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**UNITED STATES SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

**FORM 10-K**

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

For the fiscal year ended December 31, 2009  
Commission File Number: 1-13820

**SOVRAN SELF STORAGE, INC.**

(Exact name of Registrant as specified in its charter)

Maryland

(State of incorporation or organization)

16-1194043

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

6467 Main Street

Williamsville, NY 14221

(Address of principal executive offices) (Zip code)

(716) 633-1850

(Registrant's telephone number including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of Securities

Common Stock, \$.01 Par Value

Exchanges on which Registered

New York Stock Exchange

Securities registered pursuant to section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act.

Yes  No

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 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 (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

(Do not check if a 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  No

As of June 30, 2009, 23,391,184 shares of Common Stock, \$.01 par value per share, were outstanding, and the aggregate market value of the Common Stock held by non-affiliates was approximately \$558,480,713 (based on the closing price of the Common Stock on the New York Stock Exchange on June 30, 2009).

As of February 15, 2010, 27,547,027 shares of Common Stock, \$.01 par value per share, were outstanding.

**DOCUMENTS INCORPORATED BY REFERENCE**

Portions of the Definitive Proxy Statement for the Annual Meeting of Shareholders of the Registrant to be held on May 26, 2010 (Part III).

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## Part I

When used in this discussion and elsewhere in this document, the words “intends,” “believes,” “expects,” “anticipates,” and similar expressions are intended to identify “forward-looking statements” within the meaning of that term in Section 27A of the Securities Act of 1933 and in Section 21E of the Securities Exchange Act of 1934. Such forward-looking statements involve known and unknown risks, uncertainties and other factors, which may cause the actual results, performance or achievements of the Company to be materially different from those expressed or implied by such forward-looking statements. Such factors include, but are not limited to, the effect of competition from new self-storage facilities, which would cause rents and occupancy rates to decline; the Company’s ability to evaluate, finance and integrate acquired businesses into the Company’s existing business and operations; the Company’s ability to effectively compete in the industry in which it does business; the Company’s existing indebtedness may mature in an unfavorable credit environment, preventing refinancing or forcing refinancing of the indebtedness on terms that are not as favorable as the existing terms; interest rates may fluctuate, impacting costs associated with the Company’s outstanding floating rate debt; the Company’s ability to comply with debt covenants; any future ratings on the Company’s debt instruments; the Company’s reliance on its call center; the Company’s cash flow may be insufficient to meet required payments of principal, interest and dividends; and tax law changes that may change the taxability of future income.

### Item 1. Business

Sovran Self Storage, Inc. together with its direct and indirect subsidiaries and the consolidated joint ventures, to the extent appropriate in the applicable context, (the “Company,” “We,” “Our,” or “Sovran”) is a self-administered and self-managed real estate investment trust (“REIT”) that acquires, owns and manages self-storage properties. We refer to the self-storage properties in which we have an ownership interest and are managed by us as “Properties.” We began operations on June 26, 1995. We were formed to continue the business of our predecessor company, which had engaged in the self-storage business since 1985. At February 15, 2010, we held ownership interests in and managed 381 Properties consisting of approximately 24.7 million net rentable square feet, situated in 24 states. Among our 381 Properties are 27 Properties that we manage for a consolidated joint venture of which we are a majority owner and 25 Properties that we manage for a joint venture of which we are a 20% owner. We believe we are the fourth largest operator of self-storage properties in the United States based on facilities owned and managed. Our Properties conduct business under the user-friendly name Uncle Bob’s Self-Storage®.

We own an indirect interest in each of the Properties through a limited partnership (the “Partnership”). In total, we own a 98.5% economic interest in the Partnership and unaffiliated third parties own collectively a 1.5% limited partnership interest at December 31, 2009. We believe that this structure, commonly known as an umbrella partnership real estate investment trust (“UPREIT”), facilitates our ability to acquire properties by using units of the Partnership as currency. By utilizing interests in the Partnership as currency in facility acquisitions, we may partially defer the seller’s income tax liability which in turn may allow us to obtain more favorable pricing.

We were incorporated on April 19, 1995 under Maryland law. Our principal executive offices are located at 6467 Main Street, Williamsville, New York 14221, our telephone number is (716) 633-1850 and our web site is [www.sovrans.com](http://www.sovrans.com).

We seek to enhance shareholder value through internal growth and acquisition of additional storage properties. Internal growth is achieved through aggressive property management: increasing rents, increasing occupancy levels, controlling costs, maximizing collections and strategically expanding and improving the Properties. Should economic conditions warrant, we may develop new properties. We believe that there continue to be opportunities for growth through acquisitions, and constantly seek to acquire self-storage properties that are susceptible to realization of increased economies of scale and enhanced performance through application of our expertise.

### Industry Overview

We believe that self-storage facilities offer inexpensive storage space to residential and commercial users. In addition to fully enclosed and secure storage space, many facilities also offer outside storage for automobiles, recreational vehicles and boats. Better facilities, such as those managed by the Company, are usually fenced and

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well lighted with gates that are either manually operated or automated and have a full-time manager. Our customers rent space on a month-to-month basis and have access to their storage area during business hours and in certain circumstances are provided with 24-hour access. Individual storage units are secured by the customer's lock, and the customer has sole control of access to the unit.

According to the 2010 Self-Storage Almanac, of the approximately 48,700 facilities in the United States, less than 11% are managed by the ten largest operators. The remainder of the industry is characterized by numerous small, local operators. The shortage of skilled operators, the scarcity of capital available to small operators for acquisitions and expansions, and the potential for savings through economies of scale are factors that are leading to consolidation in the industry. We believe that, as a result of this trend, significant growth opportunities exist for operators with proven management systems and sufficient capital resources.

### **Property Management**

We believe that we have developed substantial expertise in managing self-storage facilities. Key elements of our management system include the following:

#### Personnel:

Property managers undergo continuous training that emphasizes closing techniques, identification of selected marketing opportunities, networking with possible referral sources, and familiarization with our customized management information system. In addition to frequent contact with Area Managers and other Company personnel, property managers receive periodic newsletters via our intranet regarding a variety of operational issues, and from time to time attend "roundtable" seminars with other property managers.

#### Marketing and Sales:

Responding to the increased customer demand for services, we have implemented several programs expected to increase profitability. These programs include:

- A Customer Care Center (call center) that services new and existing customers' inquiries and facilitates the capture of sales leads that were previously lost;
- Internet marketing, which provides customers information about all of our stores via numerous portals and e-mail;
- A rate management system, that matches product availability with market demand for each type of storage unit at each store, and determines appropriate pricing. The Company credits this program in achieving higher yields and controlling discounting;
- Dri-guard, that provides humidity-controlled spaces. We became the first self-storage operator to utilize this humidity protection technology. These environmental control systems are a premium storage feature intended to protect metal, electronics, furniture, fabrics and paper from moisture; and
- Uncle Bob's trucks, that provide customers with convenient, affordable access to vehicles to help move their goods into storage, and which also serve as moving billboards to help advertise our storage facilities.

#### Ancillary Income:

Our stores are essentially retail operations and we have in excess of 160,000 customers. As a convenience to those customers, we sell items such as locks, boxes, tarps, etc. to make their storage experience easier. We also make available renters insurance through a third party carrier, on which we earn a commission. Income from incidental truck rentals, billboards and cell towers is also earned by our Company.

#### Information Systems:

Our customized computer system performs billing, collections and reservation functions for each Property. It also tracks information used in developing marketing plans based on occupancy levels and customer demographics and histories. The system generates daily, weekly and monthly financial reports for each Property that are transmitted to our principal office each night. The system also requires a property manager to input a descriptive explanation for all debit and credit transactions, paid-to-date changes, and all other discretionary activities, which allows the accounting staff at our principal office to promptly review all such transactions. Late charges are automatically imposed. More sensitive activities, such as rental rate changes and unit size or number

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changes, are completed only by Area Managers. Our customized management information system permits us to add new facilities to our portfolio with minimal additional overhead expense.

### Property Maintenance:

All of our Properties are subject to regular and routine maintenance procedures, which are designed to maintain the structure and appearance of our buildings and grounds. A staff headquartered in our principal office is responsible for the upkeep of the Properties, and all maintenance service is contracted through local providers, such as lawn service, snowplowing, pest control, gate maintenance, HVAC repairs, paving, painting, roofing, etc. A codified set of specifications has been designed and is applied to all work performed on our Uncle Bob's stores. As with many other aspects of our Company, our size has allowed us to enjoy relatively low maintenance costs because we have the benefit of economies of scale in purchasing, travel and overhead absorption.

### **Environmental and Other Regulations**

We are subject to federal, state, and local environmental regulations that apply generally to the ownership of real property. We have not received notice from any governmental authority or private party of any material environmental noncompliance, claim, or liability in connection with any of the Properties, and are not aware of any environmental condition with respect to any of the Properties that could have a material adverse effect on our financial condition or results of operations.

The Properties are also generally subject to the same types of local regulations governing other real property, including zoning ordinances. We believe that the Properties are in substantial compliance with all such regulations.

### **Insurance**

Each of the Properties is covered by fire and property insurance (including comprehensive liability), and all-risk property insurance policies, which are provided by reputable companies and on commercially reasonable terms. In addition, we maintain a policy insuring against environmental liabilities resulting from tenant storage on terms customary for the industry, and title insurance insuring fee title to the Company-owned Properties in an amount that we believe to be adequate.

### **Federal Income Tax**

We operate, and intend to continue to operate, in such a manner as to continue to qualify as a REIT under the Internal Revenue Code of 1986 (the "Code"), but no assurance can be given that we will at all times so qualify. To the extent that we continue to qualify as a REIT, we will not be taxed, with certain limited exceptions, on the taxable income that is distributed to our shareholders. See Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources — REIT Qualification and Distribution Requirements."

### **Competition**

The primary factors upon which competition in the self-storage industry is based are location, rental rates, suitability of the property's design to prospective customers' needs, and the manner in which the property is operated and marketed. We believe we compete successfully on these bases. The extent of competition depends significantly on local market conditions. We seek to locate facilities so as not to cause our Properties to compete with one another for customers, but the number of self-storage facilities in a particular area could have a material adverse effect on the performance of any of the Properties.

Several of our competitors, including Public Storage, U-Haul, and Extra Space Storage, are larger and have substantially greater financial resources than we do. These larger operators may, among other possible advantages, be capable of greater leverage and the payment of higher prices for acquisitions.

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### **Investment Policy**

While we emphasize equity real estate investments, we may, at our discretion, invest in mortgage and other real estate interests related to self-storage properties in a manner consistent with our qualification as a REIT. We may also retain a purchase money mortgage for a portion of the sale price in connection with the disposition of Properties from time to time. Should investment opportunities become available, we may look to acquire self-storage properties via a joint-venture partnership or similar entity. We may or may not elect to have a significant investment in such a venture, but would use such an opportunity to expand our portfolio of branded and managed properties.

Subject to the percentage of ownership limitations and gross income tests necessary for REIT qualification, we also may invest in securities of entities engaged in real estate activities or securities of other issuers, including for the purpose of exercising control over such entities.

### **Disposition Policy**

Any disposition decision of our Properties is based on a variety of factors, including, but not limited to, the (i) potential to continue to increase cash flow and value, (ii) sale price, (iii) strategic fit with the rest of our portfolio, (iv) potential for, or existence of, environmental or regulatory issues, (v) alternative uses of capital, and (vi) maintaining qualification as a REIT.

During 2009 we sold five non-strategic storage facilities located in Massachusetts, North Carolina and Pennsylvania for net cash proceeds of \$16.3 million resulting in a loss of \$1.6 million. During 2008 we sold one non-strategic storage facility located in Michigan for net cash proceeds of \$7.0 million resulting in a gain of \$0.7 million. No storage facilities were sold in 2007.

### **Distribution Policy**

We intend to pay regular quarterly distributions to our shareholders. However, future distributions by us will be at the discretion of the Board of Directors and will depend on the actual cash available for distribution, our financial condition and capital requirements, the annual distribution requirements under the REIT provisions of the Code and such other factors as the Board of Directors deems relevant. In order to maintain our qualification as a REIT, we must make annual distributions to shareholders of at least 90% of our REIT taxable income (which does not include capital gains). Under certain circumstances, we may be required to make distributions in excess of cash available for distribution in order to meet this requirement.

On May 6, 2009, recognizing the need to maintain maximum financial flexibility in light of the current state of the capital markets, our Board of Directors reduced the quarterly common stock dividend from \$0.64 per share to \$0.45 per share, for an annual rate of \$1.80 per share.

### **Borrowing Policy**

Our Board of Directors currently limits the amount of debt that may be incurred by us to less than 50% of the sum of the market value of our issued and outstanding Common and Preferred Stock plus our debt. We, however, may from time to time re-evaluate and modify our borrowing policy in light of then current economic conditions, relative costs of debt and equity capital, market values of properties, growth and acquisition opportunities and other factors.

On June 25, 2008, we entered into agreements relating to new unsecured credit arrangements, and received funds under those arrangements. As part of the agreements, we entered into a \$250 million unsecured term note maturing in June 2012 bearing interest at LIBOR plus 1.625%. The proceeds from this term note were used to repay the Company's previous line of credit that was to mature in September 2008, the Company's term note that was to mature in September 2009, the term note maturing in July 2008, and to provide for working capital. In October 2009, the Company repaid \$100 million of the term note entered into in June 2008. The 2008 agreements also provide for a \$125 million (expandable to \$175 million) revolving line of credit maturing June 2011 bearing interest at a variable rate equal to LIBOR plus 1.375%, and requires a 0.25% facility fee. At December 31, 2009, there was

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\$125 million available on the unsecured line of credit.

We also maintain an \$80 million term note maturing September 2013 bearing interest at a fixed rate of 6.26%, a \$20 million term note maturing September 2013 bearing interest at a variable rate equal to LIBOR plus 1.50%, and a \$150 million unsecured term note maturing in April 2016 bearing interest at 6.38%.

To the extent that we desire to obtain additional capital to pay distributions, to provide working capital, to pay existing indebtedness or to finance acquisitions, expansions or development of new properties, we may utilize amounts available under the expanded line of credit, common or preferred stock offerings, floating or fixed rate debt financing, retention of cash flow (subject to satisfying our distribution requirements under the REIT rules) or a combination of these methods. Additional debt financing may also be obtained through mortgages on our Properties, which may be recourse, non-recourse, or cross-collateralized and may contain cross-default provisions. We have not established any limit on the number or amount of mortgages that may be placed on any single Property or on our portfolio as a whole, although certain of our existing term loans contain limits on overall mortgage indebtedness. For additional information regarding borrowings, see Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources" and Note 7 to the Consolidated Financial Statements filed herewith.

### **Employees**

We currently employ a total of 1,051 employees, including 381 property managers, 24 area managers, and 511 assistant managers and part-time employees. At our headquarters, in addition to our three senior executive officers, we employ 132 people engaged in various support activities, including accounting, human resources, customer care, and management information systems. None of our employees are covered by a collective bargaining agreement. We consider our employee relations to be excellent.

### **Available Information**

We file with the U.S. Securities and Exchange Commission quarterly and annual reports on Forms 10-Q and 10-K, respectively, current reports on Form 8-K, and proxy statements pursuant to the Securities Exchange Act of 1934, in addition to other information as required. The public may read and copy any materials that we file with the SEC at the SEC's Public Reference Room at 100 F Street, NE, Washington, D.C. 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1 (800) SEC-0330. We file this information with the SEC electronically, and the SEC maintains an Internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC at <http://www.sec.gov>. Our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and all amendments to those reports are available free of charge on our web site at <http://www.sovranss.com> as soon as reasonably practicable after such material is electronically filed with or furnished to the SEC. In addition, our codes of ethics and Charters of our Governance, Audit Committee, and Compensation Committee are available free of charge on our website at <http://www.sovranss.com>.

Also, copies of our annual report and Charters of our Governance, Audit Committee, and Compensation Committee will be made available, free of charge, upon written request to Sovran Self Storage, Inc., Attn: Investor Relations, 6467 Main Street, Williamsville, NY 14221.



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### **Item 1A. Risk Factors**

*You should carefully consider the risks described below, together with all of the other information included in or incorporated by reference into our Form 10-K, as part of your evaluation of the Company. If any of the following risks actually occur, our business could be harmed. In such case, the trading price of our securities could decline, and you may lose all or part of your investment.*

#### **Our Acquisitions May Not Perform as Anticipated**

We have completed many acquisitions of self-storage facilities since our initial public offering of common stock in June 1995. Our strategy is to continue to grow by acquiring additional self-storage facilities. Acquisitions entail risks that investments will fail to perform in accordance with our expectations and that our judgments with respect to the prices paid for acquired self-storage facilities and the costs of any improvements required to bring an acquired property up to standards established for the market position intended for that property will prove inaccurate. Acquisitions also involve general investment risks associated with any new real estate investment.

#### **We May Incur Problems with Our Real Estate Financing**

*Unsecured Credit Facility and Term Notes.* We have a line of credit and term note agreements with a syndicate of financial institutions and other lenders. This unsecured credit facility and the term notes are recourse to us and the required payments are not reduced if the economic performance of any of the properties declines. The unsecured credit facility limits our ability to make distributions to our shareholders, except in limited circumstances.

*Rising Interest Rates.* Indebtedness that we incur under the unsecured credit facility and bank term notes bear interest at a variable rate. Accordingly, increases in interest rates could increase our interest expense, which would reduce our cash available for distribution and our ability to pay expected distributions to our shareholders. We manage our exposure to rising interest rates using interest rate swaps and other available mechanisms. If the amount of our indebtedness bearing interest at a variable rate increases, our unsecured credit facility may require us to enter into additional interest rate swaps.

*Refinancing May Not Be Available.* It may be necessary for us to refinance our unsecured credit facility through additional debt financing or equity offerings. If we were unable to refinance this indebtedness on acceptable terms, we might be forced to dispose of some of our self-storage facilities upon disadvantageous terms, which might result in losses to us and might adversely affect the cash available for distribution. If prevailing interest rates or other factors at the time of refinancing result in higher interest rates on refinancings, our interest expense would increase, which would adversely affect our cash available for distribution and our ability to pay expected distributions to shareholders.

*Recent turmoil in the credit markets could affect our ability to obtain debt financing on reasonable terms and have other adverse effects on us.* The United States credit markets have recently experienced significant dislocations and liquidity disruptions which have caused the spreads on available debt financings to widen considerably. These circumstances have materially impacted liquidity in the debt markets, making financing terms for borrowers less attractive. A prolonged downturn in the credit markets could cause us to seek alternative sources of potentially less attractive financing, and may require us to adjust our business plan accordingly. Continued uncertainty in the credit markets may negatively impact our ability to make acquisitions.

*Covenants and Risk of Default.* Our unsecured credit facility and term notes require us to operate within certain covenants, including financial covenants with respect to leverage, fixed charge coverage, minimum net worth, limitations on additional indebtedness and dividend limitations. If we violate any of these covenants or otherwise default under our unsecured credit facility or term notes, then our lenders could declare all indebtedness under these facilities to be immediately due and payable which would have a material adverse effect on our business and could require us to sell self-storage facilities under distress conditions and seek replacement financing on substantially more expensive terms.

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### **Our Debt Levels May Increase**

Our Board of Directors currently has a policy of limiting the amount of our debt at the time of incurrence to less than 50% of the sum of the market value of our issued and outstanding common stock and preferred stock plus the amount of our debt at the time that debt is incurred. However, our organizational documents do not contain any limitation on the amount of indebtedness we might incur. Accordingly, our Board of Directors could alter or eliminate the current policy limitation on borrowing without a vote of our shareholders. We could become highly leveraged if this policy were changed. However, our ability to incur debt is limited by covenants in our bank credit arrangements.

### **We Are Subject to the Risks Posed by Fluctuating Demand and Significant Competition in the Self-Storage Industry**

Our self-storage facilities are subject to all operating risks common to the self-storage industry. These risks include but are not limited to the following:

- Decreases in demand for rental spaces in a particular locale;
- Changes in supply of similar or competing self-storage facilities in an area;
- Changes in market rental rates; and
- Inability to collect rents from customers.

Our current strategy is to acquire interests only in self-storage facilities. Consequently, we are subject to risks inherent in investments in a single industry. Our self-storage facilities compete with other self-storage facilities in their geographic markets. As a result of competition, the self-storage facilities could experience a decrease in occupancy levels and rental rates, which would decrease our cash available for distribution. We compete in operations and for acquisition opportunities with companies that have substantial financial resources. Competition may reduce the number of suitable acquisition opportunities offered to us and increase the bargaining power of property owners seeking to sell. The self-storage industry has at times experienced overbuilding in response to perceived increases in demand. A recurrence of overbuilding might cause us to experience a decrease in occupancy levels, limit our ability to increase rents and compel us to offer discounted rents.

### **Our Real Estate Investments Are Illiquid and Are Subject to Uninsurable Risks and Government Regulation**

*General Risks.* Our investments are subject to varying degrees of risk generally related to the ownership of real property. The underlying value of our real estate investments and our income and ability to make distributions to our shareholders are dependent upon our ability to operate the self-storage facilities in a manner sufficient to maintain or increase cash available for distribution. Income from our self-storage facilities may be adversely affected by the following factors:

- Changes in national economic conditions;
- Changes in general or local economic conditions and neighborhood characteristics;
- Competition from other self-storage facilities;
- Changes in interest rates and in the availability, cost and terms of financing;
- The impact of present or future environmental legislation and compliance with environmental laws;
- The ongoing need for capital improvements, particularly in older facilities;
- Changes in real estate tax rates and other operating expenses;

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- Adverse changes in governmental rules and fiscal policies;
- Uninsured losses resulting from casualties associated with civil unrest, acts of God, including natural disasters, and acts of war;
- Adverse changes in zoning laws; and
- Other factors that are beyond our control.

*Illiquidity of Real Estate May Limit its Value.* Real estate investments are relatively illiquid. Our ability to vary our portfolio of self-storage facilities in response to changes in economic and other conditions is limited. In addition, provisions of the Code may limit our ability to profit on the sale of self-storage facilities held for fewer than two years. We may be unable to dispose of a facility when we find disposition advantageous or necessary and the sale price of any disposition may not equal or exceed the amount of our investment.

*Uninsured and Underinsured Losses Could Reduce the Value of our Self Storage Facilities.* Some losses, generally of a catastrophic nature, that we potentially face with respect to our self-storage facilities may be uninsurable or not insurable at an acceptable cost. Our management uses its discretion in determining amounts, coverage limits and deductibility provisions of insurance, with a view to acquiring appropriate insurance on our investments at a reasonable cost and on suitable terms. These decisions may result in insurance coverage that, in the event of a substantial loss, would not be sufficient to pay the full current market value or current replacement cost of our lost investment. Inflation, changes in building codes and ordinances, environmental considerations, and other factors also might make it infeasible to use insurance proceeds to replace a property after it has been damaged or destroyed. Under those circumstances, the insurance proceeds received by us might not be adequate to restore our economic position with respect to a particular property.

*Possible Liability Relating to Environmental Matters.* Under various federal, state and local environmental laws, ordinances and regulations, a current or previous owner or operator of real property may be liable for the costs of removal or remediation of hazardous or toxic substances on, under or in that property. Those laws often impose liability even if the owner or operator did not cause or know of the presence of hazardous or toxic substances and even if the storage of those substances was in violation of a customer's lease. In addition, the presence of hazardous or toxic substances, or the failure of the owner to address their presence on the property, may adversely affect the owner's ability to borrow using that real property as collateral. In connection with the ownership of the self-storage facilities, we may be potentially liable for any of those costs.

*Americans with Disabilities Act.* The Americans with Disabilities Act of 1990, or ADA, generally requires that buildings be made accessible to persons with disabilities. A determination that we are not in compliance with the ADA could result in imposition of fines or an award of damages to private litigants. If we were required to make modifications to comply with the ADA, our results of operations and ability to make expected distributions to our shareholders could be adversely affected.

### **There Are Limitations on the Ability to Change Control of Sovran**

*Limitation on Ownership and Transfer of Shares.* To maintain our qualification as a REIT, not more than 50% in value of our outstanding shares of stock may be owned, directly or indirectly, by five or fewer individuals, as defined in the Code. To limit the possibility that we will fail to qualify as a REIT under this test, our Amended and Restated Articles of Incorporation include ownership limits and transfer restrictions on shares of our stock. Our Articles of Incorporation limit ownership of our issued and outstanding stock by any single shareholder to 9.8% of the aggregate value of our outstanding stock, except that the ownership by some of our shareholders is limited to 15%.

These ownership limits may:

- Have the effect of precluding an acquisition of control of Sovran by a third party without consent of our Board of Directors even if the change in control would be in the interest of shareholders; and

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- Limit the opportunity for shareholders to receive a premium for shares of our common stock they hold that might otherwise exist if an investor were attempting to assemble a block of common stock in excess of 9.8% or 15%, as the case may be, of the outstanding shares of our stock or to otherwise effect a change in control of Sovran.

Our Board of Directors may waive the ownership limits if it is satisfied that ownership by those shareholders in excess of those limits will not jeopardize our status as a REIT under the Code or in the event it determines that it is no longer in our best interests to be a REIT. Waivers have been granted to the former holders of our Series C preferred stock, FMR Corporation and Cohen & Steers, Inc. A transfer of our common stock and/or preferred stock to a person who, as a result of the transfer, violates the ownership limits may not be effective under some circumstances.

*Other Limitations.* Other limitations could have the effect of discouraging a takeover or other transaction in which holders of some, or a majority, of our outstanding common stock might receive a premium for their shares of our common stock that exceeds the then prevailing market price or that those holders might believe to be otherwise in their best interest. The issuance of additional shares of preferred stock could have the effect of delaying or preventing a change in control of Sovran even if a change in control were in the shareholders' interest. In addition, the Maryland General Corporation Law, or MGCL, imposes restrictions and requires that specified procedures with respect to the acquisition of stated levels of share ownership and business combinations, including combinations with interested shareholders. These provisions of the MGCL could have the effect of delaying or preventing a change in control of Sovran even if a change in control were in the shareholders' interest. Waivers and exemptions have been granted to the initial purchasers of our former Series C preferred stock in connection with these provisions of the MGCL. In addition, under the Partnership's agreement of limited partnership, in general, we may not merge, consolidate or engage in any combination with another person or sell all or substantially all of our assets unless that transaction includes the merger or sale of all or substantially all of the assets of the Partnership, which requires the approval of the holders of 75% of the limited partnership interests thereof. If we were to own less than 75% of the limited partnership interests in the Partnership, this provision of the limited partnership agreement could have the effect of delaying or preventing us from engaging in some change of control transactions.

### **Our Failure to Qualify as a REIT Would Have Adverse Consequences**

We intend to operate in a manner that will permit us to qualify as a REIT under the Code. Qualification as a REIT involves the application of highly technical and complex Code provisions for which there are only limited judicial and administrative interpretations. Continued qualification as a REIT depends upon our continuing ability to meet various requirements concerning, among other things, the ownership of our outstanding stock, the nature of our assets, the sources of our income and the amount of our distributions to our shareholders.

In addition, a REIT is limited with respect to the services it can provide for its tenants. In the past, we have provided certain conveniences for our tenants, including property insurance underwritten by a third party insurance company that pays us commissions. We believe the insurance provided by the insurance company would not constitute a prohibited service to our tenants. No assurances can be given, however, that the IRS will not challenge our position. If the IRS successfully challenged our position, our qualification as a REIT could be adversely affected.

If we were to fail to qualify as a REIT in any taxable year, we would not be allowed a deduction for distributions to shareholders in computing our taxable income and would be subject to federal income tax (including any applicable alternative minimum tax) on our taxable income at regular corporate rates. Unless entitled to relief under certain Code provisions, we also would be ineligible for qualification as a REIT for the four taxable years following the year during which our qualification was lost. As a result, distributions to the shareholders would be reduced for each of the years involved. Although we currently intend to operate in a manner designed to qualify as a REIT, it is possible that future economic, market, legal, tax or other considerations may cause our Board of Directors to revoke our REIT election.

### **We May Pay Some Taxes, Reducing Cash Available for Shareholders**

Even if we qualify as a REIT for federal income tax purposes, we are required to pay some federal, foreign,

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state and local taxes on our income and property. Certain of our corporate subsidiaries have elected to be treated as “taxable REIT subsidiaries” of the Company for federal income tax purposes. A taxable REIT subsidiary is taxable as a regular corporation and is limited in its ability to deduct interest payments made to us in excess of a certain amount. In addition, if we receive or accrue certain amounts and the underlying economic arrangements among our taxable REIT subsidiaries and us are not comparable to similar arrangements among unrelated parties, we will be subject to a 100% penalty tax on those payments in excess of amounts deemed reasonable between unrelated parties. Finally, some state and local jurisdictions may tax some of our income even though as a REIT we are not subject to federal income tax on that income because not all states and localities follow the federal income tax treatment of REITs. To the extent that the Company or any taxable REIT subsidiary is required to pay federal, foreign, state or local taxes, we will have less cash available for distribution to shareholders.

### **We May Change the Dividend Policy for Our Common Stock in the Future**

In 2009, our board of directors authorized and we declared quarterly common stock dividends of \$0.64 per share for the first fiscal quarter; the equivalent of an annual rate of \$2.56 per share. With respect to the second quarter of 2009, recognizing the need to maintain maximum financial flexibility in light of the current state of the capital markets, our board of directors reduced the quarterly common stock dividend to \$0.45 per share, for an annual rate of \$1.80 per share. A \$0.45 per share quarterly common stock dividend was also declared with respect to the third and fourth quarters of 2009. We can provide no assurance that the board will not reduce or eliminate entirely dividend distributions on our common stock in the future.

A recent Internal Revenue Service revenue procedure allows us to satisfy the REIT income distribution requirements with respect to our 2010 and 2011 taxable years by distributing up to 90% of our dividends for such years on our common stock in shares of our common stock in lieu of paying dividends entirely in cash, so long as we follow a process allowing our shareholders to elect cash or stock subject to a cap that we impose on the maximum amount of cash that will be paid. Although we may utilize this procedure in the future, we currently have no intent to do so. In the event that we pay a portion of a dividend in shares of our common stock, taxable U.S. shareholders would be required to pay tax on the entire amount of the dividend, including the portion paid in shares of common stock, in which case such shareholders might have to pay the tax using cash from other sources. If a U.S. shareholder sells the stock it receives as a dividend in order to pay this tax, the sales proceeds may be less than the amount included in income with respect to the dividend, depending on the market price of our stock at the time of the sale. Furthermore, with respect to non-U.S. shareholders, we may be required to withhold U.S. tax with respect to such dividend, including in respect to all of or a portion of such dividend that is payable in stock. In addition, if a significant number of our shareholders sell shares of our common stock in order to pay taxes owed on dividends, such sales could put downward pressure on the market price of our common stock.

Our board of directors will continue to evaluate our distribution policy on a quarterly basis as they monitor the capital markets and the impact of the economy on our operations. The decision to authorize and pay dividends on our common stock in the future, as well as the timing, amount and composition of any such future dividends, will be at the sole discretion of our board of directors in light of conditions then existing, including our earnings, financial condition, capital requirements, debt maturities, the availability of capital, applicable REIT and legal restrictions and the general overall economic conditions and other factors. Any change in our dividend policy could have a material adverse effect on the market price of our common stock.

### **We May Have Rescission Liability in Connection with Sales of Unregistered Shares to Certain Investors**

As previously disclosed in our Form 10-Q for the three months ended March 31, 2009, from December 2008 through April 2009, we sold an aggregate of 653,757 shares of common stock under our dividend reinvestment and stock purchase plan (the “DRSPP”) which were not registered under the Securities Act as a result of the expiration in November 2008 of our registration statement covering the DRSPP. Some or all of those sales, which resulted in proceeds to us of approximately \$14.0 million, may have violated Section 5 of the Securities Act. Purchasers of shares issued in violation of Section 5 have a right to rescind their purchases for a period of twelve months following the date of original purchase under Section 13 of the Securities Act. As a result, we could be required to repurchase some or all of the shares issued under the DRSPP during this period at the original sale price plus statutory interest.

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### **Market Interest Rates May Influence the Price of Our Common Stock**

One of the factors that may influence the price of our common stock in public trading markets or in private transactions is the annual yield on our common stock as compared to yields on other financial instruments. An increase in market interest rates will result in higher yields on other financial instruments, which could adversely affect the price of our common stock.

### **Regional Concentration of Our Business May Subject Us to Economic Downturns in the States of Texas and Florida**

As of December 31, 2009, 147 of our 381 self-storage facilities are located in the states of Texas and Florida. For the year ended December 31, 2009, these facilities accounted for approximately 42.0% of store revenues. This concentration of business in Texas and Florida exposes us to potential losses resulting from a downturn in the economies of those states. If economic conditions in those states continue to deteriorate, we will experience a reduction in existing and new business, which may have an adverse effect on our business, financial condition and results of operations.

### **Changes in Taxation of Corporate Dividends May Adversely Affect the Value of Our Common Stock**

The maximum marginal rate of tax payable by domestic noncorporate taxpayers on dividends received from a regular "C" corporation under current law is 15% through 2010, as opposed to higher ordinary income rates. The reduced tax rate, however, does not apply to distributions paid to domestic noncorporate taxpayers by a REIT on its stock, except for certain limited amounts. Although the earnings of a REIT that are distributed to its stockholders generally remain subject to less federal income taxation than earnings of a non-REIT "C" corporation that are distributed to its stockholders net of corporate-level income tax, legislation that extends the application of a lower rate of taxation to dividends paid after 2010 by "C" corporations could cause domestic noncorporate investors to view the stock of regular "C" corporations as more attractive relative to the stock of a REIT, because the dividends from regular "C" corporations would continue to be taxed at a lower rate while distributions from REITs (other than distributions designated as capital gain dividends) are generally taxed at the same rate as other ordinary income of domestic noncorporate taxpayers and the maximum rate for domestic noncorporate taxpayers will increase in 2011 unless current tax laws are changed.

### **Item 1B. Unresolved Staff Comments**

None.

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### Item 2. Properties

At December 31, 2009, we held ownership interests in and managed a total of 381 Properties situated in twenty-four states. Among the 381 self-storage facilities are 27 Properties that we manage for a consolidated joint venture of which we are a majority owner and 25 Properties that we manage for a joint venture of which we are a 20% owner.

Our self-storage facilities offer inexpensive, easily accessible, enclosed storage space to residential and commercial users on a month-to-month basis. Most of our Properties are fenced with computerized gates and are well lighted. A majority of the Properties are single-story, thereby providing customers with the convenience of direct vehicle access to their storage spaces. Our stores range in size from 21,000 to 181,000 net rentable square feet, with an average of approximately 65,000 net rentable square feet. The Properties generally are constructed of masonry or steel walls resting on concrete slabs and have standing seam metal, shingle, or tar and gravel roofs. All Properties have a property manager on-site during business hours. Customers have access to their storage areas during business hours, and some commercial customers are provided 24-hour access. Individual storage spaces are secured by a lock furnished by the customer to provide the customer with control of access to the space.

All of the Properties conduct business under the user-friendly name Uncle Bob's Self-Storage ®.

The following table provides certain information regarding the Properties in which we have an ownership interest and manage as of December 31, 2009:

	Number of Stores at December 31, 2009	Square Feet	Number of Spaces	Percentage of Store Revenue
Alabama	22	1,587,552	11,895	4.9%
Arizona	9	532,834	4,723	2.3%
Connecticut	5	300,860	2,866	1.9%
Colorado	4	276,927	2,374	1.3%
Florida	57	3,641,512	33,394	15.1%
Georgia	27	1,710,528	13,935	6.1%
Kentucky	2	144,872	1,323	0.6%
Louisiana	14	836,350	7,309	3.7%
Maine	2	114,265	1,010	0.5%
Maryland	4	172,083	2,037	0.9%
Massachusetts	12	664,614	6,067	3.2%
Michigan	6	354,608	3,035	1.1%
Mississippi	12	922,933	7,116	3.4%
Missouri	7	432,039	3,791	2.0%
New Hampshire	4	259,555	2,331	1.0%
New York	28	1,590,577	14,566	8.4%
North Carolina	14	723,262	6,223	2.7%
Ohio	23	1,558,905	12,900	5.5%
Pennsylvania	4	208,400	1,630	0.8%
Rhode Island	4	168,346	1,565	0.8%
South Carolina	8	443,158	3,782	1.7%
Tennessee	4	291,204	2,457	0.9%
Texas	90	6,624,499	54,563	26.9%
Virginia	19	1,130,226	10,528	4.3%
Total	381	24,690,109	211,420	100.0%

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At December 31, 2009, the Properties had an average occupancy of 80.0% and an annualized rent per occupied square foot of \$10.29.

### **Item 3. Legal Proceedings**

In the normal course of business, we are subject to various claims and litigation. While the outcome of any litigation is inherently unpredictable, we do not believe that any matters currently pending against the Company will have a material adverse impact on our financial condition, results of operations or cash flows.

### **Item 4. Submission of Matters to a Vote of Security Holders**

No matters were submitted during the fourth quarter of the fiscal year covered by this report to a vote of security holders, through the solicitation of proxies or otherwise.

## **Part II**

### **Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities**

Our Common Stock is traded on the New York Stock Exchange under the symbol "SSS." Set forth below are the high and low sales prices for our Common Stock for each full quarterly period within the two most recent fiscal years.

Quarter 2008	High	Low
1st	\$44.62	\$33.56
2nd	46.50	41.37
3rd	46.15	35.77
4th	44.16	19.18
Quarter 2009	High	Low
1st	\$36.12	\$16.40
2nd	26.95	19.28
3rd	33.33	22.69
4th	38.06	28.88

As of February 15, 2010, there were approximately 1,335 holders of record of our Common Stock.

We have paid quarterly dividends to our shareholders since our inception. Reflected in the table below are the dividends paid in the last two years.

For federal income tax purposes, distributions to shareholders are treated as ordinary income, capital gain, return of capital or a combination thereof. Distributions to shareholders for 2009 represent 45% ordinary income, and 55% return of capital.

#### History of Dividends Declared on Common Stock

March 2008	\$0.630 per share
June 2008	\$0.630 per share
September 2008	\$0.640 per share
December 2008	\$0.640 per share
March 2009	\$0.640 per share
July 2009	\$0.450 per share
October 2009	\$0.450 per share
January 2010	\$0.450 per share



**EQUITY COMPENSATION PLAN INFORMATION**

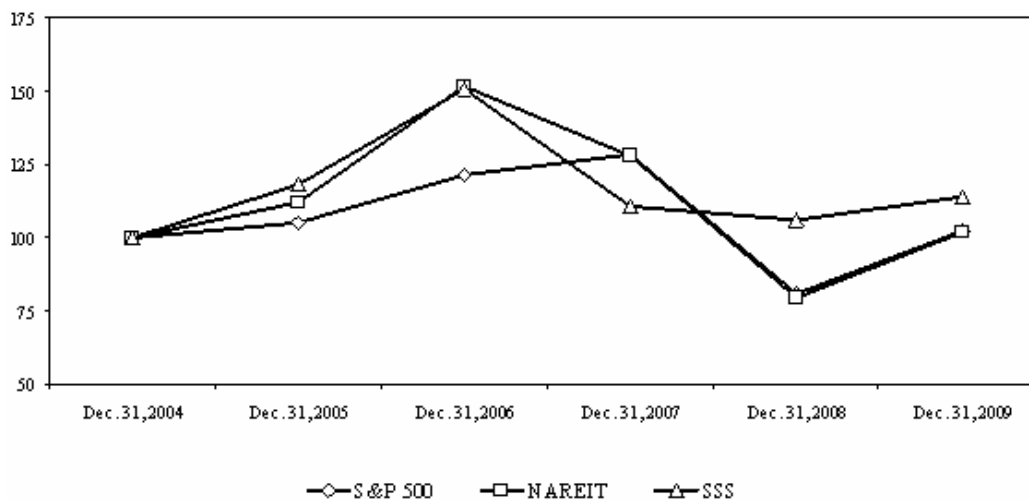
The following table sets forth certain information as of December 31, 2009, with respect to equity compensation plans under which shares of the Company's Common Stock may be issued.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (#)	Weighted average exercise price of outstanding options, warrants and rights (\$)	Number of securities remaining available for future issuance (#)
<b>Equity compensation plans approved by shareholders:</b>			
2005 Award and Option Plan	316,163	\$ 42.86	998,330
1995 Award and Option Plan	46,300	\$ 27.23	0
2009 Outside Directors' Stock Option and Award Plan	9,500	\$ 23.15	137,044
1995 Outside Directors' Stock Option Plan	25,505	\$ 46.23	0
Deferred Compensation Plan for Directors (1)	29,390	N/A	27,671
<b>Equity compensation plans not approved by shareholders:</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>

- (1) Under the Deferred Compensation Plan for Directors, non-employee Directors may defer all or part of their Directors' fees that are otherwise payable in cash. Directors' fees that are deferred under the Plan will be credited to each Directors' account under the Plan in the form of Units. The number of Units credited is determined by dividing the amount of Directors' fees deferred by the closing price of the Company's Common Stock on the New York Stock Exchange on the day immediately preceding the day upon which Directors' fees otherwise would be paid by the Company. A Director is credited with additional Units for dividends on the shares of Common Stock represented by Units in such Directors' Account. A Director may elect to receive the shares in a lump sum on a date specified by the Director or in quarterly or annual installments over a specified period and commencing on a specified date.

**CORPORATE PERFORMANCE GRAPH**

The following chart and line-graph presentation compares (i) the Company's shareholder return on an indexed basis since December 31, 2004 with (ii) the S&P Stock Index and (iii) the National Association of Real Estate Investment Trusts Equity Index.



**CUMULATIVE TOTAL SHAREHOLDER RETURN  
SOVRAN SELF STORAGE, INC.  
DECEMBER 31, 2004 — DECEMBER 31, 2009**

	<u>Dec. 31, 2004</u>	<u>Dec. 31, 2005</u>	<u>Dec. 31, 2006</u>	<u>Dec. 31, 2007</u>	<u>Dec. 31, 2008</u>	<u>Dec. 31, 2009</u>
S&P	100.00	104.91	121.48	128.15	80.74	102.11
NAREIT	100.00	112.17	151.49	127.72	79.54	101.80
SSS	100.00	117.89	150.77	110.72	105.80	114.07

The foregoing item assumes \$100.00 invested on December 31, 2004, with dividends reinvested.

