U-Store-It Trust
Form 10-Q
May 07, 2010
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UNITED STATES SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark one)

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

For the quarterly period ended March 31, 2010.

or

o 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)

Maryland (State or Other Jurisdiction of Incorporation or Organization)	**20-1024732** (I.R.S. Employer Identification No.)
460 East Swedesford Road **Wayne, Pennsylvania** (Address of Principal Executive Offices)	**19087** (Zip Code)

(610) 293-5700

(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 x No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes o No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer £	Accelerated filer x
Non-accelerated filer £	Smaller reporting company £

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

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

Class	**Outstanding at May 3, 2010**
common shares, $.01 par value	93,450,438

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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, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act. Forward-looking statements include statements concerning our plans, objectives, goals, strategies, future events, future revenues or performance, capital expenditures, financing needs, plans or intentions relating to acquisitions and other information that is not historical information. In some cases, forward-looking statements can be identified by terminology such as believes, expects, estimates, may, will, should, anticipates, or intends or the negative of such term comparable terminology, or by discussions of strategy. 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. As a result, you should not rely on or construe any forward-looking statements in this Report, or which management may make orally or in writing from time to time, as predictions of future events or as guarantees of future performance. We caution you not to place undue reliance on forward-looking statements, which speak only as of the date of this Report or as of the dates otherwise indicated in the statements. All of our forward-looking statements, including those in this Report, are qualified in their entirety by this statement.

There are a number of risks and uncertainties that could cause our actual results to differ materially from the forward-looking statements contained in or contemplated by this Report. Any forward-looking statements should be considered in light of the risks and uncertainties referred to in Item 1A. Risk Factors in the U-Store-It Trust Annual Report on Form 10-K for the year ended December 31, 2009 and in our other filings with the Securities and Exchange Commission (SEC). These risks include, but are not limited to, the following:

- changes in national and local economic, business, real estate and other market conditions which, among other things, reduce demand for self-storage facilities or increase costs of owning and operating self-storage facilities;

- competition from other self-storage facilities and storage alternatives, which could result in lower occupancy and decreased rents;

- the execution of our business plan;

- financing risks including the risk of over-leverage and the corresponding risk of default on our mortgage and other debt and potential inability to refinance existing indebtedness;

- increases in interest rates and operating costs;

- counterparty non-performance related to the use of derivative financial instruments;

- our ability to maintain our status as a real estate investment trust (REIT) for federal income tax purposes;

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- acquisition and development risks, including unanticipated costs associated with the integration and operation of acquisitions;
- risks of investing through joint ventures, including risks that our joint venture partners may not fulfill their obligations or may pursue actions that are inconsistent with our objectives;
- changes in real estate and zoning laws or regulations;
- risks related to natural disasters;
- potential environmental and other liabilities; and
- other risks identified in our Annual Report on Form 10-K and, from time to time, in other reports that we file with the Securities and Exchange Commission (the SEC) or in other documents that we publicly disseminate.

Given these uncertainties and the other risks identified elsewhere in our Annual Report on Form 10-K and in this Report, we caution readers not to place undue reliance on forward-looking statements. 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 by securities laws.

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

U-STORE-IT TRUST AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(in thousands, except share data)

(unaudited)

	March 31, 2010	December 31, 2009
ASSETS		
Storage facilities	$ 1,743,312	$ 1,774,542
Less: Accumulated depreciation	(326,935)	(344,009)
Storage facilities, net	1,416,377	1,430,533
Cash and cash equivalents	41,524	102,768
Restricted cash	13,521	16,381
Loan procurement costs, net of amortization	18,006	18,366
Notes receivable	2,532	20,112
Other assets, net	10,016	10,710
Total assets	$ 1,501,976	$ 1,598,870
LIABILITIES AND EQUITY		
Secured term loan	$ 200,000	$ 200,000
Mortgage loans and notes payable	483,324	569,026
Accounts payable, accrued expenses and other liabilities	27,749	33,767
Distributions payable	2,456	2,448
Deferred revenue	9,008	8,449
Security deposits	458	456
Total liabilities	722,995	814,146
Noncontrolling interests in the Operating Partnership	45,086	45,394
Commitments and contingencies		
Equity		
Common shares $.01 par value, 200,000,000 shares authorized, 92,902,133 and 92,654,979 shares issued and outstanding at March 31, 2010 and December 31, 2009, respectively	929	927
Additional paid in capital	976,145	974,926
Accumulated other comprehensive loss	(1,056)	(874)
Accumulated deficit	(285,487)	(279,670)
Total U-Store-It Trust shareholders equity	690,531	695,309
Noncontrolling interest in subsidiaries	43,364	44,021
Total equity	733,895	739,330
Total liabilities and equity	$ 1,501,976	$ 1,598,870

See accompanying notes to the unaudited consolidated financial statements.

