

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2019

or

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

For the transition period from _____ to _____

Commission File Number: 001-12681

GLOBAL SELF STORAGE, INC.

(Exact name of registrant as specified in its charter)

Maryland
(State or other jurisdiction of
incorporation or organization)

13-3926714
(I.R.S. Employer
Identification Number)

Global Self Storage, Inc.
11 Hanover Square, 12th Floor
New York, NY 10005
(212) 785-0900

(Address, including zip code, and telephone number, including area code, of Company's principal executive offices)

Donald Klimoski II, Esq.
Global Self Storage, Inc.
11 Hanover Square, 12th Floor
New York, NY 10005
(212) 785-0900

(Name, address, including zip code, and telephone number, including area code, of agent for service)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common shares, \$0.01 par value per share	SELF	NASDAQ

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 every Interactive Data File required to be submitted 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 such files). Yes No

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

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

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

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

The number of shares outstanding of the registrant's common stock, par value \$0.01 per share, as of July 31, 2019, was 7,729,006.

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STATEMENT ON FORWARD LOOKING INFORMATION

Certain information presented in this report may contain “forward-looking statements” within the meaning of the federal securities laws including, but not limited to, the Private Securities Litigation Reform Act of 1995. Forward looking statements include statements concerning our plans, objectives, goals, strategies, future events, future revenues or performance, capital expenditures, financing needs, plans or intentions relating to acquisitions and other information that is not historical information. In some cases, forward looking statements can be identified by terminology such as “believes,” “plans,” “intends,” “expects,” “estimates,” “may,” “will,” “should,” or “anticipates” or the negative of such terms or other comparable terminology, or by discussions of strategy. All forward-looking statements by the Company involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of the Company, which may cause the Company’s actual results to be materially different from those expressed or implied by such statements. We may also make additional forward looking statements from time to time. All such subsequent forward-looking statements, whether written or oral, by us or on our behalf, are also expressly qualified by these cautionary statements. All forward-looking statements, including without limitation, management’s examination of historical operating trends and estimates of future earnings, are based upon our current expectations and various assumptions. Our expectations, beliefs and projections are expressed in good faith and we believe there is a reasonable basis for them, but there can be no assurance that management’s expectations, beliefs and projections will result or be achieved.

All forward looking statements apply only as of the date made. Except as required by law, we undertake no obligation to publicly update or revise forward looking statements which may be made to reflect events or circumstances after the date made or to reflect the occurrence of unanticipated events. There are a number of risks and uncertainties that could cause our actual results to differ materially from the forward-looking statements contained in or contemplated by this report.

There are a number of risks and uncertainties that could cause our actual results to differ materially from the forward-looking statements contained in or contemplated by this report. Any forward-looking statements should be considered in light of the risks referenced in “Item 1A. Risk Factors” included in our most recent report on Form 10-K and in our other filings with the Securities and Exchange Commission (the “SEC”). Such factors include, but are not limited to:

- **general risks associated with the ownership and operation of real estate, including changes in demand, risks related to development of self storage properties, potential liability for environmental contamination, natural disasters and adverse changes in tax, real estate and zoning laws and regulations;**
- **risks associated with downturns in the national and local economies in the markets in which we operate, including risks related to current economic conditions and the economic health of our customers;**
- **the impact of competition from new and existing self storage and commercial properties and other storage alternatives;**
- **difficulties in our ability to successfully evaluate, finance, integrate into our existing operations, and manage acquired and developed properties;**
- **risks related to our development of new properties and/or participation in joint ventures;**
- **risks of ongoing litigation and other legal and regulatory actions, which may divert management’s time and attention, require us to pay damages and expenses or restrict the operation of our business;**
- **the impact of the regulatory environment as well as national, state, and local laws and regulations including, without limitation, those governing the environment, taxes and our tenant reinsurance business and real estate investment trusts (“REITs”), and risks related to the impact of new laws and regulations;**
- **risk of increased tax expense associated either with a possible failure by us to qualify as a REIT, or with challenges to intercompany transactions with our taxable REIT subsidiaries;**
- **changes in federal or state tax laws related to the taxation of REITs, which could impact our status as a REIT;**
- **increases in taxes, fees and assessments from state and local jurisdictions;**
- **security breaches or a failure of our networks, systems or technology could adversely impact our business, customer and employee relationships;**
- **our ability to obtain and maintain financing arrangements on favorable terms;**
- **market trends in our industry, interest rates, the debt and lending markets or the general economy;**
- **the timing of acquisitions and our ability to execute on our acquisition pipeline;**

- **general volatility of the securities markets in which we participate;**
- **changes in the value of our assets;**
- **changes in interest rates and the degree to which our hedging strategies may or may not protect us from interest rate volatility;**
- **our ability to continue to qualify and maintain our qualification as a REIT for U.S. federal income tax purposes;**
- **availability of qualified personnel;**
- **difficulties in raising capital at a reasonable cost;**
- **fiscal policies or inaction at the U.S. federal government level, which may lead to federal government shutdowns or negative impacts on the U.S economy;**
- **estimates relating to our ability to make distributions to our stockholders in the future; and**
- **economic uncertainty due to the impact of terrorism or war.**

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements.

GLOBAL SELF STORAGE, INC.

CONSOLIDATED BALANCE SHEETS
(Unaudited)

	June 30, 2019	December 31, 2018
Assets		
Real estate assets, net	\$ 53,373,912	\$ 53,811,737
Cash and cash equivalents	1,091,670	1,526,203
Restricted cash	224,706	186,063
Investments in securities	1,794,889	1,567,607
Accounts receivable	105,944	67,604
Prepaid expenses and other assets	299,497	263,767
Line of credit issuance costs	391,533	471,196
Goodwill	694,121	694,121
Total assets	<u>\$ 57,976,272</u>	<u>\$ 58,588,298</u>
Liabilities and equity		
Note payable	\$ 19,057,107	\$ 19,269,250
Accounts payable and accrued expenses	<u>2,288,432</u>	<u>2,113,172</u>
Total liabilities	<u>21,345,539</u>	<u>21,382,422</u>
Commitments and contingencies (Note 12)		
Equity		
Preferred stock, \$0.01 par value: 50,000,000 shares authorized, no shares outstanding	—	—
Common stock, \$0.01 par value: 450,000,000 shares authorized, 7,729,330 and 7,692,624 issued and outstanding at June 30, 2019 and December 31, 2018, respectively	77,293	76,926
Additional paid in capital	34,067,426	33,961,903
Retained earnings	2,486,014	3,167,047
Total equity	<u>36,630,733</u>	<u>37,205,876</u>
Total liabilities and equity	<u>\$ 57,976,272</u>	<u>\$ 58,588,298</u>

See notes to unaudited consolidated financial statements.

GLOBAL SELF STORAGE, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2019	2018	2019	2018
Revenues				
Rental income	\$ 2,077,453	\$ 1,954,052	\$ 4,116,137	\$ 3,856,153
Other property related income	71,234	65,678	139,060	125,461
Total revenues	2,148,687	2,019,730	4,255,197	3,981,614
Expenses				
Property operations	923,529	823,672	1,836,878	1,673,366
General and administrative	554,635	456,330	1,110,639	921,752
Depreciation and amortization	352,809	349,173	704,376	698,046
Business development	15,044	10,000	23,294	10,000
Total expenses	1,846,017	1,639,175	3,675,187	3,303,164
Operating income	302,670	380,555	580,010	678,450
Other income (expense)				
Dividend and interest income	17,446	17,779	34,646	41,126
Unrealized gain on marketable equity securities	72,833	217,349	227,282	175,442
Interest expense	(256,104)	(220,209)	(517,270)	(440,417)
Total other income (expense), net	(165,825)	14,919	(255,342)	(223,849)
Net income	\$ 136,845	\$ 395,474	\$ 324,668	\$ 454,601
Earnings per share				
Basic	\$ 0.02	\$ 0.05	\$ 0.04	\$ 0.06
Diluted	\$ 0.02	\$ 0.05	\$ 0.04	\$ 0.06
Weighted average shares outstanding				
Basic	7,640,991	7,619,549	7,635,885	7,619,509
Diluted	7,650,296	7,620,283	7,642,980	7,619,999

See notes to unaudited consolidated financial statements.

GLOBAL SELF STORAGE, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(Unaudited)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2019	2018	2019	2018
Net income	\$ 136,845	\$ 395,474	\$ 324,668	\$ 454,601
Other comprehensive gain (loss)	—	—	—	—
Comprehensive gain	\$ 136,845	\$ 395,474	\$ 324,668	\$ 454,601

See notes to unaudited consolidated financial statements.

GLOBAL SELF STORAGE, INC.
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
(Unaudited)

	Common Stock		Paid in Capital	Retained Earnings	Total Stockholders' Equity
	Shares	Par Value			
Balances at December 31, 2018	7,692,624	\$ 76,926	\$ 33,961,903	\$ 3,167,047	\$ 37,205,876
Restricted stock grants issued	41,343	414	(414)	—	—
Restricted stock grant forfeitures	(4,637)	(47)	47	—	—
Compensation expense related to stock-based awards	—	—	105,890	—	105,890
Net income	—	—	—	324,668	324,668
Dividends	—	—	—	(1,005,701)	(1,005,701)
Balances at June 30, 2019	<u>7,729,330</u>	<u>\$ 77,293</u>	<u>\$ 34,067,426</u>	<u>\$ 2,486,014</u>	<u>\$ 36,630,733</u>

See notes to unaudited consolidated financial statements.