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### Item 6. Selected Financial Data

The following selected financial and operating information should be read in conjunction with “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” and the financial statements and related notes included elsewhere in this Annual Report on Form 10-K:

	At or For Year Ended December 31,				
(dollars in thousands, except per share data)	2009	2008	2007	2006	2005
<b>Operating Data</b>					
Operating revenues	\$ 195,011	\$ 200,193	\$ 190,013	\$ 162,541	\$134,524
Income from continuing operations	22,438	37,803	40,184	37,306	34,379
(Loss) income from discontinued operations					
(1)	(784)	1,880	1,661	1,738	1,940
Net income	21,654	39,683	41,845	39,044	36,319
Net income attributable to common shareholders	19,916	37,399	37,958	34,098	30,667
Income from continuing operations per common share attributable to common shareholders — diluted	0.87	1.63	1.73	1.80	1.72
Net income per common share attributable to common shareholders — basic	0.84	1.72	1.81	1.90	1.86
Net income per common share attributable to common shareholders — diluted	0.84	1.72	1.81	1.89	1.84
Dividends declared per common share (2)	1.54	2.54	2.50	2.47	2.44
<b>Balance Sheet Data</b>					
Investment in storage facilities at cost	\$1,387,583	\$1,366,615	\$1,300,847	\$1,115,255	\$865,692
Total assets	1,185,201	1,212,528	1,164,475	1,053,033	784,195
Total debt	481,219	623,261	566,517	462,027	339,144
Total liabilities	520,142	692,381	610,644	495,175	364,856
Series C preferred stock	—	—	—	26,613	26,613
<b>Other Data</b>					
Net cash provided by operating activities	\$ 59,123	\$ 77,132	\$ 85,175	\$ 64,656	\$ 60,724
Net cash used in investing activities	(4,448)	(82,711)	(190,267)	(176,567)	(79,156)
Net cash (used in) provided by financing activities	(48,451)	6,055	61,372	154,730	20,238

- (1) In 2009 we sold five stores and in 2008 we sold one store whose results of operations and (loss) gain on disposal are classified as discontinued operations for all previous years presented.
- (2) In 2009 we declared dividends in March, July, and October (see Item 5). On January 4, 2010 we declared a dividend of \$0.45 per common share, and therefore it is not included in the 2009 column.

## Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis of the consolidated financial condition and results of operations should be read in conjunction with the financial statements and notes thereto included elsewhere in this report.

### Disclosure Regarding Forward-Looking Statements

When used in this discussion and elsewhere in this document, the words "intends," "believes," "expects," "anticipates," and similar expressions are intended to identify "forward-looking statements" within the meaning of that term in Section 27A of the Securities Act of 1933 and in Section 21E of the Securities Exchange Act of 1934. Such forward-looking statements involve known and unknown risks, uncertainties and other factors, which may cause our actual results, performance or achievements to be materially different from those expressed or implied by such forward-looking statements. Such factors include, but are not limited to, the effect of competition from new self-storage facilities, which would cause rents and occupancy rates to decline; the Company's ability to evaluate, finance and integrate acquired businesses into the Company's existing business and operations; the Company's ability to effectively compete in the industry in which it does business; the Company's existing indebtedness may mature in an unfavorable credit environment, preventing refinancing or forcing refinancing of the indebtedness on terms that are not as favorable as the existing terms; interest rates may fluctuate, impacting costs associated with the Company's outstanding floating rate debt; the Company's ability to comply with debt covenants; any future ratings on the Company's debt instruments; the regional concentration of the Company's business may subject it to economic downturns in the states of Florida and Texas; the Company's reliance on its call center; the Company's cash flow may be insufficient to meet required payments of principal, interest and dividends; and tax law changes that may change the taxability of future income.

### Business and Overview

We believe we are the fourth largest operator of self-storage properties in the United States based on facilities owned and managed. All of our stores are operated under the user-friendly name "Uncle Bob's Self-Storage"®.

#### Operating Strategy

Our operating strategy is designed to generate growth and enhance value by:

- A. Increasing operating performance and cash flow through aggressive management of our stores:
  - We seek to differentiate our self-storage facilities from our competition through innovative marketing and value-added product offerings including:
    - Our Customer Care Center, which answers sales inquiries and makes reservations for all of our Properties on a centralized basis,
    - The Uncle Bob's truck move-in program, under which, at present, 258 of our stores offer a free Uncle Bob's truck to assist our customers in moving into their spaces,
    - Our dehumidification system, known as Dri-guard, which provides our customers with a better environment to store their goods and improves yields on our Properties, and
    - Internet marketing and sales.
  - Our "Name your Price" concession differentiates us from the "free month" offer now prevalent in our industry, and allows us to engage the customer in a unique manner. We are able to customize this offer based on occupancies and demand.
  - Our customized property management systems enable us to improve our ability to track trends, set optimal pricing levels, enjoy considerable economies of scale in vendor and supply pricing, and control collections and accounts receivable.

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- In addition, our managers are better qualified and receive a significantly higher level of training than they did in the past, customer access and security are greatly enhanced as a result of advances in technology, and property appearance and functionality have been improved.
- B. Acquiring additional stores:
- Our objective is to acquire new stores one or two at a time in markets we currently operate in. By so doing, we can add to our existing base, which should improve market penetration in those areas, and contribute to the benefits achieved from economies of scale.
  - We may also enter new markets if we can do so by acquiring a group of stores in those markets. We feel that our marketing efforts and control systems would enhance even those portfolios that have been managed efficiently by independent operators, and that attractive returns can be generated by such acquisitions.
- C. Expanding our management business:
- We see our management business as a source of future acquisitions. We may develop additional joint ventures in which we are minority owners and managers of the self-storage facilities acquired by these joint ventures. The joint venture agreements will give us first right of refusal to purchase the managed properties in the event they are offered for sale.
- D. Expanding and enhancing our existing stores:
- Over the past five years, we have undertaken a program of expanding and enhancing our Properties. In 2007, we expended approximately \$25 million to add some 444,000 square feet of premium space (i.e., air-conditioned and/or humidity controlled) to our Properties; in 2008, we spent approximately \$26 million to add 403,000 square feet and to convert 95,000 square feet to premium storage; and in 2009, we completed construction of a new 78,000 square foot facility in Richmond Virginia, added 175,000 square feet to other existing Properties, and converted 64,000 square feet to premium storage for a total cost of approximately \$18 million.

### Supply and Demand

We believe the supply and demand model in the self-storage industry is micro market specific in that a majority of our business comes from within a five mile radius of our stores. The current economic conditions and the credit market environment have resulted in a decrease in new supply on a national basis in 2008 and 2009. With the decrease of debt and equity capital brought about by the credit market tightening in the past year, we have seen capitalization rates on acquisitions (expected annual return on investment) increase to approximately 8.0% and expect continued increases in 2010. From 2003 to 2007, the historically low interest rates available to developers resulted in increased supply on a national basis. We experienced some of this excess supply in certain markets in Texas and Florida from 2003 to 2007, but because of the demand model, we did not see a widespread effect on our stores in those years. In 2008, the Florida market was negatively affected by the current economic downturn and in 2009 many markets were affected as consumers pulled back spending.

### Operating Trends

Since 2007, our industry has experienced some softness in demand. This was due to the economic slowdown that began in late 2007, and in part to regional issues, such as the reduction of hurricane driven demand in Florida and the Gulf Coast states, and to an overall slowdown in the housing sector. We believe the housing slowdown has impacted our industry in two ways: 1.) a reduction in lease-up activity resulting from fewer residential real estate transactions (both buyers and sellers of residences use our product in times of transition) and 2.) a contraction of housing construction activity which has reduced the number of people working in the construction trades (trades people are a measurable part of our usual customer base.)

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While we enjoyed same store revenue growth from 2003 through 2008, in 2009 our same store revenue decreased 3.1%, primarily because of the aforementioned issues. We expect conditions in most of our markets to remain challenging and are forecasting -2% to 0% revenue growth on a same store basis in 2010.

We were able to reduce many expenses at the store operating level in 2009 to mitigate the effect of the revenue decline. Expenses related to operating a self-storage facility had increased substantially over the previous five years as a result of expanded hours, increased health care costs, property insurance costs, and the costs of amenities (such as Uncle Bob's trucks). While we do not expect further expense decreases in 2010, we do believe expense increases will be at a manageable level of between 2% and 4%.

### **Critical Accounting Policies and Estimates**

The discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with U.S. generally accepted accounting principles. The preparation of these financial statements requires us to make estimates and judgments that affect the amounts reported in our financial statements and the accompanying notes. On an on-going basis, we evaluate our estimates and judgments, including those related to carrying values of storage facilities, bad debts, and contingencies and litigation. We base these estimates on experience and on various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

**Carrying value of storage facilities:** We believe our judgment regarding the impairment of the carrying value of our storage facilities is a critical accounting policy. Our policy is to assess any impairment of value whenever events or circumstances indicate that the carrying value of a storage facility may not be recoverable. Such events or circumstances would include negative operating cash flow, significant declining revenue per storage facility, or an exception that, more likely than not, a property will be sold or otherwise disposed of significantly before the end of its previously estimated useful life. Impairment is evaluated based upon comparing the sum of the expected undiscounted future cash flows to the carrying value of the storage facility, on a property by property basis. If the sum of the undiscounted cash flow is less than the carrying amount, an impairment loss is recognized for the amount by which the carrying amount exceeds the fair value of the asset. If cash flow projections are inaccurate and in the future it is determined that storage facility carrying values are not recoverable, impairment charges may be required at that time and could materially affect our operating results and financial position. Estimates of undiscounted cash flows could change based upon changes in market conditions, expected occupancy rates, etc. At December 31, 2009 and 2008, no assets had been determined to be impaired under this policy.

**Estimated useful lives of long-lived assets:** We believe that the estimated lives used for our depreciable, long-lived assets is a critical accounting policy. We periodically evaluate the estimated useful lives of our long-lived assets to determine if any changes are warranted based upon various factors, including changes in the planned usage of the assets, customer demand, etc. Changes in estimated useful lives of these assets could have a material adverse impact on our financial condition or results of operations. We have not made significant changes to the estimated useful lives of our long-lived assets in the past and we don't have any current expectation of making significant changes in 2010.

**Consolidation and investment in joint ventures:** We consolidate all wholly owned subsidiaries. Partially owned subsidiaries and joint ventures are consolidated when we control the entity. Investments in joint ventures that we do not control but for which we have significant influence over are reported using the equity method. Under the equity method, our investment in joint ventures are stated at cost and adjusted for our share of net earnings or losses and reduced by distributions. Equity in earnings of real estate ventures is generally recognized based on our ownership interest in the earnings of each of the unconsolidated real estate ventures.

**Revenue and Expense Recognition:** Rental income is recognized when earned pursuant to month-to-month leases for storage space. Promotional discounts are recognized as a reduction to rental income over the promotional period, which is generally during the first month of occupancy. Rental income received prior to the start of the rental period is included in deferred revenue.

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Qualification as a REIT: We operate, and intend to continue to operate, as a REIT under the Code, but no assurance can be given that we will at all times so qualify. To the extent that we continue to qualify as a REIT, we will not be taxed, with certain limited exceptions, on the taxable income that is distributed to our shareholders. If we fail to qualify as a REIT, any requirement to pay federal income taxes could have a material adverse impact on our financial conditions and results of operations.

### **Recent Accounting Pronouncements**

In June 2009, the FASB issued revised accounting guidance under ASC Topic 810, "Consolidation" by issuing SFAS No. 167, "Amendments to FASB Interpretation No. 46(R)" ("SFAS 167"). The revised guidance amends previous guidance (as previously required under FASB Interpretation No. 46(R), "Variable Interest Entities") for determining whether an entity is a variable interest entity ("VIE") and requires an enterprise to perform an analysis to determine whether the enterprise's variable interest or interests give it a controlling financial interest in a VIE. Under the revised guidance, an enterprise has a controlling financial interest when it has a) the power to direct the activities of a VIE that most significantly impact the entity's economic performance and b) the obligation to absorb losses of the entity or the right to receive benefits from the entity that could potentially be significant to the VIE. The revised guidance also requires an enterprise to assess whether it has an implicit financial responsibility to ensure that a VIE operates as designed when determining whether it has power to direct the activities of the VIE that most significantly impact the entity's economic performance. The revised guidance also requires ongoing assessments of whether an enterprise is the primary beneficiary of a VIE, requires enhanced disclosures and eliminates the scope exclusion for qualifying special-purpose entities. The revised guidance is effective for the first annual reporting period that begins after November 15, 2009, with early adoption prohibited. The Company is currently evaluating the impact that the adoption of the revised guidance will have on its consolidated financial statements.

### **YEAR ENDED DECEMBER 31, 2009 COMPARED TO YEAR ENDED DECEMBER 31, 2008**

We recorded rental revenues of \$186.9 million for the year ended December 31, 2009, a decrease of \$5.6 million or 2.9% when compared to 2008 rental revenues of \$192.5 million. Of the decrease in rental revenue, \$6.2 million resulted from a 3.2% decrease in rental revenues at the 352 core properties considered in same store sales (those properties included in the consolidated results of operations since January 1, 2008). The decrease in same store rental revenues was a result of a 2.1% decrease in average rental income per square foot as a result of increased move-in incentives used in 2009 to attract customers. We also experienced a decrease in square foot occupancy of 115 basis points, which we believe resulted from general economic conditions, in particular the housing sector. These decreases were partially offset by a \$0.6 million increase in rental revenues resulting from having the three stores acquired in 2008 included for a full year of operations. Other income, which includes merchandise sales, insurance commissions, truck rentals, management fees and acquisition fees, increased in 2009 primarily as a result of \$0.3 million increase in commissions earned from our customer insurance program.

Property operating and real estate tax expense decreased \$2.0 million, or 2.7%, in 2009 compared to 2008. Much of the decrease resulted from numerous expense control initiatives and from a reduction in yellow page advertising at the 352 core properties considered same stores. These expense decreases were partially offset by a 4.1% increase in same store property tax expense and \$0.3 million of additional expenses incurred from having the 2008 acquisitions included for a full year of operations. We expect same-store operating costs to increase only moderately in 2010 with increases primarily attributable to utilities and property taxes.

General and administrative expenses increased \$1.4 million or 7.9% from 2008 to 2009. The increase primarily resulted from the write-off of construction in progress projects that were terminated and an increase in internet advertising.

Depreciation and amortization expense decreased to \$33.4 million in 2009 from \$33.9 million in 2008, primarily as a result of a \$1.0 million decrease in amortization of in-place customers leases relating to previous year acquisitions, offset partially by a full year of depreciation on those acquisitions.

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Interest expense increased from \$38.1 million in 2008 to \$50.1 million in 2009 as a result of the following factors:

- A credit ratings downgrade by Fitch Ratings in May 2009 on our unsecured floating rate notes triggered a 1.75% increase in the interest rate on our \$150 million term notes and a 0.375% increase in the interest rate on our \$250 million term notes. The increase was effective from May to October of 2009, at which time our credit rating was upgraded back to investment grade rating after our common stock offering in October 2009;
- At March 31, 2009, the Company had violated the leverage ratio covenant contained in the line of credit and term note agreements. In May 2009, the Company obtained a waiver of the violation as of March 31, 2009. The fees paid to obtain the waiver were approximately \$0.9 million and are included in 2009 interest expense and;
- On October 5, 2009, the Company used proceeds from the issuance of common stock to terminate the interest rate swap agreements with notional amounts of \$75 million and \$25 million (see Note 9 of our financial statements). The total cost to terminate the swaps was \$8.4 million and is included as additional interest expense in 2009 and;
- In October 2009, we wrote-off to interest expense \$0.6 million of unamortized financing fees related to the \$100 million term note that was repaid with the proceeds of the common stock offering.

The casualty loss recorded in 2009 relates to insurance proceeds received that were less than the carrying value of a building damaged by a fire at one of our facilities.

During 2009, we sold a parcel of land to the State of Georgia Department of Transportation for their use as part of a road widening project for net cash proceeds of \$1.1 million resulting in a gain on sale of \$1.1 million.

As described in Note 5 to the financial statements, during 2009 the Company sold five non-strategic storage facilities for net cash proceeds of \$16.3 million resulting in a loss of \$1.6 million. During 2008 the Company sold one non-strategic storage facility for net cash proceeds of \$7.0 million resulting in a gain of \$0.7 million. The 2009, 2008, and 2007 operations of these facilities and the loss/gain associated with the disposal are reported in income from discontinued operations for all periods presented.

### **YEAR ENDED DECEMBER 31, 2008 COMPARED TO YEAR ENDED DECEMBER 31, 2007**

We recorded rental revenues of \$192.5 million for the year ended December 31, 2008, an increase of \$8.7 million or 4.7% when compared to 2007 rental revenues of \$183.8 million. Of the increase in rental revenue, \$1.3 million resulted from a 0.7% increase in rental revenues at the 321 core properties considered in same store sales (those properties included in the consolidated results of operations since January 1, 2007). The increase in same store rental revenues was achieved primarily through rate increases on select units averaging 1.9%, offset by a decrease in square foot occupancy of 150 basis points, which we believe resulted from general economic conditions, in particular the housing sector. The remaining \$7.4 million increase in rental revenues resulted from the acquisition of three stores during 2008 and from having the 31 stores acquired in 2007 included for a full year of operations. Other income, which includes merchandise sales, insurance commissions, truck rentals, management fees and acquisition fees, increased in 2008 primarily as a result of \$1.1 million of management and acquisition fees generated from our unconsolidated joint venture, Sovran HHF Storage Holdings LLC.

Property operating and real estate tax expense increased \$5.0 million, or 7.3%, in 2008 compared to 2007. Of this increase, \$2.7 million were expenses incurred by the facilities acquired in 2008 and from having expenses from the 2007 acquisitions included for a full year of operations. \$2.3 million of the increase was due to increased payroll, property taxes, utilities, and maintenance expenses at the 321 core properties considered same stores.

General and administrative expenses increased \$2.0 million or 13.4% from 2007 to 2008. The increase primarily resulted from the costs associated with operating the properties acquired in 2008 and 2007, and from managing the 25 properties acquired by our joint venture in 2008.



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Depreciation and amortization expense increased to \$33.9 million in 2008 from \$33.4 million in 2007, primarily as a result of additional depreciation taken on real estate assets acquired in 2008, and a full year of depreciation on 2007 acquisitions, offset by a decrease in amortization of in-place customers leases relating to these acquisitions.

Interest expense increased from \$33.9 million in 2007 to \$38.1 million in 2008 as a result of additional borrowings under our line of credit and term notes to purchase three stores in 2008, as well as an increase in interest rates as a result of our debt refinancing in June 2008.

As described in Note 5 to the financial statements, during 2009, the Company sold five non-strategic storage facilities in Massachusetts, North Carolina, and Pennsylvania for net cash proceeds of \$16.3 million resulting in a loss of \$1.6 million. In 2008, the Company sold one non-strategic storage facility located in Michigan for net cash proceeds of \$7.0 million resulting in a gain of \$0.7 million. The 2008 and 2007 operations of these facilities are reported as discontinued operations.

The decrease in preferred stock dividends from 2007 to 2008 was a result of the conversion of all remaining 1,200,000 shares of our Series C Preferred Stock into 920,244 shares of common stock in July 2007.

### **FUNDS FROM OPERATIONS**

We believe that Funds from Operations (“FFO”) provides relevant and meaningful information about our operating performance that is necessary, along with net earnings and cash flows, for an understanding of our operating results. FFO adds back historical cost depreciation, which assumes the value of real estate assets diminishes predictably in the future. In fact, real estate asset values increase or decrease with market conditions. Consequently, we believe FFO is a useful supplemental measure in evaluating our operating performance by disregarding (or adding back) historical cost depreciation.

FFO is defined by the National Association of Real Estate Investment Trusts, Inc. (“NAREIT”) as net income computed in accordance with generally accepted accounting principles (“GAAP”), excluding gains or losses on sales of properties, 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 compared with our reported net income and cash flows in accordance with GAAP, as presented in our consolidated financial statements.

Our 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 (determined in accordance with GAAP) as an indication of our performance, as an alternative to net cash flows from operating activities (determined in accordance with GAAP) as a measure of our liquidity, or as an indicator of our ability to make cash distributions.

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### *Reconciliation of Net Income to Funds From Operations*

(dollars in thousands)	For Year Ended December 31,				
	2009	2008	2007	2006	2005
Net income attributable to common shareholders	\$ 19,916	\$ 37,399	\$37,958	\$34,098	\$30,667
Net income attributable to noncontrolling interests	1,738	2,284	2,631	2,434	1,529
Depreciation of real estate and amortization of intangible assets exclusive of deferred financing fees	33,385	33,876	33,360	24,653	20,604
Depreciation of real estate included in discontinued operations	434	591	676	652	618
Depreciation and amortization from unconsolidated joint ventures	820	333	59	168	484
Casualty gain	—	—	(114)	—	—
Loss (gain) on sale of real estate	509	(716)	—	—	—
Funds from operations allocable to noncontrolling interest in Operating Partnership	(984)	(1,366)	(1,425)	(1,450)	(1,519)
Funds from operations allocable to noncontrolling interest in consolidated joint ventures	<u>(1,360)</u>	<u>(1,564)</u>	<u>(1,848)</u>	<u>(1,785)</u>	<u>(1,499)</u>
Funds from operations available to common shareholders	<u>\$ 54,458</u>	<u>\$ 70,837</u>	<u>\$71,297</u>	<u>\$58,770</u>	<u>\$50,884</u>

### LIQUIDITY AND CAPITAL RESOURCES

Our line of credit and term notes require us to meet certain financial covenants measured on a quarterly basis, including prescribed leverage, fixed charge coverage, minimum net worth, limitations on additional indebtedness and limitations on dividend payouts. At December 31, 2009, the Company was in compliance with all debt covenants. The most sensitive covenant is the leverage ratio covenant contained in our line of credit and term note agreements. This covenant limits our total consolidated liabilities to 55% of our gross asset value. At December 31, 2009, our leverage ratio as defined in the agreements was approximately 42.8%. The agreements define total consolidated liabilities to include the liabilities of the Company plus our share of liabilities of unconsolidated joint ventures. The agreements also define a prescribed formula for determining gross asset value which incorporates the use of a 9.25% capitalization rate applied to annualized earnings before interest, taxes, depreciation and amortization (“EBITDA”) as defined in the agreements. At March 31, 2009, the Company had violated the leverage ratio covenant contained in the line of credit and term note agreements. In May 2009, the Company obtained a waiver of the violation as of March 31, 2009. The fees paid to obtain the waiver were approximately \$0.9 million and are included in interest expense in 2009. In the event that the Company violates debt covenants in the future, the amounts due under the agreements could be callable by the lenders.

On May 6, 2009, we announced a reduction in our quarterly dividend for the remainder of 2009 from \$0.64 per share to \$0.45 per share. In addition to the reduction in the dividend, in the second quarter of 2009 we changed our policy of declaring the dividend from the last week in the quarter to the first week following the quarter end. As a result of this date change, no dividend was declared in the three months ended June 30, 2009. A dividend of \$0.45 per common share was declared on January 4, 2010 and paid on January 26, 2010. The dividend paid amounted to \$12.4 million. In 2010, we expect to declare and pay four dividends in the calendar year.

On October 5, 2009, the Company completed the public offering of 4,025,000 shares of its common stock at \$29.75 per share. Net proceeds to the Company after deducting underwriting discounts and commissions and estimated offering expenses were approximately \$114.0 million. The Company used the net proceeds from the offering to repay \$100 million of the Company’s unsecured term note due June 2012 and to terminate two interest rate swaps relating to the debt repaid at a cost of \$8.4 million. The Company used the remaining proceeds along with operating cash flows to payoff a maturing mortgage in December 2009 of \$26.1 million.

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We believe that the steps the Company has taken, including but not limited to the equity raised from our common stock offering of approximately \$114.0 million, the pay down of \$100 million of our term notes, and the reduction in the quarterly dividend, will be adequate to avoid future covenant violations under the current terms of our line of credit and term note agreements.

Our ability to retain cash flow is limited because we operate as a REIT. In order to maintain our REIT status, a substantial portion of our operating cash flow must be used to pay dividends to our shareholders. We believe that our internally generated net cash provided by operating activities and our availability on our line of credit will be sufficient to fund ongoing operations, capital improvements, dividends and debt service requirements through June 2011, at which time our revolving line of credit matures. Future draws on our line of credit may be limited due to covenant restrictions.

Cash flows from operating activities were \$59.1 million, \$77.1 million and \$85.2 million for the years ended December 31, 2009, 2008, and 2007, respectively. The decrease in operating cash flows from 2008 to 2009 was primarily due to a decrease in net income. The decrease in net income was primarily a result of lower rental income and increased interest expense. The decrease in operating cash from 2007 to 2008 was primarily attributable to a decrease in net income and accounts payable remaining consistent with the prior year.

Cash used in investing activities was \$4.4 million, \$82.7 million, and \$190.3 million for the years ended December 31, 2009, 2008, and 2007 respectively. The decrease in cash used from 2008 to 2009 was due to (i) reduced acquisition and capital improvement activity in 2009, (ii) an increase in proceeds from the sale of storage facilities, and (iii) a reduction in the funding of our share of the joint venture entered into in 2008. The decrease in cash used from 2007 to 2008 was attributable to reduced acquisition activity in 2008 as many of the properties acquired were acquired through a joint venture of which we are a 20% owner.

Cash used in financing activities was \$48.5 million in 2009, compared to cash provided by financing activities of \$6.0 million in 2008 and \$61.4 million in 2007. In 2009, we used our operating cash flow and the proceeds from our common stock offering to paydown \$14.0 million of our line of credit, \$100 million of term notes, and a \$26.1 million mortgage. Our reduced acquisition activity in 2008 was the driver behind the decrease in cash provided from financing activities from 2007 to 2008.

On June 25, 2008, we entered into agreements relating to new unsecured credit arrangements, and received funds under those arrangements. As part of the agreements, the Company entered into a \$250 million unsecured term note maturing in June 2012 bearing interest at LIBOR plus 1.625% (based on the Company's December 31, 2009 credit rating). The proceeds from this term note were used to repay the Company's previous line of credit that was to mature in September 2008, the Company's term note that was to mature in September 2009, the term note maturing in July 2008, and to provide for working capital. We repaid \$100 million of this term note with the proceeds of our common stock offering. The agreements also provide for a \$125 million (expandable to \$175 million) revolving line of credit maturing June 2011 bearing interest at a variable rate equal to LIBOR plus 1.375% (based on the Company's credit rating at December 31, 2009), and requires a 0.25% facility fee. The interest rate at December 31, 2009 on the Company's available line of credit was approximately 1.61% (1.8% at December 31, 2008). At December 31, 2009, there was \$125 million available on the unsecured line of credit. We believe that if operating results remain consistent with historical levels and levels of other debt and liabilities remain consistent with amounts outstanding at December 31, 2009, the entire \$125 million line of credit could be drawn without violating our debt covenants.

We also maintain a \$80 million term note maturing September 2013 bearing interest at a fixed rate of 6.26%, a \$20 million term note maturing September 2013 bearing interest at a variable rate equal to LIBOR plus 1.50%, and a \$150 million unsecured term note maturing in April 2016 bearing interest at 6.38% (based on our December 31, 2009 credit ratings).

Prior to our October 2009 common stock offering, the line of credit facility and term notes had an investment grade rating from Standard and Poor's (BBB-). Due to our debt covenant violation and operating trends, Fitch Ratings downgraded the Company's rating on its revolving credit facility and term notes to non-investment

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grade (BB+) in May 2009. As a result of our common stock offering in October 2009 and the use of proceeds to repay \$100 million of term notes, Fitch Ratings upgraded our rating on our line of credit and term notes again to investment grade (BBB-). Combined, this credit rating upgrade, the repayment of \$100 million of term notes and the termination of the interest rate swaps related to these term notes are expected to reduce our annualized interest by approximately \$9.8 million.

In addition to the unsecured financing mentioned above, our consolidated financial statements also include \$81.2 million of mortgages payable as detailed below:

- \* 7.80% mortgage note due December 2011, secured by 11 self-storage facilities (Locke Sovran I) with an aggregate net book value of \$42.7 million, principal and interest paid monthly. The outstanding balance at December 31, 2009 on this mortgage was \$28.4 million.
- \* 7.19% mortgage note due March 2012, secured by 27 self-storage facilities (Locke Sovran II) with an aggregate net book value of \$80.3 million, principal and interest paid monthly. The outstanding balance at December 31, 2009 on this mortgage was \$41.5 million.
- \* 7.25% mortgage note due December 2011, secured by 1 self-storage facility with an aggregate net book value of \$5.7 million, principal and interest paid monthly. Estimated market rate at time of acquisition 5.40%. The outstanding balance at December 31, 2008 on this mortgage was \$3.4 million.
- \* 6.76% mortgage note due September 2013, secured by 1 self-storage facility with an aggregate net book value of \$2.0 million, principal and interest paid monthly. The outstanding balance at December 31, 2009 on this mortgage was \$1.0 million.
- \* 6.35% mortgage note due March 2014, secured by 1 self-storage facility with an aggregate net book value of \$3.7 million, principal and interest paid monthly. The outstanding balance at December 31, 2009 on this mortgage was \$1.1 million.
- \* 7.50% mortgage notes due August 2011, secured by 3 self-storage facilities with an aggregate net book value of \$14.0 million, principal and interest paid monthly. Estimated market rate at time of acquisition 6.42%. The outstanding balance at December 31, 2009 on this mortgage was \$5.9 million.

The 7.80% and 7.19% mortgages were incurred in 2001 and 2002 respectively as part of the financing of the consolidated joint ventures. The Company assumed the 7.25%, 6.76%, 6.35%, and 7.50% mortgage notes in connection with the acquisitions of storage facilities in 2005 and 2006.

During 2009, we issued approximately 1.4 million shares via our Dividend Reinvestment and Stock Purchase Plan and Employee Stock Option Plan. We received \$32.6 million from the sale of such shares. Our Dividend Reinvestment and Stock Purchase Plan was suspended in November 2009. We plan to reinstate our Dividend Reinvestment and Stock Purchase Plan in 2010 and expect to issue shares when our share price and capital needs warrant such issuance.

During 2009 and 2008, we did not acquire any shares of our common stock via the Share Repurchase Program authorized by the Board of Directors. From the inception of the Share Repurchase Program through December 31, 2009, we have reacquired a total of 1,171,886 shares pursuant to this program. From time to time, subject to market price and certain loan covenants, we may reacquire additional shares.

Future acquisitions, our expansion and enhancement program, and share repurchases are expected to be funded with draws on our line of credit, sale of properties and private placement solicitation of joint venture equity. Current capital market conditions may prevent us from accessing other traditional sources of capital including the issuance of common and preferred stock and the issuance of unsecured term notes. Should these capital market conditions persist, we may have to curtail acquisitions, our expansion and enhancement program, and share repurchases as we approach June 2011, when our line of credit matures.

**CONTRACTUAL OBLIGATIONS**

The following table summarizes our future contractual obligations:

Contractual obligations	Payments due by period				
	Total	2010	2011-2012	2013-2014	2015 and thereafter
Line of credit	—	—	—	—	—
Term notes	\$ 400.0 million	—	\$ 150.0 million	\$ 100.0 million	\$ 150.0 million
Mortgages payable	\$ 81.2 million	\$ 2.2 million	\$ 77.1 million	\$ 1.9 million	—
Interest payments	\$ 99.2 million	\$ 23.8 million	\$ 40.6 million	\$ 22.9 million	\$ 11.9 million
Interest rate swap payments	\$ 11.5 million	\$ 7.0 million	\$ 4.2 million	\$ 0.3 million	—
Land lease	\$ 1.1 million	\$ 0.1 million	\$ 0.1 million	\$ 0.1 million	\$ 0.8 million
Building leases	\$ 0.1 million	\$ 0.1 million	—	—	—
Total	\$ 593.1 million	\$ 33.2 million	\$ 272.0 million	\$ 125.2 million	\$ 162.7 million

Interest payments include actual interest on fixed rate debt and estimated interest for floating-rate debt based on December 31, 2009 rates. Interest rate swap payments include net settlements of swap liabilities based on forecasted variable rates.

**ACQUISITION OF PROPERTIES**

We acquired no properties in 2009. During 2008, we used operating cash flow, borrowings pursuant to the line of credit, borrowings under the bank term note, and proceeds from our Dividend Reinvestment and Stock Purchase Plan to acquire three Properties in Mississippi and Ohio comprising 0.2 million square feet from unaffiliated storage operators. During 2007, we used operating cash flow, borrowings pursuant to the line of credit, borrowings under the bank term note, proceeds from our Dividend Reinvestment and Stock Purchase Plan, and proceeds from the December 2006 common stock offering to acquire 31 Properties in Alabama, Florida, Mississippi, New York, and Texas comprising 2.3 million square feet from unaffiliated storage operators.

**FUTURE ACQUISITION AND DEVELOPMENT PLANS**

Our external growth strategy is to increase the number of facilities we own by acquiring suitable facilities in markets in which we already have operations, or to expand in new markets by acquiring several facilities at once in those new markets. No properties were acquired in 2009 and acquisitions in 2010 may be limited due to the fact that, at present, seller's asking prices remain considerably higher than the Company believes market conditions warrant.

In 2009 we scaled back a planned \$550 million program to expand and enhance our existing properties. Instead we spent approximately \$18 million to add 175,000 square feet to existing Properties, and to convert 64,000 square feet to premium storage. We also completed construction of a new 78,000 square foot facility in Richmond, Virginia. Although we do not expect to construct any new facilities in 2010, we do plan to expend up to \$20 million to expand and enhance existing facilities.

**DISPOSITION OF PROPERTIES**

During 2009, we sold five non-strategic storage facilities in Massachusetts, North Carolina, and Pennsylvania for net cash proceeds of \$16.3 million resulting in a loss of \$1.6 million. During 2008, we sold one non-strategic storage facility located in Michigan for net cash proceeds of \$7.0 million resulting in a gain of \$0.7 million. No sales took place in 2007.

We may seek to sell additional Properties to third parties or joint venture programs in 2010.

**OFF-BALANCE SHEET ARRANGEMENTS**

We have a 20% ownership interest in Sovran HHF Storage Holdings LLC (“Sovran HHF”), a joint venture that was formed in May 2008 to acquire self-storage properties that are managed by us. The carrying value of our investment at December 31, 2009 was \$19.9 million. Twenty five properties were acquired by Sovran HHF as of December 31, 2008 for approximately \$171.5 million. We contributed \$18.6 million to the joint venture as our share of capital required to fund the acquisitions.

As manager of Sovran HHF, we earn a management and call center fee of 7% of gross revenues which totaled \$1.2 million and \$0.5 million for 2009 and 2008, respectively. We also received an acquisition fee of 0.5% or \$0.7 million of purchase price for securing purchases for the joint venture in 2008. Our share of Sovran HHF’s income for 2009 and 2008 was \$0.2 million and \$0.1 million, respectively. At December 31, 2009, Sovran HHF owed us \$0.2 million for payments made by us on behalf of the joint venture.

We also have a 49% ownership interest in Iskalo Office Holdings, LLC, which owns the building that houses the Company’s headquarters and other tenants. Our investment includes a capital contribution of \$49. The carrying value of our investment is a liability of \$0.5 million at December 31, 2009 and 2008, and is included in accounts payable and accrued liabilities in the accompanying consolidated balance sheets. For the years ended December 31, 2009, 2008 and 2007, our share of Iskalo Office Holdings, LLC’s income (loss) was \$7,000, (\$6,000), and \$80,000, respectively. We paid rent to Iskalo Office Holdings, LLC of \$608,000, \$600,000 and \$561,000 in 2009, 2008, and 2007, respectively. Future minimum lease payments under the lease are \$0.6 million per year through 2010.

A summary of the unconsolidated joint venture’s financial statements as of and for the year ended December 31, 2009 is as follows:

(dollars in thousands)	Sovran HHF Storage Holdings LLC	Iskalo Office Holdings, LLC
<b>Balance Sheet Data:</b>		
Investment in storage facilities, net	\$ 168,237	\$ —
Investment in office building	—	5,322
Other assets	3,575	688
<b>Total Assets</b>	<b>\$ 171,812</b>	<b>\$ 6,010</b>
Due to the Company	\$ 173	\$ —
Mortgages payable	78,512	7,037
Other liabilities	2,087	224
<b>Total Liabilities</b>	<b>80,772</b>	<b>7,261</b>
Unaffiliated partners’ equity (deficiency)	72,832	(714)
Company equity (deficiency)	18,208	(537)
<b>Total Liabilities and Partners’ Equity (deficiency)</b>	<b>\$ 171,812</b>	<b>\$ 6,010</b>
<b>Income Statement Data:</b>		
Total revenues	\$ 17,702	\$ 1,129
Total expenses	16,761	1,115
<b>Net income</b>	<b>\$ 941</b>	<b>\$ 14</b>

We do not expect to have material future cash outlays relating to these joint ventures outside our share of capital for future acquisitions of properties by Sovran HHF. We do not guarantee the debt of Sovran HHF or Iskalo Office Holdings, LLC. A summary of our cash flows arising from the off-balance sheet arrangements with Sovran

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HHF and Iskalo Office Holdings, LLC for the three years ended December 31, 2009 are as follows:

(dollars in thousands)	Year ended December 31,		
	2009	2008	2007
<b>Statement of Operations</b>			
Other operating income (management fees and acquisition fee income)	\$ 1,243	\$ 1,135	\$ —
General and administrative expenses (corporate office rent)	608	600	561
Equity in income of joint ventures	235	104	119
Distributions from unconsolidated joint ventures	686	345	98
<b>Investing activities</b>			
Investment in joint ventures	(331)	(20,287)	—
Reimbursement of advances to (advances to) joint ventures	163	(336)	—

### **REIT QUALIFICATION AND DISTRIBUTION REQUIREMENTS**

As a REIT, we are not required to pay federal income tax on income that we distribute to our shareholders, provided that the amount distributed is equal to at least 90% of our taxable income. These distributions must be made in the year to which they relate, or in the following year if declared before we file our federal income tax return, and if it is paid before the first regular dividend of the following year. The first distribution of 2010 may be applied toward our 2009 distribution requirement.

As a REIT, we must derive at least 95% of our total gross income from income related to real property, interest and dividends. In 2009, our percentage of revenue from such sources was approximately 98%, thereby passing the 95% test, and no special measures are expected to be required to enable us to maintain our REIT designation. Although we currently intend to operate in a manner designed to qualify as a REIT, it is possible that future economic, market, legal, tax or other considerations may cause our Board of Directors to revoke our REIT election.

### **INTEREST RATE RISK**

We have entered into interest rate swap agreements in order to mitigate the effects of fluctuations in interest rates on our variable rate debt. At December 31, 2009, we have three outstanding interest rate swap agreements as summarized below:

Notional Amount	Effective Date	Expiration Date	Fixed Rate Paid	Floating Rate Received
\$20 Million	9/4/05	9/4/13	4.4350%	6 month LIBOR
\$50 Million	7/1/08	6/25/12	4.2825%	1 month LIBOR
\$100 Million	7/1/08	6/22/12	4.2965%	1 month LIBOR

Upon renewal or replacement of the credit facility, our total interest may change dependent on the terms we negotiate with the lenders; however, the LIBOR base rates have been contractually fixed on \$170 million of our debt through the interest rate swap termination dates.

Through June 2012, all of our \$400 million of unsecured debt is on a fixed rate basis after taking into account the interest rate swaps noted above. Based on our outstanding unsecured debt of \$400 million at December 31, 2009, a 100 basis point increase in interest rates would have no effect on our interest expense.

The table below summarizes our debt obligations and interest rate derivatives at December 31, 2009. The estimated fair value of financial instruments is subjective in nature and is dependent on a number of important assumptions, including discount rates and relevant comparable market information associated with each financial

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instrument. The use of different market assumptions and estimation methodologies may have a material effect on the reported estimated fair value amounts. Accordingly, the estimates presented below are not necessarily indicative of the amounts the Company would realize in a current market exchange.

(dollars in thousands)	Expected Maturity Date Including Discount						Total	Fair Value
	2010	2011	2012	2013	2014	Thereafter		
Line of credit — variable rate LIBOR + 1.375 (1.61% at December 31, 2009)	—	—	—	—	—	—	—	—
Notes Payable:								
Term note — variable rate LIBOR+1.625% (1.86% at December 31, 2009)	—	—	\$150,000	—	—	—	\$150,000	\$150,000
Term note — variable rate LIBOR+1.50% (2.23% at December 31, 2009)	—	—	—	\$20,000	—	—	\$20,000	\$20,000
Term note — fixed rate 6.26%	—	—	—	\$80,000	—	—	\$80,000	\$76,958
Term note — fixed rate 6.38%	—	—	—	—	—	\$150,000	\$150,000	\$136,630
Mortgage note — fixed rate 7.80%	\$630	\$27,817	—	—	—	—	\$28,447	\$29,454
Mortgage note — fixed rate 7.19%	\$1,211	\$1,301	\$38,963	—	—	—	\$41,475	\$43,133
Mortgage note — fixed rate 7.25%	\$149	\$3,220	—	—	—	—	\$3,369	\$3,385
Mortgage note — fixed rate 6.76%	\$25	\$27	\$29	\$896	—	—	\$977	\$1,011
Mortgage note — fixed rate 6.35%	\$28	\$30	\$31	\$34	\$949	—	\$1,072	\$1,059
Mortgage notes — fixed rate 7.50%	\$222	\$5,657	—	—	—	—	\$5,879	\$6,003
Interest rate derivatives – liability	—	—	—	—	—	—	—	\$11,524

## INFLATION

We do not believe that inflation has had or will have a direct effect on our operations. Substantially all of the leases at the facilities are on a month-to-month basis which provides us with the opportunity to increase rental rates as each lease matures.

## SEASONALITY

Our revenues typically have been higher in the third and fourth quarters, primarily because we increase rental rates on most of our storage units at the beginning of May and because self-storage facilities tend to experience greater occupancy during the late spring, summer and early fall months due to the greater incidence of residential moves during these periods. However, we believe that our customer mix, diverse geographic locations, rental structure and expense structure provide adequate protection against undue fluctuations in cash flows and net revenues during off-peak seasons. Thus, we do not expect seasonality to affect materially distributions to shareholders.