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U-STORE-IT TRUST AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except per share data)

(unaudited)

	Three Months Ended March 31, 2010	Three Months Ended March 31, 2009
REVENUES		
Rental income	$ 49,042	$ 51,243
Other property related income	4,081	3,690
Total revenues	53,123	54,933
OPERATING EXPENSES		
Property operating expenses	22,973	23,613
Depreciation and amortization	16,378	17,825
General and administrative	5,868	5,476
Total operating expenses	45,219	46,914
OPERATING INCOME	7,904	8,019
OTHER INCOME (EXPENSE)		
Interest:		
Interest expense on loans	(10,051)	(11,353)
Loan procurement amortization expense	(1,539)	(483)
Interest income	535	43
Other	(41)	(12)
Total other expense	(11,096)	(11,805)
LOSS FROM CONTINUING OPERATIONS	(3,192)	(3,786)
DISCONTINUED OPERATIONS		
Income from discontinued operations		1,000
Net gain on disposition of discontinued operations		500
Total discontinued operations		1,500
NET LOSS	(3,192)	(2,286)
NET LOSS (INCOME) ATTRIBUTABLE TO NONCONTROLLING INTERESTS		
Noncontrolling interests in the Operating Partnership	178	177
Noncontrolling interest in subsidiaries	(461)	
NET LOSS ATTRIBUTABLE TO THE COMPANY	$ (3,475)	$ (2,109)
Basic and diluted loss per share from continuing operations attributable to common shareholders	$ (0.04)	$ (0.06)
Basic and diluted earnings per share from discontinued operations attributable to common shareholders	$	$ 0.03
Basic and diluted loss per share attributable to common shareholders	$ (0.04)	$ (0.03)
Weighted-average basic and diluted shares outstanding	92,834	57,687
AMOUNTS ATTRIBUTABLE TO THE COMPANY S COMMON SHAREHOLDERS:		
Loss from continuing operations	$ (3,475)	$ (3,488)
Total discontinued operations		1,379
Net loss	$ (3,475)	$ (2,109)

See accompanying notes to the unaudited consolidated financial statements.

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U-STORE-IT TRUST AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF EQUITY

For the Three-Month Periods Ended March 31, 2010 and 2009

(in thousands)

(unaudited)

	Common Shares Number	Common Shares Amount	Additional Paid in Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Shareholders Equity	Noncontrolling Interest in Subsidiaries	Total Equity	Noncontrolling Interests in the Operating Partnership
Balance at December 31, 2009	92,655	$ 927	$ 974,926	$ (874)	$ (279,670)	$ 695,309	$ 44,021	$ 739,330	45,394
Contributions from noncontrolling interests in subsidiaries							19	19	
Issuance of restricted shares	195	2				2		2	
Exercise of stock options	52		180			180		180	
Amortization of restricted shares			503			503		503	
Share compensation expense			536			536		536	
Net (loss) income					(3,475)	(3,475)	461	(3,014)	(178)
Other comprehensive loss:									
Unrealized loss on foreign currency translation				(182)		(182)	(5)	(187)	(10)
Distributions					(2,342)	(2,342)	(1,132)	(3,474)	(120)
Balance at March 31, 2010	92,902	$ 929	$ 976,145	$ (1,056)	$ (285,487)	$ 690,531	$ 43,364	$ 733,895	45,086

	Common Shares Number	Common Shares Amount	Additional Paid in Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Shareholders Equity	Noncontrolling Interest in Subsidiaries	Total Equity	Noncontrolling Interests in the Operating Partnership
Balance at December 31, 2008	57,623	$ 576	$ 801,029	$ (7,553)	$ (271,124)	$ 522,928	$	$ 522,928	46,026
Issuance of restricted shares	64	1				1		1	
Amortization of restricted shares			415			415		415	
Share compensation expense			443			443		443	
Net loss					(2,109)	(2,109)		(2,109)	(177)
Other comprehensive income:									
Unrealized gain on interest rate swap				1,005		1,005		1,005	89
				246		246		246	22

Unrealized gain on foreign currency translation														
Distributions							(1,456)		(1,456)				(1,456)	(127)
Balance at March 31, 2009	57,687	$	577	$	801,887	$	(6,302)	$	(274,689)	$	521,473	$	$	521,473	45,833

See accompanying notes to the unaudited consolidated financial statements.

