Extra Space Storage Inc.
Form 11-K
June 29, 2009
Table of Contents

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 11-K

FOR ANNUAL REPORTS OF EMPLOYEE STOCK

PURCHASE SAVINGS AND SIMILAR PLANS

PURSUANT TO SECTION 15(d) OF THE

SECURITIES EXCHANGE ACT OF 1934

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

for the year ended December 31, 2008

or

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

For the transition period from to

Commission File No. 001-32269

Extra Space Management, Inc. 401(k) Plan

(Full title of the plan)

Extra Space Storage Inc.

2795 East Cottonwood Parkway, Suite 400

Salt Lake City, Utah 84121

(Name of issuer of the securities held pursuant to the

Plan and the address of its principal executive office)

Table of Contents

Extra Space Management, Inc. 401(k) Plan

Financial Statements and Supplemental Schedules

Years ended December 31, 2008 and 2007

Table of Contents

Table of Contents

Report of Independent Registered Public Accounting Firm

To The Plan Administrator of the

Extra Space Management, Inc. 401(k) Plan

We have audited the accompanying statements of assets available for benefits of the Extra Space Management, Inc. 401(k) Plan (the Plan) as of December 31, 2008 and 2007, and the related statement of changes in assets available for benefits for the year ended December 31, 2008. These financial statements are the responsibility of the Plan s management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets available for benefits of the Extra Space Management, Inc. 401(k) Plan as of December 31, 2008 and 2007, and the changes in assets available for benefits for the year ended December 31, 2008, in conformity with U.S. generally accepted accounting principles.

Our audits of the financial statements were performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental Schedule H, line 4i Schedule of Assets (Held at End of Year) as of December 31, 2008, and supplemental Schedule H, line 4a Schedule of Delinquent Participant Contributions, are presented for the purpose of additional analysis and are not a required part of the basic financial statements but are supplementary information required by the U.S. Department of Labor s Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. The supplemental schedules are the responsibility of the Plan s management. The supplemental schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

/s/ Tanner LC

Salt Lake City, Utah

June 25, 2009

3

Table of Contents

Extra Space Management, Inc. 401(k) Plan

Statements of Assets Available for Benefits

	December 31, 2008	December 31, 2007
Assets		
Investments at fair value	$ 14,473,818	$ 18,976,846
Receivables:		
Participant contributions	2,770	1,608
Employer contributions	5,191	1,243
Total assets at fair value	14,481,779	18,979,697
Adjustment from fair value to contract value for fully benefit-responsive investment contracts		11,770
Assets available for benefits	$ 14,481,779	$ 18,991,467

See accompanying notes to financial statements

Table of Contents

Extra Space Management, Inc. 401(k) Plan

Statement of Changes in

Assets Available for Benefits

		For the year ended December 31, 2008
Additions to (deductions from) assets attributed to:		
Net appreciation in fair value of investments	$	(6,162,840)
Interest and dividends		518,822
Net investment loss		(5,644,018)
Contributions:		
Participants		2,071,564
Employer		1,042,087
Rollover		66,387
Total contributions		3,180,038
Deductions :		
Benefits paid to participants		(2,025,216)
Administrative expenses		(20,492)
Total deductions		(2,045,708)
Decrease in assets available for benefits		(4,509,688)
Assets available for benefits:		
Beginning of year		18,991,467
End of year	$	14,481,779

See accompanying notes to financial statements

Table of Contents

Extra Space Management, Inc. 401(k) Plan

Notes to Financial Statements

1. DESCRIPTION OF PLAN

The following description of the Extra Space Management, Inc. (the Sponsor) 401(k) Plan (the Plan) provides only general information. Participants should refer to the Plan agreement for a more complete description of the Plan s provisions.

General

The Plan is a defined contribution plan which covers all employees who have reached age 21. Field employees are eligible after one year of service and corporate employees are eligible after 90 days of service. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA), as amended. Although it has not expressed any intent to do so, the Sponsor has the right under the Plan to discontinue its contributions at any time and to terminate the Plan subject to the provisions of ERISA.

Extra Space Storage Inc. (the Company) appoints a committee to administer the Plan. At December 31, 2008, the Plan Administrative Committee is comprised of four members of management with Fidelity Management Trust Company (Fidelity and or the Trustee) acting as Trustee.

Effective January 1, 2008, the Plan changed custodians from ING Life Insurance and Annuity Company (ING) to Fidelity. As a result of the change, the Plan adopted a prototype plan document from Fidelity and all of the assets were liquidated from ING and transferred to Fidelity on January 2, 2008.

