ROCKY SHOES & BOOTS INC
Form 424B3
May 04, 2006

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Prospectus Supplement to
Prospectus Dated May 2, 2006
484,261 Shares

ROCKY SHOES & BOOTS, INC.
Common Stock
$23.37 per share

The selling shareholder identified in this prospectus is offering 484,261 shares of Rocky Shoes & Boots, Inc. We will not receive any proceeds from the sale of our shares by the selling shareholder.

This prospectus supplement includes updated Selling Shareholder and Legal Matters sections and a new Underwriting section that supersedes the information under the headings Selling Shareholder, Legal Matters and Plan of Distribution in the accompanying prospectus dated May 2, 2006.

The last reported sale price of our common stock on May 3, 2006, was $24.37 per share.

Trading symbol: Nasdaq National Market RCKY.

This investment involves risk. See Risk Factors beginning on page 4 in the accompanying prospectus.

	Per Share	Total
Public offering price	$ 23.37	$ 11,317,179.57
Underwriting discount	$ 1.00	$ 484,261.00
Proceeds, before expenses to the selling shareholder	$ 22.37	$ 10,832,918.57

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

Piper Jaffray

The date of this prospectus supplement is May 3, 2006

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You should rely only on the information contained in or incorporated by reference into this prospectus supplement or the accompanying prospectus. We have not, and the underwriter has not, authorized any other person to provide you with different information. This prospectus supplement and the accompanying prospectus are not an offer to sell, nor are they seeking an offer to buy, these securities in any state where the offer or sale is not permitted. The information in this prospectus supplement and the accompanying prospectus is complete and accurate as of the date the information is presented, but the information may have changed since that date.

SUMMARY

The following summary contains basic information about us and this offering. It does not contain all of the information that you should consider in making your investment decision. You should read and consider carefully all of the information in the prospectus and all documents incorporated by reference in the prospectus, including the information set forth under Risk Factors in the prospectus, as well as the more detailed financial information, including the consolidated financial statements and related notes thereto, incorporated by reference in the prospectus, before making an investment decision.

Rocky Shoes & Boots, Inc.

We are a leading designer, manufacturer and marketer of premium quality footwear marketed under a portfolio of well recognized brand names including Rocky Outdoor Gear, Georgia Boot, Durango, Lehigh and Dickies. Our brands have a long history of representing high quality, comfortable, functional and durable footwear and our products are organized around four target markets: outdoor, work, duty and western. Our footwear products incorporate varying features and are positioned across a range of suggested retail price points from $29.95 for our value priced products to $249.95 for our premium products. In addition, as part of our strategy of outfitting consumers from head-to-toe, we market complementary branded apparel and accessories that we believe leverage the strength and positioning of each of our brands.

Our products are distributed through three distinct business segments: wholesale, retail and military. In our wholesale business, we distribute our products through a wide range of distribution channels representing over 10,000 retail store locations in the U.S. and Canada. Our wholesale channels vary by product line and include sporting goods stores, outdoor retailers, independent shoe retailers, hardware stores, catalogs, mass merchants, uniform stores, farm store chains, specialty safety stores and other specialty retailers. Our retail business includes direct sales of our products to consumers through our Lehigh Safety Shoes mobile and retail stores (including a fleet of 78 trucks, supported by 38 small warehouses that include retail stores, which we refer to as mini-stores), our two Rocky outlet stores and our websites. We also sell footwear under the Rocky label to the U.S. military.

We are an Ohio corporation. Our headquarters is located at 39 East Canal Street, Nelsonville, Ohio 45764, and our telephone number is (740) 753-1951. Our corporate website address is www.rockyboots.com. This reference to our website is a textual reference only. We do not incorporate the information on our website into this prospectus and you should not consider any information on, or that can be accessed through, our website as part of this prospectus.

Rocky, Rocky Outdoor Gear, Georgia Boot, Durango and Lehigh and our other marks mentioned or used in this prospectus or the documents incorporated by reference herein are our registered trademarks and service marks. This prospectus and the documents incorporated by reference herein also contains trademarks and service marks belonging to other entities.

The Offering

Common stock offered by the selling shareholder	484,261 shares
Common stock outstanding after the offering	5,390,593 shares
Offering price	$23.37
Use of proceeds	We will not receive any proceeds from the sale of common stock by the selling shareholder.
Nasdaq National Market symbol	RCKY

The number of shares to be outstanding after this offering is based on 5,390,593 shares outstanding as of May 2, 2006. The number of shares to be outstanding after this offering does not give effect to:

- 579,651 shares of common stock issuable upon exercise of outstanding options at a weighted average exercise price of $14.33 per share as of May 2, 2006; or
- 491,500 additional shares reserved for issuance under our stock option plans as of May 2, 2006.

RECENT DEVELOPMENTS

On April 27, 2006, we announced financial results for the first quarter ended March 31, 2006. For the three months ended March 31, 2006, net sales were $57.5 million compared to $61.5 million for the corresponding period a year ago. Net income was $0.9 million versus net income of $1.1 million and diluted earnings per share was $0.16 versus $0.20 last year.

SELLING SHAREHOLDER

On January 6, 2005, we completed the purchase of all of the issued and outstanding voting limited liability interests of EJ Footwear LLC, Georgia Boot LLC, and HM Lehigh Safety Shoe Co. LLC from SILLC Holdings, LLC. The purchase price paid to SILLC included 484,261 shares of our common stock. We agreed to register for resale by SILLC the shares of common stock we issued in the acquisition. SILLC transferred its shares of our common stock to its wholly owned subsidiary, Bearing Inspection Holdings Inc. on April 19, 2006. This prospectus relates to the resale from time to time of these shares of our common stock by the selling shareholder identified in this prospectus.

Pursuant to the terms of a registration rights agreement with SILLC, we have filed with the Commission under the Securities Act a registration statement on Form S-3, of which this prospectus forms a part, with respect to the resale of the shares of common stock by the selling shareholder. We are required by the terms of the agreement to keep the registration statement effective until the date on which all of the common stock has been sold by the selling shareholder. The registration rights agreement provides, among other things, that we will pay all expenses in connection with any such registration, other than underwriting discounts and selling commissions, fees and disbursements of counsel for the selling shareholder, and the selling shareholder s pro rata share of all federal and blue sky registration and qualification fees.

Except as noted above, the selling shareholder has not had a material relationship with us within the past three years.

Information regarding beneficial ownership of our common stock by the selling shareholder as of May 1, 2006 follows. The shares beneficially owned have been determined in accordance with rules promulgated by the Commission, and the information is not necessarily indicative of beneficial ownership for any other purpose. The selling shareholder may from time to time offer and sell pursuant to this prospectus any or all of the common stock being registered. The table assumes that the selling shareholder sells all shares offered under this prospectus. We can make no assurance as to how many of the shares will be sold by the selling shareholder.

	Prior to this Offering			**Subsequent to this Offering**	
Name	**Total Beneficial Ownership**	**Percent**	**Shares Being Sold in this Offering**	**Total Beneficial Ownership**	**Percent**
Bearing Inspection Holdings Inc. [1]	484,261[2]	9.0%	484,261	0	0%

[1] Bearing Inspection Holdings Inc. (Bearing) is a wholly owned subsidiary of SILLC Holdings, LLC (SILLC) and acquired the shares of our common stock from SILLC on April 19, 2006. The address of the principal business office of Bearing is c/o SILLC Holdings, LLC, Raritan Plaza I, Raritan Center 2nd Floor, Edison, NJ 08818.

[2] Based on information filed on Schedule 13G with the Securities and Exchange Commission on February 13, 2006, by SILLC Holdings, LLC (SILLC), Strategic Industries, LLC (Strategic), Citibank Venture Capital Equity Partners, L.P. (CVCEP), CVC Partners, LLC (CVC Partners), Citigroup Venture Capital GP Holdings Ltd. (CVC GP Holdings), Court Square Capital Limited (Court Square), Citicorp Banking Corporation (CBC), and Citigroup Inc. (Citigroup). Strategic is the sole member of SILLC. CVCEP holds a membership interest in Strategic. CVC Partners holds a general partnership interest in CVCEP. CVC GP Holdings has a membership interest in CVC Partners. Court Square is the sole shareholder of CVC GP Holdings. CBC is the sole shareholder of Court Square. Citigroup is the sole shareholder of CBC. The address of the principal business office of SILLC, and Strategic is Raritan Plaza I, Raritan Center 2nd Floor, Edison, NJ 08818. The address of the principal business office of each of CVCEP, CVC Partners, CVC GP Holdings, Court Square, and Citigroup is 399 Park Avenue, New York, NY 10043. The address of the principal business office of CBC is One Penn s Way, New Castle, DE 19720.

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UNDERWRITING

Piper Jaffray & Co., as underwriter, has agreed to buy from the selling shareholder, subject to the terms of a purchase agreement, 484,261 shares of common stock. The underwriter is committed to purchase and pay for all of the shares if any are purchased.

The underwriter has advised us that it proposes to offer the shares to the public at $23.37 per share.

We estimate that the total fees and expenses payable by us, excluding underwriting discounts and commissions, will be approximately $50,000. The following table shows the underwriting fees to be paid to the underwriter in connection with this offering.

Per share	$ 1.00
Total to be paid by the selling shareholder	$ 484,261.00

We and the selling shareholder have agreed to indemnify the underwriter against certain liabilities, including civil liabilities under the Securities Act of 1933, or to contribute to payments that the underwriter may be required to make in respect of those liabilities.

The underwriter has informed us that it will not make sales of the common stock offered by this prospectus to accounts over which it exercises discretionary authority without the prior specific written approval of the customer.

The selling shareholder is subject to a lock-up agreement that prohibits it from offering for sale, selling, contracting to sell, granting any option for the sale of, transferring or otherwise disposing of any shares of our common stock, options or warrants to acquire shares of our common stock or any security or instrument related to such common stock, option or warrant for a period of at least 90 days following the date of this prospectus without the prior written consent of the underwriter. The lock-up provisions do not prevent the selling shareholder from selling shares to the underwriter pursuant to the purchase agreement or from transferring its shares or other securities to any corporation, business trust, association, limited liability company, partnership, limited liability partnership, limited liability limited partnership or other entity which is directly or indirectly controlled by, or is under common control with the selling shareholder, provided in each case that the transferee of such securities agrees to be locked-up to the same extent as the securityholder from whom they received the shares.

In addition, we are subject to a lock-up agreement that prohibits us from offering for sale, selling, contracting to sell, granting any option for the sale of, pledging, transferring, establishing an open put equivalent position or otherwise disposing of any shares of our common stock, options or warrants to acquire shares of our common stock or any security or instrument related to such common stock, option or warrant for a period of at least 90 days following the date of this prospectus without the prior written consent of the underwriter. None of our directors or officers is subject to a lock-up agreement.

The 90-day lock-up period in both of the lock-up agreements is subject to extension if (i) during the last 17 days of the lock-up period we issue an earnings release or material news or a material event relating to us occurs or (ii) prior to the expiration of the lock-up period, we announce that we will release earnings results during the 16-day period beginning on the last day of the lock-up period, in which case the restrictions imposed in these lock-up agreements shall continue to apply until the expiration of the 18-day period beginning on the issuance of the earnings release or the occurrence of the material news or material event, unless the underwriter waives the extension in writing.

The shares are quoted on the Nasdaq National Market under the symbol RCKY.

To facilitate the offering, the underwriter may engage in transactions that stabilize, maintain or otherwise affect the price of the common stock during and after the offering. Specifically, the underwriter may over-allot or otherwise create a short position in the common stock for its own account by selling more shares of common stock than the selling shareholder has sold to them. Short sales involve the sale by the underwriter of a greater number of shares than it is required to purchase in the offering. The underwriter must close out any short position by purchasing shares in the open market. A short position is more likely to be created if the underwriter is concerned that there may be downward pressure on the price of the common stock in the open market after pricing that could adversely affect investors who purchase in the offering.

In addition, the underwriter may stabilize or maintain the price of the common stock by bidding for or purchasing shares of common stock in the open market and may impose penalty bids. If penalty bids are imposed, selling concessions allowed to other broker-dealers participating in the offering are reclaimed if shares of common stock previously distributed in the offering are repurchased, whether in connection with stabilization transactions or otherwise. The effect of these transactions may be to stabilize or maintain the market price of the common stock at a level above that which might otherwise prevail in the open market. The imposition of a penalty bid may also affect the price of the common stock to the extent that it discourages resales of the common stock. The magnitude or effect of any stabilization or other transactions is uncertain. These transactions may be effected on the Nasdaq National Market or otherwise and, if commenced, may be discontinued at any time.

The underwriter or selling group members may also engage in passive market making transactions in our common stock. Passive market making consists of displaying bids on the Nasdaq National Market limited by the prices of independent market makers and effecting purchases limited by those prices in response to order flow. Rule 103 of Regulation M promulgated by the Securities and Exchange Commission limits the amount of net purchases that each passive market maker may make and the displayed size of each bid. Passive market making may stabilize the market price of the common stock at a level above that which might otherwise prevail in the open market and, if commenced, may be discontinued at any time.

A prospectus in electronic format may be made available on the web sites maintained by the underwriter or selling group members, if any, participating in this offering and the underwriter participating in this offering may distribute prospectuses electronically.

From time to time in the ordinary course of its business, the underwriter and its affiliates may in the future engage in investment banking transactions with us and our affiliates.

LEGAL MATTERS

The validity of the shares offered hereby has been passed upon for us by Porter, Wright, Morris & Arthur LLP, Columbus, Ohio. Curtis A. Loveland, a partner in Porter, Wright, Morris & Arthur LLP, is our secretary and a director and beneficially owns an aggregate of 72,422 shares of our common stock consisting of a combination of stock and options exercisable within 60 days after May 2, 2006. Piper Jaffray & Co. has been represented by Faegre & Benson LLP, Minneapolis, Minnesota.

Prospectus

484,261 Shares
ROCKY SHOES & BOOTS, INC.
Common Stock

The selling shareholder of Rocky Shoes & Boots, Inc. identified in this prospectus, SILLC Holdings, LLC, is offering 484,261 shares. We will not receive any proceeds from the sale of our shares by the selling shareholder.

The selling shareholder may sell the shares of common stock described in this prospectus in a number of different ways and at varying prices. For additional information on the methods of sale, you should refer to the section entitled Plan of Distribution beginning on page 15.

The last reported sale price of our common stock on April 5, 2006 was $24.78 per share.

Trading symbol: Nasdaq National Market RCKY

This investment involves risk. See Risk Factors beginning on page 4.
Neither the Securities and Exchange Commission nor any state securities commission has approved of anyone s investment in these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The date of this prospectus is May 2, 2006

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This prospectus incorporates important business and financial information about our company that is not included or delivered with this document. This information is described in greater detail in the section of this prospectus entitled Where You Can Find More Information. In addition, the information is available without charge upon a written or oral request to Rocky Shoes & Boots, Inc., 39 East Canal Street, Nelsonville, Ohio 45764, Attention: James E. McDonald, Chief Financial Officer, (740) 753-1951. You should rely only on the information contained in this prospectus or incorporated by reference in this prospectus. We have not, and the underwriters (if any) have not, authorized any other person to provide you with different information. This prospectus is not an offer to sell, nor is it seeking an offer to buy, these securities in any state where the offer or sale is not permitted. The information in this prospectus is complete and accurate as of the date on the front cover, but the information may have changed since that date.

In this prospectus, we, us, our and Rocky refer to Rocky Shoes & Boots, Inc. and its subsidiaries. Selling shareho refers to the selling shareholder named in this prospectus or its pledges, donees, transferees, or any of its successors in interest.

SUMMARY

The following summary contains basic information about us and this offering. It does not contain all of the information that you should consider in making your investment decision. You should read and consider carefully all of the information in this prospectus and all documents incorporated by reference in this prospectus, including the information set forth under Risk Factors, as well as the more detailed financial information, including the consolidated financial statements and related notes thereto, incorporated by reference in this prospectus, before making an investment decision.

Rocky Shoes & Boots, Inc.

We are a leading designer, manufacturer and marketer of premium quality footwear marketed under a portfolio of well recognized brand names including Rocky Outdoor Gear, Georgia Boot, Durango, Lehigh and Dickies. Our brands have a long history of representing high quality, comfortable, functional and durable footwear and our products are organized around four target markets: outdoor, work, duty and western. Our footwear products incorporate varying features and are positioned across a range of suggested retail price points from $29.95 for our value priced products to $249.95 for our premium products. In addition, as part of our strategy of outfitting consumers from head-to-toe, we market complementary branded apparel and accessories that we believe leverage the strength and positioning of each of our brands.

Our products are distributed through three distinct business segments: wholesale, retail and military. In our wholesale business, we distribute our products through a wide range of distribution channels representing over 10,000 retail store locations in the U.S. and Canada. Our wholesale channels vary by product line and include sporting goods stores, outdoor retailers, independent shoe retailers, hardware stores, catalogs, mass merchants, uniform stores, farm store chains, specialty safety stores and other specialty retailers. Our retail business includes direct sales of our products to consumers through our Lehigh Safety Shoes mobile and retail stores (including a fleet of 78 trucks, supported by 38 small warehouses that include retail stores, which we refer to as mini-stores), our two Rocky outlet stores and our websites. We also sell footwear under the Rocky label to the U.S. military.

We are an Ohio corporation. Our headquarters is located at 39 East Canal Street, Nelsonville, Ohio 45764, and our telephone number is (740) 753-1951. Our corporate website address is www.rockyboots.com. This reference to our website is a textual reference only. We do not incorporate the information on our website into this prospectus and you should not consider any information on, or that can be accessed through, our website as part of this prospectus.

Rocky, Rocky Outdoor Gear, Georgia Boot, Durango and Lehigh and our other marks mentioned or used in this prospectus or the documents incorporated by reference herein are our registered trademarks and service marks. This prospectus and the documents incorporated by reference herein also contains trademarks and service marks belonging to other entities.

The Offering

Common stock offered by the selling shareholder	484,261 shares
Common stock outstanding after the offering.	5,386,093 shares
Use of proceeds.	We will not receive any proceeds from the sale of common stock by the selling shareholder.
Nasdaq National Market symbol.	RCKY

The number of shares to be outstanding after this offering is based on 5,386,093 shares outstanding as of April 5, 2006. The number of shares to be outstanding after this offering does not give effect to:

- 602,901 shares of common stock issuable upon exercise of outstanding options at a weighted average exercise price of $14.54 per share as of April 5, 2006; or

- 484,000 additional shares reserved for issuance under our stock option plans as of April 5, 2006.

RISK FACTORS

An investment in our common stock involves a high degree of risk. You should carefully consider the risks described below, together with all of the other information included in this prospectus, before making an investment decision. If any of the following risks actually occurs, our business, financial condition or results of operations could suffer. In that case, the trading price of our common stock could decline, and you may lose all or part of your investment.

