hazardous, toxic, dangerous or otherwise regulated, controlled or giving rise to liability under any Environmental Laws.

Section 4.2 Representations and Warranties on Environmental Matters. To Borrower's knowledge, except as set forth in the Site Assessments obtained by Lender in connection with the Loan closing (copies of which have been provided to Borrower), (a) no Hazardous Material is now or was formerly used, stored, generated, manufactured, installed, treated, discharged, disposed of or otherwise present at or about any Project or any property adjacent to any Project (except for cleaning and other products currently used in connection with the routine maintenance or repair of the Projects in full compliance with Environmental Laws) and no Hazardous Material was removed or transported from any Project, (b) all permits, licenses, approvals and filings required by Environmental Laws have been obtained, and the use, operation and condition of the Projects do not, and did not previously, violate any Environmental Laws, (c) no civil, criminal or administrative action, suit, claim, hearing, investigation or proceeding has been brought or been threatened, nor have any settlements been reached by or with any parties or any liens imposed in connection with any Project concerning Hazardous Materials or Environmental Laws; (d) no underground storage tanks exist on any part of any Project; (e) Borrower has not received any written notice of potential liability with respect to any site other than the Projects arising from Hazardous Materials manufactured, refined, generated, stored, treated, handled, disposed of, discharged, spilled or transported at or from any Project, or by Borrower at any other location within the State of New Jersey or otherwise; (f) in connection with Borrower's purchase of any portion of the Projects after December 31, 1983, if any, Borrower has required that the seller thereof comply with the provisions of ISRA and the regulations issued thereunder, and Borrower further represents that said seller has complied therewith; (g) no lien has been attached to any revenues, to any Project or to any other real

or personal property owned by Borrower as a result of the Chief Executive of the New Jersey Spill Compensation Fund expending monies from said fund to pay for "cleanup and removal costs," as such term is defined in N.J.S.A. 58:10-23.11b (hereinafter, "**Cleanup and Removal Costs**"), arising from an intentional or unintentional action or omission of Borrower or any previous owner and/or operator of said real property, including, but not limited to, any Project, resulting in the releasing, spilling, leaking, pumping, pouring, emitting, emptying or dumping of Hazardous Materials either: (1) into the waters of the State of New Jersey; (2) onto the lands of the State of New Jersey; or (3) into waters outside the jurisdiction of the State of New Jersey when damage may result in the lands, waters, fish, shellfish, wildlife, biota, air and other natural resources owned, managed, held in trust or otherwise controlled by, and within the jurisdiction of, the State of New Jersey; (h) Borrower has not received a summons, citation, directive, letter or other communication, written or oral, from the Department of Environmental Protection of the State of New Jersey concerning any intentional or unintentional action or omission on Borrower's part resulting in the releasing, spilling, leaking, pumping, pouring, emitting, emptying or dumping of Hazardous Materials into the water or onto the lands of the State of New Jersey, or into the waters outside the jurisdiction of the State of New Jersey resulting in damage to the lands, waters, fish, shellfish, wildlife, biota, air and other natural resources owned, managed, held in trust or otherwise controlled by, and within the jurisdiction of, the State of New Jersey; and (i) in the event that there shall be filed a lien against any Project by the Department of Environmental Protection of the State of New Jersey, or other state or federal governmental official or entity, (1) pursuant to and in accordance with the provisions of the Spill Compensation and Control Act (N.J.S.A. 58:10-23.11 et seq.), as a result of the Chief Executive of the New Jersey Spill Compensation Fund having expended monies from said fund to pay for Cleanup and Removal Costs arising from an intentional or unintentional action or omission of Borrower, resulting in the releasing, spilling, pumping, emitting, emptying or dumping of Hazardous Materials into waters of the State of New Jersey or onto lands from which it might flow or drain into said waters, or (2) pursuant to and in accordance with the provisions of ISRA, or (3) pursuant to and in accordance with any other of the Environmental Laws, then Borrower shall, within thirty (30) days from the date that Borrower has given notice that the lien has been placed against such Project or within such shorter period of time if the State of New Jersey has commenced steps to cause such Project to be sold pursuant to the lien, either (A) pay the claim and remove the lien from such Project; or (B) furnish (i) a bond satisfactory to Lender and its title issuer in the amount of the claim out of which the lien arises, (ii) a cash deposit in the amount of the claim out of which the lien arises, or (iii) other security reasonably satisfactory to Lender in an amount sufficient to discharge the lien out of which the lien arises.

Section 4.3 Covenants on Environmental Matters.

(a) Borrower shall (i) comply strictly and in all respects with applicable Environmental Laws; (ii) notify Lender immediately upon Borrower's discovery of any spill, discharge, release or presence of any Hazardous Material at, upon, under, within, contiguous to or otherwise affecting any Project; (iii) promptly remove such Hazardous Materials and remediate such Project in full compliance with Environmental Laws or as reasonably required by Lender based upon the recommendations and specifications of an independent environmental consultant approved by Lender; and (iv) promptly forward to Lender copies of all orders, notices, permits, applications or other communications and reports in connection with any spill, discharge, release or the presence of any Hazardous Material or any other matters relating to the Environmental Laws or any similar laws or regulations, as they may affect any Project or Borrower.

(b) Borrower shall not cause, shall prohibit any other Person within the control of Borrower from causing, and shall use prudent, commercially reasonable efforts to prohibit other Persons (including tenants) from (i) causing any spill, discharge or release, or the use, storage, generation, manufacture, installation, or disposal, of any Hazardous Materials at, upon, under, within or about any Project or the transportation of any Hazardous Materials to or from any Project (except for cleaning and

other products used in connection with routine maintenance or repair of the Projects in full compliance with Environmental Laws), (ii) installing any underground storage tanks at any Project, or (iii) conducting any activity that requires a permit or other authorization under Environmental Laws.

(c) Borrower shall provide to Lender, at Borrower's expense promptly upon the written request of Lender from time to time, a Site Assessment for each Project or, if required by Lender, an update to any existing Site Assessment for each Project, to assess the presence or absence of any Hazardous Materials and the potential costs in connection with abatement, cleanup or removal of any Hazardous Materials found on, under, at or within such Project. Borrower shall pay the cost of no more than one such Site Assessment or update for each Project in any twelve (12)-month period, unless Lender's request for a Site Assessment is based on information provided under Section 4.3(a), a reasonable suspicion of Hazardous Materials at or near a Project, a breach of representations under Section 4.2, or an Event of Default, in which case any such Site Assessment or update shall be at Borrower's expense.

(d) Within ninety (90) days after the Closing Date, Borrower shall cause to be prepared by environmental engineers approved by Lender, and shall deliver to Lender, an Operations and Maintenance Program for each Project for the removal or encapsulation of, or other action for handling, asbestos-containing materials at such Project (each, an "**O&M Program**"). Borrower shall immediately implement the O&M Programs. Prior to the commencement of any construction, rehabilitation, modification or renovation at any Project, including any such work which requires the removal of any materials or improvements of any kind in connection with the ceiling, subflooring, floor tiles, baseboard, wall texture, pipe insulation and other portions of such Project containing (or which are identified in a Site Assessment for such Project as possibly containing) asbestos-containing materials (the "**ACM-Related Work**"), all ACM-Related Work shall be implemented in accordance with the procedures and programs in the O&M Program for such Project and all applicable governmental requirements. The O&M Programs and work resulting therefrom shall be conducted by an accredited, licensed, abatement contractor using state-of-the-art work practices and procedures and shall include all monitoring and project management performed by an accredited asbestos consultant. Borrower shall deliver to Lender promptly when available, copies of all reports, notices, submittals, permits, licenses, and certificates relating to the O&M Programs. Until all matters in the O&M Programs have been satisfied, Borrower shall deliver to Lender, on or before the first day of each Loan Year, evidence of an annual inspection by the environmental engineers for each Project, addressing the status of affected space requiring ACM-Related Work or other action with respect to Hazardous Materials. Borrower shall follow the procedures of the O&M Programs with respect to any additional Hazardous Materials revealed by any annual inspection. All fees and expenses incurred for all such inspections and review and approval of the O&M Programs shall be paid by Borrower.

Section 4.4 Allocation of Risks and Indemnity. As between Borrower and Lender, all risk of loss associated with non-compliance with Environmental Laws, or with the presence of any Hazardous Material at, upon, within, contiguous to or otherwise affecting the Projects, shall lie solely with Borrower. Accordingly, Borrower shall bear all risks and costs associated with any loss (including any loss in value attributable to Hazardous Materials), damage or liability therefrom, including all costs of removal of Hazardous Materials or other remediation required by Lender or by law. Borrower shall indemnify, defend and hold Lender and its shareholders, directors, officers, employees and agents harmless from and against all loss, liabilities, damages, claims, costs and expenses (including reasonable costs of defense and consultant fees, investigation and laboratory fees, court costs, and other litigation expenses) arising out of or associated, in any way, with (a) the non-compliance with Environmental Laws, or (b) the existence of Hazardous Materials in, on, or about any Project, (c) any personal injury (including wrongful death) or property damage (real or personal) arising out of or related to Hazardous Materials; (d) any lawsuit brought or threatened, settlement reached, or government order relating to such Hazardous Materials,

(e) a breach of any representation, warranty or covenant contained in this Article 4, whether based in contract, tort, implied or express warranty, strict liability, criminal or civil statute or common law, or (f) the imposition of any environmental lien encumbering any Project; provided, however, Borrower shall not be liable under such indemnification to the extent such loss, liability, damage, claim, cost or expense results solely from Lender's gross negligence or willful misconduct. Borrower's obligations under this Section 4.4 shall arise whether or not any governmental authority has taken or threatened any action in connection with the presence of any Hazardous Material, and whether or not the existence of any such Hazardous Material or potential liability on account thereof is disclosed in a Site Assessment and shall continue notwithstanding the repayment of the Loan or any transfer or sale of any right, title and interest in the Projects (by foreclosure, deed in lieu of foreclosure or otherwise). Any amounts payable to Lender by reason of the application of this Section 4.4 shall become immediately due and payable and shall bear interest at the Default Rate from the date loss or damage is sustained by Lender until paid. The obligations and liabilities of Borrower under this Section 4.4 shall survive any termination, satisfaction, assignment, entry of a judgment of foreclosure or delivery of a deed in lieu of foreclosure.

Section 4.5 No Waiver. Notwithstanding any provision in this Article 4 or elsewhere in the Loan Documents, or any rights or remedies granted by the Environmental Indemnity Agreement or the Loan Documents, Lender does not waive and expressly reserves all rights and benefits now or hereafter accruing to Lender under the "security interest" or "secured creditor" exception under applicable Environmental Laws, as the same may be amended. No action taken by Lender pursuant to the Environmental Indemnity Agreement or the Loan Documents shall be deemed or construed to be a waiver or relinquishment of any such rights or benefits under the "security interest exception."

Section 4.6 Lender Cure Rights. If there is a release of Hazardous Materials affecting any Project, whether or not the release originates or emanates from such Project or any contiguous real estate, or if Borrower shall fail to comply with any Environmental Laws, Lender may at its election, but without the obligation to do so, upon three (3) Business Days' notice to Borrower (provided the delay caused by the giving of notice shall not, in Lender's sole opinion, cause substantial damage such Project), take any and all actions as Lender shall deem necessary or advisable in order to remedy the release of Hazardous Materials or cure said failure of compliance, and any amounts paid by Lender as a result thereof, together with interest thereon at the Default Rate from the date of payment by Lender, shall be immediately due and payable by Borrower to Lender and until paid shall be added to and become part of the Loan and shall have the benefit of the lien created by the Loan Documents.

ARTICLE 5

LEASING MATTERS

Section 5.1 Representations and Warranties on Leases. Borrower represents and warrants to Lender with respect to leases of each Project that: (a) the rent roll delivered to Lender is true and correct, and the leases are valid and in and full force and effect; (b) the leases (including amendments) are in writing, and there are no oral agreements with respect thereto; (c) the copies of the leases (if any) delivered to Lender are true and complete; (d) the landlord is not in default under any of the leases, and not more than (i) five percent (5%) of the tenants at any one Project, and (ii) three percent (3%) of all tenants at all Projects are more than thirty (30) days delinquent in payment of rent or are otherwise in default in a manner entitling the landlord to terminate their leases; (e) Borrower has not assigned or pledged any of the leases, the rents or any interests therein except to Lender; (f) no tenant or other party has an option to purchase all or any portion of any Project; (g) no tenant has the right to terminate its lease prior to expiration of the stated term of such lease; (h) not more than five percent (5%) of the tenants at any Project have prepaid more than one month's rent in advance (except for bona fide security deposits

not in excess of an amount equal to two months' rent), and no tenants have prepaid more than twelve (12) months' rent in advance; and (i) all existing leases are subordinate to the Mortgages either pursuant to their terms or a recorded subordination agreement.

Section 5.2 Standard Lease Form; Approval Rights. All leases and other rental arrangements shall in all respects be approved by Lender and shall be on a standard lease form approved by Lender with no modifications (except as approved by Lender, which approval will not be unreasonably withheld or delayed). Borrower shall hold, in trust, all tenant security deposits in a segregated account, and, to the extent required by applicable law, shall not commingle any such funds with any other funds of Borrower. Within ten (10) days after Lender's request, Borrower shall furnish to Lender a statement of all tenant security deposits and copies of all leases, certified by Borrower as being true and correct. Notwithstanding anything contained in the Loan Documents, Lender's approval shall not be required for future leases or lease extensions at a Project if the following conditions are satisfied: (i) there exists no Potential Default or Event of Default; (ii) the lease is on the standard lease form approved by Lender with no modifications (except as approved by Lender); (iii) the lease does not conflict with any restrictive covenant affecting the Project or any other lease for space in the Project; and (iv) the effective rental rate is at least a market rate.

Section 5.3 Covenants. Borrower (a) shall perform the obligations which Borrower is required to perform under the leases; (b) shall enforce the obligations to be performed by the tenants; (c) shall not collect from more than five percent (5%) of the tenants at any Project (and then, only at the request of such tenants) any rents for more than thirty (30) days in advance of the time when the same shall become due (and in no event shall Borrower collect from any tenant any rents more than twelve (12) months in advance of the time when the same shall become due), except for bona fide security deposits not in excess of an amount equal to two month's rent; (d) shall not enter into any ground lease or master lease of any part of any Project; (e) shall not further assign or encumber any lease; (f) shall not, except with Lender's prior written consent, cancel or accept surrender or termination of any lease except in the ordinary course of business, consistent with prudent property management practices for self-storage facilities; and (g) shall not, except with Lender's prior written consent, modify or amend any lease (except for minor modifications and amendments entered into in the ordinary course of business, consistent with prudent property management practices for self-storage facilities, not affecting the economic terms of the lease). Any action in violation of clauses (d), (e), (f), and (g) of this Section 5.3 shall be void at the election of Lender.

Section 5.4 Tenant Estoppels. At Lender's request, Borrower shall obtain and furnish to Lender, written estoppels in form and substance reasonably satisfactory to Lender, executed by tenants under any "corporate" or master leases of any part of any Project and confirming the term, rent, and other provisions and matters relating to the leases.

ARTICLE 6

REPRESENTATIONS AND WARRANTIES

Borrower represents, warrants and covenants to Lender that:

Section 6.1 Organization, Power and Authority. Borrower and each Borrower Party (a) is duly organized, validly existing and in good standing under the laws of the state of its formation or existence, (b) is in compliance with all legal requirements applicable to doing business in the State, and (c) has the necessary governmental approvals to own and operate the Projects and conduct the business now conducted or to be conducted thereon. Borrower has the full power, authority and right to execute, deliver and perform its obligations pursuant to this Loan Agreement and the other Loan Documents, and

to mortgage the Projects pursuant to the terms of the Mortgages and to keep and observe all of the terms of this Loan Agreement and the other Loan Documents on Borrower's part to be performed. Borrower is not a "foreign person" within the meaning of § 1445(f)(3) of the Internal Revenue Code.

Section 6.2 Validity of Loan Documents. The execution, delivery and performance by Borrower and each Borrower Party of the Loan Documents: (a) are duly authorized and do not require the consent or approval of any other party or governmental authority which has not been obtained; and (b) will not violate any law or result in the imposition of any lien, charge or encumbrance upon the assets of any such party, except as contemplated by the Loan Documents. The Loan Documents constitute the legal, valid and binding obligations of Borrower and each Borrower Party, enforceable in accordance with their respective terms, subject to applicable bankruptcy, insolvency, or similar laws generally affecting the enforcement of creditors' rights.

Section 6.3 Liabilities; Litigation.

(a) The financial statements delivered by Borrower and each Borrower Party are true and correct with no significant change since the date of preparation. Except as disclosed in such financial statements, there are no liabilities (fixed or contingent) affecting any Project, Borrower or any Borrower Party. Except as disclosed in such financial statements, there is no litigation, administrative proceeding, investigation or other legal action (including any proceeding under any state or federal bankruptcy or insolvency law) pending or, to the knowledge of Borrower, threatened, against any Project, Borrower or any Borrower Party which if adversely determined could have a material adverse effect on such party, such Project or the Loan.

(b) Neither Borrower nor any Borrower Party is contemplating either the filing of a petition by it under state or federal bankruptcy or insolvency laws or the liquidation of all or a major portion of its assets or property, and neither Borrower nor any Borrower Party has knowledge of any Person contemplating the filing of any such petition against it.

Section 6.4 Taxes and Assessments. Each Project is comprised of one or more parcels, each of which constitutes a separate tax lot and none of which constitutes a portion of any other tax lot. There are no pending or, to Borrower's best knowledge, proposed, special or other assessments for public improvements or otherwise affecting any Project, nor are there any contemplated improvements to any Project that may result in such special or other assessments.

Section 6.5 Other Agreements; Defaults. Neither Borrower nor any Borrower Party is a party to any agreement or instrument or subject to any court order, injunction, permit, or restriction which might adversely affect any Project or the business, operations, or condition (financial or otherwise) of Borrower or any Borrower Party. Neither Borrower nor any Borrower Party is in violation of any agreement which violation would have an adverse effect on any Project, Borrower, or any Borrower Party or Borrower's or any Borrower Party's business, properties, or assets, operations or condition, financial or otherwise.

Section 6.6 Compliance with Law.

(a) Borrower and each Borrower Party have all requisite licenses, permits, franchises, qualifications, certificates of occupancy or other governmental authorizations to own, lease and operate the Projects and carry on its business, and each Project is in compliance with all applicable legal requirements and is free of structural defects, and except as set forth in the property condition reports obtained by Lender in connection with the Loan, all building systems contained therein are in good working order, subject to ordinary wear and tear. No Project constitutes, in whole or in part, a

legally non-conforming use under applicable legal requirements other than the "Egg Harbor" Project located on the land described in ***Exhibit A-2*** and the "Howell" Project located on the land described in ***Exhibit A-3***, each of which is legally non-conforming as to use;

(b) No condemnation has been commenced or, to Borrower's knowledge, is contemplated with respect to all or any portion of any Project or for the relocation of roadways providing access to any Project; and

(c) Each Project has adequate rights of access to public ways and is served by adequate water, sewer, sanitary sewer and storm drain facilities. All public utilities necessary or convenient to the full use and enjoyment of each Project are located in the public right-of-way abutting such Project, and all such utilities are connected so as to serve such Project without passing over other property, except to the extent such other property is subject to a perpetual easement for such utility benefitting such Project. All roads necessary for the full utilization of each Project for its current purpose have been completed and dedicated to public use and accepted by all governmental authorities.

Section 6.7 Location of Borrower. Borrower's principal place of business and chief executive offices are located at the address stated in Section 11.1.

Section 6.8 ERISA.

(a) As of the Closing Date and throughout the term of the Loan, (i) Borrower is not and will not be an "employee benefit plan" as defined in Section 3(3) of the Employee Retirement Income Security Act of 1974, as amended **(**"**ERISA**"**)**, which is subject to Title I of ERISA, and (ii) the assets of Borrower do not and will not constitute "plan assets" of one or more such plans for purposes of Title I of ERISA; and

(b) As of the Closing Date and throughout the term of the Loan (i) Borrower is not and will not be a "governmental plan" within the meaning of Section 3(3) of ERISA and (ii) transactions by or with Borrower are not and will not be subject to state statutes applicable to Borrower regulating investments of and fiduciary obligations with respect to governmental plans.

Section 6.9 Forfeiture. There has not been and shall never be committed by Borrower or any other person in occupancy of or involved with the operation or use of the Projects any act or omission affording the federal government or any state or local government the right of forfeiture as against the Projects or any part thereof or any monies paid in performance of Borrower's obligations under any of the Loan Documents. Borrower hereby covenants and agrees not to commit, permit or suffer to exist any act or omission affording such right of forfeiture.

Section 6.10 Tax Filings. Borrower and each Borrower Party have filed (or have obtained effective extensions for filing) all federal, state and local tax returns required to be filed and have paid or made adequate provision for the payment of all federal, state and local taxes, charges and assessments payable by Borrower and each Borrower Party, respectively. Borrower and each Borrower Party believe that their respective tax returns properly reflect the income and taxes of Borrower and each Borrower Party, respectively, for the periods covered thereby, subject only to reasonable adjustments required by the Internal Revenue Service or other applicable tax authority upon audit.

Section 6.11 Solvency. Giving effect to the Loan, the fair saleable value of Borrower's assets exceeds and will, immediately following the making of the Loan, exceed Borrower's total liabilities, including, without limitation, subordinated, unliquidated, disputed and contingent liabilities. The fair saleable value of Borrower's assets is and will, immediately following the making of the Loan, be greater

than Borrower's probable liabilities, including the maximum amount of its contingent liabilities on its Debts as such Debts become absolute and matured, Borrower's assets do not and, immediately following the making of the Loan will not, constitute unreasonably small capital to carry out its business as conducted or as proposed to be conducted. Borrower does not intend to, and does not believe that it will, incur Debts and liabilities (including contingent liabilities and other commitments) beyond its ability to pay such Debts as they mature (taking into account the timing and amounts of cash to be received by Borrower and the amounts to be payable on or in respect of obligations of Borrower). Except as expressly disclosed to Lender in writing, no petition in bankruptcy has been filed against Borrower or any Borrower Party in the last seven (7) years, and neither Borrower or any Borrower Party in the last seven (7) years has ever made an assignment for the benefit of creditors or taken advantage of any insolvency act for the benefit of debtors.

Section 6.12 Full and Accurate Disclosure. No statement of fact made by or on behalf of Borrower or any Borrower Party in this Agreement or in any of the other Loan Documents contains any untrue statement of a material fact or omits to state any material fact necessary to make statements contained herein or therein not misleading. There is no fact presently known to Borrower which has not been disclosed to Lender which adversely affects, nor as far as Borrower can foresee, might adversely affect, any Project or the business, operations or condition (financial or otherwise) of Borrower or any Borrower Party.

Section 6.13 Flood Zone. No portion of the improvements comprising any Project is located in an area identified by the Secretary of Housing and Urban Development or any successor thereto as an area having special flood hazards pursuant to the National Flood Insurance Act of 1968, the Flood Disaster Protection Act of 1973 or the National Flood Insurance Act of 1994, as amended, or any successor law, or, if located within any such area, Borrower has obtained and will maintain the insurance prescribed in Section 3.1 hereof.

Section 6.14 Single Purpose Entity/Separateness. Borrower represents, warrants and covenants as follows:

(a) Borrower has not owned, does not own, and will not own any asset or property other than (i) the Projects, and (ii) incidental personal property necessary for the ownership or operation of the Projects.

(b) Borrower will not engage in any business other than the ownership, management and operation of the Projects and Borrower will conduct and operate its business as presently conducted and operated.

(c) Borrower will not enter into any contract or agreement with any Affiliate of the Borrower, any constituent party of Borrower, or any Affiliate of any constituent party, except upon terms and conditions that are intrinsically fair and substantially similar to those that would be available on an arms-length basis with third parties other than any such party.

(d) Borrower has not incurred and will not incur any Debt other than (i) the Loan, (ii) trade and operational debt incurred in the ordinary course of business with trade creditors and in amounts as are normal and reasonable under the circumstances, provided such debt is not evidenced by a note and is paid when due, and (iii) Debt incurred in the financing of equipment and other personal property used on the Projects. No indebtedness other than the Loan may be secured (subordinate or pari passu) by any Project.

(e) Borrower has not made and will not make any loans or advances to any third party (including any Affiliate or constituent party or any Affiliate of any constituent party), and shall not acquire obligations or securities of its Affiliates or any constituent party.

(f) Borrower is and will remain solvent and Borrower will pay its debts and liabilities (including, as applicable, shared personnel and overhead expenses) from its own funds and assets as the same shall become due.

(g) Borrower has done or caused to be done and will do all things necessary to observe organizational formalities and preserve its existence, and Borrower will not, nor will Borrower permit any constituent party to amend, modify or otherwise change the partnership certificate, partnership agreement, articles of incorporation and bylaws, operating agreement, trust or other organizational documents of Borrower or such constituent party without the prior written consent of Lender.

(h) Borrower will maintain all of its books, records, financial statements and bank accounts separate from those of its Affiliates and any constituent party and Borrower will file its own tax returns, if any, as may be required under applicable law, to the extent not part of a consolidated group filing a consolidated return, and pay any taxes so required to be paid under applicable law. Borrower shall maintain its books, records, resolutions and agreements as official records.

(i) Borrower will be, and at all times will hold itself out to the public as, a legal entity separate and distinct from any other entity (including any Affiliate of Borrower, any constituent party of Borrower, or any Affiliate of any constituent party), shall correct any known misunderstanding regarding its status as a separate entity, shall conduct business in its own name, shall not identify itself or any of its Affiliates as a division or part of the other and shall maintain and utilize a separate telephone number, if any, and separate stationery, invoices and checks.

(j) Borrower will maintain adequate capital for the normal obligations reasonably foreseeable in a business of its size and character and in light of its contemplated business operations.

(k) Neither Borrower nor any constituent party will seek the dissolution, winding up, liquidation, consolidation or merger in whole or in part, of the Borrower.

(l) Borrower will not commingle the funds and other assets of Borrower with those of any Affiliate or constituent party, or any Affiliate of any constituent party, or any other Person.

(m) Borrower has and will maintain its assets in such a manner that it will not be costly or difficult to segregate, ascertain or identify its individual assets from those of any Affiliate or constituent party, or any Affiliate of any constituent party, or any other Person.

(n) Borrower does not and will not hold itself out to be responsible for the debts or obligations of any other Person.

(o) If Borrower is a limited partnership or a limited liability company, each general partner or managing member (each, an "**SPC Party**") shall be a limited liability company whose sole asset is its interest in Borrower and each such SPC Party will at all times comply, and will cause Borrower to comply, with each of the representations, warranties, and covenants contained in this Section 6.14 as if such representation, warranty or covenant was made directly by such SPC Party.

(p) Borrower shall at all times cause there to be at least one duly appointed special manager (an "**Independent Director**") of each SPC Party in Borrower who shall not have been at the

time of such individual's appointment, and may not have been at any time during the preceding five years (i) a shareholder of, or an officer, director, partner, member, or employee of, Borrower or any of their Affiliates, (ii) affiliated with a customer of, or supplier to, the SPC Party, Borrower or any of their Affiliates, or (iii) a spouse, parent, sibling, child, or other family relative of any person described by (i) or (ii) above. As used herein, the term "**Affiliate**" means any Person other than the SPC Party (A) which owns beneficially, directly or indirectly, any outstanding shares of the SPC Party's stock or interest in the Borrower or (B) which controls or is under common control with the SPC Party or the Borrower. As used herein, the term "**control**" means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through ownership of voting securities, by contract or otherwise.

(q) Borrower shall not cause or permit the manager of each SPC Party in Borrower to take any action which, under the terms of such SPC Party's operating agreement, requires the vote of the Independent Director of such SPC Party unless at the time of such action there shall be at least one manager of such SPC Party who is an Independent Director.

(r) Borrower shall conduct its business so that the assumptions made with respect to Borrower in that certain opinion letter dated as of the Closing Date (the "**Insolvency Opinion**") delivered by Goodwin Procter LLP in connection with the Loan shall be true and correct in all respects.

Section 6.15 Compliance with Anti-Terrorism Orders.

(a) Borrower, each member in Borrower, all beneficial owners of Borrower and, to the best of Borrower's knowledge, all beneficial owners of any such member, are in compliance with all laws, statutes, rules and regulations of any federal, state or local governmental authority in the United States of America applicable to such Persons, including, without limitation, the requirements of Executive Order No. 13224, 66 Fed. Reg. 49079 (Sept. 25, 2001) (the "**Order**") and other similar requirements contained in the rules and regulations of the Office of Foreign Asset Control, Department of the Treasury ("**OFAC**") and in any enabling legislation or other Executive Orders in respect thereof (the Order and such other rules, regulations, legislation, or orders are collectively called the "**Orders**"). Borrower agrees to make its policies, procedures and practices regarding compliance with the Orders of any Persons who, pursuant to transfers permitted by the Mortgage, become stockholders, members, partners or other investors of Borrower available to Lender for its review and inspection during normal business hours and upon reasonable prior notice.

(b) Neither Borrower or any member in Borrower nor the beneficial owner of Borrower or any such member:

(i) is listed on the Specially Designated Nationals and Blocked Persons List maintained by OFAC pursuant to the Order and/or on any other list of terrorists or terrorist organizations maintained pursuant to any of the rules and regulations of OFAC or pursuant to any other applicable Orders (such lists are collectively referred to as the "**Lists**");

(ii) is a Person who has been determined by competent authority to be subject to the prohibitions contained in the Orders;

(iii) is owned or controlled by, nor acts for or on behalf of, any Person on the Lists or any other Person who has been determined by competent authority to be subject to the prohibitions contained in the Orders;

(iv) shall transfer or permit the transfer of any interest in Borrower or any Borrower Party to any Person who is or whose beneficial owners are listed on the Lists; or

(v) shall knowingly lease space in any Project to any Person who is listed on the Lists or who is engaged in illegal activities.

(c) If Borrower obtains knowledge that Borrower or any of its members or their beneficial owners become listed on the Lists or are indicted, arraigned, or custodially detained on charges involving money laundering or predicate crimes to money laundering, Borrower shall immediately notify Lender.

(d) If Borrower obtains knowledge that any tenant in any Project has become listed on the Lists or is convicted, pleads nolo contendere, indicted, arraigned, or custodially detained on charges involving money laundering or predicate crimes to money laundering, Borrower shall immediately notify Lender.

(e) If Borrower obtains knowledge that a tenant at any Project is listed on the Lists or is convicted or pleads nolo contendere to charges related to activity prohibited in the Orders, then proceeds from the rents of such tenant shall not be used to pay Debt Service and Borrower shall provide Lender such representations and verifications as Lender shall reasonably request that such rents are not being so used.

(f) If a tenant at any Project is arrested on such charges, and such charge is not dismissed within thirty (30) days thereafter, Lender may at its option notify Borrower to exclude such rents from the Debt Service payments.

(g) If Borrower or any Borrower Party is listed on the Lists, no earn-out disbursements, escrow disbursements, or other disbursements under the Loan Documents shall be made and all of such funds shall be paid in accordance with the direction of a court of competent jurisdiction.

ARTICLE 7

FINANCIAL REPORTING

Section 7.1 Financial Statements.

(a) **Monthly Reports**. Until the Loan is sold in a Secondary Market Transaction, Borrower shall furnish to Lender within twenty-one (21) days after the end of each calendar month, a current rent roll and a detailed operating statement (showing monthly activity and year-to-date) for each Project stating operating revenues, operating expenses, operating income and net cash flow for the calendar month just ended.

(b) **Quarterly Reports**. Within forty-five (45) days after the end of each calendar quarter, Borrower shall furnish to Lender a current rent roll and a detailed operating statement (showing quarterly activity and year-to-date) for each Project stating operating revenues, operating expenses, operating income and net cash flow for the calendar quarter just ended.

(c) **Annual Reports**. Within ninety (90) days after the end of each fiscal year of Borrower's operation of the Projects (on a Project-by-Project basis and on a consolidated basis), Borrower shall furnish to Lender a current (as of the end of such fiscal year) balance sheet, a detailed operating statement stating operating revenues, operating expenses, operating income and net cash flow for each of

Borrower and the Projects, and, if required by Lender, audited financial statements prepared by an independent public accountant reasonably satisfactory to Lender.

(d) **Certification; Supporting Documentation**. Each such financial statement shall be in scope and detail reasonably satisfactory to Lender and certified by the chief financial representative of Borrower.

Section 7.2 Accounting Principles. All financial statements shall be prepared in accordance with generally accepted accounting principles in the United States of America in effect on the date so indicated and consistently applied (or such other accounting basis reasonably acceptable for Lender).

Section 7.3 Other Information; Access. Borrower shall deliver to Lender such additional information regarding Borrower, its subsidiaries, its business, any Borrower Party, and the Projects within 30 days after Lender's request therefor. Borrower shall permit Lender to examine such records, books and papers of Borrower which reflect upon its financial condition and the income and expenses of the Projects. In the event that Borrower fails to forward the financial statements required in this Article 7 within thirty (30) days after written request, Lender shall have the right to audit such records, books and papers at Borrower's expense.

Section 7.4 Annual Budget. At least thirty (30) days prior to the commencement of each fiscal year, Borrower will provide to Lender its proposed annual operating and capital improvements budget for each Project for such fiscal year for review and approval by Lender.

ARTICLE 8

COVENANTS

Borrower covenants and agrees with Lender as follows:

Section 8.1 Due On Sale and Encumbrance; Transfers of Interests. Without the prior written consent of Lender, neither Borrower nor any other Person having an ownership or beneficial interest in Borrower shall sell, transfer, convey, mortgage, pledge, or assign any interest in any Project or any part thereof or further encumber, alienate, grant a Lien or grant any other interest in any Project or any part thereof, whether voluntarily or involuntarily, in violation of the covenants and conditions set forth in the Mortgages.

Section 8.2 Taxes; Utility Charges. Except to the extent sums sufficient to pay all Taxes (defined herein) have been previously deposited with Lender as part of the Tax and Insurance Escrow Fund and subject to Borrower's right to contest in accordance with Section 11.8 hereof, Borrower shall pay before any fine, penalty, interest or cost may be added thereto, and shall not enter into any agreement to defer, any real estate taxes and assessments, franchise taxes and charges, and other governmental charges (the "**Taxes**") that may become a Lien upon any Project or become payable during the term of the Loan. Borrower's compliance with Section 3.4 of this Agreement relating to impounds for Taxes shall, with respect to payment of such Taxes, be deemed compliance with this Section 8.2. Borrower shall not suffer or permit the joint assessment of any Project with any other real property constituting a separate tax lot or with any other real or personal property. Borrower shall promptly pay for all utility services provided to the Projects.

Section 8.3 Control; Management. Except as expressly permitted in Section 3.9 of the Mortgages, there shall be no change in the day-to-day control and management of Borrower or Borrower's general partner or managing member without the prior written consent of Lender. Borrower

shall not terminate, replace or appoint any property manager or terminate or amend the property management agreement for any Project without Lender's prior written approval, which approval shall not be unreasonably withheld. Any change in ownership or control of the property manager shall be cause for Lender to re-approve such property manager and property management agreement. Each property manager shall hold and maintain all necessary licenses, certifications and permits required by law. Borrower shall fully perform all of its covenants, agreements and obligations under the property management agreements. The property management fee payable under each property management agreement shall not exceed six percent (6.0%) of gross revenues collected.

Section 8.4 Operation; Maintenance: Inspection. Borrower shall observe and comply with all legal requirements applicable to the ownership, use and operation of the Projects. Borrower shall maintain the Projects in good condition and promptly repair any damage or casualty. Borrower shall permit Lender and its agents, representatives and employees, upon reasonable prior notice to Borrower, to inspect the Projects and conduct such environmental and engineering studies as Lender may require, provided such inspections and studies do not materially interfere with the use and operation of the Projects.

Section 8.5 Taxes on Security. Borrower shall pay all taxes, charges, filing, registration and recording fees, excises and levies payable with respect to the Note or the Liens created or secured by the Loan Documents, other than income, franchise and doing business taxes imposed on Lender. If there shall be enacted any law (a) deducting all or a portion of the Loan from the value of any Project for the purpose of taxation, (b) affecting any Lien on any Project, or (c) changing existing laws of taxation of mortgages, deeds of trust, security deeds, or debts secured by real property, or changing the manner of collecting any such taxes, Borrower shall promptly pay to Lender, on demand, all taxes, costs and charges for which Lender is or may be liable as a result thereof; however, if such payment would be prohibited by law or would render the Loan usurious, then instead of collecting such payment, Lender may declare all amounts owing under the Loan Documents to be immediately due and payable.

Section 8.6 Legal Existence; Name, Etc. Borrower and each SPC Party shall preserve and keep in full force and effect its entity status, franchises, rights and privileges under the laws of the state of its formation, and all qualifications, licenses and permits applicable to the ownership, use and operation of the Projects. Neither Borrower nor any general partner or managing member of Borrower shall wind up, liquidate, dissolve, reorganize, merge, or consolidate with or into, or convey, sell, assign, transfer, lease, or otherwise dispose of all or substantially all of its assets, or acquire all or substantially all of the assets of the business of any Person, or permit any subsidiary or Affiliate of Borrower to do so (except as permitted in Section 3.9 of the Mortgages with respect to Extra Space Storage LLC). Borrower shall not change its name, identity, state of formation, or organizational structure, or the location of its chief executive office or principal place of business unless Borrower (a) shall have obtained the prior written consent of Lender to such change, and (b) shall have taken all actions necessary or requested by Lender to file or amend any financing statement or continuation statement to assure perfection and continuation of perfection of security interests under the Loan Documents. The name of Borrower, type of entity, organization number, and state of formation set forth in this Agreement accurately reflect such information as shown on the public record of Borrower's jurisdiction of organization.

Section 8.7 Further Assurances. Borrower shall promptly (a) cure any defects in the execution and delivery of the Loan Documents and the Environmental Indemnity Agreement, and (b) execute and deliver, or cause to be executed and delivered, all such other documents, agreements and instruments as Lender may reasonably request to further evidence and more fully describe the collateral for the Loan, to correct any omissions in the Loan Documents, to perfect, protect or preserve any liens created under any of the Loan Documents and the Environmental Indemnity Agreement, or to make any recordings, file any notices, or obtain any consents, as may be necessary or appropriate in connection

therewith. Borrower grants Lender an irrevocable power of attorney coupled with an interest for the purpose of exercising and perfecting any and all rights and remedies available to Lender under the Loan Documents and the Environmental Indemnity Agreement, at law and in equity, including without limitation such rights and remedies available to Lender pursuant to this Section 8.7.

Section 8.8 Estoppel Certificates. Borrower, within ten (10) days after request, shall furnish to Lender a written statement, duly acknowledged, setting forth the amount due on the Loan, the terms of payment of the Loan, the date to which interest has been paid, whether any offsets or defenses exist against the Loan and, if any are alleged to exist, the nature thereof in detail, and such other matters as Lender reasonably may request.

Section 8.9 Notice of Certain Events. Borrower shall promptly notify Lender of (a) any Potential Default or Event of Default, together with a detailed statement of the steps being taken to cure such Potential Default or Event of Default; (b) any notice of default received by Borrower under other obligations relating to any Project or otherwise material to Borrower's business; and (c) any threatened or pending legal, judicial or regulatory proceedings, including any dispute between Borrower and any governmental authority, affecting Borrower or any Project.

Section 8.10 Indemnification. Except for matters caused by Lender's gross negligence or willful misconduct, Borrower shall protect, defend, indemnify and save harmless Lender its shareholders, directors, officers, employees and agents from and against all liabilities, obligations, claims, damages, penalties, causes of action, costs and expenses (including without limitation reasonable attorneys' fees and expenses), imposed upon or incurred by or asserted against Lender by reason of (a) ownership of the Mortgages, the Projects or any interest therein or receipt of any rents; (b) any accident, injury to or death of persons or loss of or damage to property occurring in, on or about any Project or any part thereof or on the adjoining sidewalks, curbs, adjacent property or adjacent parking areas, streets or ways; (c) any use, nonuse or condition in, on or about any Project or any part thereof or on the adjoining sidewalks, curbs, adjacent property or adjacent parking areas, streets or ways; (d) performance of any labor or services or the furnishing of any materials or other property in respect of any Project or any part thereof; and (e) the failure of any Person to file timely with the Internal Revenue Service an accurate Form 1099-B, Statement for Recipients of Proceeds from Real Estate, Broker and Barter Exchange Transactions, which may be required in connection with this Agreement, or to supply a copy thereof in a timely fashion to the recipient of the proceeds of the transaction in connection with which this Agreement is made. Any amounts payable to Lender by reason of the application of this section shall become immediately due and payable and shall bear interest at the Default Rate from the date loss or damage is sustained by Lender until paid.

Section 8.11 Cooperation. Borrower acknowledges that Lender and its successors and assigns may (a) sell this Agreement, the Mortgages, the Note, the other Loan Documents, and the Environmental Indemnity Agreement, and any and all servicing rights thereto to one or more investors as a whole loan, (b) participate the Loan to one or more investors, (c) deposit this Agreement, the Note, other Loan Documents, and the Environmental Indemnity Agreement with a trust, which trust may sell certificates to investors evidencing an ownership interest in the trust assets, or (d) otherwise sell the Loan or interest therein to investors (the transactions referred to in clauses (a) through (d) are hereinafter each referred to as a "**Secondary Market Transaction**"). Borrower shall cooperate with Lender in effecting any such Secondary Market Transaction and shall cooperate to implement all requirements imposed by any Rating Agency involved in any Secondary Market Transaction. Borrower shall provide such information, legal opinions and documents relating to the Borrower, the Projects and any tenants of the Projects as Lender may reasonably request in connection with such Secondary Market Transaction at no third-party professional expense to Borrower unless otherwise required by the Loan Documents. In addition, Borrower shall make available to Lender all information concerning its business and operations,

and any other matters contemplated by the Loan Documents, that Lender may reasonably request. Lender shall be permitted to share all such information with the investment banking firms, Rating Agencies, accounting firms, law firms and other third-party advisory firms involved with the Loan and the Loan Documents or the applicable Secondary Market Transaction. It is understood that the information provided by Borrower to Lender may ultimately be incorporated into the offering documents for the Secondary Market Transaction and thus various investors may also see some or all of the information. Lender and all of the aforesaid third-party advisors and professional firms shall be entitled to rely on the information supplied by, or on behalf of, Borrower and Borrower indemnifies Lender as to any losses, claims, damages or liabilities that arise out of or are based upon any untrue statement or alleged untrue statement of any material fact contained in such information or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated in such information or necessary in order to make the statements in such information, or in light of the circumstances under which they were made, not misleading.

Section 8.12 Payment For Labor and Materials. Subject to Borrower's right to contest in accordance with Section 11.8 hereof, Borrower will promptly pay when due all bills and costs for labor, materials, and specifically fabricated materials incurred in connection with any Project and never permit to exist beyond the due date thereof in respect of such Project or any part thereof any Lien, even though inferior to the Liens hereof, and in any event never permit to be created or exist in respect of any Project or any part thereof any other or additional Lien other than the Liens hereof, except for the Permitted Encumbrances (defined in the Mortgage encumbering such Project).

ARTICLE 9

EVENTS OF DEFAULT

Each of the following shall constitute an Event of Default under the Loan:

Section 9.1 Payments. Borrower's failure to pay any regularly scheduled installment of principal, interest or other amount due under the Loan Documents within five (5) days of (and including) the date when due, or Borrower's failure to pay the Loan at the Maturity Date, whether by acceleration or otherwise.

Section 9.2 Insurance. Borrower's failure to maintain insurance as required under Section 3.1 of this Agreement.

Section 9.3 Sale, Encumbrance, Etc. The sale, transfer, conveyance, pledge, mortgage or assignment of any part or all of any Project, or any interest therein, or of any interest in Borrower, in violation of the Mortgage encumbering such Project.

Section 9.4 Covenants. Borrower's failure to perform or observe any of the agreements and covenants contained in this Agreement or in any of the other Loan Documents (other than payments under Section 9.1, insurance requirements under Section 9.2, transfers and encumbrances under Section 9.3, and the Events of Default described in Sections 9.7, 9.8 and 9.9 below), and the continuance of such failure for ten (10) days after notice by Lender to Borrower; however, subject to any shorter period for curing any failure by Borrower as specified in any of the other Loan Documents, Borrower shall have an additional sixty (60) days to cure such failure if (a) such failure does not involve the failure to make payments on a monetary obligation; (b) such failure cannot reasonably be cured within ten (10) days; (c) Borrower is diligently undertaking to cure such default; and (d) Borrower has provided Lender with security reasonably satisfactory to Lender against any interruption of payment or impairment of collateral as a result of such continuing failure.

Section 9.5 Representations and Warranties. Any representation or warranty made in any Loan Document proves to be untrue in any material respect when made or deemed made.

Section 9.6 Other Encumbrances. Any default under any document or instrument, other than the Loan Documents, evidencing or creating a Lien on any Project or any part thereof, not cured within any applicable grace or cure period therein.

Section 9.7 Involuntary Bankruptcy or Other Proceeding. Commencement of an involuntary case or other proceeding against Borrower, any Borrower Party or any other Person having an ownership or security interest in any Project (each, a "**Bankruptcy Party**") which seeks liquidation, reorganization or other relief with respect to it or its debts or other liabilities under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeks the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any of its property, and such involuntary case or other proceeding shall remain undismissed or unstayed for a period of 60 days; or an order for relief against a Bankruptcy Party shall be entered in any such case under the Federal Bankruptcy Code.

Section 9.8 Voluntary Petitions, Etc. Commencement by a Bankruptcy Party of a voluntary case or other proceeding seeking liquidation, reorganization or other relief with respect to itself or its Debts or other liabilities under any bankruptcy, insolvency or other similar law or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official for it or any of its property, or consent by a Bankruptcy Party to any such relief or to the appointment of or taking possession by any such official in an involuntary case or other proceeding commenced against it, or the making by a Bankruptcy Party of a general assignment for the benefit of creditors, or the failure by a Bankruptcy Party, or the admission by a Bankruptcy Party in writing of its inability, to pay its debts generally as they become due, or any action by a Bankruptcy Party to authorize or effect any of the foregoing.

Section 9.9 Anti-Terrorism. If Borrower or any Borrower Party is listed on the Lists or is convicted or pleads nolo contendere to charges related to activity prohibited in the Orders, or if Borrower or any Borrower Party is arrested on charges related to activity prohibited in the Orders and such charge is not dismissed within sixty (60) days thereafter.

ARTICLE 10

REMEDIES

Section 10.1 Remedies - Insolvency Events. Upon the occurrence of any Event of Default described in Section 9.7 or 9.8, all amounts due under the Loan Documents immediately shall become due and payable, all without written notice and without presentment, demand, protest, notice of protest or dishonor, notice of intent to accelerate the maturity thereof, notice of acceleration of the maturity thereof, or any other notice of default of any kind, all of which are hereby expressly waived by Borrower; however, if the Bankruptcy Party under Section 9.7 or 9.8 is other than Borrower, then all amounts due under the Loan Documents shall become immediately due and payable at Lender's election, in Lender's sole discretion.

Section 10.2 Remedies - Other Events. Except as set forth in Section 10.1 above, while any Event of Default exists, Lender may (a) declare the entire Loan to be immediately due and payable without presentment, demand, protest, notice of protest or dishonor, notice of intent to accelerate the maturity thereof, notice of acceleration of the maturity thereof, or other notice of default of any kind, all of which are hereby expressly waived by Borrower, and (b) exercise all rights and remedies therefor under the Loan Documents and at law or in equity.

Section 10.3 Lender's Right to Perform the Obligations. If Borrower shall fail, refuse or neglect to make any payment or perform any act required by the Loan Documents, then while any Event of Default exists, and without notice to or demand upon Borrower and without waiving or releasing any other right, remedy or recourse Lender may have because of such Event of Default, Lender may (but shall not be obligated to) make such payment or perform such act for the account of and at the expense of Borrower, and shall have the right to enter upon the Projects for such purpose and to take all such action thereon and with respect to the Projects as it may deem necessary or appropriate. If Lender shall elect to pay any sum due with reference to any Project, Lender may do so in reliance on any bill, statement or assessment procured from the appropriate governmental authority or other issuer thereof without inquiring into the accuracy or validity thereof. Similarly, in making any payments to protect the security intended to be created by the Loan Documents, Lender shall not be bound to inquire into the validity of any apparent or threatened adverse title, lien, encumbrance, claim or charge before making an advance for the purpose of preventing or removing the same. Borrower shall indemnify Lender for all losses, expenses, damages, claims and causes of action, including reasonable attorneys' fees, incurred or accruing by reason of any acts performed by Lender pursuant to the provisions of this Section 10.3. All sums paid by Lender pursuant to this Section 10.3, and all other sums expended by Lender to which it shall be entitled to be indemnified, together with interest thereon at the Default Rate from the date of such payment or expenditure until paid, shall constitute additions to the Loan, shall be secured by the Loan Documents and shall be paid by Borrower to Lender upon demand.

ARTICLE 11

MISCELLANEOUS

Section 11.1 Notices. Any notice required or permitted to be given under this Agreement shall be in writing and either shall be mailed by certified mail, postage prepaid, return receipt requested, or sent by overnight air courier service, or personally delivered to a representative of the receiving party, or sent by telecopy (provided an identical notice is also sent simultaneously by mail, overnight courier, or personal delivery as otherwise provided in this Section 11.1). All such communications shall be mailed, sent or delivered, addressed to the party for whom it is intended at its address set forth below.

If to Borrower: Extra Space of New Jersey, L.L.C.
2795 East Cottonwood Parkway, Suite 400
Salt Lake City, Utah 84121
Attention: David L. Rasmussen, General Counsel
Telecopy: (801)365-4947

If to Lender: General Electric Capital Corporation
c/o GEMSA Loan Services, L.P.
1500 City West Boulevard, Suite 200
Houston, Texas 77042-2300
Attention: Portfolio Manager/Access Program
Telecopy: (713)458-7500

with a copy to: General Electric Capital Corporation
Two Bent Tree Tower
16479 Dallas Parkway, Suite 500
Addison, Texas 75001
Attention: David R. Martindale
Telecopy: (972)728-7650

Any communication so addressed and mailed shall be deemed to be given on the earliest of (a) when actually delivered, (b) on the first Business Day after deposit with an overnight air courier service, or (c) on the third Business Day after deposit in the United States mail, postage prepaid, in each case to the address of the intended addressee, and any communication so delivered in person shall be deemed to be given when receipted for by, or actually received by Lender or Borrower, as the case may be. If given by telecopy, a notice shall be deemed given and received when the telecopy is transmitted to the party's telecopy number specified above and confirmation of complete receipt is received by the transmitting party during normal business hours or on the next Business Day if not confirmed during normal business hours. Either party may designate a change of address by written notice to the other by giving at least ten (10) days prior written notice of such change of address. Borrower's registered agent for service of process in New Jersey is:

The Corporation Trust Company
820 Bear Tavern Road
West Trenton, New Jersey 08628

Section 11.2 Amendments and Waivers. No amendment or waiver of any provision of the Environmental Indemnity Agreement and the Loan Documents shall be effective unless in writing and signed by the party against whom enforcement is sought.

Section 11.3 Limitation on Interest. It is the intention of the parties hereto to conform strictly to applicable usury laws. Accordingly, all agreements between Borrower and Lender with respect to the Loan are hereby expressly limited so that in no event, whether by reason of acceleration of maturity or otherwise, shall the amount paid or agreed to be paid to Lender or charged by Lender for the use, forbearance or detention of the money to be lent hereunder or otherwise, exceed the maximum amount allowed by law. If the Loan would be usurious under applicable law (including the laws of the State and the laws of the United States of America), then, notwithstanding anything to the contrary in the Loan Documents: (a) the aggregate of all consideration which constitutes interest under applicable law that is contracted for, taken, reserved, charged or received under the Loan Documents shall under no circumstances exceed the maximum amount of interest allowed by applicable law, and any excess shall be credited on the Note by the holder thereof; and (b) if maturity is accelerated by reason of an election by Lender, or in the event of any prepayment, then any consideration which constitutes interest may never include more than the maximum amount allowed by applicable law. In such case, excess interest, if any, provided for in the Loan Documents or otherwise, to the extent permitted by applicable law, shall be amortized, prorated, allocated and spread from the date of advance until payment in full so that the actual rate of interest is uniform through the term hereof. If such amortization, proration, allocation and spreading is not permitted under applicable law, then such excess interest shall be canceled automatically as of the date of such acceleration or prepayment and, if theretofore paid, shall be credited on the Note. The terms and provisions of this Section 11.3 shall control and supersede every other provision of the Loan Documents. The Loan Documents are contracts made under and shall be construed in accordance with and governed by the laws of the State, except that if at any time the laws of the United States of

America permit Lender to contract for, take, reserve, charge or receive a higher rate of interest than is allowed by the laws of the State (whether such federal laws directly so provide or refer to the law of any state), then such federal laws shall to such extent govern as to the rate of interest which Lender may contract for, take, reserve, charge or receive under the Loan Documents.

Section 11.4 Invalid Provisions. If any provision of any Loan Document or the Environmental Indemnity Agreement is held to be illegal, invalid or unenforceable, such provision shall be fully severable; the Environmental Indemnity Agreement and the Loan Documents shall be construed and enforced as if such illegal, invalid or unenforceable provision had never comprised a part thereof; the remaining provisions thereof shall remain in full effect and shall not be affected by the illegal, invalid, or unenforceable provision or by its severance therefrom; and in lieu of such illegal, invalid or unenforceable provision there shall be added automatically as a part of such Environmental Indemnity Agreement and such Loan Document a provision as similar in terms to such illegal, invalid or unenforceable provision as may be possible to be legal, valid and enforceable.

Section 11.5 Reimbursement of Expenses. Borrower shall pay all reasonable expenses incurred by Lender in connection with the Loan, including reasonable fees and expenses of Lender's attorneys, environmental, engineering and other consultants, and fees, charges or taxes for the recording or filing of Loan Documents. Borrower shall pay all expenses of Lender in connection with the administration of the Loan, including audit costs, inspection fees, settlement of condemnation and casualty awards, premiums for title insurance and endorsements thereto, and Rating Agency fees and expenses in connection with confirmation letters, if required. Borrower shall, upon request, promptly reimburse Lender for all amounts expended, advanced or incurred by Lender to collect the Note, or to enforce the rights of Lender under this Agreement, the Environmental Indemnity Agreement, or any Loan Document, or to defend or assert the rights and claims of Lender under the Environmental Indemnity Agreement or the Loan Documents or with respect to the Projects (by litigation or other proceedings), which amounts will include all court costs, reasonable attorneys' fees and expenses, fees of auditors and accountants, and investigation expenses as may be incurred by Lender in connection with any such matters (whether or not litigation is instituted), together with interest at the Default Rate on each such amount from the date of disbursement until the date of reimbursement to Lender, all of which shall constitute part of the Loan and shall be secured by the Loan Documents.

Section 11.6 Approvals; Third Parties; Conditions. All approval rights retained or exercised by Lender with respect to leases, contracts, plans, studies and other matters are solely to facilitate Lender's credit underwriting, and shall not be deemed or construed as a determination that Lender has passed on the adequacy thereof for any other purpose and may not be relied upon by Borrower or any other Person. This Agreement is for the sole and exclusive use of Lender and Borrower and may not be enforced, nor relied upon, by any Person other than Lender and Borrower. All conditions of the obligations of Lender hereunder, including the obligation to make advances, are imposed solely and exclusively for the benefit of Lender, its successors and assigns, and no other Person shall have standing to require satisfaction of such conditions or be entitled to assume that Lender will refuse to make advances in the absence of strict compliance with any or all of such conditions, and no other Person shall, under any circumstances, be deemed to be a beneficiary of such conditions, any and all of which may be freely waived in whole or in part by Lender at any time in Lender's sole discretion.

Section 11.7 Lender Not in Control; No Partnership. None of the covenants or other provisions contained in this Agreement shall, or shall be deemed to, give Lender the right or power to exercise control over the affairs or management of Borrower, the power of Lender being limited to the rights to exercise the remedies referred to in the Environmental Indemnity Agreement or the Loan Documents. The relationship between Borrower and Lender is, and at all times shall remain, solely that of debtor and creditor. No covenant or provision of the Environmental Indemnity Agreement or the Loan

Documents is intended, nor shall it be deemed or construed, to create a partnership, joint venture, agency or common interest in profits or income between Lender and Borrower or to create an equity in the Projects in Lender. Lender neither undertakes nor assumes any responsibility or duty to Borrower or to any other person with respect to the Projects or the Loan, except as expressly provided in the Environmental Indemnity Agreement and the Loan Documents; and notwithstanding any other provision of the Environmental Indemnity Agreement or the Loan Documents: (a) Lender is not, and shall not be construed as, a partner, joint venturer, alter ego, manager, controlling person or other business associate or participant of any kind of Borrower or its stockholders, members, or partners and Lender does not intend to ever assume such status; (b) Lender shall in no event be liable for any Debts, expenses or losses incurred or sustained by Borrower; and (c) Lender shall not be deemed responsible for or a participant in any acts, omissions or decisions of Borrower or its stockholders, members, or partners. Lender and Borrower disclaim any intention to create any partnership, joint venture, agency or common interest in profits or income between Lender and Borrower, or to create an equity in the Projects in Lender, or any sharing of liabilities, losses, costs or expenses.

Section 11.8 Contest of Certain Claims. Borrower may contest the validity of Taxes or any mechanic's or materialman's lien asserted against any Project so long as (a) Borrower notifies Lender that it intends to contest such Taxes or liens, as applicable, (b) Borrower provides Lender with an indemnity, bond or other security reasonably satisfactory to Lender assuring the discharge of Borrower's obligations for such Taxes or liens, as applicable, including interest and penalties, (c) Borrower is diligently contesting the same by appropriate legal proceedings in good faith and at its own expense and concludes such contest prior to the tenth (10th) day preceding the earlier to occur of the Maturity Date or the date on which such Project is scheduled to be sold for non-payment, (d) Borrower promptly upon final determination thereof pays the amount of any such Taxes or liens, as applicable, together with all costs, interest and penalties which may be payable in connection therewith, and (e) notwithstanding the foregoing, Borrower shall immediately upon request of Lender pay any such Taxes or liens, as applicable, notwithstanding such contest if, in the opinion of Lender, such Project or any part thereof or interest therein may be in danger of being sold, forfeited, foreclosed, terminated, canceled or lost. Lender may pay over any cash deposit or part thereof to the claimant entitled thereto at any time when, in the reasonable judgment of Lender, the entitlement of such claimant is established.

Section 11.9 Time of the Essence. Time is of the essence with respect to this Agreement and the other Loan Documents.

Section 11.10 Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of Lender and Borrower and their respective successors and assigns, provided that neither Borrower nor any other Borrower Party shall, without the prior written consent of Lender, assign any rights, duties or obligations hereunder.

Section 11.11 Renewal, Extension or Rearrangement. All provisions of the Environmental Indemnity Agreement and the Loan Documents shall apply with equal effect to each and all promissory notes and amendments thereof hereinafter executed which in whole or in part represent a renewal, extension, increase or rearrangement of the Loan.

Section 11.12 Waivers. No course of dealing on the part of Lender, its officers, employees, consultants or agents, nor any failure or delay by Lender with respect to exercising any right, power or privilege of Lender under the Environmental Indemnity Agreement and any of the Loan Documents, shall operate as a waiver thereof.

Section 11.13 Cumulative Rights; Joint and Several Liability. Rights and remedies of Lender under the Environmental Indemnity Agreement and the Loan Documents shall be cumulative, and

the exercise or partial exercise of any such right or remedy shall not preclude the exercise of any other right or remedy. If more than one person or entity has executed this Agreement as "Borrower," the obligations of all such persons or entities hereunder shall be joint and several.

Section 11.14 Singular and Plural. Words used in this Agreement, the other Loan Documents, and the Environmental Indemnity Agreement in the singular, where the context so permits, shall be deemed to include the plural and vice versa. The definitions of words in the singular in this Agreement, the other Loan Documents, and the Environmental Indemnity Agreement shall apply to such words when used in the plural where the context so permits and vice versa.

Section 11.15 Phrases. Except as otherwise expressly provided herein, when used in this Agreement, the other Loan Documents, and the Environmental Indemnity Agreement, the phrase "including" shall mean "including, but not limited to," the phrase "satisfactory to Lender" shall mean "in form and substance satisfactory to Lender in all respects," the phrase "with Lender's consent" or "with Lender's approval" shall mean such consent or approval at Lender's sole discretion, and the phrase "acceptable to Lender" shall mean "acceptable to Lender at Lender's sole discretion."

Section 11.16 Exhibits and Schedules. The exhibits and schedules attached to this Agreement are incorporated herein and shall be considered a part of this Agreement for the purposes stated herein.

Section 11.17 Titles of Articles, Sections and Subsections. All titles or headings to articles, sections, subsections or other divisions of this Agreement, the other Loan Documents, and the Environmental Indemnity Agreement or the exhibits hereto and thereto are only for the convenience of the parties and shall not be construed to have any effect or meaning with respect to the other content of such articles, sections, subsections or other divisions, such other content being controlling as to the agreement between the parties hereto.

Section 11.18 Promotional Material. Borrower authorizes Lender to issue press releases, advertisements and other promotional materials in connection with Lender's own promotional and marketing activities, including in connection with a Secondary Market Transaction, and such materials may describe the Loan in general terms or in detail and Lender's participation therein in the Loan. All references to Lender contained in any press release, advertisement or promotional material issued by Borrower shall be approved in writing by Lender in advance of issuance.

Section 11.19 Survival. All of the representations, warranties, covenants, and indemnities hereunder (including environmental matters under Article 4), under the indemnification provisions of the other Loan Documents and under the Environmental Indemnity Agreement, shall survive the repayment in full of the Loan and the release of the liens evidencing or securing the Loan, and shall survive the transfer (by sale, foreclosure, conveyance in lieu of foreclosure or otherwise) of any or all right, title and interest in and to the Projects to any party, whether or not an Affiliate of Borrower.

Section 11.20 Waiver of Jury Trial. To the maximum extent permitted by law, Borrower and Lender hereby knowingly, voluntarily and intentionally waive the right to a trial by jury in respect of any litigation based hereon, arising out of, under or in connection with this Agreement, any other Loan Document, or the Environmental Indemnity Agreement, or any course of conduct, course of dealing, statement (whether verbal or written) or action of either party or any exercise by any party of their respective rights under the Loan Documents and the Environmental Indemnity Agreement or in any way relating to the Loan or the Projects (including, without limitation, any action to rescind or cancel this Agreement, and any claim or defense asserting that this Agreement was fraudulently induced or is otherwise void or voidable). This waiver is a material inducement for Lender to enter this Agreement.

Section 11.21 Waiver of Punitive or Consequential Damages. Neither Lender nor Borrower shall be responsible or liable to the other or to any other Person for any punitive, exemplary or consequential damages which may be alleged as a result of the Loan or the transaction contemplated hereby, including any breach or other default by any party hereto.

Section 11.22 Governing Law. The Loan Documents and the Environmental Indemnity Agreement shall be governed by and construed in accordance with the laws of the State and the applicable laws of the United States of America.

Section 11.23 Entire Agreement. This Agreement, the other Loan Documents and the Environmental Indemnity Agreement embody the entire agreement and understanding between Lender and Borrower and supersede all prior agreements and understandings between such parties relating to the subject matter hereof and thereof. Accordingly, the Loan Documents and the Environmental Indemnity Agreement may not be contradicted by evidence of prior, contemporaneous, or subsequent oral agreements of the parties. There are no unwritten oral agreements between the parties.

Section 11.24 Counterparts. This Agreement may be executed in multiple counterparts, each of which shall constitute an original, but all of which shall constitute one document.

ARTICLE 12

LIMITATIONS ON LIABILITY

Section 12.1 Limitation on Liability. Except as provided below, Borrower shall not be personally liable for amounts due under the Loan Documents. Borrower shall be personally liable to Lender for any deficiency, loss or damage suffered by Lender because of: (a) Borrower's commission of a criminal act; (b) the failure to comply with provisions of the Loan Documents prohibiting the sale, transfer or encumbrance of the Projects, any other collateral, or any direct or indirect ownership interest in Borrower; (c) the misapplication by Borrower or any Borrower Party of any funds derived from the Projects, including security deposits, insurance proceeds and condemnation awards in violation of this Agreement or any of the other Loan Documents; (d) the fraud or misrepresentation by Borrower or any Borrower Party made in or in connection with the Loan Documents or the Loan; (e) Borrower's collection of rents more than one month in advance or entering into or modifying leases, or receipt of monies by Borrower or any Borrower Party in connection with the modification of any leases, in violation of this Agreement or any of the other Loan Documents; (f) Borrower's failure to apply proceeds of rents or any other payments in respect of the leases and other income of the Projects or any other collateral when received to the costs of maintenance and operation of the Projects and to the payment of taxes, lien claims, insurance premiums, Debt Service, the Funds, and other amounts due under the Loan Documents to the extent the Loan Documents require such proceeds to be then so applied; (g) Borrower's interference with Lender's exercise of rights under the Assignments of Leases and Rents; (h) Borrower's failure to maintain insurance as required by this Agreement; (i) damage or destruction to any Project caused by the acts or omissions of Borrower, its agents, employees, or contractors; (j) Borrower's obligations with respect to environmental matters under Article 4; (k) Borrower's failure to pay for any loss, liability or expense (including attorneys' fees) incurred by Lender arising out of any claim or allegation made by Borrower, its successors or assigns, or any creditor of Borrower, that this Agreement or the transactions contemplated by the Loan Documents and the Environmental Indemnity Agreement establishes a joint venture, partnership or other similar arrangement between Borrower and Lender; (l) any brokerage commission or finder's fees claimed in connection with the transactions contemplated by the Loan Documents; (m) the filing by Borrower or any of its members, partners, or shareholders, or the filing against Borrower, of a petition under the United States Bankruptcy Code or similar state insolvency laws; or (n) uninsured damage to any Project resulting from acts of terrorism. Nothing herein shall be deemed

to be a waiver of any right which Lender may have under Sections 506(a), 506(b), 1111(b) or any other provision of the United States Bankruptcy Code, to file a claim for the full amount due to Lender under the Loan Documents or to require that all collateral shall continue to secure the amounts due under the Loan Documents.

Section 12.2 Limitation on Liability of Lender's Officers, Employees, Etc. Any obligation or liability whatsoever of Lender which may arise at any time under this Agreement, any other Loan Document, or the Environmental Indemnity Agreement shall be satisfied, if at all, out of the Lender's assets only. No such obligation or liability shall be personally binding upon, nor shall resort for the enforcement thereof be had to, the property of any of Lender's shareholders, directors, officers, employees or agents, regardless of whether such obligation or liability is in the nature of contract, tort or otherwise.

[*Remainder of page intentionally left blank.*]

EXECUTED as of the date first written above.

LENDER:

GENERAL ELECTRIC CAPITAL CORPORATION, a Delaware corporation

By: /s/ David R. Martindale
David R. Martindale
Managing Director

BORROWER:

EXTRA SPACE OF NEW JERSEY, L.L.C.,
a New Jersey limited liability company

By: ESS New Jersey LLC, a Delaware limited liability company, its sole member

By: /s/ Kent W. Christensen
Name: Kent W. Christensen
Title: Manager

JOINDER

By executing this Joinder (the "**Joinder**"), the undersigned ("**Joinder Parties**") jointly and severally guaranty the performance by Borrower of all obligations and liabilities for which Borrower is personally liable under Section 12.1 of this Agreement. This Joinder is a guaranty of full and complete payment and performance and not of collectability.

1. **Waivers**. To the fullest extent permitted by applicable law, each Joinder Party waives all rights and defenses of sureties, guarantors, accommodation parties and/or co-makers and agrees that its obligations under this Joinder shall be primary, absolute and unconditional, and that its obligations under this Joinder shall be unaffected by any of such rights or defenses, including:

(a) the unenforceability of any Loan Document against Borrower and/or any other Joinder Party;

(b) any release or other action or inaction taken by Lender with respect to the collateral, the Loan, Borrower and/or other Joinder Party, whether or not the same may impair or destroy any subrogation rights of any Joinder Party, or constitute a legal or equitable discharge of any surety or indemnitor;

(c) the existence of any collateral or other security for the Loan, and any requirement that Lender pursue any of such collateral or other security, or pursue any remedies it may have against Borrower and/or any other Joinder Party;

(d) any requirement that Lender provide notice to or obtain a Joinder Party's consent to any modification, increase, extension or other amendment of the Loan, including the guaranteed obligations;

(e) any right of subrogation (until payment in full of the Loan, including the guaranteed obligations, and the expiration of any applicable preference period and statute of limitations for fraudulent conveyance claims);

(f) any defense based on any statute of limitations;

(g) any payment by Borrower to Lender if such payment is held to be a preference or fraudulent conveyance under bankruptcy laws or Lender is otherwise required to refund such payment to Borrower or any other party; and

(h) any voluntary or involuntary bankruptcy, receivership, insolvency, reorganization or similar proceeding affecting Borrower or any of its assets.

2. **Agreements**. Each Joinder Party further represents, warrants and agrees that:

(a) The obligations under this Joinder are enforceable against each such party and are not subject to any defenses, offsets or counterclaims;

(b) The provisions of this Joinder are for the benefit of Lender and its successors and assigns;

(c) Lender shall have the right to (i) renew, modify, extend or accelerate the Loan, (ii) pursue some or all of its remedies against Borrower or any Joinder Party, (iii) add, release or substitute any collateral for the Loan or party obligated thereunder, and (iv) release Borrower or any Joinder Party from liability, all without notice to or consent of any Joinder Party (or other Joinder Party) and without affecting the obligations of any Joinder Party (or other Joinder Party) hereunder;

(d) Each Joinder Party covenants and agrees to furnish to Lender, within ninety (90) days after the end of each fiscal year of such Joinder Party, a current (as of the end of such fiscal year) balance sheet of such Joinder Party, in scope and detail reasonably satisfactory to Lender, certified by the chief financial representative of such Joinder Party and, if required by Lender, prepared on a review basis and certified by an independent public accountant reasonably satisfactory to Lender; and

(e) To the maximum extent permitted by law, each Joinder Party hereby knowingly, voluntarily and intentionally waives the right to a trial by jury in respect of any litigation based hereon. This waiver is a material inducement to Lender to enter into this Agreement.

This Joinder shall be governed by the laws of the State.

Executed as of March 8, 2004.

JOINDER PARTIES:

/s/ Kenneth M. Woolley
KENNETH M. WOOLLEY

EXHIBIT A-1

[LEGAL DESCRIPTION OF EDISON PROJECT]

ALL that certain lot, parcel or tract of land, situate and lying in the TOWNSHIP OF EDISON, County of MIDDLESEX and State of New Jersey being more particularly described as follows:

BEGINNING at a point on the Northerly sideline of Oak Tree Road, (36 feet from centerline) said point being distant 129.00 feet on a course of North 81 degrees 49 minutes 0 seconds West along said Northerly sideline of Oak Tree Road from its intersection with the Westerly sideline of Henry Street; thence

(1) Along the Northerly line of Oak Tree Road North 81 degrees 49 minutes 0 seconds West a distance of 357.39 feet to a point; thence

(2) North 6 degrees 21 minutes 0 seconds East a distance of 102.00 feet to a point; thence

(3) South 83 degrees 39 minutes 47 seconds East a distance of 22.24 feet to a point; thence

(4) North 6 degrees 21 minutes 0 seconds East a distance of 204.80 feet to a point; thence

(5) North 81 degrees 49 minutes 0 seconds West a distance of 147.22 feet to a point; thence

(6) North 4 degrees 8 minutes 45 seconds East a distance of 214.13 feet to a point; thence

(7) South 81 degrees 51 minutes 15 seconds East a distance of 147.13 feet to a point; thence

(8) South 75 degrees 3 minutes 5 seconds East distance of 250.97 feet to a point; thence

(9) South 5 degrees 28 minutes 0 seconds West a distance of 62.53 feet to a point; thence

(10) South 82 degrees 20 minutes 0 seconds East a distance of 123.15 feet to a point; thence

(11) South 6 degrees 21 minutes 0 seconds West a distance of 197.30 feet to a point; thence

(12) North 83 degrees 39 minutes 0 seconds West a distance of 28.93 feet to a point; thence

(13) South 6 degrees 21 minutes 0 seconds West a distance of 232.13 feet to the point and place of BEGINNING.

Together with appurtenant rights under the sewer line easement, water line easement and access easement granted under the Declaration and Deed of Easement, dated March 29, 1990 and recorded in Deed Book 3846, Page 324, and

Together with non exclusive rights under emergency access easement granted under Deed of Emergency Access Easement dated May 12, 1998 and recorded in Deed Book 4513, Page 16.

Being in accordance with a survey prepared by Robert R. Stout, PE, LS, dated January 30, 2004, last revised February 3, 2004.

Being also known as (reported for informational purposes only): Lot 39.A, Block 546.I, on the official tax map of the Township of Edison, Middlesex County, New Jersey.

EXHIBIT A-2

[LEGAL DESCRIPTION OF EGG HARBOR PROJECT]

ALL that certain lot, parcel or tract of land, situate and lying in the TOWNSHIP OF EGG HARBOR, County of ATLANTIC and State of New Jersey being more particularly described as follows:

BEGINNING at a point in the Northwesterly sideline of Fire Road (90 feet wide) where the same is intersected by the Northeasterly sideline of Delilah Road (90 feet wide) and running; thence

(1) North 50 degrees 15 minutes 56 seconds West, leaving said sideline of Fire Road and along said sideline of Delilah Road 324.28 feet to a point; thence

(2) North 39 degrees 44 minutes 05 seconds East, leaving said sideline of Delilah Road, 440.02 feet to a point; thence

(3) North 50 degrees 15 minutes 56 seconds West, 417.83 feet to a corner of Lot 3, Block 399 A; thence

(4) North 18 degrees 59 minutes 56 seconds West, along said Lot 3, 125 feet to another corner of said Lot 3;thence

(5) North 71 degrees 00 minutes 04 seconds East, still along said Lot 3, 50.00 feet to another corner of Lot 3; thence

(6) North 18 degrees 59 minutes 56 seconds West, still along said Lot 3, 125.00 feet to another corner of said Lot 3; thence

(7) North 71 degrees 00 minutes 04 seconds East, still along said Lot 3, 245.55 feet to a concrete monument found in the Southwesterly line of the Atlantic City Electric Co. right of way (200 feet wide); thence

(8) South 54 degrees 22 minutes 12 seconds East, along said right of way and passing over a concrete monument found at 304 feet a distance of 598.04 feet to a point; thence

(9) South 39 degrees 44 minutes 05 seconds West, leaving said Southwesterly right of way line, 438.77 feet to a point; thence

(10) South 50 degrees 15 minutes 56 seconds East, 321.46 feet to the aforementioned Northwesterly sideline of Fire Road; thence

(11) South 54 degrees 53 minutes 48 seconds West, along said sideline of Fire Road, 441.816 feet to the point and place of BEGINNING.

The above description is in accordance with a survey prepared by Bock & Clarks' National Surveyors Network, Robert R. Stout, LS, dated January 30, 2004, last revised February 9, 2004.

Being also known as (reported for informational purposes only): Lot 13, Block 704, on the official tax map of Egg Harbor Township.

EXHIBIT A-3

[LEGAL DESCRIPTION OF HOWELL PROJECT]

ALL that certain lot, parcel or tract of land, situate and lying in the TOWNSHIP OF HOWELL, County of MONMOUTH and State of New Jersey being more particularly described as follows:

BEGINNING at an iron rod in the Westerly Right of Way line of State Highway Route 9 (110.00 feet wide), leading from Lakewood to Freehold, a distance of 199.80 feet from the Northerly Right of Way line of Mathews lane, thence.

(1) North 70 degrees 00 minutes 42 seconds West a distance of 601.45 feet to a concrete monument found; thence

(2) North 79 degrees 46 minutes 26 seconds West a distance of 417.46 feet to a concrete monument found; thence

(3) North 02 degrees 30 minutes 06 seconds East a distance of 281.40 feet to a concrete monument found; thence

(4) South 84 degrees 09 minutes 40 seconds East a distance of 931.36 feet to a point on a curve where an iron rod was set; thence

(5) Along a curve to the left having a radius of 18,057.25 feet and an arc length of 171.69 feet to the point of tangency on the Westerly Right of Way line of State Highway Route 9; thence

(6) South 04 degrees 40 minutes 08 seconds East a distance of 295.89 feet along the Westerly Right of Way of State Highway Route 9 to the point and place of BEGINNING.

The above description is in accordance with a survey prepared by Bock & Clarks' National Surveyors Network, Robert R. Stout, LS, dated January 30, 2004, last revised February 9, 2004.

Being also known as (reported for informational purposes only): Lot 19, Block 73, on the official tax map of Howell Township.

EXHIBIT A-4

[LEGAL DESCRIPTION OF OLD BRIDGE PROJECT]

ALL that certain lot, parcel or tract of land, situate and lying in the TOWNSHIP OF OLD BRIDGE, County of MIDDLESEX and State of New Jersey being more particularly described as follows:

BEGINNING at a concrete monument on the new Northerly right of way of Old Bridge Matawan Road (Middlesex County Rt. 516) being at the end of the following 2 courses: BEGINNING at the intersection of the center of Old Bridge Matawan Road (Middlesex County Rt. 516) with the center of Jake Brown Road; thence

a. Southeasterly along the center of Old Bridge Matawan Road (Middlesex County Rt. 516), 936.69 feet to a point; thence

b. North 25 degrees 26 minutes 00 seconds East, 40.00 feet to a concrete monument and BEGINNING point and continuing; thence

(1) North 25 degrees 16 minutes 00 seconds East along the Easterly line of Lot 2 in Block 9000 a distance of 478.48 feet to a pipe (found); thence

(2) South 64 degrees 44 minutes 00 seconds East along the Southerly line of Lot 2 in Block 9000, a distance of 700.00 feet to a pipe (found); thence

(3) South 25 degrees 16 minutes 00 seconds West along the line of Lot 5 in Block 9000, a distance of 298.48 feet to a point; thence

(4) North 64 degrees 44 minutes 00 seconds West along the Northerly line of Lot 43 in Block 9000, a distance of 100 feet to a point; thence

(5) South 25 degrees 16 minutes 00 seconds West along the Westerly line of Lot 43 in Block 9000, a distance of 180.00 feet to a monument on the new North right of way of Old Bridge Matawan Road; thence

(6) North 64 degrees 44 minutes 00 seconds West along said right of way of Old Bridge Matawan Road, 600.00 feet to the point or place of BEGINNING.

Being in accordance with a survey prepared by Robert R. Stout, PE, LS, dated January 30, 2004, last revised February 3, 2004.

Being also known as (reported for informational purposes only): Lot 4, Block 9000, on the official tax map of the Township of Old Bridge, Middlesex County, New Jersey.

EXHIBIT A-5

[LEGAL DESCRIPTION OF WOODBRIDGE PROJECT]

ALL that certain lot, parcel or tract of land, situate and lying in the TOWNSHIP OF WOODBRIDGE, County of MIDDLESEX and State of New Jersey being more particularly described as follows:

BEGINNING at a point in the Northeasterly right of way line of the Conrail Port Reading Branch Railroad, 100 feet wide; said point being distant 86.10 feet on a course bearing on North 58 degrees 08 minutes 57 seconds West from the point of intersection formed by the Northeasterly right of way line of the Conrail Port Reading Branch Railroad with the Northwesterly right of way line of the Conrail Port Reading Branch Railroad with the Northwesterly right of way line of New Jersey State Highway Route No. 25 (also known as U.S. Route No. 1) as shown and delineated on a certain Map entitled, "New Jersey Department of Transportation General Property Parcel Map Route U.S. 1 (1953) Section 7" Sheet 1 of 8; running thence from said beginning point:

(1) Along the Northeasterly right of way line of the Conrail Port Reading Branch Railroad North 58 degrees 08 minutes 57 seconds West a distance of 729.78 feet to a point and corner; thence

(2) Along lands formerly of Brown and now belonging to Elizabethtown Gas Company North 34 degrees 59 minutes 41 seconds East a distance of 154.68 feet to a point and corner in the Southwesterly line of formerly of Freeman, now belonging to Elizabethtown Gas Company; thence

(3) Along the Southwesterly line of lands of Elizabethtown Gas Company formerly of Freeman South 44 degrees 53 minutes 00 seconds East a distance of 34.34 feet to a point and corner; thence

(4) Along the Southeasterly line of said lands North 55 degrees 34 minutes 00 seconds East a distance of 186.12 feet to a point and corner; thence

(5) Continuing along the Southwesterly line of the aforementioned lands South 45 degrees 24 minutes 15 seconds East a distance of 283.18 feet to an angle point, also being the Northwest corner of lands formerly of Murray now belonging to Elizabethtown Gas Company; thence

(6) Along the Southwesterly line of said lands South 45 degrees 15 minutes 45 seconds East a distance of 128.28 feet to a point and corner; thence

(7) Along the Northwesterly line of lands belonging to Elizabethtown Gas Company formerly of Murray South 56 degrees 24 minutes 15 seconds West a distance of 176.13 feet to a point and corner; thence

(8) Along the Southeasterly line of lands formerly of Murray now belonging to Elizabethtown Gas Company, South 45 degrees 10 minutes 05 seconds East a distance of 195.93 feet to a point and corner; thence

(9) Along the Northeasterly line of a tract of land conveyed by Elizabethtown Gas Company to Hazel Hannan, Deed Book 2959 Page 828, South 57 degrees 28 minutes 15 seconds East a distance of 86.95 feet to a point and corner in the Northwesterly line of lands belonging to the State of New Jersey (DOT); thence

(10) Along said line South 58 degrees 24 minutes 37 seconds West a distance of 19.06 feet to a point and corner; thence

(11) Along the Southwesterly line of lands belonging to the State of New Jersey (D.O.T.) South 45 degrees 10 minutes 05 seconds East, a distance of 16.02 feet returning to the point and place of BEGINNING.

TOGETHER WITH:

(1) Appurtenant rights for water drainage granted under Deed of Easement dated October 9, 1986 and recorded in Deed Book 3568, Page 020.

(2) Non exclusive sign easement and access easement granted under Sign Easement Agreement dated March 27, 2001 and recorded in Deed Book 4893, Page 307.

Being in accordance with a survey prepared by Robert R. Stout, PE, LS, dated January 30, 2004, last revised February 3, 2004.

Being also known as (reported for informational purposes only): Lots 3.A1 & 3B1, Block 383, on the official tax map of the Township of Woodbridge, Middlesex County, New Jersey.

SCHEDULE 1.1

PROJECT INFORMATION

Name	Address	City	State	Project Type
Edison	1660 Oak Tree Road	Edison	NJ	Self Storage
Egg Harbor	6730 Delilah Road	Egg Harbor	NJ	Self Storage
Howell	5440 Route 9 South	Howell	NJ	Self Storage
Old Bridge	2540 Country Road 516	Old Bridge	NJ	Self Storage
Woodbridge	725 Route 1 South	Woodbridge	NJ	Self Storage

SCHEDULE I

DEFEASANCE

1. In accordance with Section 2.3 of the Loan Agreement, Borrower may obtain the release of all, but not less than all, of the Projects from the lien of the Mortgages upon the satisfaction of the following conditions precedent:

(a) not less than thirty (30) days prior written notice to Lender specifying a regularly scheduled payment date (the "**Release Date**") on which the Defeasance Deposit (hereinafter defined) is to be made;

(b) the payment to Lender of interest accrued and unpaid on the principal balance of the Note to and including the Release Date;

(c) the payment to Lender of all other sums, not including scheduled interest or principal payments, due under the Note, the Mortgages, the Assignments of Leases and Rents, and the other Loan Documents;

(d) the payment to Lender of the Defeasance Deposit and a $5,000 non-refundable processing fee;

(e) the delivery to Lender of:

(i) a security agreement in form and substance satisfactory to Lender, creating a first priority lien on the Defeasance Deposit and the U.S. Obligations (hereinafter defined) purchased on behalf of Borrower with the Defeasance Deposit in accordance with this Schedule I (the "**Security Agreement**");

(ii) a release of each Project from the lien of the Mortgage encumbering such Project (for execution by Lender) in a form appropriate for the jurisdiction in which such Project is located;

(iii) an officer's certificate of Borrower certifying that the requirements set forth in this subparagraph (e) have been satisfied;

(iv) an opinion of counsel in form and substance, and rendered by counsel satisfactory to Lender at the expense of Borrower, stating, among other things, that Lender has a perfected first priority security interest in the Defeasance Deposit and the U.S. Obligations purchased by or on behalf of Borrower and pledged to Lender and as to enforceability of the Security Agreement and other documents delivered in connection therewith;

(v) if required by the Rating Agencies and/or pooling and servicing agreement relating to the Secondary Market Transaction, evidence in writing from the applicable Rating Agencies to the effect that such release will not result in a qualification, downgrade or withdrawal of any

rating in effect immediately prior to such defeasance for any securities issued in connection with a Secondary Market Transaction; and

(vi) such other certificates, documents or instruments as Lender may reasonably request.

(f) if the Loan has been sold in a Secondary Market Transaction, Lender shall have received an opinion of counsel acceptable to Lender in form satisfactory to Lender stating, among other things, that the substitution of collateral shall not cause the holder of the Loan to fail to maintain its status as a real estate mortgage investment conduit (REMIC); and

(g) Lender shall have received a certificate from a nationally recognized independent certified public accountant acceptable to Lender, in form and substance satisfactory to Lender, certifying that the U.S. Obligations purchased with the Defeasance Deposit will generate sufficient sums to satisfy the obligations of Borrower under the Note and this Schedule I as and when such obligations become due.

In connection with the conditions set forth above, Borrower hereby appoints Lender as its agent and attorney-in-fact for the purpose of using the Defeasance Deposit to purchase or cause to be purchased U.S. Obligations which provide payments on or prior to, but as close as possible to, all successive scheduled payment dates after the Release Date upon which interest and principal payments are required under the Note (including the amounts due on the Maturity Date) and in amounts equal to the scheduled payments due on such dates under the Note plus Lender's estimate of administrative expenses and applicable federal income taxes associated with or to be incurred by the Successor Borrower during the remaining term of, and applicable to, the Loan (the "**Scheduled Defeasance Payments**"). Borrower, pursuant to the Security Agreement or other appropriate document, shall authorize and direct that the payments received from the U.S. Obligations may be made directly to Lender and applied to satisfy the obligations of Borrower under the Note and this Schedule I.

2. Upon compliance with the requirements of this Schedule I, each Project shall be released from the lien of the Mortgage encumbering such Project and the pledged U.S. Obligations shall be the sole source of collateral securing the Note. Any portion of the Defeasance Deposit in excess of the amount necessary to purchase the U.S. Obligations required by the preceding paragraph and to otherwise satisfy the Borrower's obligations under this Schedule I shall be remitted to Borrower with the release of the Projects from the lien of the Mortgages. In connection with such release, a successor entity meeting Lender's Single Purpose Entity criteria, adjusted, as applicable, for the Defeasance contemplated by this Schedule (the "**Successor Borrower**") shall be established by Borrower subject to Lender's approval (or at Lender's option, by Lender) and Borrower shall transfer and assign all obligations, rights and duties under and to the Note together with the pledged U.S. Obligations to such Successor Borrower pursuant to an assignment and assumption agreement in form and substance satisfactory to Lender (the "**Assignment Agreement**"). Such Successor Borrower shall assume the obligations under the Note and the Security Agreement and Borrower shall be relieved of its obligations thereunder, except that Borrower shall be required to perform its obligations pursuant to this Schedule I, including maintenance of the Successor Borrower, if applicable. Borrower shall pay $1,000.00 to any such Successor Borrower as consideration for assuming the obligations under the Note and the Security Agreement pursuant to the Assignment Agreement. Notwithstanding anything in the Mortgages to the contrary, no other assumption fee shall be payable upon a transfer of the Note in accordance with this paragraph, but Borrower shall pay all costs and expenses incurred by Lender in connection with this Schedule, including Lender's reasonable attorneys' fees and expenses, costs and expenses in obtaining review and confirmation by the applicable Rating Agencies as required herein, and any administrative and tax expenses associated with or incurred by the Successor Borrower.

3. For purposes of this Schedule I, the following terms shall have the following meanings:

(a) The term "**Defeasance Deposit**" shall mean an amount equal to the Yield Maintenance Amount, any costs and expenses incurred or to be incurred in the purchase of U.S. Obligations necessary to meet the Scheduled Defeasance Payments (including Lender's estimate of administrative expenses and applicable federal income taxes associated with or to be incurred by the Successor Borrower during the remaining term of, and applicable to, the Loan) and any revenue, documentary stamp or intangible taxes or any other tax or charge due in connection with the transfer of the Note or otherwise required to accomplish the agreements of this Schedule I.

(b) The term "**Yield Maintenance Amount**" shall mean the amount which will be sufficient to purchase U.S. Obligations providing the required Schedule Defeasance Payments; and

(c) The term "**U.S. Obligations**" shall mean "Government Securities" as defined in the REMIC regulations, specifically, Treasury Regulation § 1.860G-2(a)(8)(i).

SCHEDULE II

REQUIRED REPAIRS

Edison Project:	
Asphalt pavement crack routing and sealing	$ 5,000
Replace door hardware with lever type	300
Clean rust off entrance signage	
Replace asphalt shingles	
Replace missing knockout panels	
Old Bridge Project:	
Remove algae growth on exterior walls	7,875
Woodbridge Project:	
Asphalt pavement crack routing and sealing	6,250
Replace door hardware with lever type	200
Modify door threshold height	140
Provide ADA parking stall	150
Wire brush and clean rust along base of buildings	
Clean and wire brush rusted storage room floors	
Seal slab-on-grade cracks	
Identify electrical disconnect switches	
Remove storage material and debris from electrical switch room	
Total	$ 19,915
125%	**$ 24,894**

Exhibit 10.6

LOAN NO. 58028

SERVICING NO. 3179876

LOAN AGREEMENT

Dated as of May 4, 2004

Between

EXTRA SPACE OF NORTHBOROUGH LLC, EXTRA SPACE OF WHITTIER LLC, EXTRA SPACE OF STOCKTON LLC, EXTRA SPACE OF WEYMOUTH LLC, and EXTRA SPACE OF LYNN LLC,
collectively, as Borrower

and

BANK OF AMERICA, N.A.,
as Lender

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ARTICLE XIX

GOVERNING LAW

ARTICLE XX

MISCELLANEOUS

LOAN AGREEMENT

THIS LOAN AGREEMENT, dated as of May 4, 2004 (as amended, restated, replaced, supplemented or otherwise modified from time to time, this "Agreement"), between BANK OF AMERICA, N.A., a national banking association, having an address at Hearst Tower, 214 North Tryon Street, Charlotte, North Carolina 28255 (together with its successors and/or assigns, "Lender") and EXTRA SPACE OF NORTHBOROUGH LLC, a Massachusetts limited liability company, EXTRA SPACE OF WHITTIER LLC, a California limited liability company, EXTRA SPACE OF STOCKTON LLC, a California limited liability company, EXTRA SPACE OF WEYMOUTH LLC, a Massachusetts limited liability company, and EXTRA SPACE OF LYNN LLC, a Massachusetts limited liability company, each having an address at 2795 East Cottonwood Parkway, Suite 400, Salt Lake City, Utah 84121 (together with its successors and/or assigns, each a "Borrower" and collectively, "Borrowers").

RECITALS:

Borrowers desire to obtain the Loan (defined below) from Lender.

Lender is willing to make the Loan to Borrowers, subject to and in accordance with the terms of this Agreement and the other Loan Documents (defined below).

In consideration of the making of the Loan by Lender and the covenants, agreements, representations and warranties set forth in this Agreement, the parties hereto hereby covenant, agree, represent and warrant as follows:

ARTICLE I

DEFINITIONS; PRINCIPLES OF CONSTRUCTION

Section 1.1 Definitions. For all purposes of this Agreement, except as otherwise expressly required or unless the context clearly indicates a contrary intent:

"Additional Replacement" shall have the meaning set forth in Section 9.5(g) hereof.

"Additional Required Repair" shall have the meaning set forth in Section 9.5(f) hereof.

"Affiliate" shall mean, as to any Person, any other Person that, directly or indirectly, is in control of, is controlled by or is under common control with such Person or is a director or officer of such Person or of an Affiliate of such Person.

"Affiliated Manager" shall have the meaning set forth in Section 7.1 hereof.

"ALTA" shall mean American Land Title Association, or any successor thereto.

"Allocated Loan Amount" shall mean the allocated loan amount for each Individual Property as set forth on Schedule III attached hereto.

"Alteration Threshold" shall mean $50,000.00.

"Assignment of Management Agreement" shall mean that certain Assignment and Subordination of Management Agreement dated the date hereof among Lender, Borrower and Manager, as the same may be amended, restated, replaced, supplemented or otherwise modified from time to time.

"Award" shall mean any compensation paid by any Governmental Authority in connection with a Condemnation in respect of all or any part of the Property.

"Borrower Principal" shall mean Kenneth M. Woolley, an individual or such other Person or entity as may be substituted in accordance with this Agreement.

"Borrower Principal Obligations" shall have the meaning set forth in Section 18.10(c) hereof.

"Business Day" shall mean a day on which Lender is open for the conduct of substantially all of its banking business at its office in the city in which the Note is payable (excluding Saturdays and Sundays).

"Casualty" shall have the meaning set forth in Section 8.2.

"Closing Date" shall mean the date of the funding of the Loan.

"Control" shall have the meaning set forth in Section 7.1 hereof.

"Creditors Rights Laws" shall mean with respect to any Person any existing or future law of any jurisdiction, domestic or foreign, relating to bankruptcy, insolvency, reorganization, conservatorship, arrangement, adjustment, winding-up, liquidation, dissolution, composition or other relief with respect to its debts or debtors.

"Condemnation" shall mean a temporary or permanent taking by any Governmental Authority as the result, in lieu or in anticipation, of the exercise of the right of condemnation or eminent domain, of all or any part of the Property, or any interest therein or right accruing thereto, including any right of access thereto or any change of grade affecting the Property or any part thereof.

"Debt" shall mean the outstanding principal amount set forth in, and evidenced by, this Agreement and the Note together with all interest accrued and unpaid thereon and all other sums due to Lender in respect of the Loan under the Note, this Agreement, the Mortgage or any other Loan Document.

"Debt Service" shall mean, with respect to any particular period of time, scheduled principal and/or interest payments under the Note.

"Debt Service Coverage Ratio" shall mean, as of any date of determination, for the applicable period of calculation, the ratio, as determined by Lender, of (i) the Net Operating Income for the same period ending with the most recently completed calendar quarter to (ii) the aggregate amount of Debt Service which would be due for the same period assuming, the maximum principal amount of the Loan is outstanding and calculated at the Note Rate (as defined in the Note).

"Default" shall mean the occurrence of any event hereunder or under any other Loan Document which, but for the giving of notice or passage of time, or both, would be an Event of Default.

"Default Rate" shall have the meaning set forth in the Note.

"Eligible Account" shall mean a separate and identifiable deposit account from all other funds held by the holding institution that is either (a) an account or accounts maintained with a federal or state chartered depository institution or trust company which complies with the definition of Eligible Institution or (b) a segregated trust account or accounts maintained with a federal or state chartered depository institution or trust company acting in its fiduciary capacity which, in the case of a state chartered depository institution or trust company, is subject to regulations substantially similar to 12 C.F.R. §9.10(b), having in either case a combined capital and surplus of at least $50,000,000 and subject to supervision or examination by federal and state authority. An Eligible Account will not be evidenced by a certificate of deposit, passbook or other instrument.

"Eligible Institution" shall mean either Bank of America, N.A. or a depository institution or trust company insured by the Federal Deposit Insurance Corporation, the short term unsecured debt obligations or commercial paper of which are rated at least "A-1+" by S&P, "P-1" by Moody's and "F-1+" by Fitch in the case of accounts in which funds are held for thirty (30) days or less (or, in the case of accounts in which funds are held for more than thirty (30) days, the long term unsecured debt obligations of which are rated at least "AA" by Fitch and S&P and "Aa2" by Moody's). Notwithstanding the foregoing, prior to a Securitization, Bank of America, N.A. shall be an Eligible Institution.

"Environmental Indemnity" shall collectively mean with respect to the Whittier Property and the Stockton Property those certain Environmental Indemnity Agreements, dated as of the date hereof, executed by the Whittier Borrower and the Stockton Borrower respectively and Borrower Principal in connection with the Loan for the benefit of Lender, as the same may be amended, restated, replaced, supplemented or otherwise modified from time to time.

"Environmental Law" shall have the meaning set forth in Section 12.5 hereof.

"Environmental Liens" shall have the meaning set forth in Section 12.5 hereof.

"Environmental Report" shall have the meaning set forth in Section 12.5 hereof.

"ERISA" shall mean the Employee Retirement Income Security Act of 1974, as amended from time to time and any successor statutes thereto and applicable regulations issued pursuant thereto in temporary or final form.

"Event of Default" shall have the meaning set forth in Section 11.1 hereof.

"Fidelity Investors" shall collectively mean FREAM No. 39, LLC, a Delaware limited liability company and Fidelity Pension Plan Real Estate Investment LLC, a Delaware limited liability company.

"Fiscal Year" shall mean each twelve (12) month period commencing on January 1 and ending on December 31 during the term of the Loan.

"Fitch" shall mean Fitch, Inc.

"GAAP" shall mean generally accepted accounting principles in the United States of America as of the date of the applicable financial report.

"Governmental Authority" shall mean any court, board, agency, department, commission, office or other authority of any nature whatsoever for any governmental unit (federal, state, county, municipal, city, town, special district or otherwise) whether now or hereafter in existence.

"Hazardous Materials" shall have the meaning set forth in Section 12.5 hereof.

"Improvements" shall have the meaning set forth in the granting clause of the Mortgage.

"Indemnified Parties" shall mean (a) Lender, (b) any prior owner or holder of the Loan or Participations in the Loan, (c) any servicer or prior servicer of the Loan, (d) any Investor or any prior Investor in any Securities, (e) any trustees, custodians or other fiduciaries who hold or who have held a full or partial interest in the Loan for the benefit of any Investor or other third party, (f) any receiver or other fiduciary appointed in a foreclosure or other Creditors Rights Laws proceeding, (g) any officers, directors, shareholders, partners, members, employees, agents, servants, representatives, contractors, subcontractors, affiliates or subsidiaries of any and all of the foregoing, and (h) the heirs, legal representatives, successors and assigns of any and all of the foregoing (including, without limitation, any successors by merger, consolidation or acquisition of all or a substantial portion of the Indemnified Parties' assets and business), in all cases whether during the term of the Loan or as part of or following a foreclosure of the Mortgage.

"Individual Property" shall mean each parcel of real property listed on Schedule III attached hereto, the Improvements thereon and all personal property owned by the related Borrower and encumbered by a Mortgage, together with all rights pertaining to such property and improvements as more particular described in the granting clauses of such Mortgages.

"Insurance Premiums" shall have the meaning set forth in Section 8.1(b) hereof.

"Insurance Proceeds" shall have the meaning set forth in Section 8.4(b) hereof.

"Internal Revenue Code" shall mean the Internal Revenue Code of 1986, as amended, as it may be further amended from time to time, and any successor statutes thereto, and applicable U.S. Department of Treasury regulations issued pursuant thereto in temporary or final form.

"Investor" shall have the meaning set forth in Section 13.3 hereof.

"Lease" shall have the meaning set forth in the Mortgage.

"Legal Requirements" shall mean all statutes, laws, rules, orders, regulations, ordinances, judgments, decrees and injunctions of Governmental Authorities affecting the Property or any part thereof, or the construction, use, alteration or operation thereof, whether now or hereafter enacted and in force, and all permits, licenses, authorizations and regulations relating thereto, and all covenants, agreements, restrictions and encumbrances contained in any instruments, either of record or known to any Borrower, at any time in force affecting any Individual Property or any part thereof, including, without limitation, any which may (a) require repairs, modifications or alterations in or to the Property or any part thereof, or (b) in any way limit the use and enjoyment thereof.

"Lien" shall mean any mortgage, deed of trust, lien, pledge, hypothecation, assignment, security interest, or any other encumbrance, charge or transfer of, on or affecting any Borrower, any Individual Property, any portion thereof or any interest therein, including, without limitation, any conditional sale or other title retention agreement, any financing lease having substantially the same economic effect as any of the foregoing, the filing of any financing statement, and mechanic's, materialmen's and other similar liens and encumbrances.

"LLC Agreement" shall have the meaning set forth in Section 6.1(c).

"Loan" shall mean the loan made by Lender to Borrower pursuant to this Agreement.

"Loan Documents" shall mean, collectively, this Agreement, the Note, the Mortgage, the Assignment of Management Agreement and any and all other documents, agreements and certificates executed and/or delivered in connection with the Loan, as the same may be amended, restated, replaced, supplemented or otherwise modified from time to time.

"Loan-To-Value Ratio" shall mean the ratio, expressed as a percentage of the actual outstanding aggregate principal amount of the (i) Loan at the time the Loan-to-Value Ratio is being calculated to (ii) the appraised value of the Property, based on an updated appraisal.

"Losses" shall mean any and all claims, suits, liabilities (including, without limitation, strict liabilities), actions, proceedings, obligations, debts, damages, losses, costs, expenses, fines, penalties, charges, fees, judgments, awards, amounts paid in settlement of whatever kind or nature (including but not limited to legal fees and other costs of defense).

"Major Lease" shall mean as to the Property (i) any Lease which, individually or when aggregated with all other leases at the Property with the same Tenant or its Affiliate,

demises ten percent (10%) or more of the Property's net rental income, (ii) any Lease which contains any option, offer, right of first refusal or other similar entitlement to acquire all or any portion of the Property, or (iii) any instrument guaranteeing or providing credit support for any Lease meeting the requirements of (i) or (ii) above.

"Management Agreement" shall collectively mean the those management agreements entered into by and between each Borrower and Manager, pursuant to which Manager is to provide management and other services with respect to the applicable Individual Property, as the same may be amended, restated, replaced, supplemented or otherwise modified in accordance with the terms of this Agreement.

"Manager" shall mean Extra Space Management, Inc., a Utah corporation or such other entity selected as the manager of the Property in accordance with the terms of this Agreement.

"Maturity Date" shall have the meaning set forth in the Note.

"Member" shall have the meaning set forth in Section 6.1(c).

"Monthly Payment Amount" shall have the meaning set forth in the Note.

"Moody's" shall mean Moody's Investors Service, Inc.

"Mortgage" shall mean, individually and collectively, with respect to each Individual Property, that certain first priority mortgage/deed of trust/deed to secure debt and security agreement dated the date hereof, executed and delivered by Borrower as security for the Loan and encumbering the Property, as the same may be amended, restated, replaced, supplemented or otherwise modified from time to time.

"Net Operating Income" shall mean, with respect to any period of time, the amount obtained by subtracting Operating Expenses from Operating Income as such amount may be adjusted by Lender in its good faith discretion based on Lender's underwriting standards, including without limitation, adjustments for vacancy allowance. Net Operating Income shall be calculated as of the end of each calendar quarter on a twelve (12) month trailing basis.

"Net Proceeds" shall have the meaning set forth in Section 8.4(b) hereof.

"Net Proceeds Deficiency" shall have the meaning set forth in Section 8.4(b)(vi) hereof.

"Note" shall mean that certain promissory note of even date herewith in the principal amount of $15,512,000.00, made by Borrower in favor of Lender, as the same may be amended, restated, replaced, supplemented or otherwise modified from time to time.

"Operating Expenses" shall mean, with respect to any period of time, the total of all expenses actually paid or payable, computed in accordance with GAAP, of whatever kind relating to the operation, maintenance and management of the Property, including without limitation, utilities, ordinary repairs and maintenance, Insurance Premiums, license fees, Taxes

and Other Charges, advertising expenses, payroll and related taxes, computer processing charges, management fees equal to the greater of 6% of the Operating Income and the management fees actually paid under the Management Agreements, operational equipment or other lease payments as approved by Lender, normalized capital expenditures equal to $0.15 per square foot per annum and normalized tenant improvement costs and/or leasing commissions equal to $0.00 per annum, but specifically excluding depreciation and amortization, income taxes, Debt Service, any incentive fees due under the Management Agreement, any item of expense that in accordance with GAAP should be capitalized but only to the extent the same would qualify for funding from the Reserve Accounts, any item of expense that would otherwise be covered by the provisions hereof but which is paid by any Tenant under such Tenant's Lease or other agreement, and deposits into the Reserve Accounts.

"Operating Income" shall mean, with respect to any period of time, all income, computed in accordance with GAAP, derived from the ownership and operation of the Property from whatever source, including, but not limited to, Rents, utility charges, escalations, forfeited security deposits, interest on credit accounts, service fees or charges, license fees, parking fees, rent concessions or credits, and other required pass-throughs but excluding sales, use and occupancy or other taxes on receipts required to be accounted for by Borrower to any Governmental Authority, refunds and uncollectible accounts, sales of furniture, fixtures and equipment, interest income from any source other than the escrow accounts, Reserve Accounts or other accounts required pursuant to the Loan Documents, Insurance Proceeds (other than business interruption or other loss of income insurance), Awards, percentage rent, unforfeited security deposits, utility and other similar deposits, income from tenants not paying rent, income from tenants in bankruptcy, non-recurring or extraordinary income, including, without limitation lease termination payments, and any disbursements to Borrower from the Reserve Funds.

"Other Charges" shall mean all ground rents, maintenance charges, impositions other than Taxes, and any other charges, including, without limitation, vault charges and license fees for the use of vaults, chutes and similar areas adjoining the Property, now or hereafter levied or assessed or imposed against the Property or any part thereof.

"Participations" shall have the meaning set forth in Section 13.1 hereof.

"Permitted Encumbrances" shall mean collectively with respect to each Individual Property, (a) the Lien and security interests created by the Loan Documents, (b) all Liens, encumbrances and other matters disclosed in the Title Insurance Policy, (c) Liens, if any, for Taxes imposed by any Governmental Authority not yet due or delinquent, and (d) such other title and survey exceptions as Lender has approved or may approve in writing in Lender's sole discretion, all of which Lender determines in the aggregate as of the date hereof do not materially adversely affect the value or use of any Individual Property or Borrowers' ability to repay the Loan.

"Permitted Investments" shall mean to the extent available from Lender or Lender's servicer for deposits in the Reserve Accounts, any one or more of the following obligations or securities acquired at a purchase price of not greater than par, including those issued by a servicer of the Loan, the trustee under any securitization or any of their respective Affiliates, payable on demand or having a maturity date not later than the Business Day

immediately prior to the date on which the funds used to acquire such investment are required to be used under this Agreement and meeting one of the appropriate standards set forth below:

(a) obligations of, or obligations fully guaranteed as to payment of principal and interest by, the United States or any agency or instrumentality thereof provided such obligations are backed by the full faith and credit of the United States of America including, without limitation, obligations of: the U.S. Treasury (all direct or fully guaranteed obligations), the Farmers Home Administration (certificates of beneficial ownership), the General Services Administration (participation certificates), the U.S. Maritime Administration (guaranteed Title XI financing), the Small Business Administration (guaranteed participation certificates and guaranteed pool certificates), the U.S. Department of Housing and Urban Development (local authority bonds) and the Washington Metropolitan Area Transit Authority (guaranteed transit bonds); *provided, however,* that the investments described in this clause must (i) have a predetermined fixed dollar of principal due at maturity that cannot vary or change, (ii) be rated "AAA" or the equivalent by each of the Rating Agencies, (iii) if rated by S&P, must not have an "r" highlighter affixed to their rating, (iv) if such investments have a variable rate of interest, such interest rate must be tied to a single interest rate index plus a fixed spread (if any) and must move proportionately with that index, and (v) such investments must not be subject to liquidation prior to their maturity;

(b) Federal Housing Administration debentures;

(c) obligations of the following United States government sponsored agencies: Federal Home Loan Mortgage Corp. (debt obligations), the Farm Credit System (consolidated systemwide bonds and notes), the Federal Home Loan Banks (consolidated debt obligations), the Federal National Mortgage Association (debt obligations), the Financing Corp. (debt obligations), and the Resolution Funding Corp. (debt obligations); *provided, however,* that the investments described in this clause must (i) have a predetermined fixed dollar of principal due at maturity that cannot vary or change, (ii) if rated by S&P, must not have an "r" highlighter affixed to their rating, (iii) if such investments have a variable rate of interest, such interest rate must be tied to a single interest rate index plus a fixed spread (if any) and must move proportionately with that index, and (iv) such investments must not be subject to liquidation prior to their maturity;

(d) federal funds, unsecured certificates of deposit, time deposits, bankers' acceptances and repurchase agreements with maturities of not more than 365 days of any bank, the short term obligations of which at all times are rated in the highest short term rating category by each Rating Agency (or, if not rated by all Rating Agencies, rated by at least one Rating Agency in the highest short term rating category and otherwise acceptable to each other Rating Agency, as confirmed in writing that such investment would not, in and of itself, result in a downgrade, qualification or withdrawal of the initial, or, if higher, then current ratings assigned to the Securities); *provided, however,* that the investments described in this clause must (i) have a predetermined fixed dollar of principal due at maturity that cannot vary or change, (ii) if rated by S&P, must not have an "r" highlighter affixed to their rating, (iii) if such investments have a variable rate of interest, such interest rate must be tied to a single interest rate index plus a fixed spread

(if any) and must move proportionately with that index, and (iv) such investments must not be subject to liquidation prior to their maturity;

(e) fully Federal Deposit Insurance Corporation-insured demand and time deposits in, or certificates of deposit of, or bankers' acceptances issued by, any bank or trust company, savings and loan association or savings bank, the short term obligations of which at all times are rated in the highest short term rating category by each Rating Agency (or, if not rated by all Rating Agencies, rated by at least one Rating Agency in the highest short term rating category and otherwise acceptable to each other Rating Agency, as confirmed in writing that such investment would not, in and of itself, result in a downgrade, qualification or withdrawal of the initial, or, if higher, then current ratings assigned to the Securities); *provided, however,* that the investments described in this clause must (i) have a predetermined fixed dollar of principal due at maturity that cannot vary or change, (ii) if rated by S&P, must not have an "r" highlighter affixed to their rating, (iii) if such investments have a variable rate of interest, such interest rate must be tied to a single interest rate index plus a fixed spread (if any) and must move proportionately with that index, and (iv) such investments must not be subject to liquidation prior to their maturity;

(f) debt obligations with maturities of not more than 365 days and at all times rated by each Rating Agency (or, if not rated by all Rating Agencies, rated by at least one Rating Agency and otherwise acceptable to each other Rating Agency, as confirmed in writing that such investment would not, in and of itself, result in a downgrade, qualification or withdrawal of the initial, or, if higher, then current ratings assigned to the Securities) in its highest long-term unsecured rating category; *provided, however,* that the investments described in this clause must (i) have a predetermined fixed dollar of principal due at maturity that cannot vary or change, (ii) if rated by S&P, must not have an "r" highlighter affixed to their rating, (iii) if such investments have a variable rate of interest, such interest rate must be tied to a single interest rate index plus a fixed spread (if any) and must move proportionately with that index, and (iv) such investments must not be subject to liquidation prior to their maturity;

(g) commercial paper (including both non-interest-bearing discount obligations and interest-bearing obligations payable on demand or on a specified date not more than one year after the date of issuance thereof) with maturities of not more than 365 days and that at all times is rated by each Rating Agency (or, if not rated by all Rating Agencies, rated by at least one Rating Agency and otherwise acceptable to each other Rating Agency, as confirmed in writing that such investment would not, in and of itself, result in a downgrade, qualification or withdrawal of the initial, or, if higher, then current ratings assigned to the Securities) in its highest short-term unsecured debt rating; *provided, however,* that the investments described in this clause must (i) have a predetermined fixed dollar of principal due at maturity that cannot vary or change, (ii) if rated by S&P, must not have an "r" highlighter affixed to their rating, (iii) if such investments have a variable rate of interest, such interest rate must be tied to a single interest rate index plus a fixed spread (if any) and must move proportionately with that index, and (iv) such investments must not be subject to liquidation prior to their maturity;

(h) units of taxable money market funds, which funds are regulated investment companies, seek to maintain a constant net asset value per share and invest solely in obligations backed by the full faith and credit of the United States, which funds have the highest rating available from each Rating Agency (or, if not rated by all Rating Agencies, rated by at least one Rating Agency and otherwise acceptable to each other Rating Agency, as confirmed in writing that such investment would not, in and of itself, result in a downgrade, qualification or withdrawal of the initial, or, if higher, then current ratings assigned to the Securities) for money market funds; and

(i) any other security, obligation or investment which has been approved as a Permitted Investment in writing by (i) Lender and (ii) each Rating Agency, as evidenced by a written confirmation that the designation of such security, obligation or investment as a Permitted Investment will not, in and of itself, result in a downgrade, qualification or withdrawal of the initial, or, if higher, then current ratings assigned to the Securities by such Rating Agency;

provided, however, that no obligation or security shall be a Permitted Investment if (A) such obligation or security evidences a right to receive only interest payments, (B) the right to receive principal and interest payments on such obligation or security are derived from an underlying investment that provides a yield to maturity in excess of one hundred twenty percent (120%) of the yield to maturity at par of such underlying investment or (C) such obligation or security has a remaining term to maturity in excess of one (1) year.

"Person" shall mean any individual, corporation, partnership, joint venture, limited liability company, estate, trust, unincorporated association, any federal, state, county or municipal government or any bureau, department or agency thereof and any fiduciary acting in such capacity on behalf of any of the foregoing.

"Personal Property" shall have the meaning set forth in the granting clause of the Mortgage.

"Physical Conditions Report" shall mean, collectively, the reports prepared by a company satisfactory to Lender regarding the physical condition of each Individual Property, satisfactory in form and substance to Lender in its sole discretion.

"Policies" shall have the meaning specified in Section 8.1(b) hereof.

"Prohibited Transfer" shall have the meaning set forth in Section 7.2 hereof.

"Property" shall mean, collectively, each Individual Property, the Improvements thereon and all Personal Property owned by the related Borrower and encumbered by a Mortgage, together with all rights pertaining to such property and Improvements, as more particularly described in the granting clause of the Mortgage and referred to therein as the "Property".

"Qualified Manager" shall mean Manager or a reputable and experienced owner, operator or developer (a) which manages Class "A" or "B" self-storage facilities, is owner, operator, developer or manager of self-storage facilities containing in the aggregate, not less than

1,000,000 rentable square feet and is not and within the last seven (7) years has not, been the subject of a bankruptcy proceeding and (b) approved by Lender, which approval shall not have been unreasonably withheld and for which Lender shall have received with respect to any Affiliated Manager, a revised substantive non-consolidation opinion if one was delivered in connection with the closing of the Loan.

"Rating Agencies" shall mean each of S&P, Moody's and Fitch, or any other nationally-recognized statistical rating agency which has been approved by Lender.

"REA" shall mean any "construction, operation and reciprocal easement agreement" or similar agreement (including any "separate agreement" or other agreement between Borrower and one or more other parties to an REA with respect to such REA) affecting the Property or portion thereof.

"Release" shall have the meaning set forth in Section 12.5 hereof.

"Rent Roll" shall have the meaning set forth in Section 4.25 hereof.

"Rents" shall have the meaning set forth in the Mortgage.

"Replacement Reserve Account" shall have the meaning set forth in Section 9.2(b) hereof.

"Replacement Reserve Funds" shall have the meaning set forth in Section 9.2(b) hereof.

"Replacement Reserve Monthly Deposit" shall have the meaning set forth in Section 9.2(b) hereof.

"Replacements" shall have the meaning set forth in Section 9.2(a) hereof.

"Required Repair Account" shall have the meaning set forth in Section 9. l(b) hereof.

"Required Repair Funds" shall have the meaning set forth in Section 9.1(b) hereof.

"Required Repairs" shall have the meaning set forth in Section 9.1(a) hereof.

"Required Work" shall have the meaning set forth in Section 9.4 hereof.

"Reserve Accounts" shall mean the Tax and Insurance Reserve Account, the Replacement Reserve Account, the Required Repair Account or any other escrow account established by the Loan Documents.

"Reserve Funds" shall mean the Tax and Insurance Reserve Funds, the Replacement Reserve Funds, the Required Repair Funds or any other escrow funds established by the Loan Documents.

"Restoration" shall mean, following the occurrence of a Casualty or a Condemnation which is of a type necessitating the repair of an Individual Property, the completion of the repair and restoration of such Individual Property as nearly as possible to such Individual condition the Property was in immediately prior to such Casualty or Condemnation, with such alterations as may be reasonably approved by Lender.

"Restoration Consultant" shall have the meaning set forth in Section 8.4(b)(iii) hereof.

"Restoration Retainage" shall have the meaning set forth in Section 8.4(b)(iv) hereof.

"Restricted Party" shall have the meaning set forth in Section 7.1 hereof.

"Sale or Pledge" shall have the meaning set forth in Section 7.1 hereof.

"Scheduled Payment Date" shall have the meaning set forth in the Note.

"Securities" shall have the meaning set forth in Section 13.1 hereof.

"Securities Act" shall mean the Securities Act of 1933, as amended.

"Securitization" shall have the meaning set forth in Section 13.1 hereof.

"Special Member" shall have the meaning set forth in Section 6.1(c).

"SPE Component Entity" shall have the meaning set forth in Section 6. l(b) hereof.

"S&P" shall mean Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc.

"State" shall mean the state in which an Individual Property or any part thereof is located.

"Stockton Borrower" shall mean Extra Space of Stockton LLC, a California limited liability company.

"Stockton Property" shall have the meaning set forth in Schedule III attached hereto.

"Tax and Insurance Reserve Funds" shall have the meaning set forth in Section 9.6 hereof.

"Tax and Insurance Reserve Account" shall have the meaning set forth in Section 9.6 hereof.

"Taxes" shall mean all real estate and personal property taxes, assessments, water rates or sewer rents, now or hereafter levied or assessed or imposed against any Individual Property or part thereof.

"Tenant" shall mean any Person leasing, subleasing or otherwise occupying any portion of any Individual Property under a Lease or other occupancy agreement with Borrower.

"Termination Fee Deposit" shall have the meaning set forth in Section 9.3(b).

"Title Insurance Policy" shall mean that certain ALTA mortgagee title insurance policy issued with respect to the Property and insuring the lien of the Mortgage.

"Transferee" shall have the meaning set forth in Section 7.5 hereof.

"UCC" or "Uniform Commercial Code" shall mean the Uniform Commercial Code as in effect in the State.

"Whittier Borrower" shall mean Extra Space of Whittier LLC, a California limited liability company.

"Whittier Ground Lease" shall mean that certain Ground Lease dated April 26, 2000, by and between John R. Cauffman, Trustee of the Fern P. Cauffman Trust, as ground lessor ("Ground Lessor") and Whittier Borrower, as ground lessee, as amended pursuant to that certain Letter Agreement dated January 15, 2001, that certain Amendment to Ground Lease dated August 28, 2001, as the same may further be amended, restated, extended or otherwise modified from time to time.

"Whittier Ground Lessor Agreement" shall mean that certain Agreement of Ground Lessor executed as of April 30, 2004 and delivered in connection with the Loan and executed by Ground Lessor, the Whittier Borrower and Lender.

Section 1.2 Principles of Construction. All references to sections and schedules are to sections and schedules in or to this Agreement unless otherwise specified. All uses of the word "including" shall mean "including, without limitation" unless the context shall indicate otherwise. Unless otherwise specified, the words "hereof," "herein" and "hereunder" and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement. Unless otherwise specified, all meanings attributed to defined terms herein shall be equally applicable to both the singular and plural forms of the terms so defined.

ARTICLE II

GENERAL TERMS

Section 2.1 The Loan. Subject to and upon the terms and conditions set forth herein, Lender hereby agrees to make and Borrowers hereby agree to accept the Loan on the Closing Date.

Section 2.2 Disbursement to Borrowers. Borrowers may request and receive only one borrowing in respect of the Loan and any amount borrowed and repaid in respect of the Loan may not be reborrowed.

Section 2.3 The Note, Mortgage and Loan Documents. The Loan shall be evidenced by the Note and secured by the Mortgage and the other Loan Documents.

Section 2.4 Loan Payments. The Loan and interest thereon shall be payable pursuant to the terms of the Note.

Section 2.5 Loan Prepayments. The Loan may not be prepaid, in whole or in part, except in strict accordance with the express terms and conditions of the Note.

ARTICLE III

CONDITIONS PRECEDENT

Section 3.1 Conditions Precedent. The obligation of Lender to make the Loan hereunder is subject to the fulfillment by Borrowers or waiver by Lender of all of the conditions precedent to closing set forth in the application or the term sheet for the Loan delivered by Borrowers to Lender and any commitment or commitment rider to the application for the Loan issued by Lender.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES

Borrowers and, where specifically indicated, each Borrower Principal represents and warrants to Lender as of the Closing Date that:

Section 4.1 Organization. Each Borrower and each Borrower Principal (when not an individual) (a) has been duly organized and is validly existing and in good standing with requisite power and authority to own its properties and to transact the businesses in which it is now engaged, (b) is duly qualified to do business and is in good standing in each jurisdiction where it is required to be so qualified in connection with its properties, businesses and operations, (c) possesses all rights, licenses, permits and authorizations, governmental or otherwise, necessary to entitle it to own its properties and to transact the businesses in which it is now engaged, and the sole business of each Borrower is the ownership, management and operation of the related Individual Property, and (d) in the case of each Borrower, has full power, authority and legal right to mortgage, grant, bargain, sell, pledge, assign, warrant, transfer and convey the related Individual Property pursuant to the terms of the Loan Documents, and in the case of each Borrower and each Borrower Principal, has full power, authority and legal right to keep and observe all of the terms of the Loan Documents to which it is a party. Each Borrower and each Borrower Principal represent and warrant that the chart attached hereto as Exhibit A sets forth an accurate listing of the direct and indirect owners of the equity interests in each Borrower, each SPE Component Entity (if any) and each Borrower Principal (when not an individual).

Section 4.2 Status of Borrower. Each Borrower's exact legal name is correctly set forth on the first page of this Agreement, on the Mortgage and on any UCC-1 Financing Statements filed in connection with the Loan. Each Borrower is an organization of the type specified on the first page of this Agreement. Each Borrower is incorporated in or organized under the laws of the state of Massachusetts and California as applicable. Each Borrower's principal place of business and chief executive office, and the place where each Borrower keeps its books and records, including recorded data of any kind or nature, regardless of the medium of recording, including software, writings, plans, specifications and schematics, has been for the preceding four months (or, if less, the entire period of the existence of such Borrower) the address of each Borrower set forth on the first page of this Agreement. Borrower's organizational identification number, if any, assigned by the state of incorporation or organization is correctly set forth on the first page of the Note.

Section 4.3 Validity of Documents. Each Borrower and each Borrower Principal have taken all necessary action to authorize the execution, delivery and performance of this Agreement and the other Loan Documents to which they are parties. This Agreement and such other Loan Documents have been duly executed and delivered by or on behalf of each Borrower and each Borrower Principal and constitute the legal, valid and binding obligations of Borrowers and each Borrower Principal enforceable against Borrowers and each Borrower Principal in accordance with their respective terms, subject only to applicable bankruptcy, insolvency and similar laws affecting rights of creditors generally, and subject, as to enforceability, to general principles of equity (regardless of whether enforcement is sought in a proceeding in equity or at law).

Section 4.4 No Conflicts. The execution, delivery and performance of this Agreement and the other Loan Documents by each Borrower and each Borrower Principal will not conflict with or result in a breach of any of the terms or provisions of, or constitute a default under, or result in the creation or imposition of any lien, charge or encumbrance (other than pursuant to the Loan Documents) upon any of the property or assets of any Borrower or any Borrower Principal pursuant to the terms of any agreement or instrument to which any Borrower or any Borrower Principal is a party or by which any of any Borrower's or Borrower Principal's property or assets is subject, nor will such action result in any violation of the provisions of any statute or any order, rule or regulation of any Governmental Authority having jurisdiction over any Borrower or any Borrower Principal or any of any Borrower's or Borrower Principal's properties or assets, and any consent, approval, authorization, order, registration or qualification of or with any Governmental Authority required for the execution, delivery and performance by each Borrower or Borrower Principal of this Agreement or any of the other Loan Documents has been obtained and is in full force and effect.

Section 4.5 Litigation. There are no actions, suits or proceedings at law or in equity by or before any Governmental Authority or other agency now pending or, to Borrowers' or Borrower Principal's knowledge, threatened against or affecting any Borrower, any Borrower Principal, the Manager or any Individual Property, which actions, suits or proceedings, if determined against any Borrower, any Borrower Principal, the Manager or any Property, would materially adversely affect the condition (financial or otherwise) or business of any Borrower or any Borrower Principal or the condition or ownership of the related Individual Property.

Section 4.6 Agreements. No Borrower is a party to any agreement or instrument or subject to any restriction which would materially and adversely affect any Borrower or any related Individual Property, or any Borrower's business, properties or assets, operations or condition, financial or otherwise. Borrower is not in default in any material respect in the performance, observance or fulfillment of any of the obligations, covenants or conditions contained in any agreement or instrument to which it is a party or by which any Borrower or the Property is bound. No Borrower has a material financial obligation under any agreement or instrument to which any Borrower is a party or by which any Borrower or any Individual Property is otherwise bound, other than (a) obligations incurred in the ordinary course of the operation of the Property and (b) obligations under the Loan Documents.

Section 4.7 Solvency. Each Borrower and each Borrower Principal have (a) not entered into the transaction or executed the Note, this Agreement or any other Loan Documents with the actual intent to hinder, delay or defraud any creditor and (b) received reasonably equivalent value in exchange for their obligations under such Loan Documents. Giving effect to the Loan, the fair saleable value of the assets of each Borrower and each Borrower Principal exceeds and will, immediately following the making of the Loan, exceed the total liabilities of each Borrower and each Borrower Principal, including; without limitation, subordinated, unliquidated, disputed and contingent liabilities. No petition in bankruptcy has been filed against any Borrower, any Borrower Principal, any SPE Component Entity (if any) or Affiliated Manager in the last ten (10) years, and neither any Borrower nor any Borrower Principal, any SPE Component Entity (if any) or Affiliated Manager in the last ten (10) years has made an assignment for the benefit of creditors or taken advantage of any Creditors Rights Laws. Neither Borrower nor any Borrower Principal, any SPE Component Entity (if any) or Affiliated Manager is contemplating either the filing of a petition by it under any Creditors Rights Laws or the liquidation of all or a major portion of any Borrower's assets or property, and no Borrower has no knowledge of any Person contemplating the filing of any such petition against any Borrower or any Borrower Principal, any SPE Component Entity (if any) or Affiliated Manager.

Section 4.8 Full and Accurate Disclosure. No statement of fact made by or on behalf of any Borrower or any Borrower Principal in this Agreement or in any of the other Loan Documents or in any other document or certificate delivered by or on behalf of any Borrower or any Borrower Principal contains any untrue statement of a material fact or omits to state any material fact necessary to make statements contained herein or therein not misleading. There is no material fact presently known to any Borrower or any Borrower Principal which has not been disclosed to Lender which adversely affects, nor as far as any Borrower or any Borrower Principal can reasonably foresee, might adversely affect, any Individual Property or the business, operations or condition (financial or otherwise) of any Borrower or any Borrower Principal.

Section 4.9 No Plan Assets. No Borrower is an "employee benefit plan," as defined in Section 3(3) of ERISA, subject to Title I of ERISA, and none of the assets of any Borrower constitutes or will constitute "plan assets" of one or more such plans within the meaning of 29 C.F.R. Section 2510.3-101. In addition, (a) no Borrower is a "governmental plan" within the meaning of Section 3(32) of ERISA and (b) transactions by or with Borrower are not subject to state statutes regulating investment of, and fiduciary obligations with respect to, governmental plans similar to the provisions of Section 406 of ERISA or Section 4975 of the

Internal Revenue Code currently in effect, which prohibit or otherwise restrict the transactions contemplated by this Agreement.

Section 4.10 Not a Foreign Person. No Borrower nor Borrower Principal is a "foreign person" within the meaning of §1445(f)(3) of the Internal Revenue Code.

Section 4.11 Enforceability. The Loan Documents are not subject to any right of rescission, set-off, counterclaim or defense by any Borrower, including the defense of usury, nor would the operation of any of the terms of the Loan Documents, or the exercise of any right thereunder, render the Loan Documents unenforceable, and neither any Borrower nor Borrower Principal has asserted any right of rescission, set-off, counterclaim or defense with respect thereto. No Default or Event of Default exists under or with respect to any of the Loan Documents.

Section 4.12 Business Purposes. The Loan is solely for the business purposes of Borrowers, and is not for personal, family, household, or agricultural purposes.

Section 4.13 Compliance. Each Borrower and each Individual Property and the use and operation thereof comply in all material respects with all Legal Requirements, including, without limitation, building and zoning ordinances and codes and the Americans with Disabilities Act. To Borrowers' knowledge, no Borrower is in default or violation of any order, writ, injunction, decree or demand of any Governmental Authority and no Borrower has received no written notice of any such default or violation. There has not been committed by any Borrower or, to Borrowers' knowledge, any other Person in occupancy of or involved with the operation or use of any Individual Property any act or omission affording any Governmental Authority the right of forfeiture as against the Property or any part thereof or any monies paid in performance of Borrowers' obligations under any of the Loan Documents.

Section 4.14 Financial Information. All financial data, including, without limitation, the balance sheets, statements of cash flow, statements of income and operating expense and rent rolls, that have been delivered to Lender in respect of Borrowers, any Borrower Principal and/or the Property (a) are true, complete and correct in all material respects, (b) accurately represent the financial condition of Borrowers, Borrower Principal or the Property, as applicable, as of the date of such reports, and (c) to the extent prepared or audited by an independent certified public accounting firm, have been prepared in accordance with GAAP throughout the periods covered, except as disclosed therein. No Borrower has any contingent liabilities, liabilities for taxes, unusual forward or long-term commitments or unrealized or anticipated losses from any unfavorable commitments that are known to Borrowers and reasonably likely to have a material adverse effect on the Property or the current and/or intended operation thereof, except as referred to or reflected in said financial statements. Since the date of such financial statements, there has been no materially adverse change in the financial condition, operations or business of any Borrower or Borrower Principal from that set forth in said financial statements.

Section 4.15 Condemnation. No Condemnation or other proceeding has been commenced or, to Borrowers' best knowledge, is threatened or contemplated with respect to all

or any portion of any Individual Property or for the relocation of roadways providing access to the related Individual Property.

Section 4.16 Utilities and Public Access; Parking. Each Individual Property has adequate rights of access to public ways and is served by water, sewer, sanitary sewer and storm drain facilities adequate to service each Individual Property for full utilization of each Individual Property for its intended uses. All public utilities necessary to the full use and enjoyment of each Individual Property as currently used and enjoyed are located either in the public right-of-way abutting each Individual Property (which are connected so as to serve each Individual Property without passing over other property) or in recorded easements serving each Individual Property and such easements are set forth in and insured by the Title Insurance Policy. All roads necessary for the use of each Individual Property for its current purposes have been completed and dedicated to public use and accepted by all Governmental Authorities. Each Individual Property has, or is served by, parking to the extent required to comply with all Legal Requirements.

Section 4.17 Separate Lots. Each Individual Property is assessed for real estate tax purposes as one or more wholly independent tax lot or lots, separate from any adjoining land or improvements not constituting a part of such lot or lots, and no other land or improvements is assessed and taxed together with each Individual Property or any portion thereof.

Section 4.18 Assessments. To Borrowers' knowledge after due inquiry, there are no pending or proposed special or other assessments for public improvements or otherwise affecting any Individual Property, nor are there any contemplated improvements to any Individual Property that may result in such special or other assessments.

Section 4.19 Insurance. Borrowers have obtained and has delivered to Lender certified copies of all Policies or, to the extent such Policies are not available as of the Closing Date, certificates of insurance with respect to all such Policies reflecting the insurance coverages, amounts and other requirements set forth in this Agreement. No claims have been made under any of the Policies, and to Borrowers' knowledge, no Person, including Borrowers, has done, by act or omission, anything which would impair the coverage of any of the Policies.

Section 4.20 Use of Property. Each Individual Property is used exclusively for self-storage purposes and other appurtenant and related uses.

Section 4.21 Certificate of Occupancy; Licenses. All certifications, permits, licenses and approvals, including, without limitation, certificates of completion or occupancy and any applicable liquor license required for the legal use, occupancy and operation of each Individual Property for the purpose intended herein, have been obtained and are valid and in full force and effect. Borrowers shall keep and maintain all licenses necessary for the operation of the each Individual Property for the purpose intended herein. The use being made of each Individual Property is in conformity with the certificate of occupancy and any permits or licenses issued for the related Individual Property.

Section 4.22 Flood Zone. None of the Improvements on any Individual Property are located in an area identified by the Federal Emergency Management Agency as an

area having special flood hazards, or, if any portion of the Improvements is located within such area, the related Borrower has obtained the insurance prescribed in Section 8.1(a)(i).

Section 4.23 Physical Condition. To Borrowers' knowledge after due inquiry, each Individual Property, including, without limitation, all buildings, improvements, parking facilities, sidewalks, storm drainage systems, roofs, plumbing systems, HVAC systems, fire protection systems, electrical systems, equipment, elevators, exterior sidings and doors, landscaping, irrigation systems and all structural components, are in good condition, order and repair in all material respects. To Borrowers' knowledge after due inquiry, there exists no structural or other material defects or damages in any Individual Property, as a result of a Casualty or otherwise, and whether latent or otherwise. No Borrower has not received notice from any insurance company or bonding company of any defects or inadequacies in any Individual Property, or any part thereof, which would adversely affect the insurability of the same or cause the imposition of extraordinary premiums or charges thereon or of any termination or threatened termination of any policy of insurance or bond.

Section 4.24 Boundaries. (a) None of the Improvements which were included in determining the appraised value of each Individual Property lie outside the boundaries and building restriction lines of the related Property to any material extent, and (b) no improvements on adjoining properties encroach upon any Individual Property and no easements or other encumbrances upon any Individual Property encroach upon any of the Improvements so as to materially affect the value or marketability of any Individual Property.

Section 4.25 Leases and Rent Roll. Borrowers have delivered to Lender a true, correct and complete rent roll for each Individual Property (each a "Rent Roll") which includes all Leases affecting each Individual Property (including schedules for all executed Leases for Tenants not yet in occupancy or under which the rent commencement date has not occurred). Except as set forth in each Rent Roll (as same has been updated by written notice thereof to Lender) delivered to Lender on or prior to the Closing Date: (a) each Lease is in full force and effect; (b) the Tenants under the Leases have accepted possession of their respective demised premises; (c) the Tenants under the Leases have commenced the payment of rent under the Leases, there are no offsets, claims or defenses to the enforcement thereof, and the related Borrower has no monetary obligations to any Tenant under any Lease; (d) not more than five percent (5%) of the Tenants at any Individual Property has prepaid Rents more than thirty (30) days in advance and no Tenant at any Individual Property has prepaid Rent more than one (1) year in advance; (e) the rent payable under each Lease is the amount of fixed rent set forth in the Rent Roll, and there is no claim or basis for a claim by the Tenant thereunder for an offset or adjustment to the rent; (f) no Tenant has made any written claim of a material default against the landlord under any Lease which remains outstanding nor has the related Borrower or Manager received, by telephonic, in-person, e-mail or other communication, any notice of a material default under any Lease; (g) no more than five percent (5%) of the Tenants at any Individual Property are in default of the rental payment; (h) all security deposits, if any, under the Leases have been collected by the related Borrower; (i) the related Borrower is the sole owner of the entire landlord's interest in each Lease; (j) each Lease is the valid, binding and enforceable obligation of the related Borrower and the applicable Tenant thereunder and there are no agreements with the Tenants under the Leases other than as expressly set forth in the Leases; (k) no Person has any possessory interest in, or right to occupy, the related Individual Property or

any portion thereof except under the terms of a Lease; (l) none of the Leases contains any option or offer to purchase or right of first refusal to purchase the related Individual Property or any part thereof; and (m) neither the Leases nor the Rents have been assigned, pledged or hypothecated except to Lender, and no other Person has any interest therein except the Tenants thereunder.

Section 4.26 Filing and Recording Taxes. All mortgage, mortgage recording, stamp, intangible or other similar tax required to be paid by any Person under applicable Legal Requirements currently in effect in connection with the execution, delivery, recordation, filing, registration, perfection or enforcement of any of the Loan Documents, including, without limitation, the Mortgage, have been paid or will be paid, and, under current Legal Requirements, each Mortgage is enforceable in accordance with its terms by Lender (or any subsequent holder thereof).

Section 4.27 Management Agreement. Each Management Agreement is in full force and effect and there is no default thereunder by any party thereto and, to Borrower's knowledge, no event has occurred that, with the passage of time and/or the giving of notice would constitute a default thereunder. No management fees under the Management Agreement are accrued and unpaid.

Section 4.28 Illegal Activity. No portion of any Individual Property has been or will be purchased with proceeds of any illegal activity, and no part of the proceeds of the Loan will be used in connection with any illegal activity.

Section 4.29 Construction Expenses. All costs and expenses of any and all labor, materials, supplies and equipment used in the construction maintenance or repair of the Improvements have been paid in full. To Borrowers' knowledge after due inquiry, there are no claims for payment for work, labor or materials affecting any Individual Property which are or may become a lien prior to, or of equal priority with, the Liens created by the Loan Documents.

Section 4.30 Personal Property. Each Borrower has paid in full for, and is the owner of, all Personal Property (other than tenants' property) used in connection with the operation of the related Individual Property, free and clear of any and all security interests, liens or encumbrances, except for Permitted Encumbrances and the Lien and security interest created by the Loan Documents.

