

Extra Space Storage Inc.
Form 8-K
December 11, 2018

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

FORM 8-K

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

December 7, 2018

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

EXTRA SPACE STORAGE INC.

(Exact Name of Registrant as Specified in Its Charter)

Maryland
(State or Other Jurisdiction

of Incorporation)

001-32269
(Commission File Number)

20-1076777
(IRS Employer

Identification Number)

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2795 East Cottonwood Parkway, Suite 300

Salt Lake City, Utah 84121

(Address of Principal Executive Offices)

(801) 365-4600

(Registrant's Telephone Number, Including Area Code)

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

Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Item 1.01. Entry into a Material Definitive Agreement.

On December 7, 2018, Extra Space Storage LP (the Operating Partnership), the operating partnership subsidiary of Extra Space Storage Inc. (the Company), entered into an amended and restated credit agreement (the Credit Agreement) with (i) certain lenders named therein, (ii) U.S. Bank National Association, as administrative agent, (iii) the following co-syndication agents: Wells Fargo Bank, National Association, and Bank of America, N.A., solely with respect to the Revolving Credit Facility and the Tranche 1 Term Loan Facility (each as defined below), and PNC Bank, National Association, solely with respect to the Tranche 2 Term Loan Facility (as defined below), (iv) the following co-documentation agents: TD Bank, PNC Bank, National Association, JPMorgan Chase Bank, N.A., BMO Harris Bank N.A., Bank of the West, Citibank, N.A., Compass Bank and Regions Bank, solely with respect to the Revolving Credit Facility and the Tranche 1 Term Loan Facility, and (v) the following joint lead arrangers and joint book runners: U.S. Bank National Association, Wells Fargo Securities, LLC and Merrill Lynch, Pierce, Fenner & Smith Incorporated, solely with respect to the Revolving Credit Facility and the Tranche 1 Term Loan Facility, and PNC Capital Markets LLC, solely with respect to the Tranche 2 Term Loan Facility. The Company joined in the Credit Agreement for certain limited purposes as set forth therein. The Credit Agreement amended and restated in its entirety an existing credit agreement, dated October 14, 2016, by and among the Operating Partnership and the lending institutions listed on the signature pages thereof and joined in by the Company for certain limited purposes as set forth therein.

The Credit Agreement provides for aggregate borrowings of up to \$1.35 billion, consisting of a senior unsecured revolving credit facility of \$650.0 million, due January 31, 2023 (the Revolving Credit Facility), a senior unsecured term loan of up to \$480.0 million, due January 31, 2024 (the Tranche 1 Term Loan Facility) and a senior unsecured term loan of up to \$220.0 million, due October 13, 2023 (the Tranche 2 Term Loan Facility) and, together with the Revolving Credit Facility and the Tranche 1 Term Loan Facility, the Credit Facility. On December 7, 2018, \$50.0 million of the Tranche 1 Term Loan Facility was disbursed to the Operating Partnership, such that the Tranche 1 Term Loan Facility and the Tranche 2 Term Loan Facility were both fully funded to the Operating Partnership as of December 7, 2018. The Operating Partnership may increase the amount of the commitments under the Credit Facility up to an aggregate of \$2.0 billion, and extend the term of the Revolving Credit Facility for up to two additional periods of six months each, after satisfying certain conditions.

Amounts outstanding under the Credit Facility will bear interest at floating rates, at the Operating Partnership's option, equal to either (i) LIBOR plus the applicable Eurodollar rate margin or (ii) the applicable base rate which is the applicable margin plus the highest of (a) 0.00%, (b) the federal funds rate plus 0.50%, (c) U.S. Bank's prime rate or (d) the Eurodollar rate plus 1.00%. The applicable Eurodollar rate margin will range from 1.050% to 1.700% per annum and the applicable base rate margin will range from 0.050% to 0.700% per annum, in each case depending on the Company's Consolidated Leverage Ratio, as defined in the Credit Agreement, and the type of loan. If the Operating Partnership obtains a specified investment grade rating from two or more specified credit rating agencies, and elects to use the alternative rates based on the Operating Partnership's debt rating, the applicable Eurodollar rate margin will range from 0.750% to 1.650% per annum and the applicable base rate margin will range from 0.00% to 0.650% per annum, in each case depending on the rating achieved and the type of loan.

