

U-Store-It Trust
Form 10-Q
August 09, 2007

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark one)

Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended June 30, 2007

or

Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from to .

Commission file number: 001-32324

U-STORE-IT TRUST

(Exact Name of Registrant as Specified in its Charter)

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Maryland

(State or Other Jurisdiction of
Incorporation or Organization)

20-1024732

(I.R.S. Employer
Identification No.)

6745 Engle Road

Suite 300

Cleveland, Ohio

(Address of Principal Executive Offices)

44130

(Zip Code)

(440) 234-0700

(Registrant's Telephone Number, Including Area Code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one).

Large accelerated filer Accelerated filer Non-accelerated filer

Indicate by check mark whether the registrant is a shell company (as determined in Rule 12b-2 of the Exchange Act.) Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common shares, as of the latest practicable date:

Class
common stock, \$.01 par value

Outstanding at August 6, 2007
57,686,826

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Forward-Looking Statements

This Quarterly Report on Form 10-Q, together with other statements and information publicly disseminated by U-Store-It Trust (we, us, our or the Company), contains certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, as amended (the Exchange Act). Such statements are based on assumptions and expectations that may not be realized and are inherently subject to risks, uncertainties and other factors, many of which cannot be predicted with accuracy and some of which might not even be anticipated. Although we believe the expectations reflected in these forward-looking statements are based on reasonable assumptions, future events and actual results, performance, transactions or achievements, financial and otherwise, may differ materially from the results, performance, transactions or achievements expressed or implied by the forward-looking statements. Risks, uncertainties and other factors that might cause such differences, some of which could be material, include, but are not limited to:

- national and local economic, business, real estate and other market conditions;
- the competitive environment in which we operate;
- the execution of our business plan;
- financing risks;
- increases in interest rates and operating costs;
- our ability to maintain our status as a real estate investment trust (REIT) for federal income tax purposes;
- acquisition and development risks;
- changes in real estate and zoning laws or regulations;
- risks related to natural disasters;
- potential environmental and other liabilities;
- material weaknesses in our internal control over financial reporting;
- other factors affecting the real estate industry generally or the self-storage industry in particular
- the risk that the consummation of the Settlement Agreement and related agreements (as described in note eleven

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to the financial statements presented in Item 1 of Part I) does not occur; and

- other risks identified in our Annual Report on Form 10-K and, from time to time, in other reports we file with the Securities and Exchange Commission (the "SEC") or in other documents that we publicly disseminate.

We undertake no obligation to publicly update or revise these forward-looking statements, whether as a result of new information, future events or otherwise except as may be required in securities laws.

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PART I. FINANCIAL INFORMATION**ITEM 1. FINANCIAL STATEMENTS**

U-STORE-IT TRUST AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands, except share data)
(unaudited)

	June 30, 2007	December 31, 2006
ASSETS		
Storage facilities	\$ 1,784,051	\$ 1,771,864
Accumulated depreciation	(235,193)	(205,049)
	1,548,858	1,566,815
Cash and cash equivalents	3,443	19,716
Restricted cash	16,865	14,126
Loan procurement costs - net of amortization	6,673	7,575
Other assets	10,361	6,475
Due from related parties	1,358	632
Total assets	\$ 1,587,558	\$ 1,615,339
LIABILITIES AND SHAREHOLDERS EQUITY		
Revolving credit facility	\$ 107,500	\$ 90,500
Unsecured term loan	200,000	200,000
Mortgage loans and notes payable	583,427	588,930
Accounts payable and accrued expenses	21,868	22,590
Due to related parties	119	336
Distributions payable	18,196	18,197
Deferred revenue	10,437	9,740
Security deposits	608	655
Total liabilities	942,155	930,948
Minority interests	52,921	56,898
Commitments and contingencies		
Shareholders Equity		
Common shares \$.01 par value, 200,000,000 shares authorized, 57,495,530 and 57,335,490 shares issued and outstanding at June 30, 2007 and December 31, 2006, respectively	575	573
Additional paid in capital	796,076	794,632
Accumulated deficit	(204,169)	(167,712)
Total shareholders equity	592,482	627,493
Total liabilities and shareholders equity	\$ 1,587,558	\$ 1,615,339

See accompanying notes to the unaudited condensed consolidated financial statements.

