

SECURITIES AND EXCHANGE COMMISSION

FORM 10-K405

Annual report pursuant to section 13 and 15(d), Regulation S-K Item 405

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FILER

SHURGARD STORAGE CENTERS INC

CIK: **906933** | IRS No.: **911603837** | State of Incorpor.: **DE** | Fiscal Year End: **1231**
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SIC: **4210** Trucking & courier services (no air)

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FORM 10-K
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES
EXCHANGE ACT OF 1934 \$250

For the fiscal year ended December 31, 1995

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES
EXCHANGE ACT OF 1934 [NO FEE REQUIRED]

For the transition period from to

Commission file number 0-23466

SHURGARD STORAGE CENTERS, INC.

(Exact name of registrant as specified in its charter)

DELAWARE

91-1603837

(State of organization)

(IRS Employer Identification No.)

1201 THIRD AVENUE, SUITE 2200, SEATTLE, WASHINGTON 98101

(Address of principal executive offices) (Zip code)

Registrant's telephone number, including area code: (206) 624-8100

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

Class A Common Stock, par value \$.001 per share

Class B Common Stock, par value \$.001 per share

Preferred Share Purchase Rights

(Title of class)

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item
405 of Regulation S-K (Section 229.405 of this chapter) is not contained herein,
and will not be contained, to the best of registrant's knowledge, in definitive
proxy or information statements incorporated by reference in Part III of this
Form 10-K or any amendment to this Form 10-K. X

Aggregate market value of voting stock held by non-affiliates of the
registrant as of March 1, 1996: \$594,413,669

Class A Common Stock outstanding as of March 1, 1996: 23,046,517 shares

Class B Common Stock outstanding as of March 1, 1996: 154,604 shares

Documents incorporated by reference: Part III is incorporated by reference from
the proxy statement to be filed in connection with the Company's Annual
Shareholders' Meeting to be held May 14, 1996.

There are 44 pages.

PART I

ITEM 1 - BUSINESS

OVERVIEW

Shurgard Storage Centers, Inc. (the Company) is a fully integrated, self-
administered and self-managed real estate investment trust (REIT) that develops,
acquires, owns and manages self storage centers. The Company's self storage
centers offer low-cost, easily accessible storage space for personal and

business uses. The Company is one of the three largest operators of self storage centers in the United States. The Company owns and operates, as of December 31, 1995, directly and through its joint ventures, 181 properties (including 178 self storage properties), containing approximately 11.8 million net rentable square feet, which are located in 19 states. As a result of the merger (the Merger) with Shurgard Incorporated (the Management Company) described below, the Company also manages approximately 90 self storage centers for affiliates and nonaffiliates. For the year ended December 31, 1995, the Company's self storage centers had a weighted average annual net rentable square foot occupancy rate of 88% and a weighted average rent per net rentable square foot of \$8.84.

The Company was incorporated in Delaware on July 23, 1993 and began operations through the consolidation on March 1, 1994 of 17 publicly held real estate limited partnerships (the Consolidation) that were sponsored by the Management Company. On March 24, 1995, the Management Company merged with and into the Company, pursuant to an Agreement and Plan of Merger dated December 19, 1994, and the Company became self-administered and self managed. Through the Merger, the Company internalized the expertise and experience of the Management Company's personnel that cover all aspects of the self storage industry.

BUSINESS STRATEGY

The Company implements its strategy of being a national leader in storage products and services by (i) emphasizing customer service and satisfaction, (ii) maintaining a portfolio of convenient and secure stores, (iii) optimizing revenues through efficient rent pricing and collection policies, (iv) pursuing on-going market research and Company marketing programs, and (v) integrating its property management systems and procedures. Shurgard believes the key to the success of its business strategy is the quality of its employees' interaction with customers. Accordingly, the Company focuses on employee training programs that emphasize a team-oriented approach to customer service.

COMMITMENT TO CUSTOMER SERVICE AND SATISFACTION

The Company's goal is to achieve a high level of customer satisfaction, and it views the quality of its customers' interaction with its employees as critical to its long-term success. Through its emphasis on training, personnel development and decentralized decision-making, the Company believes it attracts and retains well-qualified, highly motivated employees committed to providing superior levels of customer service.

CONVENIENT AND SECURE STORES

The Company's stores are located for easy access, offer a range of premium storage products and services for customer convenience, and emphasize security and product quality. The Company believes that its strategy of offering high-quality, convenient stores strengthens the brand image of Shurgard, attracts customers and enables the Company to maintain premium rents.

STORE LOCATION AND HOURS. The Company's stores are generally located in major metropolitan areas along retail and high-traffic corridors for easy customer access, and usually have significant road frontage for high visibility. Although hours vary from store to store, customers can generally access their individual units between 6 a.m. and 9 p.m.

2

ONE-STOP CONVENIENCE. The Company's stores offer a range of storage products and ancillary services, generally including sales of supplies such as packing material, locks and boxes, as well as property insurance referrals, moving company referrals, and other services such as Ryder truck rentals (through a third-party rental company), to conveniently and efficiently address customers' storage needs. In addition, the Company's stores generally offer premium features such as computer-controlled access and electronic security systems. Some of its stores offer climate-controlled storage space.

PROPERTY SECURITY. A variety of measures are used at the Company's stores as appropriate to enhance security. Such measures may include, among others, on site personnel, electronic devices such as intrusion and fire alarms, access controls, video and intercom surveillance devices, individual unit alarms, perimeter beams, fencing and lighting. Customers are assigned a designated personal identification number for use in connection with a computerized gate access system. Each access is computer-logged. In addition, the Company has developed and plans to continue to develop a proprietary package of security controls, including software, video and interactive communication.

CAPITAL EXPENDITURES AND MAINTENANCE. The Company budgets for a level of capital expenditures consistent with its commitment to maintaining attractive, well-maintained and secure self storage centers. This commitment contributes to the Company's ability to pursue a premium pricing strategy. In addition, capital expenditures for uniform signage and color scheme among the Company's properties strengthen the brand image of Shurgard. (See Item 7 - Management's Discussion and Analysis of Financial Condition and Results of Operations - Capital Expenditures)

SELECTIVE DISPOSITION. The Company regularly reviews its portfolio compared to established internal standards and identifies those few properties which can not economically meet those standards. The Company intends to dispose of these properties over time.

MARKETING AND MARKET RESEARCH

The Company employs various means to increase its share of the self storage market. It places prominent advertisements in the yellow pages and seeks to promote customer awareness of its stores through highly visible store locations, site signage and architectural features. The Company locates its stores along retail and high-traffic corridors, usually with significant road frontage to increase visibility. The Company builds, on newly developed stores, a distinctive "lighthouse" office to distinguish itself from competitors and to increase customer awareness of the Shurgard brand.

Primary marketing emphasis is placed on providing managers with telephone sales skills to elicit customer needs and close rental sales. The Company also has a national call center to field overflow calls from individual properties. Employees at the national call center are able to market and sell a rental at the Company store nearest to the caller.

The Company has sophisticated market research skills, and maintains an extensive market research database on its primary markets that permits it to closely track occupancy levels, rental rates and other operational data regarding self storage properties within these markets. The Company also has conducted focus group research, telephone surveys, and utilizes customer comment cards to identify the primary considerations in customers' self storage choices and satisfaction so that the Company can better attract and service customers.

PROPERTY MANAGEMENT SYSTEMS/MANAGEMENT INFORMATION SYSTEMS

The Company has integrated property management systems and procedures for marketing, advertising, leasing, operations, maintenance and security of properties and the management of on site personnel. The Company's computerized management information system links the Company's corporate office with each store. The Company has developed and begun installing proprietary software that expedites internal auditing, financial statement and budget preparations, and manages detailed information with respect to the tenant mix, demographics, occupancy levels, rental rates, revenue optimization, payroll and other information relating to each store. The Company's corporate office can exchange information with the stores via computer on a daily basis. Management believes that the Company's new

3

information systems will be adequate to support the Company's owned properties and significant growth.

OTHER ACTIVITIES

The Company also manages, under the Shurgard name, self storage properties owned by others that meet the Company's quality standards. Management of such properties enables the Company to spread the cost of overhead over a greater number of properties. Additionally, it enables the Company to expand its presence in the markets in which it operates, to offer customers a broader geographic selection of self storage properties to suit their needs and to establish relationships with property owners that may lead to future acquisitions. Management fees earned by the Company are not qualifying income for REIT qualification purposes. Accordingly, the Company closely monitors the level of these activities to ensure the Company's continued qualification as a REIT.

GROWTH STRATEGIES

The Company's growth strategies are designed to maximize shareholder value by increasing funds from operations through (i) increases in revenues and operating efficiencies at its existing stores and (ii) the development of new self storage properties and the acquisition of additional self storage properties. The Company has an integrated real estate and storage operations management team which combines its experience to implement the Company's growth plan. The Company believes that the experience of its management team in operating, developing and acquiring self storage properties and its access to capital markets strongly contribute to its ability to execute these strategies. Internal Growth Strategy

INTERNAL GROWTH STRATEGY

The Company's internal growth strategy is to increase same store cash flow by achieving the highest rental rate structure consistent with strong occupancy rates, containing costs and improving operating leverage, and undertaking expansion of its existing stores.

- OPTIMIZE RENTS. The Company seeks to optimize its revenues by achieving the highest rental rate structure for its stores, consistent with strong levels of occupancy, through the use of teams of store employees who

are trained and authorized to set rental rates and make rental rate changes based on their analysis of demand and availability at a particular store. The Company encourages decentralized decisions by store managers to change marginal rental rates in order to ensure a fast, flexible response to changing market dynamics. Store managers evaluate their property's rental rates on a periodic basis, based on unit demand, unit availability and competitors' rental rates, and can quickly change marginal rental rates to ensure that revenues are optimized.

- COST CONTAINMENT AND IMPROVED OPERATING LEVERAGE. The Company seeks to maximize cash flow by carefully containing operating expenses. For example, the Company aggressively appealed its real estate tax assessments, which has resulted in savings in excess of \$1.3 million over the last three years. Because of the active market for self storage properties, the Company does not expect this level of savings to continue. In addition, as the Company increases the number of properties in its targeted markets, it achieves larger economies of scale and lessens the impact of corporate overhead expense. The Company believes that its management and operational procedures, which can be implemented over a large number of properties, enable it to add new properties with little additional overhead expense.

- STRATEGIC BUILD-OUTS. The Company seeks to maximize revenues by building out additional rentable storage space at suitable stores. The Company

4

receives high incremental returns on investments to build out additional rental units, either through on site expansion or acquisition of property adjacent to existing stores, because resulting revenue increases are achieved with little increase in fixed operating costs.

- ADDRESSING CUSTOMER NEEDS IN ADDITIONAL WAYS. Shurgard has begun a research and development program to identify customer storage needs and uses, and to engage in pilot programs for meeting those needs.

EXTERNAL GROWTH STRATEGY

The Company's external growth strategy is to develop new, high-quality self storage properties and to selectively acquire additional self storage properties that meet or can be upgraded to the Company's standards. In general, the Company plans to develop or acquire new properties (i) primarily in its existing markets and (ii) in new markets that create economies of scale with its current network of stores. The Company seeks to own at least 15 stores in each of its markets in order to realize operating and marketing efficiencies and increase brand awareness. The Company believes that the experience of its management team in developing and acquiring self storage properties strengthens its ability to pursue its external growth strategy.

The Company favors development or acquisition of self storage properties in major metropolitan markets, located near retail or high-traffic corridors, usually with significant road frontage to increase visibility. The Company relies on its market personnel to target areas in which to develop and acquire new stores. The Company utilizes its staff of real estate acquisition specialists in various markets around the nation to develop and acquire new stores in the markets presenting the best business opportunities. The Company has developed comprehensive market expansion plans for each of its target markets, and uses the plans as the basis for selecting new store locations and acquisition targets. The market expansion plans utilize a demographic analysis of an area along with an evaluation of competitors' locations, rates and product quality to determine the optimum number and location of new stores. Management believes that, under current market conditions, development will provide generally superior long-term returns when compared to acquisitions of similar size, quality and location. Based on this belief, the Company's current growth plan focuses heavily on property development; however, management continually analyzes market conditions and acquisition opportunities.

DEVELOPMENT. The Company believes that several factors favor its development strategy:

- DEVELOPMENT EXPERTISE. The Company has substantial construction management and architectural experience that was acquired through the Management Company's development of over 64 properties over the past 22 years. Since 1972, the Company (or its predecessors) have maintained an internal development staff, which currently employs 19 development professionals. The in-house development staff oversees construction and architectural design performed by third parties to ensure cost-effective, quality development of self storage properties.

- STRATEGIC SITE SELECTION TO MAXIMIZE REVENUES. To obtain the best store locations, the Company targets sites for development in urban areas and up-scale retail areas that often require rezoning and other complex development measures. The Company believes that the difficulties of

developing storage properties in such in-fill areas may discourage competitors from locating nearby and, as a result, enable the Company to operate in areas that are underserved. This in turn enables the Company to charge higher rental rates.

5

- INCREASED COMPETITION FOR ACQUISITIONS. Recently, increased competition for acquisitions of high-quality properties has decreased the pool of favorably priced acquisition targets in many of the Company's markets. In these markets, management believes that returns from development are generally more favorable than those from acquisitions, and make attractive a strategy of developing new self storage centers in the markets in which the Company currently operates. The Company may also pursue opportunities for developments in new markets primarily through affiliation agreements with established local operators or chain acquisitions.

- POSITIVE SUPPLY AND DEMAND CHARACTERISTICS. Funding for the construction of new self storage properties (especially from traditional sources such as savings and loan associations) continues to be below levels seen in the mid-80's, while demand for storage space has continued to increase. The Company believes that the relative scarcity of capital, combined with existing high construction costs is a constraint on construction of new properties in the self storage industry. The Company intends to capitalize on its access to capital to pursue development of new storage properties under current conditions.

- FOCUS ON QUALITY AND BRAND IMAGE DEVELOPMENT. Development of its own self storage properties provides the Company with greater control to ensure excellent construction and consistent building design that is inviting to customers. The Company's focus on quality and consistency will enable it to further strengthen awareness of the Shurgard brand, obtain repeat business, maintain premium prices and differentiate itself from its competitors.

It has been the Company's experience that a self storage property has a break-even point of 20% to 30% occupancy, meaning that it must be approximately 20% to 300% occupied (on the basis of net square footage) in order for gross receipts from operations to equal or exceed normal operating expenses (exclusive of debt service payments associated with the property). Given the anticipated lease-up time frame, the Company will not normally expect a development property to generate positive cash flow during the first six to nine months a developed property is operating.

The historical results of recent development properties held by partnerships sponsored by the Management Company demonstrate the superior returns possible through development; annualized returns for such properties, completed from 1989 to 1993, average 14% for the last six months of 1995 based on original property costs. There can be no assurance, however, that the Company will achieve such returns on its development properties. To the extent that these historical numbers are considered by investors as a factor in projecting forward looking results for the Company, future development results may differ materially from results of the partnerships. Factors that may lead to different results include but are not limited to the possibility of more competition to the Company's new developments than was experienced in the periods in which these partnerships were renting up their developments, the quality and location of the competing projects being built, and the possibility that the metropolitan markets in which the Company is developing may have less favorable supply and demand characteristics.

ACQUISITIONS. The Company also selectively acquires high-quality properties that will provide a strategic advantage to the Company. Additional acquisitions allow the Company to spread overhead and certain management, marketing and advertising costs over a greater number of revenue-producing assets. As a result, the Company can achieve increasing economies of scale with each new property acquired. The Company completes a thorough analysis of each property that it intends to acquire, including, but not limited to, a review of

6

capital expenditures that will be required for the property to meet the Company's standards and, at a minimum, a Phase I environmental assessment report.

CAPITAL STRATEGY

The Company expects to fund future development and acquisitions through the incurrence of additional indebtedness, future offerings of equity securities and retained cash flow. In the long-term, the Company anticipates reducing its

payout ratio in order to retain cash flow for growth.

The Company has access to two revolving credit facilities to fund development and acquisitions. The Company has up to \$100 million available pursuant to its two revolving credit facilities, \$20 million of which was drawn down as of March 1, 1996. The actual amount available under each of the two revolving credit facilities is a function of the quarterly income performance of the properties securing the respective credit facility and the quarterly debt service payments.

The Company anticipates that cash flow from operating activities will continue to provide adequate capital for debt service payments until maturity, as well as for dividend payments in accordance with REIT requirements. The Company anticipates refinancing outstanding debt upon maturity through long-term debt or equity or some combination thereof.

Under the By-Laws, subject to certain exceptions, the Company may not incur debt if, after giving effect to such borrowing, its Indebtedness for borrowed funds would exceed 50% of its Total Assets or 300% of its Adjusted Net Worth (as such terms are defined in the By-laws). As of December 31, 1995, the Company's Indebtedness was approximately 22% of its Total Assets and approximately 31% of its Adjusted Net Worth.

THE SELF STORAGE INDUSTRY

The self storage industry serves an important function in the commercial and residential real estate markets. Self storage properties were first developed in the early 1960s in the southwestern United States in response to the growing need for low-cost, accessible storage. A number of factors accelerated the demand for low-cost storage, including, among others, a more mobile society, with individuals moving to new homes and new cities needing short-term storage for their belongings, the increasing cost of housing (resulting in smaller houses), the increased popularity of apartments and condominiums, more individuals with growing discretionary income (resulting in the purchase of items such as boats and recreational vehicles that cannot be stored at residences), the growing number of small businesses and the escalating cost of other storage alternatives. As the demand for such storage increased, and the acceptance of self storage became more widespread, self storage properties were built throughout the United States. Generally, such properties were constructed along major thoroughfares that provided ready access and public visibility or in outlying areas where land was inexpensive. In certain areas of the country, where new construction was impractical because of construction costs, lack of suitable sites or other restrictions, older structures have been converted into self storage properties.

The company believes, based on the experience of its management, that the self storage industry is characterized by fragmented ownership, high gross margins, low levels of price sensitivity and increasing customer demand. Typical customers of a self storage property include individuals, ranging from homeowners to college students, and commercial users, such as sales representatives and distributors, who require frequent access, to business owners requiring seasonal storage. The Company believes business use to be a growing segment of demand in the industry. A single customer rarely occupies more than 1% or 2% of the net rentable area in any particular store.

Capital expenditures are generally less for self storage properties as compared to other types of commercial real estate due to the properties' structural simplicity and durable materials and the lack of tenant improvement demands. Primary capital expenditures include periodic expenditures for replacing roofs and pavement, as well as improvements

7

such as expansions and unit reconfigurations. Expense items include repairing asphalt, doors, fences and masonry walls, maintaining landscaping, and repairing damage caused by customer vehicles. Minimal maintenance is required within a storage unit between customers.

COMPETITION

Competition exists in every market in which the Company's stores are located. The Company competes with, among others, national, regional and numerous local self storage operators and developers. The primary factors on which competition is based are location, rental rates, security, suitability of the property's design to prospective tenants' needs and the manner in which the property is operated and marketed. The Company believes that the primary competition for potential customers of any of the Company's self storage stores comes from other self storage properties within a three-to-five-mile radius of that store. The Company has established itself within its markets as a high-quality operator that emphasizes customer service and security. The Company does not seek to be the lowest-price storage provider.

Entry into the self storage business through acquisition of existing properties is relatively easy for persons or institutions with the required

initial capital. Some of the Company's competitors may have more resources than the Company. Competition may be accelerated by any increase in availability of funds for investment in real estate. Decreases in interest rates tend to increase the availability of funds and therefore can increase the growth of competition. Due to recent increases in plans for development of self storage properties, the Company anticipates that increased available storage space may reduce occupancy levels per storage property within the industry in 1996 or 1997 and further intensify competition among storage providers for available tenants. The extent to which the Company is affected by competition will depend in significant part on local market conditions.

REGULATION

ENVIRONMENTAL REGULATIONS

The Company is subject to federal, state and local environmental regulations that apply to the ownership, management and development of real property, including regulations affecting both construction activities and the operation of self storage properties.

In developing properties and constructing improvements, the Company utilizes environmental consultants and/or governmental data to determine whether there are any floodplains, wetlands or environmentally sensitive areas that are part of the property to be developed. If any such areas are identified, development and construction are planned in conformance with federal and local environmental and land-use requirements.