Section 4.31 Taxes. Each Borrower and Borrower Principal have filed all federal, state, county, municipal, and city income, personal property and other tax returns required to have been filed by them and have paid all taxes and related liabilities which have become due pursuant to such returns or pursuant to any assessments received by them. Neither any Borrower nor Borrower Principal knows of any basis for any additional assessment in respect of any such taxes and related liabilities for prior years.

Section 4.32 Permitted Encumbrances. None of the Permitted Encumbrances, individually or in the aggregate, materially interferes with the benefits of the security intended to be provided by the Loan Documents, materially and adversely affects the value of the Property, impairs the use or the operation of any Individual Property or impairs Borrowers' ability to pay its obligations in a timely manner.

Section 4.33 Federal Reserve Regulations. Borrowers will not use the proceeds of the Loan for any illegal activity. No part of the proceeds of the Loan will be used for the purpose of purchasing or acquiring any "margin stock" within the meaning of Regulation U of the Board of Governors of the Federal Reserve System or for any other purpose which would be inconsistent with such Regulation U or any other Regulations of such Board of Governors, or for any purposes prohibited by Legal Requirements or prohibited by the terms and conditions of this Agreement or the other Loan Documents.

Section 4.34 Investment Company Act. No Borrower is (a) an "investment company" or a company "controlled" by an "investment company," within the meaning of the Investment Company Act of 1940, as amended; (b) a "holding company" or a "subsidiary company" of a "holding company" or an "affiliate" of either a "holding company" or a "subsidiary company" within the meaning of the Public Utility Holding Company Act of 1935, as amended; or (c) subject to any other federal or state law or regulation which purports to restrict or regulate its ability to borrow money.

Section 4.35 Reciprocal Easement Agreements. With respect to any REA:

(a) No Borrower, nor any other party is currently in default (nor has any notice been given or received with respect to an alleged or current default) under any of the terms and conditions of the REA, and the REA remains unmodified and in full force and effect;

(b) All easements granted pursuant to the REA which were to have survived the site preparation and completion of construction (to the extent that the same has been completed), remain in full force and effect and have not been released, terminated, extinguished or discharged by agreement or otherwise;

(c) All sums due and owing by any Borrower to the other parties to any REA (or by the other parties to the REA to any Borrower) pursuant to the terms of the REA, including without limitation, all sums, charges, fees, assessments, costs, and expenses in connection with any taxes, site preparation and construction, non-shareholder contributions, and common area and other property management activities have been paid, are current, and no lien has attached on the Property (or threat thereof been made) for failure to pay any of the foregoing;

(d) The terms, conditions, covenants, uses and restrictions contained in the REA do not conflict in any manner with any terms, conditions, covenants, uses and restrictions contained in any Lease or in any agreement between any Borrower and occupant of any peripheral parcel, including without limitation, conditions and restrictions with respect to kiosk placement, tenant restrictions (type, location or exclusivity), sale of certain goods or services, and/or other use restrictions; and

Section 4.36 No Change in Facts or Circumstances; Disclosure. All information submitted by Borrowers or their agents to Lender and in all financial statements, rent rolls, reports, certificates and other documents submitted in connection with the Loan or in satisfaction of the terms thereof and all statements of fact made by Borrowers in this Agreement or in any other Loan Document, are accurate, complete and correct in all material respects. There has been no material adverse change in any condition, fact, circumstance or event that would make

any such information inaccurate, incomplete or otherwise misleading in any material respect or that otherwise materially and adversely affects or might materially and adversely affect the Property or the business operations or the financial condition of Borrowers. Borrowers have disclosed to Lender all material facts and has not failed to disclose any material fact that could cause any representation or warranty made herein to be materially misleading.

Section 4.37 Special Purpose Entity. Each Borrower and each SPE Component Entity meet all of the requirements of Section 6.1 as of the Closing Date.

Section 4.38 Permitted Encumbrances. The Permitted Encumbrances do not and will not materially and adversely affect (i) the ability of Borrowers to pay in full all sums due under the Note or any of its other obligations in a timely manner or (ii) the use of any Individual Property for the use currently being made thereof, the operation of any Individual Property as currently being operated or the value of such Individual Property.

Section 4.39 Intellectual Property. All trademarks, trade names and service marks necessary to the business of each Borrower as presently conducted or as each Borrower contemplates conducting its business are in good standing and, to the extent of Borrower's actual knowledge, uncontested. Borrowers have not infringed, are not infringing, and have not received notice of infringement with respect to asserted trademarks, trade names and service marks of others. To Borrowers' knowledge, there is no infringement by others of trademarks, trade names and service marks of any Borrower.

Section 4.40 Assumptions. Each of the assumptions contained in the opinion related to issues of substantive consolidation delivered by Borrowers to Lender on the date hereof are true and accurate.

Section 4.41 Embargoed Person. At all times throughout the term of the Loan, including after giving effect to any Transfers permitted pursuant to the Loan Documents, (a) none of the funds or other assets of Borrowers or Borrower Principal shall constitute property of, or shall be beneficially owned, directly or indirectly, by any Person subject to trade restrictions under United States law, including, but not limited to, the International Emergency Economic Powers Act, 50 U.S.C. §§ 1701 et seq., The Trading with the Enemy Act, 50 U.S.C. App. 1 et seq., the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (Public Law 107-56) and any Executive Orders or regulations promulgated thereunder (including, without limitation, Executive Order No. 13224 on Terrorist Financing), with the result that the investment in Borrowers or Borrower Principal, as applicable (whether directly or indirectly), would be prohibited by law (each, an "Embargoed Person"), or the Loan made by Lender would be in violation of law, (b) no Embargoed Person shall have any interest of any nature whatsoever in Borrowers or Borrower Principal, as applicable, with the result that the investment in Borrowers or Borrower Principal, as applicable (whether directly or indirectly), would be prohibited by law or the Loan would be in violation of law, and (c) none of the funds of Borrowers or Borrower Principal, as applicable, shall be derived from any unlawful activity with the result that the investment in Borrowers or Borrower Principal, as applicable (whether directly or indirectly), would be prohibited by law or the Loan would be in violation of law.

Section 4.42 Whittier Ground Lease.

(a) a memorandum of the Whittier Ground Lease has been recorded.

(b) Whittier Borrower has the right to (i) sublease or otherwise encumber, without restriction, all or any part of the Premises (as defined in Whittier Ground Lease), subject to Section 9 the use of the Premises and assign the Whittier Ground Lease in accordance with Section 14 of the Whittier Ground Lease (requiring Ground Lessor's consent not to be unreasonably withheld) and (ii) encumber the Whittier Ground Lease and the leasehold estate created thereby in connection with financing without the consent of Ground Lessor, except to the extent Whittier Borrower has already secured such consent. Lender may, if Lender becomes the lessee under the Whittier Ground Lease, without further consent of Ground Lessor, assign the Whittier Ground Lease and sublet the Premises to a lessee with a net worth and creditworthiness at least equal to or greater than that of the Whittier Borrower.

(c) if any default by Whittier Borrower shall occur under the Whittier Ground Lease, Lender is entitled under the Whittier Ground Lease to receive notice of such default from Ground Lessor and an additional opportunity to cure any such default which is susceptible of cure by Lender, which in the case of any non-monetary default susceptible of cure by Lender, includes the right of Lender or its designee to acquire possession of the Premises by means of foreclosure of the Mortgage or by other means and to become the lessee under the Whittier Ground Lease. So long as Lender has agreed to effectuate a cure and is proceeding to cure any such non-monetary default within applicable notice and grace periods and no monetary default remains uncured beyond any applicable notice and grace periods to which Whittier Borrower and Lender are entitled, Ground Lessor may not terminate the Whittier Ground Lease.

(d) The Whittier Ground Lease and the Whittier Ground Lessor Agreement executed by the Ground Lessor in connection with the Loan requires the Ground Lessor to give copies of all notices which are given under the Whittier Ground Lease to Whittier Borrower contemporaneously to Lender. A notice of termination of the Whittier Ground Lease shall not be deemed effectively made until Lender has been served with a copy of such notice of termination.

(e) The Whittier Ground Lease is in full force and effect and has not been modified or supplemented. The Whittier Ground Lease cannot be cancelled solely by Ground Lessor and requires Whittier Borrower's and Lender's consent for all modifications.

(f) All rents (including additional rents and other charges) reserved for in the Whittier Ground Lease and payable prior to the date hereof have been paid.

(g) No party to the Whittier Ground Lease is in default of any obligation such party has thereunder and no event has occurred which, with the giving of notice or the lapse of time, or both, would constitute such a default.

(h) No notice or other written or oral communication has been provided to any party under the Whittier Ground Lease which alleges that, as of the date hereof, either a default exists or with the passage of time will exist under the provisions of such Whittier Ground Lease.

(i) If there shall be a Condemnation of the fee title to the Premises, subject to amounts which are applied to restoration of the Premises, Whittier Borrower is entitled under the Whittier Ground Lease to receive such portion of the award for such Condemnation as equals the value of Whittier Borrower's estate under the Whittier Ground Lease and Improvements made by Whittier Borrower. Whittier Borrower is authorized to assign its interest in any condemnation award which Whittier Borrower is entitled to receive pursuant to the Whittier Ground Lease.

(j) If there shall be a Casualty under the Whittier Ground Lease, either there is an obligation to use insurance proceeds for a full restoration or Whittier Borrower is entitled to receive such portion of such proceeds as equals the value of improvements made by Whittier Borrower.

(k) The Whittier Ground Lease may be assigned by Whittier Borrower in connection with financing of the Property from time to time without the consent of Ground Lessor.

(1) Provided that no monetary default remains uncured beyond any applicable notice and grace periods to which Whittier Borrower and Lender are entitled, the Whittier Ground Lease may not be terminated by Ground Lessor by reason of any default by Whittier Borrower which is not susceptible of cure by Lender.

(m) If the Whittier Ground Lease is terminated by reason of a default by Whittier Borrower or in the event that the Whittier Ground Lease is rejected in any case, proceeding or other action commenced under the U.S. Bankruptcy Code, Lender or its designee is entitled under the Whittier Ground Lease to enter into a new lease (the "New Lease") with Ground Lessor for the remainder of the term of the Whittier Ground Lease upon the same base Rent and additional Rent and other terms, covenants, conditions and agreements as are contained in the Whittier Ground Lease.

(n) Whittier Borrower's interest in the Whittier Ground Lease is not subject to any liens or encumbrances superior to, or of equal priority with, the Mortgage, other than the Ground Lessor's fee interest and any exception stated in the applicable title insurance policy, which exceptions do not and will not materially adversely interfere with (i) Whittier Borrower's ability to timely pay the payments due under the Loan, (ii) the use of the Premises for the use currently being made thereof, or (iii) the value of the Premises.

(o) The initial term of the Whittier Ground Lease is 40 years commencing on July 1, 2001.

Section 4.43 Survival. Borrowers agree that, unless expressly provided otherwise, all of the representations and warranties of Borrowers set forth in this Article 4 and elsewhere in this Agreement and in the other Loan Documents shall survive for so long as any portion of the Debt remains owing to Lender. All representations, warranties, covenants and agreements made in this Agreement or in the other Loan Documents by Borrowers shall be deemed to have been relied upon by Lender notwithstanding any investigation heretofore or hereafter made by Lender or on its behalf.

ARTICLE V

BORROWER COVENANTS

From the date hereof and until repayment of the Debt in full and performance in full of all obligations of Borrowers under the Loan Documents or the earlier release of the Lien of each Mortgage (and all related obligations) in accordance with the terms of this Agreement and the other Loan Documents, Borrowers hereby covenant and agree with Lender that:

Section 5.1 Existence; Compliance with Legal Requirements. (a) Borrowers shall do or cause to be done all things necessary to preserve, renew and keep in full force and effect their existence, rights, licenses, permits and franchises and materially comply with all Legal Requirements applicable to it and the related Individual Property. Borrowers hereby covenant and agree not to commit, permit or suffer to exist any act or omission affording any Governmental Authority the right of forfeiture as against any Individual Property or any part thereof or any monies paid in performance of Borrower's obligations under any of the Loan Documents. Borrowers shall at all times maintain, preserve and protect all franchises and trade names used in connection with the operation of each Individual Property.

(b) After prior written notice to Lender, a Borrower, at its own expense, may contest by appropriate legal proceeding, promptly initiated and conducted in good faith and with due diligence, the Legal Requirements affecting the related Individual Property, *provided* that (i) no Default or Event of Default has occurred and is continuing; (ii) such proceeding shall be permitted under and be conducted in accordance with the provisions of any other instrument to which such Borrower or the related Individual Property is subject and shall not constitute a default thereunder; (iii) neither such Individual Property, any part thereof or interest therein, any of the tenants or occupants thereof, nor any Borrower shall be affected in any material adverse way as a result of such proceeding; (iv) non-compliance with the Legal Requirements shall not impose civil or criminal liability on any Borrower or Lender; (v) such Borrower shall have furnished the security as may be required in the proceeding or by Lender to ensure compliance by such Borrower with the Legal Requirements; and (vi) such Borrower shall have furnished to Lender all other items reasonably requested by Lender.

Section 5.2 Maintenance and Use of Property. Each Borrower shall cause the related Individual Property to be maintained in a good and safe condition and repair. The Improvements and the Personal Property shall not be removed or demolished or other than in accordance with the provisions of Section 5.21, materially altered (except for normal replacement of the Personal Property) without the consent of Lender. If under applicable zoning provisions the use of all or any portion of an Individual Property is or shall become a nonconforming use, the related Borrower will not cause or permit the nonconforming use to be discontinued or the nonconforming Improvement to be abandoned without the express written consent of Lender.

Section 5.3 Waste. No Borrower shall commit or suffer any waste of the related Individual Property or make any change in the use of the related Individual Property which will in any way materially increase the risk of fire or other hazard arising out of the operation of the related Individual Property, or take any action that might invalidate or give

cause for cancellation of any Policy, or do or permit to be done thereon anything that may in any way impair the value of the related Individual Property or the security for the Loan. No Borrower will, without the prior written consent of Lender, permit any drilling or exploration for or extraction, removal, or production of any minerals from the surface or the subsurface of any Individual Property, regardless of the depth thereof or the method of mining or extraction thereof.

Section 5.4 Taxes and Other Charges. (a) Borrowers shall pay all Taxes and Other Charges now or hereafter levied or assessed or imposed against each Individual Property or any part thereof as the same become due and payable; *provided, however,* Borrowers' obligation to directly pay Taxes shall be suspended for so long as Borrowers comply with the terms and provisions of Section 9.6 hereof. Borrowers shall furnish to Lender receipts for the payment of the Taxes and the Other Charges prior to the date the same shall become delinquent *(provided, however,* that Borrowers are not required to furnish such receipts for payment of Taxes in the event that such Taxes have been paid by Lender pursuant to Section 9.6 hereof). Borrowers shall not suffer and shall promptly cause to be paid and discharged any Lien or charge whatsoever which may be or become a Lien or charge against the Individual Properties, and shall promptly pay for all utility services provided to the Individual Properties.

(b) After prior written notice to Lender, Borrowers, at their own expense, may contest by appropriate legal proceeding, promptly initiated and conducted in good faith and with due diligence, the amount or validity or application in whole or in part of any Taxes or Other Charges, *provided* that (i) no Default or Event of Default has occurred and remains uncured; (ii) such proceeding shall be permitted under and be conducted in accordance with the provisions of any other instrument to which Borrowers are subject and shall not constitute a default thereunder and such proceeding shall be conducted in accordance with all applicable Legal Requirements; (iii) no Individual Property nor any part thereof or interest therein will be in danger of being sold, forfeited, terminated, canceled or lost; (iv) Borrowers shall promptly upon final determination thereof pay the amount of any such Taxes or Other Charges, together with all costs, interest and penalties which may be payable in connection therewith; (v) such proceeding shall suspend the collection of such contested Taxes or Other Charges from the related Individual Property; and (vi) Borrowers shall furnish such security as may be required in the proceeding, or deliver to Lender such reserve deposits as may be requested by Lender, to insure the payment of any such Taxes or Other Charges, together with all interest and penalties thereon (unless Borrowers have paid all of the Taxes or Other Charges under protest). Lender may pay over any such cash deposit or part thereof held by Lender to the claimant entitled thereto at any time when, in the judgment of Lender, the entitlement of such claimant is established or the related Individual Property (or part thereof or interest therein) shall be in danger of being sold, forfeited, terminated, canceled or lost or there shall be any danger of the Lien of the Mortgage being primed by any related Lien.

Section 5.5 Litigation. Borrowers shall give prompt written notice to Lender of any litigation or governmental proceedings pending or threatened in writing against any Borrower which might materially adversely affect any Borrower's condition (financial or otherwise) or business or the Property.

Section 5.6 Access to Property. Each Borrower shall permit agents, representatives and employees of Lender to inspect the related Individual Property or any part thereof at reasonable hours upon reasonable advance written notice (except in the case of an emergency, as determined in Lender's sole discretion, or if an Event of Default has occurred and is continuing).

Section 5.7 Notice of Default. Borrowers shall promptly advise Lender of any material adverse change in the condition (financial or otherwise) of any Borrower, any Borrower Principal or any Individual Property or of the occurrence of any Default or Event of Default of which Borrowers have knowledge.

Section 5.8 Cooperate in Legal Proceedings. Borrowers shall at Borrowers' expense cooperate fully with Lender with respect to any proceedings before any court, board or other Governmental Authority which may in any way affect the rights of Lender hereunder or any rights obtained by Lender under any of the other Loan Documents and, in connection therewith, permit Lender, at its election, to participate in any such proceedings.

Section 5.9 Performance by Borrowers. Borrowers shall in a timely manner observe, perform and fulfill each and every covenant, term and provision to be observed and performed by Borrowers under this Agreement and the other Loan Documents and any other agreement or instrument affecting or pertaining to each Individual Property and any amendments, modifications or changes thereto.

Section 5.10 Awards; Insurance Proceeds. Borrowers shall cooperate with Lender in obtaining for Lender the benefits of any Awards or Insurance Proceeds lawfully or equitably payable in connection with any Individual Property, and Lender shall be reimbursed for any expenses incurred in connection therewith (including reasonable, actual attorneys' fees and disbursements, and the payment by Borrowers of the expense of an appraisal on behalf of Lender in case of a Casualty or Condemnation affecting the related Individual Property or any part thereof) out of such Awards or Insurance Proceeds.

Section 5.11 Financial Reporting.

(a) Borrowers and Borrower Principal shall keep adequate books and records of account in accordance with GAAP, or in accordance with other methods acceptable to Lender in its sole discretion, consistently applied and shall furnish to Lender:

(i) quarterly and annual (and prior to a Securitization, if requested by Lender, monthly) certified occupancy/vacancy/unit mix report signed and dated by each Borrower (in the form previously delivered to Lender) for each Individual Property or, upon request of Lender, certified rent rolls signed and dated by each Borrower, with respect to the related Individual Property, detailing the names of all Tenants of the Improvements, the portion of Improvements occupied by each Tenant, the base rent, additional rent and any other charges payable under each Lease, and the term of each Lease, including the commencement and expiration dates and any tenant extension, expansion or renewal options, the extent to which any Tenant is in default under any Lease, and any other information as is reasonably required by Lender, within twenty (20) days after the end of

each calendar month, thirty (30) days after the end of each fiscal quarter or sixty (60) days after the close of each fiscal year of such Borrower, as applicable;

(ii) quarterly and annual (and prior to a Securitization, if requested by Lender, monthly) operating statements of each Individual Property, prepared and certified by the related Borrower in the form required by Lender (or if required by Lender, an audited annual operating statement prepared by an independent certified public accountant acceptable to Lender, detailing the revenues received, the expenses incurred and the net operating income before and after debt service (principal and interest) and major capital improvements for the period of calculation and containing appropriate year-to-date information, within twenty (20) days after the end of each calendar month, thirty (30) days after the end of each fiscal quarter or sixty (60) days after the close of each fiscal year of such Borrower, as applicable; and

(iii) annual balance sheets, profit and loss statements, statements of cash flows, and statements of change in financial position of Borrowers and Borrower Principal in the form required by Lender, prepared and certified by Borrowers and Borrower Principal (or if required by Lender, annual audited financial statements prepared by an independent certified public accountant acceptable to Lender, within ninety (90) days after the close of each fiscal year of Borrowers and Borrower Principal, as the case may be;

(b) Upon request from Lender, Borrowers shall promptly furnish to Lender:

(i) Intentionally Reserved;

(ii) an accounting of all security deposits held in connection with any Lease of any part of each Individual Property, including the name and identification number of the accounts in which such security deposits are held, the name and address of the financial institutions in which such security deposits are held and the name of the Person to contact at such financial institution, along with any authority or release necessary for Lender to obtain information regarding such accounts directly from such financial institutions; and

(iii) a report of all letters of credit provided by any Tenant in connection with any Lease of any part of any Individual Property, including the account numbers of such letters of credit, the names and addresses of the financial institutions that issued such letters of credit and the names of the Persons to contact at such financial institutions, along with any authority or release necessary for Lender to obtain information regarding such letters of credit directly from such financial institutions.

(c) Borrowers and Borrower Principal shall furnish Lender with such other additional financial or management information (including state and federal tax returns) as may, from time to time, be reasonably required by Lender in form and substance satisfactory to Lender (including, without limitation, any financial reports required to be delivered by any Tenant or any guarantor of any Lease pursuant to the terms of such Lease), and shall furnish to Lender and its agents convenient facilities for the examination and audit of any such books and records.

(d) All items requiring the certification of Borrowers shall, except where any Borrower is an individual, require a certificate executed by the general partner, managing

member or chief executive officer of Borrowers, as applicable (and the same rules shall apply to any sole shareholder, general partner or managing member which is not an individual).

(e) Without limiting any other rights available to Lender under this Loan Agreement or any of the other Loan Documents, in the event Borrowers shall fail to timely furnish Lender any financial document or statement in accordance with this Section 5.11, Borrowers shall promptly pay to Lender a non-refundable charge in the amount of $250.00 for each such failure. The payment of such amount shall not be construed to relieve Borrowers of any Event of Default hereunder arising from such failure.

Section 5.12 Estoppel Statement. (a) After request by Lender, Borrowers shall within ten (10) Business Days furnish Lender with a statement, duly acknowledged and certified, setting forth (i) the amount of the original principal amount of the Note, (ii) the rate of interest on the Note, (iii) the unpaid principal amount of the Note, (iv) the date installments of interest and/or principal were last paid, (v) any offsets or defenses to the payment of the Debt, if any, and (vi) that the Note, this Agreement, the Mortgages and the other Loan Documents are valid, legal and binding obligations and have not been modified or if modified, giving particulars of such modification.

(b) Borrowers shall use their best efforts to deliver to Lender, promptly upon request, duly executed estoppel certificates from any one or more Major Tenants with respect to any Individual Property as required by Lender attesting to such facts regarding the related Lease as Lender may require, including, but not limited to attestations that each Lease covered thereby is in full force and effect with no defaults thereunder on the part of any party, that none of the Rents have been paid more than one month in advance, except as security, and that the Tenant claims no defense or offset against the full and timely performance of its obligations under the Lease.

Section 5.13 Leasing Matters. (a) Each Borrower may enter into a proposed Lease (including the renewal or extension of an existing Lease (a "Renewal Lease")) without the prior written consent of Lender, provided such proposed Lease or Renewal Lease (i) provides for rental rates and terms comparable to existing local market rates and terms and in accordance with commercially reasonable leasing standards for the self-storage industry, (ii) is an arm's-length transaction with a bona fide, independent third party tenant, (iii) does not have a materially adverse effect on the value of the related Individual Property taken as a whole, (iv) is subject and subordinate to the related Mortgage and the Tenant thereunder agrees to attorn to Lender, (v) does not contain any option, offer, right of first refusal, or other similar right to acquire all or any portion of the related Individual Property, and (vi) is written on the standard form of lease approved by Lender. All proposed Leases which do not satisfy the requirements set forth in this subsection shall be subject to the prior approval of Lender and its counsel, at Borrowers' expense. Each Borrower shall promptly deliver to Lender copies of all Leases which are entered into pursuant to this subsection together with such Borrower's certification that it has satisfied all of the conditions of this Section.

(b) Each Borrower (i) shall observe and perform all the obligations imposed upon the landlord under the Leases and shall not do or permit to be done anything to impair the value of any of the Leases as security for the Debt; (ii) shall promptly send copies to Lender of

all notices of default which such Borrower shall send or receive thereunder; (iii) shall enforce all of the material terms, covenants and conditions contained in the Leases upon the part of the tenant thereunder to be observed or performed; (iv) shall not collect any of the Rents more than one (1) month in advance (except security deposits shall not be deemed Rents collected in advance); (v) shall not execute any other assignment of the landlord's interest in any of the Leases or the Rents; and (vi) shall not consent to any assignment of or subletting under any Leases not in accordance with their terms, without the prior written consent of Lender.

(c) Each Borrower may, without the consent of Lender, amend, modify or waive the provisions of any Lease or terminate, reduce Rents under, accept a surrender of space under, or shorten the term of, any Lease (including any guaranty, letter of credit or other credit support with respect thereto) *provided* that such action (taking into account, in the case of a termination, reduction in rent, surrender of space or shortening of term, the planned alternative use of the affected space) does not have a materially adverse effect on the value of the related Individual Property taken as a whole, and *provided* that such Lease, as amended, modified or waived, is otherwise in compliance with the requirements of this Agreement and any subordination agreement binding upon Lender with respect to such Lease. A termination of a Lease with a tenant who is in default beyond applicable notice and grace periods shall not be considered an action which has a materially adverse effect on the value of an Individual Property taken as a whole. Any amendment, modification, waiver, termination, rent reduction, space surrender or term shortening which does not satisfy the requirements set forth in this subsection shall be subject to the prior approval of Lender and its counsel, at the related Borrower's expense. Each Borrower shall promptly deliver to Lender copies of amendments, modifications and waivers which are entered into pursuant to this subsection together with such Borrower's certification that it has satisfied all of the conditions of this subsection.

(d) Notwithstanding anything contained herein to the contrary, Borrower shall not, without the prior written consent of Lender, enter into, renew, extend, amend, modify, waive any provisions of, terminate, reduce Rents under, accept a surrender of space under, or shorten the term of any Major Lease.

Section 5.14 Property Management

(a) Each Borrower shall (i) promptly perform and observe all of the covenants required to be performed and observed by it under the related Management Agreement and do all things necessary to preserve and to keep unimpaired its material rights thereunder; (ii) promptly notify Lender of any default under the related Management Agreement of which it is aware; (iii) promptly deliver to Lender a copy of any notice of default or other material notice received by any Borrower under the related Management Agreement; (iv) promptly give notice to Lender of any notice or information that any Borrower receives which indicates that Manager is terminating the related Management Agreement or that Manager is otherwise discontinuing its management of the related Individual Property; and (v) promptly enforce the performance and observance of all of the covenants required to be performed and observed by Manager under the related Management Agreement.

(b) If at any time, (i) Manager shall become insolvent or a debtor in a bankruptcy proceeding; (ii) an Event of Default has occurred and is continuing; (iii) a default has

occurred and is continuing under any Management Agreement, the related Borrower shall, at the request of Lender terminate the related Management Agreement upon thirty (30) days prior notice to Manager and replace Manager with a Qualified Manager approved by Lender on terms and conditions satisfactory to Lender, it being understood and agreed that the management fee for such replacement manager shall not exceed then prevailing market rates.

(c) In addition to the foregoing, in the event that Lender, in Lender's reasonable discretion, at any time prior to the termination of the Assignment of Management Agreement, determines that an Individual Property is not being managed in accordance with generally accepted management practices for projects similarly situated, Lender may deliver written notice thereof to the related Borrower and Manager, which notice shall specify with particularity the grounds for Lender's determination. If Lender reasonably determines that the conditions specified in Lender's notice are not remedied to Lender's reasonable satisfaction by the related Borrower or Manager within thirty (30) days from the date of such notice or that the related Borrower or Manager have failed to diligently undertake correcting such conditions within such thirty (30) day period, Lender may direct the related Borrower to terminate the related Management Agreement and to replace Manager with a Qualified Manager approved by Lender on terms and conditions satisfactory to Lender, it being understood and agreed that the management fee for such replacement manager shall not exceed then prevailing market rates.

(d) No Borrower shall, without the prior written consent of Lender (which consent shall not be unreasonably withheld, conditioned or delayed): (i) surrender, terminate or cancel any Management Agreement or otherwise replace Manager or enter into any other management agreement with respect to the related Individual Property; (ii) reduce or consent to the reduction of the term of the Management Agreement; (iii) increase or consent to the increase of the amount of any charges under the Management Agreement; or (iv) otherwise modify, change, supplement, alter or amend, or waive or release any of its rights and remedies under, the Management Agreement in any material respect. In the event that a Borrower replaces Manager at any time during the term of the Loan pursuant to this subsection, such Manager shall be a Qualified Manager.

(e) If during the term of the Loan the a Borrower replaces the Manager with a new property manager that is an Affiliated Manager, the Borrowers shall deliver to Lender an opinion as to non-consolidation issues between the Borrowers and such Affiliated Manager, such opinion to be acceptable to the Lender and the Rating Agencies.

Section 5.15 Liens. No Borrower shall, without the prior written consent of Lender, create, incur, assume or suffer to exist any Lien on any portion of any Individual Property or permit any such action to be taken, except Permitted Encumbrances.

Section 5.16 Debt Cancellation. No Borrower shall cancel or otherwise forgive or release any claim or debt (other than termination of Leases in accordance herewith) owed to such Borrower by any Person, except for adequate consideration and in the ordinary course of such Borrower's business.

Section 5.17 Zoning. No Borrower shall initiate or consent to any zoning reclassification of any portion of the related Individual Property or seek any variance under any

existing zoning ordinance or use or permit the use of any portion of the related Individual Property in any manner that could result in such use becoming a non-conforming use under any zoning ordinance or any other applicable land use law, rule or regulation, without the prior consent of Lender.

Section 5.18 ERISA. (a) No Borrower shall engage in any transaction which would cause any obligation, or action taken or to be taken, hereunder (or the exercise by Lender of any of its rights under the Note, this Agreement or the other Loan Documents) to be a non-exempt (under a statutory or administrative class exemption) prohibited transaction under ERISA.

(b) Each Borrower further covenants and agrees to deliver to Lender such certifications or other evidence from time to time throughout the term of the Loan, as requested by Lender in its sole discretion, that (i) such Borrower is not and does not maintain an "employee benefit plan" as defined in Section 3(3) of ERISA, which is subject to Title I of ERISA, or a "governmental plan" within the meaning of Section 3(3) of ERISA; (ii) such Borrower is not subject to state statutes regulating investments and fiduciary obligations with respect to governmental plans; and (iii) one or more of the following circumstances is true:

(A) Equity interests in such Borrower are publicly offered securities, within the meaning of 29 C.F.R. §2510.3-101(b)(2);

(B) Less than twenty-five percent (25%) of each outstanding class of equity interests in such Borrower are held by "benefit plan investors" within the meaning of 29 C.F.R. §2510.3-101 (f)(2); or

(C) Such Borrower qualifies as an "operating company" or a "real estate operating company" within the meaning of 29 C.F.R. §2510.3-101(c) or (e).

Section 5.19 No Joint Assessment. No Borrower shall suffer, permit or initiate the joint assessment of the related Individual Property with (a) any other real property constituting a tax lot separate from the related Individual Property, or (b) any portion of the related Individual Property which may be deemed to constitute personal property, or any other procedure whereby the Lien of any taxes which may be levied against such personal property shall be assessed or levied or charged to the related Individual Property.

Section 5.20 Reciprocal Easement Agreements. No Borrower shall enter into, terminate or modify any RE A without Lender's prior written consent, which consent shall not be unreasonably withheld, conditioned or delayed. Each Borrower shall enforce, comply with, and cause each of the parties to the REA to comply with all of the material economic terms and conditions contained in the REA.

Section 5.21 Alterations. Lender's prior approval shall be required in connection with any alterations to any Improvements, exclusive of alterations to tenant spaces required under any Lease, (a) that may have a material adverse effect on any Individual Property, (b) that are structural in nature, or (c) that, together with any other alterations undertaken at the same time (including any related alterations, improvements or replacements), are reasonably anticipated to have a cost in excess of the Alteration Threshold. If the total unpaid amounts

incurred and to be incurred with respect to such alterations to the Improvements shall at any time exceed the Alteration Threshold, the related Borrower shall promptly deliver to Lender as security for the payment of such amounts and as additional security for such Borrower's obligations under the Loan Documents any of the following: (i) cash, (ii) direct non-callable obligations of the United States of America or other obligations which are "government securities" within the meaning of Section 2(a)(16) of the Investment Company Act of 1940, to the extent acceptable to the applicable Rating Agencies, (iii) other securities acceptable to Lender and the Rating Agencies, or (iv) a completion bond, *provided* that such completion bond is acceptable to the Lender and the Rating Agencies. Such security shall be in an amount equal to the excess of the total unpaid amounts incurred and to be incurred with respect to such alterations to the Improvements over the Alteration Threshold.

Section 5.22 Trade Indebtedness. Each Borrower shall pay its trade payables and operational debt upon the earlier to occur of (a) sixty (60) days of the date incurred, and (b) the date the same is due and payable.

Section 5.23 Ground Lease. The Whittier Borrower shall comply with the Ground Lease covenants in Article XIX of the Mortgage applicable to the Whittier Property.

Section 5.24 Certificates of Occupancy. Within thirty (30) days of the Closing Date, the Stockton Borrower shall deliver to Lender copies of the certificates of occupancy for buildings D, F & G at the Stockton Property.

ARTICLE VI

ENTITY COVENANTS

Section 6.1 Single Purpose Entity/Separateness. Until the Debt has been paid in full, each Borrower represents, warrants and covenants as follows:

(a) Each Borrower has not and will not:

(i) engage in any business or activity other than the ownership, operation and maintenance of the related Individual Property, and activities incidental thereto;

(ii) acquire or own any assets other than (A) the applicable Individual Property, and (B) such incidental Personal Property as may be necessary for the operation of such Individual Property;

(iii) merge into or consolidate with any Person, or dissolve, terminate, liquidate in whole or in part, transfer or otherwise dispose of all or substantially all of its assets or change its legal structure;

(iv) fail to observe all applicable organizational formalities, or fail to preserve its existence as an entity duly organized, validly existing and in good standing (if applicable) under the applicable Legal Requirements of the jurisdiction of its

organization or formation, or amend, modify, terminate or fail to comply with the provisions of its organizational documents;

(v) own any subsidiary, or make any investment in, any Person;

(vi) commingle its assets with the assets of any other Person;

(vii) incur any debt, secured or unsecured, direct or contingent (including guaranteeing any obligation), other than (A) the Debt, (B) trade and operational indebtedness incurred in the ordinary course of business with trade creditors, provided such indebtedness is (1) unsecured, (2) not evidenced by a note, (3) on commercially reasonable terms and conditions, and (4) due not more than sixty (60) days past the date incurred and paid on or prior to such date, and/or (C) financing leases and purchase money indebtedness incurred in the ordinary course of business relating to Personal Property on commercially reasonable terms and conditions; *provided*, *however*, the aggregate amount of the indebtedness described in (B) and (C) shall not exceed at any time three percent (3%) of the outstanding principal amount of the Note;

(viii) fail to maintain its records, books of account, bank accounts, financial statements, accounting records and other entity documents separate and apart from those of any other Person; except that each Borrower's financial position, assets, liabilities, net worth and operating results may be included in the consolidated financial statements of an Affiliate, *provided* that such consolidated financial statements contain a footnote indicating that such Borrower is a separate legal entity and that it maintains separate books and records;

(ix) enter into any contract or agreement with any general partner, member, shareholder, principal, guarantor of the obligations of any Borrower, or any Affiliate of the foregoing, except upon terms and conditions that are intrinsically fair, commercially reasonable and substantially similar to those that would be available on an arm's-length basis with unaffiliated third parties;

(x) maintain its assets in such a manner that it will be costly or difficult to segregate, ascertain or identify its individual assets from those of any other Person;

(xi) assume or guaranty the debts of any other Person, hold itself out to be responsible for the debts of any other Person, or otherwise pledge its assets for the benefit of any other Person or hold out its credit as being available to satisfy the obligations of any other Person except, in each case, as provided by the Loan Documents;

(xii) make any loans or advances to any Person;

(xiii) fail to file its own tax returns or files a consolidated federal income tax return with any Person (unless prohibited or required, as the case may be, by applicable Legal Requirements);

(xiv) fail either to hold itself out to the public as a legal entity separate and distinct from any other Person or to conduct its business solely in its own name or fail to correct any known misunderstanding regarding its separate identity;

(xv) fail to maintain adequate capital for the normal obligations reasonably foreseeable in a business of its size and character and in light of its contemplated business operations;

(xvi) if it is a partnership or limited liability company, without the unanimous written consent of all of its partners or members, as applicable, (a) file or consent to the filing of any petition, either voluntary or involuntary, to take advantage of any Creditors Rights Laws, (b) seek or consent to the appointment of a receiver, liquidator or any similar official, (c) take any action that might cause such entity to become insolvent, or (d) make an assignment for the benefit of creditors;

(xvii) fail to allocate shared expenses (including, without limitation, shared office space and services performed by an employee of an Affiliate) among the Persons sharing such expenses or to use separate stationery, invoices and checks;

(xviii) fail to remain solvent or pay its own liabilities (including, without limitation, salaries of its own employees) only from its own funds;

(xix) acquire obligations or securities of its partners, members, shareholders or other affiliates, as applicable;

(xx) violate or cause to be violated the assumptions made with respect to Borrower and its principals in any opinion letter pertaining to substantive consolidation delivered to Lender in connection with the Loan; or

(xxi) fail to maintain a sufficient number of employees in light of its contemplated business operations.

(b) If a Borrower is a partnership or a limited liability company (other than a single-member Delaware limited liability company that meets all of the requirements of Sections 6.1 (c) and 6.1(d) of this Agreement), each general partner in the case of a general partnership, at least one general partner in the case of a limited partnership, or the managing member in the case of a limited liability company (each an "SPE Component Entity") of such Borrower, as applicable, shall be a corporation or a Delaware limited liability company meeting all of the requirements of Sections 6.1(c) and 6.1(d). The sole asset of an SPE Component Entity (if any) shall be a direct interest in such Borrower of not less than one-half of one percent (0.5%). Each SPE Component Entity (i) will at all times comply with each of the covenants, terms and provisions contained in Section 6.1 (a)(iii) - (vi) and (viii) - (xxi), as if such representation, warranty or covenant was made directly by such SPE Component Entity; (ii) will not engage in any business or activity other than owning an interest in such Borrower; (iii) will not acquire or own any assets other than its partnership, membership, or other equity interest in such Borrower; (iv) will not incur any debt, secured or unsecured, direct or contingent (including guaranteeing any obligation); and (v) will cause such Borrower to comply with the provisions of this Section 6.1. Prior to the withdrawal or the disassociation of any SPE Component Entity

from such Borrower, such Borrower shall immediately appoint a new general partner or managing member whose articles of incorporation or limited liability company agreement are substantially similar to those of such SPE Component Entity and, if an opinion letter pertaining to substantive consolidation was required at closing, deliver a new opinion letter acceptable to Lender and the Rating Agencies with respect to the new SPE Component Entity and its equity owners. Notwithstanding the foregoing, to the extent a Borrower is a single member Delaware limited liability company, so long as such Borrower maintains such formation status and complies with the requirements of Section 6.1(c) and 6.1(d) hereof, no SPE Component Entity shall be required.

(c) In the event a Borrower or a SPE Component Entity (if any) is a single-member Delaware limited liability company that has only one (1) member, the limited liability company agreement of such entity (the "LLC Agreement") shall provide that (i) upon the occurrence of any event that causes the sole member of such entity ("Member") to cease to be the member of such entity (other than (A) upon an assignment by Member of all of its limited liability company interest in such entity and the admission of the transferee, or (B) the resignation of Member and the admission of an additional member in either case in accordance with the terms of the Loan Documents and the LLC Agreement), a specified person who is not an equity member of such Borrower and who has signed the LLC Agreement shall without any action of any other Person and simultaneously with the Member ceasing to be the member of such entity, automatically be admitted to such entity ("Special Member") and shall continue such entity without dissolution and (ii) Special Member may not resign from such entity or transfer its rights as Special Member unless a successor Special Member has been admitted to such entity as Special Member in accordance with requirements of Delaware law. The LLC Agreement shall further provide that (i) Special Member shall automatically cease to be a member of such entity upon the admission to such entity of a substitute Member, (ii) Special Member shall be a member of such entity that has no interest in the profits, losses and capital of such entity and has no right to receive any distributions of such entity assets, (iii) pursuant to Section 18-301 of the Delaware Limited Liability Company Act (the "Act"), Special Member shall not be required to make any capital contributions to such entity and shall not receive a limited liability company interest in such entity, (iv) Special Member, in its capacity as Special Member, may not bind such entity, and (v) except as required by any mandatory provision of the Act, Special Member, in its capacity as Special Member, shall have no right to vote on, approve or otherwise consent to any action by, or matter relating to, such entity, including, without limitation, the merger, consolidation or conversion of such entity. In order to implement the admission to such entity of Special Member, Special Member shall execute a counterpart to the LLC Agreement. Prior to its admission to such entity as Special Member, Special Member shall not be a member of such entity.

(d) In the event a Borrower or SPE Component entity (if any) is a Delaware limited liability company having only one (1) member ("Member"), upon the occurrence of any event that causes the Member to cease to be a member of such entity, to the fullest extent permitted by law, the personal representative of Member shall, within ninety (90) days after the occurrence of the event that terminated the continued membership of Member in such entity, agree in writing (i) to continue such entity and (ii) to the admission of the personal representative or its nominee or designee, as the case may be, as a substitute member of such entity, effective as of the occurrence of the event that terminated the continued membership of Member of such

entity in such entity. Any action initiated by or brought against Member or Special Member under any Creditors Rights Laws shall not cause Member or Special Member to cease to be a member of such entity and upon the occurrence of such an event, the business of such entity shall continue without dissolution. The LLC Agreement shall *provide* that each of Member and Special Member waives any right it might have to agree in writing to dissolve such entity upon the occurrence of any action initiated by or brought against Member or Special Member under any Creditors Rights Laws, or the occurrence of an event that causes Member or Special Member to cease to be a member of such entity.

(e) Each of the Borrowers shall at all times have as its sole member a limited liability company having organizational documents substantially similar to those of Extra Space Properties Nine LLC at the time of the Closing Date.

Section 6.2 Change of Name, Identity or Structure. No Borrower shall change or permit to be changed (a) such Borrower's name, (b) such Borrower's identity (including its trade name or names), (c) such Borrower's principal place of business set forth on the first page of this Agreement, (d) the corporate, partnership or other organizational structure of such Borrower, each SPE Component Entity (if any), or Borrower Principal, (e) such Borrower's state of organization, or (f) such Borrower's organizational identification number, without in each case notifying Lender of such change in writing at least thirty (30) days prior to the effective date of such change and, in the case of a change in any Borrower's structure, without first obtaining the prior written consent of Lender. In addition, no Borrower shall change or permit to be changed any organizational documents of any Borrower or any SPE Component Entity (if any) if such change would violate, cause such organizational documents to conflict with, or otherwise adversely impact the covenants set forth in Section 6.1 hereof. Borrowers authorize Lender to file any financing statement or financing statement amendment required by Lender to establish or maintain the validity, perfection and priority of the security interest granted herein. At the request of Lender, each Borrower shall execute a certificate in form satisfactory to Lender listing the trade names under which such Borrower intends to operate the related Individual Property, and representing and warranting that such Borrower does business under no other trade name with respect to the related Individual Property. If any Borrower does not now have an organizational identification number and later obtains one, or if the organizational identification number assigned to such Borrower subsequently changes, such Borrower shall promptly notify Lender of such organizational identification number or change.

Section 6.3 Business and Operations. Borrowers will qualify to do business and will remain in good standing under the laws of the State as and to the extent the same are required for the ownership, maintenance, management and operation of each Individual Property.

Section 6.4 Backwards Representations as to each Borrower.

(a) Borrower Entity. Each Borrower hereby represents with respect to each Borrower that from the date of such entity's respective formation to the date of this Agreement:

1. is and always has been duly formed, validly existing, and in good standing in the state of its formation and in all other jurisdictions where it is qualified to do business;

2. has no judgments or liens of any nature against it except for tax liens not yet due;

3. is in compliance with all laws, regulations, and orders applicable to it and has received all permits necessary for it to operate;

4. is not involved in any dispute with any taxing authority;

5. has paid all taxes which it owes;

6. has never owned any real property other than the applicable Individual Property and Personal Property necessary or incidental to its ownership or operation of the Individual Property and has never engaged in any business other than the ownership and operation of the Individual Property;

7. is not now, nor has ever been, party to any lawsuit, arbitration, summons, or legal proceeding that is still pending or that resulted in a judgment against it that has not been paid in full;

8. has provided Lender with complete financial statements that reflect a fair and accurate view of the entity's financial condition;

9. has prepared a Phase One environmental report(s) for each Individual Property and no such environmental report has recommended further testing or remediation of any area of environmental concern which has not been corrected in full.;

10. has materially complied with the separateness covenants referred to in the Nonconsolidation Opinion since its formation; and

11. has no material contingent or actual obligations not related to the Individual Property; and

(b) Borrower Separateness. Each Borrower hereby represents from the date of such entity's respective formation to the date of this Agreement that it:

1. has not entered into any contract or agreement with any of its Affiliates, constituents, or owners, or any guarantors of any of its obligations or any Affiliate of any of the foregoing (individually, a "Related Party" and collectively, the "Related Parties"), except upon terms and conditions that are commercially reasonable and substantially similar to those available in an arm's-length transaction with an unrelated party;

2. has paid all of its debts and liabilities from its assets;

3. has done or caused to be done all things necessary to observe all organizational formalities applicable to it and to preserve its existence;

4. has maintained all of its books, records, financial statements and bank accounts separate from those of any other Person;
5. has not had its assets listed as assets on the financial statement of any other Person;
6. has filed its own tax returns (except to the extent that it has been a tax-disregarded entity not required to file tax returns under applicable law, or has properly filed a consolidated tax return) and, if it is a corporation, has not filed a consolidated federal income tax return with any other Person;
7. has been, and at all times has held itself out to the public as, a legal entity separate and distinct from any other Person (including any Affiliate or other Related Party);
8. has corrected any known misunderstanding regarding its status as a separate entity;
9. has conducted all of its business and held all of its assets in its own name;
10. has not identified itself or any of its affiliates as a division or part of the other;
11. has maintained and utilized separate stationery, invoices and checks bearing its own name;
12. has not commingled its assets with those of any other Person and has held all of its assets in its own name;
13. has not guaranteed or become obligated for the debts of any other Person;
14. has not held itself out as being responsible for the debts or obligations of any other Person;
15. has allocated fairly and reasonably any overhead expenses that have been shared with an Affiliate, including paying for office space and services performed by any employee of an Affiliate or Related Party;
16. has not pledged its assets to secure the obligations of any other Person and no such pledge remains outstanding except in connection with the Loan;
17. has maintained adequate capital in light of its contemplated business operations;
18. has maintained a sufficient number of employees in light of its contemplated business operations and has paid the salaries of its own employees from its own funds;

19. has not owned any subsidiary or any equity interest in any other entity;

20. has not incurred any indebtedness that is still outstanding other than indebtedness that is permitted under the Loan Documents; and

21. has not had any of its obligations guaranteed by an affiliate, except for guarantees that have been either released or discharged (or that will be discharged as a result of the closing of the Loan) or guarantees that are expressly contemplated by the Loan Documents.

ARTICLE VII

NO SALE OR ENCUMBRANCE

Section 7.1 Transfer Definitions. For purposes of this Article 7 an "Affiliated Manager" shall mean Extra Space Management, LLC or any managing agent in which any Borrower, Borrower Principal, any SPE Component Entity (if any) or any affiliate of such entities has, directly or indirectly, any legal, beneficial or economic interest; "Control" shall mean the power to direct the management and policies of a Restricted Party, directly or indirectly, whether through the ownership of voting securities or other beneficial interests, by contract or otherwise; "Restricted Party" shall mean any Borrower, Borrower Principal, any SPE Component Entity (if any), any Affiliated Manager, or any shareholder, partner, member or non-member manager, or any direct or indirect legal or beneficial owner of any Borrower, Borrower Principal, any SPE Component Entity (if any), any Affiliated Manager or any non-member manager but shall exclude Fidelity Investors and any direct or indirect or legal or beneficial owner of the Fidelity Investors; and a "Sale or Pledge" shall mean a voluntary or involuntary sale, conveyance, mortgage, grant, bargain, encumbrance, pledge, assignment, grant of any options with respect to, or any other transfer or disposition of (directly or indirectly, voluntarily or involuntarily, by operation of law or otherwise, and whether or not for consideration or of record) of a legal or beneficial interest.

Section 7.2 No Sale/Encumbrance. Subject to the provisions of Section 7.3, (a) No Borrower shall cause or permit a transfer of the Property nor permit a transfer of an interest in any Restricted Party (in each case, a "Prohibited Transfer"), other than pursuant to Leases of space in the Improvements to Tenants in accordance with the provisions of Section 5.13, without the prior written consent of Lender.

(b) A Prohibited Transfer shall include, but not be limited to, (i) an installment sales agreement wherein a Borrower agrees to sell an Individual Property or any part thereof for a price to be paid in installments; (ii) an agreement by a Borrower leasing all or a substantial part of the related Individual Property for other than actual occupancy by a space tenant thereunder or a sale, assignment or other transfer of, or the grant of a security interest in, Borrower's right, title and interest in and to any Leases or any Rents; (iii) if a Restricted Party is a corporation, any merger, consolidation or Sale or Pledge of such corporation's stock or the creation or issuance of new stock in one or a series of transactions; (iv) if a Restricted Party is a limited or general partnership or joint venture, any merger or consolidation or the change, removal, resignation or addition of a general partner or the Sale or Pledge of the partnership

interest of any general or limited partner or any profits or proceeds relating to such partnership interests or the creation or issuance of new partnership interests; (v) if a Restricted Party is a limited liability company, any merger or consolidation or the change, removal, resignation or addition of a managing member or non-member manager other than Kenneth M. Woolley or Kent W. Christensen or Charles L. Allen (or if no managing member, any member) or the Sale or Pledge of the membership interest of any member or any profits or proceeds relating to such membership interest; (vi) if a Restricted Party is a trust or nominee trust, any merger, consolidation or the Sale or Pledge of the legal or beneficial interest in a Restricted Party or the creation or issuance of new legal or beneficial interests; or (vii) the removal or the resignation of the Manager (including, without limitation, an Affiliated Manager) other than in accordance with Section 5.14.

Section 7.3 Permitted Transfers. (a) Notwithstanding the provisions of Section 7.2, the following transfers shall not be deemed to be a Prohibited Transfer: (i) a transfer by devise or descent or by operation of law upon the death of a member, partner or shareholder of a Restricted Party; (ii) the Sale or Pledge, in one or a series of transactions, of not more than forty-nine percent (49%) of the stock, limited partnership interests or non-managing membership interests (as the case may be) in a Restricted Party other than any Borrower except in connection with the transfers described in clauses (iii), (iv) and (v) below and the REIT OP Transfers (as defined below); (iii) the sale, pledge, transfer, conversion, issuance or redemption of publicly-traded securities in any publicly traded parent of any Borrower or of the securities issued by the REIT or the REIT OP (as defined below) provided the REIT controls the REIT OP, and the REIT is controlled by the holders of its publicly traded securities which are listed on the New York Stock Exchange or such other nationally recognized stock exchange; (iv) the conversion of the REIT OP (as defined below) units into securities of the REIT; or (v) (A) a buy out by Extra Space Storage LLC, a Delaware limited liability company "ESS") of any or all of the membership interests held by the Fidelity Investors in Extra Space Properties Four LLC, a Delaware limited liability company ("Extra Space Four") and the related assignment of Extra Space Four's membership interests in Extra Space Properties Nine LLC, a Delaware limited liability company ("Extra Space Nine") to ESS (if such related assignment shall occur); (B) a transfer all of the ownership interests owned by Extra Space Four in Extra Space Nine to an entity solely owned and Controlled by ESS which shall be Controlled by Woolley in connection with the transfer in clause (v)(A); or (C) the Fidelity Investors' right to replace the manager of Extra Space Four in accordance with Section 10.6 of that certain Extra Space Properties Four Limited Liability Company Agreement dated November 27, 2001; provided, however, except as otherwise specifically permitted in this Section 7.3 (a)(iii), (iv) and (v), no such transfers shall result in a change in Control in the Restricted Party or change in control of the Property or cause the transferee to own, together with its Affiliates, an aggregated interest in any Borrower or SPE Component Entity (if any), of greater than forty-nine percent (49%), whether such interest is direct or indirect, and as a condition to each such transfer described in clauses (a)(i), (ii) and (v) above, Lender shall receive not less than thirty (30) days prior written notice of such proposed transfer and Lender shall be reimbursed for all expenses (including legal fees) incurred by Lender in connection with all transfers permitted under this Section 7.3.

(b) In addition to and notwithstanding anything to the contrary contained in this Section 7.3, (i) ESS shall continue to own, directly or indirectly, the amount of the beneficial interests in Borrowers it owns as of the Closing Date and (ii) Kenneth M. Woolley ("Woolley")

shall continue to own, directly or indirectly, prior to the REIT IPO Transfers, at least ten 10% of the beneficial interests in ESS and Control (except to the extent that a change in such Control shall have occurred as a consequence of the transfer in Section 7.3(a)(v)(C) above), directly or indirectly, Borrowers (and after the REIT IPO Transfers, each Individual Property shall be managed by a Qualified Manager in the event Woolley does not own such beneficial interests, in ESS and does not Control the Borrowers). Except as otherwise specifically permitted in Section 7.3(a)(iii), (iv) and (v), any transfer that results in any Person owning in excess of forty-nine percent (49%) of the ownership interest in a Restricted Party shall comply with the requirements of Section 7.4 hereof.

(c) Additionally, the following transfers shall not be considered Prohibited Transfers: transfers of membership interests in ESS to (i) a newly-formed corporation (A) which has one or more classes of shares or other ownership interests that are registered with the Securities Exchange Commission and are publicly traded on a national securities exchange or in the over-the-counter securities market and (B) has the status of a real estate investment trust, as defined in Section 856(a) of the Internal Revenue Code and which satisfies the conditions and limitations set forth in Section 856(b) and 856(c) of the Internal Revenue Code ("REIT"), (ii) a newly-formed limited partnership controlled by the REIT formed for the purpose of functioning as the REIT's operating partnership (a "REIT OP") or (iii) a newly formed Massachusetts business trust formed as a subsidiary of the REIT for the purpose of being the general partner and/or the limited partner of the REIT OP ("REIT TRUST") (collectively, the "REIT IPO Transfers"), subject to satisfaction of the following conditions: (1) at all times the REIT or the REIT OP continues to own and control ESS, and ESS continues to own, directly or indirectly, all of Borrowers; (2) at all times the Borrowers shall be Controlled by Woolley or the REIT or the REIT OP (and a Qualified Manager shall manage each Individual Property); (3) Lender's receipt of written confirmation from the Rating Agencies that such transfer will not result in a downgrade, withdrawal or qualification of the initial, or if higher, then current ratings issued in connection with a Securitization, or if a Securitization has not occurred, any ratings to be assigned in connection with a Securitization and (4) Lender shall be reimbursed for all expenses (including legal fees) incurred by Lender in connection with the REIT IPO Transfers and Lender shall have received payment of a $10,000.00 processing fee.

(d) Woolley, as Borrower Principal, may be replaced by a Replacement Borrower Principal (as defined below) upon Borrowers' request and upon (i) Borrowers' satisfaction of the conditions in clauses Section 7.3(c) above, (ii) Lender's receipt of such documentation as Lender may require, each executed and delivered by the Replacement Borrower Principal (defined below), and (iii) Lender's determination that no actual pending or threatened actions or claims then exist against Lender, any Borrower or any Individual Property. Upon the satisfaction of all of the conditions in the immediately preceding sentence, Woolley shall be released from (y) liability as a Borrower Principal under Articles IV, V, XV and XVIII and Section 13.4 and such other provisions of this Agreement as to matters which occur after Woolley is replaced by the Replacement Borrower Principal, and (z) liability for matters arising under Section 12.6 of this Agreement and under the Environmental Indemnity Agreement as to matters which occur after Woolley is replaced by the Replacement Borrower Principal; provided, however, Woolley shall remain liable for actions that occurred prior to such replacement and for actions that arise after such replacement but the causes of which occurred while Woolley was

Borrower Principal. As used above, "Replacement Borrower Principal" shall mean the REIT OP.

Section 7.4 Lender's Rights. Lender reserves the right to condition the consent to a Prohibited Transfer requested hereunder upon (a) a modification of the terms hereof and on assumption of the Note and the other Loan Documents as so modified by the proposed Prohibited Transfer, (b) receipt of payment of a transfer fee equal to one percent (1%) of the outstanding principal balance of the Loan and all of Lender's expenses incurred in connection with such Prohibited Transfer, (c) receipt of written confirmation from the Rating Agencies that the Prohibited Transfer will not result in a downgrade, withdrawal or qualification of the initial, or if higher, then current ratings issued in connection with a Securitization, or if a Securitization has not occurred, any ratings to be assigned in connection with a Securitization, (d) the proposed transferee's continued compliance with the covenants set forth in this Agreement (including, without limitation, the covenants in Article 6) and the other Loan Documents, (e) a new manager for the applicable Individual Property and a new management agreement satisfactory to Lender, and (f) the satisfaction of such other conditions and/or legal opinions as Lender shall determine in its sole discretion to be in the interest of Lender. All expenses incurred by Lender shall be payable by Borrowers whether or not Lender consents to the Prohibited Transfer. Lender shall not be required to demonstrate any actual impairment of its security or any increased risk of default hereunder in order to declare the Debt immediately due and payable upon a Prohibited Transfer made without Lender's consent. This provision shall apply to each and every Prohibited Transfer, whether or not Lender has consented to any previous Prohibited Transfer. Notwithstanding anything to the contrary contained in this Article 7, if any Sale, Pledge or other transfer of an interest in any Restricted Party (other than a transfer permitted under Section 7.3(a)(iii), (iv) or (v) or Section 7.3(c) results in any Person together with its Affiliates either having Control over any Restricted Party or owning an aggregated interest in excess of forty-nine percent (49%) of the ownership interests in a Restricted Party, whether such interest are direct or indirect, Borrowers shall, prior to such Sale, pledge or other transfer, and in addition to any other requirement for Lender consent contained herein, deliver a revised substantive non-consolidation opinion to Lender reflecting such transfer, which opinion shall be in form, scope and substance acceptable in all respects to Lender and the Rating Agencies.

Section 7.5 Assumption. Notwithstanding the foregoing provisions of this Article 7, following the date which is six (6) months from the Closing Date, Lender shall not unreasonably withhold consent to a transfer of the Property in its entirety to, and the related assumption of the Loan by, any Person (a "Transferee") *provided* that each of the following terms and conditions are satisfied:

(a) no Default or Event of Default has occurred;

(b) Borrowers shall have (i) delivered written notice to Lender of the terms of such prospective transfer not less than sixty (60) days before the date on which such transfer is scheduled to close and, concurrently therewith, all such information concerning the proposed Transferee as Lender shall reasonably require and (ii) paid to Lender a non-refundable processing fee in the amount of $10,000. Lender shall have the right to approve or disapprove the proposed transfer based on its then current underwriting and credit requirements for similar loans secured by similar properties which loans are sold in the secondary market, such approval

not to be unreasonably withheld. In determining whether to give or withhold its approval of the proposed transfer, Lender shall consider the experience and track record of Transferee and its principals in owning and operating facilities similar to the Property, the financial strength of Transferee and its principals, the general business standing of Transferee and its principals and Transferee's and its principals' relationships and experience with contractors, vendors, tenants, lenders and other business entities; *provided*, *however*, that, notwithstanding Lender's agreement to consider the foregoing factors in determining whether to give or withhold such approval, such approval shall be given or withheld based on what Lender determines to be commercially reasonable and, if given, may be given subject to such conditions as Lender may deem reasonably appropriate;

(c) Borrowers shall have paid to Lender, concurrently with the closing of such transfer, (i) a non-refundable assumption fee in an amount equal to one percent (1.0%) of the then outstanding principal balance of the Note, and (ii) all out-of-pocket costs and expenses, including reasonable attorneys' fees, incurred by Lender in connection with the transfer;

(d) Transferee assumes and agrees to pay the Debt as and when due subject to the provisions of Article 15 hereof and, prior to or concurrently with the closing of such transfer, Transferee and its constituent partners, members or shareholders as Lender may require, shall execute, without any cost or expense to Lender, such documents and agreements as Lender shall reasonably require to evidence and effectuate said assumption;

(e) Borrowers and Transferee, without any cost to Lender, shall furnish any information requested by Lender for the preparation of, and shall authorize Lender to file, new financing statements and financing statement amendments and other documents to the fullest extent permitted by applicable law, and shall execute any additional documents reasonably requested by Lender;

(f) Borrowers shall have delivered to Lender, without any cost or expense to Lender, such endorsements to Lender's Title Insurance Policy insuring that fee simple or leasehold title to the Property, as applicable, is vested in Transferee (subject to Permitted Encumbrances), hazard insurance endorsements or certificates and other similar materials as Lender may deem necessary at the time of the transfer, all in form and substance satisfactory to Lender;

(g) Transferee shall have furnished to Lender, if Transferee is a corporation, partnership, limited liability company or other entity, all appropriate papers evidencing Transferee's organization and good standing, and the qualification of the signers to execute the assumption of the Debt, which papers shall include certified copies of all documents relating to the organization and formation of Transferee and of the entities, if any, which are partners or members of Transferee. Transferee and such constituent partners, members or shareholders of Transferee (as the case may be), as Lender shall require, shall comply with the covenants set forth in Article 6 hereof;

(h) Transferee shall assume the obligations of Borrowers under any Management Agreement or provide a new management agreement with a new manager which

meets with the requirements of Section 5.14 hereof and assign to Lender as additional security such new management agreement;

(i) Transferee shall furnish an opinion of counsel satisfactory to Lender and its counsel (A) that Transferee's formation documents provide for the matters described in subparagraph (g) above, (B) that the assumption of the Debt has been duly authorized, executed and delivered, and that the Note, the Mortgages, this Agreement, the assumption agreement and the other Loan Documents are valid, binding and enforceable against Transferee in accordance with their terms, (C) that Transferee and any entity which is a controlling stockholder, member or general partner of Transferee, have been duly organized, and are in existence and good standing, and (E) with respect to such other matters as Lender may reasonably request;

(j) if required by Lender, Lender shall have received confirmation in writing from the Rating Agencies that rate the Securities to the effect that the transfer will not result in a qualification, downgrade or withdrawal of any rating initially assigned or to be assigned to the Securities;

(k) Borrowers' obligations under the contract of sale pursuant to which the transfer is proposed to occur shall expressly be subject to the satisfaction of the terms and conditions of this Section 7.5; and

(1) in the event a substantive non-consolidation opinion was required in connection with the closing of the Loan, Transferee shall, prior to such transfer, deliver a substantive non-consolidation opinion to Lender, which opinion shall be in form, scope and substance acceptable in all respects to Lender and the Rating Agencies.

A consent by Lender with respect to a transfer of the Property in its entirety to, and the related assumption of the Loan by, a Transferee pursuant to this Section 7.5 shall not be construed to be a waiver of the right of Lender to consent to any subsequent Sale or Pledge of the Property.

ARTICLE VIII

INSURANCE; CASUALTY; CONDEMNATION; RESTORATION

Section 8.1 Insurance.

(a) Borrowers shall obtain and maintain, or cause to be maintained, at all times insurance for each of the Borrowers and each of the Individual Properties providing at least the following coverages:

(i) comprehensive all risk insurance on the Improvements and the Personal Property, in each case (A) in an amount equal to one hundred percent (100%) of the "Full Replacement Cost," which for purposes of this Agreement shall mean actual replacement value (exclusive of costs of excavations, foundations, underground utilities and footings) with a waiver of depreciation; (B) containing an agreed amount endorsement with respect to the Improvements and Personal Property waiving all co-insurance provisions; (C) providing for no deductible in excess of $25,000 for all such insurance coverage; and (D)

if any of the Improvements or the use of the Property shall at any time constitute legal non-conforming structures or uses, providing coverage for contingent liability from Operation of Building Laws, Demolition Costs and Increased Cost of Construction Endorsements and containing an "Ordinance or Law Coverage" or "Enforcement" endorsement. In addition, Borrowers shall obtain: (y) if any portion of the Improvements is currently or at any time in the future located in a "special flood hazard area" designated by the Federal Emergency Management Agency, flood hazard insurance in an amount equal to the maximum amount of such insurance available under the National Flood Insurance Act of 1968, the Flood Disaster Protection Act of 1973 or the National Flood Insurance Reform Act of 1994, as each may be amended; and (z) earthquake insurance in amounts and in form and substance reasonably satisfactory to Lender in the event any of the Individual Properties are located in an area with a high degree of seismic risk, *provided* that the insurance pursuant to clauses (y) and (z) hereof shall be on terms consistent with the comprehensive all risk insurance policy required under this subsection (i);

(ii) Commercial General Liability insurance against claims for personal injury, bodily injury, death or property damage occurring upon, in or about each Individual Property, with such insurance (A) to be on the so-called "occurrence" form with a general aggregate limit of not less than $2,000,000 and a per occurrence limit of not less than $1,000,000; (B) to continue at not less than the aforesaid limit until required to be changed by Lender in writing by reason of changed economic conditions making such protection inadequate; and (C) to cover at least the following hazards: (1) premises and operations; (2) products and completed operations; (3) independent contractors; (4) blanket contractual liability; and (5) contractual liability covering the indemnities contained in Article 12 and Article 14 hereof to the extent the same is available;

(iii) loss of rents insurance or business income insurance, as applicable, (A) with loss payable to Lender; (B) covering all risks required to be covered by the insurance provided for in subsection (i) above; and (C) which provides that after the physical loss to the Improvements and Personal Property occurs, the loss of rents or income, as applicable, will be insured until such rents or income, as applicable, either return to the same level that existed prior to the loss, or the expiration of twenty-four (24) months, whichever first occurs, and notwithstanding that the policy may expire prior to the end of such period; and (D) which contains an extended period of indemnity endorsement which provides that after the physical loss to the Improvements and Personal Property has been repaired, the continued loss of income will be insured until such income either returns to the same level it was at prior to the loss, or the expiration of twelve (12) months from the date that the related Individual Property is repaired or replaced and operations are resumed, whichever first occurs, and notwithstanding that the policy may expire prior to the end of such period. For hotels, motels, health care, and other property types without a standard rent roll, the amount of business income insurance required shall be not less than twenty four (24) months of debt service, taxes, insurance, and other fixed expenses. The amount of such loss of rents or business income insurance, as applicable, shall be determined prior to the date hereof and at least once each year thereafter based on Borrowers' reasonable estimate of the gross income from the Individual Property for the succeeding period of coverage as required above. All

proceeds payable to Lender pursuant to this subsection shall be held by Lender and shall be applied to the obligations secured by the Loan Documents from time to time due and payable hereunder and under the Note; *provided, however,* that nothing herein contained shall be deemed to relieve Borrower of its obligations to pay the obligations secured by the Loan Documents on the respective dates of payment provided for in the Note, this Agreement and the other Loan Documents except to the extent such amounts are actually paid out of the proceeds of such loss of rents or business income insurance, as applicable;

(iv) at all times during which structural construction, repairs or alterations are being made with respect to the Improvements, and only if the Individual Property coverage form does not otherwise apply, (A) owner's contingent or protective liability insurance covering claims not covered by or under the terms or provisions of the above mentioned commercial general liability insurance policy; and (B) the insurance provided for in subsection (i) above written in a so-called Builder's Risk Completed Value form (1) on a non-reporting basis, (2) against "all risks" insured against pursuant to subsection (i) above, (3) including permission to occupy the Individual Property, and (4) with an agreed amount endorsement waiving co-insurance provisions;

(v) workers' compensation, subject to the statutory limits of the State, and employer's liability insurance in respect of any work or operations on or about the Individual Property, or in connection with the Individual Property or its operation (if applicable);

(vi) comprehensive boiler and machinery insurance, if applicable, in amounts as shall be reasonably required by Lender on terms consistent with the commercial property insurance policy required under subsection (i) above;

(vii) excess liability insurance in an amount not less than $10,000,000 per occurrence on terms consistent with the commercial general liability insurance required under subsection (ii) above;

(viii) insurance against damage resulting from acts of terrorism, on terms consistent with the commercial property insurance policy required under subsection (i) above and on terms consistent with the business income policy required under subsection (iii) above;

(ix) upon sixty (60) days' written notice, such other reasonable insurance and in such reasonable amounts as Lender from time to time may reasonably request against such other insurable hazards which at the time are commonly insured against for property similar to the each Individual Property located in or around the region in which an Individual Property is located.

(b) All insurance provided for in Section 8.1(a) shall be obtained under valid and enforceable policies (collectively, the "Policies" or in the singular, the "Policy"), and shall be subject to the approval of Lender as to insurance companies, amounts, deductibles, loss payees and insureds. The Policies shall be issued by financially sound and responsible insurance companies authorized to do business in the applicable State and having a claims paying ability

rating of "AA" or better by S&P. The Policies described in Section 8.1(a) shall designate Lender and its successors and assigns as additional insureds, mortgagees and/or loss payee as deemed appropriate by Lender. To the extent such Policies are not available as of the Closing Date, Borrower shall deliver certified copies of all Policies to Lender not later than thirty (30) days after the Closing Date. Not less than ten (10) days prior to the expiration dates of the Policies theretofore furnished to Lender, renewal Policies accompanied by evidence satisfactory to Lender of payment of the premiums due thereunder (the "Insurance Premiums") shall be delivered by Borrower to Lender.

(c) Any blanket insurance Policy shall specifically allocate to each Individual Property the amount of coverage from time to time required hereunder and shall otherwise provide the same protection as would a separate Policy insuring only the Individual Property in compliance with the provisions of Section 8.1(a).

(d) All Policies provided for or contemplated by Section 8.1(a), except for the Policy referenced in Section 8.1(a)(v), shall name the related Borrower as the insured and Lender as the additional insured, as its interests may appear, and in the case of property damage, boiler and machinery, flood and earthquake insurance, shall contain a so-called New York standard non-contributing mortgagee clause in favor of Lender providing that the loss thereunder shall be payable to Lender.

(e) All Policies provided for in Section 8.1(a) shall contain clauses or endorsements to the effect that:

(i) no act or negligence of any Borrower, or anyone acting for any Borrower, or of any Tenant or other occupant, or failure to comply with the provisions of any Policy, which might otherwise result in a forfeiture of the insurance or any part thereof, shall in any way affect the validity or enforceability of the insurance insofar as Lender is concerned;

(ii) the Policies shall not be materially changed (other than to increase the coverage provided thereby) or canceled without at least thirty (30) days' prior written notice to Lender and any other party named therein as an additional insured;

(iii) the issuers thereof shall give written notice to Lender if the Policies have not been renewed thirty (30) days prior to its expiration; and

(iv) Lender shall not be liable for any Insurance Premiums thereon or subject to any assessments thereunder.

If at any time Lender is not in receipt of written evidence that all insurance required hereunder is in full force and effect, Lender shall have the right, without notice to Borrowers, to take such action as Lender deems necessary to protect its interest in the Property, including, without limitation, obtaining such insurance coverage as Lender in its sole discretion deems appropriate. All premiums incurred by Lender in connection with such action or in obtaining such insurance and keeping it in effect shall be paid by Borrowers to Lender upon demand and, until paid, shall be secured by the Mortgages and shall bear interest at the Default Rate.

Section 8.2 Casualty. If an Individual Property shall be damaged or destroyed, in whole or in part, by fire or other casualty (a "Casualty"), Borrowers shall give prompt notice of such damage to Lender and shall promptly commence and diligently prosecute the Restoration of the related Individual Property in accordance with Section 8.4, whether or not Lender makes any Net Proceeds available pursuant to Section 8.4. Borrowers shall pay all costs of such Restoration whether or not such costs are covered by insurance. Lender may, but shall not be obligated to make proof of loss if not made promptly by Borrowers. Borrowers shall adjust all claims for Insurance Proceeds in consultation with, and approval of, Lender; *provided, however*, if an Event of Default has occurred and is continuing, Lender shall have the exclusive right to participate in the adjustment of all claims for Insurance Proceeds. Notwithstanding the foregoing, application of or distribution of insurance shall be subject to the Whittier Ground Lease and the Whittier Ground Lessor Agreement executed in connection therewith.

Section 8.3 Condemnation. Borrowers shall promptly give Lender notice of the actual or threatened commencement of any proceeding for the Condemnation of any Individual Property of which Borrowers have knowledge and shall deliver to Lender copies of any and all papers served in connection with such proceedings. Lender may participate in any such proceedings, and Borrowers shall from time to time deliver to Lender all instruments requested by it to permit such participation. Borrowers shall, at their expense, diligently prosecute any such proceedings, and shall consult with Lender, its attorneys and experts, and cooperate with them in the carrying on or defense of any such proceedings. Notwithstanding any taking by any public or quasi-public authority through Condemnation or otherwise (including but not limited to any transfer made in lieu of or in anticipation of the exercise of such taking), Borrowers shall continue to pay the Debt at the time and in the manner provided for its payment in the Note and in this Agreement and the Debt shall not be reduced until any Award shall have been actually received and applied by Lender, after the deduction of expenses of collection, to the reduction or discharge of the Debt. Lender shall not be limited to the interest paid on the Award by the condemning authority but shall be entitled to receive out of the Award interest at the rate or rates provided herein or in the Note. If the Property or any portion thereof is taken by a condemning authority, Borrowers shall promptly commence and diligently prosecute the Restoration of the Property and otherwise comply with the provisions of Section 8.4, whether or not Lender makes any Net Proceeds available pursuant to Section 8.4. If the Property is sold, through foreclosure or otherwise, prior to the receipt by Lender of the Award, Lender shall have the right, whether or not a deficiency judgment on the Note shall have been sought, recovered or denied, to receive the Award, or a portion thereof sufficient to pay the Debt. Notwithstanding the foregoing, application of or distribution of insurance shall be subject to the Whittier Ground Lease and Whittier Ground Lessor Agreement executed in connection therewith.

Section 8.4 Restoration. The following provisions shall apply in connection with the Restoration of an Individual Property:

(a) If the Net Proceeds shall be less than $50,000 and the costs of completing the Restoration shall be less than $50,000, the Net Proceeds will be disbursed by Lender to the related Borrower upon receipt, *provided* that all of the conditions set forth in Section 8.4(b)(i) are met and the related Borrower delivers to Lender a written undertaking to expeditiously commence and to satisfactorily complete with due diligence the Restoration in accordance with the terms of this Agreement.

(b) If the Net Proceeds are equal to or greater than $50,000 or the costs of completing the Restoration are equal to or greater than $50,000, Lender shall make the Net Proceeds available for the Restoration in accordance with the provisions of this Section 8.4. The term "Net Proceeds" for purposes of this Section 8.4 shall mean: (i) the net amount of all insurance proceeds received by Lender pursuant to Section 8.1(a)(i), (iv), (vi) and (viii) as a result of a Casualty, after deduction of its reasonable costs and expenses (including, but not limited to, reasonable counsel fees), if any, in collecting the same ("Insurance Proceeds"), or (ii) the net amount of the Award as a result of a Condemnation, after deduction of its reasonable costs and expenses (including, but not limited to, reasonable counsel fees), if any, in collecting the same ("Condemnation Proceeds"), whichever the case may be.

(i) The Net Proceeds shall be made available to the related Borrower for Restoration *provided* that each of the following conditions are met:

(A) no Event of Default shall have occurred and be continuing;

(B) (1) in the event the Net Proceeds are Insurance Proceeds, less than thirty percent (30%) of the total floor area of the Improvements on such Individual Property has been damaged, destroyed or rendered unusable as a result of a Casualty and the amount of damage does not exceed thirty percent (30%) of the Property's fair market value immediately prior to the occurrence of such Casualty, or (2) in the event the Net Proceeds are Condemnation Proceeds, less than ten percent (10%) of the land constituting such Individual Property is taken, such land is located along the perimeter or periphery of such Individual Property, and less than fifteen percent (15%) of the aggregate floor area of the Improvements is taken and the taking does not exceed fifteen percent (15%) of the Property's fair market value immediately prior to the occurrence of such taking;

(C) Leases covering in the aggregate at least seventy-five percent (75%) of the total rentable space in such Individual Property which has been demised under executed and delivered Leases in effect as of the date of the occurrence of such Casualty or Condemnation, whichever the case may be, and each Major Lease in effect as of such date shall remain in full force and effect during and after the completion of the Restoration without abatement of rent beyond the time required for Restoration;

(D) The related Borrower shall commence the Restoration as soon as reasonably practicable (but in no event later than sixty (60) days after such Casualty or Condemnation, whichever the case may be, occurs) and shall diligently pursue the same to satisfactory completion;

(E) Lender shall be satisfied that any operating deficits, including all scheduled payments of principal and interest under the Note, which will be incurred with respect to such Individual Property as a result of the occurrence of any such Casualty or Condemnation, whichever the case may be, will be covered out of the insurance coverage referred to in Section 8.1(a)(iii) above;

(F) Lender shall be satisfied that the Restoration will be completed on or before the earliest to occur of (1) six (6) months prior to the Maturity Date, (2) the earliest date required for such completion under the terms of any Leases or material agreements affecting such Individual Property, (3) such time as may be required under applicable zoning law, ordinance, rule or regulation, or (4) the expiration of the insurance coverage referred to in Section 8.1(a)(iii);

(G) such Individual Property and the use thereof after the Restoration will be in compliance with and permitted under all Legal Requirements;

(H) the Restoration shall be done and completed by the related Borrower in an expeditious and diligent fashion and in compliance with all applicable Legal Requirements;

(I) such Casualty or Condemnation, as applicable, does not result in the loss of access to such Individual Property or the Improvements;

(J) the related Borrower shall deliver, or cause to be delivered, to Lender a signed detailed budget approved in writing by such Borrower's architect or engineer stating the entire cost of completing the Restoration, which budget shall be acceptable to Lender; and

(K) the Net Proceeds together with any cash or cash equivalent deposited by the related Borrower with Lender are sufficient in Lender's reasonable judgment to cover the cost of the Restoration.

(ii) The Net Proceeds shall be held by Lender in an Eligible Account until disbursements commence, and, until disbursed in accordance with the provisions of this Section 8.4(b) (*provided*, *however*, that Insurance Proceeds from the Policies required to be maintained by such Borrower pursuant to Section 8.1(a)(iii) shall be controlled by the Lender at all times, shall not be subject to the provisions of this Section 8.4 and shall be used solely for the payment of the obligations under the Loan Documents and Operating Expenses), shall constitute additional security for the Debt and other obligations under the Loan Documents. The Net Proceeds shall be disbursed by Lender to, or as directed by, the related Borrower from time to time during the course of the Restoration, upon receipt of evidence satisfactory to Lender that (A) all of the conditions precedent to such advance, including those set forth in Section 8.4(b)(i), have been satisfied, (B) all materials installed and work and labor performed (except to the extent that they are to be paid for out of the requested disbursement) in connection with the related Restoration item have been paid for in full, and (C) there exist no notices of pendency, stop orders, mechanic's or materialman's liens or notices of intention to file same, or any other liens or encumbrances of any nature whatsoever on the related Individual Property which have not either been fully bonded to the satisfaction of Lender and discharged of record or in the alternative fully insured to the satisfaction of Lender by the title company issuing the Title Insurance Policy.

(iii) All plans and specifications required in connection with the Restoration shall be subject to prior review and acceptance in all respects by Lender and by an independent consulting engineer selected by Lender (the "Restoration Consultant"). Lender shall have the use of the plans and specifications and all permits, licenses and approvals required or obtained in connection with the Restoration. The identity of the contractors, subcontractors and materialmen engaged in the Restoration, as well as the contracts in excess of $50,000 under which they have been engaged, shall be subject to prior review and acceptance by Lender and the Restoration Consultant. All costs and expenses incurred by Lender in connection with making the Net Proceeds available for the Restoration, including, without limitation, reasonable counsel fees and disbursements and the Restoration Consultant's fees, shall be paid by the related Borrower.

(iv) In no event shall Lender be obligated to make disbursements of the Net Proceeds in excess of an amount equal to the costs actually incurred from time to time for work in place as part of the Restoration, as certified by the Restoration Consultant, minus the Restoration Retainage. The term "Restoration Retainage" shall mean an amount equal to ten percent (10%) of the costs actually incurred for work in place as part of the Restoration, as certified by the Restoration Consultant, until the Restoration has been completed. The Restoration Retainage shall be reduced to five percent (5%) of the costs incurred upon receipt by Lender of satisfactory evidence that fifty percent (50%) of the Restoration has been completed. The Restoration Retainage shall in no event, and notwithstanding anything to the contrary set forth above in this Section 8.4(b), be less than the amount actually held back by the related Borrower from contractors, subcontractors and materialmen engaged in the Restoration. The Restoration Retainage shall not be released until the Restoration Consultant certifies to Lender that the Restoration has been completed in accordance with the provisions of this Section 8.4(b)and that all approvals necessary for the re-occupancy and use of the related Individual Property have been obtained from all appropriate Governmental Authorities, and Lender receives evidence satisfactory to Lender that the costs of the Restoration have been paid in full or will be paid in full out of the Restoration Retainage; *provided, however*, that Lender will release the portion of the Restoration Retainage being held with respect to any contractor, subcontractor or materialman engaged in the Restoration as of the date upon which the Restoration Consultant certifies to Lender that the contractor, subcontractor or materialman has satisfactorily completed all work and has supplied all materials in accordance with the provisions of the contractor's, subcontractor's or materialman's contract, the contractor, subcontractor or materialman delivers the lien waivers and evidence of payment in full of all sums due to the contractor, subcontractor or materialman as may be reasonably requested by Lender or by the title company issuing the Title Insurance Policy, and Lender receives an endorsement to the Title Insurance Policy insuring the continued priority of the lien of the Mortgage and evidence of payment of any premium payable for such endorsement. If required by Lender, the release of any such portion of the Restoration Retainage shall be approved by the surety company, if any, which has issued a payment or performance bond with respect to the contractor, subcontractor or materialman.

(v) Lender shall not be obligated to make disbursements of the Net Proceeds more frequently than once every calendar month.

(vi) If at any time the Net Proceeds or the undisbursed balance thereof shall not, in the reasonable opinion of Lender in consultation with the Restoration Consultant, be sufficient to pay in full the balance of the costs which are estimated by the Restoration Consultant to be incurred in connection with the completion of the Restoration, Borrower shall deposit the deficiency (the "Net Proceeds Deficiency") with Lender before any further disbursement of the Net Proceeds shall be made. The Net Proceeds Deficiency deposited with Lender shall be held by Lender and shall be disbursed for costs actually incurred in connection with the Restoration on the same conditions applicable to the disbursement of the Net Proceeds, and until so disbursed pursuant to this Section 8.4(b) shall constitute additional security for the Debt and other obligations under the Loan Documents.

(vii) The excess, if any, of the Net Proceeds and the remaining balance, if any, of the Net Proceeds Deficiency deposited with Lender after the Restoration Consultant certifies to Lender that the Restoration has been completed in accordance with the provisions of this Section 8.4(b), and the receipt by Lender of evidence satisfactory to Lender that all costs incurred in connection with the Restoration have been paid in full, shall be remitted by Lender to the related Borrower, provided no Event of Default shall have occurred and shall be continuing under the Note, this Agreement or any of the other Loan Documents.

(c) All Net Proceeds not required (i) to be made available for the Restoration or (ii) to be returned to the related Borrower as excess Net Proceeds pursuant to Section 8.4(b)(vii) may (x) be retained and applied by Lender toward the payment of the Debt whether or not then due and payable in such order, priority and proportions as Lender in its sole discretion shall deem proper, or, (y) at the sole discretion of Lender, the same may be paid, either in whole or in part, to the related Borrower for such purposes and upon such conditions as Lender shall designate.

(d) In the event of foreclosure of the Mortgages, or other transfer of title to the Property in extinguishment in whole or in part of the Debt, all right, title and interest of Borrowers in and to the Policies then in force concerning the Property and all proceeds payable thereunder shall thereupon vest in the purchaser at such foreclosure, Lender or other transferee in the event of such other transfer of title.

ARTICLE IX

RESERVE FUNDS

Section 9.1 Required Repairs.

(a) Borrowers shall make the repairs and improvements to the Property set forth on Schedule I and as more particularly described in the Physical Conditions Report prepared in connection with the closing of the Loan (such repairs hereinafter referred to as "Required Repairs"). Borrowers shall complete the Required Repairs in a good and workmanlike manner on or before the date that is twelve (12) months from the date hereof or within such other time frame for completion specifically set forth on Schedule I.

(b) Borrowers shall establish on the date hereof an Eligible Account with Lender to fund the Required Repairs (the "Required Repair Account") into which Borrower shall deposit on the date hereof the amount of 0.00, which amount equals 125% of the estimated cost for the completion of the Required Repairs. Amounts so deposited shall hereinafter be referred to as the "Required Repair Funds."

Section 9.2 Replacements.

(a) On an ongoing basis throughout the term of the Loan, Borrowers shall make capital repairs, replacements and improvements necessary to keep each Individual Property in good order and repair and in a good marketable condition or prevent deterioration of each Individual Property, including, but not limited to, those repairs, replacements and improvements more particularly described in the related Physical Conditions Report prepared in connection with the closing of the Loan (collectively, the "Replacements") and as more particularly set forth on Schedule II attached hereto. Borrowers shall complete all Replacements in a good and workmanlike manner as soon as commercially reasonable after commencing to make each such Replacement.

(b) Borrowers shall establish on the date hereof an Eligible Account with Lender to fund the Replacements (the "Replacement Reserve Account") into which Borrower shall deposit on the date hereof $0.00. In addition, Borrower shall deposit $4,131.00 (the "Replacement Reserve Monthly Deposit") into the Replacement Reserve Account on each Scheduled Payment Date in months one (1) through twelve (12) of the term of the Loan, and thereafter the Replacement Reserve Monthly Deposit shall become the amount of $2,665.18. Amounts so deposited shall hereinafter be referred to as "Replacement Reserve Funds." Lender may, in its reasonable discretion, adjust the Replacement Reserve Monthly Deposit from time to time sufficient to maintain the proper maintenance and operation of each Individual Property. In the event Lender shall at any time increase the Replacement Reserve Monthly Deposit, Borrowers may, at their election, request that Lender obtain, at the sole cost and expense of Borrowers, a Physical Conditions Report prepared by an engineer selected by Lender, in its reasonable discretion, in which case the Replacement Reserve Monthly Deposit shall be adjusted by Lender based on the results of such report, *provided* that in no event shall such amounts be reduced below the initial amount of the Replacement Reserve Monthly Deposit set forth herein.

Section 9.3 Intentionally Reserved.

Section 9.4 Required Work. Borrowers shall diligently pursue all Required Repairs and Replacements (collectively, the "Required Work") to completion in accordance with the following requirements:

(a) Lender reserves the right, at its option, to approve all contracts or work orders with materialmen, mechanics, suppliers, subcontractors, contractors or other parties providing labor or materials in connection with the Required Work to the extent such contracts or work orders exceed $50,000. Upon Lender's request, Borrowers shall assign any contract or subcontract to Lender.

(b) In the event Lender determines in its reasonable discretion that any Required Work is not being or has not been performed in a workmanlike or timely manner, Lender shall have the option to withhold disbursement for such unsatisfactory Required Work and to proceed under existing contracts or to contract with third parties to complete such Required Work and to apply the Required Repair Funds or the Replacement Reserve Funds, as applicable, toward the labor and materials necessary to complete such Required Work, without providing any prior notice to Borrowers and to exercise any and all other remedies available to Lender upon an Event of Default hereunder.

(c) In order to facilitate Lender's completion of the Required Work, Borrowers grant Lender the right to enter onto each Individual Property and perform any and all work and labor necessary to complete the Required Work and/or employ watchmen to protect each Individual Property from damage. All sums so expended by Lender, to the extent not from the Reserve Funds, shall be deemed to have been advanced under the Loan to Borrowers and secured by the Mortgages. For this purpose Borrowers constitute and appoint Lender its true and lawful attorney-in-fact with full power of substitution to complete or undertake the Required Work in the name of Borrowers upon Borrowers' failure to do so in a workmanlike and timely manner. Such power of attorney shall be deemed to be a power coupled with an interest and cannot be revoked. Borrowers empower said attorney-in-fact as follows: (i) to use any of the Reserve Funds for the purpose of making or completing the Required Work; (ii) to make such additions, changes and corrections to the Required Work as shall be necessary or desirable to complete the Required Work; (iii) to employ such contractors, subcontractors, agents, architects and inspectors as shall be required for such purposes; (iv) to pay, settle or compromise all existing bills and claims which are or may become Liens against any Individual Property, or as may be necessary or desirable for the completion of the Required Work, or for clearance of title; (v) to execute all applications and certificates in the name of Borrowers which may be required by any of the contract documents; (vi) to prosecute and defend all actions or proceedings in connection with any Individual Property or the rehabilitation and repair of any Individual Property; and (vii) to do any and every act which Borrowers might do on their own behalf to fulfill the terms of this Agreement.

(d) Nothing in this Section 9.4 shall: (i) make Lender responsible for making or completing the Required Work; (ii) require Lender to expend funds in addition to the Reserve Funds to make or complete any Required Work; (iii) obligate Lender to proceed with the Required Work; or (iv) obligate Lender to demand from Borrowers additional sums to make or complete any Required Work.

(e) Borrowers shall permit Lender and Lender's agents and representatives (including, without limitation, Lender's engineer, architect, or inspector) or third parties performing Required Work pursuant to this Section 9.4 to enter onto any Individual Property during normal business hours (subject to the rights of tenants under their Leases) to inspect the progress of any Required Work and all materials being used in connection therewith, to examine all plans and shop drawings relating to such Required Work which are or may be kept at an Individual Property, and to complete any Required Work made pursuant to this Section 9.4. Borrowers shall cause all contractors and subcontractors to cooperate with Lender and Lender's representatives or such other persons described above in connection with inspections described in this Section 9.4 or the completion of Required Work pursuant to this Section 9.4.

(f) Lender may, to the extent any Required Work would reasonably require an inspection of the Property, inspect any Individual Property at Borrowers' expense prior to making a disbursement of the Reserve Funds in order to verify completion of the Required Work for which reimbursement is sought. Borrowers shall pay Lender a reasonable inspection fee not exceeding $1,000 for each such inspection. Lender may require that such inspection be conducted by an appropriate independent qualified professional selected by Lender and/or may require a copy of a certificate of completion by an independent qualified professional acceptable to Lender prior to the disbursement of the Reserve Funds. Borrowers shall pay the expense of the inspection as required hereunder, whether such inspection is conducted by Lender or by an independent qualified professional.

(g) The Required Work and all materials, equipment, fixtures, or any other item comprising a part of any Required Work shall be constructed, installed or completed, as applicable, free and clear of all mechanic's, materialman's or other Liens (except for Permitted Encumbrances).

(h) Before each disbursement of the Reserve Funds, Lender may require the related Borrower to provide Lender with a search of title to the related Individual Property effective to the date of the disbursement, which search shows that no mechanic's or materialmen's or other Liens of any nature have been placed against the related Individual Property since the date of recordation of the Mortgage and that title to the Property is free and clear of all Liens (except for Permitted Encumbrances).

(i) All Required Work shall comply with all Legal Requirements and applicable insurance requirements including, without limitation, applicable building codes, special use permits, environmental regulations, and requirements of insurance underwriters.

(j) Borrowers hereby assign to Lender all rights and claims Borrowers may have against all Persons supplying labor or materials in connection with the Required Work; *provided, however*, that Lender may not pursue any such rights or claims unless an Event of Default has occurred and remains uncured.

Section 9.5 Release of Reserve Funds.

(a) Upon written request from a Borrower and satisfaction of the requirements set forth in this Agreement, Lender shall disburse to the related Borrower amounts from (i) the Required Repair Account to the extent necessary to reimburse the related Borrower for the actual costs of each Required Repair (but not exceeding 125% of the original estimated cost of such Required Repair as set forth on Schedule I, unless Lender has agreed to reimburse such Borrower for such excess cost pursuant to Section 9.5(f)) or (ii) the Replacement Reserve Account to the extent necessary to reimburse such Borrower for the actual costs of any approved Replacements. Notwithstanding the preceding sentence, in no event shall Lender be required to (x) disburse any amounts which would cause the amount of funds remaining in the Required Repair Account after any disbursement (other than with respect to the final disbursement) to be less than 125% of the then current estimated cost of completing all remaining Required Repairs for the related Individual Property, (y) disburse funds from any of the Reserve Accounts if an Event of Default exists, or (z) disburse funds from the Replacement Reserve Account to reimburse the related

Borrower for the costs of routine repairs or maintenance to the related Individual Property or for costs which are to be reimbursed from funds held in the Required Repair Account.

(b) Each request for disbursement from any of the Reserve Accounts shall be on a form provided or approved by Lender and shall (i) include copies of invoices for all items or materials purchased and all labor or services provided and (ii) specify (A) the Required Work for which the disbursement is requested, (B) the quantity and price of each item purchased, if the Required Work includes the purchase or replacement of specific items, (C) the price of all materials (grouped by type or category) used in any Required Work other than the purchase or replacement of specific items, and (D) the cost of all contracted labor or other services applicable to each Required Work for which such request for disbursement is made. With each request the related Borrower shall certify that all Required Work has been performed in accordance with all Legal Requirements. Except as provided in Section 9.5(d), each request for disbursement shall be made only after completion of the Required Repair, Replacement (or the portion thereof completed in accordance with Section 9.5(d)), for which disbursement is requested. The related Borrower shall provide Lender evidence satisfactory to Lender in its reasonable judgment of such completion or performance.

(c) Borrowers shall pay all invoices in connection with the Required Work with respect to which a disbursement is requested prior to submitting such request for disbursement from the Reserve Accounts or, at the request of a Borrower, Lender will issue joint checks, payable to such Borrower and the contractor, supplier, materialman, mechanic, subcontractor or other party to whom payment is due in connection with the Required Work. In the case of payments made by joint check, Lender may require a waiver of lien from each Person receiving payment prior to Lender's disbursement of the Reserve Funds. In addition, as a condition to any disbursement, Lender may require such Borrower to obtain lien waivers from each contractor, supplier, materialman, mechanic or subcontractor who receives payment in an amount equal to or greater than $10,000 for completion of its work or delivery of its materials. Any lien waiver delivered hereunder shall conform to all Legal Requirements and shall cover all work performed and materials supplied (including equipment and fixtures) for the related Individual Property by that contractor, supplier, subcontractor, mechanic or materialman through the date covered by the current disbursement request (or, in the event that payment to such contractor, supplier, subcontractor, mechanic or materialmen is to be made by a joint check, the release of lien shall be effective through the date covered by the previous release of funds request).

(d) If (i) the cost of any item of Required Work exceeds $50,000, (ii) the contractor performing such Required Work requires periodic payments pursuant to terms of a written contract, and (iii) Lender has approved in writing in advance such periodic payments, a request for disbursement from the Reserve Accounts may be made after completion of a portion of the work under such contract, provided (A) such contract requires payment upon completion of such portion of work, (B) the materials for which the request is made are on site at an Individual Property and are properly secured or have been installed in the Property, (C) all other conditions in this Agreement for disbursement have been satisfied, and (D) in the case of a Replacement, funds remaining in the Replacement Reserve Account are, in Lender's judgment, sufficient to complete such Replacement and other Replacements when required.

(e) Borrowers shall not make a request for, nor shall Lender have any obligation to make, any disbursement from any Reserve Account more frequently than once in any calendar month and (except in connection with the final disbursement) in any amount less than the lesser of (i) $10,000 or (ii) the total cost of the Required Work for which the disbursement is requested.

(f) In the event any Borrower requests a disbursement from the Required Repair Account to reimburse such Borrower for the actual cost of labor or materials used in connection with repairs or improvements other than the Required Repairs specified on Schedule I, or for a Required Repair to the extent the cost of such Required Repair exceeds 125% of the estimated cost of such Required Repair as set forth on Schedule I (in either case, an "Additional Required Repair"), such Borrower shall disclose in writing to Lender the reason why funds in the Required Repair Account should be used to pay for such Additional Required Repair. If Lender determines that (i) such Additional Required Repair is of the type intended to be covered by the Required Repair Account, (ii) such Additional Required Repair is not covered or is not of the type intended to be covered by the Replacement Reserve Account, (iii) costs for such Additional Required Repair are reasonable, (iv) the funds in the Required Repair Account are sufficient to pay for such Additional Required Repair and all other Required Repairs for the related Individual Property specified on Schedule I, and (v) all other conditions for disbursement under this Agreement have been met, Lender may disburse funds from the Required Repair Account.

(g) In the event any Borrower requests a disbursement from the Replacement Reserve Account to reimburse such Borrower for the actual cost of labor or materials used in connection with repairs or improvements other than the Replacements specified in the related Physical Conditions Report prepared in connection with the closing of the Loan (an "Additional Replacement"), such Borrower shall disclose in writing to Lender the reason why funds in the Replacement Reserve Account should be used to pay for such Additional Replacement. If Lender determines that (i) such Additional Replacement is of the type intended to be covered by the Replacement Reserve Account, (ii) such Additional Replacement is not covered or is not of the type intended to be covered by the Required Repair Account, (iii) costs for such Additional Replacement are reasonable, (iv) the funds in the Replacement Reserve Account are sufficient to pay for such Additional Replacement and all other Replacements for the Property specified in the Physical Conditions Report, and (v) all other conditions for disbursement under this Agreement have been met, Lender may disburse funds from the Replacement Reserve Account.

(h) Lender's disbursement of any Reserve Funds or other acknowledgment of completion of any Required Work in a manner satisfactory to Lender shall not be deemed a certification or warranty by Lender to any Person that the Required Work has been completed in accordance with Legal Requirements.

(i) If the funds in any Reserve Account should exceed the amount of payments actually applied by Lender for the purposes of the account, Lender in its sole discretion shall either return any excess to the related Borrower or credit such excess against future payments to be made to that Reserve Account. In allocating any such excess, Lender may deal with the Person shown on Lender's records as being the owner of the related Individual Property. If at any time Lender reasonably determines that the Reserve Funds are not or will not be

sufficient to make the required payments, Lender shall notify the related Borrower of such determination and the related Borrower shall pay to Lender any amount necessary to make up the deficiency within ten (10) days after notice from Lender to the related Borrower requesting payment thereof.

(j) The insufficiency of any balance in any of the Reserve Accounts shall not relieve Borrowers from its obligation to fulfill all preservation and maintenance covenants in the Loan Documents.

(k) Upon the earlier to occur of (i) the timely completion of all Required Repairs and any Additional Required Repairs, if any, in accordance with the requirements of this Agreement, as verified by Lender in its reasonable discretion, or (ii) the payment in full of the Debt, all amounts remaining on deposit, if any, in the Required Repair Account shall be returned to the related Borrower or the Person shown on Lender's records as being the owner of the related Individual Property and no other party shall have any right or claim thereto.

(1) Upon payment in full of the Debt, all amounts remaining on deposit, if any, in the Replacement Reserve Account shall be returned to Borrowers or the Person shown on Lender's records as being the owner of the Property and no other party shall have any right or claim thereto.

Section 9.6 Tax and Insurance Reserve Funds. Borrowers shall establish on the date hereof an Eligible Account with Lender or Lender's agent sufficient to discharge Borrower's obligations for the payment of Taxes and Insurance Premiums pursuant to Section 5.4 and Section 8.1 hereof (the "Tax and Insurance Reserve Account") into which Borrowers shall deposit on the date hereof $91,604.53, which amount, when added to the required monthly deposits set forth in the next sentence, is sufficient to make the payments of Taxes and Insurance Premiums as required herein. Borrowers shall deposit into the Tax and Insurance Reserve Account on each Scheduled Payment Date (a) one-twelfth of the Taxes that Lender estimates will be payable during the next ensuing twelve (12) months or such higher amount necessary to accumulate with Lender sufficient funds to pay all such Taxes at least thirty (30) days prior to the earlier of (i) the date that the same will become delinquent and (ii) the date that additional charges or interest will accrue due to the non-payment thereof, and (b) except to the extent Lender has waived the insurance escrow because the insurance required hereunder is maintained under a blanket insurance Policy acceptable to Lender in accordance with Section 8. l(c), one-twelfth of the Insurance Premiums that Lender estimates will be payable during the next ensuing twelve (12) months for the renewal of the coverage afforded by the Policies upon the expiration thereof or such higher amount necessary to accumulate with Lender sufficient funds to pay all such Insurance Premiums at least thirty (30) days prior to the expiration of the Policies (said amounts in (a) and (b) above hereinafter called the "Tax and Insurance Reserve Funds"). Lender will apply the Tax and Insurance Reserve Funds to payments of Taxes and Insurance Premiums required to be made by Borrowers pursuant to Section 5.4 and Section 8.1 hereof. In making any disbursement from the Tax and Insurance Reserve Account, Lender may do so according to any bill, statement or estimate procured from the appropriate public office or tax lien service (with respect to Taxes) or insurer or agent (with respect to Insurance Premiums), without inquiry into the accuracy of such bill, statement or estimate or into the validity of any tax, assessment, sale, forfeiture, tax lien or title or claim

thereof. If the amount of the Tax and Insurance Reserve Funds shall exceed the amounts due for Taxes and Insurance Premiums pursuant to Sections 5.4 and Section 8.1 hereof, Lender shall, in its sole discretion, return any excess to Borrowers or credit such excess against future payments to be made to the Tax and Insurance Reserve Account. In allocating any such excess, Lender may deal with the person shown on Lender's records as being the owner of each Individual Property. Any amount remaining in the Tax and Insurance Reserve Account after the Debt has been paid in full shall be returned to the related Borrower or the person shown on Lender's records as being the owner of the related Individual Property and no other party shall have any right or claim thereto. If at any time Lender reasonably determines that the Tax and Insurance Reserve Funds are not or will not be sufficient to pay Taxes and Insurance Premiums by the dates set forth in (a) and (b) above, Lender shall notify Borrowers of such determination and Borrowers shall pay to Lender any amount necessary to make up the deficiency within ten (10) days after notice from Lender to Borrower requesting payment thereof.

Section 9.7 Intentionally Reserved.

Section 9.8 Intentionally Reserved.

Section 9.9 Reserve Funds Generally. (a) (i) Except for the Replacement Reserve Account, no earnings or interest on the Reserve Accounts shall be payable to Borrowers. Neither Lender nor any loan servicer that at any time holds or maintains the non-interest-bearing Reserve Accounts shall have any obligation to keep or maintain the Reserve Accounts or any funds deposited therein in interest-bearing accounts. If Lender or any such loan servicer elects in its sole and absolute discretion to keep or maintain any non-interest-bearing Reserve Accounts or any funds deposited therein in an interest-bearing account, the account shall be an Eligible Account and (A) such funds shall be invested in Permitted Investments, and (B) all interest earned or accrued thereon shall be for the account of and be retained by Lender or such loan servicer.

(ii) Funds deposited in the Replacement Reserve Account shall be held in an interest-bearing business savings account and interest shall be credited to Borrowers. In no event shall Lender or any loan servicer that at any time holds or maintains the Replacement Reserve Account be required to select any particular interest-bearing account or the account that yields the highest rate of interest, *provided* that selection of the account shall be consistent with the general standards at the time being utilized by Lender or the loan servicer, as applicable, in establishing similar accounts for loans of comparable type. All such interest shall be and become part of the Replacement Reserve Account and shall be disbursed in accordance with Section 9.5 above; *provided, however*, that Lender may, at its election, retain any such interest for its own account during the occurrence and continuance of an Event of Default. Borrowers agree that they shall include all interest on Replacement Reserve Funds as the income of Borrowers (and, if a Borrower is a partnership or other pass-through entity, the partners, members or beneficiaries of Borrowers, as the case may be), and shall be the owner of the Replacement Reserve Funds for federal and applicable state and local tax purposes, except to the extent that Lender retains any interest for its own account during the occurrence and continuance of an Event of Default as provided herein.

(b) Borrowers grant to Lender a first-priority perfected security interest in, and assigns and pledges to Lender, each of the Reserve Accounts and any and all Reserve Funds now or hereafter deposited in the Reserve Accounts as additional security for payment of the Debt. Until expended or applied in accordance herewith, the Reserve Accounts and the Reserve Funds shall constitute additional security for the Debt. The provisions of this Section 9.9 are intended to give Lender or any subsequent holder of the Loan "control" of the Reserve Accounts within the meaning of the UCC.

(c) The Reserve Accounts and any and all Reserve Funds now or hereafter deposited in the Reserve Accounts shall be subject to the exclusive dominion and control of Lender, which shall hold the Reserve Accounts and any or all Reserve Funds now or hereafter deposited in the Reserve Accounts subject to the terms and conditions of this Agreement. Borrower shall have no right of withdrawal from the Reserve Accounts or any other right or power with respect to the Reserve Accounts or any or all of the Reserve Funds now or hereafter deposited in the Reserve Accounts, except as expressly provided in this Agreement.

(d) Lender shall furnish or cause to be furnished to Borrowers, without charge, an annual accounting of each Reserve Account in the normal format of Lender or its loan servicer, showing credits and debits to such Reserve Account and the purpose for which each debit to each Reserve Account was made.

(e) As long as no Event of Default has occurred, Lender shall make disbursements from the Reserve Accounts in accordance with this Agreement. All such disbursements shall be deemed to have been expressly pre-authorized by Borrowers, and shall not be deemed to constitute the exercise by Lender of any remedies against Borrowers unless an Event of Default has occurred and is continuing and Lender has expressly stated in writing its intent to proceed to exercise its remedies as a secured party, pledgee or lienholder with respect to the Reserve Accounts.

(f) If any Event of Default occurs, Borrowers shall immediately lose all of their rights to receive disbursements from the Reserve Accounts until the earlier to occur of (i) the date on which such Event of Default is cured to Lender's satisfaction, or (ii) the payment in full of the Debt. In addition, at Lender's election, Borrowers shall lose all of their rights to receive interest on the Replacement Reserve Account during the occurrence and continuance of an Event of Default. Upon the occurrence of any Event of Default, Lender may exercise any or all of its rights and remedies as a secured party, pledgee and lienholder with respect to the Reserve Accounts. Without limitation of the foregoing, upon any Event of Default, Lender may use and disburse the Reserve Funds (or any portion thereof) for any of the following purposes: (A) repayment of the Debt, including, but not limited to, principal prepayments and the prepayment premium applicable to such full or partial prepayment (as applicable); (B) reimbursement of Lender for all losses, fees, costs and expenses (including, without limitation, reasonable legal fees) suffered or incurred by Lender as a result of such Event of Default; (C) payment of any amount expended in exercising any or all rights and remedies available to Lender at law or in equity or under this Agreement or under any of the other Loan Documents; (D) payment of any item from any of the Reserve Accounts as required or permitted under this Agreement; or (E) any other purpose permitted by applicable law; *provided*, *however*, that any such application of funds shall not cure or be deemed to cure any Event of Default. Without

limiting any other provisions hereof, each of the remedial actions described in the immediately preceding sentence shall be deemed to be a commercially reasonable exercise of Lender's rights and remedies as a secured party with respect to the Reserve Funds and shall not in any event be deemed to constitute a setoff or a foreclosure of a statutory banker's lien. Nothing in this Agreement shall obligate Lender to apply all or any portion of the Reserve Funds to effect a cure of any Event of Default, or to pay the Debt, or in any specific order of priority. The exercise of any or all of Lender's rights and remedies under this Agreement or under any of the other Loan Documents shall not in any way prejudice or affect Lender's right to initiate and complete a foreclosure under the Mortgages.

(g) The Reserve Funds shall not constitute escrow or trust funds and may be commingled with other monies held by Lender. Notwithstanding anything else herein to the contrary, Lender may commingle in one or more Eligible Accounts (i) any and all funds controlled by Lender, including, without limitation, funds pledged in favor of Lender by other borrowers, whether for the same purposes as the Reserve Accounts or otherwise. Without limiting any other provisions of this Agreement or any other Loan Document, the Reserve Accounts may be established and held in such name or names as Lender or its loan servicer, as agent for Lender, shall deem appropriate, including, without limitation, in the name of Lender or such loan servicer as agent for Lender. In the case of any Reserve Account which is held in a commingled account, Lender or its loan servicer, as applicable, shall maintain records sufficient to enable it to determine at all times which portion of such account is related to the Loan. The Reserve Accounts are solely for the protection of Lender. With respect to the Reserve Accounts, Lender shall have no responsibility beyond the allowance of due credit for the sums actually received by Lender or beyond the reimbursement or payment of the costs and expenses for which such accounts were established in accordance with their terms. Upon assignment of the Loan by Lender, any Reserve Funds shall be turned over to the assignee and any responsibility of Lender as assignor shall terminate. The requirements of this Agreement concerning the Reserve Accounts in no way supersede, limit or waive any other rights or obligations of the parties under any of the Loan Documents or under applicable law.

(h) Borrowers shall not, without obtaining the prior written consent of Lender, further pledge, assign or grant any security interest in the Reserve Accounts or the Reserve Funds deposited therein or permit any Lien to attach thereto, except for the security interest granted in this Section 9.9, or any levy to be made thereon, or any UCC Financing Statements, except those naming Lender as the secured party, to be filed with respect thereto.

(i) Borrowers will maintain the security interest created by this Section 9.9 as a first priority perfected security interest and will defend the right, title and interest of Lender in and to the Reserve Accounts and the Reserve Funds against the claims and demands of all Persons whomsoever. At any time and from time to time, upon the written request of Lender, and at the sole expense of Borrowers, Borrowers will promptly and duly execute and deliver such further instruments and documents and will take such further actions as Lender reasonably may request for the purpose of obtaining or preserving the full benefits of this Agreement and of the rights and powers herein granted.

(j) Lender shall be protected in acting upon any notice, resolution, request, consent, order, certificate, report, opinion, bond or other paper, document or signature believed

by Lender to be genuine, and it may be assumed conclusively that any Person purporting to give any of the foregoing in connection with the Reserve Accounts has been duly authorized to do so. Lender may consult with counsel, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by them hereunder and in good faith in accordance therewith. Lender shall not be liable to Borrowers for any act or omission done or omitted to be done by Lender in reliance upon any instruction, direction or certification received by Lender and without gross negligence or willful misconduct.

(k) Beyond the exercise of reasonable care in the custody thereof, Lender shall have any duty as to any Reserve Funds in its possession or control as agent therefor or bailee thereof or any income thereon or the preservation of rights against any person or otherwise with respect thereto. In no event shall Lender or its Affiliates, agents, employees or bailees, be liable or responsible for any loss or damage to any of the Reserve Funds, or for any diminution in value thereof, by reason of the act or omission of Lender, except to the extent that such loss or damage results from Lender's gross negligence or willful misconduct or intentional nonperformance by Lender of its obligations under this Agreement.

ARTICLE X

INTENTIONALLY RESERVED

ARTICLE XI

EVENTS OF DEFAULT; REMEDIES

Section 11.1 Event of Default. The occurrence of any one or more of the following events shall constitute an "Event of Default":

(a) if any portion of the Debt is not paid prior to the tenth day following the date the same is due or if the entire Debt is not paid on or before the Maturity Date;

(b) except as otherwise expressly provided in the Loan Documents, if any of the Taxes or Other Charges are not paid when the same are due and payable;

(c) if the Policies are not kept in full force and effect, or if certified copies of the Policies are not delivered to Lender as provided in Section 8.1;

(d) if any Borrower breaches any covenant with respect to itself or any SPE Component Entity (if any) contained in Article 6 or any covenant contained in Article 7 hereof;

(e) if any representation or warranty of, or with respect to, any Borrower, Borrower Principal, any SPE Component Entity, or any member, general partner, principal or beneficial owner of any of the foregoing, made herein, in any other Loan Document, or in any certificate, report, financial statement or other instrument or document furnished to Lender at the time of the closing of the Loan or during the term of the Loan shall have been false or misleading in any material respect when made;

(f) if (i) any Borrower, or any managing member or general partner of any Borrower, Borrower Principal, or any SPE Component Entity (if any) shall commence any case, proceeding or other action (A) under any Creditors Rights Laws, seeking to have an order for relief entered with respect to it, or seeking to adjudicate it a bankrupt or insolvent, or seeking reorganization, or (B) seeking appointment of a receiver, trustee, custodian, conservator or other similar official for it or for all or any substantial part of its assets, or any Borrower, any managing member or general partner of any Borrower, Borrower Principal, or any SPE Component Entity (if any) shall make a general assignment for the benefit of its creditors; or (ii) there shall be commenced against any Borrower, any managing member or general partner of any Borrower, Borrower Principal, or any SPE Component Entity (if any) any case, proceeding or other action of a nature referred to in clause (i) above which (A) results in the entry of an order for relief or any such adjudication or appointment or (B) remains undismissed, undischarged or unbonded for a period of sixty (60) days; or (iii) there shall be commenced against any Borrower, any managing member or general partner of Borrower, Borrower Principal, or any SPE Component Entity (if any) any case, proceeding or other action seeking issuance of a warrant of attachment, execution, distraint or similar process against all or any substantial part of its assets which results in the entry of any order for any such relief which shall not have been vacated, discharged, or stayed or bonded pending appeal within sixty (60) days from the entry thereof; or (iv) any Borrower, any managing member or general partner of any Borrower, Borrower Principal, or any SPE Component Entity (if any) shall take any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the acts set forth in clause (i), (ii), or (iii) above; or (v) any Borrower, any managing member or general partner of any Borrower, Borrower Principal, or any SPE Component Entity (if any) shall generally not, or shall be unable to, or shall admit in writing its inability to, pay its debts as they become due;

(g) if any Borrower shall be in default beyond applicable notice and grace periods under any other mortgage, deed of trust, deed to secure debt or other security agreement covering any part of any Individual Property, whether it be superior or junior in lien to the Mortgages

(h) if any Individual Property becomes subject to any mechanic's, materialman's or other Lien other than a Lien for any Taxes or Other Charges not then due and payable and the Lien shall remain undischarged of record (by payment, bonding or otherwise) for a period of thirty (30) days;

(i) if any federal tax lien is filed against any Borrower, any member or general partner of any Borrower, Borrower Principal, or any SPE Component Entity (if any) or the Property and same is not discharged of record within thirty (30) days after same is filed;

(j) if a judgment is filed against any Borrower in excess of $10,000 which is not vacated or discharged within 30 days;

(k) if any default occurs under any guaranty or indemnity executed in connection herewith and such default continues after the expiration of applicable grace periods, if any;

(l) if any Borrower shall permit any event within its control to occur that would cause any REA to terminate without notice or action by any party thereto or would entitle any party to terminate any REA and the term thereof by giving notice to any Borrower; or any REA shall be surrendered, terminated or canceled for any reason or under any circumstance whatsoever except as provided for in such REA; or any term of any REA shall be modified or supplemented without Lender's consent; or any Borrower shall fail, within ten (10) Business Days after demand by Lender, to exercise its option to renew or extend the term of any REA or shall fail or neglect to pursue diligently all actions necessary to exercise such renewal rights pursuant to such REA except as provided for in such REA;

(m) if any Borrower shall continue to be in default under any other term, covenant or condition of this Agreement or any of the Loan Documents for more than ten (10) days after notice from Lender in the case of any default which can be cured by the payment of a sum of money or for thirty (30) days after notice from Lender in the case of any other default, *provided* that if such default cannot reasonably be cured within such thirty (30) day period and such Borrower shall have commenced to cure such default within such thirty (30) day period and thereafter diligently and expeditiously proceeds to cure the same, such thirty (30) day period shall be extended for so long as it shall require such Borrower in the exercise of due diligence to cure such default, it being agreed that no such extension shall be for a period in excess of sixty (60) days;

(n) if any of the assumptions contained in any opinion relating to issues of substantive consolidation delivered to the Lender in connection with the Loan, or in any other opinion relating to substantive consolidation delivered subsequent to the closing of the Loan, is or shall become untrue in any material respect;

(o) if the Whittier Borrower shall fail in the payment of any rent, additional rent or other charge mentioned in or made payable by the Whittier Ground Lease when said rent or other charge is due and payable subject to such Borrower's right, if any, to timely and properly contest said rent or other charge, so long as such Borrower shall not be in default under the Whittier Ground Lease for failure to pay said rent or other charge during the pendency of such contest and (ii) the Whittier Borrower is diligently and continuously contesting said rent or other charge; or

(p) if there shall occur any default by the Whittier Borrower in the observance or performance of any term, covenant or condition of the Whittier Ground Lease on the part of the Whittier Borrower to be observed or performed, and said default is not cured prior to the expiration of any applicable grace period therein provided, or if any one or more of the events referred to in the Whittier Ground Lease shall occur which would cause the Whittier Ground Lease to terminate without notice or action by the ground lessor or which would entitle the ground lessor to terminate the Whittier Ground Lease and the term thereof by giving notice to the Whittier Borrower, as lessee thereunder, or if the leasehold estate created by the Whittier Ground Lease shall be surrendered or the Whittier Ground Lease shall be terminated or cancelled for any reason or under any circumstances whatsoever, or if any of the terms, covenants or conditions of the Whittier Ground Lease shall in any manner be modified, changed, supplemented, altered, or amended without the prior written consent of Lender, or if the Whittier Borrower shall fail to exercise any option to renew the Whittier Ground Lease or shall fail to or neglect to pursue

diligently all actions necessary to exercise such renewal rights pursuant to the terms of the Whittier Ground Lease.

Section 11.2 Remedies.

(a) Upon the occurrence of an Event of Default (other than an Event of Default described in Section 11.1(f) above) and at any time thereafter Lender may, in addition to any other rights or remedies available to it pursuant to this Agreement and the other Loan Documents or at law or in equity, take such action, without notice or demand, that Lender deems advisable to protect and enforce its rights against Borrowers and in the Property, including, without limitation, declaring the Debt to be immediately due and payable, and Lender may enforce or avail itself of any or all rights or remedies provided in the Loan Documents against Borrowers and the Property, including, without limitation, all rights or remedies available at law or in equity; and upon any Event of Default described in Section 11.1(f) above, the Debt and all other obligations of Borrowers hereunder and under the other Loan Documents shall immediately and automatically become due and payable, without notice or demand, and Borrowers hereby expressly waive any such notice or demand, anything contained herein or in any other Loan Document to the contrary notwithstanding.

(b) Upon the occurrence of an Event of Default, all or any one or more of the rights, powers, privileges and other remedies available to Lender against Borrower under this Agreement or any of the other Loan Documents executed and delivered by, or applicable to, Borrower or at law or in equity may be exercised by Lender at any time and from time to time, whether or not all or any of the Debt shall be declared due and payable, and whether or not Lender shall have commenced any foreclosure proceeding or other action for the enforcement of its rights and remedies under any of the Loan Documents with respect to the Property. Any such actions taken by Lender shall be cumulative and concurrent and may be pursued independently, singularly, successively, together or otherwise, at such time and in such order as Lender may determine in its sole discretion, to the fullest extent permitted by law, without impairing or otherwise affecting the other rights and remedies of Lender permitted by law, equity or contract or as set forth herein or in the other Loan Documents.

ARTICLE XII

ENVIRONMENTAL PROVISIONS

Section 12.1 Environmental Representations and Warranties. Borrowers represent and warrant, based upon an Environmental Report of the Property and information that Borrowers know or should reasonably have known, that: (a) there are no Hazardous Materials or underground storage tanks in, on, or under the Properties, except those that are both (i) in compliance with Environmental Laws and with permits issued pursuant thereto (if such permits are required), if any, and (ii) either (A) in the case of Hazardous Materials, in amounts not in excess of that necessary to operate the Individual Properties for the purposes set forth herein or (B) fully disclosed to and approved by Lender in writing pursuant to an Environmental Report; (b) there are no past, present or threatened Releases of Hazardous Materials in material violation of any Environmental Law or which would require remediation by a Governmental Authority in, on, under or

from any Individual Property except as described in the Environmental Report; (c) there is no threat of any Release of Hazardous Materials migrating to the any Individual Property except as described in the Environmental Report; (d) there is no past or present material non-compliance with Environmental Laws, or with permits issued pursuant thereto, in connection with the Individual Properties except as described in the Environmental Report; (e) Borrowers do not know of, and has not received, any written or oral notice or other communication from any Person relating to Hazardous Materials in, on, under or from any Individual Property; and (f) Borrowers have truthfully and fully provided to Lender, in writing, any and all information relating to environmental conditions in, on, under or from the Individual Properties known to Borrowers or contained in Borrowers' files and records, including but not limited to any reports relating to Hazardous Materials in, on, under or migrating to or from the Individual Properties and/or to the environmental condition of the Individual Properties.

Section 12.2 Environmental Covenants. Borrowers covenant and agree that so long as Borrowers own, manage, is in possession of, or otherwise control the operation of the Individual Properties: (a) all uses and operations on or of the Individual Properties, whether by Borrowers or any other Person, shall be in compliance with all Environmental Laws and permits issued pursuant thereto; (b) there shall be no Releases of Hazardous Materials in, on, under or from any Individual Property; (c) there shall be no Hazardous Materials in, on, or under any Individual Property, except those that are both (i) in compliance with all Environmental Laws and with permits issued pursuant thereto, if and to the extent required, and (ii) (A) in amounts not in excess of that necessary to operate the Individual Properties for the purposes set forth herein or (B) fully disclosed to and approved by Lender in writing; (d) Borrowers shall keep the Individual Properties free and clear of all Environmental Liens; (e) Borrowers shall, at their sole cost and expense, fully and expeditiously cooperate in all activities pursuant to Section 12.4 below, including but not limited to providing all relevant information and making knowledgeable persons available for interviews; (f) Borrowers shall, at their sole cost and expense, perform any environmental site assessment or other investigation of environmental conditions in connection with any Individual Property, pursuant to any reasonable written request of Lender, upon Lender's reasonable belief that any Individual Property is not in full compliance with all Environmental Laws, and share with Lender the reports and other results thereof, and Lender and other Indemnified Parties shall be entitled to rely on such reports and other results thereof; (g) Borrowers shall, at their sole cost and expense, comply with all reasonable written requests of Lender to (i) reasonably effectuate remediation of any Hazardous Materials in, on, under or from any Individual Property; and (ii) comply with any Environmental Law; (h) Borrowers shall not allow any tenant or other user of any Individual Property to violate any Environmental Law; and (i) Borrowers shall immediately notify Lender in writing after it has become aware of (A) any presence or Release or threatened Release of Hazardous Materials in, on, under, from or migrating towards any Individual Property; (B) any non-compliance with any Environmental Laws related in any way to any Individual Property; (C) any actual or potential Environmental Lien against any Individual Property; (D) any required or proposed remediation of environmental conditions relating to any Individual Property; and (E) any written or oral notice or other communication of which Borrowers becomes aware from any source whatsoever (including but not limited to a Governmental Authority) relating in any way to Hazardous Materials. Any failure of Borrowers to perform their obligations pursuant to this Section 12.2 shall constitute bad faith waste with respect to the Individual Properties.

Section 12.3 Lender's Rights. Upon reasonable written notice (except in the case of an emergency, determined in Lender's sole discretion, or if an Event of Default has occurred and is continuing) Lender and any other Person designated by Lender, including but not limited to any representative of a Governmental Authority, and any environmental consultant, and any receiver appointed by any court of competent jurisdiction, shall have the right, but not the obligation, to enter upon any Individual Property at all reasonable times to assess any and all aspects of the environmental condition of any Individual Property and its use, including but not limited to conducting any environmental assessment or audit (the scope of which shall be determined in Lender's sole discretion) and taking samples of soil, groundwater or other water, air, or building materials, and conducting other invasive testing. Borrowers shall cooperate with and provide access to Lender and any such person or entity designated by Lender.

Section 12.4 Operations and Maintenance Programs. If recommended by the Environmental Report or any other environmental assessment or audit of the any of the Individual Properties, Borrowers shall establish and comply with an operations and maintenance program with respect to any Individual Property, in form and substance reasonably acceptable to Lender, prepared by an environmental consultant reasonably acceptable to Lender, which program shall address any asbestos-containing material or lead based paint that may now or in the future be detected at or on any Individual Property. Without limiting the generality of the preceding sentence, Lender may require (a) periodic notices or reports to Lender in form, substance and at such intervals as Lender may specify, (b) an amendment to such operations and maintenance program to address changing circumstances, laws or other matters, (c) at Borrowers' sole expense, supplemental examination of any Individual Property by consultants specified by Lender, (d) access to any Individual Property by Lender, its agents or servicer, to review and assess the environmental condition of any Individual Property and Borrowers' compliance with any operations and maintenance program, and (e) variation of the operations and maintenance program in response to the reports provided by any such consultants.

Section 12.5 Environmental Definitions. "Environmental Law" means any present and future federal, state and local laws, statutes, ordinances, rules, regulations, standards, policies and other government directives or requirements, as well as common law, including but not limited to the Comprehensive Environmental Response, Compensation and Liability Act and the Resource Conservation and Recovery Act that apply to the related Borrower or the Individual Properties and relate to Hazardous Materials or protection of human health or the environment. "Environmental Liens" means all Liens and other encumbrances imposed pursuant to any Environmental Law, whether due to any act or omission of Borrowers or any other Person. "Environmental Report" means the written reports resulting from the environmental site assessments of each of the Individual Properties delivered to Lender in connection with the Loan. "Hazardous Materials" shall mean petroleum and petroleum products and compounds containing them, including gasoline, diesel fuel and oil; explosives, flammable materials; radioactive materials; polychlorinated biphenyls and compounds containing them; lead and lead-based paint; asbestos or asbestos-containing materials in any form that is or could become friable; underground or above-ground storage tanks, whether empty or containing any substance; any substance the presence of which on any Individual Property is prohibited by any federal, state or local authority; any substance that requires special handling; and any other material or substance now or in the future defined as a "hazardous substance," "hazardous material", "hazardous waste", "toxic substance", "toxic pollutant", "contaminant", or "pollutant" within the

meaning of any Environmental Law. “Release” of any Hazardous Materials includes but is not limited to any release, deposit, discharge, emission, leaking, spilling, seeping, migrating, injecting, pumping, pouring, emptying, escaping, dumping, disposing or other movement of Hazardous Materials.

Section 12.6 Indemnification.

(a) Except with respect to Whittier Property and the Stockton Property Borrowers and Borrower Principal covenant and agree at their sole cost and expense, to protect, defend, indemnify, release and hold Indemnified Parties harmless from and against any and all Losses imposed upon or incurred by or asserted against any Indemnified Parties and directly or indirectly arising out of or in any way relating to any one or more of the following: (i) any presence of any Hazardous Materials in, on, above, or under any Individual Property; (ii) any past, present or threatened Release of Hazardous Materials in, on, above, under or from any Individual Property; (iii) any activity by Borrowers, any Person affiliated with Borrowers, and any Tenant or other user of any Individual Property in connection with any actual, proposed or threatened use, treatment, storage, holding, existence, disposition or other Release, generation, production, manufacturing, processing, refining, control, management, abatement, removal, handling, transfer or transportation to or from any Individual Property of any Hazardous Materials at any time located in, under, on or above any Individual Property or any actual or proposed remediation of any Hazardous Materials at any time located in, under, on or above any Individual Property, whether or not such remediation is voluntary or pursuant to court or administrative order, including but not limited to any removal, remedial or corrective action; (iv) any past, present or threatened non-compliance or violations of any Environmental Laws (or permits issued pursuant to any Environmental Law) in connection with any Individual Property or operations thereon, including but not limited to any failure by any Borrower, any person or entity affiliated with any Borrower, and any tenant or other user of any Individual Property to comply with any order of any Governmental Authority in connection with any Environmental Laws; (v) the imposition, recording or filing or the threatened imposition, recording or filing of any Environmental Lien encumbering any Individual Property; (vi) any acts of any Borrower, any person or entity affiliated with any Borrower, and any tenant or other user of any Individual Property in (A) arranging for disposal or treatment, Or arranging with a transporter for transport for disposal or treatment, of Hazardous Materials at any facility or incineration vessel containing such or similar Hazardous Materials or (B) accepting any Hazardous Materials for transport to disposal or treatment facilities, incineration vessels or sites from which there is a Release, or a threatened Release of any Hazardous Substance which causes the incurrence of costs for remediation; and (vii) any misrepresentation or inaccuracy in any representation or warranty or material breach or failure to perform any covenants or other obligations pursuant to this Agreement relating to environmental matters.

(b) Upon written request by any Indemnified Party, Borrowers and Borrower Principal shall defend same for any of the actions described in Section 12.6(a) above (if requested by any Indemnified Party, in the name of the Indemnified Party) by attorneys and other professionals approved by the Indemnified Parties which approval shall not be unreasonably withheld, conditioned or delayed. Notwithstanding the foregoing, any Indemnified Parties may, in their sole discretion, engage their own attorneys and other professionals to defend or assist them, and, at the option of Indemnified Parties, their attorneys shall control the resolution of any

claim or proceeding. Upon demand, Borrowers and Borrower Principal shall pay or, in the sole discretion of the Indemnified Parties, reimburse, the Indemnified Parties for the payment of reasonable fees and disbursements of attorneys, engineers, environmental consultants, laboratories and other professionals in connection therewith.

(c) Notwithstanding the foregoing, Borrowers shall have no liability for any Losses imposed upon or incurred by or asserted against any Indemnified Parties and described in subsection (a) above to the extent that Borrowers can conclusively prove both that such Losses were caused solely by actions, conditions or events that occurred after the date that Lender (or any purchaser at a foreclosure sale) actually acquired title to the related Individual Property and that such Losses were not caused by the direct or indirect actions of any Borrower, Borrower Principal, or any partner, member, principal, officer, director, trustee or manager of any Borrower or Borrower Principal or any employee, agent, contractor or Affiliate of any Borrower or Borrower Principal. The obligations and liabilities of Borrowers and Borrower Principal under this Section 12.6 shall fully survive indefinitely notwithstanding any termination, satisfaction, assignment, entry of a judgment of foreclosure, exercise of any power of sale, or delivery of a deed in lieu of foreclosure of the Mortgages.

ARTICLE XIII

SECONDARY MARKET

Section 13.1 Transfer of Loan. Lender may, at any time, sell, transfer or assign the Loan Documents, or grant participations therein ("Participations") or syndicate the Loan ("Syndication") or issue mortgage pass-through certificates or other securities evidencing a beneficial interest in a rated or unrated public offering or private placement ("Securities") (the Syndication or the issuance of Participations and/or Securities, a "Securitization").

Section 13.2 Delegation of Servicing. At the option of Lender, the Loan may be serviced by a servicer/trustee selected by Lender and Lender may delegate all or any portion of its responsibilities under this Agreement and the other Loan Documents to such servicer/trustee pursuant to a servicing agreement between Lender and such servicer/trustee.

Section 13.3 Dissemination of Information. Lender may forward to each purchaser, transferee, assignee, or servicer of, and each participant, or investor in, the Loan, or any Participations and/or Securities or any of their respective successors (collectively, the "Investor") or any Rating Agency rating the Loan, or any Participations and/or Securities, each prospective Investor, and any organization maintaining databases on the underwriting and performance of commercial mortgage loans, all documents and information which Lender now has or may hereafter acquire relating to the Debt and to Borrowers, any managing member or general partner thereof, Borrower Principal, any SPE Component Entity (if any) and the Property, including financial statements, whether furnished by Borrowers or otherwise, as Lender determines necessary or desirable. Borrowers irrevocably waive any and all rights they may have under applicable Legal Requirements to prohibit such disclosure, including but not limited to any right of privacy.

Section 13.4 Cooperation. Borrowers and Borrower Principal agree to cooperate with Lender in connection with any sale or transfer of the Loan or any Participation and/or Securities created pursuant to this Article 13, including, without limitation, the delivery of an estoppel certificate required in accordance with Section 5.12(a) and such other documents as may be reasonably requested by Lender. Borrowers shall also furnish and Borrowers and Borrower Principal consent to Lender furnishing to such Investors or such prospective Investors or such Rating Agency and any and all information concerning the Individual Properties, the Leases, the financial condition of Borrowers or Borrower Principal as may be requested by Lender, any Investor, any prospective Investor or any Rating Agency in connection with any sale or transfer of the Loan or any Participations or Securities. At the request of the holder of the Note and, to the extent not already required to be provided by Borrowers under this Agreement, Borrowers and Borrower Principal shall use reasonable efforts to provide information not in the possession of the holder of the Note in order to satisfy the market standards to which the holder of the Note customarily adheres or which may be reasonably required in the marketplace or by the Rating Agencies in connection with such sales or transfers and take such actions as requested by Lender in connection with the Securitization, including, without limitation, to:

(a) provide updated financial, budget and other information with respect to the Individual Properties, Borrowers and Borrower Principal and provide modifications and/or updates to the appraisals, market studies, environmental reviews and reports (Phase I reports and, if appropriate, Phase II reports) and engineering reports of any Individual Property obtained in connection with the making of the Loan (all of the foregoing being referred to as the "Provided Information");

(b) make changes to the organizational documents of any Borrower, any SPE Component Entity and their respective principals;

(c) at Borrowers' expense, (i) cause counsel to render or update existing opinion letters as to enforceability and non-consolidation, and (ii) if required by the Rating Agencies, Borrowers shall obtain a new New York enforceability opinion from counsel acceptable to Lender, which shall be in form and substance acceptable to Lender, the Rating Agencies and the Investors, which may be relied upon by the holder of the Note, the Rating Agencies and their respective counsel, which shall be dated as of the closing date of the Securitization;

(d) permit site inspections, appraisals, market studies and other due diligence investigations of any or all of the Individual Properties, as may be reasonably requested by the holder of the Note or the Rating Agencies or as may be necessary or appropriate in connection with the Securitization;

(e) make the representations and warranties with respect to the Individual Properties, Borrower, Borrower Principal and the Loan Documents as are made in the Loan Documents and such other representations and warranties as may be reasonably requested by the holder of the Note or the Rating Agencies;

(f) execute such amendments to the Loan Documents as may be requested by the holder of the Note or the Rating Agencies or otherwise to effect the Securitization including,

without limitation, bifurcation of the Loan into two or more components and/or separate notes and/or creating a senior/subordinate note structure; provided, however, that Borrowers shall not be required to modify or amend any Loan Document if such modification or amendment would (i) change the interest rate, the stated maturity or the amortization of principal set forth in the Note, except in connection with a bifurcation of the Loan which may result in varying fixed interest rates and amortization schedules, but which shall have the same initial weighted average coupon of the original Note, or (ii) in the reasonable judgment of Borrowers, modify or amend any other material economic term of the Loan, or (iii) in the reasonable judgment of Borrowers, materially increase Borrowers' obligations and liabilities under the Loan Documents;

(g) deliver to Lender and/or any Rating Agency, (i) one or more certificates executed by an officer of Borrowers certifying as to the accuracy, as of the closing date of the Securitization, of all representations made by Borrowers in the Loan Documents as of the Closing Date in all relevant jurisdictions or, if such representations are no longer accurate, certifying as to what modifications to the representations would be required to make such representations accurate as of the closing date of the Securitization, and (ii) certificates of the relevant Governmental Authorities in all relevant jurisdictions indicating the good standing and qualification of Borrowers as of the date of the closing date of the Securitization;

(h) have reasonably appropriate personnel participate in a bank meeting and/or presentation for the Rating Agencies or Investors; and

(i) cooperate with and assist Lender in obtaining ratings of the Securities from two (2) or more of the Rating Agencies.

All reasonable third party costs and expenses incurred by Borrowers or Lender in connection with Borrowers' complying with requests made under this Section 13.4 (including, without limitation, the fees and expenses of the Rating Agencies) shall be paid by Borrowers.

In the event that Borrowers request any consent or approval hereunder and the provisions of this Agreement or any Loan Documents require the receipt of written confirmation from each Rating Agency with respect to the rating on the Securities, or, in accordance with the terms of the transaction documents relating to a Securitization, such a rating confirmation is required in order for the consent of Lender to be given, Borrowers shall pay all of the costs and expenses of Lender, Lender's servicer and each Rating Agency in connection therewith, and, if applicable, shall pay any fees imposed by any Rating Agency as a condition to the delivery of such confirmation.

ARTICLE XIV

INDEMNIFICATIONS

Section 14.1 General Indemnification. Borrowers shall indemnify, defend and hold harmless the Indemnified Parties from and against any and all Losses imposed upon or incurred by or asserted against any Indemnified Parties and directly or indirectly arising out of or in any way relating to any one or more of the following: (a) any accident, injury to or death of persons or loss of or damage to property occurring in, on or about any Individual Property or any

part thereof or on the adjoining sidewalks, curbs, adjacent property or adjacent parking areas, streets or ways; (b) any use, nonuse or condition in, on or about any Individual Property or any part thereof or on the adjoining sidewalks, curbs, adjacent property or adjacent parking areas, streets or ways; (c) performance of any labor or services or the furnishing of any materials or other property in respect of any Individual Properties or any part thereof; (d) any failure of any Individual Property to be in material compliance with any Applicable Legal Requirements; (e) any and all claims and demands whatsoever which may be asserted against Lender by reason of any alleged obligations or undertakings on its part to perform or discharge any of the terms, covenants, or agreements contained in any Lease; (f) the holding or investing of the Reserve Accounts or the performance of the Required Work and Additional Required Repairs or Additional Replacements, or (g) the payment of any commission, charge or brokerage fee to anyone which may be payable in connection with the funding of the Loan (collectively, the "Indemnified Liabilities"); *provided*, *however*, that Borrowers shall not have any obligation to Lender hereunder to the extent that such Indemnified Liabilities arise from the gross negligence, illegal acts, fraud or willful misconduct of Lender. To the extent that the undertaking to indemnify, defend and hold harmless set forth in the preceding sentence may be unenforceable because it violates any law or public policy, Borrowers shall pay the maximum portion that it is permitted to pay and satisfy under applicable law to the payment and satisfaction of all Indemnified Liabilities incurred by Lender.