## Item 7A. Quantitative and Qualitative Disclosures About Market Risk

The information required is incorporated by reference to the information appearing under the caption “Interest Rate Risk” in Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations” above.



**Item 8. Financial Statements and Supplementary Data**

**Report of Independent Registered Public Accounting Firm**

The Board of Directors and Shareholders of Sovran Self Storage, Inc.

We have audited the accompanying consolidated balance sheets of Sovran Self Storage, Inc. as of December 31, 2009 and 2008, and the related consolidated statements of operations, shareholders' equity and comprehensive income, and cash flows for each of the three years in the period ended December 31, 2009. Our audits also included the financial statement schedule listed in the Index at Item 15(a). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Sovran Self Storage, Inc. at December 31, 2009 and 2008, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2009, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

As discussed in Note 2 to the consolidated financial statements, the Company retrospectively adjusted the consolidated financial statements as a result of the Company's adoption of Statement of Financial Accounting Standards No. 160, "Noncontrolling Interests in Consolidated Financial Statements – an Amendment of ARB No. 51" (codified in FASB ASC Topic 810 "Consolidation") on January 1, 2009.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Sovran Self Storage, Inc.'s internal control over financial reporting as of December 31, 2009, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 26, 2010 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Buffalo, New York  
February 26, 2010

**SOVRAN SELF STORAGE, INC.**  
**CONSOLIDATED BALANCE SHEETS**

(dollars in thousands, except share data)	December 31,	
	2009	2008
<b>Assets</b>		
Investment in storage facilities:		
Land	\$ 237,684	\$ 236,655
Building, equipment, and construction in progress	1,149,899	1,129,960
	<u>1,387,583</u>	<u>1,366,615</u>
Less: accumulated depreciation	(245,178)	(212,301)
Investment in storage facilities, net	1,142,405	1,154,314
Cash and cash equivalents	10,710	4,486
Accounts receivable	2,405	2,934
Receivable from related parties	—	14
Receivable from unconsolidated joint venture	173	336
Investment in unconsolidated joint venture	19,944	20,111
Prepaid expenses	4,250	4,647
Other assets	5,314	7,460
Net assets of discontinued operations	—	18,226
Total Assets	<u>\$1,185,201</u>	<u>\$1,212,528</u>
<b>Liabilities</b>		
Line of credit	\$ —	\$ 14,000
Term notes	400,000	500,000
Accounts payable and accrued liabilities	22,339	23,970
Deferred revenue	5,060	5,570
Fair value of interest rate swap agreements	11,524	25,490
Accrued dividends	—	14,090
Mortgages payable	81,219	109,261
Total Liabilities	<u>520,142</u>	<u>692,381</u>
Noncontrolling redeemable Operating Partnership Units at redemption value	15,005	15,118
<b>Shareholders' Equity</b>		
Common stock \$.01 par value, 100,000,000 shares authorized, 27,547,027 shares outstanding (22,016,348 at December 31, 2008)	287	232
Additional paid-in capital	814,988	666,633
Dividends in excess of net income	(139,863)	(122,581)
Accumulated other comprehensive income	(11,265)	(25,162)
Treasury stock at cost, 1,171,886 shares	(27,175)	(27,175)
Total Shareholders' Equity	<u>636,972</u>	<u>491,947</u>
Noncontrolling interest- consolidated joint venture	13,082	13,082
Total Equity	<u>650,054</u>	<u>505,029</u>
Total Liabilities and Shareholders' Equity	<u>\$1,185,201</u>	<u>\$1,212,528</u>

See notes to consolidated financial statements.

**SOVRAN SELF STORAGE, INC.  
CONSOLIDATED STATEMENTS OF OPERATIONS**

(dollars in thousands, except per share data)	Year Ended December 31,		
	2009	2008	2007
<b>Revenues</b>			
Rental income	\$186,892	\$192,474	\$183,802
Other operating income	8,119	7,719	6,211
Total operating revenues	195,011	200,193	190,013
<b>Expenses</b>			
Property operations and maintenance	51,955	54,858	51,466
Real estate taxes	19,591	18,706	17,095
General and administrative	18,650	17,279	15,234
Depreciation and amortization	33,384	33,876	33,360
Total operating expenses	123,580	124,719	117,155
Income from operations	71,431	75,474	72,858
<b>Other income (expenses)</b>			
Interest expense	(50,050)	(38,097)	(33,861)
Interest income	85	322	954
Casualty (loss) gain	(390)	—	114
Gain on sale of land	1,127	—	—
Equity in income of joint ventures	235	104	119
Income from continuing operations	22,438	37,803	40,184
(Loss) income from discontinued operations (including loss on disposal of \$1,636 in 2009 and gain on disposal of \$716 in 2008)	(784)	1,880	1,661
<b>Net income</b>	21,654	39,683	41,845
Preferred stock dividends	—	—	(1,256)
Net income attributable to noncontrolling interest	(1,738)	(2,284)	(2,631)
Net income attributable to common shareholders	\$ 19,916	\$ 37,399	\$ 37,958
<b>Earnings per common share attributable to common shareholders — basic</b>			
Continuing operations	\$ 0.87	\$ 1.63	\$ 1.73
Discontinued operations	(0.03)	0.09	0.08
Earning per share — basic	\$ 0.84	\$ 1.72	\$ 1.81
<b>Earnings per common share attributable to common shareholders — diluted</b>			
Continuing operations	\$ 0.87	\$ 1.63	\$ 1.73
Discontinued operations	(0.03)	0.09	0.08
Earning per share — diluted	\$ 0.84	\$ 1.72	\$ 1.81
<b>Dividends declared per common share</b>	\$ 1.54	\$ 2.54	\$ 2.50

See notes to consolidated financial statements.

**SOVRAN SELF STORAGE, INC.**  
**CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY AND COMPREHENSIVE INCOME**

(dollars in thousands, except share data)	8.375% Series C Preferred Stock Shares	8.375% Series C Preferred Stock	Common Stock Shares	Common Stock
Balance January 1, 2007	1,200,000	26,613	20,443,529	216
Net proceeds from issuance of stock through Dividend				
Reinvestment and Stock Purchase Plan	—	—	252,816	3
Exercise of stock options	—	—	13,100	—
Issuance of non-vested stock	—	—	43,989	—
Earned portion of non-vested stock	—	—	—	—
Stock option expense	—	—	—	—
Deferred compensation outside directors	—	—	—	—
Conversion of Series C Preferred Stock to common stock and exercise of related stock warrants	(1,200,000)	(26,613)	920,244	9
Conversion of operating partnership units to common stock	—	—	2,908	—
Carrying value less than redemption value on redeemed partnership units	—	—	—	—
Adjustment to redemption value of noncontrolling redeemable Operating Partnership Units	—	—	—	—
Net income	—	—	—	—
Change in fair value of derivatives	—	—	—	—
Total comprehensive income	—	—	—	—
Dividends	—	—	—	—
Balance December 31, 2007	—	—	21,676,586	228
Net proceeds from issuance of stock through Dividend				
Reinvestment and Stock Purchase Plan	—	—	285,308	3
Exercise of stock options	—	—	2,600	—
Issuance of non-vested stock	—	—	45,713	1
Earned portion of non-vested stock	—	—	—	—
Stock option expense	—	—	—	—
Deferred compensation outside directors	—	—	6,141	—
Carrying value less than redemption value on redeemed partnership units	—	—	—	—
Adjustment to redemption value of noncontrolling redeemable Operating Partnership Units	—	—	—	—
Net income	—	—	—	—
Change in fair value of derivatives	—	—	—	—
Total comprehensive income	—	—	—	—
Dividends	—	—	—	—
Balance December 31, 2008	—	—	22,016,348	232
Net proceeds from the issuance of common stock	—	—	4,025,000	40
Net proceeds from issuance of stock through Dividend				
Reinvestment and Stock Purchase Plan	—	—	1,430,521	14
Exercise of stock options	—	—	3,770	—
Issuance of non-vested stock	—	—	59,590	1
Earned portion of non-vested stock	—	—	—	—
Stock option expense	—	—	—	—
Deferred compensation outside directors	—	—	11,798	—
Adjustment to redemption value of noncontrolling redeemable Operating Partnership Units	—	—	—	—
Net income	—	—	—	—
Change in fair value of derivatives	—	—	—	—
Total comprehensive income	—	—	—	—
Dividends	—	—	—	—
Balance December 31, 2009	—	\$ —	27,547,027	\$ 287

See notes to consolidated financial statements

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**SOVRAN SELF STORAGE, INC.**  
**CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY AND COMPREHENSIVE INCOME**

(dollars in thousands, except share data)	Additional Paid-in Capital	Dividends in Excess of Net Income	Accumulated Other Comprehensive Income (loss)	Treasury Stock	Total Equity
Balance January 1, 2007	612,738	(98,020)	2,128	(27,175)	516,500
Net proceeds from issuance of stock through Dividend Reinvestment and Stock Purchase Plan	12,756	—	—	—	12,759
Exercise of stock options	425	—	—	—	425
Issuance of non-vested stock	—	—	—	—	—
Earned portion of non-vested stock	1,224	—	—	—	1,224
Stock option expense	183	—	—	—	183
Deferred compensation outside directors	161	—	—	—	161
Conversion of Series C Preferred Stock to common stock and exercise of related stock warrants.	26,604	—	—	—	—
Conversion of operating partnership units to common stock	167	—	—	—	167
Carrying value less than redemption value on redeemed partnership units	(117)	—	—	—	(117)
Adjustment to redemption value of noncontrolling redeemable Operating Partnership Units	—	7,119	—	—	7,119
Net income	—	39,214	—	—	39,214
Change in fair value of derivatives	—	—	(3,496)	—	(3,496)
Total comprehensive income	—	—	—	—	35,718
Dividends	—	(54,042)	—	—	(54,042)
Balance December 31, 2007	654,141	(105,729)	(1,368)	(27,175)	520,097
Net proceeds from issuance of stock through Dividend Reinvestment and Stock Purchase Plan	10,654	—	—	—	10,657
Exercise of stock options	72	—	—	—	72
Issuance of non-vested stock	—	—	—	—	1
Earned portion of non-vested stock	1,444	—	—	—	1,444
Stock option expense	279	—	—	—	279
Deferred compensation outside directors	112	—	—	—	112
Carrying value less than redemption value on redeemed partnership units	(69)	—	—	—	(69)
Adjustment to redemption value of noncontrolling redeemable Operating Partnership Units	—	1,439	—	—	1,439
Net income	—	37,399	—	—	37,399
Change in fair value of derivatives	—	—	(23,794)	—	(23,794)
Total comprehensive income	—	—	—	—	13,605
Dividends	—	(55,690)	—	—	(55,690)
Balance December 31, 2008	666,633	(122,581)	\$ (25,162)	(27,175)	491,947
Net proceeds from the issuance of common stock	113,931	—	—	—	113,971
Net proceeds from issuance of stock through Dividend Reinvestment and Stock Purchase Plan	32,548	—	—	—	32,562
Exercise of stock options	62	—	—	—	62
Issuance of non-vested stock	—	—	—	—	1
Earned portion of non-vested stock	1,379	—	—	—	1,379
Stock option expense	321	—	—	—	321
Deferred compensation outside directors	114	—	—	—	114
Adjustment to redemption value of noncontrolling redeemable Operating Partnership Units	—	(156)	—	—	(156)
Net income	—	19,916	—	—	19,916
Change in fair value of derivatives	—	—	13,897	—	13,897
Total comprehensive income	—	—	—	—	33,813
Dividends	—	(37,042)	—	—	(37,042)
Balance December 31, 2009	<u>\$814,988</u>	<u>\$ (139,863)</u>	<u>\$ (11,265)</u>	<u>\$(27,175)</u>	<u>\$636,972</u>

**SOVRAN SELF STORAGE, INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

(dollars in thousands)	Year Ended December 31,		
	2009	2008	2007
<b>Operating Activities</b>			
Net income	\$ 21,654	\$ 39,683	\$ 41,845
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	35,656	35,659	34,999
Loss (gain) on sale of storage facilities	1,636	(716)	—
Gain on sale of land	(1,127)	—	—
Casualty loss (gain)	390	—	(114)
Equity in income of joint ventures	(235)	(104)	(119)
Distributions from unconsolidated joint venture	686	345	98
Non-vested stock earned	1,379	1,444	1,224
Stock option expense	321	279	183
Changes in assets and liabilities:			
Accounts receivable	509	(171)	(599)
Prepaid expenses	413	118	822
Accounts payable and other liabilities	(1,677)	619	7,082
Deferred revenue	(462)	(24)	(246)
Net cash provided by operating activities	59,143	77,132	85,175
<b>Investing Activities</b>			
Acquisition of storage facilities	—	(18,547)	(138,059)
Improvements, equipment additions, and construction in progress	(22,261)	(45,709)	(52,441)
Net proceeds from the sale of storage facility	16,309	7,002	—
Net proceeds from the sale of land	1,140	—	—
Casualty insurance proceeds received	518	—	1,692
Investment in unconsolidated joint venture	(331)	(20,287)	—
Additional investment in consolidated joint ventures net of cash acquired	—	(6,106)	—
Reimbursement of advances (advances) to joint ventures	163	(336)	—
Reimbursement of (payment of) property deposits	—	1,259	(1,469)
Receipts from related parties	14	13	10
Net cash used in investing activities	(4,448)	(82,711)	(190,267)
<b>Financing Activities</b>			
Net proceeds from sale of common stock	146,710	10,842	13,345
Proceeds from line of credit	30,000	14,000	112,000
Repayment of line of credit and term note	(144,000)	(206,000)	(12,000)
Proceeds from term notes	—	250,000	6,000
Financing costs	—	(3,085)	(316)
Dividends paid — common stock	(51,133)	(55,256)	(51,805)
Dividends paid — preferred stock	—	—	(1,256)
Distributions to noncontrolling interest holders	(2,006)	(2,633)	(2,912)
Redemption of operating partnership units	—	(114)	(174)
Mortgage principal and capital lease payments	(28,042)	(1,699)	(1,510)
Net cash (used in) provided by financing activities	(48,471)	6,055	61,372
Net increase (decrease) in cash	6,224	476	(43,720)
Cash at beginning of period	4,486	4,010	47,730
Cash at end of period	\$ 10,710	\$ 4,486	\$ 4,010
<b>Supplemental cash flow information</b>			
Cash paid for interest, net of interest capitalized	\$ 49,154	\$ 37,970	\$ 32,313
Fair value of net liabilities assumed on the acquisition of storage facilities	—	107	1,580

Dividends declared but unpaid at December 31, 2009, 2008 and 2007 were \$0, \$14,090, and \$13,656, respectively.

See notes to consolidated financial statements.

**SOVRAN SELF STORAGE, INC. — DECEMBER 31, 2009**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**1. ORGANIZATION**

Sovran Self Storage, Inc. (the “Company,” “We,” “Our,” or “Sovran”), a self-administered and self-managed real estate investment trust (a “REIT”), was formed on April 19, 1995 to own and operate self-storage facilities throughout the United States. On June 26, 1995, the Company commenced operations effective with the completion of its initial public offering. At December 31, 2009, we had an ownership interest in and managed 381 self-storage properties in 24 states under the name Uncle Bob’s Self Storage<sup>®</sup>. Among our 381 self-storage properties are 27 properties that we manage for a consolidated joint venture of which we are a majority owner and 25 properties that we manage for an unconsolidated joint venture of which we are a 20% owner. Approximately 42% of the Company’s revenue is derived from stores in the states of Texas and Florida.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*Basis of Presentation:* All of the Company’s assets are owned by, and all its operations are conducted through, Sovran Acquisition Limited Partnership (the “Operating Partnership”). Sovran Holdings, Inc., a wholly-owned subsidiary of the Company (the “Subsidiary”), is the sole general partner of the Operating Partnership; the Company is a limited partner of the Operating Partnership, and through its ownership of the Subsidiary and its limited partnership interest controls the operations of the Operating Partnership, holding a 98.5% ownership interest therein as of December 31, 2009. The remaining ownership interests in the Operating Partnership (the “Units”) are held by certain former owners of assets acquired by the Operating Partnership subsequent to its formation.

We consolidate all wholly owned subsidiaries. Partially owned subsidiaries and joint ventures are consolidated when we control the entity. Our consolidated financial statements include the accounts of the Company, the Operating Partnership, Locke Sovran I, LLC, and Locke Sovran II, LLC, which is a majority owned joint venture. All intercompany transactions and balances have been eliminated. Investments in joint ventures that we do not control but for which we have significant influence over are reported using the equity method.

In June 2008, the Company made an additional investment of \$6.1 million in Locke Sovran I, LLC that increased the Company’s ownership from approximately 70% to 100%.

In December 2007, the FASB issued additional accounting guidance now codified in ASC Topic 810, “*Consolidation*” through the issuance of FASB Statement No. 160, “*Noncontrolling Interests in Consolidated Financial Statements*” (“SFAS No. 160”) which was adopted by the Company on January 1, 2009. The additional guidance requires that the portion of equity in a subsidiary attributable to the owners of the subsidiary other than the parent or the parent’s affiliates be labeled “noncontrolling interests” and presented in the consolidated balance sheet as a component of equity. The additional guidance does not significantly change the Company’s past accounting practices with respect to the attribution of net income between controlling and noncontrolling interests, however, the provisions of the additional guidance require that earnings attributable to noncontrolling interests be reported as part of consolidated earnings and not as a separate component of income or expense. In addition, the additional guidance requires the disclosure of the attribution of consolidated earnings to the controlling and noncontrolling interests on the face of the statement of operations. The presentation and disclosure requirements of the additional guidance are applied retrospectively and all prior period information has been presented and disclosed in accordance with these new requirements. The adoption of this additional guidance did not result in any differences between net income available to common shareholders as previously reported and net income attributable to common shareholders as currently reported.

As a result of the adoption of these additional guidelines we now present noncontrolling interests in Locke Sovran II, LLC as a separate component of equity, called “Noncontrolling interests — consolidated joint venture” in the consolidated balance sheets. Prior to the adoption of these additional guidelines, the noncontrolling interests in Locke Sovran I, LLC and Locke Sovran II, LLC were called “Minority interest — consolidated joint venture” and were presented in the “mezzanine” section of the consolidated balance sheet, above equity. The following table sets forth the activity in the noncontrolling interest — consolidated joint venture:

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(Dollars in thousands)	2009	2008
Beginning balance noncontrolling interests — consolidated joint venture	\$ 13,082	\$16,783
Carrying value of Locke Sovran I, LLC purchased in 2008 for \$6.1 million	—	(3,701)
Net income attributable to noncontrolling interests — consolidated joint venture	1,360	1,563
Distributions	(1,360)	(1,563)
Ending balance noncontrolling interests — consolidated joint venture	\$ 13,082	\$13,082

Included in the consolidated balance sheets are noncontrolling redeemable operating partnership units. Prior to the adoption of these additional guidelines, we referred to these noncontrolling interests as “Minority interest — Operating Partnership.” These interests are presented in the “mezzanine” section of the consolidated balance sheet because they don’t meet the functional definition of a liability or equity under current authoritative accounting literature. These represent the outside ownership interests of the limited partners in the Operating Partnership. At December 31, 2009 and 2008, there was 419,952 noncontrolling redeemable operating partnership Units outstanding. The Operating Partnership is obligated to redeem each of these limited partnership Units in the Operating Partnership at the request of the holder thereof for cash equal to the fair market value of a share of the Company’s common stock, at the time of such redemption, provided that the Company at its option may elect to acquire any such Unit presented for redemption for one common share or cash. Effective January 1, 2009, the Company accounts for these noncontrolling redeemable Operating Partnership Units under the provisions of FASB ASC Topic 480-10-S99. The application of the FASB ASC Topic 480-10-S99 accounting model requires the noncontrolling interest to follow normal noncontrolling interest accounting and then be marked to redemption value at the end of each reporting period if higher (but never adjusted below that normal noncontrolling interest accounting amount). The offset to the adjustment to the carrying amount of the noncontrolling redeemable Operating Partnership Units is reflected in accumulated deficit. Accordingly, in the accompanying consolidated balance sheet, noncontrolling redeemable Operating Partnership Units are reflected at redemption value at December 31, 2009 and December 31, 2008, equal to the number of Units outstanding multiplied by the fair market value of the Company’s common stock at that date. Redemption value exceeded the value determined under the Company’s historical basis of accounting at those dates.

(Dollars in thousands)	2009	2008
Beginning balance noncontrolling redeemable Operating Partnership Units	\$ 15,118	\$16,951
Redemption of Operating Partnership Units	—	(115)
Redemption value in excess of carrying value	—	70
Net income attributable to noncontrolling interests — consolidated joint venture	378	721
Distributions	(647)	(1,070)
Adjustment to redemption value	156	(1,439)
Ending balance noncontrolling redeemable Operating Partnership Units	\$ 15,005	\$15,118

*Retrospective Impact of New Accounting Pronouncement Adopted January 1, 2009 (in thousands):*

### Statement of Operations:

	For the Year Ended December 31, 2008:		
	As Previously Reported adjusted for discontinued operations	Adjustments	As Adjusted
Income from continuing operations	\$ 35,519	\$ 2,284	\$ 37,803
Net income	37,399	2,284	39,683
Net income attributable to noncontrolling interest	—	2,284	2,284
Net income attributable to common shareholders	—	37,399	37,399



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	For the Year Ended December 31, 2007:		
	As Previously Reported adjusted for discontinued operations	Adjustments	As Adjusted
Income from continuing operations	\$ 37,553	\$ 2,631	\$ 40,184
Net income	39,214	2,631	41,845
Net income attributable to noncontrolling interest	—	2,631	2,631
Net income attributable to common shareholders	—	37,958	37,958

### Balance Sheet:

	December 31, 2008:		
	As Previously Reported	Adjustments	As Adjusted
Minority interest — operating partnership	\$ 9,265	\$ (9,265)	\$ —
Noncontrolling redeemable operating partnership units	—	15,118	15,118
Minority interest — consolidated joint venture	13,082	(13,082)	—
Accumulated deficit	(116,728)	(5,853)	(122,581)
Total shareholders' equity	497,800	(5,853)	491,947
Noncontrolling interest — consolidated joint venture	—	13,082	13,082
Total equity	497,800	7,229	505,029

### Statement of Cash Flows:

	For the Year Ended December 31, 2008:		
	As Previously Reported	Adjustments	As Adjusted
Net income	37,399	2,284	39,683
Minority interest	2,284	(2,284)	—

	For the Year Ended December 31, 2007:		
	As Previously Reported	Adjustments	As Adjusted
Net income	39,214	2,631	41,845
Minority interest	2,631	(2,631)	—

*Cash and Cash Equivalents:* The Company considers all highly liquid investments purchased with maturities of three months or less to be cash equivalents. The cash balance includes \$2.3 million and \$3.8 million, respectively, held in escrow for encumbered properties at December 31, 2009 and 2008.

*Revenue and Expense Recognition:* Rental income is recognized when earned pursuant to month-to-month leases for storage space. Promotional discounts are recognized as a reduction to rental income over the promotional period, which is generally during the first month of occupancy. Rental income received prior to the start of the rental period is included in deferred revenue. Equity in earnings of real estate joint ventures that we have significant influence over is recognized based on our ownership interest in the earnings of these entities.

Cost of operations, general and administrative expense, interest expense and advertising costs are expensed as incurred. For the years ended December 31, 2009, 2008, and 2007, advertising costs were \$1.9 million, \$1.4 million, and \$1.4 million, respectively. The Company accrues property taxes based on estimates and historical trends. If these estimates are incorrect, the timing and amount of expense recognition would be affected.

*Other Operating Income:* Consists primarily of sales of storage-related merchandise (locks and packing supplies), insurance commissions, incidental truck rentals, and management fees from unconsolidated joint ventures.

*Investment in Storage Facilities:* Storage facilities are recorded at cost. The purchase price of acquired facilities is allocated to land, building, equipment, and in-place customer leases based on the fair value of each component. Depreciation is computed using the straight-line method over estimated useful lives of forty years for buildings and improvements, and five to twenty years for furniture, fixtures and equipment. Expenditures for significant renovations or improvements that extend the useful life of assets are capitalized. Interest and other costs incurred during the construction period of major expansions are capitalized. Capitalized interest during the years ended December 31, 2009, 2008, and 2007 was \$0.2, \$0.4 million and \$0.4 million, respectively. Repair and

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maintenance costs are expensed as incurred.

Whenever events or changes in circumstances indicate that the basis of the Company's property may not be recoverable, the Company's policy is to assess any impairment of value. Impairment is evaluated based upon comparing the sum of the expected undiscounted future cash flows to the carrying value of the property, on a property by property basis. If the sum of the undiscounted cash flow is less than the carrying amount, an impairment loss is recognized for the amount by which the carrying amount of the asset exceeds the fair value of the asset. At December 31, 2009 and 2008, no assets had been determined to be impaired under this policy and, accordingly, this policy had no impact on the Company's financial position or results of operations.

*Other Assets:* Included in other assets are net loan acquisition costs, a note receivable, property deposits, and the value placed on in-place customer leases at the time of acquisition. The loan acquisition costs were \$5.9 million and \$6.8 million at December 31, 2009, and 2008, respectively. Accumulated amortization on the loan acquisition costs was approximately \$3.4 million and \$2.5 million at December 31, 2009, and 2008, respectively. Loan acquisition costs are amortized over the terms of the related debt. The note receivable of \$2.8 million represents a note from certain investors of Locke Sovran II, LLC. The note bears interest at LIBOR plus 2.4% and matures upon the dissolution of Locke Sovran II, LLC. There were no property deposits at December 31, 2009 and \$0.1 million at December 31, 2008.

The Company allocates a portion of the purchase price of acquisitions to in-place customer leases. The value of in-place customer leases is based on the Company's experience with customer turnover. The Company amortizes in-place customer leases on a straight-line basis over 12 months (the estimated future benefit period). At December 31, 2009, the gross carrying amount of in-place customer leases was \$5.4 million and the accumulated amortization was \$5.4 million

Amortization expense, including amortization of in-place customer leases, was \$2.1 million, \$2.5 million and \$4.8 million for the periods ended December 31, 2009, 2008 and 2007, respectively.

*Accounts Payable and Accrued Liabilities:* Accounts payable and accrued liabilities consists primarily of trade payables, accrued interest, and property tax accruals. The Company accrues property tax expense based on estimates and historical trends. Actual expense could differ from these estimates.

*Income Taxes:* The Company qualifies as a REIT under the Internal Revenue Code of 1986, as amended, and will generally not be subject to corporate income taxes to the extent it distributes at least 90% of its taxable income to its shareholders and complies with certain other requirements. Accordingly, no provision has been made for federal income taxes in the accompanying financial statements. On an aggregate basis, the Company's reported amounts of net assets exceeds the tax basis by approximately \$73 million and \$74 million at December 31, 2009 and 2008, respectively.

*Comprehensive Income:* Comprehensive income consists of net income and the change in value of derivatives used for hedging purposes and is reported in the consolidated statements of shareholders' equity. Comprehensive income was \$33.8 million, \$13.6 million and \$35.7 million for the years ended December 31, 2009, 2008, and 2007, respectively.

*Derivative Financial Instruments:* The Company accounts for derivatives in accordance with ASC Topic 815 "*Derivatives and Hedging*", which requires companies to carry all derivatives on the balance sheet at fair value. The Company determines the fair value of derivatives by reference to quoted market prices. The accounting for changes in the fair value of a derivative instrument depends on whether it has been designated and qualifies as part of a hedging relationship and, if so, the reason for holding it. The Company's use of derivative instruments is limited to cash flow hedges of certain interest rate risks.

*Recent Accounting Pronouncements:* In June 2009, the FASB issued revised accounting guidance under ASC Topic 810, "Consolidation" by issuing SFAS No. 167, "*Amendments to FASB Interpretation No. 46(R)*" ("SFAS 167"). The revised guidance amends previous guidance (as previously required under FASB Interpretation No. 46(R), "*Variable Interest Entities*") for determining whether an entity is a variable interest entity ("VIE") and requires an enterprise to perform an analysis to determine whether the enterprise's variable interest or interests give

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it a controlling financial interest in a VIE. Under the revised guidance, an enterprise has a controlling financial interest when it has a) the power to direct the activities of a VIE that most significantly impact the entity's economic performance and b) the obligation to absorb losses of the entity or the right to receive benefits from the entity that could potentially be significant to the VIE. The revised guidance also requires an enterprise to assess whether it has an implicit financial responsibility to ensure that a VIE operates as designed when determining whether it has power to direct the activities of the VIE that most significantly impact the entity's economic performance. The revised guidance also requires ongoing assessments of whether an enterprise is the primary beneficiary of a VIE, requires enhanced disclosures and eliminates the scope exclusion for qualifying special-purpose entities. The revised guidance is effective for the first annual reporting period that begins after November 15, 2009, with early adoption prohibited. The Company is currently evaluating the impact that the adoption of the revised guidance will have on its consolidated financial statements.

In May 2009, the FASB issued accounting guidance now codified as FASB ASC Topic 855, "*Subsequent Events*". FASB ASC Topic 855 establishes general standards for accounting for and disclosure of events that occur after the balance sheet date but before financial statements are available to be issued ("subsequent events"). More specifically, FASB ASC Topic 855 sets forth the period after the balance sheet date during which management of a reporting entity should evaluate events or transactions that may occur for potential recognition in the financial statements, identifies the circumstances under which an entity should recognize events or transactions occurring after the balance sheet date in its financial statements and the disclosures that should be made about events or transactions that occur after the balance sheet date. FASB ASC Topic 855 provides largely the same guidance on subsequent events which previously existed only in auditing literature. We adopted FASB ASC Topic 855 on April 1, 2009. We have evaluated subsequent events through February 26, 2010, the date this quarterly report on Form 10-K was filed with the U.S. Securities and Exchange Commission. See Note 17 for further information regarding our evaluation of subsequent events.

*Stock-Based Compensation:* Effective January 1, 2006, the Company adopted ASC Topic 718, "*Compensation — Stock Compensation*" (formerly, FASB Statement 123R) and uses the modified-prospective method. Under the modified-prospective method, the Company recognizes compensation cost in the financial statements issued subsequent to January 1, 2006 for all share based payments granted, modified, or settled after the date of adoption as well as for any awards that were granted prior to the adoption date for which the requisite service period has not been completed as of the adoption date.

The Company recorded compensation expense (included in general and administrative expense) of \$321,000, \$279,000 and \$183,000 related to stock options and \$1.4 million, \$1.4 million and \$1.2 million related to amortization of non-vested stock grants for the years ended December 31, 2009, 2008 and 2007, respectively. The Company uses the Black-Scholes Merton option pricing model to estimate the fair value of stock options granted subsequent to the adoption of ASC Topic 718. The application of this pricing model involves assumptions that are judgmental and sensitive in the determination of compensation expense. The weighted average for key assumptions used in determining the fair value of options granted during 2009 follows:

	Weighted Average	Range
Expected life (years)	4.50	4.50
Risk free interest rate	2.04%	1.65 — 2.63%
Expected volatility	38.65%	36.40% — 41.10%
Expected dividend yield	9.43%	5.40% — 12.60%
Fair value	\$ 2.73	\$ 1.59 — \$7.35

The weighted-average fair value of options granted during the years ended December 31, 2008 and 2007, were \$4.79 and \$6.86, respectively.

To determine expected volatility, the Company uses historical volatility based on daily closing prices of its Common Stock over periods that correlate with the expected terms of the options granted. The risk-free rate is based on the United States Treasury yield curve at the time of grant for the expected life of the options granted. Expected dividends are based on the Company's history and expectation of dividend payouts. The expected life of stock options is based on the midpoint between the vesting date and the end of the contractual term.

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*Use of Estimates:* The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

### 3. EARNINGS PER SHARE

The Company reports earnings per share data in accordance ASC Topic 260, “*Earnings Per Share*.” Effective January 1, 2009, FASB ASC Topic 260 was updated for the issuance of FASB Staff Position (“FSP”) EITF 03-6-1, “*Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities*”, or FSP EITF 03-6-1, with transition guidance included in FASB ASC Topic 260-10-65-2. Under FSP EITF 03-6-1, unvested share-based payment awards that contain nonforfeitable rights to dividends or dividend equivalents, whether paid or unpaid, are participating securities and shall be included in the computation of earnings-per-share pursuant to the two-class method. The codification update requires retrospective restatement of all prior period earnings per share data to conform with its provisions. The Company has calculated its 2009 basic and diluted earnings per share using the two-class method. The Company has also calculated its basic and diluted earnings per share amounts for 2008 and 2007 under the two-class method and it resulted in no change in basic and diluted earnings per share as previously reported. The following table sets forth the computation of basic and diluted earnings per common share utilizing the two-class method.

(Amounts in thousands, except per share data)	Year Ended December 31,		
	2009	2008	2007
<b>Numerator:</b>			
Net income from continuing operations attributable to common shareholders	\$ 20,700	\$ 35,519	\$ 36,297
<b>Denominator:</b>			
Denominator for basic earnings per share - weighted average shares	23,787	21,762	20,955
<b>Effect of Dilutive Securities:</b>			
Stock options and warrants and non-vested stock	<u>10</u>	<u>21</u>	<u>49</u>
Denominator for diluted earnings per share - adjusted weighted average shares and assumed conversion	23,797	21,783	21,004
Basic Earnings per Common Share from continuing operations attributable to common shareholders	\$ 0.87	\$ 1.63	\$ 1.73
Basic Earnings per Common Share attributable to common shareholders	\$ 0.84	\$ 1.72	\$ 1.81
Diluted Earnings per Common Share from continuing operations attributable to common shareholders	\$ 0.87	\$ 1.63	\$ 1.73
Diluted Earnings per Common Share attributable to common shareholders	\$ 0.84	\$ 1.72	\$ 1.81

Not included in the effect of dilutive securities above are 333,072 stock options and 125,871 unvested restricted shares for the year ended December 31, 2009; 262,247 stock options and 124,161 unvested restricted shares for the year ended December 31, 2008; and 67,500 stock options and 105,266 unvested restricted shares for the year ended December 31, 2007, because their effect would be antidilutive.

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**4. INVESTMENT IN STORAGE FACILITIES**

The following summarizes activity in storage facilities during the years ended December 31, 2009 and December 31, 2008.

(Dollars in thousands)	2009	2008
<b>Cost:</b>		
Beginning balance	\$1,366,615	\$1,300,847
Acquisition of storage facilities	—	18,454
Additional investment in consolidated joint ventures	—	2,473
Improvements and equipment additions	26,256	44,273
(Decrease) increase in construction in progress	(4,121)	761
Dispositions	<u>(1,167)</u>	<u>(193)</u>
Ending balance	<u>\$1,387,583</u>	<u>\$1,366,615</u>
<b>Accumulated Depreciation:</b>		
Beginning balance	\$ 212,301	\$ 179,880
Additions during the year	33,096	32,556
Dispositions	<u>(219)</u>	<u>(135)</u>
Ending balance	<u>\$ 245,178</u>	<u>\$ 212,301</u>

The Company allocates purchase price to the tangible and intangible assets and liabilities acquired based on their estimated fair values. The value of land and buildings are determined at replacement cost. Intangible assets, which represent the value of existing customer leases, are recorded at their estimated fair values. The Company did not acquire any storage facilities in 2009. During 2008, the Company acquired three storage facilities for \$18.9 million. Substantially all of the purchase price for these facilities was allocated to land (\$3.7 million), building (\$14.7 million), equipment (\$0.1 million) and in-place customer leases (\$0.4 million) and the operating results of the acquired facilities have been included in the Company's operations since the respective acquisition dates.

**5. DISCONTINUED OPERATIONS**

During 2009, the Company sold five non-strategic storage facilities in Massachusetts, North Carolina, and Pennsylvania for net cash proceeds of \$16.3 million resulting in a loss of \$1.6 million. In April 2008, the Company sold one non-strategic storage facility located in Michigan for net cash proceeds of \$7.0 million resulting in a gain of \$0.7 million. The operations of these facilities and the loss or gain on sale are reported as discontinued operations. The amounts in the 2008 and 2007 financial statements related to the operations and the net assets of this property have been reclassified and are presented as discontinued operations and net assets from discontinued operations, respectively. Cash flows of discontinued operations have not been segregated from the cash flows of continuing operations on the accompanying consolidated statement of cash flows for the years ended December 31, 2009, 2008 and 2007. The following is a summary of the amounts reported as discontinued operations:

(dollars in thousands)	Year Ended December 31,		
	2009	2008	2007
Total revenue	\$ 2,187	\$ 3,043	\$ 3,757
Property operations and maintenance expense	(643)	(956)	(1,048)
Real estate tax expense	(258)	(332)	(372)
Depreciation and amortization expense	(434)	(591)	(676)
Net realized (loss) gain on sale of property	<u>(1,636)</u>	<u>716</u>	<u>—</u>
Total (loss) income from discontinued operations	<u>\$ (784)</u>	<u>\$ 1,880</u>	<u>\$ 1,661</u>

## 6. PRO FORMA FINANCIAL INFORMATION (UNAUDITED)

The following unaudited pro forma Condensed Statement of Operations is presented as if the 31 storage facilities purchased during 2007 and the related indebtedness incurred and assumed on these transactions had all occurred at January 1, 2007. Such unaudited pro forma information is based upon the historical statements of operations of the Company. It should be read in conjunction with the financial statements of the Company. In management's opinion, all adjustments necessary to reflect the effects of these transactions have been made. This unaudited pro forma information does not purport to represent what the actual results of operations of the Company would have been assuming such transactions had been completed as set forth above nor does it purport to represent the results of operations for future periods.

(dollars in thousands, except share data)	Year Ended December 31, 2007
Pro forma total operating revenues	\$ 199,569
Pro forma net income	\$ 41,749
Pro forma earnings per common share — diluted	\$ 1.92

## 7. UNSECURED LINE OF CREDIT AND TERM NOTES

On June 25, 2008, the Company entered into agreements relating to new unsecured credit arrangements, and received funds under those arrangements. As part of the agreements, the Company entered into a \$250 million unsecured term note maturing in June 2012 bearing interest at LIBOR plus 1.625% (based on the Company's December 31, 2009 credit rating). In October 2009, the Company repaid \$100 million of this term note. The new agreements also provide for a \$125 million (expandable to \$175 million) revolving line of credit maturing June 2011 bearing interest at a variable rate equal to LIBOR plus 1.375% (based on the Company's credit rating at December 31, 2009), and requires a 0.25% facility fee. The interest rate at December 31, 2009 on the Company's available line of credit was approximately 1.61% (1.8% at December 31, 2008). At December 31, 2009, there was \$125 million available on the unsecured line of credit.

The Company also maintains an \$80 million term note maturing September 2013 bearing interest at a fixed rate of 6.26%, a \$20 million term note maturing September 2013 bearing interest at a variable rate equal to LIBOR plus 1.50%, and a \$150 million unsecured term note maturing in April 2016 bearing interest at 6.38% (based on the Company's credit rating at December 31, 2009).

The line of credit and term notes require the Company to meet certain financial covenants, measured on a quarterly basis, including prescribed leverage, fixed charge coverage, minimum net worth, limitations on additional indebtedness and limitations on dividend payouts. At December 31, 2009, the Company was in compliance with its debt covenants. At March 31, 2009, the Company had violated the leverage ratio covenant contained in the line of credit and term note agreements. In May 2009, the Company obtained a waiver of the violation as of March 31, 2009. The fees paid to obtain the waiver were approximately \$0.9 million and are included in interest expense for the year ended December 31, 2009.

As a result of the debt covenant violation and operating trends, Fitch Ratings downgraded the Company's rating on its revolving credit facility and term notes to non-investment grade in May 2009. In October 2009, Fitch Ratings adjusted the Company's rating on its revolving credit facility and term notes back to investment grade.

We believe that if operating results remain consistent with historical levels and levels of other debt and liabilities remain consistent with amounts outstanding at December 31, 2009 the entire \$125 million line of credit could be drawn without violating our debt covenants.

**8. MORTGAGES PAYABLE AND OTHER DEBT DISCLOSURES**

Mortgages payable at December 31, 2009 and December 31, 2008 consist of the following:

(dollars in thousands)	December 31, 2009	December 31, 2008
7.80% mortgage note due December 2011, secured by 11 self-storage facilities (Locke Sovran I) with an aggregate net book value of \$42.7 million, principal and interest paid monthly	\$ 28,447	\$ 29,033
7.19% mortgage note due March 2012, secured by 27 self-storage facilities (Locke Sovran II) with an aggregate net book value of \$80.3 million, principal and interest paid monthly	41,475	42,603
7.25% mortgage note due December 2011, secured by 1 self-storage facility with an aggregate net book value of \$5.7 million, principal and interest paid monthly. Estimated market rate at time of acquisition 5.40%	3,369	3,510
6.76% mortgage note due September 2013, secured by 1 self-storage facility with an aggregate net book value of \$2.0 million, principal and interest paid monthly	977	1,000
6.35% mortgage note due March 2014, secured by 1 self-storage facility with an aggregate net book value of \$3.7 million, principal and interest paid monthly	1,072	1,098
5.55% mortgage notes secured by 8 self storage facilities paid December 1, 2009	—	25,930
7.50% mortgage notes due August 2011, secured by 3 self-storage facilities with an aggregate net book value of \$14.0 million, principal and interest paid monthly. Estimated market rate at time of acquisition 6.42%	5,879	6,087
Total mortgages payable	<u>\$ 81,219</u>	<u>\$ 109,261</u>

The Company assumed the 7.25%, 6.76%, 6.35%, and 7.50% mortgage notes in connection with the acquisitions of storage facilities in 2005 and 2006. The 7.25% and 7.50% mortgages were recorded at their estimated fair value based upon the estimated market rates at the time of the acquisitions ranging from 5.40% to 6.42%. The carrying value of these two mortgages approximates the actual principal balance of the mortgages payable. An immaterial premium exists at December 31, 2009, which will be amortized over the remaining term of the mortgages based on the effective interest method.

The table below summarizes the Company's debt obligations and interest rate derivatives at December 31, 2009. The estimated fair value of financial instruments is subjective in nature and is dependent on a number of important assumptions, including discount rates and relevant comparable market information associated with each financial instrument. The fair value of the fixed rate term note and mortgage note were estimated by discounting the future cash flows using the current rates at which similar loans would be made to borrowers with similar credit ratings and for the same remaining maturities. The use of different market assumptions and estimation methodologies may have a material effect on the reported estimated fair value amounts. Accordingly, the estimates presented below are not necessarily indicative of the amounts the Company would realize in a current market exchange.

