

Extra Space Storage Inc.
Form 8-K
September 21, 2015

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

FORM 8-K

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

September 21, 2015

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

EXTRA SPACE STORAGE INC.

(Exact Name of Registrant as Specified in Its Charter)

Maryland
(State or Other Jurisdiction
of Incorporation)

001-32269
(Commission File Number)

20-1076777
(IRS Employer
Identification Number)

2795 East Cottonwood Parkway, Suite 400

Salt Lake City, Utah 84121

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(Address of Principal Executive Offices)

(801) 365-4600

(Registrant's Telephone Number, Including Area Code)

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

- .. Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- .. Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- .. Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- .. Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

ITEM 1.01 ENTRY INTO A MATERIAL DEFINITIVE AGREEMENT

On September 21, 2015, Extra Space Storage LP (the *Operating Partnership*), the operating partnership subsidiary of Extra Space Storage Inc. (the *Company*), issued \$500.0 million aggregate principal amount of its 3.125% Exchangeable Senior Notes due 2035 (the *Notes*). The terms of the Notes are governed by an indenture, dated September 21, 2015 (the *Indenture*), among the Operating Partnership, as issuer, the Company, as guarantor, and Wells Fargo Bank, National Association, as trustee. A copy of the Indenture, including the form of Note and Guarantee of the Company, the terms of which are incorporated herein by reference, is attached as Exhibit 4.1 to this report. See Item 2.03 below for additional information.

The Notes and the shares of common stock of the Company (*Common Stock*), if any, issuable in certain circumstances upon exchange of the Notes have not been registered under the Securities Act of 1933, as amended (the *Securities Act*). The Operating Partnership offered and sold the Notes to the initial purchasers of the Notes (the *Initial Purchasers*) in reliance on the exemption from registration provided by Section 4(a)(2) of the Securities Act. The Initial Purchasers then sold the Notes to qualified institutional buyers pursuant to the exemption from registration provided by Rule 144A under the Securities Act.

In connection with the issuance and sale of the Notes, the Operating Partnership and the Company also entered into a registration rights agreement with Citigroup Global Markets Inc. and Wells Fargo Securities, LLC, in their capacity as representatives of the Initial Purchasers, dated September 21, 2015 (the *Registration Rights Agreement*). A copy of the Registration Rights Agreement, the terms of which are incorporated herein by reference, is attached as Exhibit 10.1 to this report.

Pursuant to the Registration Rights Agreement, the Company has agreed that it will:

file a shelf registration statement (which shall be an automatic shelf registration statement if the Company is then a well-known seasoned issuer) with the Securities and Exchange Commission as soon as practicable following the date on which the Company becomes eligible to file an automatic shelf registration statement on Form S-3, which is expected to occur on May 1, 2016, and in any event, on or prior to June 17, 2016 to cover resales of the underlying shares of Common Stock of the Company that may be issuable upon exchange of the Notes;

if the shelf registration statement is not an automatic shelf registration statement, use its commercially reasonable efforts to have that registration statement declared effective by July 17, 2016; and

use its commercially reasonable efforts to keep the registration statement effective until the earlier of (1) the 20th trading day immediately following the maturity date of October 1, 2035, and (2) the date on which there are no longer any Notes or restricted shares (within the meaning of Rule 144 under the Securities Act) of Common Stock outstanding that have been issued upon exchange of any Notes.

If the Company does not meet these deadlines then, subject to certain exceptions, liquidated damages will accrue on the Notes to be paid semi-annually in arrears at a rate per annum equal to 0.25% of the principal amount of Notes to and including the 90th day following such registration default and 0.50% of the principal amount thereafter, for the period during which the registration default is not cured.

ITEM 2.03 CREATION OF A DIRECT FINANCIAL OBLIGATION OR AN OBLIGATION UNDER AN OFF-BALANCE SHEET ARRANGEMENT OF A REGISTRANT

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On September 21, 2015, the Operating Partnership issued \$500.0 million aggregate principal amount of Notes. After deducting the Initial Purchaser's commissions and estimated offering expenses, the Operating Partnership received approximately \$489.7 million in net proceeds in connection with the issuance and sale of the Notes. The Notes are general unsecured senior obligations of the Operating Partnership and rank equally in right of payment with all other senior unsecured indebtedness of the Operating Partnership. Interest will accrue from September 21, 2015 and is payable semiannually in arrears on April 1 and October 1 of each year, beginning on April 1, 2016 until the maturity date of October 1, 2035. The Operating Partnership's obligations under the Notes are fully and unconditionally guaranteed by the Company.