Section 14.2 Mortgage and Intangible Tax Indemnification. Borrowers shall, at its sole cost and expense, protect, defend, indemnify, release and hold harmless the Indemnified Parties from and against any and all Losses imposed upon or incurred by or asserted against any Indemnified Parties and directly or indirectly arising out of or in any way relating to any tax on the making and/or recording of the Mortgages, the Note or any of the other Loan Documents, but excluding any income, franchise or other similar taxes.

Section 14.3 ERISA Indemnification. Borrowers shall, at its sole cost and expense, protect, defend, indemnify, release and hold harmless the Indemnified Parties from and against any and all Losses (including, without limitation, reasonable attorneys' fees and costs incurred in the investigation, defense, and settlement of Losses incurred in correcting any prohibited transaction or in the sale of a prohibited loan, and in obtaining any individual prohibited transaction exemption under ERISA that may be required, in Lender's sole discretion) that Lender may incur, directly or indirectly, as a result of a default under Section 4.9 or Section 5.18 of this Agreement.

Section 14.4 Survival. The obligations and liabilities of Borrowers under this Article 14 shall fully survive indefinitely notwithstanding any termination, satisfaction, assignment, entry of a judgment of foreclosure, exercise of any power of sale, or delivery of a deed in lieu of foreclosure of the Mortgages.

ARTICLE XV

EXCULPATION

Section 15.1 Exculpation.

(a) Except as otherwise provided herein or in the other Loan Documents, Lender shall not enforce the liability and obligation of Borrowers or Borrower Principal, as applicable, to perform and observe the obligations contained herein or in the other Loan Documents by any action or proceeding wherein a money judgment shall be sought against Borrowers or Borrower Principal, except that Lender may bring a foreclosure action, action for specific performance or other appropriate action or proceeding to enable Lender to enforce and realize upon this Agreement, the Note, the Mortgages and the other Loan Documents, and the interest in the Property, the Rents and any other collateral given to Lender created by this Agreement, the Note, the Mortgages and the other Loan Documents; *provided*, *however*, that any judgment in any such action or proceeding shall be enforceable against Borrowers or Borrower Principal, as applicable, only to the extent of Borrowers' or Borrower Principal's interest in each Individual Property, in the Rents and in any other collateral given to Lender. Lender, by accepting this Agreement, the Note, the Mortgages and the other Loan Documents, agrees that it shall not, except as otherwise provided in this Section 15.1, sue for, seek or demand any deficiency judgment against Borrowers or Borrower Principal in any such action or proceeding, under or by reason of or under or in connection with this Agreement, the Note, the Mortgage or the other Loan Documents. The provisions of this Section 15.1 shall not, however, (i) constitute a waiver, release or impairment of any obligation evidenced or secured by this Agreement, the Note, the Mortgages or the other Loan Documents; (ii) impair the right of Lender to name Borrowers or Borrower Principal as a party defendant in any action or suit for judicial foreclosure and sale under this Agreement and the Mortgages; (iii) affect the validity or enforceability of any indemnity (including, without limitation, those contained in Section 12.6, the Environmental Indemnity and Article 14 of this Agreement), guaranty, master lease or similar instrument made in connection with this Agreement, the Note, the Mortgage and the other Loan Documents; (iv) impair the right of Lender to obtain the appointment of a receiver; (v) impair the enforcement of the assignment of leases provisions contained in the Mortgages; or (vi) impair the right of Lender to obtain a deficiency judgment or other judgment on the Note against Borrowers or Borrower Principal if necessary to obtain any Insurance Proceeds or Awards to which Lender would otherwise be entitled under this Agreement; *provided*, *however*, Lender shall only enforce such judgment to the extent of the Insurance Proceeds and/or Awards.

(b) Notwithstanding the provisions of this Section 15.1 to the contrary, Borrowers and Borrower Principal (except with respect to the Stockton Property and the Stockton Borrower and the Whittier Property and the Whittier Borrower) shall be personally liable to Lender on a joint and several basis for Losses due to:

(i) fraud or intentional misrepresentation by any Borrower, Borrower Principal or any other Affiliate of any Borrower or Borrower Principal in connection with the execution and the delivery of this Agreement, the Note, the Mortgages, any of the other Loan Documents, or any certificate, report, financial statement or other instrument

or document furnished to Lender at the time of the closing of the Loan or during the term of the Loan;

(ii) any Borrower's misapplication or misappropriation of Rents received by any Borrower after the occurrence of an Event of Default;

(iii) any Borrower's misapplication or misappropriation of tenant security deposits, Rents or other payments collected in advance;

(iv) the misapplication or the misappropriation of Insurance Proceeds or Awards;

(v) any Borrower's failure to pay Taxes, Other Charges (except to the extent that sums sufficient to pay such amounts have been deposited in escrow with Lender pursuant to the terms hereof and there exists no impediment to Lender's utilization thereof), charges for labor or materials or other charges that can create liens on the Property beyond any applicable notice and cure periods specified herein;

(vi) any Borrower's failure to return or to reimburse Lender for all Personal Property taken from the Property by or on behalf of such Borrower and not replaced with Personal Property of the same utility and of the same or greater value;

(vii) any act of actual waste or arson by any Borrower, any principal, Affiliate, member or general partner thereof or by Borrower Principal, any principal, Affiliate, member or general partner thereof;

(viii) any Borrower's failure following any Event of Default to deliver to Lender upon demand all Rents and books and records relating to the Property;

(ix) any Borrower's gross negligence or willful misconduct;

(x) any Borrower's failure to comply with Section 8.1 hereof;

(xi) any Borrower's failure to comply with the covenants of Article 12 and the Environmental Indemnity; or

(xii) any Borrower's breach of any of the representations contained in Section 6.4.

(c) Notwithstanding the foregoing, the agreement of Lender not to pursue recourse liability as set forth in subsection (a) above SHALL BECOME NULL AND VOID and shall be of no further force and effect and the Debt immediately shall become fully recourse to Borrowers and Borrower Principal (except with respect to the Stockton Property and Stockton Borrower and the Whittier Property and the Whittier Borrower), jointly and severally, in the event of (i) a default by any Borrower, Borrower Principal or any SPE Component Entity (if any) of any of the covenants set forth in Article 6 (except as to Sections 6.1(a)(xv) or 6.1(a)(xviii)) or Article 7 hereof, or (ii) if (A) a voluntary bankruptcy or insolvency proceeding is commenced by any Borrower under the U.S. Bankruptcy Code or any similar federal or state law, or (B) an

involuntary bankruptcy or insolvency proceeding is commenced against any Borrower in connection with which an Affiliate of any Borrower or Borrower Principal has or have colluded in any way with the creditors commencing or filing such proceeding under the U.S. Bankruptcy Code or any similar federal or state law which is not dismissed within ninety (90) days.

(d) Nothing herein shall be deemed to be a waiver of any right which Lender may have under Section 506(a), 506(b), 1111 (b) or any other provision of the U.S. Bankruptcy Code to file a claim for the full amount of the indebtedness secured by the Mortgages or to require that all collateral shall continue to secure all of the indebtedness owing to Lender in accordance with this Agreement, the Note, the Mortgages or the other Loan Documents.

ARTICLE XVI

NOTICES

Section 16.1 Notices. All notices, consents, approvals and requests required or permitted hereunder or under any other Loan Document shall be given in writing and shall be effective for all purposes if hand delivered or sent by (a) certified or registered United States mail, postage prepaid, return receipt requested, (b) expedited prepaid overnight delivery service, either commercial or United States Postal Service, with proof of attempted delivery, or by (c) telecopier (with answer back acknowledged provided an additional notice is given pursuant to subsection (b) above), addressed as follows (or at such other address and Person as shall be designated from time to time by any party hereto, as the case may be, in a written notice to the other parties hereto in the manner provided for in this Section):

If to Lender:	Bank of America, N. A. Capital Markets Servicing Group 555 South Flower Street 6th floor CA9-706-06-42 Los Angeles, California 90071 Attn: Servicing Manager Telephone No: (800) 462-0505 Facsimile No.: (213) 345-6587
With a copy to:	Cadwalader, Wickersham & Taft LLP 227 West Trade Street, Suite 2400 Charlotte, North Carolina 28202 Attention: James P. Carroll, Esq. Facsimile No.: (704) 348-5200
If to Borrowers:	c/o Extra Space 2795 E. Cottonwood Parkway, #400 Salt Lake City, Utah 84121 Attention: Kenneth M. Woolley Facsimile No.: (801) 365-4947

With a copy to:	Nelson, Christensen & Helsten 68 South Main Street, 6th Floor Salt Lake city, Utah 84101 Attention: Bruce Nelson, Esq. Facsimile No.: (801) 363-3614
With a copy to:	Extra Space 2795 E. Cottonwood Parkway, #400 Salt Lake City, Utah 84121 Attention: David L. Rasmussen, Esq. Facsimile No.: (801) 365-4947
With a copy to:	FREAM No. 39 LLC c/o Fidelity Management Trust Company 82 Devonshire Street, E15D Boston, Massachusetts 02109 Attention: Mr. Thomas P. Lavin Facsimile No.: (617) 476-5546
If to Borrower: Principal:	c/o Extra Space 2795 E. Cottonwood Parkway, #400 Salt Lake City, Utah 84121 Attention: Kenneth M. Woolley Facsimile No.: (801) 365-4947
With a copy to:	Nelson, Christensen & Helsten 68 South Main Street, 6th Floor Salt Lake city, Utah 84101 Attention: Bruce Nelson, Esq. Facsimile No.: (801) 363-3614
For Whittier Property:	Fern P. Cauffman Trust 21017 North Thornhill Drive Sun City West, Arizona 85375 Attn: John R. Cauffman, Trustee Phone Number: (623) 214-1944
with a copy to:	Paul M. Weil & Associates 5810 El Camino Real, Suite D Carlsbad, California 92008 Attn: Paul M. Weil, Esq. Facsimile No.: (760) 431-2158

A notice shall be deemed to have been given: in the case of hand delivery, at the time of delivery; in the case of registered or certified mail, when delivered or the first attempted

delivery on a Business Day; or in the case of expedited prepaid delivery and telecopy, upon the first attempted delivery on a Business Day.

ARTICLE XVII

FURTHER ASSURANCES

Section 17.1 Replacement Documents. Upon receipt of an affidavit of an officer of Lender as to the loss, theft, destruction or mutilation of the Note or any other Loan Document which is not of public record, and, in the case of any such mutilation, upon surrender and cancellation of such Note or other Loan Document, Borrowers will issue, in lieu thereof, a replacement Note or other Loan Document, dated the date of such lost, stolen, destroyed or mutilated Note or other Loan Document in the same principal amount thereof and otherwise of like tenor.

Section 17.2 Recording of Mortgage, etc. Borrowers forthwith upon the execution and delivery of the Mortgages and thereafter, from time to time, will cause the Mortgages and any of the other Loan Documents creating a lien or security interest or evidencing the lien hereof upon each Individual Property and each instrument of further assurance to be filed, registered or recorded in such manner and in such places as may be required by any present or future law in order to publish notice of and fully to protect and perfect the lien or security interest hereof upon, and the interest of Lender in, each Individual Property. Borrowers will pay all taxes, filing, registration or recording fees, and all expenses incident to the preparation, execution, acknowledgment and/or recording of the Note, the Mortgages, the other Loan Documents, any note, deed of trust or mortgage supplemental hereto, any security instrument with respect to each Individual Property and any instrument of further assurance, and any modification or amendment of the foregoing documents, and all federal, state, county and municipal taxes, duties, imposts, assessments and charges arising out of or in connection with the execution and delivery of the Mortgages, any deed of trust or mortgage supplemental hereto, any security instrument with respect to any Individual Property or any instrument of further assurance, and any modification or amendment of the foregoing documents, except where prohibited by law so to do.

Section 17.3 Further Acts, etc. Borrowers will, at the cost of Borrowers, and without expense to Lender, do, execute, acknowledge and deliver all and every further acts, deeds, conveyances, deeds of trust, mortgages, assignments, security agreements, control agreements, notices of assignments, transfers and assurances as Lender shall, from time to time, reasonably require, for the better assuring, conveying, assigning, transferring, and confirming unto Lender the property and rights hereby mortgaged, deeded, granted, bargained, sold, conveyed, confirmed, pledged, assigned, warranted and transferred or intended now or hereafter so to be, or which Borrowers may be or may hereafter become bound to convey or assign to Lender, or for carrying out the intention or facilitating the performance of the terms of this Agreement or for filing, registering or recording the Mortgages, or for complying with all Legal Requirements. Borrowers, on demand, will execute and deliver, and in the event they shall fail to so execute and deliver, hereby authorizes Lender to execute in the name of Borrowers or without the signature of Borrowers to the extent Lender may lawfully do so, one or more financing statements and financing statement amendments to evidence more effectively, perfect

and maintain the priority of the security interest of Lender in each Individual Property. Borrowers grant to Lender an irrevocable power of attorney coupled with an interest for the purpose of exercising and perfecting any and all rights and remedies available to Lender at law and in equity, including without limitation, such rights and remedies available to Lender pursuant to this Section 17.3.

Section 17.4 Changes in Tax, Debt, Credit and Documentary Stamp Laws. (a) If any law is enacted or adopted or amended after the date of this Agreement which deducts the Debt from the value of any Individual Property for the purpose of taxation or which imposes a tax, either directly or indirectly, on the Debt or Lender's interest in any Individual Property, Borrowers will pay the tax, with interest and penalties thereon, if any. If Lender is advised by counsel chosen by it that the payment of tax by Borrowers would be unlawful or taxable to Lender or unenforceable or provide the basis for a defense of usury then Lender shall have the option by written notice of not less than one hundred twenty (120) days to declare the Debt immediately due and payable.

(b) Borrowers will not claim or demand or be entitled to any credit or credits on account of the Debt for any part of the Taxes or Other Charges assessed against any Individual Property, or any part thereof, and no deduction shall otherwise be made or claimed from the assessed value of any Individual Property, or any part thereof, for real estate tax purposes by reason of the Mortgages or the Debt. If such claim, credit or deduction shall be required by law, Lender shall have the option, by written notice of not less than one hundred twenty (120) days, to declare the Debt immediately due and payable.

If at any time the United States of America, any State thereof or any subdivision of any such State shall require revenue or other stamps to be affixed to the Note, the Mortgages, or any of the other Loan Documents or impose any other tax or charge on the same, Borrowers will pay for the same, with interest and penalties thereon, if any.

Section 17.5 Expenses. Borrowers covenant and agree to pay or, if Borrowers fail to pay, to reimburse, Lender upon receipt of written notice from Lender for all reasonable costs and expenses (including reasonable, actual attorneys' fees and disbursements and the allocated costs of internal legal services and all actual disbursements of internal counsel) reasonably incurred by Lender in accordance with this Agreement in connection with (a) the preparation, negotiation, execution and delivery of this Agreement and the other Loan Documents and the consummation of the transactions contemplated hereby and thereby and all the costs of furnishing all opinions by counsel for Borrowers (including without limitation any opinions requested by Lender as to any legal matters arising under this Agreement or the other Loan Documents with respect to the Property); (b) Borrowers' ongoing performance of and compliance with Borrowers' respective agreements and covenants contained in this Agreement and the other Loan Documents on its part to be performed or complied with after the Closing Date, including, without limitation, confirming compliance with environmental and insurance requirements; (c) following a request by Borrowers, Lender's ongoing performance and compliance with all agreements and conditions contained in this Agreement and the other Loan Documents on its part to be performed or complied with after the Closing Date; (d) the negotiation, preparation, execution, delivery and administration of any consents, amendments, waivers or other modifications to this Agreement and the other Loan Documents and any other

documents or matters requested by Lender; (e) securing Borrowers' compliance with any requests made pursuant to the provisions of this Agreement; (f) the filing and recording fees and expenses, title insurance and reasonable fees and expenses of counsel for providing to Lender all required legal opinions, and other similar expenses incurred in creating and perfecting the Lien in favor of Lender pursuant to this Agreement and the other Loan Documents; (g) enforcing or preserving any rights, in response to third party claims or the prosecuting or defending of any action or proceeding or other litigation, in each case against, under or affecting Borrowers, this Agreement, the other Loan Documents, the Property, or any other security given for the Loan; and (h) enforcing any obligations of or collecting any payments due from Borrowers under this Agreement, the other Loan Documents or with respect to the Individual Properties or in connection with any refinancing or restructuring of the credit arrangements provided under this Agreement in the nature of a "work-out" or of any insolvency or bankruptcy proceedings; *provided, however,* that Borrowers shall not be liable for the payment of any such costs and expenses to the extent the same arise by reason of the gross negligence, illegal acts, fraud or willful misconduct of Lender.

ARTICLE XVIII

WAIVERS

Section 18.1 Remedies Cumulative; Waivers. The rights, powers and remedies of Lender under this Agreement shall be cumulative and not exclusive of any other right, power or remedy which Lender may have against Borrowers or Borrower Principal pursuant to this Agreement or the other Loan Documents, or existing at law or in equity or otherwise. Lender's rights, powers and remedies may be pursued singularly, concurrently or otherwise, at such time and in such order as Lender may determine in Lender's sole discretion. No delay or omission to exercise any remedy, right or power accruing upon an Event of Default shall impair any such remedy, right or power or shall be construed as a waiver thereof, but any such remedy, right or power may be exercised from time to time and as often as may be deemed expedient. A waiver of one Default or Event of Default with respect to Borrowers shall not be construed to be a waiver of any subsequent Default or Event of Default by Borrowers or to impair any remedy, right or power consequent thereon.

Section 18.2 Modification, Waiver in Writing. No modification, amendment, extension, discharge, termination or waiver of any provision of this Agreement, or of the Note, or of any other Loan Document, nor consent to any departure by Borrowers therefrom, shall in any event be effective unless the same shall be in a writing signed by the party against whom enforcement is sought, and then such waiver or consent shall be effective only in the specific instance, and for the purpose, for which given. Except as otherwise expressly provided herein, no notice to, or demand on Borrowers, shall entitle Borrowers to any other or future notice or demand in the same, similar or other circumstances.

Section 18.3 Delay Not a Waiver. Neither any failure nor any delay on the part of Lender in insisting upon strict performance of any term, condition, covenant or agreement, or exercising any right, power, remedy or privilege hereunder, or under the Note or under any other Loan Document, or any other instrument given as security therefor, shall operate as or constitute a waiver thereof, nor shall a single or partial exercise thereof preclude any other future exercise,

or the exercise of any other right, power, remedy or privilege. In particular, and not by way of limitation, by accepting payment after the due date of any amount payable under this Agreement, the Note or any other Loan Document, Lender shall not be deemed to have waived any right either to require prompt payment when due of all other amounts due under this Agreement, the Note or the other Loan Documents, or to declare a default for failure to effect prompt payment of any such other amount.

Section 18.4 Trial by Jury. BORROWERS, BORROWER PRINCIPAL AND LENDER EACH HEREBY AGREES NOT TO ELECT A TRIAL BY JURY OF ANY ISSUE TRIABLE OF RIGHT BY JURY, AND WAIVES ANY RIGHT TO TRIAL BY JURY FULLY TO THE EXTENT THAT ANY SUCH RIGHT SHALL NOW OR HEREAFTER EXIST WITH REGARD TO THE LOAN DOCUMENTS, OR ANY CLAIM, COUNTERCLAIM OR OTHER ACTION ARISING IN CONNECTION THEREWITH. THIS WAIVER OF RIGHT TO TRIAL BY JURY IS GIVEN KNOWINGLY AND VOLUNTARILY BY BORROWERS, BORROWER PRINCIPAL AND LENDER, AND IS INTENDED TO ENCOMPASS INDIVIDUALLY EACH INSTANCE AND EACH ISSUE AS TO WHICH THE RIGHT TO A TRIAL BY JURY WOULD OTHERWISE ACCRUE. EACH OF LENDER, BORROWER PRINCIPAL AND BORROWERS ARE HEREBY AUTHORIZED TO FILE A COPY OF THIS PARAGRAPH IN ANY PROCEEDING AS CONCLUSIVE EVIDENCE OF THIS WAIVER BY BORROWERS, BORROWER PRINCIPAL AND LENDER.

Section 18.5 Waiver of Notice. Borrowers shall not be entitled to any notices of any nature whatsoever from Lender except with respect to matters for which this Agreement or the other Loan Documents specifically and expressly provide for the giving of notice by Lender to Borrower and except with respect to matters for which Borrowers are not, pursuant to applicable Legal Requirements, permitted to waive the giving of notice. Borrowers hereby expressly waive the right to receive any notice from Lender with respect to any matter for which this Agreement or the other Loan Documents do not specifically and expressly provide for the giving of notice by Lender to Borrowers.

Section 18.6 Remedies of Borrower. In the event that a claim or adjudication is made that Lender or its agents have acted unreasonably or unreasonably delayed acting in any case where by law or under this Agreement or the other Loan Documents, Lender or such agent, as the case may be, has an obligation to act reasonably or promptly, Borrowers agree that neither Lender nor its agents shall be liable for any monetary damages, and Borrowers' sole remedies shall be limited to commencing an action seeking injunctive relief or declaratory judgment. The parties hereto agree that any action or proceeding to determine whether Lender has acted reasonably shall be determined by an action seeking declaratory judgment. Lender agrees that, in such event, it shall cooperate in expediting any action seeking injunctive relief or declaratory judgment.

Section 18.7 Waiver of Marshalling of Assets. To the fullest extent permitted by law, Borrowers, for themselves and their successors and assigns, waive all rights to a marshalling of the assets of Borrowers, Borrower's partners and others with interests in Borrowers, and of the Individual Properties, and agrees not to assert any right under any laws pertaining to the marshalling of assets, the sale in inverse order of alienation, homestead exemption, the administration of estates of decedents, or any other matters whatsoever to defeat,

reduce or affect the right of Lender under the Loan Documents to a sale of the Individual Properties for the collection of the Debt without any prior or different resort for collection or of the right of Lender to the payment of the Debt out of the net proceeds of the Individual Properties in preference to every other claimant whatsoever.

Section 18.8 Waiver of Statute of Limitations. Borrowers hereby expressly waive and release, to the fullest extent permitted by law, the pleading of any statute of limitations as a defense to payment of the Debt or performance of its Other Obligations.

Section 18.9 Waiver of Counterclaim. Borrowers hereby waive the right to assert a counterclaim, other than a compulsory counterclaim, in any action or proceeding brought against it by Lender or its agents.

Section 18.10 Gradsky Waivers. With respect to the Whittier Property and the Stockton Property, Borrower Principal hereby waives each of the following:

(a) Any rights of Borrower Principal of subrogation, reimbursement, indemnification, and/or contribution against Borrowers or any other person or entity, and any other rights and defenses that are or may become available to Borrower Principal or any other person or entity by reasons of Sections 2787-2855, inclusive of the California Civil Code;

(b) Any rights or defenses that may be available by reason of any election of remedies by Lender (including, without limitation, any such election which in any manner impairs, effects, reduces, releases, destroys or extinguishes Borrower Principal's subrogation rights, rights to proceed against Borrowers for reimbursement, or any other rights of Borrower Principal to proceed against any other person, entity or security, including but not limited to any defense based upon an election of remedies by Lender under the provisions of Section 580(d) of the California Code of Civil Procedure or any similar law of California or of any other State or of the United Sates); and

(c) Any rights or defenses Borrower Principal may have because its obligations under this Agreement (the "Borrower Principal Obligations") are secured by real property or any estate for years. These rights or defenses include, but are not limited to, any rights or defenses that are based upon, directly or indirectly, the application of Section 580(a), Section 580(b), Section 580(d) or Section 726 of the California Code of Civil Procedure to the Borrower Principal Obligations.

The provisions of this subsection (c) mean, among other things:

(y) Lender may collect from Borrower Principal without first foreclosing on any real or personal property collateral pledged by Borrowers for the Debt; and

(z) If Lender forecloses on a real property pledged by Borrowers:

(1) The Borrower Principal Obligations shall not be reduced by the price for which the collateral sold at the foreclosure sale or the value of the collateral at the time of the sale.

Lender may collect from Borrower Principal even if Lender, by foreclosing on the real property collateral, has destroyed any right of Borrower Principal to collect from Borrowers. Further, the provisions of this Agreement constitute an unconditional and irrevocable waiver of any rights and defenses Borrower Principal may have because Borrowers' obligations are secured by real property. These rights and defenses, include, but are not limited to, any rights or defenses based upon Section 580(a), Section 580(b), Section 580(d) or Section 726 of the California Code of Civil Procedure.

ARTICLE XIX

GOVERNING LAW

Section 19.1 Choice of Law.

(A) THE PARTIES AGREE THE STATE OF NEW YORK HAS A SUBSTANTIAL RELATIONSHIP TO THE PARTIES AND TO THE UNDERLYING TRANSACTION EMBODIED HEREBY, AND IN ALL RESPECTS, INCLUDING, WITHOUT LIMITING THE GENERALITY OF THE FOREGOING, MATTERS OF CONSTRUCTION, VALIDITY AND PERFORMANCE, THIS AGREEMENT AND THE OBLIGATIONS ARISING HEREUNDER SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK APPLICABLE TO CONTRACTS MADE AND PERFORMED IN SUCH STATE (WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAWS) AND ANY APPLICABLE LAW OF THE UNITED STATES OF AMERICA, EXCEPT THAT AT ALL TIMES THE PROVISIONS FOR THE CREATION, PERFECTION, AND ENFORCEMENT OF THE LIEN AND SECURITY INTEREST CREATED PURSUANT HERETO AND PURSUANT TO THE OTHER LOAN DOCUMENTS SHALL BE GOVERNED BY AND CONSTRUED ACCORDING TO THE LAW OF THE STATE IN WHICH THE PROPERTY IS LOCATED, IT BEING UNDERSTOOD THAT, TO THE FULLEST EXTENT PERMITTED BY THE LAW OF SUCH STATE, THE LAW OF THE STATE OF NEW YORK SHALL GOVERN THE CONSTRUCTION, VALIDITY AND ENFORCEABILITY OF ALL LOAN DOCUMENTS AND ALL OF THE OBLIGATIONS ARISING HEREUNDER OR THEREUNDER. TO THE FULLEST EXTENT PERMITTED BY LAW, BORROWER AND LENDER EACH HEREBY UNCONDITIONALLY AND IRREVOCABLY WAIVES ANY CLAIM TO ASSERT THAT THE LAW OF ANY OTHER JURISDICTION GOVERNS THIS AGREEMENT AND THE NOTE, AND THIS AGREEMENT AND THE NOTE SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

(B) ANY LEGAL SUIT, ACTION OR PROCEEDING AGAINST LENDER OR BORROWER ARISING OUT OF OR RELATING TO THIS AGREEMENT MAY AT LENDER'S OR BORROWER'S OPTION BE INSTITUTED IN ANY FEDERAL OR STATE COURT IN THE STATE OF

NEW YORK AND BORROWER AND LENDER EACH WAIVES ANY OBJECTIONS WHICH IT MAY NOW OR HEREAFTER HAVE BASED ON VENUE AND/OR FORUM NON CONVENIENS OF ANY SUCH SUIT.

Section 19.2 Severability. Wherever possible, each provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement shall be prohibited by or invalid under applicable law, such provision shall be ineffective to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Agreement.

Section 19.3 Preferences. Lender shall have the continuing and exclusive right to apply or reverse and reapply any and all payments by Borrowers to any portion of the obligations of Borrowers hereunder. To the extent Borrowers make a payment or payments to Lender, which payment or proceeds or any part thereof are subsequently invalidated, declared to be fraudulent or preferential, set aside or required to be repaid to a trustee, receiver or any other party under any Creditors Rights Laws, state or federal law, common law or equitable cause, then, to the extent of such payment or proceeds received, the obligations hereunder or part thereof intended to be satisfied shall be revived and continue in full force and effect, as if such payment or proceeds had not been received by Lender.

ARTICLE XX

MISCELLANEOUS

Section 20.1 Survival. This Agreement and all covenants, agreements, representations and warranties made herein and in the certificates delivered pursuant hereto shall survive the making by Lender of the Loan and the execution and delivery to Lender of the Note, and shall continue in full force and effect so long as all or any of the Debt is outstanding and unpaid unless a longer period is expressly set forth herein or in the other Loan Documents. Whenever in this Agreement any of the parties hereto is referred to, such reference shall be deemed to include the legal representatives, successors and assigns of such party. All covenants, promises and agreements in this Agreement, by or on behalf of Borrowers, shall inure to the benefit of the legal representatives, successors and assigns of Lender.

Section 20.2 Lender's Discretion. Whenever pursuant to this Agreement, Lender exercises any right given to it to approve or disapprove, or any arrangement or term is to be satisfactory to Lender, the decision of Lender to approve or disapprove or to decide whether arrangements or terms are satisfactory or not satisfactory shall (except as is otherwise specifically herein provided) be in the sole discretion of Lender and shall be final and conclusive.

Section 20.3 Headings. The Article and/or Section headings and the Table of Contents in this Agreement are included herein for convenience of reference only and shall not constitute a part of this Agreement for any other purpose.

Section 20.4 Cost of Enforcement. In the event (a) that the Mortgage is foreclosed in whole or in part, (b) of the bankruptcy, insolvency, rehabilitation or other similar proceeding in respect of Borrowers or any of their constituent Persons or an assignment by

Borrowers or any of their constituent Persons for the benefit of its creditors, or (c) Lender exercises any of its other remedies under this Agreement or any of the other Loan Documents, Borrowers shall be chargeable with and agrees to pay all costs of collection and defense, including attorneys' fees and costs, incurred by Lender or Borrowers in connection therewith and in connection with any appellate proceeding or post-judgment action involved therein, together with all required service or use taxes.

Section 20.5 Schedules Incorporated. The Schedules annexed hereto are hereby incorporated herein as a part of this Agreement with the same effect as if set forth in the body hereof.

Section 20.6 Offsets, Counterclaims and Defenses. Any assignee of Lender's interest in and to this Agreement, the Note and the other Loan Documents shall take the same free and clear of all offsets, counterclaims or defenses which are unrelated to such documents which Borrowers may otherwise have against any assignor of such documents, and no such unrelated counterclaim or defense shall be interposed or asserted by Borrowers in any action or proceeding brought by any such assignee upon such documents and any such right to interpose or assert any such unrelated offset, counterclaim or defense in any such action or proceeding is hereby expressly waived by Borrowers.

Section 20.7 No Joint Venture or Partnership; No Third Party Beneficiaries.

(a) Borrowers and Lender intend that the relationships created hereunder and under the other Loan Documents be solely that of borrower and lender. Nothing herein or therein is intended to create a joint venture, partnership, tenancy-in-common, or joint tenancy relationship between Borrowers and Lender nor to grant Lender any interest in the Individual Properties other than that of mortgagee, beneficiary or lender.

(b) This Agreement and the other Loan Documents are solely for the benefit of Lender and Borrowers and nothing contained in this Agreement or the other Loan Documents shall be deemed to confer upon anyone other than Lender and Borrowers any right to insist upon or to enforce the performance or observance of any of the obligations contained herein or therein. All conditions to the obligations of Lender to make the Loan hereunder are imposed solely and exclusively for the benefit of Lender and no other Person shall have standing to require satisfaction of such conditions in accordance with their terms or be entitled to assume that Lender will refuse to make the Loan in the absence of strict compliance with any or all thereof and no other Person shall under any circumstances be deemed to be a beneficiary of such conditions, any or all of which may be freely waived in whole or in part by Lender if, in Lender's sole discretion, Lender deems it advisable or desirable to do so.

(c) The general partners, members, principals and (if a Borrower is a trust) beneficial owners of Borrowers are experienced in the ownership and operation of properties similar to the Individual Properties, and Borrowers and Lender are relying solely upon such expertise and business plan in connection with the ownership and operation of the Individual Properties. Borrowers are not relying on Lender's expertise, business acumen or advice in connection with the Property.

(d) Notwithstanding anything to the contrary contained herein, Lender is not undertaking the performance of (i) any obligations under the Leases; or (ii) any obligations with respect to such agreements, contracts, certificates, instruments, franchises, permits, trademarks, licenses and other documents.

(e) By accepting or approving anything required to be observed, performed or fulfilled or to be given to Lender pursuant to this Agreement, the Mortgages, the Note or the other Loan Documents, including, without limitation, any officer's certificate, balance sheet, statement of profit and loss or other financial statement, survey, appraisal, or insurance policy, Lender shall not be deemed to have warranted, consented to, or affirmed the sufficiency, the legality or effectiveness of same, and such acceptance or approval thereof shall not constitute any warranty or affirmation with respect thereto by Lender.

(f) Borrowers recognize and acknowledge that in accepting this Agreement, the Note, the Mortgages and the other Loan Documents, Lender is expressly and primarily relying on the truth and accuracy of the representations and warranties set forth in Article 4 of this Agreement without any obligation to investigate the Individual Properties and notwithstanding any investigation of the Individual Properties by Lender; that such reliance existed on the part of Lender prior to the date hereof, that the warranties and representations are a material inducement to Lender in making the Loan; and that Lender would not be willing to make the Loan and accept this Agreement, the Note, the Mortgages and the other Loan Documents in the absence of the warranties and representations as set forth in Article 4 of this Agreement.

Section 20.8 Publicity. All news releases, publicity or advertising by Borrowers or its Affiliates through any media intended to reach the general public which refers to the Loan, Lender, Banc of America Securities LLC, or any of their Affiliates shall be subject to the prior written approval of Lender, not to be unreasonably withheld. The Lender shall be permitted to make any news, releases, publicity or advertising by Lender or its Affiliates through any media intended to reach the general public which refers to the Loan, the Individual Properties, the Borrowers, the Borrower Principal and their respective Affiliates without the approval of Borrowers or any such Persons. Borrowers also agree that Lender may share any information pertaining to the Loan with Bank of America Corporation, including its bank subsidiaries, Banc of America Securities LLC, and any other Affiliates of the foregoing, in connection with the sale or transfer of the Loan or any Participations and/or Securities created.

Section 20.9 Conflict; Construction of Documents; Reliance. In the event of any conflict between the provisions of this Agreement and any of the other Loan Documents, the provisions of this Agreement shall control. The parties hereto acknowledge that they were represented by competent counsel in connection with the negotiation, drafting and execution of the Loan Documents and that such Loan Documents shall not be subject to the principle of construing their meaning against the party which drafted same. Borrowers acknowledge that, with respect to the Loan, Borrowers shall rely solely on their own judgment and advisors in entering into the Loan without relying in any manner on any statements, representations or recommendations of Lender or any parent, subsidiary or Affiliate of Lender. Lender shall not be subject to any limitation whatsoever in the exercise of any rights or remedies available to it under any of the Loan Documents or any other agreements or instruments which govern the Loan by

virtue of the ownership by it or any parent, subsidiary or Affiliate of Lender of any equity interest any of them may acquire in Borrowers, and Borrowers hereby irrevocably waive the right to raise any defense or take any action on the basis of the foregoing with respect to Lender's exercise of any such rights or remedies. Borrowers acknowledge that Lender engages in the business of real estate financings and other real estate transactions and investments which may be viewed as adverse to or competitive with the business of Borrowers or its Affiliates.

Section 20.10 Entire Agreement. This Agreement and the other Loan Documents contain the entire agreement of the parties hereto and thereto in respect of the transactions contemplated hereby and thereby, and all prior agreements among or between such parties, whether oral or written between Borrower and Lender are superseded by the terms of this Agreement and the other Loan Documents.

Section 20.11 Joint and Several. If Borrowers consist of more than one Person, the obligations and liabilities of each such Person shall be joint and several.

[SIGNATURE PAGE IMMEDIATELY FOLLOWS]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their duly authorized representatives, all as of the day and year first above written.

BORROWER:

EXTRA SPACE OF NORTHBOROUGH LLC, a
Massachusetts limited liability company

By: _____
Name: Kent W. Christensen
Title: Manager

EXTRA SPACE OF WHITTIER LLC, a
California limited liability company

By: _____
Name: Kent W. Christensen
Title: Manager

EXTRA SPACE OF STOCKTON LLC, a
California limited liability company

By: _____
Name: Kent W. Christensen
Title: Manager

EXTRA SPACE OF WEYMOUTH LLC, a
Massachusetts limited liability company

By: _____
Name: Kent W. Christensen
Title: Manager

EXTRA SPACE OF LYNN LLC, a
Massachusetts limited liability company

By: _____
Name: Kent W. Christensen
Title: Manager

BORROWER PRINCIPAL:

Acknowledged and agreed to with respect to its obligations set forth in Article 4, Article 5, Section 12.6, Section 13.4, Article 15 and Article 18 hereof:

_____
KENNETH M. WOOLLEY, an Individual

LENDER:

BANK OF AMERICA, N.A., a national banking association

By: _____
Name:
Title:

EXHIBIT A

Equity Ownership Structure for Each Borrower

SCHEDULE I

REQUIRED REPAIRS

NONE

SCHEDULE II

REPLACEMENTS

Asphalt/Concrete	$ 1,000.00
Real Catch Basin/Riprap Protection	$ 500.00
Replace Coiling Pedestrian Stairs	$15,000.00
Fences/Signage	$ 2,500.00
Repair Gutters	$ 2,500.00
Replace Side Access Gate	$ 2,500.00
Exterior Building Maint.	$ 4,000.00
Roof Systems	$ 1,500.00
ADA Corrective Work	$ 500.00
Mount Fire Sprinkler System Air Compressors	$ 2,100.00
Insulate Walls and Add Electrical Water Heater	$ 1,150.00
Domestic Water Heaters	$ 20,255
Paint Office and Residence	$15,000.00
Miscellaneous	$ 500.00

SCHEDULE III

INDIVIDUAL PROPERTIES

	INDIVIDUAL PROPERTY	RELATED BORROWER	ALLOCATED LOAN AMOUNT
1.	456 Main Street, Northborough, MA	Extra Space of Northborough LLC, a Massachusetts limited liability company	$ 2,608,000
2.	11469 Washington Boulevard, Whittier, CA (the "Whittier Property")	Extra Space of Whittier LLC, a California limited liability company	$ 2,544,000
3.	55 E. Jamestown, Stockton, CA (the "Stockton Property")	Extra Space of Stockton LLC, a California limited liability company	$ 3,240,000
4.	1256 Washington Street, Weymouth, MA	Extra Space of Weymouth LLC, a Massachusetts limited liability company	$ 4,640,000
5.	583 Lynnway, Lynn, MA	Extra Space of Lynn LLC, a Massachusetts limited liability company	$ 2,480,000

Exhibit 10.7

LOAN NO. 58029

SERVICING NO. 3179850

LOAN AGREEMENT

Dated as of May 4, 2004

Between

EXTRA SPACE PROPERTIES TEN LLC, as Borrower

and

BANK OF AMERICA, N.A.,
as Lender

TABLE OF CONTENTS

LOAN AGREEMENT

THIS LOAN AGREEMENT, dated as of May 4, 2004 (as amended, restated, replaced, supplemented or otherwise modified from time to time, this "Agreement"), between BANK OF AMERICA, N.A., a national banking association, having an address at Hearst Tower, 214 North Tryon Street, Charlotte, North Carolina 28255 (together with its successors and/or assigns, "Lender") and EXTRA SPACE PROPERTIES TEN LLC, a Delaware limited liability company having an address at 2795 East Cottonwood Parkway, Suite 400, Salt Lake City, Utah 84121 (together with its successors and/or assigns, "Borrower").

RECITALS:

Borrower desires to obtain the Loan (defined below) from Lender.

Lender is willing to make the Loan to Borrower, subject to and in accordance with the terms of this Agreement and the other Loan Documents (defined below).

In consideration of the making of the Loan by Lender and the covenants, agreements, representations and warranties set forth in this Agreement, the parties hereto hereby covenant, agree, represent and warrant as follows:

ARTICLE I

DEFINITIONS; PRINCIPLES OF CONSTRUCTION

Section 1.1 Definitions. For all purposes of this Agreement, except as otherwise expressly required or unless the context clearly indicates a contrary intent:

"Additional Replacement" shall have the meaning set forth in Section 9.5(g) hereof.

"Additional Required Repair" shall have the meaning set forth in Section 9.5(f) hereof.

"Affiliate" shall mean, as to any Person, any other Person that, directly or indirectly, is in control of, is controlled by or is under common control with such Person or is a director or officer of such Person or of an Affiliate of such Person.

"Affiliated Manager" shall have the meaning set forth in Section 7.1 hereof.

"ALTA" shall mean American Land Title Association, or any successor thereto.

"Alteration Threshold" shall mean $50,000.00.

"Allocated Loan Amount" shall mean the allocated loan amount for each Individual Property set forth on Schedule III attached hereto.

"Assignment of Management Agreement" shall mean that certain Assignment and Subordination of Management Agreement dated the date hereof among Lender, Borrower and Manager, as the same may be amended, restated, replaced, supplemented or otherwise modified from time to time.

"Award" shall mean any compensation paid by any Governmental Authority in connection with a Condemnation in respect of all or any part of the Property.

"Borrower Principal" shall mean Kenneth M. Woolley, an individual or such other Person or entity as may be substituted in accordance with this Agreement.

"Business Day" shall mean a day on which Lender is open for the conduct of substantially all of its banking business at its office in the city in which the Note is payable (excluding Saturdays and Sundays).

"Casualty" shall have the meaning set forth in Section 8.2.

"Closing Date" shall mean the date of the funding of the Loan.

"Control" shall have the meaning set forth in Section 7.1 hereof.

"Creditors Rights Laws" shall mean with respect to any Person any existing or future law of any jurisdiction, domestic or foreign, relating to bankruptcy, insolvency, reorganization, conservatorship, arrangement, adjustment, winding-up, liquidation, dissolution, composition or other relief with respect to its debts or debtors.

"Condemnation" shall mean a temporary or permanent taking by any Governmental Authority as the result, in lieu or in anticipation, of the exercise of the right of condemnation or eminent domain, of all or any part of the Property, or any interest therein or right accruing thereto, including any right of access thereto or any change of grade affecting the Property or any part thereof.

"Debt" shall mean the outstanding principal amount set forth in, and evidenced by, this Agreement and the Note together with all interest accrued and unpaid thereon and all other sums due to Lender in respect of the Loan under the Note, this Agreement, the Mortgage or any other Loan Document.

"Debt Service" shall mean, with respect to any particular period of time, scheduled principal and/or interest payments under the Note.

"Debt Service Coverage Ratio" shall mean, as of any date of determination, for the applicable period of calculation, the ratio, as determined by Lender, of (i) the Net Operating Income for the same period ending with the most recently completed calendar quarter to (ii) the aggregate amount of Debt Service which would be due for the same period assuming, the

maximum principal amount of the Loan is outstanding and calculated at the Note Rate (as defined in the Note).

"Default" shall mean the occurrence of any event hereunder or under any other Loan Document which, but for the giving of notice or passage of time, or both, would be an Event of Default.

"Default Rate" shall have the meaning set forth in the Note.

"Eligible Account" shall mean a separate and identifiable deposit account from all other funds held by the holding institution that is either (a) an account or accounts maintained with a federal or state chartered depository institution or trust company which complies with the definition of Eligible Institution or (b) a segregated trust account or accounts maintained with a federal or state chartered depository institution or trust company acting in its fiduciary capacity which, in the case of a state chartered depository institution or trust company, is subject to regulations substantially similar to 12 C.F.R. §9.10(b), having in either case a combined capital and surplus of at least $50,000,000 and subject to supervision or examination by federal and state authority. An Eligible Account will not be evidenced by a certificate of deposit, passbook or other instrument.

"Eligible Institution" shall mean either Bank of America, N.A. or a depository institution or trust company insured by the Federal Deposit Insurance Corporation, the short term unsecured debt obligations or commercial paper of which are rated at least "A-1+" by S&P, "P-1" by Moody's and "F-1+" by Fitch in the case of accounts in which funds are held for thirty (30) days or less (or, in the case of accounts in which funds are held for more than thirty (30) days, the long term unsecured debt obligations of which are rated at least "AA" by Fitch and S&P and "Aa2" by Moody's). Notwithstanding the foregoing, prior to a Securitization, Bank of America, N.A. shall be an Eligible Institution.

"Environmental Law" shall have the meaning set forth in Section 12.5 hereof.

"Environmental Liens" shall have the meaning set forth in Section 12.5 hereof.

"Environmental Report" shall have the meaning set forth in Section 12.5 hereof.

"ERISA" shall mean the Employee Retirement Income Security Act of 1974, as amended from time to time and any successor statutes thereto and applicable regulations issued pursuant thereto in temporary or final form.

"Event of Default" shall have the meaning set forth in Section 11.1 hereof.

"Fiscal Year" shall mean each twelve (12) month period commencing on January 1 and ending on December 31 during the term of the Loan.

"Fitch" shall mean Fitch, Inc.

"Foxboro Property" shall have the meaning set forth on Schedule III attached hereto.

"GAAP" shall mean generally accepted accounting principles in the United States of America as of the date of the applicable financial report.

"Governmental Authority" shall mean any court, board, agency, department, commission, office or other authority of any nature whatsoever for any governmental unit (federal, state, county, municipal, city, town, special district or otherwise) whether now or hereafter in existence.

"Hazardous Materials" shall have the meaning set forth in Section 12,5 hereof.

"Improvements" shall have the meaning set forth in the granting clause of the Mortgage.

"Indemnified Parties" shall mean (a) Lender, (b) any prior owner or holder of the Loan or Participations in the Loan, (c) any servicer or prior servicer of the Loan, (d) any Investor or any prior Investor in any Securities, (e) any trustees, custodians or other fiduciaries who hold or who have held a full or partial interest in the Loan for the benefit of any Investor or other third party, (f) any receiver or other fiduciary appointed in a foreclosure or other Creditors Rights Laws proceeding, (g) any officers, directors, shareholders, partners, members, employees, agents, servants, representatives, contractors, subcontractors, affiliates or subsidiaries of any and all of the foregoing, and (h) the heirs, legal representatives, successors and assigns of any and all of the foregoing (including, without limitation, any successors by merger, consolidation or acquisition of all or a substantial portion of the Indemnified Parties' assets and business), in all cases whether during the term of the Loan or as part of or following a foreclosure of the Mortgage.

"Individual Property" shall mean each parcel of real property listed on Schedule III attached hereto, the Improvements thereon and all personal property owned by Borrower and encumbered by a Mortgage, together with all rights pertaining to such property and improvements as more particular described in the granting clauses of such Mortgages.

"Insurance Premiums" shall have the meaning set forth in Section 8.1(b) hereof.

"Insurance Proceeds" shall have the meaning set forth in Section 8.4(b) hereof.

"Internal Revenue Code" shall mean the Internal Revenue Code of 1986, as amended, as it may be further amended from time to time, and any successor statutes thereto, and applicable U.S. Department of Treasury regulations issued pursuant thereto in temporary or final form.

"Investor" shall have the meaning set forth in Section 13.3 hereof

"Lease" shall have the meaning set forth in the Mortgage.

"Legal Requirements" shall mean all statutes, laws, rules, orders, regulations, ordinances, judgments, decrees and injunctions of Governmental Authorities affecting the Property or any part thereof, or the construction, use, alteration or operation thereof, whether now or hereafter enacted and in force, and all permits, licenses, authorizations and regulations

relating thereto, and all covenants, agreements, restrictions and encumbrances contained in any instruments, either of record or known to Borrower, at any time in force affecting any Individual Property or any part thereof, including, without limitation, any which may (a) require repairs, modifications or alterations in or to the Property or any part thereof, or (b) in any way limit the use and enjoyment thereof.

"Lien" shall mean any mortgage, deed of trust, lien, pledge, hypothecation, assignment, security interest, or any other encumbrance, charge or transfer of, on or affecting Borrower, any Individual Property, any portion thereof or any interest therein, including, without limitation, any conditional sale or other title retention agreement, any financing lease having substantially the same economic effect as any of the foregoing, the filing of any financing statement, and mechanic's, materialmen's and other similar liens and encumbrances.

"LLC Agreement" shall have the meaning set forth in Section 6.1(c).

"Loan" shall mean the loan made by Lender to Borrower pursuant to this Agreement.

"Loan Documents" shall mean, collectively, this Agreement, the Note, the Mortgage, the Assignment of Management Agreement and any and all other documents, agreements and certificates executed and/or delivered in connection with the Loan, as the same may be amended, restated, replaced, supplemented or otherwise modified from time to time.

"Loan-To-Value Ratio" shall mean the ratio, expressed as a percentage of the actual outstanding aggregate principal amount of the (i) Loan at the time the Loan-to-Value Ratio is being calculated to (ii) the appraised value of the Property, based on an updated appraisal.

"Losses" shall mean any and all claims, suits, liabilities (including, without limitation, strict liabilities), actions, proceedings, obligations, debts, damages, losses, costs, expenses, fines, penalties, charges, fees, judgments, awards, amounts paid in settlement of whatever kind or nature (including but not limited to legal fees and other costs of defense).

"Major Lease" shall mean as to the Property (i) any Lease which, individually or when aggregated with all other leases at the Property with the same Tenant or its Affiliate, demises ten percent (10%) or more of the Property's net rental income, (ii) any Lease which contains any option, offer, right of first refusal or other similar entitlement to acquire all or any portion of the Property, or (iii) any instrument guaranteeing or providing credit support for any Lease meeting the requirements of (i) or (ii) above.

"Management Agreement" shall that management agreement entered into by and between Borrower and Manager, pursuant to which Manager is to provide management and other services with respect to the Property, as the same may be amended, restated, replaced, supplemented or otherwise modified in accordance with the terms of this Agreement.

"Manager" shall mean Extra Space Management, Inc., a Utah corporation or such other entity selected as the manager of the Property in accordance with the terms of this Agreement.

"Maturity Date" shall have the meaning set forth in the Note.

"Member" shall have the meaning set forth in Section 6.1(c).

"Monthly Payment Amount" shall have the meaning set forth in the Note.

"Moody's" shall mean Moody's Investors Service, Inc.

"Mortgage" shall mean, individually and collectively, with respect to each Individual Property, that certain first priority mortgage/deed of trust/deed to secure debt and security agreement dated the date hereof, executed and delivered by Borrower as security for the Loan and encumbering the Property, as the same may be amended, restated, replaced, supplemented or otherwise modified from time to time.

"Net Operating Income" shall mean, with respect to any period of time, the amount obtained by subtracting Operating Expenses from Operating Income as such amount may be adjusted by Lender in its good faith discretion based on Lender's underwriting standards, including without limitation, adjustments for vacancy allowance. Net Operating Income shall be calculated as of the end of each calendar quarter on a twelve (12) month trailing basis.

"Net Proceeds" shall have the meaning set forth in Section 8.4(b) hereof.

"Net Proceeds Deficiency" shall have the meaning set forth in Section 8.4(b)(vi) hereof.

"Note" shall mean that certain promissory note of even date herewith in the principal amount of $27,208,000.00, made by Borrower in favor of Lender, as the same may be amended, restated, replaced, supplemented or otherwise modified from time to time.

"Operating Expenses" shall mean, with respect to any period of time, the total of all expenses actually paid or payable, computed in accordance with GAAP, of whatever kind relating to the operation, maintenance and management of the Property, including without limitation, utilities, ordinary repairs and maintenance, Insurance Premiums, license fees, Taxes and Other Charges, advertising expenses, payroll and related taxes, computer processing charges, management fees equal to the greater of 6% of the Operating Income and the management fees actually paid under the Management Agreement, operational equipment or other lease payments as approved by Lender, normalized capital expenditures equal to $0.15 per square foot per annum and normalized tenant improvement costs and/or leasing commissions equal to $0.00 per annum, but specifically excluding depreciation and amortization, income taxes, Debt Service, any incentive fees due under the Management Agreement, any item of expense that in accordance with GAAP should be capitalized but only to the extent the same would qualify for funding from the Reserve Accounts, any item of expense that would otherwise be covered by the provisions hereof but which is paid by any Tenant under such Tenant's Lease or other agreement, and deposits into the Reserve Accounts.

"Operating Income" shall mean, with respect to any period of time, all income, computed in accordance with GAAP, derived from the ownership and operation of the Property from whatever source, including, but not limited to, Rents, utility charges, escalations, forfeited

security deposits, interest on credit accounts, service fees or charges, license fees, parking fees, rent concessions or credits, and other required pass-throughs but excluding sales, use and occupancy or other taxes on receipts required to be accounted for by Borrower to any Governmental Authority, refunds and uncollectible accounts, sales of furniture, fixtures and equipment, interest income from any source other than the escrow accounts, Reserve Accounts or other accounts required pursuant to the Loan Documents, Insurance Proceeds (other than business interruption or other loss of income insurance), Awards, percentage rent, unforfeited security deposits, utility and other similar deposits, income from tenants not paying rent, income from tenants in bankruptcy, non-recurring or extraordinary income, including, without limitation lease termination payments, and any disbursements to Borrower from the Reserve Funds.

"Other Charges" shall mean all ground rents, maintenance charges, impositions other than Taxes, and any other charges, including, without limitation, vault charges and license fees for the use of vaults, chutes and similar areas adjoining the Property, now or hereafter levied or assessed or imposed against the Property or any part thereof.

"Parlin Ground Lease" shall mean that certain lease having an effective date of August 1, 1986, by and between Vernon Chevalier, Sr. and Deborah Wallentine (collectively, "Ground Lessor") and Larry M. Erickson (predecessor in interest to Borrower) as ground lessee, as amended pursuant to that certain Amendment to Lease dated as of June 18, 1999, that certain Assignment of Ground Lease dated as of June 18, 1999 and as further amended by that certain Assignment of Ground Lease dated April 30, 2004, as the same may be further amended, restated, extended, renewed or otherwise provided from time to time.

"Parlin Ground Lessor Estoppel" shall mean that certain Ground Lessor's Estoppel Certificate and Agreement, dated as of April 30, 2004 by and between the Ground Lessor and Lender.

"Parlin Property" shall have the meaning set forth in Schedule III attached hereto.

"Participations" shall have the meaning set forth in Section 13.1 hereof.

"Permitted Encumbrances" shall mean collectively with respect to each Individual Property, (a) the Lien and security interests created by the Loan Documents, (b) all Liens, encumbrances and other matters disclosed in the Title Insurance Policy, (c) Liens, if any, for Taxes imposed by any Governmental Authority not yet due or delinquent, and (d) such other title and survey exceptions as Lender has approved or may approve in writing in Lender's sole discretion, all of which Lender determines in the aggregate as of the date hereof do not materially adversely affect the value or use of any Individual Property or Borrower's ability to repay the Loan.

"Permitted Investments" shall mean to the extent available from Lender or Lender's servicer for deposits in the Reserve Accounts, any one or more of the following obligations or securities acquired at a purchase price of not greater than par, including those issued by a servicer of the Loan, the trustee under any securitization or any of their respective Affiliates, payable on demand or having a maturity date not later than the Business Day

immediately prior to the date on which the funds used to acquire such investment are required to be used under this Agreement and meeting one of the appropriate standards set forth below:

(a) obligations of, or obligations fully guaranteed as to payment of principal and interest by, the United States or any agency or instrumentality thereof provided such obligations are backed by the full faith and credit of the United States of America including, without limitation, obligations of: the U.S. Treasury (all direct or fully guaranteed obligations), the Farmers Home Administration (certificates of beneficial ownership), the General Services Administration (participation certificates), the U.S. Maritime Administration (guaranteed Title XI financing), the Small Business Administration (guaranteed participation certificates and guaranteed pool certificates), the U.S. Department of Housing and Urban Development (local authority bonds) and the Washington Metropolitan Area Transit Authority (guaranteed transit bonds); *provided, however,* that the investments described in this clause must (i) have a predetermined fixed dollar of principal due at maturity that cannot vary or change, (ii) be rated "AAA" or the equivalent by each of the Rating Agencies, (iii) if rated by S&P, must not have an "r" highlighter affixed to their rating, (iv) if such investments have a variable rate of interest, such interest rate must be tied to a single interest rate index plus a fixed spread (if any) and must move proportionately with that index, and (v) such investments must not be subject to liquidation prior to their maturity;

(b) Federal Housing Administration debentures;

(c) obligations of the following United States government sponsored agencies: Federal Home Loan Mortgage Corp. (debt obligations), the Farm Credit System (consolidated systemwide bonds and notes), the Federal Home Loan Banks (consolidated debt obligations), the Federal National Mortgage Association (debt obligations), the Financing Corp. (debt obligations), and the Resolution Funding Corp. (debt obligations); *provided, however,* that the investments described in this clause must (i) have a predetermined fixed dollar of principal due at maturity that cannot vary or change, (ii) if rated by S&P, must not have an "r" highlighter affixed to their rating, (iii) if such investments have a variable rate of interest, such interest rate must be tied to a single interest rate index plus a fixed spread (if any) and must move proportionately with that index, and (iv) such investments must not be subject to liquidation prior to their maturity;

(d) federal funds, unsecured certificates of deposit, time deposits, bankers' acceptances and repurchase agreements with maturities of not more than 365 days of any bank, the short term obligations of which at all times are rated in the highest short term rating category by each Rating Agency (or, if not rated by all Rating Agencies, rated by at least one Rating Agency in the highest short term rating category and otherwise acceptable to each other Rating Agency, as confirmed in writing that such investment would not, in and of itself, result in a downgrade, qualification or withdrawal of the initial, or, if higher, then current ratings assigned to the Securities); *provided, however*, that the investments described in this clause must (i) have a predetermined fixed dollar of principal due at maturity that cannot vary or change, (ii) if rated by S&P, must not have an "r" highlighter affixed to their rating, (iii) if such investments have a variable rate of interest, such interest rate must be tied to a single interest rate index plus a fixed spread

(if any) and must move proportionately with that index, and (iv) such investments must not be subject to liquidation prior to their maturity;

(e) fully Federal Deposit Insurance Corporation-insured demand and time deposits in, or certificates of deposit of, or bankers' acceptances issued by, any bank or trust company, savings and loan association or savings bank, the short term obligations of which at all times are rated in the highest short term rating category by each Rating Agency (or, if not rated by all Rating Agencies, rated by at least one Rating Agency in the highest short term rating category and otherwise acceptable to each other Rating Agency, as confirmed in writing that such investment would not, in and of itself, result in a downgrade, qualification or withdrawal of the initial, or, if higher, then current ratings assigned to the Securities); *provided*, *however*, that the investments described in this clause must (i) have a predetermined fixed dollar of principal due at maturity that cannot vary or change, (ii) if rated by S&P, must not have an "r" highlighter affixed to their rating, (iii) if such investments have a variable rate of interest, such interest rate must be tied to a single interest rate index plus a fixed spread (if any) and must move proportionately with that index, and (iv) such investments must not be subject to liquidation prior to their maturity;

(f) debt obligations with maturities of not more than 365 days and at all times rated by each Rating Agency (or, if not rated by all Rating Agencies, rated by at least one Rating Agency and otherwise acceptable to each other Rating Agency, as confirmed in writing that such investment would not, in and of itself, result in a downgrade, qualification or withdrawal of the initial, or, if higher, then current ratings assigned to the Securities) in its highest long-term unsecured rating category; *provided*, *however*, that the investments described in this clause must (i) have a predetermined fixed dollar of principal due at maturity that cannot vary or change, (ii) if rated by S&P, must not have an "r" highlighter affixed to their rating, (iii) if such investments have a variable rate of interest, such interest rate must be tied to a single interest rate index plus a fixed spread (if any) and must move proportionately with that index, and (iv) such investments must not be subject to liquidation prior to their maturity;

(g) commercial paper (including both non-interest-bearing discount obligations and interest-bearing obligations payable on demand or on a specified date not more than one year after the date of issuance thereof) with maturities of not more than 365 days and that at all times is rated by each Rating Agency (or, if not rated by all Rating Agencies, rated by at least one Rating Agency and otherwise acceptable to each other Rating Agency, as confirmed in writing that such investment would not, in and of itself, result in a downgrade, qualification or withdrawal of the initial, or, if higher, then current ratings assigned to the Securities) in its highest short-term unsecured debt rating; *provided*, *however*, that the investments described in this clause must (i) have a predetermined fixed dollar of principal due at maturity that cannot vary or change, (ii) if rated by S&P, must not have an "r" highlighter affixed to their rating, (iii) if such investments have a variable rate of interest, such interest rate must be tied to a single interest rate index plus a fixed spread (if any) and must move proportionately with that index, and (iv) such investments must not be subject to liquidation prior to their maturity;

(h) units of taxable money market funds, which funds are regulated investment companies, seek to maintain a constant net asset value per share and invest solely in obligations backed by the full faith and credit of the United States, which funds have the highest rating available from each Rating Agency (or, if not rated by all Rating Agencies, rated by at least one Rating Agency and otherwise acceptable to each other Rating Agency, as confirmed in writing that such investment would not, in and of itself, result in a downgrade, qualification or withdrawal of the initial, or, if higher, then current ratings assigned to the Securities) for money market funds; and

(i) any other security, obligation or investment which has been approved as a Permitted Investment in writing by (i) Lender and (ii) each Rating Agency, as evidenced by a written confirmation that the designation of such security, obligation or investment as a Permitted Investment will not, in and of itself, result in a downgrade, qualification or withdrawal of the initial, or, if higher, then current ratings assigned to the Securities by such Rating Agency;

provided, however, that no obligation or security shall be a Permitted Investment if (A) such obligation or security evidences a right to receive only interest payments, (B) the right to receive principal and interest payments on such obligation or security are derived from an underlying investment that provides a yield to maturity in excess of one hundred twenty percent (120%) of the yield to maturity at par of such underlying investment or (C) such obligation or security has a remaining term to maturity in excess of one (1) year.

"Person" shall mean any individual, corporation, partnership, joint venture, limited liability company, estate, trust, unincorporated association, any federal, state, county or municipal government or any bureau, department or agency thereof and any fiduciary acting in such capacity on behalf of any of the foregoing.

"Personal Property" shall have the meaning set forth in the granting clause of the Mortgage.

"Physical Conditions Report" shall mean, collectively, the reports prepared by a company satisfactory to Lender regarding the physical condition of each Individual Property, satisfactory in form and substance to Lender in its sole discretion.

"Policies" shall have the meaning specified in Section 8.1(b) hereof.

"Prohibited Transfer" shall have the meaning set forth in Section 7.2 hereof.

"Property" shall mean, collectively, each Individual Property, the Improvements thereon and all Personal Property owned by Borrower and encumbered by a Mortgage, together with all rights pertaining to such property and Improvements, as more particularly described in the granting clause of the Mortgage and referred to therein as the "Property".

"Qualified Manager" shall mean Manager or a reputable and experienced owner, operator or developer (a) which manages Class "A" or "B" self-storage facilities, is owner, operator, developer or manager of self-storage facilities containing in the aggregate, not less than 2,000,000 rentable square feet and is not and within the last seven (7) years has not, been the

subject of a bankruptcy proceeding and (b) approved by Lender, which approval shall not have been unreasonably withheld and for which Lender shall have received (i) written confirmation from the Rating Agencies that the employment of such manager will not result in a downgrade, withdrawal or qualification of the initial, or if higher, then current ratings issued in connection with a Securitization, or if a Securitization has not occurred, any ratings to be assigned in connection with a Securitization, and (ii) with respect to any Affiliated Manager, a revised substantive non-consolidation opinion if one was delivered in connection with the closing of the Loan.

"Rating Agencies" shall mean each of S&P, Moody's and Fitch, or any other nationally-recognized statistical rating agency which has been approved by Lender.

"REA" shall mean any "construction, operation and reciprocal easement agreement" or similar agreement (including any "separate agreement" or other agreement between Borrower and one or more other parties to an REA with respect to such REA) affecting the Property or portion thereof.

"Release" shall have the meaning set forth in Section 12.5 hereof.

"Rent Roll" shall have the meaning set forth in Section 4.25 hereof.

"Rents" shall have the meaning set forth in the Mortgage.

"Replacement Reserve Account" shall have the meaning set forth in Section 9.2(b) hereof.

"Replacement Reserve Funds" shall have the meaning set forth in Section 9.2(b) hereof.

"Replacement Reserve Monthly Deposit" shall have the meaning set forth in Section 9.2(b) hereof.

"Replacements" shall have the meaning set forth in Section 9.2(a) hereof.

"Required Repair Account" shall have the meaning set forth in Section 9. l(b) hereof.

"Required Repair Funds" shall have the meaning set forth in Section 9. l(b) hereof.

"Required Repairs" shall have the meaning set forth in Section 9.1(a) hereof.

"Required Work" shall have the meaning set forth in Section 9.4 hereof.

"Reserve Accounts" shall mean the Tax and Insurance Reserve Account, the Replacement Reserve Account, the Required Repair Account or any other escrow account established by the Loan Documents.

"Reserve Funds" shall mean the Tax and Insurance Reserve Funds, the Replacement Reserve Funds, the Required Repair Funds or any other escrow funds established by the Loan Documents.

"Restoration" shall mean, following the occurrence of a Casualty or a Condemnation which is of a type necessitating the repair of an Individual Property, the completion of the repair and restoration of such Individual Property as nearly as possible to such Individual condition the Property was in immediately prior to such Casualty or Condemnation, with such alterations as may be reasonably approved by Lender.

"Restoration Consultant" shall have the meaning set forth in Section 8.4(b)(iii) hereof.

"Restoration Retainage" shall have the meaning set forth in Section 8.4(b)(iv) hereof.

"Restricted Party" shall have the meaning set forth in Section 7.1 hereof.

"Sale or Pledge" shall have the meaning set forth in Section 7.1 hereof.

"Scheduled Payment Date" shall have the meaning set forth in the Note.

"Securities" shall have the meaning set forth in Section 13.1 hereof.

"Securities Act" shall mean the Securities Act of 1933, as amended.

"Securitization" shall have the meaning set forth in Section 13.1 hereof.

"Special Member" shall have the meaning set forth in Section 6.1(c).

"SPE Component Entity" shall have the meaning set forth in Section 6.1(b) hereof.

"S&P" shall mean Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc.

"State" shall mean the state in which an Individual Property or any part thereof is located.

"Tax and Insurance Reserve Funds" shall have the meaning set forth in Section 9.6 hereof.

"Tax and Insurance Reserve Account" shall have the meaning set forth in Section 9.6 hereof.

"Taxes" shall mean all real estate and personal property taxes, assessments, water rates or sewer rents, now or hereafter levied or assessed or imposed against any Individual Property or part thereof.

"Tenant" shall mean any Person leasing, subleasing or otherwise occupying any portion of any Individual Property under a Lease or other occupancy agreement with Borrower.

"Termination Fee Deposit" shall have the meaning set forth in Section 9.3(b).

"Title Insurance Policy" shall mean that certain ALTA mortgagee title insurance policy issued with respect to the Property and insuring the lien of the Mortgage.

"Transferee" shall have the meaning set forth in Section 7.5 hereof.

"UCC" or "Uniform Commercial Code" shall mean the Uniform Commercial Code as in effect in the State.

"Worcester Property" shall have the meaning set forth on Schedule III attached hereto.

Section 1.2 Principles of Construction. All references to sections and schedules are to sections and schedules in or to this Agreement unless otherwise specified. All uses of the word "including" shall mean "including, without limitation" unless the context shall indicate otherwise. Unless otherwise specified, the words "hereof," "herein" and "hereunder" and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement. Unless otherwise specified, all meanings attributed to defined terms herein shall be equally applicable to both the singular and plural forms of the terms so defined.

ARTICLE II

GENERAL TERMS

Section 2.1 The Loan. Subject to and upon the terms and conditions set forth herein, Lender hereby agrees to make and Borrower hereby agrees to accept the Loan on the Closing Date.

Section 2.2 Disbursement to Borrower. Borrower may request and receive only one borrowing in respect of the Loan and any amount borrowed and repaid in respect of the Loan may not be reborrowed.

Section 2.3 The Note, Mortgage and Loan Documents. The Loan shall be evidenced by the Note and secured by the Mortgage and the other Loan Documents.

Section 2.4 Loan Payments. The Loan and interest thereon shall be payable pursuant to the terms of the Note.

Section 2.5 Loan Prepayments. The Loan may not be prepaid, in whole or in part, except in strict accordance with the express terms and conditions of the Note.

ARTICLE III

CONDITIONS PRECEDENT

Section 3.1 Conditions Precedent. The obligation of Lender to make the Loan hereunder is subject to the fulfillment by Borrower or waiver by Lender of all of the conditions precedent to closing set forth in the application or the term sheet for the Loan delivered by Borrower to Lender and any commitment or commitment rider to the application for the Loan issued by Lender.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES

Borrower and, where specifically indicated, each Borrower Principal represents and warrants to Lender as of the Closing Date that:

Section 4.1 Organization. Borrower and each Borrower Principal (when not an individual) (a) has been duly organized and is validly existing and in good standing with requisite power and authority to own its properties and to transact the businesses in which it is now engaged, (b) is duly qualified to do business and is in good standing in each jurisdiction where it is required to be so qualified in connection with its properties, businesses and operations, (c) possesses all rights, licenses, permits and authorizations, governmental or otherwise, necessary to entitle it to own its properties and to transact the businesses in which it is now engaged, and the sole business of Borrower is the ownership, management and operation of the related Individual Property, and (d) in the case of Borrower, has full power, authority and legal right to mortgage, grant, bargain, sell, pledge, assign, warrant, transfer and convey the related Individual Property pursuant to the terms of the Loan Documents, and in the case of Borrower and each Borrower Principal, has full power, authority and legal right to keep and observe all of the terms of the Loan Documents to which it is a party. Borrower and each Borrower Principal represent and warrant that the chart attached hereto as Exhibit A sets forth an accurate listing of the direct and indirect owners of the equity interests in Borrower, each SPE Component Entity (if any) and each Borrower Principal (when not an individual).

Section 4.2 Status of Borrower. Borrower's exact legal name is correctly set forth on the first page of this Agreement, on the Mortgage and on any UCC-1 Financing Statements filed in connection with the Loan. Borrower is an organization of the type specified on the first page of this Agreement. Borrower is incorporated in or organized under the laws of the state of Delaware. Borrower's principal place of business and chief executive office, and the place where Borrower keeps its books and records, including recorded data of any kind or nature, regardless of the medium of recording, including software, writings, plans, specifications and schematics, has been for the preceding four months (or, if less, the entire period of the existence of Borrower) the address of Borrower set forth on the first page of this Agreement. Borrower's organizational identification number, if any, assigned by the state of incorporation or organization is correctly set forth on the first page of the Note.

Section 4.3 Validity of Documents. Borrower and each Borrower Principal have taken all necessary action to authorize the execution, delivery and performance of this Agreement and the other Loan Documents to which they are parties. This Agreement and such other Loan Documents have been duly executed and delivered by or on behalf of Borrower and each Borrower Principal and constitute the legal, valid and binding obligations of Borrower and each Borrower Principal enforceable against Borrower and each Borrower Principal in accordance with their respective terms, subject only to applicable bankruptcy, insolvency and similar laws affecting rights of creditors generally, and subject, as to enforceability, to general principles of equity (regardless of whether enforcement is sought in a proceeding in equity or at law).

Section 4.4 No Conflicts. The execution, delivery and performance of this Agreement and the other Loan Documents by Borrower and each Borrower Principal will not conflict with or result in a breach of any of the terms or provisions of, or constitute a default under, or result in the creation or imposition of any lien, charge or encumbrance (other than pursuant to the Loan Documents) upon any of the property or assets of Borrower or any Borrower Principal pursuant to the terms of any agreement or instrument to which Borrower or any Borrower Principal is a party or by which any of Borrower's or Borrower Principal's property or assets is subject, nor will such action result in any violation of the provisions of any statute or any order, rule or regulation of any Governmental Authority having jurisdiction over Borrower or Borrower Principal or any of Borrower's or Borrower Principal's properties or assets, and any consent, approval, authorization, order, registration or qualification of or with any Governmental Authority required for the execution, delivery and performance by Borrower or Borrower Principal of this Agreement or any of the other Loan Documents has been obtained and is in full force and effect.

Section 4.5 Litigation. There are no actions, suits or proceedings at law or in equity by or before any Governmental Authority or other agency now pending or, to Borrower's or Borrower Principal's knowledge, threatened against or affecting Borrower, Borrower Principal, the Manager or any Individual Property, which actions, suits or proceedings, if determined against Borrower, any Borrower Principal, the Manager or any Property, would materially adversely affect the condition (financial or otherwise) or business of Borrower or Borrower Principal or the condition or ownership of the related Individual Property.

Section 4.6 Agreements. Borrower is not a party to any agreement or instrument or subject to any restriction which would materially and adversely affect Borrower or any related Individual Property, or Borrower's business, properties or assets, operations or condition, financial or otherwise. Borrower is not in default in any material respect in the performance, observance or fulfillment of any of the obligations, covenants or conditions contained in any agreement or instrument to which it is a party or by which Borrower or the Property is bound. Borrower does not have a material financial obligation under any agreement or instrument to which Borrower is a party or by which Borrower or any Individual Property is otherwise bound, other than (a) obligations incurred in the ordinary course of the operation of the Property and (b) obligations under the Loan Documents.

Section 4.7 Solvency. Borrower and each Borrower Principal have (a) not entered into the transaction or executed the Note, this Agreement or any other Loan Documents

with the actual intent to hinder, delay or defraud any creditor and (b) received reasonably equivalent value in exchange for their obligations under such Loan Documents. Giving effect to the Loan, the fair saleable value of the assets of Borrower and each Borrower Principal exceeds and will, immediately following the making of the Loan, exceed the total liabilities of Borrower and each Borrower Principal, including, without limitation, subordinated, unliquidated, disputed and contingent liabilities. No petition in bankruptcy has been filed against Borrower, any Borrower Principal, any SPE Component Entity (if any) or Affiliated Manager in the last ten (10) years, and neither Borrower nor Borrower Principal, any SPE Component Entity (if any) or Affiliated Manager in the last ten (10) years has made an assignment for the benefit of creditors or taken advantage of any Creditors Rights Laws. Neither Borrower nor Borrower Principal, any SPE Component Entity (if any) or Affiliated Manager is contemplating either the filing of a petition by it under any Creditors Rights Laws or the liquidation of all or a major portion of Borrower's assets or property, and Borrower has no knowledge of any Person contemplating the filing of any such petition against Borrower or Borrower Principal, any SPE Component Entity (if any) or Affiliated Manager.

Section 4.8 Full and Accurate Disclosure. No statement of fact made by or on behalf of Borrower or Borrower Principal in this Agreement or in any of the other Loan Documents or in any other document or certificate delivered by or on behalf of Borrower or any Borrower Principal contains any untrue statement of a material fact or omits to state any material fact necessary to make statements contained herein or therein not misleading. There is no material fact presently known to Borrower or Borrower Principal which has not been disclosed to Lender which adversely affects, nor as far as Borrower or any Borrower Principal can reasonably foresee, might adversely affect, any Individual Property or the business, operations or condition (financial or otherwise) of Borrower or any Borrower Principal.

Section 4.9 No Plan Assets. Borrower is not an "employee benefit plan," as defined in Section 3(3) of ERISA, subject to Title I of ERISA, and none of the assets of Borrower constitutes or will constitute "plan assets" of one or more such plans within the meaning of 29 C.F.R. Section 2510.3-101. In addition, (a) Borrower is not a "governmental plan" within the meaning of Section 3(32) of ERISA and (b) transactions by or with Borrower are not subject to state statutes regulating investment of, and fiduciary obligations with respect to, governmental plans similar to the provisions of Section 406 of ERISA or Section 4975 of the Internal Revenue Code currently in effect, which prohibit or otherwise restrict the transactions contemplated by this Agreement.

Section 4.10 Not a Foreign Person. Borrower nor Borrower Principal is a "foreign person" within the meaning of §1445(f)(3) of the Internal Revenue Code.

Section 4.11 Enforceability. The Loan Documents are not subject to any right of rescission, set-off, counterclaim or defense by Borrower, including the defense of usury, nor would the operation of any of the terms of the Loan Documents, or the exercise of any right thereunder, render the Loan Documents unenforceable, and neither Borrower nor Borrower Principal has asserted any right of rescission, set-off, counterclaim or defense with respect thereto. No Default or Event of Default exists under or with respect to any of the Loan Documents.

Section 4.12 Business Purposes. The Loan is solely for the business purposes of Borrower, and is not for personal, family, household, or agricultural purposes.

Section 4.13 Compliance. Borrower and each Individual Property and the use and operation thereof comply in all material respects with all Legal Requirements, including, without limitation, building and zoning ordinances and codes and the Americans with Disabilities Act. To Borrower's knowledge, Borrower is not in default or violation of any order, writ, injunction, decree or demand of any Governmental Authority and Borrower has not received no written notice of any such default or violation. There has not been committed by Borrower or, to Borrower's knowledge, any other Person in occupancy of or involved with the operation or use of any Individual Property any act or omission affording any Governmental Authority the right of forfeiture as against the Property or any part thereof or any monies paid in performance of Borrower's obligations under any of the Loan Documents.

Section 4.14 Financial Information. All financial data, including, without limitation, the balance sheets, statements of cash flow, statements of income and operating expense and rent rolls, that have been delivered to Lender in respect of Borrower, Borrower Principal and/or the Property (a) are true, complete and correct in all material respects, (b) accurately represent the financial condition of Borrower, Borrower Principal or the Property, as applicable, as of the date of such reports, and (c) to the extent prepared or audited by an independent certified public accounting firm, have been prepared in accordance with GAAP throughout the periods covered, except as disclosed therein. Borrower has no contingent liabilities, liabilities for taxes, unusual forward or long-term commitments or unrealized or anticipated losses from any unfavorable commitments that are known to Borrower and reasonably likely to have a material adverse effect on the Property or the current and/or intended operation thereof, except as referred to or reflected in said financial statements. Since the date of such financial statements, there has been no materially adverse change in the financial condition, operations or business of Borrower or Borrower Principal from that set forth in said financial statements.

Section 4.15 Condemnation. No Condemnation or other proceeding has been commenced or, to Borrower's best knowledge, is threatened or contemplated with respect to all or any portion of any Individual Property or for the relocation of roadways providing access to the related Individual Property.

Section 4.16 Utilities and Public Access; Parking. Each Individual Property has adequate rights of access to public ways and is served by water, sewer, sanitary sewer and storm drain facilities adequate to service each Individual Property for full utilization of each Individual Property for its intended uses. All public utilities necessary to the full use and enjoyment of each Individual Property as currently used and enjoyed are located either in the public right-of-way abutting each Individual Property (which are connected so as to serve each Individual Property without passing over other property) or in recorded easements serving each Individual Property and such easements are set forth in and insured by the Title Insurance Policy. All roads necessary for the use of each Individual Property for its current purposes have been completed and dedicated to public use and accepted by all Governmental Authorities. Each Individual Property has, or is served by, parking to the extent required to comply with all Legal Requirements.

Section 4.17 Separate Lots. Each Individual Property is assessed for real estate tax purposes as one or more wholly independent tax lot or lots, separate from any adjoining land or improvements not constituting a part of such lot or lots, and no other land or improvements is assessed and taxed together with each Individual Property or any portion thereof.

Section 4.18 Assessments. To Borrower's knowledge after due inquiry, there are no pending or proposed special or other assessments for public improvements or otherwise affecting any Individual Property, nor are there any contemplated improvements to any Individual Property that may result in such special or other assessments other than with respect to the construction of additional storage units and renovations of the Manager's apartment at the Worcester Property.

Section 4.19 Insurance. Borrower has obtained and has delivered to Lender certified copies of all Policies or, to the extent such Policies are not available as of the Closing Date, certificates of insurance with respect to all such Policies reflecting the insurance coverages, amounts and other requirements set forth in this Agreement. No claims have been made under any of the Policies, and to Borrower's knowledge, no Person, including Borrower, has done, by act or omission, anything which would impair the coverage of any of the Policies.

Section 4.20 Use of Property. Each Individual Property is used exclusively for self-storage purposes and other appurtenant and related uses.

Section 4.21 Certificate of Occupancy; Licenses. All certifications, permits, licenses and approvals, including, without limitation, certificates of completion or occupancy and any applicable liquor license required for the legal use, occupancy and operation of each Individual Property for the purpose intended herein, have been obtained and are valid and in full force and effect. Borrower shall keep and maintain all licenses necessary for the operation of the each Individual Property for the purpose intended herein. The use being made of each Individual Property is in conformity with the certificate of occupancy and any permits or licenses issued for the related Individual Property.

Section 4.22 Flood Zone. None of the Improvements on any Individual Property are located in an area identified by the Federal Emergency Management Agency as an area having special flood hazards, or, if any portion of the Improvements is located within such area, Borrower has obtained the insurance prescribed in Section 8.1(a)(i).

Section 4.23 Physical Condition. To Borrower's knowledge after due inquiry, each Individual Property, including, without limitation, all buildings, improvements, parking facilities, sidewalks, storm drainage systems, roofs, plumbing systems, HVAC systems, fire protection systems, electrical systems, equipment, elevators, exterior sidings and doors, landscaping, irrigation systems and all structural components, are in good condition, order and repair in all material respects. To Borrower's knowledge after due inquiry, there exists no structural or other material defects or damages in any Individual Property, as a result of a Casualty or otherwise, and whether latent or otherwise. Borrower has not received notice from any insurance company or bonding company of any defects or inadequacies in any Individual Property, or any part thereof, which would adversely affect the insurability of the same or cause

the imposition of extraordinary premiums or charges thereon or of any termination or threatened termination of any policy of insurance or bond.

Section 4.24 Boundaries. (a) None of the Improvements which were included in determining the appraised value of each Individual Property lie outside the boundaries and building restriction lines of the related Property to any material extent, and (b) no improvements on adjoining properties encroach upon any Individual Property and no easements or other encumbrances upon any Individual Property encroach upon any of the Improvements so as to materially affect the value or marketability of any Individual Property.

Section 4.25 Leases and Rent Roll. Borrower has delivered to Lender a true, correct and complete rent roll for each Individual Property (each a "Rent Roll") which includes all Leases affecting each Individual Property (including schedules for all executed Leases for Tenants not yet in occupancy or under which the rent commencement date has not occurred). Except as set forth in each Rent Roll (as same has been updated by written notice thereof to Lender) delivered to Lender on or prior to the Closing Date: (a) each Lease is in full force and effect; (b) the Tenants under the Leases have accepted possession of their respective demised premises; (c) the Tenants under the Leases have commenced the payment of rent under the Leases, there are no offsets, claims or defenses to the enforcement thereof, and Borrower has no monetary obligations to any Tenant under any Lease; (d) not more than five percent (5%) of the Tenants at any Individual Property has prepaid Rents more than thirty (30) days in advance and no Tenant at any Individual Property has prepaid Rent more than one (1) year in advance; (e) the rent payable under each Lease is the amount of fixed rent set forth in the Rent Roll, and there is no claim or basis for a claim by the Tenant thereunder for an offset or adjustment to the rent; (f) no Tenant has made any written claim of a material default against the landlord under any Lease which remains outstanding nor has Borrower or Manager received, by telephonic, in-person, e-mail or other communication, any notice of a material default under any Lease; (g) no more than five percent (5%) of the Tenants at any Individual Property are in default of the rental payment; (h) all security deposits, if any, under the Leases have been collected by Borrower; (i) Borrower is the sole owner of the entire landlord's interest in each Lease; (j) each Lease is the valid, binding and enforceable obligation of Borrower and the applicable Tenant thereunder and there are no agreements with the Tenants under the Leases other than as expressly set forth in the Leases; (k) no Person has any possessory interest in, or right to occupy, the related Individual Property or any portion thereof except under the terms of a Lease; (l) none of the Leases contains any option or offer to purchase or right of first refusal to purchase the related Individual Property or any part thereof; and (m) neither the Leases nor the Rents have been assigned, pledged or hypothecated except to Lender, and no other Person has any interest therein except the Tenants thereunder.

Section 4.26 Filing and Recording Taxes. All mortgage, mortgage recording, stamp, intangible or other similar tax required to be paid by any Person under applicable Legal Requirements currently in effect in connection with the execution, delivery, recordation, filing, registration, perfection or enforcement of any of the Loan Documents, including, without limitation, the Mortgage, have been paid or will be paid, and, under current Legal Requirements, each Mortgage is enforceable in accordance with its terms by Lender (or any subsequent holder thereof).

Section 4.27 Management Agreement. The Management Agreement is in full force and effect and there is no default thereunder by any party thereto and, to Borrower's knowledge, no event has occurred that, with the passage of time and/or the giving of notice would constitute a default thereunder. No management fees under the Management Agreement are accrued and unpaid.

Section 4.28 Illegal Activity. No portion of any Individual Property has been or will be purchased with proceeds of any illegal activity, and no part of the proceeds of the Loan will be used in connection with any illegal activity.

Section 4.29 Construction Expenses. All costs and expenses of any and all labor, materials, supplies and equipment used in the construction maintenance or repair of the Improvements have been paid in full. To Borrower's knowledge after due inquiry, there are no claims for payment for work, labor or materials affecting any Individual Property which are or may become a lien prior to, or of equal priority with, the Liens created by the Loan Documents.

Section 4.30 Personal Property. Borrower has paid in full for, and is the owner of, all Personal Property (other than tenants' property) used in connection with the operation of the related Individual Property, free and clear of any and all security interests, liens or encumbrances, except for Permitted Encumbrances and the Lien and security interest created by the Loan Documents.

Section 4.31 Taxes. Borrower and Borrower Principal have filed all federal, state, county, municipal, and city income, personal property and other tax returns required to have been filed by them and have paid all taxes and related liabilities which have become due pursuant to such returns or pursuant to any assessments received by them. Neither Borrower nor Borrower Principal knows of any basis for any additional assessment in respect of any such taxes and related liabilities for prior years.

Section 4.32 Permitted Encumbrances. None of the Permitted Encumbrances, individually or in the aggregate, materially interferes with the benefits of the security intended to be provided by the Loan Documents, materially and adversely affects the value of the Property, impairs the use or the operation of any Individual Property or impairs Borrower's ability to pay its obligations in a timely manner.

Section 4.33 Federal Reserve Regulations. Borrower will not use the proceeds of the Loan for any illegal activity. No part of the proceeds of the Loan will be used for the purpose of purchasing or acquiring any "margin stock" within the meaning of Regulation U of the Board of Governors of the Federal Reserve System or for any other purpose which would be inconsistent with such Regulation U or any other Regulations of such Board of Governors, or for any purposes prohibited by Legal Requirements or prohibited by the terms and conditions of this Agreement or the other Loan Documents.

Section 4.34 Investment Company Act. Borrower is not (a) an "investment company" or a company "controlled" by an "investment company," within the meaning of the Investment Company Act of 1940, as amended; (b) a "holding company" or a "subsidiary company" of a "holding company" or an "affiliate" of either a "holding company" or a

"subsidiary company" within the meaning of the Public Utility Holding Company Act of 1935, as amended; or (c) subject to any other federal or state law or regulation which purports to restrict or regulate its ability to borrow money.

Section 4.35 Reciprocal Easement Agreements. With respect to any REA:

(a) Neither Borrower, nor any other party is currently in default (nor has any notice been given or received with respect to an alleged or current default) under any of the terms and conditions of the REA, and the REA remains unmodified and in full force and effect;

(b) All easements granted pursuant to the REA which were to have survived the site preparation and completion of construction (to the extent that the same has been completed), remain in full force and effect and have not been released, terminated, extinguished or discharged by agreement or otherwise;

(c) All sums due and owing by Borrower to the other parties to any REA (or by the other parties to the REA to Borrower) pursuant to the terms of the REA, including without limitation, all sums, charges, fees, assessments, costs, and expenses in connection with any taxes, site preparation and construction, non-shareholder contributions, and common area and other property management activities have been paid, are current, and no lien has attached on the Property (or threat thereof been made) for failure to pay any of the foregoing;

(d) The terms, conditions, covenants, uses and restrictions contained in the REA do not conflict in any manner with any terms, conditions, covenants, uses and restrictions contained in any Lease or in any agreement between Borrower and occupant of any peripheral parcel, including without limitation, conditions and restrictions with respect to kiosk placement, tenant restrictions (type, location or exclusivity), sale of certain goods or services, and/or other use restrictions; and

Section 4.36 No Change in Facts or Circumstances; Disclosure. All information submitted by Borrower or its agents to Lender and in all financial statements, rent rolls, reports, certificates and other documents submitted in connection with the Loan or in satisfaction of the terms thereof and all statements of fact made by Borrower in this Agreement or in any other Loan Document, are accurate, complete and correct in all material respects. There has been no material adverse change in any condition, fact, circumstance or event that would make any such information inaccurate, incomplete or otherwise misleading in any material respect or that otherwise materially and adversely affects or might materially and adversely affect the Property or the business operations or the financial condition of Borrower. Borrower has disclosed to Lender all material facts and has not failed to disclose any material fact that could cause any representation or warranty made herein to be materially misleading.

Section 4.37 Special Purpose Entity. Borrower and each SPE Component Entity meet all of the requirements of Section 6.1 as of the Closing Date.

Section 4.38 Permitted Encumbrances. The Permitted Encumbrances do not and will not materially and adversely affect (i) the ability of Borrower to pay in full all sums due under the Note or any of its other obligations in a timely manner or (ii) the use of any Individual

Property for the use currently being made thereof, the operation of any Individual Property as currently being operated or the value of such Individual Property.

Section 4.39 Intellectual Property. All trademarks, trade names and service marks necessary to the business of Borrower as presently conducted or as Borrower contemplates conducting its business are in good standing and, to the extent of Borrower's actual knowledge, uncontested. Borrower has not infringed, are not infringing, and have not received notice of infringement with respect to asserted trademarks, trade names and service marks of others. To Borrower's knowledge, there is no infringement by others of trademarks, trade names and service marks of Borrower.

Section 4.40 Assumptions. Each of the assumptions contained in the opinion related to issues of substantive consolidation delivered by Borrower to Lender on the date hereof are true and accurate.

Section 4.41 Embargoed Person. At all times throughout the term of the Loan, including after giving effect to any Transfers permitted pursuant to the Loan Documents, (a) none of the funds or other assets of Borrower or Borrower Principal shall constitute property of, or shall be beneficially owned, directly or indirectly, by any Person subject to trade restrictions under United States law, including, but not limited to, the International Emergency Economic Powers Act, 50 U.S.C. §§ 1701 et seq., The Trading with the Enemy Act, 50 U.S.C. App. 1 et seq., the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (Public Law 107-56) and any Executive Orders or regulations promulgated thereunder (including, without limitation, Executive Order No. 13224 on Terrorist Financing), with the result that the investment in Borrower or Borrower Principal, as applicable (whether directly or indirectly), would be prohibited by law (each, an "Embargoed Person"), or the Loan made by Lender would be in violation of law, (b) no Embargoed Person shall have any interest of any nature whatsoever in Borrower or Borrower Principal, as applicable, with the result that the investment in Borrower or Borrower Principal, as applicable (whether directly or indirectly), would be prohibited by law or the Loan would be in violation of law, and (c) none of the funds of Borrower or Borrower Principal, as applicable, shall be derived from any unlawful activity with the result that the investment in Borrower or Borrower Principal, as applicable (whether directly or indirectly), would be prohibited by law or the Loan would be in violation of law.

Section 4.42 Parlin Ground Lease.

(i) a memorandum of the Parlin Ground Lease has been recorded.

(ii) Borrower has the right to (a) sublease or otherwise encumber, without restriction, all or any part of the Parlin Property, subject to Section 7.01 regarding the use of the Parlin Property and in accordance with Section 8.01 of the Parlin Ground Lease (requiring Ground Lessor's consent if such assignment or sublet is outside of Borrower's ordinary course of business) and (b) encumber the Parlin Ground Lease and the leasehold estate created thereby in connection with financing without the consent of Ground Lessor, except to the extent Borrower has already secured such consent. Lender may

without further consent of Ground Lessor, assign the Parlin Ground Lease and sublet the Parlin Property.

(iii) if any default by Borrower shall occur under the Parlin Ground Lease, Lender is entitled under the Parlin Ground Lease to receive notice of such default from Ground Lessor and an additional opportunity to cure any such default which is susceptible of cure by Lender, which in the case of any non-monetary default susceptible of cure by Lender, includes the right of Lender or its designee to acquire possession of the Parlin Property by means of foreclosure of the Mortgage or by other means and to become the lessee under the Parlin Ground Lease. So long as Lender has agreed to effectuate a cure and is proceeding to cure any such non-monetary default within applicable notice and grace periods and no monetary default remains uncured beyond any applicable notice and grace periods to which Borrower and Lender are entitled, Ground Lessor may not terminate the Parlin Ground Lease.

(iv) The Parlin Ground Lease and the Parlin Ground Lessor Estoppel executed by the Ground Lessor in connection with the Loan requires the Ground Lessor to give copies of all notices which are given under the Parlin Ground Lease to Borrower contemporaneously to Lender. A notice of termination of the Parlin Ground Lease shall not be deemed effectively made until Lender has been served with a copy of such notice of termination.

(v) The Parlin Ground Lease is in full force and effect and has not been modified or supplemented. The Parlin Ground Lease cannot be cancelled solely by Ground Lessor and requires Borrower's and Lender's consent for all modifications.

(vi) All rents (including additional rents and other charges) reserved for in the Parlin Ground Lease and payable prior to the date hereof have been paid.

(vii) No party to the Parlin Ground Lease is in default of any obligation such party has thereunder and no event has occurred which, with the giving of notice or the lapse of time, or both, would constitute such a default.

(viii) No notice or other written or oral communication has been provided to any party under the Parlin Ground Lease which alleges that, as of the date hereof, either a default exists or with the passage of time will exist under the provisions of such Parlin Ground Lease.

(ix) If there shall be a Condemnation of the fee title to the Parlin Property, subject to amounts which are applied to restoration of the Parlin Property, Borrower is entitled under the Parlin Ground Lease to receive such portion of the award for such Condemnation as equals the value of Borrower's estate under the Parlin Ground Lease and Improvements made by Borrower. Borrower is authorized to assign its interest in any condemnation award which Borrower is entitled to receive pursuant to the Parlin Ground Lease.

(x) If there shall be a Casualty under the Parlin Ground Lease, either there is an obligation to use insurance proceeds for a full restoration or Borrower is entitled to

receive such portion of such proceeds as equals the value of improvements made by Borrower.

(xi) The Parlin Ground Lease may be assigned by Borrower in connection with financing of the Property from time to time without the consent of Ground Lessor.

(xii) Provided that no monetary default remains uncured beyond any applicable notice and grace periods to which Borrower and Lender are entitled, the Parlin Ground Lease may not be terminated by Ground Lessor by reason of any default by Borrower which is not susceptible of cure by Lender.

(xiii) If the Parlin Ground Lease is terminated by reason of a default by Borrower or in the event that the Parlin Ground Lease is rejected in any case, proceeding or other action commenced under the U.S. Bankruptcy Code, Lender or its designee is entitled under the Parlin Ground Lease to enter into a new lease (the "New Lease") with Ground Lessor for the remainder of the term of the Parlin Ground Lease upon the same base Rent and additional Rent and other terms, covenants, conditions and agreements as are contained in the Parlin Ground Lease.

(xiv) Borrower's interest in the Parlin Ground Lease is not subject to any liens or encumbrances superior to, or of equal priority with, the Mortgage, other than the Ground Lessor's fee interest and any exception stated in the applicable title insurance policy, which exceptions do not and will not materially adversely interfere with (a) Borrower's ability to timely pay the payments due under the Loan, (b) the use of the Parlin Property for the use currently being made thereof, or (c) the value of the Parlin Property.

(xv) The initial term of the Parlin Ground Lease is 35 years and the Borrower has the right to exercise one (1) extensions of the term of the Parlin Ground Lease of ten (10) years each and Borrower has assigned the right to exercise such option to Lender and Ground Lessor has acknowledged such assignment.

Section 4.43 Extra Space East of Hudson LLC, a Delaware limited liability company. All debts of Extra Space East of Hudson LLC, a Delaware limited liability company have been paid in full.

Section 4.44 Survival. Borrower agrees that, unless expressly provided otherwise, all of the representations and warranties of Borrower set forth in this Article 4 and elsewhere in this Agreement and in the other Loan Documents shall survive for so long as any portion of the Debt remains owing to Lender. All representations, warranties, covenants and agreements made in this Agreement or in the other Loan Documents by Borrower shall be deemed to have been relied upon by Lender notwithstanding any investigation heretofore or hereafter made by Lender or on its behalf.

ARTICLE V

BORROWER COVENANTS

From the date hereof and until repayment of the Debt in full and performance in full of all obligations of Borrower under the Loan Documents or the earlier release of the Lien of each Mortgage (and all related obligations) in accordance with the terms of this Agreement and the other Loan Documents, Borrower hereby covenants and agrees with Lender that:

Section 5.1 Existence; Compliance with Legal Requirements. (a) Borrower shall do or cause to be done all things necessary to preserve, renew and keep in full force and effect their existence, rights, licenses, permits and franchises and materially comply with all Legal Requirements applicable to it and the related Individual Property. Borrower hereby covenants and agrees not to commit, permit or suffer to exist any act or omission affording any Governmental Authority the right of forfeiture as against any Individual Property or any part thereof or any monies paid in performance of Borrower's obligations under any of the Loan Documents. Borrower shall at all times maintain, preserve and protect all franchises and trade names used in connection with the operation of each Individual Property.

(b) After prior written notice to Lender, a Borrower, at its own expense, may contest by appropriate legal proceeding, promptly initiated and conducted in good faith and with due diligence, the Legal Requirements affecting the related Individual Property, *provided* that (i) no Default or Event of Default has occurred and is continuing; (ii) such proceeding shall be permitted under and be conducted in accordance with the provisions of any other instrument to which Borrower or the related Individual Property is subject and shall not constitute a default thereunder; (iii) neither such Individual Property, any part thereof or interest therein, any of the tenants or occupants thereof, nor Borrower shall be affected in any material adverse way as a result of such proceeding; (iv) non-compliance with the Legal Requirements shall not impose civil or criminal liability on Borrower or Lender; (v) Borrower shall have furnished the security as may be required in the proceeding or by Lender to ensure compliance by Borrower with the Legal Requirements; and (vi) Borrower shall have furnished to Lender all other items reasonably requested by Lender.

Section 5.2 Maintenance and Use of Property. Borrower shall cause the related Individual Property to be maintained in a good and safe condition and repair. The Improvements and the Personal Property shall not be removed or demolished or other than in accordance with the provisions of Section 5.21, materially altered (except for normal replacement of the Personal Property) without the consent of Lender. If under applicable zoning provisions the use of all or any portion of an Individual Property is or shall become a nonconforming use, Borrower will not cause or permit the nonconforming use to be discontinued or the nonconforming Improvement to be abandoned without the express written consent of Lender.

Section 5.3 Waste. Borrower shall not commit or suffer any waste of the related Individual Property or make any change in the use of the related Individual Property which will in any way materially increase the risk of fire or other hazard arising out of the operation of the related Individual Property, or take any action that might invalidate or give

cause for cancellation of any Policy, or do or permit to be done thereon anything that may in any way impair the value of the related Individual Property or the security for the Loan. Borrower will not, without the prior written consent of Lender, permit any drilling or exploration for or extraction, removal, or production of any minerals from the surface or the subsurface of any Individual Property, regardless of the depth thereof or the method of mining or extraction thereof.

Section 5.4 Taxes and Other Charges. (a) Borrower shall pay all Taxes and Other Charges now or hereafter levied or assessed or imposed against each Individual Property or any part thereof as the same become due and payable; *provided, however,* Borrower's obligation to directly pay Taxes shall be suspended for so long as Borrower complies with the terms and provisions of Section 9.6 hereof. Borrower shall furnish to Lender receipts for the payment of the Taxes and the Other Charges prior to the date the same shall become delinquent *(provided, however,* that Borrower is not required to furnish such receipts for payment of Taxes in the event that such Taxes have been paid by Lender pursuant to Section 9.6 hereof). Borrower shall not suffer and shall promptly cause to be paid and discharged any Lien or charge whatsoever which may be or become a Lien or charge against the Individual Properties, and shall promptly pay for all utility services provided to the Individual Properties.

(b) After prior written notice to Lender, Borrower, at its own expense, may contest by appropriate legal proceeding, promptly initiated and conducted in good faith and with due diligence, the amount or validity or application in whole or in part of any Taxes or Other Charges, *provided* that (i) no Default or Event of Default has occurred and remains uncured; (ii) such proceeding shall be permitted under and be conducted in accordance with the provisions of any other instrument to which Borrower is subject and shall not constitute a default thereunder and such proceeding shall be conducted in accordance with all applicable Legal Requirements; (iii) no Individual Property nor any part thereof or interest therein will be in danger of being sold, forfeited, terminated, canceled or lost; (iv) Borrower shall promptly upon final determination thereof pay the amount of any such Taxes or Other Charges, together with all costs, interest and penalties which may be payable in connection therewith; (v) such proceeding shall suspend the collection of such contested Taxes or Other Charges from the related Individual Property; and (vi) Borrower shall furnish such security as may be required in the proceeding, or deliver to Lender such reserve deposits as may be requested by Lender, to insure the payment of any such Taxes or Other Charges, together with all interest and penalties thereon (unless Borrower has paid all of the Taxes or Other Charges under protest). Lender may pay over any such cash deposit or part thereof held by Lender to the claimant entitled thereto at any time when, in the judgment of Lender, the entitlement of such claimant is established or the related Individual Property (or part thereof or interest therein) shall be in danger of being sold, forfeited, terminated, canceled or lost or there shall be any danger of the Lien of the Mortgage being primed by any related Lien.

Section 5.5 Litigation. Borrower shall give prompt written notice to Lender of any litigation or governmental proceedings pending or threatened in writing against Borrower which might materially adversely affect Borrower's condition (financial or otherwise) or business or the Property.

Section 5.6 Access to Property. Borrower shall permit agents, representatives and employees of Lender to inspect the related Individual Property or any part thereof at reasonable hours upon reasonable advance written notice (except in the case of an emergency, as determined in Lender's sole discretion, or if an Event of Default has occurred and is continuing).

Section 5.7 Notice of Default. Borrower shall promptly advise Lender of any material adverse change in the condition (financial or otherwise) of Borrower, Borrower Principal or any Individual Property or of the occurrence of any Default or Event of Default of which Borrower has knowledge.

Section 5.8 Cooperate in Legal Proceedings. Borrower shall at Borrower's expense cooperate fully with Lender with respect to any proceedings before any court, board or other Governmental Authority which may in any way affect the rights of Lender hereunder or any rights obtained by Lender under any of the other Loan Documents and, in connection therewith, permit Lender, at its election, to participate in any such proceedings.

Section 5.9 Performance by Borrower. Borrower shall in a timely manner observe, perform and fulfill each and every covenant, term and provision to be observed and performed by Borrower under this Agreement and the other Loan Documents and any other agreement or instrument affecting or pertaining to each Individual Property and any amendments, modifications or changes thereto.

Section 5.10 Awards; Insurance Proceeds. Borrower shall cooperate with Lender in obtaining for Lender the benefits of any Awards or Insurance Proceeds lawfully or equitably payable in connection with any Individual Property, and Lender shall be reimbursed for any expenses incurred in connection therewith (including reasonable, actual attorneys' fees and disbursements, and the payment by Borrower of the expense of an appraisal on behalf of Lender in case of a Casualty or Condemnation affecting the related Individual Property or any part thereof) out of such Awards or Insurance Proceeds.

Section 5.11 Financial Reporting.

(a) Borrower and Borrower Principal shall keep adequate books and records of account in accordance with GAAP, or in accordance with other methods acceptable to Lender in its sole discretion, consistently applied and shall furnish to Lender:

(i) quarterly and annual (and prior to a Securitization, if requested by Lender, monthly) certified occupancy/vacancy/unit mix report signed and dated by Borrower (in the form previously delivered to Lender) for each Individual Property or, upon request of Lender, certified rent rolls signed and dated by Borrower, with respect to the related Individual Property, detailing the names of all Tenants of the Improvements, the portion of Improvements occupied by each Tenant, the base rent, additional rent and any other charges payable under each Lease, and the term of each Lease, including the commencement and expiration dates and any tenant extension, expansion or renewal options, the extent to which any Tenant is in default under any Lease, and any other information as is reasonably required by Lender, within twenty (20) days after the end of

each calendar month, thirty (30) days after the end of each fiscal quarter or sixty (60) days after the close of each fiscal year of Borrower, as applicable;

(ii) quarterly and annual (and prior to a Securitization, if requested by Lender, monthly) operating statements of each Individual Property, prepared and certified by Borrower in the form required by Lender (or if required by Lender, an audited annual operating statement prepared by an independent certified public accountant acceptable to Lender, detailing the revenues received, the expenses incurred and the net operating income before and after debt service (principal and interest) and major capital improvements for the period of calculation and containing appropriate year-to-date information, within twenty (20) days after the end of each calendar month, thirty (30) days after the end of each fiscal quarter or sixty (60) days after the close of each fiscal year of Borrower, as applicable; and

(iii) annual balance sheets, profit and loss statements, statements of cash flows, and statements of change in financial position of Borrower and Borrower Principal in the form required by Lender, prepared and certified by Borrower and Borrower Principal (or if required by Lender, annual audited financial statements prepared by an independent certified public accountant acceptable to Lender, within ninety (90) days after the close of each fiscal year of Borrower and Borrower Principal, as the case may be;

(b) Upon request from Lender, Borrower shall promptly furnish to Lender:

(i) Intentionally Reserved;

(ii) an accounting of all security deposits held in connection with any Lease of any part of each Individual Property, including the name and identification number of the accounts in which such security deposits are held, the name and address of the financial institutions in which such security deposits are held and the name of the Person to contact at such financial institution, along with any authority or release necessary for Lender to obtain information regarding such accounts directly from such financial institutions; and

(iii) a report of all letters of credit provided by any Tenant in connection with any Lease of any part of any Individual Property, including the account numbers of such letters of credit, the names and addresses of the financial institutions that issued such letters of credit and the names of the Persons to contact at such financial institutions, along with any authority or release necessary for Lender to obtain information regarding such letters of credit directly from such financial institutions.

(c) Borrower and Borrower Principal shall furnish Lender with such other additional financial or management information (including state and federal tax returns) as may, from time to time, be reasonably required by Lender in form and substance satisfactory to Lender (including, without limitation, any financial reports required to be delivered by any Tenant or any guarantor of any Lease pursuant to the terms of such Lease), and shall furnish to Lender and its agents convenient facilities for the examination and audit of any such books and records.

(d) All items requiring the certification of Borrower shall, except where Borrower is an individual, require a certificate executed by the general partner, managing

member or chief executive officer of Borrower, as applicable (and the same rules shall apply to any sole shareholder, general partner or managing member which is not an individual).

(e) Without limiting any other rights available to Lender under this Loan Agreement or any of the other Loan Documents, in the event Borrower shall fail to timely furnish Lender any financial document or statement in accordance with this Section 5.11, Borrower shall promptly pay to Lender a non-refundable charge in the amount of $250.00 for each such failure. The payment of such amount shall not be construed to relieve Borrower of any Event of Default hereunder arising from such failure.

Section 5.12 Estoppel Statement, (a) After request by Lender, Borrower shall within ten (10) Business Days furnish Lender with a statement, duly acknowledged and certified, setting forth (i) the amount of the original principal amount of the Note, (ii) the rate of interest on the Note, (iii) the unpaid principal amount of the Note, (iv) the date installments of interest and/or principal were last paid, (v) any offsets or defenses to the payment of the Debt, if any, and (vi) that the Note, this Agreement, the Mortgages and the other Loan Documents are valid, legal and binding obligations and have not been modified or if modified, giving particulars of such modification.

(b) Borrower shall use its best efforts to deliver to Lender, promptly upon request, duly executed estoppel certificates from any one or more Major Tenants with respect to any Individual Property as required by Lender attesting to such facts regarding the related Lease as Lender may require, including, but not limited to attestations that each Lease covered thereby is in full force and effect with no defaults thereunder on the part of any party, that none of the Rents have been paid more than one month in advance, except as security, and that the Tenant claims no defense or offset against the full and timely performance of its obligations under the Lease.

Section 5.13 Leasing Matters, (a) Borrower may enter into a proposed Lease (including the renewal or extension of an existing Lease (a "Renewal Lease")) without the prior written consent of Lender, provided such proposed Lease or Renewal Lease (i) provides for rental rates and terms comparable to existing local market rates and terms and in accordance with commercially reasonable leasing standards for the self-storage industry, (ii) is an arm's-length transaction with a bona fide, independent third party tenant, (iii) does not have a materially adverse effect on the value of the related Individual Property taken as a whole, (iv) is subject and subordinate to the related Mortgage and the Tenant thereunder agrees to attorn to Lender, (v) does not contain any option, offer, right of first refusal, or other similar right to acquire all or any portion of the related Individual Property, and (vi) is written on the standard form of lease approved by Lender. All proposed Leases which do not satisfy the requirements set forth in this subsection shall be subject to the prior approval of Lender and its counsel, at Borrower's expense. Borrower shall promptly deliver to Lender copies of all Leases which are entered into pursuant to this subsection together with Borrower's certification that it has satisfied all of the conditions of this Section.

(b) Borrower (i) shall observe and perform all the obligations imposed upon the landlord under the Leases and shall not do or permit to be done anything to impair the value of any of the Leases as security for the Debt; (ii) shall promptly send copies to Lender of all

notices of default which Borrower shall send or receive thereunder; (iii) shall enforce all of the material terms, covenants and conditions contained in the Leases upon the part of the tenant thereunder to be observed or performed; (iv) shall not collect any of the Rents more than one (1) month in advance (except security deposits shall not be deemed Rents collected in advance); (v) shall not execute any other assignment of the landlord's interest in any of the Leases or the Rents; and (vi) shall not consent to any assignment of or subletting under any Leases not in accordance with their terms, without the prior written consent of Lender.

(c) Borrower may, without the consent of Lender, amend, modify or waive the provisions of any Lease or terminate, reduce Rents under, accept a surrender of space under, or shorten the term of, any Lease (including any guaranty, letter of credit or other credit support with respect thereto) *provided* that such action (taking into account, in the case of a termination, reduction in rent, surrender of space or shortening of term, the planned alternative use of the affected space) does not have a materially adverse effect on the value of the related Individual Property taken as a whole, and *provided* that such Lease, as amended, modified or waived, is otherwise in compliance with the requirements of this Agreement and any subordination agreement binding upon Lender with respect to such Lease. A termination of a Lease with a tenant who is in default beyond applicable notice and grace periods shall not be considered an action which has a materially adverse effect on the value of an Individual Property taken as a whole. Any amendment, modification, waiver, termination, rent reduction, space surrender or term shortening which does not satisfy the requirements set forth in this subsection shall be subject to the prior approval of Lender and its counsel, at Borrower's expense. Borrower shall promptly deliver to Lender copies of amendments, modifications and waivers which are entered into pursuant to this subsection together with Borrower's certification that it has satisfied all of the conditions of this subsection.

(d) Notwithstanding anything contained herein to the contrary, Borrower shall not, without the prior written consent of Lender, enter into, renew, extend, amend, modify, waive any provisions of, terminate, reduce Rents under, accept a surrender of space under, or shorten the term of any Major Lease.

Section 5.14 Property Management

(a) Borrower shall (i) promptly perform and observe all of the covenants required to be performed and observed by it under the Management Agreement and do all things necessary to preserve and to keep unimpaired its material rights thereunder; (ii) promptly notify Lender of any default under the Management Agreement of which it is aware; (iii) promptly deliver to Lender a copy of any notice of default or other material notice received by Borrower under the Management Agreement; (iv) promptly give notice to Lender of any notice or information that Borrower receives which indicates that Manager is terminating the Management Agreement or that Manager is otherwise discontinuing its management of the related Individual Property; and (v) promptly enforce the performance and observance of all of the covenants required to be performed and observed by Manager under the Management Agreement.

(b) If at any time, (i) Manager shall become insolvent or a debtor in a bankruptcy proceeding; (ii) an Event of Default has occurred and is continuing; (iii) a default has occurred and is continuing under any Management Agreement, Borrower shall, at the request of

Lender terminate the Management Agreement upon thirty (30) days prior notice to Manager and replace Manager with a Qualified Manager approved by Lender on terms and conditions satisfactory to Lender, it being understood and agreed that the management fee for such replacement manager shall not exceed then prevailing market rates.

(c) In addition to the foregoing, in the event that Lender, in Lender's reasonable discretion, at any time prior to the termination of the Assignment of Management Agreement, determines that an Individual Property is not being managed in accordance with generally accepted management practices for projects similarly situated, Lender may deliver written notice thereof to Borrower and Manager, which notice shall specify with particularity the grounds for Lender's determination. If Lender reasonably determines that the conditions specified in Lender's notice are not remedied to Lender's reasonable satisfaction by Borrower or Manager within thirty (30) days from the date of such notice or that Borrower or Manager have failed to diligently undertake correcting such conditions within such thirty (30) day period, Lender may direct Borrower to terminate the Management Agreement and to replace Manager with a Qualified Manager approved by Lender on terms and conditions satisfactory to Lender, it being understood and agreed that the management fee for such replacement manager shall not exceed then prevailing market rates.

(d) Borrower shall not, without the prior written consent of Lender (which consent shall not be unreasonably withheld, conditioned or delayed): (i) surrender, terminate or cancel the Management Agreement or otherwise replace Manager or enter into any other management agreement with respect to the related Individual Property; (ii) reduce or consent to the reduction of the term of the Management Agreement; (iii) increase or consent to the increase of the amount of any charges under the Management Agreement; or (iv) otherwise modify, change, supplement, alter or amend, or waive or release any of its rights and remedies under, the Management Agreement in any material respect. In the event that Borrower replaces Manager at any time during the term of the Loan pursuant to this subsection, such Manager shall be a Qualified Manager.

(e) If during the term of the Loan the Borrower replaces the Manager with a new property manager that is an Affiliated Manager, the Borrower shall deliver to Lender an opinion as to non-consolidation issues between the Borrower and such Affiliated Manager, such opinion to be acceptable to the Lender and the Rating Agencies.

Section 5.15 Liens. Borrower shall not, without the prior written consent of Lender, create, incur, assume or suffer to exist any Lien on any portion of any Individual Property or permit any such action to be taken, except Permitted Encumbrances.

Section 5.16 Debt Cancellation. Borrower shall not cancel or otherwise forgive or release any claim or debt (other than termination of Leases in accordance herewith) owed to Borrower by any Person, except for adequate consideration and in the ordinary course of Borrower's business.

Section 5.17 Zoning. Borrower shall not initiate or consent to any zoning reclassification of any portion of the related Individual Property or seek any variance under any existing zoning ordinance or use or permit the use of any portion of the related Individual

Property in any manner that could result in such use becoming a non-conforming use under any zoning ordinance or any other applicable land use law, rule or regulation, without the prior consent of Lender.

Section 5.18 ERISA. (a) Borrower shall not engage in any transaction which would cause any obligation, or action taken or to be taken, hereunder (or the exercise by Lender of any of its rights under the Note, this Agreement or the other Loan Documents) to be a non-exempt (under a statutory or administrative class exemption) prohibited transaction under ERISA.

(b) Borrower further covenants and agrees to deliver to Lender such certifications or other evidence from time to time throughout the term of the Loan, as requested by Lender in its sole discretion, that (i) Borrower is not and does not maintain an "employee benefit plan" as defined in Section 3(3) of ERISA, which is subject to Title I of ERISA, or a "governmental plan" within the meaning of Section 3(3) of ERISA; (ii) Borrower is not subject to state statutes regulating investments and fiduciary obligations with respect to governmental plans; and (iii) one or more of the following circumstances is true:

(A) Equity interests in Borrower are publicly offered securities, within the meaning of 29 C.F.R. §2510.3-101(b)(2);

(B) Less than twenty-five percent (25%) of each outstanding class of equity interests in Borrower are held by "benefit plan investors" within the meaning of 29 C.F.R. §2510.3-101(f)(2); or

(C) Borrower qualifies as an "operating company" or a "real estate operating company" within the meaning of 29 C.F.R. §2510.3-101(c) or (e).

Section 5.19 No Joint Assessment. Borrower shall not suffer, permit or initiate the joint assessment of the related Individual Property with (a) any other real property constituting a tax lot separate from the related Individual Property, or (b) any portion of the related Individual Property which may be deemed to constitute personal property, or any other procedure whereby the Lien of any taxes which may be levied against such personal property shall be assessed or levied or charged to the related Individual Property.

Section 5.20 Reciprocal Easement Agreements. Borrower shall not enter into, terminate or modify any REA without Lender's prior written consent, which consent shall not be unreasonably withheld, conditioned or delayed. Borrower shall enforce, comply with, and cause each of the parties to the REA to comply with all of the material economic terms and conditions contained in the REA.

Section 5.21 Alterations. Except as to the construction at the Worcester Property, Lender's prior approval shall be required in connection with any alterations to any Improvements, exclusive of alterations to tenant spaces required under any Lease, (a) that may have a material adverse effect on any Individual Property, (b) that are structural in nature, or (c) that, together with any other alterations undertaken at the same time (including any related alterations, improvements or replacements), are reasonably anticipated to have a cost in excess of the Alteration Threshold. If the total unpaid amounts incurred and to be incurred with respect to

such alterations to the Improvements shall at any time exceed the Alteration Threshold, Borrower shall promptly deliver to Lender as security for the payment of such amounts and as additional security for Borrower's obligations under the Loan Documents any of the following: (i) cash, (ii) direct non-callable obligations of the United States of America or other obligations which are "government securities" within the meaning of Section 2(a)(16) of the Investment Company Act of 1940, to the extent acceptable to the applicable Rating Agencies, (iii) other securities acceptable to Lender and the Rating Agencies, or (iv) a completion bond, *provided* that such completion bond is acceptable to the Lender and the Rating Agencies. Such security shall be in an amount equal to the excess of the total unpaid amounts incurred and to be incurred with respect to such alterations to the Improvements over the Alteration Threshold.

Section 5.22 Trade Indebtedness. Borrower shall pay its trade payables and operational debt upon the earlier to occur of (a) sixty (60) days of the date incurred, and (b) the date the same is due and payable.

Section 5.23 Ground Lease. The Parlin Borrower shall comply with the Ground Lease covenants in Article XVIII of the Mortgage applicable to the Parlin property.

Section 5.24 Intentionally Reserved.

Section 5.25 Parking Striping. Within thirty (30) days of the Closing Date, Borrower shall cause two (2) additional parking spaces to be striped at the Foxboro Property. Upon completion of such striping, Borrower shall deliver acceptable evidence of completion to Lender as Lender may require (which evidence shall include, but not be limited to, a certification from Borrower.

Section 5.26 Intentionally Reserved

Section 5.27 Worcester Property. Borrower shall cause the construction of improvements and additions to the existing improvements at the Worcester Property to be completed in accordance with the approvals issued by the City of Worcester, Massachusetts and other Governmental Authorities and all applicable Legal Requirements.

ARTICLE VI

ENTITY COVENANTS

Section 6.1 Single Purpose Entity/Separateness. Until the Debt has been paid in full, Borrower represents, warrants and covenants as follows:

(a) Borrower has not and will not:

(i) engage in any business or activity other than the ownership, operation and maintenance of the related Individual Property, and activities incidental thereto;

(ii) acquire or own any assets other than (A) the applicable Individual Property, and (B) such incidental Personal Property as may be necessary for the operation of such Individual Property;

(iii) merge into or consolidate with any Person, or dissolve, terminate, liquidate in whole or in part, transfer or otherwise dispose of all or substantially all of its assets or change its legal structure;

(iv) fail to observe all applicable organizational formalities, or fail to preserve its existence as an entity duly organized, validly existing and in good standing (if applicable) under the applicable Legal Requirements of the jurisdiction of its organization or formation, or amend, modify, terminate or fail to comply with the provisions of its organizational documents;

(v) own any subsidiary, or make any investment in, any Person;

(vi) commingle its assets with the assets of any other Person;

(vii) incur any debt, secured or unsecured, direct or contingent (including guaranteeing any obligation), other than (A) the Debt, (B) trade and operational indebtedness incurred in the ordinary course of business with trade creditors, provided such indebtedness is (1) unsecured, (2) not evidenced by a note, (3) on commercially reasonable terms and conditions, and (4) due not more than sixty (60) days past the date incurred and paid on or prior to such date, and/or (C) financing leases and purchase money indebtedness incurred in the ordinary course of business relating to Personal Property on commercially reasonable terms and conditions; *provided*, *however*, the aggregate amount of the indebtedness described in (B) and (C) shall not exceed at any time three percent (3%) of the outstanding principal amount of the Note;

(viii) fail to maintain its records, books of account, bank accounts, financial statements, accounting records and other entity documents separate and apart from those of any other Person; except that Borrower's financial position, assets, liabilities, net worth and operating results may be included in the consolidated financial statements of an Affiliate, *provided* that such consolidated financial statements contain a footnote indicating that Borrower is a separate legal entity and that it maintains separate books and records;

(ix) enter into any contract or agreement with any general partner, member, shareholder, principal, guarantor of the obligations of Borrower, or any Affiliate of the foregoing, except upon terms and conditions that are intrinsically fair, commercially reasonable and substantially similar to those that would be available on an arm's-length basis with unaffiliated third parties;

(x) maintain its assets in such a manner that it will be costly or difficult to segregate, ascertain or identify its individual assets from those of any other Person;

(xi) assume or guaranty the debts of any other Person, hold itself out to be responsible for the debts of any other Person, or otherwise pledge its assets for the benefit

of any other Person or hold out its credit as being available to satisfy the obligations of any other Person;

(xii) make any loans or advances to any Person;

(xiii) fail to file its own tax returns or files a consolidated federal income tax return with any Person (unless prohibited or required, as the case may be, by applicable Legal Requirements);

(xiv) fail either to hold itself out to the public as a legal entity separate and distinct from any other Person or to conduct its business solely in its own name or fail to correct any known misunderstanding regarding its separate identity;

(xv) fail to maintain adequate capital for the normal obligations reasonably foreseeable in a business of its size and character and in light of its contemplated business operations;

(xvi) if it is a partnership or limited liability company, without the unanimous written consent of all of its partners or members, as applicable, (a) file or consent to the filing of any petition, either voluntary or involuntary, to take advantage of any Creditors Rights Laws, (b) seek or consent to the appointment of a receiver, liquidator or any similar official, (c) take any action that might cause such entity to become insolvent, or (d) make an assignment for the benefit of creditors;

(xvii) fail to allocate shared expenses (including, without limitation, shared office space and services performed by an employee of an Affiliate) among the Persons sharing such expenses or to use separate stationery, invoices and checks;

(xviii) fail to remain solvent or pay its own liabilities (including, without limitation, salaries of its own employees) only from its own funds;

(xix) acquire obligations or securities of its partners, members, shareholders or other affiliates, as applicable;

(xx) violate or cause to be violated the assumptions made with respect to Borrower and its principals in any opinion letter pertaining to substantive consolidation delivered to Lender in connection with the Loan; or

(xxi) fail to maintain a sufficient number of employees in light of its contemplated business operations.

(b) If a Borrower is a partnership or a limited liability company (other than a single-member Delaware limited liability company that meets all of the requirements of Sections 6. l(c) and 6.1(d) of this Agreement), each general partner in the case of a general partnership, at least one general partner in the case of a limited partnership, or the managing member in the case of a limited liability company (each an "SPE Component Entity") of Borrower, as applicable, shall be a corporation or a Delaware limited liability company meeting all of the requirements of Sections 6.1(c) and 6. l(d). The sole asset of an SPE Component Entity

(if any) shall be a direct interest in Borrower of not less than one-half of one percent (0.5%). Each SPE Component Entity (i) will at all times comply with each of the covenants, terms and provisions contained in Section 6.l(a)(iii) - (vi) and (viii) - (xxi), as if such representation, warranty or covenant was made directly by such SPE Component Entity; (ii) will not engage in any business or activity other than owning an interest in Borrower; (iii) will not acquire or own any assets other than its partnership, membership, or other equity interest in Borrower; (iv) will not incur any debt, secured or unsecured, direct or contingent (including guaranteeing any obligation); and (v) will cause Borrower to comply with the provisions of this Section 6.1. Prior to the withdrawal or the disassociation of any SPE Component Entity from Borrower, Borrower shall immediately appoint a new general partner or managing member whose articles of incorporation or limited liability company agreement are substantially similar to those of such SPE Component Entity and, if an opinion letter pertaining to substantive consolidation was required at closing, deliver a new opinion letter acceptable to Lender and the Rating Agencies with respect to the new SPE Component Entity and its equity owners. Notwithstanding the foregoing, to the extent a Borrower is a single member Delaware limited liability company, so long as Borrower maintains such formation status and complies with the requirements of Section 6.1(c) and 6.1(d) hereof, no SPE Component Entity shall be required.

(c) In the event Borrower or a SPE Component Entity (if any) is a single-member Delaware limited liability company that has only one (1) member, the limited liability company agreement of such entity (the "LLC Agreement") shall provide that (i) upon the occurrence of any event that causes the sole member of such entity ("Member") to cease to be the member of such entity (other than (A) upon an assignment by Member of all of its limited liability company interest in such entity and the admission of the transferee, or (B) the resignation of Member and the admission of an additional member in either case in accordance with the terms of the Loan Documents and the LLC Agreement), a specified person who is not an equity member of Borrower and who has signed the LLC Agreement shall without any action of any other Person and simultaneously with the Member ceasing to be the member of such entity, automatically be admitted to such entity ("Special Member") and shall continue such entity without dissolution and (ii) Special Member may not resign from such entity or transfer its rights as Special Member unless a successor Special Member has been admitted to such entity as Special Member in accordance with requirements of Delaware law. The LLC Agreement shall further provide that (i) Special Member shall automatically cease to be a member of such entity upon the admission to such entity of a substitute Member, (ii) Special Member shall be a member of such entity that has no interest in the profits, losses and capital of such entity and has no right to receive any distributions of such entity assets, (iii) pursuant to Section 18-301 of the Delaware Limited Liability Company Act (the "Act"), Special Member shall not be required to make any capital contributions to such entity and shall not receive a limited liability company interest in such entity, (iv) Special Member, in its capacity as Special Member, may not bind such entity, and (v) except as required by any mandatory provision of the Act, Special Member, in its capacity as Special Member, shall have no right to vote on, approve or otherwise consent to any action by, or matter relating to, such entity, including, without limitation, the merger, consolidation or conversion of such entity. In order to implement the admission to such entity of Special Member, Special Member shall execute a counterpart to the LLC Agreement. Prior to its admission to such entity as Special Member, Special Member shall not be a member of such entity.

(d) In the event Borrower or SPE Component entity (if any) is a Delaware limited liability company having only one (1) member ("Member"), upon the occurrence of any event that causes the Member to cease to be a member of such entity, to the fullest extent permitted by law, the personal representative of Member shall, within ninety (90) days after the occurrence of the event that terminated the continued membership of Member in such entity, agree in writing (i) to continue such entity and (ii) to the admission of the personal representative or its nominee or designee, as the case may be, as a substitute member of such entity, effective as of the occurrence of the event that terminated the continued membership of Member of such entity in such entity. Any action initiated by or brought against Member or Special Member under any Creditors Rights Laws shall not cause Member or Special Member to cease to be a member of such entity and upon the occurrence of such an event, the business of such entity shall continue without dissolution. The LLC Agreement shall *provided* that each of Member and Special Member waives any right it might have to agree in writing to dissolve such entity upon the occurrence of any action initiated by or brought against Member or Special Member under any Creditors Rights Laws, or the occurrence of an event that causes Member or Special Member to cease to be a member of such entity.

Section 6.2 Change of Name, Identity or Structure. Borrower shall not change or permit to be changed (a) Borrower's name, (b) Borrower's identity (including its trade name or names), (c) Borrower's principal place of business set forth on the first page of this Agreement, (d) the corporate, partnership or other organizational structure of Borrower, each SPE Component Entity (if any), or Borrower Principal, (e) Borrower's state of organization, or (f) Borrower's organizational identification number, without in each case notifying Lender of such change in writing at least thirty (30) days prior to the effective date of such change and, in the case of a change in Borrower's structure, without first obtaining the prior written consent of Lender. In addition, Borrower shall not change or permit to be changed any organizational documents of Borrower or any SPE Component Entity (if any) if such change would violate, cause such organizational documents to conflict with, or otherwise adversely impact the covenants set forth in Section 6.1 hereof. Borrower authorizes Lender to file any financing statement or financing statement amendment required by Lender to establish or maintain the validity, perfection and priority of the security interest granted herein. At the request of Lender, Borrower shall execute a certificate in form satisfactory to Lender listing the trade names under which Borrower intends to operate the related Individual Property, and representing and warranting that Borrower does business under no other trade name with respect to the related Individual Property. If Borrower does not now have an organizational identification number and later obtains one, or if the organizational identification number assigned to Borrower subsequently changes, Borrower shall promptly notify Lender of such organizational identification number or change.

Section 6.3 Business and Operations. Borrower will qualify to do business and will remain in good standing under the laws of the State as and to the extent the same are required for the ownership, maintenance, management and operation of each Individual Property.

ARTICLE VII

NO SALE OR ENCUMBRANCE

Section 7.1 Transfer Definitions. For purposes of this Article 7 an "Affiliated Manager" shall mean Extra Space Management, LLC or any managing agent in which Borrower, Borrower Principal, any SPE Component Entity (if any) or any affiliate of such entities has, directly or indirectly, any legal, beneficial or economic interest; "Control" shall mean the power to direct the management and policies of a Restricted Party, directly or indirectly, whether through the ownership of voting securities or other beneficial interests, by contract or otherwise; "Restricted Party" shall mean Borrower, Borrower Principal, any SPE Component Entity (if any), any Affiliated Manager, or any shareholder, partner, member or non-member manager, or any direct or indirect legal or beneficial owner of Borrower, Borrower Principal, any SPE Component Entity (if any), any Affiliated Manager or any non-member manager; and a "Sale or Pledge" shall mean a voluntary or involuntary sale, conveyance, mortgage, grant, bargain, encumbrance, pledge, assignment, grant of any options with respect to, or any other transfer or disposition of (directly or indirectly, voluntarily or involuntarily, by operation of law or otherwise, and whether or not for consideration or of record) of a legal or beneficial interest.

Section 7.2 No Sale/Encumbrance. Subject to the provisions of Section 7.3, (a) Borrower shall not cause or permit a transfer of the Property nor permit a transfer of an interest in any Restricted Party (in each case, a "Prohibited Transfer"), other than pursuant to Leases of space in the Improvements to Tenants in accordance with the provisions of Section 5.13, without the prior written consent of Lender.

(b) A Prohibited Transfer shall include, but not be limited to, (i) an installment sales agreement wherein Borrower agrees to sell an Individual Property or any part thereof for a price to be paid in installments; (ii) an agreement by Borrower leasing all or a substantial part of the related Individual Property for other than actual occupancy by a space tenant thereunder or a sale, assignment or other transfer of, or the grant of a security interest in, Borrower's right, title and interest in and to any Leases or any Rents; (iii) if a Restricted Party is a corporation, any merger, consolidation or Sale or Pledge of such corporation's stock or the creation or issuance of new stock in one or a series of transactions; (iv) if a Restricted Party is a limited or general partnership or joint venture, any merger or consolidation or the change, removal, resignation or addition of a general partner or the Sale or Pledge of the partnership interest of any general or limited partner or any profits or proceeds relating to such partnership interests or the creation or issuance of new partnership interests; (v) if a Restricted Party is a limited liability company, any merger or consolidation or the change, removal, resignation or addition of a managing member or non-member manager other than Kenneth M. Woolley or Kent W. Christensen or Charles L. Allen (or if no managing member, any member) or the Sale or Pledge of the membership interest of any member or any profits or proceeds relating to such membership interest; (vi) if a Restricted Party is a trust or nominee trust, any merger, consolidation or the Sale or Pledge of the legal or beneficial interest in a Restricted Party or the creation or issuance of new legal or beneficial interests; or (vii) the removal or the resignation of the Manager (including, without limitation, an Affiliated Manager) other than in accordance with Section 5.14.

Section 7.3 Permitted Transfers. (a) Notwithstanding the provisions of Section 7.2, the following transfers shall not be deemed to be a Prohibited Transfer: (i) a transfer by devise or descent or by operation of law upon the death of a member, partner or shareholder of a Restricted Party; (ii) the Sale or Pledge, in one or a series of transactions, of not more than forty-nine percent (49%) of the stock, limited partnership interests or non-managing membership interests (as the case may be) in a Restricted Party other than Borrower except in connection with the transfers described in clauses (iii) and (iv) below and the REIT OP Transfers (as defined below); (iii) the sale, pledge, transfer, conversion, issuance or redemption of publicly-traded securities in any publicly traded parent of Borrower or of the securities issued by the REIT or the REIT OP (as defined below) provided the REIT controls the REIT OP, and the REIT is controlled by the holders of its publicly traded securities which are listed on the New York Stock Exchange or such other nationally recognized stock exchange; or (iv) the conversion of the REIT OP (as defined below) units into securities of the REIT; provided, however, except as otherwise specifically permitted in this Section 7.3 (a)(iii) and (iv), no such transfers shall result in a change in Control in the Restricted Party or change in control of the Property or cause the transferee to own, together with its Affiliates, an aggregated interest in Borrower or SPE Component Entity (if any), of greater than forty-nine percent (49%), whether such interest is direct or indirect, and as a condition to each such transfer described in clauses (a)(i) and (ii) above, Lender shall receive not less than thirty (30) days prior written notice of such proposed transfer and Lender shall be reimbursed for all expenses (including legal fees) incurred by Lender in connection with all transfers permitted under this Section 7.3.

(b) In addition to and notwithstanding anything to the contrary contained in this Section 7.3, (i) ESS shall continue to own, directly or indirectly, the amount of the beneficial interests in Borrower it owns as of the Closing Date and (ii) Kenneth M. Woolley ("Woolley") shall continue to own, directly or indirectly, prior to the REIT IPO Transfers, at least ten 10% of the beneficial interests in ESS and Control, directly or indirectly, Borrower (and after the REIT IPO Transfers, each Individual Property shall be managed by a Qualified Manager in the event Woolley does not own such beneficial interests in ESS and does not Control the Borrower). Except as otherwise specifically permitted in Section 7.3(a)(iii) and (iv), any transfer that results in any Person owning in excess of forty-nine percent (49%) of the ownership interest in a Restricted Party shall comply with the requirements of Section 7.4 hereof.

(c) Additionally, the following transfers shall not be considered Prohibited Transfers: transfers of membership interests in ESS to (i) a newly-formed corporation (A) which has one or more classes of shares or other ownership interests that are registered with the Securities Exchange Commission and are publicly traded on a national securities exchange or in the over-the-counter securities market and (B) has the status of a real estate investment trust, as defined in Section 856(a) of the Internal Revenue Code and which satisfies the conditions and limitations set forth in Section 856(b) and 856(c) of the Internal Revenue Code ("REIT"), (ii) a newly-formed limited partnership controlled by the REIT formed for the purpose of functioning as the REIT's operating partnership (a "REIT OP") or (iii) a newly formed Massachusetts business trust formed as a subsidiary of the REIT for the purpose of being the general partner and/or the limited partner of the REIT OP ("REIT TRUST") (collectively, the "REIT IPO Transfers"), subject to satisfaction of the following conditions: (1) at all times the REIT or the REIT OP continues to own and control ESS, and ESS continues to own, directly or indirectly, Borrower; (2) at all times Borrower shall be Controlled by Woolley or the REIT or the REIT OP

(and a Qualified Manager shall manage each Individual Property); (3) Lender's receipt of written confirmation from the Rating Agencies that such transfer will not result in a downgrade, withdrawal or qualification of the initial, or if higher, then current ratings issued in connection with a Securitization, or if a Securitization has not occurred, any ratings to be assigned in connection with a Securitization and (4) Lender shall be reimbursed for all expenses (including legal fees) incurred by Lender in connection with the REIT IPO Transfers and Lender shall have received payment of a $10,000.00 processing fee.

(d) Woolley, as Borrower Principal, may be replaced by a Replacement Borrower Principal (as defined below) upon Borrower's request and upon (i) Borrower's satisfaction of the conditions in clauses Section 7.3(c) above, (ii) Lender's receipt of such documentation as Lender may require, each executed and delivered by the Replacement Borrower Principal (defined below), and (iii) Lender's determination that no actual pending or threatened actions or claims then exist against Lender, Borrower or any Individual Property. Upon the satisfaction of all of the conditions in the immediately preceding sentence, Woolley shall be released from (y) liability as a Borrower Principal under Articles IV, V, XV and XVIII and Section 13.4 and such other provisions of this Agreement as to matters which occur after Woolley is replaced by the Replacement Borrower Principal, and (z) liability for matters arising under Section 12.6 of this Agreement and under the Environmental Indemnity Agreement as to matters which occur after Woolley is replaced by the Replacement Borrower Principal; provided, however, Woolley shall remain liable for actions that occurred prior to such replacement and for actions that arise after such replacement but the causes of which occurred while Woolley was Borrower Principal. As used above, "Replacement Borrower Principal" shall mean the REIT OP.