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(dollars in thousands)	Expected Maturity Date Including Discount						Total	Fair Value
	2010	2011	2012	2013	2014	Thereafter		
Line of credit — variable rate LIBOR + 1.375 (1.61% at December 31, 2009)	—	—	—	—	—	—	—	—
Notes Payable:								
Term note — variable rate LIBOR+1.625% (1.86% at December 31, 2009)	—	—	\$150,000	—	—	—	\$150,000	\$150,000
Term note — variable rate LIBOR+1.50% (2.23% at December 31, 2009)	—	—	—	\$20,000	—	—	\$ 20,000	\$ 20,000
Term note — fixed rate 6.26%	—	—	—	\$80,000	—	—	\$ 80,000	\$ 76,958
Term note — fixed rate 6.38%	—	—	—	—	—	\$150,000	\$150,000	\$136,630
Mortgage note — fixed rate 7.80%	\$ 630	\$27,817	—	—	—	—	\$ 28,447	\$ 29,454
Mortgage note — fixed rate 7.19%	\$ 1,211	\$ 1,301	\$ 38,963	—	—	—	\$ 41,475	\$ 43,133
Mortgage note — fixed rate 7.25%	\$ 149	\$ 3,220	—	—	—	—	\$ 3,369	\$ 3,385
Mortgage note — fixed rate 6.76%	\$ 25	\$ 27	\$ 29	\$ 896	—	—	\$ 977	\$ 1,011
Mortgage note — fixed rate 6.35%	\$ 28	\$ 30	\$ 31	\$ 34	\$ 949	—	\$ 1,072	\$ 1,059
Mortgage notes — fixed rate 7.50%	\$ 222	\$ 5,657	—	—	—	—	\$ 5,879	\$ 6,003
Interest rate derivatives — liability	—	—	—	—	—	—	—	\$ 11,524

## 9. DERIVATIVE FINANCIAL INSTRUMENTS

Interest rate swaps are used to adjust the proportion of total debt that is subject to variable interest rates. The interest rate swaps require the Company to pay an amount equal to a specific fixed rate of interest times a notional principal amount and to receive in return an amount equal to a variable rate of interest times the same notional amount. The notional amounts are not exchanged. No other cash payments are made unless the contract is terminated prior to its maturity, in which case the contract would likely be settled for an amount equal to its fair value. The Company enters interest rate swaps with a number of major financial institutions to minimize counterparty credit risk.

The interest rate swaps qualify and are designated as hedges of the amount of future cash flows related to interest payments on variable rate debt. Therefore, the interest rate swaps are recorded in the consolidated balance sheet at fair value and the related gains or losses are deferred in shareholders' equity as Accumulated Other Comprehensive Income ("AOCI"). These deferred gains and losses are 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 portion of these contracts is recognized in earnings immediately. Ineffectiveness was immaterial in 2009, 2008, and 2007.

The Company has three interest rate swap agreements in effect at December 31, 2009 as detailed below to effectively convert a total of \$170 million of variable-rate debt to fixed-rate debt.

Notional Amount	Effective Date	Expiration Date	Fixed Rate Paid	Floating Rate Received
\$20 Million	9/4/05	9/4/13	4.4350%	6 month LIBOR
\$50 Million	7/1/08	6/25/12	4.2825%	1 month LIBOR
\$100 Million	7/1/08	6/22/12	4.2965%	1 month LIBOR

The interest rate swap agreements are the only derivative instruments, as defined by FASB ASC Topic 815,



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held by the Company. During 2009, 2008, and 2007, the net reclassification from AOCI to interest expense was \$9.7 million, \$2.6 million and (\$1.1) million, respectively, based on payments (receipts) made or received under the swap agreements. Based on current interest rates, the Company estimates that payments under the interest rate swaps will be approximately \$7.0 million in 2010. Payments made under the interest rate swap agreements will be reclassified to interest expense as settlements occur. The fair value of the swap agreements, including accrued interest, was a liability of \$11.5 million and \$25.5 million at December 31, 2009, and 2008 respectively.

(dollars in thousands)	Jan. 1, 2009 to Dec. 31, 2009	Jan. 1, 2008 to Dec. 31, 2008
<b>Adjustments to interest expense:</b>		
Realized loss reclassified from accumulated other comprehensive loss to interest expense	\$ (9,687)	\$ (2,601)
<b>Adjustments to other comprehensive income (loss):</b>		
Realized loss reclassified to interest expense for 2009 and 2008, respectively	9,687	2,601
Unrealized gain (loss) from changes in the fair value of the effective portion of the interest rate swaps for 2009 and 2008, respectively	4,210	(26,395)
Gain (loss) included in other comprehensive income (loss)	<u>\$ 13,897</u>	<u>\$ (23,794)</u>

In October 2009, the Company prepaid \$100 million in variable rate term notes. In October 2009, the Company also terminated two interest rate swap agreements that were designated as hedges of forecasted interest payments on variable rate debt. Realized losses recognized in interest expense in 2009 include \$8.4 million in costs to terminate the interest rate swaps. The cost approximated the fair market values of the swaps at the date of termination.

## **10. FAIR VALUE MEASUREMENTS**

In September 2006, the FASB issued additional accounting guidance under ASC Topic 820, "*Fair Value Measurements*" through the issuance of SFAS No. 157, "*Fair Value Measurements*," ("SFAS 157"). The additional guidance defines fair value, establishes a framework for measuring fair value and expands the related disclosure requirements. This additional guidance applies under other codification standards that require or permit fair value measurements. The additional guidance indicates, among other things, that a fair value measurement assumes that the transaction to sell an asset or transfer a liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market for the asset or liability. FASB ASC Topic 820 defines fair value based upon an exit price model.

In 2008 and 2009, the FASB issued additional guidance under ASC Topic 820 through the issuance of FASB Staff Positions (FSP) 157-1, 157-2, and 157-3. FSP 157-1 provides additional guidance under ASC Topic 820 to exclude FASB ASC Topic 840, "*Leases*" and its related interpretive accounting guidance that addresses leasing transactions, while FSP 157-2 delays the effective date of the application of the fair value guidelines added to FASB ASC Topic 820 through the issuance of SFAS 157 to fiscal years beginning after November 15, 2008 for all nonfinancial assets and nonfinancial liabilities that are recognized or disclosed at fair value in the financial statements on a nonrecurring basis. FSP 157-3 addresses considerations in determining the fair value of a financial asset when the market for that asset is not active.

We adopted, as of January 1, 2008, the additional guidance in FASB ASC Topic 820 through the issuance of SFAS 157, with the exception of the application of the statement to non-recurring nonfinancial assets and nonfinancial liabilities. We applied the provisions of the additional guidance issued in SFAS 157 in determining the fair value of our nonfinancial assets and nonfinancial liabilities on a nonrecurring basis effective January 1, 2009. Assets that are measured on a nonrecurring basis include those measured at fair value in a business combination accounted for under the provisions of the updated codification standard, as well as investments in storage facilities in circumstances when we determine that those assets are impaired under the provisions of FASB ASC Topic 360-10-35, "*Property, Plant and Equipment — Subsequent Measurement*". No non-recurring fair value measurements were made during the year ended December 31, 2009.

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FASB ASC Topic 820, through the additional guidance provided by SFAS 157, establishes a valuation hierarchy for disclosure of the inputs to valuation used to measure fair value. This hierarchy prioritizes the inputs into three broad levels as follows. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 inputs are quoted prices for similar assets and liabilities in active markets or inputs that are observable for the asset or liability, either directly or indirectly through market corroboration, for substantially the full term of the financial instrument. Level 3 inputs are unobservable inputs based on our own assumptions used to measure assets and liabilities at fair value. A financial asset or liability's classification within the hierarchy is determined based on the lowest level input that is significant to the fair value measurement.

The following table provides the assets and liabilities carried at fair value measured on a recurring basis as of December 31, 2009 (in thousands):

	<u>Asset (Liability)</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Interest rate swaps	(11,524)	—	(11,524)	—

Interest rate swaps are over the counter securities with no quoted readily available Level 1 inputs, and therefore are measured at fair value using inputs that are directly observable in active markets and are classified within Level 2 of the valuation hierarchy, using the income approach.

### **11. STOCK OPTIONS AND NON-VESTED STOCK**

The Company established the 2005 Award and Option Plan (the "Plan") which replaced the expired 1995 Award and Option Plan for the purpose of attracting and retaining the Company's executive officers and other key employees. 1,500,000 shares were authorized for issuance under the Plan. The options vest ratably over four and eight years, and must be exercised within ten years from the date of grant. The exercise price for qualified incentive stock options must be at least equal to the fair market value of the common shares at the date of grant. As of December 31, 2009, options for 362,463 shares were outstanding under the Plans and options for 998,330 shares of common stock were available for future issuance.

The Company also established the 2009 Outside Directors' Stock Option and Award Plan (the Non-employee Plan) which replaced the 1995 Outside Directors' Stock Option Plan for the purpose of attracting and retaining the services of experienced and knowledgeable outside directors. The Non-employee Plan provides for the initial granting of options to purchase 3,500 shares of common stock and for the annual granting of options to purchase 2,000 shares of common stock to each eligible director. Such options vest over a one-year period for initial awards and immediately upon subsequent grants. In addition, each outside director receives non-vested shares annually equal to 80% of the annual fees paid to them. During the restriction period, the non-vested shares may not be sold, transferred, or otherwise encumbered. The holder of the non-vested shares has all rights of a holder of common shares, including the right to vote and receive dividends. During 2009, 3,456 non-vested shares were issued to outside directors. Such non-vested shares vest over a one-year period. The total shares reserved under the Non-employee Plan is 150,000. The exercise price for options granted under the Non-employee Plan is equal to the fair market value at the date of grant. As of December 31, 2009, options for 35,005 common shares and non-vested shares of 12,161 were outstanding under the Non-employee Plans and options for 137,044 shares of common stock were available for future issuance.

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A summary of the Company's stock option activity and related information for the years ended December 31 follows:

	2009		2008		2007	
	Options	Weighted average exercise price	Options	Weighted average exercise price	Options	Weighted average exercise price
Outstanding at beginning of year:	360,688	\$ 43.06	168,125	\$ 42.54	113,225	\$ 35.77
Granted	51,500	23.99	201,163	43.12	74,000	52.49
Exercised	(4,225)	21.46	(2,600)	27.78	(13,100)	32.44
Forfeited	(10,495)	44.53	(6,000)	36.86	(6,000)	59.62
Outstanding at end of year	397,468	\$ 40.78	360,688	\$ 43.06	168,125	\$ 42.54
Exercisable at end of year	159,701	\$ 40.71	118,025	\$ 38.84	82,625	\$ 34.45

A summary of the Company's stock options outstanding at December 31, 2009 follows:

Exercise Price Range	Outstanding		Exercisable	
	Options	Weighted average exercise price	Options	Weighted average exercise price
\$20.375 — 29.99	72,750	\$ 22.35	33,250	\$ 21.88
\$30.00 — 39.99	37,050	\$ 35.05	22,050	\$ 34.87
\$40.00 — 57.79	287,668	\$ 46.18	104,401	\$ 47.94
Total	397,468	\$ 40.78	159,701	\$ 40.71

Intrinsic value of outstanding stock options at December 31, 2009	\$1,034,302
Intrinsic value of exercisable stock options at December 31, 2009	\$ 505,412

The intrinsic value of stock options exercised during the years ended December 31, 2009, 2008, and 2007, were \$50,188, \$37,691, and \$346,306 respectively.

The aggregate intrinsic value is calculated as the difference between the exercise price of the underlying awards and the quoted price of the Company's common stock at December 31, 2009, or the price on the date of exercise for those exercised during the year. As of December 31, 2009, there was approximately \$1.0 million of total unrecognized compensation cost related to non-vested share-based compensation arrangements granted under our stock award plans. That cost is expected to be recognized over a weighted-average period of approximately 4.6 years. The weighted average remaining contractual life of all options is 7.4 years, and for exercisable options is 5.8 years.

### Non-vested Stock

The Company has also issued 348,732 shares of non-vested stock to employees which vest over two to nine year periods. During the restriction period, the non-vested shares may not be sold, transferred, or otherwise encumbered. The holder of the non-vested shares has all rights of a holder of common shares, including the right to vote and receive dividends. For issuances of non-vested stock during the year ended December 31, 2009, the fair market value of the non-vested stock on the date of grant ranged from \$21.82 to \$35.15. During 2009, 59,590 shares of non-vested stock were issued to employees and directors with an aggregate fair value of \$1.8 million. The Company charges additional paid-in capital for the market value of shares as they are issued. The unearned portion is then amortized and charged to expense over the vesting period. The Company uses the average of the high and

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low price of its common stock on the date the award is granted as the fair value for non-vested stock awards.

A summary of the status of unvested shares of stock issued to employees and directors as of and during the years ended December 31 follows:

	2009		2008		2007	
	Non-vested Shares	Weighted average grant date fair value	Non-vested Shares	Weighted average grant date fair value	Non-vested Shares	Weighted average grant date fair value
Unvested at beginning of year:	130,807	\$ 44.79	115,896	\$ 45.54	96,453	\$ 40.21
Granted	59,590	29.70	45,713	41.50	43,989	53.79
Vested	(35,349)	41.25	(30,802)	42.71	(24,546)	39.39
Forfeited	(455)	43.95	—	—	—	—
Unvested at end of year	154,593	\$ 39.79	130,807	\$ 44.79	115,896	\$ 45.54

Compensation expense of \$1.4 million, \$1.4 million and \$1.2 million was recognized for the vested portion of non-vested stock grants in 2009, 2008 and 2007, respectively. The fair value of non-vested stock that vested during 2009, 2008 and 2007 was \$1.5 million, \$1.3 million and \$1.0 million, respectively. The total unrecognized compensation cost related to non-vested stock was \$5.2 million at December 31, 2009, and the remaining weighted-average period over which this expense will be recognized was 5.6 years.

## 12. RETIREMENT PLAN

Employees of the Company qualifying under certain age and service requirements are eligible to be a participant in a 401(k) Plan. The Company contributes to the Plan at the rate of 10% of the first 4% of gross wages that the employee contributes. Total expense to the Company was approximately \$114,000, \$284,000, and \$256,000 for the years ended December 31, 2009, 2008 and 2007, respectively.

## 13. INVESTMENT IN JOINT VENTURES

The Company has a 20% ownership interest in Sovran HHF Storage Holdings LLC (“Sovran HHF”), a joint venture that was formed in May 2008 to acquire self-storage properties that will be managed by the Company. The carrying value of the Company’s investment at December 31, 2009 was \$19.9 million. Twenty five properties were acquired by Sovran HHF as of December 31, 2008 for approximately \$171.5 million. In 2008, the Company contributed \$18.6 million to the joint venture as its share of capital required to fund the acquisitions. As of December 31, 2009, the carrying value of the Company’s investment in Sovran HHF exceeds its share of the underlying equity in net assets of Sovran HHF by approximately \$1.7 million as a result of the capitalization of certain acquisition related costs. This difference is not amortized, it is included in the carrying value of the investment, which is assessed for impairment on a periodic basis.

As manager of Sovran HHF, the Company earns a management and call center fee of 7% of gross revenues which totaled \$1.2 million and \$0.5 million for 2009 and 2008, respectively. The Company also received an acquisition fee of 0.5% or \$0.7 million of purchase price for securing purchases for the joint venture in 2008. The Company’s share of Sovran HHF’s income for 2009 and 2008 was \$0.2 million and \$0.1 million, respectively. At December 31, 2009, Sovran HHF owed the Company \$0.2 million for payments made by the Company on behalf of the joint venture.

The Company also has a 49% ownership interest in Iskalo Office Holdings, LLC, which owns the building that houses the Company’s headquarters and other tenants. The Company’s investment includes a capital contribution of \$49. The carrying value of the Company’s investment is a liability of \$0.5 million at December 31, 2009 and 2008, and is included in accounts payable and accrued liabilities in the accompanying consolidated

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balance sheets. For the years ended December 31, 2009, 2008 and 2007, the Company's share of Iskalo Office Holdings, LLC's income (loss) was \$7,000, (\$6,000), and \$80,000, respectively. The Company paid rent to Iskalo Office Holdings, LLC of \$608,000, \$600,000 and \$561,000 in 2009, 2008, and 2007, respectively. Future minimum lease payments under the lease are \$0.6 million per year through 2010.

A summary of the unconsolidated joint ventures' financial statements as of and for the year ended December 31, 2009 is as follows:

(dollars in thousands)	Sovran HHF Storage Holdings LLC	Iskalo Office Holdings, LLC
<b>Balance Sheet Data:</b>		
Investment in storage facilities, net	\$ 168,237	\$ —
Investment in office building	—	5,322
Other assets	3,575	688
<b>Total Assets</b>	<b>\$ 171,812</b>	<b>\$ 6,010</b>
<b>Due to the Company</b>		
Mortgages payable	78,512	7,037
Other liabilities	2,087	224
<b>Total Liabilities</b>	<b>80,772</b>	<b>7,261</b>
Unaffiliated partners' equity (deficiency)	72,832	(714)
Company equity (deficiency)	18,208	(537)
<b>Total Liabilities and Partners' Equity (deficiency)</b>	<b>\$ 171,812</b>	<b>\$ 6,010</b>
<b>Income Statement Data:</b>		
Total revenues	\$ 17,702	\$ 1,129
Total expenses	16,761	1,115
Net income	\$ 941	\$ 14

The Company does not guarantee the debt of Sovran HHF or Iskalo Office Holdings, LLC.

## **14. SHAREHOLDERS' EQUITY**

On October 5, 2009, the Company completed the public offering of 4,025,000 shares of its common stock at \$29.75 per share. Net proceeds to the Company after deducting underwriting discounts and commissions and offering expenses were approximately \$114.0 million.

During 2009, the Company issued 1,430,521 shares via its Dividend Reinvestment and Stock Purchase Plan. The Company received \$32.6 million from the sale of such shares. During 2008 and 2007, the Company issued 285,308 and 252,816 shares, respectively, via this plan and received net proceeds of approximately \$10.7 million and \$12.8 million, respectively. Our Dividend Reinvestment and Stock Purchase Plan was suspended in November 2009.

On July 3, 2002, the Company entered into an agreement providing for the issuance of 2,800,000 shares of 8.375% Series C Convertible Cumulative Preferred Stock ("Series C Preferred") in a privately negotiated transaction. The Company immediately issued 1,600,000 shares of the Series C Preferred and issued the remaining 1,200,000 shares on November 27, 2002. The offering price was \$25.00 per share resulting in net proceeds for the Series C Preferred and related common stock warrants of \$67.9 million after expenses. In 2004, the Company issued 306,748 shares of its common stock in connection with the conversion of 400,000 shares of Series C Preferred Stock into common stock. During 2005, the Company issued 920,244 shares of its common stock in connection with a written notice from one of the holders of the Series C Preferred Stock requesting the conversion of 1,200,000 shares of Series C Preferred Stock into common stock. On July 7, 2007, we issued 920,244 shares of our common stock to the holder of our Series C Preferred Stock upon the holder's election to convert the remaining 1,200,000 shares of Series C Preferred Stock into common stock.

**15. SUPPLEMENTARY QUARTERLY FINANCIAL DATA (UNAUDITED)**

The following is a summary of quarterly results of operations for the years ended December 31, 2009 and 2008 (dollars in thousands, except per share data).

	<b>2009 Quarter Ended</b>			
	<b>March 31</b>	<b>June 30</b>	<b>Sept. 30</b>	<b>Dec. 31 (b)</b>
Operating revenue	\$ 48,846	\$48,097	\$49,551	\$ 48,517
Income (loss) from continuing operations (a)	\$ 7,873	\$ 6,436	\$ 8,722	\$ (593)
(Loss) income from discontinued operations (a)	\$ 247	\$ 306	\$ (752)	\$ (585)
Net Income(Loss)	\$ 8,120	\$ 6,742	\$ 7,970	\$ (1,178)
Net income (loss) attributable to common shareholders	\$ 7,635	\$ 6,286	\$ 7,496	\$ (1,501)
Net Income (Loss) Per Share Attributable to Common Shareholders				
Basic	\$ 0.35	\$ 0.28	\$ 0.32	\$ (0.06)
Diluted	\$ 0.35	\$ 0.28	\$ 0.32	\$ (0.06)

	<b>2008 Quarter Ended</b>			
	<b>March 31</b>	<b>June 30</b>	<b>Sept. 30</b>	<b>Dec. 31</b>
Operating revenue (a)	\$ 48,925	\$49,421	\$51,769	\$50,078
Income from continuing operations (a)	\$ 9,271	\$10,166	\$ 9,743	\$ 8,623
Income from discontinued operations (a)	\$ 318	\$ 1,000	\$ 308	\$ 254
Net Income	\$ 9,589	\$11,166	\$10,051	\$ 8,877
Net income attributable to common shareholders	\$ 8,953	\$10,541	\$ 9,528	\$ 8,377
Net Income Per Share Attributable to Common Shareholders				
Basic	\$ 0.41	\$ 0.49	\$ 0.44	\$ 0.38
Diluted	\$ 0.41	\$ 0.48	\$ 0.44	\$ 0.38

- (a) Data as presented in this table differ from the amounts as presented in the Company's quarterly reports due to the impact of discontinued operations accounting with respect to the five properties sold in 2009 and the one property sold in 2008 as described in Note 5.
- (b) As discussed in Note 9, in the fourth quarter of 2009 the Company recorded \$8.4 million in interest expense related to the termination of two interest rate swap agreements.

**16. COMMITMENTS AND CONTINGENCIES**

The Company's current practice is to conduct environmental investigations in connection with property acquisitions. At this time, the Company is not aware of any environmental contamination of any of its facilities that individually or in the aggregate would be material to the Company's overall business, financial condition, or results of operations.

At December 31, 2009, we have a contract in place with a potential buyer for the possible sale of two properties for approximately \$2.4 million. The sale of these properties is subject to significant contingencies as of December 31, 2009, including the potential buyer's satisfactory completion of an inspection of the properties and the buyer securing funds from its lender to finance the transaction. While there can be no assurances that we will successfully complete the sale of these properties, based upon the status of our dealings with the potential buyer, the sale of these properties is expected to close in March 2010. Should these sales occur, the Company would recognize a loss of approximately \$0.1 million on the disposal of these properties in the first quarter of 2010.

**17. SUBSEQUENT EVENTS**

On January 4, 2010, the Company declared a quarterly dividend of \$0.45 per common share. The dividend was paid on January 26, 2010 to shareholders of record on January 14, 2010. The total dividend paid amounted to \$12.4 million.

In January and February 2010, the Company entered into contracts for the sale of ten non-strategic properties in North Carolina, Georgia, Michigan, and Virginia for approximately \$25.0 million. The sales of these properties are subject to significant contingencies and there is no assurance that the properties will be sold. Should the sales occur, the Company would recognize an aggregate gain of approximately \$7.7 million.

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**Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure**

None.

**Item 9A. Controls and Procedures**

**Conclusion Regarding the Effectiveness of Disclosure Controls and Procedures**

Our management conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures, as such term is defined under Rule 13a-15(e) promulgated under the Securities Exchange Act of 1934, as amended (Exchange Act), under the supervision of and with the participation of our management, including the Chief Executive Officer and Chief Financial Officer. Based on that evaluation, our management, including the Chief Executive Officer and Chief Financial Officer, concluded that our disclosure controls and procedures were effective at December 31, 2009. There have not been changes in the Company's internal controls or in other factors that could significantly affect these controls during the quarter ended December 31, 2009.

**Management's Report on Internal Control Over Financial Reporting**

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, and for performing an assessment of the effectiveness of internal control over financial reporting as of December 31, 2009. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Our system of internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements.

Our management performed an assessment of the effectiveness of our internal control over financial reporting as of December 31, 2009 based upon criteria in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Based on our assessment, management determined that our internal control over financial reporting was effective as of December 31, 2009 based on the criteria in Internal Control-Integrated Framework issued by COSO.

The effectiveness of the Company's internal control over financial reporting as of December 31, 2009 has been audited by Ernst & Young LLP, an independent registered public accounting firm, as stated in their report which is included in Item 9A herein.

/s/ Robert J. Attea  
Robert J. Attea  
Chief Executive Officer

/s/ David L. Rogers  
David L. Rogers  
Chief Financial Officer



## **Report of Independent Registered Public Accounting Firm**

The Board of Directors and Shareholders of Sovran Self Storage, Inc.

We have audited Sovran Self Storage, Inc.'s internal control over financial reporting as of December 31, 2009, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Sovran Self Storage, Inc.'s management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Sovran Self Storage, Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2009, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Sovran Self Storage, Inc. as of December 31, 2009 and 2008, and the related consolidated statements of operations, shareholders' equity and comprehensive income, and cash flows for each of the three years in the period ended December 31, 2009 of Sovran Self Storage, Inc. and our report dated February 26, 2010 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Buffalo, New York  
February 26, 2010

### Part III

#### Item 10. Directors, Executive Officers and Corporate Governance

The information contained in the Proxy Statement for the Annual Meeting of Shareholders of the Company to be held on May 26, 2010, with respect to directors, executive officers, audit committee, and audit committee financial experts of the Company and Section 16(a) beneficial ownership reporting compliance, is incorporated herein by reference in response to this item.

The Company has adopted a code of ethics that applies to all of its directors, officers, and employees. The Company has made the Code of Ethics available on its website at <http://www.sovranss.com>.

#### Item 11. Executive Compensation

The information required is incorporated by reference to “Executive Compensation” and “Director Compensation” in the Company’s Proxy Statement for the Annual Meeting of Shareholders of the Company to be held on May 26, 2010.

#### Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information required herein is incorporated by reference to “Stock Ownership By Directors and Executive Officers” and “Security Ownership of Certain Beneficial Owners” in the Proxy Statement for the Annual Meeting of Shareholders of the Company to be held on May 26, 2010.

#### Item 13. Certain Relationships and Related Transactions, and Director Independence

The information required herein is incorporated by reference to “Certain Transactions” and “Election of Directors—Director Independence” in the Company’s Proxy Statement for the Annual Meeting of Shareholders to be held on May 26, 2010.

#### Item 14. Principal Accountant Fees and Services

The information required herein is incorporated by reference to “Appointment of Independent Auditor” in the Company’s Proxy Statement for the Annual Meeting of Shareholders to be held on May 26, 2010.

### Part IV

#### Item 15. Exhibits, Financial Statement Schedules

(a) Documents filed as part of this Annual Report on Form 10-K:

1. The following consolidated financial statements of Sovran Self Storage, Inc. are included in Item 8.
  - (i) Consolidated Balance Sheets as of December 31, 2009 and 2008.
  - (ii) Consolidated Statements of Operations for Years Ended December 31, 2009, 2008, and 2007.
  - (iii) Consolidated Statements of Shareholders’ Equity and Comprehensive Income for Years Ended December 31, 2009, 2008, and 2007.
  - (iv) Consolidated Statements of Cash Flows for Years Ended December 31, 2009, 2008, and 2007.
  - (v) Notes to Consolidated Financial Statements.
2. The following financial statement Schedule as of the period ended December 31, 2009 is included in this Annual Report on Form 10-K.  
Schedule III Real Estate and Accumulated Depreciation.

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All other Consolidated financial schedules are omitted because they are inapplicable, not required, or the information is included elsewhere in the consolidated financial statements or the notes thereto.

### 3. Exhibits

The exhibits required to be filed as part of this Annual Report on Form 10-K have been included as follows:

- 3.1 Amended and Restated Articles of Incorporation of the Registrant. (incorporated by reference to Exhibit 3.1 (a) to the Registrant's Registration Statement on Form S-11 (File No. 33-91422) filed June 19, 1995).
- 3.2 Articles Supplementary to the Amended and Restated Articles of Incorporation of the Registrant classifying and designating the series A Junior Participating Cumulative Preferred Stock. (incorporated by reference to Exhibit 3.1 to the Registrant's Form 8-A filed December 3, 1996.)
- 3.3 Articles Supplementary to the Amended and Restated Articles of Incorporation of the Registrant classifying and designating the 8.375% Series C Convertible Cumulative Preferred Stock. (incorporated by reference to Exhibit 4.1 to Registrant's Current Report on Form 8-K filed July 12, 2002).
- 3.4\* Bylaws, as amended, of the Registrant.
- 4.1 Form of Common Stock Certificate (incorporated by reference to Exhibit 4.1 to Registrant's Registration Statement on Form S-11 (File No. 33-91422) filed June 19, 1995).
- 10.1+\* Sovran Self Storage, Inc. 2005 Award and Option Plan, as amended.
- 10.2+\* Sovran Self Storage, Inc. 1995 Outside Directors' Stock Option Plan, as amended.
- 10.3+ Employment Agreement between the Registrant and Robert J. Attea (incorporated by reference to Exhibit 10.3 to Registrant's Form 10-K filed February 27, 2009).
- 10.4+ Employment Agreement between the Registrant and Kenneth F. Myszka (incorporated by reference to Exhibit 10.4 to Registrant's Form 10-K filed February 27, 2009).
- 10.5+ Employment Agreement between the Registrant and David L. Rogers (incorporated by reference to Exhibit 10.5 to Registrant's Form 10-K filed February 27, 2009).
- 10.6+ Form of restricted stock grant pursuant to Sovran Self Storage, Inc. 2005 Award and Option Plan (incorporated by reference to Exhibit 10.1 to Registrant's Quarterly Report on Form 10-Q/A filed November 24, 2006).
- 10.7+ Form of stock option grant pursuant to Sovran Self Storage, Inc. 2005 Award and Option Plan (incorporated by reference to Exhibit 10.2 to Registrant's Quarterly Report on Form 10-Q/A filed November 24, 2006).
- 10.8+ Form of restricted stock grant pursuant to Sovran Self Storage, Inc. 1995 Award and Option Plan (incorporated by reference to Exhibit 10.3 to Registrant's Quarterly Report on Form 10-Q/A filed November 24, 2006).
- 10.9+ Form of stock option grant pursuant to Sovran Self Storage, Inc. 1995 Award and Option Plan (incorporated by reference to Exhibit 10.4 to Registrant's Quarterly Report on Form 10-Q/A filed November 24, 2006).

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- 10.10+ Deferred Compensation Plan for Directors (incorporated by reference to Schedule 14A Proxy Statement filed April 10, 2008).
- 10.11 Amended Indemnification Agreements with members of the Board of Directors and Executive Officers (incorporated by reference to Exhibit 10.35 and 10.36 to Registrant's Current Report on Form 8-K filed July 20, 2006).
- 10.12 Agreement of Limited Partnership of Sovran Acquisition Limited Partnership (incorporated by reference to Exhibit 3.1 on Form 10 filed April 22, 1998).
- 10.13 Amendments to the Agreement of Limited Partnership of Sovran Acquisition Limited Partnership dated July 30, 1999 and July 3, 2002 (incorporated by reference to Exhibit 10.13 to registrant's Form 10-K filed February 27, 2009).
- 10.14\* Promissory Note between Locke Sovran II, LLC and PNC Bank, National Association.
- 10.15 Third Amended and Restated Revolving Credit and Term Loan Agreement among Registrant, the Partnership, Manufacturers and Traders Trust Company and other lenders named therein (incorporated by reference to Exhibit 10.1 filed in the Company's Current Report on Form 8-K, filed June 27, 2008).
- 10.16 Cornerstone Acquisition Agreement and Amendments to Certain Loan Agreements (incorporated by reference to Exhibits 10.30, 10.31, 10.32, 10.33 and 10.34 of Registrant's Current Report on Form 8-K filed June 26, 2006).
- 10.17 \$150 million, 6.38% Senior Guaranteed Notes, Series C due April 26, 2016, and Amendments to Second Amendment Restated Revolving Credit and Term Loan Agreement dated December 16, 2004 and Amendment to Note Purchase Agreement dated September 4, 2003 (incorporated by reference to Exhibits 10.27, 10.28, and 10.29 of the Registrant's Current Report on Form 8-K filed May 1, 2006).
- 10.18 Promissory Note between Locke Sovran I, LLC and GMAC Commercial Mortgage Corporation (incorporated by reference to Exhibit 10.21 as filed in the Company's Annual Report on Form 10-K, filed March 1, 2007).
- 10.19 Indemnification Agreement dated September 25, 2009 between Registrant, Sovran Acquisition Limited Partnership and James R. Boldt, a director of the Company (incorporated by reference to Exhibit 10.1 to Registrant's Current Report on Form 8-K filed September 25, 2009).
- 10.20+ Sovran Self Storage, Inc. 2009 Outside Directors Stock Option and Award Plan (incorporated by reference to Registrant's Proxy Statement filed April 9, 2009).
- 12.1\* Statement Re: Computation of Earnings to Fixed Charges.
- 21.1\* Subsidiaries of the Company.
- 23.1\* Consent of Independent Registered Public Accounting Firm.
- 24.1\* Powers of Attorney (included on signature pages).
- 31.1\* Certification of Chief Executive Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act, as amended.
- 31.2\* Certification of Chief Financial Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act, as amended.

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32.1\* Certification of 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.

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\* Filed herewith.

+ Management contract or compensatory plan or arrangement.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

SOVRAN SELF STORAGE, INC.

February 26, 2010

By: /s/ David L. Rogers

David L. Rogers,  
Chief Financial Officer, Secretary

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ Robert J. Attea</u> Robert J. Attea	Chairman of the Board of Directors Chief Executive Officer and Director (Principal Executive Officer)	February 26, 2010
<u>/s/ Kenneth F. Myszka</u> Kenneth F. Myszka	President, Chief Operating Officer and Director	February 26, 2010
<u>/s/ David L. Rogers</u> David L. Rogers	Chief Financial Officer (Principal Financial and Accounting Officer)	February 26, 2010
<u>/s/ John Burns</u> John Burns	Director	February 26, 2010
<u>/s/ James R. Boldt</u> James R. Boldt	Director	February 26, 2010
<u>/s/ Anthony P. Gammie</u> Anthony P. Gammie	Director	February 26, 2010
<u>/s/ Charles E. Lannon</u> Charles E. Lannon	Director	February 26, 2010

**Sovran Self Storage, Inc.**  
**Schedule III**  
**Combined Real Estate and Accumulated Depreciation**  
**(in thousands)**  
**December 31, 2009**

Description	ST	Encumbrance	Initial Cost to Company		Cost Capitalized Subsequent to Acquisition	Gross Amount at Which Carried at Close of Period			Accum. Deprec.	Date of Construction	Date Acquired	Life on which depreciation in latest income statement is computed
			Land	Building, Equipment and Improvements	Building, Equipment and Improvements	Land	Building, Equipment and Improvements	Total				
Boston-Metro I	MA		\$ 363	\$ 1,679	\$ 545	\$ 363	2,224	\$ 2,587	\$ 778	1980	6/26/1995	5 to 40 years
Boston-Metro II	MA		680	1,616	383	680	1,999	2,679	764	1986	6/26/1995	5 to 40 years
E. Providence	RI		345	1,268	688	345	1,956	2,301	631	1984	6/26/1995	5 to 40 years
Charleston I	SC		416	1,516	2,080	416	3,596	4,012	878	1985	6/26/1995	5 to 40 years
Lakeland I	FL		397	1,424	1,465	397	2,889	3,286	703	1985	6/26/1995	5 to 40 years
Charlotte	NC		308	1,102	1,124	747	1,787	2,534	617	1986	6/26/1995	5 to 40 years
Tallahassee I	FL		770	2,734	1,889	770	4,623	5,393	1,599	1973	6/26/1995	5 to 40 years
Youngstown	OH		239	1,110	1,317	239	2,427	2,666	705	1980	6/26/1995	5 to 40 years
Cleveland-Metro II	OH		701	1,659	822	701	2,481	3,182	840	1987	6/26/1995	5 to 40 years
Tallahassee II	FL		204	734	923	198	1,663	1,861	565	1975	6/26/1995	5 to 40 years
Pt. St. Lucie	FL		395	1,501	885	779	2,002	2,781	817	1985	6/26/1995	5 to 40 years
Deltona	FL		483	1,752	2,077	483	3,829	4,312	1,032	1984	6/26/1995	5 to 40 years
Middletown	NY		224	808	817	224	1,625	1,849	570	1988	6/26/1995	5 to 40 years
Buffalo I	NY		423	1,531	1,660	497	3,117	3,614	1,115	1981	6/26/1995	5 to 40 years
Rochester I	NY		395	1,404	491	395	1,895	2,290	678	1981	6/26/1995	5 to 40 years
Salisbury	MD		164	760	463	164	1,223	1,387	460	1979	6/26/1995	5 to 40 years
Jacksonville I	FL		152	728	1,028	688	1,220	1,908	454	1985	6/26/1995	5 to 40 years
Columbia I	SC		268	1,248	447	268	1,695	1,963	664	1985	6/26/1995	5 to 40 years
Rochester II	NY		230	847	452	234	1,295	1,529	466	1980	6/26/1995	5 to 40 years
Savannah I	GA		463	1,684	3,832	805	5,174	5,979	1,213	1981	6/26/1995	5 to 40 years
Greensboro	NC		444	1,613	2,846	444	4,459	4,903	831	1986	6/26/1995	5 to 40 years
Raleigh I	NC		649	2,329	855	649	3,184	3,833	1,126	1985	6/26/1995	5 to 40 years
New Haven	CT		387	1,402	962	387	2,364	2,751	732	1985	6/26/1995	5 to 40 years
Atlanta-Metro I	GA		844	2,021	670	844	2,691	3,535	987	1988	6/26/1995	5 to 40 years
Atlanta-Metro II	GA		302	1,103	369	303	1,471	1,774	588	1988	6/26/1995	5 to 40 years
Buffalo II	NY		315	745	1,662	517	2,205	2,722	601	1984	6/26/1995	5 to 40 years
Raleigh II	NC		321	1,150	655	321	1,805	2,126	611	1985	6/26/1995	5 to 40 years
Columbia II	SC		361	1,331	599	374	1,917	2,291	722	1987	6/26/1995	5 to 40 years
Columbia III	SC		189	719	1,079	189	1,798	1,987	563	1989	6/26/1995	5 to 40 years
Columbia IV	SC		488	1,188	508	488	1,696	2,184	648	1986	6/26/1995	5 to 40 years
Atlanta-Metro III	GA		430	1,579	1,941	602	3,348	3,950	854	1988	6/26/1995	5 to 40 years
Orlando I	FL		513	1,930	474	513	2,404	2,917	934	1988	6/26/1995	5 to 40 years
Sharon	PA		194	912	441	194	1,353	1,547	492	1975	6/26/1995	5 to 40 years
Ft. Lauderdale	FL		1,503	3,619	839	1,503	4,458	5,961	1,362	1985	6/26/1995	5 to 40 years

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Description	ST	Initial Cost to Company		Cost Capitalized	Gross Amount at Which			Accum. Deprec.	Date of Construction	Date Acquired	Life on which depreciation in latest income statement is computed
		Land	Building, Equipment and Improvements	Subsequent to Acquisition	Carried at Close of Period	Land	Building, Equipment and Improvements				
West Palm I	FL	398	1,035	292	398	1,327	1,725	560	1985	6/26/1995	5 to 40 years
Atlanta-Metro IV	GA	423	1,015	375	424	1,389	1,813	562	1989	6/26/1995	5 to 40 years
Atlanta-Metro V	GA	483	1,166	939	483	2,105	2,588	619	1988	6/26/1995	5 to 40 years
Atlanta-Metro VI	GA	308	1,116	521	308	1,637	1,945	676	1986	6/26/1995	5 to 40 years
Atlanta-Metro VII	GA	170	786	562	174	1,344	1,518	511	1981	6/26/1995	5 to 40 years
Atlanta-Metro VIII	GA	413	999	645	413	1,644	2,057	672	1975	6/26/1995	5 to 40 years
Baltimore I	MD	154	555	1,369	306	1,772	2,078	464	1984	6/26/1995	5 to 40 years
Baltimore II	MD	479	1,742	2,810	479	4,552	5,031	994	1988	6/26/1995	5 to 40 years
Augusta I	GA	357	1,296	832	357	2,128	2,485	732	1988	6/26/1995	5 to 40 years
Macon I	GA	231	1,081	469	231	1,550	1,781	579	1989	6/26/1995	5 to 40 years
Melbourne I	FL	883	2,104	1,577	883	3,681	4,564	1,254	1986	6/26/1995	5 to 40 years
Newport News	VA	316	1,471	780	316	2,251	2,567	824	1988	6/26/1995	5 to 40 years
Pensacola I	FL	632	2,962	1,105	651	4,048	4,699	1,559	1983	6/26/1995	5 to 40 years
Augusta II	GA	315	1,139	769	315	1,908	2,223	657	1987	6/26/1995	5 to 40 years
Hartford-Metro I	CT	715	1,695	1,061	715	2,756	3,471	883	1988	6/26/1995	5 to 40 years
Atlanta-Metro IX	GA	304	1,118	2,521	619	3,324	3,943	829	1988	6/26/1995	5 to 40 years
Alexandria	VA	1,375	3,220	2,166	1,376	5,385	6,761	1,612	1984	6/26/1995	5 to 40 years
Pensacola II	FL	244	901	420	244	1,321	1,565	586	1986	6/26/1995	5 to 40 years
Melbourne II	FL	834	2,066	1,136	1,591	2,445	4,036	998	1986	6/26/1995	5 to 40 years
Hartford-Metro II	CT	234	861	1,881	612	2,364	2,976	638	1992	6/26/1995	5 to 40 years
Atlanta-Metro X	GA	256	1,244	1,803	256	3,047	3,303	847	1988	6/26/1995	5 to 40 years
Norfolk I	VA	313	1,462	938	313	2,400	2,713	827	1984	6/26/1995	5 to 40 years
Norfolk II	VA	278	1,004	375	278	1,379	1,657	540	1989	6/26/1995	5 to 40 years
Birmingham I	AL	307	1,415	1,559	384	2,897	3,281	786	1990	6/26/1995	5 to 40 years
Birmingham II	AL	730	1,725	619	730	2,344	3,074	898	1990	6/26/1995	5 to 40 years
Montgomery I	AL	863	2,041	626	863	2,667	3,530	1,018	1982	6/26/1995	5 to 40 years
Jacksonville II	FL	326	1,515	423	326	1,938	2,264	746	1987	6/26/1995	5 to 40 years
Pensacola III	FL	369	1,358	2,741	369	4,099	4,468	1,027	1986	6/26/1995	5 to 40 years
Pensacola IV	FL	244	1,128	714	719	1,367	2,086	550	1990	6/26/1995	5 to 40 years
Pensacola V	FL	226	1,046	543	226	1,589	1,815	614	1990	6/26/1995	5 to 40 years
Tampa I	FL	1,088	2,597	988	1,088	3,585	4,673	1,360	1989	6/26/1995	5 to 40 years
Tampa II	FL	526	1,958	798	526	2,756	3,282	1,032	1985	6/26/1995	5 to 40 years
Tampa III	FL	672	2,439	583	672	3,022	3,694	1,115	1988	6/26/1995	5 to 40 years
Jackson I	MS	343	1,580	2,213	796	3,340	4,136	817	1990	6/26/1995	5 to 40 years
Jackson II	MS	209	964	597	209	1,561	1,770	635	1990	6/26/1995	5 to 40 years
Richmond	VA	443	1,602	826	443	2,428	2,871	851	1987	8/25/1995	5 to 40 years
Orlando II	FL	1,161	2,755	976	1,162	3,730	4,892	1,378	1986	9/29/1995	5 to 40 years
Birmingham III	AL	424	1,506	691	424	2,197	2,621	903	1970	1/16/1996	5 to 40 years
Macon II	GA	431	1,567	734	431	2,301	2,732	785	1989/94	12/1/1995	5 to 40 years