GLOBAL SELF STORAGE, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	For the Six Months Ended June 30,	
	2019	2018
Cash flows from operating activities		
Net income	\$ 324,668	\$ 454,601
Adjustments to reconcile net income to net cash provided by (used in) operating activities		
Depreciation and amortization	704,376	698,046
Unrealized gain on marketable equity securities	(227,282)	(175,442)
Amortization of loan procurement costs	100,534	21,218
Compensation expense related to stock-based awards	105,890	27,312
Changes in operating assets and liabilities:		
Accounts receivable	(38,340)	15,136
Prepaid expenses and other assets	(35,730)	(29,880)
Accounts payable and accrued expenses	170,034	181,618
Net cash provided by operating activities	<u>1,104,150</u>	<u>1,192,609</u>
Cash flows from investing activities		
Construction	(244,674)	(48,893)
Improvements and equipment additions	(21,877)	(50,680)
Net cash used in investing activities	<u>(266,551)</u>	<u>(99,573)</u>
Cash flows from financing activities		
Principal payments on note payable	(233,014)	—
Dividends paid	(1,000,475)	(995,286)
Net cash used in financing activities	<u>(1,233,489)</u>	<u>(995,286)</u>
Net (decrease) increase in cash and cash equivalents	(395,890)	97,750
Cash, cash equivalents, and restricted cash, beginning of period	1,712,266	2,256,415
Cash, cash equivalents, and restricted cash, end of period	<u>\$ 1,316,376</u>	<u>\$ 2,354,165</u>
Supplemental schedule of cash flow information		
Interest paid	\$ 413,181	\$ 419,200

See notes to unaudited consolidated financial statements.

GLOBAL SELF STORAGE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

1. ORGANIZATION

Global Self Storage, Inc. a Maryland corporation (the “Company,” “we,” “our,” or “us”), is a self-administered and self-managed real estate investment trust (“REIT”) that owns, operates, manages, acquires, develops and redevelops self storage properties (“stores” or “properties”) in the United States. The Company’s properties are located in the Northeast, Mid-Atlantic and Mid-West regions of the United States. The Company was formerly registered under the Investment Company Act of 1940, as amended (the “1940 Act”) as a non-diversified, closed end management investment company. The Securities and Exchange Commission’s (“SEC”) order approving the Company’s application to deregister from the 1940 Act was granted on January 19, 2016. On January 19, 2016, the Company changed its name to Global Self Storage, Inc. from Self Storage Group, Inc., changed its SEC registration from an investment company to an operating company reporting under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and listed its common stock on NASDAQ under the symbol “SELF”.

The Company has elected to be treated as a REIT under the Internal Revenue Code of 1986, as amended (the “IRC”). To the extent the Company continues to qualify as a REIT, it will not be subject to tax, with certain limited exceptions, on the taxable income that is distributed to its stockholders.

The Company invests in self storage properties by acquiring stores through its wholly owned subsidiaries. At June 30, 2019, the Company owned and operated eleven stores. The Company operates primarily in one segment: rental operations.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

Upon deregistration as an investment company, the Company’s status changed to an operating company from an investment company since it no longer met the assessment of an investment company under the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification Topic 946 (“ASC 946”). The Company discontinued applying the guidance in ASC 946 and began to account for the change in status prospectively by accounting for its investments in accordance with other U.S. generally accepted accounting principles (“GAAP”) topics as of the date of the change in status.

The accompanying unaudited consolidated financial statements of the Company are presented on the accrual basis of accounting in accordance with GAAP for interim financial information, and in accordance with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they may not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, all adjustments (including normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three and six months ended June 30, 2019 are not necessarily indicative of the results that may be expected for the year ending December 31, 2019. The consolidated balance sheet as of December 31, 2018 has been derived from the Company’s audited financial statements as of that date, but does not include all of the information and footnotes required by GAAP for complete financial statements. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company’s annual report on Form 10-K for the year ended December 31, 2018.

Reclassifications

Certain amounts from the prior year have been reclassified to conform to current year presentation as described below.

Cash, Cash Equivalents, and Restricted Cash

The Company’s cash is deposited with financial institutions located throughout the United States and at times may exceed federally insured limits. The Company considers all highly liquid investments, which may include money market fund shares, with a maturity of three months or less to be cash equivalents. Restricted cash is comprised of escrowed funds deposited with a bank relating to capital expenditures.

The carrying amount reported on the balance sheet for cash, cash equivalents, and restricted cash approximates fair value.

Income Taxes

The Company has elected to be treated as a REIT under the IRC. In order to maintain its qualification as a REIT, among other things, the Company is required to distribute at least 90% of its REIT taxable income to its stockholders and meet certain tests regarding the nature of its income and assets. As a REIT, the Company is not subject to federal income tax with respect to that portion of its income which meets certain criteria and is distributed annually to stockholders. The Company plans to continue to operate so that it meets the requirements for taxation as a REIT. Many of these requirements, however, are highly technical and complex. If the Company were to fail to meet these requirements, it would be subject to federal income tax. In managements' opinion, the requirements to maintain these elections are being fulfilled. The Company is subject to certain state and local taxes.

The Company recognizes the tax benefits of uncertain tax positions only where the position is "more likely than not" to be sustained assuming examination by tax authorities. The Company has reviewed its tax positions and has concluded that no liability for unrecognized tax benefits should be recorded related to uncertain tax positions taken on federal, state, and local income tax returns for open tax years (2015 – 2017), or is expected to be taken in the Company's 2018 tax returns.

Legislation, commonly known as the Tax Cuts and Jobs Act ("TCJA"), was signed into law on December 22, 2017. The TCJA makes significant changes to the U.S. federal income tax rates for taxation of individuals and corporations (including REITs), generally effective for taxable years beginning after December 31, 2017.

Marketable Equity Securities

Investments in equity securities that have readily determinable fair values are accounted for equity securities measured at fair value. Gains or losses from changes in the fair value of equity securities are recorded in net income, until the investment is sold or otherwise disposed of, or until the investment is determined to be other-than-temporarily impaired. The specific identification method is used to determine the realized gain or loss on investments sold or otherwise disposed.

Fair value is determined using a valuation hierarchy generally by reference to an active trading market, using quoted closing or bid prices. Judgment is used to ascertain if a formerly active market has become inactive and in determining fair values when markets have become inactive.

Real Estate Assets

Real estate assets are carried at the appreciated value as of January 19, 2016, the effective date of the Company's change in status to an operating company, less accumulated depreciation from that date. Purchases subsequent to the effective date of the change in status are carried at cost, less accumulated depreciation. Direct and allowable internal costs associated with the development, construction, renovation, and improvement of real estate assets are capitalized. Property taxes and other costs associated with development incurred during a construction period are capitalized. A construction period begins when expenditures for a real estate asset have been made and activities that are necessary to prepare the asset for its intended use are in progress. A construction period ends when an asset is substantially complete and ready for its intended use.

Acquisition costs are accounted for in accordance with Accounting Standard Update ("ASU") No. 2017-01 Business Combinations (Topic 805): Clarifying the Definition of a Business, which was adopted on January 1, 2018 and are generally capitalized. When properties are acquired, the purchase price is allocated to the tangible and intangible assets acquired and liabilities assumed based on estimated fair values. Allocations to land, building and improvements, and equipment are recorded based upon their respective fair values as estimated by management.

In allocating the purchase price for an acquisition, the Company determines whether the acquisition includes intangible assets or liabilities. The Company allocates a portion of the purchase price to an intangible asset attributed to the value of in-place leases. This intangible is generally amortized to expense over the expected remaining term of the respective leases. Substantially all of the leases in place at acquired properties are at market rates, as the majority of the leases are month-to-month contracts.

Internal and external transaction costs associated with acquisitions or dispositions of real estate, as well as repairs and maintenance costs, are charged to expense as incurred. Major replacements and betterments that improve or extend the life of the asset are capitalized and depreciated over their estimated useful lives. Depreciation is computed using the straight-line method over the estimated useful lives of the buildings and improvements, which are generally between 5 and 39 years.

Derivative Financial Instruments

The Company carries all derivative financial instruments on the balance sheet at fair value. Fair value of derivatives is determined by reference to observable prices that are based on inputs not quoted on active markets, but corroborated by market data. The accounting for changes in the fair value of a derivative instrument depends on whether the derivative has been designated and qualifies as part of a hedging relationship. The Company's use of derivative instruments has been limited to interest cap agreements. The fair values of derivative instruments are included in prepaid expenses and other assets in the accompanying balance sheets. For derivative instruments not designated as cash flow hedges, the unrealized gains and losses are included in interest expense in the accompanying statements of operations. For derivatives designated as cash flow hedges, the effective portion of the changes in the fair value of the derivatives is initially reported in accumulated other comprehensive income (loss) in the Company's balance sheets and subsequently reclassified into earnings when the hedged transaction affects earnings. The valuation of interest rate cap agreements is determined using widely accepted valuation techniques. This analysis reflects the contractual terms of derivatives, including the period to maturity, and uses observable market-based inputs, including interest rate curves.

Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses generally consist of property tax accruals, unearned rental income, and trade payables. At June 30, 2019 and December 31, 2018, accounts payable and accrued expenses included a \$900,000 contingent payment in connection with the purchase of a property made in 2016.

Revenue and Expense Recognition

Revenues from properties, which are primarily composed of rental income earned pursuant to month-to-month leases for storage space, as well as associated late charges and administrative fees, are recognized as earned. Promotional discounts reduce rental income over the promotional period, which is generally one month. Ancillary revenues from sales of merchandise and tenant insurance and other income are recognized when earned.

The Company accrues for property tax expense based upon actual amounts billed and, in some circumstances, estimates and historical trends when bills or assessments have not been received from the taxing authorities or such bills and assessments are in dispute. If these estimates are incorrect, the timing and amount of expense recognition could be incorrect. Cost of operations and general and administrative expense are expensed as incurred.

Credit Risk

Financial assets that are exposed to credit risk consist primarily of cash and cash equivalents and certain portions of accounts receivable including rents receivable from our tenants. Cash and cash equivalents are on deposit with highly rated commercial banks.

Evaluation of Asset Impairment

The Company evaluates its real estate assets and intangible assets consisting of in-place leases for impairment quarterly. If there are indicators of impairment and we determine that an asset is not recoverable from future undiscounted cash flows to be received through the asset's remaining life (or, if earlier, the expected disposal date), we record an impairment charge to the extent the carrying amount exceeds the asset's estimated fair value or net proceeds from expected disposal.

The Company evaluates goodwill for impairment annually and whenever relevant events, circumstances, and other related factors indicate that fair value may be less than carrying amounts. If it is determined that the carrying amount of goodwill exceeds the amount that would be allocated to goodwill if the reporting unit were acquired for estimated fair value, an impairment charge is recorded.