Section 7.4 Lender's Rights. Lender reserves the right to condition the consent to a Prohibited Transfer requested hereunder upon (a) a modification of the terms hereof and on assumption of the Note and the other Loan Documents as so modified by the proposed Prohibited Transfer, (b) receipt of payment of a transfer fee equal to one percent (1%) of the outstanding principal balance of the Loan and all of Lender's expenses incurred in connection with such Prohibited Transfer, (c) receipt of written confirmation from the Rating Agencies that the Prohibited Transfer will not result in a downgrade, withdrawal or qualification of the initial, or if higher, then current ratings issued in connection with a Securitization, or if a Securitization has not occurred, any ratings to be assigned in connection with a Securitization, (d) the proposed transferee's continued compliance with the covenants set forth in this Agreement (including, without limitation, the covenants in Article 6) and the other Loan Documents, (e) a new manager for the applicable Individual Property and a new management agreement satisfactory to Lender, and (f) the satisfaction of such other conditions and/or legal opinions as Lender shall determine in its sole discretion to be in the interest of Lender. All expenses incurred by Lender shall be payable by Borrower whether or not Lender consents to the Prohibited Transfer. Lender shall not be required to demonstrate any actual impairment of its security or any increased risk of default hereunder in order to declare the Debt immediately due and payable upon a Prohibited Transfer made without Lender's consent. This provision shall apply to each and every Prohibited Transfer, whether or not Lender has consented to any previous Prohibited Transfer. Notwithstanding anything to the contrary contained in this Article 7, if any Sale, Pledge or other transfer of an interest in any Restricted Party (other than a transfer permitted under Section 7.3(a)(iii) or (iv) or Section 7.3(c) results in any Person together with its Affiliates either having

Control over any Restricted Party or owning an aggregated interest in excess of forty-nine percent (49%) of the ownership interests in a Restricted Party, whether such interest are direct or indirect, Borrower shall, prior to such Sale, pledge or other transfer, and in addition to any other requirement for Lender consent contained herein, deliver a revised substantive non-consolidation opinion to Lender reflecting such transfer, which opinion shall be in form, scope and substance acceptable in all respects to Lender and the Rating Agencies.

Section 7.5 Assumption. Notwithstanding the foregoing provisions of this Article 7, following the date which is six (6) months from the Closing Date, Lender shall not unreasonably withhold consent to a transfer of the Property in its entirety to, and the related assumption of the Loan by, any Person (a "Transferee") *provided* that each of the following terms and conditions are satisfied:

(a) no Default or Event of Default has occurred;

(b) Borrower shall have (i) delivered written notice to Lender of the terms of such prospective transfer not less than sixty (60) days before the date on which such transfer is scheduled to close and, concurrently therewith, all such information concerning the proposed Transferee as Lender shall reasonably require and (ii) paid to Lender a non-refundable processing fee in the amount of $10,000. Lender shall have the right to approve or disapprove the proposed transfer based on its then current underwriting and credit requirements for similar loans secured by similar properties which loans are sold in the secondary market, such approval not to be unreasonably withheld. In determining whether to give or withhold its approval of the proposed transfer, Lender shall consider the experience and track record of Transferee and its principals in owning and operating facilities similar to the Property, the financial strength of Transferee and its principals, the general business standing of Transferee and its principals and Transferee's and its principals' relationships and experience with contractors, vendors, tenants, lenders and other business entities; *provided, however,* that, notwithstanding Lender's agreement to consider the foregoing factors in determining whether to give or withhold such approval, such approval shall be given or withheld based on what Lender determines to be commercially reasonable and, if given, may be given subject to such conditions as Lender may deem reasonably appropriate;

(c) Borrower shall have paid to Lender, concurrently with the closing of such transfer, (i) a non-refundable assumption fee in an amount equal to one percent (1.0%) of the then outstanding principal balance of the Note, and (ii) all out-of-pocket costs and expenses, including reasonable attorneys' fees, incurred by Lender in connection with the transfer;

(d) Transferee assumes and agrees to pay the Debt as and when due subject to the provisions of Article 15 hereof and, prior to or concurrently with the closing of such transfer, Transferee and its constituent partners, members or shareholders as Lender may require, shall execute, without any cost or expense to Lender, such documents and agreements as Lender shall reasonably require to evidence and effectuate said assumption;

(e) Borrower and Transferee, without any cost to Lender, shall furnish any information requested by Lender for the preparation of, and shall authorize Lender to file, new financing statements and financing statement amendments and other documents to the fullest

extent permitted by applicable law, and shall execute any additional documents reasonably requested by Lender;

(f) Borrower shall have delivered to Lender, without any cost or expense to Lender, such endorsements to Lender's Title Insurance Policy insuring that fee simple or leasehold title to the Property, as applicable, is vested in Transferee (subject to Permitted Encumbrances), hazard insurance endorsements or certificates and other similar materials as Lender may deem necessary at the time of the transfer, all in form and substance satisfactory to Lender;

(g) Transferee shall have furnished to Lender, if Transferee is a corporation, partnership, limited liability company or other entity, all appropriate papers evidencing Transferee's organization and good standing, and the qualification of the signers to execute the assumption of the Debt, which papers shall include certified copies of all documents relating to the organization and formation of Transferee and of the entities, if any, which are partners or members of Transferee. Transferee and such constituent partners, members or shareholders of Transferee (as the case may be), as Lender shall require, shall comply with the covenants set forth in Article 6 hereof;

(h) Transferee shall assume the obligations of Borrower under any Management Agreement or provide a new management agreement with a new manager which meets with the requirements of Section 5.14 hereof and assign to Lender as additional security such new management agreement;

(i) Transferee shall furnish an opinion of counsel satisfactory to Lender and its counsel (A) that Transferee's formation documents provide for the matters described in subparagraph (g) above, (B) that the assumption of the Debt has been duly authorized, executed and delivered, and that the Note, the Mortgages, this Agreement, the assumption agreement and the other Loan Documents are valid, binding and enforceable against Transferee in accordance with their terms, (C) that Transferee and any entity which is a controlling stockholder, member or general partner of Transferee, have been duly organized, and are in existence and good standing, and (E) with respect to such other matters as Lender may reasonably request;

(j) if required by Lender, Lender shall have received confirmation in writing from the Rating Agencies that rate the Securities to the effect that the transfer will not result in a qualification, downgrade or withdrawal of any rating initially assigned or to be assigned to the Securities;

(k) Borrower's obligations under the contract of sale pursuant to which the transfer is proposed to occur shall expressly be subject to the satisfaction of the terms and conditions of this Section 7.5; and

(l) in the event a substantive non-consolidation opinion was required in connection with the closing of the Loan, Transferee shall, prior to such transfer, deliver a substantive non-consolidation opinion to Lender, which opinion shall be in form, scope and substance acceptable in all respects to Lender and the Rating Agencies.

A consent by Lender with respect to a transfer of the Property in its entirety to, and the related assumption of the Loan by, a Transferee pursuant to this Section 7.5 shall not be construed to be a waiver of the right of Lender to consent to any subsequent Sale or Pledge of the Property.

ARTICLE VIII

INSURANCE; CASUALTY; CONDEMNATION; RESTORATION

Section 8.1 Insurance.

(a) Borrower shall obtain and maintain, or cause to be maintained, at all times insurance for each of the Borrower and each of the Individual Properties providing at least the following coverages:

(i) comprehensive all risk insurance on the Improvements and the Personal Property, in each case (A) in an amount equal to one hundred percent (100%) of the "Full Replacement Cost," which for purposes of this Agreement shall mean actual replacement value (exclusive of costs of excavations, foundations, underground utilities and footings) with a waiver of depreciation; (B) containing an agreed amount endorsement with respect to the Improvements and Personal Property waiving all co-insurance provisions; (C) providing for no deductible in excess of $25,000 for all such insurance coverage; and (D) if any of the Improvements or the use of the Property shall at any time constitute legal non-conforming structures or uses, providing coverage for contingent liability from Operation of Building Laws, Demolition Costs and Increased Cost of Construction Endorsements and containing an "Ordinance or Law Coverage" or "Enforcement" endorsement. In addition, Borrower shall obtain: (y) if any portion of the Improvements is currently or at any time in the future located in a "special flood hazard area" designated by the Federal Emergency Management Agency, flood hazard insurance in an amount equal to the maximum amount of such insurance available under the National Flood Insurance Act of 1968, the Flood Disaster Protection Act of 1973 or the National Flood Insurance Reform Act of 1994, as each may be amended; and (z) earthquake insurance in amounts and in form and substance reasonably satisfactory to Lender in the event any of the Individual Properties are located in an area with a high degree of seismic risk, *provided* that the insurance pursuant to clauses (y) and (z) hereof shall be on terms consistent with the comprehensive all risk insurance policy required under this subsection (i);

(ii) Commercial General Liability insurance against claims for personal injury, bodily injury, death or property damage occurring upon, in or about each Individual Property, with such insurance (A) to be on the so-called "occurrence" form with a general aggregate limit of not less than $2,000,000 and a per occurrence limit of not less than $1,000,000; (B) to continue at not less than the aforesaid limit until required to be changed by Lender in writing by reason of changed economic conditions making such protection inadequate; and (C) to cover at least the following hazards: (1) premises and operations; (2) products and completed operations; (3) independent contractors; (4) blanket contractual liability; and (5) contractual liability covering the indemnities contained in Article 12 and Article 14 hereof to the extent the same is available;

(iii) loss of rents insurance or business income insurance, as applicable, (A) with loss payable to Lender; (B) covering all risks required to be covered by the insurance provided for in subsection (i) above; and (C) which provides that after the physical loss to the Improvements and Personal Property occurs, the loss of rents or income, as applicable, will be insured until such rents or income, as applicable, either return to the same level that existed prior to the loss, or the expiration of twenty-four (24) months, whichever first occurs, and notwithstanding that the policy may expire prior to the end of such period; and (D) which contains an extended period of indemnity endorsement which provides that after the physical loss to the Improvements and Personal Property has been repaired, the continued loss of income will be insured until such income either returns to the same level it was at prior to the loss, or the expiration of twelve (12) months from the date that the related Individual Property is repaired or replaced and operations are resumed, whichever first occurs, and notwithstanding that the policy may expire prior to the end of such period. For hotels, motels, health care, and other property types without a standard rent roll, the amount of business income insurance required shall be not less than twenty four (24) months of debt service, taxes, insurance, and other fixed expenses. The amount of such loss of rents or business income insurance, as applicable, shall be determined prior to the date hereof and at least once each year thereafter based on Borrower's reasonable estimate of the gross income from the Individual Property for the succeeding period of coverage as required above. All proceeds payable to Lender pursuant to this subsection shall be held by Lender and shall be applied to the obligations secured by the Loan Documents from time to time due and payable hereunder and under the Note; *provided, however,* that nothing herein contained shall be deemed to relieve Borrower of its obligations to pay the obligations secured by the Loan Documents on the respective dates of payment provided for in the Note, this Agreement and the other Loan Documents except to the extent such amounts are actually paid out of the proceeds of such loss of rents or business income insurance, as applicable;

(iv) at all times during which structural construction, repairs or alterations are being made with respect to the Improvements, and only if the Individual Property coverage form does not otherwise apply, (A) owner's contingent or protective liability insurance covering claims not covered by or under the terms or provisions of the above mentioned commercial general liability insurance policy; and (B) the insurance provided for in subsection (i) above written in a so-called Builder's Risk Completed Value form (1) on a non-reporting basis, (2) against "all risks" insured against pursuant to subsection (i) above, (3) including permission to occupy the Individual Property, and (4) with an agreed amount endorsement waiving co-insurance provisions;

(v) workers' compensation, subject to the statutory limits of the State, and employer's liability insurance in respect of any work or operations on or about the Individual Property, or in connection with the Individual Property or its operation (if applicable);

(vi) comprehensive boiler and machinery insurance, if applicable, in amounts as shall be reasonably required by Lender on terms consistent with the commercial property insurance policy required under subsection (i) above;

(vii) excess liability insurance in an amount not less than $10,000,000 per occurrence on terms consistent with the commercial general liability insurance required under subsection (ii) above;

(viii) insurance against damage resulting from acts of terrorism, on terms consistent with the commercial property insurance policy required under subsection (i) above and on terms consistent with the business income policy required under subsection (iii) above;

(ix) upon sixty (60) days' written notice, such other reasonable insurance and in such reasonable amounts as Lender from time to time may reasonably request against such other insurable hazards which at the time are commonly insured against for property similar to the each Individual Property located in or around the region in which an Individual Property is located.

(b) All insurance provided for in Section 8.1(a) shall be obtained under valid and enforceable policies (collectively, the "Policies" or in the singular, the "Policy"), and shall be subject to the approval of Lender as to insurance companies, amounts, deductibles, loss payees and insureds. The Policies shall be issued by financially sound and responsible insurance companies authorized to do business in the applicable State and having a claims paying ability rating of "AA" or better by S&P. The Policies described in Section 8.1(a) shall designate Lender and its successors and assigns as additional insureds, mortgagees and/or loss payee as deemed appropriate by Lender. To the extent such Policies are not available as of the Closing Date, Borrower shall deliver certified copies of all Policies to Lender not later than thirty (30) days after the Closing Date. Not less than ten (10) days prior to the expiration dates of the Policies theretofore furnished to Lender, renewal Policies accompanied by evidence satisfactory to Lender of payment of the premiums due thereunder (the "Insurance Premiums") shall be delivered by Borrower to Lender.

(c) Any blanket insurance Policy shall specifically allocate to each Individual Property the amount of coverage from time to time required hereunder and shall otherwise provide the same protection as would a separate Policy insuring only the Individual Property in compliance with the provisions of Section 8.1(a).

(d) All Policies provided for or contemplated by Section 8.1(a), except for the Policy referenced in Section 8.1(a)(v), shall name Borrower as the insured and Lender as the additional insured, as its interests may appear, and in the case of property damage, boiler and machinery, flood and earthquake insurance, shall contain a so-called New York standard non-contributing mortgagee clause in favor of Lender providing that the loss thereunder shall be payable to Lender.

(e) All Policies provided for in Section 8.1(a) shall contain clauses or endorsements to the effect that:

(i) no act or negligence of Borrower, or anyone acting for Borrower, or of any Tenant or other occupant, or failure to comply with the provisions of any Policy, which might otherwise result in a forfeiture of the insurance or any part thereof, shall in

any way affect the validity or enforceability of the insurance insofar as Lender is concerned;

(ii) the Policies shall not be materially changed (other than to increase the coverage provided thereby) or canceled without at least thirty (30) days' prior written notice to Lender and any other party named therein as an additional insured;

(iii) the issuers thereof shall give written notice to Lender if the Policies have not been renewed thirty (30) days prior to its expiration; and

(iv) Lender shall not be liable for any Insurance Premiums thereon or subject to any assessments thereunder.

If at any time Lender is not in receipt of written evidence that all insurance required hereunder is in full force and effect, Lender shall have the right, without notice to Borrower, to take such action as Lender deems necessary to protect its interest in the Property, including, without limitation, obtaining such insurance coverage as Lender in its sole discretion deems appropriate. All premiums incurred by Lender in connection with such action or in obtaining such insurance and keeping it in effect shall be paid by Borrower to Lender upon demand and, until paid, shall be secured by the Mortgages and shall bear interest at the Default Rate.

Section 8.2 Casualty. If an Individual Property shall be damaged or destroyed, in whole or in part, by fire or other casualty (a "Casualty"), Borrower shall give prompt notice of such damage to Lender and shall promptly commence and diligently prosecute the Restoration of the related Individual Property in accordance with Section 8.4, whether or not Lender makes any Net Proceeds available pursuant to Section 8.4. Borrower shall pay all costs of such Restoration whether or not such costs are covered by insurance. Lender may, but shall not be obligated to make proof of loss if not made promptly by Borrower. Borrower shall adjust all claims for Insurance Proceeds in consultation with, and approval of, Lender; *provided, however*, if an Event of Default has occurred and is continuing, Lender shall have the exclusive right to participate in the adjustment of all claims for Insurance Proceeds. Notwithstanding the foregoing, application of or distribution of insurance shall be subject to the Parlin Ground Lease and the Parlin Ground Lessor Estoppel executed in connection therewith.

Section 8.3 Condemnation. Borrower shall promptly give Lender notice of the actual or threatened commencement of any proceeding for the Condemnation of any Individual Property of which Borrower has knowledge and shall deliver to Lender copies of any and all papers served in connection with such proceedings. Lender may participate in any such proceedings, and Borrower shall from time to time deliver to Lender all instruments requested by it to permit such participation. Borrower shall, at its expense, diligently prosecute any such proceedings, and shall consult with Lender, its attorneys and experts, and cooperate with them in the carrying on or defense of any such proceedings. Notwithstanding any taking by any public or quasi-public authority through Condemnation or otherwise (including but not limited to any transfer made in lieu of or in anticipation of the exercise of such taking), Borrower shall continue to pay the Debt at the time and in the manner provided for its payment in the Note and in this Agreement and the Debt shall not be reduced until any Award shall have been actually received

and applied by Lender, after the deduction of expenses of collection, to the reduction or discharge of the Debt. Lender shall not be limited to the interest paid on the Award by the condemning authority but shall be entitled to receive out of the Award interest at the rate or rates provided herein or in the Note. If the Property or any portion thereof is taken by a condemning authority, Borrower shall promptly commence and diligently prosecute the Restoration of the Property and otherwise comply with the provisions of Section 8.4, whether or not Lender makes any Net Proceeds available pursuant to Section 8.4. If the Property is sold, through foreclosure or otherwise, prior to the receipt by Lender of the Award, Lender shall have the right, whether or not a deficiency judgment on the Note shall have been sought, recovered or denied, to receive the Award, or a portion thereof sufficient to pay the Debt. Notwithstanding the foregoing, application of or distribution of insurance shall be subject to the Parlin Ground Lease and the Parlin Ground Lessor Estoppel executed in connection therewith.

Section 8.4 Restoration. The following provisions shall apply in connection with the Restoration of an Individual Property:

(a) If the Net Proceeds shall be less than $50,000 and the costs of completing the Restoration shall be less than $50,000, the Net Proceeds will be disbursed by Lender to Borrower upon receipt, *provided* that all of the conditions set forth in Section 8.4(b)(i) are met and Borrower delivers to Lender a written undertaking to expeditiously commence and to satisfactorily complete with due diligence the Restoration in accordance with the terms of this Agreement.

(b) If the Net Proceeds are equal to or greater than $50,000 or the costs of completing the Restoration are equal to or greater than $50,000, Lender shall make the Net Proceeds available for the Restoration in accordance with the provisions of this Section 8.4. The term "Net Proceeds" for purposes of this Section 8.4 shall mean: (i) the net amount of all insurance proceeds received by Lender pursuant to Section 8.1 (a)(i), (iv), (vi) and (viii) as a result of a Casualty, after deduction of its reasonable costs and expenses (including, but not limited to, reasonable counsel fees), if any, in collecting the same ("Insurance Proceeds"), or (ii) the net amount of the Award as a result of a Condemnation, after deduction of its reasonable costs and expenses (including, but not limited to, reasonable counsel fees), if any, in collecting the same ("Condemnation Proceeds"), whichever the case may be.

(i) The Net Proceeds shall be made available to Borrower for Restoration *provided* that each of the following conditions are met:

(A) no Event of Default shall have occurred and be continuing;

(B) (1) in the event the Net Proceeds are Insurance Proceeds, less than thirty percent (30%) of the total floor area of the Improvements on such Individual Property has been damaged, destroyed or rendered unusable as a result of a Casualty and the amount of damage does not exceed thirty percent (30%) of the Property's fair market value immediately prior to the occurrence of such Casualty, or (2) in the event the Net Proceeds are Condemnation Proceeds, less than ten percent (10%) of the land constituting such Individual Property is taken, such land is located along the perimeter or periphery of such Individual Property,

and less than fifteen percent (15%) of the aggregate floor area of the Improvements is taken and the taking does not exceed fifteen percent (15%) of the Property's fair market value immediately prior to the occurrence of such taking;

(C) Leases covering in the aggregate at least seventy-five percent (75%) of the total rentable space in such Individual Property which has been demised under executed and delivered Leases in effect as of the date of the occurrence of such Casualty or Condemnation, whichever the case may be, and each Major Lease in effect as of such date shall remain in full force and effect during and after the completion of the Restoration without abatement of rent beyond the time required for Restoration;

(D) Borrower shall commence the Restoration as soon as reasonably practicable (but in no event later than sixty (60) days after such Casualty or Condemnation, whichever the case may be, occurs) and shall diligently pursue the same to satisfactory completion;

(E) Lender shall be satisfied that any operating deficits, including all scheduled payments of principal and interest under the Note, which will be incurred with respect to such Individual Property as a result of the occurrence of any such Casualty or Condemnation, whichever the case may be, will be covered out of the insurance coverage referred to in Section 8.1(a)(iii) above;

(F) Lender shall be satisfied that the Restoration will be completed on or before the earliest to occur of (1) six (6) months prior to the Maturity Date, (2) the earliest date required for such completion under the terms of any Leases or material agreements affecting such Individual Property, (3) such time as may be required under applicable zoning law, ordinance, rule or regulation, or (4) the expiration of the insurance coverage referred to in Section 8.1(a)(iii);

(G) such Individual Property and the use thereof after the Restoration will be in compliance with and permitted under all Legal Requirements;

(H) the Restoration shall be done and completed by Borrower in an expeditious and diligent fashion and in compliance with all applicable Legal Requirements;

(I) such Casualty or Condemnation, as applicable, does not result in the loss of access to such Individual Property or the Improvements;

(J) Borrower shall deliver, or cause to be delivered, to Lender a signed detailed budget approved in writing by Borrower's architect or engineer stating the entire cost of completing the Restoration, which budget shall be acceptable to Lender; and

(K) the Net Proceeds together with any cash or cash equivalent deposited by Borrower with Lender are sufficient in Lender's reasonable judgment to cover the cost of the Restoration.

(ii) The Net Proceeds shall be held by Lender in an Eligible Account until disbursements commence, and, until disbursed in accordance with the provisions of this Section 8.4(b) *(provided*, *however*, that Insurance Proceeds from the Policies required to be maintained by Borrower pursuant to Section 8.1 (a)(iii) shall be controlled by the Lender at all times, shall not be subject to the provisions of this Section 8.4 and shall be used solely for the payment of the obligations under the Loan Documents and Operating Expenses), shall constitute additional security for the Debt and other obligations under the Loan Documents. The Net Proceeds shall be disbursed by Lender to, or as directed by, Borrower from time to time during the course of the Restoration, upon receipt of evidence satisfactory to Lender that (A) all of the conditions precedent to such advance, including those set forth in Section 8.4(b)(i), have been satisfied, (B) all materials installed and work and labor performed (except to the extent that they are to be paid for out of the requested disbursement) in connection with the related Restoration item have been paid for in full, and (C) there exist no notices of pendency, stop orders, mechanic's or materialman's liens or notices of intention to file same, or any other liens or encumbrances of any nature whatsoever on the related Individual Property which have not either been fully bonded to the satisfaction of Lender and discharged of record or in the alternative fully insured to the satisfaction of Lender by the title company issuing the Title Insurance Policy.

(iii) All plans and specifications required in connection with the Restoration shall be subject to prior review and acceptance in all respects by Lender and by an independent consulting engineer selected by Lender (the "Restoration Consultant"). Lender shall have the use of the plans and specifications and all permits, licenses and approvals required or obtained in connection with the Restoration. The identity of the contractors, subcontractors and materialmen engaged in the Restoration, as well as the contracts in excess of $50,000 under which they have been engaged, shall be subject to prior review and acceptance by Lender and the Restoration Consultant. All costs and expenses incurred by Lender in connection with making the Net Proceeds available for the Restoration, including, without limitation, reasonable counsel fees and disbursements and the Restoration Consultant's fees, shall be paid by Borrower.

(iv) In no event shall Lender be obligated to make disbursements of the Net Proceeds in excess of an amount equal to the costs actually incurred from time to time for work in place as part of the Restoration, as certified by the Restoration Consultant, minus the Restoration Retainage. The term "Restoration Retainage" shall mean an amount equal to ten percent (10%) of the costs actually incurred for work in place as part of the Restoration, as certified by the Restoration Consultant, until the Restoration has been completed. The Restoration Retainage shall be reduced to five percent (5%) of the costs incurred upon receipt by Lender of satisfactory evidence that fifty percent (50%) of the Restoration has been completed. The Restoration Retainage shall in no event, and notwithstanding anything to the contrary set forth above in this Section 8.4(b), be less than the amount actually held back by Borrower from contractors, subcontractors and

materialmen engaged in the Restoration. The Restoration Retainage shall not be released until the Restoration Consultant certifies to Lender that the Restoration has been completed in accordance with the provisions of this Section 8.4(b)and that all approvals necessary for the re-occupancy and use of the related Individual Property have been obtained from all appropriate Governmental Authorities, and Lender receives evidence satisfactory to Lender that the costs of the Restoration have been paid in full or will be paid in full out of the Restoration Retainage; *provided*, *however*, that Lender will release the portion of the Restoration Retainage being held with respect to any contractor, subcontractor or materialman engaged in the Restoration as of the date upon which the Restoration Consultant certifies to Lender that the contractor, subcontractor or materialman has satisfactorily completed all work and has supplied all materials in accordance with the provisions of the contractor's, subcontractor's or materialman's contract, the contractor, subcontractor or materialman delivers the lien waivers and evidence of payment in full of all sums due to the contractor, subcontractor or materialman as may be reasonably requested by Lender or by the title company issuing the Title Insurance Policy, and Lender receives an endorsement to the Title Insurance Policy insuring the continued priority of the lien of the Mortgage and evidence of payment of any premium payable for such endorsement. If required by Lender, the release of any such portion of the Restoration Retainage shall be approved by the surety company, if any, which has issued a payment or performance bond with respect to the contractor, subcontractor or materialman.

(v) Lender shall not be obligated to make disbursements of the Net Proceeds more frequently than once every calendar month.

(vi) If at any time the Net Proceeds or the undisbursed balance thereof shall not, in the reasonable opinion of Lender in consultation with the Restoration Consultant, be sufficient to pay in full the balance of the costs which are estimated by the Restoration Consultant to be incurred in connection with the completion of the Restoration, Borrower shall deposit the deficiency (the "Net Proceeds Deficiency") with Lender before any further disbursement of the Net Proceeds shall be made. The Net Proceeds Deficiency deposited with Lender shall be held by Lender and shall be disbursed for costs actually incurred in connection with the Restoration on the same conditions applicable to the disbursement of the Net Proceeds, and until so disbursed pursuant to this Section 8.4(b) shall constitute additional security for the Debt and other obligations under the Loan Documents.

(vii) The excess, if any, of the Net Proceeds and the remaining balance, if any, of the Net Proceeds Deficiency deposited with Lender after the Restoration Consultant certifies to Lender that the Restoration has been completed in accordance with the provisions of this Section 8.4(b), and the receipt by Lender of evidence satisfactory to Lender that all costs incurred in connection with the Restoration have been paid in full, shall be remitted by Lender to Borrower, provided no Event of Default shall have occurred and shall be continuing under the Note, this Agreement or any of the other Loan Documents.

(c) All Net Proceeds not required (i) to be made available for the Restoration or (ii) to be returned to Borrower as excess Net Proceeds pursuant to Section 8.4(b)(vii) may (x) be retained and applied by Lender toward the payment of the Debt whether or not then due and payable in such order, priority and proportions as Lender in its sole discretion shall deem proper, or, (y) at the sole discretion of Lender, the same may be paid, either in whole or in part, to Borrower for such purposes and upon such conditions as Lender shall designate.

(d) In the event of foreclosure of the Mortgages, or other transfer of title to the Property in extinguishment in whole or in part of the Debt, all right, title and interest of Borrower in and to the Policies then in force concerning the Property and all proceeds payable thereunder shall thereupon vest in the purchaser at such foreclosure, Lender or other transferee in the event of such other transfer of title.

ARTICLE IX

RESERVE FUNDS

Section 9.1 Required Repairs.

(a) Borrower shall make the repairs and improvements to the Property set forth on Schedule I and as more particularly described in the Physical Conditions Report prepared in connection with the closing of the Loan (such repairs hereinafter referred to as "Required Repairs"). Borrower shall complete the Required Repairs in a good and workmanlike manner on or before the date that is twelve (12) months from the date hereof or within such other time frame for completion specifically set forth on Schedule I.

(b) Borrower shall establish on the date hereof an Eligible Account with Lender to fund the Required Repairs (the "Required Repair Account") into which Borrower shall deposit on the date hereof the amount of $23,250.00, which amount equals 125% of the estimated cost for the completion of the Required Repairs. Amounts so deposited shall hereinafter be referred to as the "Required Repair Funds."

Section 9.2 Replacements.

(a) On an ongoing basis throughout the term of the Loan, Borrower shall make capital repairs, replacements and improvements necessary to keep each Individual Property in good order and repair and in a good marketable condition or prevent deterioration of each Individual Property, including, but not limited to, those repairs, replacements and improvements more particularly described in the related Physical Conditions Report prepared in connection with the closing of the Loan (collectively, the "Replacements") and as more particularly set forth on Schedule II attached hereto. Borrower shall complete all Replacements in a good and workmanlike manner as soon as commercially reasonable after commencing to make each such Replacement.

(b) Borrower shall establish on the date hereof an Eligible Account with Lender to fund the Replacements (the "Replacement Reserve Account") into which Borrower shall deposit on the date hereof $0.00. In addition, Borrower shall deposit 10,429.67

(the "Replacement Reserve Monthly Deposit") into the Replacement Reserve Account on each Scheduled Payment Date in months one (1) through twenty-four (24) of the term of the Loan, and thereafter the Replacement Reserve Monthly Deposit shall become the amount of $3,862.84. Amounts so deposited shall hereinafter be referred to as "Replacement Reserve Funds." Lender may, in its reasonable discretion, adjust the Replacement Reserve Monthly Deposit from time to time sufficient to maintain the proper maintenance and operation of each Individual Property. In the event Lender shall at any time increase the Replacement Reserve Monthly Deposit, Borrower may, at its election, request that Lender obtain, at the sole cost and expense of Borrower, a Physical Conditions Report prepared by an engineer selected by Lender, in its reasonable discretion, in which case the Replacement Reserve Monthly Deposit shall be adjusted by Lender based on the results of such report, *provided* that in no event shall such amounts be reduced below the initial amount of the Replacement Reserve Monthly Deposit set forth herein.

Section 9.3 Intentionally Reserved.

Section 9.4 Required Work. Borrower shall diligently pursue all Required Repairs and Replacements (collectively, the "Required Work") to completion in accordance with the following requirements:

(a) Lender reserves the right, at its option, to approve all contracts or work orders with materialmen, mechanics, suppliers, subcontractors, contractors or other parties providing labor or materials in connection with the Required Work to the extent such contracts or work orders exceed $50,000. Upon Lender's request, Borrower shall assign any contract or subcontract to Lender.

(b) In the event Lender determines in its reasonable discretion that any Required Work is not being or has not been performed in a workmanlike or timely manner, Lender shall have the option to withhold disbursement for such unsatisfactory Required Work and to proceed under existing contracts or to contract with third parties to complete such Required Work and to apply the Required Repair Funds or the Replacement Reserve Funds, as applicable, toward the labor and materials necessary to complete such Required Work, without providing any prior notice to Borrower and to exercise any and all other remedies available to Lender upon an Event of Default hereunder.

(c) In order to facilitate Lender's completion of the Required Work, Borrower grants Lender the right to enter onto each Individual Property and perform any and all work and labor necessary to complete the Required Work and/or employ watchmen to protect each Individual Property from damage. All sums so expended by Lender, to the extent not from the Reserve Funds, shall be deemed to have been advanced under the Loan to Borrower and secured by the Mortgages. For this purpose Borrower constitutes and appoints Lender its true and lawful attorney-in-fact with full power of substitution to complete or undertake the Required Work in the name of Borrowers upon Borrower's failure to do so in a workmanlike and timely manner. Such power of attorney shall be deemed to be a power coupled with an interest and cannot be revoked. Borrower empowers said attorney-in-fact as follows: (i) to use any of the Reserve Funds for the purpose of making or completing the Required Work; (ii) to make such additions,

as shall be required for such purposes; (iv) to pay, settle or compromise all existing bills and claims which are or may become Liens against any Individual Property, or as may be necessary or desirable for the completion of the Required Work, or for clearance of title; (v) to execute all applications and certificates in the name of Borrower which may be required by any of the contract documents; (vi) to prosecute and defend all actions or proceedings in connection with any Individual Property or the rehabilitation and repair of any Individual Property; and (vii) to do any and every act which Borrower might do on its own behalf to fulfill the terms of this Agreement.

(d) Nothing in this Section 9.4 shall: (i) make Lender responsible for making or completing the Required Work; (ii) require Lender to expend funds in addition to the Reserve Funds to make or complete any Required Work; (iii) obligate Lender to proceed with the Required Work; or (iv) obligate Lender to demand from Borrower additional sums to make or complete any Required Work.

(e) Borrower shall permit Lender and Lender's agents and representatives (including, without limitation, Lender's engineer, architect, or inspector) or third parties performing Required Work pursuant to this Section 9.4 to enter onto any Individual Property during normal business hours (subject to the rights of tenants under their Leases) to inspect the progress of any Required Work and all materials being used in connection therewith, to examine all plans and shop drawings relating to such Required Work which are or may be kept at an Individual Property, and to complete any Required Work made pursuant to this Section 9.4. Borrower shall cause all contractors and subcontractors to cooperate with Lender and Lender's representatives or such other persons described above in connection with inspections described in this Section 9.4 or the completion of Required Work pursuant to this Section 9.4.

(f) Lender may, to the extent any Required Work would reasonably require an inspection of the Property, inspect any Individual Property at Borrower's expense prior to making a disbursement of the Reserve Funds in order to verify completion of the Required Work for which reimbursement is sought. Borrower shall pay Lender a reasonable inspection fee not exceeding $1,000 for each such inspection. Lender may require that such inspection be conducted by an appropriate independent qualified professional selected by Lender and/or may require a copy of a certificate of completion by an independent qualified professional acceptable to Lender prior to the disbursement of the Reserve Funds. Borrowers shall pay the expense of the inspection as required hereunder, whether such inspection is conducted by Lender or by an independent qualified professional.

(g) The Required Work and all materials, equipment, fixtures, or any other item comprising a part of any Required Work shall be constructed, installed or completed, as applicable, free and clear of all mechanic's, materialman's or other Liens (except for Permitted Encumbrances).

(h) Before each disbursement of the Reserve Funds, Lender may require Borrower to provide Lender with a search of title to the related Individual Property effective to the date of the disbursement, which search shows that no mechanic's or materialmen's or other Liens of any nature have been placed against the related Individual Property since the date of

recordation of the Mortgage and that title to the Property is free and clear of all Liens (except for Permitted Encumbrances).

(i) All Required Work shall comply with all Legal Requirements and applicable insurance requirements including, without limitation, applicable building codes, special use permits, environmental regulations, and requirements of insurance underwriters.

(j) Borrower hereby assigns to Lender all rights and claims Borrowers may have against all Persons supplying labor or materials in connection with the Required Work; *provided, however,* that Lender may not pursue any such rights or claims unless an Event of Default has occurred and remains uncured.

Section 9.5 Release of Reserve Funds.

(a) Upon written request from Borrower and satisfaction of the requirements set forth in this Agreement, Lender shall disburse to Borrower amounts from (i) the Required Repair Account to the extent necessary to reimburse Borrower for the actual costs of each Required Repair (but not exceeding 125% of the original estimated cost of such Required Repair as set forth on Schedule I, unless Lender has agreed to reimburse Borrower for such excess cost pursuant to Section 9.5(f)) or (ii) the Replacement Reserve Account to the extent necessary to reimburse Borrower for the actual costs of any approved Replacements. Notwithstanding the preceding sentence, in no event shall Lender be required to (x) disburse any amounts which would cause the amount of funds remaining in the Required Repair Account after any disbursement (other than with respect to the final disbursement) to be less than 125% of the then current estimated cost of completing all remaining Required Repairs for the related Individual Property, (y) disburse funds from any of the Reserve Accounts if an Event of Default exists, or (z) disburse funds from the Replacement Reserve Account to reimburse Borrower for the costs of routine repairs or maintenance to the related Individual Property or for costs which are to be reimbursed from funds held in the Required Repair Account.

(b) Each request for disbursement from any of the Reserve Accounts shall be on a form provided or approved by Lender and shall (i) include copies of invoices for all items or materials purchased and all labor or services provided and (ii) specify (A) the Required Work for which the disbursement is requested, (B) the quantity and price of each item purchased, if the Required Work includes the purchase or replacement of specific items, (C) the price of all materials (grouped by type or category) used in any Required Work other than the purchase or replacement of specific items, and (D) the cost of all contracted labor or other services applicable to each Required Work for which such request for disbursement is made. With each request Borrower shall certify that all Required Work has been performed in accordance with all Legal Requirements. Except as provided in Section 9.5(d), each request for disbursement shall be made only after completion of the Required Repair, Replacement (or the portion thereof completed in accordance with Section 9.5(d)), for which disbursement is requested. Borrower shall provide Lender evidence satisfactory to Lender in its reasonable judgment of such completion or performance.

(c) Borrower shall pay all invoices in connection with the Required Work with respect to which a disbursement is requested prior to submitting such request for

disbursement from the Reserve Accounts or, at the request of Borrower, Lender will issue joint checks, payable to Borrower and the contractor, supplier, materialman, mechanic, subcontractor or other party to whom payment is due in connection with the Required Work. In the case of payments made by joint check, Lender may require a waiver of lien from each Person receiving payment prior to Lender's disbursement of the Reserve Funds. In addition, as a condition to any disbursement, Lender may require Borrower to obtain lien waivers from each contractor, supplier, materialman, mechanic or subcontractor who receives payment in an amount equal to or greater than $10,000 for completion of its work or delivery of its materials. Any lien waiver delivered hereunder shall conform to all Legal Requirements and shall cover all work performed and materials supplied (including equipment and fixtures) for the related Individual Property by that contractor, supplier, subcontractor, mechanic or materialman through the date covered by the current disbursement request (or, in the event that payment to such contractor, supplier, subcontractor, mechanic or materialmen is to be made by a joint check, the release of lien shall be effective through the date covered by the previous release of funds request).

(d) If (i) the cost of any item of Required Work exceeds $50,000, (ii) the contractor performing such Required Work requires periodic payments pursuant to terms of a written contract, and (iii) Lender has approved in writing in advance such periodic payments, a request for disbursement from the Reserve Accounts may be made after completion of a portion of the work under such contract, provided (A) such contract requires payment upon completion of such portion of work, (B) the materials for which the request is made are on site at an Individual Property and are properly secured or have been installed in the Property, (C) all other conditions in this Agreement for disbursement have been satisfied, and (D) in the case of a Replacement, funds remaining in the Replacement Reserve Account are, in Lender's judgment, sufficient to complete such Replacement and other Replacements when required.

(e) Borrower shall not make a request for, nor shall Lender have any obligation to make, any disbursement from any Reserve Account more frequently than once in any calendar month and (except in connection with the final disbursement) in any amount less than the lesser of (i) $10,000 or (ii) the total cost of the Required Work for which the disbursement is requested.

(f) In the event Borrower requests a disbursement from the Required Repair Account to reimburse Borrower for the actual cost of labor or materials used in connection with repairs or improvements other than the Required Repairs specified on Schedule I, or for a Required Repair to the extent the cost of such Required Repair exceeds 125% of the estimated cost of such Required Repair as set forth on Schedule I (in either case, an "Additional Required Repair"), Borrower shall disclose in writing to Lender the reason why funds in the Required Repair Account should be used to pay for such Additional Required Repair. If Lender determines that (i) such Additional Required Repair is of the type intended to be covered by the Required Repair Account, (ii) such Additional Required Repair is not covered or is not of the type intended to be covered by the Replacement Reserve Account, (iii) costs for such Additional Required Repair are reasonable, (iv) the funds in the Required Repair Account are sufficient to pay for such Additional Required Repair and all other Required Repairs for the related Individual Property specified on Schedule I, and (v) all other conditions for disbursement under this Agreement have been met, Lender may disburse funds from the Required Repair Account.

(g) In the event Borrower requests a disbursement from the Replacement Reserve Account to reimburse Borrower for the actual cost of labor or materials used in connection with repairs or improvements other than the Replacements specified in the related Physical Conditions Report prepared in connection with the closing of the Loan (an "Additional Replacement"), Borrower shall disclose in writing to Lender the reason why funds in the Replacement Reserve Account should be used to pay for such Additional Replacement. If Lender determines that (i) such Additional Replacement is of the type intended to be covered by the Replacement Reserve Account, (ii) such Additional Replacement is not covered or is not of the type intended to be covered by the Required Repair Account, (iii) costs for such Additional Replacement are reasonable, (iv) the funds in the Replacement Reserve Account are sufficient to pay for such Additional Replacement and all other Replacements for the Property specified in the Physical Conditions Report, and (v) all other conditions for disbursement under this Agreement have been met, Lender may disburse funds from the Replacement Reserve Account.

(h) Lender's disbursement of any Reserve Funds or other acknowledgment of completion of any Required Work in a manner satisfactory to Lender shall not be deemed a certification or warranty by Lender to any Person that the Required Work has been completed in accordance with Legal Requirements.

(i) If the funds in any Reserve Account should exceed the amount of payments actually applied by Lender for the purposes of the account, Lender in its sole discretion shall either return any excess to Borrower or credit such excess against future payments to be made to that Reserve Account. In allocating any such excess, Lender may deal with the Person shown on Lender's records as being the owner of the related Individual Property. If at any time Lender reasonably determines that the Reserve Funds are not or will not be sufficient to make the required payments, Lender shall notify Borrower of such determination and Borrower shall pay to Lender any amount necessary to make up the deficiency within ten (10) days after notice from Lender to the related Borrower requesting payment thereof.

(j) The insufficiency of any balance in any of the Reserve Accounts shall not relieve Borrower from its obligation to fulfill all preservation and maintenance covenants in the Loan Documents.

(k) Upon the earlier to occur of (i) the timely completion of all Required Repairs and any Additional Required Repairs, if any, in accordance with the requirements of this Agreement, as verified by Lender in its reasonable discretion, or (ii) the payment in full of the Debt, all amounts remaining on deposit, if any, in the Required Repair Account shall be returned to Borrower or the Person shown on Lender's records as being the owner of the related Individual Property and no other party shall have any right or claim thereto.

(l) Upon payment in full of the Debt, all amounts remaining on deposit, if any, in the Replacement Reserve Account shall be returned to Borrower or the Person shown on Lender's records as being the owner of the Property and no other party shall have any right or claim thereto.

Section 9.6 Tax and Insurance Reserve Funds. Borrower shall establish on the date hereof an Eligible Account with Lender or Lender's agent sufficient to discharge

Borrower's obligations for the payment of Taxes and Insurance Premiums pursuant to Section 5.4 and Section 8.1 hereof (the "Tax and Insurance Reserve Account") into which Borrower shall deposit on the date hereof $138,240.39, which amount, when added to the required monthly deposits set forth in the next sentence, is sufficient to make the payments of Taxes and Insurance Premiums as required herein. Borrower shall deposit into the Tax and Insurance Reserve Account on each Scheduled Payment Date (a) one-twelfth of the Taxes that Lender estimates will be payable during the next ensuing twelve (12) months or such higher amount necessary to accumulate with Lender sufficient funds to pay all such Taxes at least thirty (30) days prior to the earlier of (i) the date that the same will become delinquent and (ii) the date that additional charges or interest will accrue due to the non-payment thereof, and (b) except to the extent Lender has waived the insurance escrow because the insurance required hereunder is maintained under a blanket insurance Policy acceptable to Lender in accordance with Section 8.1 (c), one-twelfth of the Insurance Premiums that Lender estimates will be payable during the next ensuing twelve (12) months for the renewal of the coverage afforded by the Policies upon the expiration thereof or such higher amount necessary to accumulate with Lender sufficient funds to pay all such Insurance Premiums at least thirty (30) days prior to the expiration of the Policies (said amounts in (a) and (b) above hereinafter called the "Tax and Insurance Reserve Funds"). Lender will apply the Tax and Insurance Reserve Funds to payments of Taxes and Insurance Premiums required to be made by Borrower pursuant to Section 5.4 and Section 8.1 hereof. In making any disbursement from the Tax and Insurance Reserve Account, Lender may do so according to any bill, statement or estimate procured from the appropriate public office or tax lien service (with respect to Taxes) or insurer or agent (with respect to Insurance Premiums), without inquiry into the accuracy of such bill, statement or estimate or into the validity of any tax, assessment, sale, forfeiture, tax lien or title or claim thereof. If the amount of the Tax and Insurance Reserve Funds shall exceed the amounts due for Taxes and Insurance Premiums pursuant to Sections 5.4 and Section 8.1 hereof, Lender shall, in its sole discretion, return any excess to Borrower or credit such excess against future payments to be made to the Tax and Insurance Reserve Account. In allocating any such excess, Lender may deal with the person shown on Lender's records as being the owner of each Individual Property. Any amount remaining in the Tax and Insurance Reserve Account after the Debt has been paid in full shall be returned to Borrower or the person shown on Lender's records as being the owner of the related Individual Property and no other party shall have any right or claim thereto. If at any time Lender reasonably determines that the Tax and Insurance Reserve Funds are not or will not be sufficient to pay Taxes and Insurance Premiums by the dates set forth in (a) and (b) above, Lender shall notify Borrower of such determination and Borrower shall pay to Lender any amount necessary to make up the deficiency within ten (10) days after notice from Lender to Borrower requesting payment thereof.

Section 9.7 Intentionally Reserved.

Section 9.8 Intentionally Reserved.

Section 9.9 Reserve Funds Generally. (a) (i) Except for the Replacement Reserve Account, no earnings or interest on the Reserve Accounts shall be payable to Borrower. Neither Lender nor any loan servicer that at any time holds or maintains the non-interest-bearing Reserve Accounts shall have any obligation to keep or maintain the Reserve Accounts or any funds deposited therein in interest-bearing accounts. If Lender or any such loan servicer elects in

its sole and absolute discretion to keep or maintain any non-interest-bearing Reserve Accounts or any funds deposited therein in an interest-bearing account, the account shall be an Eligible Account and (A) such funds shall be invested in Permitted Investments, and (B) all interest earned or accrued thereon shall be for the account of and be retained by Lender or such loan servicer.

(ii) Funds deposited in the Replacement Reserve Account shall be held in an interest-bearing business savings account and interest shall be credited to Borrower. In no event shall Lender or any loan servicer that at any time holds or maintains the Replacement Reserve Account be required to select any particular interest-bearing account or the account that yields the highest rate of interest, *provided* that selection of the account shall be consistent with the general standards at the time being utilized by Lender or the loan servicer, as applicable, in establishing similar accounts for loans of comparable type. All such interest shall be and become part of the Replacement Reserve Account and shall be disbursed in accordance with Section 9.5 above; *provided, however*, that Lender may, at its election, retain any such interest for its own account during the occurrence and continuance of an Event of Default. Borrower agrees that it shall include all interest on Replacement Reserve Funds as the income of Borrower (and, if a Borrower is a partnership or other pass-through entity, the partners, members or beneficiaries of Borrower, as the case may be), and shall be the owner of the Replacement Reserve Funds for federal and applicable state and local tax purposes, except to the extent that Lender retains any interest for its own account during the occurrence and continuance of an Event of Default as provided herein.

(b) Borrower grants to Lender a first-priority perfected security interest in, and assigns and pledges to Lender, each of the Reserve Accounts and any and all Reserve Funds now or hereafter deposited in the Reserve Accounts as additional security for payment of the Debt. Until expended or applied in accordance herewith, the Reserve Accounts and the Reserve Funds shall constitute additional security for the Debt. The provisions of this Section 9.9 are intended to give Lender or any subsequent holder of the Loan "control" of the Reserve Accounts within the meaning of the UCC.

(c) The Reserve Accounts and any and all Reserve Funds now or hereafter deposited in the Reserve Accounts shall be subject to the exclusive dominion and control of Lender, which shall hold the Reserve Accounts and any or all Reserve Funds now or hereafter deposited in the Reserve Accounts subject to the terms and conditions of this Agreement. Borrower shall have no right of withdrawal from the Reserve Accounts or any other right or power with respect to the Reserve Accounts or any or all of the Reserve Funds now or hereafter deposited in the Reserve Accounts, except as expressly provided in this Agreement.

(d) Lender shall furnish or cause to be furnished to Borrower, without charge, an annual accounting of each Reserve Account in the normal format of Lender or its loan servicer, showing credits and debits to such Reserve Account and the purpose for which each debit to each Reserve Account was made.

(e) As long as no Event of Default has occurred, Lender shall make disbursements from the Reserve Accounts in accordance with this Agreement. All such

disbursements shall be deemed to have been expressly pre-authorized by Borrower, and shall not be deemed to constitute the exercise by Lender of any remedies against Borrower unless an Event of Default has occurred and is continuing and Lender has expressly stated in writing its intent to proceed to exercise its remedies as a secured party, pledgee or lienholder with respect to the Reserve Accounts.

(f) If any Event of Default occurs, Borrower shall immediately lose all of their rights to receive disbursements from the Reserve Accounts until the earlier to occur of (i) the date on which such Event of Default is cured to Lender's satisfaction, or (ii) the payment in full of the Debt. In addition, at Lender's election, Borrower shall lose all of its rights to receive interest on the Replacement Reserve Account during the occurrence and continuance of an Event of Default. Upon the occurrence of any Event of Default, Lender may exercise any or all of its rights and remedies as a secured party, pledgee and lienholder with respect to the Reserve Accounts. Without limitation of the foregoing, upon any Event of Default, Lender may use and disburse the Reserve Funds (or any portion thereof) for any of the following purposes: (A) repayment of the Debt, including, but not limited to, principal prepayments and the prepayment premium applicable to such full or partial prepayment (as applicable); (B) reimbursement of Lender for all losses, fees, costs and expenses (including, without limitation, reasonable legal fees) suffered or incurred by Lender as a result of such Event of Default; (C) payment of any amount expended in exercising any or all rights and remedies available to Lender at law or in equity or under this Agreement or under any of the other Loan Documents; (D) payment of any item from any of the Reserve Accounts as required or permitted under this Agreement; or (E) any other purpose permitted by applicable law; *provided*, *however*, that any such application of funds shall not cure or be deemed to cure any Event of Default. Without limiting any other provisions hereof, each of the remedial actions described in the immediately preceding sentence shall be deemed to be a commercially reasonable exercise of Lender's rights and remedies as a secured party with respect to the Reserve Funds and shall not in any event be deemed to constitute a setoff or a foreclosure of a statutory banker's lien. Nothing in this Agreement shall obligate Lender to apply all or any portion of the Reserve Funds to effect a cure of any Event of Default, or to pay the Debt, or in any specific order of priority. The exercise of any or all of Lender's rights and remedies under this Agreement or under any of the other Loan Documents shall not in any way prejudice or affect Lender's right to initiate and complete a foreclosure under the Mortgages.

(g) The Reserve Funds shall not constitute escrow or trust funds and may be commingled with other monies held by Lender. Notwithstanding anything else herein to the contrary, Lender may commingle in one or more Eligible Accounts (i) any and all funds controlled by Lender, including, without limitation, funds pledged in favor of Lender by other Borrower, whether for the same purposes as the Reserve Accounts or otherwise. Without limiting any other provisions of this Agreement or any other Loan Document, the Reserve Accounts may be established and held in such name or names as Lender or its loan servicer, as agent for Lender, shall deem appropriate, including, without limitation, in the name of Lender or such loan servicer as agent for Lender. In the case of any Reserve Account which is held in a commingled account, Lender or its loan servicer, as applicable, shall maintain records sufficient to enable it to determine at all times which portion of such account is related to the Loan. The Reserve Accounts are solely for the protection of Lender. With respect to the Reserve Accounts, Lender shall have no responsibility beyond the allowance of due credit for the sums actually

received by Lender or beyond the reimbursement or payment of the costs and expenses for which such accounts were established in accordance with their terms. Upon assignment of the Loan by Lender, any Reserve Funds shall be turned over to the assignee and any responsibility of Lender as assignor shall terminate. The requirements of this Agreement concerning the Reserve Accounts in no way supersede, limit or waive any other rights or obligations of the parties under any of the Loan Documents or under applicable law.

(h) Borrower shall not, without obtaining the prior written consent of Lender, further pledge, assign or grant any security interest in the Reserve Accounts or the Reserve Funds deposited therein or permit any Lien to attach thereto, except for the security interest granted in this Section 9.9, or any levy to be made thereon, or any UCC Financing Statements, except those naming Lender as the secured party, to be filed with respect thereto.

(i) Borrower will maintain the security interest created by this Section 9.9 as a first priority perfected security interest and will defend the right, title and interest of Lender in and to the Reserve Accounts and the Reserve Funds against the claims and demands of all Persons whomsoever. At any time and from time to time, upon the written request of Lender, and at the sole expense of Borrower, Borrower will promptly and duly execute and deliver such further instruments and documents and will take such further actions as Lender reasonably may request for the purpose of obtaining or preserving the full benefits of this Agreement and of the rights and powers herein granted.

(j) Lender shall be protected in acting upon any notice, resolution, request, consent, order, certificate, report, opinion, bond or other paper, document or signature believed by Lender to be genuine, and it may be assumed conclusively that any Person purporting to give any of the foregoing in connection with the Reserve Accounts has been duly authorized to do so. Lender may consult with counsel, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by them hereunder and in good faith in accordance therewith. Lender shall not be liable to Borrower for any act or omission done or omitted to be done by Lender in reliance upon any instruction, direction or certification received by Lender and without gross negligence or willful misconduct.

(k) Beyond the exercise of reasonable care in the custody thereof, Lender shall have any duty as to any Reserve Funds in its possession or control as agent therefor or bailee thereof or any income thereon or the preservation of rights against any person or otherwise with respect thereto. In no event shall Lender or its Affiliates, agents, employees or bailees, be liable or responsible for any loss or damage to any of the Reserve Funds, or for any diminution in value thereof, by reason of the act or omission of Lender, except to the extent that such loss or damage results from Lender’s gross negligence or willful misconduct or intentional nonperformance by Lender of its obligations under this Agreement.

ARTICLE X

INTENTIONALLY RESERVED

ARTICLE XI

EVENTS OF DEFAULT; REMEDIES

Section 11.1 Event of Default. The occurrence of any one or more of the following events shall constitute an "Event of Default":

(a) if any portion of the Debt is not paid prior to the tenth day following the date the same is due or if the entire Debt is not paid on or before the Maturity Date;

(b) except as otherwise expressly provided in the Loan Documents, if any of the Taxes or Other Charges are not paid when the same are due and payable;

(c) if the Policies are not kept in full force and effect, or if certified copies of the Policies are not delivered to Lender as provided in Section 8.1;

(d) if Borrower breaches any covenant with respect to itself or any SPE Component Entity (if any) contained in Article 6 or any covenant contained in Article 7 hereof;

(e) if any representation or warranty of, or with respect to, Borrower, Borrower Principal, any SPE Component Entity, or any member, general partner, principal or beneficial owner of any of the foregoing, made herein, in any other Loan Document, or in any certificate, report, financial statement or other instrument or document furnished to Lender at the time of the closing of the Loan or during the term of the Loan shall have been false or misleading in any material respect when made;

(f) if (i) Borrower, or any managing member or general partner of Borrower, Borrower Principal, or any SPE Component Entity (if any) shall commence any case, proceeding or other action (A) under any Creditors Rights Laws, seeking to have an order for relief entered with respect to it, or seeking to adjudicate it a bankrupt or insolvent, or seeking reorganization, or (B) seeking appointment of a receiver, trustee, custodian, conservator or other similar official for it or for all or any substantial part of its assets, or Borrower, any managing member or general partner of Borrower, Borrower Principal, or any SPE Component Entity (if any) shall make a general assignment for the benefit of its creditors; or (ii) there shall be commenced against Borrower, any managing member or general partner of Borrower, Borrower Principal, or any SPE Component Entity (if any) any case, proceeding or other action of a nature referred to in clause (i) above which (A) results in the entry of an order for relief or any such adjudication or appointment or (B) remains undismissed, undischarged or unbonded for a period of sixty (60) days; or (iii) there shall be commenced against Borrower, any managing member or general partner of Borrower, Borrower Principal, or any SPE Component Entity (if any) any case, proceeding or other action seeking issuance of a warrant of attachment, execution, distraint or similar process against all or any substantial part of its assets which results in the entry of any order for any such relief which shall not have been vacated, discharged, or stayed or bonded

pending appeal within sixty (60) days from the entry thereof; or (iv) Borrower, any managing member or general partner of Borrower, Borrower Principal, or any SPE Component Entity (if any) shall take any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the acts set forth in clause (i), (ii), or (iii) above; or (v) Borrower, any managing member or general partner of Borrower, Borrower Principal, or any SPE Component Entity (if any) shall generally not, or shall be unable to, or shall admit in writing its inability to, pay its debts as they become due;

(g) if Borrower shall be in default beyond applicable notice and grace periods under any other mortgage, deed of trust, deed to secure debt or other security agreement covering any part of any Individual Property, whether it be superior or junior in lien to the Mortgages

(h) if any Individual Property becomes subject to any mechanic's, materialman's or other Lien other than a Lien for any Taxes or Other Charges not then due and payable and the Lien shall remain undischarged of record (by payment, bonding or otherwise) for a period of thirty (30) days;

(i) if any federal tax lien is filed against Borrower, any member or general partner of Borrower, Borrower Principal, or any SPE Component Entity (if any) or the Property and same is not discharged of record within thirty (30) days after same is filed;

(j) if a judgment is filed against Borrower in excess of $10,000 which is not vacated or discharged within 30 days;

(k) if any default occurs under any guaranty or indemnity executed in connection herewith and such default continues after the expiration of applicable grace periods, if any;

(l) if Borrower shall permit any event within its control to occur that would cause any REA to terminate without notice or action by any party thereto or would entitle any party to terminate any REA and the term thereof by giving notice to Borrower; or any REA shall be surrendered, terminated or canceled for any reason or under any circumstance whatsoever except as provided for in such REA; or any term of any REA shall be modified or supplemented without Lender's consent; or Borrower shall fail, within ten (10) Business Days after demand by Lender, to exercise its option to renew or extend the term of any REA or shall fail or neglect to pursue diligently all actions necessary to exercise such renewal rights pursuant to such REA except as provided for in such REA;

(m) if Borrower shall continue to be in default under any other term, covenant or condition of this Agreement or any of the Loan Documents for more than ten (10) days after notice from Lender in the case of any default which can be cured by the payment of a sum of money or for thirty (30) days after notice from Lender in the case of any other default, *provided* that if such default cannot reasonably be cured within such thirty (30) day period and Borrower shall have commenced to cure such default within such thirty (30) day period and thereafter diligently and expeditiously proceeds to cure the same, such thirty (30) day period shall be extended for so long as it shall require Borrower in the exercise of due diligence to cure such default, it being agreed that no such extension shall be for a period in excess of sixty (60) days;

(n) if any of the assumptions contained in any opinion relating to issues of substantive consolidation delivered to the Lender in connection with the Loan, or in any other opinion relating to substantive consolidation delivered subsequent to the closing of the Loan, is or shall become untrue in any material respect;

(o) if Borrower shall fail in the payment of any rent, additional rent or other charge mentioned in or made payable by the Parlin Ground Lease when said rent or other charge is due and payable subject to Borrower's right, if any, to timely and properly contest said rent or other charge, so long as Borrower shall not be in default under the Parlin Ground Lease for failure to pay said rent or other charge during the pendency of such contest and (ii) Borrower is diligently and continuously contesting said rent or other charge; or

(p) if there shall occur any default by Borrower in the observance or performance of any term, covenant or condition of the Parlin Ground Lease on the part of Borrower to be observed or performed, and said default is not cured prior to the expiration of any applicable grace period therein provided, or if any one or more of the events referred to in the Parlin Ground Lease shall occur which would cause the Parlin Ground Lease to terminate without notice or action by the ground lessor or which would entitle the ground lessor to terminate the Parlin Ground Lease and the term thereof by giving notice to Borrower, as lessee thereunder, or if the leasehold estate created by the Parlin Ground Lease shall be surrendered or the Parlin Ground Lease shall be terminated or cancelled for any reason or under any circumstances whatsoever, or if any of the terms, covenants or conditions of the Parlin Ground Lease shall in any manner be modified, changed, supplemented, altered, or amended without the prior written consent of Lender, or if Borrower shall fail to exercise any option to renew the Parlin Ground Lease or shall fail to or neglect to pursue diligently all actions necessary to exercise such renewal rights pursuant to the terms of the Parlin Ground Lease.

Section 11.2 Remedies.

(a) Upon the occurrence of an Event of Default (other than an Event of Default described in Section 11.1(f) above) and at any time thereafter Lender may, in addition to any other rights or remedies available to it pursuant to this Agreement and the other Loan Documents or at law or in equity, take such action, without notice or demand, that Lender deems advisable to protect and enforce its rights against Borrower and in the Property, including, without limitation, declaring the Debt to be immediately due and payable, and Lender may enforce or avail itself of any or all rights or remedies provided in the Loan Documents against Borrower and the Property, including, without limitation, all rights or remedies available at law or in equity; and upon any Event of Default described in Section 11.1(f) above, the Debt and all other obligations of Borrower hereunder and under the other Loan Documents shall immediately and automatically become due and payable, without notice or demand, and Borrower hereby expressly waive any such notice or demand, anything contained herein or in any other Loan Document to the contrary notwithstanding.

(b) Upon the occurrence of an Event of Default, all or any one or more of the rights, powers, privileges and other remedies available to Lender against Borrower under this Agreement or any of the other Loan Documents executed and delivered by, or applicable to, Borrower or at law or in equity may be exercised by Lender at any time and from time to time,

whether or not all or any of the Debt shall be declared due and payable, and whether or not Lender shall have commenced any foreclosure proceeding or other action for the enforcement of its rights and remedies under any of the Loan Documents with respect to the Property. Any such actions taken by Lender shall be cumulative and concurrent and may be pursued independently, singularly, successively, together or otherwise, at such time and in such order as Lender may determine in its sole discretion, to the fullest extent permitted by law, without impairing or otherwise affecting the other rights and remedies of Lender permitted by law, equity or contract or as set forth herein or in the other Loan Documents.

ARTICLE XII

ENVIRONMENTAL PROVISIONS

Section 12.1 Environmental Representations and Warranties. Borrower represent and warrant, based upon an Environmental Report of the Property and information that Borrower knows or should reasonably have known, that: (a) there are no Hazardous Materials or underground storage tanks in, on, or under the Properties, except those that are both (i) in compliance with Environmental Laws and with permits issued pursuant thereto (if such permits are required), if any, and (ii) either (A) in the case of Hazardous Materials, in amounts not in excess of that necessary to operate the Individual Properties for the purposes set forth herein or (B) fully disclosed to and approved by Lender in writing pursuant to an Environmental Report; (b) there are no past, present or threatened Releases of Hazardous Materials in material violation of any Environmental Law or which would require remediation by a Governmental Authority in, on, under or from any Individual Property except as described in the Environmental Report; (c) there is no threat of any Release of Hazardous Materials migrating to the any Individual Property except as described in the Environmental Report; (d) there is no past or present material non-compliance with Environmental Laws, or with permits issued pursuant thereto, in connection with the Individual Properties except as described in the Environmental Report; (e) Borrower does not know of, and has not received, any written or oral notice or other communication from any Person relating to Hazardous Materials in, on, under or from any Individual Property; and (f) Borrower has truthfully and fully provided to Lender, in writing, any and all information relating to environmental conditions in, on, under or from the Individual Properties known to Borrower or contained in Borrower's files and records, including but not limited to any reports relating to Hazardous Materials in, on, under or migrating to or from the Individual Properties and/or to the environmental condition of the Individual Properties. With respect to the Parlin Property:

(i) the related Property is not located within a "freshwater wetlands" or a "transition area," each as defined by N.J.S.A. 13:9B-3, and is not subject to the terms of the New Jersey Freshwater Wetlands Protection Act, as amended, N.J.S.A. 13:9B-1 et. seq., or the rules and regulations promulgated thereunder,

(ii) Borrower shall not conduct or cause or permit to be conducted on the Property any activity which constitutes an Industrial Establishment (as such term is defined in ISRA (as defined below)) without the prior written consent of Lender. In the event that the provisions of ISRA become applicable to the Property subsequent to the date hereof, Borrower shall give prompt written notice thereof to Lender and shall take immediate requisite action to insure full compliance therewith. Borrower shall deliver to

Lender copies of all correspondence, notices and submissions that it sends to or receives from the New Jersey Department of Environmental Protection in connection with such ISRA compliance. Borrower's obligation to comply with ISRA shall, notwithstanding its general applicability, also specifically apply to sale, transfer, closure or termination of operations associated with any foreclosure action, including, without limitation, a foreclosure action brought with respect to the related Mortgage. In connection with the purchase of the related Property, Borrower required that the seller of the related Property comply with the provisions of ISRA and the seller did comply therewith or Borrower determined that the purchase of the related Property was not a transaction subject to ISRA, and

(iii) the related Property has not been and is not now being used as a Major Facility (as defined in the Environmental Laws), and Borrower shall not use the Property as a Major Facility in the future without the prior written consent of Lender. If Borrower ever becomes an owner or operator of a Major Facility, then Borrower shall furnish the New Jersey Department of Environmental Protection with all the information required by N.J.S.A. 58:10-23.11d, and shall duly file with the Director of the Division of Taxation in the New Jersey Department of the Treasury a tax report or return, and shall pay all taxes due therewith, in accordance with N.J.S.A. 58:10-23, 11b.

Section 12.2 Environmental Covenants. Borrower covenants and agrees that so long as Borrower owns, manages, is in possession of, or otherwise control the operation of the Individual Properties: (a) all uses and operations on or of the Individual Properties, whether by Borrower or any other Person, shall be in compliance with all Environmental Laws and permits issued pursuant thereto; (b) there shall be no Releases of Hazardous Materials in, on, under or from any Individual Property; (c) there shall be no Hazardous Materials in, on, or under any Individual Property, except those that are both (i) in compliance with all Environmental Laws and with permits issued pursuant thereto, if and to the extent required, and (ii) (A) in amounts not in excess of that necessary to operate the Individual Properties for the purposes set forth herein or (B) fully disclosed to and approved by Lender in writing; (d) Borrower shall keep the Individual Properties free and clear of all Environmental Liens; (e) Borrower shall, at their sole cost and expense, fully and expeditiously cooperate in all activities pursuant to Section 12.4 below, including but not limited to providing all relevant information and making knowledgeable persons available for interviews; (f) Borrower shall, at their sole cost and expense, perform any environmental site assessment or other investigation of environmental conditions in connection with any Individual Property, pursuant to any reasonable written request of Lender, upon Lender's reasonable belief that any Individual Property is not in full compliance with all Environmental Laws, and share with Lender the reports and other results thereof, and Lender and other Indemnified Parties shall be entitled to rely on such reports and other results thereof; (g) Borrower shall, at its sole cost and expense, comply with all reasonable written requests of Lender to (i) reasonably effectuate remediation of any Hazardous Materials in, on, under or from any Individual Property; and (ii) comply with any Environmental Law; (h) Borrower shall not allow any tenant or other user of any Individual Property to violate any Environmental Law; and (i) Borrower shall immediately notify Lender in writing after it has become aware of (A) any presence or Release or threatened Release of Hazardous Materials in, on, under, from or migrating towards any Individual Property; (B) any non-compliance with any Environmental Laws related in any way to any Individual Property; (C) any actual or potential Environmental

Lien against any Individual Property; (D) any required or proposed remediation of environmental conditions relating to any Individual Property; and (E) any written or oral notice or other communication of which Borrower becomes aware from any source whatsoever (including but not limited to a Governmental Authority) relating in any way to Hazardous Materials. Any failure of Borrower to perform its obligations pursuant to this Section 12.2 shall constitute bad faith waste with respect to the Individual Properties.

Section 12.3 Lender's Rights. Upon reasonable written notice (except in the case of an emergency, determined in Lender's sole discretion, or if an Event of Default has occurred and is continuing) Lender and any other Person designated by Lender, including but not limited to any representative of a Governmental Authority, and any environmental consultant, and any receiver appointed by any court of competent jurisdiction, shall have the right, but not the obligation, to enter upon any Individual Property at all reasonable times to assess any and all aspects of the environmental condition of any Individual Property and its use, including but not limited to conducting any environmental assessment or audit (the scope of which shall be determined in Lender's sole discretion) and taking samples of soil, groundwater or other water, air, or building materials, and conducting other invasive testing. Borrower shall cooperate with and provide access to Lender and any such person or entity designated by Lender.

Section 12.4 Operations and Maintenance Programs. If recommended by the Environmental Report or any other environmental assessment or audit of the any of the Individual Properties, Borrower shall establish and comply with an operations and maintenance program with respect to any Individual Property, in form and substance reasonably acceptable to Lender, prepared by an environmental consultant reasonably acceptable to Lender, which program shall address any asbestos-containing material or lead based paint that may now or in the future be detected at or on any Individual Property. Without limiting the generality of the preceding sentence, Lender may require (a) periodic notices or reports to Lender in form, substance and at such intervals as Lender may specify, (b) an amendment to such operations and maintenance program to address changing circumstances, laws or other matters, (c) at Borrower's sole expense, supplemental examination of any Individual Property by consultants specified by Lender, (d) access to any Individual Property by Lender, its agents or servicer, to review and assess the environmental condition of any Individual Property and Borrower's compliance with any operations and maintenance program, and (e) variation of the operations and maintenance program in response to the reports provided by any such consultants.

Section 12.5 Environmental Definitions. "Environmental Law" means any present and future federal, state and local laws, statutes, ordinances, rules, regulations, standards, policies and other government directives or requirements, as well as common law, including but not limited to the Comprehensive Environmental Response, Compensation and Liability Act and the Resource Conservation and Recovery Act and as to the Parlin Property, the New Jersey Industrial Site Recovery Act, as amended ("ISRA"), the New Jersey Spill Compensation and Control Act, as amended, the New Jersey Underground Storage of Hazardous Substances Act, as amended, and the New Jersey Water Pollution Control Act, as amended, that apply to Borrower or the Individual Properties and relate to Hazardous Materials or protection of human health or the environment. "Environmental Liens" means all Liens and other encumbrances imposed pursuant to any Environmental Law, whether due to any act or omission of Borrower or any other Person. "Environmental Report" means the written reports resulting from the

environmental site assessments of each of the Individual Properties delivered to Lender in connection with the Loan. “Hazardous Materials” shall mean petroleum and petroleum products and compounds containing them, including gasoline, diesel fuel and oil; explosives, flammable materials; radioactive materials; polychlorinated biphenyls and compounds containing them; lead and lead-based paint; asbestos or asbestos-containing materials in any form that is or could become friable; underground or above-ground storage tanks, whether empty or containing any substance; any substance the presence of which on any Individual Property is prohibited by any federal, state or local authority; any substance that requires special handling; and any other material or substance now or in the future defined as a “hazardous substance,” “hazardous material”, “hazardous waste”, “toxic substance”, “toxic pollutant”, “contaminant”, or “pollutant” within the meaning of any Environmental Law. “Release” of any Hazardous Materials includes but is not limited to any release, deposit, discharge, emission, leaking, spilling, seeping, migrating, injecting, pumping, pouring, emptying, escaping, dumping, disposing or other movement of Hazardous Materials.

Section 12.6 Indemnification.

(a) Borrower and Borrower Principal covenant and agree at their sole cost and expense, to protect, defend, indemnify, release and hold Indemnified Parties harmless from and against any and all Losses imposed upon or incurred by or asserted against any Indemnified Parties and directly or indirectly arising out of or in any way relating to any one or more of the following: (i) any presence of any Hazardous Materials in, on, above, or under any Individual Property; (ii) any past, present or threatened Release of Hazardous Materials in, on, above, under or from any Individual Property; (iii) any activity by Borrower, any Person affiliated with Borrower, and any Tenant or other user of any Individual Property in connection with any actual, proposed or threatened use, treatment, storage, holding, existence, disposition or other Release, generation, production, manufacturing, processing, refining, control, management, abatement, removal, handling, transfer or transportation to or from any Individual Property of any Hazardous Materials at any time located in, under, on or above any Individual Property or any actual or proposed remediation of any Hazardous Materials at any time located in, under, on or above any Individual Property, whether or not such remediation is voluntary or pursuant to court or administrative order, including but not limited to any removal, remedial or corrective action; (iv) any past, present or threatened non-compliance or violations of any Environmental Laws (or permits issued pursuant to any Environmental Law) in connection with any Individual Property or operations thereon, including but not limited to any failure by Borrower, any person or entity affiliated with Borrower, and any tenant or other user of any Individual Property to comply with any order of any Governmental Authority in connection with any Environmental Laws; (v) the imposition, recording or filing or the threatened imposition, recording or filing of any Environmental Lien encumbering any Individual Property; (vi) any acts of Borrower, any person or entity affiliated with Borrower, and any tenant or other user of any Individual Property in (A) arranging for disposal or treatment, or arranging with a transporter for transport for disposal or treatment, of Hazardous Materials at any facility or incineration vessel containing such or similar Hazardous Materials or (B) accepting any Hazardous Materials for transport to disposal or treatment facilities, incineration vessels or sites from which there is a Release, or a threatened Release of any Hazardous Substance which causes the incurrence of costs for remediation; and (vii) any misrepresentation or inaccuracy in any representation or warranty or material breach or

failure to perform any covenants or other obligations pursuant to this Agreement relating to environmental matters.

(b) Upon written request by any Indemnified Party, Borrower and Borrower Principal shall defend same for any of the actions described in Section 12.6(a) above (if requested by any Indemnified Party, in the name of the Indemnified Party) by attorneys and other professionals approved by the Indemnified Parties which approval shall not be unreasonably withheld, conditioned or delayed. Notwithstanding the foregoing, any Indemnified Parties may, in their sole discretion, engage their own attorneys and other professionals to defend or assist them, and, at the option of Indemnified Parties, their attorneys shall control the resolution of any claim or proceeding. Upon demand, Borrower and Borrower Principal shall pay or, in the sole discretion of the Indemnified Parties, reimburse, the Indemnified Parties for the payment of reasonable fees and disbursements of attorneys, engineers, environmental consultants, laboratories and other professionals in connection therewith.

(c) Notwithstanding the foregoing, Borrower shall have no liability for any Losses imposed upon or incurred by or asserted against any Indemnified Parties and described in subsection (a) above to the extent that Borrower can conclusively prove both that such Losses were caused solely by actions, conditions or events that occurred after the date that Lender (or any purchaser at a foreclosure sale) actually acquired title to the related Individual Property and that such Losses were not caused by the direct or indirect actions of Borrower, Borrower Principal, or any partner, member, principal, officer, director, trustee or manager of Borrower or Borrower Principal or any employee, agent, contractor or Affiliate of Borrower or Borrower Principal. The obligations and liabilities of Borrower and Borrower Principal under this Section 12.6 shall fully survive indefinitely notwithstanding any termination, satisfaction, assignment, entry of a judgment of foreclosure, exercise of any power of sale, or delivery of a deed in lieu of foreclosure of the Mortgages.

ARTICLE XIII

SECONDARY MARKET

Section 13.1 Transfer of Loan. Lender may, at any time, sell, transfer or assign the Loan Documents, or grant participations therein ("Participations") or syndicate the Loan ("Syndication") or issue mortgage pass-through certificates or other securities evidencing a beneficial interest in a rated or unrated public offering or private placement ("Securities") (the Syndication or the issuance of Participations and/or Securities, a "Securitization").

Section 13.2 Delegation of Servicing. At the option of Lender, the Loan may be serviced by a servicer/trustee selected by Lender and Lender may delegate all or any portion of its responsibilities under this Agreement and the other Loan Documents to such servicer/trustee pursuant to a servicing agreement between Lender and such servicer/trustee.

Section 13.3 Dissemination of Information. Lender may forward to each purchaser, transferee, assignee, or servicer of, and each participant, or investor in, the Loan, or any Participations and/or Securities or any of their respective successors (collectively, the "Investor") or any Rating Agency rating the Loan, or any Participations and/or Securities, each

prospective Investor, and any organization maintaining databases on the underwriting and performance of commercial mortgage loans, all documents and information which Lender now has or may hereafter acquire relating to the Debt and to Borrower, any managing member or general partner thereof, Borrower Principal, any SPE Component Entity (if any) and the Property, including financial statements, whether furnished by Borrower or otherwise, as Lender determines necessary or desirable. Borrower irrevocably waive any and all rights they may have under applicable Legal Requirements to prohibit such disclosure, including but not limited to any right of privacy.

Section 13.4 Cooperation. Borrower and Borrower Principal agree to cooperate with Lender in connection with any sale or transfer of the Loan or any Participation and/or Securities created pursuant to this Article 13, including, without limitation, the delivery of an estoppel certificate required in accordance with Section 5.12(a) and such other documents as may be reasonably requested by Lender. Borrower shall also furnish and Borrower and Borrower Principal consent to Lender furnishing to such Investors or such prospective Investors or such Rating Agency and any and all information concerning the Individual Properties, the Leases, the financial condition of Borrower or Borrower Principal as may be requested by Lender, any Investor, any prospective Investor or any Rating Agency in connection with any sale or transfer of the Loan or any Participations or Securities. At the request of the holder of the Note and, to the extent not already required to be provided by Borrower under this Agreement, Borrower and Borrower Principal shall use reasonable efforts to provide information not in the possession of the holder of the Note in order to satisfy the market standards to which the holder of the Note customarily adheres or which may be reasonably required in the marketplace or by the Rating Agencies in connection with such sales or transfers and take such actions as requested by Lender in connection with the Securitization, including, without limitation, to:

(a) provide updated financial, budget and other information with respect to the Individual Properties, Borrower and Borrower Principal and provide modifications and/or updates to the appraisals, market studies, environmental reviews and reports (Phase I reports and, if appropriate, Phase II reports) and engineering reports of any Individual Property obtained in connection with the making of the Loan (all of the foregoing being referred to as the "Provided Information");

(b) make changes to the organizational documents of Borrower, any SPE Component Entity and their respective principals;

(c) at Borrower's expense, (i) cause counsel to render or update existing opinion letters as to enforceability and non-consolidation, and (ii) if required by the Rating Agencies, Borrower shall obtain a new New York enforceability opinion from counsel acceptable to Lender, which shall be in form and substance acceptable to Lender, the Rating Agencies and the Investors, which may be relied upon by the holder of the Note, the Rating Agencies and their respective counsel, which shall be dated as of the closing date of the Securitization;

(d) permit site inspections, appraisals, market studies and other due diligence investigations of any or all of the Individual Properties, as may be reasonably requested by the

holder of the Note or the Rating Agencies or as may be necessary or appropriate in connection with the Securitization;

(e) make the representations and warranties with respect to the Individual Properties, Borrower, Borrower Principal and the Loan Documents as are made in the Loan Documents and such other representations and warranties as may be reasonably requested by the holder of the Note or the Rating Agencies;

(f) execute such amendments to the Loan Documents as may be requested by the holder of the Note or the Rating Agencies or otherwise to effect the Securitization including, without limitation, bifurcation of the Loan into two or more components and/or separate notes and/or creating a senior/subordinate note structure; *provided*, *however*, that Borrower shall not be required to modify or amend any Loan Document if such modification or amendment would (i) change the interest rate, the stated maturity or the amortization of principal set forth in the Note, except in connection with a bifurcation of the Loan which may result in varying fixed interest rates and amortization schedules, but which shall have the same initial weighted average coupon of the original Note, or (ii) in the reasonable judgment of Borrower, modify or amend any other material economic term of the Loan, or (iii) in the reasonable judgment of Borrower, materially increase Borrower's obligations and liabilities under the Loan Documents;

(g) deliver to Lender and/or any Rating Agency, (i) one or more certificates executed by an officer of Borrower certifying as to the accuracy, as of the closing date of the Securitization, of all representations made by Borrower in the Loan Documents as of the Closing Date in all relevant jurisdictions or, if such representations are no longer accurate, certifying as to what modifications to the representations would be required to make such representations accurate as of the closing date of the Securitization, and (ii) certificates of the relevant Governmental Authorities in all relevant jurisdictions indicating the good standing and qualification of Borrower as of the date of the closing date of the Securitization;

(h) have reasonably appropriate personnel participate in a bank meeting and/or presentation for the Rating Agencies or Investors; and

(i) cooperate with and assist Lender in obtaining ratings of the Securities from two (2) or more of the Rating Agencies.

All reasonable third party costs and expenses incurred by Borrower or Lender in connection with Borrower's complying with requests made under this Section 13.4 (including, without limitation, the fees and expenses of the Rating Agencies) shall be paid by Borrower.

In the event that Borrower request any consent or approval hereunder and the provisions of this Agreement or any Loan Documents require the receipt of written confirmation from each Rating Agency with respect to the rating on the Securities, or, in accordance with the terms of the transaction documents relating to a Securitization, such a rating confirmation is required in order for the consent of Lender to be given, Borrower shall pay all of the costs and expenses of Lender, Lender's servicer and each Rating Agency in connection therewith, and, if applicable, shall pay any fees imposed by any Rating Agency as a condition to the delivery of such confirmation.

ARTICLE XIV

INDEMNIFICATIONS

Section 14.1 General Indemnification. Borrower shall indemnify, defend and hold harmless the Indemnified Parties from and against any and all Losses imposed upon or incurred by or asserted against any Indemnified Parties and directly or indirectly arising out of or in any way relating to any one or more of the following: (a) any accident, injury to or death of persons or loss of or damage to property occurring in, on or about any Individual Property or any part thereof or on the adjoining sidewalks, curbs, adjacent property or adjacent parking areas, streets or ways; (b) any use, nonuse or condition in, on or about any Individual Property or any part thereof or on the adjoining sidewalks, curbs, adjacent property or adjacent parking areas, streets or ways; (c) performance of any labor or services or the furnishing of any materials or other property in respect of any Individual Properties or any part thereof; (d) any failure of any Individual Property to be in material compliance with any Applicable Legal Requirements; (e) any and all claims and demands whatsoever which may be asserted against Lender by reason of any alleged obligations or undertakings on its part to perform or discharge any of the terms, covenants, or agreements contained in any Lease; (f) the holding or investing of the Reserve Accounts or the performance of the Required Work and Additional Required Repairs or Additional Replacements, or (g) the payment of any commission, charge or brokerage fee to anyone which may be payable in connection with the funding of the Loan (collectively, the "Indemnified Liabilities"); *provided, however*, that Borrower shall not have any obligation to Lender hereunder to the extent that such Indemnified Liabilities arise from the gross negligence, illegal acts, fraud or willful misconduct of Lender. To the extent that the undertaking to indemnify, defend and hold harmless set forth in the preceding sentence may be unenforceable because it violates any law or public policy, Borrower shall pay the maximum portion that it is permitted to pay and satisfy under applicable law to the payment and satisfaction of all Indemnified Liabilities incurred by Lender.

Section 14.2 Mortgage and Intangible Tax Indemnification. Borrower shall, at its sole cost and expense, protect, defend, indemnify, release and hold harmless the Indemnified Parties from and against any and all Losses imposed upon or incurred by or asserted against any Indemnified Parties and directly or indirectly arising out of or in any way relating to any tax on the making and/or recording of the Mortgages, the Note or any of the other Loan Documents, but excluding any income, franchise or other similar taxes.

Section 14.3 ERISA Indemnification. Borrower shall, at its sole cost and expense, protect, defend, indemnify, release and hold harmless the Indemnified Parties from and against any and all Losses (including, without limitation, reasonable attorneys' fees and costs incurred in the investigation, defense, and settlement of Losses incurred in correcting any prohibited transaction or in the sale of a prohibited loan, and in obtaining any individual prohibited transaction exemption under ERISA that may be required, in Lender's sole discretion) that Lender may incur, directly or indirectly, as a result of a default under Section 4.9 or Section 5.18 of this Agreement.

Section 14.4 Survival. The obligations and liabilities of Borrower under this Article 14 shall fully survive indefinitely notwithstanding any termination, satisfaction,

assignment, entry of a judgment of foreclosure, exercise of any power of sale, or delivery of a deed in lieu of foreclosure of the Mortgages.

ARTICLE XV

EXCULPATION

Section 15.1 Exculpation.

(a) Except as otherwise provided herein or in the other Loan Documents, Lender shall not enforce the liability and obligation of Borrower or Borrower Principal, as applicable, to perform and observe the obligations contained herein or in the other Loan Documents by any action or proceeding wherein a money judgment shall be sought against Borrower or Borrower Principal, except that Lender may bring a foreclosure action, action for specific performance or other appropriate action or proceeding to enable Lender to enforce and realize upon this Agreement, the Note, the Mortgages and the other Loan Documents, and the interest in the Property, the Rents and any other collateral given to Lender created by this Agreement, the Note, the Mortgages and the other Loan Documents; *provided*, *however*, that any judgment in any such action or proceeding shall be enforceable against Borrower or Borrower Principal, as applicable, only to the extent of Borrower's or Borrower Principal's interest in each Individual Property, in the Rents and in any other collateral given to Lender. Lender, by accepting this Agreement, the Note, the Mortgages and the other Loan Documents, agrees that it shall not, except as otherwise provided in this Section 15.1, sue for, seek or demand any deficiency judgment against Borrower or Borrower Principal in any such action or proceeding, under or by reason of or under or in connection with this Agreement, the Note, the Mortgage or the other Loan Documents. The provisions of this Section 15.1 shall not, however, (i) constitute a waiver, release or impairment of any obligation evidenced or secured by this Agreement, the Note, the Mortgages or the other Loan Documents; (ii) impair the right of Lender to name Borrower or Borrower Principal as a party defendant in any action or suit for judicial foreclosure and sale under this Agreement and the Mortgages; (iii) affect the validity or enforceability of any indemnity (including, without limitation, those contained in Section 12.6 and Article 14 of this Agreement), guaranty, master lease or similar instrument made in connection with this Agreement, the Note, the Mortgage and the other Loan Documents; (iv) impair the right of Lender to obtain the appointment of a receiver; (v) impair the enforcement of the assignment of leases provisions contained in the Mortgages; or (vi) impair the right of Lender to obtain a deficiency judgment or other judgment on the Note against Borrower or Borrower Principal if necessary to obtain any Insurance Proceeds or Awards to which Lender would otherwise be entitled under this Agreement; *provided*, *however*, Lender shall only enforce such judgment to the extent of the Insurance Proceeds and/or Awards.

(b) Notwithstanding the provisions of this Section 15.1 to the contrary, Borrower and Borrower Principal shall be personally liable to Lender on a joint and several basis for Losses due to:

(i) fraud or intentional misrepresentation by Borrower, Borrower Principal or any other Affiliate of Borrower or Borrower Principal in connection with the execution and the delivery of this Agreement, the Note, the Mortgages, any of the other Loan

Documents, or any certificate, report, financial statement or other instrument or document furnished to Lender at the time of the closing of the Loan or during the term of the Loan;

(ii) Borrower's misapplication or misappropriation of Rents received by Borrower after the occurrence of an Event of Default;

(iii) Borrower's misapplication or misappropriation of tenant security deposits, Rents or other payments collected in advance;

(iv) the misapplication or the misappropriation of Insurance Proceeds or Awards;

(v) Borrower's failure to pay Taxes, Other Charges (except to the extent that sums sufficient to pay such amounts have been deposited in escrow with Lender pursuant to the terms hereof and there exists no impediment to Lender's utilization thereof), charges for labor or materials or other charges that can create liens on the Property beyond any applicable notice and cure periods specified herein;

(vi) Borrower's failure to return or to reimburse Lender for all Personal Property taken from the Property by or on behalf of Borrower and not replaced with Personal Property of the same utility and of the same or greater value;

(vii) any act of actual waste or arson by Borrower, any principal, Affiliate, member or general partner thereof or by Borrower Principal, any principal, Affiliate, member or general partner thereof;

(viii) Borrower's failure following any Event of Default to deliver to Lender upon demand all Rents and books and records relating to the Property;

(ix) Borrower's gross negligence or willful misconduct;

(x) Borrower's failure to comply with Section 8.1 hereof;

(xi) Borrower's failure to comply with the covenants of Article 12; or

(xii) Borrower's breach of the representation set forth in Section 4.43 hereof.

(c) Notwithstanding the foregoing, the agreement of Lender not to pursue recourse liability as set forth in subsection (a) above SHALL BECOME NULL AND VOID and shall be of no further force and effect and the Debt immediately shall become fully recourse to Borrower and Borrower Principal, jointly and severally, in the event of (i) a default by Borrower, Borrower Principal or any SPE Component Entity (if any) of any of the covenants set forth in Article 6 (except as to Sections 6.1 (a)(xv) or 6.1(a)(xviii)) or Article 7 hereof, or (ii) if (A) a voluntary bankruptcy or insolvency proceeding is commenced by Borrower under the U.S. Bankruptcy Code or any similar federal or state law, or (B) an involuntary bankruptcy or insolvency proceeding is commenced against Borrower in connection with which an Affiliate of Borrower or Borrower Principal has or have colluded in any way with the creditors commencing

or filing such proceeding under the U.S. Bankruptcy Code or any similar federal or state law which is not dismissed within ninety (90) days.

(d) Nothing herein shall be deemed to be a waiver of any right which Lender may have under Section 506(a), 506(b), 1111(b) or any other provision of the U.S. Bankruptcy Code to file a claim for the full amount of the indebtedness secured by the Mortgages or to require that all collateral shall continue to secure all of the indebtedness owing to Lender in accordance with this Agreement, the Note, the Mortgages or the other Loan Documents.

ARTICLE XVI

NOTICES

Section 16.1 Notices. All notices, consents, approvals and requests required or permitted hereunder or under any other Loan Document shall be given in writing and shall be effective for all purposes if hand delivered or sent by (a) certified or registered United States mail, postage prepaid, return receipt requested, (b) expedited prepaid overnight delivery service, either commercial or United States Postal Service, with proof of attempted delivery, or by (c) telecopier (with answer back acknowledged provided an additional notice is given pursuant to subsection (b) above), addressed as follows (or at such other address and Person as shall be designated from time to time by any party hereto, as the case may be, in a written notice to the other parties hereto in the manner provided for in this Section):

If to Lender:	Bank of America, N.A. Capital Markets Servicing Group 555 South Flower Street 6th floor CA9-706-06-42 Los Angeles, California 90071 Attn: Servicing Manager Telephone No: (800) 462-0505 Facsimile No.: (213) 345-6587
With a copy to:	Cadwalader, Wickersham & Taft LLP 227 West Trade Street, Suite 2400 Charlotte, North Carolina 28202 Attention: James P. Carroll, Esq. Facsimile No.: (704) 348-5200
If to Borrower:	c/o Extra Space 2795 E. Cottonwood Parkway, #400 Salt Lake City, Utah 84121 Attention: Kenneth M. Woolley Facsimile No.: (801) 365-4947

With a copy to: Nelson, Christensen & Helsten
68 South Main Street, 6th Floor
Salt Lake city, Utah 84101
Attention: Bruce Nelson, Esq.
Facsimile No.: (801) 363-3614

With a copy to: Extra Space
2795 E. Cottonwood Parkway, #400
Salt Lake City, Utah 84121
Attention: David L. Rasmussen, Esq.
Facsimile No.: (801) 365-4947

If to Borrower:
Principal: c/o Extra Space
2795 E. Cottonwood Parkway, #400
Salt Lake City, Utah 84121
Attention: Kenneth M. Woolley
Facsimile No.: (801) 365-4947

With a copy to: Nelson, Christensen & Helsten
68 South Main Street, 6th Floor
Salt Lake city, Utah 84101
Attention: Bruce Nelson, Esq.
Facsimile No.: (801) 363-3614

A notice shall be deemed to have been given: in the case of hand delivery, at the time of delivery; in the case of registered or certified mail, when delivered or the first attempted delivery on a Business Day; or in the case of expedited prepaid delivery and telecopy, upon the first attempted delivery on a Business Day.

ARTICLE XVII

FURTHER ASSURANCES

Section 17.1 Replacement Documents. Upon receipt of an affidavit of an officer of Lender as to the loss, theft, destruction or mutilation of the Note or any other Loan Document which is not of public record, and, in the case of any such mutilation, upon surrender and cancellation of such Note or other Loan Document, Borrower will issue, in lieu thereof, a replacement Note or other Loan Document, dated the date of such lost, stolen, destroyed or mutilated Note or other Loan Document in the same principal amount thereof and otherwise of like tenor.

Section 17.2 Recording of Mortgage, etc. Borrower forthwith upon the execution and delivery of the Mortgages and thereafter, from time to time, will cause the Mortgages and any of the other Loan Documents creating a lien or security interest or evidencing the lien hereof upon each Individual Property and each instrument of further assurance to be filed, registered or recorded in such manner and in such places as may be required by any present

or future law in order to publish notice of and fully to protect and perfect the lien or security interest hereof upon, and the interest of Lender in, each Individual Property. Borrower will pay all taxes, filing, registration or recording fees, and all expenses incident to the preparation, execution, acknowledgment and/or recording of the Note, the Mortgages, the other Loan Documents, any note, deed of trust or mortgage supplemental hereto, any security instrument with respect to each Individual Property and any instrument of further assurance, and any modification or amendment of the foregoing documents, and all federal, state, county and municipal taxes, duties, imposts, assessments and charges arising out of or in connection with the execution and delivery of the Mortgages, any deed of trust or mortgage supplemental hereto, any security instrument with respect to any Individual Property or any instrument of further assurance, and any modification or amendment of the foregoing documents, except where prohibited by law so to do.

Section 17.3 Further Acts, etc. Borrower will, at the cost of Borrower, and without expense to Lender, do, execute, acknowledge and deliver all and every further acts, deeds, conveyances, deeds of trust, mortgages, assignments, security agreements, control agreements, notices of assignments, transfers and assurances as Lender shall, from time to time, reasonably require, for the better assuring, conveying, assigning, transferring, and confirming unto Lender the property and rights hereby mortgaged, deeded, granted, bargained, sold, conveyed, confirmed, pledged, assigned, warranted and transferred or intended now or hereafter so to be, or which Borrower may be or may hereafter become bound to convey or assign to Lender, or for carrying out the intention or facilitating the performance of the terms of this Agreement or for filing, registering or recording the Mortgages, or for complying with all Legal Requirements. Borrower, on demand, will execute and deliver, and in the event they shall fail to so execute and deliver, hereby authorizes Lender to execute in the name of Borrower or without the signature of Borrower to the extent Lender may lawfully do so, one or more financing statements and financing statement amendments to evidence more effectively, perfect and maintain the priority of the security interest of Lender in each Individual Property. Borrower grant to Lender an irrevocable power of attorney coupled with an interest for the purpose of exercising and perfecting any and all rights and remedies available to Lender at law and in equity, including without limitation, such rights and remedies available to Lender pursuant to this Section 17.3.

Section 17.4 Changes in Tax, Debt, Credit and Documentary Stamp Laws. (a) If any law is enacted or adopted or amended after the date of this Agreement which deducts the Debt from the value of any Individual Property for the purpose of taxation or which imposes a tax, either directly or indirectly, on the Debt or Lender’s interest in any Individual Property, Borrower will pay the tax, with interest and penalties thereon, if any. If Lender is advised by counsel chosen by it that the payment of tax by Borrower would be unlawful or taxable to Lender or unenforceable or provide the basis for a defense of usury then Lender shall have the option by written notice of not less than one hundred twenty (120) days to declare the Debt immediately due and payable.

(b) Borrower will not claim or demand or be entitled to any credit or credits on account of the Debt for any part of the Taxes or Other Charges assessed against any Individual Property, or any part thereof, and no deduction shall otherwise be made or claimed from the assessed value of any Individual Property, or any part thereof, for real estate tax

purposes by reason of the Mortgages or the Debt. If such claim, credit or deduction shall be required by law, Lender shall have the option, by written notice of not less than one hundred twenty (120) days, to declare the Debt immediately due and payable.

If at any time the United States of America, any State thereof or any subdivision of any such State shall require revenue or other stamps to be affixed to the Note, the Mortgages, or any of the other Loan Documents or impose any other tax or charge on the same, Borrower will pay for the same, with interest and penalties thereon, if any.

Section 17.5 Expenses. Borrower covenants and agrees to pay or, if Borrower fails to pay, to reimburse, Lender upon receipt of written notice from Lender for all reasonable costs and expenses (including reasonable, actual attorneys' fees and disbursements and the allocated costs of internal legal services and all actual disbursements of internal counsel) reasonably incurred by Lender in accordance with this Agreement in connection with (a) the preparation, negotiation, execution and delivery of this Agreement and the other Loan Documents and the consummation of the transactions contemplated hereby and thereby and all the costs of furnishing all opinions by counsel for Borrower (including without limitation any opinions requested by Lender as to any legal matters arising under this Agreement or the other Loan Documents with respect to the Property); (b) Borrower's ongoing performance of and compliance with Borrower's respective agreements and covenants contained in this Agreement and the other Loan Documents on its part to be performed or complied with after the Closing Date, including, without limitation, confirming compliance with environmental and insurance requirements; (c) following a request by Borrower, Lender's ongoing performance and compliance with all agreements and conditions contained in this Agreement and the other Loan Documents on its part to be performed or complied with after the Closing Date; (d) the negotiation, preparation, execution, delivery and administration of any consents, amendments, waivers or other modifications to this Agreement and the other Loan Documents and any other documents or matters requested by Lender; (e) securing Borrower's compliance with any requests made pursuant to the provisions of this Agreement; (f) the filing and recording fees and expenses, title insurance and reasonable fees and expenses of counsel for providing to Lender all required legal opinions, and other similar expenses incurred in creating and perfecting the Lien in favor of Lender pursuant to this Agreement and the other Loan Documents; (g) enforcing or preserving any rights, in response to third party claims or the prosecuting or defending of any action or proceeding or other litigation, in each case against, under or affecting Borrower, this Agreement, the other Loan Documents, the Property, or any other security given for the Loan; and (h) enforcing any obligations of or collecting any payments due from Borrower under this Agreement, the other Loan Documents or with respect to the Individual Properties or in connection with any refinancing or restructuring of the credit arrangements provided under this Agreement in the nature of a "work-out" or of any insolvency or bankruptcy proceedings; *provided, however*, that Borrower shall not be liable for the payment of any such costs and expenses to the extent the same arise by reason of the gross negligence, illegal acts, fraud or willful misconduct of Lender.

ARTICLE XVIII

WAIVERS

Section 18.1 Remedies Cumulative; Waivers. The rights, powers and remedies of Lender under this Agreement shall be cumulative and not exclusive of any other right, power or remedy which Lender may have against Borrower or Borrower Principal pursuant to this Agreement or the other Loan Documents, or existing at law or in equity or otherwise. Lender's rights, powers and remedies may be pursued singularly, concurrently or otherwise, at such time and in such order as Lender may determine in Lender's sole discretion. No delay or omission to exercise any remedy, right or power accruing upon an Event of Default shall impair any such remedy, right or power or shall be construed as a waiver thereof, but any such remedy, right or power may be exercised from time to time and as often as may be deemed expedient. A waiver of one Default or Event of Default with respect to Borrower shall not be construed to be a waiver of any subsequent Default or Event of Default by Borrower or to impair any remedy, right or power consequent thereon.

Section 18.2 Modification, Waiver in Writing. No modification, amendment, extension, discharge, termination or waiver of any provision of this Agreement, or of the Note, or of any other Loan Document, nor consent to any departure by Borrower therefrom, shall in any event be effective unless the same shall be in a writing signed by the party against whom enforcement is sought, and then such waiver or consent shall be effective only in the specific instance, and for the purpose, for which given. Except, as otherwise expressly provided herein, no notice to, or demand on Borrower, shall entitle Borrower to any other or future notice or demand in the same, similar or other circumstances.

Section 18.3 Delay Not a Waiver. Neither any failure nor any delay on the part of Lender in insisting upon strict performance of any term, condition, covenant or agreement, or exercising any right, power, remedy or privilege hereunder, or under the Note or under any other Loan Document, or any other instrument given as security therefor, shall operate as or constitute a waiver thereof, nor shall a single or partial exercise thereof preclude any other future exercise, or the exercise of any other right, power, remedy or privilege. In particular, and not by way of limitation, by accepting payment after the due date of any amount payable under this Agreement, the Note or any other Loan Document, Lender shall not be deemed to have waived any right either to require prompt payment when due of all other amounts due under this Agreement, the Note or the other Loan Documents, or to declare a default for failure to effect prompt payment of any such other amount.

Section 18.4 Trial by Jury. BORROWER, BORROWER PRINCIPAL AND LENDER EACH HEREBY AGREES NOT TO ELECT A TRIAL BY JURY OF ANY ISSUE TRIABLE OF RIGHT BY JURY, AND WAIVES ANY RIGHT TO TRIAL BY JURY FULLY TO THE EXTENT THAT ANY SUCH RIGHT SHALL NOW OR HEREAFTER EXIST WITH REGARD TO THE LOAN DOCUMENTS, OR ANY CLAIM, COUNTERCLAIM OR OTHER ACTION ARISING IN CONNECTION THEREWITH. THIS WAIVER OF RIGHT TO TRIAL BY JURY IS GIVEN KNOWINGLY AND VOLUNTARILY BY BORROWER, BORROWER PRINCIPAL AND LENDER, AND IS INTENDED TO ENCOMPASS INDIVIDUALLY EACH INSTANCE AND EACH ISSUE AS TO WHICH THE RIGHT TO A

TRIAL BY JURY WOULD OTHERWISE ACCRUE. EACH OF LENDER, BORROWER PRINCIPAL AND BORROWER ARE HEREBY AUTHORIZED TO FILE A COPY OF THIS PARAGRAPH IN ANY PROCEEDING AS CONCLUSIVE EVIDENCE OF THIS WAIVER BY BORROWER, BORROWER PRINCIPAL AND LENDER.

Section 18.5 Waiver of Notice. Borrower shall not be entitled to any notices of any nature whatsoever from Lender except with respect to matters for which this Agreement or the other Loan Documents specifically and expressly provide for the giving of notice by Lender to Borrower and except with respect to matters for which Borrower is not, pursuant to applicable Legal Requirements, permitted to waive the giving of notice. Borrower hereby expressly waives the right to receive any notice from Lender with respect to any matter for which this Agreement or the other Loan Documents do not specifically and expressly provide for the giving of notice by Lender to Borrower.

Section 18.6 Remedies of Borrower. In the event that a claim or adjudication is made that Lender or its agents have acted unreasonably or unreasonably delayed acting in any case where by law or under this Agreement or the other Loan Documents, Lender or such agent, as the case may be, has an obligation to act reasonably or promptly, Borrower agrees that neither Lender nor its agents shall be liable for any monetary damages, and Borrower's sole remedies shall be limited to commencing an action seeking injunctive relief or declaratory judgment. The parties hereto agree that any action or proceeding to determine whether Lender has acted reasonably shall be determined by an action seeking declaratory judgment. Lender agrees that, in such event, it shall cooperate in expediting any action seeking injunctive relief or declaratory judgment.

Section 18.7 Waiver of Marshalling of Assets. To the fullest extent permitted by law, Borrower, for itself and its successors and assigns, waive all rights to a marshalling of the assets of Borrower, Borrower's partners and others with interests in Borrower, and of the Individual Properties, and agrees not to assert any right under any laws pertaining to the marshalling of assets, the sale in inverse order of alienation, homestead exemption, the administration of estates of decedents, or any other matters whatsoever to defeat, reduce or affect the right of Lender under the Loan Documents to a sale of the Individual Properties for the collection of the Debt without any prior or different resort for collection or of the right of Lender to the payment of the Debt out of the net proceeds of the Individual Properties in preference to every other claimant whatsoever.

Section 18.8 Waiver of Statute of Limitations. Borrower hereby expressly waives and releases, to the fullest extent permitted by law, the pleading of any statute of limitations as a defense to payment of the Debt or performance of its Other Obligations.

Section 18.9 Waiver of Counterclaim. Borrower hereby waives the right to assert a counterclaim, other than a compulsory counterclaim, in any action or proceeding brought against it by Lender or its agents.

ARTICLE XIX

GOVERNING LAW

Section 19.1 Choice of Law.

(A) THE PARTIES AGREE THE STATE OF NEW YORK HAS A SUBSTANTIAL RELATIONSHIP TO THE PARTIES AND TO THE UNDERLYING TRANSACTION EMBODIED HEREBY, AND IN ALL RESPECTS, INCLUDING, WITHOUT LIMITING THE GENERALITY OF THE FOREGOING, MATTERS OF CONSTRUCTION, VALIDITY AND PERFORMANCE, THIS AGREEMENT AND THE OBLIGATIONS ARISING HEREUNDER SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK APPLICABLE TO CONTRACTS MADE AND PERFORMED IN SUCH STATE (WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAWS) AND ANY APPLICABLE LAW OF THE UNITED STATES OF AMERICA, EXCEPT THAT AT ALL TIMES THE PROVISIONS FOR THE CREATION, PERFECTION, AND ENFORCEMENT OF THE LIEN AND SECURITY INTEREST CREATED PURSUANT HERETO AND PURSUANT TO THE OTHER LOAN DOCUMENTS SHALL BE GOVERNED BY AND CONSTRUED ACCORDING TO THE LAW OF THE STATE IN WHICH THE PROPERTY IS LOCATED, IT BEING UNDERSTOOD THAT, TO THE FULLEST EXTENT PERMITTED BY THE LAW OF SUCH STATE, THE LAW OF THE STATE OF NEW YORK SHALL GOVERN THE CONSTRUCTION, VALIDITY AND ENFORCEABILITY OF ALL LOAN DOCUMENTS AND ALL OF THE OBLIGATIONS ARISING HEREUNDER OR THEREUNDER. TO THE FULLEST EXTENT PERMITTED BY LAW, BORROWER AND LENDER EACH HEREBY UNCONDITIONALLY AND IRREVOCABLY WAIVES ANY CLAIM TO ASSERT THAT THE LAW OF ANY OTHER JURISDICTION GOVERNS THIS AGREEMENT AND THE NOTE, AND THIS AGREEMENT AND THE NOTE SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

(B) ANY LEGAL SUIT, ACTION OR PROCEEDING AGAINST LENDER OR BORROWER ARISING OUT OF OR RELATING TO THIS AGREEMENT MAY AT LENDER'S OR BORROWER'S OPTION BE INSTITUTED IN ANY FEDERAL OR STATE COURT IN THE STATE OF NEW YORK AND BORROWER AND LENDER EACH WAIVES ANY OBJECTIONS WHICH IT MAY NOW OR HEREAFTER HAVE BASED ON VENUE AND/OR FORUM NON CONVENIENS OF ANY SUCH SUIT.

Section 19.2 Severability. Wherever possible, each provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement shall be prohibited by or invalid under applicable law, such

provision shall be ineffective to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Agreement.

Section 19.3 Preferences. Lender shall have the continuing and exclusive right to apply or reverse and reapply any and all payments by Borrower to any portion of the obligations of Borrower hereunder. To the extent Borrower make a payment or payments to Lender, which payment or proceeds or any part thereof are subsequently invalidated, declared to be fraudulent or preferential, set aside or required to be repaid to a trustee, receiver or any other party under any Creditors Rights Laws, state or federal law, common law or equitable cause, then, to the extent of such payment or proceeds received, the obligations hereunder or part thereof intended to be satisfied shall be revived and continue in full force and effect, as if such payment or proceeds had not been received by Lender.

ARTICLE XX

MISCELLANEOUS

Section 20.1 Survival. This Agreement and all covenants, agreements, representations and warranties made herein and in the certificates delivered pursuant hereto shall survive the making by Lender of the Loan and the execution and delivery to Lender of the Note, and shall continue in full force and effect so long as all or any of the Debt is outstanding and unpaid unless a longer period is expressly set forth herein or in the other Loan Documents. Whenever in this Agreement any of the parties hereto is referred to, such reference shall be deemed to include the legal representatives, successors and assigns of such party. All covenants, promises and agreements in this Agreement, by or on behalf of Borrower, shall inure to the benefit of the legal representatives, successors and assigns of Lender.

Section 20.2 Lender's Discretion. Whenever pursuant to this Agreement, Lender exercises any right given to it to approve or disapprove, or any arrangement or term is to be satisfactory to Lender, the decision of Lender to approve or disapprove or to decide whether arrangements or terms are satisfactory or not satisfactory shall (except as is otherwise specifically herein provided) be in the sole discretion of Lender and shall be final and conclusive.

Section 20.3 Headings. The Article and/or Section headings and the Table of Contents in this Agreement are included herein for convenience of reference only and shall not constitute a part of this Agreement for any other purpose.

Section 20.4 Cost of Enforcement. In the event (a) that the Mortgage is foreclosed in whole or in part, (b) of the bankruptcy, insolvency, rehabilitation or other similar proceeding in respect of Borrower or any of their constituent Persons or an assignment by Borrower or any of their constituent Persons for the benefit of its creditors, or (c) Lender exercises any of its other remedies under this Agreement or any of the other Loan Documents, Borrower shall be chargeable with and agrees to pay all costs of collection and defense, including attorneys' fees and costs, incurred by Lender or Borrower in connection therewith and in connection with any appellate proceeding or post-judgment action involved therein, together with all required service or use taxes.

Section 20.5 Schedules Incorporated. The Schedules annexed hereto are hereby incorporated herein as a part of this Agreement with the same effect as if set forth in the body hereof.

Section 20.6 Offsets, Counterclaims and Defenses. Any assignee of Lender's interest in and to this Agreement, the Note and the other Loan Documents shall take the same free and clear of all offsets, counterclaims or defenses which are unrelated to such documents which Borrower may otherwise have against any assignor of such documents, and no such unrelated counterclaim or defense shall be interposed or asserted by Borrower in any action or proceeding brought by any such assignee upon such documents and any such right to interpose or assert any such unrelated offset, counterclaim or defense in any such action or proceeding is hereby expressly waived by Borrower.

Section 20.7 No Joint Venture or Partnership; No Third Party Beneficiaries.

(a) Borrower and Lender intend that the relationships created hereunder and under the other Loan Documents be solely that of borrower and lender. Nothing herein or therein is intended to create a joint venture, partnership, tenancy-in-common, or joint tenancy relationship between Borrower and Lender nor to grant Lender any interest in the Individual Properties other than that of mortgagee, beneficiary or lender.

(b) This Agreement and the other Loan Documents are solely for the benefit of Lender and Borrower and nothing contained in this Agreement or the other Loan Documents shall be deemed to confer upon anyone other than Lender and Borrower any right to insist upon or to enforce the performance or observance of any of the obligations contained herein or therein. All conditions to the obligations of Lender to make the Loan hereunder are imposed solely and exclusively for the benefit of Lender and no other Person shall have standing to require satisfaction of such conditions in accordance with their terms or be entitled to assume that Lender will refuse to make the Loan in the absence of strict compliance with any or all thereof and no other Person shall under any circumstances be deemed to be a beneficiary of such conditions, any or all of which may be freely waived in whole or in part by Lender if, in Lender's sole discretion, Lender deems it advisable or desirable to do so.

(c) The general partners, members, principals and (if a Borrower is a trust) beneficial owners of Borrower are experienced in the ownership and operation of properties similar to the Individual Properties, and Borrower and Lender are relying solely upon such expertise and business plan in connection with the ownership and operation of the Individual Properties. Borrower are not relying on Lender's expertise, business acumen or advice in connection with the Property.

(d) Notwithstanding anything to the contrary contained herein, Lender is not undertaking the performance of (i) any obligations under the Leases; or (ii) any obligations with respect to such agreements, contracts, certificates, instruments, franchises, permits, trademarks, licenses and other documents.

(e) By accepting or approving anything required to be observed, performed or fulfilled or to be given to Lender pursuant to this Agreement, the Mortgages, the Note or the

other Loan Documents, including, without limitation, any officer's certificate, balance sheet, statement of profit and loss or other financial statement, survey, appraisal, or insurance policy, Lender shall not be deemed to have warranted, consented to, or affirmed the sufficiency, the legality or effectiveness of same, and such acceptance or approval thereof shall not constitute any warranty or affirmation with respect thereto by Lender.

(f) Borrower recognizes and acknowledges that in accepting this Agreement, the Note, the Mortgages and the other Loan Documents, Lender is expressly and primarily relying on the truth and accuracy of the representations and warranties set forth in Article 4 of this Agreement without any obligation to investigate the Individual Properties and notwithstanding any investigation of the Individual Properties by Lender; that such reliance existed on the part of Lender prior to the date hereof, that the warranties and representations are a material inducement to Lender in making the Loan; and that Lender would not be willing to make the Loan and accept this Agreement, the Note, the Mortgages and the other Loan Documents in the absence of the warranties and representations as set forth in Article 4 of this Agreement.

Section 20.8 Publicity. All news releases, publicity or advertising by Borrower or its Affiliates through any media intended to reach the general public which refers to the Loan, Lender, Bane of America Securities LLC, or any of their Affiliates shall be subject to the prior written approval of Lender, not to be unreasonably withheld. The Lender shall be permitted to make any news, releases, publicity or advertising by Lender or its Affiliates through any media intended to reach the general public which refers to the Loan, the Individual Properties, the Borrower, the Borrower Principal and their respective Affiliates without the approval of Borrower or any such Persons. Borrower also agree that Lender may share any information pertaining to the Loan with Bank of America Corporation, including its bank subsidiaries, Bane of America Securities LLC, and any other Affiliates of the foregoing, in connection with the sale or transfer of the Loan or any Participations and/or Securities created.

Section 20.9 Conflict; Construction of Documents; Reliance. In the event of any conflict between the provisions of this Agreement and any of the other Loan Documents, the provisions of this Agreement shall control. The parties hereto acknowledge that they were represented by competent counsel in connection with the negotiation, drafting and execution of the Loan Documents and that such Loan Documents shall not be subject to the principle of construing their meaning against the party which drafted same. Borrower acknowledge that, with respect to the Loan, Borrower shall rely solely on their own judgment and advisors in entering into the Loan without relying in any manner on any statements, representations or recommendations of Lender or any parent, subsidiary or Affiliate of Lender. Lender shall not be subject to any limitation whatsoever in the exercise of any rights or remedies available to it under any of the Loan Documents or any other agreements or instruments which govern the Loan by virtue of the ownership by it or any parent, subsidiary or Affiliate of Lender of any equity interest any of them may acquire in Borrower, and Borrower hereby irrevocably waives the right to raise any defense or take any action on the basis of the foregoing with respect to Lender's exercise of any such rights or remedies. Borrower acknowledges that Lender engages in the business of real estate financings and other real estate transactions and investments which may be viewed as adverse to or competitive with the business of Borrower or its Affiliates.

Section 20.10 Entire Agreement. This Agreement and the other Loan Documents contain the entire agreement of the parties hereto and thereto in respect of the transactions contemplated hereby and thereby, and all prior agreements among or between such parties, whether oral or written between Borrower and Lender are superseded by the terms of this Agreement and the other Loan Documents.

[SIGNATURE PAGE IMMEDIATELY FOLLOWS]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their duly authorized representatives, all as of the day and year first above written.

BORROWER:

EXTRA SPACE PROPERTIES TEN LLC, a
Delaware limited liability company

By: /s/ Kent W. Christensen
Name: Kent W. Christensen
Title: Manager

BORROWER PRINCIPAL:

Acknowledged and agreed to with respect to its obligations set forth in Article 4, Article 5,
Section 12.6, Section 13.4, Article 15 and Article 18 hereof:

/s/ KENNETH M. WOOLLEY
KENNETH M. WOOLLEY, an Individual

LENDER:

BANK OF AMERICA, N.A., a national banking association

By: _____

Name:

Title:

EXHIBIT A

Equity Ownership Structure for Borrower

SCHEDULE I

REQUIRED REPAIRS

Worcester Property:	Security Camera and Floodlight Repairs	$ 2,500.00
Parlin Property:	Roof Gutters/Electrical Box Covers	$ 1,100.00
Kennedy Township, PA:	Various	$ 14,000.00
Brockton, MA:	Paint Bollards	$ 1,000.00
Amount of Reserve:	$23,250.00	

SCHEDULE II

REPLACEMENTS

Asphalt/Concrete	$ 179,250.00
Curb and Gutter	$ 2,225.00
Interior Repairs	$ 3,750.00
Fences/Signage	$ 4,500.00
Exterior Building Maintenance	$ 64,550.00
Roof Systems	$ 70,0
	00.00
ADA Corrective Work	$ 23,2
	00.00
AC Condensing Units	$ 1,000.00
Air Handling Units	$ 6,000.00
Domestic Water Heaters	$ 1,550.00
Lighting	$ 13,075.00
Drainage, Landscaping, Clear Retention Basin	$ 10,260.00
Replace Sprinkler System Compressor	$ 4,100.00
Electrical Repairs	$ 8,000.00
Replace Retainage Wall	$ 1,500.00
Miscellaneous	$ 750.00

SCHEDULE III

INDIVIDUAL PROPERTIES

	INDIVIDUAL PROPERTY	ALLOCATED LOAN AMOUNT
1.	147 Green Street, Foxboro, MA (the "Foxboro Property")	$ 3,680,000
2.	565 Main Street, Hudson, MA	$ 2,800,000
3.	1180 Millbury Street, Worcester, MA (the "Worcester Property")	$ 1,784,000
4.	245 Washington Street, Auburn, MA	$ 3,680,000
5.	885 Centre Street, Brockton, MA	$ 2,440,000
6.	501 Cheesequake Road, Parlin, NJ (the "Parlin Property")	$ 4,240,000
7.	7535 Penn Avenue, Pittsburgh, PA	$ 2,960,000
8.	110 Kisco Drive, Kennedy Township, PA	$ 2,544,000
9.	20 Washington Street, Stoughton, MA	$ 3,080,000

Exhibit 10.8

LOAN NO. 58027

SERVICING NO. 3179868

LOAN AGREEMENT

Dated as of May 4, 2004

Between

EXTRA SPACE OF RAYNHAM LLC, EXTRA SPACE OF DOYLESTOWN LLC, EXTRA SPACE OF GLEN ROCK LLC, EXTRA SPACE OF FONTANA ONE LLC, and EXTRA SPACE OF MERRIMACK LLC,
collectively, as Borrower

and

BANK OF AMERICA, N.A.,
as Lender

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ARTICLE XIX

GOVERNING LAW

ARTICLE XX

MISCELLANEOUS

LOAN AGREEMENT

THIS LOAN AGREEMENT, dated as of May 4, 2004 (as amended, restated, replaced, supplemented or otherwise modified from time to time, this "Agreement"), between BANK OF AMERICA, N.A., a national banking association, having an address at Hearst Tower, 214 North Tryon Street, Charlotte, North Carolina 28255 (together with its successors and/or assigns, "Lender") and EXTRA SPACE OF RAYNHAM LLC, a Massachusetts limited liability company, EXTRA SPACE OF DOYLESTOWN LLC, a Delaware limited liability company, EXTRA SPACE OF GLEN ROCK LLC, a New Jersey limited liability company, EXTRA SPACE OF FONTANA ONE LLC, a California limited liability company, and EXTRA SPACE OF MERRIMACK LLC, a New Hampshire limited liability company, each having an address at 2795 East Cottonwood Parkway, Suite 400, Salt Lake City, Utah 84121 (together with its successors and/or assigns, each a "Borrower" and collectively, "Borrowers").

RECITALS:

Borrowers desire to obtain the Loan (defined below) from Lender.

Lender is willing to make the Loan to Borrowers, subject to and in accordance with the terms of this Agreement and the other Loan Documents (defined below).

In consideration of the making of the Loan by Lender and the covenants, agreements, representations and warranties set forth in this Agreement, the parties hereto hereby covenant, agree, represent and warrant as follows:

ARTICLE I

DEFINITIONS; PRINCIPLES OF CONSTRUCTION

Section 1.1 Definitions. For all purposes of this Agreement, except as otherwise expressly required or unless the context clearly indicates a contrary intent:

"Additional Replacement" shall have the meaning set forth in Section 9.5(g) hereof.

"Additional Required Repair" shall have the meaning set forth in Section 9.5(f) hereof.

"Affiliate" shall mean, as to any Person, any other Person that, directly or indirectly, is in control of, is controlled by or is under common control with such Person or is a director or officer of such Person or of an Affiliate of such Person.

"Affiliated Manager" shall have the meaning set forth in Section 7.1 hereof.

"ALTA" shall mean American Land Title Association, or any successor thereto.

"Allocated Loan Amount" shall mean the allocated loan amount for each Individual Property set forth on Schedule III attached hereto.

"Alteration Threshold" shall mean $50,000.00.

"Assignment of Management Agreement" shall mean that certain Assignment and Subordination of Management Agreement dated the date hereof among Lender, Borrower and Manager, as the same may be amended, restated, replaced, supplemented or otherwise modified from time to time.

"Award" shall mean any compensation paid by any Governmental Authority in connection with a Condemnation in respect of all or any part of the Property.

"Borrower Principal" shall mean Kenneth M. Woolley, an individual or such other Person or entity as may be substituted in accordance with this Agreement.

"Borrower Principal Obligations" shall have the meaning set forth in Section 18.10(c) hereof.

"Business Day" shall mean a day on which Lender is open for the conduct of substantially all of its banking business at its office in the city in which the Note is payable (excluding Saturdays and Sundays).

"Casualty" shall have the meaning set forth in Section 8.2.

"Closing Date" shall mean the date of the funding of the Loan.

"Control" shall have the meaning set forth in Section 7.1 hereof.

"Creditors Rights Laws" shall mean with respect to any Person any existing or future law of any jurisdiction, domestic or foreign, relating to bankruptcy, insolvency, reorganization, conservatorship, arrangement, adjustment, winding-up, liquidation, dissolution, composition or other relief with respect to its debts or debtors.

"Condemnation" shall mean a temporary or permanent taking by any Governmental Authority as the result, in lieu or in anticipation, of the exercise of the right of condemnation or eminent domain, of all or any part of the Property, or any interest therein or right accruing thereto, including any right of access thereto or any change of grade affecting the Property or any part thereof.

"Debt" shall mean the outstanding principal amount set forth in, and evidenced by, this Agreement and the Note together with all interest accrued and unpaid thereon and all other sums due to Lender in respect of the Loan under the Note, this Agreement, the Mortgage or any other Loan Document.

"Debt Service" shall mean, with respect to any particular period of time, scheduled principal and/or interest payments under the Note.

"Debt Service Coverage Ratio" shall mean, as of any date of determination, for the applicable period of calculation, the ratio, as determined by Lender, of (i) the Net Operating Income for the same period ending with the most recently completed calendar quarter to (ii) the aggregate amount of Debt Service which would be due for the same period assuming, the maximum principal amount of the Loan is outstanding and calculated at the Note Rate (as defined in the Note).

"Default" shall mean the occurrence of any event hereunder or under any other Loan Document which, but for the giving of notice or passage of time, or both, would be an Event of Default.

"Default Rate" shall have the meaning set forth in the Note.

"Doylestown Property" shall have the meaning set forth on Schedule III attached hereto.

"Eligible Account" shall mean a separate and identifiable deposit account from all other funds held by the holding institution that is either (a) an account or accounts maintained with a federal or state chartered depository institution or trust company which complies with the definition of Eligible Institution or (b) a segregated trust account or accounts maintained with a federal or state chartered depository institution or trust company acting in its fiduciary capacity which, in the case of a state chartered depository institution or trust company, is subject to regulations substantially similar to 12 C.F.R. §9.10(b), having in either case a combined capital and surplus of at least $50,000,000 and subject to supervision or examination by federal and state authority. An Eligible Account will not be evidenced by a certificate of deposit, passbook or other instrument.

"Eligible Institution" shall mean either Bank of America, N.A. or a depository institution or trust company insured by the Federal Deposit Insurance Corporation, the short term unsecured debt obligations or commercial paper of which are rated at least "A-1+" by S&P, "P-1" by Moody's and "F-1+" by Fitch in the case of accounts in which funds are held for thirty (30) days or less (or, in the case of accounts in which funds are held for more than thirty (30) days, the long term unsecured debt obligations of which are rated at least "AA" by Fitch and S&P and "Aa2" by Moody's). Notwithstanding the foregoing, prior to a Securitization, Bank of America, N.A. shall be an Eligible Institution.

"Environmental Indemnity" shall mean that certain Environmental Indemnity Agreement, dated as of the date hereof, executed by the Fontana Borrower and Borrower Principal in connection with the Loan for the benefit of Lender, as the same may be amended, restated, replaced, supplemented or otherwise modified from time to time.

"Environmental Law" shall have the meaning set forth in Section 12.5 hereof.

"Environmental Liens" shall have the meaning set forth in Section 12.5 hereof.

"Environmental Report" shall have the meaning set forth in Section 12.5 hereof.

"ERISA" shall mean the Employee Retirement Income Security Act of 1974, as amended from time to time and any successor statutes thereto and applicable regulations issued pursuant thereto in temporary or final form.

"Event of Default" shall have the meaning set forth in Section 11.1 hereof.

"Fiscal Year" shall mean each twelve (12) month period commencing on January 1 and ending on December 31 during the term of the Loan.

"Fitch" shall mean Fitch, Inc.

"Fontana Borrower" shall mean Extra Space of Fontana One LLC, a California limited liability company.

"Fontana Property" shall have the meaning set forth on Schedule III attached hereto.

"GAAP" shall mean generally accepted accounting principles in the United States of America as of the date of the applicable financial report.

"Governmental Authority" shall mean any court, board, agency, department, commission, office or other authority of any nature whatsoever for any governmental unit (federal, state, county, municipal, city, town, special district or otherwise) whether now or hereafter in existence.

"Hazardous Materials" shall have the meaning set forth in Section 12.5 hereof.

"Improvements" shall have the meaning set forth in the granting clause of the Mortgage.

"Indemnified Parties" shall mean (a) Lender, (b) any prior owner or holder of the Loan or Participations in the Loan, (c) any servicer or prior servicer of the Loan, (d) any Investor or any prior Investor in any Securities, (e) any trustees, custodians or other fiduciaries who hold or who have held a full or partial interest in the Loan for the benefit of any Investor or other third party, (f) any receiver or other fiduciary appointed in a foreclosure or other Creditors Rights Laws proceeding, (g) any officers, directors, shareholders, partners, members, employees, agents, servants, representatives, contractors, subcontractors, affiliates or subsidiaries of any and all of the foregoing, and (h) the heirs, legal representatives, successors and assigns of any and all of the foregoing (including, without limitation, any successors by merger, consolidation or acquisition of all or a substantial portion of the Indemnified Parties' assets and business), in all cases whether during the term of the Loan or as part of or following a foreclosure of the Mortgage.

"Individual Property" shall mean each parcel of real property listed on Schedule III attached hereto, the Improvements thereon and all personal property owned by the related Borrower and encumbered by a Mortgage, together with all rights pertaining to such property and improvements as more particular described in the granting clauses of such Mortgages.

"Insurance Premiums" shall have the meaning set forth in Section 8.1(b) hereof.

"Insurance Proceeds" shall have the meaning set forth in Section 8.4(b) hereof.

"Internal Revenue Code" shall mean the Internal Revenue Code of 1986, as amended, as it may be further amended from time to time, and any successor statutes thereto, and applicable U.S. Department of Treasury regulations issued pursuant thereto in temporary or final form.

"Investor" shall have the meaning set forth in Section 13.3 hereof.

"Lease" shall have the meaning set forth in the Mortgage.

"Legal Requirements" shall mean all statutes, laws, rules, orders, regulations, ordinances, judgments, decrees and injunctions of Governmental Authorities affecting the Property or any part thereof, or the construction, use, alteration or operation thereof, whether now or hereafter enacted and in force, and all permits, licenses, authorizations and regulations relating thereto, and all covenants, agreements, restrictions and encumbrances contained in any instruments, either of record or known to any Borrower, at any time in force affecting any Individual Property or any part thereof, including, without limitation, any which may (a) require repairs, modifications or alterations in or to the Property or any part thereof, or (b) in any way limit the use and enjoyment thereof.

"Lien" shall mean any mortgage, deed of trust, lien, pledge, hypothecation, assignment, security interest, or any other encumbrance, charge or transfer of, on or affecting any Borrower, any Individual Property, any portion thereof or any interest therein, including, without limitation, any conditional sale or other title retention agreement, any financing lease having substantially the same economic effect as any of the foregoing, the filing of any financing statement, and mechanic's, materialmen's and other similar liens and encumbrances.

"LLC Agreement" shall have the meaning set forth in Section 6.1(c).

"Loan" shall mean the loan made by Lender to Borrower pursuant to this Agreement.

"Loan Documents" shall mean, collectively, this Agreement, the Note, the Mortgage, the Assignment of Management Agreement and any and all other documents, agreements and certificates executed and/or delivered in connection with the Loan, as the same may be amended, restated, replaced, supplemented or otherwise modified from time to time.

"Loan-To-Value Ratio" shall mean the ratio, expressed as a percentage of the actual outstanding aggregate principal amount of the (i) Loan at the time the Loan-to-Value Ratio is being calculated to (ii) the appraised value of the Property, based on an updated appraisal.

"Losses" shall mean any and all claims, suits, liabilities (including, without limitation, strict liabilities), actions, proceedings, obligations, debts, damages, losses, costs,

expenses, fines, penalties, charges, fees, judgments, awards, amounts paid in settlement of whatever kind or nature (including but not limited to legal fees and other costs of defense).

"Major Lease" shall mean as to the Property (i) any Lease which, individually or when aggregated with all other leases at the Property with the same Tenant or its Affiliate, demises ten percent (10%) or more of the Property's net rental income, (ii) any Lease which contains any option, offer, right of first refusal or other similar entitlement to acquire all or any portion of the Property, or (iii) any instrument guaranteeing or providing credit support for any Lease meeting the requirements of (i) or (ii) above.

"Management Agreement" shall collectively mean the those management agreements entered into by and between each Borrower and Manager, pursuant to which Manager is to provide management and other services with respect to the applicable Individual Property, as the same may be amended, restated, replaced, supplemented or otherwise modified in accordance with the terms of this Agreement.

"Manager" shall mean Extra Space Management, Inc., a Utah corporation or such other entity selected as the manager of the Property in accordance with the terms of this Agreement.

"Maturity Date" shall have the meaning set forth in the Note.

"Member" shall have the meaning set forth in Section 6.1(c).

"Monthly Payment Amount" shall have the meaning set forth in the Note.

"Moody's" shall mean Moody's Investors Service, Inc.

"Mortgage" shall mean, individually and collectively, with respect to each Individual Property, that certain first priority mortgage/deed of trust/deed to secure debt and security agreement dated the date hereof, executed and delivered by Borrower as security for the Loan and encumbering the Property, as the same may be amended, restated, replaced, supplemented or otherwise modified from time to time.

"Net Operating Income" shall mean, with respect to any period of time, the amount obtained by subtracting Operating Expenses from Operating Income as such amount may be adjusted by Lender in its good faith discretion based on Lender's underwriting standards, including without limitation, adjustments for vacancy allowance. Net Operating Income shall be calculated as of the end of each calendar quarter on a twelve (12) month trailing basis.

"Net Proceeds" shall have the meaning set forth in Section 8.4(b) hereof.

"Net Proceeds Deficiency" shall have the meaning set forth in Section 8.4(b)(vi) hereof.

"Note" shall mean that certain promissory note of even date herewith in the principal amount of $25,680,000.00, made by Borrowers in favor of Lender, as the same may be amended, restated, replaced, supplemented or otherwise modified from time to time.

"Operating Expenses" shall mean, with respect to any period of time, the total of all expenses actually paid or payable, computed in accordance with GAAP, of whatever kind relating to the operation, maintenance and management of the Property, including without limitation, utilities, ordinary repairs and maintenance, Insurance Premiums, license fees, Taxes and Other Charges, advertising expenses, payroll and related taxes, computer processing charges, management fees equal to the greater of 6% of the Operating Income and the management fees actually paid under the Management Agreements, operational equipment or other lease payments as approved by Lender, normalized capital expenditures equal to $0.15 per square foot per annum and normalized tenant improvement costs and/or leasing commissions equal to $0.00 per annum, but specifically excluding depreciation and amortization, income taxes, Debt Service, any incentive fees due under the Management Agreement, any item of expense that in accordance with GAAP should be capitalized but only to the extent the same would qualify for funding from the Reserve Accounts, any item of expense that would otherwise be covered by the provisions hereof but which is paid by any Tenant under such Tenant's Lease or other agreement, and deposits into the Reserve Accounts.

"Operating Income" shall mean, with respect to any period of time, all income, computed in accordance with GAAP, derived from the ownership and operation of the Property from whatever source, including, but not limited to, Rents, utility charges, escalations, forfeited security deposits, interest on credit accounts, service fees or charges, license fees, parking fees, rent concessions or credits, and other required pass-throughs but excluding sales, use and occupancy or other taxes on receipts required to be accounted for by Borrower to any Governmental Authority, refunds and uncollectible accounts, sales of furniture, fixtures and equipment, interest income from any source other than the escrow accounts, Reserve Accounts or other accounts required pursuant to the Loan Documents, Insurance Proceeds (other than business interruption or other loss of income insurance), Awards, percentage rent, unforfeited security deposits, utility and other similar deposits, income from tenants not paying rent, income from tenants in bankruptcy, non-recurring or extraordinary income, including, without limitation lease termination payments, and any disbursements to Borrower from the Reserve Funds.

"Other Charges" shall mean all ground rents, maintenance charges, impositions other than Taxes, and any other charges, including, without limitation, vault charges and license fees for the use of vaults, chutes and similar areas adjoining the Property, now or hereafter levied or assessed or imposed against the Property or any part thereof.

"Participations" shall have the meaning set forth in Section 13.1 hereof.

"Permitted Encumbrances" shall mean collectively with respect to each Individual Property, (a) the Lien and security interests created by the Loan Documents, (b) all Liens, encumbrances and other matters disclosed in the Title Insurance Policy, (c) Liens, if any, for Taxes imposed by any Governmental Authority not yet due or delinquent, and (d) such other title and survey exceptions as Lender has approved or may approve in writing in Lender's sole discretion, all of which Lender determines in the aggregate as of the date hereof do not materially adversely affect the value or use of any Individual Property or Borrowers' ability to repay the Loan.

"Permitted Investments" shall mean to the extent available from Lender or Lender's servicer for deposits in the Reserve Accounts, any one or more of the following obligations or securities acquired at a purchase price of not greater than par, including those issued by a servicer of the Loan, the trustee under any securitization or any of their respective Affiliates, payable on demand or having a maturity date not later than the Business Day immediately prior to the date on which the funds used to acquire such investment are required to be used under this Agreement and meeting one of the appropriate standards set forth below:

(a) obligations of, or obligations fully guaranteed as to payment of principal and interest by, the United States or any agency or instrumentality thereof provided such obligations are backed by the full faith and credit of the United States of America including, without limitation, obligations of: the U.S. Treasury (all direct or fully guaranteed obligations), the Farmers Home Administration (certificates of beneficial ownership), the General Services Administration (participation certificates), the U.S. Maritime Administration (guaranteed Title XI financing), the Small Business Administration (guaranteed participation certificates and guaranteed pool certificates), the U.S. Department of Housing and Urban Development (local authority bonds) and the Washington Metropolitan Area Transit Authority (guaranteed transit bonds); *provided*, *however*, that the investments described in this clause must (i) have a predetermined fixed dollar of principal due at maturity that cannot vary or change, (ii) be rated "AAA" or the equivalent by each of the Rating Agencies, (iii) if rated by S&P, must not have an "r" highlighter affixed to their rating, (iv) if such investments have a variable rate of interest, such interest rate must be tied to a single interest rate index plus a fixed spread (if any) and must move proportionately with that index, and (v) such investments must not be subject to liquidation prior to their maturity;

(b) Federal Housing Administration debentures;

(c) obligations of the following United States government sponsored agencies: Federal Home Loan Mortgage Corp. (debt obligations), the Farm Credit System (consolidated systemwide bonds and notes), the Federal Home Loan Banks (consolidated debt obligations), the Federal National Mortgage Association (debt obligations), the Financing Corp. (debt obligations), and the Resolution Funding Corp. (debt obligations); *provided*, *however*, that the investments described in this clause must (i) have a predetermined fixed dollar of principal due at maturity that cannot vary or change, (ii) if rated by S&P, must not have an "r" highlighter affixed to their rating, (iii) if such investments have a variable rate of interest, such interest rate must be tied to a single interest rate index plus a fixed spread (if any) and must move proportionately with that index, and (iv) such investments must not be subject to liquidation prior to their maturity;

(d) federal funds, unsecured certificates of deposit, time deposits, bankers' acceptances and repurchase agreements with maturities of not more than 365 days of any bank, the short term obligations of which at all times are rated in the highest short term rating category by each Rating Agency (or, if not rated by all Rating Agencies, rated by at least one Rating Agency in the highest short term rating category and otherwise acceptable to each other Rating Agency, as confirmed in writing that such investment would not, in and of itself, result in a downgrade, qualification or withdrawal of the

initial, or, if higher, then current ratings assigned to the Securities); *provided*, *however*, that the investments described in this clause must (i) have a predetermined fixed dollar of principal due at maturity that cannot vary or change, (ii) if rated by S&P, must not have an "r" highlighter affixed to their rating, (iii) if such investments have a variable rate of interest, such interest rate must be tied to a single interest rate index plus a fixed spread (if any) and must move proportionately with that index, and (iv) such investments must not be subject to liquidation prior to their maturity;

(e) fully Federal Deposit Insurance Corporation-insured demand and time deposits in, or certificates of deposit of, or bankers' acceptances issued by, any bank or trust company, savings and loan association or savings bank, the short term obligations of which at all times are rated in the highest short term rating category by each Rating Agency (or, if not rated by all Rating Agencies, rated by at least one Rating Agency in the highest short term rating category and otherwise acceptable to each other Rating Agency, as confirmed in writing that such investment would not, in and of itself, result in a downgrade, qualification or withdrawal of the initial, or, if higher, then current ratings assigned to the Securities); *provided, however*, that the investments described in this clause must (i) have a predetermined fixed dollar of principal due at maturity that cannot vary or change, (ii) if rated by S&P, must not have an "r" highlighter affixed to their rating, (iii) if such investments have a variable rate of interest, such interest rate must be tied to a single interest rate index plus a fixed spread (if any) and must move proportionately with that index, and (iv) such investments must not be subject to liquidation prior to their maturity;

(f) debt obligations with maturities of not more than 365 days and at all times rated by each Rating Agency (or, if not rated by all Rating Agencies, rated by at least one Rating Agency and otherwise acceptable to each other Rating Agency, as confirmed in writing that such investment would not, in and of itself, result in a downgrade, qualification or withdrawal of the initial, or, if higher, then current ratings assigned to the Securities) in its highest long-term unsecured rating category; *provided*, *however*, that the investments described in this clause must (i) have a predetermined fixed dollar of principal due at maturity that cannot vary or change, (ii) if rated by S&P, must not have an "r" highlighter affixed to their rating, (iii) if such investments have a variable rate of interest, such interest rate must be tied to a single interest rate index plus a fixed spread (if any) and must move proportionately with that index, and (iv) such investments must not be subject to liquidation prior to their maturity;

(g) commercial paper (including both non-interest-bearing discount obligations and interest-bearing obligations payable on demand or on a specified date not more than one year after the date of issuance thereof) with maturities of not more than 365 days and that at all times is rated by each Rating Agency (or, if not rated by all Rating Agencies, rated by at least one Rating Agency and otherwise acceptable to each other Rating Agency, as confirmed in writing that such investment would not, in and of itself, result in a downgrade, qualification or withdrawal of the initial, or, if higher, then current ratings assigned to the Securities) in its highest short-term unsecured debt rating; *provided*, *however*, that the investments described in this clause must (i) have a predetermined fixed dollar of principal due at maturity that cannot vary or change, (ii) if

rated by S&P, must not have an "r" highlighter affixed to their rating, (iii) if such investments have a variable rate of interest, such interest rate must be tied to a single interest rate index plus a fixed spread (if any) and must move proportionately with that index, and (iv) such investments must not be subject to liquidation prior to their maturity;

(h) units of taxable money market funds, which funds are regulated investment companies, seek to maintain a constant net asset value per share and invest solely in obligations backed by the full faith and credit of the United States, which funds have the highest rating available from each Rating Agency (or, if not rated by all Rating Agencies, rated by at least one Rating Agency and otherwise acceptable to each other Rating Agency, as confirmed in writing that such investment would not, in and of itself, result in a downgrade, qualification or withdrawal of the initial, or, if higher, then current ratings assigned to the Securities) for money market funds; and

(i) any other security, obligation or investment which has been approved as a Permitted Investment in writing by (i) Lender and (ii) each Rating Agency, as evidenced by a written confirmation that the designation of such security, obligation or investment as a Permitted Investment will not, in and of itself, result in a downgrade, qualification or withdrawal of the initial, or, if higher, then current ratings assigned to the Securities by such Rating Agency;

provided, *however*, that no obligation or security shall be a Permitted Investment if (A) such obligation or security evidences a right to receive only interest payments, (B) the right to receive principal and interest payments on such obligation or security are derived from an underlying investment that provides a yield to maturity in excess of one hundred twenty percent (120%) of the yield to maturity at par of such underlying investment or (C) such obligation or security has a remaining term to maturity in excess of one (1) year.