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		Land	Building, Equipment and Improvements	Subsequent to Acquisition	Carried at Close of Period							
	Encumbrance			Building, Equipment and Improvements	Land	Improvements	Total					
Harrisburg I	PA		360	1,641	599	360	2,240	2,600	819	1983	12/29/1995	5 to 40 years
Harrisburg II	PA	(1)	627	2,224	958	692	3,117	3,809	1,018	1985	12/29/1995	5 to 40 years
Syracuse I	NY		470	1,712	1,313	472	3,023	3,495	923	1987	12/27/1995	5 to 40 years
Ft. Myers	FL		205	912	310	206	1,221	1,427	573	1988	12/28/1995	5 to 40 years
Ft. Myers II	FL		412	1,703	458	413	2,160	2,573	947	1991/94	12/28/1995	5 to 40 years
Newport News II	VA		442	1,592	1,180	442	2,772	3,214	731	1988/93	1/5/1996	5 to 40 years
Montgomery II	AL		353	1,299	653	353	1,952	2,305	633	1984	1/23/1996	5 to 40 years
Charleston II	SC		237	858	623	232	1,486	1,718	529	1985	3/1/1996	5 to 40 years
Tampa IV	FL		766	1,800	649	766	2,449	3,215	844	1985	3/28/1996	5 to 40 years
Arlington I	TX		442	1,767	319	442	2,086	2,528	730	1987	3/29/1996	5 to 40 years
Arlington II	TX		408	1,662	1,070	408	2,732	3,140	881	1986	3/29/1996	5 to 40 years
Ft. Worth	TX		328	1,324	331	328	1,655	1,983	598	1986	3/29/1996	5 to 40 years
San Antonio I	TX		436	1,759	1,121	436	2,880	3,316	937	1986	3/29/1996	5 to 40 years
San Antonio II	TX		289	1,161	543	289	1,704	1,993	582	1986	3/29/1996	5 to 40 years
Syracuse II	NY		481	1,559	2,391	671	3,760	4,431	1,015	1983	6/5/1996	5 to 40 years
Montgomery III	AL		279	1,014	998	433	1,858	2,291	575	1988	5/21/1996	5 to 40 years
West Palm II	FL		345	1,262	354	345	1,616	1,961	577	1986	5/29/1996	5 to 40 years
Ft. Myers III	FL		229	884	298	229	1,182	1,411	413	1986	5/29/1996	5 to 40 years
Lakeland II	FL		359	1,287	1,065	359	2,352	2,711	814	1988	6/26/1996	5 to 40 years
Springfield	MA		251	917	2,267	297	3,138	3,435	885	1986	6/28/1996	5 to 40 years
Ft. Myers IV	FL		344	1,254	292	310	1,580	1,890	567	1987	6/28/1996	5 to 40 years
Cincinnati	OH	(2)	557	1,988	775	688	2,632	3,320	299	1988	7/23/1996	5 to 40 years
Dayton	OH	(2)	667	2,379	433	683	2,796	3,479	340	1988	7/23/1996	5 to 40 years
Baltimore III	MD		777	2,770	434	777	3,204	3,981	1,087	1990	7/26/1996	5 to 40 years
Jacksonville III	FL		568	2,028	931	568	2,959	3,527	1,052	1987	8/23/1996	5 to 40 years
Jacksonville IV	FL		436	1,635	520	436	2,155	2,591	789	1985	8/26/1996	5 to 40 years
Jacksonville V	FL		535	2,033	321	538	2,351	2,889	908	1987/92	8/30/1996	5 to 40 years
Charlotte II	NC		487	1,754	425	487	2,179	2,666	674	1995	9/16/1996	5 to 40 years
Charlotte III	NC		315	1,131	338	315	1,469	1,784	485	1995	9/16/1996	5 to 40 years
Orlando III	FL		314	1,113	953	314	2,066	2,380	702	1975	10/30/1996	5 to 40 years
Rochester III	NY		704	2,496	2,335	707	4,828	5,535	1,029	1990	12/20/1996	5 to 40 years
Youngstown II	OH		600	2,142	2,073	693	4,122	4,815	939	1988	1/10/1997	5 to 40 years
Cleveland III	OH		751	2,676	1,798	751	4,474	5,225	1,300	1986	1/10/1997	5 to 40 years
Cleveland IV	OH		725	2,586	1,354	725	3,940	4,665	1,206	1978	1/10/1997	5 to 40 years
Cleveland V	OH	(1)	637	2,918	1,629	701	4,483	5,184	1,563	1979	1/10/1997	5 to 40 years
Cleveland VI	OH		495	1,781	899	495	2,680	3,175	865	1979	1/10/1997	5 to 40 years
Cleveland VII	OH		761	2,714	1,337	761	4,051	4,812	1,273	1977	1/10/1997	5 to 40 years
Cleveland VIII	OH		418	1,921	1,655	418	3,576	3,994	1,110	1970	1/10/1997	5 to 40 years
Cleveland IX	OH		606	2,164	1,363	606	3,527	4,133	917	1982	1/10/1997	5 to 40 years

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			Land	Building, Equipment and Improvements	Subsequent to Acquisition	Carried at Close of Period	Land	Improvements				
Grand Rapids I	MI	(2)	455	1,631	981	624	2,443	3,067	292	1976	1/17/1997	5 to 40 years
Grand Rapids II	MI		219	790	879	219	1,669	1,888	535	1983	1/17/1997	5 to 40 years
Kalamazoo	MI	(2)	516	1,845	1,729	694	3,396	4,090	367	1978	1/17/1997	5 to 40 years
Lansing	MI	(2)	327	1,332	1,627	542	2,744	3,286	293	1987	1/17/1997	5 to 40 years
Holland	MI		451	1,830	1,899	451	3,729	4,180	1,143	1978	1/17/1997	5 to 40 years
San Antonio III	TX	(1)	474	1,686	442	504	2,098	2,602	644	1981	1/30/1997	5 to 40 years
Universal	TX		346	1,236	467	346	1,703	2,049	522	1985	1/30/1997	5 to 40 years
San Antonio IV	TX		432	1,560	1,695	432	3,255	3,687	927	1995	1/30/1997	5 to 40 years
Houston-Eastex	TX		634	2,565	1,172	634	3,737	4,371	1,139	1993/95	3/26/1997	5 to 40 years
Houston-Nederland	TX		566	2,279	356	566	2,635	3,201	837	1995	3/26/1997	5 to 40 years
Houston-College	TX		293	1,357	568	293	1,925	2,218	572	1995	3/26/1997	5 to 40 years
Lynchburg-Lakeside	VA		335	1,342	1,274	335	2,616	2,951	743	1982	3/31/1997	5 to 40 years
Lynchburg-Timberlake	VA		328	1,315	976	328	2,291	2,619	725	1985	3/31/1997	5 to 40 years
Lynchburg-Amherst	VA		155	710	337	152	1,050	1,202	372	1987	3/31/1997	5 to 40 years
Christiansburg	VA		245	1,120	583	245	1,703	1,948	478	1985/90	3/31/1997	5 to 40 years
Chesapeake	VA		260	1,043	1,188	260	2,231	2,491	627	1988/95	3/31/1997	5 to 40 years
Danville	VA		326	1,488	246	326	1,734	2,060	561	1988	3/31/1997	5 to 40 years
Orlando-W 25th St	FL		289	1,160	744	616	1,577	2,193	507	1984	3/31/1997	5 to 40 years
Delray I-Mini	FL		491	1,756	672	491	2,428	2,919	833	1969	4/11/1997	5 to 40 years
Savannah II	GA		296	1,196	347	296	1,543	1,839	526	1988	5/8/1997	5 to 40 years
Delray II-Safeway	FL		921	3,282	488	921	3,770	4,691	1,266	1980	5/21/1997	5 to 40 years
Cleveland X-Avon	OH		301	1,214	2,106	304	3,317	3,621	742	1989	6/4/1997	5 to 40 years
Dallas-Skillman	TX		960	3,847	1,500	960	5,347	6,307	1,651	1975	6/30/1997	5 to 40 years
Dallas-Centennial	TX		965	3,864	1,276	943	5,162	6,105	1,635	1977	6/30/1997	5 to 40 years
Dallas-Samuell	TX	(1)	570	2,285	795	611	3,039	3,650	990	1975	6/30/1997	5 to 40 years
Dallas-Hargrove	TX		370	1,486	530	370	2,016	2,386	712	1975	6/30/1997	5 to 40 years
Houston-Antoine	TX		515	2,074	561	515	2,635	3,150	872	1984	6/30/1997	5 to 40 years
Atlanta-Alpharetta	GA		1,033	3,753	458	1,033	4,211	5,244	1,428	1994	7/24/1997	5 to 40 years
Atlanta-Marietta	GA	(1)	769	2,788	465	825	3,197	4,022	1,031	1996	7/24/1997	5 to 40 years
Atlanta-Doraville	GA		735	3,429	318	735	3,747	4,482	1,230	1995	8/21/1997	5 to 40 years
GreensboroHilltop	NC		268	1,097	391	268	1,488	1,756	458	1995	9/25/1997	5 to 40 years
GreensboroStgCch	NC		89	376	1,539	89	1,915	2,004	463	1997	9/25/1997	5 to 40 years
Baton Rouge-Airline	LA	(1)	396	1,831	966	421	2,772	3,193	796	1982	10/9/1997	5 to 40 years
Baton Rouge-Airline2	LA		282	1,303	312	282	1,615	1,897	551	1985	11/21/1997	5 to 40 years
Harrisburg-Peiffers	PA		635	2,550	532	637	3,080	3,717	940	1984	12/3/1997	5 to 40 years
Chesapeake-Military	VA		542	2,210	343	542	2,553	3,095	789	1996	2/5/1998	5 to 40 years
Chesapeake-Volvo	VA		620	2,532	908	620	3,440	4,060	1,015	1995	2/5/1998	5 to 40 years
Virginia Beach-Shell	VA		540	2,211	276	540	2,487	3,027	797	1991	2/5/1998	5 to 40 years
Virginia Beach-Central	VA		864	3,994	752	864	4,746	5,610	1,464	1993/95	2/5/1998	5 to 40 years

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			Land	Building, Equipment and Improvements	Building, Equipment and Improvements	Land	Improvements	Total				
Norfolk-Naval Base	VA		1,243	5,019	744	1,243	5,763	7,006	1,760	1975	2/5/1998	5 to 40 years
Tampa-E.Hillsborough	FL		709	3,235	750	709	3,985	4,694	1,331	1985	2/4/1998	5 to 40 years
Northbridge	MA	(2)	441	1,788	990	694	2,525	3,219	263	1988	2/9/1998	5 to 40 years
Harriman	NY		843	3,394	490	843	3,884	4,727	1,225	1989/95	2/4/1998	5 to 40 years
Greensboro-High Point	NC		397	1,834	554	397	2,388	2,785	732	1993	2/10/1998	5 to 40 years
Lynchburg-Timberlake	VA		488	1,746	498	488	2,244	2,732	680	1990/96	2/18/1998	5 to 40 years
Titusville	FL	(2)	492	1,990	934	688	2,728	3,416	292	1986/90	2/25/1998	5 to 40 years
Salem	MA		733	2,941	1,236	733	4,177	4,910	1,255	1979	3/3/1998	5 to 40 years
Chattanooga-Lee Hwy	TN		384	1,371	536	384	1,907	2,291	613	1987	3/27/1998	5 to 40 years
Chattanooga-Hwy 58	TN		296	1,198	2,090	414	3,170	3,584	657	1985	3/27/1998	5 to 40 years
Ft. Oglethorpe	GA		349	1,250	584	349	1,834	2,183	574	1989	3/27/1998	5 to 40 years
Birmingham-Walt	AL		544	1,942	831	544	2,773	3,317	922	1984	3/27/1998	5 to 40 years
East Greenwich	RI		702	2,821	1,080	702	3,901	4,603	1,151	1984/88	3/26/1998	5 to 40 years
Durham-Hillsborough	NC		775	3,103	710	775	3,813	4,588	1,143	1988/91	4/9/1998	5 to 40 years
Durham-Cornwallis	NC		940	3,763	749	940	4,512	5,452	1,342	1990/96	4/9/1998	5 to 40 years
Salem-Policy	NH		742	2,977	468	742	3,445	4,187	994	1980	4/7/1998	5 to 40 years
Warren-Elm	OH	(1)	522	1,864	1,218	569	3,035	3,604	814	1986	4/22/1998	5 to 40 years
Warren-Youngstown	OH		512	1,829	1,860	675	3,526	4,201	779	1986	4/22/1998	5 to 40 years
Indian Harbor Beach	FL		662	2,654	-602	662	2,052	2,714	674	1985	6/2/1998	5 to 40 years
Jackson 3 - I55	MS		744	3,021	132	744	3,153	3,897	964	1995	5/13/1998	5 to 40 years
Katy-N.Fry	TX		419	1,524	3,284	419	4,808	5,227	704	1994	5/20/1998	5 to 40 years
Hollywood-Sheridan	FL		1,208	4,854	358	1,208	5,212	6,420	1,548	1988	7/1/1998	5 to 40 years
Pompano Beach-Atlantic	FL		944	3,803	352	944	4,155	5,099	1,254	1985	7/1/1998	5 to 40 years
Pompano Beach-Sample	FL		903	3,643	341	903	3,984	4,887	1,175	1988	7/1/1998	5 to 40 years
Boca Raton-18th St	FL		1,503	6,059	832	1,503	6,891	8,394	2,043	1991	7/1/1998	5 to 40 years
Vero Beach	FL		489	1,813	116	489	1,929	2,418	635	1997	6/12/1998	5 to 40 years
Humble	TX		447	1,790	2,246	740	3,743	4,483	824	1986	6/16/1998	5 to 40 years
Houston-Old Katy	TX	(1)	659	2,680	377	698	3,018	3,716	810	1996	6/19/1998	5 to 40 years
Webster	TX		635	2,302	131	635	2,433	3,068	727	1997	6/19/1998	5 to 40 years
Carrollton	TX		548	1,988	295	548	2,283	2,831	668	1997	6/19/1998	5 to 40 years
Hollywood-N.21st	FL		840	3,373	363	840	3,736	4,576	1,139	1987	8/3/1998	5 to 40 years
San Marcos	TX		324	1,493	2,012	324	3,505	3,829	667	1994	6/30/1998	5 to 40 years
Austin-McNeil	TX		492	1,995	494	510	2,471	2,981	729	1994	6/30/1998	5 to 40 years
Austin-FM	TX		484	1,951	462	481	2,416	2,897	714	1996	6/30/1998	5 to 40 years
Jacksonville-Center	NC		327	1,329	678	327	2,007	2,334	500	1995	8/6/1998	5 to 40 years
Jacksonville-Gum Branch	NC		508	1,815	1,271	508	3,086	3,594	761	1989	8/17/1998	5 to 40 years
Jacksonville-N.Marine	NC		216	782	721	216	1,503	1,719	468	1985	9/24/1998	5 to 40 years
Eules	TX		550	1,998	660	550	2,658	3,208	709	1996	9/29/1998	5 to 40 years
N. Richland Hills	TX		670	2,407	1,540	670	3,947	4,617	905	1996	10/9/1998	5 to 40 years

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Description	ST	Encumbrance	Initial Cost to Company		Cost Capitalized Subsequent to Acquisition	Gross Amount at Which Carried at Close of Period			Accum. Deprec.	Date of Construction	Date Acquired	Life on which depreciation in latest income statement is computed
			Land	Building, Equipment and Improvements	Building, Equipment and Improvements	Land	Improvements	Total				
Batavia	OH		390	1,570	909	390	2,479	2,869	625	1988	11/19/1998	5 to 40 years
Jackson-N.West	MS		460	1,642	480	460	2,122	2,582	707	1984	12/1/1998	5 to 40 years
Katy-Franz	TX		507	2,058	1,599	507	3,657	4,164	741	1993	12/15/1998	5 to 40 years
W.Warwick	RI		447	1,776	813	447	2,589	3,036	717	1986/94	2/2/1999	5 to 40 years
Lafayette-Pinhook 1	LA		556	1,951	977	556	2,928	3,484	973	1980	2/17/1999	5 to 40 years
Lafayette-Pinhook2	LA		708	2,860	285	708	3,145	3,853	895	1992/94	2/17/1999	5 to 40 years
Lafayette-Ambassador	LA		314	1,095	665	314	1,760	2,074	631	1975	2/17/1999	5 to 40 years
Lafayette-Evangeline	LA		188	652	1,507	188	2,159	2,347	628	1977	2/17/1999	5 to 40 years
Lafayette-Guilbeau	LA		963	3,896	776	963	4,672	5,635	1,224	1994	2/17/1999	5 to 40 years
Gilbert-Elliot Rd	AZ		651	2,600	1,101	772	3,580	4,352	864	1995	5/18/1999	5 to 40 years
Glendale-59th Ave	AZ		565	2,596	556	565	3,152	3,717	852	1997	5/18/1999	5 to 40 years
Mesa-Baseline	AZ		330	1,309	2,399	733	3,305	4,038	482	1986	5/18/1999	5 to 40 years
Mesa-E.Broadway	AZ		339	1,346	593	339	1,939	2,278	493	1986	5/18/1999	5 to 40 years
Mesa-W.Broadway	AZ		291	1,026	874	291	1,900	2,191	414	1976	5/18/1999	5 to 40 years
Mesa-Greenfield	AZ		354	1,405	336	354	1,741	2,095	516	1986	5/18/1999	5 to 40 years
Phoenix-Camelback	AZ		453	1,610	834	453	2,444	2,897	665	1984	5/18/1999	5 to 40 years
Phoenix-Bell	AZ		872	3,476	871	872	4,347	5,219	1,196	1984	5/18/1999	5 to 40 years
Phoenix-35th Ave	AZ		849	3,401	666	849	4,067	4,916	1,094	1996	5/21/1999	5 to 40 years
Westbrook	ME		410	1,626	1,759	410	3,385	3,795	728	1988	8/2/1999	5 to 40 years
Cocoa	FL		667	2,373	775	667	3,148	3,815	850	1982	9/29/1999	5 to 40 years
Cedar Hill	TX		335	1,521	377	335	1,898	2,233	535	1985	11/9/1999	5 to 40 years
Monroe	NY		276	1,312	1,159	276	2,471	2,747	515	1998	2/2/2000	5 to 40 years
N.Andover	MA		633	2,573	808	633	3,381	4,014	755	1989	2/15/2000	5 to 40 years
Seabrook	TX		633	2,617	343	633	2,960	3,593	768	1996	3/1/2000	5 to 40 years
Plantation	FL		384	1,422	415	384	1,837	2,221	463	1994	5/2/2000	5 to 40 years
Birmingham-Bessemer	AL		254	1,059	1,194	254	2,253	2,507	411	1998	11/15/2000	5 to 40 years
Brewster	NY	(2)	1,716	6,920	905	1,981	7,560	9,541	797	1991/97	12/27/2000	5 to 40 years
Austin-Lamar	TX	(2)	837	2,977	496	966	3,344	4,310	400	1996/99	2/22/2001	5 to 40 years
Houston-E.Main	TX	(2)	733	3,392	572	841	3,856	4,697	428	1993/97	3/2/2001	5 to 40 years
Ft.Myers-Abrams	FL	(2)	787	3,249	374	902	3,508	4,410	424	1997	3/13/2001	5 to 40 years
Dracut	MA	(1)	1,035	3,737	590	1,104	4,258	5,362	887	1986	12/1/2001	5 to 40 years
Methuen	MA	(1)	1,024	3,649	567	1,091	4,149	5,240	856	1984	12/1/2001	5 to 40 years
Columbia 5	SC	(1)	883	3,139	1,212	942	4,292	5,234	816	1985	12/1/2001	5 to 40 years
Myrtle Beach	SC	(1)	552	1,970	881	589	2,814	3,403	582	1984	12/1/2001	5 to 40 years
Kingsland	GA	(1)	470	1,902	2,914	666	4,620	5,286	642	1989	12/1/2001	5 to 40 years
Saco	ME	(1)	534	1,914	279	570	2,157	2,727	452	1988	12/3/2001	5 to 40 years
Plymouth	MA		1,004	4,584	2,282	1,004	6,866	7,870	1,043	1996	12/19/2001	5 to 40 years
Sandwich	MA	(1)	670	3,060	408	714	3,424	4,138	714	1984	12/19/2001	5 to 40 years
Syracuse	NY	(1)	294	1,203	402	327	1,572	1,899	358	1987	2/5/2002	5 to 40 years

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Description	ST	Encumbrance	Initial Cost to Company		Cost Capitalized	Gross Amount at Which			Accum. Deprec.	Date of Construction	Date Acquired	Life on which depreciation in latest income statement is computed
			Land	Building, Equipment and Improvements	Subsequent to Acquisition	Carried at Close of Period						
					Building, Equipment and Improvements	Land	Building, Equipment and Improvements	Total				
Houston-Westward	TX	(1)	853	3,434	855	912	4,230	5,142	883	1976	2/13/2002	5 to 40 years
Houston-Boone	TX	(1)	250	1,020	495	268	1,497	1,765	319	1983	2/13/2002	5 to 40 years
Houston-Cook	TX	(1)	285	1,160	326	306	1,465	1,771	323	1986	2/13/2002	5 to 40 years
Houston-Harwin	TX	(1)	449	1,816	597	480	2,382	2,862	506	1981	2/13/2002	5 to 40 years
Houston-Hempstead	TX	(1)	545	2,200	935	583	3,097	3,680	627	1974/78	2/13/2002	5 to 40 years
Houston-Kuykendahl	TX	(1)	517	2,090	1,258	553	3,312	3,865	601	1979/83	2/13/2002	5 to 40 years
Houston-Hwy 249	TX	(1)	299	1,216	1,053	320	2,248	2,568	428	1983	2/13/2002	5 to 40 years
Mesquite-Hwy 80	TX	(1)	463	1,873	655	496	2,495	2,991	482	1985	2/13/2002	5 to 40 years
Mesquite-Franklin	TX	(1)	734	2,956	678	784	3,584	4,368	694	1984	2/13/2002	5 to 40 years
Dallas-Plantation	TX	(1)	394	1,595	283	421	1,851	2,272	394	1985	2/13/2002	5 to 40 years
San Antonio-Hunt	TX	(1)	381	1,545	781	408	2,299	2,707	431	1980	2/13/2002	5 to 40 years
Humble-5250 FM	TX		919	3,696	363	919	4,059	4,978	763	1998/02	6/19/2002	5 to 40 years
Pasadena	TX		612	2,468	232	612	2,700	3,312	514	1999	6/19/2002	5 to 40 years
League City-E.Main	TX		689	3,159	269	689	3,428	4,117	658	1994/97	6/19/2002	5 to 40 years
Montgomery	TX		817	3,286	2,066	1,119	5,050	6,169	736	1998	6/19/2002	5 to 40 years
Texas City	TX		817	3,286	129	817	3,415	4,232	671	1999	6/19/2002	5 to 40 years
Houston-Hwy 6	TX		407	1,650	182	407	1,832	2,239	359	1997	6/19/2002	5 to 40 years
Lumberton	TX		817	3,287	191	817	3,478	4,295	670	1996	6/19/2002	5 to 40 years
The Hamptons 1	NY		2,207	8,866	627	2,207	9,493	11,700	1,714	1989/95	12/16/2002	5 to 40 years
The Hamptons 2	NY		1,131	4,564	489	1,131	5,053	6,184	890	1998	12/16/2002	5 to 40 years
The Hamptons 3	NY		635	2,918	357	635	3,275	3,910	566	1997	12/16/2002	5 to 40 years
The Hamptons 4	NY		1,251	5,744	357	1,252	6,100	7,352	1,078	1994/98	12/16/2002	5 to 40 years
Duncanville	TX		1,039	4,201	46	1,039	4,247	5,286	693	1995/99	8/26/2003	5 to 40 years
Dallas-Harry Hines	TX		827	3,776	297	827	4,073	4,900	641	1998/01	10/1/2003	5 to 40 years
Stamford	CT		2,713	11,013	304	2,713	11,317	14,030	1,732	1998	3/17/2004	5 to 40 years
Houston-Tomball	TX		773	3,170	1,775	773	4,945	5,718	648	2000	5/19/2004	5 to 40 years
Houston-Conroe	TX		1,195	4,877	109	1,195	4,986	6,181	734	2001	5/19/2004	5 to 40 years
Houston-Spring	TX		1,103	4,550	253	1,103	4,803	5,906	716	2001	5/19/2004	5 to 40 years
Houston-Bissonnet	TX		1,061	4,427	2,663	1,061	7,090	8,151	822	2003	5/19/2004	5 to 40 years
Houston-Alvin	TX		388	1,640	852	388	2,492	2,880	296	2003	5/19/2004	5 to 40 years
Clearwater	FL		1,720	6,986	82	1,720	7,068	8,788	1,020	2001	6/3/2004	5 to 40 years
Houston-Missouri City	TX		1,167	4,744	3,459	1,566	7,804	9,370	746	1998	6/23/2004	5 to 40 years
Chattanooga-Hixson	TN		1,365	5,569	1,182	1,365	6,751	8,116	947	1998/02	8/4/2004	5 to 40 years
Austin-Round Rock	TX		2,047	5,857	675	2,051	6,528	8,579	902	2000	8/5/2004	5 to 40 years
Cicero	NY		527	2,121	564	527	2,685	3,212	355	1988/02	3/16/2005	5 to 40 years
Bay Shore	NY		1,131	4,609	59	1,131	4,668	5,799	593	2003	3/15/2005	5 to 40 years
Springfield-Congress	MA		612	2,501	106	612	2,607	3,219	337	1965/75	4/12/2005	5 to 40 years
Stamford-Hope	CT		1,612	6,585	201	1,612	6,786	8,398	855	2002	4/14/2005	5 to 40 years
Houston-Jones	TX	3,369	1,214	4,949	82	1,215	5,030	6,245	603	1997/99	6/6/2005	5 to 40 years

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			Land	Building, Equipment and Improvements	Building, Equipment and Improvements	Land	Improvements	Total				
Montgomery-Richard	AL		1,906	7,726	135	1,906	7,861	9,767	950	1997	6/1/2005	5 to 40 years
Oxford	MA		470	1,902	1,577	470	3,479	3,949	288	2002	6/23/2005	5 to 40 years
Austin-290E	TX		537	2,183	167	537	2,350	2,887	291	2003	7/12/2005	5 to 40 years
SanAntonio-Marbach	TX		556	2,265	206	556	2,471	3,027	290	2003	7/12/2005	5 to 40 years
Austin-South 1st	TX		754	3,065	148	754	3,213	3,967	388	2003	7/12/2005	5 to 40 years
Pinehurst	TX		484	1,977	1,361	484	3,338	3,822	303	2002/04	7/12/2005	5 to 40 years
Marietta-Austell	GA		811	3,397	433	811	3,830	4,641	449	2003	9/15/2005	5 to 40 years
Baton Rouge-Florida	LA		719	2,927	927	719	3,854	4,573	295	1984/94	11/15/2005	5 to 40 years
Cypress	TX		721	2,994	1,094	721	4,088	4,809	414	2003	1/13/2006	5 to 40 years
Texas City	TX		867	3,499	106	867	3,605	4,472	377	2003	1/10/2006	5 to 40 years
San Marcos-Hwy 35S	TX		628	2,532	450	982	2,628	3,610	274	2001	1/10/2006	5 to 40 years
Baytown	TX		596	2,411	86	596	2,497	3,093	266	2002	1/10/2006	5 to 40 years
Webster	NY		937	3,779	116	937	3,895	4,832	392	2002/06	2/1/2006	5 to 40 years
Houston-Jones Rd 2	TX		707	2,933	2,013	707	4,946	5,653	447	2000	3/9/2006	5 to 40 years
Cameron-Scott	LA	977	411	1,621	136	411	1,757	2,168	205	1997	4/13/2006	5 to 40 years
Lafayette-Westgate	LA		463	1,831	83	463	1,914	2,377	193	2001/04	4/13/2006	5 to 40 years
Broussard	LA		601	2,406	1,250	601	3,656	4,257	315	2002	4/13/2006	5 to 40 years
Congress-Lafayette	LA	1,072	542	1,319	2,101	542	3,420	3,962	224	1997/99	4/13/2006	5 to 40 years
Manchester	NH		832	3,268	90	832	3,358	4,190	320	2000	4/26/2006	5 to 40 years
Nashua	NH		617	2,422	489	617	2,911	3,528	256	1989	6/29/2006	5 to 40 years
Largo 2	FL		1,270	5,037	171	1,270	5,208	6,478	487	1998	6/22/2006	5 to 40 years
Pinellas Park	FL		929	3,676	109	929	3,785	4,714	344	2000	6/22/2006	5 to 40 years
Tarpon Springs	FL		696	2,739	110	696	2,849	3,545	263	1999	6/22/2006	5 to 40 years
New Orleans	LA		1,220	4,805	83	1,220	4,888	6,108	450	2000	6/22/2006	5 to 40 years
St Louis-Meramec	MO		1,113	4,359	190	1,113	4,549	5,662	414	1999	6/22/2006	5 to 40 years
St Louis-Charles Rock	MO		766	3,040	111	766	3,151	3,917	282	1999	6/22/2006	5 to 40 years
St Louis-Shackelford	MO		828	3,290	141	828	3,431	4,259	315	1999	6/22/2006	5 to 40 years
St Louis-W.Washington	MO		734	2,867	555	734	3,422	4,156	328	1980/01	6/22/2006	5 to 40 years
St Louis-Howdershell	MO		899	3,596	180	899	3,776	4,675	350	2000	6/22/2006	5 to 40 years
St Louis-Lemay Ferry	MO		890	3,552	208	890	3,760	4,650	338	1999	6/22/2006	5 to 40 years
St Louis-Manchester	MO		697	2,711	96	697	2,807	3,504	258	2000	6/22/2006	5 to 40 years
Arlington-Little Rd	TX	1,951	1,256	4,946	159	1,256	5,105	6,361	463	1998/03	6/22/2006	5 to 40 years
Dallas-Goldmark	TX		605	2,434	58	605	2,492	3,097	228	2004	6/22/2006	5 to 40 years
Dallas-Manana	TX		607	2,428	115	607	2,543	3,150	233	2004	6/22/2006	5 to 40 years
Dallas-Manderville	TX		1,073	4,276	62	1,073	4,338	5,411	398	2003	6/22/2006	5 to 40 years
Ft. Worth-Granbury	TX	1,751	549	2,180	90	549	2,270	2,819	210	1998	6/22/2006	5 to 40 years
Ft. Worth-Grapevine	TX		644	2,542	52	644	2,594	3,238	238	1999	6/22/2006	5 to 40 years
San Antonio-Blanco	TX		963	3,836	55	963	3,891	4,854	357	2004	6/22/2006	5 to 40 years
San Antonio-Broadway	TX		773	3,060	106	773	3,166	3,939	293	2000	6/22/2006	5 to 40 years

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		Land	Building, Equipment and Improvements	Improvements	Building, Equipment and Improvements	Land	Improvements	Total				
San Antonio-Huebner	TX	2,177	1,175	4,624	118	1,175	4,742	5,917	424	1998	6/22/2006	5 to 40 years
Chattanooga-Lee Hwy II	TN		619	2,471	62	619	2,533	3,152	228	2002	8/7/2006	5 to 40 years
Lafayette-Evangeline	LA		699	2,784	1,885	699	4,669	5,368	310	1995/99	8/1/2006	5 to 40 years
Montgomery-E.S.Blvd	AL		1,158	4,639	304	1,158	4,943	6,101	433	1996/97	9/28/2006	5 to 40 years
Auburn-Pepperell Pkwy	AL		590	2,361	152	590	2,513	3,103	214	1998	9/28/2006	5 to 40 years
Auburn-Gatewood Dr	AL		694	2,758	111	694	2,869	3,563	237	2002/03	9/28/2006	5 to 40 years
Columbus-Williams Rd	GA		736	2,905	118	736	3,023	3,759	263	2002/04/06	9/28/2006	5 to 40 years
Columbus-Miller Rd	GA		975	3,854	129	975	3,983	4,958	333	1995	9/28/2006	5 to 40 years
Columbus-Armour Rd	GA		0	3,680	98	0	3,778	3,778	324	2004/05	9/28/2006	5 to 40 years
Columbus-Amber Dr	GA		439	1,745	63	439	1,808	2,247	155	1998	9/28/2006	5 to 40 years
Concord	NH		813	3,213	1,919	813	5,132	5,945	337	2000	10/31/2006	5 to 40 years
Buffalo-Langner Rd	NY		532	2,119	442	532	2,561	3,093	171	1993/07	3/30/2007	5 to 40 years
Buffalo-Transit Rd	NY		437	1,794	76	437	1,870	2,307	142	1998	3/30/2007	5 to 40 years
Buffalo-Lake Ave	NY		638	2,531	242	638	2,773	3,411	219	1997	3/30/2007	5 to 40 years
Buffalo-Union Rd	NY		348	1,344	108	348	1,452	1,800	108	1998	3/30/2007	5 to 40 years
Buffalo-Niagara Falls Blvd	NY		323	1,331	64	323	1,395	1,718	104	1998	3/30/2007	5 to 40 years
Buffalo-Young St	NY		315	2,185	118	316	2,302	2,618	147	1999/00	3/30/2007	5 to 40 years
Buffalo-Sheridan Dr	NY		961	3,827	101	961	3,928	4,889	280	1999	3/30/2007	5 to 40 years
Lockport-Transit Rd	NY		375	1,498	253	375	1,751	2,126	142	1990/95	3/30/2007	5 to 40 years
Rochester-Phillips Rd	NY		1,003	4,002	63	1,003	4,065	5,068	289	1999	3/30/2007	5 to 40 years
Greenville	MS		1,100	4,386	116	1,100	4,502	5,602	360	1994	1/11/2007	5 to 40 years
Port Arthur-9595 Hwy69	TX		929	3,647	123	930	3,769	4,699	279	2002/04	3/8/2007	5 to 40 years
Beaumont-Dowlen Rd	TX		1,537	6,018	224	1,537	6,242	7,779	460	2003/06	3/8/2007	5 to 40 years
Huntsville-Memorial Pkwy	AL		1,607	6,338	171	1,607	6,509	8,116	436	1989/06	6/1/2007	5 to 40 years
Huntsville-Madison 1	AL		1,016	4,013	151	1,017	4,163	5,180	285	1993/07	6/1/2007	5 to 40 years
Gulfport-Ocean Springs	MS		1,423	5,624	45	1,423	5,669	7,092	373	1998/05	6/1/2007	5 to 40 years
Huntsville-Hwy 72	AL		1,206	4,775	69	1,206	4,844	6,050	324	1998/06	6/1/2007	5 to 40 years
Mobile-Airport Blvd	AL		1,216	4,819	132	1,216	4,951	6,167	339	2000/07	6/1/2007	5 to 40 years
Gulfport-Hwy 49	MS		1,345	5,325	42	1,345	5,367	6,712	354	2002/04	6/1/2007	5 to 40 years
Huntsville-Madison 2	AL		1,164	4,624	52	1,164	4,676	5,840	314	2002/06	6/1/2007	5 to 40 years
Foley-Hwy 59	AL		1,346	5,474	95	1,347	5,568	6,915	380	2003/06	6/1/2007	5 to 40 years
Pensacola 6-Nine Mile	FL		1,029	4,180	92	1,029	4,272	5,301	307	2003/06	6/1/2007	5 to 40 years
Auburn-College St	AL		686	2,732	85	686	2,817	3,503	197	2003	6/1/2007	5 to 40 years
Gulfport-Biloxi	MS		1,811	7,152	47	1,811	7,199	9,010	472	2004/06	6/1/2007	5 to 40 years
Pensacola 7-Hwy 98	FL		732	3,015	34	732	3,049	3,781	217	2006	6/1/2007	5 to 40 years
Montgomery-Arrowhead	AL		1,075	4,333	35	1,076	4,367	5,443	294	2006	6/1/2007	5 to 40 years
Montgomery-McLemore	AL		885	3,586	19	885	3,605	4,490	244	2006	6/1/2007	5 to 40 years
San Antonio-Foster	TX		676	2,685	135	676	2,820	3,496	194	2003/06	5/21/2007	5 to 40 years
Beaumont-S.Major	TX		742	3,024	113	742	3,137	3,879	181	2002/05	11/14/2007	5 to 40 years

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Description	ST	Encumbrance	Initial Cost to Company		Cost Capitalized Subsequent to Acquisition	Gross Amount at Which Carried at Close of Period			Accum. Deprec.	Date of Construction	Date Acquired	Life on which depreciation in latest income statement is computed
			Land	Building, Equipment and Improvements	Building, Equipment and Improvements	Land	Building, Equipment and Improvements	Total				
Hattiesburg-Clasic	MS		444	1,799	73	444	1,872	2,316	99	1998	12/19/2007	5 to 40 years
Biloxi-Ginger	MS		384	1,548	46	384	1,594	1,978	84	2000	12/19/2007	5 to 40 years
Foley-7905 St Hwy 59	AL		437	1,757	34	437	1,791	2,228	93	2000	12/19/2007	5 to 40 years
Ridgeland	MS		1,479	5,965	85	1,479	6,050	7,529	297	1997/00	1/17/2008	5 to 40 years
Jackson-5111	MS		1,337	5,377	61	1,337	5,438	6,775	267	2003	1/17/2008	5 to 40 years
Cincinnati-Robertson	OH		852	3,409	75	852	3,484	4,336	90	2003/04	12/31/2008	5 to 40 years
Richmond-Bridge Rd	VA		1,047	5,981	0	1,047	5,981	7,028	0	2009	10/1/2009	5 to 40 years
Construction in progress			0	0	9,846	0	9,846	9,846	0	2009		
Corporate Office	NY		0	68	11,167	1,616	9,619	11,235	7,819	2000	5/1/2000	5 to 40 years
			<u>\$225,290</u>	<u>\$ 875,528</u>	<u>\$ 286,765</u>	<u>\$237,684</u>	<u>\$ 1,149,899</u>	<u>\$1,387,583</u>	<u>\$245,178</u>			

- (1) These properties are encumbered through one mortgage loan with an outstanding balance of \$41.5 million at December 31, 2009.
- (2) These properties are encumbered through one mortgage loan with an outstanding balance of \$28.4 million at December 31, 2009.



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	December 31, 2009	December 31, 2008	December 31, 2007
<b>Cost:</b>			
Balance at beginning of period	\$1,366,615	\$1,300,847	\$1,115,255
Additions during period:			
Acquisitions through foreclosure	\$ —	\$ —	\$ —
Other acquisitions	—	18,454	136,653
Improvements, etc.	<u>22,135</u>	<u>47,507</u>	<u>51,363</u>
	22,135	65,961	188,016
Deductions during period:			
Cost of real estate sold	<u>(1,167)</u>	<u>(193)</u>	<u>(2,424)</u>
Balance at close of period	<u>\$1,387,583</u>	<u>\$1,366,615</u>	<u>\$1,300,847</u>
<b>Accumulated Depreciation:</b>			
Balance at beginning of period	\$ 212,301	\$ 179,880	\$ 151,138
Additions during period:			
Depreciation expense	<u>\$33,096</u>	<u>\$32,556</u>	<u>\$ 29,523</u>
	33,096	32,556	29,523
Deductions during period:			
Accumulated depreciation of real estate sold	<u>(219)</u>	<u>(135)</u>	<u>(781)</u>
Balance at close of period	<u>\$ 245,178</u>	<u>\$ 212,301</u>	<u>\$ 179,880</u>

(As Amended March 18, 2004)  
**BYLAWS**  
**OF**  
**SOVRAN SELF STORAGE, INC.**  
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## ARTICLE I

### MEETINGS OF STOCKHOLDERS

**1.01 PLACE.** All meetings of the holders (the “Stockholders”) of the issued and outstanding common stock and preferred stock of Sovran Self Storage, Inc. (the “Corporation”) shall be held at the principal executive office of the Corporation or such other place within the United States as shall be stated in the notice of the meeting.

**1.02 ORGANIZATIONAL MEETING; ANNUAL MEETING.** An annual meeting of the Stockholders for the election of directors of the Corporation (“Directors”) and the transaction of such other business as properly may be brought before the meeting shall be held on the second Wednesday in May of each year or at such other date and time as may be fixed by the Board of Directors. If the date fixed for the annual meeting shall be a legal holiday, such meeting shall be held on the next succeeding business day. If no annual meeting is held on the date designated, a special meeting in lieu thereof may be held, and such special meeting shall have, for purposes of these Bylaws or otherwise, all the force and effect of an annual meeting. Any and all references hereafter in these Bylaws to an annual meeting or to annual meetings shall be deemed to refer also to any special meeting(s) in lieu thereof. Failure to hold an annual meeting shall not invalidate the Corporation’s existence or effect any otherwise valid acts of the Corporation.