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U-STORE-IT TRUST AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

(unaudited)

	Three Months Ended March 31, 2010	Three Months Ended March 31, 2009
Operating Activities		
Net loss	$ (3,192)	$ (2,286)
Adjustments to reconcile net loss to cash provided by operating activities:		
Depreciation and amortization	17,917	19,219
Gain on disposition of discontinued operations		(500)
Equity compensation expense	1,039	858
Accretion of fair market value adjustment of debt	(113)	(116)
Changes in other operating accounts:		
Other assets	668	1,475
Accounts payable and accrued expenses	(5,996)	(7,525)
Other liabilities	561	164
Net cash provided by operating activities	$ 10,884	$ 11,289
Investing Activities		
Acquisitions, additions and improvements to storage facilities	(2,612)	(3,201)
Proceeds from sales of properties, net		2,852
Proceeds from repayment of notes receivable	17,580	
Decrease (increase) in restricted cash	2,860	(27)
Net cash provided by (used in) investing activities	$ 17,828	$ (376)
Financing Activities		
Proceeds from:		
Revolving credit facility		6,500
Principal payments on:		
Revolving credit facility		(15,500)
Mortgage loans and notes payable	(85,390)	(2,508)
Exercise of stock options	180	
Contributions from noncontrolling interests in subsidiaries	19	
Distributions paid to shareholders	(2,331)	(1,445)
Distributions paid to noncontrolling interests in Operating Partnership	(122)	(127)
Distributions paid to noncontrolling interests in subsidiaries	(1,132)	
Loan procurement costs	(1,180)	
Net cash used in financing activities	$ (89,956)	$ (13,080)
Decrease in cash and cash equivalents	(61,244)	(2,167)
Cash and cash equivalents at beginning of period	102,768	3,744
Cash and cash equivalents at end of period	$ 41,524	$ 1,577
Supplemental Cash Flow and Noncash Information		
Cash paid for interest, net of interest capitalized	$ 10,245	$ 11,335
Supplemental disclosure of noncash activities:		

Derivative valuation adjustment	$		$	1,094
Foreign currency translation adjustment	$	(197)	$	268

See accompanying notes to the unaudited consolidated financial statements.

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U-STORE-IT TRUST AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

1. ORGANIZATION AND NATURE OF OPERATIONS

U-Store-It Trust, a Maryland real estate investment trust (collectively with its subsidiaries, we , us or the Company), is a self-administered and self-managed real estate investment trust, or REIT, active in acquiring, developing and operating self-storage properties for business and personal use under month-to-month leases. The Company s self-storage facilities (collectively, the Properties) are located in 26 states throughout the United States, and in the District of Columbia and are managed under one reportable operating segment: we own, operate, develop, and acquire self-storage facilities. The Company owns substantially all of its assets through U-Store-It, L.P., a Delaware limited partnership (the Operating Partnership). The Company is the sole general partner of the Operating Partnership and, as of March 31, 2010, owned a 95.1% interest in the Operating Partnership. The Company manages its assets through YSI Management, LLC (the Management Company), a wholly owned subsidiary of the Operating Partnership. In addition to the Management Company, the Company owns four subsidiaries that have elected to be treated as taxable REIT subsidiaries. In general, a taxable REIT subsidiary may perform non-customary services for tenants, hold assets that the Company, as a REIT, cannot hold directly and generally may engage in any real estate or non-real estate related business.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND RECENT ACCOUNTING PRONOUNCEMENTS

Basis of Presentation

The accompanying unaudited consolidated financial statements have been prepared by the Company pursuant to the rules and regulations of the SEC regarding interim financial reporting and, in the opinion of management, include all adjustments (consisting of normal recurring adjustments) necessary for a fair presentation of financial position, results of operations and cash flows for the interim periods presented in accordance with generally accepted accounting principles in the United States (GAAP). Accordingly, readers of this Quarterly Report on Form 10-Q should refer to the Company s audited financial statements prepared in accordance with GAAP, and the related notes thereto, for the year ended December 31, 2009, which are included in the Company s Annual Report on Form 10-K for the fiscal year ended December 31, 2009 as certain footnote disclosures normally included in financial statements prepared in accordance with GAAP have been condensed or omitted from this report pursuant to the rules of the SEC. The results of operations for each of the three months ended March 31, 2010 and 2009 are not necessarily indicative of the results of operations to be expected for any future period or the full year.