Stock-based Compensation

The measurement and recognition of compensation expense for all stock-based payment awards to employees are based on estimated fair values. Awards granted are valued at fair value and any compensation expense is recognized over the service periods of each award.

Loan Procurement Costs

In accordance with ASU No. 2015-03, Loan procurement costs, net are presented as a direct deduction from the carrying amount of the related debt liability. If there is not an associated debt liability recorded on the consolidated balance sheets, the costs are recorded as an asset net of accumulated amortization. Loan procurement costs associated with the Company's revolving credit facility

remain in Line of credit issuance costs, net of amortization on the Company's consolidated balance sheets. The costs are amortized over the estimated life of the related debt.

Use of Estimates

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could materially differ from management's estimates.

Recently Issued Accounting Standards

In August 2017, the FASB issued ASU No. 2017-12 – Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities. The purpose of this updated guidance is to better align a company's financial reporting for hedging activities with the economic objectives of those activities. The standard became effective on January 1, 2019. The adoption of this guidance did not have a material impact on the Company's consolidated financial statements.

In February 2016, the FASB issued ASU No. 2016-02 - Leases (Topic 842), which sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract (i.e., lessees and lessors). The new standard requires lessees to apply a dual approach, classifying leases as either financing or operating leases based on the principle of whether or not the lease is effectively a financed purchase by the lessee. This classification will determine whether lease expense is recognized based on an effective interest method or on a straight line basis over the term of the lease, respectively. A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term of greater than 12 months regardless of their classification. Leases with a term of 12 months or less will be accounted for similar to existing guidance for operating leases today. The new standard requires lessors to account for leases using an approach that is substantially equivalent to existing guidance for sales-type leases, direct financing leases and operating leases. The standard became effective on January 1, 2019. This standard will not have a material impact on operating results or financial condition, because all lease revenues are derived from month to month self storage leases and the Company does not incur a material amount of lease expense.

3. MARKETABLE EQUITY SECURITIES

Investments in marketable equity securities as of June 30, 2019 consisted of the following:

	Cost Basis	Gross Unrealized		Value
		Gains	Losses	
Investment in marketable equity securities				
Common stocks	\$ 755,487	\$ 1,039,402	\$ —	\$ 1,794,889
Total investment in marketable equity securities	<u>\$ 755,487</u>	<u>\$ 1,039,402</u>	<u>\$ —</u>	<u>\$ 1,794,889</u>

4. REAL ESTATE ASSETS

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

Self storage properties, at cost:	
Beginning balance	\$ 51,879,327
Improvements and equipment additions	21,877
Ending balance	<u>51,901,204</u>
Land	
Beginning balance	5,493,814
Ending balance	<u>5,493,814</u>
Accumulated depreciation:	
Beginning balance	(3,656,220)
Depreciation expense	(704,376)
Ending balance	<u>(4,360,596)</u>
Construction in progress:	
Beginning balance	94,816
Current development	244,674
Ending balance	<u>339,490</u>
Total real estate assets at June 30, 2019	<u>\$ 53,373,912</u>

The Company began construction on the Millbrook, NY expansion in the second quarter of 2019, which, when completed, will add approximately 16,500 of gross square feet of all-climate-controlled units. As of June 30, 2019, development costs for this project has been capitalized and are reflected in real estate assets, net on the Company's consolidated balance sheet.

5. FAIR VALUE MEASUREMENTS

GAAP 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. 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 June 30, 2019:

	Level 1	Level 2	Level 3	Total
Assets				
Marketable equity securities	\$ 1,794,889	\$ —	\$ —	\$ 1,794,889
Interest rate cap derivative	—	520	—	520
Total assets at fair value	<u>\$ 1,794,889</u>	<u>\$ 520</u>	<u>\$ —</u>	<u>\$ 1,795,409</u>

There were no assets transferred from level 1 to level 2 as of June 30, 2019. The Company did not have any assets or liabilities that are re-measured on a recurring basis using significant unobservable inputs as of June 30, 2019.

The fair values of financial instruments including cash and cash equivalents, restricted cash, accounts receivable, and accounts payable approximated their respective carrying values as of June 30, 2019. The aggregate carrying value of the Company's debt was \$19,576,497 as of June 30, 2019. The estimated fair value of the Company's debt was approximately \$19.2 million as of June 30, 2019. This estimate was based on market interest rates for comparable obligations, general market conditions, and maturity. The Company's debt is classified as level 2 of the fair value hierarchy.

6. DERIVATIVES

The Company's objective in using an interest rate derivative is to add stability to interest expense and to manage its exposure to interest rate movements. To accomplish this objective, the Company uses an interest rate cap to manage interest rate risk. The Company carries the premium paid for the interest rate cap as an asset on the balance sheet at fair value. The change in the unrealized gain or loss of the premium is recorded as an increase or decrease to interest expense.

The following table summarizes the terms of the Company's derivative financial instrument as of June 30, 2019:

Product	Notional Amount		Strike	Effective Date	Maturity Date
	June 30, 2019	December 31, 2018			
Cap Agreement	\$ 7,500,000	\$ 7,500,000	3.50 % - 4.00%	12/24/2018	12/20/2021

The counterparty to this arrangement is SMBC Capital Markets. The Company is potentially exposed to credit loss in the event of non-performance by the counterparty. The Company does not anticipate the counterparty to fail to meet its obligations as they become due.

7. NOTE PAYABLE

On June 24, 2016, certain wholly-owned subsidiaries ("Secured Subsidiaries") of the Company entered into a loan agreement and certain other related agreements (collectively, the "Loan Agreement") between the Secured Subsidiaries and Insurance Strategy Funding IV, LLC (the "Lender"). Under the Loan Agreement, the Secured Subsidiaries are borrowing from the Lender in the principal amount of \$20 million pursuant to a promissory note (the "Promissory Note"). The Promissory Note bears an interest rate equal to 4.192% per annum (effective interest rate 4.40%) and is due to mature on July 1, 2036. Pursuant to a security agreement (the "Security Agreement"), the obligations under the Loan Agreement are secured by certain real estate assets owned by the Secured Subsidiaries.

The Company entered into a non-recourse guaranty on June 24, 2016 (the "Guaranty," and together with the Loan Agreement, the Promissory Note and the Security Agreement, the "Loan Documents") to guarantee the payment to Lender of certain obligations of the Secured Subsidiaries under the Loan Agreement.

The Loan Documents require the Secured Subsidiaries and the Company to comply with certain covenants, including, among others, a minimum net worth test and other customary covenants. The Lender may accelerate amounts outstanding under the Loan Documents upon the occurrence of an event of default (as defined in the Loan Agreement) including, but not limited to, the failure to pay amounts due or commencement of bankruptcy proceedings.

The Company incurred loan procurement costs of \$646,246 and such costs have been recorded net of the note payable on the consolidated balance sheet and are amortized as an adjustment to interest expense over the term of the loan.

As of June 30, 2019, the Company's note payable is summarized as follows:

Note Payable	Carrying Value
Principal balance outstanding	\$ 19,576,497
Less: Loan procurement costs, net	(519,390)
Total note payable, net	<u>\$ 19,057,107</u>

As of June 30, 2019, the note payable was secured by certain of its stores with an aggregate net book value of approximately \$34.3 million. The following table represents the future principal payment requirements on the note payable as of June 30, 2019:

2019	\$ 278,084
2020	492,797
2021	513,857
2022	535,816
2023	558,714
2024 and thereafter	17,197,229
Total principal payments	19,576,497
Less: Loan procurement costs, net	(519,390)
Total note payable	<u>\$ 19,057,107</u>

Revolving Line of Credit

On December 20, 2018, certain wholly owned subsidiaries (the "Subsidiaries") of the Company entered into a revolving credit loan agreement (the "Agreement") between the Subsidiaries and TCF National Bank (the "Lender"). Under the Agreement, the Subsidiaries are borrowing from the Lender in the principal amount of up to \$10 million pursuant to a promissory note (the "Note"). The Note bears an interest rate equal to 3.00% over the One Month U.S. Dollar London Inter-Bank Offered Rate and is due to mature on December 20, 2021. The obligations under the Agreement are secured by certain real estate assets owned by the Subsidiaries.

The Company entered into a guaranty of payment on December 20, 2018 (the "Guaranty," and together with the Agreement, the Note and related instruments, the "Revolver") to guarantee the payment to Lender of certain obligations of the Subsidiaries under the Agreement.

The Revolver requires the Subsidiaries and the Company to comply with certain covenants, including, among others, customary financial covenants. The Lender may accelerate amounts outstanding under the Loan Documents upon the occurrence of an Event of Default (as defined in the Agreement) including, but not limited to, the failure to pay amounts due to the Lender or commencement of bankruptcy proceedings.

The Company incurred issuance costs of \$477,981 and such costs are amortized as an adjustment to interest expense over the term of the loan. As of June 30, 2019, there were no outstanding borrowings under the Revolver.

8. EARNINGS PER SHARE

Basic earnings per share is computed using the weighted average number of shares outstanding. Diluted earnings per share is computed using the weighted average number of shares outstanding adjusted for the incremental shares attributed to potentially diluted securities. The following table sets forth the computation of basic and diluted earnings per share:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2019	2018	2019	2018
Net income	\$ 136,845	\$ 395,474	\$ 324,668	\$ 454,601
Weighted average common shares outstanding:				
Average number of common shares outstanding - basic	7,640,991	7,619,549	7,635,885	7,619,509
Net effect of dilutive unvested restricted stock awards included for treasury stock method	9,305	734	7,095	490
Average number of common shares outstanding - diluted	7,650,296	7,620,283	7,642,980	7,619,999
Earnings per common share				
Basic	\$ 0.02	\$ 0.05	\$ 0.04	\$ 0.06
Diluted	\$ 0.02	\$ 0.05	\$ 0.04	\$ 0.06

Common stock dividends totaled \$502,407 (\$0.065 per share) and \$495,266 (\$0.065 per share) for the three months ended June 30, 2019 and 2018, respectively, and \$1,005,701 (\$0.13 per share) and \$995,286 (\$0.13 per share) for the six months ended June 30, 2019 and 2018, respectively. The classification of these dividends for federal income tax purposes is expected to be determined after the Company's fiscal year ending December 31, 2019.