Risks Relating to Our Business

Expanding our brands into new footwear and apparel markets may be difficult and expensive, and if we are unable to successfully continue such expansion, our brands may be adversely affected, and we may not achieve our planned sales growth.

Our growth strategy is founded substantially on the expansion of our brands into new footwear and apparel markets. New products that we introduce may not be successful with consumers or one or more of our brands may fall out of favor with consumers. If we are unable to anticipate, identify or react appropriately to changes in consumer preferences, we may not grow as fast as we plan to grow or our sales may decline, and our brand image and operating performance may suffer.

Furthermore, achieving market acceptance for new products will likely require us to exert substantial product development and marketing efforts, which could result in a material increase in our selling, general and administrative, or SG&A, expenses, and there can be no assurance that we will have the resources necessary to undertake such efforts. Material increases in our SG&A expenses could adversely impact our results of operations.

We may also encounter difficulties in producing new products that we did not anticipate during the development stage. Our development schedules for new products are difficult to predict and are subject to change as a result of shifting priorities in response to consumer preferences and competing products. If we are not able to efficiently manufacture newly-developed products in quantities sufficient to support retail distribution, we may not be able to recoup our investment in the development of new products. Even if we develop and manufacture new products that consumers find appealing, the ultimate success of a new model may depend on our product pricing. Failure to gain market acceptance for new products that we introduce could impede our growth, reduce our profits, adversely affect the image of our brands, erode our competitive position and result in long term harm to our business.

A majority of our products are produced outside the U.S. where we are subject to the risks of international commerce.

A majority of our products are produced in the Dominican Republic and China. Therefore, our business is subject to the following risks of doing business offshore:

- the imposition of additional United States legislation and regulations relating to imports, including quotas, duties, taxes or other charges or restrictions;
- foreign governmental regulation and taxation;
- fluctuations in foreign exchange rates;
- changes in economic conditions;
- transportation conditions and costs in the Pacific and Caribbean;
- changes in the political stability of these countries; and
- changes in relationships between the United States and these countries.

If any of these factors were to render the conduct of business in these countries undesirable or impracticable, we would have to manufacture or source our products elsewhere. There can be no assurance that additional sources or products would be available to us or, if available, that these sources could be relied on to provide product at terms favorable to us. The occurrence of any of these developments would have a material adverse effect on our business, financial condition and results of operations.

Our success depends on our ability to anticipate consumer trends.

Demand for our products may be adversely affected by changing consumer trends. Our future success will depend upon our ability to anticipate and respond to changing consumer preferences and technical design or material developments in a timely manner. The failure to adequately anticipate or respond to these changes could have a material adverse effect on our business, financial condition and results of operations.

Loss of services of our key personnel could adversely affect our business.

The development of our business has been, and will continue to be, highly dependent upon Mike Brooks, Chairman and Chief Executive Officer, David Sharp, President and Chief Operating Officer, and James McDonald, Executive Vice President, Chief Financial Officer and Treasurer. Mr. Brooks has an at-will employment agreement with us. The employment agreement provides that in the event of termination of employment, he will receive a severance benefit and may not compete with us for a period of one year. None of our other executive officers and key employees have an employment agreement with our company. The loss of the services of any of these officers could have a material adverse effect on our business, financial condition and results of operations.

We depend on a limited number of suppliers for key production materials, and any disruption in the supply of such materials could interrupt product manufacturing and increase product costs.

We purchase raw materials from a number of domestic and foreign sources. We do not have any long-term supply contracts for the purchase of our raw materials, except for limited blanket orders on leather. The principal raw materials used in the production of our footwear, in terms of dollar value, are leather, Gore-Tex waterproof breathable fabric, Cordura nylon fabric and soling materials. Availability or change in the prices of our raw materials could have a material adverse effect on our business, financial condition and results of operations.

We currently have a licensing agreement for the use of Gore-Tex waterproof breathable fabric, and any termination of this licensing agreement could impact our sales of waterproof products.

We are currently one of the largest customers of Gore-Tex waterproof breathable fabric for use in footwear. Our licensing agreement with W.L. Gore & Associates, Inc. may be terminated by either party upon advance written notice to the other party by October 1 for termination effective December 31 of that same year. Although other waterproofing techniques and materials are available, we place a high value on our Gore-Tex waterproof breathable fabric license because Gore-Tex has high brand name recognition with our customers. The loss of our license to use Gore-Tex waterproof breathable fabric could have a material adverse effect on our competitive position, which could have a material adverse effect on our business, financial condition and results of operations.

We currently have a licensing agreement for the use of the Dickies trademark, and any termination of this licensing agreement could impact our sales and growth strategy.

We have an exclusive license through December 31, 2007 to use the Dickies brand on all footwear products, except nursing shoes. The Dickies brand is well recognized by consumers and we plan to introduce value priced Dickies footwear targeting additional markets, including outdoor, duty and western. Our license with Dickies may be terminated by Dickies prior to December 31, 2007 if we do not achieve certain minimum net shipments in a particular year. Furthermore, it is not certain whether we will be able to renew our license to use the Dickies brand after the expiration or termination of the current license. The loss of our license to use the Dickies brand could have a material adverse effect on our competitive position and growth strategy, which could have a material adverse effect on our business, financial condition and results of operations.

Our outdoor products are seasonal.

We have historically experienced significant seasonal fluctuations in our business because we derive a significant portion of our revenues from sales of our outdoor products. Many of our outdoor products are used by consumers in cold or wet weather. As a result, a majority of orders for these products are placed by our retailers in January through April for delivery in July through October. In order to meet demand, we must manufacture and source outdoor footwear year round to be in a position to ship advance orders for these products during the last two quarters of each year. Accordingly, average inventory levels have been highest during the second and third quarters of each year and sales have been highest in the last two quarters of each year. There is no assurance that we will have either sufficient inventory to satisfy demand in any particular quarter or have sufficient demand to sell substantially all of our inventory without significant markdowns.

Our outdoor products are sensitive to weather conditions.

Historically, our outdoor products have been used primarily in cold or wet weather. Mild or dry weather has in the past and may in the future have a material adverse effect on sales of our products, particularly if mild or dry weather conditions occur in broad geographical areas during late fall or early winter. For example, an unseasonably warm and dry winter in late 2004 and early 2005 throughout the Midwest significantly decreased demand for our outdoor products. Also, due to variations in weather conditions from year to year, results for any single quarter or year may not be indicative of results for any future period.

Our business could suffer if our third party manufacturers violate labor laws or fail to conform to generally accepted ethical standards.

We require our third party manufacturers to meet our standards for working conditions and other matters before we are willing to place business with them. As a result, we may not always obtain the lowest cost production. Moreover, we do not control our third party manufacturers or their respective labor practices. If one of our third party manufacturers violates generally accepted labor standards by, for example, using forced or indentured labor or child labor, failing to pay compensation in accordance with local law, failing to operate its factories in compliance with local safety regulations or diverging from other labor practices generally accepted as ethical, we likely would cease dealing with that manufacturer, and we could suffer an interruption in our product supply. In addition, such a manufacturer s actions could result in negative publicity and may damage our reputation and the value of our brand and discourage retail customers and consumers from buying our products.

Our future tax rates may not be as favorable as our historical tax rates.

In past years, our effective tax rate typically has been substantially below the United States federal statutory rates. We have paid minimal income taxes on income earned by our subsidiary in Puerto Rico due to tax credits afforded us under Section 936 of the Internal Revenue Code and local tax abatements. However, Section 936 of the Internal Revenue Code has been repealed so that future tax credits available to us are capped in 2005 and terminate in 2006. In addition, our local tax abatements in Puerto Rico are scheduled to expire in 2009. In 2004, we elected to repatriate $3.0 million of earnings and accrued $157,000 of related taxes under the American Jobs Creation Act of 2004. During 2005, the $3,000,000 of previously undistributed earnings were repatriated. At December 31, 2005, approximately $8.7 million of undistributed earnings remain that would become taxable upon repatriation to the United States. No income taxes are provided for the remaining undistributed earnings. As a result of the acquisition of EJ Footwear, our effective tax rate for 2005 increased to 32.5% compared to 28.8% for 2004, as a higher percentage of profits are taxed at U.S. tax rates.

Our future tax rate will vary depending on many factors, including the level of relative earnings and tax rates in each jurisdiction in which we operate and the repatriation of any foreign income to the United States. We cannot anticipate future changes in such laws. Increases in effective tax rates or changes in tax laws may have a material adverse effect on our business, financial condition and results of operations.

The growth of our business will be dependent upon the availability of adequate capital.

The growth of our business will depend on the availability of adequate capital, which in turn will depend in large part on cash flow generated by our business and the availability of equity and debt financing. We cannot assure you that our operations will generate positive cash flow or that we will be able to obtain equity or debt financing on acceptable terms or at all. Our revolving credit facility contains provisions that restrict our ability to incur additional indebtedness or make substantial asset sales that might otherwise be used to finance our expansion. Security interests in substantially all of our assets, which may further limit our access to certain capital markets or lending sources, secure our obligations under our revolving credit facility. Moreover, the actual availability of funds under our revolving credit facility is limited to specified percentages of our eligible inventory and accounts receivable. Accordingly, opportunities for increasing our cash on hand through sales of inventory would be partially offset by reduced availability under our revolving credit facility. As a result, we cannot assure you that we will be able to finance our current expansion plans.

We face intense competition, including competition from companies with significantly greater resources than ours, and if we are unable to compete effectively with these companies, our market share may decline and our business could be harmed.

The footwear and apparel industries are intensely competitive, and we expect competition to increase in the future. A number of our competitors have significantly greater financial, technological, engineering, manufacturing, marketing and distribution resources than we do, as well as greater brand awareness in the footwear market. Our ability to succeed depends on our ability to remain competitive with respect to the quality, design, price and timely delivery of products. Competition could materially adversely affect our business, financial condition and results of operations.

We currently manufacture a portion of our products and we may not be able to do so in the future at costs that are competitive with those of competitors who source their goods.

We currently plan to retain our internal manufacturing capability in order to continue benefiting from expertise we have gained with respect to footwear manufacturing methods conducted at our manufacturing facilities. We continue to evaluate our manufacturing facilities and third party manufacturing alternatives in order to determine the appropriate size and scope of our manufacturing facilities. There can be no assurance that the costs of products that continue to be manufactured by us can remain competitive with products sourced from third parties.

We rely on distribution centers in Logan, Ohio and Tunkhannock, Pennsylvania, and if there is a natural disaster or other serious disruption at any of these facilities, we may be unable to deliver merchandise effectively to our retailers.

We rely on distribution centers in Logan, Ohio and Tunkhannock, Pennsylvania. Any natural disaster or other serious disruption at any of these facilities due to fire, tornado, flood, terrorist attack or any other cause could damage a portion of our inventory or impair our ability to use our distribution center as a docking location for merchandise. Either of these occurrences could impair our ability to adequately supply our retailers and harm our operating results.

We may be subject to certain environmental and other regulations.

Some of our operations use substances regulated under various federal, state, local and international environmental and pollution laws, including those relating to the storage, use, discharge, disposal and labeling of, and human exposure to, hazardous and toxic materials. Compliance with current or future environmental laws and regulations could restrict our ability to expand our facilities or require us to acquire additional expensive equipment, modify our manufacturing processes or incur other significant expenses. In addition, we could incur costs, fines and civil or criminal sanctions, third party property damage or personal injury claims or could be required to incur substantial investigation or remediation costs, if we were to violate or become liable under any environmental laws. Liability under environmental laws can be joint and several and without regard to comparative fault. There can be no assurance that violations of environmental laws or regulations have not occurred in the past and will not occur in the future as a result of our inability to obtain permits, human error, equipment failure or other causes, and any such violations could harm our business and financial condition.

If our efforts to establish and protect our trademarks, patents and other intellectual property are unsuccessful, the value of our brands could suffer.

We regard certain of our footwear designs as proprietary and rely on patents to protect those designs. We believe that the ownership of patents is a significant factor in our business. Existing intellectual property laws afford only limited protection of our proprietary rights, and it may be possible for unauthorized third parties to copy certain of our footwear designs or to reverse engineer or otherwise obtain and use information that we regard as proprietary. If our patents are found to be invalid, however, to the extent they have served, or would in the future serve, as a barrier to entry to our competitors, such invalidity could have a material adverse effect on our business, financial condition and results of operations.

We own U.S. registrations for a number of our trademarks, trade names and designs, including such marks as Rocky, Rocky Outdoor Gear, Georgia Boot, Durango and Lehigh. Additional trademarks, trade names and designs are the subject of pending federal applications for registration. We also use and have common law rights in certain trademarks. Over time, we have increased distribution of our goods in several foreign countries. Accordingly, we have applied for trademark registrations in a number of these countries. We intend to enforce our trademarks and trade names against unauthorized use by third parties.

Our success depends on our ability to forecast sales.

Our investments in infrastructure and product inventory are based on sales forecasts and are necessarily made in advance of actual sales. The markets in which we do business are highly competitive, and our business is affected by a variety of factors, including brand awareness, changing consumer preferences, product innovations, susceptibility to fashion trends, retail market conditions, weather conditions and economic and other factors. One of our principal challenges is to improve our ability to predict these factors, in order to enable us to better match production with demand. In addition, our growth over the years has created the need to increase the investment in infrastructure and product inventory and to enhance our systems. To the extent sales forecasts are not achieved, costs associated with the infrastructure and carrying costs of product inventory would represent a higher percentage of revenue, which would adversely affect our financial performance.

Risks Related to Our Industry

Because the footwear market is sensitive to decreased consumer spending and slow economic cycles, if general economic conditions deteriorate, many of our customers may significantly reduce their purchases from us or may not be able to pay for our products in a timely manner.

The footwear industry has been subject to cyclical variation and decline in performance when consumer spending decreases or softness appears in the retail market. Many factors affect the level of consumer spending in the footwear industry, including:

- general business conditions;
- interest rates;
- the availability of consumer credit;
- weather;
- increases in prices of nondiscretionary goods;
- taxation; and
- consumer confidence in future economic conditions.

Consumer purchases of discretionary items, including our products, may decline during recessionary periods and also may decline at other times when disposable income is lower. A downturn in regional economies where we sell products also reduces sales.

The continued shift in the marketplace from traditional independent retailers to large discount mass merchandisers may result in decreased margins.

A continued shift in the marketplace from traditional independent retailers to large discount mass merchandisers has increased the pressure on many footwear manufacturers to sell products to these mass merchandisers at less favorable margins. Because of competition from large discount mass merchandisers, a number of our small retailing customers have gone out of business, and in the future more of these customers may go out of business, which could have a material adverse effect on our business, financial condition and results of operations. Although progressive independent retailers have attempted to improve their competitive position by joining buying groups, a continued shift to discount mass merchandisers could have a material adverse effect on our business, financial condition and results of operations.

Risks Relating to Our Common Stock and this Offering

Our common stock price has been volatile, which could result in a substantial loss for shareholders.

Our common stock is traded on the Nasdaq National Market. While our average daily trading volume for the 52-week period ended March 31, 2006 was approximately 45,674 shares, we have experienced more limited volume in the past and may experience it in the future. The trading price of our common stock has been and may continue to be volatile. The closing sale prices of our common stock, as reported by the Nasdaq National Market, have ranged from $19 to $33.79 for the 52-week period ended March 31, 2006. The trading price of our common stock could be affected by a number of factors, including, but not limited to the following:

- changes in expectations of our future performance;
- changes in estimates by securities analysts (or failure to meet such estimates);
- quarterly fluctuations in our sales and financial results;
- limited trading volume;
- broad market fluctuations in volume and price; and
- a variety of risk factors, including the ones described elsewhere in this prospectus.

Accordingly, the price of our common stock after the offering is likely to fluctuate greatly and may be lower than the price you pay.

Future sale of our common stock could adversely affect our stock price.

Future sales of substantial amounts of shares of our common stock in the public market, or the perception that these sales could occur due to the availability for sale of substantial amounts of common stock by our existing shareholders pursuant to an effective registration statement or under Rule 144, may cause the market price of our common stock to decline. In addition, we may be required to issue additional shares upon exercise of previously granted options that are currently outstanding. Increased sales of our common stock in the market after exercise of our currently outstanding stock options could exert significant downward pressure on our stock price. These sales also might make it more difficult for us to sell equity or equity related securities in the future at a time and price we deem appropriate.

We can issue shares of preferred stock without shareholder approval, which could adversely affect the rights of common shareholders.

Our articles of incorporation permit us to establish the rights, privileges, preferences and restrictions, including voting rights, of future series of our preferred stock and to issue such stock without approval from our shareholders. The rights of holders of our common stock may suffer as a result of the rights granted to holders of preferred stock that we may issue in the future. In addition, we could issue preferred stock to prevent a change in control of our company, depriving common shareholders of an opportunity to sell their stock at a price in excess of the prevailing market price.

Anti-takeover provisions of our articles of incorporation, code of regulations, shareholder rights plan and Ohio law could prevent or delay a change in control of our company, even if a change of control would benefit our shareholders.

Provisions of our articles of incorporation and code of regulations, as well as provisions of Ohio law, could discourage, delay or prevent a merger, acquisition or other change in control of our company, even if a change in control might benefit our shareholders. These provisions could also discourage proxy contests and make it more difficult for you and other shareholders to elect directors and take other corporate actions. As a result, these provisions could limit the price that investors are willing to pay in the future for shares of our common stock. These provisions might also discourage a potential acquisition proposal or tender offer, even if the acquisition proposal or tender offer is at a price well above the then current market price for our common stock. These provisions include the following:

- a board of directors that is classified so that only one-half of the directors stand for election each year;
- authorization of blank check preferred stock, which our board of directors could issue with provisions designed to thwart a takeover attempt;
- limitations on the ability of shareholders to call special meetings of shareholders;
- no cumulative voting in the election of directors, which would otherwise allow the holders of less than a majority of our common stock to elect director candidates;
- a prohibition against shareholder action by written consent unless signed by all shareholders of record; and
- advance notice requirements for nominations for election to our board of directors or for proposing matters that can be acted upon by shareholders at shareholder meetings.

We adopted a shareholder rights plan in 1997 under a shareholder rights agreement intended to protect shareholders against unsolicited attempts to acquire control of our company that do not offer what our board of directors believes to be an adequate price to all shareholders or that our board of directors otherwise opposes. As part of the plan, our board of directors declared a dividend that resulted in the issuance of one preferred stock purchase right for each outstanding share of our common stock. Unless extended, the preferred share purchase rights will terminate on November 5, 2007. If a bidder proceeds with an unsolicited attempt to purchase our stock and acquires 20% or more (or announces its intention to acquire 20% or more) of our outstanding stock, and the board of directors does not redeem the preferred stock purchase right, the right will become exercisable at a price that significantly dilutes the interest of the bidder in our common stock.