New Accounting Pronouncements

The Financial Accounting Standards Board (FASB) established the *FASB Accounting Standards Codification* (Codification) as the source of authoritative GAAP recognized by the FASB to be applied by nongovernmental entities in the preparation of financial statements issued for interim and annual periods ending after September 15, 2009. The Codification has changed the manner in which GAAP guidance is referenced, but did not have an impact on our consolidated financial position, results of operations or cash flows.

The FASB issued authoritative guidance on accounting for transfers of financial assets in June 2009, which we adopted on a prospective basis beginning January 1, 2010. The guidance requires entities to provide more information regarding sales of securitized financial assets and similar transactions, particularly if the entity has continuing exposure to the risks related to transferred financial assets. It also eliminates the concept of a qualifying special-purpose entity, changes the requirements for derecognizing financial assets and requires additional disclosures. The application did not have an impact on our consolidated financial position, results of operations or cash flows.

The FASB issued authoritative guidance on how a company determines when an entity should be consolidated in June 2009, which we adopted on a prospective basis beginning January 1, 2010. The guidance clarifies that the determination of whether a company is required to consolidate an entity is based on, among other things, an entity s purpose and design and a company s ability to direct the activities of the entity that most significantly impact the entity s economic performance. The guidance requires an ongoing reassessment of whether a company is the primary beneficiary of a variable interest entity. It also requires additional disclosures about a company s involvement in variable interest entities and any significant changes in risk exposure due to that involvement. The application did not have an impact on our consolidated financial position, results of operations or cash flows.

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3. STORAGE FACILITIES

The book value of the Company s real estate assets is summarized as follows:

		March 31, 2010		December 31, 2009
		(in thousands)		
Land and improvements	$	369,663	$	369,842
Buildings and improvements		1,242,406		1,243,047
Equipment		128,238		157,452
Construction in progress		3,005		4,201
Total		1,743,312		1,774,542
Less accumulated depreciation		(326,935)		(344,009)
Storage facilities, net	$	1,416,377	$	1,430,533

As assets become fully depreciated, they are removed from their respective asset category. During the first quarter of 2010 and 2009, $33.4 million and $9.2 million of assets became fully depreciated, and were removed from storage facilities, respectively.

4. SECURED CREDIT FACILITY

On December 8, 2009, the Company and its Operating Partnership entered into a three-year, $450 million senior secured credit facility (the secured credit facility), consisting of a $200 million secured term loan and a $250 million secured revolving credit facility. The secured credit facility is collateralized by mortgages on borrowing base properties as defined in the secured credit facility agreement. At March 31, 2010, $200 million of secured term loan borrowings were outstanding under the secured credit facility. At March 31, 2010, $250 million was available for borrowing under the secured revolving credit facility. Borrowings under the secured credit facility bear interest at rates ranging from 3.25% to 4.00% over LIBOR, with a LIBOR floor of 1.5%, depending on our leverage ratio. At March 31, 2010, borrowings under the secured credit facility had a weighted average interest rate of 5.0% and the Company was in compliance with all financial covenants of the agreement.

The secured credit facility replaced the prior, three-year $450 million unsecured credit facility, which was entered into in November 2006, and consisted of a $200 million unsecured term loan and $250 million in unsecured revolving loans. All borrowings under the unsecured credit facility were repaid in December 2009.

5. MORTGAGE LOANS AND NOTES PAYABLE

The Company s mortgage loans and related notes payable are summarized as follows:

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Mortgage Loan	Carrying Value as of: March 31, 2010	December 31, 2009	Effective Interest Rate	Maturity Date
	(in thousands)			
YSI 1		83,342	5.19%	May-10
YSI 4	6,041	6,065	5.25%	Jul-10
YSI 26	9,410	9,475	5.00%	Aug-10
YSI 25	7,943	7,975	5.00%	Oct-10
YSI 2	83,017	83,480	5.33%	Jan-11
YSI 12	1,509	1,520	5.97%	Sep-11
YSI 13	1,297	1,307	5.97%	Sep-11
YSI 6	77,054	77,370	5.13%	Aug-12
YASKY	80,000	80,000	4.96%	Sep-12
USIFB	3,636	3,834	4.59%	Oct-12
YSI 14	1,799	1,812	5.97%	Jan-13
YSI 7	3,147	3,163	6.50%	Jun-13
YSI 8	1,798	1,808	6.50%	Jun-13
YSI 9	1,978	1,988	6.50%	Jun-13
YSI 17	4,215	4,246	6.32%	Jul-13
YSI 27	512	516	5.59%	Nov-13
YSI 30	7,504	7,567	5.59%	Nov-13
YSI 11	2,469	2,486	5.87%	Dec-13
YSI 5	3,259	3,281	5.25%	Jan-14
YSI 28	1,587	1,598	5.59%	Feb-14
YSI 34	14,916	14,955	8.00%	Jun-14
YSI 37	2,235	2,244	7.25%	Aug-14
YSI 40	2,565	2,581	7.25%	Aug-14
YSI 44	1,115	1,121	7.00%	Sep-14
YSI 41	3,952	3,976	6.60%	Sep-14
YSI 38	4,052	4,078	6.35%	Sep-14
YSI 45	5,505	5,527	6.75%	Oct-14
YSI 46	3,471	3,486	6.75%	Oct-14
YSI 43	2,981	2,994	6.50%	Nov-14
YSI 48	25,554	25,652	7.25%	Nov-14
YSI 50	2,365	2,380	6.75%	Dec-14
YSI 10	4,147	4,166	5.87%	Jan-15
YSI 15	1,909	1,920	6.41%	Jan-15
YSI 20	63,818	64,258	5.97%	Nov-15
YSI 31	13,835	13,891	6.75%	Jun-19(a)
YSI 35	4,499	4,499	6.90%	Jul-19(a)
YSI 32	6,135	6,160	6.75%	Jul-19(a)
YSI 33	11,522	11,570	6.42%	Jul-19
YSI 42	3,243	3,263	6.88%	Aug-19(a)
YSI 39	3,976	3,991	6.50%	Nov-19(a)
YSI 47	3,236	3,250	6.63%	Jan-20(a)
Unamortized fair value adjustment	118	231		
Total mortgage loans and notes payable	$ 483,324	$ 569,026		

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(a) These borrowings have a fixed interest rate for the first five years of their respective term. At the end of the initial five years, the rate resets and remains constant over the remaining five years of the loan term.

The following table presents the future principal payments on outstanding mortgage loans and notes payable at March 31, 2010 (in thousands):

2010	$	29,145
2011		90,544
2012		163,620
2013		26,240
2014		88,262
2015 and thereafter		85,395
Total mortgage payments		483,206
Plus: Fair value adjustment		118
Total mortgage indebtedness	$	483,324

The Company currently intends to fund the remainder of its 2010 principal payment requirements with available cash and from cash provided by operating activities. At March 31, 2010, the Company was in compliance with all financial covenants of the respective borrowings.

6. DERIVATIVE FINANCIAL INSTRUMENTS

The Company s use of derivative instruments has been limited to interest rate agreements or other instruments to manage interest rate risk exposures and not for speculative purposes. The principal objective of such arrangements is to minimize the risks and/or costs associated with the Company s operating and financial structure, as well as to hedge specific transactions. The counterparties to these arrangements are major financial institutions with which the Company and its subsidiaries may also have other financial relationships. The Company did not hedge credit or property value market risks.

The Company has entered into interest rate swap agreements that qualified and were designated as cash flow hedges designed to reduce the impact of interest rate changes on its variable rate debt. Therefore, the interest rate swaps were recorded in the consolidated balance sheets at fair value and the related gains or losses were deferred in shareholders equity as Accumulated Other Comprehensive Loss. These deferred gains and losses were amortized into interest expense during the period or periods in which the related interest payments affect earnings. However, to the extent that the interest rate swaps are not perfectly effective in offsetting the change in value of the interest payments being hedged, the ineffective portions of these contracts were recognized in earnings immediately. Ineffectiveness was immaterial for all periods presented.

The Company formally assesses, both at inception of a hedge and on an on-going basis, whether each derivative is highly-effective in offsetting changes in cash flows of the hedged item. If management determines that a derivative is highly-effective as a hedge, the Company accounts for the derivative using hedge accounting, pursuant to which gains or losses inherent in the derivative do not impact the Company s results of operations. If management determines that a derivative is not highly-effective as a hedge or if a derivative ceases to be a highly-effective hedge, the Company discontinues hedge accounting prospectively and reflects in its statement of operations realized and unrealized gains and losses in respect of the derivative.