9. RELATED PARTY TRANSACTIONS

Certain officers and directors of the Company also serve as officers and directors of Winmill & Co. Incorporated (“Winco”), Bexil Corporation, Tuxis Corporation (“Tuxis”), and their affiliates (collectively with the Company, the “Affiliates”). As of June 30, 2019, certain of the Affiliates owned approximately 6.9% of the Company’s outstanding common stock. Pursuant to an arrangement between a professional employer organization (“PEO”) and the Affiliates, the PEO provides payroll, benefits, compliance, and related services for employees of the Affiliates in accordance with applicable rules and regulations under the IRC and, in connection therewith, Midas Management Corporation (“MMC”), a subsidiary of Winco, acts as a conduit payer of compensation and benefits to the Affiliates’ employees including those who are concurrently employed by the Company and its Affiliates. Rent expense of concurrently used office space and overhead expenses for various concurrently used administrative and support functions incurred by the Affiliates are allocated at cost among them. The Affiliates participate in a 401(k) retirement savings plan for substantially all qualified employees. A matching expense based upon a percentage of contributions to the plan by eligible employees is incurred and allocated among the Affiliates. The matching expense is accrued and funded on a current basis and may not exceed the amount permitted as a deductible expense under the IRC. The aggregate rent and overhead accrued and paid by the Company to Winco for the three and six months ended June 30, 2019 was \$36,683 and \$10,369, respectively. As of June 30, 2019, the Company had reimbursements payable to MMC and Winco for compensation and benefits and rent and overhead of \$13,330.

The Company currently reimburses monthly automobile expenses of \$1,000 per month to its President, Mark C. Winmill. To the extent that the monthly payment under the Company’s automobile lease exceeds the current monthly reimbursement amount, Mr. Winmill voluntarily reimburses the Company for the excess amount. In this regard, Mr. Winmill has reimbursed the Company \$3,228 for the automobile payments paid and due in 2019.

The Company leases office space to Tuxis under a rental agreement. The terms of occupancy are month to month and automatically renew unless terminated by either party on ten days’ written notice. The monthly rental charge is \$667 per month, due and payable on the first day of each month. For the three and six months ended June 30, 2019, the total rent paid by Tuxis to the Company was \$2,001 and \$4,002, respectively.

10. CAPITAL STOCK

As of June 30, 2019, the Company was authorized to issue 450,000,000 shares of \$0.01 par value common stock of which 7,729,330 had been issued and was outstanding. The Company was also authorized to issue 50,000,000 shares of preferred stock, \$0.01 par value, authorized, of which none has been issued.

11. STOCK-BASED COMPENSATION

On October 16, 2017 (“Effective Date”), the Company’s stockholders approved the Company’s 2017 Equity Incentive Plan (the “Plan”). The Plan is designed to provide equity-based incentives to certain eligible persons, as defined in the Plan, in the form of options, share appreciation rights, restricted stock, restricted stock units, dividend equivalent rights or other forms of equity-based compensation as determined in the discretion of the Board of Directors, the Compensation Committee of the Board of Directors, or other designee thereof. The total number of shares of common stock reserved and available for issuance under the Plan on the Effective Date was 760,000.

On March 27, 2019, the Company approved restricted stock awards under the Plan to certain of its officers and employees in the aggregate amount of 28,755 shares, of which 15,025 shares are performance-based grants and 13,730 shares are time-based grants. The Company recorded \$51,731 and \$105,890 of expense in general and administrative expense in its statement of operations related to restricted stock awards granted to certain officers and employees for the three and six months ended June 30, 2019. At June 30, 2019, there was \$300,384 of total unrecognized compensation expense related to unvested restricted stock awards under the Plan. That cost is expected to be recognized over a weighted—average period of 2.69 years. The fair value of common stock awards is determined based on the closing trading price of the Company’s common stock on the grant date.

Time-Based Restricted Stock Grants

These time-based grants vest solely based on continued employment, with 6.25% of the shares eligible to vest on each three- month anniversary of the grant date during the remaining four-year time vesting period. Time-based restricted stock cannot be transferred during the vesting period. These time-based restricted stock entitles the holder to dividends paid by the Company on shares of its common stock.

A summary of the Company's time-based restricted stock grant activity is as follows:

Time-Based Restricted Stock Grants	Stock	Weighted-Average Grant-Date Fair Value
Unvested at December 31, 2018	47,228	\$ 4.42
Granted	13,730	\$ 3.94
Vested	(7,791)	\$ 4.38
Forfeited	(4,637)	\$ 4.15
Unvested at June 30, 2019	48,530	\$ 4.32

Performance-Based Restricted Stock Grants

Performance-based restricted stock grants vest based on continued employment and the achievement of certain Funds from Operations, as adjusted ("AFFO") and same store revenue growth ("SSRG") goals by the Company during 2019. Between 0% and 200% of these shares will be earned based on achievement of the AFFO and SSRG goals in 2019, and the shares which are earned will remain subject to quarterly vesting during the remaining four-year time vesting period. Dividends paid by the Company prior to the determination of how many shares are earned will be retained by the Company and released only with respect to earned shares. If a Change in Control (as defined in the Plan) occurs during 2019, the number of shares earned will equal the greater of the number of shares granted and the number of shares which would have been earned based on the AFFO and SSRG through the date of the Change in Control. If following a Change in Control, a grantee is terminated by the Company without Cause or by the grantee with Good Reason (as each is defined in the Plan), all unvested restricted stock will fully vest.

A summary of the Company's performance-based restricted stock grant activity is as follows:

Performance-based Stock Grants	Stock	Weighted-Average Grant-Date Fair Value
Unvested at December 31, 2018	15,025	\$ 4.42
Granted	27,613	\$ 4.16
Vested	(8,634)	\$ 4.42
Unvested at June 30, 2019	34,004	\$ 4.21

Forfeitures are accounted for as they occur, compensation cost previously recognized for an award that is forfeited because of a failure to satisfy a service or performance condition is reversed in the period of the forfeiture.

12. COMMITMENTS AND CONTINGENCIES

The Company enters into contracts that contain a variety of representations and warranties and which may provide general indemnifications. The Company's maximum exposure under these arrangements is unknown as it involves future claims that may be made against the Company under circumstances that have not occurred.

The Company leases an automobile under a lease expiring on January 3, 2020. The future minimum lease payments under the lease is \$15,288 for the year ending December 31, 2019.

The Company began construction on the Millbrook, NY expansion in the second quarter of 2019, which, when completed, will add approximately 16,500 of gross square feet of all-climate-controlled units. Under the terms of the 2016 Purchase Agreement with Tuxis, an additional \$900,000 cash payment is due to Tuxis from the Company upon breaking ground and beginning construction.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

CAUTIONARY LANGUAGE

The following discussion and analysis should be read in conjunction with our unaudited "Condensed Consolidated Financial Statements" and the "Notes to Condensed Consolidated Financial Statements (unaudited)" appearing elsewhere in this report. We make statements in this section that may be forward looking statements within the meaning of the federal securities laws. For a complete discussion of forward looking statements, see the section in this report entitled "Statement on Forward Looking Information." References to the "Company," "we," "us," or "our company" refer to Global Self Storage, Inc., a Maryland corporation, including, as the context requires, its direct and indirect subsidiaries.

CRITICAL ACCOUNTING POLICIES

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

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

Management's Discussion and Analysis Overview

The Company is a self-administered and self-managed REIT that owns, operates, manages, acquires, develops and redevelops self storage properties ("stores" or "properties") in the United States. Our stores are designed to offer affordable, easily accessible, and secure storage space for residential and commercial customers. The Company currently owns and operates, through its wholly owned subsidiaries, eleven stores located in Connecticut, Illinois, Indiana, New York, Ohio, Pennsylvania, and South Carolina. On January 19, 2016, the Company changed its name to Global Self Storage, Inc. from Self Storage Group, Inc., changed its SEC registration from an investment company to an operating company reporting under the Exchange Act, and listed its common stock on NASDAQ under the symbol "SELF".

Our store operations generated most of our net income for all periods presented herein. Accordingly, a significant portion of management's time is devoted to seeking to maximize cash flows from our existing stores, as well as seeking investments in additional stores. The Company expects to continue to earn a majority of its net income from its store operations as its current store operations continue to develop and as it makes additional store acquisitions. Over time, the Company expects to divest its remaining portfolio of investment securities and use the proceeds to acquire, develop, redevelop, and/or operate additional stores. The Company expects its income from investment securities to continue to decrease as it continues to divest its holdings of investment securities.

Financial Condition and Results of Operations

Our financing strategy is to minimize the cost of our capital in order to maximize the returns generated for our stockholders. For future acquisitions, the Company may use various financing and capital raising alternatives including, but not limited to, debt and/or equity offerings, credit facilities, mortgage financing, and joint ventures with third parties.