#### **1.03 MATTERS TO BE CONSIDERED AT ANNUAL MEETING.**

(a) At an annual meeting of Stockholders, only such business shall be conducted, and only such proposals shall be acted upon, as shall have been properly brought before the annual meeting (i) by, or at the direction of, a majority of the Board of Directors, or (ii) by any holder of record (both as of the time notice of such proposal is given by the Stockholder as set forth below and as of the record date for the annual meeting in question) of any shares of the Corporation’s capital stock entitled to vote at such annual meeting who complies with the procedures set forth in this Section 1.03. For a proposal to be properly brought before an annual meeting by a Stockholder, other than a stockholder proposal included in the Corporation’s proxy statement pursuant to Rule 14a-8 of the Securities Exchange Act of 1934, as amended, the Stockholder must have given timely notice thereof in writing to the Secretary of the Corporation, and such Stockholder or his representative must be present in person at the annual meeting. For the first annual meeting following the initial public offering of common stock of the Corporation, a Stockholder’s notice shall be timely if delivered to, or mailed and received at, the principal executive office of the Corporation not later than the close of business on the twentieth (20<sup>th</sup>) calendar day (or if that day is not a business day for the Corporation, on the next business day) following the date on which notice of the date of the first annual meeting is mailed or otherwise transmitted to Stockholders. For all subsequent annual meetings, a Stockholder’s notice shall be timely if delivered to, or mailed and received at, the principal executive offices of the Corporation (A) not less than seventy-five (75) days nor more than one hundred eighty (180) days prior to the anniversary date of the immediately preceding annual meeting of Stockholders or special meeting in lieu thereof (the “Anniversary Date”) or (B) in the event that the annual meeting of Stockholders is called for a date more than seven (7) calendar days prior to the Anniversary Date, not later than the close of business on (1) the twentieth (20<sup>th</sup>) calendar day (or if that day is not a business day for the Corporation, on the next succeeding business day) following the earlier of (x) the date on which notice of the date of such meeting was mailed to Stockholders, or (y) the date on which the date of such meeting was publicly disclosed, or (2) if such date of notice or public disclosure occurs more than seventy-five (75) calendar days prior to the scheduled date of such meeting, then the after of (x) the twentieth (20<sup>th</sup>) calendar day (or if that day is not a business day for the Corporation, on the next succeeding business day) following the date of the first to occur of such notice or public disclosure or (y) the seventy-fifth (75<sup>th</sup>) calendar day prior to such scheduled date of such meeting (or if that day is not a business day for the Corporation, on the next succeeding business day).

(b) A Stockholder's notice to the Secretary shall set forth as to each matter the Stockholder proposes to bring before the annual meeting (i) a brief description of the proposal desired to be brought before the annual meeting and the reasons for conducting such business at the annual meeting, (ii) the name and address, as they appear on the Corporation's stock transfer books, of the Stockholder proposing such business and of the beneficial owners (if any) of the stock registered in such Stockholder's name and the name and address of other Stockholders known by such Stockholder to be supporting such proposal on the date of such Stockholder's notice, (iii) the class and number of shares of the Corporation's capital stock which are beneficially owned by the Stockholder and such beneficial owners (if any) on the date of such Stockholder's notice and by any other Stockholders known by such Stockholder to be supporting such proposal on the date of such Stockholder's notice, and (iv) any financial interest of the Stockholder or of any such beneficial owner in such proposal.

(c) If the Board of Directors, or a designated committee thereof, determines that any Stockholder proposal was not timely made in accordance with the terms of this Section 1.03, such proposal shall not be presented for action at the annual meeting in question. If the Board of Directors, or a designated committee thereof, determines that the information provided in a Stockholder's notice does not satisfy the informational requirements of this Section in any material respect, the Secretary of the Corporation shall promptly notify such Stockholder of the deficiency in the notice. Such Stockholder shall have an opportunity to cure the deficiency by providing additional information to the Secretary within the period of time, not to exceed five (5) days from the date such deficiency notice is given to the Stockholder, determined by the Board of Directors or such committee. If the deficiency is not cured within such period, or if the Board of Directors or such committee determines that the additional information provided by the Stockholder, together with the information previously provided, does not satisfy the requirements of this Section 1.03 in any material respect, then such proposal shall not be presented for action at the annual meeting in question.

(d) Notwithstanding the procedure set forth in the preceding paragraph, if neither the Board of Directors nor such committee makes a determination as to the validity of any Stockholder proposal as set forth above, the presiding officer of the annual meeting shall determine and declare at the annual meeting whether the Stockholder proposal was made in accordance with the terms of this Section 1.03. If the presiding officer determines that a Stockholder proposal was made in accordance with the terms of this Section 1.03, the presiding officer shall so declare at the annual meeting. If the presiding officer determines that a Stockholder proposal was not made in accordance with the provisions of this Section 1.03, the presiding officer shall so declare at the annual meeting and such proposal shall not be acted upon at the annual meeting.

(e) This provision shall not prevent the consideration and approval or disapproval at the annual meeting of reports of officers, Directors and committees of the Board of Directors, but in connection with such reports, no new business shall be acted upon at such annual meeting except in accordance with the provisions of this Section 1.03.

**1.04 SPECIAL MEETINGS.** The Chairman of the Board of Directors (the "Chairman of the Board"), the President or a majority of the Board of Directors may call special meetings of the Stockholders. In addition, the Secretary of the Corporation shall call a special meeting of the Stockholders on the written request of Stockholders entitled to cast at least twenty-five (25) percent of all the votes entitled to be cast at the meeting. Notwithstanding the preceding sentence, unless requested by Stockholders entitled to cast a majority of all the votes entitled to be cast at the meeting, a special meeting need not be called to consider any matter which is substantially the same as a matter voted on at any special meeting of the Stockholders held during the preceding twelve (12) months.

**1.05 NOTICE.** Not fewer than ten (10) nor more than ninety (90) days before the date of every meeting of Stockholders, written or printed notice of such meeting shall be given, in accordance with Article 8, to each Stockholder entitled to vote or entitled to notice by statute, stating the time and place of the meeting and, in the case of a special meeting or as otherwise may be required by statute, the purpose or purposes for which the meeting is called.

**1.06 SCOPE OF NOTICE.** No business shall be transacted at a special meeting of Stockholders except that specifically designated in the notice of the meeting. Any business of the Corporation may be transacted at the annual meeting without being specifically designated in the notice, except such business as is required by statute to be stated in such notice.

**1.07 QUORUM.** At any meeting of Stockholders, the presence in person or by proxy of Stockholders entitled to cast a majority of the votes shall constitute a quorum; but this Section 1.07 shall not affect any requirement under any statute or the Articles of Incorporation of the Corporation, as amended from time to time (the "Charter"), for the vote necessary for the adoption of any measure. If, however, a quorum is not present at any meeting of Stockholders, the Stockholders present in person or by proxy shall have the power to adjourn the meeting from time to time without notice other than announcement at the meeting until a quorum is present and the meeting so adjourned may be reconvened without further notice if such adjourned meeting is held on a date not more than 120 days after the original record date. At any adjourned meeting at which a quorum is present, any business may be transacted that might have been transacted at the meeting as originally notified. The Stockholders present at a meeting which has been duly called and convened and at which a quorum is present at the time counted may continue to transact business until adjournment, notwithstanding the withdrawal of enough Stockholders to leave less than a quorum.

**1.08 VOTING.** A majority of the votes cast at a meeting of Stockholders duly called and at which a quorum is present shall be sufficient to take or authorize action upon any matter which may properly come before the meeting, unless more than a majority of the votes cast is specifically required by statute, the Charter or these Bylaws. Unless otherwise provided by statute, the Charter or these Bylaws, each outstanding share (a "Share") of capital stock of the Corporation (the "Stock"), regardless of class, shall be entitled to one vote upon each matter submitted to a vote at a meeting of Stockholders. Shares of its own Stock directly or indirectly owned by the Corporation shall not be voted in any meeting and shall not be counted in determining the total number of outstanding Shares entitled to vote at any given time, but Shares of its own voting Stock held by it in a fiduciary capacity may be voted and shall be counted in determining the total number of outstanding Shares at any given time. Notwithstanding anything else contained in these Bylaws, the rights of Shares-In-Trust (as defined in the Charter) and the holders of Shares-In-Trust shall be limited to the rights provided in the Charter.

**1.09 PROXIES.** A Stockholder may vote the Shares owned of record by him or her, either in person or by proxy executed in writing by the Stockholder or by his or her duly authorized attorney in fact. Any manner of authorization for a person to act as proxy for a Stockholder that is permitted by the Maryland General Corporation Law shall be deemed to be a proxy executed in writing for purposes of the immediately preceding sentence. Such proxy shall be filed with the Secretary of the Corporation before or at the time of the meeting. No proxy shall be valid after eleven (11) months from the date of its execution, unless otherwise provided in the proxy.

**1.10 CONDUCT OF MEETINGS.** The Chairman of the Board or, in the absence of the Chairman, the President or any Vice President, or, in the absence of the Chairman, President or any Vice Presidents, a presiding officer elected at the meeting, shall preside over meetings of the Stockholders. Without limiting the generality of the foregoing, the presiding officer of the meeting shall determine the order of business and shall not be bound by Robert's Rules of Order or other rules of conduct. The Secretary of

the Corporation, or, in the absence of the Secretary and Assistant Secretaries, the person appointed by the presiding officer of the meeting shall act as secretary of such meeting.

**1.11 TABULATION OF VOTES.** At any annual or special meeting of Stockholders, the presiding officer shall be authorized to appoint one or more persons as tellers for such meeting (the “Teller” or “Tellers”). The Teller may, but need not, be an officer or employee of the Corporation. The Teller shall be responsible for tabulating or causing to be tabulated shares voted at the meeting and reviewing or causing to be reviewed all proxies. In tabulating votes, the Teller shall be entitled to rely in whole or in part on tabulations and analyses made by personnel of the Corporation, its counsel, its transfer agent, its registrar or such other organizations that are customarily employed to provide such services. The Teller may be authorized by the presiding officer to determine on a preliminary basis the legality and sufficiency of all votes cast and proxies delivered under the Corporation’s Charter, Bylaws and applicable law. The presiding officer may review all preliminary determinations made by the Teller hereunder, and in doing so, the presiding officer shall be entitled to exercise his or her sole judgment and discretion and he or she shall not be bound by any preliminary determinations made by the Teller. Each report of the Teller shall be in writing and signed by him or her or by a majority of them if there is more than one. The report of the majority shall be the report of the Tellers.

**1.12 INFORMAL ACTION BY STOCKHOLDERS.** An action required or permitted to be taken at a meeting of Stockholders may be taken without a meeting if a consent in writing, setting forth such action, is signed by all the Stockholders entitled to vote on the subject matter thereof and any other Stockholders entitled to notice of a meeting of Stockholders (but not to vote thereat) have waived in writing any rights which they may have to dissent from such action, and such consents and waivers are filed with the minutes of proceedings of the Stockholders. Such consents and waivers may be signed by different Stockholders on separate counterparts.

**1.13 VOTING BY BALLOT.** Voting on any question or in any election may be viva voce unless the presiding officer shall order or any Stockholder shall demand that voting be by ballot.

## **ARTICLE II**

### **DIRECTORS**

**2.01 GENERAL POWERS.** The business and affairs of the Corporation shall be managed by its Board of Directors. All powers of the Corporation may be exercised by or under the authority of the Board of Directors, except as conferred on or reserved to the Stockholders by statute, the Charter or these Bylaws.

**2.02 OUTSIDE ACTIVITIES.** The Board of Directors and its members are required to spend only such time managing the business and affairs of the Corporation as is necessary to carry out their duties in accordance with Section 2-405.1 of the Maryland General Corporation Law, as amended from time to time (the “MGCL”). Any interest (including any interest as defined in Section 2-419(a) of the MGCL) that a Director has in any investment opportunity presented to the Corporation must be disclosed by such Director to the Board of Directors (and, if voting thereon, to the Stockholders or to any committee of the Board of Directors) within ten (10) days after the later of the date upon which such Director becomes aware of such interest or the date upon which such Director becomes aware that the Corporation is considering such investment opportunity. If such interest comes to the interested Director’s attention after a vote to take such investment opportunity, the voting body shall be notified of such interest and shall reconsider such investment opportunity if not already consummated or implemented.

**2.03 NUMBER, TENURE AND QUALIFICATION.** The number of Directors of the Corporation shall be that number set forth in the Charter or such other number as may be designated from time to time by resolution of a majority of the entire Board of Directors; provided, however, that the number of Directors shall never be more than thirteen (13) nor less than the number required by Section 2-402 of the MGCL, and further provided that the tenure of office of a Director shall not be affected by any decrease in the number of Directors. Each Director shall serve for the term set forth in the Charter and until his or her successor is elected and qualified.

**2.04 NOMINATION OF DIRECTORS.**

(a) Nominations of candidates for election as Directors of the Corporation at any annual meeting of Stockholders may be made (i) by, or at the direction of, a majority of the Board of Directors or (ii) by any holder of record (both as of the time notice of such nomination is given by the Stockholder as set forth below and as of the record date for the annual meeting in question) of any shares of the Corporation's capital stock entitled to vote at such meeting who complies with the procedures set forth in this Section 2.04. Any Stockholder who seeks to make such a nomination, or his representative, must be present in person at the annual meeting. Only persons nominated in accordance with the procedures set forth in this Section 2.04 shall be eligible for election as Directors at an annual meeting of Stockholders.

(b) Nominations, other than those made by, or at the direction of, the Board of Directors, shall be made pursuant to timely notice in writing to the Secretary of the Corporation as set forth in this Section 2.04. For the first annual meeting of the Corporation following the initial public offering of common stock of the Corporation, notice shall be timely if delivered to, or mailed and received at, the principal executive office of the Corporation not later than the close of business on the twentieth (20<sup>th</sup>) calendar day (or if that day is not a business day for the Corporation, the next business day) following the date on which notice of the first annual meeting is mailed or otherwise transmitted to Stockholders. For all subsequent annual meetings of the Corporation, a Stockholder's notice shall be timely if delivered to, or mailed and received at, the principal executive offices of the Corporation (i) not fewer than seventy-five (75) days nor more than one hundred eighty (180) days prior to the Anniversary Date or (ii) in the event that the annual meeting of Stockholders is called for a date more than seven (7) calendar days prior to the Anniversary Date, not later than the close of business on (A) the twentieth (20<sup>th</sup>) calendar day (or if that day is not a business day for the Corporation, on the next succeeding business day) following the earlier of (1) the date on which notice of the date of such meeting was mailed to Stockholders, or (2) the date on which the date of such meeting was publicly disclosed, or (B) if such date of notice or public disclosure occurs more than seventy-five (75) calendar days prior to the scheduled date of such meeting, then the later of (1) the twentieth (20<sup>th</sup>) calendar day (or if that day is not a business day for the Corporation, on the next succeeding business day) following the date of the first to occur of such notice or public disclosure or (2) the seventy-fifth (75<sup>th</sup>) calendar day prior to such scheduled date of such meeting (or if that day is not a business day for the Corporation, on the next succeeding business day).

(c) A Stockholder's notice of nomination shall set forth as to each person the Stockholder proposes to nominate for election as a Director (i) the name, age, business address and residence address of such person, (ii) the principal occupation or employment of such person for the past five (5) years; (iii) the class and number of shares of the Corporation's capital stock which are beneficially owned by such person on the date of such notice; (iv) such nominee's written consent to be named in the proxy statement as a nominee and to serve as a Director if elected, and (v) any other information relating to such person that is required to be disclosed in solicitations of proxies with respect to nominees for election as may be deemed necessary or desirable by the Corporation's counsel, in the exercise of his or her discretion. Notice by a Stockholder shall, in addition to the above-referenced information, set forth as to the Stockholder



giving the notice (A) the name and address, as they appear on the Corporation's stock transfer books, of such Stockholder and of the beneficial owners (if any) of the stock registered in such Stockholder's name; (B) the name and address of other Stockholders known by such Stockholder to be supporting such nominees on the date of such Stockholder's notice; (C) the class and number of shares of the Corporation's capital stock which are beneficially owned by such Stockholder and such beneficial owners (if any) on the date of such Stockholder notice; and (D) the class and number of shares of the Corporation's capital stock which are beneficially owned by any other Stockholders known by such Stockholder to be supporting such nominees on the date of such Stockholder notice. At the request of the Board of Directors, any person nominated by or at the direction of the Board of Directors for election as a Director at an annual meeting shall furnish to the Secretary of the Corporation that information which would be required to be set forth in a Stockholder's notice of nomination of such nominee.

(d) No person shall be elected by the Stockholders as a Director of the Corporation unless nominated in accordance with the procedures set forth in this Section 2.04. If the Board of Directors, or a designated committee thereof, determines that a nomination made by any Stockholder was not timely made in accordance with the terms of this Section, such nomination shall not be considered at the annual meeting in question. If the Board of Directors, or a designated committee thereof, determines that the information provided in a Stockholder's notice does not satisfy the informational requirements of this Section 2.04 in any material respect, the Secretary of the Corporation shall promptly notify such Stockholder of the deficiency in the notice. Such Stockholder shall have an opportunity to cure the deficiency by providing additional information to the Secretary within the period of time, not to exceed five (5) days from the date such deficiency notice is given to such Stockholder, determined by the Board of Directors or such committee. If the deficiency is not cured within such period, or if the Board of Directors or such committee determines that the additional information provided by such Stockholder, together with the information previously provided, does not satisfy the requirements of this Section 2.04 in any material respect, such nomination shall not be considered at the annual meeting in question.

(e) Notwithstanding the procedures set forth in the preceding paragraph, if neither the Board of Directors nor a designated committee thereof makes a determination as to the validity of any nominations by any Stockholder as set forth above, the presiding officer of the Stockholders' meeting shall determine and declare at the Stockholders' meeting whether a nomination was made in accordance with the terms of this Section 2.04. If the presiding officer determines that a nomination was not made in accordance with the terms of this Section 2.04, such nomination shall be disregarded and the Board of Directors shall make all Director nominations on behalf of the Corporation.

**2.05 ANNUAL AND REGULAR MEETINGS.** An annual meeting of the Board of Directors may be held immediately after and at the same place as the annual meeting of Stockholders, or at such other time and place, either within or without the State of Maryland, as is selected by resolution of the Board of Directors, and no notice other than this Bylaw or such resolution shall be necessary. The Board of Directors may provide, by resolution, the time and place, either within or without the State of Maryland, for the holding of regular meetings of the Board of Directors without other notice than such resolutions.

**2.06 SPECIAL MEETINGS.** Special meetings of the Board of Directors may be called by or at the request of the Chairman of the Board, the President or a majority of the Directors then in office. The person or persons authorized to call special meetings of the Board of Directors may fix any place, either within or without the State of Maryland, as the place for holding any special meeting of the Board of Directors called by them.

**2.07 NOTICE.** Notice of any special meeting to be provided herein shall be given, in accordance with Article VIII, by written notice delivered personally, telegraphed or telecopied to each Director at his or her business or residence at least twenty-four (24) hours, or by mail at least five (5) days, prior to the meeting. Neither the business to be transacted at, nor the purpose of, any annual, regular or special meeting of the Board of Directors need be specified in the notice, unless specifically required by statute, the Charter or these Bylaws.

**2.08 QUORUM.** A majority of the Board of Directors then in office shall constitute a quorum for the transaction of business at any meeting of the Board of Directors.

**2.09 VOTING.** The act of a majority of the Directors present at a meeting at which a quorum is present shall be the act of the Board of Directors, unless the concurrence of a greater proportion is required for such action by applicable statute, the Charter or these Bylaws; provided, however, that no act relating to any “interested director transaction” as defined in Section 2-419 of the MGCL shall be the act of the Board of Directors unless such act has been approved by a majority of the Board of Directors and a majority of the “disinterested” Directors, as defined in Section 2-419 of the MGCL (a “Disinterested Director”).

**2.10 CONDUCT OF MEETINGS.** All meetings of the Board of Directors shall be called to order and presided over by the Chairman of the Board, or in the absence of the Chairman of the Board, by the President (if a member of the Board of Directors) or, in the absence of the Chairman of the Board and the President, by a member of the Board of Directors selected by the members present. The Secretary of the Corporation, or in the absence of the Secretary, any Assistant Secretary, shall act as secretary at all meetings of the Board of Directors, and in the absence of the Secretary and Assistant Secretaries, the presiding officer of the meeting shall designate any person to act as secretary of the meeting. Members of the Board of Directors may participate in meetings of the Board of Directors by conference telephone or similar communications equipment by means of which all Directors participating in the meeting can hear each other at the same time, and participation in a meeting in accordance herewith shall constitute presence in person at such meeting for all purposes of these Bylaws.

**2.11 RESIGNATIONS.** Any Director may resign from the Board of Directors or any committee thereof at any time. Such resignation shall be made in writing and shall take effect at the time specified therein, or if no time be specified, at the time of the receipt of notice of such resignation by the President or the Secretary.

**2.12 REMOVAL OF DIRECTORS.** The Stockholders may, at any time, remove any Director, but only for cause and only at a meeting of the Stockholders called for that purpose, by the affirmative vote of the holders of not less than two-thirds of the Stock then outstanding entitled to vote in the election of Directors, and may elect a successor to fill any resulting vacancy for the balance of the term of the removed Director; provided, however, that in the case of any Directors elected solely by holders of a series of preferred stock, such Directors may be removed, with cause, only by the affirmative vote of two-thirds of the Stock of that series then outstanding and entitled to vote in the election of Directors, voting together as a single class.

**2.13 VACANCIES.** The Stockholders may elect a successor to fill a vacancy on the Board of Directors which results from the removal of a Director. Furthermore, any vacancy occurring in the Board of Directors for any cause other than by reason of an increase in the number of directors may be filled by a majority vote of the remaining Directors, although such majority is less than a quorum. Any vacancy occurring in the Board of Directors by reason of an increase in the number of directors may be filled by a majority vote of the entire Board of Directors. A Director elected by the Board of Directors or the Stockholders to fill a vacancy shall hold office until the next annual meeting of the Stockholders and until his or her successor is elected and qualified.

**2.14 INFORMAL ACTION BY DIRECTORS.** Any action required or permitted to be taken at any meeting of the Board of Directors may be taken without a meeting, if a consent in writing to such action is signed by all of the Directors and such written consent is filed with the minutes of the Board of Directors. Consents may be signed by different Directors on separate counterparts.

**2.1 COMPENSATION.** An annual fee for services and payment for expenses of attendance at each meeting of the Board of Directors, or of any committee thereof, may be allowed to any Director by resolution of the Board of Directors.

**ARTICLE III**  
**COMMITTEES**

**3.01 NUMBER, TENURE AND QUALIFICATION.** The Board of Directors may appoint from among its members an executive committee and other committees, composed of two or more Directors, to serve at the pleasure of the Board of Directors. If any committee may take or authorize any act as to any matter in which any Director who is not a Disinterested Director has or may have any interest, a majority of the members of such committee shall be Disinterested Directors, except that any such committee consisting of only two Directors may have one Disinterested Director and one Director who is not a Disinterested Director.

**3.02 DELEGATION OF POWER.** The Board of Directors may delegate to these committees in the intervals between meetings of the Board of Directors any of the powers of the Board of Directors to manage the business and affairs of the Corporation, except those powers which the Board of Directors is specifically prohibited from delegating pursuant to Section 2-411 of the MGCL.

**3.03 QUORUM AND VOTING.** A majority of the members of any committee shall constitute a quorum for the transaction of business by such committee, and the act of a majority of the quorum shall constitute the act of the committee, except that no act relating to any matter in which any Director who is not a Disinterested Director has any interest shall be the act of any committee unless a majority of the Disinterested Directors on the committee vote for such act.

**3.04 CONDUCT OF MEETINGS.** Each committee shall designate a presiding officer of such committee, and if not present at a particular meeting, the committee shall select a presiding officer for such meeting. Members of any committee may participate in meetings of such committee by conference telephone or similar communications equipment by means of which all Directors participating in the meeting can hear each other at the same time, and participation in a meeting in accordance herewith shall constitute presence in person at such meeting for all purposes of these Bylaws. Each committee shall keep minutes of its meetings, and report the results of any proceedings at the next succeeding annual or regular meeting of the Board of Directors.

**3.05 INFORMAL ACTION BY COMMITTEES.** Any action required or permitted to be taken at any meeting of a committee of the Board of Directors may be taken without a meeting, if a written consent to such action is signed by all members of the committee and such written consent is filed with the minutes of proceedings of such committee. Consents may be signed by different members on separate counterparts.

## ARTICLE IV

### OFFICERS

**4.01 TITLES AND ELECTION.** The Corporation shall have a Chairman of the Board, a President, one or more Vice Presidents, a Secretary, a Treasurer and such other officers as the Board of Directors, or any committee or officer appointed by the Board of Directors for such purpose, may from time to time elect. The officers of the Corporation shall be elected annually by the Board of Directors at the first meeting of the Board of Directors held after each annual meeting of Stockholders. If the election of officers shall not take place at such meeting, such election shall be held as soon thereafter as may be convenient. Each officer shall hold office until his successor is duly elected and qualified or until his death, resignation or removal in the manner hereinafter provided. Any two or more offices, except President and Vice President, may be held by the same person. Election or appointment of an officer or agent shall not of itself create contract rights between the Corporation and such officer or agent.

**4.02 REMOVAL.** Any officer or agent elected or appointed by the Board of Directors may be removed by the Board of Directors whenever in its judgment the best interests of the Corporation would be served thereby, but such removal shall be without prejudice to the contract rights, if any, of the person so removed. The fact that a person is elected to an office, whether or not for a specified term, shall not by itself constitute any undertaking or evidence of any employment obligation of the Corporation to that person.

**4.04 VACANCIES.** A vacancy in any office may be filled by the Board of Directors for the unexpired portion of the term.

**4.05 CHAIRMAN OF THE BOARD.** The Chairman of the Board shall be a Director and shall preside over the meetings of the Stockholders and the Board of Directors. The Chairman of the Board shall perform such other duties as may be assigned to him by the Board of Directors. The Chairman of the Board may sign and execute any deed, mortgage, bond, contract, or other obligation or instrument on behalf of the Corporation, except in cases where the execution thereof shall be expressly delegated by the Board of Directors or by the Charter, these Bylaws or otherwise to another officer or agent of the Corporation.

**4.06 PRESIDENT.** Unless the Board of Directors shall otherwise determine, the President shall be the Chief Executive Officer of the Corporation and shall in general supervise and control all of the business and affairs of the Corporation. In the absence of the Chairman of the Board, the President shall preside at all meetings of the Stockholders and of the Board of Directors (if a member of the Board of Directors). The President may execute any deed, mortgage, bond, contract or other obligation or instrument on behalf of the Corporation, except in cases where the execution thereof shall be expressly delegated by the Board of Directors or by the Charter, these Bylaws or otherwise to some other officer or agent of the Corporation. In general, the President shall perform all duties incident to the office of President and such other duties as may be prescribed by the Board of Directors from time to time.

**4.07 VICE PRESIDENTS.** The Board of Directors may appoint one or more Vice Presidents. In the absence of the President or in the event of a vacancy in such office, the Vice President (or in the event there shall be more than one Vice President, the Vice Presidents in the order designated at the time of their election, or in the absence of any designation, then in the order of their election) shall perform the duties of the President and when so acting shall have all the powers of and be subject to all of the restrictions upon the President. Every Vice President shall perform such other duties as from time to time may be assigned to him by the President or the Board of Directors. The Board of Directors may designate one or more Vice Presidents as Senior Vice Presidents or as Vice Presidents for particular areas of responsibility.

**4.08 SECRETARY.** The Secretary shall (i) keep the minutes of the proceedings of the Stockholders and Board of Directors in one or more books provided for that purpose; (ii) see that all notices are duly given in accordance with the provisions of these Bylaws or as required by law; (iii) be custodian of the records of the Corporation; (iv) unless a transfer agent is appointed, keep a register of the post office address of each Stockholder which shall be furnished to the Secretary by such Stockholder and have general charge of the stock ledger of the Corporation; (v) when authorized by the Board of Directors or the President, attest to or witness all documents requiring the same; (vi) perform all duties as from time to time may be assigned to him by the President or by the Board of Directors; and (vii) perform all of the duties generally incident to the office of secretary of a corporation.

**4.09 TREASURER.** The Treasurer shall have the custody of the Corporation's funds and securities and shall keep full and accurate accounts of receipts and disbursements in books belonging to the Corporation and shall deposit all moneys and other valuable effects in the name and to the credit of the Corporation in such depositories as may be designated by the Board of Directors. The Treasurer shall disburse the funds of the Corporation as may be ordered by the Board of Directors, taking proper vouchers for such disbursements, and shall render to the President and the Board of Directors, at the regular meetings of the Board of Directors or whenever they may require it, an account of all his transactions as Treasurer and of the financial condition of the Corporation. The Board of Directors may engage a custodian to perform some or all of the duties of the Treasurer, and if a custodian is so engaged then the Treasurer shall be relieved of the responsibilities set forth herein to the extent delegated to such custodian and, unless the Board of Directors otherwise determines, shall have general supervision over the activities of such custodian. The custodian shall not be an officer of the Corporation.

**4.10 ASSISTANT SECRETARIES AND ASSISTANT TREASURERS.** The Board of Directors, or any committee or officer appointed by the Board of Directors for such purpose, may appoint one or more Assistant Secretaries or Assistant Treasurers. The Assistant Secretaries, only if they are employees of the Corporation, and Assistant Treasurers (i) shall have the power to perform and shall perform all the duties of the Secretary and the Treasurer, respectively, in such respective officer's absence and (ii) shall perform such duties as shall be assigned to him by the Secretary or Treasurer, respectively, or by the President or the Board of Directors, or any such designated committee or officer. If an Assistant Secretary is not an employee of the Corporation, such Assistant Secretary shall be deemed not to be an officer of the Corporation and, in the Secretary's absence, shall have the power to (i) keep the minutes of the proceedings of the Stockholders and Board of Directors or committees of the Board of Directors in one or more books provided for that purpose; and (ii) when authorized by the Board of Directors or the President or any Vice President of the Corporation, attest to or witness all documents requiring the same.

**4.11 SUBORDINATE OFFICERS.** The Corporation shall have such subordinate officers as the Board of Directors, or any committee or officer appointed by the Board of Directors for such purpose, may from time to time elect. Each such officer shall hold office for such period and perform such duties as the Board of Directors, the President or any designated committee or officer may prescribe.

**4.12 COMPENSATION.** The salaries and other compensation and remuneration, of any kind, if any, of the officers shall be fixed from time to time by the Board of Directors. No officer shall be prevented from receiving such compensation, if any, by reason of the fact that he is also a Director of the Corporation. The Board of Directors may authorize any committee or officer, upon whom the power of appointing assistant and subordinate officers may have been conferred, to fix the compensation and remuneration of such assistant and subordinate officers.

**ARTICLE V**  
**SHARES OF STOCK**

**5.01 NO CERTIFICATES FOR STOCK.** Unless the Board of Directors authorizes the issuance of certificates pursuant to Section 5.02, none of the Stock shall be represented by certificates.

**5.02 ELECTION TO ISSUE CERTIFICATES.** The Board of Directors may authorize the issuance of certificates representing some or all of the Shares of any or all of the classes or series of Stock. If the Board of Directors so authorizes certificates, such certificates shall be of such form, not inconsistent with the Charter, as shall be approved by the Board of Directors. All certificates, if issued, shall be signed by the Chairman of the Board, the President, or a Vice President and countersigned by the Treasurer, an Assistant Treasurer, the Secretary or an Assistant Secretary. Any signature or countersignature may be either a manual or facsimile signature. All certificates, if issued, for each class of Stock shall be consecutively numbered. Each certificate representing shares of Stock which are restricted as to their transferability or voting powers, which are preferred or limited as to their allocable portion of the assets upon liquidation or which are redeemable at the option of the Corporation, shall have a statement of such restriction, limitation, preference or redemption provision, or a summary thereof, plainly stated on the certificate. In lieu of such statement or summary, the Corporation may set forth on the face or back of the certificate a statement that the Corporation will furnish to any Stockholder, upon request and without charge, a full statement of such information.

**5.03 STOCK LEDGER.** The Corporation shall maintain at its principal executive office, at the office of its counsel, accountants or transfer agent or at such other place designated by the Board of Directors an original or duplicate stock ledger containing the names and addresses of all the Stockholders and the number of shares of each class of Stock held by each Stockholder. The stock ledger shall be maintained pursuant to a system that the Corporation shall adopt allowing for the issuance, recordation and transfer of its Stock by electronic or other means that can be readily converted into written form for visual inspection and not involving any issuance of certificates. Such system shall include provisions for notice to acquirors of Stock (whether upon issuance or transfer of Stock) in accordance with Sections 2-210 and 2-211 of the MGCL, and Section 8-408 of the Commercial Law Article of the State of Maryland. The Corporation shall be entitled to treat the holder of record of any Share or Shares as the holder in fact thereof and, accordingly, shall not be bound to recognize any equitable or other claim to or interest in such Share on the part of any other person, whether or not it shall have express or other notice thereof, except as otherwise provided by the laws of the State of Maryland. Until a transfer is duly effected on the stock ledger, the Corporation shall not be affected by any notice of such transfer, either actual or constructive. Nothing herein shall impose upon the Corporation, the Board of Directors or officers or their agents and representatives a duty or limit their rights to inquire as to the actual ownership of Shares.

**5.04 RECORDING TRANSFERS OF STOCK.** If transferred in accordance with any restrictions on transfer contained in the Charter, these Bylaws or otherwise, Shares shall be recorded as transferred in the Stock Ledger upon provision to the Corporation or the transfer agent of the Corporation of an executed stock power duly guaranteed and any other documents reasonably requested by the Corporation, and the surrender of the certificate or certificates, if any, representing such Shares. Upon receipt of such documents, the Corporation shall issue the statements required by Sections 2-210 and 2-211 of the MGCL and Section 8-408 of the Commercial Law Article of the State of Maryland, issue as needed a new certificate or certificates (if the transferred Shares were certificated) to the persons entitled thereto, cancel any old certificates and record the transaction upon its books.

**5.05 LOST CERTIFICATE.** The Board of Directors may direct a new certificate to be issued in the place of any certificate theretofore issued by the Corporation alleged to have been stolen, lost or destroyed upon the making of an affidavit of that fact by the persons claiming the certificate of Stock to be stolen, lost or destroyed. When authorizing such issue of a new certificate, the Board of Directors may, in its discretion and as a condition precedent to the issuance thereof, require the owner of such stolen, lost or destroyed certificate or his legal representative to advertise the same in such manner as it shall require and/or to give bond, with sufficient surety, to the Corporation to indemnify it against any loss or claim which may arise by reason of the issuance of a new certificate.

**5.06 CLOSING OF TRANSFER BOOKS OR FIXING OF RECORD DATE.**

**5.06.1** The Board of Directors may fix, in advance, a date as the record date for the purpose of determining Stockholders entitled to notice of, or to vote at, any meeting of Stockholders, or Stockholders entitled to receive payment of any dividend or the allotment of any rights, or in order to make a determination of Stockholders for any other proper purpose. Such date, in any case, shall not be prior to the close of business on the day the record date is fixed and shall be not more than ninety (90) days, and in case of a meeting of Stockholders not less than ten (10) days, prior to the date on which the meeting or particular action requiring such determination of Stockholders is to be held or taken.

**5.06.2** In lieu of fixing a record date, the stock transfer books may be closed by the Board of Directors in accordance with Section 2-511 of the MGCL for the purpose of determining Stockholders entitled to notice of or to vote at a meeting of Stockholders.

**5.06.3** If no record date is fixed and the stock transfer books are not closed for the determination of Stockholders, (a) the record date for the determination of Stockholders entitled to notice of, or to vote at, a meeting of Stockholders shall be at the close of business on the day on which the notice of meeting is mailed or the thirtieth (30<sup>th</sup>) day before the meeting, whichever is the closer date to the meeting; and (b) the record date for the determination of Stockholders entitled to receive payment of a dividend or an allotment of any rights shall be at the close of business on the date on which the resolution of the Board of Directors, declaring the dividend or allotment or rights, is adopted.

**5.06.4** When a determination of Stockholders entitled to vote at any meeting of Stockholders has been made as provided in this section, such determination shall apply to any adjournment thereof, except where the determination has been made through the closing of the stock transfer books and the stated period of closing has expired. But the payment or allotment may not be made more than sixty (60) days after the date on which the resolution is adopted.

**ARTICLE VI**

**DIVIDENDS AND DISTRIBUTIONS**

**6.01 DECLARATION.** Dividends and other distributions upon the Stock may be declared by the Board of Directors as set forth in the applicable provisions of the Charter and any applicable law, at any meeting, limited only to the extent of Section 2-311 of the MGCL. Dividends and other distributions upon the Stock may be paid in cash, property or Stock of the Corporation, subject to the provisions of law and of the Charter.

**6.02 CONTINGENCIES.** Before payment of any dividends or other distributions upon the Stock, there may be set aside (but there is no duty to set aside) out of any funds of the Corporation available for dividends or other distributions such sum or sums as the

Board of Directors may from time to time, in its absolute discretion, think proper as a reserve fund to meet contingencies, for repairing or maintaining any property of the Corporation or for such other purpose as the Board of Directors shall determine to be in the best interests of the Corporation, and the Board of Directors may modify or abolish any such reserve in the manner in which it was created.

## ARTICLE VII

### INDEMNIFICATION

**7.01 INDEMNIFICATION TO THE EXTENT PERMITTED BY LAW.** Unless the Board of Directors otherwise determines prospectively in the case of any one or more specified individuals, the Corporation shall indemnify, to the full extent permitted by the MGCL, any person who is or was a Director or officer of the Corporation, or is or was serving at the request of the Corporation as a director or officer of another corporation, partnership, joint venture, trust, or other enterprise (an "Indemnified Person"), including the advancement of expenses under procedures provided under such law; provided, however, that no indemnification shall be provided for expenses relating to any willful or grossly negligent failure to make disclosures required by the next to last sentence of Sections 2.02 hereof as applied to Directors and officers respectively. The provisions of this Section 7.01 shall constitute a contract with each Indemnified Person who serves at any time while these provisions are in effect any may be modified adversely only with the consent of affected Indemnified Persons and each such Indemnified Person shall be deemed to be serving as such in reliance on these provisions.

**7.02 INSURANCE.** The Corporation shall have the power to purchase and maintain insurance on behalf of any Indemnified Person against any liability, whether or not the Corporation would have the power to indemnify him or her against such liability.

**7.03 NON-EXCLUSIVE RIGHTS TO INDEMNIFY; HEIRS AND PERSONAL REPRESENTATIVES.** The rights to indemnification set forth in this Article VII are in addition to all rights which any Indemnified Person may be entitled as a matter of law, and shall inure to the benefit of the heirs and personal representatives of each Indemnified Person. The Corporation shall indemnify any Indemnified Person's spouse (whether by statute or at common law and without regard to the location of the governing jurisdiction) and children to the same extent and subject to the same limitations applicable to any Indemnified Person hereunder for claims arising out of the status of such person as a spouse or child of such Indemnified Person, including claims seeking damages from marital property (including community property) or property held by such Indemnified Person and such spouse or property transferred to such spouse or child.

**7.04 NO LIMITATION.** In addition to any indemnification permitted by these Bylaws, the Board of Directors shall, in its sole discretion, have the power to grant such indemnification as it deems in the interest of the Corporation to the full extent permitted by law. This Article shall not limit the Corporation's power to indemnify against liabilities other than those arising from a person's serving the Corporation as a Director or officer.

## ARTICLE VIII

### NOTICES

**8.01 NOTICES.** Whenever notice is required to be given pursuant to these Bylaws, it shall be construed to mean either written notice personally served against written receipt, or notice in writing transmitted by mail, by depositing the same in a post



office or letter box, in a post-paid sealed wrapper, addressed, if to the Corporation, Sovran Self Storage, Inc., 5166 Main Street, Williamsville, New York 14221 (or any subsequent address selected by the Board of Directors), attention President, or if to a Stockholder, Director or officer, at the address of such person as it appears on the books of the Corporation or in default of any other address at the general post office situated in the city or county of his or her residence. Unless otherwise specified, notice sent by mail shall be deemed to be given at the time mailed.

**8.02 SECRETARY TO GIVE NOTICE.** All notices required by law or these Bylaws to be given by the Corporation shall be given by the Secretary or any other officer of the Corporation designated by the President. If the Secretary and Assistant Secretary are absent or refuse or neglect to act, the notice may be given by any person directed to do so by the President or, with respect to any meeting called pursuant to these Bylaws upon the request of any Stockholders or Directors, by any person directed to do so by the Stockholders or Directors upon whose request the meeting is called.

**8.03 WAIVER OF NOTICE.** Whenever any notice is required to be given pursuant to the Charter or these Bylaws or pursuant to applicable law, a waiver thereof in writing, signed by the person or persons entitled to such notice, whether before or after the time stated therein, shall be deemed equivalent to the giving of such notice. Neither the business to be transacted at nor the purpose of any meeting need be set forth in the waiver of notice, unless specifically required by statute. The attendance of any person at any meeting shall constitute a waiver of notice of such meeting, except where such person attends a meeting for the express purpose of objecting to the transaction of any business on the ground that the meeting is not lawfully called or convened.

## ARTICLE IX

### MISCELLANEOUS

**9.01 BOOKS AND RECORDS.** The Corporation shall keep correct and complete books and records of its accounts and transactions and minutes of the proceedings of its Stockholders and Board of Directors meetings and of its executive or other committees when exercising any of the powers or authority of the Board of Directors. The books and records of the Corporation may be in written form or in any other form that can be converted within a reasonable time into written form for visual inspection. Minutes shall be recorded in written form, but may be maintained in the form of a reproduction.

**9.02 INSPECTION OF BYLAWS AND CORPORATE RECORDS.** These Bylaws, the accounting books and records of the Corporation, the minutes of proceedings of the Stockholders, the Board of Directors and committees thereof, annual statements of affairs and any voting trust agreements on records shall be open to inspection upon written demand delivered to the Corporation by any Stockholder or holder of a voting trust certificate at any reasonable time during usual business hours, for a purpose reasonably related to such holder's interests as a Stockholder or as the holder of such voting trust certificate, in each case to the extent permitted by the MGCL. Other documents, such as Stockholder lists, shall be made available for inspection by any Stockholder or holder of a voting trust certificate to the extent required by statute.

**9.03 CONTRACTS.** The Board of Directors may authorize any officer(s) or agent(s) to enter into any contract or to execute and deliver any instrument in the name of and on behalf of the Corporation, and such authority may be general or confined to specific instances.