Contributions

Contributions are made to the Plan by both employees and the Sponsor. Employee contributions to the Plan are deferrals of the employee s compensation made through a direct reduction of compensation in each payroll period. Participating employees may contribute a percentage of their annual compensation up to 60%. The Sponsor matches 100% of the employees pretax contributions not in excess of 3% of the employees compensation, plus 50% of the amount of the employees pretax contributions that exceed 3% of the employees compensation, the sum of which may not exceed 5% of the employees compensation. The Plan Sponsor, at its discretion, may make an additional matching contribution, not to exceed 4% of the employees compensation, as amended on January 2, 2008. Participants direct the investment of their contributions and the Sponsor s match into various investment options offered by the Plan.

Participant Accounts

Each participant s account is adjusted for the participant s contribution, the Sponsor s matching contribution, expenses, and earnings and losses specifically identified with the participant s investment account. The benefit to which a participant is entitled is the benefit that can be provided from the participant s vested account.

Vesting

Participants are immediately vested in their contributions and the Sponsor s matching contributions.

Participant Loans

Participants may borrow from their Plan accounts up to an amount equal to the lesser of $50,000 or 50% of their account balance. The loans are secured by the balance in the participant s account and bear interest at rates ranging from 7.0% to 9.25%. The maturities of these loans range from March 26, 2009 to December 29, 2015. Principal and interest are paid ratably by the participant through payroll deductions.

Payment of Benefits

Upon termination of service due to death, disability, or retirement, a participant may receive a lump-sum amount equal to the vested benefits in his or her account. Under certain circumstances, including financial hardship, participants may withdraw their contributions prior to the occurrence of these events. The Plan Administrators make determinations related to hardship withdrawals. Vested accounts for terminated employees which do not exceed $5,000 but are greater than $1,000 are automatically rolled over into an individual retirement account (IRA). Accounts which are $1,000 or less are automatically distributed in a lump sum.

Table of Contents

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements of the Plan are prepared using the accrual method of accounting in accordance with U.S. generally accepted accounting principles.

Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires the Plan Administrators to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

Investment Valuation and Income Recognition

The Plan s valuation methodology used to measure the fair values of mutual funds and common stocks were derived from quoted market prices as all of these instruments have active markets. The money market portfolio is stated at cost, which approximates fair value. The valuation techniques used to measure fair value of participant loans, all of which mature by the end of 2015 and are secured by vested account balances of borrowing participants, were derived using a discounted cash flow model with inputs derived from unobservable market data.

Net appreciation (depreciation) in the fair value of investments includes realized and unrealized gains (losses) on investments, and is recognized in income currently. Net unrealized gains (losses) represent the difference between the book value (which represents the prior year ending fair value, or cost if the investment was purchased during the year) and the fair value of investments held at year-end. Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Dividends and interest are reinvested as earned.

Administrative Expenses

The Sponsor pays all administrative expenses of the Plan, except for the loan processing fees and fees associated with additional participant services. The fees associated with loan processing and additional services are paid by the participant s account. Total administrative fees paid by the Sponsor were $20,492 for the year ended December 31, 2008.

Payment of Benefits

Benefits are recorded when paid by the Plan.

Fair Value Measurements

Effective January 1, 2008, the Plan adopted Statement of Financial Accounting Standards (SFAS) No. 157, *Fair Value Measurements* (FAS 157), issued by the Financial Accounting Standards Board. FAS 157 defines fair value, establishes a consistent framework for measuring fair value, and enhances disclosures about fair value measurements. There was no material effect from the adoption of FAS 157 on the Plan s consolidated financial statements.

FAS 157 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. To measure fair value, SFAS No. 157 has established a hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs.

This hierarchy uses three levels of inputs to measure the fair value of assets and liabilities as follows:

Level 1 - Quoted prices in active markets for identical assets or liabilities.

Level 2 Significant Other Observable inputs other than Level 1 including quoted prices for similar assets or liabilities, quoted prices in less active markets, or other observable inputs that can be corroborated by observable market data.

Table of Contents

Level 3 Significant Unobservable inputs supported by little or no market activity for financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

The following table sets forth by level, within the fair value hierarchy, the Plan s assets at fair value as of December 31, 2008:

		Fair Value Measurements at Reporting Date Using		
Description	**December 31, 2008**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Mutual Funds	$ 10,821,319	$ 10,821,319	$	$
Money Market Portfolio	3,063,871	3,063,871		
Common Stocks	126,070	126,070		
Participant loans	462,558			462,558
Total assets at fair value	$ 14,473,818	$ 14,011,260	$	$ 462,558

The Plan s valuation methodology used to measure the fair values of mutual funds and common stocks were derived from quoted market prices as all of these instruments have active markets. The valuation techniques used to measure fair value of participant loans above, all of which mature by the end of 2015 and are secured by vested account balances of borrowing participants, were derived using a discounted cash flow model with inputs derived from unobservable market data. The participant loans are included at their carrying values, in the statements of assets available for benefits, which approximated their fair values at December 31, 2008.