Under various federal, state and local laws, ordinances and regulations, an owner or operator of real property may become liable for the costs of removal or remediation of certain hazardous substances released on or in its property. Such laws may impose liability without regard to whether the owner or operator knew of, or was responsible for, the release of such hazardous substances. The presence of hazardous substances on a property may adversely affect the owner's ability to sell such property or to borrow using such property as collateral, and may cause the owner or manager of the property to incur substantial remediation costs. In addition to claims for cleanup costs, the presence of hazardous substances on a property could result in the owner or manager incurring substantial liabilities as a result of a claim by a private party for personal injury or a claim by an adjacent property owner for property damage.

The Company has not been notified by any governmental authority of any current, material environmental noncompliance, claim or liability in connection with any of the properties it owns or manages. The Company has not been notified of a current claim for personal injury or property damage by a private party in connection with any of the

8

properties in connection with environmental conditions. The Company has received a Phase I environmental assessment report prepared by an independent environmental consultant for each of the properties it owns.

The Company is not aware of any environmental condition with respect to the properties it owns or manages that could have a material adverse effect on the Company's financial condition or results of operations. There can be no assurance, however, that any environmental assessments undertaken with respect to the properties have revealed all potential environmental liabilities, that any prior owner or operator of the properties did not create any material environmental condition not known to the Company, or that an environmental condition does not otherwise exist as to any one or more of the properties that could have a material adverse effect on the Company's financial condition or results of operation. In addition, there can be no assurance that (i) future laws, ordinances or regulations will not impose any material environmental liability, (ii) the current environmental condition of the Company's owned or managed properties will not be affected by the condition of properties in the vicinity of such properties (such as the presence of leaking underground storage tanks) or by third parties unrelated to the Company, or (iii) tenants will not violate their leases by introducing hazardous or toxic substances into the Company's owned or managed properties that could expose the Company to liability under federal or state environmental laws.

AMERICANS WITH DISABILITIES ACT; FIRE AND SAFETY REGULATIONS

Under the ADA, all public accommodations are required to meet certain federal requirements relating to physical access and use by disabled persons. Compliance might require, among other things, removal of access barriers. A determination that the Company is not in compliance with the ADA could result in the imposition of fines, injunctive relief, damages or attorneys' fees. If the Company were required to make modifications to comply with the ADA, the Company's ability to make expected distributions to its shareholders could be adversely affected; however, management believes that such effect would not be material. In addition, the Company is required to operate its properties in compliance with fire and safety regulations, building codes and other land use regulations, as they may be adopted by governmental agencies and bodies and become applicable to the Company's properties. Compliance with such

requirements may require the Company to make substantial capital expenditures, which expenditures would reduce the money otherwise available for distribution to shareholders.

INSURANCE

Management believes that its self storage properties are covered by adequate fire, flood, wind, earthquake and property insurance, as well as business interruption insurance, provided by reputable companies and with commercially reasonable deductibles and limits. The Company maintains comprehensive liability insurance coverage with respect to the self storage properties it owns or manages with policy specifications, limits and deductibles customarily carried for similar properties. The Company or its predecessors have obtained existing title insurance insuring fee title to the properties that the Company owns in an aggregate amount that the Company believes to be adequate.

EMPLOYEES

As of December 31, 1995, the Company employed approximately 700 persons. None of the Company's employees is covered by a collective bargaining agreement. The Company believes that its relations with its employees are good.

ITEM 2 - PROPERTIES

The Company owns, as of December 31, 1995, directly and through its wholly owned subsidiaries and joint ventures, 181 properties (including 178 self storage properties) located in 19 states. The Company's self storage properties are designed to offer accessible storage space for personal and business use. Individuals typically rent individual units in self storage

9

properties for storage of personal belongings such as furniture, appliances, motor vehicles, boats and other household and recreational goods. Businesses typically rent space for storage of business property such as equipment, seasonal goods, records and fixtures. The Company believes that it is desirable to have commercial customers because they tend to rent larger units, stay for longer terms, are more reliable payers and are less sensitive to price increases. Accordingly, the Company has marketing programs that target commercial users. The Company estimates that commercial users account for approximately 30%-35% of its total occupancy.

The Company's self storage properties are divided into a number of self-enclosed rental units that generally range in size from 25 to 360 square feet. Many properties have uncovered storage outside the buildings for parking motor vehicles, boats, campers and other similar items suitable for outside storage. Approximately 20% of the properties owned by the Company include climate-controlled storage units for which the Company charges rents at substantial premiums.

Customers of self storage properties are generally responsible for delivering and retrieving their goods. Many leased spaces can be accessed directly by automobile or truck, but some properties, in particular the multistory buildings, have separate loading docks and elevators available for delivery and retrieval of stored goods. Customers generally have access to their unit without additional charge during normal business hours and control access to such space through the use of padlocks. The Company offers truck rentals at a majority of its properties for added convenience to its customers and to differentiate itself from most of its competitors. In addition to truck rentals, the Company sells locks, boxes and packing and storage materials at its stores.

The leasing, maintenance and operation of the Company's stores are the responsibility of store managers. The property's security is provided through a variety of systems that may include, among others, on site personnel, electronic devices such as intrusion and fire alarms, access controls, video and intercom surveillance devices, property fencing and lighting.

Although the Company's stores range considerably in size, most properties consist of one or more single-story buildings that are located on a site of 1.5 to 5 acres. The smallest store has approximately 25,000 net rentable square feet, while the largest store has approximately 300,000 net rentable square feet. The properties generally are constructed with concrete block or tilt-up concrete panels, with steel columns or precast concrete columns that rest on concrete footings and slabs, and have built-up tar roofs or pitched truss roofs with shingles or standing seam metal roofs. The interior walls are generally constructed with metal studs and partitions or other construction materials that are secure but readily movable. The parking areas and driveways are generally paved with asphalt or cement. All stores have fencing, floodlights, sliding or swinging gates and certain additional security devices mentioned above.

In some cases, multistory buildings able to bear substantial weight loads, such as warehouses and newspaper plants, have been converted into self storage

properties. In addition, similar multistory buildings for self storage have been constructed in dense urban areas where land costs, zoning and other development considerations make it impractical or undesirable to construct single-story buildings.

The following table provides information regarding the year developed or acquired (by the Company or by one of the partnerships included in the Consolidation, as the case may be), year built, approximate net rentable square feet and acreage of each of the self storage properties and business parks owned by the Company as of December 31, 1995. The Company owns additional undeveloped properties not reflected in the table.

<TABLE>
<CAPTION>

PROPERTY NAME	PROPERTY LOCATION	OWNED SINCE	YEAR BUILT	APPROXIMATE NET RENTABLE SQUARE FEET	ACREAGE
-----	-----	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>	<C>
Kalamazoo	Kalamazoo, MI	1980	1980	43,000	3.0
Vancouver Mall	Vancouver, WA	1980	1982	46,000	3.3
West Seattle	Seattle, WA	1980	1981	48,000	3.4
Bellingham	Bellingham, WA	1981	1981	73,000	5.7
Everett	Everett, WA	1981	1978	64,000	4.2
Highland Hill	Tacoma, WA	1981	1982	60,000	3.9
Troy East	Troy, MI	1981	1975/77	79,000	4.8
Alsip	Alsip, IL	1982	1980	66,000	4.6
Dolton	Calumet City, IL	1982	1979	64,000	3.0
Lombard	Lombard, IL	1982	1980	52,000	3.1
Rolling Meadows	Rolling Meadows, IL	1982	1980	60,000	4.5
Schaumburg	Schaumburg, IL	1982	1980	71,000	4.3
Grand Rapids	Grand Rapids, MI	1983	1978	46,000	3.2
Lansing	Lansing, MI	1983	1978/79	41,000	2.5
Salem	Salem, OR	1983	1979/81	67,000	3.8
Seattle	Seattle, WA	1983	1979	79,000	4.5
Southfield	Southfield, MI	1983	1976	77,000	4.3
Troy West	Troy, MI	1983	1979	88,000	5.2
Bellevue East and West(1)	Bellevue, WA	1984	1975	165,000	10.8
Edmonds	Edmonds, WA	1984	1974/75	120,000	6.5
Factoria	Bellevue, WA	1984	1984	57,000	3.8
Federal Way	Federal Way, WA	1984	1975	134,000	5.7
Fife (2)	Tacoma, WA	1984	1977	64,000	3.9
North Spokane	Spokane, WA	1984	1976	76,000	4.1
Renton	Renton, WA	1984	1979/89	80,000	4.5
Tamarac	Denver, CO	1984	1977	25,000	1.9
Tempe	Tempe, AZ	1984	1976	54,000	3.0
Thornton	Denver, CO	1984	1984	41,000	2.4
Totem Lake	Kirkland, WA	1984	1978	61,000	2.6
Windermere	Littleton, CO	1984	1977/79	83,000	5.3
Woodinville	Woodinville, WA	1984	1982/84	70,000	3.5
Beaverton	Beaverton, OR	1985	1974	26,000	2.0
Bedford	Bedford, TX	1985	1984	69,000	2.7
Bellefontaine	St. Louis, MO	1985	1979	45,000	4.9
Bridgeview	Bridgeview, IL	1985	1983	75,000	4.1
Burien	Seattle, WA	1985	1974	92,000	5.3
Colton	Colton, CA	1985	1984	73,000	3.8
Hayward	Hayward, CA	1985	1983	48,000	2.8
Hill Country Village	San Antonio, TX	1985	1982	79,000	4.0
Irving	Irving, TX	1985	1975/84	78,000	4.2
Issaquah	Issaquah, WA	1985	1986	56,000	4.7
Oakland Park	Ft. Lauderdale, FL	1985	1974/78	292,000	13.4
Phoenix	Phoenix, AZ	1985	1984	77,000	2.7
Plymouth	Canton Township, MI	1985	1979	75,000	5.3
San Antonio NE	San Antonio, TX	1985	1982	74,000	3.6
Scottsdale	Scottsdale, AZ	1985	1976/85	47,000	3.0
Sea-Tac	Seattle, WA	1985	1979	60,000	3.0
Southcenter	Renton, WA	1985	1979	67,000	4.1
Union City	Hayward, CA	1985	1985	42,000	2.9

<CAPTION>

APPROXIMATE

PROPERTY NAME	PROPERTY LOCATION	OWNED SINCE	YEAR BUILT	NET RENTABLE SQUARE FEET	ACREAGE
<S>	<C>	<C>	<C>	<C>	<C>
Scottsdale North	Scottsdale, AZ	1985/87	1985	112,000	4.1
Walled Lake	Walled Lake, MI	1985/89	1984	68,000	4.3
Newport News S. Airport	Newport News, VA Philadelphia, PA	1985/92	1985	60,000	3.9
Arlington	Arlington, TX	1986	1985	101,000	6.7
Aurora North	Seattle, WA	1986	1984	57,000	2.7
Gold	Brooklyn, NY	1986	1978	58,000	1.6
Utica	Brooklyn, NY	1986	1940	108,000	0.4
Van Dam	Long Island City, NY	1986	1986	71,000	1.1
Yonkers	Yonkers, NY	1986	1925	63,000	0.5
Chandler	Chandler, AZ	1986	1928	102,000	1.6
Clinton	Clinton, MD	1986	1986	69,000	4.0
College Park	Indianapolis, IN	1986	1985	31,000	2.0
Downtown Seattle (3)	Seattle, WA	1986	1984	70,000	6.0
East Lynnwood	Lynnwood, WA	1986	1912	28,000	0.3
El Cajon	El Cajon, CA	1986	1978	80,000	3.8
El Cerrito	Richmond, CA	1986	1977	127,000	6.0
Fairfax	Fairfax, VA	1986	1986	62,000	1.5
Glendale	Indianapolis, IN	1986	1980	62,000	5.6
Kearney-Balboa	San Diego, CA	1986	1985	60,000	5.6
La Habra	La Habra, CA	1986	1984	94,000	2.3
Lakewood	Golden, CO	1986	1979/91	97,000	7.1
Lisle	Lisle, IL	1986	1985	67,000	2.7
MacArthur Blvd.	Irving, TX	1986	1976/86	52,000	3.4
North Austin	Austin, TX	1986	1984	63,000	7.2
Palo Alto	Palo Alto, CA	1986	1982	76,000	5.9
Roswell	Roswell, GA	1986	1987	49,000	1.4
Santa Ana	Santa Ana, CA	1986	1986	57,000	3.8
Seminole	Seminole, FL	1986	1975/86	168,000	8.1
Sunnyvale	Sunnyvale, CA	1986	1984/85	61,000	2.7
Thousand Oaks	San Antonio, TX	1986	1974/75	122,000	6.5
West Chester (4)	West Chester, PA	1986	1987	53,000	2.9
Westheimer	Houston, TX	1986	1980	87,000	7.0
Westwood	Santa Monica, CA	1986	1977	73,000	3.7
Willowbrook	Willowbrook, IL	1986	1988	38,000	0.3
B Y Northern	Long Island City, NY	1987	1979/82	44,000	3.3
Capitol Hill (5)	Seattle, WA	1987	1940	78,000	1.9
Eules Blvd.	Hurst, TX	1987	1988	76,000	0.7
Falls Church	Falls Church, VA	1987	1974	68,000	4.7
Fontana Sierra	Fontana, CA	1987	1988	93,000	1.5
Fredricksburg	San Antonio, TX	1987	1980/85	84,000	3.6
Interbay	Seattle, WA	1987	1978/82	82,000	4.5
King City	Tigard, OR	1987	1988	80,000	0.4
Mesa	Mesa, AZ	1987	1986	84,000	4.9
Military Trail	West Palm Beach, FL	1987	1985	103,000	4.8
Mountain View	Mountain View, CA	1987	1981	124,000	9.4
Northglenn	Northglenn, CO	1987	1986	29,000	0.7
Old Bridge	Matawan, NJ	1987	1979	75,000	5.5
Olive Innerbelt	St. Louis, MO	1987	1987	78,000	6.1
Phoenix East	Phoenix, AZ	1987	1952/86	94,000	2.5
S. San Francisco	San Francisco, CA	1987	1984	66,000	2.0
Smokey Point	Arlington, WA	1987	1985	57,000	2.1
Solana Beach (4)	Solana Beach, CA	1987	1984/87	34,000	2.2
South Tacoma	Tacoma, WA	1987	1984	95,000	4.5
Suitland	Suitland, MD	1987	1975	46,000	3.1
West Palm Beach	West Palm Beach, FL	1987	1985	44,000	2.7
Tacoma Interstate (2)	Tacoma, WA	87/88/91	1975	63,000	11.8
			1979/81	128,000	12.2

<CAPTION>

PROPERTY NAME	PROPERTY LOCATION	OWNED SINCE	YEAR BUILT	APPROXIMATE NET RENTABLE SQUARE FEET	ACREAGE
<S>	<C>	<C>	<C>	<C>	<C>
Ann Arbor	Ann Arbor, MI	1988	1977	62,000	3.9
Bandera Road	San Antonio, TX	1988	1981	76,000	3.6
Bayside	Virginia Beach, VA	1988	1984	28,000	1.7
Blanco Road	San Antonio, TX	1988	1984	28,000	1.7
Brentwood	Brentwood, MO	1988	1989/91	66,000	3.6
Canton (6)	Canton, MI	1988	1977	53,000	3.4
Crofton	Gambrills, MD	1988	1988	58,000	3.3
Culver City	Los Angeles, CA	1988	1985	40,000	2.1
Federal	Houston, TX	1988	1989	76,000	1.4
Fraser (6)	Fraser, MI	1988	1988	55,000	3.4
Herndon	Herndon, VA	1988	1985	73,000	5.2
Hillside	Hillside, IL	1988	1985	39,000	3.0
		1988	1988	65,000	5.3

Huntington Beach	Huntington Beach, CA	1988	1986	91,000	3.3
Imperial Valley	Houston, TX	1988	1987	54,000	3.1
Kingwood	Kingwood, TX	1988	1988	54,000	3.3
Laurel	Laurel, MD	1988	1984	30,000	2.0
Livonia (6)	Livonia, MI	1988	1985	67,000	4.8
Manassas East	Manassas, VA	1988	1984	35,000	2.0
Manassas West	Manassas, VA	1988	1985	35,000	1.5
North Richmond	Richmond, VA	1988	1984	37,000	2.6
Portland	Portland, OR	1988	1988	49,000	2.1
Sugarland	Sugarland, TX	1988	1987	55,000	3.0
Warren (6)	Warren, MI	1988	1985	68,000	4.6
Woodlands	Houston, TX	1988	1988	64,000	3.8
Beltline Rd.	Irving, TX	1989	1985/86	89,000	6.3
Denny Road	Beaverton, OR	1989	1988	65,000	6.2
Greenbriar	Houston, TX	1989	1988	60,000	1.8
Kempsville	Virginia Beach, VA	1989	1985	33,000	2.0
Medical Center	Houston, TX	1989	1989	57,000	2.6
Virginia Beach	Virginia Beach, VA	1989	1985	36,000	2.3
Hillcroft (4)	Houston, TX	1991	1988	59,000	3.4
Briggs Chaney	Silver Spring, MD	1994	1987	28,000	2.0
Capital Blvd	Raleigh, NC	1994	1984	35,000	2.1
Cary	Cary, NC	1994	1984	62,000	4.7
Cedar Road	Chesapeake, VA	1994	1989	36,000	2.1
Charlottesville	Charlottesville, VA	1994	1984	32,000	2.1
Crater Road	Petersburg, VA	1994	1987	36,000	3.8
Dale City	Dale City, VA	1994	1986	31,000	1.6
Frederick	Frederick, MD	1994	1987	32,000	1.7
Gainesville	Gainesville, VA	1994	1988	31,000	2.0
Gaithersburg	Gaithersburg, MD	1994	1986	57,000	5.4
Garner	Garner, NC	1994	1987	28,000	3.1
Germantown	Germantown, MD	1994	1988	45,000	1.9
Glenwood	Raleigh, NC	1994	1983	31,000	1.9
Holland Road	Virginia Beach, VA	1994	1985	34,000	3.9
Jeff Davis Hwy	Richmond, VA	1994	1990	35,000	5.2
Laskin Road	Virginia Beach, VA	1994	1984	39,000	2.5
Morrisville	Morrisville, NC	1994	1988	40,000	3.3
Oxon Hill	Ft. Washington, MD	1994	1987	28,000	1.3
Princess Anne Road	Virginia Beach, VA	1994	1985	40,000	2.2
Temple Avenue	Petersburg, VA	1994	1989	34,000	4.0
Daly City	Daly City, CA	1995	1989	96,000	5.2
Hermitage (7)	Nashville, TN	1995	1995	68,000	19.0
Taylor	Taylor, MI	1995	1980	66,000	4.2
Oak Forest	Orland Park, IL	1995	1991	63,000	3.9
Medical Center(8)	Nashville, TN	1994	1995	60,000	2.3

13

<CAPTION>

PROPERTY NAME	PROPERTY LOCATION	OWNED SINCE	YEAR BUILT	APPROXIMATE NET RENTABLE SQUARE FEET	ACREAGE
<S>	<C>	<C>	<C>	<C>	<C>
Ansley Park	Atlanta, GA	1995	1991	69,000	1.4
Brookhaven	Atlanta, GA	1995	1992	66,000	2.0
Decatur	Atlanta, GA	1995	1992	63,000	2.5
Oregon City	Portland, OR	1995	1992	57,000	3.2
Edgmont	Philadelphia, PA	1995	1992	64,000	5.5
Barbur Boulevard	Portland, OR	1995	1993	67,000	2.8
Liberty Road	Salem, OR	1995	1993	54,000	4.4
Warner (9)	Tempe, AZ	1995	1985	62,000	3.1
Universal City (9)	San Antonio, TX	1995	1985	77,000	5.1
Lake City (9)	Seattle, WA	1995	1987	51,000	1.1
South Hill	Puyallup, WA	1995	1980	44,000	2.8
Franklin(10)	Nashville, TN	1995	1995	55,000	3.3
South Hwy 6	Houston, TX	1995	1995	55,000	4.1
Parker Road	Plano, TX	1995	1995	46,000	3.5
Park Cities East	Dallas, TX	1995	1995	56,000	4.3
Madison Heights	Madison Heights, MI	1995	1977	66,000	4.1
Forest (11)	Brussels, Belgium	1995	1995	49,000	0.4
Waterloo (11)	Waterloo, Belgium	1995	1995	86,000	3.5
Molenbeek (11)	Brussels, Belgium	1995	1995	34,000	0.5
			Total	11,837,000	

</TABLE>

(1) Bellevue East and Bellevue West are now operated as one property.