The effect of the shareholder rights plan is to make it more difficult to acquire our company without negotiating with the board of directors. The shareholder rights plan, however, could discourage offers even if made at a premium over the market price of our common stock, and even if the shareholders might believe the transaction would benefit them.

In addition, we are subject to the Chapter 1704 of the Ohio Revised Code, the Merger Moratorium Act, which limits business combination transactions with interested shareholders (generally 10% or greater shareholders) that our board of directors has not approved. These provisions and other similar provisions make it more difficult for a third party to acquire us without negotiation. These provisions apply even if some shareholders would consider the transaction beneficial.

We do not anticipate paying cash dividends on our shares of common stock in the foreseeable future.

We intend to retain any future earnings to fund the operation and expansion of our business and, therefore, we do not anticipate paying cash dividends on our shares of common stock in the foreseeable future. As a result, you may only realize a return on your investment upon a sale of our common stock, if at all.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus and the information incorporated by reference in this prospectus contain forward-looking statements. We sometimes use words such as anticipate, believe, continue, estimate, expect, intend, may, plan, pr similar expressions, as they relate to us, our management and our industry, to identify forward-looking statements. Forward-looking statements relate to our expectations, beliefs, plans, strategies, prospects, future performance, anticipated trends and other future events. Specifically, this prospectus and the information incorporated by reference in this prospectus contain forward-looking statements relating to, among other things:

- our business, growth, operating and financing strategies;
- our product mix;
- the introduction or success of new products;
- the impact of seasonality and weather on our operations;
- expectations regarding our net sales and earnings growth;
- expectations regarding our liquidity;
- our future financing plans; and
- trends affecting our financial condition or results of operations.

We have based our forward-looking statements largely on our current expectations and projections about future events and financial trends affecting our business. Actual results may differ materially. Some of the risks, uncertainties and assumptions that may cause actual results to differ from these forward-looking statements are described in Risk Factors. In light of these risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus and the information incorporated by reference in this prospectus might not occur.

You should read this prospectus, the documents that we filed as exhibits to the registration statement of which this prospectus is a part and the documents that we incorporate by reference in this prospectus completely and with the understanding that our future results may be materially different from what we expect. We qualify all of our forward-looking statements by these cautionary statements, and we assume no obligation to update these forward-looking statements publicly for any reason.

WHERE YOU CAN FIND MORE INFORMATION AND INCORPORATION BY REFERENCE

We filed a registration statement on Form S-3 with the Securities and Exchange Commission for this offering. This prospectus does not contain all of the information in the registration statement. In addition, we file annual, quarterly and special reports, proxy statements and other information with the Commission. Our Commission filings are available to the public over the Internet at the Commission s web site at http://www.sec.gov. You may also read and copy any document we file with the Commission at its public reference facilities at 100 F Street, N.E., Washington, DC 20549. You can also obtain copies of the documents at prescribed rates by writing to the Public Reference Section of the Commission at 100 F Street, N.E., Washington, DC 20549. Please call the Commission at 1-800-SEC-0330 for further information on the operation of the public reference facilities. Our Commission filings are also available at the office of the Nasdaq Stock Market, One Liberty Place, 165 Broadway, New York, New York 10006. For further information on obtaining copies of our public filings at the Nasdaq Stock Market, you should call 212-656-5060.

We incorporate by reference into this prospectus the information we file with the Commission (Commission file number 0-21026), which means that we can disclose important information to you by referring you to those documents. The information incorporated by reference is an important part of this prospectus. Information that we file with the Commission after the date of this prospectus will automatically update this prospectus. We incorporate by reference the documents listed below, and any filings we make with the Commission under Sections 13(a), 13(c), 14, or 15(d) of the Securities Exchange Act of 1934 after the initial filing of the registration statement that contains this prospectus and before the time that the selling shareholders sell all the securities offered by this prospectus (except for information furnished and not filed with the Commission in a Current Report on Form 8-K):

- our Annual Report on Form 10-K for the year ended December 31, 2005, filed with the Commission on March 16, 2006;

- Preliminary Proxy Statement for our annual meeting of shareholders scheduled to be held on May 16, 2006, filed with the Commission on March 31, 2006;

- our Current Report on Form 8-K, dated January 23, 2006, filed with the Commission on January 27, 2006;

- the description of our common shares, which is contained in our registration statement on Form 8-A filed with the Commission on December 22, 1992, pursuant to Section 12 of the Securities Exchange Act of 1934, as amended, as updated in any amendment or report filed for the purpose of updating such description; and

- the description of the preferred stock purchase rights associated with our common stock, contained in our registration statement on Form 8-A filed with the Commission on November 5, 1997, as amended December 9, 2004, as updated in any amendment or report filed for the purpose of updating such description.

Information furnished by us in Current Reports on Form 8-K under Items 2.02 and 9.01 is expressly not incorporated by reference in this prospectus.

You may request a copy of these filings at no cost, by writing to or telephoning us at:

Rocky Shoes & Boots, Inc.
39 East Canal Street
Nelsonville, Ohio 45764
Attention: James E. McDonald, Chief Financial Officer
(740) 753-1951

All information contained in this prospectus regarding our company was supplied by us, and all information contained in this prospectus regarding the selling shareholder was supplied by the selling shareholder. Neither we, nor the selling shareholder, can warrant the accuracy or completeness of information relating to the other party.

USE OF PROCEEDS

The proceeds from the sale of the shares offered by this prospectus will be received directly by the selling shareholder. We will not receive any proceeds from the sale of the shares offered by this prospectus.

SELLING SHAREHOLDER

On January 6, 2005, we completed the purchase of all of the issued and outstanding voting limited liability interests of EJ Footwear LLC, Georgia Boot LLC, and HM Lehigh Safety Shoe Co. LLC from SILLC Holdings, LLC. The purchase price paid to SILLC included 484,261 shares of our common stock. We agreed to register for resale by the selling shareholder the shares of common stock we issued in the acquisition. This prospectus relates to the resale from time to time of these shares of our common stock by the selling shareholder identified in this prospectus.

Pursuant to the terms of a registration rights agreement with the selling shareholder, we have filed with the Commission under the Securities Act a registration statement on Form S-3, of which this prospectus forms a part, with respect to the resale of the shares of common stock by the selling shareholder. We are required by the terms of the agreement to keep the registration statement effective until the date on which all of the common stock has been sold by the selling shareholder. The registration rights agreement provides, among other things, that we will pay all expenses in connection with any such registration, other than underwriting discounts and selling commissions, fees and disbursements of counsel for the selling shareholder, and the selling shareholder s pro rata share of all federal and blue sky registration and qualification fees.

Except as noted above, the selling shareholder has not had a material relationship with us within the past three years. Information regarding beneficial ownership of our common stock by the selling shareholder as of March 31, 2006 follows. The shares beneficially owned have been determined in accordance with rules promulgated by the Commission, and the information is not necessarily indicative of beneficial ownership for any other purpose. The selling shareholder may from time to time offer and sell pursuant to this prospectus any or all of the common stock being registered. The table assumes that the selling shareholder sells all shares offered under this prospectus. We can make no assurance as to how many of the shares will be sold by the selling shareholder.

	Prior to this Offering			Subsequent to this Offering	
Name	**Total Beneficial Ownership**	**Percent**	**Shares Being Sold in this Offering**	**Total Beneficial Ownership**	**Percent**
SILLC Holdings, LLC	484,261(1)	9.0%	484,261	0	0%

(1) Based on information filed on Schedule 13G with the Securities and Exchange Commission on February 13, 2006, by SILLC Holdings, LLC (SILLC), Strategic Industries, LLC (Strategic), Citibank Venture Capital Equity Partners, L.P. (CVCEP),

CVC Partners, LLC (CVC Partners), Citigroup Venture Capital GP Holdings Ltd. (CVC GP Holdings), Court Square Capital Limited (Court Square), Citicorp Banking Corporation (CBC), and Citigroup Inc. (Citigroup). Strategic is the sole member of SILLC. CVCEP holds a membership interest in Strategic. CVC Partners holds a general partnership interest in CVCEP. CVC GP Holdings has a membership interest in CVC Partners. Court Square is the sole shareholder of CVC GP Holdings. CBC is the sole shareholder of Court Square. Citigroup is the sole shareholder of CBC. The address of the principal business office of SILLC and Strategic is Raritan Plaza I, Raritan Center

2nd Floor, Edison, NJ 08818. The address of the principal business office of each of CVCEP, CVC Partners, CVC GP Holdings, Court Square, and Citigroup is 399 Park Avenue, New York, NY 10043. The address of the principal business office of CBC is One Penn s Way, New Castle, DE 19720.

PLAN OF DISTRIBUTION

We are registering 484,261 shares of common stock covered by this prospectus for sale by the selling shareholder. The term selling shareholder as used in this section of the prospectus refers to the selling shareholder identified under Selling Shareholder, or its pledgees, donees, transferees, or any of its successors in interest.

These shares of common stock may be sold from time to time directly by the selling shareholder or, alternatively, through underwriters, broker-dealers or agents. If shares of the common stock are sold through underwriters, broker-dealers or agents, responsibility for underwriting discounts or commissions or agent s commissions will be borne by the selling shareholder. This common stock may be sold in one or more transactions at fixed prices, at prevailing market prices at the time of sale, at varying prices determined at the time of sale or at negotiated prices. Generally, the underwriters obligations to purchase the shares will be subject to certain conditions precedent. The prospectus supplement, if any, will set forth the terms of the offering of the shares of common stock registered hereby, including (a) the names of any underwriters, broker-dealers or agents, and the amounts of securities to be underwritten or purchased by each of them and (b) the public offering price of the shares and the proceeds to the selling shareholder and any discounts, commissions or concessions allowed or reallowed or paid to dealers. These sales may be effected in transactions (which may involve block transactions):

- through the Nasdaq National Market or on any national securities exchange or quotation service on which our common stock may be listed or quoted at the time of sale,
- in the over-the-counter market, or
- in other transactions, such as privately negotiated transactions.

If the selling shareholder uses underwriters in the sale, the underwriters will acquire the securities for their own account. The underwriters may resell the securities in one or more transactions, including negotiated transactions, at a fixed public offering price or at varying prices determined at the time of sale. The securities may be either offered to the public through underwriting syndicates represented by managing underwriters or by underwriters without a syndicate. The obligations of the underwriters to purchase the securities will be subject to certain conditions.

In connection with sales of the common stock or otherwise, the selling shareholder may enter into hedging transactions with broker-dealers, which may in turn engage in short sales of our common stock in the course of hedging positions they assume. The selling shareholder may also sell common stock short and deliver common stock to close out short positions, or loan or pledge common stock to broker-dealers that in turn may sell these securities.

The selling shareholder may select broker-dealers to sell its shares. Broker-dealers that the selling shareholder engages may arrange for other broker-dealers to participate in selling the shares. The selling shareholder may give these broker-dealers commissions or discounts or concessions in amounts to be negotiated immediately before any sale. In connection with these sales, these broker-dealers, any other participating broker-dealers, and the selling shareholder and certain pledgees, donees, transferees and other successors in interest, may be deemed to be underwriters within the meaning of Section 2(11) of the Securities Act in connection with the sales of the shares. Accordingly, any commission, discount or concession received by them and any profit on the resale of the shares purchased by them may be deemed to be underwriting discounts or commissions under the Securities Act. Because the selling shareholder may be deemed to be an underwriter within the meaning of Section 2(11) of the Securities Act, the selling shareholder will be subject to the prospectus delivery requirements of the Securities Act, which may include delivery through the facilities of the Nasdaq National Market pursuant to Rule 153 under the Securities Act. In addition, any securities covered by this prospectus that qualify for sale pursuant to Rule 144 under the Securities Act may be sold under Rule 144 rather than under this prospectus. In no event will any distribution of the shares of common stock covered by this prospectus take the form of an underwritten offering without our prior agreement. We have informed the selling shareholder that the anti-manipulation provisions of Regulation M promulgated under the Securities Exchange Act of 1934 may apply to its sales in the market.

If we are notified by the selling stockholder that any material arrangement has been entered into with a broker-dealer for the sale of the selling shareholder s shares offered by this prospectus through a block trade, special offering, exchange distribution or secondary distribution or a purchase by a broker or dealer, we will file a supplement to this prospectus, if required, pursuant to Rule 424(b) or (c) under the Securities Act, disclosing facts material to the transaction.

Certain of any such underwriters and agents, including their associates, may be customers of, engage in transactions with and perform services for us and our subsidiaries in the ordinary course of business. We or the selling shareholders may have agreements with the underwriters, dealers and agents to indemnify them against certain civil liabilities, including liabilities under the Securities Act, or to contribute with respect to payments which the underwriters, dealers or agents may be required to make.

We estimate that the total expenses associated with offerings under this prospectus, other than underwriting discounts and commissions, fees and disbursements of counsel for the selling shareholder, and the selling shareholder s pro rata share of the federal and blue sky registration and qualification fees, will be approximately $50,000, all of which will be paid by us pursuant to the terms of our registration rights agreement with the selling shareholder.

LEGAL MATTERS

The validity of the shares offered hereby has been passed upon for us by Porter, Wright, Morris & Arthur LLP, 41 South High Street, Columbus, Ohio 43215. Curtis A. Loveland, a partner in Porter, Wright, Morris & Arthur LLP, is our secretary and a director and beneficially owns an aggregate of 72,422 shares of our common stock consisting of a combination of stock and options exercisable within 60 days after April 5, 2006.

EXPERTS

The consolidated financial statements, the related financial statement schedule, and management s report on the effectiveness of internal control over financial reporting incorporated in this prospectus by reference from our Annual Report on Form 10-K for the year ended December 31, 2005 have been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their reports, which are incorporated herein by reference, and have been so incorporated in reliance upon the reports of such firm given upon their authority as experts in accounting and auditing.

484,261 Shares
ROCKY SHOES & BOOTS, INC.
Common Stock

PROSPECTUS SUPPLEMENT

Piper Jaffray
May 3, 2006

ottom"> (1,268)

Issuance of Operating Partnership units in conjunction with store acquisitions

106,522 106,522

Redemption of Operating Partnership units for common stock

(138) 6,500 138

Net income

3,343 1,257 990 343 4,567 11 109,081 119,592

Other comprehensive income (loss)

(3) 50 (335) (288)

Tax effect from vesting of restricted stock grants and stock option exercises

1,242 1,242

Distributions to Operating Partnership units held by noncontrolling interests

(3,472) (1,257) (990) (343) (5,511) (11,573)

Dividends paid on common stock at $1.06 per share

(123,473) (123,473)

Balances at June 30, 2015

$14,677	$41,903	$10,730	$13,710	$197,912	$173	122,835,005	$1,228	$2,416,894	$(1,819)	$(272,130)	$2,423,27

See accompanying notes to unaudited condensed consolidated financial statements.

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Extra Space Storage Inc.

Condensed Consolidated Statements of Cash Flows

(amounts in thousands)

(unaudited)

	For the Six Months Ended June 30, 2015	2014
Cash flows from operating activities:		
Net income	$ 119,592	$ 87,217
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	61,980	56,646
Amortization of deferred financing costs	3,328	3,236
Loss (gain) on earnout related to prior acquisitions	(400)	7,785
Non-cash interest expense related to amortization of discount on equity component of exchangeable senior notes	1,393	1,325
Non-cash interest expense related to amortization of premium on notes payable	(1,682)	(1,585)
Compensation expense related to stock-based awards	2,795	2,799
Gain on sale of real estate assets and purchase of joint venture partners interests	(2,857)	(3,438)
Distributions from unconsolidated real estate ventures in excess of earnings	3,459	3,427
Changes in operating assets and liabilities:		
Receivables from related parties and affiliated real estate joint ventures	(1,302)	(791)
Other assets	(2,961)	3,773
Accounts payable and accrued expenses	3,857	4,938
Other liabilities	(3,915)	2,427
Net cash provided by operating activities	183,287	167,759
Cash flows from investing activities:		
Acquisition of real estate assets	(240,892)	(296,920)
Development and redevelopment of real estate assets	(9,926)	(5,958)
Proceeds from sale of real estate assets	800	
Change in restricted cash	(179)	800
Purchase/issuance of notes receivable		(9,028)
Purchase of equipment and fixtures	(2,592)	(2,336)
Net cash used in investing activities	(252,789)	(313,442)
Cash flows from financing activities:		
Proceeds from the sale of common stock, net of offering costs	416,643	
Proceeds from notes payable and lines of credit	892,140	421,957
Principal payments on notes payable and lines of credit	(973,656)	(238,283)

Deferred financing costs		(3,451)		(3,217)
Net proceeds from exercise of stock options		1,102		2,551
Dividends paid on common stock		(123,473)		(100,874)
Distributions to noncontrolling interests		(11,573)		(9,229)
Net cash provided by financing activities		197,732		72,905
Net increase (decrease) in cash and cash equivalents		128,230		(72,778)
Cash and cash equivalents, beginning of the period		47,663		126,723
Cash and cash equivalents, end of the period	$	175,893	$	53,945

See accompanying notes to unaudited condensed consolidated financial statements.

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Extra Space Storage Inc.

Condensed Consolidated Statements of Cash Flows

(amounts in thousands)

(unaudited)

	For the Six Months Ended June 30, 2015	2014
Supplemental schedule of cash flow information		
Interest paid	$ 40,984	$ 33,859
Income taxes paid	1,431	3,050
Supplemental schedule of noncash investing and financing activities:		
Redemption of Operating Partnership units held by noncontrolling interests for common stock:		
Noncontrolling interests in Operating Partnership	$ (138)	$
Common stock and paid-in capital	138	
Tax effect from vesting of restricted stock grants and option exercises		
Other assets	$ (1,242)	$ (2,679)
Paid-in capital	1,242	2,679
Acquisitions of real estate assets		
Real estate assets, net	$ 122,132	$ 55,308
Notes payable assumed		(33,190)
Operating Partnership units issued	(106,522)	(22,118)
Receivables from related parties and affiliated real estate joint ventures	(15,610)	

See accompanying notes to unaudited condensed consolidated financial statements.

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EXTRA SPACE STORAGE INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

Amounts in thousands, except store and share data, unless otherwise stated

1. ORGANIZATION

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

The Company invests in stores by acquiring wholly-owned stores or by acquiring an equity interest in real estate entities. At June 30, 2015, the Company had direct and indirect equity interests in 866 stores. In addition, the Company managed 281 stores for third parties, bringing the total number of stores which it owns and/or manages to 1,147. These stores are located in 35 states, Washington, D.C. and Puerto Rico.

The Company operates in three distinct segments: (1) rental operations; (2) tenant reinsurance; and (3) property management, acquisition and development. The rental operations activities include rental operations of stores in which we have an ownership interest. No single tenant accounts for more than 5.0% of rental income. Tenant reinsurance activities include the reinsurance of risks relating to the loss of goods stored by tenants in the Company s stores. The Company s property management, acquisition and development activities include managing, acquiring, developing and selling stores.

2. BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements of the Company are presented on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles (GAAP) for interim financial information, and in accordance with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they may not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, all adjustments (including normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three and six months ended June 30, 2015, are not necessarily indicative of results that may be expected for the year ending December 31, 2015. The condensed consolidated balance sheet as of December 31, 2014 has been derived from the Company s audited financial statements as of that date, but does not include all of the information and footnotes required by GAAP for complete financial statements. For further information refer to the consolidated financial statements and footnotes thereto included in the Company s Annual Report on Form 10-K for the year ended December 31, 2014, as filed with the Securities and Exchange Commission.

Reclassifications

Certain amounts in the Company s 2014 consolidated financial statements and supporting note disclosures have been reclassified to conform to the current period presentation. Such reclassifications did not impact previously reported net income or accumulated deficit.

Recently Issued Accounting Standards

In April 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-08, *Presentation of Financial Statements (Topic 205) and Property, Plant and Equipment (Topic 360): Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity* . Under this guidance, only disposals representing a strategic shift in operations should be presented as discontinued operations. The guidance also requires new disclosures of both discontinued operations and certain other disposals that do not meet the definition of a discontinued operation. The Company adopted this guidance effective January 1, 2015. The Company has not previously had discontinued operations and as such, does not expect this guidance to have a significant impact on its consolidated financial statements.

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In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers,* which amends the guidance for revenue recognition to replace numerous, industry-specific requirements and converges areas under this topic with those of the International Financial Reporting Standards. ASU 2014-09 outlines a five-step process for customer contract revenue recognition that focuses on transfer of control, as opposed to transfer of risk and rewards. The amendment also requires enhanced disclosures regarding the nature, amount, timing and uncertainty of revenues and cash flows from contracts with customers. ASU 2014-09 is effective for reporting periods beginning after December 15, 2016, and early adoption is prohibited. Entities can transition to the standard either retrospectively or as a cumulative-effect adjustment as of the date of adoption. In July 2015, the FASB approved a one-year deferral of the effective date of the standard. The new standard will now become effective for annual and interim periods beginning after December 15, 2017 with early adoption on the original effective date permitted. The Company has not yet selected a transition method. Management is currently assessing the impact of the adoption of ASU 2014-09 on the Company s consolidated financial statements.

In February 2015, the FASB issued ASU 2015-02, *Consolidation (Topic 810): Amendments to the Consolidation Analysis.* This guidance is effective for annual reporting periods beginning after December 15, 2015, including interim periods within that reporting period. ASU 2015-02 amends the criteria for determining if a service provider possesses a variable interest in a VIE, and eliminates the presumption that a general partner should consolidate a limited partnership. The Company does not expect the adoption of this standard to materially impact its consolidated financial statements.

In April 2015, the FASB issued ASU 2015-03, *Interest - Imputation of Interest: Simplifying the Presentation of Debt Issuance Costs,* which requires debt issuance costs related to a recognized debt liability to be presented as a direct deduction from the carrying amount of that debt liability. The new guidance will only impact financial statement presentation. The guidance is effective in the first quarter of 2016 and allows for early adoption. The Company does not expect the adoption of this standard to materially impact its consolidated financial statements.

In April 2015, the FASB issued ASU 2015-05, *Intangibles Goodwill and Other Internal-Use Software (Subtopic 350-40) Customers Accounting for Fees Paid in a Cloud Computing Arrangement,* which provides guidance regarding the accounting for fees paid by a customer in cloud computing arrangements. If a cloud computing arrangement includes a software license, the payment of fees should be accounted for in the same manner as the acquisition of other software licenses. If there is no software license, the fees should be accounted for as a service contract. The guidance is effective in fiscal years beginning after December 15, 2015 and early adoption is permitted. An entity can elect to adopt the amendments either (1) prospectively to all arrangements entered into or materially modified after the effective date or (2) retrospectively. The Company is still evaluating the impact of adopting this guidance.

3. FAIR VALUE DISCLOSURES

Derivative Financial Instruments

Currently, the Company uses interest rate swaps to manage its interest rate risk. The valuation of these instruments is determined using widely accepted valuation techniques, including discounted cash flow analysis on the expected cash flows of each derivative. This analysis reflects the contractual terms of the derivatives, including the period to maturity, and uses observable market-based inputs, including interest rate curves. The fair values of interest rate swaps are determined using the market standard methodology of netting the discounted future fixed cash payments and the discounted expected variable cash receipts. The variable cash receipts are based on an expectation of future interest rates (forward curves) derived from observable market interest rate forward curves.

The Company incorporates credit valuation adjustments to appropriately reflect both its own nonperformance risk and the respective counterparty s nonperformance risk in the fair value measurements. In adjusting the fair value of its derivative contracts for the effect of nonperformance risk, the Company has considered the impact of netting and any applicable credit enhancements, such as collateral postings, thresholds, mutual puts and guarantees. In conjunction with the Financial Accounting Standards Board s fair value measurement guidance, the Company made an accounting policy election to measure the credit risk of its derivative financial instruments that are subject to master netting agreements on a net basis by counterparty portfolio.

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Although the Company has determined that the majority of the inputs used to value its derivatives fall within Level 2 of the fair value hierarchy, the credit valuation adjustments associated with its derivatives utilize Level 3 inputs, such as estimates of current credit spreads to evaluate the likelihood of default by the Company and its counterparties. However, as of June 30, 2015, the Company had assessed the significance of the impact of the credit valuation adjustments on the overall valuation of its derivative positions and determined that the credit valuation adjustments were not significant to the overall valuation of its derivatives. As a result, the Company determined that its derivative valuations in their entirety were classified in Level 2 of the fair value hierarchy.

The table below presents the Company s assets and liabilities measured at fair value on a recurring basis as of June 30, 2015, aggregated by the level in the fair value hierarchy within which those measurements fall.

		Fair Value Measurements at Reporting Date Using		
Description	**June 30, 2015**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Other assets - Cash Flow Hedge Swap Agreements	$ 3,540	$	$ 3,540	$
Other liabilities - Cash Flow Hedge Swap Agreements	$ (3,778)	$	$ (3,778)	$

There were no transfers of assets and liabilities between Level 1 and Level 2 during the six months ended June 30, 2015. The Company did not have any significant assets or liabilities that are re-measured on a recurring basis using significant unobservable inputs as of June 30, 2015 or December 31, 2014.

Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis

Long-lived assets held for use are evaluated for impairment when events or circumstances indicate there may be impairment. The Company reviews each store at least annually to determine if any such events or circumstances have occurred or exist. The Company focuses on stores where occupancy and/or rental income have decreased by a significant amount. For these stores, the Company determines whether the decrease is temporary or permanent, and whether the store will likely recover the lost occupancy and/or revenue in the short term. In addition, the Company carefully reviews stores in the lease-up stage and compares actual operating results to original projections.

When the Company determines that an event that may indicate impairment has occurred, the Company compares the carrying value of the related 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 assets exceeds the undiscounted future net operating cash flows attributable to the assets. The impairment loss recognized equals the excess of net carrying value over the related fair value of the assets.

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

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

In connection with the Company s acquisition of stores, the purchase price is allocated to the tangible and intangible assets and liabilities acquired based on their fair values, which are estimated using significant unobservable inputs. The value of the tangible assets, consisting of land and buildings, is determined as if vacant. Intangible assets, which represent the value of existing tenant relationships, are recorded at their fair values based on the avoided cost to replace the current leases. The Company measures the value of tenant relationships based on the rent lost due to the amount of time required to replace existing customers, which is based on the Company s historical experience with turnover in its stores. Debt assumed as part of an acquisition is recorded at fair value based on current interest rates compared to contractual rates. Acquisition-related transaction costs are expensed as incurred.

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Fair Value of Financial Instruments

The carrying values of cash and cash equivalents, restricted cash, receivables, other financial instruments included in other assets, accounts payable and accrued expenses, variable-rate notes payable, lines of credit and other liabilities reflected in the condensed consolidated balance sheets at June 30, 2015 and December 31, 2014 approximate fair value.

The fair values of the Company s notes receivable from Preferred Operating Partnership unit holders were based on the discounted estimated future cash flows of the notes (categorized within Level 3 of the fair value hierarchy); the discount rate used approximated the current market rate for loans with similar maturities and credit quality. The fair values of the Company s fixed-rate notes payable and notes payable to trusts were estimated using the discounted estimated future cash payments to be made on such debt (categorized within Level 3 of the fair value hierarchy); the discount rates used approximated current market rates for loans, or groups of loans, with similar maturities and credit quality. The fair value of the Company s exchangeable senior notes was estimated using an average market price for similar securities obtained from a third party.

The fair values of the Company s fixed-rate assets and liabilities were as follows for the periods indicated:

	June 30, 2015		December 31, 2014	
	Fair Value	Carrying Value	Fair Value	Carrying Value
Notes receivable from Preferred Operating Partnership unit holders	$ 126,407	$ 120,230	$ 126,380	$ 120,230
Fixed rate notes payable and notes payable to trusts	$ 1,296,658	$ 1,311,763	$ 1,320,370	$ 1,283,893
Exchangeable senior notes	$ 300,625	$ 250,000	$ 276,095	$ 250,000

4. EARNINGS PER COMMON SHARE

Basic earnings per common share is computed using the two-class method by dividing net income attributable to common stockholders by the weighted average number of common shares outstanding during the period. All outstanding unvested restricted stock awards contain rights to non-forfeitable dividends and participate in undistributed earnings with common stockholders; accordingly, they are considered participating securities that are included in the two-class method. Diluted earnings per common share measures the performance of the Company over the reporting period while giving effect to all potential common shares that were dilutive and outstanding during the period. The denominator includes the weighted average number of basic shares and the number of additional common shares that would have been outstanding if the potential common shares that were dilutive had been issued, and is calculated using either the two-class, treasury stock or as if-converted method, whichever is most dilutive. Potential common shares are securities (such as options, convertible debt, Series A Participating Redeemable Preferred Units (Series A Units), Series B Redeemable Preferred Units (Series B Units), Series C Convertible Redeemable Preferred Units (Series C Units), Series D Redeemable Preferred Units (Series D Units) and common Operating Partnership units (OP Units)) that do not have a current right to participate in earnings of the Company but could do so in the future by virtue of their option, redemption or conversion right.

In computing the dilutive effect of convertible securities, net income is adjusted to add back any changes in earnings in the period associated with the convertible security. The numerator also is adjusted for the effects of any other non-discretionary changes in income or loss that would result from the assumed conversion of those potential common shares. In computing diluted earnings per common share, only potential common shares that are dilutive (those that reduce earnings per common share) are included. For the three months ended June 30, 2015 and 2014, options to purchase approximately 44,207 and 33,059 shares of common stock, respectively, and for the six months ended June 30, 2015 and 2014, options to purchase 32,193 and 25,068 shares of common stock, respectively, were excluded from the computation of earnings per share as their effect would have been anti-dilutive.

The following table presents the number of Preferred Operating Partnership units, and the potential common shares, that were excluded from the computation of earnings per share as their effect would have been anti-dilutive, assuming full conversion.

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	For the Three Months Ended June 30, 2015		For the Three Months Ended June 30, 2014	
	Number of Units	Equivalent Shares (if converted)	Number of Units	Equivalent Shares (if converted)
Series B Units	1,676,087	618,026	1,668,760	809,292
Series C Units	704,016	437,154	600,656	490,545
Series D Units	548,390	202,209		
	2,928,493	1,257,389	2,269,416	1,299,837

	For the Six Months Ended June 30, 2015		For the Six Months Ended June 30, 2014	
	Number of Units	Equivalent Shares (if converted)	Number of Units	Equivalent Shares (if converted)
Series B Units	1,676,087	628,124	1,506,644	768,853
Series C Units	704,016	444,297	504,858	433,854
Series D Units	548,390	205,513		
	2,928,493	1,277,934	2,011,502	1,202,707

The Operating Partnership had $250,000 of its 2.375% Exchangeable Senior Notes due 2033 (the Notes) issued and outstanding as of June 30, 2015. The Notes could potentially have a dilutive impact on the Company s earnings per share calculations. The Notes are exchangeable by holders into shares of the Company s common stock under certain circumstances per the terms of the indenture governing the Notes. The exchange price of the Notes was $55.26 per share as of June 30, 2015, and could change over time as described in the indenture. The Company has irrevocably agreed to pay only cash for the accreted principal amount of the Notes relative to its exchange obligations, but retained the right to satisfy the exchange obligation in excess of the accreted principal amount in cash and/or common stock.

Though the Company has retained that right, Accounting Standards Codification (ASC) 260, *Earnings per Share,* requires an assumption that shares would be used to pay the exchange obligation in excess of the accreted principal amount, and requires that those shares be included in the Company s calculation of weighted average common shares outstanding for the diluted earnings per share computation. For the three and six months ended June 30, 2015, 836,630 shares related to the Notes were included in the computation for diluted earnings per share. For the three and six months ended June 30, 2014, no shares related to the Notes were included in the computation for diluted earnings per share as the exchange price exceeded the per share price of the Company s common stock during this period.

For the purposes of computing the diluted impact on earnings per share of the potential exchange of Series A Units for common shares upon redemption, where the Company has the option to redeem in cash or shares and where the Company has stated the positive intent and ability to settle at least $115,000 of the instrument in cash (or net settle a portion of the Series A Units against the related outstanding note receivable), only the amount of the instrument in excess of $115,000 is considered in the calculation of shares contingently issuable for the purposes of computing diluted earnings per share as allowed by ASC 260-10-45-46.

For the purposes of computing the diluted impact on earnings per share of the potential exchange of Series B Units for common shares upon redemption, where the Company has the option to redeem in cash or shares and where the Company has stated the intent and ability to settle the redemption in shares, the Company divided the total value of the Series B Units outstanding as of June 30, 2015 of $41,903 by the closing price of the Company s common stock as of June 30, 2015 of $65.22 per share.

For the purposes of computing the diluted impact on earnings per share of the potential exchange of Series C Units for common shares upon redemption, where the Company has the option to redeem in cash or shares and where the Company has stated the intent and ability to settle the redemption in shares, the Company divided the total value of the Series C Units outstanding as of June 30, 2015 of $29,639 by the closing price of the Company s common stock as of June 30, 2015 of $65.22 per share.

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For the purposes of computing the diluted impact on earnings per share of the potential exchange of Series D Units for common shares upon redemption, where the Company has the option to redeem in cash or shares and where the Company has stated the intent and ability to settle the redemption in shares, the Company divided the total value of the Series D Units outstanding as of June 30, 2015 of $13,710 by the closing price of the Company s common stock as of June 30, 2015 of $65.22 per share.

The computation of earnings per common share was as follows for the periods presented:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2015	2014	2015	2014
Net income attributable to common stockholders	$ 55,339	$ 41,665	$ 109,081	$ 79,005
Earnings and dividends allocated to participating securities	(140)	(125)	(259)	(242)
Earnings for basic computations	55,199	41,540	108,822	78,763
Income allocated to noncontrolling interest - Preferred Operating Partnership (Series A Units) and Operating Partnership	4,276	3,315	7,911	6,443
Fixed component of income allocated to noncontrolling interest - Preferred Operating Partnership (Series A Units)	(1,271)	(1,437)	(2,545)	(2,875)
Net income for diluted computations	$ 58,204	$ 43,418	$ 114,188	$ 82,331
Weighted average common shares outstanding:				
Average number of common shares outstanding - basic	116,861,678	115,653,489	116,491,710	115,546,341
Series A Units	875,480	989,980	875,480	989,980
OP Units	5,642,737	4,334,118	5,007,835	4,334,118
Unvested restricted stock awards included for treasury stock method				
Shares related to exchangeable senior notes and dilutive stock options	1,095,995	276,635	1,102,216	290,853
Average number of common shares outstanding - diluted	124,475,890	121,254,222	123,477,241	121,161,292
Earnings per common share				
Basic	$ 0.47	$ 0.36	$ 0.93	$ 0.68
Diluted	$ 0.47	$ 0.36	$ 0.92	$ 0.68

5. STORE ACQUISITIONS

The following table summarizes the Company s acquisitions of operating stores for the six months ended June 30, 2015, and does not include purchases of raw land or improvements made to existing assets:

			Consideration Paid							Acquisition Da	
Number of Stores	Date of Acquisition	Total	Cash Paid	Non-cash gain	Notes Receivable	Previous equity interest	Net Liabilities/ (Assets) Assumed	Value of OP Units Issued	Number of OP Units Issued	Land	Building
1	6/19/2015	$ 6,987	$ 6,926	$	$	$	$ 61	$		$ 1,408	$ 5,461
1	6/18/2015	17,657	12,677				207	4,773	71,054		17,220
1	6/17/2015	4,953	412		4,601		(60)			534	4,241
1	6/8/2015	10,046	9,970				76			964	9,085
1	5/13/2015	12,512	12,515				(3)			1,625	10,875
1	5/7/2015	6,498	6,458				40			2,087	4,295
1	5/5/2015	11,007	10,976				31			4,050	6,867
1	4/24/2015	6,500	6,451				49			370	6,014
22	4/15/2015	178,252	75,681				822	101,749	1,504,277	24,087	151,465
1	4/14/2015	8,650	8,580				70			619	7,861
1	3/30/2015	12,699	1,700	1,629	11,009	(1,264)	(375)			1,025	11,479
2	3/30/2015	13,165	13,143				22			1,763	11,229
1	3/17/2015	5,073	5,065				8			118	4,797
1	2/24/2015	13,570	13,519				51			1,511	11,861
3	1/13/2015	41,904	41,806				98			12,080	29,489
39		**$ 349,473**	**$ 225,879**	**$ 1,629**	**$ 15,610**	**$ (1,264)**	**$ 1,097**	**$ 106,522**	**1,575,331**	**$ 52,241**	**$ 292,239**

(1) This column represents costs paid at closing. The amounts shown exclude other acquisition costs paid before or after the closing date.

(2) This represents the acquisition of a joint venture partners interest in Extra Space of Sacramento One LLC (Sacramento One), an existing joint venture, for $1,700 in cash. The result of the acquisition is that the Company owns 100% of Sacramento One, which owned one store located in California. Prior to the acquisition date, the Company accounted for its interest in Sacramento One as an equity-method investment, and the Company also held mortgage notes receivable from Sacramento One totalling $11,009, including related interest. The total acquisition date fair value of the Company s previous equity interest was approximately $365 and is included in consideration transfered. The Company recognized a non-cash gain of $1,629 as a result of remeasuring the fair value of its equity interest held prior to the acquisition. The store is consolidated subsequent to the acquisition as the Company owns 100% of the store.