The Notes bear interest at 3.125% per annum and contain an exchange feature, which provides that the Notes may, under certain circumstances and during certain periods, be exchangeable at the option of holders for cash (up to the principal amount of the Notes) and, with respect to any excess exchange value, into cash, shares of Common Stock or a combination of cash and shares of Common Stock at an initial exchange rate of 10.4827 shares per \$1,000 principal amount of Notes. At the initial exchange rate, the Notes are exchangeable for Common Stock at an exchange price of approximately \$95.40 per share, representing an approximately 27.5% premium over the last reported sale price of the Common Stock on September 15, 2015, which was \$74.82 per share. The Notes will be exchangeable only under the following circumstances:

during any calendar quarter commencing after the calendar quarter ending on December 31, 2015 (and only during such calendar quarter), if the last reported sale price of the Common Stock for at least 20 trading days (whether or not consecutive) during a period of 30 consecutive trading days ending on the last trading day of the immediately preceding calendar quarter is greater than or equal to 130% of the exchange price on each applicable trading day;

during the five business day period after any five consecutive trading day period in which the trading price per \$1,000 principal amount of the Notes, as determined following a request by a holder of Notes in accordance with specified procedures, for each trading day of such period was less than 98% of the product of the last reported sale price of the Common Stock and the exchange rate on each such trading day;

if the Notes have been called for redemption, at any time prior to the close of business on the second trading day immediately preceding July 1, 2035;

upon the occurrence of specified corporate events; or

at any time from, and including, July 1, 2020 to the close of business on the business day immediately preceding October 1, 2020, and at any time on or after July 1, 2035.

The Operating Partnership may redeem the Notes at any time to preserve the Company's status as a real estate investment trust. In addition, on or after October 5, 2020, the Operating Partnership may redeem the Notes for cash, in whole or in part, at 100% of the principal amount plus accrued and unpaid interest, upon at least 30 days but not more than 60 days prior written notice to holders of the Notes. In either case, the Operating Partnership may only redeem the Notes prior to July 1, 2035 if it elects to settle its exchange obligation in respect of any Notes exchanged in connection with any such redemption entirely in cash or an effective registration statement is available for the resale of shares of Common Stock, if any, issuable upon exchange of the Notes in connection with any such redemption.

The holders of the Notes have the right to require the Operating Partnership to repurchase the Notes for cash, in whole or in part, on each of October 1, 2020, October 1, 2025 and October 1, 2030 (unless the Operating Partnership has called the Notes for redemption), and upon the occurrence of a fundamental change, in each case, for a repurchase price equal to 100% of the principal amount of the Notes plus accrued and unpaid interest.

A fundamental change will be deemed to have occurred at the time that any of the following occurs:

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a person or group within the meaning of Section 13(d) of the Securities Exchange Act of 1934, as amended (the Exchange Act), other than the Company, its subsidiaries and its and their employee benefit plans, has become the direct or indirect beneficial owner, as defined in Rule 13d-3 under the Exchange Act, of the common equity of the Company representing more than 50% of the voting power of such common equity;

the consummation of (1) any recapitalization, reclassification or change of Common Stock (other than changes resulting from a subdivision or combination) as a result of which the Common Stock would be converted into, or exchanged for, securities or property (including cash); (2) any share exchange, consolidation or merger of the Company pursuant to which the Common Stock would be converted into cash, securities or other property; or (3) any sale, lease or other transfer in one transaction or a series of

transactions of all or substantially all of the consolidated assets of the Company and its subsidiaries, taken as a whole, to any person other than one of the Company's subsidiaries; provided that a transaction described in clause (2) in which the holders of all classes of the Company's common equity immediately prior to such transaction own, directly or indirectly, more than 50% of all common equity of the continuing or surviving corporation or transferee or the parent thereof immediately after such transaction in substantially the same proportions as such ownership immediately prior to such transaction will not be a fundamental change pursuant to this bullet point, and a fundamental change will not be deemed to have occurred pursuant to this bullet point or the immediately preceding bullet point if at least 90% of the consideration received or to be received by the Company's stockholders in connection with such transaction consists of shares of common stock that are listed or quoted on any of the New York Stock Exchange, the NASDAQ Global Select Market or the NASDAQ Global Market (or any of their respective successors) and as a result of such transaction or transactions the Notes become exchangeable for such consideration;