On June 24, 2016, certain wholly owned subsidiaries ("Term Loan Secured Subsidiaries") of the Company entered into a loan agreement and certain other related agreements (collectively, the "Term Loan Agreement") between the Term Loan Secured Subsidiaries and Insurance Strategy Funding IV, LLC (the "Term Loan Lender"). Under the Term Loan Agreement, the Term Loan Secured Subsidiaries are borrowing from Term Loan Lender in the principal amount of \$20 million pursuant to a promissory note (the "Term Loan Promissory Note"). The Term Loan Promissory Note bears an interest rate equal to 4.192% per annum and is due to mature on July 1, 2036. Pursuant to a security agreement (the "Term Loan Security Agreement"), the obligations under the Term Loan Agreement are secured by certain real estate assets owned by the Term Loan Secured Subsidiaries. J.P. Morgan Investment Management, Inc. acted as Special Purpose Vehicle Agent of the Term Loan Lender. The Company entered into a non-recourse guaranty on June 24, 2016 (the "Term Loan Guaranty," and together with the Term Loan Agreement, the Term Loan Promissory Note

and the Term Loan Security Agreement, the “Term Loan Documents”) to guarantee the payment to Lender of certain obligations of the Term Loan Secured Subsidiaries under the Term Loan Agreement. The Term Loan Documents require the Term Loan Secured Subsidiaries and the Company to comply with certain covenants, including, among others, a minimum net worth test and other customary covenants. The Term Loan Lender may accelerate amounts outstanding under the Term Loan Documents upon the occurrence of an Event of Default (as defined in the Term Loan Agreement) including, but not limited to, the failure to pay amounts due or commencement of bankruptcy proceedings. The Company and the Term Loan Secured Subsidiaries paid customary fees and expenses in connection with their entry into the Term Loan Documents. There is no material relationship between the Company, its Term Loan Secured Subsidiaries, or its affiliates and the Term Loan Lender, other than in respect of the Term Loan Documents. The foregoing description is qualified in its entirety by the full terms and conditions of the Term Loan Documents, filed as Exhibits 10.1, 10.2, 10.3 and 10.4 to the Current Report on Form 8-K filed on June 30, 2016. We used the proceeds of such debt financing primarily in connection with store acquisitions and development.

On December 20, 2018, certain wholly owned subsidiaries (“Credit Facility Secured Subsidiaries”) of the Company entered into a revolving credit loan agreement (collectively, the “Credit Facility Loan Agreement”) between the Credit Facility Secured Subsidiaries and TCF National Bank (“Credit Facility Lender”). Under the Credit Facility Loan Agreement, the Credit Facility Secured Subsidiaries may borrow from the Credit Facility Lender in the principal amount of up to \$10 million pursuant to a promissory note (the “Credit Facility Promissory Note”). The Credit Facility Promissory Note bears an interest rate equal to 3.00% over the One Month U.S. Dollar London Inter-Bank Offered Rate and is due to mature on December 20, 2021. The obligations under the Credit Facility Loan Agreement are secured by certain real estate assets owned by the Credit Facility Secured Subsidiaries. The Company entered into a guaranty of payment on December 20, 2018 (the “Credit Facility Guaranty,” and together with the Credit Facility Loan Agreement, the Credit Facility Promissory Note and related instruments, the “Credit Facility Loan Documents”) to guarantee the payment to Credit Facility Lender of certain obligations of the Credit Facility Secured Subsidiaries under the Credit Facility Loan Agreement. The Company and the Credit Facility Secured Subsidiaries paid customary fees and expenses in connection with their entry into the Credit Facility Loan Documents. The Company also maintains a bank account at the Credit Facility Lender. The foregoing description is qualified in its entirety by the full terms and conditions of the Credit Facility Loan Documents, filed as Exhibits 10.1 and 10.2 to the Current Report on Form 8-K filed on December 21, 2018. As of December 31, 2018, we have not withdrawn any proceeds available under the Credit Facility Loan Agreement. We currently intend to strategically withdraw proceeds available under the Credit Facility Loan Agreement to fund: (i) the acquisition of additional self storage properties, (ii) expansions at existing self storage properties in our portfolio, and/or (iii) joint ventures with third parties for the acquisition and expansion of self storage properties.

As of June 30, 2019, we had capital resources totaling approximately \$2.9 million, comprised of \$1.1 million of cash and cash equivalents and \$1.8 million of marketable securities. Capital resources derived from retained cash flow have been and are currently expected to continue to be negligible. Retained operating cash flow represents our expected cash flow provided by operating activities, less stockholder distributions and capital expenditures to maintain stores.

We have been actively reviewing a number of store and store portfolio acquisition opportunities and have been working to further develop and expand our current stores. We did not complete any acquisitions in the three months ended June 30, 2019. We may pursue third-party management opportunities, which may include managing properties owned by certain Affiliates or joint venture partners for a fee, and utilize such relationships with third-party owners as a source for future acquisitions and investment opportunities.

Results of Operations for the Three Months Ended June 30, 2019 Compared with the Three Months Ended June 30, 2018

Revenues

Total revenues increased from \$2,019,730 during the three months ended June 30, 2018 to \$2,148,687 during the three months ended June 30, 2019, an increase of \$128,957, or 6.4%. Rental income increased from \$1,954,052 during the three months ended June 30, 2018 to \$2,077,453 during the three months ended June 30, 2019, an increase of \$123,401, or 6.3%. The increase was primarily attributable to the additional income from the Merrillville expansion and increases in rental and occupancy rates across almost all of our stores.

Other store related income consists of customer insurance fees, sales of storage supplies, and other ancillary revenues. Other store related income increased from \$65,678 during the three months ended June 30, 2018 to \$71,234 during the three months ended June 30, 2019, an increase of \$5,556, or 8.5%. This increase was primarily attributable to increased insurance participation and higher average occupancy.

Operating Expenses

Total operating expenses increased from \$1,639,175 during the three months ended June 30, 2018 to \$1,846,017 during the three months ended June 30, 2019, an increase of \$206,842, or 12.6%, which was primarily attributable to increased store property tax

expenses and increases in certain general and administrative expenses. Store operating expenses increased from \$823,672 during the three months ended June 30, 2018 to \$923,529 during the three months ended June 30, 2019, an increase of \$99,857, or 12.1%, which was primarily attributable to increased store property tax expenses

Depreciation and amortization increased from \$349,173 during the three months ended June 30, 2018 to \$352,809 during the three months ended June 30, 2019, an increase of \$3,636, or 1.0%.

General and administrative expenses increased from \$456,330 during the three months ended June 30, 2018 to \$554,635 during the three months ended June 30, 2019, an increase of \$98,305, or 21.5%. The increase in the general and administrative expenses during the period are primarily attributable to increased employee compensation expenses, including stock-based compensation and a provision for taxes of our taxable REIT subsidiary.

Business development, capital raising, store acquisition, and third-party management marketing expenses increased from \$10,000 during the three months ended June 30, 2018 to \$15,044 during the three months ended June 30, 2019. These costs primarily consist of consulting costs in connection with business development, capital raising, and future potential store acquisitions, and third-party management marketing expenses. The increase is primarily attributable to the recording of expenses related to potential store acquisitions and third-party management marketing expenses. Business development costs are typically non-recurring and fluctuate based on periodic business development and acquisition activity.

Operating Income

Operating income decreased from \$380,555 during the three months ended June 30, 2018 to \$302,670 during the three months ended June 30, 2019, a decrease of \$77,885, or 20.5%. The decrease in operating income was primarily attributable to an increase in store property tax expenses and increases in certain general and administrative expenses.

Other income (expense)

Interest expense on loans increased from \$220,209 during the three months ended June 30, 2018 to \$256,104 during the three months ended June 30, 2019. This increase was solely attributable to the amortization of credit revolver issuance costs over the course of its three-year term. The cash payments for the \$20 million loan remain the same every month until June 2036.

Dividend, interest, and other income was \$17,779 during the three months ended June 30, 2018 and \$17,446 during the three months ended June 30, 2019.

Unrealized gain on marketable equity securities was \$217,349 during the three months ended June 30, 2018 and the unrealized gain on marketable equity securities was \$72,833 during the three months ended June 30, 2019.

Net income (loss)

For the three months ended June 30, 2018, net income was \$95,474, or \$0.05 per fully diluted share. For the three months ended June 30, 2019, net income was \$136,845, or \$0.02 per fully diluted share.

Results of Operations for the Six Months Ended June 30, 2019 Compared with the Six Months Ended June 30, 2018

Revenues

Total revenues increased from \$3,981,614 during the six months ended June 30, 2018 to \$4,255,197 during the six months ended June 30, 2019, an increase of \$273,583, or 6.9%. Rental income increased from \$3,856,153 during the six months ended June 30, 2018 to \$4,116,137 during the six months ended June 30, 2019, an increase of \$259,984, or 6.7%. The increase was primarily attributable to the additional income from the Merrillville expansion and increases in rental and occupancy rates.

Other store related income consists of customer insurance fees, sales of storage supplies, and other ancillary revenues. Other store related income increased from \$125,461 during the six months ended June 30, 2018 to \$139,060 during the six months ended June 30, 2019, an increase of \$13,599, or 10.8%. This increase was primarily attributable to increased insurance participation and higher average occupancy.

Operating Expenses

Total operating expenses increased from \$3,303,164 during the six months ended June 30, 2018 to \$3,675,187 during the six months ended June 30, 2019, an increase of \$372,023, or 11.3%, which was primarily attributable to increased store property tax expenses and increases in certain general and administrative expenses. Store operating expenses increased from \$1,673,366 during the six months ended June 30, 2018 to \$1,836,878 during the six months ended June 30, 2019, an increase of \$163,512, or 9.8%, which was primarily attributable to increased store property tax expenses.

Depreciation and amortization increased from \$698,046 during the six months ended June 30, 2018 to \$704,376 during the six months ended June 30, 2019, an increase of \$6,330, or 0.9%.

General and administrative expenses increased from \$921,752 during the six months ended June 30, 2018 to \$1,110,639 during the six months ended June 30, 2019, an increase of \$188,887, or 20.5%. The increase in the general and administrative expenses during the period are primarily attributable to increased employee compensation expenses, including stock-based compensation and a provision for taxes of our taxable REIT subsidiary.

Business development, capital raising, store acquisition, and third-party management marketing expenses increased from \$10,000 during the six months ended June 30, 2018 to \$23,294 during the six months ended June 30, 2019. Business development and store acquisition-related costs are typically non-recurring and fluctuate based on periodic business development and acquisition activity.

Operating Income

Operating income decreased from \$678,450 during the six months ended June 30, 2018 to \$580,010 during the six months ended June 30, 2019, a decrease of \$98,440, or 14.5%. The decrease in operating income was primarily attributable to an increase in store property tax expenses and increases in certain general and administrative expenses.

Other income (expense)

Interest expense on loans increased from \$440,417 during the six months ended June 30, 2018 to \$517,270 during the six months ended June 30, 2019. This increase was solely attributable to the amortization of credit revolver issuance costs over the course of its three-year term. The cash payments for the \$20 million loan remain the same every month until June 2036.