"Person" shall mean any individual, corporation, partnership, joint venture, limited liability company, estate, trust, unincorporated association, any federal, state, county or municipal government or any bureau, department or agency thereof and any fiduciary acting in such capacity on behalf of any of the foregoing.

"Personal Property" shall have the meaning set forth in the granting clause of the Mortgage.

"Physical Conditions Report" shall mean, collectively, the reports prepared by a company satisfactory to Lender regarding the physical condition of each Individual Property, satisfactory in form and substance to Lender in its sole discretion.

"Policies" shall have the meaning specified in Section 8.1(b) hereof.

"Prohibited Transfer" shall have the meaning set forth in Section 7.2 hereof.

"Property" shall mean, collectively, each Individual Property, the Improvements thereon and all Personal Property owned by the related Borrower and encumbered by a Mortgage, together with all rights pertaining to such property and Improvements, as more

particularly described in the granting clause of the Mortgage and referred to therein as the "Property".

"Qualified Manager" shall mean Manager or a reputable and experienced owner, operator or developer (a) which manages Class "A" or "B" self-storage facilities, is owner, operator, developer or manager of self-storage facilities containing in the aggregate, not less than 2,000,000 rentable square feet and is not and within the last seven (7) years has not, been the subject of a bankruptcy proceeding and (b) approved by Lender, which approval shall not have been unreasonably withheld and for which Lender shall have received (i) written confirmation from the Rating Agencies that the employment of such manager will not result in a downgrade, withdrawal or qualification of the initial, or if higher, then current ratings issued in connection with a Securitization, or if a Securitization has not occurred, any ratings to be assigned in connection with a Securitization, and (ii) with respect to any Affiliated Manager, a revised substantive non-consolidation opinion if one was delivered in connection with the closing of the Loan.

"Rating Agencies" shall mean each of S&P, Moody's and Fitch, or any other nationally-recognized statistical rating agency which has been approved by Lender.

"REA" shall mean any "construction, operation and reciprocal easement agreement" or similar agreement (including any "separate agreement" or other agreement between Borrower and one or more other parties to an REA with respect to such REA) affecting the Property or portion thereof.

"Release" shall have the meaning set forth in Section 12.5 hereof.

"Rent Roll" shall have the meaning set forth in Section 4.25 hereof.

"Rents" shall have the meaning set forth in the Mortgage.

"Replacement Reserve Account" shall have the meaning set forth in Section 9.2(b) hereof.

"Replacement Reserve Funds" shall have the meaning set forth in Section 9.2(b) hereof.

"Replacement Reserve Monthly Deposit" shall have the meaning set forth in Section 9.2(b) hereof.

"Replacements" shall have the meaning set forth in Section 9.2(a) hereof.

"Required Repair Account" shall have the meaning set forth in Section 9.1(b) hereof.

"Required Repair Funds" shall have the meaning set forth in Section 9. l(b) hereof.

"Required Repairs" shall have the meaning set forth in Section 9.1(a) hereof.

"Required Work" shall have the meaning set forth in Section 9.4 hereof.

"Reserve Accounts" shall mean the Tax and Insurance Reserve Account, the Replacement Reserve Account, the Required Repair Account or any other escrow account established by the Loan Documents.

"Reserve Funds" shall mean the Tax and Insurance Reserve Funds, the Replacement Reserve Funds, the Required Repair Funds or any other escrow funds established by the Loan Documents.

"Restoration" shall mean, following the occurrence of a Casualty or a Condemnation which is of a type necessitating the repair of an Individual Property, the completion of the repair and restoration of such Individual Property as nearly as possible to such Individual condition the Property was in immediately prior to such Casualty or Condemnation, with such alterations as may be reasonably approved by Lender.

"Restoration Consultant" shall have the meaning set forth in Section 8.4(b)(iii) hereof.

"Restoration Retainage" shall have the meaning set forth in Section 8.4(b)(iv) hereof.

"Restricted Party" shall have the meaning set forth in Section 7.1 hereof.

"Sale or Pledge" shall have the meaning set forth in Section 7.1 hereof.

"Scheduled Payment Date" shall have the meaning set forth in the Note.

"Securities" shall have the meaning set forth in Section 13.1 hereof.

"Securities Act" shall mean the Securities Act of 1933, as amended.

"Securitization" shall have the meaning set forth in Section 13.1 hereof.

"Special Member" shall have the meaning set forth in Section 6.1(c).

"SPE Component Entity" shall have the meaning set forth in Section 6.l(b) hereof.

"S&P" shall mean Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc.

"State" shall mean the state in which an Individual Property or any part thereof is located.

"Tax and Insurance Reserve Funds" shall have the meaning set forth in Section 9.6 hereof.

"Tax and Insurance Reserve Account" shall have the meaning set forth in Section 9.6 hereof.

"Taxes" shall mean all real estate and personal property taxes, assessments, water rates or sewer rents, now or hereafter levied or assessed or imposed against any Individual Property or part thereof.

"Tenant" shall mean any Person leasing, subleasing or otherwise occupying any portion of any Individual Property under a Lease or other occupancy agreement with Borrower.

"Termination Fee Deposit" shall have the meaning set forth in Section 9.3(b).

"Title Insurance Policy" shall mean that certain ALTA mortgagee title insurance policy issued with respect to the Property and insuring the lien of the Mortgage.

"Transferee" shall have the meaning set forth in Section 7.5 hereof.

"UCC" or "Uniform Commercial Code" shall mean the Uniform Commercial Code as in effect in the State.

Section 1.2 Principles of Construction. All references to sections and schedules are to sections and schedules in or to this Agreement unless otherwise specified. All uses of the word "including" shall mean "including, without limitation" unless the context shall indicate otherwise. Unless otherwise specified, the words "hereof," "herein" and "hereunder" and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement. Unless otherwise specified, all meanings attributed to defined terms herein shall be equally applicable to both the singular and plural forms of the terms so defined.

ARTICLE II

GENERAL TERMS

Section 2.1 The Loan. Subject to and upon the terms and conditions set forth herein, Lender hereby agrees to make and Borrowers hereby agree to accept the Loan on the Closing Date.

Section 2.2 Disbursement to Borrowers. Borrowers may request and receive only one borrowing in respect of the Loan and any amount borrowed and repaid in respect of the Loan may not be reborrowed.

Section 2.3 The Note, Mortgage and Loan Documents. The Loan shall be evidenced by the Note and secured by the Mortgage and the other Loan Documents.

Section 2.4 Loan Payments. The Loan and interest thereon shall be payable pursuant to the terms of the Note.

Section 2.5 Loan Prepayments. The Loan may not be prepaid, in whole or in part, except in strict accordance with the express terms and conditions of the Note.

ARTICLE III

CONDITIONS PRECEDENT

Section 3.1 Conditions Precedent. The obligation of Lender to make the Loan hereunder is subject to the fulfillment by Borrowers or waiver by Lender of all of the conditions precedent to closing set forth in the application or the term sheet for the Loan delivered by Borrowers to Lender and any commitment or commitment rider to the application for the Loan issued by Lender.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES

Borrowers and, where specifically indicated, each Borrower Principal represents and warrants to Lender as of the Closing Date that:

Section 4.1 Organization. Each Borrower and each Borrower Principal (when not an individual) (a) has been duly organized and is validly existing and in good standing with requisite power and authority to own its properties and to transact the businesses in which it is now engaged, (b) is duly qualified to do business and is in good standing in each jurisdiction where it is required to be so qualified in connection with its properties, businesses and operations, (c) possesses all rights, licenses, permits and authorizations, governmental or otherwise, necessary to entitle it to own its properties and to transact the businesses in which it is now engaged, and the sole business of each Borrower is the ownership, management and operation of the related Individual Property, and (d) in the case of each Borrower, has full power, authority and legal right to mortgage, grant, bargain, sell, pledge, assign, warrant, transfer and convey the related Individual Property pursuant to the terms of the Loan Documents, and in the case of each Borrower and each Borrower Principal, has full power, authority and legal right to keep and observe all of the terms of the Loan Documents to which it is a party. Each Borrower and each Borrower Principal represent and warrant that the chart attached hereto as Exhibit A sets forth an accurate listing of the direct and indirect owners of the equity interests in each Borrower, each SPE Component Entity (if any) and each Borrower Principal (when not an individual).

Section 4.2 Status of Borrower. Each Borrower's exact legal name is correctly set forth on the first page of this Agreement, on the Mortgage and on any UCC-1 Financing Statements filed in connection with the Loan. Each Borrower is an organization of the type specified on the first page of this Agreement. Each Borrower is incorporated in or organized under the laws of the state of Delaware, Massachusetts, California, New Hampshire and New Jersey as applicable. Each Borrower's principal place of business and chief executive office, and the place where each Borrower keeps its books and records, including recorded data of any kind or nature, regardless of the medium of recording, including software, writings, plans,

specifications and schematics, has been for the preceding four months (or, if less, the entire period of the existence of such Borrower) the address of each Borrower set forth on the first page of this Agreement. Borrower's organizational identification number, if any, assigned by the state of incorporation or organization is correctly set forth on the first page of the Note.

Section 4.3 Validity of Documents. Each Borrower and each Borrower Principal have taken all necessary action to authorize the execution, delivery and performance of this Agreement and the other Loan Documents to which they are parties. This Agreement and such other Loan Documents have been duly executed and delivered by or on behalf of each Borrower and each Borrower Principal and constitute the legal, valid and binding obligations of Borrowers and each Borrower Principal enforceable against Borrowers and each Borrower Principal in accordance with their respective terms, subject only to applicable bankruptcy, insolvency and similar laws affecting rights of creditors generally, and subject, as to enforceability, to general principles of equity (regardless of whether enforcement is sought in a proceeding in equity or at law).

Section 4.4 No Conflicts. The execution, delivery and performance of this Agreement and the other Loan Documents by each Borrower and each Borrower Principal will not conflict with or result in a breach of any of the terms or provisions of, or constitute a default under, or result in the creation or imposition of any lien, charge or encumbrance (other than pursuant to the Loan Documents) upon any of the property or assets of any Borrower or any Borrower Principal pursuant to the terms of any agreement or instrument to which any Borrower or any Borrower Principal is a party or by which any of any Borrower's or Borrower Principal's property or assets is subject, nor will such action result in any violation of the provisions of any statute or any order, rule or regulation of any Governmental Authority having jurisdiction over any Borrower or any Borrower Principal or any of any Borrower's or Borrower Principal's properties or assets, and any consent, approval, authorization, order, registration or qualification of or with any Governmental Authority required for the execution, delivery and performance by each Borrower or Borrower Principal of this Agreement or any of the other Loan Documents has been obtained and is in full force and effect.

Section 4.5 Litigation. There are no actions, suits or proceedings at law or in equity by or before any Governmental Authority or other agency now pending or, to Borrowers' or Borrower Principal's knowledge, threatened against or affecting any Borrower, any Borrower Principal, the Manager or any Individual Property, which actions, suits or proceedings, if determined against any Borrower, any Borrower Principal, the Manager or any Property, would materially adversely affect the condition (financial or otherwise) or business of any Borrower or any Borrower Principal or the condition or ownership of the related Individual Property.

Section 4.6 Agreements. No Borrower is a party to any agreement or instrument or subject to any restriction which would materially and adversely affect any Borrower or any related Individual Property, or any Borrower's business, properties or assets, operations or condition, financial or otherwise. Borrower is not in default in any material respect in the performance, observance or fulfillment of any of the obligations, covenants or conditions contained in any agreement or instrument to which it is a party or by which any Borrower or the Property is bound. No Borrower has a material financial obligation under any agreement or instrument to which any Borrower is a party or by which any Borrower or any Individual

Property is otherwise bound, other than (a) obligations incurred in the ordinary course of the operation of the Property and (b) obligations under the Loan Documents.

Section 4.7 Solvency. Each Borrower and each Borrower Principal have (a) not entered into the transaction or executed the Note, this Agreement or any other Loan Documents with the actual intent to hinder, delay or defraud any creditor and (b) received reasonably equivalent value in exchange for their obligations under such Loan Documents. Giving effect to the Loan, the fair saleable value of the assets of each Borrower and each Borrower Principal exceeds and will, immediately following the making of the Loan, exceed the total liabilities of each Borrower and each Borrower Principal, including, without limitation, subordinated, unliquidated, disputed and contingent liabilities. No petition in bankruptcy has been filed against any Borrower, any Borrower Principal, any SPE Component Entity (if any) or Affiliated Manager in the last ten (10) years, and neither any Borrower nor any Borrower Principal, any SPE Component Entity (if any) or Affiliated Manager in the last ten (10) years has made an assignment for the benefit of creditors or taken advantage of any Creditors Rights Laws. Neither Borrower nor any Borrower Principal, any SPE Component Entity (if any) or Affiliated Manager is contemplating either the filing of a petition by it under any Creditors Rights Laws or the liquidation of all or a major portion of any Borrower's assets or property, and no Borrower has no knowledge of any Person contemplating the filing of any such petition against any Borrower or any Borrower Principal, any SPE Component Entity (if any) or Affiliated Manager.

Section 4.8 Full and Accurate Disclosure. No statement of fact made by or on behalf of any Borrower or any Borrower Principal in this Agreement or in any of the other Loan Documents or in any other document or certificate delivered by or on behalf of any Borrower or any Borrower Principal contains any untrue statement of a material fact or omits to state any material fact necessary to make statements contained herein or therein not misleading. There is no material fact presently known to any Borrower or any Borrower Principal which has not been disclosed to Lender which adversely affects, nor as far as any Borrower or any Borrower Principal can reasonably foresee, might adversely affect, any Individual Property or the business, operations or condition (financial or otherwise) of any Borrower or any Borrower Principal.

Section 4.9 No Plan Assets. No Borrower is an "employee benefit plan," as defined in Section 3(3) of ERISA, subject to Title I of ERISA, and none of the assets of any Borrower constitutes or will constitute "plan assets" of one or more such plans within the meaning of 29 C.F.R. Section 2510.3-101. In addition, (a) no Borrower is a "governmental plan" within the meaning of Section 3(32) of ERISA and (b) transactions by or with Borrower are not subject to state statutes regulating investment of, and fiduciary obligations with respect to, governmental plans similar to the provisions of Section 406 of ERJSA or Section 4975 of the Internal Revenue Code currently in effect, which prohibit or otherwise restrict the transactions contemplated by this Agreement.

Section 4.10 Not a Foreign Person. No Borrower nor Borrower Principal is a "foreign person" within the meaning of §1445(f)(3) of the Internal Revenue Code.

Section 4.11 Enforceability. The Loan Documents are not subject to any right of rescission, set-off, counterclaim or defense by any Borrower, including the defense of usury, nor would the operation of any of the terms of the Loan Documents, or the exercise of any right

thereunder, render the Loan Documents unenforceable, and neither any Borrower nor Borrower Principal has asserted any right of rescission, set-off, counterclaim or defense with respect thereto. No Default or Event of Default exists under or with respect to any of the Loan Documents.

Section 4.12 Business Purposes. The Loan is solely for the business purposes of Borrowers, and is not for personal, family, household, or agricultural purposes.

Section 4.13 Compliance. Each Borrower and each Individual Property and the use and operation thereof comply in all material respects with all Legal Requirements, including, without limitation, building and zoning ordinances and codes and the Americans with Disabilities Act. To Borrowers' knowledge, no Borrower is in default or violation of any order, writ, injunction, decree or demand of any Governmental Authority and no Borrower has received no written notice of any such default or violation. There has not been committed by any Borrower or, to Borrowers' knowledge, any other Person in occupancy of or involved with the operation or use of any Individual Property any act or omission affording any Governmental Authority the right of forfeiture as against the Property or any part thereof or any monies paid in performance of Borrowers' obligations under any of the Loan Documents.

Section 4.14 Financial Information. All financial data, including, without limitation, the balance sheets, statements of cash flow, statements of income and operating expense and rent rolls, that have been delivered to Lender in respect of Borrowers, any Borrower Principal and/or the Property (a) are true, complete and correct in all material respects, (b) accurately represent the financial condition of Borrowers, Borrower Principal or the Property, as applicable, as of the date of such reports, and (c) to the extent prepared or audited by an independent certified public accounting firm, have been prepared in accordance with GAAP throughout the periods covered, except as disclosed therein. No Borrower has any contingent liabilities, liabilities for taxes, unusual forward or long-term commitments or unrealized or anticipated losses from any unfavorable commitments that are known to Borrowers and reasonably likely to have a material adverse effect on the Property or the current and/or intended operation thereof, except as referred to or reflected in said financial statements. Since the date of such financial statements, there has been no materially adverse change in the financial condition, operations or business of any Borrower or Borrower Principal from that set forth in said financial statements.

Section 4.15 Condemnation. No Condemnation or other proceeding has been commenced or, to Borrowers' best knowledge, is threatened or contemplated with respect to all or any portion of any Individual Property or for the relocation of roadways providing access to the related Individual Property.

Section 4.16 Utilities and Public Access; Parking. Each Individual Property has adequate rights of access to public ways and is served by water, sewer, sanitary sewer and storm drain facilities adequate to service each Individual Property for full utilization of each Individual Property for its intended uses. All public utilities necessary to the full use and enjoyment of each Individual Property as currently used and enjoyed are located either in the public right-of-way abutting each Individual Property (which are connected so as to serve each Individual Property without passing over other property) or in recorded easements serving each Individual Property

and such easements are set forth in and insured by the Title Insurance Policy. All roads necessary for the use of each Individual Property for its current purposes have been completed and dedicated to public use and accepted by all Governmental Authorities. Each Individual Property has, or is served by, parking to the extent required to comply with all Legal Requirements.

Section 4.17 Separate Lots. Each Individual Property is assessed for real estate tax purposes as one or more wholly independent tax lot or lots, separate from any adjoining land or improvements not constituting a part of such lot or lots, and no other land or improvements is assessed and taxed together with each Individual Property or any portion thereof.

Section 4.18 Assessments. To Borrowers' knowledge after due inquiry, there are no pending or proposed special or other assessments for public improvements or otherwise affecting any Individual Property, nor are there any contemplated improvements to any Individual Property that may result in such special or other assessments.

Section 4.19 Insurance. Borrowers have obtained and has delivered to Lender certified copies of all Policies or, to the extent such Policies are not available as of the Closing Date, certificates of insurance with respect to all such Policies reflecting the insurance coverages, amounts and other requirements set forth in this Agreement. No claims have been made under any of the Policies, and to Borrowers' knowledge, no Person, including Borrowers, has done, by act or omission, anything which would impair the coverage of any of the Policies.

Section 4.20 Use of Property. Each Individual Property is used exclusively for self-storage purposes and other appurtenant and related uses.

Section 4.21 Certificate of Occupancy; Licenses. All certifications, permits, licenses and approvals, including, without limitation, certificates of completion or occupancy and any applicable liquor license required for the legal use, occupancy and operation of each Individual Property for the purpose intended herein, have been obtained and are valid and in full force and effect. Borrowers shall keep and maintain all licenses necessary for the operation of the each Individual Property for the purpose intended herein. The use being made of each Individual Property is in conformity with the certificate of occupancy and any permits or licenses issued for the related Individual Property.

Section 4.22 Flood Zone. None of the Improvements on any Individual Property are located in an area identified by the Federal Emergency Management Agency as an area having special flood hazards, or, if any portion of the Improvements is located within such area, the related Borrower has obtained the insurance prescribed in Section 8.1(a)(i).

Section 4.23 Physical Condition. To Borrowers' knowledge after due inquiry, each Individual Property, including, without limitation, all buildings, improvements, parking facilities, sidewalks, storm drainage systems, roofs, plumbing systems, HVAC systems, fire protection systems, electrical systems, equipment, elevators, exterior sidings and doors, landscaping, irrigation systems and all structural components, are in good condition, order and repair in all material respects. To Borrowers' knowledge after due inquiry, there exists no structural or other material defects or damages in any Individual Property, as a result of a

Casualty or otherwise, and whether latent or otherwise. No Borrower has not received notice from any insurance company or bonding company of any defects or inadequacies in any Individual Property, or any part thereof, which would adversely affect the insurability of the same or cause the imposition of extraordinary premiums or charges thereon or of any termination or threatened termination of any policy of insurance or bond.

Section 4.24 Boundaries. (a) None of the Improvements which were included in determining the appraised value of each Individual Property lie outside the boundaries and building restriction lines of the related Property to any material extent, and (b) no improvements on adjoining properties encroach upon any Individual Property and no easements or other encumbrances upon any Individual Property encroach upon any of the Improvements so as to materially affect the value or marketability of any Individual Property.

Section 4.25 Leases and Rent Roll. Borrowers have delivered to Lender a true, correct and complete rent roll for each Individual Property (each a "Rent Roll") which includes all Leases affecting each Individual Property (including schedules for all executed Leases for Tenants not yet in occupancy or under which the rent commencement date has not occurred). Except as set forth in each Rent Roll (as same has been updated by written notice thereof to Lender) delivered to Lender on or prior to the Closing Date: (a) each Lease is in full force and effect; (b) the Tenants under the Leases have accepted possession of their respective demised premises; (c) the Tenants under the Leases have commenced the payment of rent under the Leases, there are no offsets, claims or defenses to the enforcement thereof, and the related Borrower has no monetary obligations to any Tenant under any Lease; (d) not more than five percent (5%) of the Tenants at any Individual Property has prepaid Rents more than thirty (30) days in advance and no Tenant at any Individual Property has prepaid Rent more than one (1) year in advance; (e) the rent payable under each Lease is the amount of fixed rent set forth in the Rent Roll, and there is no claim or basis for a claim by the Tenant thereunder for an offset or adjustment to the rent; (f) no Tenant has made any written claim of a material default against the landlord under any Lease which remains outstanding nor has the related Borrower or Manager received, by telephonic, in-person, e-mail or other communication, any notice of a material default under any Lease; (g) no more than five percent (5%) of the Tenants at any Individual Property are in default of the rental payment; (h) all security deposits, if any, under the Leases have been collected by the related Borrower; (i) the related Borrower is the sole owner of the entire landlord's interest in each Lease; (j) each Lease is the valid, binding and enforceable obligation of the related Borrower and the applicable Tenant thereunder and there are no agreements with the Tenants under the Leases other than as expressly set forth in the Leases; (k) no Person has any possessory interest in, or right to occupy, the related Individual Property or any portion thereof except under the terms of a Lease; (1) none of the Leases contains any option or offer to purchase or right of first refusal to purchase the related Individual Property or any part thereof; and (m) neither the Leases nor the Rents have been assigned, pledged or hypothecated except to Lender, and no other Person has any interest therein except the Tenants thereunder.

Section 4.26 Filing and Recording Taxes. All mortgage, mortgage recording, stamp, intangible or other similar tax required to be paid by any Person under applicable Legal Requirements currently in effect in connection with the execution, delivery, recordation, filing, registration, perfection or enforcement of any of the Loan Documents, including, without limitation, the Mortgage, have been paid or will be paid, and, under current Legal Requirements,

each Mortgage is enforceable in accordance with its terms by Lender (or any subsequent holder thereof).

Section 4.27 Management Agreement. Each Management Agreement is in full force and effect and there is no default thereunder by any party thereto and, to Borrower's knowledge, no event has occurred that, with the passage of time and/or the giving of notice would constitute a default thereunder. No management fees under the Management Agreement are accrued and unpaid.

Section 4.28 Illegal Activity. No portion of any Individual Property has been or will be purchased with proceeds of any illegal activity, and no part of the proceeds of the Loan will be used in connection with any illegal activity.

Section 4.29 Construction Expenses. All costs and expenses of any and all labor, materials, supplies and equipment used in the construction maintenance or repair of the Improvements have been paid in full. To Borrowers' knowledge after due inquiry, there are no claims for payment for work, labor or materials affecting any Individual Property which are or may become a lien prior to, or of equal priority with, the Liens created by the Loan Documents.

Section 4.30 Personal Property. Each Borrower has paid in full for, and is the owner of, all Personal Property (other than tenants' property) used in connection with the operation of the related Individual Property, free and clear of any and all security interests, liens or encumbrances, except for Permitted Encumbrances and the Lien and security interest created by the Loan Documents.

Section 4.31 Taxes. Each Borrower and Borrower Principal have filed all federal, state, county, municipal, and city income, personal property and other tax returns required to have been filed by them and have paid all taxes and related liabilities which have become due pursuant to such returns or pursuant to any assessments received by them. Neither any Borrower nor Borrower Principal knows of any basis for any additional assessment in respect of any such taxes and related liabilities for prior years.

Section 4.32 Permitted Encumbrances. None of the Permitted Encumbrances, individually or in the aggregate, materially interferes with the benefits of the security intended to be provided by the Loan Documents, materially and adversely affects the value of the Property, impairs the use or the operation of any Individual Property or impairs Borrowers' ability to pay its obligations in a timely manner.

Section 4.33 Federal Reserve Regulations. Borrowers will not use the proceeds of the Loan for any illegal activity. No part of the proceeds of the Loan will be used for the purpose of purchasing or acquiring any "margin stock" within the meaning of Regulation U of the Board of Governors of the Federal Reserve System or for any other purpose which would be inconsistent with such Regulation U or any other Regulations of such Board of Governors, or for any purposes prohibited by Legal Requirements or prohibited by the terms and conditions of this Agreement or the other Loan Documents.

Section 4.34 Investment Company Act. No Borrower is (a) an "investment company" or a company "controlled" by an "investment company," within the meaning of the

Investment Company Act of 1940, as amended; (b) a "holding company" or a "subsidiary company" of a "holding company" or an "affiliate" of either a "holding company" or a "subsidiary company" within the meaning of the Public Utility Holding Company Act of 1935, as amended; or (c) subject to any other federal or state law or regulation which purports to restrict or regulate its ability to borrow money.

Section 4.35 Reciprocal Easement Agreements. With respect to any REA:

(a) No Borrower, nor any other party is currently in default (nor has any notice been given or received with respect to an alleged or current default) under any of the terms and conditions of the REA, and the REA remains unmodified and in full force and effect;

(b) All easements granted pursuant to the REA which were to have survived the site preparation and completion of construction (to the extent that the same has been completed), remain in full force and effect and have not been released, terminated, extinguished or discharged by agreement or otherwise;

(c) All sums due and owing by any Borrower to the other parties to any REA (or by the other parties to the REA to any Borrower) pursuant to the terms of the REA, including without limitation, all sums, charges, fees, assessments, costs, and expenses in connection with any taxes, site preparation and construction, non-shareholder contributions, and common area and other property management activities have been paid, are current, and no lien has attached on the Property (or threat thereof been made) for failure to pay any of the foregoing;

(d) The terms, conditions, covenants, uses and restrictions contained in the REA do not conflict in any manner with any terms, conditions, covenants, uses and restrictions contained in any Lease or in any agreement between any Borrower and occupant of any peripheral parcel, including without limitation, conditions and restrictions with respect to kiosk placement, tenant restrictions (type, location or exclusivity), sale of certain goods or services, and/or other use restrictions; and

Section 4.36 No Change in Facts or Circumstances; Disclosure. All information submitted by Borrowers or their agents to Lender and in all financial statements, rent rolls, reports, certificates and other documents submitted in connection with the Loan or in satisfaction of the terms thereof and all statements of fact made by Borrowers in this Agreement or in any other Loan Document, are accurate, complete and correct in all material respects. There has been no material adverse change in any condition, fact, circumstance or event that would make any such information inaccurate, incomplete or otherwise misleading in any material respect or that otherwise materially and adversely affects or might materially and adversely affect the Property or the business operations or the financial condition of Borrowers. Borrowers have disclosed to Lender all material facts and has not failed to disclose any material fact that could cause any representation or warranty made herein to be materially misleading.

Section 4.37 Special Purpose Entity. Each Borrower and each SPE Component Entity meet all of the requirements of Section 6.1 as of the Closing Date.

Section 4.38 Permitted Encumbrances. The Permitted Encumbrances do not and will not materially and adversely affect (i) the ability of Borrowers to pay in full all sums

due under the Note or any of its other obligations in a timely manner or (ii) the use of any Individual Property for the use currently being made thereof, the operation of any Individual Property as currently being operated or the value of such Individual Property.

Section 4.39 Intellectual Property. All trademarks, trade names and service marks necessary to the business of each Borrower as presently conducted or as each Borrower contemplates conducting its business are in good standing and, to the extent of Borrower's actual knowledge, uncontested. Borrowers have not infringed, are not infringing, and have not received notice of infringement with respect to asserted trademarks, trade names and service marks of others. To Borrowers' knowledge, there is no infringement by others of trademarks, trade names and service marks of any Borrower.

Section 4.40 Assumptions. Each of the assumptions contained in the opinion related to issues of substantive consolidation delivered by Borrowers to Lender on the date hereof are true and accurate.

Section 4.41 Embargoed Person. At all times throughout the term of the Loan, including after giving effect to any Transfers permitted pursuant to the Loan Documents, (a) none of the funds or other assets of Borrowers or Borrower Principal shall constitute property of, or shall be beneficially owned, directly or indirectly, by any Person subject to trade restrictions under United States law, including, but not limited to, the International Emergency Economic Powers Act, 50 U.S.C. §§ 1701 et seq., The Trading with the Enemy Act, 50 U.S.C. App. 1 et seq., the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (Public Law 107-56) and any Executive Orders or regulations promulgated thereunder (including, without limitation, Executive Order No. 13224 on Terrorist Financing), with the result that the investment in Borrowers or Borrower Principal, as applicable (whether directly or indirectly), would be prohibited by law (each, an "Embargoed Person"), or the Loan made by Lender would be in violation of law, (b) no Embargoed Person shall have any interest of any nature whatsoever in Borrowers or Borrower Principal, as applicable, with the result that the investment in Borrowers or Borrower Principal, as applicable (whether directly or indirectly), would be prohibited by law or the Loan would be in violation of law, and (c) none of the funds of Borrowers or Borrower Principal, as applicable, shall be derived from any unlawful activity with the result that the investment in Borrowers or Borrower Principal, as applicable (whether directly or indirectly), would be prohibited by law or the Loan would be in violation of law.

Section 4.42 Survival. Borrowers agree that, unless expressly provided otherwise, all of the representations and warranties of Borrowers set forth in this Article 4 and elsewhere in this Agreement and in the other Loan Documents shall survive for so long as any portion of the Debt remains owing to Lender. All representations, warranties, covenants and agreements made in this Agreement or in the other Loan Documents by Borrowers shall be deemed to have been relied upon by Lender notwithstanding any investigation heretofore or hereafter made by Lender or on its behalf.

ARTICLE V

BORROWER COVENANTS

From the date hereof and until repayment of the Debt in full and performance in full of all obligations of Borrowers under the Loan Documents or the earlier release of the Lien of each Mortgage (and all related obligations) in accordance with the terms of this Agreement and the other Loan Documents, Borrowers hereby covenant and agree with Lender that:

Section 5.1 Existence; Compliance with Legal Requirements. (a) Borrowers shall do or cause to be done all things necessary to preserve, renew and keep in full force and effect their existence, rights, licenses, permits and franchises and materially comply with all Legal Requirements applicable to it and the related Individual Property. Borrowers hereby covenant and agree not to commit, permit or suffer to exist any act or omission affording any Governmental Authority the right of forfeiture as against any Individual Property or any part thereof or any monies paid in performance of Borrower's obligations under any of the Loan Documents. Borrowers shall at all times maintain, preserve and protect all franchises and trade names used in connection with the operation of each Individual Property.

(b) After prior written notice to Lender, a Borrower, at its own expense, may contest by appropriate legal proceeding, promptly initiated and conducted in good faith and with due diligence, the Legal Requirements affecting the related Individual Property, *provided* that (i) no Default or Event of Default has occurred and is continuing; (ii) such proceeding shall be permitted under and be conducted in accordance with the provisions of any other instrument to which such Borrower or the related Individual Property is subject and shall not constitute a default thereunder; (iii) neither such Individual Property, any part thereof or interest therein, any of the tenants or occupants thereof, nor any Borrower shall be affected in any material adverse way as a result of such proceeding; (iv) non-compliance with the Legal Requirements shall not impose civil or criminal liability on any Borrower or Lender; (v) such Borrower shall have furnished the security as may be required in the proceeding or by Lender to ensure compliance by such Borrower with the Legal Requirements; and (vi) such Borrower shall have furnished to Lender all other items reasonably requested by Lender.

Section 5.2 Maintenance and Use of Property. Each Borrower shall cause the related Individual Property to be maintained in a good and safe condition and repair. The Improvements and the Personal Property shall not be removed or demolished or other than in accordance with the provisions of Section 5.21, materially altered (except for normal replacement of the Personal Property) without the consent of Lender. If under applicable zoning provisions the use of all or any portion of an Individual Property is or shall become a nonconforming use, the related Borrower will not cause or permit the nonconforming use to be discontinued or the nonconforming Improvement to be abandoned without the express written consent of Lender.

Section 5.3 Waste. No Borrower shall commit or suffer any waste of the related Individual Property or make any change in the use of the related Individual Property which will in any way materially increase the risk of fire or other hazard arising out of the operation of the related Individual Property, or take any action that might invalidate or give

cause for cancellation of any Policy, or do or permit to be done thereon anything that may in any way impair the value of the related Individual Property or the security for the Loan. No Borrower will, without the prior written consent of Lender, permit any drilling or exploration for or extraction, removal, or production of any minerals from the surface or the subsurface of any Individual Property, regardless of the depth thereof or the method of mining or extraction thereof.

Section 5.4 Taxes and Other Charges. (a) Borrowers shall pay all Taxes and Other Charges now or hereafter levied or assessed or imposed against each Individual Property or any part thereof as the same become due and payable; *provided, however,* Borrowers' obligation to directly pay Taxes shall be suspended for so long as Borrowers comply with the terms and provisions of Section 9.6 hereof. Borrowers shall furnish to Lender receipts for the payment of the Taxes and the Other Charges prior to the date the same shall become delinquent (*provided, however*, that Borrowers are not required to furnish such receipts for payment of Taxes in the event that such Taxes have been paid by Lender pursuant to Section 9.6 hereof). Borrowers shall not suffer and shall promptly cause to be paid and discharged any Lien or charge whatsoever which may be or become a Lien or charge against the Individual Properties, and shall promptly pay for all utility services provided to the Individual Properties.

(b) After prior written notice to Lender, Borrowers, at their own expense, may contest by appropriate legal proceeding, promptly initiated and conducted in good faith and with due diligence, the amount or validity or application in whole or in part of any Taxes or Other Charges, *provided* that (i) no Default or Event of Default has occurred and remains uncured; (ii) such proceeding shall be permitted under and be conducted in accordance with the provisions of any other instrument to which Borrowers are subject and shall not constitute a default thereunder and such proceeding shall be conducted in accordance with all applicable Legal Requirements; (iii) no Individual Property nor any part thereof or interest therein will be in danger of being sold, forfeited, terminated, canceled or lost; (iv) Borrowers shall promptly upon final determination thereof pay the amount of any such Taxes or Other Charges, together with all costs, interest and penalties which may be payable in connection therewith; (v) such proceeding shall suspend the collection of such contested Taxes or Other Charges from the related Individual Property; and (vi) Borrowers shall furnish such security as may be required in the proceeding, or deliver to Lender such reserve deposits as may be requested by Lender, to insure the payment of any such Taxes or Other Charges, together with all interest and penalties thereon (unless Borrowers have paid all of the Taxes or Other Charges under protest). Lender may pay over any such cash deposit or part thereof held by Lender to the claimant entitled thereto at any time when, in the judgment of Lender, the entitlement of such claimant is established or the related Individual Property (or part thereof or interest therein) shall be in danger of being sold, forfeited, terminated, canceled or lost or there shall be any danger of the Lien of the Mortgage being primed by any related Lien.

Section 5.5 Litigation. Borrowers shall give prompt written notice to Lender of any litigation or governmental proceedings pending or threatened in writing against any Borrower which might materially adversely affect any Borrower's condition (financial or otherwise) or business or the Property.

Section 5.6 Access to Property. Each Borrower shall permit agents, representatives and employees of Lender to inspect the related Individual Property or any part thereof at reasonable hours upon reasonable advance written notice (except in the case of an emergency, as determined in Lender's sole discretion, or if an Event of Default has occurred and is continuing).

Section 5.7 Notice of Default. Borrowers shall promptly advise Lender of any material adverse change in the condition (financial or otherwise) of any Borrower, any Borrower Principal or any Individual Property or of the occurrence of any Default or Event of Default of which Borrowers have knowledge.

Section 5.8 Cooperate in Legal Proceedings. Borrowers shall at Borrowers' expense cooperate fully with Lender with respect to any proceedings before any court, board or other Governmental Authority which may in any way affect the rights of Lender hereunder or any rights obtained by Lender under any of the other Loan Documents and, in connection therewith, permit Lender, at its election, to participate in any such proceedings.

Section 5.9 Performance by Borrowers. Borrowers shall in a timely manner observe, perform and fulfill each and every covenant, term and provision to be observed and performed by Borrowers under this Agreement and the other Loan Documents and any other agreement or instrument affecting or pertaining to each Individual Property and any amendments, modifications or changes thereto.

Section 5.10 Awards; Insurance Proceeds. Borrowers shall cooperate with Lender in obtaining for Lender the benefits of any Awards or Insurance Proceeds lawfully or equitably payable in connection with any Individual Property, and Lender shall be reimbursed for any expenses incurred in connection therewith (including reasonable, actual attorneys' fees and disbursements, and the payment by Borrowers of the expense of an appraisal on behalf of Lender in case of a Casualty or Condemnation affecting the related Individual Property or any part thereof) out of such Awards or Insurance Proceeds.

Section 5.11 Financial Reporting.

(a) Borrowers and Borrower Principal shall keep adequate books and records of account in accordance with GAAP, or in accordance with other methods acceptable to Lender in its sole discretion, consistently applied and shall furnish to Lender:

(i) quarterly and annual (and prior to a Securitization, if requested by Lender, monthly) certified occupancy/vacancy/unit mix report signed and dated by each Borrower (in the form previously delivered to Lender) for each Individual Property or, upon request of Lender, certified rent rolls signed and dated by each Borrower, with respect to the related Individual Property, detailing the names of all Tenants of the Improvements, the portion of Improvements occupied by each Tenant, the base rent, additional rent and any other charges payable under each Lease, and the term of each Lease, including the commencement and expiration dates and any tenant extension, expansion or renewal options, the extent to which any Tenant is in default under any Lease, and any other information as is reasonably required by Lender, within twenty (20) days after the end of

each calendar month, thirty (30) days after the end of each fiscal quarter or sixty (60) days after the close of each fiscal year of such Borrower, as applicable;

(ii) quarterly and annual (and prior to a Securitization, if requested by Lender, monthly) operating statements of each Individual Property, prepared and certified by the related Borrower in the form required by Lender (or if required by Lender, an audited annual operating statement prepared by an independent certified public accountant acceptable to Lender, detailing the revenues received, the expenses incurred and the net operating income before and after debt service (principal and interest) and major capital improvements for the period of calculation and containing appropriate year-to-date information, within twenty (20) days after the end of each calendar month, thirty (30) days after the end of each fiscal quarter or sixty (60) days after the close of each fiscal year of such Borrower, as applicable; and

(iii) annual balance sheets, profit and loss statements, statements of cash flows, and statements of change in financial position of Borrowers and Borrower Principal in the form required by Lender, prepared and certified by Borrowers and Borrower Principal (or if required by Lender, annual audited financial statements prepared by an independent certified public accountant acceptable to Lender, within ninety (90) days after the close of each fiscal year of Borrowers and Borrower Principal, as the case may be;

(b) Upon request from Lender, Borrowers shall promptly furnish to Lender:

(i) Intentionally Reserved;

(ii) an accounting of all security deposits held in connection with any Lease of any part of each Individual Property, including the name and identification number of the accounts in which such security deposits are held, the name and address of the financial institutions in which such security deposits are held and the name of the Person to contact at such financial institution, along with any authority or release necessary for Lender to obtain information regarding such accounts directly from such financial institutions; and

(iii) a report of all letters of credit provided by any Tenant in connection with any Lease of any part of any Individual Property, including the account numbers of such letters of credit, the names and addresses of the financial institutions that issued such letters of credit and the names of the Persons to contact at such financial institutions, along with any authority or release necessary for Lender to obtain information regarding such letters of credit directly from such financial institutions.

(c) Borrowers and Borrower Principal shall furnish Lender with such other additional financial or management information (including state and federal tax returns) as may, from time to time, be reasonably required by Lender in form and substance satisfactory to Lender (including, without limitation, any financial reports required to be delivered by any Tenant or any guarantor of any Lease pursuant to the terms of such Lease), and shall furnish to Lender and its agents convenient facilities for the examination and audit of any such books and records.

(d) All items requiring the certification of Borrowers shall, except where any Borrower is an individual, require a certificate executed by the general partner, managing

member or chief executive officer of Borrowers, as applicable (and the same rules shall apply to any sole shareholder, general partner or managing member which is not an individual).

(e) Without limiting any other rights available to Lender under this Loan Agreement or any of the other Loan Documents, in the event Borrowers shall fail to timely furnish Lender any financial document or statement in accordance with this Section 5.11, Borrowers shall promptly pay to Lender a non-refundable charge in the amount of $250.00 for each such failure. The payment of such amount shall not be construed to relieve Borrowers of any Event of Default hereunder arising from such failure.

Section 5.12 Estoppel Statement. (a) After request by Lender, Borrowers shall within ten (10) Business Days furnish Lender with a statement, duly acknowledged and certified, setting forth (i) the amount of the original principal amount of the Note, (ii) the rate of interest on the Note, (iii) the unpaid principal amount of the Note, (iv) the date installments of interest and/or principal were last paid, (v) any offsets or defenses to the payment of the Debt, if any, and (vi) that the Note, this Agreement, the Mortgages and the other Loan Documents are valid, legal and binding obligations and have not been modified or if modified, giving particulars of such modification.

(b) Borrowers shall use their best efforts to deliver to Lender, promptly upon request, duly executed estoppel certificates from any one or more Major Tenants with respect to any Individual Property as required by Lender attesting to such facts regarding the related Lease as Lender may require, including, but not limited to attestations that each Lease covered thereby is in full force and effect with no defaults thereunder on the part of any party, that none of the Rents have been paid more than one month in advance, except as security, and that the Tenant claims no defense or offset against the full and timely performance of its obligations under the Lease.

Section 5.13 Leasing Matters. (a) Each Borrower may enter into a proposed Lease (including the renewal or extension of an existing Lease (a "Renewal Lease")) without the prior written consent of Lender, provided such proposed Lease or Renewal Lease (i) provides for rental rates and terms comparable to existing local market rates and terms and in accordance with commercially reasonable leasing standards for the self-storage industry, (ii) is an arm's-length transaction with a bona fide, independent third party tenant, (iii) does not have a materially adverse effect on the value of the related Individual Property taken as a whole, (iv) is subject and subordinate to the related Mortgage and the Tenant thereunder agrees to attorn to Lender, (v) does not contain any option, offer, right of first refusal, or other similar right to acquire all or any portion of the related Individual Property, and (vi) is written on the standard form of lease approved by Lender. All proposed Leases which do not satisfy the requirements set forth in this subsection shall be subject to the prior approval of Lender and its counsel, at Borrowers' expense. Each Borrower shall promptly deliver to Lender copies of all Leases which are entered into pursuant to this subsection together with such Borrower's certification that it has satisfied all of the conditions of this Section.

(b) Each Borrower (i) shall observe and perform all the obligations imposed upon the landlord under the Leases and shall not do or permit to be done anything to impair the value of any of the Leases as security for the Debt; (ii) shall promptly send copies to Lender of

all notices of default which such Borrower shall send or receive thereunder; (iii) shall enforce all of the material terms, covenants and conditions contained in the Leases upon the part of the tenant thereunder to be observed or performed; (iv) shall not collect any of the Rents more than one (1) month in advance (except security deposits shall not be deemed Rents collected in advance); (v) shall not execute any other assignment of the landlord's interest in any of the Leases or the Rents; and (vi) shall not consent to any assignment of or subletting under any Leases not in accordance with their terms, without the prior written consent of Lender.

(c) Each Borrower may, without the consent of Lender, amend, modify or waive the provisions of any Lease or terminate, reduce Rents under, accept a surrender of space under, or shorten the term of, any Lease (including any guaranty, letter of credit or other credit support with respect thereto) *provided* that such action (taking into account, in the case of a termination, reduction in rent, surrender of space or shortening of term, the planned alternative use of the affected space) does not have a materially adverse effect on the value of the related Individual Property taken as a whole, and *provided* that such Lease, as amended, modified or waived, is otherwise in compliance with the requirements of this Agreement and any subordination agreement binding upon Lender with respect to such Lease. A termination of a Lease with a tenant who is in default beyond applicable notice and grace periods shall not be considered an action which has a materially adverse effect on the value of an Individual Property taken as a whole. Any amendment, modification, waiver, termination, rent reduction, space surrender or term shortening which does not satisfy the requirements set forth in this subsection shall be subject to the prior approval of Lender and its counsel, at the related Borrower's expense. Each Borrower shall promptly deliver to Lender copies of amendments, modifications and waivers which are entered into pursuant to this subsection together with such Borrower's certification that it has satisfied all of the conditions of this subsection.

(d) Notwithstanding anything contained herein to the contrary, Borrower shall not, without the prior written consent of Lender, enter into, renew, extend, amend, modify, waive any provisions of, terminate, reduce Rents under, accept a surrender of space under, or shorten the term of any Major Lease.

Section 5.14 Property Management.

(a) Each Borrower shall (i) promptly perform and observe all of the covenants required to be performed and observed by it under the related Management Agreement and do all things necessary to preserve and to keep unimpaired its material rights thereunder; (ii) promptly notify Lender of any default under the related Management Agreement of which it is aware; (iii) promptly deliver to Lender a copy of any notice of default or other material notice received by any Borrower under the related Management Agreement; (iv) promptly give notice to Lender of any notice or information that any Borrower receives which indicates that Manager is terminating the related Management Agreement or that Manager is otherwise discontinuing its management of the related Individual Property; and (v) promptly enforce the performance and observance of all of the covenants required to be performed and observed by Manager under the related Management Agreement.

(b) If at any time, (i) Manager shall become insolvent or a debtor in a bankruptcy proceeding; (ii) an Event of Default has occurred and is continuing; (iii) a default has

occurred and is continuing under any Management Agreement, the related Borrower shall, at the request of Lender terminate the **related** Management Agreement upon thirty (30) days prior notice to Manager and replace Manager with a Qualified Manager approved by Lender on terms and conditions satisfactory to Lender, it being understood and agreed that the management fee for such replacement manager shall not exceed then prevailing market rates.

(c) In addition to the foregoing, in the event that Lender, in Lender's reasonable discretion, at any time prior to the termination of the Assignment of Management Agreement, determines that an Individual Property is not being managed in accordance with generally accepted management practices for projects similarly situated, Lender may deliver written notice thereof to the related Borrower and Manager, which notice shall specify with particularity the grounds for Lender's determination. If Lender reasonably determines that the conditions specified in Lender's notice are not remedied to Lender's reasonable satisfaction by the related Borrower or Manager within thirty (30) days from the date of such notice or that the related Borrower or Manager have failed to diligently undertake correcting such conditions within such thirty (30) day period, Lender may direct the related Borrower to terminate the related Management Agreement and to replace Manager with a Qualified Manager approved by Lender on terms and conditions satisfactory to Lender, it being understood and agreed that the management fee for such replacement manager shall not exceed then prevailing market rates.

(d) No Borrower shall, without the prior written consent of Lender (which consent shall not be unreasonably withheld, conditioned or delayed): (i) surrender, terminate or cancel any Management Agreement or otherwise replace Manager or enter into any other management agreement with respect to the related Individual Property; (ii) reduce or consent to the reduction of the term of the Management Agreement; (iii) increase or consent to the increase of the amount of any charges under the Management Agreement; or (iv) otherwise modify, change, supplement, alter or amend, or waive or release any of its rights and remedies under, the Management Agreement in any material respect. In the event that a Borrower replaces Manager at any time during the term of the Loan pursuant to this subsection, such Manager shall be a Qualified Manager.

(e) If during the term of the Loan the a Borrower replaces the Manager with a new property manager that is an Affiliated Manager, the Borrowers shall deliver to Lender an opinion as to non-consolidation issues between the Borrowers and such Affiliated Manager, such opinion to be acceptable to the Lender and the Rating Agencies.

Section 5.15 Liens. No Borrower shall, without the prior written consent of Lender, create, incur, assume or suffer to exist any Lien on any portion of any Individual Property or permit any such action to be taken, except Permitted Encumbrances.

Section 5.16 Debt Cancellation. No Borrower shall cancel or otherwise forgive or release any claim or debt (other than termination of Leases in accordance herewith) owed to such Borrower by any Person, except for adequate consideration and in the ordinary course of such Borrower's business.

Section 5.17 Zoning. No Borrower shall initiate or consent to any zoning reclassification of any portion of the related Individual Property or seek any variance under any

existing zoning ordinance or use or permit the use of any portion of the related Individual Property in any manner that could result in such use becoming a non-conforming use under any zoning ordinance or any other applicable land use law, rule or regulation, without the prior consent of Lender.

Section 5.18 ERISA. (a) No Borrower shall engage in any transaction which would cause any obligation, or action taken or to be taken, hereunder (or the exercise by Lender of any of its rights under the Note, this Agreement or the other Loan Documents) to be a non-exempt (under a statutory or administrative class exemption) prohibited transaction under ERISA.

(b) Each Borrower further covenants and agrees to deliver to Lender such certifications or other evidence from time to time throughout the term of the Loan, as requested by Lender in its sole discretion, that (i) such Borrower is not and does not maintain an "employee benefit plan" as defined in Section 3(3) of ERISA, which is subject to Title I of ERISA, or a "governmental plan" within the meaning of Section 3(3) of ERISA; (ii) such Borrower is not subject to state statutes regulating investments and fiduciary obligations with respect to governmental plans; and (iii) one or more of the following circumstances is true:

(A) Equity interests in such Borrower are publicly offered securities, within the meaning of 29 C.F.R. §2510.3-101(b)(2);

(B) Less than twenty-five percent (25%) of each outstanding class of equity interests in such Borrower are held by "benefit plan investors" within the meaning of 29 C.F.R. §2510.3-101(f)(2); or

(C) Such Borrower qualifies as an "operating company" or a "real estate operating company" within the meaning of 29 C.F.R. §2510.3-101(c) or (e).

Section 5.19 No Joint Assessment. No Borrower shall suffer, permit or initiate the joint assessment of the related Individual Property with (a) any other real property constituting a tax lot separate from the related Individual Property, or (b) any portion of the related Individual Property which may be deemed to constitute personal property, or any other procedure whereby the Lien of any taxes which may be levied against such personal property shall be assessed or levied or charged to the related Individual Property.

Section 5.20 Reciprocal Easement Agreements. No Borrower shall enter into, terminate or modify any REA without Lender's prior written consent, which consent shall not be unreasonably withheld, conditioned or delayed. Each Borrower shall enforce, comply with, and cause each of the parties to the REA to comply with all of the material economic terms and conditions contained in the REA.

Section 5.21 Alterations. Lender's prior approval shall be required in connection with any alterations to any Improvements, exclusive of alterations to tenant spaces required under any Lease, (a) that may have a material adverse effect on any Individual Property, (b) that are structural in nature, or (c) that, together with any other alterations undertaken at the same time (including any related alterations, improvements or replacements), are reasonably anticipated to have a cost in excess of the Alteration Threshold. If the total unpaid amounts

incurred and to be incurred with respect to such alterations to the Improvements shall at any time exceed the Alteration Threshold, the related Borrower shall promptly deliver to Lender as security for the payment of such amounts and as additional security for such Borrower's obligations under the Loan Documents any of the following: (i) cash, (ii) direct non-callable obligations of the United States of America or other obligations which are "government securities" within the meaning of Section 2(a)(16) of the Investment Company Act of 1940, to the extent acceptable to the applicable Rating Agencies, (iii) other securities acceptable to Lender and the Rating Agencies, or (iv) a completion bond, *provided* that such completion bond is acceptable to the Lender and the Rating Agencies. Such security shall be in an amount equal to the excess of the total unpaid amounts incurred and to be incurred with respect to such alterations to the Improvements over the Alteration Threshold.

Section 5.22 Trade Indebtedness. Each Borrower shall pay its trade payables and operational debt upon the earlier to occur of (a) sixty (60) days of the date incurred, and (b) the date the same is due and payable.

Section 5.23 Intentionally Reserved.

Section 5.24 Redevelopment Agreement. Fontana Borrower shall comply with all of the terms and conditions set forth in that certain "Poplar Mini Storage Owner Participation Agreement", dated as of September 18, 2001, between the Fontana Redevelopment Agency, a California public agency and Lock and Load Self Storage LLC, a California limited liability company ("Prior Owner"), as amended and assigned pursuant to that certain Assignment of the Owner Participation Agreement, effective as of July 8, 2002, by and between the Prior Owner and Fontana Borrower (as the same may be further amended or otherwise modified from time to time, the "Redevelopment Agreement"). Fontana Borrower shall send to Lender copies of all notices sent and received under Redevelopment Agreement. Fontana Borrower shall not amend or modify the Redevelopment Agreement in any manner without the prior written consent of Lender.

Section 5.25 Parking Striping. Within thirty (30) days of the Closing Date, the Fontana Borrower shall cause two (2) additional parking spaces to be striped at the Fontana Property. Upon completion of such striping, the Fontana Borrower shall deliver acceptable evidence of completion to Lender as Lender may require (which evidence shall include, but not be limited to, a certification from the Fontana Borrower.

Section 5.26 Environmental Insurance Policy. Within thirty (30) days of the Closing Date, Borrowers shall add Lender, together with its successors and assigns as an additional insured to the environmental insurance policy in place at the Doylestown Property and shall deliver evidence of the same together with a copy of such insurance policy.

ARTICLE VI

ENTITY COVENANTS

Section 6.1 Single Purpose Entity/Separateness. Until the Debt has been paid in full, each Borrower represents, warrants and covenants as follows:

(a) Each Borrower has not and will not:

(i) engage in any business or activity other than the ownership, operation and maintenance of the related Individual Property, and activities incidental thereto;

(ii) acquire or own any assets other than (A) the applicable Individual Property, and (B) such incidental Personal Property as may be necessary for the operation of such Individual Property;

(iii) merge into or consolidate with any Person, or dissolve, terminate, liquidate in whole or in part, transfer or otherwise dispose of all or substantially all of its assets or change its legal structure;

(iv) fail to observe all applicable organizational formalities, or fail to preserve its existence as an entity duly organized, validly existing and in good standing (if applicable) under the applicable Legal Requirements of the jurisdiction of its organization or formation, or amend, modify, terminate or fail to comply with the provisions of its organizational documents;

(v) own any subsidiary, or make any investment in, any Person;

(vi) commingle its assets with the assets of any other Person;

(vii) incur any debt, secured or unsecured, direct or contingent (including guaranteeing any obligation), other than (A) the Debt, (B) trade and operational indebtedness incurred in the ordinary course of business with trade creditors, provided such indebtedness is (1) unsecured, (2) not evidenced by a note, (3) on commercially reasonable terms and conditions, and (4) due not more than sixty (60) days past the date incurred and paid on or prior to such date, and/or (C) financing leases and purchase money indebtedness incurred in the ordinary course of business relating to Personal Property on commercially reasonable terms and conditions; *provided*, *however*, the aggregate amount of the indebtedness described in (B) and (C) shall not exceed at any time three percent (3%) of the outstanding principal amount of the Note;

(viii) fail to maintain its records, books of account, bank accounts, financial statements, accounting records and other entity documents separate and apart from those of any other Person; except that each Borrower's financial position, assets, liabilities, net worth and operating results may be included in the consolidated financial statements of an Affiliate, *provided* that such consolidated financial statements contain a footnote indicating that such Borrower is a separate legal entity and that it maintains separate books and records;

(ix) enter into any contract or agreement with any general partner, member, shareholder, principal, guarantor of the obligations of any Borrower, or any Affiliate of the foregoing, except upon terms and conditions that are intrinsically fair, commercially reasonable and substantially similar to those that would be available on an arm's-length basis with unaffiliated third parties;

(x) maintain its assets in such a manner that it will be costly or difficult to segregate, ascertain or identify its individual assets from those of any other Person;

(xi) assume or guaranty the debts of any other Person, hold itself out to be responsible for the debts of any other Person, or otherwise pledge its assets for the benefit of any other Person or hold out its credit as being available to satisfy the obligations of any other Person except, in each case, as provided by the Loan Documents;

(xii) make any loans or advances to any Person;

(xiii) fail to file its own tax returns or files a consolidated federal income tax return with any Person (unless prohibited or required, as the case may be, by applicable Legal Requirements);

(xiv) fail either to hold itself out to the public as a legal entity separate and distinct from any other Person or to conduct its business solely in its own name or fail to correct any known misunderstanding regarding its separate identity;

(xv) fail to maintain adequate capital for the normal obligations reasonably foreseeable in a business of its size and character and in light of its contemplated business operations;

(xvi) if it is a partnership or limited liability company, without the unanimous written consent of all of its partners or members, as applicable, (a) file or consent to the filing of any petition, either voluntary or involuntary, to take advantage of any Creditors Rights Laws, (b) seek or consent to the appointment of a receiver, liquidator or any similar official, (c) take any action that might cause such entity to become insolvent, or (d) make an assignment for the benefit of creditors;

(xvii) fail to allocate shared expenses (including, without limitation, shared office space and services performed by an employee of an Affiliate) among the Persons sharing such expenses or to use separate stationery, invoices and checks;

(xviii) fail to remain solvent or pay its own liabilities (including, without limitation, salaries of its own employees) only from its own funds;

(xix) acquire obligations or securities of its partners, members, shareholders or other affiliates, as applicable;

(xx) violate or cause to be violated the assumptions made with respect to Borrower and its principals in any opinion letter pertaining to substantive consolidation delivered to Lender in connection with the Loan; or

(xxi) fail to maintain a sufficient number of employees in light of its contemplated business operations.

(b) If a Borrower is a partnership or a limited liability company (other than a single-member Delaware limited liability company that meets all of the requirements of

Sections 6.1(c) and 6.1(d) of this Agreement), each general partner in the case of a general partnership, at least one general partner in the case of a limited partnership, or the managing member in the case of a limited liability company (each an "SPE Component Entity") of such Borrower, as applicable, shall be a corporation or a Delaware limited liability company meeting all of the requirements of Sections 6.1(c) and 6.1(d). The sole asset of an SPE Component Entity (if any) shall be a direct interest in such Borrower of not less than one-half of one percent (0.5%). Each SPE Component Entity (i) will at all times comply with each of the covenants, terms and provisions contained in Section 6.l(a)(iii) - (vi) and (viii) - (xxi), as if such representation, warranty or covenant was made directly by such SPE Component Entity; (ii) will not engage in any business or activity other than owning an interest in such Borrower; (iii) will not acquire or own any assets other than its partnership, membership, or other equity interest in such Borrower; (iv) will not incur any debt, secured or unsecured, direct or contingent (including guaranteeing any obligation); and (v) will cause such Borrower to comply with the provisions of this Section 6.1. Prior to the withdrawal or the disassociation of any SPE Component Entity from such Borrower, such Borrower shall immediately appoint a new general partner or managing member whose articles of incorporation or limited liability company agreement are substantially similar to those of such SPE Component Entity and, if an opinion letter pertaining to substantive consolidation was required at closing, deliver a new opinion letter acceptable to Lender and the Rating Agencies with respect to the new SPE Component Entity and its equity owners. Notwithstanding the foregoing, to the extent a Borrower is a single member Delaware limited liability company, so long as such Borrower maintains such formation status and complies with the requirements of Section 6.1(c) and 6.1(d) hereof, no SPE Component Entity shall be required.

(c) In the event a Borrower or a SPE Component Entity (if any) is a single-member Delaware limited liability company that has only one (1) member or, in the case of Extra Space Properties Five LLC, two (2) members, the limited liability company agreement of such entity (the "LLC Agreement") shall provide that (i) upon the occurrence of any event that causes the sole member of such entity ("Member") to cease to be the member of such entity (other than (A) upon an assignment by Member of all of its limited liability company interest in such entity and the admission of the transferee, or (B) the resignation of Member and the admission of an additional member in either case in accordance with the terms of the Loan Documents and the LLC Agreement), a specified person who is not an equity member of such Borrower and who has signed the LLC Agreement shall without any action of any other Person and simultaneously with the Member ceasing to be the member of such entity, automatically be admitted to such entity ("Special Member") and shall continue such entity without dissolution and (ii) Special Member may not resign from such entity or transfer its rights as Special Member unless a successor Special Member has been admitted to such entity as Special Member in accordance with requirements of Delaware law. The LLC Agreement shall further provide that (i) Special Member shall automatically cease to be a member of such entity upon the admission to such entity of a substitute Member, (ii) Special Member shall be a member of such entity that has no interest in the profits, losses and capital of such entity and has no right to receive any distributions of such entity assets, (iii) pursuant to Section 18-301 of the Delaware Limited Liability Company Act (the "Act"), Special Member shall not be required to make any capital contributions to such entity and shall not receive a limited liability company interest in such entity, (iv) Special Member, in its capacity as Special Member, may not bind such entity, and (v) except as required by any mandatory provision of the Act, Special Member, in its capacity as

Special Member, shall have no right to vote on, approve or otherwise consent to any action by, or matter relating to, such entity, including, without limitation, the merger, consolidation or conversion of such entity. In order to implement the admission to such entity of Special Member, Special Member shall execute a counterpart to the LLC Agreement. Prior to its admission to such entity as Special Member, Special Member shall not be a member of such entity.

(d) In the event a Borrower or SPE Component entity (if any) is a Delaware limited liability company having only one (1) member ("Member"), upon the occurrence of any event that causes the Member to cease to be a member of such entity, to the fullest extent permitted by law, the personal representative of Member shall, within ninety (90) days after the occurrence of the event that terminated the continued membership of Member in such entity, agree in writing (i) to continue such entity and (ii) to the admission of the personal representative or its nominee or designee, as the case may be, as a substitute member of such entity, effective as of the occurrence of the event that terminated the continued membership of Member of such entity in such entity. Any action initiated by or brought against Member or Special Member under any Creditors Rights Laws shall not cause Member or Special Member to cease to be a member of such entity and upon the occurrence of such an event, the business of such entity shall continue without dissolution. The LLC Agreement shall *provided* that each of Member and Special Member waives any right it might have to agree in writing to dissolve such entity upon the occurrence of any action initiated by or brought against Member or Special Member under any Creditors Rights Laws, or the occurrence of an event that causes Member or Special Member to cease to be a member of such entity.

(e) Each of the Borrowers shall at all times have as its sole member a limited liability company having organizational documents substantially similar to those of Extra Space Properties Five LLC at the time of the Closing Date.

Section 6.2 Change of Name, Identity or Structure. No Borrower shall change or permit to be changed (a) such Borrower's name, (b) such Borrower's identity (including its trade name or names), (c) such Borrower's principal place of business set forth on the first page of this Agreement, (d) the corporate, partnership or other organizational structure of such Borrower, each SPE Component Entity (if any), or Borrower Principal, (e) such Borrower's state of organization, or (f) such Borrower's organizational identification number, without in each case notifying Lender of such change in writing at least thirty (30) days prior to the effective date of such change and, in the case of a change in any Borrower's structure, without first obtaining the prior written consent of Lender. In addition, no Borrower shall change or permit to be changed any organizational documents of any Borrower or any SPE Component Entity (if any) if such change would violate, cause such organizational documents to conflict with, or otherwise adversely impact the covenants set forth in Section 6.1 hereof. Borrowers authorize Lender to file any financing statement or financing statement amendment required by Lender to establish or maintain the validity, perfection and priority of the security interest granted herein. At the request of Lender, each Borrower shall execute a certificate in form satisfactory to Lender listing the trade names under which such Borrower intends to operate the related Individual Property, and representing and warranting that such Borrower does business under no other trade name with respect to the related Individual Property. If any Borrower does not now have an organizational identification number and later obtains one, or if the organizational identification

number assigned to such Borrower subsequently changes, such Borrower shall promptly notify Lender of such organizational identification number or change.

Section 6.3 Business and Operations. Borrowers will qualify to do business and will remain in good standing under the laws of the State as and to the extent the same are required for the ownership, maintenance, management and operation of each Individual Property.

Section 6.4 Backwards Representations as to each Borrower.

(a) Borrower Entity. Each Borrower hereby represents with respect to each Borrower that from the date of such entity's respective formation to the date of this Agreement:

1. is and always has been duly formed, validly existing, and in good standing in the state of its formation and in all other jurisdictions where it is qualified to do business;
2. has no judgments or liens of any nature against it except for tax liens not yet due;
3. is in compliance with all laws, regulations, and orders applicable to it and has received all permits necessary for it to operate;
4. is not involved in any dispute with any taxing authority;
5. has paid all taxes which it owes;
6. has never owned any real property other than the applicable Individual Property and Personal Property necessary or incidental to its ownership or operation of the Individual Property and has never engaged in any business other than the ownership and operation of the Individual Property;
7. is not now, nor has ever been, party to any lawsuit, arbitration, summons, or legal proceeding that is still pending or that resulted in a judgment against it that has not been paid in full;
8. has provided Lender with complete financial statements that reflect a fair and accurate view of the entity's financial condition;
9. has prepared a Phase One environmental report(s) for each Individual Property and no such environmental report has recommended further testing or remediation of any area of environmental concern which has not been corrected in full.;
10. has materially complied with the separateness covenants referred to in the Nonconsolidation Opinion since its formation; and

11. has no material contingent or actual obligations not related to the Individual Property; and

(b) Borrower Separateness. Each Borrower hereby represents from the date of such entity's respective formation to the date of this Agreement that it:

1. has not entered into any contract or agreement with any of its Affiliates, constituents, or owners, or any guarantors of any of its obligations or any Affiliate of any of the foregoing (individually, a "Related Party" and collectively, the "Related Parties"), except upon terms and conditions that are commercially reasonable and substantially similar to those available in an arm's-length transaction with an unrelated party;
2. has paid all of its debts and liabilities from its assets;
3. has done or caused to be done all things necessary to observe all organizational formalities applicable to it and to preserve its existence;
4. has maintained all of its books, records, financial statements and bank accounts separate from those of any other Person;
5. has not had its assets listed as assets on the financial statement of any other Person;
6. has filed its own tax returns (except to the extent that it has been a tax-disregarded entity not required to file tax returns under applicable law, or has properly filed a consolidated tax return) and, if it is a corporation, has not filed a consolidated federal income tax return with any other Person;
7. has been, and at all times has held itself out to the public as, a legal entity separate and distinct from any other Person (including any Affiliate or other Related Party);
8. has corrected any known misunderstanding regarding its status as a separate entity;
9. has conducted all of its business and held all of its assets in its own name;
10. has not identified itself or any of its affiliates as a division or part of the other;
11. has maintained and utilized separate stationery, invoices and checks bearing its own name;
12. has not commingled its assets with those of any other Person and has held all of its assets in its own name;
13. has not guaranteed or become obligated for the debts of any other Person;

14. has not held itself out as being responsible for the debts or obligations of any other Person;

15. has allocated fairly and reasonably any overhead expenses that have been shared with an Affiliate, including paying for office space and services performed by any employee of an Affiliate or Related Party;

16. has not pledged its assets to secure the obligations of any other Person and no such pledge remains outstanding except in connection with the Loan;

17. has maintained adequate capital in light of its contemplated business operations;

18. has maintained a sufficient number of employees in light of its contemplated business operations and has paid the salaries of its own employees from its own funds;

19. has not owned any subsidiary or any equity interest in any other entity;

20. has not incurred any indebtedness that is still outstanding other than indebtedness that is permitted under the Loan Documents; and

21. has not had any of its obligations guaranteed by an affiliate, except for guarantees that have been either released or discharged (or that will be discharged as a result of the closing of the Loan) or guarantees that are expressly contemplated by the Loan Documents.

Section 6.5 Backwards Representations as to Extra Space Properties Five LLC, a Delaware limited liability company ("Sole Member").

(a) Entity. Each Borrower represents that with respect to Extra Space Properties Five, LLC from the date of such entity's formation on August 7, 2002 to the date of this Agreement that such entity:

1. is and always has been duly formed, validly existing, and in good standing in the state of its formation and in all other jurisdictions where it is qualified to do business;

2. has no judgments or liens of any nature against it except for tax liens not yet due;

3. is in compliance with all laws, regulations, and orders applicable to it and has received all permits necessary for it to operate;

4. is not involved in any dispute with any taxing authority;

5. has paid all taxes which it owes;

6. has never owned any property other than its membership interests as the sole member of each of the Borrowers and such necessary or incidental to its ownership of such membership interests and has never engaged in any business other than the ownership such membership interests;

7. is not now, nor has ever been, party to any lawsuit, arbitration, summons, or legal proceeding that is still pending or that resulted in a judgment against it that has not been paid in full;

8. has provided Lender with complete financial statements that reflect a fair and accurate view of the entity's financial condition;

9. intentionally reserved;

10. has materially complied with the separateness covenants referred to in the non-consolidation opinion since its formation; and

11. has no material contingent or actual obligations not related to the ownership of the membership interests in Borrowers; and

(b) Separateness. Each Borrower represents with respect to Extra Space Properties Five, LLC from the date of such entity's formation on August 7, 2002 to the date of this Agreement that such entity:

1. has not entered into any contract or agreement with any of its Affiliates, constituents, or owners, or any guarantors of any of its obligations or any Affiliate of any of the foregoing (individually, a "Sole Member Related Party" and collectively, the "Sole Member Related Parties"), except upon terms and conditions that are commercially reasonable and substantially similar to those available in an arm's-length transaction with an unrelated party;

2. has paid all of its debts and liabilities from its assets;

3. has done or caused to be done all things necessary to observe all organizational formalities applicable to it and to preserve its existence;

4. has maintained all of its books, records, financial statements and bank accounts separate from those of any other Person;

5. has not had its assets listed as assets on the financial statement of any other Person;

6. has filed its own tax returns (except to the extent that it has been a tax- disregarded entity not required to file tax returns under applicable law, or has properly filed a consolidated tax return) and, if it is a corporation, has not filed a consolidated federal income tax return with any other Person;

7. has been, and at all times has held itself out to the public as, a legal entity separate and distinct from any other Person (including any Affiliate or other Sole Member Related Party);
8. has corrected any known misunderstanding regarding its status as a separate entity;
9. has conducted all of its business and held all of its assets in its own name;
10. has not identified itself or any of its affiliates as a division or part of the other;
11. has maintained and utilized separate stationery, invoices and checks bearing its own name;
12. has not commingled its assets with those of any other Person and has held all of its assets in its own name;
13. has not guaranteed or become obligated for the debts of any other Person;
14. has not held itself out as being responsible for the debts or obligations of any other Person;
15. has allocated fairly and reasonably any overhead expenses that have been shared with an Affiliate, including paying for office space and services performed by any employee of an Affiliate or Sole Member Related Party;
16. has not pledged its assets to secure the obligations of any other Person and no such pledge remains outstanding except in connection with the Loan;
17. has maintained adequate capital in light of its contemplated business operations;
18. has maintained a sufficient number of employees in light of its contemplated business operations and has paid the salaries of its own employees from its own funds;
19. has not owned any subsidiary or any equity interest in any other entity other than in each Borrower;
20. has not incurred any indebtedness that is still outstanding other than indebtedness that is permitted under the Loan Documents; and
21. has not had any of its obligations guaranteed by an affiliate, except for guarantees that have been either released or discharged (or that will be discharged as a result of the closing of the Loan) or guarantees that are expressly contemplated by the Loan Documents or those certain obligations set forth in Section 11.2 of its operating agreement which have been guaranteed to Equibase Mini Warehouse LLC by Kenneth M. Woolley and Extra Space Storage LLC.

ARTICLE VII

NO SALE OR ENCUMBRANCE

Section 7.1 Transfer Definitions. For purposes of this Article 7 an "Affiliated Manager" shall mean Extra Space Management, LLC or any managing agent in which any Borrower, Borrower Principal, any SPE Component Entity (if any) or any affiliate of such entities has, directly or indirectly, any legal, beneficial or economic interest; "Control" shall mean the power to direct the management and policies of a Restricted Party, directly or indirectly, whether through the ownership of voting securities or other beneficial interests, by contract or otherwise; "Restricted Party" shall mean any Borrower, Borrower Principal, any SPE Component Entity (if any), any Affiliated Manager, or any shareholder, partner, member or non-member manager, or any direct or indirect legal or beneficial owner of any Borrower, Borrower Principal, any SPE Component Entity (if any), any Affiliated Manager or any non-member manager but shall exclude Equibase Mini Warehouse LLC, a Delaware limited liability company; and a "Sale or Pledge" shall mean a voluntary or involuntary sale, conveyance, mortgage, grant, bargain, encumbrance, pledge, assignment, grant of any options with respect to, or any other transfer or disposition of (directly or indirectly, voluntarily or involuntarily, by operation of law or otherwise, and whether or not for consideration or of record) of a legal or beneficial interest.

Section 7.2 No Sale/Encumbrance. Subject to the provisions of Section 7.3, (a) No Borrower shall cause or permit a transfer of the Property nor permit a transfer of an interest in any Restricted Party (in each case, a "Prohibited Transfer"), other than pursuant to Leases of space in the Improvements to Tenants in accordance with the provisions of Section 5.13, without the prior written consent of Lender.

(b) A Prohibited Transfer shall include, but not be limited to, (i) an installment sales agreement wherein a Borrower agrees to sell an Individual Property or any part thereof for a price to be paid in installments; (ii) an agreement by a Borrower leasing all or a substantial part of the related Individual Property for other than actual occupancy by a space tenant thereunder or a sale, assignment or other transfer of, or the grant of a security interest in, Borrower's right, title and interest in and to any Leases or any Rents; (iii) if a Restricted Party is a corporation, any merger, consolidation or Sale or Pledge of such corporation's stock or the creation or issuance of new stock in one or a series of transactions; (iv) if a Restricted Party is a limited or general partnership or joint venture, any merger or consolidation or the change, removal, resignation or addition of a general partner or the Sale or Pledge of the partnership interest of any general or limited partner or any profits or proceeds relating to such partnership interests or the creation or issuance of new partnership interests; (v) if a Restricted Party is a limited liability company, any merger or consolidation or the change, removal, resignation or addition of a managing member or non-member manager other than Kenneth M. Woolley or Kent W. Christensen or Charles L. Allen (or if no managing member, any member) or the Sale or Pledge of the membership interest of any member or any profits or proceeds relating to such membership interest; (vi) if a Restricted Party is a trust or nominee trust, any merger,

consolidation or the Sale or Pledge of the legal or beneficial interest in a Restricted Party or the creation or issuance of new legal or beneficial interests; or (vii) the removal or the resignation of the Manager (including, without limitation, an Affiliated Manager) other than in accordance with Section 5.14.

Section 7.3 Permitted Transfers. (a) Notwithstanding the provisions of Section 7.2, the following transfers shall not be deemed to be a Prohibited Transfer: (i) a transfer by devise or descent or by operation of law upon the death of a member, partner or shareholder of a Restricted Party; (ii) the Sale or Pledge, in one or a series of transactions, of not more than forty-nine percent (49%) of the stock, limited partnership interests or non-managing membership interests (as the case may be) in a Restricted Party other than any Borrower except in connection with the transfers described in clauses (iii), (iv) and (v) below and the REIT OP Transfers (as defined below); (iii) the sale, pledge, transfer, conversion, issuance or redemption of publicly-traded securities in any publicly traded parent of any Borrower or of the securities issued by the REIT or the REIT OP (as defined below) provided the REIT controls the REIT OP, and the REIT is controlled by the holders of its publicly traded securities which are listed on the New York Stock Exchange or such other nationally recognized stock exchange; (iv) the conversion of the REIT OP (as defined below) units into securities of the REIT; or (v) a buy out by Extra Space Storage LLC, a Delaware limited liability company ("ESS") of any or all of the membership interests held by David Husman and Michael Husman in Extra Space V LLC, a Delaware limited liability company ("Extra Space V") and/or a buy out by Extra Space V of any or all of the membership interests held by Equibase Mini Warehouse LLC, a Delaware limited liability company in Extra Space Properties Five LLC, a Delaware limited liability company ("Extra Space Five") and the related assignment of Extra Space V's membership interests in Extra Space Five to ESS (if such related assignment shall occur); provided, however, except as otherwise specifically permitted in this Section 7.3 (a)(iii), (iv) and (v), no such transfers shall result in a change in Control in the Restricted Party or change in control of the Property or cause the transferee to own, together with its Affiliates, an aggregated interest in any Borrower or SPE Component Entity (if any), of greater than forty-nine percent (49%), whether such interest is direct or indirect, and as a condition to each such transfer described in clauses (a)(i), (ii) and (v) above, Lender shall receive not less than thirty (30) days prior written notice of such proposed transfer and Lender shall be reimbursed for all expenses (including legal fees) incurred by Lender in connection with all transfers permitted under this Section 7.3.

(b) In addition to and notwithstanding anything to the contrary contained in this Section 7.3, (i) ESS shall continue to own, directly or indirectly, the amount of the beneficial interests in Borrowers it owns as of the Closing Date and (ii) Kenneth M. Woolley ("Woolley") shall continue to own, directly or indirectly, prior to the REIT IPO Transfers, at least ten 10% of the beneficial interests in ESS and Control, directly or indirectly, Borrowers (and after the REIT IPO Transfers, each Individual Property shall be managed by a Qualified Manager in the event Woolley does not own such beneficial interests in ESS and does not Control the Borrowers). Except as otherwise specifically permitted in Section 7.3(a)(iii), (iv) and (v), any transfer that results in any Person owning in excess of forty-nine percent (49%) of the ownership interest in a Restricted Party shall comply with the requirements of Section 7.4 hereof.

(c) Additionally, the following transfers shall not be considered Prohibited Transfers: transfers of membership interests in ESS to (i) a newly-formed corporation (A) which

has one or more classes of shares or other ownership interests that are registered with the Securities Exchange Commission and are publicly traded on a national securities exchange or in the over-the-counter securities market and (B) has the status of a real estate investment trust, as defined in Section 856(a) of the Internal Revenue Code and which satisfies the conditions and limitations set forth in Section 856(b) and 856(c) of the Internal Revenue Code ("REIT"), (ii) a newly-formed limited partnership controlled by the REIT formed for the purpose of functioning as the REIT's operating partnership (a "REIT OP") or (iii) a newly formed Massachusetts business trust formed as a subsidiary of the REIT for the purpose of being the general partner and/or the limited partner of the REIT OP ("REIT TRUST") (collectively, the "REIT IPO Transfers"), subject to satisfaction of the following conditions: (1) at all times the REIT or the REIT OP continues to own and control ESS, and ESS continues to own, directly or indirectly, all of Borrowers; (2) at all times the Borrowers shall be Controlled by Woolley or the REIT or the REIT OP (and a Qualified Manager shall manage each Individual Property); (3) Lender's receipt of written confirmation from the Rating Agencies that such transfer will not result in a downgrade, withdrawal or qualification of the initial, or if higher, then current ratings issued in connection with a Securitization, or if a Securitization has not occurred, any ratings to be assigned in connection with a Securitization and (4) Lender shall be reimbursed for all expenses (including legal fees) incurred by Lender in connection with the REIT IPO Transfers and Lender shall have received payment of a $10,000.00 processing fee.

(d) Woolley, as Borrower Principal, may be replaced by a Replacement Borrower Principal (as defined below) upon Borrowers' request and upon (i) Borrowers' satisfaction of the conditions in clauses Section 7.3(c) above, (ii) Lender's receipt of such documentation as Lender may require, each executed and delivered by the Replacement Borrower Principal (defined below), and (iii) Lender's determination that no actual pending or threatened actions or claims then exist against Lender, any Borrower or any Individual Property. Upon the satisfaction of all of the conditions in the immediately preceding sentence, Woolley shall be released from (y) liability as a Borrower Principal under Articles IV, V, XV and XVIII and Section 13.4 and such other provisions of this Agreement as to matters which occur after Woolley is replaced by the Replacement Borrower Principal, and (z) liability for matters arising under Section 12.6 of this Agreement and under the Environmental Indemnity Agreement as to matters which occur after Woolley is replaced by the Replacement Borrower Principal; provided, however, Woolley shall remain liable for actions that occurred prior to such replacement and for actions that arise after such replacement but the causes of which occurred while Woolley was Borrower Principal. As used above, "Replacement Borrower Principal" shall mean the REIT OP.

Section 7.4 Lender's Rights. Lender reserves the right to condition the consent to a Prohibited Transfer requested hereunder upon (a) a modification of the terms hereof and on assumption of the Note and the other Loan Documents as so modified by the proposed Prohibited Transfer, (b) receipt of payment of a transfer fee equal to one percent (1%) of the outstanding principal balance of the Loan and all of Lender's expenses incurred in connection with such Prohibited Transfer, (c) receipt of written confirmation from the Rating Agencies that the Prohibited Transfer will not result in a downgrade, withdrawal or qualification of the initial, or if higher, then current ratings issued in connection with a Securitization, or if a Securitization has not occurred, any ratings to be assigned in connection with a Securitization, (d) the proposed transferee's continued compliance with the covenants set forth in this Agreement (including,

without limitation, the covenants in Article 6) and the other Loan Documents, (e) a new manager for the applicable Individual Property and a new management agreement satisfactory to Lender, and (f) the satisfaction of such other conditions and/or legal opinions as Lender shall determine in its sole discretion to be in the interest of Lender. All expenses incurred by Lender shall be payable by Borrowers whether or not Lender consents to the Prohibited Transfer. Lender shall not be required to demonstrate any actual impairment of its security or any increased risk of default hereunder in order to declare the Debt immediately due and payable upon a Prohibited Transfer made without Lender's consent. This provision shall apply to each and every Prohibited Transfer, whether or not Lender has consented to any previous Prohibited Transfer. Notwithstanding anything to the contrary contained in this Article 7, if any Sale, Pledge or other transfer of an interest in any Restricted Party (other than a transfer permitted under Section 7.3(a)(iii), (iv) or (v) or Section 7.3(c) results in any Person together with its Affiliates either having Control over any Restricted Party or owning an aggregated interest in excess of forty-nine percent (49%) of the ownership interests in a Restricted Party, whether such interest are direct or indirect, Borrowers shall, prior to such Sale, pledge or other transfer, and in addition to any other requirement for Lender consent contained herein, deliver a revised substantive non-consolidation opinion to Lender reflecting such transfer, which opinion shall be in form, scope and substance acceptable in all respects to Lender and the Rating Agencies .

Section 7.5 Assumption. Notwithstanding the foregoing provisions of this Article 7, following the date which is six (6) months from the Closing Date, Lender shall not unreasonably withhold consent to a transfer of the Property in its entirety to, and the related assumption of the Loan by, any Person (a "Transferee") *provided* that each of the following terms and conditions are satisfied:

(a) no Default or Event of Default has occurred;

(b) Borrowers shall have (i) delivered written notice to Lender of the terms of such prospective transfer not less than sixty (60) days before the date on which such transfer is scheduled to close and, concurrently therewith, all such information concerning the proposed Transferee as Lender shall reasonably require and (ii) paid to Lender a non-refundable processing fee in the amount of $10,000. Lender shall have the right to approve or disapprove the proposed transfer based on its then current underwriting and credit requirements for similar loans secured by similar properties which loans are sold in the secondary market, such approval not to be unreasonably withheld. In determining whether to give or withhold its approval of the proposed transfer, Lender shall consider the experience and track record of Transferee and its principals in owning and operating facilities similar to the Property, the financial strength of Transferee and its principals, the general business standing of Transferee and its principals and Transferee's and its principals' relationships and experience with contractors, vendors, tenants, lenders and other business entities; *provided, however,* that, notwithstanding Lender's agreement to consider the foregoing factors in determining whether to give or withhold such approval, such approval shall be given or withheld based on what Lender determines to be commercially reasonable and, if given, may be given subject to such conditions as Lender may deem reasonably appropriate;

(c) Borrowers shall have paid to Lender, concurrently with the closing of such transfer, (i) a non-refundable assumption fee in an amount equal to one percent (1.0%) of the

then outstanding principal balance of the Note, and (ii) all out-of-pocket costs and expenses, including reasonable attorneys' fees, incurred by Lender in connection with the transfer;

(d) Transferee assumes and agrees to pay the Debt as and when due subject to the provisions of Article 15 hereof and, prior to or concurrently with the closing of such transfer, Transferee and its constituent partners, members or shareholders as Lender may require, shall execute, without any cost or expense to Lender, such documents and agreements as Lender shall reasonably require to evidence and effectuate said assumption;

(e) Borrowers and Transferee, without any cost to Lender, shall furnish any information requested by Lender for the preparation of, and shall authorize Lender to file, new financing statements and financing statement amendments and other documents to the fullest extent permitted by applicable law, and shall execute any additional documents reasonably requested by Lender;

(f) Borrowers shall have delivered to Lender, without any cost or expense to Lender, such endorsements to Lender's Title Insurance Policy insuring that fee simple or leasehold title to the Property, as applicable, is vested in Transferee (subject to Permitted Encumbrances), hazard insurance endorsements or certificates and other similar materials as Lender may deem necessary at the time of the transfer, all in form and substance satisfactory to Lender;

(g) Transferee shall have furnished to Lender, if Transferee is a corporation, partnership, limited liability company or other entity, all appropriate papers evidencing Transferee's organization and good standing, and the qualification of the signers to execute the assumption of the Debt, which papers shall include certified copies of all documents relating to the organization and formation of Transferee and of the entities, if any, which are partners or members of Transferee. Transferee and such constituent partners, members or shareholders of Transferee (as the case may be), as Lender shall require, shall comply with the covenants set forth in Article 6 hereof;

(h) Transferee shall assume the obligations of Borrowers under any Management Agreement or provide a new management agreement with a new manager which meets with the requirements of Section 5.14 hereof and assign to Lender as additional security such new management agreement;

(i) Transferee shall furnish an opinion of counsel satisfactory to Lender and its counsel (A) that Transferee's formation documents provide for the matters described in subparagraph (g) above, (B) that the assumption of the Debt has been duly authorized, executed and delivered, and that the Note, the Mortgages, this Agreement, the assumption agreement and the other Loan Documents are valid, binding and enforceable against Transferee in accordance with their terms, (C) that Transferee and any entity which is a controlling stockholder, member or general partner of Transferee, have been duly organized, and are in existence and good standing, and (E) with respect to such other matters as Lender may reasonably request;

(j) if required by Lender, Lender shall have received confirmation in writing from the Rating Agencies that rate the Securities to the effect that the transfer will not result in a

qualification, downgrade or withdrawal of any rating initially assigned or to be assigned to the Securities;

(k) Borrowers' obligations under the contract of sale pursuant to which the transfer is proposed to occur shall expressly be subject to the satisfaction of the terms and conditions of this Section 7.5; and

(l) in the event a substantive non-consolidation opinion was required in connection with the closing of the Loan, Transferee shall, prior to such transfer, deliver a substantive non-consolidation opinion to Lender, which opinion shall be in form, scope and substance acceptable in all respects to Lender and the Rating Agencies.

A consent by Lender with respect to a transfer of the Property in its entirety to, and the related assumption of the Loan by, a Transferee pursuant to this Section 7.5 shall not be construed to be a waiver of the right of Lender to consent to any subsequent Sale or Pledge of the Property.

ARTICLE VIII

INSURANCE; CASUALTY; CONDEMNATION; RESTORATION

Section 8.1 Insurance.

(a) Borrowers shall obtain and maintain, or cause to be maintained, at all times insurance for each of the Borrowers and each of the Individual Properties providing at least the following coverages:

(i) comprehensive all risk insurance on the Improvements and the Personal Property, in each case (A) in an amount equal to one hundred percent (100%) of the "Full Replacement Cost," which for purposes of this Agreement shall mean actual replacement value (exclusive of costs of excavations, foundations, underground utilities and footings) with a waiver of depreciation; (B) containing an agreed amount endorsement with respect to the Improvements and Personal Property waiving all co-insurance provisions; (C) providing for no deductible in excess of $25,000 for all such insurance coverage; and (D) if any of the Improvements or the use of the Property shall at any time constitute legal non-conforming structures or uses, providing coverage for contingent liability from Operation of Building Laws, Demolition Costs and Increased Cost of Construction Endorsements and containing an "Ordinance or Law Coverage" or "Enforcement" endorsement. In addition, Borrowers shall obtain: (y) if any portion of the Improvements is currently or at any time in the future located in a "special flood hazard area" designated by the Federal Emergency Management Agency, flood hazard insurance in an amount equal to the maximum amount of such insurance available under the National Flood Insurance Act of 1968, the Flood Disaster Protection Act of 1973 or the National Flood Insurance Reform Act of 1994, as each may be amended; and (z) earthquake insurance in amounts and in form and substance reasonably satisfactory to Lender in the event any of the Individual Properties are located in an area with a high degree of seismic risk, *provided* that the insurance pursuant to clauses (y) and (z) hereof shall be on terms

consistent with the comprehensive all risk insurance policy required under this subsection (i);

(ii) Commercial General Liability insurance against claims for personal injury, bodily injury, death or property damage occurring upon, in or about each Individual Property, with such insurance (A) to be on the so-called "occurrence" form with a general aggregate limit of not less than $2,000,000 and a per occurrence limit of not less than $1,000,000; (B) to continue at not less than the aforesaid limit until required to be changed by Lender in writing by reason of changed economic conditions making such protection inadequate; and (C) to cover at least the following hazards: (1) premises and operations; (2) products and completed operations; (3) independent contractors; (4) blanket contractual liability; and (5) contractual liability covering the indemnities contained in Article 12 and Article 14 hereof to the extent the same is available;

(iii) loss of rents insurance or business income insurance, as applicable, (A) with loss payable to Lender; (B) covering all risks required to be covered by the insurance provided for in subsection (i) above; and (C) which provides that after the physical loss to the Improvements and Personal Property occurs, the loss of rents or income, as applicable, will be insured until such rents or income, as applicable, either return to the same level that existed prior to the loss, or the expiration of twenty-four (24) months, whichever first occurs, and notwithstanding that the policy may expire prior to the end of such period; and (D) which contains an extended period of indemnity endorsement which provides that after the physical loss to the Improvements and Personal Property has been repaired, the continued loss of income will be insured until such income either returns to the same level it was at prior to the loss, or the expiration of twelve (12) months from the date that the related Individual Property is repaired or replaced and operations are resumed, whichever first occurs, and notwithstanding that the policy may expire prior to the end of such period. For hotels, motels, health care, and other property types without a standard rent roll, the amount of business income insurance required shall be not less than twenty four (24) months of debt service, taxes, insurance, and other fixed expenses. The amount of such loss of rents or business income insurance, as applicable, shall be determined prior to the date hereof and at least once each year thereafter based on Borrowers' reasonable estimate of the gross income from the Individual Property for the succeeding period of coverage as required above. All proceeds payable to Lender pursuant to this subsection shall be held by Lender and shall be applied to the obligations secured by the Loan Documents from time to time due and payable hereunder and under the Note; *provided, however,* that nothing herein contained shall be deemed to relieve Borrower of its obligations to pay the obligations secured by the Loan Documents on the respective dates of payment provided for in the Note, this Agreement and the other Loan Documents except to the extent such amounts are actually paid out of the proceeds of such loss of rents or business income insurance, as applicable;

(iv) at all times during which structural construction, repairs or alterations are being made with respect to the Improvements, and only if the Individual Property coverage form does not otherwise apply, (A) owner's contingent or protective liability insurance covering claims not covered by or under the terms or provisions of the above mentioned commercial general liability insurance policy; and (B) the insurance provided

for in subsection (i) above written in a so-called Builder's Risk Completed Value form (1) on a non-reporting basis, (2) against "all risks" insured against pursuant to subsection (i) above, (3) including permission to occupy the Individual Property, and (4) with an agreed amount endorsement waiving co-insurance provisions;

(v) workers' compensation, subject to the statutory limits of the State, and employer's liability insurance in respect of any work or operations on or about the Individual Property, or in connection with the Individual Property or its operation (if applicable);

(vi) comprehensive boiler and machinery insurance, if applicable, in amounts as shall be reasonably required by Lender on terms consistent with the commercial property insurance policy required under subsection (i) above;

(vii) excess liability insurance in an amount not less than $10,000,000 per occurrence on terms consistent with the commercial general liability insurance required under subsection (ii) above;

(viii) insurance against damage resulting from acts of terrorism, on terms consistent with the commercial property insurance policy required under subsection (i) above and on terms consistent with the business income policy required under subsection (iii) above;

(ix) upon sixty (60) days' written notice, such other reasonable insurance and in such reasonable amounts as Lender from time to time may reasonably request against such other insurable hazards which at the time are commonly insured against for property similar to the each Individual Property located in or around the region in which an Individual Property is located.

(b) All insurance provided for in Section 8.1 (a) shall be obtained under valid and enforceable policies (collectively, the "Policies" or in the singular, the "Policy"), and shall be subject to the approval of Lender as to insurance companies, amounts, deductibles, loss payees and insureds. The Policies shall be issued by financially sound and responsible insurance companies authorized to do business in the applicable State and having a claims paying ability rating of "AA" or better by S&P. The Policies described in Section 8.1 (a) shall designate Lender and its successors and assigns as additional insureds, mortgagees and/or loss payee as deemed appropriate by Lender. To the extent such Policies are not available as of the Closing Date, Borrower shall deliver certified copies of all Policies to Lender not later than thirty (30) days after the Closing Date. Not less than ten (10) days prior to the expiration dates of the Policies theretofore furnished to Lender, renewal Policies accompanied by evidence satisfactory to Lender of payment of the premiums due thereunder (the "Insurance Premiums") shall be delivered by Borrower to Lender.

(c) Any blanket insurance Policy shall specifically allocate to each Individual Property the amount of coverage from time to time required hereunder and shall otherwise provide the same protection as would a separate Policy insuring only the Individual Property in compliance with the provisions of Section 8.1(a).

(d) All Policies provided for or contemplated by Section 8.1(a), except for the Policy referenced in Section 8.1(a)(v), shall name the related Borrower as the insured and Lender as the additional insured, as its interests may appear, and in the case of property damage, boiler and machinery, flood and earthquake insurance, shall contain a so-called New York standard non-contributing mortgagee clause in favor of Lender providing that the loss thereunder shall be payable to Lender.

(e) All Policies provided for in Section 8.1(a) shall contain clauses or endorsements to the effect that:

(i) no act or negligence of any Borrower, or anyone acting for any Borrower, or of any Tenant or other occupant, or failure to comply with the provisions of any Policy, which might otherwise result in a forfeiture of the insurance or any part thereof, shall in any way affect the validity or enforceability of the insurance insofar as Lender is concerned;

(ii) the Policies shall not be materially changed (other than to increase the coverage provided thereby) or canceled without at least thirty (30) days' prior written notice to Lender and any other party named therein as an additional insured;

(iii) the issuers thereof shall give written notice to Lender if the Policies have not been renewed thirty (30) days prior to its expiration; and

(iv) Lender shall not be liable for any Insurance Premiums thereon or subject to any assessments thereunder.

If at any time Lender is not in receipt of written evidence that all insurance required hereunder is in full force and effect, Lender shall have the right, without notice to Borrowers, to take such action as Lender deems necessary to protect its interest in the Property, including, without limitation, obtaining such insurance coverage as Lender in its sole discretion deems appropriate. All premiums incurred by Lender in connection with such action or in obtaining such insurance and keeping it in effect shall be paid by Borrowers to Lender upon demand and, until paid, shall be secured by the Mortgages and shall bear interest at the Default Rate.

Section 8.2 Casualty. If an Individual Property shall be damaged or destroyed, in whole or in part, by fire or other casualty (a "Casualty"), Borrowers shall give prompt notice of such damage to Lender and shall promptly commence and diligently prosecute the Restoration of the related Individual Property in accordance with Section 8.4, whether or not Lender makes any Net Proceeds available pursuant to Section 8.4. Borrowers shall pay all costs of such Restoration whether or not such costs are covered by insurance. Lender may, but shall not be obligated to make proof of loss if not made promptly by Borrowers. Borrowers shall adjust all claims for Insurance Proceeds in consultation with, and approval of, Lender; *provided*, *however*, if an Event of Default has occurred and is continuing, Lender shall have the exclusive right to participate in the adjustment of all claims for Insurance Proceeds.

Section 8.3 Condemnation. Borrowers shall promptly give Lender notice of the actual or threatened commencement of any proceeding for the Condemnation of any

Individual Property of which Borrowers have knowledge and shall deliver to Lender copies of any and all papers served in connection with such proceedings. Lender may participate in any such proceedings, and Borrowers shall from time to time deliver to Lender all instruments requested by it to permit such participation. Borrowers shall, at their expense, diligently prosecute any such proceedings, and shall consult with Lender, its attorneys and experts, and cooperate with them in the carrying on or defense of any such proceedings. Notwithstanding any taking by any public or quasi-public authority through Condemnation or otherwise (including but not limited to any transfer made in lieu of or in anticipation of the exercise of such taking), Borrowers shall continue to pay the Debt at the time and in the manner provided for its payment in the Note and in this Agreement and the Debt shall not be reduced until any Award shall have been actually received and applied by Lender, after the deduction of expenses of collection, to the reduction or discharge of the Debt. Lender shall not be limited to the interest paid on the Award by the condemning authority but shall be entitled to receive out of the Award interest at the rate or rates provided herein or in the Note. If the Property or any portion thereof is taken by a condemning authority, Borrowers shall promptly commence and diligently prosecute the Restoration of the Property and otherwise comply with the provisions of Section 8.4, whether or not Lender makes any Net Proceeds available pursuant to Section 8.4. If the Property is sold, through foreclosure or otherwise, prior to the receipt by Lender of the Award, Lender shall have the right, whether or not a deficiency judgment on the Note shall have been sought, recovered or denied, to receive the Award, or a portion thereof sufficient to pay the Debt.

Section 8.4 Restoration. The following provisions shall apply in connection with the Restoration of an Individual Property:

(a) If the Net Proceeds shall be less than $50,000 and the costs of completing the Restoration shall be less than $50,000, the Net Proceeds will be disbursed by Lender to the related Borrower upon receipt, *provided* that all of the conditions set forth in Section 8.4(b)(i) are met and the related Borrower delivers to Lender a written undertaking to expeditiously commence and to satisfactorily complete with due diligence the Restoration in accordance with the terms of this Agreement.

(b) If the Net Proceeds are equal to or greater than $50,000 or the costs of completing the Restoration are equal to or greater than $50,000, Lender shall make the Net Proceeds available for the Restoration in accordance with the provisions of this Section 8.4. The term "Net Proceeds" for purposes of this Section 8.4 shall mean: (i) the net amount of all insurance proceeds received by Lender pursuant to Section 8.1(a)(i), (iv), (vi) and (viii) as a result of a Casualty, after deduction of its reasonable costs and expenses (including, but not limited to, reasonable counsel fees), if any, in collecting the same ("Insurance Proceeds"), or (ii) the net amount of the Award as a result of a Condemnation, after deduction of its reasonable costs and expenses (including, but not limited to, reasonable counsel fees), if any, in collecting the same ("Condemnation Proceeds"), whichever the case may be.

(i) The Net Proceeds shall be made available to the related Borrower for Restoration *provided* that each of the following conditions are met:

(A) no Event of Default shall have occurred and be continuing;

(B) (1) in the event the Net Proceeds are Insurance Proceeds, less than thirty percent (30%) of the total floor area of the Improvements on such Individual Property has been damaged, destroyed or rendered unusable as a result of a Casualty and the amount of damage does not exceed thirty percent (30%) of the Property's fair market value immediately prior to the occurrence of such Casualty, or (2) in the event the Net Proceeds are Condemnation Proceeds, less than ten percent (10%) of the land constituting such Individual Property is taken, such land is located along the perimeter or periphery of such Individual Property, and less than fifteen percent (15%) of the aggregate floor area of the Improvements is taken and the taking does not exceed fifteen percent (15%) of the Property's fair market value immediately prior to the occurrence of such taking;

(C) Leases covering in the aggregate at least seventy-five percent (75%) of the total rentable space in such Individual Property which has been demised under executed and delivered Leases in effect as of the date of the occurrence of such Casualty or Condemnation, whichever the case may be, and each Major Lease in effect as of such date shall remain in full force and effect during and after the completion of the Restoration without abatement of rent beyond the time required for Restoration;

(D) The related Borrower shall commence the Restoration as soon as reasonably practicable (but in no event later than sixty (60) days after such Casualty or Condemnation, whichever the case may be, occurs) and shall diligently pursue the same to satisfactory completion;

(E) Lender shall be satisfied that any operating deficits, including all scheduled payments of principal and interest under the Note, which will be incurred with respect to such Individual Property as a result of the occurrence of any such Casualty or Condemnation, whichever the case may be, will be covered out of the insurance coverage referred to in Section 8.1(a)(iii) above;

(F) Lender shall be satisfied that the Restoration will be completed on or before the earliest to occur of (1) six (6) months prior to the Maturity Date, (2) the earliest date required for such completion under the terms of any Leases or material agreements affecting such Individual Property, (3) such time as may be required under applicable zoning law, ordinance, rule or regulation, or (4) the expiration of the insurance coverage referred to in Section 8.1(a)(iii);

(G) such Individual Property and the use thereof after the Restoration will be in compliance with and permitted under all Legal Requirements;

(H) the Restoration shall be done and completed by the related Borrower in an expeditious' and diligent fashion and in compliance with all applicable Legal Requirements;

(I) such Casualty or Condemnation, as applicable, does not result in the loss of access to such Individual Property or the Improvements;

(J) the related Borrower shall deliver, or cause to be delivered, to Lender a signed detailed budget approved in writing by such Borrower's architect or engineer stating the entire cost of completing the Restoration, which budget shall be acceptable to Lender; and

(K) the Net Proceeds together with any cash or cash equivalent deposited by the related Borrower with Lender are sufficient in Lender's reasonable judgment to cover the cost of the Restoration.

(ii) The Net Proceeds shall be held by Lender in an Eligible Account until disbursements commence, and, until disbursed in accordance with the provisions of this Section 8.4(b) (*provided*, *however*, that Insurance Proceeds from the Policies required to be maintained by such Borrower pursuant to Section 8.1(a)(iii) shall be controlled by the Lender at all times, shall not be subject to the provisions of this Section 8.4 and shall be used solely for the payment of the obligations under the Loan Documents and Operating Expenses), shall constitute additional security for the Debt and other obligations under the Loan Documents. The Net Proceeds shall be disbursed by Lender to, or as directed by, the related Borrower from time to time during the course of the Restoration, upon receipt of evidence satisfactory to Lender that (A) all of the conditions precedent to such advance, including those set forth in Section 8.4(b)(i), have been satisfied, (B) all materials installed and work and labor performed (except to the extent that they are to be paid for out of the requested disbursement) in connection with the related Restoration item have been paid for in full, and (C) there exist no notices of pendency, stop orders, mechanic's or materialman's liens or notices of intention to file same, or any other liens or encumbrances of any nature whatsoever on the related Individual Property which have not either been fully bonded to the satisfaction of Lender and discharged of record or in the alternative fully insured to the satisfaction of Lender by the title company issuing the Title Insurance Policy.

(iii) All plans and specifications required in connection with the Restoration shall be subject to prior review and acceptance in all respects by Lender and by an independent consulting engineer selected by Lender (the "Restoration Consultant"). Lender shall have the use of the plans and specifications and all permits, licenses and approvals required or obtained in connection with the Restoration. The identity of the contractors, subcontractors and materialmen engaged in the Restoration, as well as the contracts in excess of $50,000 under which they have been engaged, shall be subject to prior review and acceptance by Lender and the Restoration Consultant. All costs and expenses incurred by Lender in connection with making the Net Proceeds available for the Restoration, including, without limitation, reasonable counsel fees and disbursements and the Restoration Consultant's fees, shall be paid by the related Borrower.

(iv) In no event shall Lender be obligated to make disbursements of the Net Proceeds in excess of an amount equal to the costs actually incurred from time to time for work in place as part of the Restoration, as certified by the Restoration Consultant, minus

the Restoration Retainage. The term "Restoration Retainage" shall mean an amount equal to ten percent (10%) of the costs actually incurred for work in place as part of the Restoration, as certified by the Restoration Consultant, until the Restoration has been completed. The Restoration Retainage shall be reduced to five percent (5%) of the costs incurred upon receipt by Lender of satisfactory evidence that fifty percent (50%) of the Restoration has been completed. The Restoration Retainage shall in no event, and notwithstanding anything to the contrary set forth above in this Section 8.4(b), be less than the amount actually held back by the related Borrower from contractors, subcontractors and materialmen engaged in the Restoration. The Restoration Retainage shall not be released until the Restoration Consultant certifies to Lender that the Restoration has been completed in accordance with the provisions of this Section 8.4(b)and that all approvals necessary for the re-occupancy and use of the related Individual Property have been obtained from all appropriate Governmental Authorities, and Lender receives evidence satisfactory to Lender that the costs of the Restoration have been paid in full or will be paid in full out of the Restoration Retainage; *provided, however,* that Lender will release the portion of the Restoration Retainage being held with respect to any contractor, subcontractor or materialman engaged in the Restoration as of the date upon which the Restoration Consultant certifies to Lender that the contractor, subcontractor or materialman has satisfactorily completed all work and has supplied all materials in accordance with the provisions of the contractor's, subcontractor's or materialman's contract, the contractor, subcontractor or materialman delivers the lien waivers and evidence of payment in full of all sums due to the contractor, subcontractor or materialman as may be reasonably requested by Lender or by the title company issuing the Title Insurance Policy, and Lender receives an endorsement to the Title Insurance Policy insuring the continued priority of the lien of the Mortgage and evidence of payment of any premium payable for such endorsement. If required by Lender, the release of any such portion of the Restoration Retainage shall be approved by the surety company, if any, which has issued a payment or performance bond with respect to the contractor, subcontractor or materialman.

(v) Lender shall not be obligated to make disbursements of the Net Proceeds more frequently than once every calendar month.

(vi) If at any time the Net Proceeds or the undisbursed balance thereof shall not, in the reasonable opinion of Lender in consultation with the Restoration Consultant, be sufficient to pay in full the balance of the costs which are estimated by the Restoration Consultant to be incurred in connection with the completion of the Restoration, Borrower shall deposit the deficiency (the "Net Proceeds Deficiency") with Lender before any further disbursement of the Net Proceeds shall be made. The Net Proceeds Deficiency deposited with Lender shall be held by Lender and shall be disbursed for costs actually incurred in connection with the Restoration on the same conditions applicable to the disbursement of the Net Proceeds, and until so disbursed pursuant to this Section 8.4(b) shall constitute additional security for the Debt and other obligations under the Loan Documents.

(vii) The excess, if any, of the Net Proceeds and the remaining balance, if any, of the Net Proceeds Deficiency deposited with Lender after the Restoration Consultant

certifies to Lender that the Restoration has been completed in accordance with the provisions of this Section 8.4(b), and the receipt by Lender of evidence satisfactory to Lender that all costs incurred in connection with the Restoration have been paid in full, shall be remitted by Lender to the related Borrower, provided no Event of Default shall have occurred and shall be continuing under the Note, this Agreement or any of the other Loan Documents.

(c) All Net Proceeds not required (i) to be made available for the Restoration or (ii) to be returned to the related Borrower as excess Net Proceeds pursuant to Section 8.4(b)(vii) may (x) be retained and applied by Lender toward the payment of the Debt whether or not then due and payable in such order, priority and proportions as Lender in its sole discretion shall deem proper, or, (y) at the sole discretion of Lender, the same may be paid, either in whole or in part, to the related Borrower for such purposes and upon such conditions as Lender shall designate.

(d) In the event of foreclosure of the Mortgages, or other transfer of title to the Property in extinguishment in whole or in part of the Debt, all right, title and interest of Borrowers in and to the Policies then in force concerning the Property and all proceeds payable thereunder shall thereupon vest in the purchaser at such foreclosure, Lender or other transferee in the event of such other transfer of title.

ARTICLE IX

RESERVE FUNDS

Section 9.1 Required Repairs.

(a) Borrowers shall make the repairs and improvements to the Property set forth on Schedule I and as more particularly described in the Physical Conditions Report prepared in connection with the closing of the Loan (such repairs hereinafter referred to as "Required Repairs"). Borrowers shall complete the Required Repairs in a good and workmanlike manner on or before the date that is twelve (12) months from the date hereof or within such other time frame for completion specifically set forth on Schedule I.

(b) Borrowers shall establish on the date hereof an Eligible Account with Lender to fund the Required Repairs (the "Required Repair Account") into which Borrower shall deposit on the date hereof the amount of $0.00, which amount equals 125% of the estimated cost for the completion of the Required Repairs. Amounts so deposited shall hereinafter be referred to as the "Required Repair Funds."

Section 9.2 Replacements.

(a) On an ongoing basis throughout the term of the Loan, Borrowers shall make capital repairs, replacements and improvements necessary to keep each Individual Property in good order and repair and in a good marketable condition or prevent deterioration of each Individual Property, including, but not limited to, those repairs, replacements and improvements more particularly described in the related Physical Conditions Report prepared in connection

with the closing of the Loan (collectively, the "Replacements") and as more particularly set forth on Schedule II attached hereto. Borrowers shall complete all Replacements in a good and workmanlike manner as soon as commercially reasonable after commencing to make each such Replacement.

(b) Borrowers shall establish on the date hereof an Eligible Account with Lender to fund the Replacements (the "Replacement Reserve Account") into which Borrower shall deposit on the date hereof $0.00. In addition, Borrowers shall deposit $3,200.75 (the "Replacement Reserve Monthly Deposit") into the Replacement Reserve Account on each Scheduled Payment Date. Amounts so deposited shall hereinafter be referred to as "Replacement Reserve Funds." Lender may, in its reasonable discretion, adjust the Replacement Reserve Monthly Deposit from time to time sufficient to maintain the proper maintenance and operation of each Individual Property. In the event Lender shall at any time increase the Replacement Reserve Monthly Deposit, Borrowers may, at their election, request that Lender obtain, at the sole cost and expense of Borrowers, a Physical Conditions Report prepared by an engineer selected by Lender, in its reasonable discretion, in which case the Replacement Reserve Monthly Deposit shall be adjusted by Lender based on the results of such report, *provided* that in no event shall such amounts be reduced below the initial amount of the Replacement Reserve Monthly Deposit set forth herein.

Section 9.3 Intentionally Reserved.

Section 9.4 Required Work. Borrowers shall diligently pursue all Required Repairs and Replacements (collectively, the "Required Work") to completion in accordance with the following requirements:

(a) Lender reserves the right, at its option, to approve all contracts or work orders with materialmen, mechanics, suppliers, subcontractors, contractors or other parties providing labor or materials in connection with the Required Work to the extent such contracts or work orders exceed $50,000. Upon Lender's request, Borrowers shall assign any contract or subcontract to Lender.

(b) In the event Lender determines in its reasonable discretion that any Required Work is not being or has not been performed in a workmanlike or timely manner, Lender shall have the option to withhold disbursement for such unsatisfactory Required Work and to proceed under existing contracts or to contract with third parties to complete such Required Work and to apply the Required Repair Funds or the Replacement Reserve Funds, as applicable, toward the labor and materials necessary to complete such Required Work, without providing any prior notice to Borrowers and to exercise any and all other remedies available to Lender upon an Event of Default hereunder.

(c) In order to facilitate Lender's completion of the Required Work, Borrowers grant Lender the right to enter onto each Individual Property and perform any and all work and labor necessary to complete the Required Work and/or employ watchmen to protect each Individual Property from damage. All sums so expended by Lender, to the extent not from the Reserve Funds, shall be deemed to have been advanced under the Loan to Borrowers and

secured by the Mortgages. For this purpose Borrowers constitute and appoint Lender its true and lawful attorney-in-fact with full power of substitution to complete or undertake the Required Work in the name of Borrowers upon Borrowers' failure to do so in a workmanlike and timely manner. Such power of attorney shall be deemed to be a power coupled with an interest and cannot be revoked. Borrowers empower said attorney-in-fact as follows: (i) to use any of the Reserve Funds for the purpose of making or completing the Required Work; (ii) to make such additions, changes and corrections to the Required Work as shall be necessary or desirable to complete the Required Work; (iii) to employ such contractors, subcontractors, agents, architects and inspectors as shall be required for such purposes; (iv) to pay, settle or compromise all existing bills and claims which are or may become Liens against any Individual Property, or as may be necessary or desirable for the completion of the Required Work, or for clearance of title; (v) to execute all applications and certificates in the name of Borrowers which may be required by any of the contract documents; (vi) to prosecute and defend all actions or proceedings in connection with any Individual Property or the rehabilitation and repair of any Individual Property; and (vii) to do any and every act which Borrowers might do on their own behalf to fulfill the terms of this Agreement.

(d) Nothing in this Section 9.4 shall: (i) make Lender responsible for making or completing the Required Work; (ii) require Lender to expend funds in addition to the Reserve Funds to make or complete any Required Work; (iii) obligate Lender to proceed with the Required Work; or (iv) obligate Lender to demand from Borrowers additional sums to make or complete any Required Work.

(e) Borrowers shall permit Lender and Lender's agents and representatives (including, without limitation, Lender's engineer, architect, or inspector) or third parties performing Required Work pursuant to this Section 9.4 to enter onto any Individual Property during normal business hours (subject to the rights of tenants under their Leases) to inspect the progress of any Required Work and all materials being used in connection therewith, to examine all plans and shop drawings relating to such Required Work which are or may be kept at an Individual Property, and to complete any Required Work made pursuant to this Section 9.4. Borrowers shall cause all contractors and subcontractors to cooperate with Lender and Lender's representatives or such other persons described above in connection with inspections described in this Section 9.4 or the completion of Required Work pursuant to this Section 9.4.

(f) Lender may, to the extent any Required Work would reasonably require an inspection of the Property, inspect any Individual Property at Borrowers' expense prior to making a disbursement of the Reserve Funds in order to verify completion of the Required Work for which reimbursement is sought. Borrowers shall pay Lender a reasonable inspection fee not exceeding $1,000 for each such inspection. Lender may require that such inspection be conducted by an appropriate independent qualified professional selected by Lender and/or may require a copy of a certificate of completion by an independent qualified professional acceptable to Lender prior to the disbursement of the Reserve Funds. Borrowers shall pay the expense of the inspection as required hereunder, whether such inspection is conducted by Lender or by an independent qualified professional.

(g) The Required Work and all materials, equipment, fixtures, or any other item comprising a part of any Required Work shall be constructed, installed or completed, as

applicable, free and clear of all mechanic's, materialman's or other Liens (except for Permitted Encumbrances).

(h) Before each disbursement of the Reserve Funds, Lender may require the related Borrower to provide Lender with a search of title to the related Individual Property effective to the date of the disbursement, which search shows that no mechanic's or materialmen's or other Liens of any nature have been placed against the related Individual Property since the date of recordation of the Mortgage and that title to the Property is free and clear of all Liens (except for Permitted Encumbrances).

(i) All Required Work shall comply with all Legal Requirements and applicable insurance requirements including, without limitation, applicable building codes, special use permits, environmental regulations, and requirements of insurance underwriters.

(j) Borrowers hereby assign to Lender all rights and claims Borrowers may have against all Persons supplying labor or materials in connection with the Required Work; *provided, however*, that Lender may not pursue any such rights or claims unless an Event of Default has occurred and remains uncured.

Section 9.5 Release of Reserve Funds.

(a) Upon written request from a Borrower and satisfaction of the requirements set forth in this Agreement, Lender shall disburse to the related Borrower amounts from (i) the Required Repair Account to the extent necessary to reimburse the related Borrower for the actual costs of each Required Repair (but not exceeding 125% of the original estimated cost of such Required Repair as set forth on Schedule I, unless Lender has agreed to reimburse such Borrower for such excess cost pursuant to Section 9.5(f)) or (ii) the Replacement Reserve Account to the extent necessary to reimburse such Borrower for the actual costs of any approved Replacements. Notwithstanding the preceding sentence, in no event shall Lender be required to (x) disburse any amounts which would cause the amount of funds remaining in the Required Repair Account after any disbursement (other than with respect to the final disbursement) to be less than 125% of the then current estimated cost of completing all remaining Required Repairs for the related Individual Property, (y) disburse funds from any of the Reserve Accounts if an Event of Default exists, or (z) disburse funds from the Replacement Reserve Account to reimburse the related Borrower for the costs of routine repairs or maintenance to the related Individual Property or for costs which are to be reimbursed from funds held in the Required Repair Account.

(b) Each request for disbursement from any of the Reserve Accounts shall be on a form provided or approved by Lender and shall (i) include copies of invoices for all items or materials purchased and all labor or services provided and (ii) specify (A) the Required Work for which the disbursement is requested, (B) the quantity and price of each item purchased, if the Required Work includes the purchase or replacement of specific items, (C) the price of all materials (grouped by type or category) used in any Required Work other than the purchase or replacement of specific items, and (D) the cost of all contracted labor or other services applicable to each Required Work for which such request for disbursement is made. With each request the related Borrower shall certify that all Required Work has been performed in accordance with all Legal Requirements. Except as provided in Section 9.5(d), each request for disbursement shall be

made only after completion of the Required Repair, Replacement (or the portion thereof completed in accordance with Section 9.5(d)), for which disbursement is requested. The related Borrower shall provide Lender evidence satisfactory to Lender in its reasonable judgment of such completion or performance.

(c) Borrowers shall pay all invoices in connection with the Required Work with respect to which a disbursement is requested prior to submitting such request for disbursement from the Reserve Accounts or, at the request of a Borrower, Lender will issue joint checks, payable to such Borrower and the contractor, supplier, materialman, mechanic, subcontractor or other party to whom payment is due in connection with the Required Work. In the case of payments made by joint check, Lender may require a waiver of lien from each Person receiving payment prior to Lender's disbursement of the Reserve Funds. In addition, as a condition to any disbursement, Lender may require such Borrower to obtain lien waivers from each contractor, supplier, materialman, mechanic or subcontractor who receives payment in an amount equal to or greater than $10,000 for completion of its work or delivery of its materials. Any lien waiver delivered hereunder shall conform to all Legal Requirements and shall cover all work performed and materials supplied (including equipment and fixtures) for the related Individual Property by that contractor, supplier, subcontractor, mechanic or materialman through the date covered by the current disbursement request (or, in the event that payment to such contractor, supplier, subcontractor, mechanic or materialmen is to be made by a joint check, the release of lien shall be effective through the date covered by the previous release of funds request).

(d) If (i) the cost of any item of Required Work exceeds $50,000, (ii) the contractor performing such Required Work requires periodic payments pursuant to terms of a written contract, and (iii) Lender has approved in writing in advance such periodic payments, a request for disbursement from the Reserve Accounts may be made after completion of a portion of the work under such contract, provided (A) such contract requires payment upon completion of such portion of work, (B) the materials for which the request is made are on site at an Individual Property and are properly secured or have been installed in the Property, (C) all other conditions in this Agreement for disbursement have been satisfied, and (D) in the case of a Replacement, funds remaining in the Replacement Reserve Account are, in Lender's judgment, sufficient to complete such Replacement and other Replacements when required.

(e) Borrowers shall not make a request for, nor shall Lender have any obligation to make, any disbursement from any Reserve Account more frequently than once in any calendar month and (except in connection with the final disbursement) in any amount less than the lesser of (i) $10,000 or (ii) the total cost of the Required Work for which the disbursement is requested.

(f) In the event any Borrower requests a disbursement from the Required Repair Account to reimburse such Borrower for the actual cost of labor or materials used in connection with repairs or improvements other than the Required Repairs specified on Schedule I, or for a Required Repair to the extent the cost of such Required Repair exceeds 125% of the estimated cost of such Required Repair as set forth on Schedule I (in either case, an "Additional Required Repair"), such Borrower shall disclose in writing to Lender the reason why funds in the Required Repair Account should be used to pay for such Additional Required

Repair. If Lender determines that (i) such Additional Required Repair is of the type intended to be covered by the Required Repair Account, (ii) such Additional Required Repair is not covered or is not of the type intended to be covered by the Replacement Reserve Account, (iii) costs for such Additional Required Repair are reasonable, (iv) the funds in the Required Repair Account are sufficient to pay for such Additional Required Repair and all other Required Repairs for the related Individual Property specified on Schedule I, and (v) all other conditions for disbursement under this Agreement have been met, Lender may disburse funds from the Required Repair Account.

(g) In the event any Borrower requests a disbursement from the Replacement Reserve Account to reimburse such Borrower for the actual cost of labor or materials used in connection with repairs or improvements other than the Replacements specified in the related Physical Conditions Report prepared in connection with the closing of the Loan (an "Additional Replacement"), such Borrower shall disclose in writing to Lender the reason why funds in the Replacement Reserve Account should be used to pay for such Additional Replacement. If Lender determines that (i) such Additional Replacement is of the type intended to be covered by the Replacement Reserve Account, (ii) such Additional Replacement is not covered or is not of the type intended to be covered by the Required Repair Account, (iii) costs for such Additional Replacement are reasonable, (iv) the funds in the Replacement Reserve Account are sufficient to pay for such Additional Replacement and all other Replacements for the Property specified in the Physical Conditions Report, and (v) all other conditions for disbursement under this Agreement have been met, Lender may disburse funds from the Replacement Reserve Account.

(h) Lender's disbursement of any Reserve Funds or other acknowledgment of completion of any Required Work in a manner satisfactory to Lender shall not be deemed a certification or warranty by Lender to any Person that the Required Work has been completed in accordance with Legal Requirements.

(i) If the funds in any Reserve Account should exceed the amount of payments actually applied by Lender for the purposes of the account, Lender in its sole discretion shall either return any excess to the related Borrower or credit such excess against future payments to be made to that Reserve Account. In allocating any such excess, Lender may deal with the Person shown on Lender's records as being the owner of the related Individual Property. If at any time Lender reasonably determines that the Reserve Funds are not or will not be sufficient to make the required payments, Lender shall notify the related Borrower of such determination and the related Borrower shall pay to Lender any amount necessary to make up the deficiency within ten (10) days after notice from Lender to the related Borrower requesting payment thereof.

(j) The insufficiency of any balance in any of the Reserve Accounts shall not relieve Borrowers from its obligation to fulfill all preservation and maintenance covenants in the Loan Documents.

(k) Upon the earlier to occur of (i) the timely completion of all Required Repairs and any Additional Required Repairs, if any, in accordance with the requirements of this Agreement, as verified by Lender in its reasonable discretion, or (ii) the payment in full of the Debt, all amounts remaining on deposit, if any, in the Required Repair Account shall be returned

to the related Borrower or the Person shown on Lender's records as being the owner of the related Individual Property and no other party shall have any right or claim thereto.

(1) Upon payment in full of the Debt, all amounts remaining on deposit, if any, in the Replacement Reserve Account shall be returned to Borrowers or the Person shown on Lender's records as being the owner of the Property and no other party shall have any right or claim thereto.

Section 9.6 Tax and Insurance Reserve Funds. Borrowers shall establish on the date hereof an Eligible Account with Lender or Lender's agent sufficient to discharge Borrower's obligations for the payment of Taxes and Insurance Premiums pursuant to Section 5.4 and Section 8.1 hereof (the "Tax and Insurance Reserve Account") into which Borrowers shall deposit on the date hereof $121,401.49, which amount, when added to the required monthly deposits set forth in the next sentence, is sufficient to make the payments of Taxes and Insurance Premiums as required herein. Borrowers shall deposit into the Tax and Insurance Reserve Account on each Scheduled Payment Date (a) one-twelfth of the Taxes that Lender estimates will be payable during the next ensuing twelve (12) months or such higher amount necessary to accumulate with Lender sufficient funds to pay all such Taxes at least thirty (30) days prior to the earlier of (i) the date that the same will become delinquent and (ii) the date that additional charges or interest will accrue due to the non-payment thereof, and (b) except to the extent Lender has waived the insurance escrow because the insurance required hereunder is maintained under a blanket insurance Policy acceptable to Lender in accordance with Section 8.1(c), one-twelfth of the Insurance Premiums that Lender estimates will be payable during the next ensuing twelve (12) months for the renewal of the coverage afforded by the Policies upon the expiration thereof or such higher amount necessary to accumulate with Lender sufficient funds to pay all such Insurance Premiums at least thirty (30) days prior to the expiration of the Policies (said amounts in (a) and (b) above hereinafter called the "Tax and Insurance Reserve Funds"). Lender will apply the Tax and Insurance Reserve Funds to payments of Taxes and Insurance Premiums required to be made by Borrowers pursuant to Section 5.4 and Section 8.1 hereof. In making any disbursement from the Tax and Insurance Reserve Account, Lender may do so according to any bill, statement or estimate procured from the appropriate public office or tax lien service (with respect to Taxes) or insurer or agent (with respect to Insurance Premiums), without inquiry into the accuracy of such bill, statement or estimate or into the validity of any tax, assessment, sale, forfeiture, tax lien or title or claim thereof. If the amount of the Tax and Insurance Reserve Funds shall exceed the amounts due for Taxes and Insurance Premiums pursuant to Sections 5.4 and Section 8.1 hereof, Lender shall, in its sole discretion, return any excess to Borrowers or credit such excess against future payments to be made to the Tax and Insurance Reserve Account. In allocating any such excess, Lender may deal with the person shown on Lender's records as being the owner of each Individual Property. Any amount remaining in the Tax and Insurance Reserve Account after the Debt has been paid in full shall be returned to the related Borrower or the person shown on Lender's records as being the owner of the related Individual Property and no other party shall have any right or claim thereto. If at any time Lender reasonably determines that the Tax and Insurance Reserve Funds are not or will not be sufficient to pay Taxes and Insurance Premiums by the dates set forth in (a) and (b) above, Lender shall notify Borrowers of such determination and Borrowers shall pay to Lender any amount necessary to make up the deficiency within ten (10) days after notice from Lender to Borrower requesting payment thereof.

Section 9.7 Intentionally Reserved.

Section 9.8 Intentionally Reserved.

Section 9.9 Reserve Funds Generally. (a) (i) Except for the Replacement Reserve Account, no earnings or interest on the Reserve Accounts shall be payable to Borrowers. Neither Lender nor any loan servicer that at any time holds or maintains the non-interest-bearing Reserve Accounts shall have any obligation to keep or maintain the Reserve Accounts or any funds deposited therein in interest-bearing accounts. If Lender or any such loan servicer elects in its sole and absolute discretion to keep or maintain any non-interest-bearing Reserve Accounts or any funds deposited therein in an interest-bearing account, the account shall be an Eligible Account and (A) such funds shall be invested in Permitted Investments, and (B) all interest earned or accrued thereon shall be for the account of and be retained by Lender or such loan servicer.

(ii) Funds deposited in the Replacement Reserve Account shall be held in an interest-bearing business savings account and interest shall be credited to Borrowers. In no event shall Lender or any loan servicer that at any time holds or maintains the Replacement Reserve Account be required to select any particular interest-bearing account or the account that yields the highest rate of interest, *provided* that selection of the account shall be consistent with the general standards at the time being utilized by Lender or the loan servicer, as applicable, in establishing similar accounts for loans of comparable type. All such interest shall be and become part of the Replacement Reserve Account and shall be disbursed in accordance with Section 9.5 above; *provided, however*, that Lender may, at its election, retain any such interest for its own account during the occurrence and continuance of an Event of Default. Borrowers agree that they shall include all interest on Replacement Reserve Funds as the income of Borrowers (and, if a Borrower is a partnership or other pass-through entity, the partners, members or beneficiaries of Borrowers, as the case may be), and shall be the owner of the Replacement Reserve Funds for federal and applicable state and local tax purposes, except to the extent that Lender retains any interest for its own account during the occurrence and continuance of an Event of Default as provided herein.

(b) Borrowers grant to Lender a first-priority perfected security interest in, and assigns and pledges to Lender, each of the Reserve Accounts and any and all Reserve Funds now or hereafter deposited in the Reserve Accounts as additional security for payment of the Debt. Until expended or applied in accordance herewith, the Reserve Accounts and the Reserve Funds shall constitute additional security for the Debt. The provisions of this Section 9.9 are intended to give Lender or any subsequent holder of the Loan “control” of the Reserve Accounts within the meaning of the UCC.

(c) The Reserve Accounts and any and all Reserve Funds now or hereafter deposited in the Reserve Accounts shall be subject to the exclusive dominion and control of Lender, which shall hold the Reserve Accounts and any or all Reserve Funds now or hereafter deposited in the Reserve Accounts subject to the terms and conditions of this Agreement. Borrower shall have no right of withdrawal from the Reserve Accounts or any other right or

power with respect to the Reserve Accounts or any or all of the Reserve Funds now or hereafter deposited in the Reserve Accounts, except as expressly provided in this Agreement.

(d) Lender shall furnish or cause to be furnished to Borrowers, without charge, an annual accounting of each Reserve Account in the normal format of Lender or its loan servicer, showing credits and debits to such Reserve Account and the purpose for which each debit to each Reserve Account was made.

(e) As long as no Event of Default has occurred, Lender shall make disbursements from the Reserve Accounts in accordance with this Agreement. All such disbursements shall be deemed to have been expressly pre-authorized by Borrowers, and shall not be deemed to constitute the exercise by Lender of any remedies against Borrowers unless an Event of Default has occurred and is continuing and Lender has expressly stated in writing its intent to proceed to exercise its remedies as a secured party, pledgee or lienholder with respect to the Reserve Accounts.

(f) If any Event of Default occurs, Borrowers shall immediately lose all of their rights to receive disbursements from the Reserve Accounts until the earlier to occur of (i) the date on which such Event of Default is cured to Lender's satisfaction, or (ii) the payment in full of the Debt. In addition, at Lender's election, Borrowers shall lose all of their rights to receive interest on the Replacement Reserve Account during the occurrence and continuance of an Event of Default. Upon the occurrence of any Event of Default, Lender may exercise any or all of its rights and remedies as a secured party, pledgee and lienholder with respect to the Reserve Accounts. Without limitation of the foregoing, upon any Event of Default, Lender may use and disburse the Reserve Funds (or any portion thereof) for any of the following purposes: (A) repayment of the Debt, including, but not limited to, principal prepayments and the prepayment premium applicable to such full or partial prepayment (as applicable); (B) reimbursement of Lender for all losses, fees, costs and expenses (including, without limitation, reasonable legal fees) suffered or incurred by Lender as a result of such Event of Default; (C) payment of any amount expended in exercising any or all rights and remedies available to Lender at law or in equity or under this Agreement or under any of the other Loan Documents; (D) payment of any item from any of the Reserve Accounts as required or permitted under this Agreement; or (E) any other purpose permitted by applicable law; *provided*, *however*, that any such application of funds shall not cure or be deemed to cure any Event of Default. Without limiting any other provisions hereof, each of the remedial actions described in the immediately preceding sentence shall be deemed to be a commercially reasonable exercise of Lender's rights and remedies as a secured party with respect to the Reserve Funds and shall not in any event be deemed to constitute a setoff or a foreclosure of a statutory banker's lien. Nothing in this Agreement shall obligate Lender to apply all or any portion of the Reserve Funds to effect a cure of any Event of Default, or to pay the Debt, or in any specific order of priority. The exercise of any or all of Lender's rights and remedies under this Agreement or under any of the other Loan Documents shall not in any way prejudice or affect Lender's right to initiate and complete a foreclosure under the Mortgages.

(g) The Reserve Funds shall not constitute escrow or trust funds and may be commingled with other monies held by Lender. Notwithstanding anything else herein to the contrary, Lender may commingle in one or more Eligible Accounts (i) any and all funds

controlled by Lender, including, without limitation, funds pledged in favor of Lender by other borrowers, whether for the same purposes as the Reserve Accounts or otherwise. Without limiting any other provisions of this Agreement or any other Loan Document, the Reserve Accounts may be established and held in such name or names as Lender or its loan servicer, as agent for Lender, shall deem appropriate, including, without limitation, in the name of Lender or such loan servicer as agent for Lender. In the case of any Reserve Account which is held in a commingled account, Lender or its loan servicer, as applicable, shall maintain records sufficient to enable it to determine at all times which portion of such account is related to the Loan. The Reserve Accounts are solely for the protection of Lender. With respect to the Reserve Accounts, Lender shall have no responsibility beyond the allowance of due credit for the sums actually received by Lender or beyond the reimbursement or payment of the costs and expenses for which such accounts were established in accordance with their terms. Upon assignment of the Loan by Lender, any Reserve Funds shall be turned over to the assignee and any responsibility of Lender as assignor shall terminate. The requirements of this Agreement concerning the Reserve Accounts in no way supersede, limit or waive any other rights or obligations of the parties under any of the Loan Documents or under applicable law.

(h) Borrowers shall not, without obtaining the prior written consent of Lender, further pledge, assign or grant any security interest in the Reserve Accounts or the Reserve Funds deposited therein or permit any Lien to attach thereto, except for the security interest granted in this Section 9.9, or any levy to be made thereon, or any UCC Financing Statements, except those naming Lender as the secured party, to be filed with respect thereto.

(i) Borrowers will maintain the security interest created by this Section 9.9 as a first priority perfected security interest and will defend the right, title and interest of Lender in and to the Reserve Accounts and the Reserve Funds against the claims and demands of all Persons whomsoever. At any time and from time to time, upon the written request of Lender, and at the sole expense of Borrowers, Borrowers will promptly and duly execute and deliver such further instruments and documents and will take such further actions as Lender reasonably may request for the purpose of obtaining or preserving the full benefits of this Agreement and of the rights and powers herein granted.

(j) Lender shall be protected in acting upon any notice, resolution, request, consent, order, certificate, report, opinion, bond or other paper, document or signature believed by Lender to be genuine, and it may be assumed conclusively that any Person purporting to give any of the foregoing in connection with the Reserve Accounts has been duly authorized to do so. Lender may consult with counsel, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by them hereunder and in good faith in accordance therewith. Lender shall not be liable to Borrowers for any act or omission done or omitted to be done by Lender in reliance upon any instruction, direction or certification received by Lender and without gross negligence or willful misconduct.

(k) Beyond the exercise of reasonable care in the custody thereof, Lender shall have any duty as to any Reserve Funds in its possession or control as agent therefor or bailee thereof or any income thereon or the preservation of rights against any person or otherwise with respect thereto. In no event shall Lender or its Affiliates, agents, employees or bailees, be liable or responsible for any loss or damage to any of the Reserve Funds, or for any diminution

in value thereof, by reason of the act or omission of Lender, except to the extent that such loss or damage results from Lender's gross negligence or willful misconduct or intentional nonperformance by Lender of its obligations under this Agreement.