Following is a reconciliation of the beginning and ending balances for the Participant Loans that are re-measured on a recurring basis using significant unobservable inputs (Level 3):

Balance at January 1, 2008	$ 338,006
New loans issued	304,034
Loan principal repayments	(136,914)
Loans distributed	(42,568)
Unrealized and realized gains and losses	
Balance at December 31, 2008	$ 462,558

3. PLAN INVESTMENTS

The following table presents the fair value of investments as of December 31, 2008 and 2007. Investments that represent 5% or more of the Plan s assets available for benefits are separately identified. All investments are participant directed.

Table of Contents

		2008		2007
Mutual Funds:				
PIMCO Total Return Fund	$	2,043,216	$	
Fidelity Spartan U.S. Equity Index		1,941,468		
Fidelity Capital Appreciation Fund		1,652,340		
Fidelity International Discovery Fund		1,642,535		
ING VP Index PI Large Cap I				3,486,843
American Funds EuroPacific Growth				3,303,650
American Funds Growth Fund				2,821,472
ING VP Intermediate Bond				1,905,254
Allianz CCM Mid-Cap Fund				1,224,209
ING VP Index PI Small Cap				1,066,835
Other Funds		3,667,829		3,285,673
Fidelity Retirement Money Market Portfolio		3,063,871		
ING Fixed Account at contract value				1,556,674
Participant Loans		462,558		338,006
Total Investments	$	14,473,818	$	18,988,616

During 2008, the Plan s investments in mutual funds and Extra Space Storage Inc. common stock (including investments bought, sold and held during the year) depreciated in value as follows:

Mutual Funds	$	(6,152,195)
Extra Space Storage Inc. common stock		(18,377)
	$	(6,170,572)

4. GUARANTEED INTEREST CONTRACT WITH ING

As of December 31, 2007, the Plan s investment in the ING Fixed Account, a fully benefit-responsive guaranteed investment contract, is presented at fair value with an adjustment to contract value, in accordance with the Financial Accounting Standards Board Staff Position SOP 94-4-1, *Reporting of Fully Benefit-Responsive Investment Contracts Held by Certain Investment Companies Subject to the AICPA Investment Company Guide and Defined Contribution Health and Welfare and Pension Plans*. Contract value includes contributions made, plus earnings, less participant withdrawals and administrative expenses. Participants may ordinarily direct the withdrawal or transfer of all or a portion of their investment at contract value. The contract issuer is contractually obligated to repay the principal and the crediting interest rate guaranteed to the Plan. There are no reserves against contract value for credit risk of the contract issuer or otherwise. The crediting rate for the contract as of December 31, 2007 was 2.70%. The Plan discontinued its investment in the ING Fixed Account on January 2, 2008.

5. RELATED PARTY TRANSACTIONS

As of December 31, 2008, the Plan s investments consisted of mutual funds issued by the Trustee and participant loans extended to participants. The Trustee is considered a party in interest because it manages the Plan s assets. Participants are also considered parties in interest.

Transactions associated with the shares of common stock of the Company are also considered exempt party-in-interest transactions. As of December 31, 2008 and 2007, the Plan held 12,112 and 1,400 shares, respectively, of Company common stock. Total outstanding Company common stock as of December 31, 2008, was 85,790,331 shares.

During the year ended December 31, 2008, the Plan had the following transactions involving the Company common stock:

Table of Contents

Shares purchased		15,244
Shares sold		4,532
Cost of shares purchased	$	178,559
Loss realized on shares sold	$	(7,763)
Dividend income earned	$	5,997

6. RISKS AND UNCERTAINTIES

The Plan provides for investment in various investment securities. In general, these securities are exposed to various risks, such as interest rate, credit, and liquidity risk and overall market volatility and changes in economic conditions. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the accompanying statements of assets available for benefits.

7. INCOME TAX STATUS

The Plan has adopted a non-standardized prototype plan for which the Internal Revenue Service has issued an opinion letter dated October 9, 2003, covering the qualification of the Plan under the appropriate sections of the Internal Revenue Code. The Plan Administrators believe that the Plan continues to operate in accordance with the requirements to qualify for tax-exempt status. Accordingly, no provision for income taxes is included in the accompanying financial statements.

8. DELINQUENT TRANSFERS OF PARTICIPANT CONTRIBUTIONS

The Sponsor was delinquent in transferring $119,811 in participant contributions to the Plan during the year ended December 31, 2008. The Sponsor paid $258 in voluntary fiduciary corrective additional contributions in February and June 2009.