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6. VARIABLE INTERESTS

The Operating Partnership has three wholly-owned unconsolidated subsidiaries (Trust, Trust II and Trust III, together, the Trusts) that have issued trust preferred securities to third parties and common securities to the Operating Partnership. The proceeds from the sale of the preferred and common securities were loaned in the form of notes to the Operating Partnership. The Trusts are VIEs because the holders of the equity investment at risk (the trust preferred securities) do not have the power to direct the activities of the entities that most significantly affect the entities economic performance because of their lack of voting or similar rights. Because the Operating Partnership s investment in the Trusts common securities was financed directly by the Trusts as a result of its loan of the proceeds to the Operating Partnership, that investment is not considered an equity investment at risk. The Operating Partnership s investment in the Trusts is not a variable interest because equity interests are variable interests only to the extent that the investment is considered to be at risk, and therefore the Operating Partnership cannot be the primary beneficiary of the Trusts. Since the Company is not the primary beneficiary of the Trusts, they have not been consolidated. A debt obligation has been recorded in the form of notes for the proceeds as discussed above, which are owed to the Trusts. The Company has also included its investment in the Trusts common securities in other assets on the condensed consolidated balance sheets.

The Company has not provided financing or other support during the periods presented to the Trusts that it was not previously contractually obligated to provide. The Company s maximum exposure to loss as a result of its involvement with the Trusts is equal to the total amount of the notes discussed above less the amounts of the Company s investments in the Trusts common securities. The net amount is the notes payable that the Trusts owe to third parties for their investments in the Trusts preferred securities.

Following is a tabular comparison of the liabilities the Company has recorded as a result of its involvement with the Trusts to the maximum exposure to loss the Company is subject to as a result of such involvement as of June 30, 2015:

	Notes payable to Trusts	Investment Balance	Maximum exposure to loss	Difference
Trust	$ 36,083	$ 1,083	$ 35,000	$
Trust II	42,269	1,269	41,000	
Trust III	41,238	1,238	40,000	
	$ 119,590	$ 3,590	$ 116,000	$

The Company had no consolidated VIEs during the six months ended June 30, 2015.

7. DERIVATIVES

The Company is exposed to certain risks arising from both its business operations and economic conditions. The Company principally manages its exposures to a wide variety of business and operational risks through management of its core business activities. The Company manages economic risks, including interest rate, liquidity and credit risk, primarily by managing the amount, sources and duration of its debt funding and by using derivative financial instruments. Specifically, the Company enters into derivative financial instruments to manage exposure that arises from business activities that result in the receipt or payment of future known and uncertain cash amounts, the value of which are determined by interest rates. The Company s derivative financial instruments are used to manage differences in the amount, timing and duration of the Company s known or expected cash receipts and its known or expected cash payments principally related to the Company s investments and borrowings.

Cash Flow Hedges of Interest Rate Risk

The Company s objectives in using interest rate derivatives are to add stability to interest expense and to manage its exposure to interest rate movements. To accomplish these objectives, the Company primarily uses interest rate swaps as part of its interest rate risk management strategy. Interest rate swaps designated as cash flow hedges involve the receipt of variable amounts from a counterparty in exchange for the Company making fixed-rate payments over the life of the agreements without exchange of the underlying notional amount.

The effective portion of changes in the fair value of derivatives designated and that qualify as cash flow hedges is recorded in accumulated other comprehensive income (OCI) and is subsequently reclassified into earnings in the period that the hedged forecasted transaction affects earnings. A portion of these changes is excluded from accumulated other comprehensive income as it is allocated to noncontrolling interests. During the three and six months ended June 30, 2015 and 2014, such derivatives were used to hedge the variable cash flows associated with existing variable-rate debt.

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The Company held 22 derivative financial instruments which had a total combined notional amount of $945,602 as of June 30, 2015.

Fair Values of Derivative Instruments

The table below presents the fair value of the Company s derivative financial instruments as well as their classification on the condensed consolidated balance sheets:

	Asset (Liability) Derivatives	
	June 30, 2015	December 31, 2014
Derivatives designated as hedging instruments:	Fair Value	
Other assets	$ 3,540	$ 3,583
Other liabilities	$ (3,778)	$ (3,533)

Effect of Derivative Instruments

The tables below present the effect of the Company s derivative financial instruments on the condensed consolidated statements of operations for the periods presented. No tax effect has been presented as the derivative instruments are held by the Company:

Type	Classification of Income (Expense)	For the Three Months Ended June 30, 2015	2014
Swap Agreements	Interest expense	$ (2,636)	$ (2,317)

Type	Classification of Income (Expense)	For the Six Months Ended June 30, 2015	2014
Swap Agreements	Interest expense	$ (4,933)	$ (4,610)

	Gain (loss) recognized in OCI June 30,		Location of amounts reclassified from OCI	Gain (loss) reclassifed from OCI For the Six Months Ended June 30,	
Type	**2015**	**2014**	**into income**	**2015**	**2014**
Swap Agreements	$ (5,458)	$ (12,924)	Interest expense	$ (4,933)	$ (4,610)

Credit-risk-related Contingent Features

The Company has agreements with some of its derivative counterparties that contain provisions pursuant to which the Company could be declared in default of its derivative obligations if the Company defaults on any of its indebtedness, including default where repayment of the indebtedness has not been accelerated by the lender.

The Company also has an agreement with some of its derivative counterparties that incorporates the loan covenant provisions of the Company s indebtedness with a lender affiliate of the derivative counterparty. Failure to comply with the loan covenant provisions would result in the Company being in default on any derivative instrument obligations covered by the agreement.

As of June 30, 2015, the Company had not posted any collateral related to these agreements. If the Company had breached any of these provisions as of June 30, 2015, it could have been required to settle its obligations under the agreements at their termination value of $4,132 including accrued interest.

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8. EXCHANGEABLE SENIOR NOTES

On June 21, 2013, the Operating Partnership issued $250,000 of its 2.375% Exchangeable Senior Notes due 2033 at a 1.5% discount, or $3,750. Costs incurred to issue the Notes were approximately $1,672. These costs are being amortized as an adjustment to interest expense over five years, which represents the estimated term based on the first available redemption date, and are included in other assets in the condensed consolidated balance sheets. The Notes are general unsecured senior obligations of the Operating Partnership and are fully guaranteed by the Company. Interest is payable on January 1 and July 1 of each year beginning January 1, 2014, until the maturity date of July 1, 2033. The Notes bear interest at 2.375% per annum and contain an exchange settlement feature, which provides that the Notes may, under certain circumstances, be exchangeable for cash (for the principal amount of the Notes) and, with respect to any excess exchange value, for cash, shares of the Company s common stock, or a combination of cash and shares of the Company s common stock, at the Company s option. The exchange rate of the Notes as of June 30, 2015 was approximately 18.10 shares of the Company s common stock per $1,000 principal amount of the Notes.

The Operating Partnership may redeem the Notes at any time to preserve the Company s status as a REIT. In addition, on or after July 5, 2018, 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 the holders of the Notes. The holders of the Notes have the right to require the Operating Partnership to repurchase the Notes for cash, in whole or in part, on July 1 of the years 2018, 2023 and 2028, and upon the occurrence of certain designated events, in each case for a repurchase price equal to 100% of the principal amount of the Notes plus accrued and unpaid interest. Certain events are considered Events of Default, as defined in the indenture governing the Notes, which may result in the accelerated maturity of the Notes.

GAAP requires entities with convertible debt instruments that may be settled entirely or partially in cash upon conversion to separately account for the liability and equity components of the instrument in a manner that reflects the issuer s economic interest cost. The Company therefore accounts for the liability and equity components of the Notes separately. The equity component is included in paid-in capital in stockholders equity in the condensed consolidated balance sheets, and the value of the equity component is treated as original issue discount for purposes of accounting for the debt component. The discount is being amortized as interest expense over the remaining period of the debt through its first redemption date, July 1, 2018. The effective interest rate on the liability component is 4.0%.

Information about the carrying amount of the equity component, the principal amount of the liability component, its unamortized discount and its net carrying amount was as follows for the periods indicated:

	June 30, 2015	December 31, 2014
Carrying amount of equity component	$ 14,496	$ 14,496
Principal amount of liability component	$ 250,000	$ 250,000
Unamortized discount - equity component	(9,055)	(10,448)
Unamortized cash discount	(2,230)	(2,606)
Net carrying amount of liability component	$ 238,715	$ 236,946

The amount of interest cost recognized relating to the contractual interest rate and the amortization of the discount on the liability component of the Notes were as follows for the periods indicated:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2015	2014	2015	2014
Contractual interest	$ 1,484	$ 1,484	$ 2,968	$ 2,968
Amortization of discount	696	663	1,393	1,325
Total interest expense recognized	$ 2,180	$ 2,147	$ 4,361	$ 4,293

9. STOCKHOLDERS EQUITY

On June 22, 2015, the Company issued and sold 6,325,000 shares of its common stock in a public offering at a price of $68.15 per share. The Company received gross proceeds of $431,049. The underwriting discount and transaction costs were $14,406, resulting in net proceeds of $416,643.

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10. NONCONTROLLING INTEREST REPRESENTED BY PREFERRED OPERATING PARTNERSHIP UNITS

Classification of Noncontrolling Interests

GAAP requires a company to present ownership interests in subsidiaries held by parties other than the company in the consolidated financial statements within the equity section, but separate from the company s equity. It also requires the amount of consolidated net income attributable to the parent and to the noncontrolling interest to be clearly identified and presented on the face of the consolidated statement of operations and requires changes in ownership interest to be accounted for similarly as equity transactions. If noncontrolling interests are determined to be redeemable, they are to be carried at their redemption value as of the balance sheet date and reported as temporary equity.

The Company has evaluated the terms of the Operating Partnership s preferred units and classifies the noncontrolling interest represented by such preferred units as stockholders equity in the accompanying condensed consolidated balance sheets. The Company will periodically evaluate individual noncontrolling interests for the ability to continue to recognize the noncontrolling interest as permanent equity in the condensed consolidated balance sheets. Any noncontrolling interests that fail to qualify as permanent equity will be reclassified as temporary equity and adjusted to the greater of (1) the carrying amount and (2) the redemption value as of the end of the period in which the determination is made.

Series A Participating Redeemable Preferred Units

On June 15, 2007, the Operating Partnership entered into a Contribution Agreement with various limited partnerships affiliated with AAAAA Rent-A-Space to acquire ten stores in exchange for 989,980 Series A Units of the Operating Partnership. The stores are located in California and Hawaii.

On June 25, 2007, the Operating Partnership loaned the holders of the Series A Units $100,000. The note receivable bears interest at 4.85% per annum. During 2013, a loan amendment was signed extending the maturity date to September 1, 2020. The loan is secured by the borrower s Series A Units. The holders of the Series A Units could redeem up to 114,500 Series A Units prior to the maturity date of the loan. If any redemption in excess of 114,500 Series A Units occurs prior to the maturity date, the holder of the Series A Units is required to repay the loan as of the date of that redemption.

The partnership agreement of the Operating Partnership (as amended, the Partnership Agreement) provides for the designation and issuance of the Series A Units. The Series A Units will have priority over all other partnership interests of the Operating Partnership with respect to distributions and liquidation.

Under the Partnership Agreement, Series A Units in the amount of $115,000 bear a fixed priority return of 5% and have a fixed liquidation value of $115,000. The remaining balance participates in distributions with, and has a liquidation value equal to, that of the OP Units. The Series A Units are redeemable at the option of the holder, which redemption obligation may be satisfied, at the Company s option, in cash or shares of its common stock.

On October 3, 2014, the holders of the Series A Units redeemed 114,500 Series A Units for $4,794 in cash and 280,331 shares of common stock. No additional redemption of Series A Units can be made without repayment of the loan. Subsequent to this redemption, the fixed priority return is calculated using the current liquidation value of $101,699. The Series A Units are shown on the balance sheet net of the $100,000 loan because the borrower under the loan receivable is also the holder of the Series A Units.

Series B Redeemable Preferred Units

On April 3, 2014, the Operating Partnership completed the purchase of a store located in Georgia. This store was acquired in exchange for $15,158 of cash and 333,360 Series B Units valued at $8,334.

On August 29, 2013, the Operating Partnership completed the purchase of 19 out of 20 stores affiliated with All Aboard Mini Storage, all of which are located in California. On September 26, 2013, the Operating Partnership completed the purchase of the remaining store. These stores were acquired in exchange for $100,876 of cash (including $98,960 of debt assumed and immediately defeased at closing), 1,342,727 Series B Units valued at $33,568, and 1,448,108 OP Units valued at $62,341.

The Partnership Agreement provides for the designation and issuance of the Series B Units. The Series B Units rank junior to the Series A Units, on parity with the Series C Units, and senior to all other partnership interests of the Operating Partnership with respect to distributions and liquidation.

The outstanding Series B Units have a liquidation value of $25.00 per unit for a fixed liquidation value of $41,903. Holders of the Series B Units receive distributions at an annual rate of 6%. These distributions are cumulative. The Series B Units will become redeemable at the option of the holder on the first anniversary of the date of issuance, which redemption obligation may be satisfied at the Company s option in cash or shares of its common stock.

Series C Convertible Redeemable Preferred Units

On November 19, 2013, the Company entered into Contribution Agreements with various entities affiliated with Grupe Properties Co. Inc. (Grupe), under which the Company agreed to acquire twelve stores, all of which are located in California. The Company completed the purchase of these stores between December 2013 and May 2014. The Company previously held 35% interests in five of these stores and a 40% interest in one store through six separate joint ventures with Grupe. These stores were acquired in exchange for a total of approximately $45,722 of cash, the assumption of $37,532 in existing debt, and the issuance of 704,016 Series C Units valued at $30,960.

The Partnership Agreement provides for the designation and issuance of the Series C Units. The Series C Units rank junior to the Series A Units, on parity with the Series B Units, and senior to all other partnership interests of the Operating Partnership with respect to distributions and liquidation.

The outstanding Series C Units have a liquidation value of $42.10 per unit for a fixed liquidation value of $29,639. From issuance to the fifth anniversary of issuance, each Series C Unit holder will receive quarterly distributions equal to the quarterly distribution per OP Unit plus $0.18. Beginning on the fifth anniversary of issuance, each Series C Unit holder will receive a fixed quarterly distribution equal to the aggregate quarterly distribution payable in respect of such Series C Unit during the four quarters immediately preceding the fifth anniversary of issuance, divided by four. These distributions are cumulative. The Series C Units will become redeemable at the option of the holder one year from the date of issuance, which redemption obligation may be satisfied at the Company s option in cash or shares of its common stock. The Series C Units will also become convertible into OP Units at the option of the holder one year from the date of issuance, at a rate of 0.9145 OP Units per Series C Unit converted. This conversion option expires upon the fifth anniversary of the date of issuance.

In December 2014, the Operating Partnership loaned certain holders of the Series C Units $20,230. The notes receivable, which are collateralized by the Series C Units, bear interest at 5.0% per annum and mature on December 15, 2024. The Series C Units are shown on the balance sheet net of the $20,230 loan because the borrower under the loan receivable is also the holder of the Series C units.

Series D Redeemable Preferred Units

In December 2014, the Operating Partnership completed the acquisition of a store located in Florida. This store was acquired in exchange for $5,621 in cash and 548,390 Series D Units valued at $13,710.

The Partnership Agreement provides for the designation and issuance of the Series D Units. The Series D Units rank junior to the Series A Units, on parity with the Series B Units and Series C Units, and senior to all other partnership interests of the Operating Partnership with respect to distributions and liquidation.

The Series D Units have a liquidation value of $25.00 per unit, for a fixed liquidation value of $13,710. Holders of the Series D Units receive distributions at an annual rate of 5.0%. These distributions are cumulative. The Series D Units will become redeemable at the option of the holder on the first anniversary of the date of issuance, which redemption obligation may be satisfied at the Company s option in cash or shares of its common stock.

11. NONCONTROLLING INTEREST IN OPERATING PARTNERSHIP

The Company s interest in its stores is held through the Operating Partnership. ESS Holding Business Trust I, a wholly-owned subsidiary of the Company, is the sole general partner of the Operating Partnership. ESS Holding Business Trust II, also a wholly-owned subsidiary of the Company, is a limited partner of the Operating Partnership. Between its general partner and limited partner interests, the Company held a 92.7% ownership interest in the Operating Partnership as of June 30, 2015. The remaining ownership interests in the Operating Partnership (including Preferred Operating Partnership units) of 7.3% are held by certain former owners of assets acquired by the Operating Partnership.

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The noncontrolling interest in the Operating Partnership represents OP Units that are not owned by the Company. In conjunction with the formation of the Company, and as a result of subsequent acquisitions, certain persons and entities contributing interests in stores to the Operating Partnership received limited partnership interests in the form of OP Units. Limited partners who received OP Units in the formation transactions or in exchange for contributions for interests in stores have the right to require the Operating Partnership to redeem part or all of their OP Units for cash based upon the fair market value of an equivalent number of shares of the Company s common stock (based on the ten-day average trading price) at the time of the redemption. Alternatively, the Company may, in its sole discretion, elect to acquire those OP Units in exchange for shares of its common stock on a one-for-one basis, subject to anti-dilution adjustments provided in the Partnership Agreement. The ten-day average closing stock price at June 30, 2015 was $67.00 and there were 5,934,710 OP Units outstanding. Assuming that all of the OP Unit holders exercised their right to redeem all of their OP Units on June 30, 2015 and the Company elected to pay the OP Unit holders cash, the Company would have paid $397,626 in cash consideration to redeem the units.

On April 15, 2015, the Company purchased 22 stores located in Arizona and Texas. As part of the consideration for this acquisition, 1,504,277 OP Units were issued with a total value of $101,749.

On June 18, 2015, the Company purchased one store located in Florida. As part of the consideration for this acquisition, 71,054 OP Units were issued with a total value of $4,773.

GAAP requires a company to present ownership interests in subsidiaries held by parties other than the company in the consolidated financial statements within the equity section, but separate from the company s equity. It also requires the amount of consolidated net income attributable to the parent and to the noncontrolling interest to be clearly identified and presented on the face of the consolidated statement of operations, and requires changes in ownership interest to be accounted for similarly as equity transactions. If noncontrolling interests are determined to be redeemable, they are to be carried at their redemption value as of the balance sheet date and reported as temporary equity.

The Company has evaluated the terms of the OP Units and classifies the noncontrolling interest represented by the OP Units as stockholders equity in the accompanying condensed consolidated balance sheets. The Company will periodically evaluate individual noncontrolling interests for the ability to continue to recognize the noncontrolling amount as permanent equity in the condensed consolidated balance sheets. Any noncontrolling interests that fail to qualify as permanent equity will be reclassified as temporary equity and adjusted to the greater of (1) the carrying amount and (2) the redemption value as of the end of the period in which the determination is made.