The Company had no interest rate swaps outstanding at March 31, 2010. All of the Company s previously outstanding derivative financial instruments expired by November 20, 2009.

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7. FAIR VALUE MEASUREMENTS

In January 2008, the FASB issued a pronouncement regarding the methods to value financial assets and liabilities. The Company adopted this pronouncement effective January 1, 2009. As defined in the guidance, fair value is based on the price that would be received from the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements, the guidance establishes a fair value hierarchy that prioritizes observable and unobservable inputs used to measure fair value into three broad levels, which are described below:

Level 1: Quoted prices (unadjusted) in active markets that are accessible at the measurement date for assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

Level 2: Observable prices that are based on inputs not quoted on active markets, but corroborated by market data.

Level 3: Unobservable inputs are used when little or no market data is available. The fair value hierarchy gives the lowest priority to Level 3 inputs.

In determining fair value, the Company utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible as well as considering counterparty credit risk in its assessment of fair value.

In April 2009, the FASB issued a pronouncement regarding disclosures about fair value of financial instruments and a pronouncement which amends GAAP as follows: a) to require disclosures about fair value of financial instruments for interim reporting periods of publicly traded companies as well as in annual financial statements and b) to require disclosures in summarized financial information at interim reporting periods. This pronouncement is effective for interim reporting periods ending after June 15, 2009. Accordingly, the Company adopted this pronouncement during the quarter ended September 30, 2009. Disclosures about fair value of financial instruments are based on pertinent information available to management as of the valuation date. Considerable judgment is necessary to interpret market data and develop estimated fair values. Accordingly, the estimates presented are not necessarily indicative of the amounts at which these instruments could be purchased, sold or settled. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts.

The fair value of financial instruments, including cash and cash equivalents, accounts receivable and accounts payable approximates their respective book values at March 31, 2010 and December 31, 2009. The Company has fixed interest rate loans with a carrying value of $483.3 million and $569.0 million at March 31, 2010 and December 31, 2009, respectively. The estimated fair values of these fixed rate loans were $450.5 million and $530.7 million at March 31, 2010 and December 31, 2009, respectively. The Company has a variable interest rate loan with a carrying value of $200.0 million at March 31, 2010 and December 31, 2009. The estimated fair value of the variable interest rate loan was $200.0 million at March 31, 2010 and December 31, 2009. These estimates are based on discounted cash flow analyses assuming market interest rates for comparable obligations at March 31, 2010 and December 31, 2009.

8. NONCONTROLLING INTERESTS

Variable Interests in Consolidated Real Estate Joint Ventures

On August 13, 2009, the Company, through a wholly-owned affiliate, formed a joint venture (HART) with an affiliate of Heitman, LLC (Heitman) to own and operate 22 self-storage facilities, which are located throughout the United States. Upon formation, Heitman contributed approximately $51 million of cash to a newly-formed limited partnership and the Company contributed certain unencumbered wholly-owned properties with an agreed upon value of approximately $102 million to such limited partnership. In exchange for its contribution of those properties, the Company received a cash distribution from HART of approximately $51 million and retained a 50% interest in HART. The Company is the managing partner of HART and the manager of the properties owned by HART, and receives a market rate management fee for its management services.

The Company determined that HART is a variable interest entity as defined by GAAP, and that it is the primary beneficiary. The 50% interest that is owned by Heitman is reflected as noncontrolling interest in subsidiaries within permanent equity, separate from the Company s equity on the consolidated balance sheet. Accordingly, the assets, liabilities and results of operations of HART are consolidated. At March 31, 2010, HART had total assets of $92.1 million, including $90.4 million of storage facilities, net and total liabilities of $2.2 million.

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USIFB, LLP (the Venture) was formed to own, operate, acquire and develop self-storage facilities in England. The Company has a 97% interest in the Venture, and through a wholly-owned subsidiary and together with its joint venture partner, operations began at one facility in London, England during 2008. The Company has determined that the Venture is a variable interest entity as defined by GAAP, and that it is the primary beneficiary. Accordingly, the assets, liabilities and results of operations of the Venture are consolidated. At March 31, 2010, the Venture had total assets of $7.8 million and total liabilities of $3.9 million including a mortgage loan of $3.6 million secured by storage facilities, net with a book value of $7.3 million. At March 31, 2010, the Venture s creditors had no recourse to the general credit of the Company.