ARTICLE X

INTENTIONALLY RESERVED

ARTICLE XI

EVENTS OF DEFAULT; REMEDIES

Section 11.1 Event of Default. The occurrence of any one or more of the following events shall constitute an "Event of Default":

(a) if any portion of the Debt is not paid prior to the tenth day following the date the same is due or if the entire Debt is not paid on or before the Maturity Date;

(b) except as otherwise expressly provided in the Loan Documents, if any of the Taxes or Other Charges are not paid when the same are due and payable;

(c) if the Policies are not kept in full force and effect, or if certified copies of the Policies are not delivered to Lender as provided in Section 8.1;

(d) if any Borrower breaches any covenant with respect to itself or any SPE Component Entity (if any) contained in Article 6 or any covenant contained in Article 7 hereof;

(e) if any representation or warranty of, or with respect to, any Borrower, Borrower Principal, any SPE Component Entity, or any member, general partner, principal or beneficial owner of any of the foregoing, made herein, in any other Loan Document, or in any certificate, report, financial statement or other instrument or document furnished to Lender at the time of the closing of the Loan or during the term of the Loan shall have been false or misleading in any material respect when made;

(f) if (i) any Borrower, or any managing member or general partner of any Borrower, Borrower Principal, or any SPE Component Entity (if any) shall commence any case, proceeding or other action (A) under any Creditors Rights Laws, seeking to have an order for relief entered with respect to it, or seeking to adjudicate it a bankrupt or insolvent, or seeking reorganization, or (B) seeking appointment of a receiver, trustee, custodian, conservator or other similar official for it or for all or any substantial part of its assets, or any Borrower, any managing member or general partner of any Borrower, Borrower Principal, or any SPE Component Entity (if any) shall make a general assignment for the benefit of its creditors; or (ii) there shall be commenced against any Borrower, any managing member or general partner of any Borrower, Borrower Principal, or any SPE Component Entity (if any) any case, proceeding or other action of a nature referred to in clause (i) above which (A) results in the entry of an order for relief or any such adjudication or appointment or (B) remains undismissed, undischarged or unbonded for a period of sixty (60) days; or (iii) there shall be commenced

against any Borrower, any managing member or general partner of Borrower, Borrower Principal, or any SPE Component Entity (if any) any case, proceeding or other action seeking issuance of a warrant of attachment, execution, distraint or similar process against all or any substantial part of its assets which results in the entry of any order for any such relief which shall not have been vacated, discharged, or stayed or bonded pending appeal within sixty (60) days from the entry thereof; or (iv) any Borrower, any managing member or general partner of any Borrower, Borrower Principal, or any SPE Component Entity (if any) shall take any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the acts set forth in clause (i), (ii), or (iii) above; or (v) any Borrower, any managing member or general partner of any Borrower, Borrower Principal, or any SPE Component Entity (if any) shall generally not, or shall be unable to, or shall admit in writing its inability to, pay its debts as they become due;

(g) if any Borrower shall be in default beyond applicable notice and grace periods under any other mortgage, deed of trust, deed to secure debt or other security agreement covering any part of any Individual Property, whether it be superior or junior in lien to the Mortgages

(h) if any Individual Property becomes subject to any mechanic's, materialman's or other Lien other than a Lien for any Taxes or Other Charges not then due and payable and the Lien shall remain undischarged of record (by payment, bonding or otherwise) for a period of thirty (30) days;

(i) if any federal tax lien is filed against any Borrower, any member or general partner of any Borrower, Borrower Principal, or any SPE Component Entity (if any) or the Property and same is not discharged of record within thirty (30) days after same is filed;

(j) if a judgment is filed against any Borrower in excess of $10,000 which is not vacated or discharged within 30 days;

(k) if any default occurs under any guaranty or indemnity executed in connection herewith and such default continues after the expiration of applicable grace periods, if any;

(1) if any Borrower shall permit any event within its control to occur that would cause any REA to terminate without notice or action by any party thereto or would entitle any party to terminate any REA and the term thereof by giving notice to any Borrower; or any REA shall be surrendered, terminated or canceled for any reason or under any circumstance whatsoever except as provided for in such REA; or any term of any REA shall be modified or supplemented without Lender's consent; or any Borrower shall fail, within ten (10) Business Days after demand by Lender, to exercise its option to renew or extend the term of any REA or shall fail or neglect to pursue diligently all actions necessary to exercise such renewal rights pursuant to such REA except as provided for in such REA;

(m) if any Borrower shall continue to be in default under any other term, covenant or condition of this Agreement or any of the Loan Documents for more than ten (10) days after notice from Lender in the case of any default which can be cured by the payment of a

sum of money or for thirty (30) days after notice from Lender in the case of any other default, *provided* that if such default cannot reasonably be cured within such thirty (30) day period and such Borrower shall have commenced to cure such default within such thirty (30) day period and thereafter diligently and expeditiously proceeds to cure the same, such thirty (30) day period shall be extended for so long as it shall require such Borrower in the exercise of due diligence to cure such default, it being agreed that no such extension shall be for a period in excess of sixty (60) days; or

(n) if any of the assumptions contained in any opinion relating to issues of substantive consolidation delivered to the Lender in connection with the Loan, or in any other opinion relating to substantive consolidation delivered subsequent to the closing of the Loan, is or shall become untrue in any material respect.

Section 11.2 Remedies.

(a) Upon the occurrence of an Event of Default (other than an Event of Default described in Section 11.1 (f) above) and at any time thereafter Lender may, in addition to any other rights or remedies available to it pursuant to this Agreement and the other Loan Documents or at law or in equity, take such action, without notice or demand, that Lender deems advisable to protect and enforce its rights against Borrowers and in the Property, including, without limitation, declaring the Debt to be immediately due and payable, and Lender may enforce or avail itself of any or all rights or remedies provided in the Loan Documents against Borrowers and the Property, including, without limitation, all rights or remedies available at law or in equity; and upon any Event of Default described in Section 11.1(f) above, the Debt and all other obligations of Borrowers hereunder and under the other Loan Documents shall immediately and automatically become due and payable, without notice or demand, and Borrowers hereby expressly waive any such notice or demand, anything contained herein or in any other Loan Document to the contrary notwithstanding.

(b) Upon the occurrence of an Event of Default, all or any one or more of the rights, powers, privileges and other remedies available to Lender against Borrower under this Agreement or any of the other Loan Documents executed and delivered by, or applicable to, Borrower or at law or in equity may be exercised by Lender at any time and from time to time, whether or not all or any of the Debt shall be declared due and payable, and whether or not Lender shall have commenced any foreclosure proceeding or other action for the enforcement of its rights and remedies under any of the Loan Documents with respect to the Property. Any such actions taken by Lender shall be cumulative and concurrent and may be pursued independently, singularly, successively, together or otherwise, at such time and in such order as Lender may determine in its sole discretion, to the fullest extent permitted by law, without impairing or otherwise affecting the other rights and remedies of Lender permitted by law, equity or contract or as set forth herein or in the other Loan Documents.

ARTICLE XII

ENVIRONMENTAL PROVISIONS

Section 12.1 Environmental Representations and Warranties. Borrowers represent and warrant, based upon an Environmental Report of the Property and information that Borrowers know or should reasonably have known, that: (a) there are no Hazardous Materials or underground storage tanks in, on, or under the Properties, except those that are both (i) in compliance with Environmental Laws and with permits issued pursuant thereto (if such permits are required), if any, and (ii) either (A) in the case of Hazardous Materials, in amounts not in excess of that necessary to operate the Individual Properties for the purposes set forth herein or (B) fully disclosed to and approved by Lender in writing pursuant to an Environmental Report; (b) there are no past, present or threatened Releases of Hazardous Materials in material violation of any Environmental Law or which would require remediation by a Governmental Authority in, on, under or from any Individual Property except as described in the Environmental Report; (c) there is no threat of any Release of Hazardous Materials migrating to the any Individual Property except as described in the Environmental Report; (d) there is no past or present material non-compliance with Environmental Laws, or with permits issued pursuant thereto, in connection with the Individual Properties except as described in the Environmental Report; (e) Borrowers do not know of, and has not received, any written or oral notice or other communication from any Person relating to Hazardous Materials in, on, under or from any Individual Property; and (f) Borrowers have truthfully and fully provided to Lender, in writing, any and all information relating to environmental conditions in, on, under or from the Individual Properties known to Borrowers or contained in Borrowers' files and records, including but not limited to any reports relating to Hazardous Materials in, on, under or migrating to or from the Individual Properties and/or to the environmental condition of the Individual Properties. With respect to the Glen Rock Property and the Lyndhurst Property:

(i) the related Property is not located within a "freshwater wetlands" or a "transition area," each as defined by N.J.S.A. 13:9B-3, and is not subject to the terms of the New Jersey Freshwater Wetlands Protection Act, as amended, N.J.S.A. 13:9B-1 et. seq., or the rules and regulations promulgated thereunder,

(ii) Borrower shall not conduct or cause or permit to be conducted on the Property any activity which constitutes an Industrial Establishment (as such term is defined in ISRA (as defined below)) without the prior written consent of Lender. In the event that the provisions of ISRA become applicable to the Property subsequent to the date hereof, Borrower shall give prompt written notice thereof to Lender and shall take immediate requisite action to insure full compliance therewith. The related Borrower shall deliver to Lender copies of all correspondence, notices and submissions that it sends to or receives from the New Jersey Department of Environmental Protection in connection with such ISRA compliance. The related Borrower's obligation to comply with ISRA shall, notwithstanding its general applicability, also specifically apply to sale, transfer, closure or termination of operations associated with any foreclosure action, including, without limitation, a foreclosure action brought with respect to the related Mortgage. In connection with the purchase of the related Property, the related Borrower required that the seller of the related Property comply with the provisions of ISRA and

the seller did comply therewith or the related Borrower determined that the purchase of the related Property was not a transaction subject to ISRA, and

(iii) the related Property has not been and is not now being used as a Major Facility (as defined in the Environmental Laws), and the related Borrower shall not use the Property as a Major Facility in the future without the prior written consent of Lender. If the related Borrower ever becomes an owner or operator of a Major Facility, then the related Borrower shall furnish the New Jersey Department of Environmental Protection with all the information required by N.J.S.A. 58:10-23.11d, and shall duly file with the Director of the Division of Taxation in the New Jersey Department of the Treasury a tax report or return, and shall pay all taxes due therewith, in accordance with N.J.S.A. 58:10-23, 11b.

Section 12.2 Environmental Covenants. Borrowers covenant and agree that so long as Borrowers own, manage, is in possession of, or otherwise control the operation of the Individual Properties: (a) all uses and operations on or of the Individual Properties, whether by Borrowers or any other Person, shall be in compliance with all Environmental Laws and permits issued pursuant thereto; (b) there shall be no Releases of Hazardous Materials in, on, under or from any Individual Property; (c) there shall be no Hazardous Materials in, on, or under any Individual Property, except those that are both (i) in compliance with all Environmental Laws and with permits issued pursuant thereto, if and to the extent required, and (ii) (A) in amounts not in excess of that necessary to operate the Individual Properties for the purposes set forth herein or (B) fully disclosed to and approved by Lender in writing; (d) Borrowers shall keep the Individual Properties free and clear of all Environmental Liens; (e) Borrowers shall, at their sole cost and expense, fully and expeditiously cooperate in all activities pursuant to Section 12.4 below, including but not limited to providing all relevant information and making knowledgeable persons available for interviews; (f) Borrowers shall, at their sole cost and expense, perform any environmental site assessment or other investigation of environmental conditions in connection with any Individual Property, pursuant to any reasonable written request of Lender, upon Lender's reasonable belief that any Individual Property is not in full compliance with all Environmental Laws, and share with Lender the reports and other results thereof, and Lender and other Indemnified Parties shall be entitled to rely on such reports and other results thereof; (g) Borrowers shall, at their sole cost and expense, comply with all reasonable written requests of Lender to (i) reasonably effectuate remediation of any Hazardous Materials in, on, under or from any Individual Property; and (ii) comply with any Environmental Law; (h) Borrowers shall not allow any tenant or other user of any Individual Property to violate any Environmental Law; and (i) Borrowers shall immediately notify Lender in writing after it has become aware of (A) any presence or Release or threatened Release of Hazardous Materials in, on, under, from or migrating towards any Individual Property; (B) any non-compliance with any Environmental Laws related in any way to any Individual Property; (C) any actual or potential Environmental Lien against any Individual Property; (D) any required or proposed remediation of environmental conditions relating to any Individual Property; and (E) any written or oral notice or other communication of which Borrowers becomes aware from any source whatsoever (including but not limited to a Governmental Authority) relating in any way to Hazardous Materials. Any failure of Borrowers to perform their obligations pursuant to this Section 12.2 shall constitute bad faith waste with respect to the Individual Properties.

Section 12.3 Lender's Rights. Upon reasonable written notice (except in the case of an emergency, determined in Lender's sole discretion, or if an Event of Default has occurred and is continuing) Lender and any other Person designated by Lender, including but not limited to any representative of a Governmental Authority, and any environmental consultant, and any receiver appointed by any court of competent jurisdiction, shall have the right, but not the obligation, to enter upon any Individual Property at all reasonable times to assess any and all aspects of the environmental condition of any Individual Property and its use, including but not limited to conducting any environmental assessment or audit (the scope of which shall be determined in Lender's sole discretion) and taking samples of soil, groundwater or other water, air, or building materials, and conducting other invasive testing. Borrowers shall cooperate with and provide access to Lender and any such person or entity designated by Lender.

Section 12.4 Operations and Maintenance Programs. If recommended by the Environmental Report or any other environmental assessment or audit of the any of the Individual Properties, Borrowers shall establish and comply with an operations and maintenance program with respect to any Individual Property, in form and substance reasonably acceptable to Lender, prepared by an environmental consultant reasonably acceptable to Lender, which program shall address any asbestos-containing material or lead based paint that may now or in the future be detected at or on any Individual Property. Without limiting the generality of the preceding sentence, Lender may require (a) periodic notices or reports to Lender in form, substance and at such intervals as Lender may specify, (b) an amendment to such operations and maintenance program to address changing circumstances, laws or other matters, (c) at Borrowers' sole expense, supplemental examination of any Individual Property by consultants specified by Lender, (d) access to any Individual Property by Lender, its agents or servicer, to review and assess the environmental condition of any Individual Property and Borrowers' compliance with any operations and maintenance program, and (e) variation of the operations and maintenance program in response to the reports provided by any such consultants.

Section 12.5 Environmental Definitions. "Environmental Law" means any present and future federal, state and local laws, statutes, ordinances, rules, regulations, standards, policies and other government directives or requirements, as well as common law, including but not limited to the Comprehensive Environmental Response, Compensation and Liability Act and the Resource Conservation and Recovery Act and as to the Glen Rock Property and the Lyndhurst Property, the New Jersey Industrial Site Recovery Act, as amended ("ISRA"), the New Jersey Spill Compensation and Control Act, as amended, the New Jersey Underground Storage of Hazardous Substances Act, as amended, and the New Jersey Water Pollution Control Act, as amended, that apply to the related Borrowers or the Individual Properties and relate to Hazardous Materials or protection of human health or the environment. "Environmental Liens" means all Liens and other encumbrances imposed pursuant to any Environmental Law, whether due to any act or omission of Borrowers or any other Person. "Environmental Report" means the written reports resulting from the environmental site assessments of each of the Individual Properties delivered to Lender in connection with the Loan. "Hazardous Materials" shall mean petroleum and petroleum products and compounds containing them, including gasoline, diesel fuel and oil; explosives, flammable materials; radioactive materials; polychlorinated biphenyls and compounds containing them; lead and lead-based paint; asbestos or asbestos-containing materials in any form that is or could become friable; underground or above-ground storage tanks, whether empty or containing any substance; any substance the presence of which on any

Individual Property is prohibited by any federal, state or local authority; any substance that requires special handling; and any other material or substance now or in the future defined as a "hazardous substance," "hazardous material", "hazardous waste", "toxic substance", "toxic pollutant", "contaminant", or "pollutant" within the meaning of any Environmental Law. "Release" of any Hazardous Materials includes but is not limited to any release, deposit, discharge, emission, leaking, spilling, seeping, migrating, injecting, pumping, pouring, emptying, escaping, dumping, disposing or other movement of Hazardous Materials.

Section 12.6 Indemnification.

(a) Except with respect to the Fontana Property, Borrowers and Borrower Principal covenant and agree at their sole cost and expense, to protect, defend, indemnify, release and hold Indemnified Parties harmless from and against any and all Losses imposed upon or incurred by or asserted against any Indemnified Parties and directly or indirectly arising out of or in any way relating to any one or more of the following: (i) any presence of any Hazardous Materials in, on, above, or under any Individual Property; (ii) any past, present or threatened Release of Hazardous Materials in, on, above, under or from any Individual Property; (iii) any activity by Borrowers, any Person affiliated with Borrowers, and any Tenant or other user of any Individual Property in connection with any actual, proposed or threatened use, treatment, storage, holding, existence, disposition or other Release, generation, production, manufacturing, processing, refining, control, management, abatement, removal, handling, transfer or transportation to or from any Individual Property of any Hazardous Materials at any time located in, under, on or above any Individual Property or any actual or proposed remediation of any Hazardous Materials at any time located in, under, on or above any Individual Property, whether or not such remediation is voluntary or pursuant to court or administrative order, including but not limited to any removal, remedial or corrective action; (iv) any past, present or threatened non-compliance or violations of any Environmental Laws (or permits issued pursuant to any Environmental Law) in connection with any Individual Property or operations thereon, including but not limited to any failure by any Borrower, any person or entity affiliated with any Borrower, and any tenant or other user of any Individual Property to comply with any order of any Governmental Authority in connection with any Environmental Laws; (v) the imposition, recording or filing or the threatened imposition, recording or filing of any Environmental Lien encumbering any Individual Property; (vi) any acts of any Borrower, any person or entity affiliated with any Borrower, and any tenant or other user of any Individual Property in (A) arranging for disposal or treatment, or arranging with a transporter for transport for disposal or treatment, of Hazardous Materials at any facility or incineration vessel containing such or similar Hazardous Materials or (B) accepting any Hazardous Materials for transport to disposal or treatment facilities, incineration vessels or sites from which there is a Release, or a threatened Release of any Hazardous Substance which causes the incurrence of costs for remediation; and (vii) any misrepresentation or inaccuracy in any representation or warranty or material breach or failure to perform any covenants or other obligations pursuant to this Agreement relating to environmental matters.

(b) Upon written request by any Indemnified Party, Borrowers and Borrower Principal shall defend same for any of the actions described in Section 12.6(a) above (if requested by any Indemnified Party, in the name of the Indemnified Party) by attorneys and other professionals approved by the Indemnified Parties which approval shall not be unreasonably

withheld, conditioned or delayed. Notwithstanding the foregoing, any Indemnified Parties may, in their sole discretion, engage their own attorneys and other professionals to defend or assist them, and, at the option of Indemnified Parties, their attorneys shall control the resolution of any claim or proceeding. Upon demand, Borrowers and Borrower Principal shall pay or, in the sole discretion of the Indemnified Parties, reimburse, the Indemnified Parties for the payment of reasonable fees and disbursements of attorneys, engineers, environmental consultants, laboratories and other professionals in connection therewith.

(c) Notwithstanding the foregoing, Borrowers shall have no liability for any Losses imposed upon or incurred by or asserted against any Indemnified Parties and described in subsection (a) above to the extent that Borrowers can conclusively prove both that such Losses were caused solely by actions, conditions or events that occurred after the date that Lender (or any purchaser at a foreclosure sale) actually acquired title to the related Individual Property and that such Losses were not caused by the direct or indirect actions of any Borrower, Borrower Principal, or any partner, member, principal, officer, director, trustee or manager of any Borrower or Borrower Principal or any employee, agent, contractor or Affiliate of any Borrower or Borrower Principal. The obligations and liabilities of Borrowers and Borrower Principal under this Section 12.6 shall fully survive indefinitely notwithstanding any termination, satisfaction, assignment, entry of a judgment of foreclosure, exercise of any power of sale, or delivery of a deed in lieu of foreclosure of the Mortgages.

ARTICLE XIII

SECONDARY MARKET

Section 13.1 Transfer of Loan. Lender may, at any time, sell, transfer or assign the Loan Documents, or grant participations therein ("Participations") or syndicate the Loan ("Syndication") or issue mortgage pass-through certificates or other securities evidencing a beneficial interest in a rated or unrated public offering or private placement ("Securities") (the Syndication or the issuance of Participations and/or Securities, a "Securitization").

Section 13.2 Delegation of Servicing. At the option of Lender, the Loan may be serviced by a servicer/trustee selected by Lender and Lender may delegate all or any portion of its responsibilities under this Agreement and the other Loan Documents to such servicer/trustee pursuant to a servicing agreement between Lender and such servicer/trustee.

Section 13.3 Dissemination of Information. Lender may forward to each purchaser, transferee, assignee, or servicer of, and each participant, or investor in, the Loan, or any Participations and/or Securities or any of their respective successors (collectively, the "Investor") or any Rating Agency rating the Loan, or any Participations and/or Securities, each prospective Investor, and any organization maintaining databases on the underwriting and performance of commercial mortgage loans, all documents and information which Lender now has or may hereafter acquire relating to the Debt and to Borrowers, any managing member or general partner thereof, Borrower Principal, any SPE Component Entity (if any) and the Property, including financial statements, whether furnished by Borrowers or otherwise, as Lender determines necessary or desirable. Borrowers irrevocably waive any and all rights they

may have under applicable Legal Requirements to prohibit such disclosure, including but not limited to any right of privacy.

Section 13.4 Cooperation. Borrowers and Borrower Principal agree to cooperate with Lender in connection with any sale or transfer of the Loan or any Participation and/or Securities created pursuant to this Article 13, including, without limitation, the delivery of an estoppel certificate required in accordance with Section 5.12(a) and such other documents as may be reasonably requested by Lender. Borrowers shall also furnish and Borrowers and Borrower Principal consent to Lender furnishing to such Investors or such prospective Investors or such Rating Agency and any and all information concerning the Individual Properties, the Leases, the financial condition of Borrowers or Borrower Principal as may be requested by Lender, any Investor, any prospective Investor or any Rating Agency in connection with any sale or transfer of the Loan or any Participations or Securities. At the request of the holder of the Note and, to the extent not already required to be provided by Borrowers under this Agreement, Borrowers and Borrower Principal shall use reasonable efforts to provide information not in the possession of the holder of the Note in order to satisfy the market standards to which the holder of the Note customarily adheres or which may be reasonably required in the marketplace or by the Rating Agencies in connection with such sales or transfers and take such actions as requested by Lender in connection with the Securitization, including, without limitation, to:

(a) provide updated financial, budget and other information with respect to the Individual Properties, Borrowers and Borrower Principal and provide modifications and/or updates to the appraisals, market studies, environmental reviews and reports (Phase I reports and, if appropriate, Phase II reports) and engineering reports of any Individual Property obtained in connection with the making of the Loan (all of the foregoing being referred to as the "Provided Information");

(b) make changes to the organizational documents of any Borrower, any SPE Component Entity and their respective principals;

(c) at Borrowers' expense, (i) cause counsel to render or update existing opinion letters as to enforceability and non-consolidation, and (ii) if required by the Rating Agencies, Borrowers shall obtain a new New York enforceability opinion from counsel acceptable to Lender, which shall be in form and substance acceptable to Lender, the Rating Agencies and the Investors, which may be relied upon by the holder of the Note, the Rating Agencies and their respective counsel, which shall be dated as of the closing date of the Securitization;

(d) permit site inspections, appraisals, market studies and other due diligence investigations of any or all of the Individual Properties, as may be reasonably requested by the holder of the Note or the Rating Agencies or as may be necessary or appropriate in connection with the Securitization;

(e) make the representations and warranties with respect to the Individual Properties, Borrower, Borrower Principal and the Loan Documents as are made in the Loan Documents and such other representations and warranties as may be reasonably requested by the holder of the Note or the Rating Agencies;

(f) execute such amendments to the Loan Documents as may be requested by the holder of the Note or the Rating Agencies or otherwise to effect the Securitization including, without limitation, bifurcation of the Loan into two or more components and/or separate notes and/or creating a senior/subordinate note structure; *provided*, *however*, that Borrowers shall not be required to modify or amend any Loan Document if such modification or amendment would (i) change the interest rate, the stated maturity or the amortization of principal set forth in the Note, except in connection with a bifurcation of the Loan which may result in varying fixed interest rates and amortization schedules, but which shall have the same initial weighted average coupon of the original Note, or (ii) in the reasonable judgment of Borrowers, modify or amend any other material economic term of the Loan, or (iii) in the reasonable judgment of Borrowers, materially increase Borrowers' obligations and liabilities under the Loan Documents;

(g) deliver to Lender and/or any Rating Agency, (i) one or more certificates executed by an officer of Borrowers certifying as to the accuracy, as of the closing date of the Securitization, of all representations made by Borrowers in the Loan Documents as of the Closing Date in all relevant jurisdictions or, if such representations are no longer accurate, certifying as to what modifications to the representations would be required to make such representations accurate as of the closing date of the Securitization, and (ii) certificates of the relevant Governmental Authorities in all relevant jurisdictions indicating the good standing and qualification of Borrowers as of the date of the closing date of the Securitization;

(h) have reasonably appropriate personnel participate in a bank meeting and/or presentation for the Rating Agencies or Investors; and

(i) cooperate with and assist Lender in obtaining ratings of the Securities from two (2) or more of the Rating Agencies.

All reasonable third party costs and expenses incurred by Borrowers or Lender in connection with Borrowers' complying with requests made under this Section 13.4 (including, without limitation, the fees and expenses of the Rating Agencies) shall be paid by Borrowers.

In the event that Borrowers request any consent or approval hereunder and the provisions of this Agreement or any Loan Documents require the receipt of written confirmation from each Rating Agency with respect to the rating on the Securities, or, in accordance with the terms of the transaction documents relating to a Securitization, such a rating confirmation is required in order for the consent of Lender to be given, Borrowers shall pay all of the costs and expenses of Lender, Lender's servicer and each Rating Agency in connection therewith, and, if applicable, shall pay any fees imposed by any Rating Agency as a condition to the delivery of such confirmation.

ARTICLE XIV

INDEMNIFICATIONS

Section 14.1 General Indemnification. Borrowers shall indemnify, defend and hold harmless the Indemnified Parties from and against any and all Losses imposed upon or incurred by or asserted against any Indemnified Parties and directly or indirectly arising out of or

in any way relating to any one or more of the following: (a) any accident, injury to or death of persons or loss of or damage to property occurring in, on or about any Individual Property or any part thereof or on the adjoining sidewalks, curbs, adjacent property or adjacent parking areas, streets or ways; (b) any use, nonuse or condition in, on or about any Individual Property or any part thereof or on the adjoining sidewalks, curbs, adjacent property or adjacent parking areas, streets or ways; (c) performance of any labor or services or the furnishing of any materials or other property in respect of any Individual Properties or any part thereof; (d) any failure of any Individual Property to be in material compliance with any Applicable Legal Requirements; (e) any and all claims and demands whatsoever which may be asserted against Lender by reason of any alleged obligations or undertakings on its part to perform or discharge any of the terms, covenants, or agreements contained in any Lease; (f) the holding or investing of the Reserve Accounts or the performance of the Required Work and Additional Required Repairs or Additional Replacements, or (g) the payment of any commission, charge or brokerage fee to anyone which may be payable in connection with the funding of the Loan (collectively, the "Indemnified Liabilities"); *provided*, *however*, that Borrowers shall not have any obligation to Lender hereunder to the extent that such Indemnified Liabilities arise from the gross negligence, illegal acts, fraud or willful misconduct of Lender. To the extent that the undertaking to indemnify, defend and hold harmless set forth in the preceding sentence may be unenforceable because it violates any law or public policy, Borrowers shall pay the maximum portion that it is permitted to pay and satisfy under applicable law to the payment and satisfaction of all Indemnified Liabilities incurred by Lender.

Section 14.2 Mortgage and Intangible Tax Indemnification. Borrowers shall, at its sole cost and expense, protect, defend, indemnify, release and hold harmless the Indemnified Parties from and against any and all Losses imposed upon or incurred by or asserted against any Indemnified Parties and directly or indirectly arising out of or in any way relating to any tax on the making and/or recording of the Mortgages, the Note or any of the other Loan Documents, but excluding any income, franchise or other similar taxes.

Section 14.3 ERISA Indemnification. Borrowers shall, at its sole cost and expense, protect, defend, indemnify, release and hold harmless the Indemnified Parties from and against any and all Losses (including, without limitation, reasonable attorneys' fees and costs incurred in the investigation, defense, and settlement of Losses incurred in correcting any prohibited transaction or in the sale of a prohibited loan, and in obtaining any individual prohibited transaction exemption under ERISA that may be required, in Lender's sole discretion) that Lender may incur, directly or indirectly, as a result of a default under Section 4.9 or Section 5.18 of this Agreement.

Section 14.4 Survival. The obligations and liabilities of Borrowers under this Article 14 shall fully survive indefinitely notwithstanding any termination, satisfaction, assignment, entry of a judgment of foreclosure, exercise of any power of sale, or delivery of a deed in lieu of foreclosure of the Mortgages.

ARTICLE XV

EXCULPATION

Section 15.1 Exculpation.

(a) Except as otherwise provided herein or in the other Loan Documents, Lender shall not enforce the liability and obligation of Borrowers or Borrower Principal, as applicable, to perform and observe the obligations contained herein or in the other Loan Documents by any action or proceeding wherein a money judgment shall be sought against Borrowers or Borrower Principal, except that Lender may bring a foreclosure action, action for specific performance or other appropriate action or proceeding to enable Lender to enforce and realize upon this Agreement, the Note, the Mortgages and the other Loan Documents, and the interest in the Property, the Rents and any other collateral given to Lender created by this Agreement, the Note, the Mortgages and the other Loan Documents; *provided*, *however*, that any judgment in any such action or proceeding shall be enforceable against Borrowers or Borrower Principal, as applicable, only to the extent of Borrowers' or Borrower Principal's interest in each Individual Property, in the Rents and in any other collateral given to Lender. Lender, by accepting this Agreement, the Note, the Mortgages and the other Loan Documents, agrees that it shall not, except as otherwise provided in this Section 15.1, sue for, seek or demand any deficiency judgment against Borrowers or Borrower Principal in any such action or proceeding, under or by reason of or under or in connection with this Agreement, the Note, the Mortgage or the other Loan Documents. The provisions of this Section 15.1 shall not, however, (i) constitute a waiver, release or impairment of any obligation evidenced or secured by this Agreement, the Note, the Mortgages or the other Loan Documents; (ii) impair the right of Lender to name Borrowers or Borrower Principal as a party defendant in any action or suit for judicial foreclosure and sale under this Agreement and the Mortgages; (iii) affect the validity or enforceability of any indemnity (including, without limitation, those contained in Section 12.6, the Environmental Indemnity and Article 14 of this Agreement), guaranty, master lease or similar instrument made in connection with this Agreement, the Note, the Mortgage and the other Loan Documents; (iv) impair the right of Lender to obtain the appointment of a receiver; (v) impair the enforcement of the assignment of leases provisions contained in the Mortgages; or (vi) impair the right of Lender to obtain a deficiency judgment or other judgment on the Note against Borrowers or Borrower Principal if necessary to obtain any Insurance Proceeds or Awards to which Lender would otherwise be entitled under this Agreement; *provided*, *however*, Lender shall only enforce such judgment to the extent of the Insurance Proceeds and/or Awards.

(b) Notwithstanding the provisions of this Section 15.1 to the contrary, Borrowers and Borrower Principal (except with respect to the Fontana Borrower and Fontana Property) shall be personally liable to Lender on a joint and several basis for Losses due to:

(i) fraud or intentional misrepresentation by any Borrower, Borrower Principal or any other Affiliate of any Borrower or Borrower Principal in connection with the execution and the delivery of this Agreement, the Note, the Mortgages, any of the other Loan Documents, or any certificate, report, financial statement or other instrument or document furnished to Lender at the time of the closing of the Loan or during the term of the Loan;

(ii) any Borrower's misapplication or misappropriation of Rents received by any Borrower after the occurrence of an Event of Default;

(iii) any Borrower's misapplication or misappropriation of tenant security deposits, Rents or other payments collected in advance;

(iv) the misapplication or the misappropriation of Insurance Proceeds or Awards;

(v) any Borrower's failure to pay Taxes, Other Charges (except to the extent that sums sufficient to pay such amounts have been deposited in escrow with Lender pursuant to the terms hereof and there exists no impediment to Lender's utilization thereof), charges for labor or materials or other charges that can create liens on the Property beyond any applicable notice and cure periods specified herein;

(vi) any Borrower's failure to return or to reimburse Lender for all Personal Property taken from the Property by or on behalf of such Borrower and not replaced with Personal Property of the same utility and of the same or greater value;

(vii) any act of actual waste or arson by any Borrower, any principal, Affiliate, member or general partner thereof or by Borrower Principal, any principal, Affiliate, member or general partner thereof;

(viii) any Borrower's failure following any Event of Default to deliver to Lender upon demand all Rents and books and records relating to the Property;

(ix) any Borrower's gross negligence or willful misconduct;

(x) any Borrower's failure to comply with Section 8.1 hereof;

(xi) any Borrower's failure to comply with the covenants of Article 12 and the Environmental Indemnity; or

(xii) any Borrower's breach of any of the representations contained in Section 6.4 and/or Section 6.5 hereof.

(c) Notwithstanding the foregoing, the agreement of Lender not to pursue recourse liability as set forth in subsection (a) above SHALL BECOME NULL AND VOID and shall be of no further force and effect and the Debt immediately shall become fully recourse to Borrowers and Borrower Principal (except with respect to the Fontana Borrower and Fontana Property), jointly and severally, in the event of (i) a default by any Borrower, Borrower Principal or any SPE Component Entity (if any) of any of the covenants set forth in Article 6 (except as to Sections 6.1(a)(xv) or 6.1(a)(xviii)) or Article 7 hereof, or (ii) if (A) a voluntary bankruptcy or insolvency proceeding is commenced by any Borrower under the U.S. Bankruptcy Code or any similar federal or state law, or (B) an involuntary bankruptcy or insolvency proceeding is commenced against any Borrower in connection with which an Affiliate of any Borrower or Borrower Principal has or have colluded in any way with the creditors commencing or filing

such proceeding under the U.S. Bankruptcy Code or any similar federal or state law which is not dismissed within ninety (90) days.

(d) Nothing herein shall be deemed to be a waiver of any right which Lender may have under Section 506(a), 506(b), 1111 (b) or any other provision of the U.S. Bankruptcy Code to file a claim for the full amount of the indebtedness secured by the Mortgages or to require that all collateral shall continue to secure all of the indebtedness owing to Lender in accordance with this Agreement, the Note, the Mortgages or the other Loan Documents.

ARTICLE XVI

NOTICES

Section 16.1 Notices. All notices, consents, approvals and requests required or permitted hereunder or under any other Loan Document shall be given in writing and shall be effective for all purposes if hand delivered or sent by (a) certified or registered United States mail, postage prepaid, return receipt requested, (b) expedited prepaid overnight delivery service, either commercial or United States Postal Service, with proof of attempted delivery, or by (c) telecopier (with answer back acknowledged provided an additional notice is given pursuant to subsection (b) above), addressed as follows (or at such other address and Person as shall be designated from time to time by any party hereto, as the case may be, in a written notice to the other parties hereto in the manner provided for in this Section):

If to Lender:	Bank of America, N. A. Capital Markets Servicing Group 555 South Flower Street 6th floor CA9-706-06-42 Los Angeles, California 90071 Attn: Servicing Manager Telephone No: (800) 462-0505 Facsimile No.: (213)345-6587
With a copy to:	Cadwalader, Wickersham & Taft LLP 227 West Trade Street, Suite 2400 Charlotte, North Carolina 28202 Attention: James P. Carroll, Esq. Facsimile No.: (704) 348-5200
If to Borrowers:	c/o Extra Space 2795 E. Cottonwood Parkway, #400 Salt Lake City, Utah 84121 Attention: Kenneth M. Woolley Facsimile No.: (801) 365-4947

With a copy to:	Nelson, Christensen & Helsten 68 South Main Street, 6th Floor Salt Lake city, Utah 84101 Attention: Bruce Nelson, Esq. Facsimile No.: (801)363-3614
With a copy to:	Extra Space 2795 E. Cottonwood Parkway, #400 Salt Lake City, Utah 84121 Attention: David L. Rasmussen, Esq. Facsimile No.: (801)365-4947
If to Borrower:	
Principal:	c/o Extra Space 2795 E. Cottonwood Parkway, #400 Salt Lake City, Utah 84121 Attention: Kenneth M. Woolley Facsimile No.: (801) 365-4947
With a copy to:	Nelson, Christensen & Helsten 68 South Main Street, 6th Floor Salt Lake city, Utah 84101 Attention: Bruce Nelson, Esq. Facsimile No.: (801)363-3614

A notice shall be deemed to have been given: in the case of hand delivery, at the time of delivery; in the case of registered or certified mail, when delivered or the first attempted delivery on a Business Day; or in the case of expedited prepaid delivery and telecopy, upon the first attempted delivery on a Business Day.

ARTICLE XVII

FURTHER ASSURANCES

Section 17.1 Replacement Documents. Upon receipt of an affidavit of an officer of Lender as to the loss, theft, destruction or mutilation of the Note or any other Loan Document which is not of public record, and, in the case of any such mutilation, upon surrender and cancellation of such Note or other Loan Document, Borrowers will issue, in lieu thereof, a replacement Note or other Loan Document, dated the date of such lost, stolen, destroyed or mutilated Note or other Loan Document in the same principal amount thereof and otherwise of like tenor.

Section 17.2 Recording of Mortgage, etc. Borrowers forthwith upon the execution and delivery of the Mortgages and thereafter, from time to time, will cause the Mortgages and any of the other Loan Documents creating a lien or security interest or evidencing the lien hereof upon each Individual Property and each instrument of further assurance to be filed, registered or recorded in such manner and in such places as may be required by any present

or future law in order to publish notice of and fully to protect and perfect the lien or security interest hereof upon, and the interest of Lender in, each Individual Property. Borrowers will pay all taxes, filing, registration or recording fees, and all expenses incident to the preparation, execution, acknowledgment and/or recording of the Note, the Mortgages, the other Loan Documents, any note, deed of trust or mortgage supplemental hereto, any security instrument with respect to each Individual Property and any instrument of further assurance, and any modification or amendment of the foregoing documents, and all federal, state, county and municipal taxes, duties, imposts, assessments and charges arising out of or in connection with the execution and delivery of title Mortgages, any deed of trust or mortgage supplemental hereto, any security instrument with respect to any Individual Property or any instrument of further assurance, and any modification or amendment of the foregoing documents, except where prohibited by law so to do.

Section 17.3 Further Acts, etc. Borrowers will, at the cost of Borrowers, and without expense to Lender, do, execute, acknowledge and deliver all and every further acts, deeds, conveyances, deeds of trust, mortgages, assignments, security agreements, control agreements, notices of assignments, transfers and assurances as Lender shall, from time to time, reasonably require, for the better assuring, conveying, assigning, transferring, and confirming unto Lender the property and rights hereby mortgaged, deeded, granted, bargained, sold, conveyed, confirmed, pledged, assigned, warranted and transferred or intended now or hereafter so to be, or which Borrowers may be or may hereafter become bound to convey or assign to Lender, or for carrying out the intention or facilitating the performance of the terms of this Agreement or for filing, registering or recording the Mortgages, or for complying with all Legal Requirements. Borrowers, on demand, will execute and deliver, and in the event they shall fail to so execute and deliver, hereby authorizes Lender to execute in the name of Borrowers or without the signature of Borrowers to the extent Lender may lawfully do so, one or more financing statements and financing statement amendments to evidence more effectively, perfect and maintain the priority of the security interest of Lender in each Individual Property. Borrowers grant to Lender an irrevocable power of attorney coupled with an interest for the purpose of exercising and perfecting any and all rights and remedies available to Lender at law and in equity, including without limitation, such rights and remedies available to Lender pursuant to this Section 17.3.

Section 17.4 Changes in Tax, Debt Credit and Documentary Stamp Laws. (a) If any law is enacted or adopted or amended after the date of this Agreement which deducts the Debt from the value of any Individual Property for the purpose of taxation or which imposes a tax, either directly or indirectly, on the Debt or Lender’s interest in any Individual Property, Borrowers will pay the tax, with interest and penalties thereon, if any. If Lender is advised by counsel chosen by it that the payment of tax by Borrowers would be unlawful or taxable to Lender or unenforceable or provide the basis for a defense of usury then Lender shall have the option by written notice of not less than one hundred twenty (120) days to declare the Debt immediately due and payable.

(b) Borrowers will not claim or demand or be entitled to any credit or credits on account of the Debt for any part of the Taxes or Other Charges assessed against any Individual Property, or any part thereof, and no deduction shall otherwise be made or claimed from the assessed value of any Individual Property, or any part thereof, for real estate tax

purposes by reason of the Mortgages or the Debt. If such claim, credit or deduction shall be required by law, Lender shall have the option, by written notice of not less than one hundred twenty (120) days, to declare the Debt immediately due and payable.

If at any time the United States of America, any State thereof or any subdivision of any such State shall require revenue or other stamps to be affixed to the Note, the Mortgages, or any of the other Loan Documents or impose any other tax or charge on the same, Borrowers will pay for the same, with interest and penalties thereon, if any.

Section 17.5 Expenses. Borrowers covenant and agree to pay or, if Borrowers fail to pay, to reimburse, Lender upon receipt of written notice from Lender for all reasonable costs and expenses (including reasonable, actual attorneys' fees and disbursements and the allocated costs of internal legal services and all actual disbursements of internal counsel) reasonably incurred by Lender in accordance with this Agreement in connection with (a) the preparation, negotiation, execution and delivery of this Agreement and the other Loan Documents and the consummation of the transactions contemplated hereby and thereby and all the costs of furnishing all opinions by counsel for Borrowers (including without limitation any opinions requested by Lender as to any legal matters arising under this Agreement or the other Loan Documents with respect to the Property); (b) Borrowers' ongoing performance of and compliance with Borrowers' respective agreements and covenants contained in this Agreement and the other Loan Documents on its part to be performed or complied with after the Closing Date, including, without limitation, confirming compliance with environmental and insurance requirements; (c) following a request by Borrowers, Lender's ongoing performance and compliance with all agreements and conditions contained in this Agreement and the other Loan Documents on its part to be performed or complied with after the Closing Date; (d) the negotiation, preparation, execution, delivery and administration of any consents, amendments, waivers or other modifications to this Agreement and the other Loan Documents and any other documents or matters requested by Lender; (e) securing Borrowers' compliance with any requests made pursuant to the provisions of this Agreement; (f) the filing and recording fees and expenses, title insurance and reasonable fees and expenses of counsel for providing to Lender all required legal opinions, and other similar expenses incurred in creating and perfecting the Lien in favor of Lender pursuant to this Agreement and the other Loan Documents; (g) enforcing or preserving any rights, in response to third party claims or the prosecuting or defending of any action or proceeding or other litigation, in each case against, under or affecting Borrowers, this Agreement, the other Loan Documents, the Property, or any other security given for the Loan; and (h) enforcing any obligations of or collecting any payments due from Borrowers under this Agreement, the other Loan Documents or with respect to the Individual Properties or in connection with any refinancing or restructuring of the credit arrangements provided under this Agreement in the nature of a "work-out" or of any insolvency or bankruptcy proceedings; *provided, however*, that Borrowers shall not be liable for the payment of any such costs and expenses to the extent the same arise by reason of the gross negligence, illegal acts, fraud or willful misconduct of Lender.

ARTICLE XVIII

WAIVERS

Section 18.1 Remedies Cumulative; Waivers. The rights, powers and remedies of Lender under this Agreement shall be cumulative and not exclusive of any other right, power or remedy which Lender may have against Borrowers or Borrower Principal pursuant to this Agreement or the other Loan Documents, or existing at law or in equity or otherwise. Lender's rights, powers and remedies may be pursued singularly, concurrently or otherwise, at such time and in such order as Lender may determine in Lender's sole discretion. No delay or omission to exercise any remedy, right or power accruing upon an Event of Default shall impair any such remedy, right or power or shall be construed as a waiver thereof, but any such remedy, right or power may be exercised from time to time and as often as may be deemed expedient. A waiver of one Default or Event of Default with respect to Borrowers shall not be construed to be a waiver of any subsequent Default or Event of Default by Borrowers or to impair any remedy, right or power consequent thereon.

Section 18.2 Modification, Waiver in Writing. No modification, amendment, extension, discharge, termination or waiver of any provision of this Agreement, or of the Note, or of any other Loan Document, nor consent to any departure by Borrowers therefrom, shall in any event be effective unless the same shall be in a writing signed by the party against whom enforcement is sought, and then such waiver or consent shall be effective only in the specific instance, and for the purpose, for which given. Except as otherwise expressly provided herein, no notice to, or demand on Borrowers, shall entitle Borrowers to any other or future notice or demand in the same, similar or other circumstances.

Section 18.3 Delay Not a Waiver. Neither any failure nor any delay on the part of Lender in insisting upon strict performance of any term, condition, covenant or agreement, or exercising any right, power, remedy or privilege hereunder, or under the Note or under any other Loan Document, or any other instrument given as security therefor, shall operate as or constitute a waiver thereof, nor shall a single or partial exercise thereof preclude any other future exercise, or the exercise of any other right, power, remedy or privilege. In particular, and not by way of limitation, by accepting payment after the due date of any amount payable under this Agreement, the Note or any other Loan Document, Lender shall not be deemed to have waived any right either to require prompt payment when due of all other amounts due under this Agreement, the Note or the other Loan Documents, or to declare a default for failure to effect prompt payment of any such other amount.

Section 18.4 Trial by Jury. BORROWERS, BORROWER PRINCIPAL AND LENDER EACH HEREBY AGREES NOT TO ELECT A TRIAL BY JURY OF ANY ISSUE TRIABLE OF RIGHT BY JURY, AND WAIVES ANY RIGHT TO TRIAL BY JURY FULLY TO THE EXTENT THAT ANY SUCH RIGHT SHALL NOW OR HEREAFTER EXIST WITH REGARD TO THE LOAN DOCUMENTS, OR ANY CLAIM, COUNTERCLAIM OR OTHER ACTION ARISING IN CONNECTION THEREWITH. THIS WAIVER OF RIGHT TO TRIAL BY JURY IS GIVEN KNOWINGLY AND VOLUNTARILY BY BORROWERS, BORROWER PRINCIPAL AND LENDER, AND IS INTENDED TO ENCOMPASS INDIVIDUALLY EACH INSTANCE AND EACH ISSUE AS TO WHICH THE RIGHT TO A

TRIAL BY JURY WOULD OTHERWISE ACCRUE. EACH OF LENDER, BORROWER PRINCIPAL AND BORROWERS ARE HEREBY AUTHORIZED TO FILE A COPY OF THIS PARAGRAPH IN ANY PROCEEDING AS CONCLUSIVE EVIDENCE OF THIS WAIVER BY BORROWERS, BORROWER PRINCIPAL AND LENDER.

Section 18.5 Waiver of Notice. Borrowers shall not be entitled to any notices of any nature whatsoever from Lender except with respect to matters for which this Agreement or the other Loan Documents specifically and expressly provide for the giving of notice by Lender to Borrower and except with respect to matters for which Borrowers are not, pursuant to applicable Legal Requirements, permitted to waive the giving of notice. Borrowers hereby expressly waive the right to receive any notice from Lender with respect to any matter for which this Agreement or the other Loan Documents do not specifically and expressly provide for the giving of notice by Lender to Borrowers.

Section 18.6 Remedies of Borrower. In the event that a claim or adjudication is made that Lender or its agents have acted unreasonably or unreasonably delayed acting in any case where by law or under this Agreement or the other Loan Documents, Lender or such agent, as the case may be, has an obligation to act reasonably or promptly, Borrowers agree that neither Lender nor its agents shall be liable for any monetary damages, and Borrowers' sole remedies shall be limited to commencing an action seeking injunctive relief or declaratory judgment. The parties hereto agree that any action or proceeding to determine whether Lender has acted reasonably shall be determined by an action seeking declaratory judgment Lender agrees that, in such event, it shall cooperate in expediting any action seeking injunctive relief or declaratory judgment.

Section 18.7 Waiver of Marshalling of Assets. To the fullest extent permitted by law, Borrowers, for themselves and their successors and assigns, waive all rights to a marshalling of the assets of Borrowers, Borrower's partners and others with interests in Borrowers, and of the Individual Properties, and agrees not to assert any right under any laws pertaining to the marshalling of assets, the sale in inverse order of alienation, homestead exemption, the administration of estates of decedents, or any other matters whatsoever to defeat, reduce or affect the right of Lender under the Loan Documents to a sale of the Individual Properties for the collection of the Debt without any prior or different resort for collection or of the right of Lender to the payment of the Debt out of the net proceeds of the Individual Properties in preference to every other claimant whatsoever.

Section 18.8 Waiver of Statute of Limitations. Borrowers hereby expressly waive and release, to the fullest extent permitted by law, the pleading of any statute of limitations as a defense to payment of the Debt or performance of its Other Obligations.

Section 18.9 Waiver of Counterclaim. Borrowers hereby waive the right to assert a counterclaim, other than a compulsory counterclaim, in any action or proceeding brought against it by Lender or its agents.

Section 18.10 Gradsky Waivers. With respect to the Fontana Property, Borrower Principal hereby waives each of the following:

(a) Any rights of Borrower Principal of subrogation, reimbursement, indemnification, and/or contribution against Borrowers or any other person or entity, and any other rights and defenses that are or may become available to Borrower Principal or any other person or entity by reasons of Sections 2787-2855, inclusive of the California Civil Code;

(b) Any rights or defenses that may be available by reason of any election of remedies by Lender (including, without limitation, any such election which in any manner impairs, effects, reduces, releases, destroys or extinguishes Borrower Principal's subrogation rights, rights to proceed against Borrowers for reimbursement, or any other rights of Borrower Principal to proceed against any other person, entity or security, including but not limited to any defense based upon an election of remedies by Lender under the provisions of Section 580(d) of the California Code of Civil Procedure or any similar law of California or of any other State or of the United Sates); and

(c) Any rights or defenses Borrower Principal may have because its obligations under this Agreement (the "Borrower Principal Obligations" are secured by real property or any estate for years. These rights or defenses include, but are not limited to, any rights or defenses that are based upon, directly or indirectly, the application of Section 580(a), Section 580(b), Section 580(d) or Section 726 of the California Code of Civil Procedure to the Borrower Principal Obligations.

The provisions of this subsection (c) mean, among other things:

(y) Lender may collect from Borrower Principal without first foreclosing on any real or personal property collateral pledged by Borrowers for the Debt; and

(z) If Lender forecloses on a real property pledged by Borrowers:

(1) The Borrower Principal Obligations shall not be reduced by the price for which the collateral sold at the foreclosure sale or the value of the collateral at the time of the sale.

Lender may collect from Borrower Principal even if Lender, by foreclosing on the real property collateral, has destroyed any right of Borrower Principal to collect from Borrowers. Further, the provisions of this Agreement constitute an unconditional and irrevocable waiver of any rights and defenses Borrower Principal may have because Borrowers' obligations are secured by real property. These rights and defenses, include, but are not limited to, any rights or defenses based upon Section 580(a), Section 580(b), Section 580(d) or Section 726 of the California Code of Civil Procedure.

ARTICLE XIX

GOVERNING LAW

Section 19.1 Choice of Law.

(A) THE PARTIES AGREE THE STATE OF NEW YORK HAS A SUBSTANTIAL RELATIONSHIP TO THE PARTIES AND TO THE UNDERLYING TRANSACTION EMBODIED HEREBY, AND IN ALL RESPECTS, INCLUDING, WITHOUT LIMITING THE GENERALITY OF THE FOREGOING, MATTERS OF CONSTRUCTION, VALIDITY AND PERFORMANCE, THIS AGREEMENT AND THE OBLIGATIONS ARISING HEREUNDER SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK APPLICABLE TO CONTRACTS MADE AND PERFORMED IN SUCH STATE (WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAWS) AND ANY APPLICABLE LAW OF THE UNITED STATES OF AMERICA, EXCEPT THAT AT ALL TIMES THE PROVISIONS FOR THE CREATION, PERFECTION, AND ENFORCEMENT OF THE LIEN AND SECURITY INTEREST CREATED PURSUANT HERETO AND PURSUANT TO THE OTHER LOAN DOCUMENTS SHALL BE GOVERNED BY AND CONSTRUED ACCORDING TO THE LAW OF THE STATE IN WHICH THE PROPERTY IS LOCATED, IT BEING UNDERSTOOD THAT, TO THE FULLEST EXTENT PERMITTED BY THE LAW OF SUCH STATE, THE LAW OF THE STATE OF NEW YORK SHALL GOVERN THE CONSTRUCTION, VALIDITY AND ENFORCEABILITY OF ALL LOAN DOCUMENTS AND ALL OF THE OBLIGATIONS ARISING HEREUNDER OR THEREUNDER. TO THE FULLEST EXTENT PERMITTED BY LAW, BORROWER AND LENDER EACH HEREBY UNCONDITIONALLY AND IRREVOCABLY WAIVES ANY CLAIM TO ASSERT THAT THE LAW OF ANY OTHER JURISDICTION GOVERNS THIS AGREEMENT AND THE NOTE, AND THIS AGREEMENT AND THE NOTE SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

(B) ANY LEGAL SUIT, ACTION OR PROCEEDING AGAINST LENDER OR BORROWER ARISING OUT OF OR RELATING TO THIS AGREEMENT MAY AT LENDER'S OR BORROWER'S OPTION BE INSTITUTED IN ANY FEDERAL OR STATE COURT IN THE STATE OF NEW YORK AND BORROWER AND LENDER EACH WAIVES ANY OBJECTIONS WHICH IT MAY NOW OR HEREAFTER HAVE BASED ON VENUE AND/OR FORUM NON CONVENIENS OF ANY SUCH SUIT.

Section 19.2 Severability. Wherever possible, each provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement shall be prohibited by or invalid under applicable law, such

provision shall be ineffective to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Agreement.

Section 19.3 Preferences. Lender shall have the continuing and exclusive right to apply or reverse and reapply any and all payments by Borrowers to any portion of the obligations of Borrowers hereunder. To the extent Borrowers make a payment or payments to Lender, which payment or proceeds or any part thereof are subsequently invalidated, declared to be fraudulent or preferential, set aside or required to be repaid to a trustee, receiver or any other party under any Creditors Rights Laws, state or federal law, common law or equitable cause, then, to the extent of such payment or proceeds received, the obligations hereunder or part thereof intended to be satisfied shall be revived and continue in full force and effect, as if such payment or proceeds had not been received by Lender.

ARTICLE XX

MISCELLANEOUS

Section 20.1 Survival. This Agreement and all covenants, agreements, representations and warranties made herein and in the certificates delivered pursuant hereto shall survive the making by Lender of the Loan and the execution and delivery to Lender of the Note, and shall continue in full force and effect so long as all or any of the Debt is outstanding and unpaid unless a longer period is expressly set forth herein or in the other Loan Documents. Whenever in this Agreement any of the parties hereto is referred to, such reference shall be deemed to include the legal representatives, successors and assigns of such party. All covenants, promises and agreements in this Agreement, by or on behalf of Borrowers, shall inure to the benefit of the legal representatives, successors and assigns of Lender.

Section 20.2 Lender's Discretion. Whenever pursuant to this Agreement, Lender exercises any right given to it to approve or disapprove, or any arrangement or term is to be satisfactory to Lender, the decision of Lender to approve or disapprove or to decide whether arrangements or terms are satisfactory or not satisfactory shall (except as is otherwise specifically herein provided) be in the sole discretion of Lender and shall be final and conclusive.

Section 20.3 Headings. The Article and/or Section headings and the Table of Contents in this Agreement are included herein for convenience of reference only and shall not constitute a part of this Agreement for any other purpose.

Section 20.4 Cost of Enforcement. In the event (a) that the Mortgage is foreclosed in whole or in part, (b) of the bankruptcy, insolvency, rehabilitation or other similar proceeding in respect of Borrowers or any of their constituent Persons or an assignment by Borrowers or any of their constituent Persons for the benefit of its creditors, or (c) Lender exercises any of its other remedies under this Agreement or any of the other Loan Documents, Borrowers shall be chargeable with and agrees to pay all costs of collection and defense, including attorneys' fees and costs, incurred by Lender or Borrowers in connection therewith and in connection with any appellate proceeding or post-judgment action involved therein, together with all required service or use taxes.

Section 20.5 Schedules Incorporated. The Schedules annexed hereto are hereby incorporated herein as a part of this Agreement with the same effect as if set forth in the body hereof.

Section 20.6 Offsets, Counterclaims and Defenses. Any assignee of Lender's interest in and to this Agreement, the Note and the other Loan Documents shall take the same free and clear of all offsets, counterclaims or defenses which are unrelated to such documents which Borrowers may otherwise have against any assignor of such documents, and no such unrelated counterclaim or defense shall be interposed or asserted by Borrowers in any action or proceeding brought by any such assignee upon such documents and any such right to interpose or assert any such unrelated offset, counterclaim or defense in any such action or proceeding is hereby expressly waived by Borrowers.

Section 20.7 No Joint Venture or Partnership; No Third Party Beneficiaries.

(a) Borrowers and Lender intend that the relationships created hereunder and under the other Loan Documents be solely that of borrower and lender. Nothing herein or therein is intended to create a joint venture, partnership, tenancy-in-common, or joint tenancy relationship between Borrowers and Lender nor to grant Lender any interest in the Individual Properties other than that of mortgagee, beneficiary or lender.

(b) This Agreement and the other Loan Documents are solely for the benefit of Lender and Borrowers and nothing contained in this Agreement or the other Loan Documents shall be deemed to confer upon anyone other than Lender and Borrowers any right to insist upon or to enforce the performance or observance of any of the obligations contained herein or therein. All conditions to the obligations of Lender to make the Loan hereunder are imposed solely and exclusively for the benefit of Lender and no other Person shall have standing to require satisfaction of such conditions in accordance with their terms or be entitled to assume that Lender will refuse to make the Loan in the absence of strict compliance with any or all thereof and no other Person shall under any circumstances be deemed to be a beneficiary of such conditions, any or all of which may be freely waived in whole or in part by Lender if, in Lender's sole discretion, Lender deems it advisable or desirable to do so.

(c) The general partners, members, principals and (if a Borrower is a trust) beneficial owners of Borrowers are experienced in the ownership and operation of properties similar to the Individual Properties, and Borrowers and Lender are relying solely upon such expertise and business plan in connection with the ownership and operation of the Individual Properties. Borrowers are not relying on Lender's expertise, business acumen or advice in connection with the Property.

(d) Notwithstanding anything to the contrary contained herein, Lender is not undertaking the performance of (i) any obligations under the Leases; or (ii) any obligations with respect to such agreements, contracts, certificates, instruments, franchises, permits, trademarks, licenses and other documents.

(e) By accepting or approving anything required to be observed, performed or fulfilled or to be given to Lender pursuant to this Agreement, the Mortgages, the Note or the

other Loan Documents, including, without limitation, any officer's certificate, balance sheet, statement of profit and loss or other financial statement, survey, appraisal, or insurance policy, Lender shall not be deemed to have warranted, consented to, or affirmed the sufficiency, the legality or effectiveness of same, and such acceptance or approval thereof shall not constitute any warranty or affirmation with respect thereto by Lender.

(f) Borrowers recognize and acknowledge that in accepting this Agreement, the Note, the Mortgages and the other Loan Documents, Lender is expressly and primarily relying on the truth and accuracy of the representations and warranties set forth in Article 4 of this Agreement without any obligation to investigate the Individual Properties and notwithstanding any investigation of the Individual Properties by Lender; that such reliance existed on the part of Lender prior to the date hereof, that the warranties and representations are a material inducement to Lender in making the Loan; and that Lender would not be willing to make the Loan and accept this Agreement, the Note, the Mortgages and the other Loan Documents in the absence of the warranties and representations as set forth in Article 4 of this Agreement.

Section 20.8 Publicity. All news releases, publicity or advertising by Borrowers or its Affiliates through any media intended to reach the general public which refers to the Loan, Lender, Bane of America Securities LLC, or any of their Affiliates shall be subject to the prior written approval of Lender, not to be unreasonably withheld. The Lender shall be permitted to make any news, releases, publicity or advertising by Lender or its Affiliates through any media intended to reach the general public which refers to the Loan, the Individual Properties, the Borrowers, the Borrower Principal and their respective Affiliates without the approval of Borrowers or any such Persons. Borrowers also agree that Lender may share any information pertaining to the Loan with Bank of America Corporation, including its bank subsidiaries, Banc of America Securities LLC, and any other Affiliates of the foregoing, in connection with the sale or transfer of the Loan or any Participations and/or Securities created.

Section 20.9 Conflict; Construction of Documents; Reliance. In the event of any conflict between the provisions of this Agreement and any of the other Loan Documents, the provisions of this Agreement shall control. The parties hereto acknowledge that they were represented by competent counsel in connection with the negotiation, drafting and execution of the Loan Documents and that such Loan Documents shall not be subject to the principle of construing their meaning against the party which drafted same. Borrowers acknowledge that, with respect to the Loan, Borrowers shall rely solely on their own judgment and advisors in entering into the Loan without relying in any manner on any statements, representations or recommendations of Lender or any parent, subsidiary or Affiliate of Lender. Lender shall not be subject to any limitation whatsoever in the exercise of any rights or remedies available to it under any of the Loan Documents or any other agreements or instruments which govern the Loan by virtue of the ownership by it or any parent, subsidiary or Affiliate of Lender of any equity interest any of them may acquire in Borrowers, and Borrowers hereby irrevocably waive the right to raise any defense or take any action on the basis of the foregoing with respect to Lender's exercise of any such rights or remedies. Borrowers acknowledge that Lender engages in the business of real estate financings and other real estate transactions and investments which may be viewed as adverse to or competitive with the business of Borrowers or its Affiliates.

Section 20.10 Entire Agreement. This Agreement and the other Loan Documents contain the entire agreement of the parties hereto and thereto in respect of the transactions contemplated hereby and thereby, and all prior agreements among or between such parties, whether oral or written between Borrower and Lender are superseded by the terms of this Agreement and the other Loan Documents.

Section 20.11 Joint and Several. If Borrowers consist of more than one Person, the obligations and liabilities of each such Person shall be joint and several.

[SIGNATURE PAGE IMMEDIATELY FOLLOWS]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their duly authorized representatives, all as of the day and year first above written.

BORROWER:

EXTRA SPACE OF RAYNHAM LLC, a Massachusetts limited liability company

By: _____
Name: Kent W. Christensen
Title: Manager

EXTRA SPACE OF FONTANA ONE LLC, a California limited liability company

By: _____
Name: Kent W. Christensen
Title: Manager

EXTRA SPACE OF MERRIMACK LLC, a New Hampshire limited liability company

By: _____
Name: Kent W. Christensen
Title: Manager

EXTRA SPACE OF DOYLESTOWN LLC, a Delaware limited liability company

By: _____
Name: Kent W. Christensen
Title: Manager

EXTRA SPACE OF GLEN ROCK LLC, a New Jersey limited liability company

By: _____
Name: Kent W. Christensen
Title: Manager

BORROWER PRINCIPAL:

Acknowledged and agreed to with respect to its obligations set forth in Article 4, Article 5, Section 12.6, Section 13.4, Article 15 and Article 18 hereof:

_____
KENNETH M. WOOLLEY, an Individual

LENDER:

BANK OF AMERICA, N.A., a national banking association

By: _____
Name:
Title:

EXHIBIT A

Equity Ownership Structure for Each Borrower

SCHEDULE I

REQUIRED REPAIRS

NONE

SCHEDULE II

REPLACEMENTS

Repair Walkway Right Side of Building	$ 3,000.00
Regrade and Clean Out Swales and Rear Retent.	$ 10,000.00
Asphalt/Concrete	**$ 2,000.00**
Exterior Building Maint.	$ 4,000.00
Roof Systems	$ 71,000.00
ADA Corrective Work	$ 3,000.00
AC Condensing Units	$ 3,800.00
Air Handling Units	$ 2,000.00
Electrical Repair	$ 2,500.00

SCHEDULE III

INDIVIDUAL PROPERTIES

	INDIVIDUAL PROPERTY	RELATED BORROWER	ALLOCATED LOAN AMOUNT
1.	1650 New State Highway, Raynham, MA	Extra Space of Raynham LLC, a Massachusetts limited liability company	$ 3,640,000
2.	390 N. Broad Street, Doylestown, PA (the "Doylestown Property")	Extra Space of Doylestown LLC, a Delaware limited liability company	$ 3,824,000
3.	500 Broad Street, Glen Rock, NJ (the "Glen Rock Property")	Extra Space of Glen Rock LLC, a New Jersey limited liability company	$ 4,080,000
4.	501 Schluyler Avenue, Lyndhurst, NJ (the "Lyndhurst Property")	Extra Space of Glen Rock LLC, a New Jersey limited liability company	$ 6,944,000
5.	15713 Valley Boulevard, Fontana, CA (the "Fontana Property")	Extra Space of Fontana One LLC, a California limited liability company	$ 3,440,000
6.	751 Daniel Webster Highway, Merrimack, NH	Extra Space of Merrimack LLC, a New Hampshire limited liability company	$ 3,752,000

EXTRA SPACE STORAGE INC.
PERFORMANCE BONUS PLAN

1. Purpose of the Plan

The Plan is intended to advance the interests of the Company by providing an opportunity to selected employees of the Company to earn Bonuses, and to encourage and motivate them to achieve superior operating results for Extra Space Storage Inc. The Plan is effective as of , 2004.

2. Definitions

As used in this Plan, the following definitions apply:

"Board" means the Board of Directors of Extra Space Storage Inc.

"Bonus" means the bonus to which a Key Employee is entitled under a bonus arrangement established by the Committee under the Plan.

"Committee" means such committee as may be appointed and constituted from time to time under Section 6(a).

"Company" means Extra Space Storage Inc., and its Subsidiaries.

"Key Employee" means an officer or other employee of the Company whose position and responsibilities, in the judgment of the Committee, is important to the operation of the Company.

"Performance Period" means the applicable calendar quarter of the Company, or such other period, as determined by the Committee.

"Plan" means this Extra Space Storage Inc. 2004 Performance Bonus Plan, as the same may be amended from time to time.

"Subsidiary" means any corporation (other than the Company), partnership or other entity at least 50% of the economic interest in the equity of which is owned by the Company or by another subsidiary.

"Termination of Service" means a Key Employee's termination of employment or other service, as applicable, with the Company. Cessation of service as an officer, employee, director or consultant shall not be treated as a Termination of Service if the Key Employee continues without interruption to serve thereafter in another one (or more) of such other capacities.

3. Bonuses – In General

(a) Eligibility from among Key Employees shall be determined by the Committee. The Committee may determine the Bonus a Key Employee will receive with regard to the applicable Performance Period or other period. Subject to the provisions of the Plan, the Committee shall (i) determine and designate from time to time those Key Employees to whom Bonuses are to be granted; (ii) determine, consistently with the Plan, the amount of the Bonus to be granted to any Key Employee for any Performance Period ,as determined in accordance with Appendix A attached hereto; and (iii) determine, consistently with the Plan, the terms and conditions of each Bonus. Bonuses may be so awarded by the Committee prior to the commencement of, during or after any Performance Period.

(b) The Board may grant such discretionary Bonuses within the parameters of the Plan based on Company performance otherwise than as specified in Section 3(a), including, without limitation, on account of a registration statement on Form S-11 having been declared effective and on account of the completion of a capital raising event.

4. Amount of Awards

(a) Unless otherwise determined by the Committee, each Key Employee's Bonus shall be based on corporate factors or individual factors (or a combination of both) described in Appendix A. Unless otherwise determined by the Committee, no bonus shall exceed 100% of the Key Employee's salary for the Performance Period. The Committee may provide for partial Bonus payments at target and other levels. The Committee may allocate portions of the Bonus to specified indexed factors. Corporate performance hurdles for Bonuses may be adjusted by the Committee in its discretion to reflect (i) dilution from corporate acquisitions and share offerings and (ii) changes in applicable accounting rules and standards.

(b) The Committee may determine that Bonuses shall be paid in cash or stock (or other equity-based compensation), or a combination thereof. The Committee may provide that any such stock or equity-based grants be made under the Extra Space Storage Inc. 2004 Long Term Incentive Compensation Plan (the "LTIP") or any other equity-based plan or program of the Company and, notwithstanding any provision of the Plan to the contrary, in the case of any such grant, the grant shall be governed in all respects by the LTIP or such other plan or program of the Company.

(c) The Committee may provide for programs under which the payment of Bonuses may be deferred at the election of the Key Employee.

5. Termination of Employment

Unless otherwise determined by the Committee, no Bonus payments shall be made to any Key Employee who is not employed on the date payment is to be made; provided that no Bonus shall be made in any event to a Key Employee who is terminated for "Cause." For these purposes, Cause shall mean, unless otherwise provided in the grantee's award agreement, (i) engaging in (A) willful or gross misconduct or (B) willful or gross neglect, (ii) repeatedly failing to adhere to the directions of superiors or the Board or the written policies and practices of the Company or its affiliates, (iii) the commission of a felony or a crime of moral turpitude, or any crime involving the Company, or any affiliate thereof, (iv) fraud, misappropriation or embezzlement, (v) a material breach of the participant's employment agreement (if any) with the Company or its affiliates, or (vi) any illegal act detrimental to the Company or its affiliates; provided, however, that, if at any particular time the Key Employee is subject to an effective employment agreement with the Company, then, in lieu of the foregoing definition, "Cause" shall at that time have such meaning as may be specified in such employment agreement.

6. Administration of the Plan; Amendment and Termination

(a) The Plan shall be administered by the Committee appointed by the Senior Vice President of Human Resources, consisting of one or more individuals employed by the Company. If any member of the Committee is to be replaced or otherwise ceases to be a member, then the Senior Vice President of Human Resources of the Company (or, if he or she fails to act, such other executive officer of the Company as may be designated by the Chief Executive Officer). If at any time there is no Committee, the Senior Vice President of Human Resources shall have the rights and responsibilities of the Committee hereunder. The Committee shall have the full authority to employ and rely on such legal counsel, actuaries and accountants (which may also be those of the Company), and other agents, designees and delegatees, as it may deem advisable to assist in the administration of the Plan. The Company hereby

indemnifies each member of the Committee for any liability or expense relating to the administration of the Plan, to the maximum extent permitted by law.

(b) The Committee will have full power to construe, interpret and administer the Plan and to amend and rescind the rules and regulations for its administration, with such interpretations to be conclusive and binding on all persons and otherwise accorded the maximum deference permitted by law. In the event of any dispute or disagreement as to the interpretation of the Plan or of any rule, regulation or procedure, or as to any question, right or obligation arising from or related to the Plan, the decision of the Committee shall be final and binding upon all persons.

(c) The Committee will have discretion to determine whether a Bonus is established for particular Key Employees. The Committee's decisions and determinations under the Plan need not be uniform and may be made selectively among Key Employees, whether or not such Key Employees are similarly situated.

(d) No Key Employee shall have any claim to a Bonus until it is actually granted under the Plan. To the extent that any person acquires a right to receive payments from the Company under the Plan, such right shall be no greater than the right of an unsecured general creditor of the Company. All payments provided for under the Plan shall be paid in cash from the general funds of the Company. The Plan does not create a fiduciary relationship between the Board or Committee on one hand, and employees, their beneficiaries or any other persons on the other.

(e) The Board or the Committee may at any time amend or terminate the Plan. No amendment to or termination of the Plan may affect any Key Employee's right to receive a Bonus which, before the amendment or termination, has been earned by the Key Employee and is payable without any contingency or other further action, unless the Key Employee consents to the change.

7. Beneficiaries

Each Key Employee shall designate a beneficiary to receive such Key Employee's Bonus, if any, in the event of death. In the event of a failure to designate a beneficiary, amounts, if any, so payable to a Key Employee in the event of death shall be payable to the estate of such Key Employee. The last designation received by the Company shall be controlling; provided, however, that no designation, or change or revocation thereof, shall be effective unless received by the Company prior to the Key Employee's death, and in no event shall it be effective as of a date prior to such receipt. If no such beneficiary designation is in effect at the time of a Key Employee's death, or if no designated beneficiary survives the Key Employee or if such designation conflicts with law, the Key Employee's estate shall be entitled to receive the amounts, if any, payable under the Plan upon his or her death. If the Company is in doubt as to the right of any person to receive such amounts, the Company may retain such amounts, without liability for any interest thereon, until the Company determines the rights thereto, or the Company may pay such amounts into any court of appropriate jurisdiction and such payment shall be a complete discharge of the liability of the Company therefor. No rights to Bonuses granted hereunder shall be transferable by a Key Employee otherwise than by will or the laws of descent and distribution.

8. Miscellaneous

(a) The Company may cause to be made, as a condition precedent to the payment of any Bonus, or otherwise, appropriate arrangements with the Key Employee or his or her beneficiary for the withholding of any federal, state, local or foreign taxes.

(b) Nothing in the Plan and no award of any Bonus which is payable immediately or in the future (whether or not future payments may be forfeited), will give any Key Employee a right to continue

to be an employee of the Company or in any other way affect the right of the Company to terminate the employment of any Key Employee at any time.

(c) All elections, designations, requests, notices, instructions and other communications from a Key Employee, beneficiary or other person, required or permitted under the Plan, shall be in such form as is prescribed from time to time by the Committee.

(d) In the event that the Company's Performance Period is changed, the Committee may make such adjustments to the Plan, as he or she may deem necessary or appropriate to effectuate the intent of the Plan. All such adjustments, without the need for Plan amendment, shall be effective and binding for all Bonuses and otherwise for all purposes of the Plan.

(e) The use of captions in this Plan is for convenience. The captions are not intended to provide substantive rights.

APPENDIX A

Quarterly SMART Review
Second Quarter—2004

SECTION 1 – Company Goals

Maximizes customer satisfaction. Customer Relations - ***Builds and develops internal and external customer relations.***	Levels
Relationships are negatively impacted resulting in loss of customer satisfaction.	1
Relationships are occasionally reported and negative. Customer satisfaction seriously injured.	2
Relationships are maintained at an acceptable level. Customers maintain existing positive perceptions.	3
Often interacts with customers to produce enhanced customer satisfaction.	4
Builds trust and confidence resulting in economically beneficial long term customer satisfaction.	5

Rating ☐

Provide an excellent product and excellent services. ***Quality of Work*** - ***ongoing pursuit and achievement of excellence in the management of assigned resources.***	Levels
Quality of work produces negative results with serious implications requiring executive intervention.	1
Quality of work occasionally produces negative results with serious implications requiring executive assistance.	2
Quality of work meets most professional standards.	3
Frequently produces outstanding quality of work. Rarely makes errors.	4
Exacting, precise and extremely thorough providing superior quality of work.	5

Rating ☐

Develop and maintain mutually beneficial business relationships. ***Communication*** - ***presents or delivers written and verbal information with clarity and timeliness.***	Levels
Does not communicate with supervisors or internal or external customers.	1
Communication with others is frequently inadequate.	2
Can communicate ideas, instructions and plans to others.	3
Communication skills sufficient to train and motivate others.	4
Exceptional communication skills. Serves as an example to others.	5

Rating ☐

Makes a profit. ***Cost control*** - ***eliminating waste and making wise use of resources; time, money, materials and equipment.***	Levels
Careless with equipment or property. Does not use resources wisely. Budgets regularly exceeded.	1
Sometimes wasteful or inefficient. Needs regular supervision. Budget occasionally exceeded.	2
Uses time, equipment and materials efficiently and effectively. Budgets are consistently maintained	3
Stretches use of materials, time and equipment to best advantage. Continually conscientious of budgets.	4
Looks for creative ways to save money, energy, time, supplies and equipment. Highly efficient in managing resources.	5

Rating ☐

SECTION 1 – Company Goals

Grow. ***Innovation*** - ***displays original thinking, creativity and resourcefulness to improve company performance.***	Levels
Refuses to meet challenges with original thinking and creativity. Is not resourceful and resists change.	1
Requires regular encouragement. Must be continually reminded to express original thinking and creativity.	2
Maintains basic levels of original thinking and creativity. Effectively implements changes and innovations.	3
Frequently generates new ideas and approaches through original thinking and creativity.	4
Consistently exercises original and creative thinking. Is viewed by coworkers as an innovator.	5

Rating ☐

Makes Extra Space a great place to work! Attitude - ***demonstrates positive outlook and is supportive of company values, goals and objectives.***	Levels
Openly apathetic toward company values, goals and objectives producing low coworker, subordinate and company morale.	1
Openly critical of company including its values, goals and objectives without offering alternatives for improvement.	2
Is interested and supportive of the company values, goals and objectives. Consistently adheres to policies.	3
Very willing to stand up for company. Works well to promote its welfare. Projects continuous positive outlook.	4
Serves as a positive example. Is enthusiastic toward company values, goals and objectives. Builds work force morale.	5

Rating

This cell contains a formula. Please do not erase.

Automatic Subtotal of Ratings 0

Continue to next page to complete Section 2—Quarterly Goals

SECTION 2 - Quarterly Goals

	Significantly needs improvement	Needs Improvement	Meets Expectations	Exceeds Expectations	Significantly Exceeds	
Quarterly Goals:	[1]	[2]	[3]	[4]	[5]	
						Rating
						Rating
						Rating
						Rating
						Rating

Scoring Instructions:

Total Ratings	0	
Input the number of Section 2 Goals (input required for automatic calculation)		Line A
Overall SMART Review rating	0	Line B
Overall SMART Review payout percentage	0	Line C

I authorize the payout awarded

Supervisor’s Signature

Set Future Goals:

Exhibit 10.14

OPERATING AGREEMENT

OF

EXTRA SPACE WEST THREE LLC

Effective as of June 1, 2004

OPERATING AGREEMENT OF
EXTRA SPACE WEST THREE LLC,
A DELAWARE LIMITED LIABILITY COMPANY

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FIRST AMENDED AND RESTATED OPERATING AGREEMENT
OF
EXTRA SPACE WEST THREE LLC

This First Amended and Restated Operating Agreement of Extra Space West Three LLC (this "Agreement") is entered into and shall be effective as of June 1, 2004 by and between EXTRA SPACE STORAGE LLC (together with its successors and assigns, "Extra Space") and THE PRUDENTIAL INSURANCE COMPANY OF AMERICA (together with its successors and assigns, "Prudential") pursuant to the provisions of the Delaware Limited Liability Company Act (as it may be amended, the "Act"). Extra Space and Prudential are sometimes referred to herein, collectively, as the "Members" and individually as a "Member".

R E C I T A L S

WHEREAS, Extra Space formed a limited liability company pursuant to the Operating Agreement dated as of March 10, 2004, of the Company (the "Operating Agreement") to acquire, upon satisfaction of certain terms and conditions, own, develop, and operate self-storage facilities on the terms and conditions set forth herein.

WHEREAS, Extra Space and Prudential wish to amend and restate the Initial Operating Agreement as provided herein.

NOW, THEREFORE, in order to carry out their intent as expressed above and in consideration of the mutual agreements and covenants hereinafter contained, the Members hereby agree as follows:

ARTICLE I - DEFINITIONS

1.1. Definitions. The following terms shall have the following meanings when used herein:

Acceptable Person. Any Person that is not (i) a tax exempt organization as defined in Section 501(c) of the Code, (ii) a Person whose direct or indirect participation in the Company would result in a Plan Violation, or (iii) in default or in breach, beyond any applicable grace period, of its obligations under any material written agreement with Prudential or any Affiliate of it.

Act. As described in the first paragraph above.

Affiliate. For any Person, any Person which, (i) directly or indirectly, controls, is controlled by or is under common control with, such Person. The term "control" (including, with correlative meaning, the terms "controlled by" and "under common control with"), as used with respect to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities or by contract or otherwise, including by virtue of being a managing member, general partner, trustee, chief executive officer, or president of any corporation, partnership, trust, or limited liability company, or (ii) owns, directly or indirectly, through voting stock or otherwise, beneficially or directly ten percent (10%) or more of the beneficial interests in such Person.

Acquisition Agreement. As described in Section 2.12.

Agreement. As described in the first paragraph above.

Appraisal Notice. As described in Section 13.2(b)(i).

Business Day. Any weekday that is not an official holiday in the State of New Jersey.

Book Basis. With respect to any asset of the Company, the adjusted basis for federal income tax purposes of such asset, except that in the case of any asset contributed to or

owned by the Company on the date of a revaluation of the Capital Accounts of the Members in accordance with Treasury Regulations section 1.704-l(b)(2)(iv), "Book Basis" shall mean the fair market value of such asset on the date of the contribution or revaluation as subsequently adjusted for items of book depreciation, depletion, or amortization in accordance with federal income tax accounting principles and Treasury Regulations Section 1.704-l(b)(2)(iv)(g)(3).

Capital Account. As described in Section 7.9.

Closing. The acquisition by the Company of an interest in a property pursuant to an Acquisition Agreement.

Code. The Internal Revenue Code of 1986, as amended from time to time, and any successor thereto.

Company. Extra Space West Three LLC.

Defaulting Member. As described in Section 12.1.

Effective Date. The later of (i) the date this Agreement shall be signed by all the Members, or (ii) the date the Company's Certificate of Formation is filed by the Delaware Secretary of State.

Electing Member. As described in Section 13.2(b)(i).

Entire Interest. As described in Section 10.2.

ERISA. The Employee Retirement Income Security Act of 1974, as amended.

Event of Force Majeure. Individually, an act of God, war, strike, civil commotion, fire, flood or other casualty, or unusually severe weather.

Extraordinary Cash Flow. As described in Section 9.2(b).

Failing Member. As described in Section 4.6(b).

Fair Market Value. As described in Section 13.2(b)(ii).

Financial Need Date. As described in Section 4.6(a).

Governmental Plan. As defined in Section 3(32) of ERISA.

Holder. As described in Section 10.1.

Initial Capital. As described in Section 4.1.

Laws. Collectively, all federal, state, and local laws, ordinances, statutes, rules, and regulations, including local zoning and building codes, environmental and land use regulations, and persons with disabilities requirements, and interpretations of the foregoing by a governmental body or agency.

Leasing and Management Agreement. As described in Section 6.5.

Liquidating Member. The Member or Members in charge of winding up the Company and having the powers described in Section 13.2.

List. As described in Section 13.2(b)(ii).

Major Capital Event. One or more of the following: (i) sale of all or any part of or interest in Company property (including the Property), exclusive of sales or other dispositions of tangible personal property in the ordinary course of business, (ii) placement and funding of any indebtedness of the Company secured by some or all of its assets with respect to borrowed money, excluding short term borrowing in the ordinary course of business, (iii) condemnation of all or any material part of or interest in the Property through the exercise of the power of eminent domain, or (iv) any unrestored loss of Company property or any part thereof or interest therein by casualty, failure of title, or otherwise.

Majority-in-Interest of Members. Members whose Percentage Interests, either individually or in the aggregate with other Members' Percentage Interests, exceed fifty percent (50%).

Manager. As described in Section 6.5.

Member(s). Prudential and Extra Space, collectively, and either of them when the reference is singular, and their respective permitted successors in interest.

Nondefaulting Member. As described in Section 12.1.

Non-Failing Member. As described in Section 4.6(b).

Non-Receiving Member. As described in Section 10.2.

Notice Date. As described in Section 10.8(a).

Notice of Default. As described in Section 12.1.

Notice of Intention. As described in Section 4.6(b).

Notice to Finance. As described in Section 4.6(a).

Offer. As described in Section 10.2.

Offeror. As described in Section 10.2.

Operating Cash Flow. As described in Section 9.2(a).

Operating Return. As described in Section 9.2(e).

Other Member. As described in Section 10.6(c).

Other Member's Deposit. As described in Section 10.6(d)(ii).

Percentage Interest. As described in Section 9.1.

Person. As described below.

Plan Violation. A transaction, condition or event that would (i) constitute a nonexempt prohibited transaction under ERISA, or (ii) be in violation of state statutes regulating investments of and fiduciary obligations with respect to any Governmental Plan.

Property. The real property in which interests are acquired from time to time by the Company, and all improvements located thereon, together with all additional property acquired from time to time by the Company.

Prudential. The Prudential Insurance Company of America.

Receiving Member. As described in Section 10.2.

Regulations or Treasury Regulations. The Income Tax Regulations, including Temporary Regulations, promulgated under the Code, as such regulations may be amended from time to time (including corresponding provisions of succeeding regulations).

Sale Notice. As described in Section 10.6(c).

Shortfall Capital. As described in Section 4.6(a).

TMP. As described in Section 7.6.

Transfer. As described in Section 10.1. Transferred and Transferee shall have a correlative meaning.

Unreturned Capital. As described in Section 9.2(e).

Unreturned Shortfall Capital. For each Member, the sum of its Shortfall Capital, reduced by any distributions of Extraordinary Cash Flow made to such Member pursuant to Section 9.3(b)(2).

The definitions in this Section 1.1 shall apply equally to both the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The term “Person”, as used in this Agreement, includes individuals, partnerships, corporations, limited liability companies, trusts, and other associations. The words “include”, “includes” and “including”, as used in this Agreement, shall be deemed to be followed by the phrase “without limitation”.

1.2 Exhibits. The exhibits to this Agreement are incorporated herein by reference as if fully set forth herein.

ARTICLE II - THE COMPANY

2.1. Continuation of Limited Liability Company. The Members hereby continue the existence of the Company pursuant to the provisions of the Act. The terms and provisions hereof will be construed and interpreted in accordance with the Act.

2.2. Name of Company. The Company will continue to be conducted under the name "Extra Space West Three LLC." The Members shall have the power to change the name of the Company at any time.

2.3. Purpose of Company. The purpose of the Company is to carry on the business of, directly or indirectly, acquiring, owning, operating, managing, improving, repairing, developing, renting, mortgaging, refinancing, selling, conveying, and otherwise dealing with property, including the Property, and to engage in all activities reasonably related thereto. Except as permitted by this Section 2.3, the Company shall not engage in any other business. In furtherance of the foregoing purposes, but expressly subject to the other provisions of this Agreement, the Company is empowered to enter into contracts containing agreements to arbitrate disputes to the extent such contracts are approved by a Majority-in-Interest of Members. The Company is authorized to take any legal measures which will assist it in accomplishing its purpose or benefit the Company. This Section 2.3 is not intended to limit the powers of the Company, as provided in the Act, but such power shall be exercised only to carry out the purposes stated in this Section 2.3.

2.4. Principal and Registered Office. The principal office of the Company shall be at c/o Prudential Real Estate Investors, 8 Campus Drive, Parsippany, New Jersey 07054, or such

other place as the Members may from time to time mutually determine. The registered address of the Company shall be Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19899. The registered agent of the Company at such address shall be The Corporation Trust Company. A Majority-in-Interest of Members may elect to change the Company's registered agent and the Company's registered office by complying with the relevant requirements of the Act.

2.5. Further Assurances. The parties hereto will execute whatever certificates and documents, and will file, record, and publish such certificates and documents, which are required under the laws of the State of Delaware. The parties hereto will also execute and file, record, and publish such certificates and documents as they, upon advice of counsel, may deem necessary or appropriate to comply with other applicable Laws governing the formation and operation of a limited liability company, including any certificates and documents required to qualify the Company in any jurisdiction in which it owns property.

2.6. Expenses of Formation and Syndication. Each Member shall bear its own expenses in connection with its consideration of an investment in the Company and its acquisition of a membership interest in the Company, including the fees of any attorney, financial advisor, or other consultant, except as this Agreement may otherwise expressly provide. Extra Space shall pay the costs and expenses of Prudential in connection with the preparation, negotiation and entry into this Agreement, including, without limitation, reasonable attorneys' fees and expenses.

2.7. No Individual Authority. Except as otherwise expressly provided in this Agreement, no Member, acting alone, shall have any authority to act for, undertake or assume any obligations or responsibility on behalf of any other Member or the Company.

2.8. No Restrictions. Nothing contained in this Agreement shall be construed so as to prohibit any Member or any firm or corporation controlled by or controlling such Member or any other Affiliate of a Member from owning, operating, or investing in any real estate or real estate development not owned or operated by the Company, wherever located, except as otherwise provided below in this Agreement. Each Member agrees that any Member, any Affiliate or any director, officer, employee, partner, or other Person related to any Member may engage in or possess an interest in another business venture or ventures of any nature and description, independently or with others, including the ownership, financing, leasing, operation, management, syndication, brokerage, and of real property, and neither the Company nor the Members shall have any rights by virtue of this Agreement in and to such independent ventures or to the income or profits derived therefrom, except as otherwise provided below in this Agreement.

2.9. Neither Responsible for Other's Commitments. Neither the Members nor the Company shall be responsible or liable for any indebtedness or obligation of any other Member incurred either before or after the execution of this Agreement, except as to those joint responsibilities, liabilities, debts, or obligations incurred pursuant to the terms of this Agreement, and each Member indemnifies and agrees to hold the other Members and the Company harmless from such obligations and debts, except as aforesaid.

2.10. Affiliates. Any and all activities to be performed by Prudential hereunder may be performed by officers or employees of one or more Affiliates of Prudential, provided that all actions taken by such Persons on behalf of Prudential in connection with this Agreement shall be binding upon Prudential.

2.11. Operations in Accordance With the Act; Ownership. Except as expressly set forth in this Agreement to the contrary, the rights and obligations of the Members and the administration, operation, and termination of the Company shall be governed by the Act. The interest of each Member in the Company shall be personal property for all purposes. All real and other property owned by the Company shall be deemed owned by the Company as a company, and no Member, individually, shall have any ownership interest in such property.

2.12. Right of Prudential to Make Additional Investments. The parties hereto acknowledge that Extra Space and/or its Affiliates continue to seek additional real properties in California (the "Region") upon which Extra Space and/or Affiliates of Extra Space contemplate the development of self-storage facilities, either directly or indirectly through Extra Space or Affiliates of Extra Space. None of Extra Space or any of its Affiliates shall have the right to acquire, develop or otherwise make an investment in, directly or indirectly, any property located in the Region (each "a Property Investment"), except as permitted in this Section. Prior to making a Property Investment, Extra Space shall prepare and submit to Prudential for its review a complete Investment Package (as defined below). Within thirty (30) days (or such longer period as is approved by the Members) following Prudential's receipt of an Investment Package, Prudential shall notify Extra Space of its approval or disapproval of the proposed Property Investment. If Prudential disapproves such proposed Property Investment, Extra Space shall be free to proceed to make such proposed Property Investment on substantially the terms presented to Prudential. If Prudential approves such proposed Property Investment, Extra Space and Prudential shall negotiate in good faith to enter (and, in the case of Extra Space, to cause its Affiliates to enter) into an agreement substantially in the form of Exhibit A attached hereto (each, an "Acquisition Agreement"). If Prudential fails to respond within such thirty (30) day (or

longer mutually agreed) period, Extra Space shall give Prudential notice of such failure, and such thirty (30) day period shall be deemed to be extended for an additional fifteen (15) days following receipt of such notice. “Investment Package” shall mean a final, complete and accurate PREI Investment Committee book and all such backup thereto as is requested by Prudential. The initial term of this Section shall be for a period of two (2) years following the Effective Date. Thereafter, such term shall automatically renew for one (1) year periods so long as, for the two (2) immediately preceding years, Prudential approved not less than seventy percent (70%) in the aggregate of all Qualifying Property Investments (as defined below) to it presented by Extra Space. In all events the terms of this Section shall terminate and cease to be of any force or effect on the fifth (5^{th}) anniversary of the Effective Date. “Qualifying Property Investments” means proposed Property Investments 1) that Prudential disapproves other than due to environmental matters, 2) for which an Investment Package has been duly submitted to Prudential in accordance with the terms hereof and 3) that have characteristics similar to those investments previously approved by Prudential and made by Extra Space West One LLC, including as to location, design, construction, other physical factors, market assessment, rent and return projections, construction financing and development cost. Notwithstanding anything to the contrary in this Section, Extra Space shall not be obligated to present to Prudential any proposed investments in already-built properties and in no event shall any such property constitute a Qualifying Property Investment.

ARTICLE III - TERM

3.1. Term. Unless otherwise terminated or extended by mutual agreement of the Members, the term of the Company shall commence on the Effective Date and shall continue until the first to occur of the following:

(a) December 31, 2054;

(b) Sale or other disposition of all or substantially all of the Property, other than to a nominee or trustee of the Company for financial or other business purposes;

(c) Dissolution of the Company pursuant to the express provisions of Articles 10, 11, 12, or 13; or

(d) The occurrence of any event or circumstance that would cause the dissolution of the Company under the Act, subject to the provisions of this Agreement.

ARTICLE IV - CAPITAL CONTRIBUTIONS OF THE MEMBERS

4.1. Initial Capital Contributions of the Members. Each Member shall make capital contributions to the Company in accordance with the terms of each applicable Acquisition Agreement (for each Member, collectively, its "Initial Capital"). The amount of each Member's Initial Capital shall be set forth on Exhibit B, as Exhibit B shall be updated by Prudential from time to time to reflect such capital contributions. To the extent such capital contributions are made in the form of property, Exhibit B sets forth the acknowledged and agreed fair market value of such property. The amount of cash and the fair market value of other property contributed by each Member from time to time, including upon acquisition by the Company of additional properties, shall be credited to such Member's Capital Account. Initial Capital contributed pursuant to this Section shall, upon a Closing, be used to acquire the applicable Property under the applicable Acquisition Agreement and to repay indebtedness on such Property.

4.2. Intentionally Omitted.

4.3. No Other Contributions. Except as expressly required by this Article 4, neither Member shall have any obligation to make any contribution to the Company nor to advance any funds thereto.

4.4. No Interest Payable. No Member shall receive any interest on its contributions to the capital of the Company.

4.5. No Withdrawals. The capital of the Company shall not be withdrawn except as hereinafter expressly stipulated.

4.6. Shortfall Capital Contributions.

(a) If a Majority-in-Interest of Members, in its good faith business judgment, determines that the Company is in need of additional funding for (i) capital improvements, or (ii) payment of operating expenses and costs of the Company, a Majority-in-Interest of Members shall cause notice to be given to each of the Members ("Notice to Finance") setting forth the purposes and amounts of such additional funding.

On the date which is twenty (20) days following the date (the "Financial Need Date") upon which notice is given of affirmative action by a Majority-in-Interest of Members specifying the need for and the amount of capital improvements funds or funds needed to meet operating expenses or costs, or both, Prudential shall contribute to the Company, as additional capital, an amount equal to the total amount so determined multiplied by its Percentage Interest, and Extra Space shall contribute to the Company, as additional capital, an amount equal to the total amount so determined multiplied by its Percentage Interest. Any and all funds contributed as capital by a Member pursuant to this Section 4.6(a) shall constitute such Member's "Shortfall Capital".

(b) If a Member fails to contribute an amount equal to the entire amount required to be contributed by it on or before the date which is twenty (20) days after the Financial Need Date as provided in this Section 4.6 (the "Failing Member"), and if the other Member (the "Non-Failing Member") makes its proportionate contribution within such twenty (20) day-period, so notifying the Failing Member in writing, and the Failing Member fails fully to remedy its failure to contribute within ten (10) days after the giving of a notice by the Non-Failing Member with respect to a failure under this Section (the "Notice of Intention"), then one (1) or more of the following may occur, at the option of the Non-Failing Member: (i) the Non-Failing Member may require the Company to repay immediately to the Non-Failing Member that percentage of the amount contributed by the Non-Failing Member pursuant to the relevant Notice to Finance that is equal to the percentage of the amount the Failing Member was required to fund pursuant to the relevant Notice to Finance but did not fund, together with interest actually earned thereon by the Company until repayment, if any; (ii) the Non-Failing Member may, but need not, make an additional capital contribution to the Company not in excess of the amount the Failing Member failed to contribute pursuant to Section 4.6(a) (which additional contribution, together with the original contribution made by the Non-Failing Member pursuant to this Section 4.6, shall constitute Shortfall Capital credited to the Non-Failing Member for all purposes of this Agreement), in which case the Non-Failing Member's Percentage Interest in the Company shall be increased by that percentage as is represented by a fraction having as its numerator the amount of the additional capital contribution not made by the Failing Member pursuant to the applicable Notice to Finance and as its denominator the Failing Member's Unreturned Capital, and the Failing

Member's Percentage Interest shall be reduced by the same percentage; (iii) the Non-Failing Member may elect to fund an additional amount not to exceed the amount the Failing Member failed to fund pursuant to the applicable Notice to Finance and to treat (and have the Company treat) any amount advanced by the Non-Failing Member to the Company pursuant to this item (iii) as a loan to the Company which shall bear interest at the annual rate equal to the prime rate (as published from time to time in The Wall Street Journal (or if The Wall Street Journal is no longer published, the prime rate as published in a publication of national circulation selected by a Majority-in-Interest of Members)) as in effect from time to time, plus five percent (5%) per annum from the date of the advance until such loan is paid in full, and shall be payable prior to any distributions of Operating Cash Flow and Extraordinary Cash Flow to the Members (which payments will be applied first to accrued interest on the outstanding principal balance of such loan and then to the outstanding principal balance of such loan); provided, however, that if all of such accrued interest and principal on such loan is not paid in full within twelve (12) months from the date of such advance pursuant to this subsection (iii), whether out of amounts contributed by the Failing Member to the Company for such purpose or otherwise, then the Non-Failing Member may, so long as the principal amount and the accrued interest thereon have not been paid in full, cause the Company to be dissolved, in which case the Non-Failing Member will be the Liquidating Member and will have the right to cause the Property to be sold in accordance with Section 13.2(a)(i); or (iv) the Non-Failing Member may cause the Company to be dissolved, in which case the Non-Failing Member will be the Liquidating Member and will have the right to cause the Property to be sold in accordance with Section 13.2(a)(i).

4.7. Effect of Change of Percentage Interest. If the Percentage Interests of the Members are changed pursuant to the operation of Section 4.6 above or any of the other terms of this Agreement during any fiscal year, the amounts of all items to be credited, charged, or distributed to such Members for such entire fiscal year in accordance with their respective Percentage Interest in the Company shall be allocated to the portion of such fiscal year which precedes the date of such change (and if there shall have been a prior change in such fiscal year, which commences on the date of such prior change) and to the portion of such fiscal year which occurs on and after the date of such change (and if there shall be a subsequent change in such fiscal year, which precedes the date of such subsequent change), in proportion to the number of days in each such portion, and the amounts of the items so allocated to each such portion shall be credited, charged, or distributed to such Members in proportion to their respective Percentage Interest in the Company during each such portion of the fiscal year in question. For purposes of this Section 4.7, the first fiscal year shall commence on the date of this Agreement and shall end on December 31, 2004.

ARTICLE V - INTENTIONALLY OMITTED

ARTICLE VI - MANAGEMENT OF THE COMPANY

6.1. Management. Subject to the provisions of this Agreement requiring the unanimous consent of all Members and the terms of Section 6.6, a Majority-In-Interest of Members shall have responsibility for the management, supervision, and control of the Company and the Property, including any real property owned indirectly by the Company through wholly-owned limited liability companies. A Majority-In-Interest of Members shall be responsible for the establishment of policy and operating procedures respecting the business affairs of the Company in their good faith business judgment, subject to the reasonable approval of Extra

Space. No action shall be taken, obligations incurred, or amounts expended by the Company without the consent of a Majority-in-Interest of Members, except to the extent expressly delegated to any Member. Except as otherwise expressly provided in this Agreement, if any provision of this Agreement requires an act or decision of "the Members," such act or decision shall take place or be made with the consent of a Majority-in-Interest of Members. Notwithstanding anything to the contrary contained herein, Prudential shall have the sole and absolute discretion to cause the Company to take or refrain from taking any action, or to make on behalf of the Company any decision, with respect to the enforcement of any guaranty for the benefit of the Company.

Prudential acknowledges that Extra Space is or may become a publicly-traded real estate investment trust (a "REIT"). In exercising its rights with respect to the day-to-day operation of Property under this Agreement, Prudential agrees that it shall take that fact into account. Prudential shall be deemed to have satisfied its obligation under this Section with respect to any act or matter if such act or matter is approved by Extra Space.

The Members shall meet at least once each quarter, upon thirty (30) days' notice to all Members, at the offices of the Company or by conference call with the results confirmed in writing or by facsimile (unless such meeting shall be waived by all members), or, in the event of an emergency, on the call of any Member upon two (2) Business Days' notice to the other Member by telephone, electronic mail, telex, telecopy, or telegraph. An agenda for each meeting shall be prepared in advance by the Members in consultation with each other. Approval by a Majority-in-Interest Members of the matter being considered shall be binding on the Company and the Members for all matters, except for the following, any of which shall require the unanimous consent of the Members: (i) financing or refinancing of all or any portion of the

Property, (ii) any lease (other than occupancy or rental agreements in the ordinary course of business), sale, or other disposition or conveyance of all or any portion of the Property, except as otherwise may be permitted pursuant to the express provisions of this Agreement, including pursuant to Article 10, (iii) except as otherwise provided in an Approved Budget (as such term is defined in the Leasing and Management Agreement), any purchase or leasing of any real property (other than pursuant to an Acquisition Agreement) or any other asset having a value in excess of $50,000, (iv) entering into any agreement with any Affiliate of Prudential or, except as otherwise provided in an Approved Budget, entering into any agreement involving a Company obligation (contingent or otherwise) in excess of $50,000, and (v) subject to the other terms of this Agreement, including Article 10, the selection of a real estate broker for the sale of all or any portion of the Property. If requested by a Member, the Members shall cause written minutes to be prepared of all actions taken by the Members at meetings and shall deliver a copy thereof to each of the Members within seven (7) days after the date of the meeting.

6.2. Bank Accounts. The Company will maintain separate bank accounts in such banks as a Majority-in-Interest of Members may designate exclusively for the deposit and disbursement of all funds of the Company. All funds of the Company shall be promptly deposited in such accounts. A Majority-in-Interest of Members from time to time shall authorize signatories for such accounts.

6.3. Reimbursement for Costs and Expenses. Subject to the terms of Section 6.5, the Members will fix the amounts, if any, by which the Company will reimburse each Member for any costs and expenses incurred by such Member on behalf and for the benefit of the Company; provided, however, that no overhead or general administrative expenses of any Person other than the Company itself shall be allocated to the operation of the Company, and no salaries, fees,

commissions, or other compensation shall be paid by the Company to any Affiliate of any Member or to any partner, officer or, employee of either Member or its Affiliates for any services rendered to the Company, except as may be expressly provided herein or by other written agreement.

6.4. Insurance. The Company shall carry or cause to be carried on its behalf by companies reasonably acceptable to a Majority-in-Interest of Members all property, liability, and worker's compensation insurance as shall be required under applicable mortgages, leases, agreements, and other instruments, and statutes or as may be reasonably required by a Majority-in-Interest of Members.

6.5. Leasing and Management Agreement. Prior to the first (1st) acquisition of an interest in a Property, the Company will enter into a Leasing and Management Agreement with Extra Space Management,. Inc. (the "Manager") in the form of Exhibit D attached hereto (the "Leasing and Management Agreement"). Should the Leasing and Management Agreement terminate for any reason, the Company will enter into an agreement for the leasing and management of the Property with an operator or operators satisfactory to a Majority-in-Interest of Members.

6.6. Additional Provisions Following Certain Transfers by Prudential. Following the assignment of Prudential's Entire Interest in the Company to a third (3rd) party that is not an Affiliate of Prudential, the following matters shall require the consent of Extra Space, which will not be unreasonably withheld: (i) capital improvements requiring contributions of Shortfall Capital from Extra Space individually in excess of $10,000 and in the aggregate in any calendar year in excess of $25,000; (ii) the designation of banks for individual Properties or the Company and the Extra Space signatories thereon; (iii) the appointment of a replacement manager for a

Property under the Leasing and Management Agreement if it is terminated with respect to such Property other than on account of a default by the Manager thereunder; (iv) any exceptions to generally accepted accounting principles employed in the preparation of financial statements for the Company or in the determination of Operating Cash Flow, except to the extent any such exceptions are provided for in this Agreement; (v) the selection of the Company's independent certified public accountants under Section 7.5; and (vi) the amount of cash reserves established and maintained by the Company.

ARTICLE VII - BOOKS AND RECORDS, AUDITS, TAXES, ETC.

7.1. Books; Statements. In addition to the establishment and maintenance of Capital Accounts pursuant to Section 7.9, the Company shall prepare and keep such other books, records, and reports as a Majority-in-Interest of Members shall determine. Except as otherwise elected by a Majority-in-Interest of Members, the financial statements of the Company shall be prepared in accordance with generally accepted accounting principles, consistently applied.

7.2. Where Maintained. The books, accounts, and records of the Company shall be at all times maintained at its principal office. Extra Space shall initially keep and maintain such books, accounts and records and shall assist the Company's accountants with the preparation of all financial statements and tax returns of the Company. A Majority-in-Interest of Members may, at any time, transfer the responsibility for keeping and maintaining such Company books and records to another party.

7.3. Audits. Either Member may, at its option and at the expense of the Company for the reasonable costs thereof, conduct internal audits of the books, records, and accounts of the Company. Audits may be on either a continuous or a periodic basis or both and may be

conducted by employees of either Member, or an Affiliate of either Member, or by independent auditors retained by the Company or by either Member.

7.4. Objections to Statements. Each Member shall have the right to object to the statements described in Section 7.1 by giving notice in writing to the other Member within forty-five (45) days after such statement is received by each Member by indicating in reasonable detail the objections of such Member and the basis for such objections. If either Member shall fail to give such notice within such forty-five (45)-day period, such statement and the contents thereof shall, in the absence of fraud or willful misconduct by the other Member or the independent certified public accountants certifying the statements, be deemed conclusive and binding upon such party so failing to give such notice. Objections to any statement and any disputes concerning the findings of, and questions raised as the result of, audits of the Company's books shall be settled by agreement of both Members or, failing such agreement, arbitration. Such arbitration may be instituted by either Member in the absence of such an agreement for more than forty-five (45) days.

7.5. Tax Returns. The Company shall be treated and shall file its tax returns as a partnership for Federal, state, local, and other governmental income tax and other tax purposes. The Company shall prepare or cause to be prepared, on an accrual basis, all Federal, state, and local income tax returns required to be filed. Unless otherwise determined by agreement of both Members, such tax returns shall be prepared by independent certified public accountants selected by Prudential, who shall sign such returns as preparers. The Company shall submit the returns to each Member for review and approval no later than thirty (30) days prior to the due date of the returns, but in no event later than March 15th of each year. Each Member shall notify the other

Member(s) upon receipt of any notice of tax examination of the Company by Federal, state, or local authorities.

7.6. Tax Matters Partner. Prudential shall be the tax matters partner ("TMP"), as defined in Section 6231 (a)(7) of the Code, with respect to operations conducted by the Company during the period that Prudential is a Member. Prudential, as TMP, shall consult with Extra Space upon Extra Space's request as to matters within the domain of the TMP. The TMP shall comply with the requirements of Section 6221 through 6232 of the Code.

7.7. Tax Policy. The Company shall make any and all tax accounting and reporting elections and adopt such procedures as a Majority-in-Interest of Members may determine.

7.8. Section 754 Election. At the request of a Member, the Company shall make and file a timely election under Section 754 of the Code (and a corresponding election under applicable state or local law) in the event of a transfer of an interest in the Company permitted hereunder or the distribution of property to a Member. Any adjustments resulting from such an election shall be reflected in the Capital Accounts of the Members in accordance with Treasury Regulation Section 1.704-l(b)(2)(iv)(m). Any Member or transferee first requesting an election hereunder shall reimburse to the Company the reasonable out-of-pocket expenses incurred by the Company in connection with such election, including any legal or accountants' fees. Thereafter, each transferee shall reimburse such expenses with respect to adjustments under Section 743 of the Code in the proportion which the interest of each transferee bears to the sum of the interests of all transferees. The Company shall bear the expenses of any adjustments under Section 734 of the Code.

7.9. Capital Accounts.

(a) There shall be established on the books of the Company a single capital account (the "Capital Account") for each Member. As of the date of the first Closing, the Members agree and acknowledge that the balance of each Member's Capital Account shall be (i) as to Prudential, $ 95 and (ii) as to Extra Space, $ 5.

(b) The Capital Account of each Member (regardless of the time or manner in which such Member's interest was acquired) shall be maintained in accordance with the rules of Section 704(b) of the Code and the Treasury Regulations thereunder (including Section 1.704-l(b)(2)(iv) of the Treasury Regulations). The Company may adjust the Capital Accounts of its Members to reflect revaluations of the Company property whenever the adjustment would be permitted under Treasury Regulations Section 1.704-l(b)(2)(iv)(f). In the event that the Capital Accounts of the Members are so adjusted, (i) the Capital Accounts of the Members shall be adjusted in accordance with Treasury Regulations Section 1.704-l(b)(2)(iv)(g) for allocations of depreciation, depletion, amortization, and gain or loss, as computed for book purposes with respect to such property, and (ii) the Members' distributive shares of depreciation, depletion, amortization, and gain or loss, as computed for tax purposes, with respect to such property shall be determined so as to take account of the variation between the adjusted tax basis and book value of such property in the same manner as under Section 704(c) of the Code.

(c) In the event that Code Section 704(c) applies to Company property, the Capital Accounts of the Members shall be adjusted in accordance with Treasury Regulations Section 1.704-l(b)(2)(iv)(g) for allocations of depreciation, depletion,

amortization, and gain and loss, as computed for book purposes, with respect to such property; and

(d) The Capital Account of a Member shall carry over to the transferee of the Member to the extent of the interest assigned.

7.10. Special Requirements. To the extent applicable to any Member because such member is, or is to any extent owned by, a resident or non-resident alien or a foreign corporation, trust, or partnership, for purposes of the Code, such Member agrees:

(a) to make when due all filings required under the Code, the International Investment and Trade in Services Survey Act of 1976, as amended, the Hart-Scott Rodino Antitrust Improvements Act of 1976, as amended, or any other Federal, state, or local law or governmental enactment requiring disclosure by such Member;

(b) to take any action necessary to prevent the Company, the Property, or the other Member from being subject to any lien, charge, or liability (including any liability for failure to satisfy any withholding or filing obligation), voluntary or involuntary, (i) on account of (A) any law or enactment referred to in subsection (a) of this Section, (B) Section 897, Section 1445, Section 1446, or any similar provision of the Code, or (C) any similar state or local tax law enactment, or (ii) as a withholding agent for any amounts paid or distributed hereunder to such Member;

(c) that, notwithstanding anything herein to the contrary, the Company shall be entitled, upon advice of counsel, to withhold any sums required to prevent any liability or contingent liability described in subsection (b) of this Section 7.10 of the Company or another Member, but such withheld amounts shall be deemed to have been paid to such Member; and

(d) to indemnify and hold harmless the Company and the other Member from and against any and all liability, damage, cost, or expense (including attorneys' fees and disbursements) incurred by them in connection with the matters described in this Section 7.10, or any default by such Member in its obligations under this Section 7.10.

ARTICLE VIII - FISCAL YEAR

8.1. Fiscal Year. The fiscal year of the Company shall be the calendar year, unless otherwise elected by a Majority-In-Interest of Members. Such first (1st) fiscal year shall end on December 31, 2004, and such last fiscal year shall end on the last day of the term of this Agreement.

ARTICLE IX - DISTRIBUTIONS AND ALLOCATIONS

9.1. Percentage Interests in Company. Except as otherwise expressly provided in this Agreement, the respective percentage interest of each Member in the Company shall be as follows:

Prudential	60%
Extra Space	40%

The percentage interest of each Member, which is subject to the priority rights provided for herein, is hereinafter called such Member's "Percentage Interest."

9.2. Certain Definitions. The following terms shall have the following meanings when used herein:

(a) "Operating Cash Flow" shall mean the net income or loss of the Company for the fiscal period in question, as determined in accordance with generally accepted accounting principles, consistently applied and adjusted as follows or as otherwise determined by a Majority-in-Interest of Members:

(1) Additions. There shall be added to such net income or subtracted from such loss, without duplication, the following items: (i) the amount charged during such period for depreciation, amortization, or any other deduction not involving a cash expenditure, (ii) the amount of cash expenditures paid out of cash reserves during such period to the extent such expenditures were deducted in determining net income or loss, (iii) cash capital contributions to the Company made during such period, excluding Initial Capital, (iv) rental receipts, collection of receivables, and other cash receipts during such period which were included (whether or not received) in determining net income or loss in a prior accounting period, (v) the costs and expenses incurred by the Company during such period in connection with a Major Capital Event to the extent deducted from gross income in the determination of net income or loss, except to the extent that net receipts of the Company from such Major Capital Event were insufficient to pay such costs and expenses, (vi) proceeds of short terms borrowings in the ordinary course of business during such period, (vii) capital expenditures and other cash sums expended during such period for items deducted in determining net income or loss of the Company, to the extent paid from proceeds of a Major Capital Event, and (viii) any amount during such period by which cash reserves previously established by a Majority-in-Interest of Members in order to retain sufficient working capital in the Company or to properly reserve for actual or contingent obligations of the Company or improvements to the Property have been reduced (other than through the payment of expenses).

(2) Deductions. There shall be subtracted from such net income or added to such loss, without duplication, the following items: (i) the amount of payments made during such period on account of principal upon mortgage loans secured by Company property and upon any other loans made to the Company, (ii) capital expenditures and any other cash

sums expended during such period for items not deducted in determining net income or loss of the Company, except to the extent paid from the proceeds of a Major Capital Event that were not included in the determination of net income or net loss, (iii) any amount included in net income or loss but not received in cash by the Company during such period, (iv) the proceeds during such period of a Major Capital Event to the extent included in determining net income or loss, (v) any amounts distributed during such period to the Members in payment of any guaranteed payment within the meaning of Section 707(c) of the Code, and any amounts distributed to a Member during such period for services rendered other than in its capacity as a member of the Company within the meaning of Section 707(a) of the Code, to the extent not previously taken into account as a deduction in determining net income or loss, (vi) the costs and expenses incurred by the Company during such period in connection with a Major Capital Event to the extent that net receipts of the Company from such Major Capital Event were insufficient to pay such costs and expenses and such costs and expenses were not deducted in determining net income or loss, and (vii) any amount to establish, replenish, or increase during such period cash reserves pursuant to a determination by a Majority-in-Interest of Members that such reserve and the amount thereof is necessary in order to retain sufficient working capital in the Company or to properly reserve for other actual or contingent obligations of the Company or improvements to the Property.

(b) "Extraordinary Cash Flow" shall mean the net cash receipts of the Company from a Major Capital Event as reduced, to the extent not deducted in determining Operating Cash Flow (or deducted in determining Operating Cash Flow but added back pursuant to Section 9.2(a)(l)), by (A) the costs and expenses incurred by the Company in connection with such Major Capital Event, including title, survey, appraisal,

recording, escrow, transfer tax, and similar costs, brokerage expense and attorneys and other professional fees, (B) proceeds deposited in reserves pursuant to a determination of a Majority-in-Interest of Members that such reserves and the amount thereof are required or appropriate to provide for actual or contingent obligations of the Company or improvements to or restoration of the Property, and (C) to the extent not previously deposited in reserves pursuant to clause (B) of this Section 9.2(b), proceeds applied to rebuild, repair, or restore the Property.

(c) Intentionally Omitted.

(d) Intentionally Omitted.

(e) "Operating Return" shall mean, for each Member, an annual cumulative return, compounded monthly, equal to ten percent (10%) per annum on such Member's Unreturned Capital. "Unreturned Capital", for each Member, shall mean the sum of its Initial Capital and its Shortfall Capital, reduced by any distributions of Extraordinary Cash Flow made to such Member pursuant to Section 9.3(b)(2) or Section 9.3(b)(3) hereof.

9.3. Cash Flow Distributions.

(a) Operating Cash Flow. Subject to the terms of Sections 4.6(b)(iii) and 9.6, the Company shall distribute to the Members Operating Cash Flow for each calendar month during the term of the Company in which there is Operating Cash Flow based on the Manager's good faith estimate of Operating Cash Flow for the current fiscal year, which shall take into account available cash of the Company and expenses of the Company reasonably expected to be incurred during the following calendar month. Each

such distribution shall be made within twenty-one (21) days after the end of each calendar month to the Members as follows:

(i) First, to the Members in proportion to and in an amount equal to their accrued, unpaid Operating Returns; and

(ii) Second, to the Members, pro rate in accordance with their respective Percentage Interests.

(b) Extraordinary Cash Flow. Subject to the terms of Sections 4.6(b)(iii) and 9.6, the Company shall distribute Extraordinary Cash Flow within three (3) Business Days of the completion of a Major Capital Event to the Members as follows:

(i) First, to the Members, in proportion to and in an amount equal to their unpaid Operating Returns;

(ii) Second, to the Members, pro rata in proportion to and in an amount equal to their Unreturned Shortfall Capital;

(iii) Third, to the Members; pro rata in proportion to and in an amount equal to their Unreturned Capital; and

(iv) Fourth, any remaining balance, to the Members pro rata in accordance with their respective Percentage Interests,

provided, however, that if the Company is being liquidated and dissolved as a result of the Major Capital Event which generated such Extraordinary Cash Flow, the assets of the Company (including such Extraordinary Cash Flow) shall be distributed as provided in Article 13 hereof.

9.4. Allocation of Gross Income, Profits and Losses For Capital Account Purposes.

(a) In general, allocations to the Members under this Agreement shall be made in compliance with the requirements of Section 704(b) and the Treasury

Regulations promulgated thereunder in a manner that reflects the distribution provisions set forth in Section 9.3. Specifically, all items of Company income, gain, loss, and deduction as determined for book purposes shall be allocated among the Members and credited or debited to their respective Capital Accounts in accordance with Treasury Regulations Section 1.704-l(b)(2)(iv), so as to ensure to the maximum extent possible (i) that such allocations satisfy the economic effect equivalence test of Treasury Regulations Section 1.704-1(b)(2)(ii)(l) (as provided hereinafter), and (ii) that all allocations of items that cannot have economic effect (including credits and nonrecourse deductions) allocated to the Members in accordance with the Members' interests in the Company, which, unless otherwise required by Code Section 704(b) and the Treasury Regulations promulgated thereunder, shall be in proportion to their Percentage Interests. To the extent possible, items that can have economic effect shall be allocated in such a manner that the balance of each Member's Capital Account at the end of any taxable year (increased by the sum of (a) such Member's "share of partnership minimum gain" as defined in Treasury Regulations Section 1.704-2(g)(l) and (b) such Member's share of "partner nonrecourse debt minimum gain" as defined in Treasury Regulations Section 1.704-2(i)(5)) would be positive to the extent of the amount of cash that such Member would receive (or would be negative to the extent of the amount of cash that such Member would be required to contribute to the Company) if the Company sold all of its property for an amount of cash equal to its Book Basis (reduced, but not below zero, by the amount nonrecourse debt to which such property is subject) and all of the cash of the Company remaining after payment of all liabilities (other than nonrecourse liabilities) of

the Company were distributed in liquidation immediately following the end of such taxable year in accordance with Section 9.3(b).

9.5. Distributed Property. Notwithstanding anything to the contrary contained the foregoing provisions of Article 9, upon the distribution of property (other than cash) to a Member, for the purposes of computing Profit or Loss, such property shall be treated as if it had been sold for its fair market value on the date of such distribution. Except as provided in Section 13.1, no Member may be compelled to accept a distribution of any property from the Company except cash.

9.6. Right to Offset Against Distributions to Extra Space. Prudential shall have the right to cause the Company to deliver to Prudential and offset against amounts that would otherwise have been distributable to Extra Space distributions payable to Extra Space under any provision of this Agreement in an amount from time to time equal to any amounts owed by Extra Space or any of its Affiliates to Prudential or the Company under Sections 12.1(c) or any guaranty delivered to Prudential or the Company by Extra Space or any of its Affiliates.

9.7. Allocations of Profits and Losses for Tax Purposes.

(a) For Federal tax purposes, except insofar as adjustments pursuant to Section 704(c) principles may be permitted or required by Treasury Regulation Section 1.704-l(b)(2)(iv) by reason of property being contributed to the Company, as required by Treasury Regulations Section 1.704-l(b)(2)(iv)(d), property being distributed by the Company as required by Section 1.704-l(b)(2)(iv)(c), property being revalued by the Company (a “book-up”) as permitted by Treasury Regulations Section 7.704-l(b)(2)(iv)(f) or a Company interest being transferred, and subject to and consistent with Sections 734 and 743 of the Code, each item of income, gain, loss and deduction of the

Company shall be allocated among the Members in the same manner as its correlative item of "book" income, gain, loss or deduction has been allocated pursuant to Section 9.4.

(b) A Majority-in-Interest of Members shall have the authority to elect the method to be used by the Company for allocating items of income, gain, and expense as required by Section 704(c) of the Code, and such election shall be binding on all Members. For federal tax purposes, in accordance with Section 704(c) of the Code and any regulations thereunder, gain with respect to any property which may be contributed to the Company shall, solely for tax purposes, be allocated among the Members so as to take account of any variation between the adjusted tax basis of such property to the Company and the fair market value at the time of contribution. The Members acknowledge that all allocations of items of income, gain, and expenses as required by Section 704(c) of the Code associated with the property and other properties that may be contributed to the Company by Extra Space or an Affiliate in the future will be made in accordance with the "traditional method" as set forth in Regulations Section 1.704-3(b).

ARTICLE X - ASSIGNMENT AND OFFER TO PURCHASE

10.1. Transfers. Each Member, or any assignee or successor in interest of such Member, may sell, assign, give, pledge, hypothecate, encumber or otherwise transfer all or any portion of its interest in the Company, by operation of law or otherwise, directly or indirectly, which includes, without limitation, issuances and transfers of interests in the holders of direct and indirect interests in such Member (each, a "Holder") and mergers, consolidations and other corporate combinations with respect to such Member or a Holder and the sale of all or substantially all of the assets of such Member or a Holder (each of the foregoing, a "Transfer"),

only as provided in this Article 10. Transfers by Prudential of all or a portion of its Entire Interest in the Company to Affiliates, and Transfers of interests in Prudential and in Holders of Prudential, shall be Transfers permitted under this Article 10, and Prudential shall not be required to obtain the consent of, nor offer all or any portion of its interest in the Company or such other direct of indirect interest in Prudential to be Transferred to, Extra Space or any other party; provided, however, that at no time shall there be more than one transferee of Prudential as a member in the Company. A Transfer by Extra Space of all of its Entire Interest in the Company to either of Extra Space Storage, Inc., a Maryland corporation, or Extra Space Properties, L.P., a Delaware limited partnership (but not to both), and Transfers of shares in Extra Space Storage Inc. or operating partnership units in Extra Space Properties, L.P., shall be Transfers permitted under this Article 10, and Extra Space shall not be required to obtain the consent of, nor offer all or any portion of its interest in the Company or such other interest in Extra Space Storage, Inc. or Extra Space Storage L.P. to be Transferred to Prudential. In the event of and as a condition to any Transfer by Extra Space of all of its Entire Interest in the Company to Extra Space Storage, Inc., a Maryland corporation, or Extra Space Properties, L.P., a Delaware limited partnership, said Extra Space Storage, Inc., a Maryland corporation, or Extra Space Properties, L.P., a Delaware limited partnership, as applicable, shall become jointly and severally primarily liable for all obligations currently guaranteed by Extra Space, Woolley or any Affiliates of the foregoing for the benefit of Prudential.

10.2. Sales of Company Interests to Third Parties. If, at any time, either of the Members shall receive from a single third party (the "Offeror") a bona fide offer (the "Offer"), in writing, signed by the Offeror setting forth all the material terms of the Offer for such Member's entire equity interest in the Company (which shall include any and all Company interests held by

Persons that acquired their interests from such Member) ("Entire Interest"), including a statement and calculation of the cash value of any non-cash consideration to be delivered for all or any portion of the Entire Interest (the "Cash Value"), then the Member who shall have received such Offer (the "Receiving Member") shall, if it wishes to accept the Offer, forward a true copy thereof to the other Member (the "Non-Receiving Member"), together with reasonable information as to the identity of the Offeror (e.g., its partners, members, directors, officers and controlling shareholders) and the terms of the Offer.

(a) In such event, the Non-Receiving Member may, within seventy-five (75) days after receiving a copy of the Offer from the Receiving Member, either

(1) notify the Receiving Member of the Non-Receiving Member's intent to purchase the Receiving Member's Entire Interest upon the same terms and conditions contained in the Offer except as to date, hour and place of closing and as otherwise provided below in this item (1). If the Offer proposes an acquisition of the Receiving Member's Entire Interest for consideration that is in whole or in part other than cash, the Non-Receiving Member shall be entitled to purchase the Receiving Member's Entire Interest for cash in an amount equal to the sum of any cash to have been paid pursuant to the Offer plus the Cash Value, if any. Notice of election to purchase shall be addressed to the Receiving Member and shall provide for the consummation of the transaction on the date set forth in the notice of acceptance, which date, subject to the terms of this Section below, shall be not more than thirty (30) days after the conclusion of the initial seventy-five (75) day period referenced in Section 10.2(a). Such notice shall also set forth the hour and place of closing which shall be in the offices of the seller's counsel set forth in Section 15.1, during usual business hours; or

(2) notify the Receiving Member that the Non-Receiving Member does not elect to purchase the Receiving Member's Entire Interest on the terms and conditions contained in the Offer.

If the Non-Receiving Member elects to purchase the Receiving Member's Entire Interest in accordance with subsection (a)(l) of this Section 10.2, then the Receiving Member shall be obligated to sell and transfer its Entire Interest to the Non-Receiving Member in accordance with the terms and conditions of the Offer and notice of election provided for in subsection (a)(l).

(b) If the Non-Receiving Member does not exercise the aforesaid right to purchase, then the Receiving Member shall have the right to sell its Entire Interest to the party referenced at a price equal to not less than ninety-five percent (95%) of that set forth in the Offer.

(c) If the Non-Receiving Member does not exercise its rights under Section 10.2(a)(l), then, upon the assignment to the Offeror, the Offeror shall be admitted as a Member of the Company in place of the Receiving Member which shall have sold its interest. As a condition precedent to the foregoing, the Offeror shall execute and deliver an instrument, in substance and form satisfactory to the Non-Receiving Member, assuming and agreeing to perform the terms and conditions of this Agreement as provided in Section 10.3, and such other documents as the Non-Receiving Member may reasonably require in order to effectuate the foregoing.

(d) In connection with the sale of one Member's Entire Interest to the other Member pursuant to this section, all of the provisions of Section 10.8 shall be applicable to such sale, except that for the purposes of this Section 10.2, the date the Non-Receiving Member receives a copy of the Offer from the Receiving Member shall be the governing

date referred to in Sections 10.8(e) and 10.8(f), rather than the date of giving of the notice of election or the Notice Date.

(e) Whether or not any transaction contemplated by the foregoing provisions of this Section 10.2 is consummated pursuant to the provisions of the Offer and within the period provided in Section 10.2(b), all the provisions of this Section 10.2 shall apply to any subsequent offer or offers of a Member's Entire Interest or to any sale of a Member's Entire Interest which is not consummated within such period.

10.3. Assumption by Assignee. Any assignment of an Entire Interest in the Company permitted under this Article 10 shall be in writing, and shall be an assignment and transfer of all of the assignor's rights and obligations hereunder, and the assignee shall expressly agree in writing to be bound by all of the terms of this Agreement and assume and agree to perform all of the assignor's agreements and obligations existing or arising at the time of and subsequent to such assignment. Upon any such permitted assignment of the assignor's Entire Interest, and after such assumption, the assignor shall be relieved of its agreements and obligations hereunder arising after such assignment, and the assignee shall become a Member in place of the assignor. An executed counterpart of each such assignment of a Entire Interest in the Company and assumption of a Member's obligations shall be delivered to each Member and to the Company. The assignee shall pay all expenses incurred by the Company in admitting the assignee as a Member. Except as otherwise expressly provided herein, no permitted assignment shall terminate the Company.

As a condition to any assignment of an Entire Interest, the selling Member shall obtain such consents as may be required from third parties, if any, or waivers thereof. The other Member shall cooperate with the selling Member in obtaining such consents or waivers.

10.4. Amendment of Certificate of Formation. If an assignment of an Entire Interest in the Company shall take place pursuant to the provisions of this Article 10, then unless the Company is dissolved by such assignment, the continuing Members promptly thereafter shall cause to be filed, to the extent necessary, an amendment to the Company's Certificate of Formation with all applicable state authorities, together with any necessary amendments to the fictitious or assumed name(s) of the Company in order to reflect such change or take such similar action as may be required.

10.5. Other Assignments Void.

(a) Any purported Transfer not otherwise expressly permitted by this Article 10 shall be null and void and of no effect whatsoever.

(b) Extra Space, any holder of a direct or indirect interest in Extra Space (including without limitation Extra Space Storage Inc. and Extra Space Storage LP) and any Transferee of all or any portion of the Entire Interest of Extra Space shall have the right, without the prior consent of Prudential, to cause the issuance or Transfer of equity interests in Extra Space or any such holder, and to permit assignments of all or any portion of the Entire Interest to Persons who at any time are equity interest holders in Extra Space or in any member in Extra Space, and any of the foregoing shall be Transfers permitted under this Article 10, and Extra Space shall not be required to obtain the consent of, nor offer all or any portion of its interest in the Company or such other interest in Extra Space Storage, Inc. or Extra Space Storage L.P. to be Transferred to Prudential in connection with any of the foregoing.

(c) Extra Space and members in Extra Space shall also have the right, in order to raise funds for Extra Space to meet its capital contribution obligations as set forth in

this Agreement to incur indebtedness secured by all or any portion of Extra Space's interest in the Company or such member's interest in Extra Space Storage LLC, provided, however, that if, as a result of Extra Space's or such member's default under any such indebtedness, a party succeeds to ownership of, or gains any rights in, all or any portion of Extra Space's interest in the Company or such member's interest in Extra Space, Prudential shall have the exclusive right and authority to act for and make decisions on behalf of, the Company, and any and all provisions of this Agreement requiring the unanimous consent of the Members for any action or vote of or by all of the Members shall become immediately null and void.

10.6. Right to Cause Sale of Property.

(a) Prudential may, at any time, require the sale or other transfer by the Company of all or any portion of the Property (the Property designated by Prudential for sale or other transfer, collectively, the "10.6 Sale Property").

(b) At any time when all or any portion of the Property is being actively marketed pursuant to this Section 10.6, (i) Extra Space's right to sell its Entire Interest pursuant to the terms of Section 10.2 or exercise its rights under Section 10.7 shall be suspended, and (ii) Extra Space shall suspend all marketing efforts or negotiations which may have been commenced with respect to a sale of its Entire Interest.

(c) Prior to the exercise of its right as set forth in Section 10.6(a), Prudential must give notice (the "Sale Notice") to Extra Space of (i) Prudential's intention to request the sale of the 10.6 Sale Property at a specified price (the "Stated Price"), and (ii) (A) if the 10.6 Sale Property consists of all of the Property, offering to sell its Entire Interest in the Company to Extra Space for the amount that would be distributable to Prudential

under this Agreement if all of the Property were sold for the Stated Price and on all other relevant terms and conditions, or (B) if the 10.6 Sale Property consists of less than all of the Property, offering to cause the Company to sell the 10.6 Sale Property to Extra Space for the Stated Price and on all other relevant terms and conditions.

(d) If Prudential has delivered the Sale Notice to Extra Space, Extra Space may, within seventy-five (75) days after receiving a copy of the Sale Notice, elect one (1) of the two (2) following options:

(i) If the 10.6 Sale Property consists of less than all of the Property, (A) notify Prudential that Extra Space has no objection to Prudential selling the 10.6 Sale Property, in which event Prudential may cause the Company to market with real estate brokers selected by Prudential and sell the 10.6 Sale Property, provided that the price obtained for the 10.6 Sale Property is at least ninety-five percent (95%) of the Stated Price and a purchase and sale or similar agreement for the sale or transfer of the 10.6 Sale Property is entered into within one hundred eighty (180) days of Prudential's receipt of Extra Space's notification under this Section 10.6(d)(i)(A). If a purchase and sale or similar agreement for such sale or transfer is not entered into within such one hundred eighty (180) day-period, the terms of Sections 10.6(c) and (d) shall again be applicable; or (B) notify Prudential that Extra Space elects to purchase all of the 10.6 Sale Property on the terms and conditions set forth in the Sale Notice; or

(ii) if the 10.6 Sale Property consists of all of the Property, (A) notify Prudential of Extra Space's election to purchase Prudential's Entire Interest upon the same terms and conditions contained in the Sale Notice (which, as to price, means an amount equal to the sum that would be distributable to Prudential under the provisions of

Section 9.3(b) hereof upon the sale, by the Company, of the Property for the Stated Price), or (B) notify Prudential that Extra Space has no objection to Prudential selling the Property, in which event Prudential may cause the Company to market and sell the Property with real estate brokers selected by Prudential, provided that the price obtained for the Property is at least ninety-five (95%) of the Stated Price and a purchase and sale or similar agreement for the sale or transfer of the Property is entered into within one hundred eighty (180) days of Prudential's receipt of Extra Space's notification under this Section 10.6(d)(ii).

A notification by Extra Space electing to purchase the 10.6 Sale Property or Prudential's Entire Interest under this Section 10.6 shall be accompanied by a deposit in an amount equal to five percent (5%) of the amount payable in connection with the applicable purchase pursuant to this Section 10.6(d) (such amount, together with any interest earned thereon, being hereinafter called the "Other Member's Deposit"), which shall be refundable at the direction of Extra Space until the date which is the earlier of (i) forty-five (45) days after Extra Space's notification to Prudential, or (ii) execution of a purchase and sale agreement. Notice of election to purchase shall be addressed to Prudential and shall set forth the hour and place of closing which, unless the Members shall otherwise agree, shall be at the office of counsel to Prudential, during usual business hours within thirty (30) days after the date of the giving of the notice of election to Prudential, subject to the terms of this Section below. The Other Member's Deposit shall be credited against the total purchase price for the Entire Interest being purchased pursuant to this Section 10.6(d); provided, however, that, if the closing shall fail to occur because of a default by the Other Member, subject to the provisions of Section 10.6(d)(ii)

above concerning refundability of the Other Member's Deposit, Prudential shall have the right to retain the Other Member's Deposit as liquidated damages, it being agreed that in such instance Prudential's actual damages would be difficult, if not impossible, to ascertain. If Extra Space shall not have given notice to Prudential of its election to purchase the 10.6 Sale Property or to purchase Prudential's Entire Interest within the applicable notice period provided above, Extra Space shall be deemed to have exercised the option provided in Section 10.6(d)(i)(A) or Section 10.6(d)(ii)(B), as the case may be. If a purchase and sale agreement to be entered into under Section 10.6(d) by Extra Space with respect to a sale to Extra Space of the 10.6 Sale Property or Prudential's Entire Interest is, despite the parties' good faith negotiations, not entered into on or before the forty-fifth (45th) day following Extra Space's notification to Prudential, Extra Space shall be entitled to a return of the Other Member's Deposit, and Prudential shall have the right to cause a sale of the 10.6 Sale Property in accordance with the terms of Section 10.6(d)(i)(A) or 10.6(d)(ii)(B), whichever is applicable.

(e) In connection with the sale of one Member's Entire Interest to the Other Member pursuant to this Section 10.6, the provisions of Section 10.8, inclusive, shall be applicable to such sale, except that for the purposes of this Section 10.6, the date Extra Space receives a copy of the Sale Notice from Prudential shall be the governing date referred to in Sections 10.8(d) and (e), rather than the date of the notice of election or the Notice Date.

(f) Whether or not any transaction contemplated by the foregoing provisions of this Section 10.6 is consummated pursuant to the provisions of the Sale Notice, all the provisions of this Section 10.6 shall apply to any subsequent exercise by Prudential of its

rights under this Section and to any material modification to the Sale Notice, including a reduction in the Stated Price of more than five percent (5%).

10.7. Buy-Sell.

(a) At any time after the date hereof, either Member may make an offer (i) to purchase the other Member's Entire Interest or to sell its Entire Interest to the other Member, or (ii) to purchase one (1) or more components of the Property (collectively, the "10.7 Sale Property") or to cause the Company to sell the 10.7 Sale Property to the Other Member (as defined below), in each case for a purchase price determined in accordance with Section 10.8, which shall be payable in cash at the closing of any such transaction and on such other arms length terms as such Member (the "Proposer") may propose in a notice (the "Sale Proposal") to the other Member (the "Other Member"). The Sale Proposal shall state a value (the "10.7 Stated Amount") for the Property, if a Member's Entire Interest is being sold, or for the 10.7 Sale Property if the 10.7 Sale Property is to be sold.