12. OTHER NONCONTROLLING INTERESTS

Other noncontrolling interests represent the ownership interest of a third party in one consolidated joint venture as of June 30, 2015. This consolidated joint venture owns a single operating store in California. The ownership interest of the third-party owner was 3.3%. Other noncontrolling interests are included in the stockholders equity section of the Company s condensed consolidated balance sheets. The income or losses attributable to this third-party owner based on its ownership percentage are reflected in net income allocated to Operating Partnership and other noncontrolling interests in the condensed consolidated statements of operations.

On June 11, 2015, the Company purchased its joint venture partner s remaining 1% interest in an existing joint venture for $1,267. The joint venture owned 19 properties in California, Florida, Nevada, Ohio, Pennsylvania, Tennessee, Texas and Virginia, and as a result of this purchase, these properties became wholly-owned by the Company. Prior to this acquisition, the partner s interest was reported in other noncontrolling interests. Since the Company retained its controlling interest in the subsidiary, this transaction was accounted for as an equity transaction. The carrying amount of the noncontrolling interest was reduced to zero to reflect the purchase, and the difference between the price paid by the Company and the carrying value of the noncontrolling interest was recorded as an adjustment to equity attributable to the Company.

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13. EQUITY IN EARNINGS OF UNCONSOLIDATED REAL ESTATE VENTURES GAIN ON SALE OF REAL ESTATE AND PURCHASE OF JOINT VENTURE PARTNERS INTERESTS

In March 2015, ESS PRISA II LLC (PRISA II), a joint venture in which the Company holds a 2.0% interest, sold one store located in New York for $90,000. As a result of the sale, PRISA II recognized a gain of $60,496 and the Company recorded its 2.0% portion of the gain, or $1,228.

In March 2015, the Company acquired its joint venture partner s 82.4% interest in Sacramento One, an existing joint venture which owned one store located in California, for $1,700. In addition, the Company held mortgage notes receivable from Sacramento One totaling $11,009, which were written off as part of the total consideration. Prior to the acquisition, the remaining 17.6% interest was owned by the Company, which accounted for its investment in Sacramento One using the equity method. The Company recorded a non-cash gain of $1,629 related to this transaction, which represents the increase in fair value of the company s interest in the joint venture from its formation to the acquisition date.

14. SEGMENT INFORMATION

The Company operates in three distinct segments: (1) rental operations; (2) tenant reinsurance; and (3) property management, acquisition and development. Management fees collected for wholly-owned stores are eliminated in consolidation. Financial information for the Company s business segments is presented below:

	June 30, 2015	December 31, 2014
Balance Sheet		
Investment in unconsolidated real estate ventures		
Rental operations	$ 84,744	$ 85,711
Total assets		
Rental operations	$ 4,450,043	$ 4,109,673
Tenant reinsurance	33,184	39,383
Property management, acquisition and development	350,523	253,051
	$ 4,833,750	$ 4,402,107

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	For the Three Months Ended June 30, 2015	2014	For the Six Months Ended June 30, 2015	2014
Statement of Operations				
Total revenues				
Rental operations	$ 161,024	$ 138,778	$ 309,918	$ 270,779
Tenant reinsurance	17,340	14,508	33,850	27,971
Property management, acquisition and development	7,496	7,438	15,246	14,561
	185,860	160,724	359,014	313,311
Operating expenses, including depreciation and amortization				
Rental operations	77,326	68,620	152,835	138,562
Tenant reinsurance	3,283	2,636	6,211	5,203
Property management, acquisition and development	23,644	18,807	42,925	38,487
	104,253	90,063	201,971	182,252
Income (loss) from operations				
Rental operations	83,698	70,158	157,083	132,217
Tenant reinsurance	14,057	11,872	27,639	22,768
Property management, acquisition and development	(16,148)	(11,369)	(27,679)	(23,926)
	81,607	70,661	157,043	131,059
Loss on earnout from prior acquisition				
Property management, acquisition and development	400	(7,785)	400	(7,785)
Interest expense				
Rental operations	(22,703)	(20,348)	(43,860)	(39,658)
Property management, acquisition and development	(108)	(310)	(382)	(598)
	(22,811)	(20,658)	(44,242)	(40,256)
Non-cash interest expense related to the amortization of discount on equity component of exchangeable senior notes				
Property management, acquisition and development	(696)	(663)	(1,393)	(1,325)
Interest income				
Tenant reinsurance	4	4	8	8
	424	708	1,276	973

Property management, acquisition and development				
	428	712	1,284	981
Interest income on note receivable from Preferred Operating Partnership unit holder				
Property management, acquisition and development	1,212	1,212	2,425	2,425
Equity in earnings of unconsolidated real estate ventures				
Rental operations	3,001	2,604	5,651	5,023
Equity in earnings of unconsolidated real estate ventures - gain on sale of real estate assets and purchase of partners interests				
Rental operations		3,438	2,857	3,438
Income tax expense				
Rental operations	(325)	601	(1,079)	2,020
Tenant reinsurance	(2,429)	(3,856)	(4,303)	(7,671)
Property management, acquisition and development	569	(258)	949	(692)
	(2,185)	(3,513)	(4,433)	(6,343)
Net income (loss)				
Rental operations	63,671	56,453	120,652	103,040
Tenant reinsurance	11,632	8,020	23,344	15,105
Property management, acquisition and development	(14,347)	(18,465)	(24,404)	(30,928)
	$ 60,956	$ 46,008	$ 119,592	$ 87,217
Depreciation and amortization expense				
Rental operations	$ 29,117	$ 26,326	$ 57,382	$ 52,786
Property management, acquisition and development	2,435	1,945	4,598	3,860
	$ 31,552	$ 28,271	$ 61,980	$ 56,646
Statement of Cash Flows				
Acquisition of real estate assets				
Property management, acquisition and development			$ (240,892)	$ (296,920)
Development and redevelopment of real estate assets				
Property management, acquisition and development			$ (9,926)	$ (5,958)

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15. COMMITMENTS AND CONTINGENCIES

As of June 30, 2015, the Company is involved in various legal proceedings and is subject to various claims and complaints arising in the ordinary course of business. In the opinion of management, such litigation, claims and complaints are not expected to have a material adverse effect on the Company s financial condition or results of operations.

As of June 30, the Company was under contract to acquire 20 stores for a total purchase price of $204,862. Of these 20 stores, nine are scheduled to close in 2015. The remaining stores will close upon completion of construction, expected to occur on various dates in 2016, 2017 and 2018.

On June 15, 2015, the Company announced that it had entered into a definitive agreement to acquire SmartStop Self Storage, Inc. (SmartStop), a public non-traded REIT. SmartStop shareholders will receive $13.75 per share in cash which represents a total purchase price of $1,400,000. The Company will pay approximately $1,290,000, and the remaining $110,000 will come from the sale of certain assets by SmartStop prior to the closing. Upon the completion of the acquisition, the Company will own 122 SmartStop stores and will assume the management of 42 third-party stores.

16. SUBSEQUENT EVENTS

On July 1, 2015, a joint venture in which the Company owns a 10% equity interest acquired a store located in Arizona for $5,400. The store was acquired at completion of construction.

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

Amounts in thousands, except store and share data

CAUTIONARY LANGUAGE

The following discussion and analysis should be read in conjunction with our unaudited *Condensed Consolidated Financial Statements* and the *Notes to Condensed Consolidated Financial Statements (unaudited)* appearing elsewhere in this report and the *Consolidated Financial Statements, Notes to Consolidated Financial Statements* and *Management s Discussion and Analysis of Financial Condition and Results of Operations* contained in our Form 10-K for the year ended December 31, 2014. We make statements in this section that are forward-looking statements within the meaning of the federal securities laws. For a complete discussion of forward-looking statements, see the section in this Form 10-Q entitled *Statement on Forward-Looking Information*.

CRITICAL ACCOUNTING POLICIES

Our discussion and analysis of our financial condition and results of operations are based on our unaudited condensed consolidated financial statements contained elsewhere in this report, which have been prepared in accordance with GAAP. Our notes to the unaudited condensed consolidated financial statements contained elsewhere in this report and the audited financial statements contained in our Form 10-K for the year ended December 31, 2014 describe the significant accounting policies essential to our unaudited condensed consolidated financial statements. Preparation of our financial statements requires estimates, judgments and assumptions. We believe that the estimates, judgments and assumptions that we have used are appropriate and correct based on information available at the time they were made. These estimates, judgments and assumptions can affect our reported assets and liabilities as of the date of the financial statements, as well as the reported revenues and expenses during the period presented. If there are material differences between these estimates, judgments and assumptions and actual facts, our financial statements may be affected.

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

OVERVIEW

We are a fully integrated, self-administered and self-managed REIT, formed to continue the business commenced in 1977 by Extra Space Storage LLC and its subsidiaries to own, operate, manage, acquire, develop and redevelop professionally managed self-storage stores.

We derive substantially all of our revenues from rents received from tenants under leases at each of our wholly-owned stores; from management fees on the stores we manage for joint venture partners and unaffiliated third parties; and from our tenant reinsurance program. Our management fee is equal to approximately 6% of cash collected from the managed stores. We also receive an asset management fee of 0.5% of the total asset value from one of our joint ventures.

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

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

Maximize the performance of our stores through strategic, efficient and proactive management. We pursue revenue-generating and expense-minimizing opportunities in our operations. Our revenue management team seeks to maximize revenue by responding to changing market conditions through our advanced technology system s ability to provide real-time, interactive rental rate and discount management. Our size allows us greater ability than the majority of our competitors to implement more effective online marketing programs, which we believe will attract more customers to our stores at a lower net cost.

Acquire self-storage stores. Our acquisitions team continues to pursue the acquisition of multi-store portfolios and single stores that we believe can provide stockholder value. We have established a reputation as a reliable, ethical buyer, which we believe enhances our ability to negotiate and close acquisitions. In addition, we believe our status as an UPREIT enables flexibility when structuring deals. We continue to see available acquisitions on which to bid and are seeing increasing prices. However, we remain a disciplined buyer and look for acquisitions that will strengthen our portfolio and increase stockholder value.

Expand our management business. Our management business enables us to generate increased revenues through management fees and to expand our geographic footprint. We believe this expanded footprint enables us to reduce our operating costs through economies of scale. In addition, we see our management business as a future acquisition pipeline. We pursue strategic relationships with owners whose stores would enhance our portfolio in the event an opportunity arises to acquire such stores.

Pending Acquisition of SmartStop

On June 15, 2015, we, our Operating Partnership, Merger Sub I, Merger Sub II, SmartStop and SmartStop OP entered into the Merger Agreement, which provides that (i) the Company will acquire SmartStop by way of a merger of SmartStop with and into Merger Sub I, with Merger Sub I being the surviving entity (the Company Merger), (ii) immediately after the Company Merger, but before the Partnership Merger, Merger Sub I will transfer certain of its limited partnership units of SmartStop OP to a taxable REIT subsidiary of the Company, and (iii) immediately after the Transfer, Merger Sub II will merge with and into SmartStop OP, with SmartStop OP continuing as the surviving entity (the Partnership Merger).

Pursuant to the terms and subject to the conditions set forth in the Merger Agreement, at the Company Merger Effective Time, each outstanding share of SmartStop Common Stock prior to the Company Merger Effective Time (other than shares owned by SmartStop and its subsidiaries or the Company and its subsidiaries) will be automatically converted into the right to receive an amount in cash equal to $13.75, without interest and less any applicable withholding taxes. At the Company Merger Effective Time, all shares of SmartStop Common Stock that are subject to vesting and other restrictions will become fully vested and be converted into the right to receive the Merger Consideration. At the effective time of the Partnership Merger, each outstanding SmartStop OP partnership unit, other than partnership units held by SmartStop and its subsidiaries or the Company and its subsidiaries (including the Transferred Units), will be automatically converted into the right to receive an amount in cash equal to $13.75, without interest and less any applicable withholding taxes, provided however, if the SmartStop OP unit holder is an accredited investor as defined by Rule 501(a) of Regulation D promulgated under the Securities Act and timely makes a valid election to receive common operating partnership units of our Operating Partnership in lieu of cash, each unit held by such SmartStop OP unit holder will be converted into the right to receive 0.2031 common operating partnership units of our Operating Partnership, including the right to receive cash in lieu of any fractional interests in such units.

The closing of the Company Merger is subject to the approval of the Company Merger by the affirmative vote of holders of not less than a majority of all outstanding shares of SmartStop Common Stock. The closing of the Mergers is also subject to various customary conditions, including but not limited to the following: (i) the absence of any governmental order prohibiting the consummation of the transactions contemplated by the Merger Agreement, (ii) the accuracy of the representations and warranties contained in the Merger Agreement (subject to certain materiality qualifications), (iii) compliance with the covenants and agreements in the Merger Agreement in all material respects, (iv) the absence of any material adverse effect on SmartStop, (v) the receipt of certain third party consents, and (vi) the completion of the sale of the Excluded Assets.

PROPERTIES

As of June 30, 2015, we owned, had ownership interests in, or managed 1,147 stores in 35 states, Washington, D.C. and Puerto Rico. Of these 1,147 stores, we owned 615 stores, we held joint venture interests in 251 stores, and our taxable REIT subsidiary, Extra Space Management, Inc., operated an additional 281 stores that are owned by third parties. These operating stores contain approximately 85.1 million square feet of rentable space in approximately 770,000 units.

Our stores are generally situated in convenient, highly visible locations clustered around large population centers such as Atlanta, Baltimore/Washington, D.C., Boston, Chicago, Dallas, Houston, Las Vegas, Los Angeles, Miami, New York City, Orlando,

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Philadelphia, Phoenix, St. Petersburg/Tampa and San Francisco/Oakland. These areas all enjoy above-average population growth and income levels. The clustering of assets around these population centers enables us to reduce our operating costs through economies of scale. Our acquisitions and management business have given us an increased scale in many core markets as well as a foothold in many markets where we had no previous presence.

We consider a store 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 store to be stabilized once it has achieved either an 80% average occupancy rate for a full year measured as of January 1, or has been open for three years.

As of June 30, 2015, approximately 685,000 tenants were leasing storage units at the 1,147 operating stores that we own and/or manage, primarily on a month-to-month basis, providing the flexibility to increase rental rates over time as market conditions permit. Existing tenants generally receive rate increases at least annually, for which no direct correlation has been drawn to our vacancy trends. Although leases are short-term in duration, the typical tenant tends to remain at our stores for an extended period of time. For stores that were stabilized as of June 30, 2015, the average length of stay was approximately 13.2 months for tenants that vacated during the preceding twelve month period.

The average annual rent per square foot for our existing customers at stabilized stores, net of discounts and bad debt, was $14.63 for the three months ended June 30, 2015, compared to $13.83 for the same period ended June 30, 2014. Average annual rent per square foot for new leases was $15.71 for the three months ended June 30, 2015, compared to $14.62 for the same period ended June 30, 2014. The average discounts, as a percentage of rental revenues, during these periods were 3.2% and 4.0%, respectively.

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

The following table presents additional information regarding the occupancy of our stabilized stores by state as of June 30, 2015 and 2014. The information as of June 30, 2014 is on a pro forma basis as though all the stores owned and/or managed at June 30, 2015 were under our control as of June 30, 2014.

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Stabilized Store Data Based on Location

Location	Number of Stores	Company Number of Units as of June 30, 2015 (1)	Pro forma Number of Units as of June 30, 2014	Company Net Rentable Square Feet as of June 30, 2015 (2)	Pro forma Net Rentable Square Feet as of June 30, 2014	Company Square Foot Occupancy % June 30, 2015	Pro forma Square Foot Occupancy % June 30, 2014
Wholly-Owned Stores							
Alabama	5	2,968	2,889	343,531	343,162	94.8%	89.9%
Arizona	12	7,683	7,550	889,423	885,965	92.1%	89.5%
California	126	94,725	94,145	9,802,992	9,829,157	95.3%	91.6%
Colorado	12	5,931	5,839	738,659	737,391	96.5%	94.4%
Connecticut	5	3,135	3,122	299,034	299,970	97.0%	93.4%
Florida	62	43,370	43,101	4,640,151	4,663,600	94.1%	90.9%
Georgia	24	14,286	14,209	1,847,406	1,846,464	93.6%	88.9%
Hawaii	5	5,760	5,623	341,283	335,465	93.9%	90.2%
Illinois	18	12,706	12,346	1,302,407	1,289,102	88.3%	88.9%
Indiana	9	4,791	4,722	555,943	554,558	91.6%	93.2%
Kansas	1	533	506	49,991	50,360	88.3%	93.0%
Kentucky	4	2,181	2,162	253,741	254,141	94.1%	93.5%
Louisiana	2	1,408	1,409	149,990	150,065	93.9%	94.0%
Maryland	23	17,478	17,272	1,817,253	1,818,067	94.1%	93.7%
Massachusetts	37	23,068	22,815	2,316,668	2,314,682	93.9%	91.6%
Michigan	3	1,821	1,799	258,877	254,064	95.0%	93.3%
Missouri	6	3,247	3,217	387,401	385,226	93.5%	93.7%
Nevada	6	3,918	3,948	624,030	622,914	90.8%	85.1%
New Hampshire	2	1,016	1,010	125,748	125,748	95.6%	93.2%
New Jersey	49	38,012	37,811	3,686,742	3,681,116	94.6%	94.3%
New Mexico	3	1,591	1,569	220,112	217,644	89.4%	86.1%
New York	20	17,629	17,620	1,461,553	1,459,478	93.7%	91.5%
North Carolina	8	5,244	5,157	557,728	551,068	95.9%	91.5%
Ohio	21	11,320	11,195	1,483,709	1,477,721	94.2%	92.0%
Oregon	3	2,157	2,150	250,450	250,530	97.6%	95.5%
Pennsylvania	10	7,414	7,365	761,334	757,227	94.0%	91.9%
Rhode Island	2	1,235	1,184	131,566	131,396	96.2%	92.5%
South Carolina	6	3,384	3,335	421,001	418,365	90.9%	94.2%
Tennessee	13	7,686	7,595	1,041,312	1,038,152	95.2%	94.5%
Texas	57	36,135	36,148	4,357,418	4,328,208	92.6%	89.9%
Utah	8	4,234	4,245	522,858	523,006	94.5%	90.5%
Virginia	30	23,204	23,067	2,476,661	2,461,405	93.0%	85.8%
Washington	6	3,592	3,560	428,588	427,603	94.8%	91.2%
Total Wholly-Owned Stabilized	**598**	**412,862**	**409,685**	**44,545,560**	**44,483,020**	**94.0%**	**91.2%**