9. RECONCILIATION OF FINANCIAL STATEMENTS TO FORM 5500

The following is a reconciliation of assets available for benefits as presented in the financial statements as of December 31, 2008 to Form 5500:

Assets available for benefits as presented in the financial statements	$	14,481,779
Receivables:		
Participant contributions		30
Employer contributions		53
Assets available for benefits as presented in Form 5500	$	14,481,862

The following is a reconciliation of changes in assets available for benefits as presented in the financial statements for the year ended December 31, 2008 to Form 5500:

Increase in assets available for benefits as presented in the financial statements	$	(4,509,688)
Ending receivables		83
Beginning receivables		2,853
Increase in assets available for benefits as presented in Form 5500	$	(4,506,752)

Table of Contents

Extra Space Management, Inc. 401(k) Plan

Schedule H, Part IV, Line 4i

Schedule of Assets (Held at End of Year)

December 31, 2008

Employer Identification Number: 87-0405300

Plan Number: 001

(a) Party in Interest	(b) Identity of Issue	(c) Description of Investments	Number of Units		(e) Current Value
*	Fidelity Retirement Money Market Portfolio	Money Market	3,063,871	$	3,063,871
*	Fidelity Spartan U.S. Equity Index	Mutual Fund	60,861		1,941,468
*	Fidelity Capital Appreciation Fund	Mutual Fund	105,044		1,652,340
*	Fidelity International Discovery Fund	Mutual Fund	69,511		1,642,535
*	Fidelity Balanced Fund	Mutual Fund	53,054		696,071
*	Fidelity Capital & Income Fund	Mutual Fund	40,580		221,567
*	Fidelity Value Fund	Mutual Fund	4,649		185,291
*	Freedom Fund 2020	Mutual Fund	10,595		106,480
*	Freedom Fund 2015	Mutual Fund	11,350		97,156
*	Freedom Fund 2035	Mutual Fund	6,828		54,829
*	Freedom Fund Income	Mutual Fund	5,420		51,812
*	Freedom Fund 2040	Mutual Fund	5,503		30,764
*	Freedom Fund 2025	Mutual Fund	3,211		26,427
*	Freedom Fund 2010	Mutual Fund	2,285		23,672
*	Fidelity Spartan International Index Fund	Mutual Fund	556		14,875
*	Freedom Fund 2030	Mutual Fund	1,481		14,451
*	Freedom Fund 2045	Mutual Fund	770		5,070
*	Freedom Fund 2000	Mutual Fund	189		1,901
*	Freedom Fund 2005	Mutual Fund	109		916
*	Freedom Fund 2050	Mutual Fund	133		862
	PIMCO Total Return Fund	Mutual Fund	201,501		2,043,216
	Loomis Sayles Small Cap Value Fund	Mutual Fund	41,060		679,129
	Morgan Stanley Institutional Fund Trust Mid Cap	Mutual Fund	38,678		661,402
	American Beacon Investor Class (Lg Cap Val)	Mutual Fund	20,762		272,191
	Royce Value Plus Fund	Mutual Fund	25,006		198,799
	Janus Adviser International Growth Fund Class S	Mutual Fund	5,229		140,717
	Davis NY Venture Fund, Inc. Class A	Mutual Fund	2,429		57,378
*	Extra Space Storage Common Stock	Common Stock	12,112		126,070
*	Loans to participants, at cost, which approximates fair value, at interest rates ranging from 7% to 9.25% and maturities ranging from March 26, 2009 to December 29, 2015.		70		462,558
				$	14,473,818

* Denotes a party-in-interest as defined by ERISA.

Note: Column (d), cost, has been omitted as all investments are participant directed.

See accompanying report of independent registered public accounting firm.

Table of Contents

Extra Space Management, Inc. 401(k) Plan

Schedule H, Part IV, Line 4a

Schedule of Delinquent Participant Contributions

For the Year Ended December 31, 2008

Employer Identification Number: 87-0405300

Plan Number: 001

Participant Contributions Transferred Late to the Plan	Total That Constitute Nonexempt Prohibited Transactions	Corrective Additional Contributions Made by Plan Sponsor*
$ 119,811	$ 119,811	$ 258

* The Plan Sponsor made corrective contribution payments in February and June 2009.

See accompanying report of independent registered public accounting firm.

Table of Contents

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the trustees (or other persons who administer the employee benefit plan) have duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Extra Space Management, Inc. 401(k) Plan

Date: June 29, 2009

/s/ Kent W. Christensen
Kent W. Christensen
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)