- (2) Property is a business park.
- (3) Property is a commercial building.
- (4) The Company does not have fee title, but has a long-term lease, with respect to the land on which property is located.
- (5) The Company owns a 90% interest in this property.
- (6) The Company owns a 30% interest in this property.
- (7) The Company owns a 50% interest in this property.
- (8) The Company owns a 67% interest in this property.
- (9) The Company owns a 59.5% interest in this property.
- (10) The Company owns a 92% interest in this property.
- (11) The Company owns an 85.6% interest in this property.

The following table sets forth information regarding weighted average occupancy and weighted average rent per square foot for the domestic self storage properties owned by the Company (and its predecessors) for the years ended December 31, 1993, 1994 and, 1995.

<TABLE>
<CAPTION>

STATE	1993	1994	1995	1993	1994	1995
	----	----	----	----	----	----
	AVERAGE OCCUPANCY			AVERAGE RENT PER SQUARE FOOT		
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Arizona	97%	91%	84%	\$ 6.26	\$ 7.50	\$ 9.15
California	88	86	85	8.85	9.28	10.04
Colorado	96	91	88	6.30	7.01	7.52
Florida	83	85	83	7.67	7.70	8.12
Illinois	91	95	95	7.47	7.84	8.30
Michigan	87	91	93	6.08	6.66	7.38
New York	80	87	92	14.34	14.63	15.14
Oregon	89	93	92	6.82	7.22	7.77
Texas	79	87	82	7.41	7.63	8.13
Virginia	90	89	90	9.40	9.40	8.95
Washington	88	88	89	7.58	7.83	8.17
Other	89	92	89	7.95	8.53	9.48
	--	--	--	-----	-----	-----
Total	87%	89%	88%	\$ 7.84	\$ 8.25	\$ 8.84
	---	---	---	-----	-----	-----
	---	---	---	-----	-----	-----

</TABLE>

The following table sets forth information regarding weighted average occupancy and weighted average rent per square foot for the domestic self storage properties owned by the Company (and its predecessors) for the years ended December 31, 1991 through December 31, 1995.

<TABLE>
<CAPTION>

	1991 (1)	1992 (1)	1993 (2)	1994	1995
	-----	-----	-----	----	----
<S>	<C>	<C>	<C>	<C>	<C>
Weighted average occupancy.....	82%	86%	87%	89%	88%
Weighted average rent per square foot.....	\$7.35	\$7.68	\$7.84	\$8.25	\$8.84

</TABLE>

(1) Calculated as the simple average of the information for the 17 partnerships included in the Consolidation.

(2) Calculated as the weighted average of the original 137 properties owned by the Company.

LEASING OF PROPERTIES. Rental units are usually rented on a month-to-month basis. The average rental period for a tenant is approximately 1.5 years. This average is comprised of the rental periods of business tenants, who tend to lease space for longer periods (approximately 2-3 years), and those of residential customers, who tend to lease space for shorter periods (approximately six months to a year). Rental income from leased space constitutes the primary revenue from such properties, but additional revenues are received from incidental services rendered at the properties, such as lock and box sales and truck rentals. Rental rates vary substantially depending on the size of the storage space, the property location, the quality of the property and the location of competition within five miles.

OTHER PROPERTIES. The Company owns two business parks, both of which are located near Tacoma, Washington. The business parks were built in 1977 and 1979 and contain an aggregate of approximately 192,000 net rentable square feet. The Company also manages three business parks for two affiliated owners and one unaffiliated owner. In addition, the Company owns a property in downtown Seattle, Washington that is leased to a records storage company affiliated with the Company's management, on terms approved by the Company's disinterested directors.

ITEM 3 - LEGAL PROCEEDINGS

There are no legal proceedings pending to which the Company is a party that are likely to have a material adverse impact on the Company's operations.

ITEM 4 - SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were submitted to a vote of shareholders during the fourth quarter of 1994.

PART II

ITEM 5 - MARKET FOR THE REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

On May 5, 1995, the Company began trading on the NYSE under the symbol "SHU." Before May 5, 1995, the Common Stock was quoted on the Nasdaq National Market under the symbol "SHUR." As of March 1, 1996, there were 21,479 holders of record of the Company's Common Stock.

The table below sets forth for the fiscal periods indicated the high and low sale prices per share of Common Stock as reported in published financial sources, and distributions declared.

15

<TABLE>
<CAPTION>

	PRICE PER SHARE OF COMMON STOCK		DIVIDENDS DECLARED (1)
	HIGH	LOW	
<S>	<C>	<C>	<C>
1994			
First Quarter (beginning March 28, 1994)....	\$24.25	\$21.50	\$.14 (2)
Second Quarter.....	24.25	21.00	.44
Third Quarter.....	23.25	20.50	.44
Fourth Quarter.....	23.00	17.75	.44
1995			
First Quarter.....	24.00	19.50	.46
Second Quarter.....	24.50	22.63	.46
Third Quarter.....	26.00	22.25	.46
Fourth Quarter.....	27.00	24.75	.46
Special Dividend.....			.10 (3)

</TABLE>

- (1) Dividends declared by the Company's Board of Directors based on financial results for the quarter specified.
- (2) This dividend reflects one month of operations for the original portfolio of assets.
- (3) The special dividend was declared on November 22, 1995.

Holders of shares of Company Common Stock are entitled to receive distributions when, as and if declared by the Company's Board of Directors out of any assets legally available for payment. The Company is required to distribute annually to its shareholders at least 95% of its "REIT taxable income," which, as defined by the relevant tax statutes and regulations, is generally equivalent to net taxable ordinary income.

ITEM 6 - SELECTED FINANCIAL DATA

The following selected consolidated financial data of the Company should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the other financial information included elsewhere in this Form 10-K.

(in thousands, except per share data)

<TABLE>

<CAPTION>

	PREDECESSOR (1)			PERIOD FROM JAN 1 TO MAR 1, 1994	COMPANY	
	AT OR FOR YEAR ENDED DEC. 31,				AT OR FOR YEAR ENDED DEC. 31,	
	1991	1992	1993		1994 (2)	1995
<S>	<C>	<C>	<C>	<C>	<C>	<C>
OPERATING DATA:						
Total revenue	\$60,767	\$67,105	\$72,346	\$12,368	\$66,921	\$96,771
Net income	20,411	22,055	18,284	34,286	17,821	29,572
Net income per common share(3)	38.08	41.15	34.11	63.97	1.05	1.43
Dividends declared per common share(3)	60.45	56.71	59.57	732.05	1.02 (4)	2.38 (5)
BALANCE SHEET DATA:						
Total assets	416,085	400,182	393,982	391,685	494,590	610,394
Total borrowings	24,430	24,365	26,016	---	167,137	142,840

</TABLE>

(1) The Predecessor information reflects the combination of the 17 partnerships included in the Consolidation.

16

(2) Operating data for the Company for the year ended December 31, 1993 are not included as they are de minimis.

(3) Predecessor "per share" information is net income and distributions per limited partner unit. Distributions for the period from January 1, 1994 to March 1, 1994 include the liquidating distribution made in connection with the Consolidation.

(4) Does not include the dividend of \$.44 per share declared in January 1995 based on financial results for the quarter ended December 31, 1994.

(5) Includes dividend of \$.44 per share declared in January 1995 based on financial results for the quarter ended December 31, 1994 as well as the special dividend of \$.10 declared in November 1995.

ITEM 7 - MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OVERVIEW

The Company is a fully integrated, self-administered, self-managed REIT headquartered in Seattle, Washington, specializing in all aspects of the self storage industry. The Company operates a network of more than 265 storage centers located throughout the United States and in Europe. Of these properties, it owns, as of December 31, 1995, directly and through its wholly owned subsidiaries and joint ventures, 181 operating properties (including 178 self storage properties), containing approximately 11.8 million net rentable square feet, located in 19 states. Self storage properties offer low-cost, easily accessible storage space for personal and business uses. The Company's investment objectives are to maximize shareholder value by increasing funds from operations through internal growth and through the acquisition and development of additional self storage properties. The Company believes that its access to both the debt and equity markets, the experience of its management team in acquiring, developing, and operating self storage properties, its geographic diversification and its emphasis on quality will enhance its ability to achieve this objective.

During 1994 and 1995, the Company expanded its portfolio of real estate properties and real estate based investments through the use of equity and debt capital. During 1995, the Company acquired 15 and developed nine new centers directly or through joint ventures. The following discussion of the Company's operations provides additional comparative financial information and discussion of each of the areas of Company growth, including internal or same store growth, direct acquisitions, domestic development, European development, property management operations and other forms of real estate investments. A discussion of capital expenditures, financing transactions and liquidity is also included.

When used in this discussion, the words "believes," "anticipates," "projects" and similar expressions are intended to identify forward-looking statements. Such statements are subject to certain risks and uncertainties that could cause actual results to differ materially from those projected. Factors which could affect the Company's financial results are described below and in Item 1 (Business) of this Annual Report on Form 10-K. Forward-looking statements are

based on estimates as of the date hereof; estimates are likely to change over time as additional information becomes known. The Company undertakes no obligation to publicly release the results of any revisions to these forward-looking statements reflecting new estimates, events or circumstances after the date hereof.

INTERNAL GROWTH

In 1995, management continued its focus on internal growth, i.e., increasing net operating income from its existing real estate assets through revenue optimization and cost containment. The Company differentiates its product from other storage operators through a high quality, high service strategy that it believes translates into premium rents. Management implements this quality strategy by emphasizing customer service and satisfaction,

17

maintaining convenient and secure stores, and pursuing ongoing market research and Company marketing programs. The Company believes the key to the success of this strategy is the quality of its employees' interaction with customers. Accordingly, the Company focuses on employee training programs that emphasize a team-oriented approach to customer service.

The Company's original portfolio was assembled on March 1, 1994 (the Consolidation date) through the consolidation of 17 publicly held limited partnerships (the Predecessor) administered by the Management Company. Real estate assets acquired consisted of 137 self storage centers (including five through joint ventures), one commercial building, and two business parks located in 17 states.

The Company regularly reviews its asset portfolio, comparing it to established internal standards, identifying those few properties which can not economically meet those standards, and disposing of them over time. Based on such analysis, during 1995 the Company sold three of its storage centers to an unaffiliated purchaser. The sales provided \$6.4 million in net proceeds and resulted in a net gain of \$223,000.

The following table summarizes the operating performance of the storage centers from the original portfolio:

<TABLE>
<CAPTION>

DOLLARS IN THOUSANDS EXCEPT AVERAGE RENT	YEAR ENDED DECEMBER 31,			YEAR ENDED DECEMBER 31, (1)		
	PRO FORMA 1993 (2)	PRO FORMA 1994 (2)	% CHANGE	PRO FORMA 1994 (2)	1995	% CHANGE
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Rental revenue	\$71,682	\$76,445	6.6%	\$75,307	\$79,616	5.7%
Property operating expenses (3)	23,695	23,958	1.1%	23,383	24,002	2.6%
Net operating income	47,987	52,487	9.4%	51,924	55,614	7.1%
Avg. Annual rent per sq.ft. (4)	\$7.84	\$8.25	5.2%	\$8.31	\$8.87	6.8%
Avg. sq.ft. occupancy	87%	89%		89%	88%	
Total net rentable sq.ft.	9,600,000	9,600,000		9,400,000	9,400,000	
No. Of properties (5)	137	137		134	134	

</TABLE>

-
- (1) Excludes the three storage centers sold in 1995.
 - (2) Represents the actual historical results of the properties as if they had been acquired by the Company on January 1, 1993.
 - (3) Includes all direct property expenses. Does not include property management fees previously charged by the Management Company nor does it include any allocation of joint expenses incurred by the Company such as off-site management personnel.
 - (4) Average annual rent per square foot is calculated by dividing actual rent collected by the average number of square feet occupied during the period.
 - (5) Includes 100% of the operating results of four properties in which the Company owns a 30% interest (operating results for these properties are not consolidated in the Company's financial statement), as well as one property in which the Company owns a 90% interest (operating results for this property are consolidated in the Company's financial statements).

As demonstrated by the operating information above, the Company's same store net operating income is primarily driven by its ability to increase

revenues while limiting expense increases. In order to maximize property revenue, the Company invests in various programs that enhance its ability to bring in and keep storage customers. Providing the best customer service requires the Company to select exceptional employees and provide them with on-going quality training. Company personnel are trained in all aspects of the storage operation from operating the computer system and closing a telephone sale to analyzing

demand and pricing strategies. Personnel are trained and authorized to make substantially all pricing and customer service decisions on-site, with reference to the Company's values and mission statement. The Company continually evaluates and improves its personnel and training programs. Another revenue enhancing program undertaken by the Company in 1994 was the establishment of the national call center which fields overflow calls from all the individual properties, providing personal service when on-site employees are not available. Employees at the national call center are able to market and sell a rental at the Company store nearest to the caller.

Net operating income has risen over the last three years due to increases in revenue, which are a function of changes in rental rates and occupancy. While storage has a seasonal trend, spring and summer being peak occupancy periods, the cycle is annual and the revenue trend from 1993 to 1995 reflects general market changes. Revenue gains from 1993 to 1994 were driven approximately 80% by rent increases and 20% by climbing occupancy rates, while the change from 1994 to 1995 resulted entirely from rental rate increases. As a result of competition, the Company does not expect to be able to continue to increase rental rates in excess of inflation each year over the long-term.

Industry occupancy rates have risen since 1990 as demand continued to rise during a period of scarce capital and thus little storage development. Management believes the month-to-month nature of storage rentals is such that in order to maintain available product for incoming customers, occupancy in the high 80s to low 90s is considered "full." Beyond that level, average market rates will begin to rise. Management has begun to see development activity pick up in many of its markets and, due to the increasing competition, does not expect to be able to raise rents at the same rate as in the past in markets where development occurs close to the Company's existing stores. Management believes that some of its markets will begin to reflect the effect of this development in 1996 or 1997.

The following table is a geographical summary of the changes in average revenues, rates and occupancies for the original portfolio of storage centers held by the Company throughout the years indicated:

<TABLE>
<CAPTION>

	% CHANGE IN REVENUES		% CHANGE IN RATE PER SQ. FT.		% CHANGE IN SQ. FT. OCCUPANCY	
	93 TO 94	94 TO 95	93 TO 94	94 TO 95	93 TO 94	94 TO 95
<S>	<C>	<C>	<C>	<C>	<C>	<C>
ARIZONA	16.3%	10.4%	19.8%	21.7%	(5.7%)	(8.4%)
CALIFORNIA	2.8	4.7	4.9	6.9	(3.0)	(1.3)
COLORADO	7.2	5.6	11.2	7.4	(4.9)	(2.7)
FLORIDA	3.1	3.4	0.4	5.6	2.7	(2.8)
ILLINOIS	11.9	4.8	4.9	5.3	5.1	(0.3)
MICHIGAN	14.4	11.9	9.7	10.1	4.2	1.8
NEW YORK	8.8	9.1	2.0	3.4	9.2	5.8
OREGON	9.3	7.3	5.9	7.2	3.6	0.7
TEXAS	3.7	2.7	3.0	7.5	0.2	(4.6)
VIRGINIA	7.8	4.9	5.8	4.0	(1.5)	1.0
WASHINGTON	3.9	5.3	3.3	3.0	0.1	1.3
OTHER	8.7	4.8	6.7	6.6	3.4	(2.2)
TOTAL	6.6%	5.7%	5.2%	6.8%	1.6%	(1.1%)

</TABLE>

The Company maintains a diversified portfolio which it believes offers protection against the individual market fluctuations that result in geographical performance differences. Over the last three years, market conditions in Phoenix, AZ, Detroit, MI, Chicago, IL and New York, NY contributed to above average revenue increases. Phoenix, in particular, demonstrates the

Company's use of rate optimization; although occupancy declined in the Phoenix market, revenues rose well above average due to rate increases. Market conditions in

southern California resulted in lower than average revenue growth. The Florida and Houston, TX markets have grown below the portfolio average as competition in these markets has made it difficult to move rates and/or occupancy levels.

ACQUISITIONS

Although the real estate market has in many cases driven acquisition prices up, the Company has continued to selectively seek acquisition opportunities for high quality storage centers that meet existing investment standards. The Company also has limited its efforts to pursuing only those centers that enhance its existing network of stores and thus can be efficiently managed and operated. In many cases, this has resulted in the purchase of properties previously managed by the Company under a third-party property management contract. The following table summarizes the operating performance of properties acquired during 1994 and 1995:

<TABLE>
<CAPTION>

DOLLARS IN THOUSANDS EXCEPT AVERAGE RENT	1994 ACQUISITIONS			1995 ACQUISITIONS
	YEAR ENDED DECEMBER 31,			YEAR ENDED
	1994	1995	\$ CHANGE	DEC. 31, 1995 (1)
<S>	<C>	<C>	<C>	<C>
Rental revenue	\$1,920	\$5,939	\$4,019	\$6,352
Property operating expenses (2)	554	1,957	1,403	1,770
Net operating income	\$1,366	\$3,982	\$2,616	\$4,582
Avg. annual rent per sq.ft. (3)	n/a (4)	\$8.01		10.25
Avg. sq.ft. occupancy	91%	91%		86%
Total net rentable sq.ft.	730,000	730,000		970,000
# of properties	20	20		15
# of property-months (5)	80	240		115

</TABLE>

- (1) Includes the operating results of the three properties owned by Shurgard Institutional Partners in which the Company owns a 59.5% interest.
- (2) Includes all direct property expenses. Does not include property management fees previously charged by the Management Company nor does it include any allocation of joint expenses incurred by the Company such as off-site management personnel.
- (3) Average annual rent per square foot is calculated by dividing actual rents collected by the average number of square feet occupied during the period.
- (4) Information is not available for this period. Under the prior owner, the average rate per square foot for these properties was \$7.34.
- (5) Represents the sum of the number of months each property operated during the year.

In September 1994, the Company purchased 20 storage centers from an unaffiliated storage operator based in Raleigh, North Carolina for an aggregate purchase price of \$34 million. These centers were financed with \$30 million from the Company's lines of credit, a \$1 million note to the seller and \$3 million in cash. This acquisition gave the Company a significant presence in the Raleigh market as well as expanding its presence in Washington DC, Richmond and Virginia Beach, VA. For 1995, annual return on this investment, defined as net operating income divided by the historical investment amount, was 11.4%.

In May 1995, the Company purchased the limited partner interest in Shurgard Evergreen Limited Partnership (the Evergreen Partnership), an entity formed in May 1990 to

develop and own self storage centers, of which the Company is the general partner. The limited partner interest was owned by a wholly owned subsidiary of the State Investment Board of the State of Washington. The Evergreen Partnership developed and owns seven self storage centers directly and, through a joint venture, owns an interest in an additional three centers. Three of the centers are located in the Atlanta, Georgia area, three are located in the Portland, Oregon area, and one each is located near Philadelphia, Pennsylvania, Phoenix, Arizona, San Antonio, Texas and Seattle, Washington. The ten centers have an aggregate of 630,000 net rentable square feet. The purchase price for the limited partner interest in the Evergreen Partnership was \$35.5 million which was financed through the Company's line of credit. For 1995, annualized return on this investment, defined as annualized net operating income divided by the historical investment amount, was 10.8%.

In addition to these major acquisitions, the Company has also acquired four self storage properties through individual purchases and one storage property through the Merger. These five storage centers, having a total of approximately 340,000 net rentable square feet of storage space, are located and were acquired as follows: Daly City, California (March 1995), Taylor, Michigan (March 1995), Orland Park, Illinois (May 1995), Puyallup, Washington (May 1995) and Madison Heights, Michigan (June 1995). The Company continues to evaluate potential acquisitions from both affiliated and unaffiliated owners. The Company is currently discussing possible transactions involving certain affiliated partnerships, including possible acquisitions of interests in or mergers with such partnerships. There are currently no agreements, but the Company intends to pursue one or more of these transactions in the near future. Of course, whether and when the Company will pursue or consummate any particular transaction depends on a number of factors, and there is no assurance that the Company will complete any such transaction.