Dividend, interest, and other income was \$41,126 during the six months ended June 30, 2018 and \$34,646 during the six months ended June 30, 2019. The decrease was primarily attributable to a nonrecurring receipt of \$6,396 relating to a class action claim originating prior to the Company deregistering as an investment company.

Unrealized gain on marketable equity securities was \$227,282 during the six months ended June 30, 2019 and the unrealized gain on marketable equity securities was \$175,442 during six months ended June 30, 2018.

Net income (loss)

For the six months ended June 30, 2018, the net income was \$454,601, or \$0.06 per fully diluted share. For the six months ended June 30, 2019, the net income was \$324,668, or \$0.04 per fully diluted share.

Non-GAAP Financial Measures

Funds from Operations ("FFO") and FFO per share are non-GAAP measures defined by the National Association of Real Estate Investment Trusts ("NAREIT") and are considered helpful measures of REIT performance by REITs and many REIT analysts. NAREIT defines FFO as a REIT's net income, excluding gains or losses from sales of property, and adding back real estate depreciation and amortization. FFO and FFO per share are not a substitute for net income or earnings per share. FFO is not a substitute for GAAP net cash flow in evaluating our liquidity or ability to pay dividends, because it excludes financing activities presented on our statements of cash flows. In addition, other REITs may compute these measures differently, so comparisons among REITs may not be helpful. However, the Company believes that to further understand the performance of its stores, FFO should be considered along with the net income and cash flows reported in accordance with GAAP and as presented in the Company's financial statements.

Adjusted FFO (“AFFO”) represents FFO excluding the effects of business development, capital raising, store acquisition, and third-party management marketing expenses and non-recurring items, which we believe are not indicative of the Company’s operating results. We present AFFO because we believe it is a helpful measure in understanding our results of operations insofar as we believe that the items noted above that are included in FFO, but excluded from AFFO, are not indicative of our ongoing operating results. We also believe that the investment community considers our AFFO (or similar measures using different terminology) when evaluating us. Because other REITs or real estate companies may not compute AFFO in the same manner as we do, and may use different terminology, our computation of AFFO may not be comparable to AFFO reported by other REITs or real estate companies.

We believe net operating income or “NOI” is a meaningful measure of operating performance because we utilize NOI in making decisions with respect to, among other things, capital allocations, determining current store values, evaluating store performance, and in comparing period-to-period and market-to-market store operating results. In addition, we believe the investment community utilizes NOI in determining operating performance and real estate values and does not consider depreciation expense because it is based upon historical cost. NOI is defined as net store earnings before general and administrative expenses, interest, taxes, depreciation, and amortization.

NOI is not a substitute for net income, net operating cash flow, or other related GAAP financial measures, in evaluating our operating results.

Self Storage Portfolio

The following discussion and analysis of our same-store self storage operations are presented on a comparative basis for the six months ended June 30, 2019.

GLOBAL SELF STORAGE STORES

Property	Address	Year Store Opened / Acquired	Number of Units	Net Leasable Square Feet	June 30, 2019 Square Foot Occupancy %	June 30, 2018 Square Foot Occupancy %
SSG BOLINGBROOK LLC	296 North Weber Road, Bolingbrook, IL 60440	1997 / 2013	797	113,700	97.0%	93.4%
SSG CLINTON LLC	6 Heritage Park Road, Clinton, CT 06413	1996 / 2016	182	30,408	94.5%	89.6%
SSG DOLTON LLC	14900 Woodlawn Avenue, Dolton, IL 60419	2007 / 2013	652	86,590	95.0%	94.8%
SSG FISHERS LLC	13942 East 96th Street, McCordsville, IN 46055	2007 / 2016	408	81,811	95.3%	96.0%
SSG LIMA LLC	1910 West Robb Avenue, Lima, OH 60419	1996 / 2016	729	98,330	95.3%	95.3%
SSG MERRILLVILLE LLC	6590 Broadway, Merrillville, IN 46410	2005 / 2013	567	80,570	93.5%	96.2%
SSG MILLBROOK LLC	3814 Route 44, Millbrook, NY 12545	2008 / 2016	140	12,676	98.3%	95.0%
SSG ROCHESTER LLC	2255 Buffalo Road, Rochester, NY 14624	2010 / 2012	639	68,086	93.0%	95.7%
SSG SADBURY LLC	21 Aim Boulevard, Sadsburyville, PA 19369	2006 / 2012	692	78,842	94.5%	90.8%
SSG SUMMERVILLE I LLC	1713 Old Trolley Road, Summerville, SC 29485	1990 / 2013	558	72,850	90.0%	86.3%
SSG SUMMERVILLE II LLC	900 North Gum Street, Summerville, SC 29483	1997 / 2013	249	43,060	88.9%	86.0%
TOTAL/AVERAGE SAME-STORES			5,613	766,923	94.2%	93.1%
TOTAL/AVERAGE ALL STORES			5,613	766,923	94.2%	93.1%

Each store is directly owned by the Company’s wholly owned subsidiary listed in the table.

Certain stores’ leasable square feet in the chart above includes outside auto/RV/boat storage space: approximately 13,000 square feet at SSG Sadsbury LLC; 15,700 square feet at SSG Bolingbrook LLC; 9,000 square feet at SSG Dolton LLC; 1,000 square feet at

SSG Merrillville LLC; 7,200 square feet at SSG Summerville II LLC and 8,750 square feet at SSG Clinton LLC. For SSG Lima LLC, included is approximately 12,683 square feet of non-storage commercial and student housing space. Approximately 33% of our total available units are climate-controlled, 59% are traditional, and 8% are parking.

Self Storage Operations

At June 30, 2019, we owned eleven same-store properties and no non same-store properties.

Same-Store Self Storage Operations

We consider our same-store portfolio to consist of only those stores owned and operated on a stabilized basis at the beginning and at the end of the applicable periods presented. We consider a store to be stabilized once it has achieved an occupancy rate that we believe, based on our assessment of market-specific data, is representative of similar self-storage assets in the applicable market for a full year measured as of the most recent January 1 and has not been significantly damaged by natural disaster or undergone significant renovation or expansion. We believe that same-store results are useful to investors in evaluating our performance because they provide information relating to changes in store-level operating performance without taking into account the effects of acquisitions, dispositions, or new ground-up developments. At June 30, 2019, we owned eleven same-store properties and no non same-store properties. The Company believes that, by providing same-store results from a stabilized pool of stores, with accompanying operating metrics including, but not limited to, variances in occupancy, rental revenue, operating expenses, and NOI, stockholders and potential investors are able to evaluate operating performance without the effects of non-stabilized occupancy levels, rent levels, expense levels, acquisitions, or completed developments. Same-store results should not be used as a basis for future same-store performance or for the performance of the Company's stores as a whole.

Same-store occupancy at June 30, 2019 increased by 1.1% to 94.2% from 93.1% at June 30, 2018. This includes the impact from the Merrillville, IN expansion project completed in January 2018.

We grew our top-line results by increasing same-store revenues by 6.4% and 6.9% for the three and six months ended June 30, 2019, respectively, versus the same periods in 2018. Same-store cost of operations increased by 12.5% and 10.1% for the three and six months ended June 30, 2019, respectively, versus the same periods in 2018. Same-store NOI increased by 2.2% and 4.5% for the three and six months ended June 30, 2019, respectively, versus the same periods in 2018. The increase in same-store NOI was due primarily to an increase in rental and occupancy rates and the successful lease-up of our Merrillville store expansion.

We believe that our results were driven by, among other things, our internet and digital marketing initiatives which helped our same-store overall average occupancy maintain at or around 94% as of June 30, 2019. Also, contributing to our results were our customer service efforts which we believe were essential in building local brand loyalty, resulting in strong referral and word-of-mouth market demand for our storage units and services. Another contributing factor to our results was our competitor move-in rate metrics analysis which employs internet data scraping and other methods to help keep our storage unit move-in rates "in the market," and our revenue rate management program which helped increase existing tenant rates while maintaining or building store occupancy.

These results are summarized as follows:

SAME - STORE PROPERTIES

Three Months Ended June 30,	2019	2018	Variance	% Change
Revenues	\$ 2,148,687	\$ 2,019,438	\$ 129,249	6.4%
Cost of operations	\$ 923,529	\$ 820,798	\$ 102,731	12.5%
Net operating income	\$ 1,225,158	\$ 1,198,640	\$ 26,518	2.2%
Depreciation and amortization	\$ 352,809	\$ 298,030	\$ 54,779	18.4%
Net leasable square footage at period end*	766,923	765,301	1,622	0.2%
Net leased square footage at period end	722,331	712,318	10,013	1.4%
Overall square foot occupancy at period end	94.2%	93.1%	1.1%	1.2%
Total annualized revenue per leased square foot	\$ 11.90	\$ 11.34	\$ 0.56	4.9%
Total available leasable storage units*	5,613	5,622	(9)	-0.2%
Number of leased storage units	5,188	5,131	57	1.1%

SAME - STORE PROPERTIES

Six Months Ended June 30,	2019	2018	Variance	% Change
Revenues	\$ 4,255,197	\$ 3,981,242	\$ 273,955	6.9 %
Cost of operations	\$ 1,836,878	\$ 1,667,631	\$ 169,247	10.1 %
Net operating income	\$ 2,418,319	\$ 2,313,611	\$ 104,708	4.5 %
Depreciation and amortization	\$ 704,376	\$ 595,761	\$ 108,615	18.2 %
Net leasable square footage at period end*	766,923	765,301	1,622	0.2 %
Net leased square footage at period end	722,331	712,318	10,013	1.4 %
Overall square foot occupancy at period end	94.2 %	93.1 %	1.1 %	1.2 %
Total annualized revenue per leased square foot	\$ 11.78	\$ 11.18	\$ 0.60	5.4 %
Total available leasable storage units*	5,613	5,622	(9)	-0.2 %
Number of leased storage units	5,188	5,131	57	1.1 %

* From time to time, as guided by market conditions, net leasable square footage and total available leasable storage units at our properties may increase or decrease as a result of consolidation, division or reconfiguration of storage units. Similarly, leasable square footage may increase or decrease due to expansion or redevelopment of our properties.