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Location	Number of Stores	Company Number of Units as of June 30, 2015 (1)	Pro forma Number of Units as of June 30, 2014	Company Net Rentable Square Feet as of June 30, 2015 (2)	Pro forma Net Rentable Square Feet as of June 30, 2014	Company Square Foot Occupancy % June 30, 2015	Pro forma Square Foot Occupancy % June 30, 2014
Joint-Venture Stores							
Alabama	2	1,168	1,150	145,106	145,231	97.2%	91.2%
Arizona	7	4,273	4,235	492,553	492,918	91.1%	89.9%
California	66	47,347	47,069	4,831,186	4,825,833	95.5%	93.3%
Colorado	2	1,316	1,324	158,769	159,703	97.5%	95.1%
Connecticut	7	5,315	5,297	611,045	611,790	95.1%	93.3%
Delaware	1	597	590	71,610	71,705	86.2%	92.6%
Florida	16	13,221	13,065	1,295,246	1,294,548	92.8%	91.6%
Georgia	2.	1,080	1,063	152,554	151,724	91.8%	89.6%
Illinois	5	3,484	3,454	365,465	365,083	94.3%	95.8%
Indiana	5	2,228	2,189	288,990	286,498	93.8%	91.5%
Kansas	2	843	844	109,355	109,695	94.4%	91.8%
Kentucky	4	2,279	2,262	257,439	257,199	90.3%	88.7%
Maryland	12	9,840	9,760	956,835	955,170	93.4%	93.0%
Massachusetts	13	6,970	6,905	774,919	783,655	95.3%	92.7%
Michigan	8	4,848	4,803	616,048	612,523	95.5%	93.1%
Missouri	1	535	533	61,075	61,225	96.2%	95.1%
Nevada	4	2,307	2,288	253,057	252,223	92.6%	91.1%
New Hampshire	2	799	777	85,111	84,095	93.1%	91.1%
New Jersey	16	13,005	12,960	1,357,146	1,385,979	92.7%	92.9%
New Mexico	7	3,616	3,603	397,184	398,245	90.9%	90.2%
New York	12	11,938	11,934	976,415	977,556	94.2%	92.4%
Ohio	6	3,148	3,117	414,644	415,304	91.1%	91.8%
Oregon	1	655	653	64,970	64,970	97.8%	95.0%
Pennsylvania	9	6,350	6,328	697,357	696,399	93.8%	93.5%
Tennessee	14	7,399	7,336	957,378	956,468	94.3%	94.2%
Texas	13	8,488	8,424	1,132,221	1,127,005	96.1%	94.6%
Virginia	12	8,672	8,627	918,062	917,714	94.1%	92.5%
Washington, DC	1	1,547	1,530	102,492	102,017	93.7%	93.3%
Total Joint-Venture Stabilized	**250**	**173,268**	**172,120**	**18,544,232**	**18,562,475**	**94.2%**	**92.9%**
Managed Stores							
Alabama	7	2,321	2,359	350,100	358,110	91.2%	85.6%
Arizona	3	1,227	1,208	224,963	226,407	89.2%	82.0%
California	66	43,874	44,638	5,748,201	5,936,972	90.4%	83.5%
Colorado	16	8,397	8,346	1,070,517	1,067,037	96.2%	95.3%
Connecticut	1	459	467	61,385	61,600	95.6%	86.7%
Florida	36	23,010	22,990	2,783,188	2,779,733	91.5%	87.2%
Georgia	8	3,939	3,931	590,417	592,554	93.0%	88.8%
Hawaii	6	5,006	5,077	350,042	350,639	90.2%	87.1%
Illinois	6	3,612	3,610	393,685	393,375	91.0%	93.7%

Indiana	9	5,054	5,038	618,567	618,777	91.9%	93.9%
Kentucky	2	1,330	1,325	220,977	220,977	97.0%	96.5%
Louisiana	1	992	999	132,770	133,435	90.8%	85.6%
Maryland	15	10,258	10,251	978,422	981,957	91.4%	90.2%
Mississippi	2	1,885	1,890	281,328	281,508	92.4%	87.5%
Missouri	3	1,451	1,539	168,901	193,151	94.0%	91.8%
Nevada	4	2,999	3,094	316,435	315,885	85.7%	75.8%
New Jersey	3	1,637	1,617	181,188	180,538	91.9%	94.5%
New Mexico	2	1,137	1,120	130,652	131,312	93.7%	91.6%
New York	1	2,049	2,049	88,000	88,000	94.5%	94.5%
North Carolina	2	1,210	1,206	167,540	167,938	91.9%	93.2%
Ohio	8	2,842	2,947	395,606	428,104	91.9%	89.7%
Pennsylvania	15	6,952	6,947	858,782	862,347	93.3%	89.3%
South Carolina	2	1,179	1,199	153,546	153,546	90.7%	93.5%
Tennessee	3	1,345	1,347	198,471	198,396	94.5%	91.6%
Texas	23	12,188	12,036	1,672,547	1,635,761	90.0%	85.1%
Utah	4	2,020	2,032	314,040	314,485	94.0%	93.2%
Virginia	4	2,435	2,402	249,024	249,714	93.2%	91.8%
Washington, DC	2	1,267	1,267	112,334	112,334	94.1%	94.6%
Puerto Rico	4	2,663	2,680	286,953	287,459	85.9%	85.1%
Total Managed Stabilized	**258**	**154,738**	**155,611**	**19,098,581**	**19,322,051**	**91.5%**	**87.3%**
Total Stabilized Stores	**1,106**	**740,868**	**737,416**	**82,188,373**	**82,367,546**	**93.4%**	**90.7%**

(1) Represents unit count as of June 30, 2015, which may differ from unit count as of June 30, 2014 due to unit conversions or expansions.

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(2) Represents net rentable square feet as of June 30, 2015, which may differ from rentable square feet as of June 30, 2014 due to unit conversions or expansions.

The following table presents additional information regarding the occupancy of our lease-up stores by state as of June 30, 2015 and 2014. The information as of June 30, 2014 is on a pro forma basis as though all the stores owned and/or managed at June 30, 2015 were under our control as of June 30, 2014.

Lease-up Store Data Based on Location

Location	Number of Stores	Company Number of Units as of June 30, 2015 (1)	Pro forma Number of Units as of June 30, 2014	Company Net Rentable Square Feet as of June 30, 2015 (2)	Pro forma Net Rentable Square Feet as of June 30, 2014	Company Square Foot Occupancy % June 30, 2015	Pro forma Square Foot Occupancy % June 30, 2014
Wholly-Owned Stores							
Arizona	1	895	687	121,993	121,993	53.1%	20.0%
California (3)	1		593		58,463	0.0%	94.6%
Connecticut	1	1,108	1,111	89,890	89,310	81.1%	21.8%
Florida	1	544	552	80,835	76,391	90.8%	62.4%
Georgia	1	598	599	52,365	52,365	93.2%	80.1%
Illinois	1	658	584	46,633	47,102	70.2%	90.8%
Maryland	1	988	988	103,171	103,207	86.5%	57.3%
North Carolina	1	977	396	85,235	38,000	56.0%	37.0%
South Carolina	2	1,239	999	131,964	104,875	79.3%	59.1%
Texas	6	3,951	3,298	449,538	367,551	61.1%	36.2%
Virginia	1	455	455	56,805	56,805	79.4%	63.4%
Total Wholly-Owned in Lease-up	**17**	**11,413**	**10,262**	**1,218,429**	**1,116,062**	**70.1%**	**48.0%**
Joint-Venture Stores							
California	1	678		59,239		40.9%	0.0%
Total Joint-Venture in Lease-up	**1**	**678**		**59,239**		**40.9%**	**0.0%**
Managed Stores							
California	2	1,081	1,090	141,305	141,305	60.6%	24.9%
Colorado	2	1,593	1,593	145,702	145,702	42.2%	15.2%
Georgia	1	579		70,722		29.3%	0.0%
Illinois	1	673	673	46,417	46,581	80.0%	43.4%
Maryland	2	1,310	955	114,395	85,684	55.0%	47.0%
Massachusetts	1	902		70,076		25.0%	0.0%
Nevada	1	1,487	1,487	196,275	196,275	54.0%	20.0%
New York	2	2,579	2,578	162,540	162,579	33.1%	81.0%
North Carolina	2	769	430	68,416	36,271	46.0%	20.0%
Oregon	1	636		77,225		9.0%	0.0%

South Carolina	3	2,282	991	241,669	97,789	39.3%	30.0%
Texas	1	597	603	69,435	68,559	79.7%	69.2%
Utah	1	516	535	67,037	67,256	94.3%	42.8%
Virginia	2	1,058	1,059	105,634	106,441	81.3%	40.4%
Washington	1	720		81,030		39.5%	0.0%
Total Managed in Lease-up	**23**	**16,782**	**11,994**	**1,657,878**	**1,154,442**	**49.2%**	**38.5%**
Total Lease-up Stores	**41**	**28,873**	**22,256**	**2,935,546**	**2,270,504**	**57.7%**	**43.2%**

(1) Represents unit count as of June 30, 2015, which may differ from unit count as of June 30, 2014 due to unit conversions or expansions.

(2) Represents net rentable square feet as of June 30, 2015, which may differ from rentable square feet as of June 30, 2014 due to unit conversions or expansions.

(3) In October 2014, a store located in Venice, California was damaged by fire. During the re-construction period all units are unavailable.

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RESULTS OF OPERATIONS

Comparison of the three and six months ended June 30, 2015 and 2014

Overview

Results for the three and six months ended June 30, 2015 included the operations of 866 stores (615 wholly-owned, one in a consolidated joint venture, and 250 in joint ventures accounted for using the equity method) compared to the results for the three months ended June 30, 2014, which included the operations of 807 stores (535 wholly-owned, 19 in consolidated joint ventures, and 253 in joint ventures accounted for using the equity method).

Revenues

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

	For the Three Months Ended June 30,				For the Six Months Ended June 30,			
	2015	2014	$ Change	% Change	2015	2014	$ Change	% Change
Revenues:								
Property rental	$ 161,024	$ 138,778	$ 22,246	16.0%	$ 309,918	$ 270,779	$ 39,139	14.5%
Tenant reinsurance	17,340	14,508	2,832	19.5%	33,850	27,971	5,879	21.0%
Management fees and other income	7,496	7,438	58	0.8%	15,246	14,561	685	4.7%
Total revenues	$ 185,860	$ 160,724	$ 25,136	15.6%	$ 359,014	$ 313,311	$ 45,703	14.6%

Property Rental The increase in property rental revenues for the three and six months ended June 30, 2015 was the result of an increase of $10,986 and $18,473, respectively, associated with acquisitions completed in 2015 and 2014, and an increase of $11,623 and $21,463, respectively, as a result of increases in occupancy and rental rates to new and existing customers at our stabilized stores. This was offset by a decrease in revenues for the three and six months ended June 30, 2015 of $532 and $1,055, respectively, as a result of a fire at one property in California in October 2014. We acquired 39 operating stores during the six months ended June 30, 2015 and 51 operating stores during 2014. Occupancy at our wholly-owned stabilized stores increased to 94.0% at June 30, 2015, as compared to 91.2% at June 30, 2014. The achieved rental rate to new tenants for the three months ended June 30, 2015 increased an average of approximately 3.5% over the same period in the prior year.

Tenant Reinsurance The increase in our tenant reinsurance revenues was due to the increase in the number of stores operated. We operated 1,147 stores at June 30, 2015 compared to 1,071 stores at June 30, 2014.

Management Fees and Other Income Our taxable REIT subsidiary (TRS), Extra Space Management, Inc., manages stores owned by our joint ventures and third parties. Management fees represent approximately 6% of cash collected from these stores. We also earn an asset management fee from one of our joint ventures, equal to 0.5% of the total asset value, provided certain conditions are met. The increase in management fee revenues was due to an increase in revenues at the managed stores as a result of increases in occupancy and rental rates, and to an increase in the number of properties managed.

Expenses

The following table presents information on expenses for the periods indicated:

	For the Three Months Ended June 30,				For the Six Months Ended June 30,			
	2015	**2014**	**$ Change**	**% Change**	**2015**	**2014**	**$ Change**	**% Change**
Expenses:								
Property operations	$ 48,209	$ 42,294	$ 5,915	14.0%	$ 95,453	$ 85,776	$ 9,677	11.3%
Tenant reinsurance	3,283	2,636	647	24.5%	6,211	5,203	1,008	19.4%
Acquisition related costs	4,554	1,393	3,161	226.9%	5,423	3,449	1,974	57.2%
General and administrative	16,655	15,469	1,186	7.7%	32,904	31,178	1,726	5.5%
Depreciation and amortization	31,552	28,271	3,281	11.6%	61,980	56,646	5,334	9.4%
Total expenses	$ 104,253	$ 90,063	$ 14,190	15.8%	$ 201,971	$ 182,252	$ 19,719	10.8%

Property Operations The increase in property operations expense during the three and six months ended June 30, 2015 consisted primarily of increases in expenses associated with acquisitions completed in 2015 and 2014. We acquired 39 operating stores during the six months ended June 30, 2015, and 51 operating stores during the year ended December 31, 2014.

Tenant Reinsurance Tenant reinsurance expense represents the costs that are incurred to provide tenant reinsurance. The increase was primarily due to the increase in the number of stores we owned and/or managed. At June 30, 2015, we owned and/or managed 1,147 stores compared to 1,071 stores at June 30, 2014.

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Acquisition Related Costs These costs relate to acquisition activities during the periods indicated. The increase in these expenses for the three and six months ended June 30, 2015 compared to the same periods in the prior year was due to an increase in the number of acquisitions completed during these periods. We completed the acquisition of 39 stores during the six months ended June 30, 2015 compared to 29 stores during the same period in the prior year. In addition, during the three months ended June 30, 2015, we wrote off a nonrefundable deposit of $2,440 related to a property that we had under contract but decided not to purchase as a result of environmental issues.

General and Administrative General and administrative expenses primarily include all expenses not directly related to our stores, including corporate payroll, travel and professional fees. These expenses are recognized as incurred. General and administrative expenses for the three and six months ended June 30, 2015 increased when compared to the same period in the prior year primarily due to the overall cost associated with the management of additional stores. At June 30, 2015, we owned and/or managed 1,147 stores compared to 1,071 stores at June 30, 2014. We did not observe any material trends in specific payroll, travel or other expenses that contributed significantly to the increase in general and administrative expenses apart from the increase due to the management of additional stores.

Depreciation and Amortization Depreciation and amortization expense increased as a result of the acquisition of new stores. We acquired 39 stores during the six months ended June 30, 2015 and 51 stores during 2014.

Other Revenues and Expenses

The following table presents information about other revenues and expenses for the periods indicated:

	For the Three Months Ended June 30,				For the Six Months Ended June 30,			
	2015	2014	$ Change	% Change	2015	2014	$ Change	% Change
Other income and expenses:								
Gain (loss) on earnout from prior acquisitions	$ 400	$ (7,785)	$ 8,185	(105.1%)	$ 400	$ (7,785)	$ 8,185	(105.1%)
Interest expense	(22,811)	(20,658)	(2,153)	10.4%	(44,242)	(40,256)	(3,986)	9.9%
Non-cash interest expense related to amortization of discount on equity component of exchangeable senior notes	(696)	(663)	(33)	5.0%	(1,393)	(1,325)	(68)	5.1%
Interest income	428	712	(284)	(39.9%)	1,284	981	303	30.9%
Interest income on note receivable from Preferred Operating Partnership unit holder	1,212	1,212			2,425	2,425		
Equity in earnings of unconsolidated real	3,001	2,604	397	15.2%	5,651	5,023	628	12.5%

estate ventures								
Equity in earnings of unconsolidated real estate ventures - gain on sale of real estate assets and purchase of joint venture partners interests		3,438	(3,438)	(100.0%)	2,857	3,438	(581)	(16.9%)
Income tax expense	(2,185)	(3,513)	1,328	(37.8%)	(4,433)	(6,343)	1,910	(30.1%)
Total other expense, net	$ (20,651)	$ (24,653)	$ 4,002	(16.2%)	$ (37,451)	$ (43,842)	$ 6,391	(14.6%)

Gain (Loss) on Earnout from Prior Acquisitions In 2011, we acquired a single store in Florida. As part of the acquisition, we agreed to make an additional cash payment to the sellers if the acquired store exceeded a specified amount of net rental income for the period of 12 consecutive months ending June 30, 2015. During 2014 we recorded a liability of $2,500 as an estimate of the payment that would become due. The $400 gain recorded during the three months ended June 30, 2015 represents the adjustment needed to true up the existing liability to the amount owed to the sellers as of June 30, 2015.

During 2012, we acquired a portfolio of 10 self-storage properties. As part of this acquisition, we agreed to make an additional cash payment to the sellers if the acquired stores exceeded a specified amount of net rental income two years after the acquisition date. At the acquisition date, we believed that it was unlikely that any significant payment would be made as a result of this earnout provision. The rental income of the stores during the earnout period was significantly higher than expected, resulting in a payment to the sellers of $7,785, which was recorded as a loss during the three months ended June 30, 2014.

Interest Expense The increase in interest expense during the three and six months ended June 30, 2015 was the result of increases in debt over the same periods in the prior year. The total face value of our debt, including our lines of credit, was $2,298,142 at June 30, 2015 compared to $2,173,639 at June 30, 2014.

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Non-cash Interest Expense Related to Amortization of Discount on Equity Component of Exchangeable Senior Notes Represents the amortization of the discount related to the equity component of the exchangeable senior notes issued by our Operating Partnership, which reflects the effective interest rate of 4.0% relative to the carrying amount of the liability.

Interest Income Interest income represents amounts earned on cash and cash equivalents deposited with financial institutions and interest earned on notes receivable. The decrease for the three months ended June 30, 2015 and the increase for the six months ended June 30, 2015 relate to fluctuations in the balance of notes receivable compared to the same periods in the prior year.

Interest Income on Note Receivable from Preferred Operating Partnership Unit Holders Represents interest on a $100,000 loan to the holders of the Series A Participating Redeemable Preferred Units of our Operating Partnership (Series A Units).

Equity in Earnings of Unconsolidated Real Estate Ventures Equity in earnings of unconsolidated real estate ventures represents the income earned through our ownership interests in unconsolidated joint ventures. The increases for the three and six months ended June 30, 2015 compared to the same periods in the prior year was primarily the result of increases in revenue at the stores owned by the joint ventures. Occupancy at our joint venture stores increased to 94.2% as of June 30, 2015, compared to 92.9% as of June 30, 2014.

Equity in Earnings of Unconsolidated Real Estate Ventures Gain on Sale of Real Estate Assets and Purchase of Joint Venture Partners Interests During March 2015, one of our joint ventures sold a store located in New York to a third party and recognized a gain of $60,496. We recognized our 2.0% share of this gain, or $1,228. Additionally, in March 2015 we acquired a joint venture partner s 82.4% equity interest in an existing joint venture. We previously held the remaining 17.6% equity interest in this joint venture. Prior to the acquisition, we accounted for our equity interest in this joint venture as an equity-method investment. We recognized a non-cash gain of $1,629 during the three months ended March 31, 2015 as a result of re-measuring the fair value of our equity interest in this joint venture held before the acquisition.