the Company (or any successor thereto permitted pursuant to the terms of the Indenture) ceases to be the sole owner of the general partner of the Operating Partnership or ceases to control the Operating Partnership; provided, however, that the pro rata distribution by the Company to its stockholders of shares of its capital stock or shares of any of the Company's other subsidiaries will not, in and of itself, constitute a fundamental change;

the Company's stockholders approve any plan or proposal for the liquidation or dissolution of the Operating Partnership or the Company; or

the Common Stock (or other common stock underlying the Notes) ceases to be listed or quoted on any of the New York Stock Exchange, the NASDAQ Global Select Market or the NASDAQ Global Market (or any of their respective successors).

Certain events are considered events of default, which may result in the accelerated maturity of the Notes, including:

default in any payment of interest on any Note when due and payable and the default continues for a period of 30 days;

default in the payment of principal of any Note when due and payable at its stated maturity, upon optional redemption, upon declaration of acceleration, upon any required repurchase or otherwise;

the Operating Partnership's failure to comply with its obligation to exchange the Notes in accordance with the Indenture upon exercise of a holder's exchange right;

the Operating Partnership's failure to give a fundamental change notice or notice of a specified corporate transaction, in each case when due;

the Operating Partnership's failure to comply with certain of its obligations described in the Indenture relating to a consolidation, merger or sale of assets;

the Operating Partnership's failure for 60 days after written notice from the trustee or the holders of at least 25% in principal amount of the Notes then outstanding to comply with any of its other agreements contained in the Notes or the Indenture;

default by the Operating Partnership, the Company or any of the Company's significant subsidiaries with respect to any mortgage, agreement or other instrument under which there may be outstanding, or by which there may be secured or evidenced, any indebtedness for money borrowed in excess of \$100,000,000 (or its foreign currency equivalent) in the aggregate of the Operating Partnership, the Company or any such significant subsidiary of the Company (1) resulting in such indebtedness becoming or being declared due and payable or (2) constituting a failure to pay the principal or interest of any such debt when due and payable at its stated maturity, upon required repurchase, upon declaration of acceleration or otherwise, which

indebtedness is not discharged, or such default in payment or acceleration is not rescinded, or remedied or cured by the Operating Partnership, the Company or the relevant significant subsidiary of the Company, or waived by the holders of the relevant indebtedness, in each case, within 30 days after written notice to the Operating Partnership from the trustee (or to the Operating Partnership and the trustee from holders of at least 25% in principal amount of the outstanding Notes);

certain events of bankruptcy, insolvency or reorganization of the Operating Partnership, the Company or any of the Company's significant subsidiaries;

a final judgment for the payment of \$100,000,000 (or its foreign currency equivalent) or more (excluding any amounts covered by insurance) rendered against the Operating Partnership, the Company or any of the Company's significant subsidiaries, which judgment is not discharged or stayed within 60 days after (1) the date on which the right to appeal thereof has expired if no such appeal has commenced, or (2) the date on which all rights to appeal have been extinguished; or

the Company repudiates its obligations under the guarantee or, except as permitted under the Indenture, the guarantee is determined to be unenforceable or invalid or ceases for any reason to be in full force or effect.

ITEM 9.01 FINANCIAL STATEMENTS AND EXHIBITS

(d) Exhibits

Exhibit No.	Description
4.1	Indenture, dated September 21, 2015, among Extra Space Storage LP, as issuer, Extra Space Storage Inc., as guarantor, and Wells Fargo Bank, National Association, as trustee, including the form of 3.125% Exchangeable Senior Notes due 2035 and the form of guarantee.
10.1	Registration Rights Agreement, dated September 21, 2015, among Extra Space Storage LP, Extra Space Storage Inc., Citigroup Global Markets Inc. and Wells Fargo Securities, LLC, as representatives of the initial purchasers.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Date: September 21, 2015

EXTRA SPACE STORAGE INC.

By /s/ Gwyn McNeal

Name: Gwyn McNeal

Title: Executive Vice President and Chief Legal
Officer

EXHIBIT INDEX

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