The following table presents a reconciliation of same-store net operating income to net income as presented on our consolidated statements of operations for the periods indicated:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2019	2018	2019	2018
Net income	\$ 136,845	\$ 395,474	\$ 324,668	\$ 454,601
Adjustments:				
General and administrative	554,635	456,330	1,110,639	921,752
Depreciation and amortization	352,809	349,173	704,376	698,046
Business development	15,044	10,000	23,294	10,000
Dividend, interest, and other income	(17,446)	(17,779)	(34,646)	(41,126)
Unrealized gain on marketable equity securities	(72,833)	(217,349)	(227,282)	(175,442)
Interest expense	256,104	220,209	517,270	440,417
Other real estate expenses	—	2,582	—	5,363
Total same-store net operating income	<u>\$ 1,225,158</u>	<u>\$ 1,198,640</u>	<u>\$ 2,418,319</u>	<u>\$ 2,313,611</u>

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2019	2018	2019	2018
Same-store revenues	\$ 2,148,687	\$ 2,019,438	\$ 4,255,197	\$ 3,981,242
Same-store cost of operations	\$ 923,529	\$ 820,798	\$ 1,836,878	\$ 1,667,631
Total same-store net operating income	<u>\$ 1,225,158</u>	<u>\$ 1,198,640</u>	<u>\$ 2,418,319</u>	<u>\$ 2,313,611</u>

Analysis of Same-Store Revenue

For the three and six months ended June 30, 2019, same-store revenue increased 6.4%, or \$129,249, and 6.9%, or \$273,955, respectively, versus the same periods in 2018, which was attributable to, among other things, additional income from rental income growth and increased insurance participation. Same-store average overall square foot occupancy for all of the Company's stores combined increased to 94.2% at June 30, 2019, up from 93.1% at June 30, 2018.

We believe that high occupancies help maximize our rental income. We seek to maintain an average square foot occupancy level at or above 90% by regularly adjusting the rental rates and promotions offered to attract new tenants as well as adjusting our online marketing efforts in seeking to generate sufficient move-in volume to replace tenants that vacate. Demand may fluctuate due to various local and regional factors, including the overall economy. Demand is generally higher in the summer months than in the winter months and, as a result, rental rates charged to new tenants are typically higher in the summer months than in the winter months.

We currently expect rental income growth, if any, to come from a combination of the following: (i) continued existing tenant rent increases, (ii) higher rental rates charged to new tenants, (iii) lower promotional discounts, and (iv) higher occupancies. Our future rental income growth will likely also be dependent upon many factors for each market that we operate in, including, among

other things, demand for self storage space, the level of competitor supply of self storage space, and the average length of stay of our tenants. Increasing existing tenant rental rates, generally on an annual basis, is a key component of our revenue growth. We typically determine the level of rental increases based upon our expectations regarding the impact of existing tenant rate increases on incremental move-outs. We currently expect existing tenant rent increases in the remainder of 2019 to be slightly less than the prior year.

We believe that the current trends in move-in, move-out, in place contractual rents, and occupancy levels are consistent with our current expectation of continued revenue growth. However, such trends, when viewed in the short-term, are volatile and not necessarily predictive of our revenues going forward because they may be subject to many short-term factors. Such factors include, among others, initial move-in rates, seasonal factors, unit size and geographical mix of the specific tenants moving in or moving out, the length of stay of the tenants moving in or moving out, changes in our pricing strategies, and the degree and timing of rate increases previously passed to existing tenants.

Importantly, we continue to refine our ongoing revenue rate management program which includes regular internet data scraping of local competitors' prices. We do this in seeking to maintain our competitive market price advantage for our various sized storage units at our stores. This program helps us in seeking to maximize each store's occupancies and our self storage revenue and NOI. We believe that, through our various marketing initiatives, we can continue to attract high quality, long term tenants who we expect will be storing with us for years. As of June 30, 2019, our average tenant duration of stay was approximately 3.0 years, up from approximately 2.9 years as of June 30, 2018.

Analysis of Same-Store Cost of Operations

For the three and six months ended June 30, 2019, same-store cost of operations increased 12.5%, or \$102,731, and 10.1%, or 169,247, respectively, versus the same periods in 2018. This increase in same-store cost of operations was due primarily to increased store property taxes, store level employment costs, and increased advertising and marketing expenses, which were partially offset by reduced general and administrative expenses.

On-site store manager, regional manager, and district manager payroll expense increased 6.7%, or \$17,573, and 8.2%, or \$41,736, for the three and six months ended June 30, 2019, respectively, versus the same periods in 2018. This increase was due primarily to wage increases, and higher administration expenses. We currently expect inflationary increases in compensation rates for existing employees and other increases in compensation costs as we potentially add new stores.

Store property tax expense increased 42.0%, or \$101,122, and 32.4%, or \$161,928, for the three and six months ended June 30, 2019, respectively, versus the same periods in 2018, primarily due to (i) higher assessed values, and (ii) the loss of our Class 8 tax incentive and subsequent property tax increase at SSG Dolton LLC. See the section titled "Property Tax Expenses at Dolton, IL" for additional detail. When compared to store property tax expense for the three months ended June 30, 2019, we currently expect store property tax expense to remain consistent for the remainder of 2019.

Repairs and maintenance expense increased 9.3%, or \$3,731, and 7.4%, or \$4,714, for the three and six months ended June 30, 2019, respectively, versus the same periods in 2018. These expenses increased slightly year-over-year.

Our utility expenses are currently comprised of electricity, oil, and gas costs, which vary by store and are dependent upon energy prices and usage levels. Changes in usage levels are driven primarily by weather and temperature. Also, affecting our utilities expenses over time is our aforementioned ongoing LED light replacement program at all of our stores which has already resulted in lower electricity usage. Utilities expense decreased 17.1%, or \$9,005, and 6.2%, or 8,236, for the three and six months ended June 30, 2019, respectively, versus the same periods in 2018, primarily due to lower energy usage during the second quarter of 2019 compared to the second quarter of 2018 at most of our stores. This decrease was also the result of lower electricity usage due to our LED light replacement program. It is difficult to estimate future utility costs because weather, temperature, and energy prices are volatile and unpredictable. However, based upon current trends and expectations regarding commercial electricity rates, we currently expect inflationary increases in rates combined with lower usage resulting in slightly higher net utility costs in the remainder of 2019.

Landscaping expenses, which include snow removal costs, decreased 1.8%, or \$326, and 8.9%, or \$6,657, for the three and six months ended June 30, 2019, respectively, versus the same periods in 2018, primarily due to lower snow removal costs. Landscaping expense levels are dependent upon many factors such as weather conditions, which can impact landscaping needs including, among other things, snow removal, inflation in material and labor costs, and random events. We currently expect inflationary increases in landscaping expense in the remainder of 2019, excluding snow removal expense, which is primarily weather dependent and unpredictable.

Marketing expense is comprised principally of internet advertising and the operating costs of our 24/7 kiosk and telephone call and reservation center. Marketing expense varies based upon demand, occupancy levels, and other factors. Internet advertising, in particular, can increase or decrease significantly in the short term in response to these factors. Marketing expense increased 9.1%, or \$5,741, and 1.6%, or \$1,978, for the three and six months ended June 30, 2019, respectively, versus the same periods in 2018, primarily due to increased marketing costs and internet advertising expenses. Based upon current trends in move-ins, move-outs, and occupancies, we currently expect marketing expense to increase at a nominal rate in the remainder of 2019.

Other direct store costs include general and administrative expenses incurred at the stores. General expenses include items such as store insurance, business license costs, and the cost of operating each store's rental office including supplies and telephone and data communication lines. We classify administrative expenses as bank charges related to processing the stores' cash receipts, credit card fees, repairs and maintenance, utilities, landscaping, alarm monitoring and trash removal. General expenses decreased 4.7%, or \$3,773, and 2.9%, or \$4,144, for the three and six months ended June 30, 2019, respectively, versus the same periods in 2018, primarily due to decreased expenses for entity registration costs. Administrative expenses decreased 8.4%, or \$13,686, and 7.1%, or 26,492, for the three and six months ended June 30, 2019, respectively, versus the same periods in 2018. We experienced a decrease in administrative expenses due primarily to lower utilities and landscaping expense and our successful efforts to obtain more competitive credit card fee pricing. We currently expect moderate increases in direct store costs during the remainder of 2019.

Depreciation and amortization increased 18.4%, or \$54,779, and 18.2%, or \$108,615, for the three and six months ended June 30, 2019, respectively, versus the same periods in 2018.

Property Tax Expenses at Dolton, IL

Late in the third quarter of 2017, our Dolton, IL property was reassessed by the municipality and separately, our Class 8 tax incentive renewal hearing was held. As a result of those two events, our Dolton, IL property was reassessed at approximately 52% higher and the Class 8 tax incentive was not renewed. These events were applied retroactively to take effect on January 1, 2017. The Class 8 tax incentive phases out over the years 2017, 2018 and 2019, and during 2019 we currently expect the property tax expenses at our Dolton, IL property to increase by approximately 25% as compared to 2018. Both the property tax reassessment and our Class 8 tax incentive renewal status is currently under appeal. However, there is no guarantee that either the assessment will be reduced or our Class 8 tax incentive status will be reinstated.

Analysis of General and Administrative Expenses

General and administrative expenses represent direct and allocated expenses for shared general corporate functions, which are allocated to store operations to the extent they are related to store operations. Such functions include, among other things, data processing, human resources, legal, corporate and operational accounting and finance, marketing, and compensation of senior executives.