**9.04 CHECKS, DRAFTS, ETC.** All checks, drafts or other orders for the payment of money, notes or other evidences of indebtedness issued in the name of the Corporation shall be signed by such officers or agents of the Corporation and in such manner as shall from time to time be determined by resolution of the Board of Directors.

## **9.05 LOANS.**

**9.05.1** Such officers or agents of the Corporation as from time to time have been designated by the Board of Directors shall have authority (i) to effect loans, advances, or other forms of credit at any time or times for the Corporation, from such banks, trust companies, institutions, corporations, firms, or persons, in such amounts and subject to such terms and conditions, as the Board of Directors from time to time has designated; (ii) as security for the repayment of any loans, advances, or other forms of credit so authorized, to assign, transfer, endorse, and deliver, either originally or in addition or substitution, any or all personal property, real property, stocks, bonds, deposits, accounts, documents, bills, accounts receivable, and other commercial paper and evidences of debt or other securities, or any rights or interests at any time held by the Corporation; (iii) in connection with any loans, advances, or other forms of credit so authorized, to make, execute, and deliver one or more notes, mortgages, deeds of trust, financing statements, security agreements, acceptances, or written obligations of the Corporation, on such terms and with such provisions as to the security or sale or disposition of them as those officers or agents deem proper; and (iv) to sell to, or discount or rediscount with, the banks, trust companies, institutions, corporations, firms or persons making those loans, advances, or other forms of credit, any and all commercial paper, bills, accounts receivable, acceptances, and other instruments and evidences of debt at any time held by the Corporation, and, to that end, to endorse, transfer, and deliver the same.

**9.05.2.** From time to time the Corporation shall certify to each bank, trust company, institution, corporation, firm or person so designated, the signatures of the officers or agents so authorized. Each bank, trust company, institution, corporation, firm or person so designated is authorized to rely upon such certification until it has received written notice that the Board of Directors has revoked the authority of those officers or agents.

**9.06 FISCAL YEAR.** The Board of Directors shall have the power, from time to time, to fix the fiscal year of the Corporation by a duly adopted resolution, and, in the absence of such resolution, the fiscal year shall be the period ending December 31.

**9.07 ANNUAL REPORT.** Not later than one hundred twenty (120) days after the close of each fiscal year, the Board of Directors of the Corporation shall cause to be sent to the Stockholders an Annual Report in such form as may be deemed appropriate by the Board of Directors. The Annual Report shall include audited financial statements and shall be accompanied by the report thereon of an independent certified public accountant.

**9.08 INTERIM REPORTS.** The Corporation may send interim reports to the Stockholders having such form and content as the Board of Directors deem proper.

**9.09 OTHER REPORTS.** Any distributions to Stockholders of income or capital assets shall be accompanied by a written statement disclosing the source of the funds distributed unless at the time of distribution they are accompanied by a written explanation of the relevant circumstances. The statement as to such source shall be sent to the Stockholders not later than sixty (60) days after the close of the fiscal year in which the distributions were made.

**9.10 BYLAWS SEVERABLE.** The provisions of these Bylaws are severable, and if any provision shall be held invalid or unenforceable, that invalidity or unenforceability shall attach only to that provision and shall not in any manner affect or render invalid or unenforceable any other provision of these Bylaws, and these Bylaws shall be carried out as if the invalid or unenforceable provision were not contained herein.

**9.11 WAIVER — TITLE 3, SUBTITLE 7 OF THE MARYLAND GENERAL CORPORATION LAW.** For the avoidance of doubt, the acquisition of Convertible Preferred Stock and Warrants pursuant to the Securities Purchase Agreement dated as of July 3, 2002, by and among the Corporation, Sovran Acquisition Limited Partnership, The Prudential Insurance Company of America, Teachers Insurance and Annuity Association of America, GEBAM, Inc., and the subsequent conversion or exercise of such securities in accordance with their terms and after giving effect to any anti-dilution adjustments, shall not constitute “control share acquisition” for purposes of Title 3, Subtitle 7 of the Maryland General Corporation Law.

## **ARTICLE X**

### **AMENDMENT OF BYLAWS**

**10.01 BY DIRECTORS.** The Board of Directors shall have the power, at any annual or regular meeting, or at any special meeting if notice thereof is included in the notice of such special meeting, to alter or repeal any Bylaws of the Corporation and to make new Bylaws, except that the Board of Directors shall not alter or repeal (i) Section 7.01 without a vote of the Stockholders and the consent of any Indemnified Persons whose rights to indemnification, based on conduct prior to such amendment, would be adversely affected by such proposed alteration or repeal; (ii) this Section 10.01; or (iii) Section 10.02.

**10.02 BY STOCKHOLDERS.** The Stockholders, by affirmative vote of a majority of the shares of common stock of the Corporation, shall have the power, at any annual meeting (subject to the requirements of Section 1.03), or at any special meeting if notice thereof is included in the notice of such special meeting, to alter or repeal any Bylaws of the Corporation and to make new Bylaws except that the Stockholders shall not alter or repeal Section 7.01 without the consent of any Indemnified Persons adversely affected by such proposed alteration or repeal.

SOVRAN SELF STORAGE, INC.  
2005 AWARD AND OPTION PLAN  
**As Amended and Restated Effective January 1, 2009**

1. Purpose

The purposes of this Plan are to advance the interests of the Company and its stockholders, by providing a long-term incentive compensation program that will be an incentive to the Key Employees of the Company and its Subsidiaries whose contributions are important to the continued success of the Company and its Subsidiaries, and by enhancing their ability to attract and retain in their employ highly qualified persons for the successful conduct of their businesses. This Plan has been amended and restated effective January 1, 2009 to include provisions intended to comply with final regulations promulgated under Internal Revenue Code (“Code”) Section 409A and shall be construed to the extent practicable so as to avoid causing any amounts payable to any Participant hereunder to be includable in the Participant’s gross income under Code Section 409A(a)(1).

2. Definitions

(a) “Acceleration Date” means (i) in the event of a Change in Ownership, the date on which such change occurs, or (ii) with respect to a Participant who is eligible for treatment under Paragraph 20 hereof on account of the Participant’s Separation from Service following a Change in Control, the date on which such Separation from Service occurs.

(b) “Award Notice” means a written notice from the Company to a Participant that sets forth the terms and conditions of Stock Options or Restricted Stock awarded to the Participant under this Plan in addition to those established by this Plan and by the Committee’s exercise of its administrative powers.

(c) “Board” means the Board of Directors of the Company.

(d) “Cause” means (i) the willful and continued failure by a Key Employee to substantially perform his duties with his employer after written warnings specifically identifying the lack of substantial performance are delivered to him by his employer, or (ii) the willful engaging by a Key Employee in conduct which is materially and demonstrably injurious to the Company or a Subsidiary.

(e) “Change in Control” shall be deemed to have occurred at such time as

(i) any “person” within the meaning of Section 14(d) of the Exchange Act, other than the Company, a Subsidiary, or any employee benefit plan or plans sponsored by the Company or any Subsidiary, is or has become the “beneficial owner”, as defined in Rule 13d-3 under the Exchange Act, directly or indirectly, of

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20% or more of the combined voting power of the outstanding securities of the Company ordinarily having the right to vote at the election of directors, or

(ii) approval by the stockholders of the Company of (a) any consolidation or merger of the Company in which the Company is not the continuing or surviving corporation or pursuant to which shares of stock of the Company would be converted into cash, securities or other property, other than a consolidation or merger of the Company in which the common stockholders of the Company immediately prior to the consolidation or merger have substantially the same proportionate ownership of common stock of the surviving corporation immediately after the consolidation or merger as immediately before, or (b) any consolidation or merger in which the Company is the continuing or surviving corporation but in which the common stockholders of the Company immediately prior to the consolidation or merger do not hold at least a majority of the outstanding common stock of the continuing or surviving corporation (except where such holders of common stock hold at least a majority of the common stock of the corporation which owns all of the common stock of the Company), or (c) any sale, lease, exchange or other transfer (in one transaction or a series of related transactions) of all or substantially all the assets of the Company, or

(iii) individuals who constitute the Board on May 18, 2005 (the "Incumbent Board") have ceased for any reason to constitute at least a majority thereof, provided that any person becoming a director subsequent to May 18, 2005 whose election, or nomination for election by the Company's stockholders, was approved by a vote of at least three-quarters (3/4) of the directors comprising the Incumbent Board (either by specific vote or by approval of the proxy statement of the Company in which such person is named as nominee for director without objection to such nomination) shall be, for purposes of this Plan, considered as though such person were a member of the Incumbent Board.

(f) "Change in Control Price" means, in respect of a Change in Control, the highest closing price per share paid for the purchase of Common Stock on the New York Stock Exchange ("NYSE") or, if the Common Stock is not then listed on the NYSE, on the principal public trading market for the Common Stock during the ninety (90) day period ending on the date the Change in Control occurs, and in respect of a Change in Ownership, the highest closing price per share paid for the purchase of Common Stock on the NYSE or, if the Common Stock is not then listed on the NYSE, on the principal public trading market for the Common Stock during the ninety (90) day period ending on the date the Change in Ownership occurs.

(g) "Change in Ownership" means a change that results directly or indirectly in the Company's Common Stock ceasing to be actively traded on a national securities exchange or the National Association of Securities Dealers Automated Quotation System.

(h) "Code" means the Internal Revenue Code of 1986, as amended from time to time.

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(i) "Committee" means the Compensation Committee of the Board, or such other committee designated by the Board, authorized to administer this Plan. The Committee shall consist of not less than three members, each of whom shall be "disinterested" as defined by Rule 16b-3 under the Exchange Act as amended from time to time.

(j) "Common Stock" means the common stock, \$0.01 par value, of the Company.

(k) "Company" means Sovran Self Storage, Inc., a Maryland corporation, and, with respect to the Company's obligations under Paragraph 20, any successor thereto.

(l) "Exchange Act" means the Securities Exchange Act of 1934, as amended from time to time.

(m) "Fair Market Value" on any date means the average of the high and low sales prices of a share of Common Stock as reflected in the report of consolidated trading of NYSE-listed securities (or, if the Common Stock is not then listed on the NYSE, the principal public trading market for such shares) for that date (or if no shares of Common Stock were traded on the NYSE or such other principal public trading market on that date, the next preceding date that shares of Common Stock were so traded) published in the Midwest Edition of The Wall Street Journal; provided, however, that if no shares of Common Stock have been publicly traded for more than ten (10) days immediately preceding such date, then the Fair Market Value of a share of Common Stock shall be determined by the Committee in such manner as it may deem appropriate provided that such determination shall satisfy the requirements of Treas. Reg. §1.409A-1(b)(5) so as to ensure that any Stock Option granted hereunder is not subject to Code Section 409A.

(n) "Good Reason" means a good faith determination made by a Participant that there has been any:

(i) material change by the Company of the Participant's functions, duties or responsibilities which change would cause the Participant's position with the Company to become of less dignity, responsibility, importance, prestige or scope, including, without limitation, the assignment to the Participant of duties and responsibilities inconsistent with his positions,

(ii) assignment or reassignment by the Company of the Participant without the Participant's consent, to another place of employment more than 50 miles from the Participant's current place of employment, or

(iii) reduction in the Participant's total compensation in a materially greater proportionate amount than other Key Employees similarly situated;

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provided in each case that the Participant shall specify the event relied upon for such determination by written notice to the Board at any time not later than three months after the first occurrence of such event and the Board shall not have remedied the matter within 30 days following delivery of such written notice to the Board.

(o) "Key Employee" means an officer or other key employee of the Company or a Subsidiary as determined by the Committee.

(p) "Participant" means any individual to whom Stock Options have been awarded by the Committee under this Plan.

(q) "Plan" means this Sovran Self Storage, Inc. 2005 Award and Option Plan.

(r) "Restricted Stock" means an award of shares of Company Common Stock subject to restrictions, pursuant to Paragraph 9 hereof.

(s) "Separation from Service" has the meaning provided at Regulation §1.409A-1(h).

(t) "Stock Option" means an option to purchase Company Common Stock that is awarded to a Participant in accordance with Paragraph 8 hereof.

(u) "Subsidiary" means a corporation or other business entity in which the Company directly or indirectly has an ownership interest of 50 percent or more.

### 3. Administration

This Plan shall be administered by the Committee. The Committee shall have the authority to : (a) interpret this Plan; (b) establish such rules and regulations as it deems necessary for the proper administration of this Plan; (c) select Key Employees to receive Stock Options and Restricted Stock under this Plan; (d) determine and modify the form of Stock Options awarded under this Plan, whether non-qualified or incentive stock options, the number of Stock Options awarded to any Key Employee, and all the terms and conditions of Stock Options awarded under this Plan, including the time and conditions of exercise or vesting; (e) determine and modify the number of shares of Restricted Stock awarded to any Key Employee, and all the terms and conditions of Restricted Stock awarded under this Plan, including the applicable restrictions thereon and restriction period there for; (f) grant waivers of Plan terms and conditions, provided that such waivers are not inconsistent with Section 16 of the Exchange Act and the rules promulgated thereunder; (g) accelerate the vesting of any Stock Option or lapse of restrictions on any shares of Restricted Stock when any such action would be in the best interests of the Company; and (h) take any and all other action it deems advisable for the proper administration of this Plan. All determinations of the Committee shall be made by a majority of its members, and its determinations shall be final, binding and conclusive. The Committee, in its discretion, may delegate its authority and duties under this Plan to the Chief Executive Officer or to other senior officers of the Company under such conditions as the Committee may establish; provided, however, that to the extent

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required by Section 16 and notwithstanding any other provision of this Plan or an Award Notice only the Committee may select and award Stock Options and Restricted Stock and render other decisions as to the timing, pricing and amount of Stock Options and Restricted Stock to Participants who are subject to Section 16 of the Exchange Act.

4. Eligibility

Any Key Employee is eligible to become a Participant in this Plan.

5. Shares Available

The maximum number of shares of Common Stock which shall be available for award of Stock Options (including incentive stock options) and Restricted Stock under this Plan during its term shall not exceed 1,500,000 and the maximum number of shares of Common Stock with respect to which Stock Options and Restricted Stock may be granted to any individual Key Employee during any calendar year shall not exceed 100,000; all subject to adjustment as provided in Paragraph 12. Any shares of Common Stock related to Stock Options or Restricted Stock which terminate by expiration, forfeiture, cancellation or otherwise without the issuance of such shares, are settled in cash in lieu of Common Stock, shall be available again for award under this Plan. Further, if and to the extent permitted in accordance with Paragraph 8(d), any shares of Common Stock are used by a Participant for the full or partial payment to the Company of the purchase price of shares of Common Stock upon exercise of a Stock Option, or for any withholding taxes due as a result of such exercise, such shares shall again be available for award under this Plan. The shares of Common Stock available for issuance under this Plan may be authorized and unissued shares or treasury shares.

6. Term

This Plan shall become effective as of May 18, 2005. No Stock Options shall be exercisable or payable and no restrictions on shares Restricted Stock shall lapse before approval of this Plan has been obtained from the Company's stockholders. Stock Options and Restricted Stock shall not be awarded pursuant to this Plan after May 17, 2015.

7. Participation

The Committee shall select Participants, determine the type of awards (Stock Options or Restricted Stock) to be awarded, and establish in the related Award Notices the applicable terms and conditions of the Stock Options and Restricted Stock in addition to those set forth in this Plan and any administrative rules issued by the Committee.

8. Stock Options

(a) General. Stock Options may be awarded to any Key Employee. These Stock Options may be incentive stock options within the meaning of Section 422 of the

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Code or non-qualified stock options (i.e., stock options which are not incentive stock options), or a combination of both. For the purpose of determining the exercise price of a Stock Option, the date of grant of a Stock Option will be the date on which the Committee completes the action necessary to award the option provided that notice of the option is given to the Key Employee within a reasonable time thereafter.

(b) Terms and Conditions of Stock Options. A Stock Option shall be exercisable in whole or in such installments and at such times as may be determined by the Committee. The price at which Common Stock may be purchased upon exercise of a Stock Option (the "exercise price") shall be established by the Committee, but such exercise price shall not be less than the Fair Market Value of the Common Stock on the date of grant of the Stock Option. An Award Notice evidencing a Stock Option may, in the discretion of the Committee, provide that a Participant who pays the option price of a Stock Option by an exchange of shares of Common Stock previously owned by the Participant shall automatically be issued a new stock option to purchase additional shares of Common Stock equal to the number of shares of Common Stock so exchanged. Such new stock option shall have an exercise price equal to the Fair Market Value of the Common Stock on the date such new stock option is issued, which shall be the date on which the shares of Common Stock used to pay the exercise price are delivered to the Company, and shall be subject to such other terms and conditions as the Committee deems appropriate.

(c) Restrictions Relating to Incentive Stock Options. Stock Options awarded in the form of incentive stock options shall, in addition to being subject to all applicable terms and conditions established by the Committee, comply with Section 422 of the Code. Accordingly, the aggregate Fair Market Value (determined at the time the option was awarded) of the Common Stock with respect to which incentive stock options are exercisable for the first time by a Participant during any calendar year (under this Plan or any other plan of the Company or any of its Subsidiaries) shall not exceed \$100,000 (or such other limit as may be required by the Code). Also, each incentive stock option shall expire not later than ten years from its date of award. The number of shares of Common Stock that shall be available for incentive stock options awarded under this Plan is 1,500,000.

(d) Exercise of Stock Options.

(1) A Stock Option may be exercised in whole or in part from time to time during the option period (or, if determined by the Committee, in specified installments during the option period) by giving written notice (or by such other methods of notice as the Committee designates) of exercise to the Company (or a representative designated by the Company for that purpose) specifying the number of shares to be purchased, such notice to be accompanied by payment in full of the purchase price and applicable Tax Withholding (as provided in Paragraph 13).

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(2) Upon exercise, the exercise price of a Stock Option may be paid in cash, or, if permitted by the Committee, in its sole discretion, shares of Common Stock or a combination of cash and shares of Common Stock, or such other consideration as the Committee may deem appropriate. The Committee may establish appropriate methods for accepting Common Stock as consideration for the exercise of a Stock Option, and may impose such conditions as it deems appropriate on the use of such Common Stock to exercise a Stock Option. If the Committee, in its sole discretion, permits the use of shares of Common Stock as consideration for the exercise of a Stock Option, such shares shall be valued at Fair Market Value on the date of exercise.

(3) To the extent permitted by the Sarbanes-Oxley Act of 2002 and other applicable law, and provided that it will not cause a Stock Option to become subject to Code Section 409A, the Committee, in its sole discretion, may establish procedures whereby a Participant, to the extent permitted by and subject to the requirements of Rule 16b-3 under the Exchange Act, Regulation T issued by the Board of Governors of the Federal Reserve System pursuant to the Exchange Act, federal income tax laws, and other federal, state and local tax and securities laws, can exercise a Stock Option or a portion thereof without making a direct payment of the option price to the Company. If the Committee so elects to establish such a cashless exercise program, the Committee shall determine, in its sole discretion and from time to time, such administrative procedures and policies as it deems appropriate. Such procedures and policies shall be binding on any Participant wishing to utilize the cashless exercise program.

#### 9. Restricted Stock

(a) General. Shares of Restricted Stock may be awarded to any Key Employee and shall be awarded in such amounts and at such times during the term of this Plan as the Committee shall determine.

(b) Restrictions on Restricted Stock. Restricted Stock shall be subject to such terms and conditions as the Committee deems appropriate including, but not by way of limitation, restrictions on transferability and continued employment. The Committee may modify or accelerate the delivery of shares of Restricted Stock under such circumstances as it deems appropriate.

(c) Rights as Stockholders. During the period in which any shares of Restricted Stock are subject to the restrictions imposed under Paragraph 9(b) hereof, the Committee may, in its discretion, grant to the Participant to whom shares of Restricted Stock have been awarded all or any of the rights of a stockholder with respect to such shares, including, but not by way of limitation, the right to vote such shares and to receive dividends. Except as otherwise provided in this Plan, in the absence of any explicit action by the Committee, the Participant to whom shares of Restricted Stock have been awarded shall have the rights of a stockholder with respect to such shares of Restricted Stock.

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(d) Evidence of Restricted Stock Award. Any shares of Restricted Stock granted under this Plan may be evidenced in such manner as the Committee deems appropriate, including, without limitation, book-entry registration or issuance of a stock certificate or certificates.

10. Termination of Employment

Subject to Paragraph 14, if a Participant's employment with the Company or a Subsidiary terminates for a reason other than death, disability, retirement or an approved reason, all the Participant's unexercised Stock Options and shares of Restricted Stock then subject to restrictions shall be canceled or forfeited as the case may be, unless the Participant's Award Notice provides otherwise. The Committee shall have the authority to promulgate rules and regulations to (i) determine what events constitute disability, retirement, or termination for an approved reason for purposes of this Plan, and (ii) determine the treatment of a Participant under this Plan in the event of his death, disability, retirement, or termination for an approved reason.

11. Nonassignability

Except as otherwise provided by the Committee, in its sole discretion, in the Award Notice, no Stock Option or share of Restricted Stock (that remains subject to restriction) awarded under this Plan shall be subject in any manner to alienation, anticipation, sale, transfer (except by will or the laws of descent and distribution), assignment, pledge, or encumbrance and a Participant's Stock Options shall be exercisable during the Participant's lifetime only by him.

12. Adjustment of Shares Available

(a) Changes in Stock. In the event of changes in the Common Stock by reason of a Common Stock dividend or stock split-up or combination, appropriate adjustment shall be made by the Committee in the aggregate number of shares available under this Plan, the number of shares with respect to which Stock Options and Restricted Stock may be granted to any individual Key Employee during any calendar year, and the number of shares subject to outstanding Stock Options and Restricted Stock, without, in the case of Stock Options, change in the aggregate purchase price to be paid there for. Such proper adjustment as maybe deemed equitable may be made by the Committee in its discretion to give effect to any other change affecting the Common.

(b) Changes in Capitalization. In case of a merger or consolidation of the Company with another corporation, a reorganization of the Company, are classification of the Common Stock of the Company, a spin-off of a significant asset, or other changes in the capitalization of the Company, appropriate provision shall be made for the protection and continuation of any outstanding Stock Options and shares of Restricted Stock by either (i) the substitution, on an equitable basis, of appropriate stock, stock options or other securities or other consideration, including cash, to which holders of Common Stock of the Company will be entitled pursuant to such transaction

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or succession of transactions, or (ii) by appropriate adjustment in the number of shares issuable pursuant to this Plan, the number of shares covered by outstanding Stock Options and Restricted Stock and the option price of outstanding Stock Options, as deemed appropriate by the Committee.

(c) Limitation of Committee Discretion. Any adjustment of a Stock Option pursuant to this Paragraph 12 shall be done in such manner as shall not cause the Stock Option to become subject to Code Section 409A.

### 13. Tax Withholding

(a) Payment by Participant. Each Participant shall pay to the Company an amount sufficient to satisfy all Federal, state and local withholding tax requirements, no later than the date as of which the Company or any Subsidiary is required by law to withhold any Federal, state, or local taxes of any kind with respect to amounts includable in the Participant's gross income for Federal income tax purposes with respect to any Stock Option or Restricted Stock awarded pursuant to this Plan. The Company and its Subsidiaries shall, to the extent permitted by law, have the right to deduct any such taxes from any payment of any kind otherwise due to the Participant.

(b) Payment in Stock. A Participant may elect to have such tax withholding obligation satisfied, in whole or in part, by (i) authorizing the Company to withhold from shares of Common Stock to be issued pursuant to this Plan a number of shares with an aggregate Fair Market Value (as of the date the withholding is effected) that would satisfy the withholding amount due, or (ii) transferring to the Company shares of Common Stock owned by the Participant with an aggregate Fair Market Value (as of the date the withholding is effected) that would satisfy the withholding amount due. With respect to any Participant who is subject to Section 16 of the Exchange Act, the following additional restrictions shall apply:

(A) the Company (1) shall have been subject to the reporting requirements of Paragraph 13(a) of the Exchange Act for at least a year prior to the election and shall have filed all reports and statements required to be filed pursuant to that Section for that year, and (2) shall have issued on a regular basis public releases of quarterly and annual summary statements of sales and earnings;

(B) the election to satisfy tax withholding obligations relating to an award of Stock Options or Restricted Stock in the manner permitted by this Paragraph 13(b) shall be made either (1) during the period beginning on the third business day following the date of release of quarterly or annual summary statements of sales and earnings of the Company and ending one month prior to the end of the calendar quarter following such date, or (2) at least six months prior to the date as of which the receipt of such an award first becomes a taxable event for Federal income tax purposes;

(C) such election shall be irrevocable;

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(D) such election shall be subject to the consent or disapproval of the Committee; and

(E) the Common Stock withheld to satisfy tax withholding must pertain to an award of Stock Options or Restricted Stock which has been held by the Participant for at least six months from the date of grant of such award.

14. Noncompetition Provision

The Committee may provide in any Award Notice that the Participant shall forfeit all his unexercised Stock Options and shares of Restricted Stock if, (i) in the opinion of the Committee, the Participant, without the written consent of the Company, engages directly or indirectly in any manner or capacity as principal, agent, partner, officer, director, employee, owner, promoter, or otherwise, in any business or activity competitive with the business conducted by the Company or any Subsidiary; or (ii) the Participant performs any act or engages in any activity which in the opinion of the Committee is inimical to the best interests of the Company.

15. Dividends

Except as otherwise provided in the Award Notice, a Participant who is granted shares of Restricted Stock shall be entitled to receive dividends paid on such shares of Restricted Stock at the times and in the amounts as apply to shareholders generally. The Committee may determine in its discretion that the Participant will not receive dividends on Restricted Stock, or will receive such dividends only if and when the restrictions on the Restricted Stock lapse, but any such determination must be set forth in the Award Notice.

16. Amendments of Awards

The Committee may at any time unilaterally amend the Award Notice for any unexercised Stock Option or any share of Restricted Stock then subject to restrictions to the extent it deems appropriate; provided, however, that any such amendment which is adverse to a Participant shall require the Participant's consent.

17. Regulatory Approvals and Listings

Notwithstanding anything contained in this Plan to the contrary, the Company shall have no obligation to issue or deliver certificates of Common Stock upon the exercise of any Stock Option or award of Restricted Stock prior to (a) the obtaining of any approval from any governmental agency which the Company shall, in its sole discretion, determine to be necessary or advisable, (b) the admission of such shares to listing on the stock exchange on which the Common Stock may be listed, and (c) the completion of any registration or other qualification of said shares under any state or federal law or ruling of any governmental body which the Company shall, in its sole discretion, determine to be necessary or advisable.

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18. No Rights to Continued Employment or Awards

Participation in this Plan shall not give any Key Employee any right to remain in the employ of the Company or any Subsidiary. The Company or, in the case of employment with a Subsidiary, the Subsidiary, reserves the right to terminate any Key Employee at any time. Further, the adoption of this Plan shall not be deemed to give any person any right to be selected as a Participant or to be awarded any Stock Options or shares of Restricted Stock.

19. Amendment

The Board may suspend or terminate this Plan at any time. In addition, the Board may, from time to time, amend this Plan in any manner, but may not without stockholder approval adopt any amendment which (a) would materially increase the benefits accruing to Participants under this Plan, (b) would materially increase the number of shares of Common Stock which may be issued under this Plan (except as specified in Paragraph 12), (c) would materially modify the requirements as to eligibility for participation in this Plan, or (d) is required to be approved by stockholders under the rules and regulations of the New York Stock Exchange or applicable law.

20. Change in Control or Change in Ownership

(a) Background. All Participants shall be eligible for the treatment afforded by this Paragraph 20 if there is a Change in Ownership or if the Participant has a Separation from Service within two years following a Change in Control as a result of an involuntary termination without Cause or a termination on account of Good Reason.

(b) Vesting and Lapse of Restrictions. If a Participant is eligible for treatment under this Paragraph 20, (i) all of the terms and conditions in effect on any unexercised Stock Options and any restrictions on shares of Restricted Stock shall immediately lapse as of the Acceleration Date; (ii) no other terms or conditions shall be imposed upon any Stock Options or shares of Restricted Stock on or after such date, and in no event shall any Stock Option or share of Restricted Stock be forfeited on or after such date; (iii) all of his unexercised Stock Options and shares of Restricted Stock shall automatically become one hundred percent (100%) vested immediately upon such date; and (iv) all of his unexercised Stock Options and shares of Restricted Stock shall be valued and cashed out on the basis of the Change in Control Price.

(c) Payment. If a Participant is eligible for treatment under this Paragraph 20, whether or not he is still employed by the Company or a Subsidiary, he shall be paid, in a single lump-sum cash payment, as soon as practicable but in no event later than 90 days after the Acceleration Date (or, if sooner, March 15 of the calendar year following the Acceleration Date), for all his outstanding Stock Options (including incentive stock options) and shares of Restricted Stock.

(d) Section 16 of Exchange Act. Notwithstanding anything contained in this Paragraph 20 to the contrary, any Participant who on the Acceleration Date holds any

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Stock Options or shares of Restricted Stock that have not been outstanding for a period of at least six months from their date of award and who on the Acceleration Date is required to report under Section 16 of the Exchange Act shall not be paid for his Stock Options or Restricted Stock until the first day next following the end of such six-month period.

(e) Miscellaneous. Upon a Change in Control or a Change in Ownership, (i) the provisions of Paragraphs 10, 14 and 16 hereof shall become null and void and of no force and effect insofar as they apply to a Participant who has been terminated under the conditions described in Paragraph 20(a) above; and (ii) no action, including, but not by way of limitation, the amendment, suspension or termination of this Plan, shall be taken which would affect the rights of any Participant or the operation of this Plan with respect to any Stock Option or share of Restricted Stock to which the Participant may have become entitled hereunder on or prior to the date of the Change in Control or Change in Ownership or to which he may become entitled as a result of such Change in Control or Change in Ownership.

(f) Legal Fees. The Company shall pay all legal fees and related expenses incurred by a Participant in seeking to obtain or enforce any payment, benefit or right he may be entitled to under this Plan after a Change in Control or Change in Ownership; provided, however, the Participant shall be required to repay any such amounts to the Company to the extent a court of competent jurisdiction issues a final and non-appealable order setting forth the determination that the position taken by the Participant was frivolous or advanced in bad faith.

21. No Right, Title or Interest in Company Assets

No Participant shall have any rights as a stockholder as a result of participation in this Plan until the date of issuance of a stock certificate in his name and, in the case of Restricted Stock, such rights are granted to the Participant under Paragraph 9(c) hereof. To the extent any person acquires a right to receive payments from the Company under this Plan, such rights shall be no greater than the rights of an unsecured creditor of the Company.

22. Governing Law

This Plan, and all agreements hereunder, shall be construed in accordance with and governed by the laws of the State of New York.

23. Compliance with Section 409A

(a) Awards Intended To Be Excluded From Section 409A. All Stock Options awarded hereunder are intended to be exempt from the application of Code Section 409A either because the option is an incentive stock option within the meaning of Code Section 422 or because the option is a non-qualified stock option awarded with an exercise price at least equal to Fair Market Value on the date of grant. The Restricted Stock Awards are issued in compliance with Code Section 83 and are

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thereby exempt from Code Section 409A. Any interpretations or administrative actions necessary to implement the Plan shall be made to the extent practicable to preserve such exemptions from Code Section 409A

(b) Non-excluded Awards Must Comply With Section 409A. To the extent that the Committee determines that any Award granted hereunder is subject to Section 409A of the Code, the Award Instrument evidencing such Award shall incorporate the terms and conditions necessary to avoid taxes and interest under Section 409A(a)(1) of the Code. To the extent applicable, the Plan and Award Instruments shall be interpreted in accordance with Section 409A of the Code and final Treasury Regulations issued thereunder. Notwithstanding any provision of the Plan to the contrary, in the event that the Committee determines that any Award may be subject to Section 409A of the Code, the Committee may adopt such amendments to the Plan and the applicable Award Instrument or adopt other policies and procedures (including amendments, policies and procedures with retroactive effect), or take any other actions, that the Committee determines are necessary or appropriate to (1) exempt the Stock Award from Section 409A of the Code and/or preserve the intended tax treatment of the benefits provided with respect to the Stock Award, or (2) comply with the requirements of Section 409A of the Code and Treasury Regulations thereunder so as to avoid taxes and interest under Section 409A(a)(1) of the Code.

(c) Protection of the Company and Others. Notwithstanding the foregoing provisions of this Paragraph 23, neither the Company, nor any officer or employee of the Company, nor any member of the Committee shall have any liability to any Participant on account of an Award hereunder being taxable under Code Section 409A regardless of whether such person could have taken action to prevent such result and failed to do so.



SOVRAN SELF STORAGE, INC.  
1995 OUTSIDE DIRECTORS' STOCK OPTION PLAN

SECTION 1.

PURPOSE

1.1 The purpose of the "SOVRAN SELF STORAGE, INC. 1995 OUTSIDE DIRECTORS' STOCK OPTION PLAN" (the "Plan") is to foster and promote the long-term financial success of the Company and materially increase stockholder value by enabling the Company to attract and retain the services of outstanding Outside Directors (as defined herein) whose judgment, interest, and special effort is essential to the successful conduct of its operations.

SECTION 2.

DEFINITIONS

2.1 "Annual Award" means an Option for 2,000 shares of Stock and a number of shares of Restricted Stock equal to the base annual fee paid by the Company to each Outside Director multiplied by 0.8 and divided by the Fair Market Value on the date of the Annual Award.

2.2 "Awards" means Annual Awards and Initial Awards.

2.3 "Board" means the Board of Directors of the Company.

2.4 "Company" means Sovran Self Storage, Inc., a Maryland corporation, and any successor thereto.

2.5 "Disability" means total disability, which if the Outside Director were an employee of the Company, would be treated as a total disability under the terms of the Company's long-term disability plan for employees, as in effect from time to time.

2.6 "Fair Market Value" on any date means the average of the high and low sales prices of a share of Stock as reflected in the report of consolidated trading of New York Stock Exchange-listed securities (or, if the Stock is not then listed on the New York Stock Exchange ("NYSE"), the principal public trading market for such shares) for that date (or if no shares of Stock were traded on the NYSE or such other principal public trading market on that date, the next preceding date that shares of Stock were so traded) published in the Midwest Edition of The Wall Street Journal; provided, however, that if no shares of Stock have been publicly traded for more than ten (10) days immediately preceding such date, then the Fair Market Value of a share of Stock shall be determined by the Board or its authorized Committee in such manner as it may deem appropriate.

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2.7 “Initial Award” means an Option for 3,500 shares of Stock.

2.8 “Option” means the right to purchase Stock at a stated price for a specified period of time. All Options granted under the Plan shall be non-statutory options not entitled to special tax treatment under Section 422 of the Internal Revenue Code, as amended.

2.9 “Outside Director” means each person who, on the date of an Initial Award or as of the close of the day on which an Annual Award is granted, is a director of the Company and who, as of such day, is not otherwise an officer or employee of the Company or any of its subsidiaries.

2.10 “Restricted Stock” means Stock granted to an Outside Director pursuant to an Annual Award under the Plan.

2.11 “Stock” means the common stock of the Company, \$.01 par value per share.

### SECTION 3.

#### ELIGIBILITY AND PARTICIPATION

Each Outside Director shall participate in the Plan.

### SECTION 4.

#### STOCK SUBJECT TO PLAN

4.1 Number. The total number of shares of Stock subject to Awards under the Plan may not exceed 150,000 shares, subject to adjustment pursuant to Section 4.3. The shares to be delivered under the Plan may consist, in whole or in part, of treasury Stock or authorized but unissued Stock, not reserved for any other purpose.

4.2 Canceled or Terminated Awards. Any shares of Stock subject to an Option or a grant of Restricted Stock that for any reason is canceled or terminated without the issuance of Stock or does not vest shall again be available for Awards under the Plan. Any shares of Restricted Stock granted pursuant to an Annual Award under this Plan that do not vest shall be automatically cancelled and shall again be available for Awards under the Plan.

4.3 Adjustment in Capitalization. In the event of any Stock dividend or Stock split, recapitalization (including, without limitation, the payment of an extraordinary dividend), merger, consolidation, combination, spin-off, distribution of assets to stockholders, exchange of shares, or other similar corporate change in which the Company survives the transaction, the aggregate number of shares of Stock available for issuance hereunder or subject to Options and the respective exercise prices of outstanding Options shall be

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appropriately adjusted by the Board or its authorized Committee, whose determination shall be conclusive; provided, however, that any fractional shares resulting from any such adjustment shall be disregarded.

## SECTION 5.

### STOCK OPTIONS AND RESTRICTED STOCK

#### 5.1 Grant of Options and Restricted Stock.

(a) Initial Awards. Effective on the later of the date of the completion of the initial public offering of shares of Stock or the date the Outside Director is first elected or appointed to the Board, each Outside Director who has not previously been granted an Initial Award shall be granted an Initial Award.

(b) Annual Awards. Thereafter, effective as of the close of each annual meeting of the stockholders of the Company, each Outside Director shall be granted an Annual Award.

(c) Option Agreement; Restricted Stock Agreement. Each Option shall be evidenced by an Option agreement that shall specify the exercise price, the term of the Option, the number of shares of Stock to which the Option pertains and such other matters, not inconsistent herewith, as the Committee deems necessary or appropriate. Each grant of Restricted Stock shall be evidenced by a Restricted Stock agreement that shall specify the number of shares of Restricted Stock to which the grant pertains and such other matters, not inconsistent herewith, as the Committee deems necessary or appropriate.

(d) Limitations. All grants of Options and Restricted Stock under the Plan shall be subject to the availability of shares hereunder, and no Option or Restricted Stock shall be granted under the Plan to the extent necessary to prevent Outside Directors serving as the administrators of any of the Company's other stock option or employee benefit plans from failing to qualify as "disinterested persons" under Rule 16b-3 promulgated under the Securities Exchange Act of 1934, as amended ("Rule 16b-3").

5.2 Option Price. Each Option granted pursuant to the Plan shall have an exercise price equal to the Fair Market Value of a share of Stock on the date the Option is granted.

#### 5.3 Vesting and Exercise of Options; Vesting of Restricted Stock.

(a) Initial Awards. Options granted pursuant to an Initial Award under this Plan shall vest and become exercisable on the first anniversary of the date of grant.

(b) Annual Awards. Options granted pursuant to an Annual Award under this Plan shall be immediately vested and exercisable on the date of grant. Restricted Stock

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granted pursuant to an Annual Award under this Plan shall vest one year following the date of grant if the Outside Director to whom such grant was made is a member of the Board as of such date; provided, however, that such Restricted Stock shall immediately vest upon any of (i) such Outside Director's death or disability while he is serving on the Board, and (ii) a Significant Corporate Event.

(c) Exercise Period. Options hereafter granted under the Plan shall terminate and cease to be exercisable on the later of (i) the tenth anniversary of the date of the Option's grant, or (ii) one year following the date on which the Outside Director to whom such Option was granted ceases to serve as a director of the Company. In the event of an Outside Director's death during the exercise period of any Option, the personal representative of the Outside Director may exercise any outstanding Options held by such Outside Director not theretofore exercised during the one-year period following such Outside Director's death.

5.4 Services as an Employee. Notwithstanding any other provision of the Plan, if an Outside Director becomes an employee of the Company or any of its subsidiaries (a "Former Outside Director"), the Former Outside Director shall be treated as continuing in service for purposes of this Plan, but shall not be eligible to receive Annual Awards while an employee or for one full year thereafter. If during this period of ineligibility the Former Outside Director ceases to be an employee, the provisions of Section 5.3(c) shall continue to be applicable.

5.5 Exercise. Options may be exercised, in whole or in part and only to the extent then exercisable, by giving written notice of exercise to the Company accompanied by full payment of the Option price by one or more of the following methods of payment:

- (a) In cash, by certified or bank check or other instrument acceptable to the Board or its authorized committee;
  - (b) In the form of shares of Stock that are not then subject to restrictions under any Company plan, if permitted by the Board or its authorized committee, in its discretion. Such surrendered shares shall be valued at Fair Market Value on the date of exercise; or
  - (c) By the Outside Director delivering to the Company a properly executed exercise notice together with irrevocable instructions to a broker to promptly deliver to the Company cash or a check payable and acceptable to the Company to pay the Option price; provided that in the event the Outside Director chooses to pay the Option price as so provided, the Outside Director and the broker shall comply with such procedures and enter into such agreements of indemnity and other agreements as the Company shall prescribe as a condition of such payment procedure. Payment instruments will be received subject to collection.
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## SECTION 6.

### AMENDMENT, MODIFICATION, AND TERMINATION OF PLAN

The Plan shall be administered in accordance with Rule 16b-3 by the Board or an authorized committee thereof (in which case all references to the Board shall refer to such committee while such committee administers this Plan), which shall make any determination under or interpretation of any provision of the Plan and any Option or Restricted Stock grant. Any of the foregoing actions taken by the Board shall be final and conclusive. The Board may terminate or suspend the Plan, and may amend and make such changes in and additions to the Plan (and, with the consent of the applicable Outside Director, any outstanding Option or Restricted Stock grant) as it may deem proper and in the best interest of the Company; provided, however, that no such action shall adversely affect or impair any Options or Restricted Stock theretofore granted under the Plan without the consent of the applicable Outside Director; and provided further, however, that no amendment (i) increasing the maximum number of shares of Stock which may be issued under the Plan, except as provided in Section 4.3, (ii) extending the term of the Plan or any Option, (iii) changing the requirements as to eligibility for participation in the Plan, or (iv) otherwise requiring approval of stockholders under Rule 16b-3, shall be adopted without the approval of stockholders. Notwithstanding anything to the contrary herein, the Plan shall not be amended more than once in every six month period, other than to comport with changes in the Internal Revenue Code, the Employee Retirement Income Security Act, or the rules thereunder.

## SECTION 7.

### EFFECT OF CERTAIN TRANSACTIONS

In the case of (a) the dissolution or liquidation of the Company, (b) a merger, reorganization or consolidation in which the Company is acquired by another person or in which the Company is not the surviving corporation, or (c) the sale of all or substantially all of the outstanding Stock or assets of the Company to another entity (each such event, a "Significant Corporate Event"), the Plan and Options issued hereunder shall terminate on the effective date of such dissolution, liquidation, merger, reorganization, consolidation or sale, unless provision is made in such transaction for the assumption of Options theretofore granted under the Plan or the substitution for such Options of a new stock option of the successor corporation or a parent or subsidiary thereof, with appropriate adjustment as to the number and kind of shares and the per share exercise price, such as provided in Section 4.3 of the Plan. In the event of any transaction which will trigger such termination, the Company shall give written notice thereof to the Outside Directors at least twenty days prior to the effective date of such transaction or the record date on which stockholders of the Company entitled to participate in such transaction shall be determined, whichever comes first. In the event of such termination, any unexercised portion of outstanding Options, which is vested and exercisable at that time, shall be exercisable for at least 15 days prior to the date of such termination;

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provided, however, that in no event shall any Option be exercisable after the applicable expiration date for the Option.