Income Tax Expense For the three and six months ended June 30, 2015, the decrease in income tax expense was related to a royalty charged to our TRS by the Operating Partnership for access to and use of customer lists and intellectual property. The effect of this change lowered the taxable income of the TRS, which resulted in lower income tax expense.

Net Income Allocated to Noncontrolling Interests

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

	For the Three Months Ended June 30,				For the Six Months Ended June 30,			
	2015	2014	$ Change	% Change	2015	2014	$ Change	% Change
Net income allocated to noncontrolling interests:								
Net income allocated to Preferred Operating	$ (3,007)	$ (2,812)	$ (195)	6.9%	$ (5,933)	$ (5,304)	$ (629)	11.9%

Partnership noncontrolling interests								
Net income allocated to Operating Partnership and other noncontrolling interests	(2,610)	(1,531)	(1,079)	70.5%	(4,578)	(2,908)	(1,670)	57.4%
Total income allocated to noncontrolling interests:	$ (5,617)	$ (4,343)	$ (1,274)	29.3%	$ (10,511)	$ (8,212)	$ (2,299)	28.0%

Net Income Allocated to Preferred Operating Partnership Noncontrolling Interests In December 2014, as part of the acquisition of a single store, our Operating Partnership issued 548,390 Series D Units. The Series D Units have a liquidation value of $25.00 per unit, and receive distributions at an annual rate of 5.0%.

Between December 2013 and May 2014, as part of the Grupe acquisition, our Operating Partnership issued 704,016 Series C Units. The Series C Units have a liquidation value of $42.10 per unit. From issuance until the fifth anniversary of issuance, the Series C Units receive distributions at an annual rate of $0.18 plus the then-payable quarterly distribution per OP Unit.

In April 2014, as part of a single store acquisition, our Operating Partnership issued 333,360 Series B Units. In August and September 2013, as part of a portfolio acquisition, our Operating Partnership issued an additional 1,342,727 Series B Units. The Series B Units have a liquidation value of $25.00 per unit and receive distributions at an annual rate of 6%.

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Income allocated to the Preferred Operating Partnership noncontrolling interests for the three months ended June 30, 2015 represents the fixed distributions paid to holders of the Series A Units, Series B Units, Series C Units and Series D Units, plus approximately 0.7% of the remaining net income allocated to holders of the Series A Units.

Net Income Allocated to Operating Partnership and Other Noncontrolling Interests Income allocated to the Operating Partnership represents approximately 4.5% and 3.5% of net income after the allocation of the fixed distribution paid to the Preferred Operating Partnership unit holders for the three months ended June 30, 2015 and 2014, respectively.

FUNDS FROM OPERATIONS

Funds from Operations (FFO) provides relevant and meaningful information about our operating performance that is necessary, along with net income and cash flows, for an understanding of our operating results. We believe FFO is a meaningful disclosure as a supplement to net earnings. Net earnings assume that the values of real estate assets diminish predictably over time as reflected through depreciation and amortization expenses. The values of real estate assets fluctuate due to market conditions and we believe FFO more accurately reflects the value of our real estate assets. FFO is defined by the National Association of Real Estate Investment Trusts, Inc. (NAREIT) as net income computed in accordance with GAAP, excluding gains or losses on sales of operating stores and impairment write downs of depreciable real estate assets, plus depreciation and amortization and after adjustments to record unconsolidated partnerships and joint ventures on the same basis. We believe that to further understand our performance, FFO should be considered along with the reported net income and cash flows in accordance with GAAP, as presented in our condensed consolidated financial statements.

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

The following table presents the calculation of FFO for the periods indicated:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2015	**2014**	**2015**	**2014**
Net income attributable to common stockholders	$ 55,339	$ 41,665	$ 109,081	$ 79,005
Adjustments:				
Real estate depreciation	27,311	23,722	53,429	46,962
Amortization of intangibles	2,444	3,109	5,241	6,835
(Gain) loss on sale of real estate and earnout from prior acquisitions	(400)	7,785	(400)	7,785
Unconsolidated joint venture real estate depreciation and amortization	1,058	1,067	2,115	2,173
Unconsolidated joint venture gain on sale of real estate and purchase of partners interests		(3,438)	(2,857)	(3,438)

Distributions paid on Series A Preferred Operating Partnership units		(1,271)		(1,437)		(2,545)		(2,875)
Income allocated to Operating Partnership noncontrolling interests		5,608		4,339		10,501		8,208
Funds from operations attributable to common stockholders	$	90,089	$	76,812	$	174,565	$	144,655

SAME-STORE RESULTS

We consider our same-store stabilized portfolio to consist of only those stores that were wholly-owned at the beginning and at the end of the applicable periods presented that have achieved stabilization as of the first day of such period. The following table presents operating data for our same-store portfolio. We consider the following same-store presentation to be meaningful in regards to the stores shown below because these results provide information relating to store-level operating changes without the effects of acquisitions or completed developments.

	For the Three Months Ended June 30, 2015	2014	Percent Change	For the Six Months Ended June 30, 2015	2014	Percent Change
Same-store rental and tenant reinsurance revenues	$ 146,607	$ 134,007	9.4%	$ 286,242	$ 262,936	8.9%
Same-store operating and tenant reinsurance expenses	41,040	39,842	3.0%	83,318	81,401	2.4%
Same-store net operating income	$ 105,567	$ 94,165	12.1%	$ 202,924	$ 181,535	11.8%
Non same-store rental and tenant reinsurance revenues	$ 31,757	$ 19,279	64.7%	$ 57,526	$ 35,814	60.6%
Non same-store operating and tenant reinsurance expenses	$ 10,452	$ 5,088	105.4%	$ 18,346	$ 9,578	91.5%
Total rental and tenant reinsurance revenues	$ 178,364	$ 153,286	16.4%	$ 343,768	$ 298,750	15.1%
Total operating and tenant reinsurance expenses	$ 51,492	$ 44,930	14.6%	$ 101,664	$ 90,979	11.7%
Same-store square foot occupancy as of quarter end	94.5%	92.1%		94.5%	92.1%	
Properties included in same-store	503	503		503	503	

The increase in same-store rental revenues for the three months ended June 30, 2015, as compared to the three months ended June 30, 2014, was due primarily to an increase in occupancy of 240 basis points, higher rental rates for both new and existing customers, and reduced customer discounts. Same-store expenses were higher for the three and six months ended June 30, 2015 due to increases in tenant reinsurance expense, property taxes, credit card merchant fees and repairs and maintenance. These increases in expenses were partially offset by decreases in utility expenses and property insurance during the same periods

CASH FLOWS

Cash flows provided by operating activities were $183,287 and $167,759, respectively, for the six months ended June 30, 2015 and 2014. The increase primarily related to an increase in net income of $32,375. The remaining portion of the change related to a decrease in (gain) loss on earnout related to prior acquisitions of $8,185, an increase in other assets of $6,734, a decrease in other liabilities of $6,342, and an increase in depreciation and amortization expense of $5,334.

Cash used in investing activities was $252,789 and $313,442, respectively, for the six months ended June 30, 2015 and 2014. The decrease was primarily due to the cash paid for acquisitions. Cash used in the acquisition of real estate assets decreased $56,028 during the six months ended June 30, 2015 compared to the same period in the prior year. We acquired 39 stores during the six months ended June 30, 2015 compared to 29 stores acquired during the same period of the prior year. However, the consideration paid for the acquisitions in the first six months of 2015 included an increased number of OP units instead of cash when compared to the acquisitions in the first six months of 2014.

Cash provided by financing activities was $197,732 and $72,905, respectively, for the six months ended June 30, 2015 and 2014. The change related primarily to net proceeds from the sale of common stock of $416,643 and an increase in proceeds from notes payable and lines of credit of $470,183. These increases were offset by an increase in the cash paid for principal payments on notes payable and lines of credit of $735,373, and an increase in dividends paid of $22,599.

LIQUIDITY AND CAPITAL RESOURCES

As of June 30, 2015, we had $175,893 available in cash and cash equivalents. We intend to use this cash to pay for future acquisitions, to repay debt and for general corporate purposes. We are required to distribute at least 90% of our net taxable income, excluding net capital gains, to our stockholders on an annual basis to maintain our qualification as a REIT.

Our cash and cash equivalents are held in accounts managed by third-party financial institutions and consist of invested cash and cash in our operating accounts. During 2014 and the first three months of 2015, we experienced no loss or lack of access to our cash or cash equivalents; however, there can be no assurance that access to our cash and cash equivalents will not be impacted by adverse conditions in the financial markets.

The following table presents information on our lines of credit for the periods indicated. All of our lines of credit are guaranteed by us and secured by mortgages on certain real estate assets.

	As of June 30, 2015						
Line of Credit	Amount Drawn (1)	Capacity (1)	Interest Rate	Origination Date	Maturity	Basis Rate (2)	Notes
Credit Line 1	$	$ 85,000	1.8%	6/4/2010	6/3/2016	LIBOR plus 1.7%	(3)
Credit Line 2		50,000	1.9%	11/16/2010	2/13/2017	LIBOR plus 1.8%	(4)
Credit Line 3		80,000	1.9%	4/29/2011	11/18/2016	LIBOR plus 1.7%	(4)
Credit Line 4		50,000	1.9%	9/29/2014	9/29/2017	LIBOR plus 1.7%	(4)
	$	$ 265,000					

(1) Amounts in thousands
(2) 30-day USD LIBOR
(3) One two-year extension available
(4) Two one-year extensions available

As of June 30, 2015, we had $2,298,142 face value of debt, resulting in a debt to total enterprise value ratio of 22.3%. As of June 30, 2015, the ratio of total fixed-rate debt and other instruments to total debt was 68.0% (including $997,410 on which we have interest rate swaps that have been included as fixed-rate debt). The weighted average interest rate of the total of fixed- and variable-rate debt at June 30, 2015 was 3.2%. Certain of our real estate assets are pledged as collateral for our debt. We are subject to certain restrictive covenants relating to our outstanding debt. We were in compliance with all financial covenants at June 30, 2015.

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

Our liquidity needs consist primarily of cash distributions to stockholders, store acquisitions, principal payments under our borrowings and non-recurring capital expenditures. We may from time to time seek to repurchase our outstanding debt, shares of common stock or other securities in open market purchases, privately negotiated transactions or otherwise. Such repurchases, if any, will depend on prevailing market conditions, our liquidity requirements, contractual restrictions and other factors. In addition, we evaluate, on an ongoing basis, the merits of strategic acquisitions and other relationships, which may require us to raise additional funds. We do not expect that our operating cash flow or cash balances will be sufficient to fund our liquidity needs and instead expect to fund such needs out of additional borrowings of secured or unsecured indebtedness, joint ventures with third parties, and from the proceeds of public and private offerings of equity and debt. Additional capital may not be available on terms favorable to us or at all. Any additional issuance of equity or equity-linked securities may result in dilution to our stockholders. In addition, any new securities we issue could have rights, preferences and privileges senior to holders of our common stock. We may also use Operating Partnership units as currency to fund acquisitions from self-storage owners who desire tax-deferral in their exiting transactions.

OFF-BALANCE SHEET ARRANGEMENTS

Except as disclosed in the notes to our consolidated financial statements of our most recently filed Annual Report on Form 10-K, we do not currently have any relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special purposes entities, which typically are established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes. Further, except as disclosed in the notes to our condensed consolidated financial statements, we have not guaranteed any obligations of unconsolidated entities, nor do we have any commitments or intent to provide funding to any such entities. Accordingly, we are not materially exposed to any financing, liquidity, market or credit risk that could arise if we had engaged in these relationships.

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CONTRACTUAL OBLIGATIONS

The following table presents information on future payments due by period as of June 30, 2015:

	Payments due by Period:				
	Total	Less Than 1 Year	1-3 Years	3-5 Years	After 5 Years
Operating leases	$ 80,092	$ 5,486	$ 8,638	$ 5,701	$ 60,267
Notes payable, notes payable to trusts and lines of credit					
Interest	359,194	72,864	111,727	67,020	107,583
Principal	2,298,142	74,907	649,493	1,002,294	571,448
Total contractual obligations	$ 2,737,428	$ 153,257	$ 769,858	$ 1,075,015	$ 739,298

The operating leases above include minimum future lease payments on leases for 18 of our operating stores as well as leases of our corporate offices. Two ground leases include additional contingent rental payments based on the level of revenue achieved at the store.

As of June 30, 2015, the weighted average interest rate for all fixed-rate loans was 3.8%, and the weighted-average interest rate for all variable-rate loans was 2.0%.

FINANCING STRATEGY

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

- the interest rate of the proposed financing;
- the extent to which the financing impacts flexibility in managing our stores;
- prepayment penalties and restrictions on refinancing;
- the purchase price of stores acquired with debt financing;
- long-term objectives with respect to the financing;

- target investment returns;
- the ability of particular stores, and our company as a whole, to generate cash flow sufficient to cover expected debt service payments;
- overall level of consolidated indebtedness;
- timing of debt and lease maturities;
- provisions that require recourse and cross-collateralization;
- corporate credit ratios including debt service coverage, debt to total capitalization and debt to undepreciated assets; and
- the overall ratio of fixed- and variable-rate debt.

Our indebtedness may be recourse, non-recourse or cross-collateralized. If the indebtedness is non-recourse, the collateral will be limited to the particular stores to which the indebtedness relates. In addition, we may invest in stores subject to existing loans collateralized by mortgages or similar liens on our stores, or we may refinance stores 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 stores, for general working capital or to purchase additional interests in partnerships or joint ventures or for other purposes when we believe it is advisable.

SEASONALITY

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

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ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK
Amounts in thousands, except store and share data, unless otherwise stated

Market Risk

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

Interest Rate Risk

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

As of June 30, 2015, we had $2,298,142 in total face value of debt, of which $736,378 was subject to variable interest rates (excluding debt with interest rate swaps). If LIBOR were to increase or decrease by 100 basis points, the increase or decrease in interest expense on the variable-rate debt (excluding variable-rate debt with interest rate floors) would increase or decrease future earnings and cash flows by $7,081 annually.

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

The fair values of our fixed-rate assets and liabilities were as follows for the periods indicated:

	June 30, 2015		**December 31, 2014**	
	Fair Value	Carrying Value	Fair Value	Carrying Value
Notes receivable from Preferred Operating Partnership unit holders	$ 126,407	$ 120,230	$ 126,380	$ 120,230
Fixed rate notes payable and notes payable to trusts	$ 1,296,658	$ 1,311,763	$ 1,320,370	$ 1,283,893
Exchangeable senior notes	$ 300,625	$ 250,000	$ 276,095	$ 250,000

The fair value of our note receivable from Preferred Operating Partnership unit holders was based on the discounted estimated future cash flows of the note (categorized within Level 3 of the fair value hierarchy); the discount rate used approximated the current market rate for loans with similar maturities and credit quality. The fair values of our fixed-rate notes payable and notes payable to trusts were estimated using the discounted estimated future cash payments to be made on such debt (categorized within Level 3 of the fair value hierarchy); the discount rates used approximated current market rates for loans, or groups of loans, with similar maturities and credit quality. The fair value of our exchangeable senior notes was estimated using an average market price for similar securities obtained from a third party.

ITEM 4. CONTROLS AND PROCEDURES

(1) Disclosure Controls and Procedures

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

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We have a disclosure committee that is responsible for considering the materiality of information and determining our disclosure obligations a timely basis. The disclosure committee meets quarterly and reports directly to our Chief Executive Officer and Chief Financial Officer.

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

(2) Changes in internal control over financial reporting

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

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

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

ITEM 1A. RISK FACTORS

There have been no material changes in our risk factors from those disclosed in our 2014 Annual Report on Form 10-K.

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

On April 15, 2015, we entered into a contribution agreement to acquire 22 stores located in Arizona and Texas (the Properties). The Properties include approximately 1.73 million square feet of net rentable space in approximately 13,500 self storage units, which were approximately 81.7% occupied as of June 30, 2015. The aggregate consideration paid to acquire the Properties is valued at approximately $177.7 million, excluding transaction costs, including the issuance by the Operating Partnership to the contributors of 1,504,277 OP Units, with a total value of $101.7 million.

On June 18, 2015, our Operating Partnership issued 71,054 OP Units in connection with the acquisition of a store located in Florida. The store was acquired in exchange for the OP Units, valued at $4.8 million, and approximately $12.7 million of cash.

The terms of the OP Units are governed by the Operating Partnership s Fourth Amended and Restated Agreement of Limited Partnership. The OP Units will be redeemable, at the option of the holders following the expiration of a lock-up period commencing on the date of issuance and ending on August 15, 2016, which redemption obligation may be satisfied, at our option, in cash or shares of our common stock.

The OP Units were issued in private placements in reliance on Section 4(a)(2) of the Securities Act, and the rules and regulations promulgated thereunder.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES
None.

ITEM 4. MINE SAFETY DISCLOSURES
Not Applicable.

ITEM 5. OTHER INFORMATION
The information set forth in Item 2 of Part II of this Quarterly Report on Form 10-Q is incorporated by reference herein.

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ITEM 6. EXHIBITS

2.1	Agreement and Plan of Merger, dated as of June 15, 2015, among Extra Space Storage Inc., Extra Space Storage LP, Edgewater REIT Acquisition (MD) LLC, Edgewater Partnership Acquisition (DE) LLC, SmartStop Self Storage, Inc. and SmartStop Self Storage Operating Partnership, L.P. (incorporated by reference to Exhibit 2.1 of Form 8-K filed on June 15, 2015).
2.2	Amendment No. 1 to Agreement and Plan of Merger, dated as of July 16, 2015, among Extra Space Storage Inc., Extra Space Storage LP, Edgewater REIT Acquisition (MD) LLC, Edgewater Partnership Acquisition (DE) LLC, SmartStop Self Storage, Inc. and SmartStop Self Storage Operating Partnership, L.P. (incorporated by reference to Exhibit 2.1 of Form 8-K filed on July 16, 2015).
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certifications of the Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101	The following materials from Extra Space Storage Inc. s Quarterly Report on Form 10-Q for the quarter ended June 30, 2015 are formatted in XBRL (eXtensible Business Reporting Language): (1) the Condensed Consolidated Balance Sheets, (2) the Condensed Consolidated Statements of Operations, (3) the Condensed Consolidated Statements of Comprehensive Income (4) the Condensed Consolidated Statement of Noncontrolling Interests and Equity, (5) the Condensed Consolidated Statements of Cash Flows and (6) notes to these financial statements.

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SIGNATURES

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

	EXTRA SPACE STORAGE INC. *Registrant*
Date: August 10, 2015	/s/ Spencer F. Kirk Spencer F. Kirk *Chief Executive Officer* *(Principal Executive Officer)*
Date: August 10, 2015	/s/ P. Scott Stubbs P. Scott Stubbs *Executive Vice President and Chief Financial Officer* *(Principal Financial Officer)*

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