(b) Within seventy-five (75) days after receiving a copy of the Sale Proposal, the Other Member shall notify the Proposer:

(i) that the Other Member is agreeable to the sale of its Entire Interest to the Proposer or the sale of the 10.7 Sale Property to the Proposer, as the case may be, in accordance with the terms set forth in the Sale Proposal and for the price determined pursuant to Section 10.8; and/or

(ii) that the Other Member elects to purchase (A) the Entire Interest of the Proposer in accordance with the terms set forth in the Sale Proposal and for the price determined in accordance with Section 10.8, or (B) to purchase the 10.7 Sale Property in

accordance with the terms set forth in the Sale Proposal and for the price determined in accordance with Section 10.8. Such notification shall be accompanied by a deposit in an amount equal to five percent (5%) of the amount payable in connection with such purchase pursuant to this Section 10.7(b)(ii) (such amount, together with any interest earned thereon, being hereinafter called the "Other Member's Buy-Sell Deposit"), which shall be refundable at the direction of the Other Member until the date which is the earlier of (i) forty-five (45) days after receipt by the Proposer of the Other Member's notification under this Section 10.7(b)(ii), or (ii) execution of a purchase and sale agreement. The parties agree to negotiate a purchase and sale agreement in good faith, and such purchase and sale agreement shall be prepared by counsel to Prudential. Notice of election to purchase shall be addressed to the Proposer and shall set forth the place of closing which, unless the Members shall otherwise agree, shall be at the offices of counsel to the Proposer, during usual business hours within thirty (30) days after the date of the giving of the notice of election under this Section 10.7(b)(ii) to the Proposer, subject to the terms of this Section below. The Other Member's Buy-Sell Deposit shall be credited against the total purchase price for the Entire Interest or the 10.7 Sale Property being purchased pursuant to this Section 10.7(b)(ii); provided, however, that, if the closing shall fail to occur because of a default by the Other Member, subject to the provisions of Section 10.7(b)(ii) above concerning refundability of the Other Member's Buy-Sell Deposit, the Proposer shall have the right to retain the Other Member's Buy-Sell Deposit as liquidated damages, it being agreed that in such instance the Proposer's actual damages would be difficult, if not impossible, to ascertain.

(c) The purchase and sale of an Entire Interest or the 10.7 Sale Property pursuant to Section 10.7(b)(i) or (ii) shall take place during normal business hours. Failure of the Other Member to respond to the Sale Proposal within the seventy-five (75) day period referenced in Section 10.7(b) shall be deemed an election to sell its Entire Interest or permit the sale of the 10.7 Sale Property to the Proposer, as the case may be, under Section 10.7(b)(i).

10.8. Provisions Generally Applicable to Sales. The following provisions shall be applicable to sales under Sections 10.2, 10.6, 10.7 and/or 13.2, as indicated:

(a) If, under the provisions of Section 10.7, either party (the "Offering Party") makes an offer (the "10.7 Offer") to the other party (the "Other Party") to purchase the Other Party's Entire Interest or to sell its own Entire Interest, the purchase price (1) payable by the Offering Party to the Other Party, if the Other Party exercises its election to sell its Entire Interest to the Offering Party or (2) payable by the Other Party to the Offering Party, if the Other Party exercises its election to purchase the Entire Interest of the Offering Party, as the case may be, shall be determined as follows:

(i) In the event this Section 10.8(a) is triggered in the context of a sale of an Entire Interest under Section 10.7, there shall be determined the total amount which would have been available for distribution by the Company under Section 9.3(b) after payment of debts, liabilities, and expenses under Section 13.5 (a), (b), and (c) to all of the Members if the Property were sold for the 10.7 Stated Amount. The amount which would have been distributable to the Offering Party under Section 9.3 if all of the Company's Property had been sold for an amount equal to the 10.7 Stated Amount after payment of all debts, liabilities, and expenses of the Company referenced above equals the purchase price for the Offering Party's Entire Interest, and

such amount which would have been distributable to the Other Party equals the purchase price for the Entire Interest of the Other Party; and

(ii) In the event this Section 10.8(a) is triggered in the context of a sale of 10.7 Sale Property, the purchase price payable to the Company for the 10.7 Stated Property shall be equal to the 10.7 Stated Amount, and such sale shall constitute a Major Capital Event.

(b) For purposes of any sale of an Entire Interest of a Member, the purchase price associated with any such sale shall be adjusted to reflect assets and liabilities of the Company not reflected in the Company's financial statements available to all Members at the time of the notice of election (the "Notice Date"). The purchase price, as so adjusted, shall be determined ten (10) Business Days prior to closing and shall be subject to such post-closing adjustments as the circumstances may require. The purchase price, as so adjusted, shall be paid, at the selling Member's option, in cash, by certified check drawn to the order of the selling Member, or by wire transfer of immediately available funds to the seller's account. All prorations of real estate taxes, rents, and other items to be prorated shall be made as of the date of sale. All transfer taxes, title insurance policies, surveys, and recording fees shall be paid for by the party usually charged with such payment under local custom.

(c) Intentionally Omitted.

(d) On payment of the purchase price for an Entire Interest, the purchasing Member shall, at its option, either (i) obtain a release of the selling Member from all liability, direct or contingent, by all holders of all Company debts, obligations, or claims against the Company for which either Member is or may be personally liable except for any debts, obligations, or claims which are fully insured by public liability insurer(s)

acceptable to the selling Member, (ii) cause all such debts, obligations, or claims to be paid in full at the closing, or (iii) deliver to the selling Member an agreement in form and substance reasonably satisfactory to the selling Member to defend, indemnify, and save the selling Member harmless from any actions, claims, or loss arising from any debt, obligation, or claim of the Company arising prior to date of sale.

(e) Both Members (including the selling Member) shall be entitled to any distributions of Operating Cash Flow from the Company following the giving of the notice of election and until the closing.

(f) If any Property is damaged by fire or other casualty, or if any entity possessing the right of eminent domain shall give notice of an intention to take or acquire a substantial part of any Property, then the purchasing Member shall be required to complete the applicable transaction and accept an assignment of the insurance or condemnation proceeds.

(g) At the closing of the sale of the Entire Interest of a Member, the selling Member shall execute an assignment of its Entire Interest free and clear of all liens, encumbrances, and adverse claims, which assignment shall be in form and substance reasonably satisfactory to the purchasing Member, and such other instruments as the purchasing Member shall reasonably require to assign the Entire Interest of the selling Member to such Person as the purchasing Member may designate. For any sale or transfer under this Article 10, the purchasing Member may designate the assignee of the Entire Interest, which assignee need not be an Affiliate of the purchasing Member, subject to the other Member’s reasonable consent. In addition, if requested by the purchasing Member, the selling Member shall deliver a quitclaim deed and bill of sale to

the purchaser of its interest in all assets of the Company. The deed, in recordable form, and bill of sale shall be prepared by the purchasing Member.

(h) Intentionally Omitted.

(i) It is the intent of the parties to this Agreement that the requirements or obligations, if any, of one Member to sell its Entire Interest to the other Member shall be enforceable by an action for specific performance of a contract relating to the purchase of real property or an interest therein. In the event that the selling Member shall have created or suffered any unauthorized liens, encumbrances, or other adverse interests against either the Property or the selling Member's interest in the Company, the purchasing Member shall be entitled either to an action for specific performance to compel the selling Member to have such defects removed, in which case the closing shall be adjourned for such purpose, or, at the purchasing Member's option, to an appropriate offset against the purchase price, which offset shall include all reasonable costs associated with enforcement of this Section.

(j) At the election of the purchasing Member, the purchase and sale of an Entire Interest will be structured to avoid, if possible, a termination of the Company for Federal tax purposes and/or under the Act.

10.9. Compliance with ERISA and State Statutes on Governmental Plans.

(a) Not less than five (5) Business Days before each transfer of a direct or indirect interest in Extra Space to an Affiliate, and not less than ten (10) Business Days before each transfer of a direct or indirect interest in Extra Space to a non-Affiliate, Extra Space shall cause the proposed transferee to deliver to Prudential a certification in

substantially the form of Exhibit C-l attached hereto. Nothing in this item (a) shall be construed to permit any transfer not expressly permitted under Section 10.1.

(b) (1) Extra Space shall deliver to Prudential a certification in substantially the form of Exhibit C-1; and

(2) Prudential shall deliver to Extra Space a certification in substantially the form of Exhibit C-2 attached hereto and made a part hereof on the closing or consummation of each of the following transactions:

(y) a decrease in a Member's Percentage Interest; and

(z) a sale pursuant to Section 10.2.

(c) (1) If Extra Space proposes to sell its Entire Interest pursuant to Section 10.2, Extra Space shall cause the Offeror to deliver to Prudential a certification in the form set forth in Exhibit C-1 at the same time that Extra Space forwards a true copy of the Offer to Prudential.

(2) If within the time provided in Section 10.2(a) for Prudential's response to the Offer, Prudential notifies Extra Space, in writing, that Extra Space's sale to the Offeror would be a Plan Violation (such notice to specify the alleged Plan Violation), then Prudential is not required to respond to the Offer and Extra Space shall not sell its Entire Interest to the Offeror.

(3) If Prudential does not give notice in accordance with Section 10.2(a),and:

(A) Extra Space sells its Entire Interest to the Offeror, then, at the closing of the sale, (i) Extra Space shall cause the Offeror to deliver to Prudential a

certification in substantially the form of Exhibit C-1. and (ii) Prudential shall deliver to the Offeror a certification in substantially the form of Exhibit C-2; or

(B) Extra Space sells its Entire Interest to Prudential, then, at the closing of the sale, (i) Extra Space shall deliver to Prudential a certification in substantially the form of Exhibit C-1, and (ii) Prudential shall deliver to Extra Space a certification in substantially the form of Exhibit C-2.

(d) If there is a proposed sale of the Property pursuant to Section 10.2 or 10.6, and either Prudential or Extra Space buys the Property, then, at the closing of the sale, Extra Space shall deliver to Prudential a certification in substantially the form of Exhibit C-1, and (2) Prudential shall deliver to Extra Space a certification in substantially the form of Exhibit C-2.

(e) Anything else in this Agreement contained to the contrary notwithstanding, Prudential shall have up to thirty (30) days following the receipt by it of a certification by Extra Space or a proposed transferee provided for in this Section 10.9 to notify Extra Space that it has determined that a proposed transfer by Extra Space of its Entire Interest or a proposed transfer of the Property would result in a transfer to a Person other than an Acceptable Person and/or in a Plan Violation. If Prudential notifies Extra Space (in writing) that any such proposed transaction would constitute a Plan Violation (which notification shall contain an explanation of the reasons for such determination), the proposed transaction shall not be consummated and any attempt to do so shall be void. If, within such thirty (30)-day period, Prudential notifies Extra Space that it has determined that no Plan Violation will result from the proposed transaction, or if Prudential does not deliver any notification to Extra Space within such thirty (30)-day

period, then the proposed transaction may be consummated; provided, however, that such transaction must be consummated no later than (i) the twentieth (20th) day after the delivery to Extra Space by Prudential of a notice that it has determined that the proposed transaction will not result in a Plan Violation or the expiration of the thirty (30)-day period referred to in this Section 10.9(e), as the case may be, or (ii) if Sections 10.2 or 10.6 (as applicable) of this Agreement provides for a closing that is later than such twenty (20)-day period, the latest day that such Section permits such closing to occur; and provided, further, that, in the event that any certification by Extra Space or a proposed transferee contains a material misrepresentation or omission, then, in such event, notwithstanding Prudential's lack of objection or deemed lack of objection thereto, the proposed transaction shall not be consummated and, if it is consummated, such transaction shall be void. Each

(1) breach of representation or warranty given in connection with this Section 10.9, and

(2) violation of this Section 10.9, or of any other provision of this Agreement or the Acquisition Agreement relating to ERISA, Governmental Plans or Plan Violations will constitute a default entitling the Nondefaulting Member to terminate this Agreement pursuant to Section 12.1(c) hereof,

(f) Extra Space shall indemnify Prudential and defend and hold Prudential harmless from and against all loss, cost, damage and expense that Prudential may incur, directly or indirectly, as a result of a (i) default by Extra Space under this Section 10.9, or (ii) a breach of a representation or warranty given by Extra Space under this Section 10.9, or (iii) any material misstatement or omission in a certification by Extra Space or

proposed transferee of Extra Space which is given to Prudential pursuant to this Section 10.9. The liability, excise taxes, penalties, interest, loss, cost, damage and expense will include, without limitation, attorney's fees and costs incurred in the investigation, defense and settlement of claims and losses incurred in

(1) correcting any Plan Violation,

(2) the sale of a prohibited Company interest, or

(3) obtaining any individual exemption for a Plan Violation that may be required, in Prudential's sole discretion. This indemnity shall survive (x) the sale of the Property or of Extra Space's Entire Interest and (y) termination of this Agreement.

(g) The Company will not enter into any agreements, or suffer any conditions, that Prudential determines, in its reasonable judgment, would result in a Plan Violation. At Extra Space's request, Prudential shall deliver a notice of each such determination to Extra Space together with an explanation of the reasons for the determination.

(h) Prudential and Extra Space will cooperate to discover and correct Plan Violations.

ARTICLE XI - DISSOLUTION OR BANKRUPTCY OF A MEMBER

11.1. Dissolution. If either Member shall be dissolved, then, unless such dissolution is agreed to by the consent of the other Member, it shall terminate such dissolving Member's continued membership in the Company and shall, at the option of the other Member, cause the dissolution of the Company, and the other Member shall be the Liquidating Member.

11.2. Bankruptcy, etc. In the event:

(a) Neither Member shall file a voluntary petition in bankruptcy or shall be adjudicated a bankrupt, make an assignment for the benefit of creditors, or seek any

reorganization, arrangement, composition, readjustment, liquidation, dissolution, or similar relief for itself under the present or any future Federal bankruptcy code or any other present or future applicable Federal, state, or other statute or law relative to bankruptcy, insolvency, or other relief for debtors, or shall seek or consent to or acquiesce in the appointment of any trustee, receiver, conservator or liquidator of said Member or its interest in the Company (the term "acquiesce" includes but is not limited to the failure to file a petition or motion to vacate or discharge any order, judgment or decree providing for such appointment within ten (10) days after the appointment);

(b) a court of competent jurisdiction shall enter an order, judgment or decree approving a petition filed against either Member seeking any reorganization, arrangement, composition, readjustment, liquidation, dissolution, or similar relief under the present or any future Federal bankruptcy code or any other present or future applicable Federal, state, or other statute or law relating to bankruptcy, insolvency, or other relief for debtors, and said Member shall acquiesce in the entry for such order, judgment, or decree (the term "acquiesce" includes but is not limited to the failure to file a petition or motion to vacate or discharge such order, judgment, or decree within ten (10) days after the entry of the order, judgment, or decree) or such order, judgment, or decree shall remain unvacated and unstayed for an aggregate of ninety (90) days (whether or not consecutive) from the date of entry thereof, or any trustee, receiver, conservator, or liquidator of such Member or of all or any substantial part of such Member's property or its interest in the Company shall be appointed without the consent or acquiescence of said Member and such appointment shall remain unvacated and unstayed for an aggregate of sixty (60) days (whether or not consecutive);

(c) either Member shall admit in writing its inability to pay its debts as they mature;

(d) either Member shall give notice to any governmental body of insolvency, or pending insolvency, or suspension or pending suspension of operations; or

(e) either Member shall make an assignment for the benefit of creditors or take any other similar action for the protection or benefit of creditors;

then, unless otherwise agreed to by the consent of the other Member, any such event described in Sections 11.2(a) through (e) shall terminate such bankrupt or insolvent Member's continued membership in the Company and shall cause the dissolution of the Company and the other Member shall be the Liquidating Member.

11.3. Reconstitution. Notwithstanding the provisions of Section 11.1 and 11.2, the remaining Member(s) may, within ninety (90) days of any event described in this Article 11, agree by unanimous consent to (1) continue the Company or (2) transfer the assets of the Company to a newly organized corporation, limited liability company, or partnership and accept stock in the corporation or interests in the limited liability company, or partnership in exact proportion to their respective interests in the Company at the time of dissolution, provided that at the time the event described in this Article 11 occurs, the Company has at least one (1) continuing Member. An appropriate amendment to or cancellation of the Certificate of Formation and all other filings required by law shall be made in accordance with any action taken pursuant to this Section 11.3.

11.4. Payment to Former Member. In the event a Member's continued membership in the Company is terminated as the result of any event described in this Article 11 and the other Member elects to reconstitute the Company in accordance with Section 11.3 hereof, then any

such terminating event shall be deemed a resignation under Section 18-603 of the Act. After the date of such event giving rise to the termination of a Member's interest, the terminated Member shall no longer be entitled to distributions of the Company during the Company's operations and shall only be entitled to a distribution in payment of its membership interest upon the dissolution and winding up of the Company in accordance with Section 13.5 hereof.

ARTICLE XII - DEFAULT

12.1. Defaults. After the Effective Date, if either Member or its Affiliate fails to perform any of its obligations hereunder or breaches any of the terms, conditions or covenants of this Agreement other than to make contributions of Shortfall Capital, then the other Member ("Nondefaulting Member") shall have the right to give the Member that is itself, or whose Affiliate is, in default (the "Defaulting Member") a notice of default (the "Notice of Default"). The Notice of Default shall set forth the nature of the obligation which the Defaulting Member (or its Affiliate, if applicable) has not performed.

(a) If such default is not curable by the payment or expenditure of money and if, within the thirty (30) day-period following receipt of the Notice of Default, the Defaulting Member (or its Affiliate, if applicable) in good faith commences to perform such obligation and cure such default and thereafter prosecutes to completion with diligence and continuity the curing thereof and cures such default within a reasonable time but in no event later than ninety (90) days following receipt of such Notice of Default, then it shall be deemed that the Notice of Default was not given and the Defaulting Member shall lose no rights hereunder. If, within such thirty (30) day-period, the Defaulting Member (or its Affiliate, if applicable) does not commence in good faith the curing of such default or does not thereafter prosecute to completion with diligence

and continuity the curing thereof within the time period provided above, then the Nondefaulting Member shall have the rights set forth in Section 12.1(c).

(b) If such default is curable by the payment or expenditure of money, but is other than a default described in Section 4.6, and if such sums of money shall be paid within fifteen (15) days after receipt of the Notice of Default with respect thereto, then it shall be deemed that such Notice of Default was not given and the Defaulting Member shall lose no rights hereunder. If such sums are not so paid within such fifteen (15) day-period, then the Nondefaulting Member shall have the rights set forth in Section 12.1(c) in addition to the rights under Section 4.6 (to the extent applicable).

(c) If any default is not cured as set forth in Sections 12.1(a) or 12.1(b), the Nondefaulting Member shall have the right to terminate this Agreement by giving the Defaulting Member notice thereof, whereupon such default may be treated by the Nondefaulting Member as a dissolution of the Company, and the Nondefaulting Member shall be the "Liquidating Member".

Failure by a Nondefaulting Member to give any notice of a default as specified herein, or any failure to insist upon strict performance of any of the terms of this Agreement, shall not constitute a waiver of any such breach or any of the terms of this Agreement. No breach shall be waived nor shall any duty to be performed be altered or modified except by written instrument. One (1) or more waivers or failure to give notice of default shall not be construed as a waiver of a subsequent or continuing breach of the same covenant.

12.2. Negation of Right to Dissolve by Will of Member. Except as set forth in Section 6.1, Articles 10 and 11 and in Section 12.1, neither Member shall have the right to terminate this Agreement or dissolve the Company by its express will or by withdrawal without the consent of

the other Member. Upon any dissolution occurring by operation of law or caused by the express will or withdrawal of one of the Members in contravention of this Agreement, the Member not causing the dissolution shall be the Liquidating Member.

12.3. Non-Exclusive Remedy. The rights granted in Section 12.1 shall not be deemed an exclusive remedy of the Nondefaulting Member, but all other rights and remedies, legal and equitable, shall be available to it.

12.4. Intentionally Omitted.

12.5. Waiver or Right of Partition. The Members agree that each part of the Property is an integrated unit and it would be unfeasible and detrimental to the Property to have it partitioned. Therefore each Member does hereby waive any claim or right to petition any court for partition of the Property.

ARTICLE XIII - DISSOLUTION

13.1. Winding Up by Members. Upon dissolution of the Company by expiration of the term hereof, by operation of law, by any provision of this Agreement, or by agreement between the Members, the Company's business shall be wound up and all its assets distributed in liquidation. In such dissolution, except as otherwise expressly provided in Articles 10, 11 and 12, the Members shall be co-Liquidating Members. In such event the Members shall have rights to wind up the Company and shall proceed to cause the Company's property to be sold and to distribute the proceeds of sale as provided in Section 13.5. Except in respect of (i) all assets on which a single, non-severable mortgage or other lien will be in effect after such distribution, and (ii) any assets which the Members shall determine are not readily severable or distributable in kind, the Members, to the extent that liquidation of such assets is not required to fulfill the

payments, if any, under subsections (a), (b), (c), and (d) of Section 13.5, shall, if they agree, have the right to distribute, in kind, all or a portion of the assets of the Company to the Members.

13.2. Winding Up by Liquidating Member.

(a) In a dissolution pursuant to either Section 4.6(b)(iii)(y) or Articles 9, 10, 11, or 12, the Liquidating Member shall be as therein provided and such Liquidating Member shall have the right to:

(i) Wind up the Company and cause the Company's assets to be sold and the proceeds of sale distributed as provided in Section 13.5; or

(ii) Cause the assets of the Company to be appraised in accordance with Section 13.2(b) and at its option, purchase the Entire Interest of the other Member in accordance with Section 13.2(b).

(b) (i) The Liquidating Member within thirty (30) days after the commencement of the dissolution of the Company or the Non-Failing Member at any time during the period set forth in Section 4.6 (such Member giving the notice being referred to herein as the "Electing Member") may give notice (the "Appraisal Notice") to the other Member electing to have the Fair Market Value of the Company's assets determined by appraisal pursuant to Section 13.2(b)(ii). The fees and expenses of such appraisers shall be borne by the Company. The Electing Member shall have the option, by notice given to the other Member within seventy-five (75) days after receipt of the determination of "Fair Market Value" pursuant to Section 13.2(b)(ii), to purchase the other Member's Entire Interest at a price equal to the amount which would have been distributable to the other Member in accordance with the provisions of Section 9.3(b) if all of the Company's assets had been sold for an amount equal to such appraised value

and any debts, liabilities, and expenses which would have been payable by the Company pursuant to Section 13.5 out of the proceeds of such sale were deducted in determining the appraised value. Such option may be exercised by the Electing Member within forty-five (45) days after receipt of the determination of "Fair Market Value" pursuant to Section 13.2(b)(ii) by notice to the other Member. If, after the receipt of the determination of "Fair Market Value" pursuant to Section 13.2(b)(ii), the Electing Member elects not to exercise the option to purchase the other Member's Entire Interest pursuant to this Section, then the Electing Member shall have all of its rights under Section 4.6 or this Section 13.2, as applicable, as if the Appraisal Notice had not been given. All of the provisions of Section 10.8 shall apply to a purchase under this Section 13.2(b), except that for the purposes of this Section 13.2(b), any adjustments required pursuant to Section 10.8 shall be applicable to any events and/or liabilities or income which were not included in determining the Fair Market Value.

(ii) If the fair market value (the "Fair Market Value") of the assets of the Company is required for purposes of Section 13.2 (b)(i), such Fair Market Value, if not otherwise agreed upon by the Members, shall be determined as set forth in this Section 13.2(b)(ii). All appraisers referred to herein shall be real estate appraisers which are members of the American Institute of Real Estate Appraisers and shall not be Affiliates of Prudential. As used herein, "Fair Market Value" is the fair market value of all the assets of the Company. Each Member shall select one (1) appraiser. In the event that either party fails to select an appraiser within thirty (30) days after notice of the exercise of an option or election requiring a valuation, then such party's appraiser shall be selected by the other party from a list of no fewer than five (5) appraisers compiled

and maintained by a Majority-in-Interest of Members (the "List"). After the selection, each appraiser shall independently determine the gross fair market value of the assets of the Company. If the separate appraisals differ by an amount equal to less than ten percent (10%) of the average of the two (2), the average of such two (2) appraisals shall constitute the Fair Market Value. If the separate appraisals differ by more than such amount, the Members shall have a period of ten (10) days after receipt of the appraisals to agree on the Fair Market Value. In the event the Members cannot agree on the Fair Market Value in accordance with the preceding sentence, the two (2) appraisers referred to above shall, within ten (10) days after the expiration of the ten (10) day-period described in the preceding sentence, select a third (3rd) appraiser. In the absence of such a selection, the third (3rd) appraiser shall be appointed by the American Institute of Real Estate Appraisers. The third (3rd) appraiser shall decide which of the two (2) appraisals established by the appraisers in accordance with this Section constitutes the Fair Market Value, and such decision shall be conclusive and binding on the parties.

13.3. Offset for Damages. In the event of dissolution resulting from an event described in Article 11 or 12, the Liquidating Member shall be entitled to deduct from the amount payable to the other Member pursuant to Section 13.2(a) or (b), Section 13.4, or Section 13.5, the amount of damages incurred by the Liquidating Member proximately resulting from any such event.

13.4. Distributions of Operating Cash Flow. Subject to Section 13.5 hereof as to proceeds of liquidation, upon the dissolution of the Company for any reason during the period of liquidation and until termination of the Company, the Members shall continue to receive the Operating Cash Flow and to share profits and losses for all tax and other purposes as provided elsewhere in this Agreement.

13.5. Distributions of Proceeds of Liquidation. For purposes of this Section 13.5, "proceeds of liquidation" shall equal cash available for liquidation, net of liens secured by the Property, provided that neither the Company nor either of the Members shall be personally liable on, or they shall be released from, such debts. The proceeds of liquidation shall be applied in the following order of priority:

(a) First. To the payment of:

(1) debts and liabilities of the Company that may have been made by either of the Members to the Company, and

(2) expenses of liquidation.

(b) Second. To the setting up of any reserves which the Liquidating Member or Members, as the case may be, may deem necessary for any contingent or unforeseen liabilities or obligations of the Company or of both of the Members arising out of or in connection with the Company. Such reserves may be deposited by the Company in a bank or trust company acceptable to the Liquidating Member or Members, as the case may be, to be held by it for the purpose of disbursing such reserves in payment of any of the aforementioned liabilities or obligations, and at the expiration of such period as the Liquidating Member or Members, as the case may be, shall deem advisable, distributing the balance, if any, thereafter remaining, in a manner hereinafter provided.

(c) Third. To the Members in accordance with Section 9.3(b).

13.6. Orderly Liquidation. A reasonable time shall be allowed for the orderly liquidation of the assets of the Company and the discharge of liabilities to creditors so as to enable the Members to minimize the losses normally attendant upon a liquidation.

13.7. Financial Statements. During the period of winding up, the Company's then independent certified public accountants shall prepare and furnish to each of the Members, until complete liquidation is accomplished, all the financial statements provided for in Section 7.1.

13.8. Restoration of Deficit Capital Accounts. At no time during the term of the Company shall a Member with a deficit balance in its Capital Account have any obligation to the Company or to another Member or to any other Person to restore such deficit balance.

ARTICLE XIV - MEMBERS

14.1. Liability. A Member shall not be personally liable for the debts, liabilities, or obligations of the Company. Notwithstanding the foregoing, a Member will be liable for any distributions made to it, if, after such distribution, the outstanding liabilities of the Company (other than liabilities to Members on account of their interests in the Company and liabilities for which the recourse of creditors is limited to specific Company property) exceed the fair value of the Company's assets (provided that the fair value of Company property that secures recourse liability shall be included only to the extent its fair value exceeds such liability), and the Member had knowledge of this fact at the time the referenced distribution was received.

ARTICLE XV - NOTICES

15.1. In Writing; Address. All notices, elections, offers, acceptances, demands, consents, and reports (collectively "notices") provided for in this Agreement shall be in writing (and shall not be deemed effective unless so) and shall be given to the Company, the Members, or the other Member at the address set forth below or at such other address as the Company or any of the parties hereto may hereafter specify in writing.

Prudential: The Prudential Insurance Company of America
c/o Prudential Real Estate Investors
8 Campus Drive

	Parsippany, New Jersey 07054 Attention: Gary H. Picone Fax: (973) 683-1752
with a copy to:	Prudential Real Estate Investors 8 Campus Drive Parsippany, New Jersey 07054 Attention: Joan N. Hayden, Esq. Fax: (973) 683-1788
with a copy to:	Goodwin Procter LLP Exchange Place Boston, Massachusetts 02110 Attention: Minta E. Kay, P.C. Fax: (617) 227-8591
Extra Space:	c/o Extra Space Storage, LLC 2795 East Ctoonwood Parkway, Suite 400 Salt Lake City, Utah 84121 Attention: Mr. Kenneth M. Woolley Fax: (801) 562-5579
with a copy to:	Extra Space Storage, LLC 2795 East Ctoonwood Parkway, Suite 400 Salt Lake City, Utah 84121 Attention: Mr. Kenneth M. Woolley Fax: (801) 562-5579

All notices hereunder shall be deemed sufficiently given or served for all purposes when delivered (i) by personal service or courier service, and shall be deemed given on the date when signed for or, if refused, when refused by the Person designated as an agent for receipt of service, or (ii) by facsimile transmission and shall be deemed given when printed confirmation of completion of transmission is generated by the sender's facsimile transmission instrument, provided a hard copy is also provided by another manner permitted hereunder, to any party hereto at its address above stated or such other address of which a party shall have notified the party giving such notice in writing as aforesaid. For purposes hereof, notices may be given by the parties hereto or by their attorneys identified above.

A copy of any notice or any written communication from the Internal Revenue Service to the Company shall be given to each Member at the addresses provided for above.

15.2. Method. In addition to the methods specified in Section 15.1 hereof, such notice or other communication may be mailed by United States registered or certified mail, return receipt requested, postage prepaid, deposited in a United States post office or a depository for the receipt of mail regularly maintained by the post office or sent by any reputable overnight courier service that obtains a signature upon delivery. If so mailed, then such notice or other communication shall be deemed to have been received by the addressee on the third (3rd) Business Day following the date of such mailing or if sent by courier, then upon delivery. Such notices, demands, consents, and reports may also be delivered by hand, or by any other method or means permitted by law.

15.3. Copies. A copy of any notice, service of process, or other document in the nature thereof, received by either Member from anyone other than the other Member, shall be delivered by the receiving Member to the other Member as soon as practicable.

ARTICLE XVI - MISCELLANEOUS

16.1. Additional Documents and Acts. In connection with this Agreement as well as all transactions contemplated by this Agreement, each Member agrees to execute and deliver such additional documents and instruments, and to perform such additional acts, as may be necessary or appropriate to effectuate, carry out, and perform all of the terms, provisions, and conditions of this Agreement and all such transactions. All approvals of either party hereunder shall be in writing.

16.2. Estoppel Certificates. Each Member shall at any time and from time to time upon not less than twenty (20) days' prior notice from the other execute, acknowledge, and send to the

other a statement in writing certifying that this Agreement is unmodified and in full force and effect (or if there have been modifications, that the Agreement is in full force and effect as modified and stating the modifications) and stating whether or not as to both Members either is in default in keeping, observing, or performing any of the terms contained in this Agreement, and if in default, specifying each such default (limited, as regards the other's defaults, to those defaults of which the certifying Member has knowledge).

16.3. Interpretation. This Agreement and the rights and obligations of the Members hereunder shall be interpreted in accordance with the laws of the State of Delaware.

16.4. Entire Agreement. This instrument contains all of the understandings and agreements of whatsoever kind and nature existing between the parties hereto with respect to this Agreement and the rights, interests, understandings, agreements, and obligations of the respective parties pertaining to the Company.

16.5. References to this Agreement. Numbered or lettered articles, sections, and subsections herein contained refer to articles, sections, and subsections, of this Agreement unless otherwise expressly stated.

16.6. Headings. All headings herein are inserted only for convenience and ease of reference and are not to be considered in the construction or interpretation of any provision of this Agreement.

16.7. Binding Effect. Except as herein otherwise expressly stipulated to the contrary, this Agreement shall be binding upon and inure to the benefit of the parties signatory hereto and their respective distributees, successors, and assigns.

16.8. Counterparts. This Agreement may be executed in any number of counterparts, each of which shall for all purposes constitute one (1) agreement which is binding on all of the parties hereto.

16.9. Confidentiality. The terms and provisions of this Agreement shall be kept confidential and shall not, without the other Member's prior consent (which shall not be unreasonably withheld), be disclosed in writing by a Member or by a Member's agents, managers, members, representatives, and employees to any Person, except as required by law or to such Member's agents and advisors on a "need-to-know" basis. No publicity, media communications, press releases, or other public announcements concerning this Agreement or the transactions contemplated hereby shall be issued or made by either Member without the prior consent of the other Member, which consent shall not be unreasonably withheld.

16.10. Amendments. This Agreement may not be amended, altered, or modified except by a written instrument signed by all parties, provided, however, that Extra Space shall agree to any amendments of this Agreement (i) reasonably required by Prudential in order to comply with ERISA or related provisions of the Code which do not adversely affect the economic interests of Extra Space hereunder, or (ii) reasonably required by Prudential to reflect the acquisition of additional properties by the Company pursuant to the terms of an Acquisition Agreement. Prudential is hereby authorized to make any amendments to this Agreement to which Extra Space is required to agree under this Section, in each case without any further action by Extra Space.

16.11. Exhibits. All exhibits and schedules annexed hereto are expressly made a part of this Agreement, as fully as though completely set forth herein, and all references to this

Agreement herein or in any of such exhibits or schedules shall be deemed to refer to and include all such exhibits or schedules.

16.12. Severability. Each provision hereof is intended to be severable and the invalidity or illegality of any portion of this Agreement shall not affect the validity or legality of the remainder.

16.13. Qualification in Other States. In the event the business of the Company is carried on or conducted in any states in addition to Delaware, California, or Utah, then the Members agree that the Company shall exist under the laws of each state in which business is actually conducted by the Company, and they severally agree to execute such other and further documents as may be required or requested in order that the Members legally may qualify the Company in such states to the extent possible. A Company office or principal place of business in any state may be designated from time to time by a Majority-in-Interest of Members.

16.14. Forum. Any action by one or more Members against the Company or by the Company against one or more Members which arises under or in any way relates to this Agreement, actions taken or failed to be taken or determinations made or failed to be made by the Members or relating to the Company, including transactions permitted hereunder or otherwise related in any way to the Company, may be brought only in the state courts of the State of Delaware or the United States District Court for the District of Delaware. Each Member hereby consents to the jurisdiction of such courts to decide any and all such actions and to such venue.

16.15. WAIVER OF TRIAL BY JURY. THE MEMBERS HEREBY WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM (WHETHER IN CONTRACT OR TORT) BROUGHT BY ANY PARTY HERETO AGAINST ANY OTHER

PARTY IN RESPECT OF ANY MATTER ARISING OUT OF OR IN CONNECTION WITH THIS AGREEMENT.

16.16. Contact. Each Member shall designate one (1) representative as the principal contact for such Member under this Agreement.

16.17. Intentionally Omitted

16.18. Use of Name "Extra Space". The right of the Company to use the words "Extra Space" in its name or in connection with the operation of the Property shall terminate one (1) year after any of the following: (i) a sale of Extra Space's Entire Interest in the Company to Prudential or its successors and assigns, (ii) dissolution of the Company, or (iii) with respect to any individual Property, termination of the Leasing and Management Agreement for such Property with respect to such Property.

16.19. Covenants of Extra Space. Extra Space shall furnish Prudential, within twenty- one (21) days after the end of each calendar quarter and at such other times as Prudential reasonably requests, internally prepared financial statements of Extra Space showing all of its assets and liabilities, in form and substance reasonably satisfactory to Prudential and certified as true, complete, and correct by the chief financial officer of Extra Space. Extra Space shall furnish Prudential, within ninety (90) days after the end of each calendar year with copies of audited financial statements certified by Extra Space's independent certified public accountants.

[Signatures appear on following page.]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement, as of the day and year first above written.

WITNESS:

EXTRA SPACE STORAGE LLC, a
Delaware limited liability company

By: _____

Kenneth M. Woolley, its Manager

CHARLES L. ALLEN

WITNESS:

THE PRUDENTIAL INSURANCE COMPANY OF AMERICA

By: _____

Ben S. Penaliggon, Vice President

EXHIBIT A

FORM OF ACQUISITION AGREEMENT

(See attached.)

ACQUISITION AGREEMENT

Among

[EXTRA SPACE OF _____ LLC]

EXTRA SPACE WEST THREE LLC

EXTRA SPACE STORAGE LLC

EXTRA SPACE STORAGE LP

EXTRA SPACE STORAGE, INC.

EXTRA SPACE STORAGE HOLDINGS BUSINESS TRUST I

EXTRA SPACE STORAGE HOLDINGS BUSINESS TRUST II

and

THE PRUDENTIAL INSURANCE COMPANY OF AMERICA

Dated: _____, 200_

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unsuccessful party to such action shall pay to the prevailing party all costs and expenses, including reasonable attorneys' fees, incurred by such prevailing party, and if the prevailing party shall recover judgment in such action, such costs, expenses and attorneys' fees shall be included in and as part of such judgment 46

12.13. Time of Essence. Time is of the essence to the parties hereto in the performance of this Agreement, and they have agreed that strict compliance by each of them is required as to any date set out herein. If the final day of any period of time set out in any provision of this Agreement falls upon a day which is not a Business Day, then and in such event, the time of such period shall be extended to the next Business Day 47

12.14. Severability. In the event any term, covenant, condition, agreement, section or provision shall be deemed invalid or unenforceable by a court of competent and final jurisdiction, this Agreement shall not terminate or be deemed void or voidable, but shall continue in full force and effect and there shall be substituted for such stricken provision a like, but legal and enforceable, provision which most nearly accomplishes the intention of the parties hereto and if no such provision is available, the remainder of this Agreement shall be enforced 47

12.15. Reporting Person. The parties hereto hereby designate the 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. Each of the parties hereto and the Title Insurer shall execute at Closing a Designation Agreement, attached hereto as Exhibit P, designating the Title Insurer as the reporting person with respect to the transaction contemplated by this Agreement 47

12.16. Confidentiality; Press Releases. 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 need to do in order to perform its obligations hereunder and subject to disclosure of all information required by Governmental Authorities and the Lender), regardless of whether the Closing occurs. No party will issue or cause the issuance of, and each will use best efforts to 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 this Agreement or the transaction contemplated hereby except upon the prior written approval of Extra Space and Prudential as to the exact text of such press release 47

12.17. Conduct of the Parties. No conduct or course of action undertaken or performed by the parties shall have the effect of, or be deemed to have the

ACQUISITION AGREEMENT

THIS ACQUISITION AGREEMENT (this "Agreement") is entered into as of _____, 20__ (the "Effective Date") by and among EXTRA SPACE WEST THREE LLC, a Delaware limited liability company (the "Venture"), THE PRUDENTIAL INSURANCE COMPANY OF AMERICA ("Prudential"), EXTRA SPACE STORAGE LLC, a Delaware limited liability company ("Storage LLC"), [EXTRA SPACE OF _____ LLC], a _____ limited liability company ("Owner"), EXTRA SPACE STORAGE LP, a Delaware limited partnership (the "UPREIT"), EXTRA SPACE STORAGE, INC., a Maryland corporation ("ESS Inc."), EXTRA SPACE STORAGE HOLDINGS BUSINESS TRUST I, a Maryland business trust ("Trust I"), and EXTRA SPACE STORAGE HOLDINGS BUSINESS TRUST II, a Maryland business trust ('Trust II", and, collectively with Trust I and ESS Inc., the "REIT", and together with Storage LLC, Owner and the UPREIT, individually, collectively and jointly and severally, "Extra Space").

RECITALS

Owner is the owner of certain real property located in _____,_____ more particularly described in Exhibit A attached hereto (the "Land").

Owner intends to construct a new self-storage facility containing approximately _____ units and containing approximately _____ rentable square feet consisting of _____ storage buildings plus one _____ square foot office/manager's quarters building on the Land.

Pursuant to the Operating Agreement (defined below) of the Venture, and subject to and upon the terms and conditions set forth in this Agreement, upon Closing (defined below), Prudential and Storage LLC desire to make or cause to be made the capital contributions to the Venture provided in the Article 1 hereof and Prudential and Storage LLC desire to cause the Venture to acquire from Extra Space, and Extra Space desires to convey to the Venture, the Property (defined below).

Following the foregoing contributions and conveyance, Storage LLC and Prudential will amend the Operating Agreement to the extent necessary to reflect the consummation of the transactions herein provided.

Storage LLC owns all of the interests in Owner and will obtain a material benefit by Prudential's agreement to enter into this Agreement and the transactions herein provided.

Storage LLC is a wholly owned subsidiary of the UPREIT. The REIT owns one hundred percent of the beneficial interests in the general partner and the limited partner of the UPREIT, which are Trust I and Trust II. The UPREIT and the REIT will obtain a material benefit by Prudential's agreement to enter into this Agreement and the transactions herein provided.

In consideration of the mutual covenants and agreements herein contained, Ten Dollars ($10.00) and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

DEFINITIONS

For purposes of this Agreement, the following definitions shall apply (it being acknowledged that other terms are defined elsewhere in this Agreement):

1. "Allowable Development Costs" shall have the meaning set forth in Section 2.2.
2. "Approved Development Budget" means the development budget approved by Prudential and set forth in Exhibit G hereto, as the same may be amended from time to time in accordance with Section 4.7.
3. "Business Day" means any weekday that is not an official holiday in the State of New Jersey.
4. "Change Notice" shall have the meaning set forth in Section 4.6.
5. "Change Order" means any amendment, change or modification to the Construction Contract or the Construction Plans.
6. "Completed", "Completing", "Completion" and similar terms mean the occurrence of all of the following: (i) completion of the Improvements on or before the Outside Completion Date in accordance with the Construction Plans therefor approved by Prudential and all applicable Laws, Permits, and restrictive covenants and in a good and workmanlike manner, each as certified to by the Contractor and reasonably confirmed by Prudential and its Construction Consultant, and (ii) issuance of a final certificate of occupancy for the Property.
7. "Closing" means, with respect to the capital contributions to the Venture by Prudential and Storage LLC, and the acquisition of all of the Property by the Venture, consummation thereof as contemplated by this Agreement.
8. "Conditions Precedent" means, collectively, the performance of all of the covenants of Extra Space contained in Article IV, and the satisfaction and occurrence of each of the other conditions to Prudential's obligations set forth in this Agreement.
9. "Construction Consultant" means, collectively, one or more construction consultants or engineers employed by Prudential to advise it with respect to the progress of construction and compliance of construction with the Construction Plans, applicable Laws, good construction practice and the other terms of this Agreement.

10. “Construction Contract” means the construction contract dated _____ between Owner and Contractor providing for construction of the Improvements, as depicted on the Construction Plans.

11. “Construction Indemnity Agreement” means the Construction Indemnity Agreement to be executed and delivered by Extra Space in the form attached hereto as Exhibit F.

12. “Construction Loan” shall have the meaning set forth in Section 4.1.

13. “Construction Plans” means, collectively, the plans and specifications to be utilized in the construction of the Improvements as listed on Exhibit E.

14. Intentionally Omitted.

15. “Contractor” means _____.

16. “Deposits” means, collectively, all damage, escrow or other security deposits made by tenants of the Property, and any interest thereon which under applicable Laws belong to the tenants.

17. “Environmental Consultant” means, collectively, one or more environmental consultants employed by Prudential to advise Prudential with respect to the environmental condition of the Property.

18. “Environmental Laws” means and includes, collectively, any Federal, State, or local statute, law, ordinance, code, rule, regulation, judgment, order or decree regulating, relating to or imposing liability or standards of conduct concerning, any hazardous, toxic or dangerous waste, substance, pollutant, contaminant element, compound, mixture or material, as now in effect including, without limitation, the Federal Comprehensive Environmental Response, Compensation and Liability Act, as amended, 42 U.S.C. §§9601 et seq., the Superfund Amendments and Reauthorization Act, 42 U.S.C. §§9601 et seq., the Federal Toxic Substances Control Act, 15 U.S.C. §§2601 et seq., the Federal Resource Conservation and Recovery Act as amended, 42 U.S.C. §§6901 et seq., the Federal Hazardous Material Transportation Act, 49 U.S.C. §§1801 et seq., the Federal Clean Air Act 42 U.S.C. §7401 et seq., the Federal Water Pollution Control Act, 33 U.S.C. §1251 et seq., the Emergency Planning and Community Right-to-Know Act, 42 U.S.C. §11001 et seq., and all rules and regulations of any of the Governmental Authorities.

19. “Effective Date” shall have the meaning set forth in the introductory paragraph of this Agreement.

20. “Excluded Development Costs” shall have the meaning set forth in Section 2.3.

21. “Existing Environmental Reports” means, collectively, the environmental reports and studies listed on Exhibit J.

22. “Extra Space” means, individually and collectively, and jointly and severally, Storage LLC,, the UPREIT, the REIT, and Owner. All references to “Extra Space” shall be deemed to mean each of the parties included in Extra Space and all of them.

23. “Force Majeure” means an act of God, war, labor difficulty not caused by Extra Space, civil commotion, fire, flood or other casualty, shortage of labor, materials or equipment not caused by Extra Space, unusually severe weather or other cause beyond the reasonable control of Extra Space, other than financial difficulty or financial inability, including, without limitation, unavailability of financing.

24. “Governmental Authority” means any governmental or quasi-governmental authority or official, including, without limitation, any federal, state, territorial, county, district, municipal or other governmental or quasi-governmental agency, board, branch, bureau, commission, court, department, other instrumentality, political unit, subdivision or official, whether domestic or foreign.

25. “Hazardous Materials” means and includes, collectively, subject to the terms of this definition below, those elements, materials, compounds, mixtures or substances which are now contained in any list of hazardous substances and/or wastes or any list of toxic pollutants adopted by the United States Environmental Protection Agency (the “EPA”) or any federal, state or local governmental agency having jurisdiction over the Property (“Environmental Agencies”) which are defined as hazardous, toxic, pollutant, infectious, flammable or radioactive by any of the Environmental Laws, and, whether or not included in such lists, shall be deemed to include all products or substances which are or contain petroleum, petroleum constituents, natural gas, natural gas liquids, asbestos, polychlorinated biphenyls and any chemicals known to cause cancer or reproductive toxicity as published by any Environmental Agencies. “Hazardous Materials” does not include small quantities of chemicals and other substances used as janitorial supplies or otherwise customarily used in constructing, maintaining and operating properties similar to the Property; provided that all such chemicals and other substances are properly handled and stored in accordance with all applicable Environmental Laws.

26. “Improvements” means, collectively, the improvements consisting of _____ storage buildings containing approximately _____ rentable square feet and approximately _____ self-storage units plus one _____ square foot office/manager’s quarters building to be constructed on the Land in accordance with Article IV hereof and as depicted on the Construction Plans, as well as all other improvements on the Land and appurtenances, betterments and additions thereto and replacements thereof and all auxiliary amenities and facilities used in connection with the Land and the Improvements.

27. “Knowledge,” “best knowledge,” “known to” or words of similar import mean the actual knowledge of Ken Woolley and Bob Strandt [or their equivalents], (collectively, the “Designated Parties”) and shall not be construed to refer to the knowledge of any other officer, agent, or employee of Extra Space.

28. “Land” shall have the meaning set forth in the Recitals to this Agreement.

29. “Laws” means all federal, state, and local laws, ordinances, statutes, rules and regulations, including without limitation, local zoning and building codes, environmental and land use regulations, and persons with disabilities requirements and interpretations of the foregoing by a governmental body or agency.

30. “Leases” means, collectively, all leases, licenses and occupancy arrangements and amendments thereto for space in any portion of the Property entered into in accordance with the terms of this Agreement, including, without limitation, with Prudential’s prior consent where required.

31. “Lender” means an institutional lender reasonably acceptable to Prudential in connection with the Construction Loan.

32. “Loan Funding Date” means the date of the initial funding of the Construction Loan described in Section 4.1.

33. “Manager’s Tenancies” means, collectively, those certain on-site residence arrangements with each manager of the Property during his or her term of employment as manager of such Property.

34. “Minor Field Changes” means, collectively, changes to the Construction Plans, identified in Section 4.6 which satisfy all of the conditions and requirements set forth in Section 4.6.

35. “Occupancy Report” means a list of all Leases affecting the Property and other information with respect thereto substantially in the form of the specimen occupancy report for the Property attached hereto as Exhibit L.

36. “Operating Agreement” means that certain Operating Agreement of Extra Space West Three dated as of June ____, 2004 between Prudential and Storage LLC, as amended and in effect from time to time.

37. “Operating Materials” means, collectively, all documents, charts, records, property manuals, tenant records, books, files and other business records attributable to the operation of the Property, all of Extra Space’s right, title and interest in and to all leasing brochures, market studies, tenant data sheets, and other related materials used in the continuing operations of the Property, and all right, title and interest in and to other property (real, personal or mixed), rights, privileges, and appurtenances owned or held by Extra Space and in any way related to the design, construction, ownership, use, leasing, maintenance, service or operation of the Property.

38. “Outside Completion Date” shall have the meaning set forth in Section 4.3.

39. “Outside Date” shall have the meaning set forth in Section 7.1.

40. “Extra Space’s Affidavit” shall have the meaning set forth in Section 7.2(n).

41. “Extra Space’s Organizational Documents” means, collectively, Owner’s and the venture’s limited liability company operating agreements, the Certificates of Formation filed with the Secretary of State of _____ for each of them and Certificates Legal Existence and Good Standing for each of them issued by the Secretary of State of _____.

42. “Permitted Construction Interest” means, collectively, the interest on the Construction Loan calculated at the non-default rate under the Construction Loan for the period from closing of the Construction Loan through Closing, not to exceed the amount set forth therefor in the Approved Development Budget.

43. “Permitted Exceptions” means, collectively, (i) the items set forth on Exhibit B attached hereto, and (ii) any other matter deemed to be a Permitted Exception pursuant to Section 3.1.

44. “Permits” means, collectively, any and all approvals, orders, franchises, licenses, permits, registrations, certificates, qualifications, consents, authorizations, orders, variances, determinations, filings and declarations required by any Governmental Authority or other party or pursuant to any agreement affecting the Property or by which Extra Space is bound, necessary to own, develop, improve or operate the Property for its intended use as depicted on the Construction Plans, including, without limitation, for the construction, completion, ownership or operation of the Improvements. Without limiting the foregoing, the term “Permits” shall include, without limitation, all of the Pre-Construction Approvals.

45. “Personalty” means, collectively, any and all personal property and fixtures owned by Extra Space and at any time attached to, located in or on, or used in connection with, the maintenance and operation of the Improvements, including, without limitation, all mechanical, electrical, lighting and plumbing systems, fixtures, and equipment, all ventilating, air conditioning and heating systems, fixtures, and equipment, all water and power systems and engines, boilers, generators, furnaces, motors, landscaping and sprinkler systems and equipment, all furniture, furnishings, appliances, supplies, and other personal property (tangible or intangible) of every nature and description, all maintenance equipment, tools, and supplies, and all master keys, office keys, and other keys used in connection with the Property.

46. “Plans” means, collectively, all right, title and interest of Extra Space in and to all Construction Plans, environmental studies, asbestos studies, site plans, surveys, soil and substrata studies, engineering plans, landscaping plans, floor plans, blue prints, operating manuals and other plans, specifications, diagrams, or studies of any kind, if any, which relate to the Property.

47. “Pledge and Security Agreement” means that certain Pledge and Security Agreement dated as of _____ between Extra Space, as Pledgor, and Prudential, as Pledgee, as amended and in effect from time to time.

48. “Pre-Construction Approvals” means collectively all permits, licenses, waivers, consents, approvals and authorizations required by any applicable Governmental Authority having jurisdiction over the Property or Extra Space prior to construction of each component of the Improvements.

49. “Property” means, collectively, the Land, the Improvements, the Personalty and the Rights.

50. “Purchase Price” shall have the meaning set forth in Section 2.1.

51. “Rights” means, collectively (i) any and all right, title and interest of Extra Space in and to all easements or rights-of-way now or hereafter affecting or appurtenant to the Land and any of Extra Space’s rights to use same; (ii) all casualty insurance proceeds, condemnation proceeds, and all other proceeds from the Land and Improvements; (iii) all of Extra Space’s right, title, and interest in any other rights affecting or related to the Property, including, without limitation, (A) all trademarks, logos and any name or names by which the Property is called or known, and (B) all air, surface, subsurface, development, and other rights associated with or appurtenant to the Property; and (iv) all of Extra Space’s right, title, and interest in and to the Assigned Contracts, all Permits, and the Plans.

52. “Service Contracts” means, collectively, all contracts, agreements, instruments or documents affecting or in any way relating to the ownership, service, operation, utility, maintenance or repair of the Property, or otherwise affecting Extra Space to the extent assignable, and all warranties, guaranties and bonds relating to the Land, the Improvements and/or the Personalty, including, without limitation, all Warranties.

53. “Survey” means an ALT A survey prepared by a registered land surveyor in accordance with minimum standard detail requirements then in effect for ALTA/ACSM Land Title Surveys, as more particularly described in Exhibit C.

54. “Title Commitment” means an ALTA Form Commitment for an Extra Space’s title policy with extended coverage in the amount of the Purchase Price issued by Chicago Title Insurance Company insuring, without limitation, fee simple title to the Property in the Venture together with all affirmative coverages and endorsements as are reasonably required by Prudential, including, without limitation, non-imputation and zoning endorsements.

55. “Title Insurer” means Chicago Title Insurance Company.

56. “Title Policy” means an Owner’s Policy of Title Insurance issued by the Title Insurer for the greater of (i) the Purchase Price and (ii) the amount of the Construction Loan,

insuring Owner as the owner of good and marketable indefeasible and insurable title to the Property, subject only to the Permitted Exceptions, together with non-imputation and zoning endorsements and otherwise in the form of the Title Commitment.

57. "Venture" shall have the meaning set forth in the Introduction to this Agreement.

58. "Warranties" means, collectively, all warranties, guaranties and bonds relating to the Land, the Improvements and/or the Personalty, including, without limitation, guaranties and warranties pertaining to roofs, elevators, masonry, landscaping and heating and air-conditioning systems to the extent assignable.

Article I -
CAPITAL CONTRIBUTIONS AND ACQUISITION OF PROPERTY

On the date of the Closing, Prudential shall make a capital contribution to the Venture in an amount equal to ninety-five percent (95%) of Allowable Development Costs, Storage LLC shall make a capital contribution to the Venture in an amount equal to five percent (5%) of Allowable Development Costs, in each case subject to the terms of this Agreement, and the Venture shall acquire the Property from Extra Space on the terms herein provided.

Article II -
PURCHASE PRICE; ALLOWABLE DEVELOPMENT COSTS

2.1. Purchase Price. The purchase price (the "Purchase Price") paid by the Venture to Storage LLC for the Property shall be an amount equal to the Allowable Development Costs, subject to adjustment as provided elsewhere in this Agreement. The Purchase Price shall be paid by the Venture out of Prudential's and Storage LLC's capital contributions to the Venture pursuant to Article 1, subject to the terms of this Agreement, in connection with the acquisition of the Property by the Venture.

2.2. Allowable Development Costs. "Allowable Development Costs" means the lesser of (i) the "Total Project Cost" provided in the Approved Development Budget and (ii) the actual, aggregate costs, as audited by Prudential, incurred by Owner for all line items set forth in the Approved Development Budget whether in connection with acquiring the Land or constructing the Improvements pursuant to the Construction Contract described in Section 4.5, other than Excluded Development Costs. Allowable Development Costs shall be reduced by all revenue from the Property prior to Closing. To the extent not otherwise included in the Approved Development Budget as the same may be adjusted pursuant to Sections 2.4 and 4.8 below, Extra Space shall be responsible for all cost overruns incident to Completion of the Improvements in accordance with the terms of this Agreement. Allowable Development Costs shall be calculated without duplication of costs in any category. Allowable Development Costs may not exceed the total amount set forth in the Approved Development Budget and may include the following to the extent the following do not constitute Excluded Development Costs:

(a) the purchase price paid and transaction costs incurred by Extra Space in acquiring the Land, obtaining the Pre-Construction Approvals and constructing the Improvements, the real property taxes and other assessments paid through Closing and the costs of utilities and insurance paid through Closing, in each case to the extent such purchase price, transaction costs, taxes and assessments and other costs are provided for in the Approved Development Budget;

(b) reasonable and customary financing costs incurred by Extra Space in connection with the Construction Loan, such as loan closing fees, attorneys' fees, including legal counsel for Extra Space, title insurance costs and construction inspection fees, in each case to the extent such costs are provided for in the Approved Development Budget;

(c) a developer's fee (the "Developer's Fee") payable to Storage LLC equal to four percent (4%) of the Approved Development Budget, exclusive of the Developer's Fee, and the Allowed Return (defined below). The Developer's Fee shall not be reduced or increased should Allowable Development Costs be less than or more than the Approved Development Budget. If there are cost overruns above the total (as contrasted to line by line) Approved Development Budget remaining after reallocation of any cost savings permitted under this Agreement, Extra Space shall be solely responsible for such cost overruns to the extent they are not associated with modifications to the Approved Development Budget approved by Prudential, which approval expressly states that it constitutes an increase to the applicable line item and total Approved Development Budget;

(d) a return to Extra Space (the "Allowed Return") on Allowable Development Costs included in the Approved Development Budget (exclusive of the Developer's Fee and the Allowed Return) and paid by Extra Space, to the extent and for the period ending upon Closing for which they remain unreimbursed under the Construction Loan, equal to ten percent (10%) per annum for the period commencing on the date on which Extra Space acquires the Land and continuing until Closing;

(e) costs and expenses paid from the contingency line item in the Approved Development Budget (the contingency amount being $_____), but only to the extent that such amount of the contingency line item is applied to payment of costs and expenses which would otherwise constitute Allowable Development Costs under this Agreement;

(f) the Permitted Construction Interest and, to the extent provided for in the Approved Development Budget, the cost of the Title Commitment, Title Policy, Survey and As-Built Survey;

(g) all other items included in and to the extent provided for in the Approved Development Budget, including, without limitation, transfer and recordation taxes; and

(h) bona fide amounts actually incurred by Extra Space in excess of line item amounts set forth in the Approved Development Budget, but only to the extent of cost savings in another line item amount of the Approved Development Budget and only to the extent such savings are permitted to be reallocated in accordance with Section 4.7 hereof.

Prudential shall have the right to audit the Allowable Development Costs from time to time at any time prior to Closing. The audits may be conducted, at Prudential's option, by Prudential or by an independent third party auditor selected by Prudential. Extra Space shall be solely responsible for all costs (and such costs shall not constitute Allowable Development Costs) incurred by Extra Space in constructing the Improvements and acquiring the Land to the extent that such costs exceed the Approved Development Budget, except to the extent that such excess costs arise from modifications to the Approved Development Budget approved in writing by Prudential, which approval expressly states that it constitutes an increase to the applicable line item and total Approved Development Budget.

2.3. Excluded Development Costs. Notwithstanding anything herein to the contrary, Allowable Development Costs shall exclude, without limitation, the following Excluded Development Costs:

(a) Intentionally Omitted;

(b) any interest on the Construction Loan other than Permitted Construction Interest through Closing;

(c) principal repayment under the Construction Loan, provided, however, costs and expenses otherwise constituting Allowable Development Costs that are paid from the proceeds of the Construction Loan shall be Allowable Development Costs, it being intended that such costs and expenses shall only be included in Allowable Development Costs once;

(d) any developer's or other fee or overhead reimbursement other than (i) as permitted in Section 2.2(c) above or (ii) as expressly provided for in the Approved Development Budget;

(e) any portion of sums payable to the Contractor pursuant to the general conditions to the Construction Contract allocated, without Prudential's prior approval, to pay or reimburse salaries of offsite or nonproject employees of Extra Space;

(f) costs, expenses or fees, of any nature, paid to Extra Space or any affiliates of Extra Space, unless such costs, expenses or fees were approved in writing by Prudential after such affiliation was disclosed in writing to Prudential.

(g) any late fees, attorneys' fees and costs or other enforcement or collection costs payable by Extra Space to Lender or any other lender as a result of any default under the Construction Loan;

(h) attorneys' fees and costs incurred by Extra Space in connection with any dispute with Prudential or the Venture;

(i) any costs or expenses which are not directly attributable to the Property and which are not identified in the development cost categories of the Approved Development Budget; and

(j) the costs described in Section 2.5.

2.4. Excess Revenue Prior to Closing. Any revenue from the Property prior to Closing shall be used to pay Allowable Development Costs identified in the Approved Pre-Development Budget, including customary and reasonable operating expenses.

2.5. Certain Other Costs. The parties hereto acknowledge that the following shall constitute additional expenses in connection with the transaction contemplated hereby that shall be paid by Extra Space and reimbursed to Extra Space by the Venture at Closing out of capital contributions by Storage LLC and Prudential made five percent (5%) by Storage LLC and ninety-five percent (95%) by Prudential (except to the extent, if any, otherwise specifically provided in the Operating Agreement to be made one hundred percent (100%) by Prudential): the reasonable fees, costs and disbursements of the Construction Consultant, Prudential's counsel, Extra Space's counsel and any accounting firm engaged by Prudential in connection with the Property and/or the transaction contemplated hereby and the reasonable fees, costs and disbursements of the Environmental Consultant relating to the Existing Environmental Reports listed in Exhibit J and an update of the Existing Environmental Reports prior to Closing, together with any additional environmental reviews that the Environmental Consultant or Prudential deems necessary or appropriate, and all other out-of-pocket costs and expenses incurred by Prudential in connection with its due diligence on the Property, the negotiation and preparation of this Agreement and the other agreements contemplated by this Agreement (including, without limitation, the Multi-Party Agreement), the review of such information related to this transaction as the Construction Consultant or Prudential and its attorneys or accountants deem appropriate, and the activities in preparation of and the effectuation of Closing hereunder, including, without limitation, Prudential's audit of Allowable Development Costs. Extra Space shall pay all such fees, costs and disbursements on the Loan Funding Date to the extent that such fees, costs and disbursements shall have been incurred as of the Loan Funding Date, and Extra Space shall thereafter pay all such fees, costs and disbursements promptly upon billing therefor, at Prudential's election to Prudential or to the entity billing Prudential for such amounts. In the event the Closing does not occur as a result of a default by Extra Space under Section 10.1 hereof, neither Prudential nor the Venture shall have any obligation to reimburse Extra Space for the fees, costs and disbursements paid by Extra Space pursuant to this Section.

Article III -
TITLE

3.1. Initial Title Commitment and Survey Review. Prior to the Effective Date, Extra Space has delivered to Prudential (i) a Title Commitment, (ii) copies of each of the instruments listed as Permitted Exceptions on Exhibit B attached hereto and made a part hereof and any other

exceptions listed in the Title Commitment and (iii) a Survey dated _____, prepared by _____. All matters affecting title shown on the Title Commitment, each as approved by Prudential prior to the Effective Date of this Agreement, and listed on Exhibit B attached hereto, shall constitute Permitted Exceptions to which the Property may be subject at Closing. The term Permitted Exceptions shall also include all applicable Laws, the Leases, the rights of tenants (as tenants only) under the Leases, and the lien of all ad valorem real estate taxes for the calendar year in which Closing occurs (subject to proration as herein provided). Prudential has not yet approved a Survey and, without limiting any other term of this Agreement, the obligation of Prudential to close the transaction contemplated hereby is subject to the conditions precedent that: (i) Prudential shall receive an As-Built Survey (as defined below) in form and substance satisfactory to Prudential which, *inter alia*, depicts the parcel of real property described in the Title Commitment, and (ii) the updated Title Commitment shall include a so-called survey endorsement.

3.2. Updated Title Commitment. As required pursuant to Section 6.3(c) of this Agreement, at least fifteen (15) days but not more than sixty (60) days prior to Closing, Extra Space shall deliver to Prudential an updated Title Commitment for title insurance in an amount equal to not less than the Purchase Price to be paid by the Venture at Closing, and (ii) a current as-built Survey of the Property, which as-built Survey must satisfy the requirements set forth in Exhibit C attached hereto (the "As-Built Survey"). Without limiting any term of the definition of "Permitted Exceptions" set forth above or any term of Section 7.1(e), Prudential shall have the right in its sole discretion to object to any new matter shown in such updated Title Commitment (including any supplemental title reports or updates to such updated Title Commitment issued after the date of such updated Title Commitment) or on the As-Built Survey within ten (10) Business Days following receipt of such updated Title Commitment (including any supplemental title reports or updates to such updated Title Commitment issued after the date of such updated Title Commitment) or the As-Built Survey. In the event that Prudential shall object by notice to Extra Space to any new matter disclosed on the Title Commitment (including any supplemental title reports or updates to such updated Title Commitment issued after the date of such updated Title Commitment) and/or the As-Built Survey that is not a Permitted Exception within such ten (10) Business Day period, Extra Space shall have ten (10) Business Days after receipt of such notice to cure or cause to be cured Prudential's objections to Prudential's sole satisfaction and the date of the Closing shall be extended to the extent necessary to provide said additional period. In the event Extra Space is unable to so cure such objections within such period, Prudential may (i) waive such objections or (ii) terminate this Agreement by notice to Extra Space, whereupon all rights and obligations hereunder shall immediately terminate (other than as set forth in this Agreement). If the Title Commitment reveals a mortgage, security deed, lien, monetary judgment, security interest, past due tax or assessment or other similar encumbrance of a monetary nature against the Property, Extra Space agrees to pay any amount due in satisfaction of such encumbrance (or, subject to Prudential's prior approval, otherwise cause the same to be removed as an exception in the Title Commitment), which amount, at the option of Extra Space, may be paid from the proceeds of the Purchase Price at Closing. If one or more of such encumbrances have not been satisfied as of the Closing, then Prudential is authorized to cause such encumbrances to be satisfied from the Purchase Price at Closing.

Article IV -
CONSTRUCTION COVENANTS

Extra Space acknowledges that the performance of each of the following covenants is a condition to Prudential's obligations to make its capital contribution to the Venture and consummate the transaction contemplated by this Agreement and must be satisfied by Extra Space or waived by Prudential in its sole and absolute discretion in writing prior to Closing:

4.1. Construction Loan. Extra Space shall obtain a Loan for the construction of the Improvements which is on terms reasonably satisfactory to Prudential and in connection with which the Lender thereunder delivers at the closing of the Construction Loan a multi-party agreement in form and substance satisfactory to Prudential in its sole discretion (the "Construction Loan"). Prudential's execution of such a multi-party agreement shall constitute Prudential's approval of the terms and conditions of the Construction Loan and all loan documents in connection therewith. Promptly following execution thereof, Extra Space shall deliver to Prudential true, correct and complete copies of all documents and instruments evidencing, securing or otherwise executed in connection with the Construction Loan. Extra Space shall at all times comply with all requirements contained in documents which evidence or secure the Construction Loan, unless such requirements are waived by Lender, but this sentence shall not be construed as creating recourse to Extra Space as between Extra Space and Lender, where Extra Space is not otherwise liable on a recourse basis.

4.2. Construction Plans. Prudential acknowledges its receipt and approval of the Construction Plans to be utilized in the construction of the Improvements that are listed on Exhibit E attached hereto. Extra Space shall amend the Construction Plans only in accordance with Section 4.6 below or with Prudential's prior consent. Extra Space represents and warrants to Prudential that the Construction Plans are sufficient for their particular purpose.

4.3. Approvals; Construction. Extra Space has obtained, or will obtain prior to starting construction of each component of the Property, all Pre-Construction Approvals for such component so that Extra Space may construct the Improvements, and Extra Space has obtained or will obtain prior to Closing all other Permits. Extra Space represents and warrants to Prudential that the Land is in the _____ zone, which provides for the Improvements contemplated by this Agreement and use thereof as a self-storage facility as permitted uses. As of the Effective Date, Extra Space has no reason to believe that the permanent certificates of occupancy and other Permits will not be issued in the ordinary course of business following completion of construction of the Improvements. All of the Pre-Construction Approvals for each component of the Property are, or prior to the commencement of construction of each component of the Property will be, in full force and effect, and no cancellation or suspension of any of them is threatened. Extra Space has delivered to Prudential true, correct and complete copies of the Pre-Construction Approvals received by Extra Space on or before the Effective Date. Extra Space shall promptly deliver to Prudential true, correct and complete copies of all Pre-Construction Approvals and all other Permits thereafter received by Extra Space promptly upon receipt thereof by Extra Space. Extra Space shall cause the Improvements described in the Construction Plans to be constructed and Completed on or before _____, subject to

extension for Force Majeure (the "Outside Completion Date"), in a good and workmanlike manner in accordance with the Construction Plans and all other terms of this Agreement and all applicable restrictive covenants and Laws, free from defects in design, workmanship and materials.

4.4. Construction Contract. Prudential acknowledges its receipt of the Construction Contract for a Cost of Work of $_____ and providing for the warranty from the Contractor described in Section 4.5 below. Extra Space shall enforce the provisions of the Construction Contract and shall not amend or terminate the same, except as permitted in Section 4.6 below. To the extent that Extra Space is entitled to, or receives the benefit of, any cost savings under the Construction Contract, after the reallocation of such line item cost savings to other line items, any unallocated cost savings after such re-allocation shall inure to the benefit of the Venture, and the Allowable Development Costs and the Approved Development Budget shall each be reduced by an amount equal to such cost savings. Extra Space shall bear the risk of cost overruns as provided in Section 2.2 above, notwithstanding any term of the Construction Contract. The Contractor will enter into all subcontracts and material supply contracts which are necessary and appropriate for the full and complete performance of all of the obligations of the Contractor under the Construction Contract. If Prudential requests, Extra Space shall obtain at least three (3) bids for each subcontract for which the value of the work is in excess of Two Hundred Fifty Thousand Dollars ($250,000). Extra Space has delivered to Prudential a true, correct and complete list of all subcontracts and material supply contracts which are in effect on the date hereof and will, upon request therefor by Prudential, update such list during all periods prior to Closing. If requested by Prudential, Extra Space shall deliver to Prudential true, correct and complete copies of any such subcontracts and material supply contracts which Prudential may request.

4.5. Construction Indemnity Agreement and Bond. Upon Closing, Extra Space shall cause to be delivered to Prudential and the Venture, the Construction Indemnity Agreement in the Form attached hereto as Exhibit F pursuant to which the parties thereto shall (i) guarantee that the Improvements were constructed substantially in accordance with the Construction Plans and in compliance with all Laws applicable to the Property; and (ii) guarantee that the Improvements are free from faulty or defective workmanship and materials for a 1-year period from the date upon which Closing occurs, and Prudential shall have received an AIA Form G704 certificate executed by the Contractor.

4.6. Change Orders. Extra Space shall not permit or approve any Change Order except upon the terms and conditions set forth in this Section 4.6 and except as approved by Lender to the extent such approval is required under the terms of the Construction Loan. Except for Minor Field Changes, if Extra Space desires to amend or modify the Construction Plans or the Construction Contract or utilize a Change Order, Extra Space shall provide five (5) days' prior notice to Prudential and the Construction Consultant (a "Change Notice"). Each Change Notice shall specify the proposed amendment, modification or Change Order, as the case may be, the amount of any cost increases or cost decreases in any line item reflected on the Approved Development Budget in connection with such proposed amendment, modification or Change Order and other information reasonably requested by Prudential to permit Prudential and the

Construction Consultant to evaluate the proposed amendment, modification or Change Order and the actual or potential effect upon the Property. Prudential, in its sole and absolute discretion, shall have the right to approve or disapprove of any proposed amendment, modification or Change Order by providing Extra Space with notice of such approval or disapproval within five (5) days after Prudential's receipt of the applicable Change Notice ("Prudential's Notice"). If Prudential's Notice contains a disapproval of a proposed amendment, modification or Change Order, such proposed amendment, modification or Change Order shall not occur. In the event that Prudential does not send Prudential's Notice within five (5) days after Prudential's receipt of the applicable Change Notice, the proposed amendment, modification or Change Order shall be deemed to have been disapproved by Prudential and shall not occur. Notwithstanding anything herein to the contrary, Extra Space may make Minor Field Changes without the consent of Prudential so long as such Minor Field Changes are permitted under the Construction Loan and satisfy all of the following conditions and requirements:

(a) the change shall not involve any material substitution or elimination of materials, or if it does involve material substitution, the substituted materials are of equal or superior quality, durability and appearance to the materials which are being replaced, and the substitution shall not materially change the appearance or use of the Improvements;

(b) the change shall not diminish the value or utility of the Property or the mechanical, structural or architectural integrity thereof;

(c) the value of the work represented by such proposed change shall not exceed $20,000 and, when combined with all previous Minor Field Changes, shall not have a cumulative value in excess of $100,000;

(d) the change shall not require any change or modification to or amendment of the building permit or other Permits which have been issued by the appropriate Governmental Authorities; and

(e) Extra Space shall give notice to the Construction Consultant of the change within a reasonable time after the change is effected; provided, however, inadvertent failure to give the notice shall not constitute a default hereunder if such change complies with subsections (a) through (d) above. Nothing in this Section 4.6 shall be deemed in any way to excuse, delay or otherwise affect Extra Space's obligations to deliver to Prudential upon Completion copies of all change orders and as-built drawings, as further described in Section 4.10 below.

Prudential may initiate and Extra Space shall enter into any Change Order which Prudential may request in writing; provided that (i) the modification that is the subject of such Change Order must be reasonably acceptable to Extra Space and Lender, and (ii) such Change Order will not adversely affect Extra Space's ability to meet any time period or schedule related to the construction of the Improvements contained in this Agreement unless Prudential extends any such period or schedule. Any increased costs directly or indirectly attributable to an

approved or required Change Order shall be included in Allowable Development Costs, and the Approved Development Budget shall be revised accordingly.

Notwithstanding anything to the contrary contained in this Section 4.6, in no event may Extra Space amend or Prudential initiate an amendment of the Construction Plans or utilize a Change Order in any manner which would modify, change or otherwise alter the foundations or structure of the Improvements, unless reasonably necessary to strengthen or otherwise improve such foundations or structures.

4.7. Budget Changes. The "Approved Development Budget" is attached hereto as Exhibit G. The Approved Development Budget may not be amended without Prudential's prior consent, except as provided in this Section and as a result of Minor Field Changes as provided in, and in accordance with, Section 4.6. Prudential's approval shall not be required for any change in the Approved Development Budget which merely reallocates demonstrated line item savings to line item overruns, as long as Extra Space shall notify Prudential in writing promptly prior to making any such change. The total cost provided in the Approved Development Budget shall be reduced by all revenue attributable to the Property prior to Closing.

4.8. Construction Inspection. Prudential and/or the Construction Consultant shall be permitted to inspect the construction of the Improvements at all reasonable times and shall further be entitled to attend any construction progress meetings it may desire. Extra Space shall deliver to Prudential construction cost reports and interim progress reports in a form acceptable to Prudential, not less frequently than monthly, during the period of construction of the Improvements so as to keep Prudential fully informed as to the status and progress of all construction work.

Prudential shall have the right to employ the Construction Consultant to advise Prudential with respect to the development of the Construction Plans, progress of construction and compliance of construction with the Construction Plans, applicable Laws and the other terms of this Agreement. On or before the Effective Date, Extra Space shall inform the then current Construction Consultant of the usual location, date and time of the weekly construction meetings for the Property. The Construction Consultant shall be permitted to attend all such construction meetings. Extra Space shall provide the Construction Consultant with at least three (3) Business Days' prior notice of any change in the date, time or location of a weekly construction meeting. In the case of any construction meeting called on an emergency basis, Extra Space shall provide the Construction Consultant with as much notice as is given to all other participants of the emergency construction meeting. Extra Space shall cause the Construction Consultant to be provided with construction time schedules not less frequently than monthly and to be informed of any anticipated changes to the most recent of such schedules or to the Approved Development Budget. Extra Space shall permit the Construction Consultant to have access to the Property and the construction thereon during the period of construction to enable the Construction Consultant to examine all aspects of such construction and all matters related thereto. The Construction Consultant's activities, however, shall be solely for the purpose of examination and inspection, and in no event shall the Construction Consultant be entitled to require that any construction work be demolished or otherwise undone in order for the Construction Consultant to inspect it. Extra Space shall provide Prudential and the Construction Consultant with at least three (3)

Business Days' prior notice of each of the following trades commencing construction: mechanical, electrical, plumbing, footings, steel erection, roofing, slab flooring and foundations. Extra Space shall provide to the Construction Consultant reasonable access during normal business hours to all books, records, shop drawings and engineering and other reports and tests related to the construction of the Improvements as may be requested by the Construction Consultant. The Construction Consultant shall have the right to make copies of all such materials. Extra Space shall provide to the Construction Consultant a reasonable working space and access to telephone and other such facilities as may be reasonably requested by the Construction Consultant. Upon execution of this Agreement, Extra Space shall deliver to the Construction Consultant a list of all current and potential bidders who may perform work at or supply materials to the Property. The Construction Consultant shall have the right to review any bid packages or any bids received upon request. Any action or inaction by Prudential, the Construction Consultant or any other agent or representative of Prudential hereunder shall not relieve Extra Space of any obligation under this Agreement.

4.9. Insurance. At all times prior to Closing, Extra Space shall maintain in full force and effect (i) an "all risk" form of builder's risk insurance in an amount of not less than $_____ which represents the full replacement cost of the Improvements (including, without limitation, if Prudential elects, "all risk" property coverage to include earthquake/volcanic action, flood and/or surface water insurance) with the interests of Prudential and the Venture protected under a loss payable clause, (ii) a policy of commercial general liability insurance (occurrence form) having a limit of not less than $1,000,000 per single occurrence, $2,000,000 aggregate, (iii) worker's compensation insurance having limits not less than those required by state statute and federal statute, if applicable, and covering all persons employed by Extra Space in the conduct of its operations at the Property (including the all states endorsement and, if applicable, the volunteers endorsement), (iv) comprehensive automobile liability insurance having a combined single limit of not less than $1,000,000 and (v) an umbrella policy of commercial general liability insurance having a limit of not less than $10,000,000. Such insurance policies shall be issued by insurance companies with a rating of not less than A-IX, as rated by the A. M. Best Company or an equivalent insurance rating agency. Prudential and the Venture shall be named insured parties on the liability insurance policy, and Extra Space shall deliver to Prudential certified copies of such insurance policies, together with certificates evidencing the coverage of Prudential and the Venture under the liability policy, promptly upon issuance or renewal thereof. Promptly following issuance thereof, Extra Space shall deliver to Prudential true, correct and complete copies of all of such insurance policies.

4.10. Drawings. Upon Completion, Extra Space shall deliver to Prudential a complete set of as-built drawings prepared by the Contractor showing all of the Improvements as actually constructed by the Contractor. Such as-built drawings shall be in form reasonably satisfactory to Prudential and Extra Space shall cause any changes, modifications or clarifications requested by Prudential to be made in such as-built drawings prior to Closing.

4.11. Service Contracts. Extra Space shall not enter into, amend, terminate, renew or otherwise alter any Service Contract that will be binding upon the Venture or the Property after Closing without the prior consent of Prudential.

4.12. Material Change. Extra Space shall promptly notify Prudential of any material change, of which it has knowledge, with respect to the Property or Extra Space or any information heretofore or hereafter furnished to Prudential with respect to the Property or Extra Space, including, without limitation, any such change which would make any portion of this Agreement, including, without limitation, the representations, warranties, covenants and agreements contained herein, untrue or materially misleading.

4.13. Leasing. Extra Space shall at all times diligently, continuously and in good faith attempt to lease space in the Property in accordance with reasonable and prudent business practices. All Leases shall comply with all applicable Laws. Extra Space shall provide leasing status reports and operating statements to Prudential on a periodic basis as requested by Prudential, with such reports containing any information which Prudential shall reasonably request.

4.14. Construction Defects. Prior to Closing, Extra Space shall cure or cause the Contractor to cure to the reasonable satisfaction of Prudential any item that (i) is not installed or completed in a workmanlike manner, (ii) deviates materially from the Construction Plans, (iii) does not comply with any applicable restrictive covenant or any applicable Law or (iv) otherwise fails to comply with the terms of this Agreement.

4.15. Leases. Prior to Closing, Extra Space shall and shall cause the manager of the Property pursuant to the Leasing and Management Agreement to lease the Property in accordance with the terms of the Leasing and Management Agreement, including, without limitation, pursuant to Leases that comply with the terms of Section 4.13 and on market terms and conditions. Extra Space shall and shall cause the manager of the Property under the Leasing and Management Agreement to administer all Leases in accordance with Extra Space's prudent judgment and business practices. Extra Space shall have the right to enter into Leases in the ordinary course of business and in accordance with prudent business judgment for the use of individual warehouse units. Extra Space shall not enter into any other Lease without Prudential's consent.

4.16. Personalty. Once the Improvements to be constructed pursuant to the Construction Contract have achieved Completion, Extra Space shall not remove, or permit the removal of, any item of the Personalty from the Property unless it is replaced with an item of at least equal value that is to be used for the same purpose.

4.17. Notices of Default. Within five (5) days after receipt by Extra Space, Extra Space will provide Prudential with true, accurate and complete copies of any notice of any default or of any matter or event which will, with the lapse of time or the giving of notice or both, become a default under any of the documents executed or delivered in connection with the Construction Loan, any of the Leases or under any of the Service Contracts, any notice of any violation or threatened violation of any Law, including, without limitation any building, health or safety

code, or restrictive covenant and any notice relating to the environment. If any such notice is received by Extra Space within five (5) Business Days prior to Closing, each such notice shall be sent to Prudential by facsimile transmission or overnight delivery on the day of receipt by Extra Space, but in all events, all such notices shall be delivered to Prudential prior to Closing.

4.18. Status of Extra Space. Extra Space shall (i) at all times cause Extra Space to be in good standing, with due legal existence and in compliance with all Laws, and (ii) shall cause Extra Space to obtain, make and maintain, and at all times be in compliance with, all Permits applicable to Extra Space. Extra Space shall cause all actions of Extra Space to be duly authorized and shall cause compliance with all terms of Extra Space's Organizational Documents. Extra Space agree that it shall not (x) suffer or permit a change, whether effected by voluntary act or by operation of law, in the legal or direct or indirect beneficial ownership of, or convey, mortgage, pledge, hypothecate, encumber, lease, assign or otherwise transfer, or enter into an agreement for any of the foregoing, with respect to the Property, (y) suffer or permit the creation or continued existence, whether by voluntary action or operation of law, of any security interest in or other encumbrance on the Property, nor (z) permit, suffer or cause Extra Space to incur any obligations or liabilities other than as consist of Approved Development Costs. Notwithstanding the foregoing, a transfer by Storage LLC of all of its membership interests in the Venture to either Extra Space Storage, Inc., a Maryland corporation, or Extra Space Storage LP, a Delaware limited partnership (but not to both), as well as transfers or issuances of shares in Extra Space Storage, Inc. or operating partnership units in Extra Space Storage LP (including, in each case, without limitation, pursuant to a merger, reorganization or similar transaction), shall be permitted by this Section 4.18, and Extra Space shall not be required to obtain the consent of, nor offer all or any portion of Storage LLC's interest in the Venture or such other interest in Extra Space Storage, Inc. or Extra Space Storage LP to be transferred to, Prudential.

Article V -
CONDITIONS PRECEDENT

The obligation of Prudential to close the transaction contemplated hereby is subject to the satisfaction and occurrence of all of the following additional conditions precedent (together with the performance of the covenants of Extra Space contained in Article IV, collectively, the "Conditions Precedent") not later than the Closing or such other date as is provided:

5.1. Completion. The construction of the Improvements shall have been Completed in accordance with the Construction Plans and in accordance with all restrictive covenants and all applicable Laws on or before the Outside Completion Date. Without limiting any other term of this Agreement, such Completion shall be certified to by Extra Space, the Contractor, and the Construction Consultant, and Prudential and the Venture shall have received an A.I.A Form G704 certificate executed by Extra Space and the Contractor along with releases of lien from all subcontractors, materialmen, mechanics and suppliers.

5.2. No Damage or Casualty. As of the Closing, except as provided below, no damage to the Property from fire or other casualty or occurrence shall have occurred that has not been repaired and that will cost in excess of $35,000 to repair. The Condition Precedent in this

Section shall be satisfied in the event of the occurrence of any fire or other casualty or occurrence which causes damage to the Property with repair or rebuilding costs in excess of $35,000 so long as all of the following conditions and requirements shall be satisfied:

(a) the amount of insurance proceeds paid or payable in respect of such damage (collectively, the "Proceeds"), together with any other funds paid by Extra Space that are on deposit with a bank or other institution acceptable to Prudential, shall be sufficient to pay fully the costs of all deductibles and all costs of repair and restoration to the same standards and quality of construction as existed before such fire or other casualty, and Extra Space shall have entered into agreements with the Venture and Prudential satisfactory to Prudential providing for the repair and restoration of such damage, which agreements shall provide, among other provisions and conditions acceptable to Prudential, that (i) at Closing, the Venture shall be entitled to all Proceeds for disbursement in connection with the repair and restoration of the Property pursuant to Prudential's customary construction loan disbursement procedures, (ii) Extra Space shall escrow at Closing in an interest bearing account acceptable to Prudential an amount equal to 125% of the difference between (x) the sum of the Proceeds and any then-remaining balance of the contingency line item provided in the Approved Development Budget and (y) all amounts necessary to fully repair and restore such damage, (iii) Prudential shall have the right to direct use of the escrowed funds for the benefit of the Venture to cover rent and other sums that are abated as a result of such casualty, and (iv) upon the failure of Extra Space to complete such repair and restoration within time periods reasonably determined by the Contractor, Prudential shall have the right to direct use of Proceeds and the escrowed funds for the benefit of the Venture to complete such repair and restoration at the expense of Extra Space and, to the extent the Proceeds and such escrowed funds are insufficient to fully complete such repair and restoration, Extra Space shall be fully responsible to the Venture for such deficiency;

(b) the repair and restoration of the Property to its original size, functional utility, construction quality and for its original use shall be permitted under applicable restrictive covenants and Laws; and

(c) Prudential shall receive evidence satisfactory to Prudential that no other facts, conditions or circumstances exist which would result in any diminution in value of the Property as a result of or in connection with such damage or casualty or the repair or rebuilding thereof.

Extra Space shall give Prudential notice of any damage or destruction to the Property within two (2) Business Days after the occurrence of such damage or destruction, and a realistic construction schedule (the "Construction Schedule") shall be prepared by the Contractor, setting forth the Contractor's good faith estimated time periods to complete the repair and restoration. Notwithstanding anything in this Section to the contrary, if the Construction Schedule indicates that full repair and restoration will be completed after the expiration of one hundred and eighty (180) Business Days, Prudential, at its option, shall be entitled to (i) terminate this Agreement by notice to Extra Space at any time on or before the expiration of twenty (20) Business Days after Prudential's receipt of the Construction Schedule (with the Closing being extended if necessary

to provide Prudential with the full twenty (20) Business Days to make such election), whereupon all rights and obligations hereunder shall immediately terminate (other than as set forth in this Agreement) or (ii) complete the transaction as herein provided, except that all of the conditions and requirements set forth in this Section shall be satisfied.

5.3. Condemnation. From the Effective Date through the Closing, the Property shall not be the subject of any eminent domain or condemnation proceeding, actual or threatened, temporary or permanent, partial or total, which in Prudential's reasonable discretion materially affects the value of the Property (a "Material Condemnation"). In making any determination whether or not an eminent domain or condemnation proceeding has materially affected the value of the Property, Prudential shall be entitled to consider such factors as are reasonably relevant, including, without limitation, the effect of the eminent domain or condemnation proceeding on: (i) the building structure or parking areas of the Property, (ii) access to the Property and (iii) the general ability of Extra Space or the Venture to lease the Property. If, prior to Closing, all or any portion of the Property is subjected to a bona fide threat of condemnation by a body having the power of eminent domain, is included in whole or in part in a governmental plan or proposal which may result in the taking of the Property or is taken by eminent domain or condemnation (or a sale in lieu thereof), Extra Space shall give Prudential prompt notice thereof. Prudential shall have the right to terminate this Agreement by delivery of notice thereof to Extra Space within thirty (30) days following the occurrence of a Material Condemnation. If Prudential elects or is required to proceed to Closing under this Section, at the Closing any awards or proceeds paid or received, or to be paid or received, in connection with such condition shall be paid to the Venture and used as required by Prudential.

5.4. Bankruptcy and Similar Events. On or prior to the Closing, there shall not have been filed by or against Extra a petition in bankruptcy or a petition or answer seeking an assignment for the benefit of creditors, the appointment of a receiver, trustee, liquidation or dissolution or similar relief under the U.S. Bankruptcy Code or any other Law.

5.5. Representations and Warranties. All of the representations and warranties in this Agreement or in any certificate or document delivered or to be delivered in connection with this Agreement shall be true, correct and complete in all material respects, both on and as of the Effective Date and on and as of the date of Closing as if made on the date of Closing.

5.6. Legal Proceedings or Orders. No order of any court or administrative agency shall be in effect which restrains or prohibits the transaction contemplated hereby or which affects Extra Space or the Property, and no suit, action, inquiry, investigation, or proceeding in which it is likely to be, or it is, sought to restrain, prohibit or change the terms of, or obtain damages or other relief in connection with, this Agreement, the transaction contemplated hereby, Extra Space, which in each case in the reasonable judgment of Prudential makes it inadvisable to proceed with the consummation of the transaction contemplated by this Agreement, shall have been instituted or threatened by any person or entity.

5.7. No Material Adverse Change. There shall have been no material adverse change in the condition of the Property, or in the financial condition of Extra Space.

5.8. Hazardous Materials. No Hazardous Materials shall exist on, beneath or at the Property other than to the extent described in the Existing Environmental Reports and studies listed on Exhibit J attached hereto as may be amended prior to Closing with the approval of Prudential in its sole and absolute discretion. Prudential shall have the right to employ the Environmental Consultant to advise Prudential with respect to the environmental condition of the Property. In the event that the Closing does not occur as a result of a failure of the condition contained in this Section, Extra Space shall reimburse Prudential for all of the third party fees, costs and disbursements incurred by Prudential in connection with the transaction contemplated by this Agreement.

5.9. Default Under Service Contracts. At Closing, no material default by Extra Space or any matter or event which will, with the lapse of time or the giving of notice or both, become a material default under any of the Service Contracts which will remain in effect after Closing, shall exist, unless Extra Space shall deliver to Prudential at Closing an indemnification agreement satisfactory to Prudential indemnifying the Venture and Prudential against all Losses incurred as a result of curing the defaults and paying unpaid liabilities to the party or parties, other than Extra Space, to the applicable Service Contract.

5.10. Certificates of Occupancy, Licenses and Permits. There shall have been issued by all Governmental Authorities or agencies having jurisdiction over the Property or Extra Space, all required certificates of occupancy for the Property and all other Permits.

5.11. Pre-Closing Deliveries and Other Covenants. Extra Space shall have satisfied, performed or otherwise complied with each of their respective covenants, agreements and obligations under this Agreement, including, without limitation, by performing all of the covenants contained in Article 4 of this Agreement and making of the deliveries to Prudential and the Venture required by Section 6.2 and 6.3 hereof, in each case, within the time provided for such delivery or other performance. The form and substance of all deliveries to Prudential and the Venture pursuant to Section 6.2 and 6.3 hereof shall be satisfactory to Prudential in its reasonable discretion.

5.12. All Other Conditions. All of the other conditions precedent to Closing set forth in this Agreement shall be satisfied simultaneously with or prior to the Closing.

Article VI -
PRE-CLOSING MATTERS

6.1. Access to Property. Extra Space shall provide Prudential and its agents access to the Property and all information and records in its possession or control relating to the Property (including, without limitation, the Plans, Operating Materials and all records relating to the Allowable Development Costs) or Extra Space at reasonable times on at least 24 hours prior notice so as to enable Prudential and its agents to conduct inspections and audits of the Property or Extra Space, such interests and such information and costs, which inspections shall be conducted in a manner not disruptive to the construction of the Property or the operations of Extra Space.

6.2. Delivery of Contracts. At least ten (10) Business Days prior to Closing, Extra Space shall deliver to Prudential a list of all of the Service Contracts that will be binding upon the Property, Extra Space or the Venture as owner of the Property, after Closing, together with a complete and accurate schedule listing each of such Service Contracts specifying the other party to it, the compensation paid, including, without limitation, bonuses or other sums paid at the commencement of such Service Contract, the nature of the service performed and the commencement date and the termination date of such Service Contracts, along with true and complete copies of all Service Contracts.

6.3. Additional Deliveries. At least ten (10) days prior to Closing, Extra Space shall deliver to Prudential and/or the Venture, as applicable, the following, each in form and substance reasonably satisfactory to Prudential:

(a) (i) Copies of all certificates of occupancy for the Property issued by the relevant Governmental Authorities, and copies of all other all other Permits, and (ii) a certification from Extra Space that there is no action or proceeding pending or, to Extra Space's knowledge, threatened before any court or administrative agency with respect to the validity of any of such Permits or compliance with any Law.

(b) The As-Built Survey, which shall not show any defects, gaps, gores, encumbrances, easements, encroachments, rights of third parties or other changes or matters with respect to the Property, other than the Permitted Exceptions.

(c) The Title Commitment.

(d) Evidence reasonably satisfactory to Prudential that all utilities necessary or appropriate for the operation of the Property have been installed, enter the Property through adjoining public streets or adjoining private lands in accordance with existing, valid irrevocable easements benefiting the Property, are fully operational, are actually operating and are adequate to service the Property for its intended use and operation.

(e) The then current Occupancy Report together with a true, complete and correct copy of the form of Lease in effect at the Property, if applicable.

(f) An inventory of the Personalty owned by Extra Space.

(g) A schedule of all of the Warranties relating to the Property, along with copies of all such Warranties.

(h) A report of searches made of the real property and Uniform Commercial Code (searching Extra Space as both debtor and secured party) records of the county where the Property is located (including, without limitation, judgment and tax lien searches), and the Office of the Secretary of State or applicable offices where Uniform Commercial Code records are maintained in the state where the Property is situated and in any state which may constitute the state of formation or principal place of

business, as applicable, for Extra Space, including without limitation the states of California, Utah, _____ and New Jersey, and in each case covering Extra Space, which report shall show that none of the Property or Extra Space is subject to any tax or other lien or security interest (other than the Permitted Exceptions and liens and security interests which are to be released at Closing), or unsatisfied judgments against Extra Space.

(i) If requested by Prudential, an update of the Existing Environmental Reports dated not more than sixty (60) Business Days prior to Closing, which update must be addressed to Prudential and to the Venture, must be completed according to Prudential's standard scope of work for environmental site assessments, and must be reasonably satisfactory to Prudential's Environmental Consultant, the cost of which update shall be paid by the Venture as provided elsewhere in this Agreement.

(j) Extra Space's calculation of the Allowable Development Costs incurred through such date, together with such supporting documentation as Prudential shall reasonably request.

(k) True, correct, complete and current copies of Extra Space's Organizational Documents.

Article VII -
CLOSING

7.1. Time of Closing. Provided that all pre-Closing conditions have then occurred, the Closing of the transaction contemplated by this Agreement shall take place at the offices of Goodwin Procter LLP, Exchange Place, Boston, MA 02109 or such other place as the parties hereto shall agree on the date designated in a notice from Prudential to Extra Space which date is no later than ten (10) Business Days following the date on which Completion has occurred, including, without limitation, satisfaction of all of the terms and conditions set forth in the definition of the term "Completion". The Closing shall occur pursuant to closing arrangements reasonably satisfactory to Extra Space and Prudential. If the date described in the immediately preceding sentence has not occurred within eighteen (18) months following the Effective Date, subject to Force Majeure (the "Outside Date"), then Prudential may at any time thereafter terminate this Agreement by notice to Extra Space in addition to any other remedies available to Prudential, whereupon all rights and obligations hereunder shall immediately terminate (other than as set forth in this Agreement).

7.2. Deliveries By Extra Space. Upon Closing, Extra Space shall deliver or cause to be delivered the following to Prudential and/or the Venture, as applicable, in form, substance and execution reasonably satisfactory to Prudential:

(a) All capital contributions to the Venture required from Storage LLC hereunder or under the Operating Agreement;

(b) An amendment to the Operating Agreement duly executed by Storage LLC to reflect the Venture's acquisition of the Property, the capital contributions of the members therein, a return commencing as of Closing on Prudential's and Storage LLC's capital contributions made at Closing equal to the Operating Return (as defined in the Operating Agreement) and other matters reasonably required to reflect the terms of the transactions contemplated herein;

(c) An amendment to Pledge and Security Agreement to secure certain obligations of Extra Space in connection with the acquisition of the Property pursuant to this Agreement, duly executed by Extra Space;

(d) An amendment to the Leasing and Management Agreement to submit the Property to the terms thereof, duly executed by Extra Space Management, Inc., a Utah corporation;

(e) A deed (the "Deed") conveying good and clear record, marketable title to the Property, free and clear of all liens, claims, and encumbrances other than the Permitted Exceptions.

(f) A Bill of Sale and Assignment in the form attached hereto as Exhibit K (the "Bill of Sale");

(g) An Assignment of Leases and Rents in the form attached hereto as Exhibit M (the "Assignment of Leases and Rents"), if applicable;

(h) Evidence of the authority of Extra Space satisfactory to the Title Insurer, in its sole and absolute discretion, and to Prudential, in its reasonable judgment, that Extra Space has authority to consummate the transactions contemplated hereby, and the incumbency, name, and signature of the parties executing any documents on behalf of Extra Space;

(i) The Title Policy and As-Built Survey;

(j) A Certification from Extra Space showing that there has not been filed by or against any of such parties a petition in bankruptcy or a petition or answer seeking assignment for the benefit of creditors, the appointment of a receiver, trustee, liquidation or dissolution or similar relief under the U.S. Bankruptcy Code or any other Law;

(k) The Construction Indemnity Agreement in the applicable form attached hereto as Exhibit F;

(l) A certificate in the applicable form provided in Exhibit O attached hereto updating the representations of Extra Space hereunder;

(m) If requested by Prudential, copies of all Leases, if applicable, and collateral, if any, securing obligations under any Leases, all Pre-Construction Approvals

and other Permits, all files pertaining to the Leases, all Plans and Operating Materials, and all studies with respect to the Property, including, without limitation, soil and compaction tests, and flooding studies and all construction contracts relating to the construction of the Improvements and all amendments relating thereto (except with respect to the Pre-Construction Approvals and other Permits, this condition shall be deemed satisfied if these items are on file at the Property or at Extra Space's corporate headquarters);

(n) An Owner's Affidavit verifying that there are no unpaid bills or claims for labor performed or materials furnished to the Property prior to the Closing, or, if there are any unpaid bills or claims, that sufficient funds have been placed in escrow with the Title Insurer pursuant to terms acceptable to Prudential, and by which affidavit Extra Space shall indemnify, defend and hold the Venture and Prudential harmless from and against any Losses of the Venture and/or Prudential resulting from or incident to claims against the Property for any such matters;

(o) Receipts showing payment of all real and personal property taxes, water and sewer taxes, and utility charges due and payable prior to Closing;

(p) A certificate, executed and sworn to by Extra Space, confirming that true, correct and complete originals of all Service Contracts have been delivered to Prudential, including, without limitation, all Service Contracts entered into from and after the Effective Date until the date of the Closing (or, if none have been entered into, so stating);

(q) An updated Occupancy Report, certified as being true, correct and complete by Extra Space, dated within three (3) Business Days of the Closing, if applicable;

(r) Any additional conveyancing documents necessary to accomplish the contributions and conveyance described in the Recitals to this Agreement and in Section 1.1 (collectively, together with the Bill of Sale, and the Assignment of Leases and Rents, the "Conveyancing Documents") and any and all certifications, tax forms, and filings necessary in connection with the recording and/or delivery thereof;

(s) Such estoppels as Prudential may reasonably require from parties to Permitted Exceptions; and

(t) Joint and several guaranties of completion of the Improvements from REIT and UPREIT in form and substance acceptable to Prudential;

(u) Any and all additional documents Prudential may deem reasonably necessary to the proper consummation of this transaction, or as may otherwise be required elsewhere in this Agreement.

7.3. Prudential Deliveries. On or before the Closing, Prudential shall deliver or cause to be delivered the following to Extra Space or the Venture, as applicable, in form, substance and execution reasonably satisfactory to Extra Space:

(a) all capital contributions to the Venture required from Prudential hereunder or under the Operating Agreement, subject to the terms of this Agreement;

(b) A counterpart to the Amendment to Operating Agreement, duly executed by Prudential;

(c) A counterpart to the amendment to the Pledge Agreement, duly executed by Prudential;

(d) A counterpart to the amendment to the Leasing and Management Agreement, duly executed by the Venture;

(e) A counterpart to the Assignment of Leases and Rents, duly executed by the Venture, if applicable;

(f) A certificate in the applicable form provided in Exhibit O updating the representations of Prudential hereunder;

(g) Counterparts of the items referred to in Section 7.2(r), duly executed by Prudential to the extent required in accordance with the terms of this Agreement; and

(h) An Assistant's Secretary's Certificate or board minutes evidencing that Prudential has authority to consummate the transactions contemplated hereby.

7.4. Costs and Expenses. Extra Space shall pay all costs for the Title Commitment and the Title Policy delivered with respect to the Property, the cost of the Survey and the As-Built Survey and all transfer taxes and similar taxes due in connection with the acquisition of the Property by the Venture (each of which costs shall constitute Allowable Development Costs to the extent permitted under the Approved Development Budget).

7.5. Prorations; Deposits; Rents. To the extent not included in the Approved Development Budget, all real and personal property taxes and assessments for the calendar year of Closing, all charges for fuel, water, sewer, electricity and other utility services furnished to the Property, all rents under the Leases, if applicable (except as provided below) and all charges payable under the Service Contracts for the Property shall be prorated as of 11:59 pm., on the day immediately preceding the date of the Closing. At least three (3) Business Days prior to Closing, Extra Space agrees to deliver to Prudential Extra Space's estimate of the prorations contemplated pursuant to this Section and a memorandum explaining the methodology used to calculate such prorations, which estimate shall be subject to Prudential's approval prior to Closing. At Closing, Extra Space agrees to deliver to Prudential an aged schedule of delinquent rents and other receivables under the Leases as of the date of Closing, if applicable.

Article VIII -
REPRESENTATIONS AND WARRANTIES OF PRUDENTIAL

Subject to the terms of Section 12.4, Prudential hereby represents and warrants to Extra Space that the following statements are true and correct:

8.1. Organization. Prudential is a corporation formed under the laws of the State of New Jersey. Prudential has all requisite power to enter into this Agreement, and has all requisite power to enter into the other agreements contemplated hereby to which it will be a party and to carry out the transactions contemplated hereby and thereby.

8.2. Authority. The execution and delivery of this Agreement and the consummation of the transactions contemplated hereby have been duly authorized by all necessary corporate action on the part of Prudential and the execution and delivery of the other agreements contemplated hereby and the consummation of the transactions contemplated by such other agreements have been duly authorized by all necessary corporate action on the part of Prudential. This Agreement has been duly executed and delivered by Prudential and such other agreements will be duly executed and delivered by Prudential. This Agreement constitutes the valid, legal and binding obligation of Prudential, enforceable against Prudential in accordance with its terms, and such other agreements will constitute the valid, legal and binding obligations of Prudential, enforceable against Prudential in accordance with their respective terms, upon proper execution and delivery thereof by Prudential, subject as to enforcement, to bankruptcy, insolvency, reorganization and other laws of general applicability relating to or affecting creditors' rights and to general equity principles.

8.3. No Broker. No broker, finder, agent or other intermediary has been employed by or on behalf of Prudential in connection with the negotiation or consummation of this Agreement or any of the transactions contemplated hereby, and no such party has any claim for any commission, finder's fee or similar amount payable as a result of any engagement of such party by Prudential. Prudential agrees to indemnify, defend and hold harmless Extra Space from and against any claims by any broker, finder, agent or other intermediary employed by or on behalf of Prudential in connection with the negotiation or consummation of this Agreement or the transaction contemplated hereby.

8.4. No Bankruptcy. No petition in bankruptcy or any petition or answer seeking an assignment for the benefit of creditors, the appointment of a receiver or trustee, liquidation or dissolution, or similar relief under the U.S. Bankruptcy Code or any state law has been filed by or against or, to the best of Prudential's knowledge, is threatened to be filed by or against Prudential.

8.5. No Consent. Neither the execution and the delivery of this Agreement nor the performance of any obligations hereunder or the consummation of the transactions contemplated by this Agreement (i) is subject to any requirement that Prudential obtain any consent, approval, or authorization of, or make any declaration or filing with, any Governmental Authority or third party which has not been obtained or made, or (ii) will result in any breach, constitute any default, or result in the imposition of any lien or encumbrance on any asset of Prudential, under

any contract, instrument, order, or other matter to which Prudential is a party or by which Prudential is bound.

8.6. No Litigation. Except as set forth in Exhibit N attached hereto, there are no actions, suits, proceedings, or investigations, at law or in equity, or before any governmental agency or other person, pending or, to the best of the Prudential's knowledge, threatened, against Prudential which could have a material adverse effect on Prudential's ability to meet its obligations in connection with this transaction.

Article IX - CERTAIN COVENANTS, REPRESENTATIONS AND WARRANTIES OF EXTRA SPACE.

9.1. Certain Covenants, Representations and Warranties of Extra Space. Subject to the terms of Section 12.4, Extra Space hereby covenants, represents and warrants, jointly and severally, to Prudential the following:

(a) Owner is a limited liability company duly formed and in good standing under the laws of the State of _____ and duly registered as a foreign limited liability company in good standing and qualified to do business in _____. Storage LLC is a limited liability company duly formed and in good standing under the laws of Delaware. REIT is a corporation duly formed and in good standing under the laws of Maryland. UPREIT is a limited partnership duly formed and in good standing under the laws of Delaware. Extra Space has full power and authority to enter into and perform this Agreement and all documents, instruments and agreements entered into by Extra Space pursuant to this Agreement. This Agreement and all documents, instruments and agreements entered into by Extra Space pursuant to this Agreement, have been (in the case of this Agreement) or will have been duly authorized, executed and delivered by Extra Space, as applicable, and constitute or will constitute the valid, legal and binding obligations of Extra Space, as applicable, enforceable in accordance with their respective terms upon execution and delivery thereof by Extra Space, as applicable, subject as to enforcement, to bankruptcy, insolvency, reorganization and other laws of general applicability relating to or affecting creditors' rights and to general equity principles. This Agreement has been executed, and such other documents, instruments and agreements have been or will be executed, by duly authorized representatives of Extra Space, as applicable. Extra Space has delivered true, complete and correct copies of their respective organizational documents to Prudential.

(b) No person or entity has any option to purchase, right of first refusal or any other agreement giving any person or entity the right to purchase or otherwise acquire the Property other than the Venture.

(c) No petition in bankruptcy or any petition or answer seeking an assignment for the benefit of creditors, the appointment of a receiver, trustee, liquidation

or dissolution or similar relief under the U.S. Bankruptcy Code or any state law has been filed by or against or is threatened to be filed by or against Extra Space.

(d) No criminal investigation exists concerning Extra Space.

(e) Neither the execution and the delivery of this Agreement nor the performance of any obligations hereunder or the consummation of the transactions contemplated by this Agreement (i) is subject to any requirement that Extra Space obtain any consent, approval or authorization of, or make any declaration or filing with, any Governmental Authority or third party which has not been obtained (other than building permits, certificates of occupancy and operating permits which Extra Space will obtain prior to Closing) or (ii) will result in any breach, constitute any default, or result in the imposition of any lien or encumbrance on the Property, under any contract, instrument, order or other matter to which Extra Space is a party or by which Extra Space is bound.

(f) Except as set forth in Exhibit N, there are no actions, suits, proceedings or investigations, at law or in equity, or before any governmental agency or other person, pending or, to Extra Space's knowledge, threatened, (i) against Extra Space which will have a material adverse effect on its ability to meet its obligations in connection with this transaction or (ii) relating to or arising out of the Property.

(g) As of the date of this Agreement, the Property is zoned so as to permit construction of the Improvements and use thereof as self-storage facilities, and the Property's contemplated use is in compliance with all applicable zoning ordinances, including, without limitation, regarding parking, and approved variances affecting the Property.

(h) The Property is not dependent upon any other parcel of real estate other than that on which it is located as reflected on the property description therefor to satisfy parking, open space or other requirements under any applicable restrictive covenants or any applicable Law.

(i) The Property is not presently in violation of any Law.

(j) Pedestrian and vehicular access to the Property is provided by a publicly dedicated and physically open street, which has been accepted by the relevant Governmental Authority for dedication and maintenance.

(k) Except for matters disclosed in the Existing Environmental Reports or any amendments, supplements or updates to such Existing Environmental Reports which are approved prior to Closing by Prudential in its sole and absolute discretion, Extra Space has no actual knowledge of, nor has Extra Space received written notice alleging, the presence or existence of any Hazardous Materials or petroleum underground storage tanks on, beneath or at the Property, and none have any reason to believe that any such Hazardous Materials or petroleum underground storage tanks are on, beneath or at the Property or that the Existing Environmental Reports are not true and correct in all

respects. The Existing Environmental Reports constitute all reports and/or studies performed by or on behalf of, or in the possession or control of, Extra Space or its affiliates relating to the environmental condition of the Property. Extra Space has no reason to believe that the copies of each of the Existing Environmental Reports delivered to Prudential are not true and complete. To the knowledge of Extra Space, except as shown on the Survey, the Property is not (i) designated by the Secretary of Housing and Urban Development, the Army Corps of Engineers or any other Governmental Authority as a flood plain or wetlands area, or (ii) designated by any Governmental Authority as an area subject to environmental or other regulation that would adversely affect the intended use of the Property.

(l) Extra Space has not received any notice of condemnation or of eminent domain proceedings or negotiations for the purchase of the Property in lieu of condemnation, and no condemnation or eminent domain proceedings or negotiations have been commenced or, to the best of Extra Space's knowledge, threatened in connection with the Property.

(m) All utility services, including but not limited to storm and sanitary sewer, water, gas, electric power and telephone service are available to the Property in form, properly sized and with capacity sufficient for the useful enjoyment and operation of the Property for its intended use, and all assessments, impact fees, development fees, tap-on fees or recapture costs payable in connection therewith are reflected in the Approved Development Budget and will be paid as due if due prior to Closing, except the usual and customary charges involved in the ordinary course of business and specifically identified in the Approved Development Budget. At Closing, the Property shall be benefited by existing, valid, insurable and irrevocable easements of unlimited duration as are necessary for the Property. No additional easements are required for the provision of utilities, access, egress and drainage to or for the benefit of the Property in connection with the intended use and operation of the Property and the construction and operation of the Improvements thereon.

(n) If constructed in accordance with the Construction Plans, the Property will comply in all respects with all Laws applicable to the Property in effect as of the date of issuance of applicable Permits, and all covenants, conditions and restrictions, applicable to the Property in effect as of the date of issuance of any of the foregoing.

(o) No broker, finder, agent or other intermediary has or will have any right or claim against Extra Space or the Venture for any commission, finder's fee or similar amount arising in connection with leases for space in the Property entered into prior to the Closing, which right or claim shall not have been satisfied on or before Closing.

(p) Other than the Permitted Exceptions, the Leases, the Manager's Tenancies, the Service Contracts, the Leasing and Management Agreement and this Agreement, (i) there are no leases, subleases, surface, subsurface or aerial use

agreements, tenancy arrangements, service contracts, management agreements, or other agreements, instruments or encumbrances which will be in force or effect as of the Closing that grant to any person whomsoever or any entity whatsoever, any right, title, interest or benefit in or to all or any part of the Property, or any right relating to the ownership, use, operation, management, maintenance or repair of all or any part of the Property or that otherwise affect the Property and (ii) there are no obligations or liabilities which will be undertaken or assumed by or which will be binding on the Venture or Prudential with respect to the Property following Closing. There are no parties in possession of any portion of the Property as lessees, tenants at sufferance, trespassers or otherwise, except under the Leases and the Manager's Tenancies.

(q) As of Closing, except as otherwise set forth on the Occupancy Report (i) there are no other promises, amendments, agreements or commitments between any tenant and Extra Space, between any tenant and a predecessor in title to the Property, or anyone acting by or on behalf of Extra Space, nor are there any commitments binding upon Extra Space or the Property which are described in any of the Leases other than as expressly set forth therein; (ii) each Lease is in full force and effect and has not been canceled or surrendered and no notice of cancellation or surrender has been given or received; (iii) except as disclosed to Prudential in writing prior to Closing, there are no uncured defaults by Extra Space under any Lease, and no material claim is presently available to, or has been asserted by, any tenant under any Lease, nor do any states of fact exist which would with the passage of time or the giving of notice, or both, constitute a material breach or default by Extra Space under any Lease or would permit a material claim by a tenant under any Lease; (iv) no tenant of the Property has prepaid any rent other than rent due for the current month; (v) no tenant of the Property is entitled to any rent concession, rent-free occupancy, or reduction or abatement of rent for any reason whatsoever; (vi) there are no leasing commissions or other commissions, fees, or compensation owed or which will become due and payable with respect to any of the Leases or any commission agreements, or which could become due and payable in the future upon any renewal, substitution, extension or expansion under any Lease, and the Property shall be conveyed to the Venture free and clear of all commissions and brokerage fees, and, without limiting Purchaser's obligations under Section 2.1, Extra Space shall indemnify and agree to defend and hold the Venture and Prudential harmless from and against any Losses in connection with any claim for commissions or like fees in connection with the Leases or any other commission agreements; and (vii) no work is due any tenant under any Lease.

(r) Any and all financial statements, reports, rent rolls and other data, including, without limitation, gross rental income, operating expenses, operating statements and cash flow statements heretofore furnished by Extra Space to Prudential relative to the Property or Extra Space are (or will be, if hereafter furnished) true and correct in all material respects, and fairly reflect the financial condition, the financial results or other subject matter thereof as of the dates thereof. All such financial statements have been (or will be, if hereafter furnished) prepared in accordance with generally accepted accounting principles, consistently applied.

(s) The Property constitutes one tax parcel which does not include any real estate other than the Property. The Property is not currently subject to a tax abatement. Any tax rollback or additional tax due or which may become due as the result of the Property's having been assessed with an agricultural, timber, open use or other special use designation within the preceding five (5) years shall be paid by Extra Space.

(t) There is no actual, pending, or, to Extra Space's knowledge, threatened, action, suit, claim, litigation or proceeding by any entity, individual or governmental agency affecting Extra Space, the Venture, or the Property which would in any way constitute a lien (other than mechanics' or materialmen's liens that have been bonded around in a manner and amount reasonably satisfactory to Prudential), claim or obligation of any kind against Extra Space, the Venture, or the Property.

(u) All information prepared or to be prepared and delivered or to be delivered to Prudential pursuant to this Agreement is or will be complete and accurate. No representation or warranty by Extra Space in this Agreement or in any instrument, certificate or statement furnished to Prudential pursuant hereto, or in connection with the transactions contemplated hereby, contains or will contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements contained herein or therein not misleading. Extra Space has not intentionally withheld any material, adverse information relating to all or any portion of the Property or the Venture of which Extra Space has knowledge.

(v) Extra Space has delivered or made available to Prudential true, correct and complete copies of all of the investigations, studies and reports obtained by or on behalf of them or in their possession or under their control, other than appraisals, internal memoranda and privileged or confidential materials, and all of their books, files, records and other information, other than appraisals, internal memoranda and privileged or confidential materials, in each case pertaining to all or any portion of the Property.

(w) ERISA. To satisfy compliance with The Employee Retirement Income Security Act of 1974, as amended, Extra Space, jointly and severally, represents and warrants to Prudential that:

(x) neither the undersigned nor any of its affiliates (within the meaning of Part V(c) of Prohibited Transaction Exemption 84-14 granted by the U.S. Department of Labor ("PTE 84-14")), has, or during the immediately preceding year has exercised, the authority to appoint or terminate Prudential as investment manager of any assets of the employee benefit plans whose assets are held by Prudential or to negotiate the terms of any management agreement with Prudential on behalf of any such plan;

(y) the transaction contemplated hereunder is not specifically excluded by Part I(b) of PTE 84-14;

(z) Extra Space is not a related party of Prudential (as defined in V(h) of PTE 84-14); and

(aa) the terms of the transaction contemplated hereunder have been negotiated and determined at arm's length, as such terms would be negotiated and determined by unrelated parties.

9.2. Additional Representations and Warranties of Extra Space. As a condition to Prudential's obligation to proceed with the Closing and as an independent joint and several obligation of Extra Space, Extra Space shall represent and warrant, jointly and severally, to Prudential, subject to the terms of Section 12.4, on the date of Closing in writing that all of the representations and warranties set forth in Section 9.1 hereof continue to be true and correct in all material respects on the date of Closing. In addition, as a condition to Prudential's obligation to proceed with the Closing and as an independent joint and several obligation of Extra Space, Extra Space shall, jointly and severally, make the following additional representations and warranties, subject to the terms of Section 12.4, to Prudential as of the date of Closing:

(a) All Conditions Precedent set forth in Article V hereof have been satisfied in all material respects and all covenants and obligations of Extra Space set forth in this Agreement have been fully performed and satisfied.

(b) Extra Space has provided Prudential with true, accurate and complete copies of any notice of any material default or of any matter or event which to Extra Space's actual knowledge will, with the lapse of time or the giving of notice or both, become a material default under any of the Leases or under any Service Contract. Extra Space has provided Prudential with true, accurate and complete copies of any notice of any violation of any building, health and safety code or other governmental regulation. All such defaults, matters, events and violations shall be cured and corrected by Extra Space prior to Closing.

(c) All required temporary or permanent certificates of occupancy and other consents and approvals required from all Governmental Authorities and associations and boards with jurisdiction over the Property or Owner have been issued and are in full force and effect without the presence or existence of any unsatisfied conditions or requirements with respect thereto, and true, correct and complete copies of such consents, approvals and certificates of occupancy have been delivered to Prudential.

Article X -
DEFAULT

10.1. Extra Space Default. Extra Space shall be in default under this Agreement if any of the following shall occur:

(a) any of the representations and warranties of Extra Space made under this Agreement or in any document delivered pursuant to the terms hereof shall be untrue or inaccurate in any material respect as of the date made or the date required to be true or accurate hereunder;

(b) the Conditions Precedent shall not be fully satisfied on or before Closing; or

(c) Extra Space shall fail to perform any of its covenants and obligations under this Agreement and such failure shall continue for a period of twenty (20) Business Days after notice from Prudential unless, if such failure is not reasonably capable of being cured or remedied within twenty (20) Business Days, Extra Space shall commence to cure or remedy such failure within such twenty (20) day period and fully cure and remedy such failure within ninety (90) Business Days after notice of such default.

In the event of any default by Extra Space under this Agreement which occurs prior to Closing, Prudential shall have as its sole and exclusive alternative remedies (i) the right to terminate this Agreement, in which event Extra Space shall reimburse Prudential for all out-of-pocket costs incurred by Prudential in connection with the transaction contemplated by this Agreement, or (ii) the right to waive such default and close this transaction subject to such default without abatement of the Purchase Price or the capital contributions to the Venture required in connection therewith, or (iii) the right to enforce the specific performance of this Agreement, or (iv) if there is a willful breach of this Agreement by Extra Space, the right to seek any and all remedies available at law or equity. If Extra Space shall default hereunder, Extra Space shall make such default known to Prudential in writing and if Prudential shall elect to close notwithstanding such default, then Prudential shall be deemed to have waived satisfaction of the obligation giving rise to such default, without waiving any other obligations which were required hereunder to be satisfied on or prior to the Closing.

10.2. Prudential Default. Prudential shall be in default under this Agreement if, after satisfaction of all Conditions Precedent to consummate the transaction contemplated by this Agreement, Prudential shall fail to perform any of its covenants and obligations under this Agreement and such failure shall continue for a period of twenty (20) Business Days after notice from Extra Space, during which twenty (20) day period Prudential shall have the right to cure or remedy such failure. In the event of a default hereunder by Prudential, Extra Space shall have as its sole and exclusive alternative remedies (i) the right to enforce specific performance of this Agreement, or (ii) the right to terminate this Agreement, in which event Prudential shall reimburse Extra Space for all out-of-pocket costs incurred by Extra Space directly in connection with the transaction contemplated by this Agreement (excluding, however, any costs associated with matters pertaining to the acquisition of the Land or the Construction Loan) or (iii) the right to waive such default and close the transaction subject to such default without change to this Agreement. If Prudential shall default hereunder, Prudential shall make such default known to Extra Space in writing and if Extra Space shall elect to close notwithstanding such default, then Extra Space shall be deemed to have waived satisfaction of the obligation giving rise to such default, without waiving any other obligations which were required hereunder to be satisfied on or prior to the Closing.

Article XI -
INDEMNIFICATION OF PRUDENTIAL

11.1. Indemnification of Prudential. Extra Space hereby agrees, jointly and severally, to indemnify, defend and hold Prudential free and harmless from and against all loss, liability, damage, cause of action, claim, penalty, fine, cost and expense, including, without limitation, reasonable attorneys' fees and other litigation expenses, (collectively, "Losses") suffered or incurred by Prudential, as a result of or in connection with any of the following:

(a) Any material breach of any representation, warranty or covenant made or to be made by Extra Space in this Agreement or in any document or instrument delivered to Prudential pursuant to the terms hereof, subject to the terms of Section 12.4;

(b) The forfeiture of the Property or any portion thereof as a result of any violation by Extra Space of any statute which provides for civil or criminal forfeiture;

(c) Except to the extent set forth in the Approved Development Budget, any federal, state or local tax, fee or charge resulting from the transactions contemplated herein that constitutes a transfer tax; recording or filing fee or charge; rollback taxes; or any other tax, fee or charge imposed exclusively on the transfer, sale, exchange or other disposition (including any tax imposed exclusively on gain realized from the transfer, sale, exchange or other disposition) of real property, an interest in real property, or an interest in an entity owning real property or an interest in real property;

(d) Subject to the terms of this item (d) below, any liabilities, accounts payable, accrued expenses, obligations or undertakings of Extra Space encumbering or affecting the Property or the Venture with respect to the Property created, suffered, accrued or incurred on or prior to the date of Closing or attributable to events or circumstances occurring or agreements entered into prior to Closing, including, without limitation, real estate and personal property taxes and assessments, federal, state and local income and other taxes, the presence of Hazardous Materials, maintenance or other fees of any Extra Space's association, third party claims, commission or brokerage fees, amounts owed under any construction contracts or other Service Contracts, claims of any lender(s) in connection with any loan(s) secured by the Property prior to Closing and any other costs and expenses accrued up to and including the date of Closing, claims of tenants under leases for space at the Property, claims under agreements entered into prior to Closing and any other liabilities arising out of matters or events occurring on or before the date of Closing (collectively, "Pre-Closing Liabilities"). This item (d) shall not be deemed to include obligations under Leases, Permitted Encumbrances and Service Contracts in each case performable after Closing, obligations under Permitted Exceptions payable or performable after the date of Closing, obligations incurred in connection with leases or amendments to leases entered into in accordance with the terms hereof to the extent performable after the date of Closing or Allowable Development Costs; and

(e) As a result of a default under Section 10.1 hereof, whether Prudential incurs the Losses directly or indirectly.

(f) The indemnity under this Section 11.1 shall include, without limitation, reasonable attorney's fees and costs incurred in the investigation, defense, and

settlement of claims and Losses incurred in correcting any prohibited transaction, and in obtaining any individual prohibited transaction exemption under ERISA that may be required, in Prudential's sole discretion. This Article 11 shall survive Closing or any termination of this Agreement.

Article XII - MISCELLANEOUS

12.1. Further Assurances. Extra Space and Prudential (without cost to the requesting party), at any time and from time to time before or after Closing, upon request by the other party, will do, execute, acknowledge and deliver or cause to be done, executed, acknowledged and delivered all such further acts, deeds, assignments, transfers, conveyances, powers of attorney and assurances as may reasonably be required for the effectuation of the transactions contemplated under this Agreement.

12.2. No Assignment. Extra Space shall not have any right to assign any right or obligation under this Agreement to any other party, except that Extra Space shall be entitled to collaterally assign this Agreement to Lender as security for the Construction Loan. Prudential shall not have the right to assign any right or obligation under this Agreement to any other party except to an entity controlling, controlled by, or under common control with Prudential. The terms of this Section shall not be deemed to limit the terms of Section 4.18.

12.3. Waivers and Extensions. Prudential on the one hand, and Extra Space on the other hand, shall have the right at any time to (a) waive any inaccuracies in the representations or warranties contained in this Agreement or in any document delivered pursuant to this Agreement made by the other party, (b) waive compliance with any of the covenants, agreements, representations or warranties of the other party contained in this Agreement or (c) waive or extend the time for performance of all or any portion of any of the obligations of the other party hereto. No such waiver shall be effective unless it is intentionally and specifically waived in a writing signed by the party granting such extension or waiver.

12.4. Survival. Notwithstanding any other provision in this Agreement, and subject to the terms of this Section below, all representations, warranties, covenants and agreements made by the parties each to the other in or pursuant to this Agreement or any Exhibit hereto will survive any investigation that may have been made by any party and the Closing for a period of twelve (12) full calendar months following the Closing, except that the indemnifications relating to the representations and warranties set forth in Sections 9.1(k), 9.1(o), 9.1(w) and 12.19, and such representations and warranties, shall each survive indefinitely. For the purposes of this Section 12.4, a representation, warranty, covenant or agreement made hereunder shall not be subject to the time limitation set forth in the preceding sentence, and shall be deemed to have survived (and shall continue to survive), and the responsible party shall continue to be liable therefor, if the other party hereto shall have brought a claim with respect thereto before a judicial, administrative, or other Governmental Authority responsible for adjudicating such claim on or before the last day of the expiration of the survival period set forth in the preceding sentence.

12.5. Governing Law; Jurisdiction. This Agreement shall be governed by and construed in accordance with the laws of the State of New Jersey. The parties hereto submit to personal jurisdiction in the State of New Jersey for the enforcement of the provisions of this Agreement and waive any and all rights to object to such jurisdiction for the purposes of litigation to enforce this Agreement.

12.6. Notices. Each notice, request, demand, consent, approval and other communication required or permitted under or otherwise delivered in connection with this Agreement shall be in writing and will be deemed to have been duly given (1) when delivered by hand (so long as the delivering party shall have received a receipt of delivery executed by the party to whom such notice was delivered), or (2) three (3) Business Days after deposit in United States certified or registered mail, postage prepaid, return receipt requested, or (3) when sent by telex or telecopier (with receipt confirmed) provided a copy is also sent by United States certified or registered mail postage prepaid, return receipt requested, or (4) one (1) Business Day after delivery to a recognized overnight courier service, in each case addressed to the parties as follows (or to such other address as a party may designate by notice to the others):

If to Prudential:	c/o Prudential Real Estate Investors 8 Campus Drive Parsippany, New Jersey 07054 Attention: Ben S. Penaliggon Fax: 973/683-1795
with a copy to:	Prudential Real Estate Investors 8 Campus Drive Parsippany, New Jersey 07054 Attention: Joan N. Hayden, Esq. Fax: 973/683-1788
and with a copy to:	Goodwin, Procter LLP Exchange Place Boston, Massachusetts 02109-2881 Attn: Minta E. Kay, P.C. Fax: 617/227-8591
If to Construction Consultant:	[Marx/Okubo Associates, Ltd. 455 Sherman Street, Suite 200 Denver, Colorado 80203 Attn: Timothy Harder, Project Coordinator Fax: 303-861-8565
If to Extra Space :	Extra Space Storage, Inc. 2795 Cottonwood Parkway

Suite 400
Salt Lake City, Utah 84121
Attn: Kenneth M. Woolley
Fax:

with a copy to: Extra Space Storage, Inc.
2795 Cottonwood Parkway
Suite 400
Salt Lake City, Utah 84121
Attn: Charles Allen, Esq.
Fax: 801-365-4947

12.7. No Third Party Beneficiary. The parties hereto do not intend to confer any benefit hereunder on any person, firm or corporation other than the parties hereto.

12.8. Counterparts. This Agreement may be executed simultaneously in two or more counterparts, each of which will be deemed an original, and all of which together will constitute one and the same instrument.

12.9. Amendments. This Agreement may not be amended, altered or modified except by a written instrument signed by all parties.

12.10. "Agreement" Defined; Headings. The term "Agreement," as used herein, as well as the terms "herein," hereof," "hereunder" and the like mean this Agreement in its entirety and all exhibits attached hereto and made a part hereof. The captions, article, section and paragraph headings hereof are for reference and convenience only, do not enter into or become a part of the context and shall be ignored in interpreting this Agreement. All pronouns, singular or plural, masculine, feminine or neuter, shall mean and include the person, entity, firm or corporation to which they relate as the context may require. Wherever the context may require, the singular shall mean and include the plural and the plural shall mean and include the singular.

12.11. Entire Agreement. This Agreement, including the Exhibits hereto, and any documents executed by the parties simultaneously herewith or pursuant hereto, constitute the entire understanding and agreement of the parties hereto with respect to the subject matter hereof and supersedes all other prior agreements and understandings, written or oral, between the parties with respect to such subject matter. The Exhibits attached hereto are each incorporated herein by reference for all purposes.

12.12. Attorneys' Fees. If any action arising out of this Agreement is brought by either party hereto against the other, then and in that event the unsuccessful party to such action shall pay to the prevailing party all costs and expenses, including reasonable attorneys' fees, incurred by such prevailing party, and if the prevailing party shall recover judgment in such action, such costs, expenses and attorneys' fees shall be included in and as part of such judgment.

12.13. Time of Essence. Time is of the essence to the parties hereto in the performance of this Agreement, and they have agreed that strict compliance by each of them is required as to any date set out herein. If the final day of any period of time set out in any provision of this Agreement falls upon a day which is not a Business Day, then and in such event, the time of such period shall be extended to the next Business Day.

12.14. Severabilitv. In the event any term, covenant, condition, agreement, section or provision shall be deemed invalid or unenforceable by a court of competent and final jurisdiction, this Agreement shall not terminate or be deemed void or voidable, but shall continue in full force and effect and there shall be substituted for such stricken provision a like, but legal and enforceable, provision which most nearly accomplishes the intention of the parties hereto and if no such provision is available, the remainder of this Agreement shall be enforced.

12.15. Reporting Person. The parties hereto hereby designate the 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. Each of the parties hereto and the Title Insurer shall execute at Closing a Designation Agreement, attached hereto as Exhibit P, designating the Title Insurer as the reporting person with respect to the transaction contemplated by this Agreement.

12.16. Confidentiality; Press Releases. 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 need to do in order to perform its obligations hereunder and subject to disclosure of all information required by Governmental Authorities and the Lender), regardless of whether the Closing occurs. No party will issue or cause the issuance of, and each will use best efforts to 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 this Agreement or the transaction contemplated hereby except upon the prior written approval of Extra Space and Prudential as to the exact text of such press release.

12.17. Conduct of the Parties. No conduct or course of action undertaken or performed by the parties shall have the effect of, or be deemed to have the effect of, modifying, altering or amending the terms, covenants and conditions of this Agreement. Failure of any party to exercise any power or right given hereunder or to insist upon strict compliance with the terms hereof shall not be, or be deemed to be, a waiver of such party's right to demand exact compliance with the terms of this Agreement.

12.18. Binding Effect. All of the terms, covenants and conditions of this Agreement shall be binding upon and shall inure to the benefit of Prudential, on the one hand, and Extra Space, on the other, and their respective successors, permitted assigns, heirs and legal representatives. Extra Space shall each be personally liable for performance of all of their respective obligations under and subject to the terms of this Agreement. Extra Space shall be

jointly and severally liable for all obligations and liabilities of any or all of them under this Agreement or in any document delivered pursuant to the terms hereof.

12.19. Brokerage Commission. Extra Space, jointly and severally, represents and warrants to Prudential that it has dealt with no broker, agent, salesperson or finder in any way in connection with the transactions that are the subject of this Agreement. Extra Space hereby agrees to indemnify, defend and hold Prudential harmless from and against any and all Losses, suffered or incurred on account of a misrepresentation or default by Extra Space under this Section. The terms of this Section shall survive Closing or termination of this Agreement.

12.20. Waiver of Jury Trial. THE PARTIES HERETO WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM (WHETHER IN CONTRACT OR TORT) BROUGHT BY ANY PARTY HERETO AGAINST ANY OTHER PARTY IN RESPECT OF ANY MATTER ARISING OUT OF OR IN CONNECTION WITH THIS AGREEMENT.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the date first above written.

VENTURE:

EXTRA SPACE WEST THREE LLC, a Delaware limited liability company

By: The Prudential Insurance Company of America, a member

By: _____
Name:
Title:

PRUDENTIAL:

THE PRUDENTIAL INSURANCE COMPANY OF AMERICA, a New Jersey corporation

By: _____
Name:
Title:

OWNER:

EXTRA SPACE OF _____ LLC,
a _____ limited liability company

By: _____
Name:
Title:

EXTRA SPACE STORAGE LLC, a Delaware limited liability company

By: _____
Name:
Title:

EXTRA SPACE STORAGE LP, a Delaware limited partnership

By: Extra Space Storage Holding Business Trust I, its general partner

By: _____
Name:
Trustee:

EXTRA SPACE STORAGE, INC., a Maryland corporation

By: _____
Name:
Title:

EXTRA SPACE STORAGE HOLDINGS BUSINESS TRUST I, a Maryland business trust

By: _____
Name:
Trustee:

EXTRA SPACE STORAGE HOLDINGS BUSINESS TRUST II, a Maryland business trust

By: _____
Name:
Trustee:

EXHIBIT A

Legal Description of Property

(Attached)

EXHIBIT B

Permitted Exceptions

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EXHIBIT C

Survey Requirements

ALTA SURVEY INSTRUCTIONS

Three (3) copies of a survey of the Property dated or updated no earlier than thirty (30) business days prior to closing prepared by a registered public surveyor in the State of _____ acceptable to Prudential, which must include and show the following, except to the extent waived by Prudential:

(a) A plat of the Property showing the following:

(i) The boundary line of the Property and all appurtenant easements by courses and distances showing the area of the Property, and each parcel thereof, in square feet. If the Property is composed of all or portions of several lots or other legal subdivisions, the boundaries of each should be indicated by dotted lines and the proper lot number or legal subdivision designation shown. If the Property comprises more than one parcel, it should show interior lines and facts sufficient to insure contiguity. All corners and end-points of the perimeter of the Property shall be monumented with iron rods or other permanent monuments. Points of beginning used in the description of the Property should be identified. The survey should indicate the location of the property relative to magnetic north.

(ii) The location and type of all buildings and other improvements on the Property, the dimensions and area thereof and the distances therefrom to the nearest facing exterior property lines of the Property.

(iii) The location of all easements, rights-of-way and any other matters of record or visible on the ground affecting the Property (each of which must be identified by reference to the volume and page where recorded), with a notation indicating whether such are dedicated or private.

(iv) If readily apparent, approximate location and arrangement of underground utilities and underground structures, based upon visible evidence such as manholes, storm drains and similar physical evidence, and upon information obtained from independent sources (i.e., utility companies, utility locating services, municipalities and the like), when necessary.

(v) The location and source of all building setback lines, buffer zones, etc., located on the Property (and if of record, each must be identified by reference to the applicable recording information).

(vi) All encroachments, overlaps, conflicts or protrusions.

(vii) All abutting dedicated public streets providing access to the Property showing the width and the name thereof and all sidewalks, parkways, curbs and driveways adjoining the Property, including, without limitation, all joint driveways and shared facilities.

(viii) All fences (both perimeter and cross) and all walls and other improvements along the property lines with dimensions. All party walls of building or other structures on the property line indicating the thickness of the portions thereon on each side of the property line and the nature of the use of said walls on each side.

(ix) The location of any railroad tracks and boundaries of railway rights-of-way affecting the Property.

(x) All wires and cables crossing, entering or leaving the Property, and all anchors or guy wires affecting the Property, except ordinary wire service drops.

(xi) If the real estate constitutes an assemblage or subdivision, interior lines and lot numbers and facts sufficient to insure contiguity and a certification that there are no gaps within the property.

(xii) The location of telephone or electric power poles, wires or lines and guy wire anchors.

(xiii) Location of the exterior parking areas on the Property, if any, and a notation of the total number of parking spaces, striped as such, on the Property, including the number of parking spaces reserved for handicapped persons and marked as such.

(xiv) The location of creeks, streams, rivers, lakes, ponds (retention or otherwise) or other waterways that cross or form a boundary line of the property, including the location of high and low water marks established by the U.S. Army Corps of Engineers, where applicable, and identifying any wetlands areas.

(xv) All zoning, use and density classifications affecting the Property.

(xvi) The scale, the north direction, the beginning point, the distance to the nearest intersecting street and point of reference from which the Property is measured.

(xvii) The location of cemeteries or family burial sites, if any.

(xviii) An acreage calculation to the nearest 1/1,000th of an acre and a calculation of the number of square feet contained within the boundaries of the property.

(xix) A Point of Beginning to form the basis for, or as used in, the legal description of record of the property.

(xx) Notations of the names of adjoining Extra Spaces whenever possible.

(xxi) The political subdivision, county, state and such other notations as will accurately locate the property surveyed.

(xxii) A scale of measurement.

(xxiii) A calculation for closure.

(xxiv) A legend to explain any symbols or abbreviations appearing on the survey.

(xxv) A certification that the real estate as described on the plat does not constitute an illegal subdivision of land under applicable county or city ordinances.

(xxvi) A legal description (metes and bounds) of the Property.

(xxvii) A certification as to whether or not the real estate lies within a flood hazard area. If the real estate lies within a flood hazard area, the certification should reflect the flood zone classification and give a map reference.

(b) The certification signed and sealed by the surveyor, which must be in substantially the following form:

"To: Extra Space West Three LLC, The Prudential Insurance Company of America, First American Title Insurance Company and _____.