## SECTION 8.

### MISCELLANEOUS PROVISIONS

8.1 Nontransferability of Awards. No Options may be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated, other than by will or by the laws of descent and distribution. All rights with respect to Options granted to an Outside Director shall be exercisable during his lifetime only by him.

8.2 Rights As A Stockholder. An Outside Director or a transferee of an Option shall not have any rights as a stockholder with respect to any shares of Stock issuable upon exercise of an Option until the date of the receipt of payment by the Company. No adjustments pursuant to Section 4.3 shall be made as to any Option for dividends (ordinary or extraordinary, whether in cash, securities or other property) or distributions or other rights for which the record date is after such date.

8.3 No Guarantee of Membership. Nothing in the Plan shall confer upon an Outside Director the right to remain a member of the Board.

8.4 Requirements of Law. The granting and issuance of Restricted Stock, the granting of Options and the issuance of shares of Stock upon the exercise of Options shall be subject to all applicable laws, rules, and regulations, and to such approvals by any governmental or self-regulatory or other agencies as may be required.

8.5 Term of Plan. The Plan shall be effective upon its approval by the stockholders of the Company. The Plan shall continue in effect, unless sooner terminated or suspended pursuant to Section 6, until the tenth anniversary of the date on which it is approved by the stockholders of the Company, so long as the total number of shares of Stock purchased or granted under the Plan or subject to outstanding Options does not exceed the number of shares of Stock specified in Section 4.1, subject to adjustment pursuant to Section 4.3. Notwithstanding the foregoing, each Option granted under the Plan shall remain in effect until such Option has been exercised or has terminated in accordance with its terms and the terms of the Plan.

8.6 Separability. In case any provision of the Plan shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

8.7 Governing Law. The Plan, and all agreements hereunder, shall be construed in accordance with and governed by the laws of the State of New York.

Sovran Self Storage, Inc.  
Promissory Note Between Locke Sovran II, LLC  
and PNC Bank, National Association

Loan No. 94-0928992

PROMISSORY NOTE

\$48,000,000.00

New York  
February 12, 2002

FOR VALUE RECEIVED, **LOCKE SOVRAN II L.L.C.**, a New York limited liability company (“Borrower”), having its principal place of business at 6467 Main Street, Buffalo, New York 14221, promises to pay to the order of PNC Bank, National Association (“Lender”), at the following address: 210 West 10th Street, 6th Floor, Kansas City, Missouri 64105, or such other place as the holder hereof may from time to time designate in writing, the principal sum of FORTY EIGHT MILLION AND NO/100 DOLLARS (\$48,000,000.00) in lawful money of the United States of America, with interest thereon to be computed from the date of disbursement under this Promissory Note (this “Note”) at the Applicable Interest Rate (hereinafter defined), and to be paid in installments as follows:

A. A payment, on the date of disbursement, representing interest from the date of disbursement through the last day of the calendar month in which such disbursement is made;

B. A constant payment of \$345,093.99 (the “Monthly Debt Service Payment Amount”) (based upon an amortization schedule assuming a 360 day year consisting of 12 months of 30 days each) on the first day of April, 2002 and on the first day of each calendar month thereafter up to and including the first day of February, 2012; and

C. The balance of said principal sum, all unpaid interest thereon and all other amounts owed pursuant to this Note, the Security Instrument (hereinafter defined), the Other Security Documents (hereinafter defined), or otherwise in connection with the loan evidenced by this Note (the “Loan”) shall be due and payable on the first day of March, 2012 (the “Maturity Date”).

All payments to be made by Borrower to Lender shall be deemed received by Lender only upon Lender’s actual receipt of same.

1. Applicable Interest Rate. Interest accruing on the principal sum of this Note
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shall be calculated based upon a per annum interest rate divided by 360 days resulting in a per diem interest amount that will accrue for each calendar day in a year of 365 days (366 days in a leap year). The term “Applicable Interest Rate” as used in this Note shall mean, from the date of this Note through and including the Maturity Date, a rate of Seven and 19/100th percent (7.19%) per annum (the “Initial Interest Rate”).

2. Application. All payments on this Note shall be applied at any time and from time to time in the following order: (i) the payment or reimbursement of any expenses (including but not limited to late charges), costs or obligations (other than the principal hereof and interest hereon) for which Borrower shall be obligated or Lender entitled pursuant to the provisions hereof or of the Security Instruments or the Other Security Documents, (ii) the payment of accrued but unpaid interest thereon, (iii) the payment of unpaid escrow amounts required herein, in the Security Instruments or in the Other Security Documents, and (iv) the payment of all or any portion of the principal balance then outstanding hereunder, in either the direct or inverse order of maturity, at Lender’s option.

3. Late Charge. If any part of the Debt (hereinafter defined) is not actually received by Lender by close of business on the fifth (5th) day after the date on which it was due, Borrower shall pay to Lender an amount (the “Late Charge”) equal to the lesser of five percent (5%) of such unpaid portion of the missed payment or the maximum amount permitted by applicable law, to defray the expenses incurred by Lender in handling and processing such delinquent payment and to compensate Lender for the loss of the use of such delinquent payment. All such Late Charges shall be automatically due and payable without notice or demand and shall be secured by the Security Instruments and the Other Security Documents.

4. Security; Defined Terms; Incorporation by Reference. This Note is secured by the Security Instrument and the Other Security Documents. The term “Security Instrument” as used in this Note shall mean each of the eleven (11) Mortgages, Security Agreements, Assignments of Leases and Rents and Fixture Filings, and the one (1) Deed of Trust, Security Agreement Assignment of Leases and Rents and Fixture Filing, and the two (2) Deeds to Secure Debt, Security Agreements and Assignments of Leases and Rents executed and delivered by Borrower contemporaneously with this Note and which secure the Debt (sometimes referred to individually as an “Individual Security Instrument” and sometimes referred to collectively as the “Security Instruments”). The term “Other Security Documents” means all documents other than this Note or the Security Instruments now or hereafter executed and/or delivered by Borrower and/or others and to or in favor of Lender, which wholly or partially secure, evidence or guarantee payment of the Debt, provide for any indemnity in favor of or payment to Lender related to the Debt, this Note or the Mortgaged Property (as defined in Paragraph 21(d) below), provide for any escrow/holdback arrangements or for any actions to be completed by Borrower subsequent to the date hereof, or are otherwise related to the loan evidenced by this Note, including, without limitation, the Lockbox Agreement (as defined in Paragraph 21(a)(i) below). All amounts due and payable under this Note, together with all sums due under the Security Instruments and the Other

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Security Documents, including any applicable Prepayment Consideration (hereinafter defined) and all applicable attorney fees and costs, are collectively referred to herein as the "Debt." Where appropriate, the singular number shall include the plural, the plural shall include the singular, and the words "Lender" and "Borrower" shall include their respective successors, assigns, heirs, personal representatives, executors and administrators.

5. Prepayment/Defeasance.

(a) When Permitted. Prior to December 1, 2011 (the "Early Payment Date"), Borrower shall not have the right to prepay all or any portion of the Debt at any time during the term of this Note (except for any prepayment permitted under the Security Instruments in the event of a casualty or condemnation). No Prepayment Consideration (hereinafter defined) will be due from any prepayment of this Note (in whole but not in part) on or after the Early Payment Date. In the event of a prepayment on or after such date, Borrower shall pay, together with the amount of such prepayment, an amount equal to (i) all accrued and unpaid interest, and (ii) any other sums due under this Note, the Security Instruments or any Other Security Document. Additionally, any such prepayment not actually received by Lender before 5:00 p.m., central time, on the 5th day of any calendar month must also include the interest which would have accrued on the amount of such prepayment during the entire calendar month in which the prepayment is made.

(b) Notice. Borrower may give written notice to Lender specifying the date, which date must be on or after the Early Payment Date, on which a full prepayment of the Debt is to be made (the date of any prepayment hereunder, whether pursuant to such notice or not, and whether voluntary or involuntary, being herein called the "Prepayment Date"). The Prepayment Date so designated must fall within the first ten (10) calendar days of a month during the term of this Note. Lender shall receive this notice not more than sixty (60) days and not less than thirty (30) days prior to the Prepayment Date. If any such notice of prepayment is given, the entire Debt, including any applicable Prepayment Consideration (as defined below), shall be due and payable on the Prepayment Date.

(c) Prepayment After Event of Default. If following the occurrence of any Event of Default, Borrower shall tender payment of an amount sufficient to satisfy the Debt at any time prior to or after a sale of the Mortgaged Property, either through foreclosure or the exercise of the other remedies available to Lender under the Security Instruments or the Other Security Documents, such tender by Borrower shall be deemed to be a voluntary prepayment under this Note in the amount tendered and in such case Borrower shall also pay to Lender, with respect to the amount tendered, the applicable Prepayment Consideration set forth in this Note, which Prepayment Consideration shall be immediately due and payable. Lender shall not be obligated to accept any such prepayment of this Note unless it is accompanied by an amount (the "Prepayment Consideration") equal to the greater of: (x) one percent (1%) of the outstanding principal balance of this Note at the time of prepayment; or (y) the Yield Maintenance Amount

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(hereinafter defined).

Lender shall not be obligated to accept any such tender unless it is accompanied by all Prepayment Consideration due in connection therewith. Borrower acknowledges that the Prepayment Consideration is a bargained for consideration and not a penalty, and Borrower recognizes that Lender would incur substantial additional costs and expenses in the event of a prepayment of the Debt and that the Prepayment Consideration compensates Lender for such costs and expenses (including without limitation, the loss of lender's investment opportunity during the period from the date such tender is accepted until the Maturity Date). Borrower agrees that Lender shall not, as a condition to receiving the Prepayment Consideration, be obligated to actually reinvest the amount prepaid in any treasury obligation or in any other manner whatsoever. Except as otherwise set forth in the Security Instruments, no Prepayment Consideration will be due for involuntary prepayments resulting from any Casualty (as defined in each Security Instrument) or Condemnation (as defined in each Security Instrument).

Yield Maintenance Amount. The "Yield Maintenance Amount" shall mean the present value, as of the Prepayment Date, of the remaining scheduled payments of principal and interest from the Prepayment Date through the Maturity Date (including any balloon payment) determined by discounting such payments at the Discount Rate (hereinafter defined), less the amount of principal being prepaid. The term "Discount Rate" shall mean the rate which, when compounded monthly, is equivalent to the Treasury Rate (hereinafter defined) when compounded semi-annually. The term "Treasury Rate" shall mean the yield calculated by the linear interpolation of the yields, as reported in Federal Reserve Statistical Release H.15-Selected Interest Rates under the heading U.S. Government Securities/Treasury Constant Maturities for the week ending prior to the Prepayment Date, of U.S. Treasury constant maturities with maturity dates (one longer and one shorter) most nearly approximating the Maturity Date. (In the event Release H.15 is no longer published, Lender shall select a comparable publication to determine the Treasury Rate.) Lender shall notify Borrower of the amount and the basis of determination of the required Prepayment Consideration.

(d) Defeasance. Any provision hereof to the contrary notwithstanding, at any time during the Defeasance Period (as defined below), Borrower may obtain a release of the Mortgaged Property from the lien of the Security Instruments only upon the satisfaction of the following conditions:

(i) not less than thirty (30) days prior written notice shall be given to Lender specifying a date (the "Defeasance Date") on which the Defeasance Collateral (as defined below) is to be delivered, such date being the first day of the month;

(ii) all accrued and unpaid interest and all other sums due under this Note, the Security Instruments and the Other Security Documents up to the Defeasance Date, including, without limitation, all reasonable costs and expenses incurred by Lender or its agents in connection with such defeasance, including, without limitation, any legal fees and expenses incurred in connection with obtaining and reviewing the Defeasance

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Collateral, the preparation of the Defeasance Security Agreement (as defined below) and related documentation, accountant fees, and investment advisor fees, all of which shall be paid in full on or prior to the Defeasance Date;

(iii) no Event of Default, and no event or condition that, with the giving of notice or passage of time or both, would constitute an Event of Default, shall exist either at the time Borrower gives notice of the Defeasance Date to Lender or on the Defeasance Date;

(iv) Borrower shall deliver to Lender on or before the Defeasance Date direct, non-callable obligations of the United States of America in such form and amount that provide for the payments prior, but as close as possible, to all successive regularly scheduled monthly payment dates, including the Maturity Date, with such payments being equal to or greater than the amount of the corresponding monthly payment required to be paid under this Note (hereafter, "Scheduled Defeasance Payments") for the balance of the term hereof and the amount required to be paid on the Maturity Date (such obligations are collectively and singularly referred to herein as "Defeasance Collateral") each of which shall be duly endorsed by the holder thereof as directed by Lender or accompanied by a written instrument of transfer in form and substance wholly satisfactory to Lender (including, without limitation, such instrument as may be required by the depository institution holding such securities or the issuer thereof, as the case may be, to effectuate book-entry transfers and pledges through the book-entry facilities of such institution) in order to perfect a first priority security interest in such Defeasance Collateral in favor of Lender. The Defeasance Collateral may be purchased by Lender on Borrower's behalf, in which case Borrower shall deposit with Lender at least three days before the Defeasance Date a sum sufficient, in Lender's sole and absolute discretion, to purchase the Defeasance Collateral. Any sums in excess of the amount necessary to purchase the Defeasance Collateral shall be remitted to Borrower upon release of the Mortgaged Property.

(v) Borrower shall deliver the following to Lender, at Borrower's cost, on or prior to the Defeasance Date:

(A) a pledge and security agreement, in form and substance satisfactory to Lender in its sole discretion, creating a first priority security interest in favor of Lender in the Defeasance Collateral (the "Defeasance Security Agreement");

(B) a certificate of Borrower certifying that all of the requirements hereunder for a defeasance have been satisfied;

(C) an opinion of counsel for Borrower in form and substance and delivered by counsel satisfactory to Lender in its sole discretion stating, among other things, (x) that Lender has a perfected first priority security interest in the Defeasance Collateral, (y) that the Defeasance Security Agreement is enforceable against Borrower in accordance with its terms and (z) that the defeasance will not cause the entity which holds this Note to fail to qualify as a "real estate mortgage investment conduit" (a

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“REMIC”), within the meaning of Section 860D of the Internal Revenue Code of 1986, as amended from time to time or any successor statute (the “Code”);

(D) an opinion of an independent certified public accountant acceptable to Lender representing and warranting to Lender that the Defeasance Collateral will generate monthly amounts equal to or greater than the Scheduled Defeasance Payments including the amount required to be paid on the Maturity Date of this Note, and such other approvals required by Lender;

(E) evidence in writing from each of the Rating Agencies (as defined below) to the effect that such release will not result in a qualification, downgrade or withdrawal of any rating in effect immediately prior to the Defeasance Date for any securities or “Pass-Through Certificates” issued pursuant to the terms of a trust and servicing agreement in the event that this Note or any interest therein is included in a REMIC or other securitization vehicle;

(F) such other certificates, opinions, documents or instruments as Lender may reasonably require; and

(G) upon approval by Lender of the schedule of Defeasance Collateral to be delivered to Lender, Borrower shall (i) pay Lender a nonrefundable fee, in an amount reasonably determined by Lender, as compensation for the review, analysis and processing of the defeasance request; and (ii) if required by Lender, deposit with Lender an amount estimated by Lender to be sufficient to fund all other fees, costs and expenses related to the defeasance, including Lender’s reasonable attorneys’ fees and expenses and rating agency fees, if any and expenses together with all expenses and costs associated with the release of the lien on the Mortgaged Property. Borrower shall be responsible for all fees, costs and expenses associated with the defeasance which, if not covered by the above deposit, shall be paid to Lender no later than the Defeasance Date.

Upon compliance with the foregoing requirements relating to the delivery of the Defeasance Collateral, the Mortgaged Property shall be released from the lien of the Security Instruments and the Defeasance Collateral shall constitute collateral which shall secure this Note and the Debt.

The “Defeasance Period” shall mean the period of time: (1) commencing on the date which is the later to occur of: (A) two years after the “start-up day”, within the meaning of Section 860(G)(a)(9) of the Code, of the REMIC that holds this Note; and (B) three (3) years after the date of the first regularly scheduled monthly payment due hereunder, and (2) ending on the Early Payment Date. The “Rating Agencies” shall mean, collectively, Standard & Poor’s Ratings Service, a division of The McGraw Hill Companies, Inc., Fitch IBCA, Inc., Moody’s Investors Service, Inc. or Duff and Phelps Credit Rating Co., and their respective successors and assigns, to the extent each of the foregoing performed credit rating services for the REMIC or other securitization vehicle which owns this Note.

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(e) Successor Borrower. In connection with a defeasance under this Section, Borrower shall establish or designate a successor entity (the "Successor Borrower") which shall be a single purpose entity approved by Lender in its sole discretion. Borrower shall transfer and assign all obligations, rights and duties under and to this Note together with the Defeasance Collateral to such Successor Borrower. Such Successor Borrower shall assume the obligations under this Note and the Security Instrument and Borrower shall be relieved of its obligations under such documents except for any such representations that specifically survive the defeasance. Borrower shall pay \$1,000 to any such Successor Borrower as consideration for assuming the obligations under this Note and the Security Instrument. Borrower shall pay all costs and expenses incurred by Lender, including Lender's attorneys' fees and expenses, incurred in connection with establishment of the Successor Borrower.

(f) Defeasance Collateral Account. All cash from interest and principal payments paid on the Defeasance Collateral shall be paid over to Lender for each Scheduled Defeasance Payment and applied first to accrued and unpaid interest and then to principal. Any cash from interest and principal paid on the Defeasance Collateral not needed to pay accrued and unpaid interest or principal shall be retained in a designated account established by Borrower or Successor Borrower as the case may be, (the "Defeasance Collateral Account") which shall constitute additional collateral for the loan evidenced hereby. The Defeasance Collateral Account shall contain only cash from interest and principal paid on the Defeasance Collateral. Borrower or Successor Borrower, as applicable, shall be the owner of the Defeasance Collateral Account and shall report all income accrued thereon for federal, state and local income tax purposes and shall pay all costs and expenses associated with opening and maintaining the account and may pay all costs and expenses associated with maintaining the Successor Borrower from such account. Lender shall have no responsibility to fund any Scheduled Defeasance Payments and shall not be liable in any way by reason of any insufficiency in the Defeasance Collateral Account. Upon an assumption by Successor Borrower acceptable to Lender, Borrower shall be relieved of its obligations under this Note and the Defeasance Security Agreement and, to the extent such documents relate to the Mortgaged Property, the Other Security Documents.

(g) Release of Security Instruments Following Defeasance. Upon compliance with the requirements hereunder for a defeasance, the Mortgaged Property shall be released from the lien of each of the Security Instruments and the Other Security Documents, and the Defeasance Collateral shall constitute collateral securing this Note. Lender will, at Borrower's expense, execute and deliver any agreements reasonably requested by Borrower to release the lien of the Security Instruments from the Mortgaged Property.

(h) Purchase of Defeasance Collateral. In the event of purchase by Lender of the Defeasance Collateral, such purchase may, in Lender's sole and absolute discretion be through an affiliate of Lender or a third party entity. Borrower shall be responsible for the payment of any brokerage or other transaction fees in connection with such purchase.

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6. Default. An “Event of Default” shall occur if:

(a) Borrower fails to make the full and punctual payment of any amount payable hereunder or under any of the Security Instruments or Other Security Documents on a monthly basis, which failure is not cured on or before the fifth (5th) day after the date of written notice from Lender to Borrower of such failure;

(b) Borrower fails to pay the entire outstanding principal balance hereunder, together with all accrued and unpaid interest, on the date when due, whether on the Maturity Date, upon acceleration or prepayment or otherwise; or

(c) an Event of Default (as defined in any of the Security Instruments or any of the Other Security Documents) has occurred under any of the Security Instruments and/or Other Security Documents.

7. Acceleration. The whole of the Debt, including without limitation, the principal sum of this Note, all accrued interest and all other sums due under this Note, the Security Instruments and the Other Security Documents, together with any applicable Prepayment Consideration, shall become immediately due and payable at the option of Lender, without notice, at any time following the occurrence of an Event of Default.

8. Default Interest. Upon the occurrence of an Event of Default (including without limitation, the failure of Borrower to pay the Debt in full on the Maturity Date), Lender shall be entitled to receive and Borrower shall pay interest on the entire unpaid principal balance at the rate (the “Default Rate”) equal to the greater of: (a) four percent (4%) above the Applicable Interest Rate; or (b) four percent (4%) above the Prime Rate (hereinafter defined) in effect at the time of the occurrence of the Event of Default; provided, however, that notwithstanding the foregoing, in no event shall the Default Rate exceed the Maximum Rate (hereinafter defined). The term “Prime Rate” shall mean the prime rate reported in the Money Rates section of The Wall Street Journal for the date (the “Default Rate Calculation Date”) upon which the Event of Default occurred, or if no publication occurs upon such date, then the date of publication immediately preceding the date of the Event of Default. In the event that The Wall Street Journal should cease or temporarily interrupt publication, the term “Prime Rate” shall mean the daily average prime rate published upon the Default Rate Calculation Date in another business newspaper, or business section of a newspaper, of national standing chosen by Lender. In the event that a prime rate is no longer generally published or is limited, regulated or administered by a governmental or quasi-governmental body, then Lender shall select a comparable interest rate index which is readily available and verifiable to Borrower but is beyond Lender’s control. The Default Rate shall be computed from the occurrence of the Event of Default until the actual payment in full of the Debt. This charge shall be added to the Debt, and shall be deemed secured by the Security Instruments. This clause, however, shall not be construed as an agreement or privilege to extend the Maturity Date, nor as a waiver of any other right or remedy accruing to Lender by reason of the occurrence of any Event of Default.

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9. Attorney Fees. In the event that Lender employs attorney(s) to collect the Debt, to enforce the provisions of this Note or to protect or foreclose the security herefor, Borrower agrees to pay Lender's attorney fees and disbursements, whether or not suit be brought. Such fees shall be immediately due and payable.

10. Limit of Validity. This Note is subject to the express condition that at no time shall Borrower be obligated or required to pay interest or other charges on the Debt at a rate which may subject Lender to civil or criminal liability as a result of such rate exceeding the maximum interest rate which Borrower is permitted to pay by applicable law (the "Maximum Rate"). If by the terms of this Note, Borrower is at any time required or obligated to pay interest or other charges on the Debt at a rate in excess of the Maximum Rate, the rate of interest due under this Note shall be deemed to be immediately reduced to the Maximum Rate and any previous payments in excess of the Maximum Rate shall be deemed to have been payments in reduction of principal and not on account of the interest due hereunder.

11. No Oral Amendments. This Note may not be modified, amended, waived, extended, changed, discharged or terminated orally or by any act or failure to act on the part of Borrower or Lender, but only by an agreement in writing signed by the party against whom enforcement of any modification, amendment, waiver, extension, change, discharge or termination is sought.

12. Exculpation. Subject to the provisions of this Section, Borrower's liability under this Note, the Security Instruments or the Other Security Documents shall only extend to the Mortgaged Property and other collateral given to secure the Debt, and Lender shall not enforce such liability against any other asset, property or funds of Borrower or any person or entity constituting Borrower; provided, however, the foregoing shall not: (a) impair the right of lender to bring suit and obtain personal, recourse judgment against any person or entity (including Borrower or any person or entity constituting Borrower) relating to any losses sustained by Lender in connection with any fraud, intentional misrepresentation, waste, or misappropriation of tenant security deposits or rents collected more than one (1) month in advance by Borrower; (b) impair the right of Lender to name, and obtain a judgment against any person or entity (including Borrower or any person or entity constituting Borrower) to the extent required by law to either obtain a judgment of specific performance with respect to any of the provisions of this Note, the Security Instruments or any of the Other Security Documents, or to foreclose the Security Instruments and obtain title to the Mortgaged Property and other collateral given to secure the Debt; (c) affect the validity or enforceability of, or impair the right of Lender to bring suit and obtain personal, recourse judgment against any person or entity (including Borrower or any person or entity constituting Borrower) to enforce any guaranty, indemnity or release of liability made by such person or entity (whether made in this Note, the Security Instruments, any of the Other Security Documents or in any other separate agreement); (d) impair the right of Lender to obtain the appointment of a receiver; (e) impair the enforcement of any Assignment of Leases and Rents executed in connection herewith; or (f) affect the validity or enforceability of, or impair the right of Lender to bring suit and obtain personal, recourse judgment against

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any person or entity (including Borrower or any person or entity constituting Borrower) relating to any losses sustained by Lender in connection with any of the provisions of this Note, the Security Instruments or any of the Other Security Documents requiring that: (i) any person or entity maintain any insurance over any of the Mortgaged Property, or (ii) any insurance proceeds or condemnation awards be paid to Lender; or (g) impair the right of Lender to bring suit and obtain personal, recourse judgment against any person or entity (including Borrower or any person or entity constituting Borrower) for the full amount of the Debt if the Mortgaged Property or any part thereof shall become an asset in: (i) a voluntary bankruptcy or insolvency proceeding, or (ii) an involuntary bankruptcy or insolvency proceeding: (A) which is commenced by any person or entity controlling, controlled by or under common control with borrower (the “Borrowing Group”) or (B) in which any member of the Borrowing Group objects to a motion by Lender for relief from any stay or injunction from the foreclosure of the Security Instruments or any other remedial action permitted under this Note, the Security Instruments or any of the Other Security Documents. Items (a) through (g) above are collectively the “Non-Recourse Exceptions”. Borrower’s liability under the Non-Recourse Exceptions, excepting item (g), shall be limited to the amount of any losses or damages sustained by Lender in connection with such Non-Recourse Exceptions. Nothing herein shall be deemed to be a waiver of any right which Lender may have under Sections 506(a), 506(b), 1111(b) or any other provisions of the U.S. Bankruptcy Code to file a claim for the full amount of the Debt secured by the Security Instruments or to require that all of the Mortgaged Property and other collateral given to secure the Debt shall continue to secure all of the Debt.

13. Assignment. This Note may be freely transferred and assigned by Lender, its successors, endorsees and assigns. Borrower’s right to transfer its rights and obligations with respect to the Debt, and to be released from liability under this Note, shall be governed by the Security Instruments.

14. Applicable Law, Jurisdiction. This Note shall be governed and construed in accordance with the laws of the state in which the real property encumbered by the Security Instrument is located. Borrower hereby submits to personal jurisdiction in the state courts located in said state and the federal courts of the United States of America located in said state for the enforcement of Borrower’s obligations hereunder and waives any and all personal rights under the law of any other state to object to jurisdiction within such state for the purposes of any action, suit, proceeding or litigation to enforce such obligations of Borrower.

15. Joint and Several Liability. If Borrower consists of more than one person or entity, the obligations and liabilities of each such person or entity shall be joint and several.

16. Waiver of Presentment, Etc. Borrower and all others who may become liable for the payment of all or any part of the Debt do hereby severally waive presentment and demand for payment, notice of dishonor, protest, notice of protest, and notice of intent to accelerate the maturity hereof (and of such acceleration), except to the extent that specific

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notices are required by this Note, the Security Instruments or the Other Security Documents.

17. No Waiver. Any failure by Lender to insist upon strict performance by Borrower of any of the provisions of this Note, the Security Instruments or the Other Security Documents shall not be deemed to be a waiver of any of the terms or provisions of this Note, the Security Instruments or the Other Security Documents, and Lender shall have the right thereafter to insist upon strict performance by Borrower of any and all of the terms and provisions of this Note, the Security Instruments or the Other Security Documents.

18. Notices. Except as otherwise specified herein, any notice, consent, request or other communication required or permitted to be given hereunder shall be in writing, addressed to the other party as set forth below (or to such other address or person as either party or person entitled to notice may by notice to the other party specify), and shall be: (a) personally delivered; (b) delivered by Federal Express or other comparable overnight delivery service; or (c) transmitted by United States certified mail, return receipt requested with postage prepaid; to:

Lender: PNC Bank, National Association  
210 West 10th Street, 6th Floor  
Kansas City, Missouri 64105

Borrower: Locke Sovran II L.L.C.  
6467 Main Street  
Buffalo, New York 14221

Unless otherwise specified, all notices and other communications shall be deemed to have been duly given on the first to occur of actual receipt of the same or: (i) the date of delivery if personally delivered; (ii) one (1) business day after depositing the same with the delivery service if by overnight delivery service; and (iii) three (3) days following posting if transmitted by mail. Borrower must prominently display Lender's Loan Number on all notices or communications to Lender.

19. Severability. If any term, covenant or condition of this Note is held to be invalid, illegal or unenforceable in any respect, this Note shall be construed without such provision.

20. Time of the Essence. Time shall be of the essence in the performance of all obligations of Borrower hereunder.

21. Additional Terms and Provisions. Certain additional and supplemental terms and provisions of this Note are set forth in this paragraph. The terms and provisions of this paragraph control and supersede any conflicting terms and provisions contained in this Note.

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(a) Anything herein to the contrary notwithstanding, if Lender determines, in its sole discretion, at any time during the calendar month immediately preceding the Maturity Date that the Loan will not be paid as required on the Maturity Date, Lender shall have the option to forbear from exercising its rights under this Note, the Security Instruments and the Other Security Documents to foreclose upon the Mortgaged Property (an “Optional Lender Forbearance”). In such event, Lender shall notify Borrower of such decision and the following shall occur:

(i) On the first day of the month immediately following the Maturity Date and on the first day of each calendar month thereafter, Borrower shall pay to Lender an amount (each a “Property Cash Flow Payment Amount”) equal to the greater of (a) the Monthly Debt Service Payment Amount and (b) Gross Income (as defined in the Security Agreement and Lockbox Agreement (the “Lockbox Agreement”) executed contemporaneously herewith) received by it in connection with the Mortgaged Property.

(ii) Each Property Cash Flow Payment Amount paid after the Maturity Date shall be applied in accordance with the Lockbox Agreement. Interest accrued at the Adjusted Interest Rate and not paid shall be deferred and added to the indebtedness evidenced by this Note.

(iii) Lender’s decision to forbear from exercising its rights under this Note, the Security Instruments and the Other Security Documents shall be revocable at any time by Lender without notice to Borrower. Upon any such revocation, Lender shall be entitled to pursue any and all remedies available to it under this Note, the Security Instruments, the Other Security Documents, at law or in equity.

(iv) Anything herein to the contrary notwithstanding, Borrower shall have the right to pay the Loan in full on the Maturity Date.

(b) Paragraph 1 is amended to add the following at the end of said paragraph: “In the case of an Optional Lender Forbearance as provided herein, the term “Applicable Interest Rate” shall mean the Adjusted Interest Rate from and after the Maturity Date through and including the date this Note is paid in full. The term “Adjusted Interest Rate” shall mean the greater of (x) the Initial Interest Rate plus four percent (4.0%); or (y) the Yield Rate on the then-current on-the-run 10-year U.S. Treasury Obligation (the “Specified U.S. Treasury Security”) plus four percent (4.0%). The term “Yield Rate” shall mean the yield rate for the Specified U.S. Treasury Security as such yield rate is reported in the *Wall Street Journal* on the fifth (5th) business day preceding the Maturity Date. In the event that no such yield rate is published for the Specified U.S. Treasury Security, then the nearest equivalent U.S. Treasury Security shall be selected at Lender’s sole discretion, and the yield rate therefor shall be the “Yield Rate”. If the publication of such yield rates in the *Wall Street Journal* is discontinued, Lender shall determine such yield rates from another source selected by Lender.”

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(c) Paragraph 2 is amended to insert the following at the beginning of the first sentence: “Except as set forth in the Lockbox Agreement (as defined in Paragraph 21(a)(i) below).”

(d) For purposes hereof the term “Mortgaged Property” shall mean the “Mortgaged Property” (as defined in the Security Instruments taken collectively), and the term “Individual Property” shall mean each “Mortgaged Property” (as defined in each “Individual Security Instrument”). With respect to Borrower and the Mortgaged Property, nothing contained herein or in any of the Security Instruments or the other Security Documents shall be construed as requiring Lender to resort to any Individual Property for the satisfaction of any of the Debt in preference or priority to any other Individual Property, and Lender may seek satisfaction out of all of the Mortgaged Property or any part thereof, in its absolute discretion in respect of the Debt. In addition, Lender shall have the right from time to time to partially foreclose the Security Instrument in any manner and for any amounts secured by the Security Instruments then due and payable as determined by Lender in its sole discretion including, without limitation, the following circumstances: (i) in the event Borrower defaults beyond any applicable grace period in the payment of one or more scheduled payments of principal and interest, Lender may foreclose one or more of the Security Instruments to recover such delinquent payments, or (ii) in the event Lender elects to accelerate less than the entire outstanding principal balance of the Loan, Lender may foreclose one or more of the Security Instruments to recover so much of the principal balance of the Loan as Lender may accelerate and such other sums secured by one or more of the Security Instruments as Lender may elect. Notwithstanding one or more partial foreclosures, the Mortgaged Property shall remain subject to the Security Instruments to secure payment of sums secured by the Security Instruments and not previously recovered.

(e) Borrower acknowledges that Lender has made the Loan to Borrower upon the security of its collective interest in the Mortgaged Property and in reliance upon the aggregate of each Individual Property constituting the Mortgaged Property taken together being of greater value as collateral security than the sum of each Individual Property constituting the Mortgaged Property taken separately. Borrower agrees that: (i) an Event of Default under any of the Security Instruments shall constitute an Event of Default under this Note and under each of the other Individual Security Instruments; (ii) an Event of Default under this Note or the Other Security Documents shall constitute an Event of Default under each Security Instrument; (iii) each Individual Security Instrument shall constitute security for the Note as if a single blanket lien were placed on all of the Mortgaged Property as security for the Note; and (iv) such cross-defaulting shall in no event be deemed to constitute a fraudulent conveyance.

(f) Anything herein to the contrary notwithstanding, Borrower shall not have the right to obtain the release of any Individual Property from the lien of any Security Instrument or the Other Security Documents pursuant to Paragraph 5(d) unless Borrower simultaneously obtains the release of all of the Mortgaged Property.

(g) The first sentence of Paragraph 14 is amended to read as follows: “This

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Note shall be governed and constructed in accordance with the internal laws of the State of New York without regard to principles of conflicts of laws.”

(h) The following sentence is added as the fourth sentence of Paragraph 8: “The Prime Rate is a reference rate and does not necessarily represent the lowest or best rate charged by banks including, without limitation, Lender.”

BORROWER AND LENDER HEREBY KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVE ANY RIGHT THEY MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION BASED ON THE LOAN EVIDENCED BY THIS NOTE OR ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS NOTE, THE SECURITY INSTRUMENTS OR ANY OF THE OTHER SECURITY DOCUMENTS, OR ANY COURSE OF CONDUCT, COURSE OF DEALING, STATEMENT (WHETHER VERBAL OR WRITTEN) OR ACTION OF BORROWER OR LENDER. THIS PROVISION IS A MATERIAL INDUCEMENT FOR LENDER’S MAKING OF THE LOAN SECURED BY THE SECURITY INSTRUMENTS AND THE OTHER SECURITY DOCUMENTS.

IN WITNESS WHEREOF, Borrower has duly executed this Promissory Note as a sealed instrument to be effective the day and year first above written.

**“BORROWER”**

LOCKE SOVRAN II L.L.C., a New York limited liability company, by its Manager

By: LOCKE SOVRAN II MANAGER, INC., a Delaware corporation

By: \_\_\_\_\_  
Michael J. Rogers, Vice President

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**ACKNOWLEDGMENT (IN NEW YORK STATE)**

THE STATE OF NEW YORK

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:

COUNTY OF ERIE

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On the 12th day of February, in the year 2002, before me, the undersigned, a Notary Public in and for said State, personally appeared MICHAEL J. ROGERS personally known to me or proved to me on the basis of satisfactory evidence to be the individual whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his capacity as Vice President of Locke Sovran II Manager, Inc., a Delaware corporation, the Manager of Locke Sovran II L.L.C., a New York limited liability company, on behalf of said corporation and limited liability company, and that by his signature on the instrument, the individual, or the person upon behalf of which the individual acted, executed the instrument.

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(Signature and Office of Individual  
Taking Acknowledgment)

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Pay to the order of \_\_\_\_\_, without recourse.

PNC BANK, NATIONAL ASSOCIATION

By: \_\_\_\_\_  
Jeannette Butler, Vice President

**Statement Re: Computation of Earnings to  
Combined Fixed Charges and Preferred Stock Dividends**

Amounts in thousands	Year ended December 31,				
	2009	2008	2007	2006	2005
<b>Earnings:</b>					
Income from continuing operations before noncontrolling interest in consolidated subsidiaries and income from equity investees	\$ 22,203	\$ 37,699	\$ 40,065	\$ 37,134	\$ 34,177
Fixed charges	50,050	38,097	35,117	32,006	24,352
Preferred dividend requirements of consolidated subsidiaries	—	—	(1,256)	(2,512)	(4,123)
<b>Earnings (1)</b>	<b>72,253</b>	<b>75,796</b>	<b>73,926</b>	<b>66,628</b>	<b>54,406</b>
<b>Fixed charges:</b>					
Interest expense	48,847	36,905	32,898	28,501	19,439
Amortization of financing fees	1,203	1,192	963	993	790
Preferred stock dividends	—	—	1,256	2,512	4,123
<b>Fixed charges (2)</b>	<b>\$ 50,050</b>	<b>\$ 38,097</b>	<b>\$ 35,117</b>	<b>\$ 32,006</b>	<b>\$ 24,352</b>
<b>Ratio of earnings to combined fixed charges and preferred stock dividends (1)/(2)</b>	<b>1.44</b>	<b>1.99</b>	<b>2.11</b>	<b>2.08</b>	<b>2.23</b>

**Subsidiaries**

Sovran Acquisition Limited Partnership, a Delaware limited partnership  
Sovran Holdings, Inc., a Delaware Corporation  
Locke Sovran I L.L.C., a New York limited liability company  
Locke Sovran I Manager, Inc., a Delaware Corporation  
Locke Preferred Equity L.L.C., a New York limited liability company  
Locke Sovran II L.L.C., a New York limited liability company  
Locke Sovran II Manager, Inc., a Delaware Corporation  
The Locke Group, LLC, a Delaware limited liability company  
Locke Leasing, LLC, a New York limited liability company  
Iskalo Land Holdings, LLC, a New York limited liability company  
Sovran Jones Road, LLC, a Delaware limited liability company  
Sovran Congress, LLC, a Delaware limited liability company  
Sovran Cameron, LLC, a Delaware limited liability company  
Sovran Huebner, LLC, a Delaware limited liability company  
Sovran Little Road, LLC, a Delaware limited liability company  
Sovran Granbury, LLC, a Delaware limited liability company  
Sovran Shackelford, LLC, a Delaware limited liability company  
Sovran Manchester, LLC, a Delaware limited liability company  
Sovran DeGaulle, LLC, a Delaware limited liability company  
Sovran Grapevine, LLC, a Delaware limited liability company  
Sovran Washington, LLC, a Delaware limited liability company  
Sovran Meramac, LLC, a Delaware limited liability company  
Sovran Seminole, LLC, a Delaware limited liability company



**Consent of Independent Registered Public Accounting Firm**

We consent to the incorporation by reference in the following Registration Statements and Related Prospectuses:

- (1) Registration Statement (Form S-8 No. 333-21679) of Sovran Self Storage, Inc.
- (2) Registration Statement (Form S-8 No. 333-42272) pertaining to the 1995 Award and Option Plan and to the 1995 Outside Directors' Stock Option Plan,
- (3) Registration Statement (Form S-8 No. 333-42270) pertaining to the Deferred Compensation Plan for Directors of Sovran Self Storage, Inc.,
- (4) Registration Statement (Form S-8 No. 333-73806) pertaining to the 1995 Award and Option Plan,
- (5) Registration Statement (Form S-8 No. 333-107464) pertaining to the 1995 Outside Directors' Stock Option Plan and,
- (6) Registration Statement (Form S-8 No. 333-138937) pertaining to the 2005 Award and Option Plan

of our reports dated February 26, 2010, with respect to the consolidated financial statements and schedule of Sovran Self Storage, Inc., and the effectiveness of internal control over financial reporting of Sovran Self Storage, Inc., included in this Annual Report (Form 10-K) for the year ended December 31, 2009.

/s/ Ernst & Young LLP

Buffalo, New York  
February 26, 2010

**Certification of Chief Executive Officer Pursuant to Rule 13a-14(a) and 15d-14(a) of the Securities Exchange Act, as amended**

I, Robert J. Attea, certify that:

1. I have reviewed this report on Form 10-K of Sovran Self Storage, Inc.;
2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)), for the registrant and have:
  - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;
  - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes in accordance with generally accepted accounting principles;
  - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected or is reasonably likely to materially affect the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) all significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: February 26, 2010

/s/ Robert J. Attea

Robert J. Attea

Chairman of the Board and Chief Executive Officer

**Certification of Chief Financial Officer Pursuant to Rule 13a-14(a) and 15d-14(a) of the Securities Exchange Act, as amended**

I, David L. Rogers, certify that:

1. I have reviewed this report on Form 10-K of Sovran Self Storage, Inc.;
2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)), for the registrant and have:
  - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;
  - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes in accordance with generally accepted accounting principles;
  - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected or is reasonably likely to materially affect the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) all significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: February 26, 2010

/s/ David L. Rogers

David L. Rogers

Secretary, Chief Financial Officer

**Certification of 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**

Each of the undersigned of Sovran Self Storage, Inc. (the "Company") does hereby certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that:

- 1) The report on Form 10-K of the Company for the annual period ended December 31, 2009 (the "Report") fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934 (15 U.S.C. 78m); and
- 2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: February 26, 2010

/s/ Robert J. Attea

Robert J. Attea  
Chairman of the Board  
Chief Executive Officer

/s/ David L. Rogers

David L. Rogers  
Chief Financial Officer