Three Months Ended June 30,	2019	2018	Variance	% Change
General and administrative	\$ 554,635	\$ 456,330	\$ 98,305	21.5 %

Six Months Ended June 30,	2019	2018	Variance	% Change
General and administrative	\$ 1,110,639	\$ 921,752	\$ 188,887	20.5 %

General and administrative expenses increased 21.5%, or \$98,305, and 20.5%, or \$188,887, for the three and six months ended June 30, 2019, respectively, versus the same periods in 2018. The increase in the general and administrative expenses during the three and six months ended June 30, 2019 are primarily attributable to increased employee compensation expenses, including stock-based compensation and a provision for taxes of our taxable REIT subsidiary. The stock-based compensation expense for the three and six months ended June 30, 2019 was \$51,731 and \$105,890, respectively.

Analysis of Business Development, Capital Raising, Store Acquisition, and Third-Party Management Marketing Expenses

Business development, capital raising, store acquisition, and third-party management marketing expenses increased from \$5,044 to \$15,044, and from \$10,000 to \$23,294, for the three and six months ended June 30, 2019, versus the same periods in 2018. These costs primarily consist of consulting costs in connection with business development, capital raising, and potential store acquisitions, and third-party management marketing expenses. The increase is primarily attributable to the recording of expenses related to potential store acquisitions and third-party management marketing expenses. The majority of these expenses are non-recurring and may fluctuate based on periodic business development and acquisition activities.

Analysis of Loan Interest and Amortization Expenses

Loan interest expense relating to the aforementioned \$20 million loan and credit revolver increased 16.3% or \$35,895, and 17.5%, or 76,853, for the three and six months ended June 30, 2019, respectively, versus the same periods in 2018. This increase was solely attributable to the amortization of credit revolver issuance costs over the course of its three-year term. The cash payments for the \$20 million loan remain the same every month until June 2036.

Analysis of Global Self Storage FFO and AFFO

The following tables present reconciliation and computation of net income to funds from operations (“FFO”) and adjusted funds from operations (“AFFO”) and earnings per share to FFO and AFFO per share:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2019	2018	2019	2018
Net income	\$ 136,845	\$ 395,474	\$ 324,668	\$ 454,601
Eliminate items excluded from FFO:				
Unrealized gain on marketable equity securities	(72,833)	(217,349)	(227,282)	(175,442)
Depreciation and amortization	352,809	349,173	704,376	698,046
FFO attributable to common stockholders	416,821	527,298	801,762	977,205
Adjustments:				
Compensation expense related to stock-based awards	51,731	26,428	105,890	27,312
Business Development, Capital Raising, Store Acquisition, and Third-Party Management Marketing Expenses	15,044	10,000	23,294	10,000
AFFO attributable to common stockholders	\$ 483,596	\$ 563,726	\$ 930,946	\$ 1,014,517
Earnings per share attributable to common stockholders - basic	\$ 0.02	\$ 0.05	\$ 0.04	\$ 0.06
Earnings per share attributable to common stockholders - diluted	\$ 0.02	\$ 0.05	\$ 0.04	\$ 0.06
FFO per share - diluted	\$ 0.05	\$ 0.07	\$ 0.10	\$ 0.13
AFFO per share - diluted	\$ 0.06	\$ 0.07	\$ 0.12	\$ 0.13
Weighted average shares outstanding - basic ⁽¹⁾	7,640,991	7,619,549	7,635,885	7,619,509
Weighted average shares outstanding - diluted	7,650,296	7,620,283	7,642,980	7,619,999

(1) For purposes of calculating FFO and AFFO per share, unvested restricted stock is not included.

Analysis of Global Self Storage Store Expansions and Redevelopment Operations

In addition to actively reviewing a number of store and portfolio acquisition opportunities, we have been working to further develop and expand our current stores.

At our Merrillville, IN store in January 2018, all site work, construction, and final inspections and approvals of the expansion project in Merrillville, IN were completed. This expansion has added three new traditional drive-up storage unit buildings totaling 13,300 leasable square feet. The project cost approximately \$400,000, which equates to \$30 per square foot. After the construction was completed, taking into account the additional leasable square feet, total entire store occupancy dropped from 92.6% to 78.1%. As of June 30, 2019, 93.6%, or 12,450 square feet, of the three-building expansion leasable square feet had been leased and total entire store occupancy as of June 30, 2019 was 93.5%.

The Company began construction on the Millbrook, NY expansion in the second quarter of 2019, which, when completed, will add approximately 16,500 of gross square feet of all-climate-controlled units. We currently anticipate that the construction project will proceed accordingly, with construction completion approximately nine to twelve months from project commencement. However, there is no guarantee that we will complete this project in this timeframe or at all.

Analysis of Realized and Unrealized Gains (Losses)

Unrealized gains and losses on the Company's investment in marketable equity securities for the six months ended June 30, 2019 and 2018 were a gain of \$227,282 and gain of \$175,442, respectively. As we continue to acquire and/or develop additional stores, as part of the funding for such activities, we may liquidate our investment in marketable equity securities and potentially realize gains or losses. As of June 30, 2019, our unrealized gain on marketable equity securities was \$1,039,402. There were no realized gains or losses for the six months ended June 30, 2019.

Distributions and Closing Market Prices

Distributions for the three months ended June 30, 2019 and 2018 each totaled \$0.065 per share, respectively. The Company's closing market price as of June 30, 2019 and June 30, 2018 were \$3.76 and \$4.15, respectively. Past performance does not guarantee future results.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Not applicable.

Item 4. Controls and Procedures.

Disclosure Controls and Procedures.

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

We have a disclosure controls and procedures committee, comprised of the Chief Executive Officer and Chief Financial Officer, which meets as necessary and is responsible for considering the materiality of information and determining our disclosure obligations on a timely basis.

The disclosure controls and procedures committee carried out an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by this report. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of the end of the period covered by this report.

Changes in internal control over financial reporting.

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

PART II – OTHER INFORMATION

Item 1. Legal Proceedings.

From time to time, the Company or its subsidiaries may be named in legal actions and proceedings. These actions may seek substantial or indeterminate compensatory as well as punitive damages or injunctive relief. We are also subject to governmental or regulatory examinations or investigations. Examinations or investigations can result in adverse judgments, settlements, fines, injunctions, restitutions or other relief. For any such matters, the Company will seek to include in its financial statements the necessary provisions for losses that it believes are probable and estimable. Furthermore, the Company will seek to evaluate whether there exist losses which may be reasonably possible and, if material, make the necessary disclosures. The Company currently does not have any material pending legal proceedings to which it or any of its subsidiaries is a party or of which any of their property is the subject.

Item 1A. Risk Factors.

The risk factors that affect our business and financial results are discussed in Part I, Item 1A, of our annual report on Form 10-K for the fiscal year ended December 31, 2018. There are no material changes to the risk factors previously disclosed, nor have we identified any previously undisclosed risks that could materially adversely affect our business and financial results.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

None.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

None.

Item 6. Exhibits.

Exhibits – See Exhibit Index below.

Exhibit Index

<u>Exhibit Item Number and Description</u>	<u>Incorporated by Reference to</u>	<u>Filed Herewith</u>
<u>31.1 Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u>		X
<u>31.2 Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u>		X
<u>32.1 Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u>		X
<u>32.2 Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u>		X
101. The following materials from Global Self Storage, Inc.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2019, are formatted in XBRL (eXtensible Business Reporting Language): (1) the Consolidated Balance Sheets, (2) the Consolidated Statements of Operations, (3) the Consolidated Statements of Comprehensive Income, (4) Consolidated Statement of Stockholders' Equity, (5) Consolidated Statements of Cash Flows, and (6) the Notes to Financial Statements.		X

SIGNATURES

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

Date: August 14, 2019

GLOBAL SELF STORAGE, INC.

/s/ Mark C. Winmill

By: Mark C. Winmill, President
(Signing on behalf of the registrant as Principal Executive Officer)

Date: August 14, 2019

/s/ Thomas O'Malley

By: Thomas O'Malley, Chief Financial Officer
(Signing on behalf of the registrant as Principal Financial Officer and
Principal Accounting Officer)

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Mark C. Winmill, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Global Self Storage, Inc.;
2. Based on my knowledge, this 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 report;
3. Based on my knowledge, the financial statements, and other financial information included in this 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 report;
4. The registrant's other certifying officer(s) 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)) 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 report is being prepared;
 - b) Intentionally omitted;
 - 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 (the registrant's fourth fiscal quarter in the case of an annual report) 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 officer(s) 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 control 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 control over financial reporting.

Date: August 14, 2019

/s/ Mark C. Winmill

Mark C. Winmill

President and Chief Executive Officer

**CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Thomas O'Malley, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Global Self Storage, Inc.;
2. Based on my knowledge, this 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 report;
3. Based on my knowledge, the financial statements, and other financial information included in this 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 report;
4. The registrant's other certifying officer(s) 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)) 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 report is being prepared;
 - b) Intentionally omitted;
 - 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 (the registrant's fourth fiscal quarter in the case of an annual report) 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 officer(s) 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 control 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 control over financial reporting.

Date: August 14, 2019

/s/ Thomas O'Malley

Thomas O'Malley
Chief Financial Officer, Treasurer and Vice President
(Principal Financial Officer)

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

I, Mark C. Winmill, Chief Executive Officer of Global Self Storage, Inc., certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the knowledge of the undersigned:

1. The Quarterly Report on Form 10-Q for the period ended June 30, 2019 (the "Report") which this statement accompanies fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Global Self Storage, Inc.

Date: August 14, 2019

/s/ Mark C. Winmill

Mark C. Winmill
President and Chief Executive Officer

This certification accompanies this Quarterly Report on Form 10-Q pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not be deemed as filed by Global Self Storage, Inc. for purposes of Securities Exchange Act of 1934.

**CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

I, Thomas O'Malley, Chief Financial Officer, Treasurer and Vice President of Global Self Storage, Inc., certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the knowledge of the undersigned:

1. The Quarterly Report on Form 10-Q for the period ended June 30, 2019 (the "Report") which this statement accompanies fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Global Self Storage, Inc.

Date: August 14, 2019

/s/ Thomas O'Malley

Thomas O'Malley
Chief Financial Officer, Treasurer and Vice President
(Principal Financial Officer)

This certification accompanies this Quarterly Report on Form 10-Q pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not be deemed as filed by Global Self Storage, Inc. for purposes of Securities Exchange Act of 1934.