DOMESTIC DEVELOPMENT

Due to the increased competition for acquisitions in the storage market and the Company's focus on maintaining its high quality standards and consistent building design to develop brand awareness, the Company's long-term growth plan focuses heavily on the development of new storage centers in markets in which the Company currently operates. Implementation of this development strategy began in 1994 and is expected to continue throughout 1996 and beyond. Each development project progresses through a series of review processes from initial review, through due diligence, final review and finally to the land purchase and construction. Management's substantial experience in storage development has aided in the success of this strategy.

In addition to utilizing the experience of its in-house real estate development personnel, the Company has begun establishing relationships with quality storage operators outside its current markets. Management believes that the most efficient way to operate storage centers is to saturate a market thereby creating brand awareness and allowing certain economies of scale in operation processes and advertisement. These relationships create instant presence in a new market as affiliate owned centers begin using the "Shurgard" name. In exchange for the use of the Company name, computer, systems and general operations support services, the affiliate pays the Company an affiliation fee of 2% of revenues. Additionally, these affiliation agreements provide the framework for the joint development of additional storage centers, allowing the Company to take advantage of the local operators' contacts. The Company has signed two such affiliation agreements, one with a Tennessee developer that began opening jointly developed centers in 1995 and one with a Florida developer that will begin construction on its first joint development in 1996.

The Company opened three facilities in Texas (100% owned) and three facilities in Tennessee (owned through joint ventures) during 1995 and has numerous projects in various stages of review. Construction costs on all six projects completed during 1995 were within

4% of their original projected cost. All six projects are renting up at or ahead of plan. The following table summarizes domestic development projects in progress during 1995:

<TABLE>
<CAPTION>

# OF PROJECTS	ESTIMATED COMPLETED COST OF PROJECTS
-----	-----

<S>	<C>	<C>
OPENED DURING 1995	6	\$17 MILLION
CONSTRUCTION IN PROGRESS	7	\$25 MILLION
LAND PURCHASED PENDING CONSTRUCTION	3	\$14 MILLION
PROJECTS EXPECTED TO OPEN IN 1996	15 - 20	

</TABLE>

In the current real estate environment, management believes that a long-term strategy of growth through development will result in the highest returns over the long-term. A development strategy, however, creates a short-term drag on earnings during the rent-up phase of a project. Although interest and pre-opening costs are capitalized during the construction period, cash flow does not generally exceed interest expense on development projects for at least the first year of operations; the timing of positive cash flow cannot be predicted as it is based on a number of factors including length of construction and timing of opening dates. This rent-up deficit was \$105,000 in 1995 and the effect will increase in 1996 as more development locations are opened. The rent-up deficit for a typical \$3 million project, assuming it takes 21 months to rent-up and it is financed with debt at 8% to 8.5%, is estimated to be \$240,000 to \$250,000 in the first year of operations. This represents a decrease in FFO of approximately \$.01 per share per property during this initial year. Despite this initial rent-up phase deficit, Management believes the Company will, at a minimum, be able to maintain current dividend rates in 1996. The potential of developing 30 to 40 properties per year sometime after 1996 is presently being evaluated. The Company is currently considering various alternatives which, if implemented, could minimize this rent-up deficit as the volume of development projects increases. Some of these alternatives include, but are not limited to, phased development, joint venture development programs, and increasing the rate at which stores rent-up.

The "projects expected to open in 1996," in the table above, as well as the number of potential developments after 1996, are forward looking statements from which actual results may vary materially. The number of projects could be reduced by zoning and permitting delays outside of the control of the Company, increased competition for sites, delays during construction caused by, among other things, weather, unforeseen site conditions, labor shortages, scheduling problems with contractors, subcontractors or suppliers, or resource constraints.

EUROPEAN DEVELOPMENT

During 1995, the Company invested \$5.4 million in SSC Benelux & Co., SCS (hereafter Benelux SCS), a Belgian entity that will own and operate self storage properties in the Benelux region of Europe. Through its entitlement to a majority of the seats on the Board, the Company currently has authority to direct the business affairs of Benelux SCS. Its percentage interest in economic benefits from this partnership is 85.6%. At December 31, 1995, the Company was obligated to invest an additional \$1.6 million under commitments made in 1994 and 154,080,000 Belgian francs (approximately \$5.3 million at current exchange rates) under commitments made during 1995. The funding for investments made during 1995 was obtained from the Company's cash flow from operations, proceeds from the equity offering and available lines of credit.

22

The storage industry is not yet well established in much of Europe and Benelux SCS is in the process of developing the market in the Brussels area. During 1995, Benelux SCS opened three developed storage centers in Belgium at a total cost of \$10.6 million. These centers have been funded through a combination of outside debt and equity capital from both the Company and its Belgian partner. Current debt covenants limit the debt to equity ratio to 60%. Benelux SCS is currently evaluating four additional development sites and plans to develop two sites during 1996. Because of the newness of storage to this market, the rent-up period for these storage centers is expected to be substantially longer than that of domestic development projects. Management estimates that the European sites may take two and a half to three years to reach a stabilized occupancy of approximately 85%. The Company's remaining investment commitment will fund its pro rata share of the negative cash flow expected during 1996 as well as additional development projects.

OTHER REAL ESTATE INVESTMENTS

In addition, the Company has made several investments during 1994 and 1995 through participating mortgages, joint ventures and limited partnerships.

The Company has paid approximately \$11.6 million and committed an additional \$400,000 for investment in two 10-year participating mortgage loans, which are nonrecourse to the borrower and are secured by real estate, including

four storage centers and office/warehouse space. The Company will receive interest at 8% per annum plus 50% of both operating cash flow and distributions from the gain on sale of real property, as defined. The Company has options to purchase the properties at established prices, generally exercisable in 1999 and extending until maturity of the loans.

The Company has entered into three joint ventures with a storage operator and developer to develop three properties in the Nashville, Tennessee metropolitan area. The Company's economic interest in these joint ventures range from 50% to 92%. The Company has guaranteed \$1.9 million of loans, its pro rata portion of the joint ventures' debt. Subsequent to year end, the Company committed to invest \$1.0 million and guaranteed \$2.1 million of debt in a joint venture to develop a site in Orlando, Florida under a similar arrangement. The financial information of these projects are not consolidated in the Company financial statements because the affiliation agreement allows the local operator to control the daily operations of the property and all significant investment decisions require the approval of both parties regardless of ownership percentage. (See DOMESTIC DEVELOPMENT)

During 1995, the Company purchased, for \$3.8 million in cash, 3.5 limited partnership units of Shurgard Institutional Fund LP II, an affiliated partnership in which it owns an interest through the general partner. The Company is now entitled to 37% of partnership cash flow. Subsequent to year end, the Company also purchased, for \$1.1 million in cash, one limited partnership unit in Shurgard Institutional Fund LP, an affiliated partnership in which it also owns an interest through the general partner. The Company is now entitled to 9% of this partnership's cash flow.

PROPERTY MANAGEMENT OPERATIONS

In connection with the Merger in March 1995, the Company internalized the management of its own properties as well as acquired certain management contracts and relationships under which it provides property management services to outside parties. Prior to the Merger, the Company paid a property management fee equal to 6% of revenues to the Management Company. The Company now incurs the actual costs of property management and receives property management fees from affiliated partnerships and outside parties. The

23

following table compares property management fees for 1994 and 1995 (as if the Merger had not taken place) to actual property management costs incurred for 1995:

<TABLE>
<CAPTION>

IN THOUSANDS	6% OF 1995 REVENUES (1)	ACTUAL 1995
<S>	<C>	<C>
Property management fees	\$5,544	\$1,320
Property management expenses:		
Operating		3,850
Administrative		911
Third party property management revenues		(2,978)
Net cost of property management	\$5,544	\$3,103
	-----	-----
	-----	-----

</TABLE>

(1) Approximately equal to the fees that would have been paid had the Merger not occurred.

Due to the Merger, the Company increased its earnings by \$2.44 million in 1995 representing the nine month operating benefit of the internalization of property management and the acquisition of third party management contracts. This represents an annualized return of 11% on its \$29.4 million investment in the Management Company. Since the Merger, the Company has added management contracts and licensing agreements for 14 additional properties, bringing the total number of managed or licensed properties to nearly 90 storage centers. Management will continue to pursue growth opportunities in this area to maximize brand awareness, realize economies of scale in management and as a means of establishing relationships with owners of quality projects that may provide future acquisition opportunities. However, property management revenue will be limited to 5% or less of total revenue due to limitations imposed by the REIT qualification requirements (see REIT QUALIFICATION AND DISTRIBUTION REQUIREMENTS).

PRE-CONSOLIDATION INCOME AND EXPENSES

The Predecessor operating results presented in the consolidated financial statements are not comparable in all material respects with financial statements of the Company. The most significant differences relate to (1) lower depreciation resulting from the Company's lower original cost of storage centers and (2) higher debt and related interest expense as a result of certain limited partners electing to take a cash payment in lieu of the Company's common stock at the Consolidation Date. The following discussion summarizes differences for the periods presented which do not directly relate to property operations.

General and administrative expenses from January 1, 1994 to the Consolidation Date for the Predecessor included certain expenses related to the liquidation of the Partnerships including audit, tax and legal fees. State taxes for the Predecessor were also high for the two months of 1994 due to the tax resulting from the sale of assets.

The Predecessor financial statements for the period from January 1, 1994 to the Consolidation Date and for the year ended December 31, 1993 include various nonrecurring items related to the Consolidation of the seventeen partnerships which comprise the Predecessor; these include the gain incident to the Consolidation and related incentive management fees, legal expenses, hostile takeover defense and transaction costs. The Company's debt at December 31, 1994 is \$141 million higher than the Predecessor's debt at December 31, 1993. This additional debt is reflected in the Company's interest expense and earnings for the year ended December 31, 1994. Certain of the limited partners of the partnerships included in the Consolidation elected to take cash rather than stock in the Company. The Company borrowed the \$67 million required for these cash payments as well

as approximately \$20 million to pay liabilities related to the Consolidation which were assumed from the Predecessor and approximately \$10 million to cover loan closing costs and establish cash reserves. Interest on the \$97 million for the year ended December 31, 1994 is \$6.7 million. Additionally, as a result of the Consolidation, the majority of the debt held by the partnerships, including short-term debt at relatively low interest rates, was refinanced at a slightly higher rate (8.28%). The Company also borrowed \$30 million in connection with the acquisition of the 20 storage centers on September 1, 1994 and \$12 million in connection with an investment in participating mortgages on December 14, 1994; interest on this \$42 million was \$806,000.

FUNDS FROM OPERATIONS

Funds from operations (FFO) is used by many financial analysts in evaluating REIT's financial performance. However, FFO should not be considered as an alternative to net income (determined in accordance with Generally Accepted Accounting Principles, GAAP) as an indication of the Company's financial performance or cash from operating activities (determined in accordance with GAAP) or as a measure of liquidity, not is it necessarily indicative of sufficient cash flow to fund all of the Company's needs. The Company had historically defined FFO as net income before extraordinary items, plus depreciation and amortization, plus or minus certain non-recurring revenue and expenses. The Company has modified its definition of FFO in accordance with the recommendations of NAREIT (the REIT industry association) to exclude amortization of financing costs. Accordingly, management now calculates FFO as net income before extraordinary items, plus depreciation and amortization relating to real estate activities, plus or minus certain non-recurring revenue and expenses. The following table reconciles its previous definition to the new NAREIT definition (in thousands):

<TABLE>
<CAPTION>

	Year ended December 31,		
	Pro forma 1993(1)	Pro forma 1994(1)	1995
<S>	<C>	<C>	<C>
Net income before extraordinary item	\$ 19,095	\$ 21,917	\$ 29,572
Depreciation/amortization (including JV)	12,887	13,632	17,559
Non-recurring revenue/expenses	(317)	(58)	(223)
FFO as previously defined	31,665	35,491	46,908
Less deferred financing costs	820	820	1,120

FFO as currently defined	\$ 30,845	\$ 34,671	\$ 45,788
	-----	-----	-----
	-----	-----	-----

</TABLE>

(1) Represents the actual historical results as if the Predecessors' properties had been acquired by the Company on January 1, 1993. Assumes the Company's fixed rate seven-year debt (8.28%) was outstanding during the entire period.

Using the NAREIT definition, FFO for 1995 rose \$11.1 million over the 1994 pro forma FFO which had grown \$3.8 million from pro forma 1993. As previously discussed, this growth rate reflects the improved performance of the original portfolio of properties as well as the addition of properties acquired during the two years. Management believes future growth rates will slow as the rent-up period on development projects partially offsets operating results from current properties and acquisitions.

25

INVESTING TRANSACTIONS

On March 1, 1994, the Company acquired the assets, subject to existing liabilities, of the Predecessor for an aggregate cost of \$387.4 million. The Consolidation was funded by the issuance of 16,983,728 shares of Company's Class A and Class B Common Stock and \$67.1 million in borrowings from a financial services company. Additionally, in 1994, the Company purchased a chain of twenty storage centers in the mid-Atlantic region for \$34 million. Investments in other real estate assets during 1994 consisted primarily of the two participating mortgages and two of the Tennessee joint ventures discussed earlier.

On March 24, 1995, in order to create a fully integrated company and more closely align the interests of management with the shareholders, the Management Company merged with the Company. Pursuant to the Agreement and Plan of Merger, the outstanding shares of the Management Company common stock were converted into an aggregate of 1,289,734 newly issued shares of the Company's Class A Common Stock (Class A Stock) and an additional 282,572 shares that replaced the Class A Stock previously owned by the Management Company, subject to certain adjustments. The market value of consideration on the date of the Merger was \$29.4 million. Pursuant to the Merger Agreement, Management Company shareholders are also entitled to receive additional shares of Class A Stock in the future based on (i) the extent to which, during the five years following the Merger, the Company realizes value on this back end interest as a result of certain transactions relating to interests in or assets of six limited partnerships acquired by the Company in the Merger or (ii) the value, at the end of five years after the Merger, or in the event of a change of control of the Company, of any remaining interests in such partnerships as determined by independent appraisal. One of the six partnerships is the Evergreen Partnership, the limited partnership interest of which the Company purchased during 1995. As a result of this purchase, the Board of Directors could, at their option, choose to liquidate the partnership, and upon such liquidation the Company would be required to issue additional shares based on an independent appraisal.

During 1995, the Company invested \$7.6 million in a storage center acquired in the Merger (which was a non-cash transaction), \$9.4 million in acquisitions of four operating storage centers, \$30.1 million in domestic development and expansion projects (\$9.6 million of which were completed during the year), \$10.6 million in European development projects, and \$4.1 million in capital improvements to its existing portfolio. The \$6.5 million increase in other real estate investments reflects primarily the \$3.8 million invested in the limited partnership units and the \$2.6 million invested in the Tennessee joint ventures. As described above, the Company also invested \$36 million in cash in the purchase of the Evergreen partnership interest. Proceeds from the sale of real estate contributed \$3.3 million in cash.

CAPITAL EXPENDITURES

In addition to continued investments in acquisitions and developments, the Company makes investments in improving its current portfolio of real estate. Investments in existing storage properties include primarily expansions, conversions (i.e., size of units or climate control) and certain recurring improvements that management believes are necessary to maintain the Company's quality standards and its ability to generate premium returns. The following table summarizes the type of recurring expenditures the Company anticipates and the average cost per square foot per year:

<TABLE>
<CAPTION>

	Annual Cost per Sq.Ft.
<S>	<C>
Roofs	\$0.07
Pavement	0.05
Sealant	0.03
Other	0.02-0.03

Total	\$0.17-0.18

</TABLE>

26

The above amounts assume expenditures are made evenly over the life of the project, this however does not occur in reality. In certain years expenditures will be significantly higher than \$0.18 per square foot, but this in turn would mean other years will be significantly lower. In addition to these types of expenditures, the Company invests in other improvements such as security upgrades. Of the \$4.1 million in capital improvements expended during 1995, \$2.2 million was for roof, pavement and sealant. Specifically identified capital improvements expected for 1996 total \$3.6 to \$4.1 million, of which \$1.7 to \$2.2 represents roofs, pavement and sealant.

FINANCING TRANSACTIONS

On June 9, 1994, the Company refinanced substantially all of its existing debt through a debt purchase transaction with Nomura Asset Capital Corp., a subsidiary of Nomura Securities International, Inc. The \$122.6 million of indebtedness, secured by certain real estate, has a seven year term, a fixed rate equal to 8.28% and requires monthly payments of interest only until maturity. The Company paid \$1.8 million in fees for this seven-year loan. The following table summarizes the uses of proceeds from this loan (in thousands):

<TABLE>
<CAPTION>

<S>	<C>
Repayment of consolidation debt	\$104,600
Repayment of other debt	14,156
Loan fees and closing costs	2,371
Net proceeds	1,453

Loan proceeds	\$122,580

</TABLE>

Repayment of other debt represents retirement of notes assumed from the Predecessor in connection with the Consolidation. In connection with the refinance, the Company wrote off \$1.2 million of unamortized loan fees. The refinancing provided the Company with stabilized debt service costs and greater flexibility for future growth. Additionally, in 1994, the Company established two \$50 million lines of credit under which it borrowed \$42 million in 1994 to fund property acquisitions.

In June and July 1995, the Company issued a total of 4.92 million additional Class A Common shares through a public offering. These shares were issued at \$23.00 per share, providing net proceeds after offering costs of \$106 million. Net proceeds were used to repay lines of credit and the remaining funds have been used to fund storage center acquisitions, development, and general corporate purposes.

Prior to the stock offering, \$96 million was outstanding on the Company's domestic lines of credit. This amount had been borrowed to meet interim acquisition and development requirements and repay the \$4.3 million line of credit assumed in the Merger. All outstanding balances on the Company's domestic lines of credit were repaid on June 13, 1995. Subsequent to the offering, the Company invested the excess proceeds in real estate developments and borrowed an additional \$11 million on its lines. Additionally, during 1995, the Company borrowed \$2.9 million under its European line of credit to fund development activity in Belgium. Subsequent to year end, the Company borrowed an additional \$13 million on its domestic lines to fund construction.

SHORT-TERM AND LONG-TERM LIQUIDITY

Cash balances decreased from December 31, 1994 to December 31, 1995 primarily as a result of the capital expenditures, financing and equity transactions described above. The following table summarizes certain information regarding the Company's liquidity and capital resources:

<TABLE>
<CAPTION>

	At December 31,	
	1994	1995
	-----	-----
<S>	<C>	<C>
Debt to total assets	34%	23%
Total market capitalization	\$520 million	\$769 million
Debt to total market cap	32%	19%
Weighted avg. interest rate	8.16%	8.18%
Available lines of credit	\$58 million	\$92 million

</TABLE>

The Company's total debt at December 31, 1995 was \$143 million, of which \$132 million is fixed rate debt. Because of the limited use of variable rate debt, fluctuations in interest rates have minimal impact on the Company. In addition to affecting interest expense, however, rising interest rates in the future may also limit the amount available to the Company under its credit facilities due to certain restrictive covenants. Management believes it will be able to raise sufficient debt or equity capital to fund its growth plan in 1996, make required principal payments and make dividend payments in accordance with REIT requirements. Cash provided by operating activities for the year ended December 31, 1995 was \$46 million. The Company declared the following dividends during 1995:

For Quarter Ended	Record Date	Payable Date	Per Share Amount
-----	-----	-----	-----
Dec. 31, 1994	Feb. 10, 1995	Mar. 29, 1995	0.44
Mar. 31, 1995	Mar. 24, 1995	May 19, 1995	0.46
June 30, 1995	June 2, 1995	July 31, 1995	0.46
Sept. 30, 1995	Nov. 9, 1995	Nov. 22, 1995	0.46
Special Dividend	Dec. 4, 1995	Dec. 18, 1995	0.10
Dec. 31, 1995	Dec. 26, 1995	Jan. 26, 1996	0.46

In order to distribute accumulated earnings and profits related to the Merger with the Management Company, the Company accelerated its usual fourth quarter dividend and declared a special dividend.