I hereby certify that on the ____ day of _____, 200_:

(a) this survey was made on the ground and correctly shows the physical status of the Property, including (i) the boundaries and areas of the Property and the location of buildings and improvements thereof (if any) and the distance therefrom to the nearest facing exterior property lines of the subject property (ii) the location of all rights-of-way, easements and any other matters of record, described on Schedule B-II to the Policy of title Insurance (No._____) issued by _____, or which are visible on the ground affecting the Property; (iii) the location of all visible utility lines serving the Property; (iv) the location of any exterior parking areas on the Property, which contains regular parking spaces and handicap parking spaces; and (v) all abutting dedicated public streets providing access to the Property together with the width and name thereof;

(b) except as shown on the survey, there are no (i) encroachments upon the Property by improvements on adjacent property, (ii) encroachments on adjacent property, streets or alleys by any improvements on the Property, (iii) party walls, or (iv) other overlaps, conflicts or protrusions;

(c) adequate ingress to and egress from the Property is provided by [insert name of streets], the same being paved, dedicated public right(s)-of-way;

(d) all required building set back lines on the Property are located as shown hereon;

(e) all zoning, use and density classifications affecting the Property are correctly shown hereon;

(f) no part of the Property lies within any designated special flood hazard area as shown on the most recent Flood Hazard Boundary Maps prepared by the Department of Housing and Urban Development or as designated by either the Federal Emergency Management Administration or the Flood Insurance Administration or a statement indicating the flood zone classification and map reference; and

(g) this map or plat and the survey on which it was based were made in accordance with "Minimum Standard Detail Requirements for ALTA/ACSM Land Title Surveys," jointly established and adopted by ALTA, ACSM, and NSPS in 1999; and includes items 1, 2, 3, 4, 6, 7(a), 7(b)(2), 8, 9, 10, 11(b), and 13 of Table A thereof; and the survey measurements were made in accordance with the "Minimum Angle, Distance and Closure Requirements for Survey Measurements Which Control Land Boundaries for ALTA/ACSM Land Title Surveys", and any and all requirements of the state wherein the property surveyed is located.

(Signature of Surveyor)

Registered Public Surveyor

Registration No.

(Name, address, telephone number
and job number of Surveyor)

EXHIBIT D

Form of Multi-Party Agreement

EXHIBIT E

List of Construction Plans

(See Attached)

EXHIBIT F

Form of Construction Indemnity Agreement

THIS CONSTRUCTION INDEMNITY AND ASSIGNMENT AGREEMENT (this "Agreement"), dated as of the____ day of _____, __, from Extra Space of _____ LLC ("Extra Space"), Extra Space Storage Inc., a Maryland corporation ("REFT"), Extra Space Storage LP, a Delaware limited partnership ("UPREIT"), Extra Space Storage LLC ("Storage LLC", and together with Extra Space, REIT, and UPREIT, collectively, jointly and severally, "Developer") to Extra Space West Three LLC, a Delaware limited liability company (the "Venture") and The Prudential Insurance Company of America, a New Jersey corporation ("Prudential").

RECITALS:

A. Prudential and Developer entered into that certain Acquisition Agreement ("Purchase Agreement") dated _____ __, 200_ pursuant to which Prudential agreed to consent to the acquisition by the Venture from Extra Space of certain property including certain improvements to be constructed on the land described on Exhibit "A" attached hereto ("Project"), subject to the terms and conditions set out in the Purchase Agreement.

B. Pursuant to the Purchase Agreement, Developer will receive a certain development fee for the services it will render in connection with the development of the Project, including, without limitation, the construction of certain improvements ("Improvements") in connection with the Project.

C. Prudential has requested that Developer, and Developer has agreed to, enter into this Agreement to induce Prudential to consent to the acquisition by the Venture of the Project, as set out in the Purchase Agreement.

AGREEMENTS:

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Developer hereby agrees, jointly and severally, as follows:

1. Developer's Guarantee. Developer hereby guarantees all the work performed and to be performed and all materials furnished and installed, or either, in connection with the construction of the Improvements under the Construction Contract (as defined in the Purchase Agreement, including, without limitation, all change orders thereto, to be: (i) substantially in accordance with the Plans and Specifications attached to the Purchase Agreement as Exhibit "D" and/or any modifications thereof permitted pursuant to the Purchase Agreement (including, without limitation, any and all replacements or corrections of work performed or materials furnished in connection with construction of the Improvements); (ii) substantially in accordance with all federal, state, and local laws, ordinances, statutes, rules and regulations applicable to the construction of the Improvements, including, without limitation, local zoning and building codes,

environmental and land use regulations, and persons with disabilities requirements, in effect on the date of this Agreement (the "Legal Requirements"); and (iii) free from faulty or defective workmanship and materials. Developer agrees to repair, correct or replace, at its own cost and expense, all of the work performed or materials furnished, or either, in connection with construction of the Improvements under the Construction Contract, and any change orders, modifications or corrections thereto, that may prove not to be substantially in accordance with the Plans and Specifications (and/or modifications thereof permitted pursuant to the Purchase Agreement) or the Legal Requirements or not to be free from faulty or defective workmanship and/or materials, ordinary wear and tear excepted. Developer does further agree to pay the cost of repairing all damage to other property resulting from faults or defects in the work performed or materials furnished, or either, in connection with construction of the Improvements under the Construction Contract and to pay the cost and expenses of replacing other property which may be damaged or disturbed in repairing, correcting or replacing any faults or defects in work or materials as provided herein.

Developer's guarantee and obligations under this Section shall survive and be enforceable for a period of one (1) year commencing on the date of this Agreement, subject to the terms of this Section below. If a claim is brought under this Section on or before the expiration of such one (1) year period, Developer's guarantee and obligations under this Section shall survive with respect to the subject matter of such claim until final adjudication thereof with no further possibility of appeal. Developer's guaranty shall be for the entire work performed and materials furnished in connection with the construction of the Improvements under the Construction Contract and is in no way to be construed as invalidating guarantees for longer periods where required by the Construction Contract.

All replacements and corrections to faulty or defective work performed or materials furnished, or either, in connection with construction of the Improvements under the Construction Contract are to be done at the convenience of Prudential.

The obligation of Developer under this Agreement shall survive both final payment for the work performed or materials furnished in connection with the construction of the Improvements or designated portion thereof and any termination of the Construction Contract.

2. Indemnification. Developer shall indemnify, defend and hold harmless the Venture, Prudential and its partners and all of their respective officers, directors, representatives, managers, members, agents and employees for, from and against any and all claims and demands, just or unjust, of third persons for death, for bodily injury, for personal injury, for property damage, direct or consequential, or for breach of contract arising or alleged to arise out of the construction of the Improvements and for all costs, fees, and expenses incurred by them in the defense, settlement or satisfaction thereof, except to the extent such claims and demands result from the negligent acts or misconduct of Prudential.

With respect to any and all claims against the Venture, Prudential or its partners or any of their respective officers, directors, representatives, managers, members, agents or employees by

any employee of Developer, any subcontractor, anyone directly or indirectly employed by any of them, or anyone for whose acts any of them may be liable, the indemnification obligation under this Agreement shall not be limited in any way by limitation on the amount or type of damages, compensation or benefits payable by or for Developer or any subcontractor under workers' or workmen's compensation acts, disability benefit acts or other employee benefit acts.

If so directed by Prudential, the Developer shall at its own expense defend any suit based upon any such claim or demand within the scope of the foregoing indemnity with counsel reasonably acceptable to Prudential, as applicable (even if such suit, claim or demand is groundless, false or fraudulent).

All liabilities and obligations of Developer under this Agreement shall be joint and several.

3. GOVERNING LAW. THIS AGREEMENT WILL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF _____.

4. No Assignment of Benefits Under this Agreement. Developer may not assign its rights or obligations under this Agreement to any party without the prior written consent of Prudential.

DEVELOPER:

EXTRA SPACE OF _____ LLC

By: _____
Kenneth M. Woolley, its manager

EXTRA SPACE STORAGE LLC

By: _____
Kenneth M. Woolley, its manager

EXTRA SPACE STORAGE INC., a Maryland corporation

By: _____
Name:
Title:

EXTRA SPACE STORAGE LP, a Delaware limited partnership

By: Extra Space Storage Holdings Business Trust I, its general partner

By: _____
Name:
Title:

EXHIBIT G

Approved Development Budget

EXHIBIT H

Intentionally Omitted

EXHIBIT I

Intentionally Omitted

EXHIBIT J

Existing Environmental Reports

REPORT	VENDOR NAME & ADDRESS

EXHIBIT K

Form of Bill of Sale and Assignment

THIS BILL OF SALE and ASSIGNMENT (this **"Agreement")** is made as of the __ day of_____, ____, between EXTRA SPACE OF _____ LLC, a _____ limited liability company ("**Seller**"), and EXTRA SPACE WEST THREE LLC, a Delaware limited liability company ("**Buyer**").

WITNESSETH:

A. Pursuant to that certain Acquisition Agreement dated as of_____, 200_, by and among Seller, Buyer and others (the **"Acquisition Agreement"),** concurrently with the execution and delivery hereof, Seller is conveying to Buyer by deed the land described in Exhibit A attached hereto and made a part hereof together with all improvements thereon and appurtenances thereto (the "**Real Property**").

B. Pursuant to the Acquisition Agreement, Seller now desires to convey, transfer, set over and assign unto Buyer all of Seller's right, title and interest in and to all personal property, whether tangible or intangible, which are necessary or incidental to the proper ownership, completion, construction, use, enjoyment, occupancy, leasing, maintenance, service and operation of the Real Property (collectively, the **"Personal Property"),** including, without limitation, the following:

all personal property and fixtures owned by Seller and at any time attached to, located in or on, or used in connection with, the maintenance and operation of the Real Property, including, without limitation, all mechanical, electrical, lighting and plumbing systems, fixtures, and equipment, all ventilating, air conditioning and heating systems, fixtures, and equipment, all water and power systems and engines, boilers, generators, furnaces, motors, landscaping and sprinkler systems and equipment, all furniture, furnishings, appliances, supplies, and other personal property (tangible or intangible) of every nature and description, all maintenance equipment, tools, and supplies, and all master keys, office keys, and other keys used in connection with the Real Property.

C. Pursuant to the Acquisition Agreement, Seller also desires to assign to Buyer all of Seller's right, title and interest in and to the **"Rights"** (as defined in the Acquisition Agreement, including, without limitation, (i) those contracts for goods and services rendered in connection with the ownership, use, operation, management, and leasing of the Real Property listed on Exhibit C attached hereto (collectively, the **"Assigned Contracts")** and (ii) the **"Plans," "Permits,"** and **"Warranties,"** (as each such term is defined in the Acquisition Agreement).

D. Seller and Buyer intend that the conveyance, transfer and assignment of the Real Property, the Personal Property, and the Rights (collectively, the **"Property")** is a complete and absolute conveyance of Seller's interest in the Property and do not intend such conveyance, transfer or assignment to be a loan, lease, security device or other limited transfer of ownership;

NOW THEREFOR, for and in consideration of the sum of TEN DOLLARS ($10.00) and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Seller and Buyer agree as follows:

1. Sale of Personal Property. Seller does hereby SELL, DELIVER, TRANSFER, SET OVER and ASSIGN unto BUYER the Personal Property, TO HAVE AND TO HOLD the same unto Buyer, Buyer's successors and assigns, forever. Seller represents and warrants to Buyer that (a) Seller is the sole Extra Space of and has good and marketable title to the Personal Property, free and clear of all liens, encumbrances, claims and demands, (b) Seller has not previously sold or assigned the Personal Property to any other party, and (c) Seller will freely and fully warrant and defend the Personal Property against the lawful claims of any person claiming by, through or under the Seller.

2. Assignment of Assigned Contracts. Seller hereby assigns, sets over, and transfers to Buyer all of Seller's right, title and interest in, to, and under the Assigned Contracts. Subject to the provisions of this Agreement, Buyer hereby accepts the foregoing assignment by Seller and assumes all obligations of Seller under the Assigned Contracts which arise, accrue or mature after the date hereof.

3. Assignment of other Rights. Seller hereby assigns, sets over, and transfers all of Seller's right, title and interest in, to, and under any and all Rights that are not described in Section 2 above.

4. Indemnity. Buyer agrees to indemnify, defend, and hold harmless Seller from any loss, cost, claim, liability, expense, or demand of whatever nature under the Personal Property and the Rights arising or accruing on or after the date hereof. Seller agrees to indemnify, defend, and hold harmless Buyer from any loss, cost, claim, liability, expense or demand of whatever nature under the Personal Property and the Rights arising or accruing prior to the date hereof.

5. Miscellaneous. This Agreement and the obligations of the parties hereunder shall survive the closing of the transaction referred to in the Acquisition Agreement, shall be binding upon and inure to the benefit of the parties hereto, their respective legal representatives, successors and assigns, shall be governed by and construed in accordance with the laws of the State of _____ and may not be modified or amended in any manner other than by a written agreement signed by the party to be charged therewith.

6. Further Assurances. Each of the parties hereto agrees that it shall, upon the reasonable request of the other, execute and deliver such further documents as may be so requested in order to more fully assure that the purposes of this Agreement are fulfilled.

IN WITNESS WHEREOF, this Agreement has been executed as of the date first above written.

SELLER:

EXTRA SPACE OF _____ LLC

By: _____
Kenneth M. Woolley, its manager

BUYER:

EXTRA SPACE WEST THREE LLC

By: The Prudential Insurance Company of America, a member

By: _____
Name:
Title:

EXHIBIT L

Specimen of Occupancy Report

(See Attached)

EXHIBIT M

Form of Assignment of Leases and Rents

This Assignment and Assumption of Leases and Rents (this "**Assignment**") is made and entered into as of this ____ day of_____, _____, by and between EXTRA SPACE OF _____ LLC, a _____ limited liability company ("**Assignor**"), and EXTRA SPACE WEST THREE LLC, a Delaware limited liability company ("**Assignee**").

WITNESSETH:

A. Pursuant to an Acquisition Agreement dated as of _____ __, 200_ among Assignor, Assignee, and certain others (the "**Acquisition Agreement**"), concurrently with the execution and delivery hereof, Assignor is conveying to Assignee by deed the land described in Exhibit A attached hereto and made a part hereof together with all improvements thereon (the "**Property**").

B. Assignor, in its capacity as Extra Space of the Property, is lessor under the leases and occupancy arrangements described in the rent roll attached hereto as Exhibit B and all amendments, extensions and renewals thereof (the "**Leases**").

C. Pursuant to the Acquisition Agreement, Assignor now desires to assign, transfer and convey to Assignee all of Assignor's right, title, and interest in, to, and under the Leases, together with all rents with respect thereto and the security deposits listed on Exhibit B, and, subject to the provisions of this Assignment, Assignee desires to accept the Leases and assume all obligations of lessor under the Leases which arise accrue or mature after the date hereof.

NOW, THEREFORE, in consideration of Ten Dollars ($10.00) and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Assignor and Assignee agree as follows:

1. Assignor does hereby bargain, sell, transfer, assign, convey, set over and deliver unto Assignee all right, title, and interest of the Assignor in, to, and under all of the Leases together with all rents with respect thereto and the security deposits listed on Exhibit B.

2. Subject to the provisions of this Assignment, Assignee hereby accepts the foregoing assignment by Assignor and assumes all obligations of the Landlord under the Leases which arise, accrue or mature after the date hereof.

3. Assignor warrants to Assignee and agrees that (a) Assignor is the sole Extra Space of the lessor's interest under the Leases, that its rights under the Leases and any proceeds due thereunder are not subject to any lien, claim or encumbrance and (b) the Leases are in full force and effect, have not been altered, modified, amended, terminated or renewed (except for

such amendments and renewals which have been disclosed in writing to Assignee) nor have any of the terms and conditions therein been waived.

4. Assignor shall indemnify, defend and hold Assignee harmless and free and clear against, and reimburse Assignee for, any damage, loss, cost, expense (including reasonable attorneys' fees), claim, liability, obligation or debt resulting from, arising out of or in any way related to (a) any obligations or liabilities of the lessor under the Leases arising or accruing on or prior to the date hereof, or (b) any performance to be made by the lessor under the Leases which performance was to be made by the lessor on or prior to the date hereof.

5. Assignee shall indemnify, defend and hold Assignor harmless and free and clear against, and reimburse Assignor for, any damage, loss, cost, expense (including reasonable attorneys' fees), claim, liability, obligation or debt resulting from, arising out of or in any way related to (a) any obligations or liabilities of the lessor under the Leases arising or accruing after the date hereof, or (b) any performance to be made by the lessor under the Leases which performance is to be made by the lessor after the date hereof.

6. Each of the parties hereto agrees that it shall, upon the reasonable request of the other, execute and deliver such further documents as may be so requested in order to more fully assure that the purposes of this Assignment are fulfilled.

7. This Assignment may be executed in multiple counterparts each of which shall be deemed an original and all of which shall constitute one and the same instrument.

8. This Assignment shall be governed by and construed in accordance with the laws of the State of _____.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF this Assignment has been executed as of the date first above written.

ASSIGNOR:

EXTRA SPACE OF _____ LLC

By: _____
Kenneth M. Woolley, its manager

ASSIGNEE:

EXTRA SPACE WEST THREE LLC, a Delaware limited liability company

By: The Prudential Insurance Company of America, a member

By: _____
Name:
Title:

[Notary blocks to be added]

EXHIBIT O

Form of Extra Space Bringdown Certificate

_____, ____

Pursuant to the Acquisition Agreement dated _____ __, 200__ ("Agreement") by and among The Prudential Insurance Company of America, a New Jersey corporation ("Prudential"), Extra Space of _____ LLC, a _____ limited liability company ("Owner"), Extra Space Storage LLC, a Delaware limited liability company ("Storage LLC"), Extra Space Storage LP ("UPREIT"), Extra Space Storage, Inc. ("ESS Inc."), Extra Space Storage Holdings Business Trust I ("Trust I"), and Extra Space Storage Holdings Business Trust II ('Trust II") (Owner, Storage LLC, UPREIT, ESS Inc., Trust I, and Trust II are collectively referred to herein as "Extra Space"), Extra Space hereby, jointly and severally, certifies to Prudential that all of the representations and warranties made by Extra Space in the Agreement or in any document delivered in connection with the Agreement or the transaction contemplated thereby remain true and correct in all material respects on the date hereof as if such representations and warranties were made on and as of the date hereof.

EXTRA SPACE OF _____ LLC, a _____ limited liability company

By: _____
Kenneth M. Woolley, its manager

EXTRA SPACE STORAGE LLC, a Delaware limited liability company

By: _____
Kenneth M. Woolley, its managing member

EXTRA SPACE STORAGE LP, a Delaware limited partnership

By: Extra Space Storage Holdings Business Trust I, its general partner

By: _____
Name:
Trustee

EXTRA SPACE STORAGE, INC., a Maryland corporation

By: _____
Name:
Title:

EXTRA SPACE STORAGE HOLDINGS BUSINESS TRUST I, a Maryland business trust

By: _____
Name:
Trustee

EXTRA SPACE STORAGE HOLDINGS BUSINESS TRUST II, a Maryland business trust

By: _____
Name:
Trustee

EXHIBIT P

Form of Prudential Bringdown Certificate

_____, _____

Pursuant to the Acquisition Agreement dated _____ __, 200__ ("Agreement") by and among The Prudential Insurance Company of America, a New Jersey corporation ("Prudential"), Extra Space of _____ LLC, a _____ limited liability company ("Owner"), Extra Space Storage LLC, a Delaware limited liability company ("Storage LLC"), Extra Space Storage LP ("UPREIT"), Extra Space Storage, Inc. ("ESS Inc."), Extra Space Storage Holdings Business Trust I ("Trust I"), Extra Space Storage Holdings Business Trust II ("Trust II") (Owner, Storage LLC, UPREIT, ESS Inc., Trust I, and Trust II are collectively referred to herein as the "Extra Space"), Prudential hereby certifies to Extra Space that all of the representations and warranties made by Prudential to Extra Space pursuant to the Agreement or in any document delivered in connection with the Agreement or the transaction contemplated thereby remain true and correct in all material respects on the date hereof as if such representations and warranties were made on and as of the date hereof.

THE PRUDENTIAL INSURANCE COMPANY OF AMERICA

By: _____
Name:
Title:

EXHIBIT P

Form of Designation Agreement

This Designation Agreement is executed by the undersigned pursuant to 26 C.F.R. Section 1.6045-4 (e) (5) in connection with the requirements for information reporting on transfers of interests in real estate with dates of closing on or after January 1, 1991. The undersigned hereby agree as follows:

1. The name and address of the transferor are as follows:
2. The name and address of the transferee are as follows:

   The Extra Space West Three LLC, c/o Prudential Real Estate Investors, 8 Campus Drive, Arbor Circle South, Parsippany, New Jersey 07054-4493
3. The real estate, an interest in which is being transferred, is located in _____ County, _____ and is more particularly described in Exhibit "A" attached hereto and made a part hereof.
4. The name address of the person designated ("Designated Party") as the reporting person with respect to this transaction is as follows:

It is understood that the Designated Party, as the only party to this Agreement, must retain this Agreement for four (4) years following the close of the calendar year in which the date of closing occurs and that, upon request by the Internal Revenue Service or any person involved in this transaction who did not participate in this Designation Agreement, this Agreement must be made available for inspection.

Executed this _____ day of _____, 200_.

DESIGNATED PARTY:

By: _____

EXHIBIT B

INITIAL CAPITAL

As of the date of this Agreement:

Prudential	$ 95.00
Extra Space	$ 5.00
TOTAL =	$100.00

EXHIBIT C-1

Prudential's ERISA Certification

[Transferee Name and Address]

Re: _____

Gentlemen:

[Description of Transaction]

[Prudential] represents and warrants to you that the participation of [Prudential] in the transaction described above will not constitute a nonexempt prohibited transaction under the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), and such participation will not be in violation of any state statute regulating investments of and fiduciary obligations with respect to a governmental plan, as defined in section 3(32) of ERISA.

Very truly yours,

[THE PRUDENTIAL INSURANCE COMPANY OF AMERICA]

By: _____
Name:
Title:
Dated Executed:

EXHIBIT C-2

EXTRA SPACE'S/TRANSFEREE'S ERISA CERTIFICATION

The Prudential Insurance Company of America
8 Campus Drive
Parsippany, New Jersey 07054

Attention: Vice President, Prudential Real Estate Investors

The Prudential Insurance Company of America
8 Campus Drive
Parsippany, New Jersey 07054

Attention: Law Department

Re: _____, L.L.C.

Ladies and Gentlemen:

[Description of Transaction]

[Extra Space/Transferee] represents and warrants to you that (i) neither the Transfer [To be Defined in Description Paragraph] nor the subsequent participation by Transferee [To be Defined in Description Paragraph] in the transaction described above will constitute a nonexempt prohibited transaction under the Employee Retirement Income Security of 1974, as amended ("ERISA") and (ii) such transaction, including the Transfer and participation by the Transferee, will not be in violation of any state statute regulating investments of and fiduciary obligations with respect to a governmental plan, as defined in Section 3(32) of ERISA.

Very truly yours,

[EXTRA SPACE/TRANSFEREE]

By: _____
Name:
Title:
Dated Executed:

EXHIBIT D

FORM OF LEASING AND MANAGEMENT AGREEMENT

(To be attached, based on West One form)

Exhibit 10.20

PURCHASE AND SALE AGREEMENT
(Storage Deluxe, Fordham Rd., Bronx, NY Property)

THIS PURCHASE AND SALE AGREEMENT ("Agreement") is made and entered into to be effective as of the 1st day of December, 2003 , by and between **FORDHAM ROAD STORAGE PARTNERS, LLC,** a Maryland limited liability company ("**Seller**") and **EXTRA SPACE DEVELOPMENT, LLC,** a Utab limited liability company ("**Purchaser**").

1. **Agreement of Sale; Effective Date**. Subject to, and on the terms and conditions herein set forth, Setter hereby agrees to sell to Purchaser, and Purchaser agrees to purchase from Seller the Property (as defined in Section 2 below). The "**Effective Date**" of this Agreement shall be the date set forth above, which shall be the date that Purchaser receives a fully-executed copy of this Agreement, including a legal description of the Property.

2. **Property Description**.

A. The "**Property**" shall be defined in this Agreement as that certain real property located at 245 West Fordham Road, Bronx, NY10468, consisting of approximately _____ acres, as more fully described on **Exhibit "A"** attached hereto and incorporated herein (sometimes separately referred hereinafter as the "**Real Property**"), together with all of Seller's right, title and interest in and to all buildings, structures, fixtures, casements, rights of way and improvements thereon, including certain of Seller's property used in connection with the operation of Seller's self-storage business at the Property, such as (a) tangible personal property (i.e., supplies, machinery, equipment, furniture and trade fixtures, computers and related hardware and software), as more particularly set forth in the inventory list to be provided to Purchaser pursuant to Exhibit "B," Item 8 ("**Personal Property**"), (b) agreements, contracts, warranties, guarantees, or other similar arrangements or rights thereunder, if any, (c) franchises, approvals, permits, licenses, orders, registrations, certificates, exemptions and similar rights obtained from governments or agencies, (d) leases, subleases and rights thereunder, (e) prepayments and deferred items, claims, deposits, refunds, causes of action and rights of recovery, (f) accounts, notes, leases and other receivables, (g) telephone numbers, books, records, ledgers, files, documents, correspondence and lists, except as otherwise specifically set forth in this Agreement, (h) drawings and specifications, architectural plans, yellow page advertising (but only as set forth in Sections 10E and 10G), studies, reports, and (i) intangibles including goodwill and going concern value. The term "Property" shall not include any current or contingent debts, liabilities or obligations pertaining to the Property, unless expressly assumed by Purchaser under the terms of this Agreement.

B. Purchaser expressly acknowledges that Setter is not selling to Purchaser the name "Storage Deluxe." Accordingly, the term "Property" shall expressly exclude the use of the name "Storage Deluxe," except for the limited use set forth in Section 10G. Purchaser expressly agrees that any name, trade name, trademark, service mark or logo by which the Property, or any part thereof, may be known or which may be used in connection with the Property with respect to its use as a self-storage facility owned and operated by "Storage Deluxe" (collectively "**Storage Logos**") shall remain exclusively vested in Seller and shall not be deemed part of the Property in this Agreement. Purchaser hereby expressly acknowledges that it shall have no right, title or interest in or to the Storage Logos or the use thereof and covenants that Purchaser shall not use or employ the Storage Logos whatsoever, except as authorized under Section 10G.

3. **Purchase Price**. The Purchase Price to be paid by Purchaser to Seller for the Property shall be the total sum of Fifteen Million One Hundred Fifty Thousand Eight Hundred Dollars ($15,150,800), which sum shall be paid as follows and in accordance with Section 8C:

A. The Initial Earnest Money Deposit (as defined in Section 4A) in the amount of Two Hundred Thousand Dollars ($200,000) in accordance with Section 4A;

B. The Supplementary Earnest Money Deposit (as defined in Section 4B) in the amount of Three Hundred Thousand Dollars ($300,000) in accordance with Section 4B; and

C. At the Closing, the balance of the Purchase Price in the amount of Fourteen Million Six Hundred Fifty Thousand Eight Hundred Dollars ($14,650,800) by federal electronic wire transfer of immediately available funds.

4. **Earnest Money Deposit**.

A. Within three (3) business days after the Effective Date, Purchaser shall deposit with Chicago Title Insurance Company, National Office, at 171 N. Clark Street, 3rd Floor, Chicago, IL 60601, Attention: Ronald K. Szopa, as the "**Escrow Agent**" and "**Title Company**," an earnest money deposit in cash in the amount of Two Hundred Thousand Dollars ($200,000) ("**Initial Earnest Money Deposit**"), together with a fully-executed copy of this Agreement. The Initial Earnest Money Deposit shall be refundable during the Inspection Period (as defined in Section 6) and as otherwise set forth in this Agreement and shall be credited to the Purchase Price upon the Closing.

B. On or before the expiration of the Inspection Period, Purchaser shall deposit into escrow an additional sum of Three Hundred Thousand Dollars ($300,000) ("**Supplementary Earnest Money Deposit**"), which collectively with the Initial Earnest Money Deposit shall be considered the "**Earnest Money Deposit.**" After the expiration of the Inspection Period, all of the Earnest Money Deposit shall be non-refundable, except as otherwise set forth in this Agreement, but shall be credited to the Purchase Price at Closing.

C. The Escrow Agent is authorized and instructed to act in accordance with this Section, Section 21 and all other terms of this Agreement, which shall constitute escrow instructions for this transaction, and shall hold and dispose of the Earnest Money Deposit and any additional deposits in strict compliance with this Agreement, as acknowledged by the Escrow Agent at the end of this Agreement. The Earnest Money Deposit is to be invested in an interest bearing escrow account in a financial institution insured by the Federal Deposit Insurance Corporation chosen by Purchaser, with such account having a maturity date not later than the Closing Date (as defined in Section 8A). All interest earned on the Earnest Money Deposit shall be delivered to Seller at Closing, except in the event of an earlier termination of this Agreement, in which case, the interest earned shall be the property of the party entitled to the Earnest Money Deposit.

5. **Items from Seller**. On or before the Effective Date, Seller shall deliver to Purchaser complete copies of any and all existing documentation or items in Seller's possession or control as listed on **Exhibit "B,"** attached hereto and incorporated herein. Purchase will notify Seller in writing within five (5) days after receiving such documentation or items from Seller if Purchaser believes it is missing any documentation, in which case, Seller shall have five (5) days to respond to Purchaser by sending any missing documentation or notifying Purchase in writing that Seller has no additional documentation to provide to Purchaser relating to the Property. In addition, Seller agrees that, during the term of this Agreement, Seller will provide to Purchaser on an ongoing basis (at least monthly) updated reports of items 1, 2, 3, 4 and 14 of Exhibit "B."

6. **Inspection Period**

A. Inspection Period. Purchaser shall have sixty (60) days after the Effective Date ("**Inspection Period**") to conduct, at Purchaser's expense, its basic due diligence to determine, in Purchaser's sole discretion, that the Property is suitable and satisfactory for Purchaser's intended use of the Property. Purchaser's inspection shall include the following:

(i) Property Evaluation. Purchaser shall have the right to perform any non-invasive inspections and examinations of the Property, at reasonable times and during regular business hours, to the extent Purchaser deems necessary, to determine the condition of the Property. Purchaser and Purchaser's representatives, consultants, agents and employees shall, during regular business hours, (a) have the right to cause non-invasive environmental reviews and site assessments and inspections of the Property to be made, (b) have access to all buildings, improvements, storage areas (not under the control of tenants) and, subject to tenant rights, other spaces, equipment and personalty that are included in the Property, and (c) conduct all other necessary non-invasive feasibility studies, title reports, surveys, soils tests, engineering studies, examination of zoning status, building and use permits, sign permits and all other permits required for the Property. While conducting such investigations, tests and studies, Purchaser shall not unreasonably disturb or interfere with Seller's use of the Property or any person using, occupying or providing services at the Property, including, without limitation, Seller's tenants and employees. All of the inspections and examinations of the Property shall be at the sole cost and expense of Purchaser. Purchaser shall not cause any damage to the Property and, in the event of any damage to the Property, Purchaser shall immediately repair the same and return the Property to the condition immediately prior to such damage. Prior to entering onto the Property, Purchaser's consultants and contractors will deliver to Seller certificates of commercial general liability insurance, naming Seller and GECC (as defined in Section 9A) as additional insured parties and will maintain such insurance during the Infection Period, in an amount of no less than $3,000,000 per occurrence insuring all activity and conduct of any employee or agent of Purchaser's consultants or contractors while exercising the right of access hereunder.

(ii) In no event shall Purchaser perform any invasive testing on the Property, including, without limitation, Phase 2 studies and/or soil borings, without strict compliance with the following requirements: (a) Purchaser shall provide prior written notice to Seller in each instance of any such invasive testing, including, without limitation, delivering to Seller a scope of proposed work subject to Seller's review and approval, in Seller's sole discretion; (b) Purchaser shall obtain Seller's prior written consent (which consent shall be in Seller's sole discretion) for each instance of any such invasive testing; (c) Seller or an agent of Seller shall be present during all such invasive testing on the Property; (d) all Insurance requirements set forth above for Purchaser's Inspection Period shall be in full force and effect; and (e) in the event of any damage to the Property in the course of such invasive testing. Purchaser shall immediately repair the same and return the Property to the condition immediately prior to such damage and inspection.

(iii) Evaluation of Business. In addition to Purchaser's inspection of the documents provided by Seller pursuant to Section 5, Purchaser, and its agents and accountants, shall have the right, after prior notice to Seller, at reasonable times and during regular business hours, to inspect and examine all business and service records, tenant files, leases, accounts receivable, accounts payable, books and records of account, computer records, bank deposit receipts and all other such documents relating to the management, operation, income and expense of the Property for the last three (3) years. Purchaser shall have the right to make photocopies of all records and documents at Purchaser's expense. Purchaser will use any such information supplied by Seller solely to evaluate the business conducted from the Property and will keep the information confidential, except to the extent Purchaser may be required to disclose such information under applicable laws. In the event that this transaction does not close for any

reason, Purchaser will return to Seller all documents that Purchaser has obtained from Seller pursuant to Section 5.

B. Purchaser's Indemnification. Purchaser shall indemnify, defend and hold Seller harmless from and against any and all costs, expenses, losses, attorneys' fees and liabilities resulting from (i) any physical damage to the Property caused by Purchaser or its representatives or agents arising from the access hereby granted or from the inspection and/or testing conducted by or on behalf of Purchaser under this provision, (ii) the negligence or willful misconduct of Purchaser or its representatives or agents in connection with the access hereby granted or from the inspection and/or testing conducted by or on behalf of Purchaser hereunder, and (iii) any breach by Purchaser of the provisions of this Section 6B. The provisions of this Section 6B shall survive the termination of the Agreement.

C. Purchaser's Approval. If Purchaser is satisfied with Purchaser's inspection of the Property, Purchaser will notify Seller in writing, on or before the end of the Inspection Period, that Purchaser intends to proceed with the purchase of the Property and, on or before the end of the Inspection Period, Purchaser shall deliver to Escrow Agent the Supplemental Earnest Money Deposit. The failure to deliver such written approval and the Supplemental Earnest Money Deposit shall be deemed to be disapproval, in which case, this Agreement shall automatically terminate and the Earnest Money Deposit shall be promptly returned to Purchaser. Purchaser acknowledges that upon the expiration of the Inspection Period and Purchaser's delivery of the Supplemental Earnest Money Deposit, Purchaser shall have no right to a refund of the Earnest Money Deposit if Purchaser terminates this Agreement, except as otherwise set forth in this Agreement.

D. Confidentiality.

(i) All documents and information regarding the Property of whatever nature made available to Purchaser by Seller or Seller's representatives or obtained by Purchaser or Purchaser's representatives as a result of all reports, tests and studies of the Property commissioned by Purchaser, other than documents and information that are public record or which have been made publicly available, including, without limitation, all names, addresses and payroll information of the employees at the Property ("**Employees**") and this Agreement and the terms contained herein and the documents provided to Purchaser pursuant to this Agreement (collectively the "**Proprietary Information**") shall be deemed proprietary and confidential. Furthermore, Purchaser shall keep all such Proprietary Information strictly confidential and shall not disclose any of said Proprietary Information to any party other than as expressly permitted under this section, and Purchaser expressly agrees not to disclose the existence of such Proprietary Information to any of the tenants at the Property, it being expressly agreed that the disclosure of the existence of the Proprietary Information or this Agreement or any of the terms hereof, except as expressly permitted in this section, shall be deemed a material default hereunder. Prior to Closing, Purchaser shall not disclose and shall use its best efforts to cause its representatives not to disclose any Proprietary Information or any information concerning the Property to any other person, provided, however, Purchaser may disclose (and otherwise make available) Proprietary Information to those persons or parties (including prospective lenders and investors and their respective advisors and counsel) who, in Purchaser's reasonable judgment, need to know such information for the purpose of Purchaser's acquisition of the Property. In addition, Purchaser shall be entitled to disclose any Proprietary Information that Purchaser is required to disclose by law or by order of a court or governmental agency of competent jurisdiction,

(ii) For a period of one (1) year from the Closing or the earlier termination of this Agreement, Purchaser shall not solicit for hire any of the Employees, regardless of whether Purchaser

closes under this Agreement or this Agreement terminates for any reason. Notwithstanding anything contained herein to the contrary, in the event that this Agreement is terminated for any reason, other than Seller's breach of this Agreement, Purchaser shall immediately deliver all Proprietary Information to Seller. In the event this Agreement terminates due to Seller's breach, Purchaser shall immediately return to Seller all Proprietary Information that Purchaser received from Seller, but shall not be obligated to provide to Seller any Proprietary Information prepared for and on behalf of Purchaser and paid for by Purchaser as part of Purchaser's inspection of the Property. Prior to the release of the Initial Earnest Money Deposit to Purchaser as a result of the foregoing, Escrow Agent shall have received written confirmation from the Seller that Seller is in receipt of all of the Proprietary Information.

E. "AS IS" Condition. Purchaser hereby agrees to accept the Property "AS IS" as of the Effective Date, subject to any change in the Property pursuant to Sections 8F and 11E and Seller's obligations set forth in Sections 10A and 10C. EXCEPT AS EXPRESSLY SET FORTH IN THIS AGREEMENT, IT IS UNDERSTOOD AND AGREED THAT SELLER IS NOT MAKING AND HAS NOT AT ANY TIME MADE ANY WARRANTIES OR REPRESENTATIONS OF ANY KIND OR CHARACTER, EXPRESS OR IMPLIED, WITH RESPECT TO THE PROPERTY INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OR REPRESENTATIONS AS TO MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, ZONING, TAX CONSEQUENCES, LATENT OR PATENT PHYSICAL OR ENVIRONMENTAL CONDITIONS, STRUCTURAL CONDITIONS, UTILITIES, VALUATION, GOVERNMENTAL APPROVALS AND/OR THE COMPLIANCE OF THE PROPERTY WITH GOVERNMENTAL LAWS. PURCHASER REPRESENTS TO SELLER THAT, PRIOR TO THE CLOSING DATE, PURCHASER WILL HAVE CONDUCTED SUCH INVESTIGATIONS OF THE PROPERTY, INCLUDING BUT NOT LIMITED TO, THE PHYSICAL, STRUCTURAL AND ENVIRONMENTAL CONDITIONS THEREOF, AS PURCHASER DEEMS NECESSARY TO SATISFY ITSELF AS TO THE CONDITION OF THE PROPERTY AND THE EXISTENCE OR NONEXISTENCE OR CURATIVE ACTION TO BE TAKEN WITH RESPECT TO ANY HAZARDOUS OR TOXIC SUBSTANCES ON OR DISCHARGED FROM THE PROPERTY, AND WILL RELY SOLELY UPON SAME AND NOT UPON ANY INFORMATION PROVIDED BY OR ON BEHALF OF SELLER OR ITS AGENTS OR EMPLOYEES WITH RESPECT THERETO. UPON CLOSING, PURCHASER SHALL ASSUME THE RISK THAT ADVERSE MATTERS, INCLUDING BUT NOT LIMITED TO, ADVERSE PHYSICAL, STRUCTURAL AND ENVIRONMENTAL CONDITIONS, MAY NOT HAVE BEEN REVEALED BY PURCHASER'S INVESTIGATIONS. AND PURCHASER, UPON CLOSING, SHALL BE DEEMED TO HAVE WAIVED, RELINQUISHED AND RELEASED SELLER (AND SELLER'S OFFICERS, DIRECTORS, SHAREHOLDERS, EMPLOYEES AND AGENTS) FROM AND AGAINST ANY AND ALL CLAIMS, DEMANDS, CAUSES OF ACTION (INCLUDING CAUSES OF ACTION IN TORT), LOSSES, DAMAGES, LIABILITIES, COSTS AND EXPENSES (INCLUDING ATTORNEYS' FEES AND COURT COSTS) OF ANY AND EVERY KIND OR CHARACTER, KNOWN OR UNKNOWN, WHICH PURCHASER MIGHT HAVE ASSERTED OR ALLEGED AGAINST SELLER (AND SELLER'S OFFICERS, DIRECTORS, SHAREHOLDERS, EMPLOYEES AND AGENTS) AT ANY TIME BY REASON OF OR ARISING OUT OF THE PHYSICAL CONDITION OF THE PROPERTY.

7. **Survey and Title Matters**.

A. Title Insurance. Promptly after the Effective Date, Purchaser will order from the Title Company a current title insurance commitment for a policy (ALTA) of owner's title insurance and a copy of all exceptions referred to therein ("**Title Commitment**"). The Title Commitment shall irrevocably obligate the Title Company to issue an ALTA Title Insurance Policy in the full amount of the Purchase Price ("**Title Policy**"), which Title Policy shall insure Purchaser's fee simple title to the Property.

B. Survey. Purchaser may order, at its option, an ALTA survey of the Property ("**Survey**").

C. Title and Survey Objection.

(i) The Property shall be sold subject to the title exceptions set forth on **Exhibit "C,"** attached hereto and made a part hereof. The title exceptions set forth in Exhibit "C," along with any other matters set forth in the Title Commitment or Survey to which Purchaser does not object, or which have been waived or cured, shall be referred to collectively herein as the "**Permitted Exceptions**." If there are any title or survey matters to which Purchaser objects, Purchaser shall have the option of terminating this Agreement in accordance with Section 6C. Notwithstanding the foregoing, any title objections against the Property that can be reduced to a liquidated sum shall be satisfied or otherwise handled in accordance with Sections 7C(ii) – (v) below.

(ii) Seller shall be obligated to satisfy at or prior to Closing any mortgages entered into by Seller and recorded against the Property, other than the mortgage for the GECC Loan. In addition, with respect to any title objections against the Property that can be reduced to a liquidated sum (other than mortgages and documents created by Seller's voluntary execution of a document, including mechanic liens, tax liens or judgments. Seller shall be obligated to expend up to the amount of $500,000, in the aggregate, in order to remedy such liens or judgments, or, at Seller's election, to deliver the Property subject to such liens or judgments and, in such event, Seller shall provide Purchaser with an abatement of the Purchase Price at Closing in the full amount of the lien(s) or judgments (but in no event more than $500,000 in the aggregate), in which event Purchaser shall close title hereunder notwithstanding the existence of such liens or judgments. In the event that at Closing, there are any title objections against the Property that can be reduced to a liquidated sum which are in excess of $500,000 in the aggregate. Seller may, at Seller's sole election, expend the necessary funds to remove or satisfy such liens or judgments against the Property. If Seller does not elect, at Seller's sole election, to remove or satisfy the same, Purchaser may elect to either (a) proceed with the acquisition of the Property subject to such liens or judgments, with an abatement of the Purchase Price of $500,000, or (b) cancel this Agreement by written notice to Seller within five (5) business days after Seller's notice to Purchaser of its election not to remove or satisfy such title objections, in which event Seller shall instruct the Escrow Agent to release and remit to Purchaser the Earnest Money Deposit and upon such payment to Purchaser, neither party shall have any other or further rights or obligations as against the other in respect of the purchase or sale of the Property and the lien of Purchaser against the Property shall wholly cease.

(iii) If on the date set for the Closing it should appear that the Property is affected by any lien or defect or exception to title which is not expressly consented to herein by Purchaser and, which Seller is not otherwise obligated to cure in accordance with the terms of this Agreement, Seller, at Seller's election, shall have the privilege to remove or satisfy the same, and shall, for that purpose, be entitled to one or more adjournments of the Closing for a period not exceeding in the aggregate ninety (90) days. If Seller elects to so adjourn the Closing as provided in this section, this Agreement shall remain in effect for the period or periods of adjournment, in accordance with its terms. If Seller elects not to remove or

satisfy any such liens, defects or exceptions to title. Purchaser shall have the option of acquiring the Property subject to any such liens, defects or exceptions to title, or to terminate this Agreement, in which case, Seller shall immediately instruct the Escrow Agent to release and remit to Purchaser the Earnest Money Deposit.

(iv) Notwithstanding the foregoing, Purchaser may at any time accept such title as Seller can convey, notwithstanding the existence of any title defect not provided for in this Agreement, without reduction of the Purchase Price or any credit or allowance on account thereof or any claim against Seller. The acceptance and recordation of the Deed shall be deemed to be full performance of, and discharge of, every agreement and obligation on Seller's part to be performed under this Agreement, except for those which this Agreement specifically provides shall survive the Closing.

(v) If for any reason whatsoever Seller shall be unable to convey title subject to and in accordance with the terms of this Agreement, the sole obligation of Seller shall be to refund the Earnest Money Deposit then being held by Escrow Agent and to reimburse Purchaser for the net cost of title examination, and upon the making of such refund of the Earnest Money Deposit, together with interest accrued thereon, and upon the making of the net cost of title examination reimbursement, this Agreement shall become void and of no further force or effect, neither party hereto shall have any further claim against the other by reason of this Agreement and the lien, if any, of Purchaser against the Property shall wholly cease.

8. **Closing Date and Closing Procedures and Requirements**.

A. Closing Date. The "**Closing Date**" or "**Closing**" of this Agreement and the completion of the purchase of the Property by Purchaser shall be on or before thirty (30) days from the date that the following has occurred: (i) the Inspection Period has ended, and (ii) Purchaser has obtained a written commitment from GECC to assume the GECC Loan (as set forth in Section 9) or the Financing Contingency Period (as defined in Section 9) has expired, whichever occurs earlier in time. Closing shall be coordinated and conducted through the Title Company's office and neither party shall be required to personally attend the Closing, unless it is a requirement of GECC that the parties hereto attend the Closing due to the assignment and assumption of the GECC Loan, in which event, the parties agree to cooperate and attend the Closing. However, the Closing shall not occur unless each and every condition to Purchaser's obligations, more specifically set out and otherwise enumerated in Section 10 below, has been satisfied or waived. Notwithstanding the foregoing, the timing of the Closing shall be subject to any request or requirement of GECC and the Closing may be adjourned to satisfy any such request or requirement so long as the parties act diligently in connection therewith. Failure by either party to timely close title to the Property as set forth in this Section 8A shall be deemed to be a material default under the terms and conditions of this Agreement and the non-defaulting party shall be entitled to retain the entire Earnest Money Deposit, in accordance with Section 15, whereupon this Agreement shall be null and void and of no further force or effect, neither party hereto shall have any further claim against the other by reason of this Agreement and the lien of Purchaser against the Property shall wholly cease

B. Conveyance of Title and Delivery of Closing Documents. By the Closing Date, Seller shall have executed and delivered to the Escrow Agent a Bargain and Sale Deed without Covenants in proper statutory short form for recording and which shall contain the covenant required by subdivision 5 of Section 13 of the Lien Law ("**Deed**"), and which shall be reviewed and approved by Purchaser and the Title Company prior to Closing. The Deed shall be fully executed, properly acknowledged by Seller, conveying fee simple record and marketable record title to the Property to Purchaser, free and clear of all liens, special assessments, easements, reservations, restrictions, and encumbrances whatsoever, excepting only the Permitted Exceptions. By the Closing Date, Seller shall also have delivered all documents and

items set forth in **Exhibit "D,"** attached hereto and incorporated herein, and both parties shall have submitted to the Title Company any other documents required pursuant to this Agreement and by the Title Company for the Closing. The Deed and the other documents and items that need to be recorded for Closing shall not be recorded unless and until the Title Company has received the balance of the Purchase Price and delivered the same to Seller, or as Seller may otherwise direct, subject only to the prorations set forth in Section 8D below.

C. Payment of Purchase Price at Closing. On the Closing Date, the Earnest Money Deposit, including any additional deposits made pursuant to this Agreement, shall he credited towards payment of the Purchase Price. Purchaser shall pay the balance of the Purchase Price at Closing to Escrow Agent by certified funds or by wire transfer.

D. Prorations.

(i) All real property ad valorem taxes and general and special assessments applicable to the Property shall be prorated as of the Closing Date between Seller and Purchaser, said proration to be based upon the most recently available tax or assessment rate and valuation with respect to the Property; provided, however, that upon the issuance of the actual tax or assessment statement or bill for the year of the Closing, Purchaser and Seller shall promptly make such re-prorations as maybe necessary to ensure that the actual amount of such taxes and assessments for the year of Closing shall be prorated between Purchaser and Seller as of the Closing Date. The obligations under this subsection shall survive Closing.

(ii) At Closing, Purchaser shall receive a credit for any amounts being held in escrow by GECC for the GECC Loan. In addition, Purchaser shall receive a credit against the Purchase Price for all security, cleaning and other deposits and prepaid rent held by Seller with respect to the Property, if any, along with a credit against the Purchase Price for any prepaid charges under any services and maintenance contracts, including, without limitation, any agreements with security and cleaning providers. The parties shall notify utility companies of a change of ownership and use commercially reasonable efforts to have them do a final reading as of the Closing Date. Prepaid and delinquent rent payments for the Property shall be prorated as of the end of business on the last business day prior to the Closing Date. The total amount of delinquent rent payments due at Closing shall be credited to Seller as follows:

1-30 days delinquent	85% to Seller
31-60 days delinquent	55% to Seller

Any rent that is payable for periods of more than sixty (60) days prior to the Closing Date, but which, as of the Closing Date, has not been received by Seller, shall be retained by or credited to Purchaser. The obligations under this subsection shall survive Closing.

(iii) Fuel, if any, at Seller's actual cost, including any sales taxes thereon, shall be prorated as of the Closing Date between Seller and Purchaser. The amount of fuel shall be estimated in writing by Seller's fuel company or the building's engineer on or before the day of the Closing.

(vii) Maintenance supplies in unopened containers based on Seller's actual cost therefore, including sales tax, shall be prorated as of the Closing Date between Seller and Purchaser.

(viii) Any errors or miscalculations in computing the foregoing adjustments and

prorations shall be promptly corrected after the Closing. The provisions of this Section 8D shall survive the Closing.

E. Closing Costs. Seller shall, at Closing, pay any state, county or city sales or use or similar tax payable by virtue of the sale of personal property, any real estate transfer and transaction taxes and levies relating to the sale of the Property including, without limitation, the revenue or documentary stamps which shall be affixed to Seller's Deed, which taxes are (i) the New York State transfer tax due on account of Section 31 of the Tax Law and (ii) the New York City transfer tax imposed by Title II of Chapter 46, as amended, of the Administrative Code of the City of New York. Purchaser agrees to pay for the cost of any and all of Purchaser's Inspection Period examinations and all inspections, including environmental site assessments and the Survey, the cost of title insurance, including any extended title coverage or special endorsements, recording fees, the Assumption Fees (as defined in Section 9) and escrow fees. Each party shall pay its own attorneys' fees and costs. All other costs incurred at Closing shall be borne by the parties in accordance with the custom in the county where the Property is located, as determined by the Escrow Agent, unless otherwise specified in this Agreement.

F. Transfer of Possession and Risk of Loss.

(i) Possession of the Property shall be transferred to Purchaser at Closing. All risk of loss with respect to the Property shall be borne by Seller until the transfer of title at Closing.

(ii) If on or prior to the Closing Date there is a condemnation of the Property, or any part thereof, or if there is major damage or destruction to the Property valued at the cost of $250,000 or more, Purchaser may, at its option, elect in writing within seven (7) days after notification of such damage, casualty or condemnation to either (a) terminate this Agreement, in which event the Seller shall authorize the Escrow Agent to return the Earnest Money Deposit to Purchaser, whereupon this Agreement shall be null and void and of no further force or effect, neither party hereto shall have any further claim against the other by reason of this Agreement, or (b) consummate this Agreement in accordance with its terms, whereupon the Purchaser and Seller shall consummate this transaction without any reduction or abatement in the Purchase Price, and Seller, upon the Closing, shall assign to Purchaser all of its rights in and to any insurance proceeds or condemnation or taking award. In the event Seller assigns to Purchaser its rights in and to any insurance proceeds or condemnation or taking award, Seller agrees to timely execute and deliver to Purchaser upon the Closing all proper instruments for the assignment of all of Seller's right, title and interest in and to such proceeds or awards; unless Seller has actually received such insurance proceeds or condemnation or taking award prior to the Closing in which event, notwithstanding the foregoing, Purchaser and Seller shall consummate this transaction with a reduction of the Purchase Price in the amount of the cost of such damage, destruction or condemnation.

(iii) If on or prior to the Closing Date there is damage or destruction of the Property valued at the cost of less than $250,000, Seller shall have the option to (a) repair any damage or destruction, or (b) not repair any such damage or destruction and reduce the Purchase Price by the cost to repair such damage or destruction. Upon Seller's election or either of the foregoing choices, Purchaser shall be obligated to Close on the Property subject to the terms of this Agreement.

G. Execution of Checks. In the event either party receives checks payable to Seller, which are related to the Property and/or its self storage business and which apply to periods after Closing, Seller agrees to endorse the checks over to Purchaser. In the event that either petty receives checks payable to either Seller or Purchaser which are related to the Property and/or its self storage business and

which apply to periods prior to Closing, the parties shall prorate such rents in accordance with Section 3D. This Section shall survive the Closing.

9. **GECC Loan**.

A. The Purchaser's obligation to close hereunder is subject to the Purchaser's obtaining financing assistance to purchase the Property by way of assumption by Purchaser of that certain mortgage loan presently encumbering the Property, with the same interest rate that currently exists on such loan, which loan is in the principal amount of $8,900,000.00, by General Electric Capital Corporation ("**GECC**"), as lender, to Seller, as Borrower, as modified and amended, and has an existing interest rate of 7.31% (the "**GECC Loan**") and a release by GECC of Seller and all guarantors from any and all obligations under the GECC Loan. In connection with the GECC Loan assumption by Purchaser, Purchaser shall (i) promptly, but in no event more than five (5) business days after the expiration of the Inspection Period, make all necessary and required applications to GECC for the assumption of the GECC Loan, (ii) diligently pursue the assumption of the GECC Loan including without limitation promptly delivering updates to any loan applications, attending interviews, and promptly preparing and delivering all required financial information to GECC, (iii) deliver copies of all notices and correspondence between Purchaser and GECC to Seller in accordance with the notice provisions of this Agreement and keep Seller informed as to the status of the assumption of the GECC Loan, including without limitation including Seller in all meetings and material exchanges between Purchaser and GECC pertaining to the assumption of the GECC Loan and advising Seller when GECC issues a written commitment or similar loan assumption confirmation and delivering a copy of such written commitment(s) from GECC to Seller, and (iv) pay all costs and expenses necessary in connection with Purchaser's assumption of the GECC Loan, including, without limitation, application fees, assumption fees, credit and file review fees, fees for appraisals, updates to title, survey, environmental and engineering studies, and all other GECC fees, including the GECC legal fees ("**Assumption Fees**"). Purchaser acknowledges receipt of the GEMSA Loan Services inquiry letter dated October 17, 2003 regarding the assumption of the GECC Loan ("**GECC Checklist**"), and Purchaser agrees to obtain, prepare and deliver the items set forth on the GECC Checklist. In connection with the foregoing, Purchaser shall use diligent and commercially reasonable efforts to obtain the assumption of the GECC Loan, including without limitation, delivering the items set forth on the GECC Checklist.

B. Purchaser shall have one hundred and twenty days after the expiration of the Inspection Period to obtain a written commitment from GECC to assume the GECC Loan ("**Financing Contingency Period**"). In the event that Purchaser has not obtained the written commitment from GECC within the Financing Contingency Period then either party may terminate this Agreement on the last day of the Financing Contingency Period, in which event, the Escrow Agent shall release and remit to Purchaser the Earnest Money Deposit, and upon such payment of the Earnest Money Deposit to Purchaser, this Agreement shall be null and void and of no further force or effect, neither party hereto shall have any further claim against the other by reason of this Agreement and the lien of Purchaser against the Property shall wholly cease. In the event that neither party terminates this Agreement by the last day of the Financing Contingency Period, it shall be deemed that neither party has elected to terminate this Agreement pursuant to this section and this Agreement shall remain in full force and effect and the parties hereto shall close in accordance with the terms of this Agreement.

10. **Covenants of Seller**. Seller agrees and covenants as follows:

A. Conduct of Business. Up to the time of Closing, Seller shall operate the business in accordance with Seller's past practices of conducting its business on the Property.

B. Further Contracts. Up to the time of Closing, Seller will not enter into any further agreements, contracts or leases relating to the Property, which cannot be terminated upon thirty (30) days notice, without Purchaser's prior written approval, other than contracts entered into in the ordinary course of business. Purchaser expressly acknowledges that Seller may enter into any storage leases similar to the form of lease set forth in item 1 in Exhibit "B" without Purchaser's approval.

C. Maintenance of Property. Up to the time of Closing, Seller shall maintain the Property in accordance with Seller's past practices on the Property.

D. Change in Facts or Circumstances. If, prior to Closing, Seller becomes aware of any fact or circumstance which would make any representation or warranty contained in this Agreement inaccurate, Seller shall promptly notify Purchaser in writing of such fact or circumstance.

E. Telephone Listing. Prior to Closing, Seller will provide Purchaser with the address and telephone number of the telephone company business office that serves the Property and will execute and deliver to Purchaser all customary and reasonable documents required by the telephone company to transfer the telephone number and telephone listing.

F. Termination of Management Contracts. As of the Closing Date (or earlier as may be agreed to by Seller and Purchaser), Seller shall cause the cancellation of any management contracts.

G. Use of Name. Purchaser shall discontinue the use of the name "Storage Deluxe" in any directory advertising which comes up for renewal after the Closing Date, but shall continue to have the right to use such name for the limited use of directory advertising until the directory advertising is discontinued herein.

11. **Conditions to Purchaser's Obligations**. Purchaser's obligation to purchase the Property or otherwise perform any obligations provided for in this Agreement is conditioned upon the occurrence of the following conditions on or before the Closing Date:

A. The representations, warranties and covenants of Seller contained in this Agreement shall be true and correct as of the Closing Date.

B. Seller shall have performed and complied with all material covenants and agreements contained herein which are to be performed and complied with by Seller at or prior to the Closing Date.

C. The Title Company shall be irrevocably committed to issuing a Title Policy upon Closing insuring ownership of the Real Property in the name of Purchaser or its nominee or assignee in the amount of the Purchase Price, subject only to Permitted Exceptions.

D. Purchaser shall have obtained a written confirmation from GECC that Purchaser will be able to assume the GECC Loan, pursuant to the terms of Section 9.

E. The Property shall not have been materially affected by any legislative or regulatory change that would prohibit its use as a self-storage facility.

F. In the event any of the foregoing conditions are not fulfilled or waived prior to the Closing Date, Purchaser may terminate this Agreement. In the event of any such termination, the Escrow Agent shall promptly return to Purchaser the Earnest Money Deposit.

12. **Conditions to Seller's Obligations**. Seller's obligation to sell the Property or otherwise perform any obligations provided for in this Agreement is conditioned upon the occurrence of the following conditions on or before the Closing Date:

A. The representations, warranties and covenants of Purchaser contained in this Agreement shall be true and correct as of the Closing Date.

B. Purchaser shall have performed and complied with all material covenants and agreements contained herein which arc to be performed and complied with by Purchaser at or prior to the Closing Date, including, but not limited to, Purchaser's obligations to pay the balance of the Purchase Price as set forth in Section 8C.

13. **Seller's Representations and Warranties**. Seller makes the following representations and warranties, each of which is material and is being relied upon by Purchaser:

A. Seller, if a corporation or other entity, is duly formed, validly existing and in good standing in the state of its organization and, on or before the Closing, Seller will be qualified to do business in the state in which the Property is located.

B. As of the Effective Date, subject to the terms of the GECC Loan, Seller has full legal right, power and authority to execute and deliver this Agreement and to fully perform all of its obligations hereunder without need of any further action by or on its behalf, or that of any owner, shareholder, member, manager, partner, director or the like, all of such action having already been taken. The person or persons executing this Agreement, and any other documents required on behalf of Seller hereunder, are duly authorized, directed and empowered to do so.

C. Subject to the terms of the GECC Loan, Seller's obligations contemplated hereby and the execution, delivery and performance of this Agreement by Seller will not result in a breach of, or constitute a default under any instrument or agreement to which Seller is bound. Seller's obligations and responsibilities hereunder are valid and binding obligations of Seller.

D. Seller owns fee simple marketable and insurable record title to the Property, and every portion thereof. Except for the GECC Loan, no agreement concerning or restricting the sale of the Property is in effect and no person or entity has any right or option to acquire the Property other than Purchaser pursuant to this Agreement. At Closing, no lease or license for the Property, or any portion of it, shall be in effect, other than Seller's self-storage leases, and no person or entity shall be in possession of, or have the right to possess, the Property, or any portion of it, except for Seller's self-storage tenants, unless otherwise agreed to by Purchaser.

E. Seller and/or Seller's members, managers, owners or officers, directly or indirectly, for themselves, or on behalf of, or in conjunction with any affiliate (except for Jack Guttman, one of the members of Seller) shall not develop, construct, own (10% or more ownership interest), operate, manage or control a self-storage business within a one-half (1/2) mile radius of the Property for a period of two (2) years after Closing. In the event Jack Guttman develops, constructs, owns any ownership interest,

operates, manages, controls or is involved in any way in a self-storage business within 1,500 feet of the Property during the two (2) years following the Closing, Seller's other principals agree to take all measures necessary, at Purchaser's expense, to enforce the non-competition provisions in their April 11, 2000 Agreement and the April 2000 Separation Agreement with Jack Guttman. In addition, Seller shall not solicit any of the Property's self-storage tenants, who are tenants during the term of this Agreement and as of the Closing Date, to terminate their leases and transfer to any other self-storage facility owned by Seller or any other person or entity.

F. The list of delinquent rents and vacancies and the list of security deposits and prepaid rents delivered, or to be delivered, to Purchaser are, or will be, materially true and correct lists of all delinquent rents, vacancies, security deposits and prepaid rents with respect to the Property as of the date of the respective list.

G. To the best of Seller's knowledge, without a duty on the part of Seller to investigate, Seller has not received any notice that the Property or any portion or portions thereof is or will be subject to or affected by any special assessments, whether or not presently a lien thereon.

H. To the best of Seller's knowledge, without a duty on the part of Seller to investigate, Seller has not received any notice from any governmental agency or body indicating an interest in condemnation or taking by eminent domain the Property or any portion of the Property, and there is no condemnation or eminent domain proceeding, threatened or pending, and no threatened or pending actions, suits, legal or other proceedings with reference to the Property.

I. Subject to the GECC Loan, Seller is not party or otherwise subject to any commitment, obligation, agreements or litigation which would prevent Seller from completing the sale of the Property under this Agreement or adversely affect the value of the Property in the hands of Purchaser.

J. Seller has no knowledge or notice that any present default or breach exists under any mortgage or other encumbrance encumbering the Property or any covenants, conditions, restrictions, rights-of-way or easements which may affect the Property or any portion or portions thereof. To the best of Seller's knowledge, Seller has not received any notices from governmental authorities pertaining to violation of law or governmental regulations with respect to the Property.

K. Seller warrants that, to the best of Seller's knowledge, Seller has used and operated the Property in compliance with applicable environmental laws, and the Property is not subject to any existing, pending, or threatened investigation, inquiry or proceeding by any governmental authority or any other entity or person or to any remedial obligations under any environmental law;

L. Each and every one of the foregoing representations and warranties is true and correct as of the Effective Date and will be true and correct as of the Closing Date.

M. In the event that changes occur as to any material information, documents or exhibits referred to in this Agreement, of which Seller has knowledge, Seller will immediately disclose the same to Purchaser when first available to Seller; and, in the event of any material adverse change in the condition of title to the Property or in the ability of Seller to convey the Property substantially in the same physical condition as of the Effective Date, Purchaser may, at its election, terminate this Agreement and obtain a full refund of the Earnest Money Deposit.

14. **Purchaser's Representations and Warranties**. Purchaser makes the following representations and warranties, each of which is material and is being relied upon by Seller:

A. Purchaser is a limited liability company, duly formed, validly existing and in good standing in the state of Utah and, on or before the Closing, Purchaser, or Purchaser's affiliated company taking title at Closing, will be qualified to do business in the state in which the Property is located.

B. As of the Effective Date Purchaser has full legal right, power and authority to execute and deliver this Agreement and to fully perform all of its obligations hereunder without need of any further action by or on its behalf, or that of any owner, shareholder, member, manager, partner, director or the like, all of such action having already been taken. The person or persons executing this Agreement, and any other documents required on behalf of Purchaser hereunder, are duly authorized, directed and empowered to do so.

C. Purchaser's obligations contemplated hereby and the execution, delivery and performance of this Agreement by Purchaser will not result in a breach of, or constitute a default under any instrument or agreement to which Purchaser is bound. Purchaser's obligations and responsibilities hereunder are valid and binding obligations of Purchaser.

D. To the best of Purchaser's knowledge, there is no pending or threatened action, proceeding, suit or litigation against Purchaser or any of its principals, members or managers which would prohibit the assignment and assumption of the GECC Loan by Purchaser.

E. Each and every one of the foregoing representations and warranties is true and correct as of the Effective Date, will remain true and correct throughout the term of this Agreement, and will be true and correct as of the Closing Date.

15. **Defaults**.

A. In the event Seller defaults in its obligations under this Agreement on or before the Closing Date, Purchaser, in Purchaser's sole discretion, shall be entitled, as its sole remedy, to either (i) exercise the right of specific performance, or (ii) terminate this Agreement and receive an immediate refund of the Earnest Money Deposit from Escrow Agent, in which event, neither party hereto shall have any further claim against the other and this Agreement shall be null and void and of no further force and effect.

B. In the event Purchaser breaches any warranty or representation contained in this Agreement or fails 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 Purchaser under the terms and provisions of this Agreement, the Earnest Money Deposit shall become due to Seller as full liquidated damages, whereupon this Agreement shall automatically terminate. Purchaser and Seller acknowledge that it would be difficult or impossible to ascertain the actual damages suffered by Seller as a result of any default by Purchaser and agree that such liquidated damages are a reasonable estimate of such damages.

16. **Payment of Commissions**. At Closing and only if Closing takes place, Purchaser shall pay to Michael Mele of Marcus & Millichap a real estate commission in the amount of $309,200, pursuant to a separate agreement. Each party hereto represents and warrants that it has employed no other brokers or real estate agencies in the creation of or the negotiations relating to this Agreement, and each party shall indemnify, defend and hold harmless the other party from and against any and all claims, losses, liability,

costs and expenses (including reasonable attorney fees) by reason of any breach of such party of its warranty and representation under this section. The provisions of this section shall survive Closing.

17. **Section 1031 Exchange**. Purchaser shall, at Seller's option and at no cost to Purchaser, cooperate with Seller in effecting a like-kind exchange by Seller, pursuant to and in accordance with the provisions of Section 1031 of the Internal Revenue Code of 1986, as amended, and the Treasury regulations promulgated thereunder; provided, however, that Purchaser's obligation to cooperate hereunder is expressly conditioned upon Seller's agreement and obligation to reimburse, indemnify and hold harmless Purchaser for, from and against any liability, loss, cost, expense or damage to Purchaser which arises or may arise out of Purchaser's cooperation in accordance with this section. Seller acknowledges and agrees that Purchaser makes no, and disclaims any, representations concerning the suitability, qualification, or legal sufficiency of the subject Property for use in connection with any like-kind exchange contemplated or consummated by Seller.

18. **Assignment**. In the event Purchaser is not in default under any of the terms of this Agreement and upon the prior written consent of Seller, all of Purchaser's rights and duties under this Agreement shall be transferable and assignable, and in the event of any such transfer or assignment, Seller shall look solely to such transferee or assignee for the performance of all obligations, covenants, conditions and agreements imposed upon Purchaser pursuant to the terms of this Agreement or otherwise in connection with the transaction contemplated hereby. Notwithstanding the foregoing, Purchaser may assign all of its rights and duties under this Agreement to an "affiliated company" (as defined hereafter) without the written consent of Seller. An "affiliated company" shall mean a company that is controlled and owned (by more than 50%) by Purchaser or Purchaser's parent company.

19. **Successors and Assigns**. In the event of a permitted assignment, the rights and obligations created by this Agreement shall be binding upon and inure to the benefit of the parties hereto, their heirs, executors, receivers, trustees, successors and assigns.

20. **Notices**. Any notice, approval, waiver, objection or other communication (for convenience, "Notice") required or permitted to be given hereunder or given in regard to this Agreement by one party to the other shall be in writing and the same shall be given and be deemed to have been served and given (a) if hand delivered, when delivered in person to the address set forth hereinafter for the party to whom notice is given; (b) if mailed, (except where actual recipient is specified in this Agreement) three days after it is placed in the United States mail, postage prepaid, by Certified Mail, Return Mail Receipt Requested; addressed to the party at the address hereinafter specified; (c) if by overnight delivery when received by the other party; or (d) if by facsimile, when received by the other party at the number hereinafter specified as evidenced by the confirmation receipt of the Sender. Any party may change its address for notices by notice theretofore given in accordance with this section:

If to Seller:	Fordham Road Storage Partners, LLC Attn: Steve Novenstein 230 Park Avenue, Suite 1000 New York, NY 10169 Tel. 212-309-8709 Fax 212-309-8719 Email: snovenstein@storagedeluxe.com
Seller's Attorney:	Louis Perfetto, Esq.

	Stadtmauer Bailkin LLP 850 Third Avenue New York, NY 10022 Tel. 212-822-2235 Fax 212-980-9578 Email: lperfetto@sbllplaw.com
If to Purchaser:	Extra Space Development, LLC Attn: Kenneth T. Woolley 2795 E. Cottonwood Parkway, #400 Salt Lake City, UT 84121 Tel. 801-562-5556 Fax 801-562-5579 Email: ktwoolley@extraspace.com
Purchaser's Attorney:	Extra Space Development, LLC Attn: Gayann A. Clark 2795 E. Cottonwood Parkway, #400 Salt Lake City, UT 84121 Tel. 801-365-4472 Fax 801-365-4947 Email: gclark@extraspace.com

21. **Escrow Agent**.

A. It is understood and agreed that the duties of the Escrow Agent are purely ministerial in nature. The Escrow Agent shall not be liable to the Seller or Purchaser, or to anyone else, for any action taken or omitted by it, or any action suffered by it to be taken or omitted, in good faith and in the exercise of reasonable judgment, except for acts of willful misconduct or negligence. The Escrow Agent may rely conclusively and shall be protected in acting upon any order, notice, demand, certificate, opinion or advice of counsel (including counsel chosen by the Escrow Agent), statement, instrument, report or other paper or document (not only as to its due execution and the validity and effectiveness of its provisions, but also as to the truth and acceptability of any information therein contained), which is reasonably believe by the Escrow Agent to be genuine and to be signed or presented by the proper person or persons. The Escrow Agent shall not be bound by any notice or demand, or any waiver, modification, termination or rescission of this Agreement or any of the terms hereof, unless evidenced by a final order or judgment entered by a court of competent jurisdiction, or a writing delivered to the Escrow Agent signed by the proper party or parties and, if the duties or rights of the Escrow Agent are affected, unless it shall give its consent thereto.

B. If for any reason the Closing does not occur and either party makes a written demand upon the Escrow Agent for payment or refund, as the case may be, of all or any portion of the Earnest Money Deposit, including any additional payments deposited into escrow pursuant to this Agreement, such party shall, simultaneously with its written demand upon the Escrow Agent, give written notice of such demand to the other party by the same means of communication employed by such party to make demand upon the Escrow Agent. If the Escrow Agent does not receive a written objection from the other party to the proposed payment or refund, as the case may be, within seven (7) business days after the receipt of such written demand by Escrow Agent and the other party, the Escrow Agent is hereby authorized to make such payment or refund, as the case may be; provided, however, if Escrow Agent

receives timely written objection from the other party, the Escrow Agent shall continue to hold such amount until otherwise directed by written instructions from both parties to this Agreement or until a judgment on the determination is entered by a court of competent jurisdiction, whereupon the Escrow Agent shall make disposition thereof in accordance with such instructions or such order. Notwithstanding the foregoing, if the Escrow Agent receives written notice that Purchaser has terminated this Agreement during the Inspection Period, the Escrow Agent is hereby authorized to immediately refund to Purchaser any deposits made by Purchaser which are refundable upon such termination in accordance with the terms of this Agreement, without Seller's consent or the notice and five-day waiting period requirements set forth above.

22. **Weekends. Holidays. Etc**. If the time period by which any right, option or election provided for under this Agreement must be exercised, or by which any act required hereunder must be performed, or by which the Closing must be held, expires on a day which is a Saturday, Sunday, or official federal or a state holiday for the state in which the Property is located, then such time period shall be automatically extended through the close of business on the next business day.

23. **Further Assurances**. From time to time, at either party's request, whether on or after Closing, and without further consideration, the other party shall execute and deliver any further instruments of conveyance and take such other actions as the requesting party may reasonably require to complete more effectively the transfer of the Property to Purchaser, provided the same are customarily required in similar transactions in the city and state of New York.

24. **Entire Agreement and Amendments**. This Agreement, together with all exhibits attached hereto or referred to herein, contain all representations and the entire understanding between the parties hereto with respect to the subject matter hereof. Any prior correspondence, memoranda or agreements are replaced in total by this Agreement and exhibits hereto. This Agreement may only be modified or amended upon the written consent of both parties.

25. **Attorney's Fees**. In the event any dispute between the parties hereto should result in litigation, the prevailing party shall be reimbursed for all reasonable costs, including but not limited to, reasonable attorney's fees. This section shall survive the Closing.

26. **Survival**. None of the warranties and representations of either party contained in this Agreement shall survive the Closing unless specifically get forth in this Agreement to survive. All provisions of this Agreement that are expressly set forth to survive shall survive the Closing or termination of this Agreement.

27. **Governing Law**. This Agreement and all transactions contemplated hereby shall be governed by, construed and enforced in accordance with the laws of the state in which the Property is located. The parties herein waive trial by jury and agree to submit to the personal jurisdiction and venue of a court of subject matter jurisdiction located in the county in which the Property is located.

28. **Miscellaneous**.

A. No provision of this Agreement may be waived, changed, modified or discharged orally, except by an agreement in writing signed by the party against who any waiver, change, modification or discharge is sought.

B. The captions or section titles contained in this Agreement are for convenience and reference only and shall not be deemed a part of this context of this Agreement.

C. Either party's right to approve or disapprove matters as provided for in this Agreement shall be in the sole discretion of such party, unless otherwise set forth herein. No such approval or disapproval shall affect either party's representations and warranties herein or waive any rights of either party to rely upon any of the representations and warranties of the other party.

D. Any references herein to either party in respect of an indemnity that runs to the benefit of such party shall be deemed to include the constituents of that party, including without limitation that party's members and managers.

E. This Agreement may be executed simultaneously in two or more counterparts, each of which shall be deemed to be an original, but all of which together shall constitute one and the same instrument.

[Signature Page to Follow]

IN WITNESS WHEREOF, the parties have executed this Purchase and Sale Agreement.

SELLER:

FORDHAM ROAD STORAGE PARTNERS, LLC
By FR Associates, LLC, Managing Member

By: _____
Printed Name: Evan M. Noverton
Title: Manager
Date: 12/1/03

PURCHASER:

EXTRA SPACE DEVELOPMENT, LLC

By: _____
Kent W. Christensen
Title: Sr. Vice President/COO/CFO
Date: 11/26/03

AKNOWLEDGEMENT BY ESCROW AGENT:

CHICAGO TITLE INSURANCE COMPANY

By: _____
Printed Name: Ronald K. Szopa
Title: National Underwriting Counsel
Chicago Title Insurance Company
Date: _____

LIST OF EXHIBITS

Exhibit “A”	Legal Description of the Property
Exhibit “B”	Items to be Furnished by Seller Pursuant to Section 5 of the Agreement
Exhibit “C”	Permitted Exceptions
Exhibit “D”	Items to be Furnished by Seller Upon Closing Pursuant to Section 8B of the Agreement
Exhibit “E”	Assignment of Leases and Contract Rights and Bill of Sale
Exhibit “F”	Bank Deposit Authorization Letter

EXHIBIT “A”

LEGAL DESCRIPTION OF THE PROPERTY

Exhibit A

ALL THAT CERTAIN plot, piece or parcel of land, with the buildings and improvements thereon erected, situate, lying and being in the Borough, and County of Bronx, City and State of New York, bounded and described as follows:-

BEGINNING at a point on the intersection of the northerly side of West Fordharm Road and the easterly side of Cedar Avenue;

RUNNING THENCE northerly along the easterly side of Cedar Avenue,. 195.38 feet more or less to the southerly side of Landing Road;

THENCE easterly along the southerly side of Landing Road, 148.54 feet less to the northwesterly side of Fordham Road;

THENCE southwesterly along the northwesterly side of West Fordham Road, to the northerly side of West Fordham Road 140.99 feet more or less to an angle point in West Fordharm Road;

THENCE westerly along the northerly side of West Fordham Road, 166.85 feet more or less to the point or place of BEGINNING.

EXHIBIT "B"

ITEMS TO BE FURNISHED BY SELLER
PURSUANT TO SECTION 5 OF THE AGREEMENT

1. Leases and Rent Rolls. Sample copies of all leases executed by all tenants and a rent Toll of the existing leases, including tenant's name, unit occupied, unit size, term of lease (including beginning date), monthly rental, prepaid rent, if any, amount of security deposit, paid-to-date, indication of aging and delinquency and late fees owed in 30, 60, and 90 day increments, if any, and all other relevant factors, along with a rent variation report.

2. Non-Rented Units. List of any units not being rented due to needed repairs or being rented by customers for no charge or that are occupied by Seller or its affiliates or employees at discounted or no rent, and copy of tenant complaint/service log for past twelve (12) months.

3. Unit Mix Report. Copy of a unit mix report showing unit types, price, number of units and current occupancy percentage with totals by unit type for the Property.

4. Monthly Occupancy Reports. Copies of the Monthly Occupancy Reports that show the number of units and square footage available, number of units and square footage rented, number of units vacant and/or "out of service," rental income, and number of rentals and vacates by month for the past twenty-four (24) months, if available.

5. Surveys. All existing surveys (ALTA or other) of the Property.

6. Tax Statements. Copies of ad valorem tax statements covering the Property for the last twenty-four (24) months.

7. Agreement. Copies of all agreements relating to the Property, including without limitation all management, service, supply, maintenance, equipment, employment or other agreements affecting title to the Property or operation thereof.

8. Other Leases. Copies of all leases for any tenant occupying over 2,500 square feet, or any tenant who is not a self-storage tenant, and all leases for cellular antennae., billboards, signs or other non-standard agreement that produces income on the Property.

9. Inventory List of Personal Property. An inventory list of all personal property to be conveyed, which shall include all items of personalty currently used in the operation, maintenance, and administration of Seller's self-storage business on the Property.

10. Insurance and Title Policies. Copies of the certificates of insurance and the existing title insurance policy.

11. Income and Expense Statements. Copies of monthly and annual income and expense statements of the Property for the last three years, with revenues and expenses broken in complete specific detail, including without limitation rental income, fees, utility expenses, insurance expense, payroll etc. Seller shall also allow Purchaser or its agent, at its sole expense, to audit the income and expense history of the Property. In addition, Seller shall provide copies of the past year's bank statements and cash deposit records for the Property.

12. Utility and Advertising Information. A statement as to the utility accounts and number of utility meters servicing the Property and copies of utility bills (i.e., electric, sewer, water, etc.) and telephone bills, including yellow page advertising, for the last twelve (12) months. A copy of all current yellow page ads, their costs and name of book in which they are published.

13. Environmental and Conditions Reports. Copies of all environmental reports, certificates and studies, all engineering reports and soils reports, ADA Compliance or other ADA reports for the Property and other similar building, structural and Property conditions reports and inspection reports relating to the Property, which are in Seller's possession or control.

14. Zoning Information. A copy of the Certificate of Occupancy for the Property.

15. Plans and specifications. Copies of any and all "as-built plans" and specifications, including parking floor plan, all architectural and other building system plans, and other plans and specifications, drawings, existing warranties, guarantees, technical manuals, etc. regarding the Property in the possession of Seller or its agents and a statement of the total square footage of the office and apartment, and a list of any incomplete construction or maintenance items and related correction measures, if any.

EXHIBIT "C"
PERMITTED EXCEPTIONS

1. Any laws, regulations or ordinances presently in effect (including but not limited to, zoning, building and environmental protection) as to use, occupancy, subdivision or improvement of the Property adopted or imposed by any governmental body or the effect of any non-compliance with, or any violation, thereof.

2. The storage leases in effect at Closing, including without limitation any amendments, renewals, modifications, or extensions thereto.

3. Consents presently in effect, if any, by Seller, or any former owner of the Property, for the erection and maintenance of any structure or structures on, under or above, any street or streets on which the Property may about.

4. The rights presently in effect, if any, of any governmental authority having or asserting jurisdiction thereof, with respect to any vaults under the sidewalks beyond the building line and to consents presently in effect by Seller or any former owner of the Property for the erection of any structure or structures on, under or above any streets or roads in front of or adjoining the Property and the possible lack of right to maintain vault, vaulted area, or coal chutes in sidewalk, or the right of governmental or municipal authorities to require the removal of any vault, coal chute, boiler room or other projection or encumbrance which may be beyond the building lines.

5. Rights presently in effect of any utility company to maintain and operate lines, wires, poles, cables and distribution boxes, in, over and upon the Property.

6. Presently existing projections and/or encroachments of retaining walls, stoops, areas, cellar steps, sills, trim, cornices, standpipes, fire escapes, coal chutes, casings, ledges, water tables, lintels, porticos, keystones, bay windows, hedges, copings, cellar doors, sidewalk elevator, fences, fire escapes and the like, or similar projections or objects on, under or above any adjoining streets or Property, or within any set back areas, and variations between the lines of record title and fences, retaining walls, hedges and the like.

7. Subject to any and all presently existing notes or notices of violations of law or municipal ordinances, orders or requirements noted in or issued by any governmental authority having jurisdiction, against or affecting the Property, and any conditions constituting such violations.

8. Real estate taxes and water and sewer charges, and assessments, subject, however, to adjustment to be made as of the Closing Date.

9. Presently existing variations between survey, tax map and/or record description of the Property.

10. Any presently existing financing statements, chattel mortgages, conditional bills of sale or other form of security interest against personality, encumbering personality not owned by Seller or filed more than five (5) years prior to the Effective Date.

11. Subject to any state of facts set forth and disclosed in that certain survey prepared by Montrose Surveying Co LLP dated 9/15/01.

EXHIBIT "D"

ITEMS TO BE FURNISHED BY SELLER UPON CLOSING
PURSUANT TO SECTION 8B OF THE AGREEMENT

1. Assignment of Leases and Contract Rights and Bill of Sale. An Assignment of Leases and Contract Rights and Bill of Sale in the form attached as **Exhibit "E."**

2. Tax Certificate. A Non-Foreign Affidavit in compliance with Section 1445(b)(2) of the Internal Revenue Code of 1986, as amended.

3. Income and Expense Statements. Updated copies of the income and expense statements, described in Exhibit "B," which shall be updated to the date of Closing and be provided to Purchaser within five (5) days after Closing.

4. Leases and Updated Rent Rolls. The originals of all leases affecting the Property (unless originals are not available, in which event, Seller shall deliver copies of such leases certified by Seller to be true and correct copies) and updated copies of the rent roll to within at least three (3) weeks prior to the date of Closing, including tenant's name, unit occupied, unit size, term of lease (including beginning date), monthly rental, prepaid rent, if any, amount of security deposit, paid-to-date, indication of aging and delinquency and late fees owed in 30, 60, and 90 day increments, if any, and all other relevant factors.

5. Bank Deposit Letter. A Bank Deposit Authorization Letter, executed by Seller, in the form attached as **Exhibit "F"** authorizing Purchaser's bank to deposit rent checks made payable to Seller into Purchaser's account after Closing. Purchaser agrees to not deposit and will give to Seller any checks Purchaser receives which are payable to Seller and which do not relate to the Property or the self storage business on the Property.

6. Possession. Possession of the Property, subject to the rights of tenants in possession.

7. Telephone Number Transfer Documents. All customary and reasonable forms and papers required for transfer and conversion of telephone numbers, telephone listings and yellow page advertisements and other related matters.

8. Keys. Marked and identified keys to each lock upon the premises (other than those locks owned by tenants).

9. Other Documents. Such other documents as may be reasonably requested by the Title Company in connection with the conveyance of the Property.

10. Seller's Certificate Regarding Management and Service Agreements. Seller's Certificate or other reasonable proof that any and all management agreements and service contracts, other than those terminable upon thirty (30) days notice, affecting the Property and which Purchaser has not agreed to assume, have been canceled, except elevator or otherwise approved in writing by Purchaser.

11. Seller's Certification Regarding Employees. Seller's certification that all of its employees working at the Property have been terminated.

EXHIBIT "E"

ASSIGNMENT OF LEASES AND CONTRACT RIGHTS AND BILL OF SALE

THIS ASSIGNMENT OF LEASES AND CONTRACT RIGHTS AND BILL OF SALE ("**Assignment**") is dated as of _____, 200_, and is entered into by _____ , a _____ ("**Seller**") in favor of **EXTRA SPACE OF _____ LLC**, a _____ limited liability company ("**Purchaser**").

WHEREAS, Seller is concurrently selling, and Purchaser is concurrently purchasing that certain self storage facility located at 245 Fordham Road, Bronx, New York (the "**Property**"), which is more fully described in the legal description attached hereto as **Exhibit "A"**;

WHEREAS, the purchase is being made pursuant to that certain Purchase and Sale Agreement (the "**Agreement**") dated as of _____, 200_, and entered into by and between Seller and Purchaser; and

WHEREAS, Seller has agreed, pursuant to the terms of the Agreement, to assign, sell and convey to Purchaser all of Seller's right, title and interest in and to the items described below, and Purchaser has agreed, pursuant to the terms of the Agreement, to acquire and assume all of Seller's right, title and interest in and to the items described below;

NOW, THEREFORE, in consideration of the execution of the Agreement, and for the sum of Ten Dollars ($10.00) and other good and valuable consideration, the parties hereto agree as follows:

1. All capitalized terms used herein shall, unless otherwise indicated, have the same meaning as established pursuant to the Agreement.

2. Seller hereby assigns and transfers to Purchaser all of Seller's present and future right, title and interest in and to all existing tenant leases, subleases and rights thereunder, prepayments and deferred items, claims, deposits, refunds, causes of action and rights of recovery under the tenant leases (subject to Seller's right to delinquent rents under the Agreement), including, without limitation, the security deposits under such tenant leases, and Purchaser hereby agrees to assume and be bound by all of the obligations, undertakings, duties and liabilities of Seller under said tenant leases. Seller hereby agrees to indemnify and hold Purchaser harmless from and against (a) any claims by any tenant by reason of Seller's failure to perform its obligations under the tenant leases on or before the date hereof, and (b) any claims in connection with the security deposits relating to acts or omissions that occurred on or before the date hereof. Purchaser hereby agrees to indemnify and hold harmless Seller from and against (i) any claims by any tenant by reason of Purchaser's failure to perform its obligations under the tenant leases from and after the date hereof and (ii) any claims in connection with the security deposits relating to acts or omissions that occurred after the date hereof.

3. Seller hereby assigns and transfers to Purchaser all of Seller's right, title and interest in and to all intangible property relating to or used in connection with the operation of Seller's self storage business on the Property, including all (a) agreements, contracts, warranties, guaranties, and other similar arrangements and rights thereunder, if any, (b) franchises, approvals, permits, licenses, orders, registrations, certificates, exemptions and similar rights obtained from governments, agencies, (c) drawings

and specifications, architectural plans, advertising and promotional materials, studies, reports and (d) remaining intangibles, including good will and going concern value.

4. Seller hereby assigns, sells and transfers to Purchaser all of Seller's right, title and interest in and to all of the Personal Property (as defined in the Agreement), which is the tangible personal property related to the Property owned by Seller and used in connection with the operation of Seller's self storage business on the Property, including tangible personal property such as machinery, equipment, furniture and trade fixtures, computer and related hardware and software, all as set forth on Inventory List attached hereto as **Exhibit "B."** Seller covenants and warrants that it has full legal title to the personal property listed hereunder and that all said personal property is free and clear of any liens, security agreements, financing statements or other liens and encumbrances.

5. This Assignment shall be construed by and governed in accordance with the laws of the City and State of New York,

6. This Assignment shall be binding upon, and inure to the benefit of, the parties hereto and their respective successors and assigns.

IN WITNESS WHEREOF, the parties have caused this Assignment to be executed and effective as of the date set forth above.

SELLER: _____

By: _____
Print Name: _____
Title: _____
Date: _____

PURCHASER: **EXTRA SPACE OF _____ LLC**

By: _____
Print Name: _____
Title: _____
Date: _____

EXHIBIT "F"

BANK DEPOSIT AUTHORIZATION LETTER

Dated: _____

_____
Bank Officer's Name

_____
Name of Purchaser's Bank

_____
Bank Address

_____
City, State, Zip

Re: [Name and address of Seller's facility]

TO WHOM IT MAY CONCERN:

_____, a _____ ("**Seller**"), sold, on _____, 200_, the self-storage facility (both real and personal property), known as _____ to **EXTRA SPACE OF** _____ **LLC,** a _____ limited liability company ("**Extra Space**"). This is to authorize you to deposit all rental checks payable to _____ to the account of Extra Space at your bank.

SELLER:

_____

By: _____
Print Name: _____
Title: _____
Date: _____

FIRST AMENDMENT TO
THE PURCHASE AND SALE AGREEMENT
(Storage Deluxe, Fordham Road, Bronx, NY)

This First Amendment to the Purchase and Sale Agreement is entered into this __ day of January, 2004, by and between **FORDHAM ROAD STORAGE PARTNERS, LLC** ("Seller") and **EXTRA SPACE DEVELOPMENT, LLC** ("Purchaser").

WHEREAS, the Seller and Purchaser entered into a Purchase and Sale Agreement, dated December 1, 2003 ("Agreement") for that certain self-storage facility located at 245 West Fordham Road, Bronx, NY 10468, as more particularly described in the Agreement; and

WHEREAS, the parties now desire to amend the Agreement as set forth herein;

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties agree to the following:

1. The Inspection Period set forth in Section 6 of the Agreement is hereby extended to February 13, 2004.

2. All other terms and conditions of the Agreement, which are not in conflict with this Amendment, continue to be in full force and effect.

IN WITNESS, WHEREOF, the parties have executed this Amendment.

SELLER:

FORDHAM ROAD STORAGE PARTNERS, LLC
By: Illegible

By: _____
Printed Name: Evan M. Noverton
Title: Manager
Date: 1/22/04

PURCHASER:

EXTRA SPACE DEVELOPMENT, LLC

By: _____
Print Name: Charles L. Allen
Title: Sr. Vice President
Date: 1/21/04

SECOND AMENDMENT TO THE
PURCHASE AND SALE AGREEMENT
(Storage Deluxe, Fordham Road, Bronx, NY)

This Second Amendment to the Purchase and Sale Agreement is made and entered into as of the __ day of February, 2004 (this "Amendment"), by and between **FORDHAM ROAD STORAGE PARTNERS, LLC** ("Seller") and **EXTRA SPACE DEVELOPMENT, LLC** ("Purchaser").

WHEREAS, Seller and Purchaser entered into a Purchase and Sale Agreement, dated December 1, 2003 ("Agreement"), as amended by the First Amendment to the Purchase and Sale Agreement, dated as of January 23, 2004, for that certain self-storage facility located at 245 West Fordham Road, Bronx, NY 10468, as more particularly described in the Agreement; and

WHEREAS, the Purchaser desires to perform a so-called "314 audit" with regard to the Seller's books and records, and Seller is willing to accommodate Purchaser's request subject to the term and conditions set forth herein; and

WHEREAS, the parties now desire to further amend the Agreement as set forth herein;

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties agree as follows:

1. As a material inducement to Seller's agreement to enter into this Amendment: (a) Purchaser acknowledges that the Inspection Period under the Purchase and Sale Agreement has passed and that Purchaser has committed to proceed to closing under the Agreement; and (b) Purchaser further acknowledges that (i) Seller's agreement to permit and cooperate in the performance of a 314 audit is given purely as an accommodation to Purchaser, (ii) no matter what findings are made as a consequence of the 314 audit, Purchaser's obligations under the Agreement shall in no way be diminished, altered, amended, (iii) the performance of the 314 audit and the results or findings of any such audit shall in no way deemed a representation or warranty by the Seller and (iv) in no way shall whatsoever shall the Seller have any liability or responsibility for the performance of the 314 audit or the findings in connection therewith.
2. Accordingly, Seller agrees to (i) make available to Purchaser or its agents at Seller's office all of Seller's books and records reasonably requested by Purchaser and (ii) to use reasonable efforts to cause Seller's employees and accountants to cooperate with Purchaser in the performance of a 314 audit in connection with the calendar years 2001, 2002 and 2003. In connection with the foregoing, Purchaser shall give Seller at least five (5) days' prior notice of Purchaser's plans to inspect such books and records.
3. Purchaser agrees to reimburse Seller for all of its actual costs and expenses incurred in connection with Purchaser's 314 audit, including without limitation the costs related to Seller's principals', employees' and accountants' working with Purchaser or its agents during the performance of the 314 audit. Purchaser shall reimburse the Seller for the foregoing costs and expenses within three (3) days after delivery of invoices for the same.

4. Except as amended hereby, the Agreement, as previously amended, remains unmodified and in full force and effect

IN WITNESS, WHEREOF, the parties have executed this Amendment. Capitalized terms used herein and not otherwise define shall have the meaning set forth in the Agreement.

SELLER:

FORDHAM ROAD STORAGE PARTNERS, LLC
By: FR ASSOCIATES, LLC, managing member

By: _____
Name: Evan M. Noverton
Title: Manager
Date: 2/26/04

PURCHASER:

EXTRA SPACE DEVELOPMENT, LLC

By: _____
Print Name: Kenneth M. Woolley
Title: Manager
Date: February 26, 2004

THIRD AMENDMENT TO THE
PURCHASE AND SALE AGREEMENT
(Storage Deluxe, Fordham Road, Bronx, NY)

This Third Amendment to the Purchase and Sale Agreement is made and entered into as of the __ day of March, 2004 (this "Amendment"), by and between **FORDHAM ROAD STORAGE PARTNERS, LLC** ("Seller") and **EXTRA SPACE DEVELOPMENT, LLC** ("Purchaser").

WHEREAS, Seller and Purchaser entered into a Purchase and Sale Agreement, dated December 1, 2003 ("Agreement"), as amended by each of the First Amendment to the Purchase and Sale Agreement, dated as of January 23, 2004, and the Second Amendment to the Purchase and Sale Agreement, dated as of February 26, 2004, for that certain self-storage facility located at 245 West Fordham Road, Bronx, NY 10468, as more particularly described in the Agreement; and

WHEREAS, the parties now desire to further amend the Agreement as set forth herein;

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties agree as follows:

1. The first sentence of Section 3 of the Agreement shall be amended to state: "The Purchase Price to be paid by Purchaser to Seller for the Property shall be the total sum of Fourteen Million Dollars ($14,000,000.00), which sum shall be paid as follows and in accordance with Section 8C:"

2. The first sentence of Section 16 of the Agreement shall be amended to state: "At Closing and only if Closing takes place, Purchaser shall pay to Michael Mele of Marcus & Millichap a real estate commission in the amount of $175,000, pursuant to a separate agreement."

3. The following sentence shall be added to the end of paragraph 8E: "At Closing, Purchaser shall pay $7,500.00 to Tony Como for certain real estate tax services performed in connection with the Property."

4. Purchaser has received a title report and survey of the Property and accepts the status of the title and hereby waives any objections thereto.

5. Except as amended hereby, the Agreement, as previously amended, remains unmodified and in full force and effect.

IN WITNESS, WHEREOF, the parties have executed this Amendment. Capitalized terms used herein and not otherwise define shall have the meaning set forth in the Agreement.

SELLER:

FORDHAM ROAD STORAGE PARTNERS, LLC
By: FR ASSOCIATES, LLC, managing member

By: _____
Name: Evan M. Noverton
Title: Manager
Date: 3/15/04

PURCHASER:

EXTRA SPACE DEVELOPMENT, LLC

By: _____
Print Name: Kenneth T. Woolley
Title: Senior V.P. Acquisitions
Date: 3/15/04

FOURTH AMENDMENT TO THE
PURCHASE AND SALE AGREEMENT
(Storage Deluxe, Fordham Road, Bronx, NY)

This Fourth Amendment to the Purchase and Sale Agreement is made and entered into as of the 6th day of May, 2004 (this "Amendment."), by and between **FORDHAM ROAD STORAGE PARTNERS, LLC** ("Seller") and **EXTRA SPACE DEVELOPMENT, LLC** ("Purchaser").

WHEREAS, Seller and Purchaser entered into a Purchase and Sale Agreement, dated December 1, 2003, as amended by each of the First Amendment to the Purchase and Sale Agreement, dated as of January 23,2004, the Second Amendment to the Purchase and Sale Agreement, dated as of February 26, 2004, and the Third Amendment to the Purchase and Sale Agreement, dated as of March 15, 2004 (collectively, "Agreement"), for that certain self-storage facility located at 245 West Fordham Road, Bronx, NY 10468, as more particularly described in the Agreement; and

WHEREAS, the parties now desire to further amend the Agreement as set forth herein;

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties agree as follows:

1. The Purchase Price shall be increased by One Hundred Fifty Thousand and 00/100 Dollars ($150,000.00). Accordingly, the first sentence of Section 3 of the Agreement shall be amended to state: "The Purchase Price to be paid by Purchaser to Seller for the Property shall be the total sum of Fourteen Million One Hundred Fifty Thousand Dollars ($14,150,000.00), which sum shall be paid as follows and in accordance with Section 8C:"

2. The Purchaser shall deliver to the Escrow Agent within two (2) business days after the date hereof an additional Earnest Money Deposit under the Agreement in the amount of Five Hundred Thousand and 00/100 Dollars ($500,000.00) such that the total amount of the Earnest Money Deposit under the Agreement shall be One Million 00/100 Dollars ($1,000,000.00). The Earnest Money Deposit under the Agreement in the amount of One Million 00/100 Dollars ($1,000,000.00) shall be non-refundable, except as otherwise set forth in the Agreement, and shall be credited to the Purchase Price at Closing.

3. The Closing Date ("Closing Date") shall be the earlier of: (a) the date that is fourteen (14) days after the date that Purchaser's Initial Public Offering becomes effective and the proceeds thereof have been received by Purchaser, and (b) August 16, 2004. TIME IS OF THE ESSENCE, as to Purchaser only, as to the foregoing Closing Date. Failure by Purchaser to timely close title to the. Property as set forth herein shall be deemed to be a material default under the terms and conditions of the Agreement, entitling the non-defaulting party to obtain the remedies set forth for such party in Section 15 of the Agreement.

4. Purchaser hereby waives, as a condition to closing, the ability to assume the GECC Loan, as set forth in Section 9 A of the Agreement, and any and all references in the Agreement making closing subject to the assumption of the GECC Loan by Purchaser are hereby stricken and omitted in their entirety. Notwithstanding the foregoing, Seller acknowledges that Purchaser may, at Purchaser's election, elect to Close title on or before the Closing Date (the "Closing Election") by either: (i) paying off and satisfying the GECC Loan, in which event Purchaser shall be responsible for any and all costs and expenses in connection therewith including without limitation any prepayment penalties, attorneys fees and any other GECC Fees, if any; (ii) defeasing the GECC Loan, in which event Purchaser shall be responsible for any and all costs and expenses in connection therewith, including without limitation any prepayment penalties, attorneys fees and any other GECC Fees, if any; or (iii) assuming the GECC Loan, in which event Purchaser shall be responsible for any and all costs and expenses in connection therewith. If Purchaser

chooses one of the foregoing Closing Elections, Seller agrees to cooperate and assist Purchaser, as needed, to complete such Closing Election (at no cost or expense to Seller); and Seller agrees to execute and timely deliver any usual and customary documents required by the lender or loan servicer in connection with the assumption or defeasance of the GECC Loan. In addition, in the event that Purchaser elects to assume or defease the GECC Loan, Purchaser shall make reasonable efforts to obtain a release by GECC of Seller and all guarantors from any and all obligations under the GECC Loan for events occurring after the Closing Date. In the event and to the extent that Purchaser is unable to obtain such releases from GECC, Purchaser shall indemnify Seller and the guarantors against any and all damages, claims, causes of action and costs and expenses, including attorneys fees, arising out of events occurring after the Closing Date, which Seller or the guarantors may incur in connection with the obligations set forth under the guaranties executed by Seller and the guarantors in connection with the GECC Loan. In no event will Seller incur any costs or expenses in connection with Purchaser's Closing Election. Purchaser shall notify Seller of the Closing Election no later than ten (10) days prior to the Closing Date. In the event of Purchaser's failure to so timely notify seller of the closing election, it shall be deemed that the election shall be paying off and satisfying the GECC Loan as set forth above in this paragraph 4 and Purchaser shall close title on the closing date as set forth on this agreement as modified by this Fourth Amendment. No matter what Purchaser elects as the Closing Election, in no event shall such election alter, modify or otherwise delay the Closing Date as set forth in paragraph 3 above,

5. Seller hereby reaffirms that as set forth in the last sentence of Section 5 of the Agreement, Seller will provide to Purchaser on an ongoing basis (at least monthly) updated reports of the items in 1,2, 3, and 14 of Exhibit B to the Agreement. Purchaser expressly acknowledges that Seller's agreement to deliver such items is for informational purposes only and is given purely as on accommodation to Purchaser, the delivery of such items shall in no way be deemed a representation or warranty by Seller, and no matter the contents thereof, it shall not be a default by Seller under the Agreement, Purchaser's obligations under the Agreement shall in no way be diminished, altered, or amended, including without limitation Purchaser's obligation to close title as set forth in the Agreement as amended by this Fourth Amendment. To the extent that this paragraph is inconsistent with any representations or warranties contained in the Agreement, this paragraph shall control.

6. Purchaser hereby acknowledges that any discrepancies which may exist between the financial statements provided by Seller during Purchaser's 314 audit and the financial statements otherwise provided by Seller to Purchaser, prior to, during and after the Inspection Period, are hereby deemed acceptable. Purchaser hereby approves of the contents set forth in all such financial statements reviewed by Purchaser and its consultants including without limitation the net operating income for Seller's self storage business and, in light of Purchaser's approval of the foregoing, Purchaser hereby waives any rights and/or remedies that Purchaser may have under the Agreement, at law or in equity with respect to such 314 audit and such financial statements including without limitation any right arising out of such audit or financial statements that Purchaser may have to cancel the Agreement or refuse to close title thereunder.

7. Each of Seller and Purchaser hereby waive their respective claims as set forth in (a) that certain letter dated April 9, 2004 from Stadtmauer Bailkin LLP to Extra Space Development LLC, and (b) that certain letter dated April 16, 2004 from Tannenbaum Helpern Syracuse & Hirschtritt LLP to Stadtmauer Bailkin LLP.

8. Except as amended hereby, the Agreement, as previously amended, remains unmodified and in full force and effect.

IN WITNESS, WHEREOF, the parties have executed this Amendment. Capitalized terms used herein and not otherwise define shall have the meaning set forth in the Agreement.

SELLER:

FORDHAM ROAD STORAGE PARTNERS, LLC
By: FR ASSOCIATES, LLC, managing member

By: _____
Name: Evan M. Noverton
Title: Manager
Date: 5/6/04

PURCHASER:

EXTRA SPACE DEVELOPMENT, LLC

By: _____
Print Name: Kenneth M. Woolley
Title: Sr. VP Acquisitions
Date: 5/5/04

Exhibit 10.28

FORM OF IRREVOCABLE EXCHANGE AND SUBSCRIPTION AGREEMENT

Extra Space Storage Inc.
2795 E. Cottonwood Parkway, #400
Salt Lake City, UT 84121

_____ __, 2004

Ladies and Gentlemen:

Reference is made to the Extra Space Storage Inc. Confidential Private Offering Memorandum, dated April 16, 2004 (the "Confidential Offering Memorandum") relating to the private offering of shares of common stock, par value $.01 per share (the "Common Shares" and each a "Common Share"), and contingent conversion shares, par value $.01 per share (the "CC Shares" and each a "CC Share"), of Extra Space Storage Inc., a Maryland corporation (the "Company"), a copy of which the undersigned has received and reviewed. Capitalized terms used but not otherwise defined in this Irrevocable Exchange and Subscription Agreement shall have the respective meanings ascribed to them in the Confidential Offering Memorandum.

The undersigned (the "Exchanging Member") is a member of Extra Space Storage LLC, a Delaware limited liability company. Schedule A to this agreement sets forth, in the applicable column, the number and/or dollar amount of Class A membership interests, Class B membership interests and/or Class C membership interests of Extra Space Storage LLC, held by the Exchanging Member as of the date of this agreement and to be held by the Exchanging Member on the closing date of the IPO (in the aggregate the "Exchanging Member's Entire LLC Interest"). The Exchanging Member understands and acknowledges that Extra Space Storage LLC is undertaking a consolidation and reorganization, in which the holders of LLC Interests who meet certain investor criteria are being offered the opportunity to exchange their LLC Interests for Common Shares and CC Shares, in contemplation, and subject to completion of, the IPO. The Exchanging Member understands that if such Exchanging Member does not meet the investor criteria described in the Confidential Offering Memorandum or is unable to make the representations and warranties in this agreement, such Exchanging Member will receive only cash as consideration for their LLC Interests.

The Exchanging Member understands and acknowledges that as of the date of this agreement, neither the Company nor Extra Space Storage LLC knows the number or value of the Common Shares or CC Shares that will be available for exchange for the LLC Interests. The Exchanging Member acknowledges and understands that the number and value of the Common Shares and CC Shares to be issued in exchange for LLC Interests will depend on a number of factors, including possible acquisitions that the Company may accomplish, the valuation that is eventually achieved by the Company in the IPO, and prevailing market and other conditions. The Exchanging Member further understands and acknowledges that the value of the Common Shares and CC Shares to be issued in exchange for LLC Interests will increase or decrease if the Common Shares are priced above or below the mid-point of the estimated range of prices of our Common Shares in the IPO. If the price of the Common Shares in the IPO is outside of our estimated range of prices, we may increase or decrease the number of Common Shares in the IPO or increase or decrease the number of the Common Units to be issued by Extra Space OP in connection with the Formation Transactions The Exchanging Member has reviewed the preliminary valuations determined by the Company described in further detail in the Confidential Offering Memorandum and understands and acknowledges that based upon those valuations:

- Holders of the Class A membership interests will be entitled to receive approximately 64.6% of the Common Shares and CC Shares issued to holders of the LLC Interests being exchanged;

- Holders of the Class B membership interests will be entitled to receive approximately 24.9% of the Common Shares and CC Shares issued to holders of the LLC Interests being exchanged; and
- Holders of the Class C membership interests will be entitled to receive approximately 10.5% of the Common Shares and CC Shares issued to holders of the LLC Interests being exchanged.

The Exchanging Member understands that if LLC Interests in excess of those anticipated to be redeemed by the Company in preparing these valuations are redeemed for cash, the percentage allocations among the various classes of LLC Interests may change. The Exchanging Member further understands that the Common Shares and CC Shares allocated to each class of membership interests will then be reallocated among the Exchanging Members holding LLC Interests in such class. This allocation will be based on (i) in the case of holders of Class A membership interests, the number of units held; (ii) in the case of holders of Class B membership interests, each holder's capital contribution and unpaid accrued preferred return through June 30, 2004; and (iii) in the case of holders of Class C membership interests, each holder's capital contribution. The Common Shares and the CC Shares to be issued in exchange for the undersigned Exchanging Member's Entire LLC Interest after application of the final valuation based on the price of the Common Shares to be issued in the IPO, as more fully described in the Confidential Offering Memorandum, are sometimes collectively referred to in this Agreement as the "Subscribed Shares."

The Exchanging Member further understands that if such Exchanging Member is a holder of Class B or Class C membership interest, such Exchanging Member may choose to exchange all, but not less than all, of its entire holdings of LLC Interests for cash to be funded out of the net proceeds of the IPO in lieu of Common Shares and CC Shares. In the case of holders of Class B membership interests, such Exchanging Member understands that it would be entitled to receive an amount in cash equal to such Exchanging Member's unreturned capital contribution and accrued and unpaid return through June 30, 2004, plus an additional amount equal to their preferred return accruing after that date. In the case of holders of Class C membership interests, such Exchanging Member understands that it would be entitled to receive an amount in cash equal to their unreturned capital contributions plus an additional amount for their unpaid preferred return accruing through date of the closing of the Reorganization. In the case of holders of Class A membership interests, such Exchanging Member understands that it would be entitled to receive an amount in cash equal to 75% of the value of the Common Shares that would have been issued to such holder in the Reorganization, valued at the IPO price per Common Share.

By executing this agreement, the Exchanging Member waives its right to elect to receive cash in exchange for its Class A, Class B and Class C membership interests, if applicable, and irrevocably agrees, upon satisfaction of the conditions in Sections 5 and 6 of this agreement, to exchange such Exchanging Member's Entire LLC Interest for the Subscribed Shares.

1. **Contribution and Subscription**. By executing the signature page to this Irrevocable Exchange and Subscription Agreement, subject to the terms and conditions hereof, the Exchanging Member hereby agrees to contribute and transfer to the Company the Exchanging Member's Entire LLC Interest and hereby subscribes for the Subscribed Shares and the Company hereby agrees that, on the closing date of the IPO (the "Closing Date"), the Company shall, in exchange for the Exchanging Member's Entire LLC Interest, issue to the Exchanging Member the Subscribed Shares (the "Closing"). The Exchanging Member shall not, voluntarily, involuntarily or by operation of law, sell, assign, transfer, hypothecate, pledge or otherwise dispose of their LLC Interest or any interest therein. On the date of this Agreement, the Exchanging Member has delivered to the Company, (a) a duly completed and executed Form W-9 and FIRPTA Affidavit; (b) two duly completed and executed signature pages to this Irrevocable Exchange and Subscription Agreement; (c) a duly completed and signed Accredited Investor Questionnaire in the form attached as an exhibit to the Form or Irrevocable Exchange and Subscription

Agreement, which is attached to the Confidential Private Offering Memorandum as Exhibit A, and (d) two duly completed and executed signature pages to the Lock-up Agreement in the form attached as an exhibit to the Form or Irrevocable Exchange and Subscription Agreement, which is attached to the Confidential Private Offering Memorandum as Exhibit A. This Irrevocable Exchange and Subscription Agreement, the Accredited Investor Questionnaire and the Lock-up Agreement are collectively referred to in this agreement as the "Subscription Documents."

2. **Representations, Warranties and Covenants of The Exchanging Member**. The Exchanging Member hereby acknowledges, represents and warrants to, and covenants and agrees with the Company as follows (and each representation and warranty set forth below shall be deemed remade as of the Closing Date):

2.1 Authorization. Such Exchanging Member represents and warrants that such Exchanging Member has full power and authority to enter into the Subscription Documents and to consummate the transactions contemplated by the Subscription Documents, that the execution and delivery of the Subscription Documents by such Exchanging Member and the consummation by such Exchanging Member of the transactions contemplated by the Subscription Documents have been duly authorized by all necessary action on the part of such Exchanging Member and will not constitute or result in a breach or default under, or conflict with or violate, any agreement or other undertaking, to which such Exchanging Member is a party or by which such Exchanging Member is bound or with any judgment, decree, statute, order, rule or regulation applicable to such Exchanging Member or such Exchanging Member's assets, and, if the Exchanging Member is not an individual, will not violate any provisions of the organizational or other formation or governing documents of such Exchanging Member. The Subscription Documents have been duly executed and delivered by such Exchanging Member and constitute valid and legally binding obligations of such Exchanging Member enforceable against such Exchanging Member in accordance with and subject to their respective terms, subject to applicable bankruptcy, insolvency, moratorium or other similar laws relating to creditors' rights and general principles of equity. The signatures on the Subscription Documents are genuine, and the signatory, if such Exchanging Member is an individual, has legal competence and capacity to execute the same, or, if such Exchanging Member is not an individual, the signatory has been duly authorized to execute the same on behalf of such Exchanging Member.

2.2 Purchase for Investment. Such Exchanging Member is acquiring the Subscribed Shares to be acquired by such Exchanging Member pursuant to this Irrevocable Exchange and Subscription Agreement for such Exchanging Member's own account (or if such Exchanging Member is a trustee, for a trust account) for investment only, and not with a view to or for sale in connection with any distribution of all or any part of such Subscribed Shares. Such Exchanging Member hereby agrees that such Exchanging Member shall not, directly or indirectly, transfer all or any part of such Subscribed Shares (or solicit any offers to buy, purchase or otherwise acquire or take a pledge of all or any part of the Subscribed Shares) except in accordance with the registration provisions of the Securities Act of 1933, as amended (the "Securities Act") and the regulations thereunder or an exemption from such registration provisions, with any applicable state or non-U.S. securities laws, and with the terms of this Irrevocable Exchange and Subscription Agreement. Such Exchanging Member understands that such Exchanging Member must bear the economic risk of an investment in the Subscribed Shares for an indefinite period of time because, among other reasons, the offering and sale of such Subscribed Shares have not been registered under the Securities Act and, therefore, such Subscribed Shares cannot be sold unless such resale is subsequently registered under the Securities Act or an exemption from such registration is available. Such Exchanging Member also understands that sales or transfers of such Subscribed Shares are further restricted by the provisions of the Company's Charter, and may be restricted by other applicable securities laws. If at any time the Subscribed Shares are evidenced by certificates or other documents, each such certificate or other document shall contain a legend stating that (i) such Subscribed

Shares (1) have not been registered under the Securities Act or the securities laws of any state; (2) have been issued pursuant to a claim of exemption from the registration provisions of the Securities Act and any state securities law which may be applicable; and (3) may not be sold, transferred or assigned without compliance with the registration provisions of the Securities Act and the regulations thereunder and any other applicable Federal or state securities laws or compliance with applicable exemptions therefrom; (ii) sale, transfer or assignment of such Subscribed Shares is further subject to restrictions contained in the Company's Charter, and such Subscribed Shares may not be sold, transferred or assigned unless and to the extent permitted by, and in accordance with, the provisions of the Company's Charter; and (iii) sale, transfer or assignment of such Subscribed Shares is subject to restrictions contained in the Lock-Up Agreement being executed by such Exchanging Member on the date of this agreement.

2.3 Information. Such Exchanging Member has carefully reviewed this Irrevocable Exchange and Subscription Agreement, the Confidential Offering Memorandum and the other Subscription Documents. Such Exchanging Member has been provided an opportunity to ask questions of, and such Exchanging Member has received answers thereto satisfactory to such Exchanging Member from, the Company or its representatives regarding the terms and conditions of the offering of the Subscribed Shares, and such Exchanging Member has obtained all additional information requested by such Exchanging Member of the Company and its representatives to verify the accuracy of all information furnished to such Exchanging Member regarding the offering of such Subscribed Shares. Such Exchanging Member represents and warrants that such Exchanging Member has read the Confidential Offering Memorandum in its entirety and has relied upon and is making his, her or its subscription decision to acquire the Subscribed Shares in exchange for its LLC Interests based solely upon his, her or its review and evaluation of the Confidential Offering Memorandum and is not relying on the Company or any of its subsidiaries, affiliates or any of their respective representatives or agents with respect to any tax or other economic considerations involved in connection with the subscription for the Subscribed Shares. Such Exchanging Member represents and warrants that such Exchanging Member has been advised to consult with his, her or its tax, legal and other advisors regarding the subscription and its effects, the tax consequences of making and not making a subscription hereunder, and has obtained, in such Exchanging Member's judgment, sufficient information to evaluate the merits and risks of a subscription and investment hereunder. Such Exchanging Member has not been furnished with and has not relied on any oral or written representation in connection with the offering of the Subscribed Shares that is not contained in this agreement.

2.4 Economic and Liquidity Risk. Such Exchanging Member represents and warrants that such Exchanging Member has such knowledge and experience in financial and business matters such that such Exchanging Member is capable of evaluating the merits and risks making a subscription for the Subscribed Shares, and that such Exchanging Member has evaluated the risks of investing in the Subscribed Shares and has determined that they are a suitable investment for such Exchanging Member. Such Exchanging Member represents and warrants that such Exchanging Member understands that an investment in the Subscribed Shares is a speculative investment that involves very significant risks and tax uncertainties and that such Exchanging Member is prepared to bear the economic, tax and other risks of an investment in the Subscribed Shares for an indefinite period of time, and is able to withstand a total loss of such Exchanging Members investment in the Subscribed Shares.

2.5 Eligibility; Accredited Investor Status. Such Exchanging Member represents and warrants that such Exchanging Member is an "accredited investor" as defined in Regulation D under the Securities Act ("Accredited Investor"). In this regard, such Exchanging Member has completed, signed and returned with this Irrevocable Exchange and Subscription Agreement the Accredited Investor Questionnaire furnished herewith. Such Exchanging Member will, upon request, execute and/or deliver any additional documents deemed by the Company to be necessary or desirable to confirm such Exchanging Members Accredited Investor status.

2.6 Ownership of the Exchanging Member's Entire LLC Interest. Such Exchanging Member hereby represents and warrants that such Exchanging Member has good and marketable title to the Exchanging Member's Entire LLC Interest listed on Schedule A to this agreement and such Exchanging Member's Entire LLC Interest is now and will on the Closing Date be free and clear of all pledges, claims, liens, restrictions, charges, encumbrances, security interests, conditional sales agreements and other obligations of any kind or nature. Such Exchanging Member will not sell, convey, assign or otherwise transfer all or any portion of such Exchanging Member's Entire LLC Interest prior to the Closing Date. Such Exchanging Member represents and agrees that it is not and will not be (i) an "employee benefit plan" within the meaning of Section 3(3) of ERISA, whether or not subject to ERISA, (ii) a "plan" within the meaning of Section 4975 of the Code, or (iii) any person or entity whose assets include or are deemed to include the assets of any such "employee benefit plan" or "plan" by reason of Section 2510.3-101 of the Regulations of the U.S. Department of Labor or otherwise. Such Exchanging Member will, upon request, execute, deliver and/or provide any additional documents deemed by the Company to be necessary or desirable to confirm the foregoing.

2.7 Residence; Etc. Such Exchanging Member represents and warrants that the signature pages correctly set forth, for such Exchanging Member, (a) the principal residence of such Exchanging Member if such Exchanging Member is a natural person, (b) the place of business (or, if there is more than one place of business, the chief executive office) of such Exchanging Member if such Exchanging Member is a corporation, partnership, limited liability company, business trust or other entity (an "Entity"), (c) the state of incorporation, organization or formation if such Exchanging Member is an Entity other than a general partnership, (d) the information specified in clauses (a) and (b) of this subsection 2.7 as to each trustee of such Exchanging Member if such Exchanging Member is a trust (other than a business trust) and such trustee is a natural person and (e) the information specified in clauses (b) and (c) of this subsection 2.7 as to each trustee of such Exchanging Member if such Exchanging Member is a trust (other than a business trust) and such trustee is an Entity.

2.8 Status as Foreign Person. Such Exchanging Member represents and warrants that he, she or it is not a foreign person and is not owned directly or indirectly, in whole or in part, by a foreign person as determined for purposes of Section 897(h)(4) of the Internal Revenue Code of 1986, as amended (the "Code"), and the regulations promulgated thereunder.

2.9 Continuing Efforts. Subject to the terms and conditions herein provided, such Exchanging Member covenants and agrees to use its best efforts to take, or cause to be taken, all actions and do, or cause to be done, all things necessary, proper and/or appropriate to consummate and make effective the transactions contemplated by this Irrevocable Exchange and Subscription Agreement.

2.10 No Brokers or Finders. Such Exchanging Member has not entered into any agreement and is not otherwise liable or responsible to pay any brokers' or finders' fees or expenses to any person or Entity with respect to this Irrevocable Exchange and Subscription Agreement or the purchase and issuance of any Subscribed Shares contemplated hereby, except for any such person or Entity the fees and expenses for which such Exchanging Member shall be solely responsible for and pay.

3. **Representations, Warranties and Covenants of the Company**. The Company hereby acknowledges, represents and warrants to, and covenants and agrees with, the Exchanging Member as follows (and each representation and warranty set forth below shall be deemed remade as of the Closing Date):

3.1 Authorization. The Company represents and warrants that the Company has the requisite power and authority to enter into this Irrevocable Exchange and Subscription Agreement and to consummate the transactions contemplated hereby; the execution and delivery of this Irrevocable

Exchange and Subscription Agreement by the Company, and the consummation by the Company of the transactions contemplated hereby have been, or prior to the Closing Date will be, duly authorized by all necessary action on the part of the Company, and this Irrevocable Exchange and Subscription Agreement has been, or prior to the Closing Date will be, duly executed and delivered by the Company and constitutes or will constitute its valid and binding obligation, enforceable against it, in accordance with and subject to its terms, subject to applicable bankruptcy, insolvency, moratorium or other similar laws relating to creditors' rights and general principles of equity.

3.2 Issuance. The Company represents and warrants that the Subscribed Shares to be issued to the Exchanging Member hereunder, will, on the Closing Date, be duly authorized, fully paid and nonassessable shares of the Company issued in the name of the Exchanging Member, free and clear of all liens, claims and encumbrances other than those created by such Exchanging Member.

3.3 Commercially Reasonable Efforts. Subject to the terms and conditions herein provided, the Company covenants and agrees to use commercially reasonable efforts to take, or cause to be taken, all actions and do, or cause to be done, all things necessary, proper and/or appropriate to consummate and make effective the transactions contemplated by this Irrevocable Exchange and Subscription Agreement.

4. **Survival**. The representations, warranties, covenants and agreements contained in this Irrevocable Exchange and Subscription Agreement and the Accredited Investor Questionnaire shall survive the Closing Date for a period of one year.

5. **Conditions to Consummation by the Company**. The obligations of the Company to accept a subscription from, and to issue the Subscribed Shares to, the Exchanging Member pursuant to this Irrevocable Exchange and Subscription Agreement are subject to the fulfillment of the conditions set forth in this Article 5, any one or more of which may be waived by the Company:

5.1 Representations, Warranties and Covenants. The representations and warranties of the Exchanging Member contained in this Irrevocable Exchange and Subscription Agreement shall be true, correct and complete in all material respects on and as of the Closing Date with the same force and effect as though made on and as of such Closing Date unless expressly stated herein to be made as of a specified date. The Exchanging Member shall have performed in all material respects all obligations required to be performed by him, her or it under this Irrevocable Exchange and Subscription Agreement at or prior to the Closing Date.

5.2 Closing Documents. The Exchanging Member shall have duly executed and delivered to the Company on or prior to the Closing Date all documents that are reasonably requested by the Company to effectuate the transactions contemplated hereby, including but not limited to the Subscription Documents.

5.3 Receipt of Subscription by the Subscription Deadline. The Subscription Documents and such other documents or instruments as are, or may be, requested hereunder must be properly completed and duly executed and returned by the Exchanging Member and received by the Company by the Subscription Deadline.

6. **Conditions to Consummation by the Exchanging Member**. The obligations of the Exchanging Member to receive Subscribed Shares pursuant this Irrevocable Exchange and Subscription Agreement are subject to the fulfillment of the conditions set forth in this Article 6, any one or more of which may be waived by him, her or it:

6.1 Representations, Warranties and Covenants. The representations and warranties of the Company contained herein shall be true, correct and complete in all material respects on and as of the Closing Date with the same force and effect as though made on and as of such Closing Date unless expressly stated therein to be made as of a specified date. The Company shall have performed in all material respects all obligations required to be performed by it under this Irrevocable Exchange and Subscription Agreement at or prior to the Closing Date.

6.2 Closing Documents. The Company shall have duly executed and delivered on or prior to the Closing Date this Irrevocable Exchange and Subscription Agreement.

7. **Indemnity**. The Exchanging Member hereby agrees to indemnify and defend the Company and its affiliates against and to hold them harmless from any and all damage, loss, liability and expense incurred or suffered by the Company or any of its affiliates arising out of or based upon the inaccuracy of any representation or warranty or breach of any agreement made or to be performed by such Exchanging Member pursuant to this Irrevocable Exchange and Subscription Agreement and any Exhibit or Attachment to this Agreement. The Company hereby agrees to indemnify and defend the Exchanging Member and its affiliates against and to hold them harmless from any and all damage, loss, liability and expense incurred or suffered by the Exchanging Member or any of its affiliates arising out of or based upon the inaccuracy of any representation or warranty or breach of any agreement made or to be performed by the Company pursuant to this Irrevocable Exchange and Subscription Agreement.

8. **Changes to Form Agreements**. The Exchanging Member agrees and confirms that the terms of the Common Shares, CC Shares, Common Units and CC Units described in the Confidential Offering Memorandum and the Exhibits thereto are not final and may be modified depending on the prevailing market conditions at the time of the IPO. By executing this Irrevocable Exchange and Subscription Agreement such Exchanging Member hereby authorizes the Company to and understands and agrees that the Company may make changes (including changes that may be deemed material) to (i) the Articles of Incorporation of the Company, a form of which is attached as Exhibit C to the Confidential Offering Memorandum, (ii) the Bylaws of the Company, a form of which is attached as Exhibit D to the Confidential Offering Memorandum, and (iii) the Agreement of Limited Partnership of Extra Space Storage LP, a form of which is attached as Exhibit E to the Confidential Offering Memorandum, and such Exchanging Member agrees to receive the Subscribed Shares or OP units, as the case may be, with such final terms and conditions as the Company determines.

9. **Amendments to Operating Agreement; Power of Attorney**. By executing this Irrevocable Exchange and Subscription Agreement, the undersigned Exchanging Member hereby (i) consents to the adoption of an amendment to the Operating Agreement as Extra Space Storage LLC may deem necessary or desirable to cause all of the LLC Interests issued by Extra Space Storage LLC to be exchanged for Subscribed Shares or otherwise redeemed for cash and (ii) irrevocably constitutes and appoints Charles Allen, Esq. (or a substitute appointed by the Company) as his, her or its attorney-in-fact and agent with full power of substitution to take any and all actions and execute any and all such amendments to the Operating Agreement and such other documents and agreements, on such Exchanging Member's behalf and in such Exchanging Member's name, as the Company may deem necessary or desirable to effectuate the Reorganization, the IPO, and the other transactions described in the Confidential Private Offering Memorandum.

10. **Lock-Up Agreement**. By executing this Irrevocable Exchange and Subscription Agreement, the undersigned Exchanging Member hereby irrevocably constitutes and appoints Charles Allen, Esq. (or a substitute appointed by the Company) as his, her or its attorney-in-fact and agent with full power of substitution, to enter into, on such Exchanging Member's behalf and in such Exchanging Member's name, a lock-up agreement with the managing underwriters in the IPO relating to such Exchanging Member's Subscribed Shares, with such terms and conditions as the Company may deem necessary or desirable in connection with the IPO.

11. **OP Unit Option**. In the event that the Company determines, in its sole discretion, that the exchange of the Contributed Membership Interests for the Subscribed Shares is not likely to result in the undersigned receiving the federal income tax treatment for such exchange that is described in the Confidential Offering Memorandum, the Company may, in lieu of issuing the Common Shares and CC Shares on the Closing Date, cause Extra Space OP to issue an equivalent number of Common Units and CC Units, respectively, to the Exchanging Member. In that event, (i) the undersigned consents to the contribution of the Contributed Membership Interests to Extra Space OP and agrees to receiving, in lieu of the Common Shares and CC Shares, such Common Units and CC Units and (ii) all references to Common Shares and CC Shares in this Irrevocable Exchange and Subscription Agreement shall be deemed to refer to the Common Units and CC Units, respectively. By executing this Irrevocable Exchange and Subscription Agreement, the undersigned in that event hereby irrevocably constitutes and appoints the General Partner (or a substitute appointed by the General Partner) as his, her or its attorney-in-fact and agent with full power of substitution to take any and all actions and execute any and all documents on such Exchanging Member's behalf and in such Exchanging Member's name, as may be deemed by the Company as necessary or desirable to cause all of the LLC Interests issued by Extra Space Storage LLC to be exchanged for such Common Units and CC Units, to enable the undersigned to become a limited partner of the Operating Partnership and to effect any amendments to the agreement of limited partnership of the Operating Partnership that have been approved and adopted in accordance with its terms. The foregoing power-of-attorney is considered to be coupled with an interest and is irrevocable and shall survive the death, disability, incapacity or dissolution of the undersigned.

12. **Termination**. This Agreement shall terminate automatically if the Closing has not occurred one year after the date of this Agreement.

13. **General Provisions**.

13.1 Modification. Neither this Irrevocable Exchange and Subscription Agreement nor any provisions hereof shall be waived, modified, discharged or terminated except by an instrument in writing signed by the party against whom any waiver, modification, discharge or termination is sought.

13.2 Notices. All notices, requests and other communications hereunder must be in writing and will be deemed to have been duly given only if delivered personally or by facsimile transmission or mailed (first class postage prepaid) to the parties at the following addresses or facsimile numbers:

If to the Exchanging Member:	To the address indicated for such Exchanging Member on the signature page to this Irrevocable Exchange and Subscription Agreement.
If to the Company:	Extra Space Storage, Inc. 2795 E. Cottonwood Parkway, #400 Salt Lake City, UT 84121 Attention: Charles Allen, Esq. Facsimile: 801-562-5579

with a copy to:

Clifford Chance US LLP
200 Park Avenue
New York, New York 10166
Attention: Karl A. Roessner
Facsimile: 212-878-8375

All such notices, requests and other communications will (a) if delivered personally to the address as provided in this Section 13.2, be deemed given upon delivery; (b) if delivered by facsimile transmission to the facsimile number as provided in this Section 13.2, be deemed given upon receipt; and (c) if delivered by mail in the manner described above to the address as provided in this Section 13.2, be deemed given upon receipt (in each case regardless of whether such notice, request or other communication is received by any other Person to whom a copy of such notice is to be delivered pursuant to this Section 13.2). Any party from time to time may change its address, facsimile number or other information for the purpose of notices to that party by giving notice specifying such change to the other parties hereto in accordance with this Section 13.2.

13.3 Binding Effect. Except as otherwise provided herein, this Irrevocable Exchange and Subscription Agreement shall be binding upon and inure to the benefit of the parties and their heirs, executors, administrators, successors, legal representatives and permitted assigns. If the Exchanging Member is itself more than one person, the obligations of such Exchanging Members shall be joint and several and the acknowledgements, representations, warranties, covenants and agreements herein contained shall be deemed to be made by and be binding upon each such person and his or her heirs, executors, administrators, successors, legal representatives and permitted assigns.

13.4 Entire Agreement; Conflicting Provisions. The Subscription Documents contain the entire agreement of the parties with respect to this subscription, and there are no representations, warranties, covenants or other agreements except as stated or referred to herein or therein.

13.5 Assignability. This Irrevocable Exchange and Subscription Agreement is not transferable or assignable by any party hereto. This Irrevocable Exchange and Subscription Agreement shall be for the benefit of the parties hereto.

13.6 Applicable Law. This Irrevocable Exchange and Subscription Agreement shall be governed by and construed in accordance with the laws of the State of Maryland applicable to contracts made and to be performed entirely within such State.

13.7 Counterparts. This Irrevocable Exchange and Subscription Agreement may be executed through the use of separate signature pages or in counterparts, and each of such counterparts shall, for all purposes, constitute one agreement binding on the parties hereto, notwithstanding that the parties hereto are not signatories to the same counterpart.

13.8 Further Assurances. The Exchanging Member will, from time to time, execute and deliver to the Company all such other and further instruments and documents and take or cause to be taken all such other and further action as the Company may reasonably request in order to effect the transactions contemplated by this Irrevocable Exchange and Subscription Agreement. Notwithstanding the foregoing, the Company may request from the Exchanging Member such additional information as it may deem necessary to evaluate the eligibility of such Exchanging Member to acquire Subscribed Shares, and may request from time to time such information as it may deem necessary to determine the eligibility of such Exchanging Member to hold Subscribed Shares or to enable the Company to determine the Exchanging Member’s compliance with applicable regulatory requirements or tax status, and such Exchanging Member shall provide such information as may reasonably be requested.

13.9 Severability. If any term or provision of this Irrevocable Exchange and Subscription Agreement shall to any extent be invalid or unenforceable, the remainder of this Irrevocable Exchange and Subscription Agreement shall not be affected thereby, and each term and provision of this Irrevocable Exchange and Subscription Agreement shall be valid and enforceable to the fullest extent permitted by law. Upon the determination that any term or other provision is invalid, illegal or incapable of being enforced, the parties shall negotiate in good faith to modify this Irrevocable Exchange and Subscription Agreement so as to effect their original intent as closely as possible in an acceptable manner to the end that transactions contemplated hereby are fulfilled to the extent possible.

13.10 Specific Performance. The parties hereto acknowledge that there would be no adequate remedy at law if any party fails to perform any of its obligations hereunder, and accordingly agree that each party, in addition to any other remedy to which it may be entitled at law or in equity, shall be entitled to compel specific performance of the obligations of any other party under this agreement in accordance with the terms and conditions of this agreement.

13.11 Expenses. Each of the parties hereto agrees to pay the expenses incurred by it in connection with the negotiation, preparation, execution and delivery of this Irrevocable Exchange and Subscription Agreement and the consummation of the transactions contemplated hereby, including the fees and expenses of counsel to such party.

[Remainder of this page is intentionally left blank.]

Schedule A

EXCHANGING MEMBER'S ENTIRE LLC INTEREST

Type of Interest	Number	Amount
Class A Interest		
Class B Interest		
Class C Interest		

EXTRA SPACE STORAGE, INC.

IRREVOCABLE EXCHANGE AND SUBSCRIPTION AGREEMENT
COUNTERPART SIGNATURE PAGE

(This signature page must be signed in duplicate by the Exchanging Member)

The undersigned Exchanging Member, desiring to enter into this Irrevocable Exchange and Subscription Agreement for the subscription of the Subscribed Shares in exchange for the Exchanging Member's Entire LLC Interest, hereby agrees to all of the terms and provisions of this Irrevocable Exchange and Subscription Agreement and agrees that such Exchanging Member is bound by all such terms and provisions and that such Exchanging Member is not exercising its option, if applicable, to receive cash in exchange for its LLC Interests.

Please sign your name below exactly in the same manner as the name(s) in which ownership of the Exchanging Member's Entire LLC Interest is registered. When the Exchanging Member's Entire LLC Interest is held by two or more joint holders, all such holders must sign. When signing as attorney-in-fact, executor, administrator, trustee or guardian, please give full title as such. If a corporation, please sign in full corporate name by the President or other authorized officer. If a partnership or limited liability company, please sign in partnership or limited liability company name by an authorized person.

The Exchanging Member has executed this Irrevocable Exchange and Subscription Agreement as of this __ day of _____ __, 2004.

EXCHANGING MEMBER:

_____

Signature

_____

Name ***(Please Print)***

Address:*

_____

Street Address ***(Please Print)***

_____

City, State, Zip Code ***(Please Print)***

* With respect to an Exchanging Member who is a natural person, please provide the address of your residence. With respect to an Exchanging Member which is an Entity, please provide the address of your place of business (or, if there is more than one place of business, the chief executive office). With respect to each natural person who is the trustee of an Exchanging Member that is a trust, please provide the address of your residence and place of business (or, if there is more than one place of business, the chief executive office). With respect to the Exchanging Member that is a trust with an Entity trustee, please provide the information requested of an Entity.

Exhibit 21.1

SUBSIDIARY LIST

Extra Space Storage LLC (Delaware)

Extra Space Properties One LLC (Delaware)

Extra Space Properties Four LLC (Delaware)

Extra Space Properties Seven LP (Utah)

Extra Space Properties Eleven LLC (Delaware)

EXHIBIT 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the use in this Amendment No. 2 to this Registration Statement on Form S-11 of our reports dated May 6, 2004 relating to the financial statement of Extra Space Storage Inc.; April 20, 2004 relating to the consolidated financial statements and financial statements schedule of Extra Space Storage LLC; February 29, 2004 relating to the statement of revenues and certain expenses of properties owned by Extra Space West One, LLC and Extra Space East One, LLC; February 29, 2004 relating to the statement of revenues and certain expenses of properties owned by 5255 Sepulveda, LLC and 658 Venice, LTD; February 29, 2004 relating to the statement of revenues and certain expenses of properties owned by Red Hat Enterprises; February 29, 2004 relating to the statement of revenues and certain expenses of properties owned by Storage Depot; and February 29, 2004 relating to the statement of revenues and certain expenses of properties owned by Storage Deluxe which appear in such Registration Statement. We also consent to the references to us under the headings "Experts", "Prospectus summary—summary consolidated pro forma and historical data" and "Selected consolidated pro forma and historical financial data" in such Registration Statement.

/s/ PricewaterhouseCoopers LLP

Salt Lake City, Utah
July 26, 2004

Exhibit 23.2

CONSENT OF INDEPENDENT ACCOUNTANTS

To the Members of
Extra Space Storage LLC

We hereby consent to the inclusion in this Amendment No. 2 to this Registration Statement of Extra Space Storage Inc. on Form S-11 of our report dated February 20, 2004, relating to the statement of revenues and certain expenses of Devon/Boston, LLC for the year ended December 31, 2003. We also consent to the references to us under the heading "Experts" in such Registration Statement.

/S/ TIMPSON GARCIA, LLP

Oakland, California
July 26, 2004

Exhibit 23.3

CONSENT OF INDEPENDENT ACCOUNTANTS

To the Members of
Extra Space Storage LLC

We hereby consent to the inclusion in this Amendment No. 2 to this Registration Statement of Extra Space Storage Inc. on Form S-11 of our report dated June 10, 2004, relating to the combined statement of revenues and certain expenses of Storage Spot Properties No. 1, LP and Storage Spot Properties No. 4, LP for the year ended December 31, 2003. We also consent to the references to us under the heading "Experts."

/s/ R.J. Gold & Company, P.C.
Waltham, Massachusetts
July 26, 2004

Exhibit 99.7

CONSENT OF PROSPECTIVE DIRECTOR

Extra Space Storage Inc. intends to file a Registration Statement on Form S-11 (together with any amendments and the prospectus contained therein, the "Registration Statement") registering shares of common stock for issuance in its initial public offering. As required by Rule 438 under the Securities Act of 1933, as amended, the undersigned hereby consents to the use of his name as a Director Nominee in the section "Management" in the Registration Statement.

/S/ HUGH W. HORNE
Name: Hugh W. Horne