Operating Partnership Ownership

The Company has followed the FASB guidance regarding the classification and measurement of redeemable securities. Under this guidance, securities that are redeemable for cash or other assets, at the option of the holder and not solely within the control of the issuer, must be classified outside of permanent equity. This classification results in certain outside ownership interests being included as redeemable noncontrolling interests outside of permanent equity in the consolidated balance sheets. The Company makes this determination based on terms in applicable agreements, specifically in relation to redemption provisions. Additionally, with respect to noncontrolling interests for which the Company has a choice to settle the redemption by delivery of its own shares, the Company considered the guidance regarding accounting for derivative financial instruments indexed to, and potentially settled in, a company s own shares, to evaluate whether the Company controls the actions or events necessary to presume share settlement. The guidance also requires that noncontrolling interests be adjusted each period to the greater of the carrying value based on the accumulation of historical cost or the redemption value.

The consolidated results of the Company include results attributable to units of the Operating Partnership that are not owned by the Company, which amounted to approximately 4.9% of all outstanding Partnership units as of March 31, 2010 and December 31, 2009. The interests in the Operating Partnership represented by these units were a component of the consideration that the Company paid to acquire certain self-storage facilities. The holders of the units are limited partners in the Operating Partnership and have the right to require the Operating Partnership to redeem part or all of their units for, at the Company s option, an equivalent number of common shares of the Company or cash based upon the fair market value of an equivalent number of common shares of the Company. However, the partnership agreement contains certain circumstances that could result in a settlement outside the control of the Company. Accordingly, consistent with the guidance, the Company will record these noncontrolling interests outside of permanent equity in the consolidated balance sheets. Net income or loss related to these noncontrolling interests is excluded from net income or loss in the consolidated statements of operations.

The amount of the Company s common shares when calculated for the purposes of unit redemption will be equal to the average of the closing price of the Company s common shares on the New York Stock Exchange for the 10 trading days before the date the Company receives the redemption notice. At March 31, 2010 and December 31, 2009, 4,809,636 units were outstanding, and as of March 31, 2010 and December 31, 2009, the calculated aggregate redemption value of outstanding Operating Partnership units based upon the Company s share price was approximately $35.7 million and $35.4 million, respectively. Based on the Company s evaluation of the redemption value of the redeemable noncontrolling interest, the Company has reflected these interests at their carrying value as of March 31, 2010 and December 31, 2009 because the carrying cost exceeded the estimated redemption value.

9. RELATED PARTY TRANSACTIONS

During 2005 and 2006, the Operating Partnership entered into various office lease agreements with Amsdell and Amsdell, an entity owned by Robert Amsdell and Barry Amsdell (each a former Trustee). Pursuant to these lease agreements, we rented office space in the Airport Executive Park, an office and flex development located in Cleveland, Ohio, which is owned by Amsdell and Amsdell. The Company s independent

Trustees approved the terms of, and entry into, each of the office lease agreements by the Operating Partnership. In addition to monthly rent, the office lease agreements provide that the Operating Partnership reimburse Amsdell and Amsdell for certain maintenance and improvements to the leased office space. The aggregate amount of payments by us to Amsdell and Amsdell under these lease agreements for each of the three months ended March 31, 2010 and March 31, 2009 was approximately $0.1 million. We vacated the office space owned by Amsdell and Amsdell in 2007, but remain obligated under certain of the lease agreements through 2014. Subsequently, we entered into a sublease agreement for the space with a third party for the remainder of the lease term.

Total future minimum rental payments under the related party lease agreements as of March 31, 2010 are as follows:

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	Due to Related Party Amount	Due from Subtenant Amount
	(in thousands)	
2010	$ 356	$ 236
2011	475	314
2012	475	314
2013	499	314
2014	499	315
	$ 2,304	$ 1,493

10. DISCONTINUED OPERATIONS

There were no property sales during the three months ended March 31, 2010. For the three months ended March 31, 2009, income from discontinued operations relates to 20 properties that the Company sold during 2009. Net gain on disposition of discontinued operations relates to gains recognized on property sales completed during the three months ended March 31, 2009.

The following table summarizes the revenue and expense information for the properties classified as discontinued operations for the three months ended March 31, 2009 (in thousands):