REIT QUALIFICATION AND DISTRIBUTION REQUIREMENTS

As a REIT, the Company is not required to pay federal income tax on annual taxable income that it currently distributes to its shareholders, provided that the Company distributes an amount equal to at least 95% of its taxable income. Such distributions must be made in the taxable year to which they relate or in the following taxable year if declared before the REIT timely files its tax return for such years and is paid on or before the first regular dividend payment date after such declaration. The Company's first distribution in 1995 was partially applied towards the Company's 1994 distribution requirement.

In connection with the Merger, the accumulated earnings and profits of the Management Company were carried over to the Company for tax purposes. In order to maintain its REIT qualification, the Company was required to distribute to its shareholders in 1995 an amount necessary to eliminate such accumulated earnings and profits. The Company did so through accelerating its normal quarterly distribution and a special distribution of \$2.3 million. As a result of these additional distributions, approximately 14% of the 1995 dividends were return of capital for federal income tax purposes.

As a REIT, the Company must derive at least 95% of its total gross income from specified classes of income related to real property, dividends, interest or certain gains from the sale or other disposition of stock or other securities. The Company's revenues from truck rentals, sales of locks and boxes and management services performed for owners of other properties do not qualify under this 95% gross income test. Such nonqualifying income was approximately 4.4% of gross revenue in 1995 and the Company estimates that it will meet the 95% test in 1996. The Company's acquisition of additional properties and development of new properties will tend to reduce the percentage of nonqualifying income, while additional management contracts and the sales of properties from the existing portfolio will tend to increase the percentage of nonqualifying income. There can be no assurance, however, that acquisitions and development activities will occur on such a scale or within such time periods

that nonqualifying income will meet the 95% test for future years. Accordingly, the Company may be required to defer or reduce its income from its third-party management services to avoid terminating its REIT qualification.

ITEM 8 - FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

CONSOLIDATED BALANCE SHEETS

<TABLE>

<CAPTION>

(in thousands, except share data)	December 31, 1994	December 31, 1995
<S>	<C>	<C>
ASSETS:		

Storage centers:		

Land	\$ 88,532	\$ 105,224
Buildings and equipment, net	362,332	404,329
Construction in progress	532	20,942
Total storage centers	451,396	530,495
Other real estate investments	15,104	21,407
Cash and cash equivalents	13,162	5,683
Restricted cash and investments	2,766	5,551
Other assets	12,162	47,258
Total assets	\$ 494,590	\$ 610,394

Liabilities and Shareholders' Equity:		
Accounts payable and other liabilities	\$ 10,138	\$ 19,101
Dividends payable		10,669
Lines of credit	42,000	10,905
Notes payable	125,137	131,935
Total liabilities	177,275	172,610
Minority interest in other real estate investments	470	3,288
Commitments (Notes C and D)		

Shareholders' equity:		

Class A common stock, \$0.001 par value; 120,000,000 authorized; 16,829,283 and 23,039,317 shares issued and outstanding	317,434	452,852
Class B common stock, \$0.001 par value; 500,000 shares authorized; 154,604 issued and outstanding; net of loans to shareholders of \$4,002	(1,086)	(1,086)
Retained earnings (deficit)	497	(17,270)
Total shareholders' equity	316,845	434,496
Total liabilities and shareholders' equity	\$494,590	\$610,394

</TABLE>

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF NET INCOME

<TABLE>
<CAPTION>

(in thousands, except per share data) <S>	Predecessor		Company	
	Year Ended Dec. 31, 1993 <C>	Period from Jan. 1, 1994 to Mar. 1, 1994 <C>	Year Ended Dec. 31, 1994 <C>	Year Ended Dec. 31, 1995 <C>
REVENUE:				
Rental	\$ 72,217	\$ 12,348	\$ 66,697	\$ 92,397
Other real estate investments	129	20	224	1,396
Property management				2,978
Total revenue	72,346	12,368	66,921	96,771
EXPENSES:				
Operating	16,879	2,961	15,799	24,851
Management fees	4,695	733	4,046	1,320
Depreciation and amortization	13,923	2,390	11,373	17,410
Real estate taxes	7,066	1,170	5,840	7,596
General, administrative and other	2,390	1,232	2,502	4,859
Total expenses	44,953	8,486	39,560	56,036
Income from Operations	27,393	3,882	27,361	40,735
OTHER INCOME (EXPENSE):				
Interest and other income	590	188	745	875
Interest expense	(2,288)	(487)	(9,105)	(12,038)
Incentive management fees		(5,340)		
Gain on consolidation		48,223		
Litigation, hostile takeover defense and consolidation expenses	(7,411)	(12,180)		
Other income (expense), net	(9,109)	30,404	(8,360)	(11,163)
Income before extraordinary item	18,284	34,286	19,001	29,572
Extraordinary item - loss on retirement of debt			(1,180)	
Net Income	\$ 18,284	\$ 34,286	\$ 17,821	\$ 29,572
NET INCOME PER COMMON AND COMMON EQUIVALENT SHARE:				
Income before extraordinary item			\$ 1.12	\$ 1.43
Extraordinary item - loss on retirement of debt			(0.07)	
Net Income			\$ 1.05	\$ 1.43
Net Income per Unit of Limited Partnership Interests	\$ 34.11	\$ 63.97		
Distributions per Unit of Limited Partnership Interests	\$ 59.57	\$ 732.05		

</TABLE>

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF PARTNERS' AND SHAREHOLDERS' EQUITY

<TABLE>

<CAPTION>

PREDECESSOR

(in thousands)	Limited Partners	General Partners	Total
<S>	<C>	<C>	<C>
BALANCE, JANUARY 1, 1993	\$ 368,292	\$ (498)	\$ 367,794
Distributions	(31,606)	(310)	(31,916)
Earnings	18,101	183	18,284
BALANCE, DECEMBER 31, 1993	\$ 354,787	\$ (625)	\$ 354,162
Distributions	(388,432)	(4,018)	(392,450)
Contribution		4,002	4,002
Earnings	33,645	641	34,286
Balance, March 1, 1994	\$ ---	\$ ---	\$ ---

</TABLE>

<TABLE>

<CAPTION>

COMPANY

(in thousands)	Class A Common Stock		Class B Common Stock		Loans to Class B Shareholders	Retained Earnings (Deficit)	Total
	Shares	Amount	Shares	Amount			
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Balance, July 23, 1993 (inception) and Dec. 31, 1993	---	\$ ---	---	\$ ---	\$ ---	\$ ---	\$ ---
Issuance of common stock	16,829	317,434	155	2,916	(4,002)		316,348
Net Income						17,821	17,821
Dividends						(17,324)	(17,324)
Balance, Dec. 31, 1994	16,829	317,434	155	2,916	(4,002)	497	316,845
Issuance of common stock	6,210	135,418					135,418
Net Income						29,572	29,572
Dividends						(47,339)	(47,339)
Balance, Dec. 31, 1995	23,039	\$ 452,852	155	\$ 2,916	\$ (4,002)	\$ (17,270)	\$ 434,496

</TABLE>

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

<TABLE>

<CAPTION>

Predecessor

Company

(in thousands)	Year Ended Dec. 31, 1993	Period from Jan. 1, 1994 to Mar. 1, 1994	Year Ended Dec. 31, 1994	Year Ended Dec. 31, 1995
<S>	<C>	<C>	<C>	<C>
OPERATING ACTIVITIES:				
Net Income	\$ 18,284	\$ 34,286	\$ 17,821	\$ 29,572
Adjustments to reconcile earnings to net cash by operating activities:				
Depreciation and amortization	13,923	2,390	11,392	17,485
Gain on consolidation		(48,223)		
Other				(223)
Loss on retirement of debt			1,180	
Earnings in excess of distributions from joint ventures		(20)	(149)	
Minority interest in earnings from investments in joint partnerships				251
Changes in operating accounts:				
Restricted cash			(2,766)	(2,785)
Other assets	(2,594)	2,675	(1,196)	518
Accounts payable and other liabilities	1,557	(2,391)	3,027	1,295
Accrued consolidation expense	3,879	16,399		
Net cash provided by operating activities	35,049	5,116	29,309	46,113
INVESTING ACTIVITIES:				
Proceeds from sale of real estate and equipment		64,120		6,398
Purchase of other real estate investments			(12,534)	(6,670)
Distributions in excess of earnings from joint ventures	306			452
Purchase of amortizable assets				(416)
Purchase of property management company				(885)
Investment in limited partnership				(35,671)
Acquisition of and improvements to storage centers	(5,888)	(1,158)	(102,635)	(49,519)
Net cash (used in) provided by investing activities	\$ (5,582)	\$ 62,962	\$ (115,169)	\$ (86,311)
FINANCING ACTIVITIES:				
Proceeds from stock offering, net	\$	\$	\$	\$ 106,012
Contribution by minority partner				778
Dividends or distributions paid	(31,916)	(764)	(17,324)	(36,670)
Net proceeds from (payments on) lines of credit	2,620	680	42,000	(35,432)
Proceeds from notes payable		350	227,180	
Payment of financing costs	(4)		(8,718)	(1,088)
Payment of assumed consolidation liabilities			(14,946)	
Principal payments on notes payable	(969)	(855)	(129,171)	(552)
Distributions to minority partners				(329)
Net cash (used in) provided by financing activities	(30,269)	(589)	99,021	32,719

(Decrease) increase in cash and cash equivalents	(802)	67,489	13,161	(7,479)
Cash and cash equivalents at beginning of period	9,859	9,057	1	13,162
Cash and cash equivalents at end of period	\$ 9,057	\$76,546	\$ 13,162	\$ 5,683

</TABLE>

See notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE A - ORGANIZATION

Shurgard Storage Centers, Inc. (the Company) was organized under the laws of the State of Delaware on July 23, 1993, to serve as a vehicle for investments in, and ownership of, a professionally managed, nationally diverse real estate portfolio consisting primarily of self-service storage properties which provide month-to-month leases for business and personal use. The Company intends to qualify as a real estate investment trust (REIT) as defined in Section 856 of the Internal Revenue Code.

On March 1, 1994 (Consolidation Date), the Company completed the acquisition of 17 publicly-held limited partnerships (the Predecessor, Note O) administered by Shurgard Incorporated (the Management Company) as a means for assembling an initial portfolio of real estate investments (Note E). On March 24, 1995, the Company became self-advised and self-administered after acquiring the Management Company through a merger (the Merger, Note E).

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION: The consolidated financial statements include the accounts of the Company and its subsidiaries, including both U.S. and Belgian subsidiaries. All intercompany balances and transactions have been eliminated upon consolidation. Prior to the Consolidation Date, the Company was inactive.

The accompanying combined financial statements for the year ended December 31, 1993, and for the period from January 1, 1994 to March 1, 1994 represent the Predecessor's combined results of operations and cash flows through the Consolidation Date. The Predecessor financial statements are not comparable in all material respects with financial statements of the Company. The most significant differences relate to (1) the Company's lower original cost of storage centers lower depreciation expense due to and (2) higher debt and related interest expense as a result of certain limited partners electing to take a cash payment in lieu of the Company's common stock at the Consolidation Date. Certain amounts in the Predecessor financial statements have been reclassified to conform to the Company's current year presentation.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and 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 differ from those estimates.

STORAGE CENTERS: Storage centers are recorded at cost. Depreciation on buildings and equipment is recorded on a straight-line basis over their estimated useful lives which range from three to 30 years.

OTHER REAL ESTATE INVESTMENTS: The Company consolidates the accounts of those joint ventures in which the Company has effective control as evidenced by, among other factors, a majority interest in the investment and the ability to cause a sale of investment assets. A minority interest in earnings from such investments is included in other income. All other investments in joint ventures are accounted for on the equity method and are included in other real estate investments. Investments accounted for on the equity method include four joint ventures owning a total of seven storage centers as well as investments in certain limited partnerships. Participating mortgages, which are accounted for as loans, are also included in other real estate investments.

CASH EQUIVALENTS: Cash equivalents consist of money market instruments and securities with original maturities of 90 days or less.

RESTRICTED CASH AND INVESTMENTS: Restricted cash and investments consist of certain cash deposits and securities held in trust in connection with certain notes payable. Restricted cash deposits represent expense reserves required by lenders. Restricted securities (Note H), per the loan agreement, must be held to maturity and thus are carried at amortized cost. The premium is amortized over the estimated remaining life of the security using the constant yield method.

OTHER ASSETS: Other assets include financing costs, non-competition agreements, and goodwill, which are presented net of accumulated amortization of \$906,000 and \$3,765,000 for the years ended December 31, 1994 and 1995, respectively. Financing costs are amortized on the effective interest method over the life of the related debt and the related expense is included in amortization. Non-competition agreements and good will are amortized over their

estimated useful lives which range from three to 30 years.

FEDERAL INCOME TAXES: To qualify as a REIT, the Company must distribute annually at least 95% of its taxable income and meet certain other requirements. Additionally, as a REIT, it will not be subject to federal income taxes to the extent of dividends. The Company was not required to pay any federal income tax in 1994 and intends to make elections regarding dividends such that it will not pay federal taxes for 1995. As a result, no provision for federal income taxes has been made in the Company's financial statements.

The financial statements of the Predecessor do not reflect a provision for federal income taxes because such taxes were the responsibility of the individual partners.

FOREIGN EXCHANGE: The consolidated financial statements are prepared in United States dollars. Assets and liabilities of the foreign subsidiary are denominated in foreign currencies and are translated to United States dollars at the exchange rates in effect on the balance sheet date. Revenues, costs and expenses for this subsidiary are translated using an average rate.

REVENUE RECOGNITION: Revenue is recognized when earned under accrual accounting principles.

GAIN ON CONSOLIDATION: Gain on consolidation is calculated as the excess of the purchase price paid by the Company over the

book value of the net assets of the Predecessor on the Consolidation Date.

NET INCOME PER COMMON AND COMMON EQUIVALENT SHARE: Net income per share is calculated based on the weighted average shares outstanding during the periods presented (16,983,887 and 20,675,356 shares for the years ended December 31, 1994 and 1995, respectively).

EARNINGS PER UNIT OF LIMITED PARTNERSHIP INTEREST: Earnings per unit of limited partnership interest of the Predecessor is based on total earnings allocated to the limited partners divided by the total number of \$1,000 limited partnership units outstanding during the year (530,607 units for the year ended December 31, 1993 and the period ended March 1, 1994).

DISTRIBUTIONS PER UNIT OF LIMITED PARTNERSHIP INTEREST: Distributions per unit of limited partnership interest of the Predecessor is based on the total amount distributed to the limited partners divided by the total number of \$1,000 limited partnership units outstanding during the year (530,607 units for the year ended December 31, 1993 and the period ended March 1, 1994).

IMPAIRMENT VALUATION OF LONG-LIVED ASSETS: The Company, using its best estimates based on reasonable and supportable assumptions and projections, reviews storage centers and other assets for impairment whenever events or changes in circumstances have indicated that the carrying amount of its assets might not be recoverable. Impaired assets are reported at the lower of cost or fair value. At December 31, 1995, no assets had been written down.

FINANCIAL INSTRUMENTS: The carrying values reflected in the balance sheet at December 31, 1995, reasonably approximate the fair value of cash and cash equivalents, other assets and capitalized ground leases. The Company estimates that the fair value of its notes from shareholders is \$2.5 million. Based on the borrowing rates currently available to the Company for bank loans with similar terms and average maturities, the fair value of fixed rate long-term debt is estimated to be \$131.6 million.

NOTE C -- STORAGE CENTERS

<TABLE>
<CAPTION>

(in thousands)	Dec. 31, 1994	Dec. 31, 1995
<S>	<C>	<C>
Land	\$ 88,532	\$ 105,224
Buildings	368,593	424,760
Equipment	5,123	7,935
	462,248	537,919
Less accumulated depreciation	(11,384)	(28,366)
	450,864	509,553
Construction in progress, including related land of \$8,353		
at December 31, 1995	532	20,942
	\$ 451,396	\$ 530,495

</TABLE>

The Company has entered into ten construction contracts for improvements to current facilities. Outstanding commitments under these contracts total \$6.7 million. In 1995, the Company capitalized approximately \$1.1 million in interest

related to the development of storage centers.

NOTE D -- OTHER REAL ESTATE INVESTMENTS

<TABLE>

<CAPTION>

(in thousands)	Dec. 31, 1994	Dec. 31, 1995
<S>	<C>	<C>
Investments in participating mortgages	\$ 11,300	\$ 11,587
Investments in joint ventures	3,804	6,056
Investments in limited partnership		3,764
	\$ 15,104	\$ 21,407

</TABLE>

The Company has paid approximately \$11.6 million and committed an additional \$400,000 for investment in two 10-year participating mortgage loans, which are nonrecourse to the borrower and are secured by real estate, including four storage centers and office/warehouse space. The Company will receive interest at 8% per annum plus 50% of both operating cash flow and distributions from the gain on sale of real property, as defined. The Company has options to purchase the properties at established prices, generally exercisable in 1999 and extending until maturity of the loans.

The Company has entered into joint ventures with a storage operator and developer to develop three properties in the Nashville, Tennessee metropolitan area. The Company's economic interest in these ventures range from 50% to 92%. The Company has guaranteed its pro rata portion of the joint ventures' debt which total \$1.9 million. In addition, the Company holds a 30% interest in Shurgard Joint Partners II, a limited partnership which owns four storage centers.

During 1995, the Company purchased, for \$3.8 million in cash, limited partnership units in Shurgard Institutional Fund LP II, an affiliated partnership in which it already owned an interest through the general partner. The Company is now entitled to 37% of

34

partnership cash flow. Subsequent to year end, the Company also purchased one partnership unit in Shurgard Institutional Fund LP, an affiliated partnership in which it already owned an interest through the general partner. This unit was purchased for \$1.1 million in cash, bringing the Company's total interest in this partnership to 9% of cash flow.

NOTE E -- ACQUISITIONS

On March 1, 1994, the Company acquired the assets, subject to existing liabilities, of the Predecessor for a cost of \$387 million (the Consolidation). A summary of the assets and liabilities assumed in this transaction are as follows (in thousands):

<TABLE>

<S>	<C>
Real estate	\$ 417,218
Interest in joint ventures	7,074
Cash, receivables and other assets	10,642
Notes payable	(26,192)
Other liabilities	(21,326)
	\$ 387,416

</TABLE>

The Consolidation was funded by the issuance of 16,983,728 shares of common stock and \$67,068,631 in proceeds from a note payable to a financial services company. Assets assumed by the Company included approximately \$2,947,000 in cash and cash equivalents. Real estate assets acquired in the Consolidation consist of 134 self-service storage centers and two business parks located in seventeen states, as well as interests in two joint ventures owning an additional five storage centers. In 1994, the purchase price was increased \$1,200,000 for estimated additional costs related to the Acquisition.

On September 1, 1994, the Company purchased twenty storage centers for \$34 million from an unaffiliated seller. These centers, located in Maryland, Virginia and North Carolina, were financed through a \$30 million draw on the

Company's credit facility, a \$1 million note to the seller and approximately \$3 million from cash reserves. The note to the seller is due in two \$500,000 installments in September 1995 and 1996 which include accrued interest. The discounted value of these notes on the acquisition date was estimated to be \$917,000.

On March 24, 1995, the Company merged with the Management Company in order to become self-administered and self-advised. On that date, the Company issued 1,266,704 new shares of Class A common stock to the shareholders of the Management Company. In addition, 282,572 shares previously owned by the Management Company were reissued to Management Company shareholders. On August 28, 1995, pursuant to the Merger Agreement, an additional 23,030 shares were issued as a result of adjustments identified in the audit of the Management Company's final statement of assets, liabilities and stockholder's equity. The Management Company shareholders may receive additional shares over the next five years as consideration for certain partnership interests held by the Management Company which were not valued at the time of the Merger. A summary of the assets and liabilities assumed in this transaction are as follows (in thousands):

<S>	<C>
Storage centers	\$ 7,964
Cash	780
Other assets	35,133
Line of credit	(4,337)
Notes payable	(7,275)
Other liabilities	(2,856)
	\$ 29,409

</TABLE>

During the second quarter of 1995, the Company purchased the limited partnership interest in a partnership (the Evergreen Partnership) which owns seven storage centers and a 59.5% interest in a joint venture owning three additional storage centers. The Company paid \$35.5 million in exchange for the 99% limited partnership interest. The Company already owned the 1% general partnership interest.