U-STORE-IT TRUST AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share data)
(unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006 (as restated, see note 2)	2007	2006 (as restated, see note 2)
REVENUES				
Rental income	\$ 51,753	\$ 49,268	\$ 102,512	\$ 93,885
Other property related income	4,433	3,597	8,693	6,678
Other - related party	122	98	239	213
Total revenues	56,308	52,963	111,444	100,776
OPERATING EXPENSES				
Property operating expenses	22,315	20,875	45,365	39,637
Property operating expenses - related party	14	12	51	32
Depreciation	16,722	15,641	33,407	30,221
General and administrative	5,648	4,132	11,563	9,521
General and administrative - related party	118	273	219	450
Total operating expenses	44,817	40,933	90,605	79,861
OPERATING INCOME	11,491	12,030	20,839	20,915
OTHER INCOME (EXPENSE)				
Interest:				
Interest expense on loans	(12,955)	(10,888)	(25,732)	(20,797)
Loan procurement amortization expense	(445)	(512)	(889)	(973)
Write-off of loan procurement cost due to early extinguishment of debt				(1,273)
Interest income	91	159	204	1,042
Other		(102)	(6)	(60)
Total other expense	(13,309)	(11,343)	(26,423)	(22,061)
INCOME (LOSS) BEFORE MINORITY INTERESTS AND DISCONTINUED OPERATIONS				
	(1,818)	687	(5,584)	(1,146)
MINORITY INTERESTS				
	149	(57)	458	96
INCOME (LOSS) FROM CONTINUING OPERATIONS				
	(1,669)	630	(5,126)	(1,050)
DISCONTINUED OPERATIONS				
Income from operations	17	103	118	162
Gain on disposition of discontinued operations	2,122		2,122	
Minority interest attributable to discontinued operations	(175)	(9)	(184)	(13)
Income from discontinued operations	1,964	94	2,056	149
NET INCOME (LOSS)	\$ 295	\$ 724	\$ (3,070)	\$ (901)
Basic and diluted earnings (loss) per share from continuing operations				
	\$ (0.03)	\$ 0.01	\$ (0.09)	\$ (0.02)
Basic and diluted earnings per share from discontinued operations				
	\$ 0.03	\$ 0.00	\$ 0.04	\$ 0.00
Basic and diluted earnings (loss) per share				
	\$	\$ 0.01	\$ (0.05)	\$ (0.02)
Weighted-average basic shares outstanding				
	57,438	57,325	57,429	57,286
Weighted-average diluted shares outstanding				
	57,438	57,399	57,429	57,286
Distributions declared per common share and unit				
	\$ 0.29	\$ 0.29	\$ 0.58	\$ 0.58

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See accompanying notes to the unaudited condensed consolidated financial statements.

U-STORE-IT TRUST AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(unaudited)

	Six Months Ended June 30, 2007	2006 (as restated, see note 2)
Operating Activities		
Net loss	\$ (3,070)	\$ (901)
Adjustments to reconcile net loss to cash provided by operating activities:		
Depreciation and amortization	34,312	31,382
Gain on disposition of discontinued operations	(2,122)	
Equity compensation expense	754	353
Accretion of fair market value of debt	(144)	(400)
Early extinguishment of debt		1,273
Minority interests	(274)	(83)
Changes in other operating accounts:		
Other assets	(4,651)	(1,613)
Accounts payable and accrued expenses	(891)	(38)
Other liabilities	642	(33)
Net cash provided by operating activities	\$ 24,556	\$ 29,940
Investing Activities		
Acquisitions, additions and improvements to storage facilities	(25,503)	(267,687)
Acquisitions, additions and improvements to storage facilities - related party		(27)
Sales of properties	12,161	42
Proceeds from sales of marketable securities		114,170
Investment in marketable securities		(19,000)
Insurance settlements		1,712
Increase in restricted cash	(2,739)	(773)
Net cash used in investing activities		