The Operating Partnership may voluntarily prepay loans under the Credit Agreement in whole or in part at any time, subject to certain notice requirements. Amounts borrowed under the Tranche 1 Term Loan Facility and Tranche 2 Term Loan Facility and repaid or prepaid may not be reborrowed.

The Credit Agreement is guaranteed by the Company and by the current and future subsidiaries of the Operating Partnership that own unencumbered properties which meet specified criteria or own, directly or indirectly, the equity interests in any such subsidiary and by other material subsidiaries (as defined in the Credit Agreement) that are not prohibited by law or other agreements from providing such a guaranty. The Credit Agreement is not secured by any assets of the Company or its subsidiaries.

The Credit Agreement includes a series of financial and other covenants that the Company and the Operating Partnership must comply with, including:

maintaining a ratio of total indebtedness to total asset value of not more than 60%, except during certain limited periods of time following a material acquisition, during which time such ratio shall not exceed 65%;

maintaining a ratio of total secured debt to total asset value of not more than 40%;

maintaining a ratio of adjusted EBITDA to fixed charges of at least 1.50 to 1.00; and

maintaining a ratio of total unsecured debt to total unencumbered asset value of not more than 60%, except during certain limited periods of time following a material acquisition, during which time such ratio shall not exceed 65%.

The Credit Agreement contains usual and customary events of default including defaults in the payment of principal, interest or fees, defaults in compliance with the covenants set forth in the Credit Agreement and other loan documentation, cross-defaults to certain other indebtedness, and bankruptcy and other insolvency defaults. If an event of default occurs and is continuing under the Credit Agreement, all outstanding principal amounts, together with all accrued unpaid interest and other amounts owing in respect thereof, may be declared immediately due and payable.

An affiliate of Wells Fargo Securities, LLC is a lender under the Operating Partnership's outstanding secured line of credit. In addition, Wells Fargo Securities, LLC, Merrill Lynch, Pierce, Fenner & Smith Incorporated, and affiliates of JPMorgan Chase Bank, N.A. and PNC Bank, National Association, act as sales agents in connection with certain equity distribution agreements pursuant to which the Company may sell shares of its common stock from time to time. The foregoing summary of the Credit Agreement does not purport to be complete and is qualified in its entirety by reference to the full text of the Credit Agreement, a copy of which is filed as Exhibit 10.1 to this Current Report on Form 8-K and is incorporated herein by reference.

Item 2.03 Creation of a Direct Financial Obligation or an Obligation under an Off-Balance Sheet Arrangement of a Registrant.

The information set forth under Item 1.01 above is incorporated herein by reference.

Item 7.01 Regulation FD Disclosure.

In connection with the execution of the Credit Agreement, the Company issued a press release, which is attached as Exhibit 99.1 hereto. The information contained in this Item 7.01, including Exhibit 99.1, is being furnished and shall not be deemed filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liabilities of that section. Such information shall not be incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits:

| Exhibit Number | Description of Exhibit |
|-----------------------|---|
| 10.1 | <u>Amended and Restated Credit Agreement, dated as of December 7, 2018, by and among Extra Space Storage Inc., Extra Space Storage LP, U.S. Bank National Association, as administrative agent, certain other financial institutions acting as syndication agents, documentation agents and lead arrangers and book runners, and certain lenders party thereto.</u> |
| 99.1 | <u>Press release issued by Extra Space Storage Inc. on December 10, 2018.</u> |

SIGNATURES

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

Date: December 10, 2018

EXTRA SPACE STORAGE INC.

By /s/ Gwyn McNeal

Name: Gwyn McNeal

Executive Vice President and Chief Legal

Title: Officer