The following unaudited pro forma statements of income represent the results of operations of the Company for the years ended December 31, 1994 and 1995, as if all properties owned by the Company at December 31, 1995 had been acquired on January 1, 1994 and the merger of the Management Company, the acquisition of the Evergreen Partnership, and the 1995 stock offering (Note I) had been consummated on January 1, 1994. The pro forma results do not necessarily indicate the actual results that would have been obtained, nor are they necessarily indicative of the future operations of the combined companies.

35

<TABLE>
<CAPTION>

(in thousands) <S>	Year ended December 31,	
	1994 <C>	1995 <C>
Revenues and other income	\$ 94,601	\$ 99,842
Operations expenses	(38,063)	(39,464)
Depreciation and amortization	(16,833)	(18,059)
Interest expense	(11,006)	(10,170)
Net income before extraordinary item	28,699	32,149
Extraordinary item - loss of retirement of debt	(1,180)	
Net income	\$ 27,519	\$ 32,149
Per share data:		
Net income before extraordinary item	\$ 1.24	\$ 1.39
Extraordinary item - loss of retirement of debt	(.05)	
Net income	\$ 1.19	\$ 1.39

</TABLE>

NOTE F - BELGIAN OPERATIONS

The Company has invested \$5.4 million in a Belgian subsidiary, and has committed to invest an additional \$6.9 million to acquire, develop, and operate storage centers. At December 31, 1995, the Company's investment represents an 85.6% interest in three Belgian storage centers. The Company controls the majority of the seats on the subsidiary's Board of Directors.

Ground leases related to two of these centers are included in land at the discounted value of required cash payments (\$1.9 million) and the corresponding liabilities have been recorded in other liabilities. The lease terms are 27 and 99 years with bargain purchase options at 27 and 16 years, respectively. These leases require annual payments of approximately \$170,000 in each of the next five years.

NOTE G - LINES OF CREDIT

In August 1994, the Company established a \$50 million revolving two-year credit facility with a commercial bank group. This credit facility accrues interest at either the banks' prime rate or LIBOR plus 175 basis points (reduced from 200 basis points in June 1995) and can be fixed for various periods at the Company's option. On December 31, 1994 and 1995, the outstanding balances under this credit facility were \$42 million and \$8 million with weighted average interest rates of 7.8% and 7.4%, respectively. The credit facility is secured by real estate and may extend any outstanding balance for a one year term. Subsequent to year end, the Company borrowed an additional \$13 million under this credit facility.

In December 1994, the Company established a second \$50 million two-year revolving credit facility with a financial services company. This credit facility is secured by real estate, bears interest at LIBOR plus 175 basis points, and requires a draw fee equal to 25 basis points of the amount drawn. No amounts were outstanding under this credit facility on either December 31, 1994 or 1995.

The loan agreements related to the above lines of credit provide for certain restrictive covenants based on net worth and cash flow. The actual amount available on these credit facilities is a function of the quarterly performance of the secured properties and the quarterly interest rate.

The Company has two additional credit facilities maturing January 2000, with a Dutch bank under which it has borrowed approximately \$2.9 million, the maximum available. These credit facilities accrue interest at 100 basis points above the Belgium Interbank Offer Rate. The Company purchased an agreement under which the effective rate on borrowings would not be above 6% or below 4.45%.

NOTE H - NOTES PAYABLE

<TABLE>

<CAPTION>

<S>

(in thousands)	<C>	
	Dec. 31, 1994	Dec. 31, 1995
Note payable to financial services company	\$ 122,580	\$ 122,580
Mortgage notes payable	1,467	8,733
Other notes payable	1,090	622
	\$ 125,137	\$ 131,935

</TABLE>

On June 9, 1994, the Company refinanced substantially all of its existing debt through a debt purchase transaction with a financial services company. The \$122.58 million loan provides the Company with funds for seven years at a fixed rate equal to 8.28%, requires monthly payments of interest only until maturity and is secured by the 86 properties owned by SSC Property Holdings, Inc., a wholly owned subsidiary of the Company. The refinancing of existing debt resulted in a loss on early retirement of \$1.18 million, consisting of unamortized loan fees. As required by the loan agreement, the Company has deposited cash in restricted accounts to fund certain expenses including real estate taxes and insurance. During 1995, the Company sold two properties securing this note

and, as part of the defeasance, was required to place U.S. treasury notes costing \$3.1 million into a trust account. These treasury notes mature in June 2001 and carry an effective interest rate of 5.1%.

The mortgage notes are secured by a deed of trust on two storage centers. The first is due in monthly installments of \$13,441, including principal and interest at 10.25%, and matures April 2001. The second is a participating mortgage for \$7.3 million requiring fixed monthly payments of interest only at 8% plus quarterly payments of 90% of cashflow, as defined. This mortgage also

requires payment of 90% of the storage center's appreciation upon maturity, December 2003. Other notes payable consists of local improvement district warrants and a note taken in connection with a real estate acquisition. The approximate maturities of principal over the next five fiscal years range from \$20,000 to \$516,000.

NOTE I -- SHAREHOLDERS' EQUITY

In addition to the rights, privileges and powers of Class A common stock, Class B common stockholders received loans from the Company to fund certain obligations to the Partnerships. The loans are due between 2000 and 2003 and are secured by the Class B stock. Class B common stock is convertible to Class A stock at a one-to-one ratio as the loans are repaid.

The Company has authorized 40,000,000 shares of preferred stock, of which 2,800,000 shares have been designated as Series A Junior Participating Preferred Stock, and none are issued and outstanding at December 31, 1995. The Board of Directors is authorized to determine the rights, preferences and privileges of the preferred stock including the number of shares constituting any such series, and the designation thereof.

In June and July, 1995, the Company issued a total of 4.9 million additional Class A Common shares at \$23.00 per share, providing net proceeds after offering costs of \$106 million. Net proceeds were used to repay lines of credit and to fund storage center development and acquisitions, as well as other general corporate purposes.

NOTE J -- STOCK OPTIONS

The Company has established the 1993 Stock Option Plan (the 1993 Plan) for the purpose of attracting and retaining the Company's directors, executive officers and other employees. The 1993 Plan provides for the granting of options for up to 3% of the Company's outstanding shares of Class A common stock at the end of each year, limited in the aggregate to 5,000,000 shares. In general, the options vest ratably over five years and must be exercised within ten years from date of grant. The exercise price for qualified incentive options under the 1993 Plan must be at least equal to fair market value at date of grant and at least 85% of fair market value at date of grant for non qualified options. The 1993 Plan expires in 2003.

The Company also established the Stock Option Plan for Nonemployee Directors (the Directors Plan) for the purpose of attracting and retaining the services of experienced and knowledgeable outside directors. This plan was amended during 1995 and provided current outside directors with 6,000 shares each in 1995 and 3,000 shares each annually thereafter. Such options vest upon continued service until the next annual meeting of the Company. The total shares reserved under the Directors Plan, as amended, is 200,000. The exercise price for options granted under the Directors Plan is equal to fair market value at date of grant.

<TABLE>
<CAPTION>

	No. of Shares	Option Price per Share
<S>	<C>	<C>
Outstanding, January 1, 1994	---	
Granted	9,200	\$18.90 to \$23.07
Outstanding, December 31, 1994	9,200	\$18.90 to \$23.07
Granted	196,500	\$20.75 to \$23.88
Forfeited	(13,200)	\$23.00
Exercised	(300)	\$23.00
Outstanding, December 31, 1995	192,200	\$18.90 to \$23.88
Exercisable, December 31, 1995	15,100	\$18.90 to \$23.88

</TABLE>

During 1995, the Company established the 1995 Long-Term Incentive Compensation Plan (the 1995 Plan). In addition to options authorized under the 1993 Plan, the 1995 Plan provides for stock appreciation rights, stock awards (including restricted stock), performance awards, other stock-based awards and dividend equivalent rights. The 1995 Plan requires mandatory acceleration in the event of certain mergers and consolidations or a sale of substantially all the assets or a liquidation of the Company, except where such awards are assumed or replaced in the transaction. The 1995 Plan permits the plan administrator to authorize loans, loan guarantees or installment payments to assist award recipients in acquiring shares pursuant to awards and contains certain limitations imposed by recent tax legislation. The 1995 Plan allows for grants to consultants and agents, as well as officers and key employees of the Company. Subsequent to year end, the Company granted 40,160 options at fair market value which ranged from \$26.88 to \$27.00 and vest ratably over three years. Additionally, performance awards for additional 12,994 shares were granted contingent upon meeting certain performance objectives over the next three

years. The options granted under the 1995 Plan include dividend equivalent rights under which the dividends of a granted option accrue to the grantee from the date of grant to the exercise date.

In October 1995, the Financial Accounting Standards Board issued Statement No. 123, "Accounting for Stock-Based Compensation." This statement provides that the measure of compensation cost be based on the value of the award and be recognized over the service period. Companies may elect to adopt the stock-based compensation accounting recognition method under the new standard or continue accounting for it under current guidance, Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees." The Company will adopt this standard on January 1, 1996. The Company is currently evaluating which measurement criteria it will use to account for such compensation.

NOTE K - SHAREHOLDER RIGHTS PLAN

In March 1994, the Company adopted a Shareholder Rights Plan and declared a dividend distribution of one Right for each outstanding share of common stock. Under certain conditions, each Right may be exercised to purchase one one-hundredth of a share of Series A Junior Participating Preferred Stock at a purchase price of \$65, subject to adjustment. The Rights will be exercisable only if a person or group has acquired 10% or more of the outstanding shares of common stock, or following the commencement of a tender or exchange offer for 10% or more of such outstanding shares of common stock. If a person or group acquires more than 10% of the then outstanding shares of common stock, each Right will entitle its holder to receive, upon exercise, common stock (or, in certain circumstances, cash, property or other securities of the Company) having a value equal to two times the exercise price of the Right. In addition, if the Company is acquired in a merger or other business combination transaction, each Right will entitle its holder to purchase that number of the acquiring Company's common shares having a market value of twice the Right's exercise price. The Company will be entitled to redeem the Rights at \$.0001 per Right at any time prior to the earlier of the expiration of the Rights in March 2004 or the time that a person has acquired a 10% position. The Rights do not have voting or dividend rights, and until they become exercisable, have no dilutive effect on the Company's earnings.

NOTE L - ADVISORY AND MANAGEMENT AGREEMENTS

Prior to the Merger, the Management Company advised the Company with respect to its investments, managed the day-to-day operations of the Company, and provided property management services. The agreements provided for an annual advisory fee, incentive advisory fees, reimbursement for certain costs and expenses, and property management fees. The property management fee is equal to approximately 6% of property revenues. These agreements were eliminated through the Merger of the Company and the Management Company on March 24, 1995. Property management fees for the years ended December 31, 1994 and 1995 were \$3,987,000 (representing ten months of operations) and \$1,261,000 (representing three months of operations), respectively. In addition, the Company paid \$59,000 each year during 1994 and 1995 under an advisory agreement.

In connection with the management of storage centers, the Predecessor paid to the Management Company a property management fee of 6% of rental revenues. Incentive management fees were paid by two of the partnerships included in the Predecessor. These incentive fees were based on the amount of distributions to partners at 8% and 25% depending on the cumulative amount of distributions to limited partners. No comparable fee is paid by the Company.

NOTE M - SUPPLEMENTAL QUARTERLY FINANCIAL DATA (UNAUDITED)

<TABLE>

<CAPTION>

	Predecessor		Company		
	Jan. 1 to Mar. 1 1994	March 31, 1994	Three months ended		
(in thousands, except per share data)			June 30, 1994	Sept. 30, 1994	Dec. 31, 1994
<S>	<C>	<C>	<C>	<C>	<C>
Revenues	\$ 12,368	\$ 6,164	\$ 19,131	\$ 20,515	\$ 21,111
Income from operations	3,882	2,852	7,702	8,584	8,223
Net income before extraordinary item	34,286	2,230	5,563	6,004	5,204
Extraordinary item - loss on retirement of debt (Note H)			(1,180)		
Net income	\$ 34,286	\$ 2,230	\$ 4,383	\$ 6,004	\$ 5,204
Net income before extraordinary item per					

common and common equivalent share \$ --- \$ 0.13 \$ 0.33 \$ 0.35 \$ 0.31

</TABLE>

Company operating information for the quarter ended March 31, 1994 reflects only one month of operating results. Predecessor information includes the gain on consolidation and related expenses and results in a net income per unit of limited partnership interest of \$63.97.

<TABLE>
<CAPTION>

(in thousands, except per share data)	Three months ended			
	March 31, 1995	June 30, 1995	Sept. 30, 1995	Dec. 31, 1995
<S>	<C>	<C>	<C>	<C>
Revenues	\$ 21,368	\$ 24,107	\$ 26,088	\$ 25,208
Income from operations	8,551	10,329	11,483	10,372
Net income	5,354	6,638	9,221	8,359
Net income per common and common equivalent share	\$ 0.31	\$ 0.35	\$ 0.40	\$ 0.35

</TABLE>

NOTE N - SUPPLEMENTAL CASH FLOW INFORMATION

<TABLE>
<CAPTION>

(in thousands)	Predecessor		Company	
	Year ended Dec. 31, 1993	Period from Jan. 1, 1994 to Mar. 1, 1994	Year Ended 1994	Dec. 31, 1995
<S>	<C>	<C>	<C>	<C>
Cash paid during the period for interest	\$ 2,288	\$ 487	\$ 8,829	\$ 13,372
Liabilities incurred in connection with the construction of storage centers	\$ 206	\$ ---	\$ ---	\$ 4,457

</TABLE>

NOTE O -- PREDECESSOR

The combined financial statements of the Predecessor include the accounts of the partnerships listed below for the year ended December 31, 1993, and the period from January 1 to March 1, 1994, except for Shurgard Income Properties II, III, and IV, each of which are as of their fiscal year ended September 30, 1993.

- Shurgard Mini-Storage Limited Partnership I
- Shurgard Income Properties II
- Shurgard Income Properties III, a Real Estate Limited Partnership
- Shurgard Income Properties VI, a Real Estate Limited Partnership
- Shurgard Income Properties Five, a Real Estate Limited Partnership
- Shurgard Income Properties Six, a Real Estate Limited Partnership
- Shurgard Income Properties Seven, a Real Estate Limited Partnership
- Shurgard Income Properties Eight, a Real Estate Limited Partnership
- Shurgard Income Properties Nine, a Real Estate Limited Partnership
- Shurgard Income Properties Ten, a Real Estate Limited Partnership
- Shurgard Income Properties Eleven, a Real Estate Limited Partnership
- Shurgard Income Properties Twelve, a Real Estate Limited Partnership
- Shurgard Income Properties -- Fund 14 Limited Partnership
- Shurgard Growth Capital -- Fund 15 Limited Partnership
- Shurgard Income Properties -- Fund 16 Limited Partnership
- Shurgard Growth Capital -- Fund 17 Limited Partnership
- Shurgard Income Properties -- Fund 18 Limited Partnership

We have audited the accompanying consolidated balance sheets of Shurgard Storage Centers, Inc., and subsidiaries (the Company) as of December 31, 1995 and 1994, and the related consolidated statements of income, shareholders' equity, and cash flows for the years ended December 31, 1995 and 1994. We have also audited the combined statements of income, cash flows and partners' equity (deficit) of the 17 limited partnerships (the Predecessor) described in Note A, for the period from January 1, 1994 to March 1, 1994 and for the year ended December 31, 1993. These financial statements are the responsibility of the Company's and Predecessor's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the consolidated financial statements of the Company and the combined financial statements of the Predecessor present fairly, in all material respects, the financial position of the Company as of December 31, 1995 and 1994, the results of its operations and its cash flows for the years ended December 31, 1995 and 1994, the results of the Predecessor's operations and its cash flows for the period from January 1, 1994 to March 1, 1994 and for the year ended December 31, 1993 in conformity with generally accepted accounting principles.

Deloitte & Touche LLP
Seattle, Washington
February 2, 1996

40

ITEM 9 - CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

PART III

ITEM 10 - DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Information regarding directors of the Company and Section 16 reporting is set forth in the Company's proxy statement for the annual meeting of shareholders to be held May 14, 1996, and is incorporated herein by reference.

The executive officers of the Company are as follows:

<TABLE>

<CAPTION>

NAME	AGE	POSITIONS AND OFFICES WITH THE COMPANY
<S>	<C>	<C>
Charles K. Barbo	54	Chairman of the Board, President and Chief Executive Officer
Harrell Beck	39	Director, Senior Vice President, Chief Financial Officer and Treasurer
David K. Grant	42	Executive Vice President
Michael Rowe	39	Executive Vice President
Kristin H. Stred	37	Senior Vice President, Secretary and General Counsel

</TABLE>

For Mr. Barbo's and Mr. Beck's biographies, see the Company's proxy statement for the annual meeting of shareholders to be held on May 14, 1996.

DAVID K. GRANT has served as the Company's Executive Vice President and Director of Real Estate Investment since July 1993. Mr. Grant joined the Management Company in November 1985 as Director of Real Estate Investment and continued to serve in that capacity until the Merger. He also served as an Executive Vice President of the Management Company. Mr. Grant was previously a manager with Touche Ross & Co., where he was employed for approximately 10 years providing financial consulting, accounting and auditing services primarily to clients in the real estate, construction and engineering industries. Mr. Grant has a Bachelor of Arts degree in Business Administration and a Bachelor of Science degree in Accounting, both from Washington State University. In February 1996, Mr. Grant was transferred to Brussels, Belgium. He became Managing Director Benelux SCS effective January 1, 1996.

MICHAEL ROWE has served as the Company's Executive Vice President and Director of Storage Operations since July 1993. Effective January 1, 1996, Mr. Rowe became the Company's Chief Operating Officer. Prior to the Merger, he served as Executive Vice President and Director of Storage Operations of the Management Company. Prior to his employment with the Management Company, he was employed with Touche Ross & Co.,

41

where he participated in independent audits of major real estate syndication, development and management companies in the Pacific Northwest. He became Controller of the Management Company in 1982 and Vice President and Treasurer in 1983. In 1987, Mr. Rowe was named Director of Storage Operations of the Management Company. Mr. Rowe has a Bachelor of Arts degree in Business Administration from Washington State University.

KRISTIN H. STRED has served as the Company's Secretary and General Counsel since July 1993. She was named Senior Vice President of the Company upon the closing of the Merger. Ms. Stred joined the Management Company in July 1992 and until the Merger served as Secretary and General Counsel. She was previously an attorney with The Boeing Company from October 1991 to July 1992 and Assistant General Counsel with King Broadcasting Company from July 1987 to September 1991. Ms. Stred has a Bachelor of Arts degree with honors in general studies from Harvard University and a J.D. from Harvard Law School. She is a member of the Washington State Bar Association, is a former president of Washington Women Lawyers and a former member of the Executive Committee of the Corporate Law Department Section of the Washington State Bar Association.

ITEM 11 - EXECUTIVE COMPENSATION

Information regarding executive compensation is set forth in the Company's proxy statement for the annual meeting of shareholders to be held May 14, 1996, and is incorporated herein by reference.

ITEM 12 - SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Information regarding security ownership of certain beneficial owners and management is set forth in the Company's proxy statement for the annual meeting of shareholders to be held May 14, 1996, and is incorporated herein by reference.

ITEM 13 - CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Information regarding certain relationships and related transactions is set forth in the Company's proxy statement for the annual meeting of shareholders to be held May 14, 1996, and is incorporated herein by reference.

PART IV

ITEM 14 - EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

(a) 1. Financial Statements

<TABLE>
<CAPTION>

	Page No.

<S>	<C>
Consolidated Balance Sheet at December 31, 1995 and 1994. For the years ended December 31, 1995 and 1994 (Company), the period from January 1, 1994 to March 1, 1994 (Predecessor), and the year ended December 31, 1993 (Predecessor):	29
Consolidated Statements of Net Income	30
Consolidated Statements of Partners' and Shareholders' Equity	31
Consolidated Statements of Cash Flows	32

</TABLE>

42

2. Financial Statement Schedules

All schedules have been omitted because either they are not applicable or the required information is shown in the financial statements.

3. Exhibits

- 3.1 Amended and Restated Certificate of Incorporation of the Registrant (1)
- 3.2 Restated By-Laws of the Registrant
- 4.1 Rights Agreement between the Registrant and Gemisys Corporation dated as of March 17, 1994 (2)
- 10.1 Loan Agreement among Shurgard Storage Centers, Inc., Seattle-First National Bank, Key Bank of Washington and West One Bank dated August 19, 1994(4)
- 10.2 Amended and Restated Loan Agreement between Nomura Asset Capital Corp., as Lender, and SSC Property Holdings, Inc., as Borrower, dated as of June 8, 1994(4)
- 10.3 Amended and Restated Collection Account and Servicing Agreement among SSC Property Holdings, Inc., Pacific Mutual Life Insurance Company, LaSalle National Bank and Nomura Asset Capital Corp. dated as of June 8, 1994(4)
- 10.4 Revolving Loan Agreement among Shurgard Storage Centers, Inc., SSC Acquisitions, Inc. and Nomura Asset Capital Corp. dated as of December 23, 1994(4)
- 10.5 Agreement and Plan of Merger dated as of December 19, 1994(4)
- *10.6 Amended and Restated 1993 Stock Option Plan(3)
- *10.7 Amended and Restated Stock Incentive Plan for Nonemployee Directors
- *10.8 1995 Long-Term Incentive Compensation Plan (5)
- 11.1 Statement regarding computation of per share net income
- 21.1 Subsidiaries of the Registrant
- 23.1 Consent of Deloitte & Touche LLP
- 27.1 Financial Data Schedule

-
- (1) Incorporated by reference to exhibit filed with the Registrant's Registration Statement on Form S-4, Amendment No. 8 (Post-Effective Amendment No. 4), filed with the Securities and Exchange Commission on February 2, 1994.
 - (2) Incorporated by reference to exhibit filed with the Registrant's Registration Statement on Form 8-A filed with the Securities and Exchange Commission on March 17, 1994.
 - (3) Incorporated by reference to exhibit no. 10.7 filed with the Registrant's Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 31, 1995.
 - (4) Incorporated by reference to exhibit filed with the Registrant's Registration Statement on Form S-4, Amendment No. 2, filed with the Securities and Exchange Commission on February 8, 1995.
 - (5) Incorporated by reference to appendix B filed as part of the Registrant's definitive Proxy Statement dated June 8, 1995.
 - * Management contract or compensatory plan or arrangement

(b) Reports on Form 8-K

No report on Form 8-K was filed by the Company during the quarter ended December 31, 1995.

43

SIGNATURE

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this Annual Report on Form 10-K to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Seattle, State of Washington, on the 19th day of March, 1996.

SHURGARD STORAGE CENTERS, INC.

By: /s/ HARRELL BECK

Harrell Beck
Senior Vice President, Treasurer,
Chief Financial Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, this Annual Report on Form 10-K has been signed by the following persons in the capacities indicated below on the 19th day of March, 1996.

Signature	Title
----- /s/ CHARLES K. BARBO ----- Charles K. Barbo	----- Chairman of the Board, President and Chief Executive Officer (Principal Executive Officer)
----- /s/ HARRELL BECK ----- Harrell Beck	----- Senior Vice President, Treasurer, Chief Financial Officer and Director (Principal Financial and Accounting Officer)
----- /s/ DAN KOURKOUHELIS ----- Dan Kourkoumelis	----- Director
----- /s/ DONALD W. LUSK ----- Donald W. Lusk	----- Director
----- /s/ W.J. SMITH ----- W.J. (Jim) Smith	----- Director

AMENDED AND RESTATED
BY-LAWS
OF
SHURGARD STORAGE CENTERS, INC.

Effective on July 26, 1995

CONTENTS

SECTION 1.	DEFINITIONS	1
SECTION 2.	OFFICES	4
SECTION 3.	STOCKHOLDERS.	4
3.1	Annual Meeting.	4
3.2	Special Meetings.	4
3.3	Place of Meeting.	4
3.4	Notice of Meeting	4
3.5	Business for Stockholders' Meetings	5
3.5.1	Business at Annual Meetings	5
3.5.2	Business at Special Meetings.	5
3.5.3	Notice to Corporation	5
3.6	Waiver of Notice.	6
3.6.1	In Writing.	6
3.6.2	By Attendance	6
3.7	Fixing of Record Date for Determining Stockholders.	6
3.7.1	Meetings.	6
3.7.2	Consent to Corporate Action Without a Meeting	6
3.7.3	Dividends, Distributions and Other Rights	7
3.8	Voting List	7
3.9	Quorum	7
3.10	Manner of Acting.	7
3.11	Proxies	8
3.11.1	Appointment	8
3.11.2	Delivery to Corporation; Duration	8
3.12	Voting of Shares.	8
3.13	Voting for Directors.	8
3.14	Action by Stockholders Without a Meeting.	8
3.15	Inspectors of Election.	9
3.15.1	Appointment	9
3.15.2	Duties.	9

SECTION 4.	BOARD OF DIRECTORS.	10
4.1	General Powers.	10
4.2	Number and Tenure	10
4.3	Nomination and Election	10
	4.3.1 Nomination.	10
	4.3.2 Election.	11
4.4	Annual and Regular Meetings	11
4.5	Special Meetings.	11
4.6	Meetings by Telephone	11
4.7	Notice of Special Meetings.	11
	4.7.1 Personal Delivery	12
	4.7.2 Delivery by Mail.	12
	4.7.3 Delivery by Private Carrier	12
	4.7.4 Facsimile Notice.	12
	4.7.5 Delivery by Telegraph	12
	4.7.6 Oral Notice	12
4.8	Waiver of Notice.	12

-ii-

	4.8.1 In Writing.	12
	4.8.2 By Attendance	12
4.9	Quorum	13
4.10	Manner of Acting.	13
4.11	Presumption of Assent	13
4.12	Action by Board or Committees Without a Meeting	13
4.13	Resignation	13
4.14	Removal	13
4.15	Vacancies	13
4.16	Executive and Other Committees.	14
	4.16.1 Creation and Authority of Committees.	14
	4.16.2 Audit Committee	14
	4.16.3 Compensation Committee.	14
	4.16.4 Nominating and Organization Committee	14
	4.16.5 Minutes of Meetings	15
	4.16.6 Quorum and Manner of Acting	15
	4.16.7 Resignation	15
	4.16.8 Removal	15
4.17	Compensation.	15
4.18	Lead Outside Director	15

SECTION 5.	OFFICERS.	15
5.1	Number	15
5.2	Election and Term of Office	16
5.3	Resignation	16
5.4	Removal	16
5.5	Vacancies	16
5.6	Chairman of the Board	16

5.7	President	16
5.8	Vice President.	16
5.9	Secretary	17
5.10	Treasurer	17
5.11	Salaries.	17
SECTION 6.	CONTRACTS, LOANS, CHECKS AND DEPOSITS	17
6.1	Contracts	17
6.2	Loans to the Corporation.	17
6.3	Checks, Drafts, Etc..	18
6.4	Deposits.	18
SECTION 7.	CERTIFICATES FOR SHARES AND THEIR TRANSFER.	18
7.1	Issuance of Shares.	18
7.2	Certificates for Shares	18
7.3	Stock Records	18
7.4	Restriction on Transfer	18
7.5	Transfers of Shares	19
7.6	Stockholders' Disclosures	19
7.7	Lost or Destroyed Certificates.	19
SECTION 8.	BOOKS AND RECORDS	19
8.1	Maintenance of Books and Records.	19
8.2	Annual Report to Stockholders	19
-iii-		
SECTION 9.	ACCOUNTING YEAR	20
SECTION 10.	SEAL	20
SECTION 11.	INDEMNIFICATION	20
11.1	Right to Indemnification.	20
11.2	Right of Indemnitee to Bring Suit	21
11.3	Nonexclusivity of Rights.	21
11.4	Insurance, Contracts and Funding.	21
11.5	Indemnification of Employees and Agents of the Corporation	21
11.6	Persons Serving Other Entities.	21
11.7	Procedures for the Submission of Claims	22
SECTION 12.	INVESTMENT POLICY AND RESTRICTIONS.	22
12.1	General Statement of Policy	22
12.1.1	Types of Investments.	22
12.1.2	Tax Treatment as a REIT	22
12.1.3	Liability Protection.	22
12.1.4	Review of Investment Policies	22
12.2	Appraisal Requirement	22
12.3	Specific Investments.	23

12.4	Reserves	23
12.5	Investment Restrictions	23
12.6	Restrictions Upon Dealings Between the Corporation and Interested Parties	25
12.7	Corporation's Right to Borrow Funds	26
12.8	Pursuit of Ancillary Services	26
12.9	Corporation's Right to Participate in Joint Investments	27
12.10	Investment in Corporation's Shares	27
SECTION 13.	INDEPENDENT ACTIVITIES	28
13.1	Shares Held by Directors and Officers	28
13.2	Business Interests and Investments of Directors	28
13.3	Other Business Relationships of Directors	28
SECTION 14.	AMENDMENTS	28
SECTION 15.	MISCELLANEOUS	28
15.1	Provisions in Conflict With Law or Regulations	28
15.2	Reliance Upon Legal Advice	28
15.3	Construction	29

-iv-

AMENDED AND RESTATED
BY-LAWS
OF
SHURGARD STORAGE CENTERS, INC.

SECTION 1. DEFINITIONS

Whenever used in these By-Laws, unless the context otherwise requires, the terms defined in this Section 1 shall have the following respective meanings:

"ADJUSTED NET WORTH" means the amount obtained by subtracting the Corporation's total liabilities from its total assets as adjusted. The Corporation shall reduce its total assets by such reasonable reserves as the Board shall determine but shall not take into account depreciation or amortization. Except as otherwise stated herein, the Corporation's total assets and total liabilities shall be as shown on the Corporation's books, which shall be prepared in accordance with generally accepted accounting principles.

"AFFILIATE" of a Person means (a) any other Person directly or indirectly controlling, controlled by or under common control with such Person, (b) any other Person owning or controlling ten percent (10%) or more of the outstanding voting securities of such Person, (c) any officer, Director or partner of such Person, and (d) if such Person is an officer, Director or partner, any company for which such Person acts as an officer, Director or partner.

"ANCILLARY SERVICES" means any business activity rendered in connection with, or incidental to, the Corporation's primary activity of leasing its properties, generating revenues for the Corporation that would be treated by the IRS as Nonqualifying Income, including, but not limited to, the sale of goods and services to its tenants or others.

"ASSET COVERAGE" means the ratio (expressed as a percentage) which the value of the Corporation's total assets, less all liabilities and indebtedness, except indebtedness for unsecured borrowings, bears to the aggregate amount of all unsecured borrowings of the Corporation.

"BOARD" means the Board of Directors of the Corporation, as constituted from time to time.

"BY-LAWS" means the By-Laws of the Corporation, as in effect from time to time.

"CHAIRMAN OF THE BOARD" shall have the meaning assigned to such term in Sections 5.1 and 5.6 hereof.

"CODE" means the Internal Revenue Code of 1986, as it may be amended from time to time.

"COMMON STOCK" means the Class A Common Stock of the Corporation, par value \$.001 per share, the Class B Common Stock of the Corporation, par value \$.001 per share, and the Excess Stock of the Corporation, par value \$.001 per share.

"CONSOLIDATION" means the acquisition by the Corporation of substantially all of the assets of each of the Partnerships, which was effective on March 1, 1994.

"CORPORATION" means Shurgard Storage Centers, Inc., a Delaware corporation.

"DIRECTORS" means the directors of the Board.

-1-

"INDEBTEDNESS" of the Corporation means, as of the date the amount thereof is to be determined, any and all amounts due on financial obligations of the Corporation evidencing its obligations to repay funds borrowed to finance the business and affairs of the Corporation, including, but not limited to, the outstanding principal balance, accrued but unpaid interest, late fees and penalties, or other obligations, due under any of the Corporation's debt securities, commercial paper, notes, debentures, bonds, promissory notes, revolving lines of credit, and credit and loan agreements. Indebtedness is limited to amounts borrowed by the Corporation and does not include other liabilities, such as accounts payable, lease obligations, liabilities and claims incurred in the conduct of the Corporation's business, or the liabilities of other companies or entities in which the Corporation may have invested. In

addition, "Indebtedness" includes any amounts borrowed by any wholly owned subsidiaries of the Corporation.

"INDEBTEDNESS RESTRICTION" means the restriction placed upon the Corporation's authority to borrow funds set forth in Section 12.7 hereof.

"INDEPENDENT DIRECTORS" means Directors who do not perform services for the Corporation, except as Directors.

"INTERESTED PARTY" of the Corporation means a Director, an officer, any Person owning or controlling ten percent (10%) or more of any class of outstanding voting securities of the Corporation, or any Affiliate of any of the aforementioned Persons, and, to the extent that any such Person proposes to enter into a transaction with the Corporation, such transaction is subject to the restrictions set forth in Section 12.6 hereof.

"IRS" means the Internal Revenue Service.

"MORTGAGE LOANS" means notes, debentures, bonds and other evidences of indebtedness or obligations that are secured or collateralized by interests in real property.

"NONQUALIFYING INCOME" means income not described in Section 856(c)(2) of the Code, or any successor provision.

"OTHER SHURGARD PROGRAMS" means the real estate programs (other than the Partnerships), whether organized as joint ventures, general partnerships, limited partnerships or otherwise, which were organized by Shurgard or any of the general partners of the Partnerships, and whose assets were managed by Shurgard as of the date the Corporation was organized.

"OWN," "OWNER" or "OWNERSHIP" means a Person considered to "own" Shares if such Person is treated as an owner of such Shares for purposes of the REIT Provisions of the Code, including ownership provisions of Code Sections 542 and 544 (all as in effect from time to time).

"PARTNERSHIPS" means Shurgard Mini-Storage Limited Partnership I, a Washington limited partnership; Shurgard Income Properties II, a Washington limited partnership; Shurgard Income Properties III, A Real Estate Limited Partnership, a Washington limited partnership; Shurgard Income Properties IV, A Real Estate Limited Partnership, a Washington limited partnership; Shurgard Income Properties V, A Real Estate Limited Partnership, a Washington limited partnership; Shurgard Income Properties VI, A Real Estate Limited Partnership, a Washington limited partnership; Shurgard Income Properties VII, A Real Estate Limited Partnership, a Washington limited partnership; Shurgard Income Properties VIII, A Real Estate Limited Partnership, a Washington limited partnership; Shurgard Income Properties IX, A Real Estate Limited Partnership, a Washington limited partnership; Shurgard Income Properties X, A Real Estate Limited Partnership, a Washington limited partnership; Shurgard Income Properties XI, A Real Estate Limited Partnership, a Washington limited partnership; Shurgard Income Properties XII, A Real Estate Limited Partnership,

a Washington limited partnership; Shurgard Income Properties - Fund 14 Limited Partnership, a Delaware limited partnership; Shurgard Growth Capital - Fund 15

-2-

Limited Partnership, a Delaware limited partnership; Shurgard Income Properties - Fund 16 Limited Partnership, a Delaware limited partnership; Shurgard Growth Capital - Fund 17 Limited Partnership, a Delaware limited partnership; and Shurgard Income Properties - Fund 18 Limited Partnership, a Delaware limited partnership. References to a "Partnership" shall be understood to refer to any of the Partnerships.

"PERSON" means an individual, a corporation, limited partnership, general partnership, joint stock company or an association, a joint venture, trust, bank, trust company, land trust, business trust or an estate, or any other entity and governmental agency and any political subdivision thereof.

"PREFERRED STOCK" means the shares of any series or any class of any series of Preferred Stock authorized and created by the Board in accordance with the terms and provisions of the Certificate of Incorporation of the Corporation and the Delaware General Corporation Law.

"PRESIDENT" shall have the meaning assigned to such term in Sections 5.1 and 5.7 hereof.

"REIT" means a real estate investment trust as defined in Sections 856 to 860 of the Code.

"REIT PROVISIONS OF THE CODE" means Part II, Subchapter M of Chapter 1 of the Code, as now enacted or hereafter amended, or successor statutes, relating to REITs.

"SECRETARY" shall have the meaning assigned to such term in Sections 5.1 and 5.9 hereof.

"SECURITIES" means any instruments commonly known as "securities," including stock, shares, voting trust certificates, bonds, debentures, notes or other evidences of indebtedness, secured or unsecured, convertible, subordinated or otherwise, or any certificates of interest, shares or participations, or warrants, options or rights to subscribe to, purchase or acquire any of the foregoing.

"SHARES" means the Corporation's shares of stock, whether Common Stock or Preferred Stock.

"SHURGARD" means Shurgard Incorporated, a Washington corporation.

"STOCKHOLDER" means a holder of the Shares of the Corporation's stock, whether Common Stock or Preferred Stock.

"SUBSIDIARY" of a Person means an Affiliate controlled by such Person directly or indirectly, through one or more intermediaries.

"TOTAL ASSETS" of the Corporation means, as of the date the amount thereof is to be determined, the greater of (a) the Corporation's total assets computed in accordance with generally accepted accounting principles, consistently applied (and which would be reflected on the Corporation's balance sheet if such balance sheet were prepared as of such date), plus all accumulated depreciation as of such date, and (b) the fair market value of the Corporation's assets determined in accordance with guidelines established by the Board, consistently applied. Notwithstanding the foregoing, the Board may change the guidelines established for computing the fair market value of its assets, pursuant to clause (b) of the preceding sentence, if such change is made in good faith and not for the purpose of circumventing the restrictions contained in the Indebtedness Restriction, and if applied retroactively would not have prohibited the Corporation from borrowing any funds at the time such funds were actually borrowed by the Corporation.

"TREASURER" shall have the meaning assigned to such term in Sections 5.1 and 5.10 hereof.

"UNIMPROVED REAL PROPERTY" means the property of a REIT which has the following three (3) characteristics: (a) an equity interest in property which was not acquired for the purpose of producing rental

-3-

or other operating income, (b) no development or construction is in progress on such land, and (c) no development or construction on such land is planned in good faith to commence within one (1) year of the property's acquisition by the Corporation or within one (1) year of the Corporation's receipt of all necessary permits, licenses and approvals to proceed with development or construction, provided that the Corporation in good faith, following the acquisition of the land, proceeds to apply for and pursue the issuance of all permits, licenses and approvals as may be necessary, prudent or advisable for the development and or construction planned for the land.

"VICE PRESIDENT" shall have the meaning assigned to such term in Sections 5.1 and 5.8 hereof.

SECTION 2. OFFICES

The principal office of the Corporation shall be located at its principal place of business or such other place as the Board may designate. The Corporation may have such other offices, either within or without the State of Delaware, as the Board may designate or as the business of the Corporation may require from time to time.

SECTION 3. STOCKHOLDERS

3.1 ANNUAL MEETING

The annual meeting of the Stockholders shall be held the second Tuesday in May in each year commencing in 1995 at the principal office of the Corporation or such other place designated by the Board for the purpose of electing Directors and transacting such other business as may properly come before the meeting. If the day fixed for the annual meeting is a legal holiday at the place of the meeting, the meeting shall be held on the next succeeding business day. At any time prior to the commencement of the annual meeting, the Board may postpone the annual meeting for a period of up to one hundred twenty (120) days from the date fixed for such meeting in accordance with this Section 3.1. If the annual meeting is not held on the date designated therefor, the Board shall cause the meeting to be held as soon thereafter as may be convenient.

3.2 SPECIAL MEETINGS

The Chairman of the Board, the President, the Board, a majority of the Independent Directors or the holders of not less than ten percent (10%) of all the outstanding Shares entitled to vote at the meeting may call special meetings of the Stockholders for any purpose.

3.3 PLACE OF MEETING

All meetings shall be held at the principal office of the Corporation or at such other place within or without the State of Delaware designated by the Board, by any Persons entitled to call a meeting hereunder or in a waiver of notice signed by all the Stockholders entitled to notice of the meeting.

3.4 NOTICE OF MEETING

The Chairman of the Board, the President, the Secretary, the Board, the Independent Directors or Stockholders calling an annual or special meeting of Stockholders as provided for herein shall cause to be delivered to each Stockholder entitled to notice of or to vote at the meeting, either personally or by mail, not less than ten (10) nor more than sixty (60) days before the meeting, written notice stating the place, day and hour of the meeting and, in the case of a special meeting, the purpose or purposes for which the meeting is called. At any time within ten (10) days after receipt of a written request of the holders of not less than the number of outstanding Shares specified in Section 3.2 hereof and entitled to vote at the meeting, it shall be the duty of the Secretary to give notice of a special meeting of Stockholders to be held on such date and at such

-4-

place and hour as the Secretary may fix, not less than ten (10) nor more than sixty (60) days after receipt of said request, and if the Secretary shall neglect or refuse to issue such notice, the Person making the request may do so and may fix the date for such meeting. If such notice is mailed, it shall be

deemed delivered when deposited in the official government mail properly addressed to the Stockholder at the Stockholder's address as it appears on the stock transfer books of the Corporation with postage prepaid. If the notice is telegraphed, it shall be deemed delivered when the content of the telegram is delivered to the telegraph company.

3.5 BUSINESS FOR STOCKHOLDERS' MEETINGS

3.5.1 BUSINESS AT ANNUAL MEETINGS

In addition to the election of Directors, other proper business may be transacted at an annual meeting of Stockholders, provided that such business is properly brought before such meeting. To be properly brought before an annual meeting, business must be (a) brought by or at the direction of the Board or (b) brought before the meeting by a Stockholder pursuant to written notice thereof, in accordance with Section 3.5.3 hereof, and received by the Secretary not fewer than sixty (60) days prior to the date specified in Section 3.1 hereof for such annual meeting (or if less than sixty (60) days' notice or prior public disclosure of the date of the annual meeting is given or made to the Stockholders, not later than the tenth day following the day on which the notice of the date of the annual meeting was mailed or such public disclosure was made). Any Stockholder notice shall set forth (i) the name and address of the Stockholder proposing such business; (ii) a representation that the Stockholder is entitled to vote at such meeting and a statement of the number of Shares of the Corporation which are beneficially owned by the Stockholder; (iii) a representation that the Stockholder intends to appear in person or by proxy at the meeting to propose such business; and (iv) as to each matter the Stockholder proposes to bring before the meeting, a brief description of the business desired to be brought before the meeting, the reasons for conducting such business at the meeting, the language of the proposal (if appropriate) and any material interest of the Stockholder in such business. No business shall be conducted at any annual meeting of Stockholders except in accordance with this Section 3.5.1. If the facts warrant, the Board, or the chairman of an annual meeting of Stockholders, may determine and declare that (a) a proposal does not constitute proper business to be transacted at the meeting or (b) business was not properly brought before the meeting in accordance with the provisions of this Section 3.5.1, and, if, in either case, it is so determined, any such business not properly brought before the meeting shall not be transacted. The procedures set forth in this Section 3.5.1 for business to be properly brought before an annual meeting by a Stockholder are in addition to, and not in lieu of, the requirements set forth in Rule 14a-8 under Section 14 of the Securities Exchange Act of 1934, as amended, or any successor provision.

3.5.2 BUSINESS AT SPECIAL MEETINGS

At any special meeting of the Stockholders, only such business as is specified in the notice of such special meeting given by or at the direction of the Person or Persons calling such meeting, in accordance with Section 3.4 hereof, shall come before such meeting.

3.5.3 NOTICE TO CORPORATION

Any written notice required to be delivered by a Stockholder to the Corporation pursuant to Section 3.4, Section 3.5.1 or Section 3.5.2 hereof must be given, either by personal delivery or by registered or certified mail, postage prepaid, to the Secretary at the Corporation's executive offices.

-5-

3.6 WAIVER OF NOTICE

3.6.1 IN WRITING

Whenever any notice is required to be given to any Stockholder under the provisions of these By-Laws, the Certificate of Incorporation or the Delaware General Corporation Law, a waiver thereof in writing, signed by the Person or Persons entitled to such notice, whether before or after the time stated therein, shall be deemed equivalent to the giving of such notice.

3.6.2 BY ATTENDANCE

The attendance of a Stockholder at a meeting shall constitute a waiver of notice of such meeting, except when a Stockholder attends a meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened.

3.7 FIXING OF RECORD DATE FOR DETERMINING STOCKHOLDERS

3.7.1 MEETINGS

For the purpose of determining Stockholders entitled to notice of and to vote at any meeting of Stockholders or any adjournment thereof, the Board may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the Board, and which record date shall not be more than sixty (60) (or the maximum number permitted by applicable law) nor less than ten (10) days before the date of such meeting. If no record date is fixed by the Board, the record date for determining Stockholders shall be at the close of business on the day next preceding the day on which notice is given, or, if notice is waived, at the close of business on the day next preceding the day on which the meeting is held. A determination of Stockholders of record entitled to notice of and to vote at the meeting of Stockholders shall apply to any adjournment of the meeting; provided, however, that the Board may fix a new record date for the adjourned meeting.

3.7.2 CONSENT TO CORPORATE ACTION WITHOUT A MEETING

For the purpose of determining Stockholders entitled to consent to corporate action in writing without a meeting, the Board may fix a record date, which record date shall not precede the date upon which the resolution fixing

the record date is adopted by the Board, and which date shall not be more than ten (10) (or the maximum number permitted by applicable law) days after the date upon which the resolution fixing the record date is adopted by the Board. If no record date has been fixed by the Board, the record date for determining Stockholders entitled to consent to corporate action in writing without a meeting, when no prior action by the Board is required by Chapter 1 of the Delaware General Corporation Law, as now or hereafter amended, shall be the first date on which a signed written consent setting forth the action taken or proposed to be taken is delivered to the Corporation by delivery to its registered office in the State of Delaware, its principal place of business, or an officer or agent of the Corporation having custody of the book in which proceedings of meetings of Stockholders are recorded. Delivery made to the Corporation's registered office shall be by hand or by certified or registered mail, return receipt requested. If no record date has been fixed by the Board and prior action by the Board is required by Chapter 1 of the Delaware General Corporation Law, as now or hereafter amended, the record date for determining Stockholders entitled to consent to corporate action in writing without a meeting shall be at the close of business on the day on which the Board adopts the resolution taking such prior action.

-6-

3.7.3 DIVIDENDS, DISTRIBUTIONS AND OTHER RIGHTS

The Board may, out of funds legally available therefor, at any regular or special meeting, declare dividends upon the Shares as and when it deems expedient. Before declaring any dividends there may be set apart out of any funds of the Corporation available for dividends, such sums as the Board, from time to time in its discretion, deems proper for working capital or as a reserve fund to make contingencies or for equalizing dividends or for such other purposes as the Board shall deem conducive to the interests of the Corporation. For the purpose of determining Stockholders entitled to receive payment of any dividend or other distribution or allotment of any rights or Stockholders entitled to exercise any rights in respect of any change, conversion or exchange of stock, or for the purpose of any other lawful action, the Board may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted, and which record date shall be not more than sixty (60) (or the maximum number permitted by applicable law) days prior to such action. If no record date is fixed, the record date for determining Stockholders for any such purpose shall be at the close of business on the day on which the Board adopts the resolution relating thereto. Any distribution of income or capital assets of the Corporation to Stockholders will be accompanied by a written statement disclosing the source of the funds distributed. If, at the time of distribution, this information is not available, a written explanation of the relevant circumstances will accompany the distribution and a written statement disclosing the source of funds distributed will be sent to the Stockholders not later than sixty (60) days after the close of the fiscal year in which the distribution was made.

3.8 VOTING LIST

At least ten (10) days before each meeting of Stockholders, a complete list of the Stockholders entitled to vote at such meeting, or any adjournment thereof, shall be made, arranged in alphabetical order, with the address of and number of Shares held by each Stockholder. This list shall be open to examination by any Stockholder, for any purpose germane to the meeting, during ordinary business hours, for a period of ten (10) days prior to the meeting, either at a place within the city where the meeting is to be held, which place shall be specified in the notice of the meeting, or, if not so specified, at the place where the meeting is to be held. This list shall also be produced and kept at such meeting for inspection by any Stockholder who is present.

3.9 QUORUM

A majority of the outstanding Shares entitled to vote, present in Person or represented by proxy at the meeting, shall constitute a quorum at a meeting of the Stockholders; provided, that where a separate vote by a class or classes is required, a majority of the outstanding shares of such class or classes, present in person or represented by proxy at the meeting, shall constitute a quorum entitled to take action with respect to that vote on that matter. If less than a majority of the outstanding Shares entitled to vote are represented at a meeting, a majority of the Shares so represented may adjourn the meeting from time to time without further notice. If a quorum is present or represented at a reconvened meeting following such an adjournment, any business may be transacted that might have been transacted at the meeting as originally called. The Stockholders present at a duly organized meeting may continue to transact business until adjournment, notwithstanding the withdrawal of enough Stockholders to leave less than a quorum.

3.10 MANNER OF ACTING

In all matters other than the election of Directors, if a quorum is present, the affirmative vote of the majority of the outstanding Shares present in Person or represented by proxy at the meeting and entitled to vote on the subject matter shall be the act of the Stockholders, unless the vote of a greater number is required by these By-Laws, the Certificate of Incorporation or the Delaware General Corporation Law. Where a separate vote by a class or classes is required, if a quorum of such class or classes is present, the affirmative vote of the majority of outstanding shares of such class or classes present in Person or represented by proxy at the meeting shall be the act of such class or classes. Directors shall be elected by a plurality of the votes of

-7-

the Shares present in Person or represented by proxy at the meeting and entitled to vote on the election of Directors.

3.11 PROXIES

3.11.1 APPOINTMENT

Each Stockholder entitled to vote at a meeting of Stockholders or to express consent or dissent to corporate action in writing without a meeting may authorize another Person or Persons to act for such Stockholder by proxy. Such authorization may be accomplished by (a) the Stockholder or such Stockholder's authorized officer, Director, employee or agent executing a writing or causing his or her signature to be affixed to such writing by any reasonable means, including facsimile signature, or (b) transmitting or authorizing the transmission of a telegram, cablegram or other means of electronic transmission to the intended holder of the proxy or to a proxy solicitation firm, proxy support service or similar agent duly authorized by the intended proxy holder to receive such transmission; provided, that any such telegram, cablegram or other electronic transmission must either set forth or be accompanied by information from which it can be determined that the telegram, cablegram or other electronic transmission was authorized by the Stockholder. Any copy, facsimile telecommunication or other reliable reproduction of the writing or transmission by which a Stockholder has authorized another Person to act as proxy for such Stockholder may be substituted or used in lieu of the original writing or transmission for any and all purposes for which the original writing or transmission could be used, provided that such copy, facsimile telecommunication or other reproduction shall be a complete reproduction of the entire original writing or transmission.

3.11.2 DELIVERY TO CORPORATION; DURATION

A proxy shall be filed with the Secretary before or at the time of the meeting or the delivery to the Corporation of the consent to corporate action in writing. A proxy shall become invalid three (3) years after the date of its execution unless otherwise provided in the proxy. A proxy with respect to a specified meeting shall entitle the holder thereof to vote at any reconvened meeting following adjournment of such meeting but shall not be valid after the final adjournment thereof.

3.12 VOTING OF SHARES

Each outstanding Share entitled to vote with respect to the subject matter of an issue submitted to a meeting of Stockholders shall be entitled to one (1) vote upon each such issue unless otherwise set forth in the Certificate of Incorporation or other document defining the rights and preferences of any such Shares.

3.13 VOTING FOR DIRECTORS

Each Stockholder entitled to vote at an election of Directors may vote, in Person or by proxy, the number of Shares owned by such Stockholder for as many Persons as there are Directors to be elected and for whose election such Stockholder has a right to vote.

3.14 ACTION BY STOCKHOLDERS WITHOUT A MEETING

Any action which could be taken at any annual or special meeting of Stockholders may be taken without a meeting, without prior notice and without a vote, if a consent or consents in writing, setting forth the action so taken, shall be (a) signed by all of the Stockholders entitled to vote with respect to the subject matter thereof (as determined in accordance with Section 3.7.2 hereof) and (b) delivered to the Corporation by delivery to its registered office in the State of Delaware, its principal place of business, or an officer or agent of the Corporation having custody of the records of proceedings of Stockholders meetings. Delivery made to the Corporation's registered office shall be by hand or by certified mail or registered mail, return receipt requested.

-8-

Every written consent shall bear the date of signature of each Stockholder who signs the consent and no written consent shall be effective to take the corporate action referred to therein unless written consents signed by all of the Stockholders entitled to vote with respect to the subject matter thereof are delivered to the Corporation, in the manner required by this Section 3.14, within sixty (60) (or the maximum number permitted by applicable law) days of the earliest dated consent delivered to the Corporation in the manner required by this Section 3.14. The validity of any consent executed by a proxy for a Stockholder pursuant to a telegram, cablegram or other means of electronic transmission transmitted to such proxy holder by or upon the authorization of the Stockholder shall be determined by or at the direction of the Secretary. A written record of the information upon which the Person making such determination relied shall be made and kept in the records of the proceedings of the Stockholders. Any such consent shall be inserted in the minute book as if it were the minutes of a meeting of the Stockholders.

3.15 INSPECTORS OF ELECTION

3.15.1 APPOINTMENT

In advance of any meeting of Stockholders, the Board shall appoint one or more Persons to act as inspectors of election at such meeting and to make a written report thereof. The Board may designate one (1) or more Persons to serve as alternate inspectors to serve in place of any inspector who is unable or fails to act. If no inspector or alternate is able to act at a meeting of Stockholders, the chairman of such meeting shall appoint one or more Persons to act as inspector of elections at such meeting.

3.15.2 DUTIES

The inspectors shall:

(a) ascertain the number of Shares of the Corporation outstanding and the voting power of each such Share;

(b) determine the Shares represented at the meeting and the validity of proxies and ballots;

(c) count all votes and ballots;

(d) determine and retain for a reasonable period of time a record of the disposition of any challenges made to any determination by them; and

(e) certify their determination of the number of Shares represented at the meeting and their count of the votes and ballots.

The validity of any proxy or ballot shall be determined by the inspectors of election in accordance with the applicable provisions of the Delaware General Corporation Law as then in effect. In determining the validity of any proxy transmitted by telegram, cablegram or other electronic transmission, the inspectors shall record in writing the information upon which they relied in making such determination. Each inspector of elections shall, before entering upon the discharge of his or her duties, take and sign an oath to faithfully execute the duties of inspector with strict impartiality and according to the best of his or her ability. The inspectors of election may appoint or retain other Persons to assist them in the performance of their duties.

-9-

SECTION 4. BOARD OF DIRECTORS

4.1 GENERAL POWERS

The business and affairs of the Corporation shall be managed by the Board.

4.2 NUMBER AND TENURE

The Board shall be composed of not less than three (3) nor more than nine (9) Directors, the specific number to be set by resolution of the Board or the Stockholders. The number of Directors may be changed from time to time by amendment to these By-Laws, subject to the Certificate of Incorporation, but no decrease in the number of Directors shall have the effect of shortening the term of any incumbent Director. At any time the Board consists of more than one (1) Director, at least a majority of Directors shall at all times be Independent Directors; provided, however, that in the event of the death, resignation or removal of an Independent Director, such requirement shall not be applicable for a period of sixty (60) days. The Board of Directors shall be divided into three classes, with the classes to be as equal in number as may be possible, with any Director or Directors in excess of the number divisible by three being assigned to Class 3 and Class 2, as the case may be. At the 1995 annual meeting of stockholders, the following classes shall be elected for the terms set forth below:

Class	Term
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Class 1	1 year
Class 2	2 years
Class 3	3 years

At each annual meeting of stockholders following the 1995 annual meeting, the number of Directors equal to the number of Directors in the class whose term expires at the time of such meeting shall be elected to serve until the third ensuing annual meeting of stockholders. Unless a Director dies, resigns or is removed, he or she shall hold office for the term elected or until his or her successor is elected and qualified, whichever is later.. Directors need not be Stockholders of the Corporation or residents of the State of Delaware.

4.3 NOMINATION AND ELECTION

4.3.1 NOMINATION

Only Persons who are nominated in accordance with the following procedures shall be eligible for election as Directors. Nominations for the election of Directors may be made (a) by or at the direction of the Board or (b) by any Stockholder of record entitled to vote for the election of Directors at such meeting; provided, however, that a Stockholder may nominate Persons for election as Directors only if written notice (in accordance with Section 3.5.3 hereof) of such Stockholder's intention to make such nominations is received by the Secretary (i) with respect to an election to be held at an annual meeting of the Stockholders, not fewer than sixty (60) nor more than ninety (90) days prior to the date specified in Section 3.1 hereof for such annual meeting (or if less than sixty (60) days' notice or prior public disclosure of the date of the annual meeting is given or made to the Stockholders, not later than the tenth day following the day on which such notice of the date of the annual meeting was mailed or such public disclosure was made) and (ii) with respect to an election to be held at a special meeting of the Stockholders for the election of Directors, not later than the close of business on the seventh business day following the date on which notice of such meeting is first given to Stockholders. Any such Stockholder's notice shall set forth (a) the name and address of the Stockholder who intends to make a nomination; (b) a representation that the Stockholder is entitled to vote at such meeting and

a statement of the number of Shares of the Corporation which are beneficially owned by the Stockholder; (c) a representation that the Stockholder intends to

appear in person or by proxy at the meeting to nominate the Person or Persons specified in the notice; (d) as to each Person the Stockholder proposes to nominate for election or re-election as a Director, the name and address of such Person and such other information regarding such nominee as would be required in a proxy statement filed pursuant to the proxy rules of the Securities and Exchange Commission had such nominee been nominated by the Board, and a description of any arrangements or understandings, between the Stockholder and such nominee and any other Persons (including their names), pursuant to which the nomination is to be made; and (e) the consent of each such nominee to serve as a Director if elected. If the facts warrant, the Board, or the chairman of a Stockholders' meeting at which Directors are to be elected, shall determine and declare that a nomination was not made in accordance with the foregoing procedure, and, if it is so determined, the defective nomination shall be disregarded. The right of Stockholders to make nominations pursuant to the foregoing procedure is subject to the rights of the holders of any class or series of stock having a preference over the Common Stock as to dividends or upon liquidation. The procedures set forth in this Section 4.3 for nomination for the election of Directors by Stockholders are in addition to, and not in limitation of, any procedures now in effect or hereafter adopted by or at the direction of the Board or any committee thereof.

4.3.2 ELECTION

At each election of Directors, the Persons receiving the greatest number of votes shall be the Directors.

4.4 ANNUAL AND REGULAR MEETINGS

An annual Board meeting shall be held without notice immediately after and at the same place as the annual meeting of Stockholders. By resolution, the Board or any committee designated by the Board may specify the time and place either within or without the State of Delaware for holding regular meetings thereof without other notice than such resolution.

4.5 SPECIAL MEETINGS

Special meetings of the Board or any committee appointed by the Board may be called by or at the request of the Chairman of the Board, the President, the Secretary or, in the case of special Board meetings, any two (2) Directors and, in the case of any special meeting of any committee appointed by the Board, by the chairman thereof. The Person or Persons authorized to call special meetings may fix any place either within or without the State of Delaware as the place for holding any special Board or committee meeting called by them.

4.6 MEETINGS BY TELEPHONE

Members of the Board or any committee designated by the Board may participate in a meeting of such Board or committee by means of conference telephone or similar communications equipment by means so that all Persons participating in the meeting can hear each other. Participation by such means shall constitute presence in Person at a meeting.

4.7 NOTICE OF SPECIAL MEETINGS

Notice of a special Board or committee meeting stating the place, day and hour of the meeting shall be given to a Director in writing or orally by telephone or in Person. Neither the business to be transacted at nor the purpose of any special meeting need be specified in the notice of such meeting.

-11-

4.7.1 PERSONAL DELIVERY

If notice is given by personal delivery, the notice shall be effective if delivered to a Director at least two (2) days before the meeting.

4.7.2 DELIVERY BY MAIL

If notice is delivered by mail, the notice shall be deemed effective if deposited in the official government mail properly addressed to a Director at his or her address shown on the records of the Corporation with postage prepaid at least five (5) days before the meeting.

4.7.3 DELIVERY BY PRIVATE CARRIER

If notice is given by private carrier, the notice shall be deemed effective when dispatched to a Director at his or her address shown on the records of the Corporation at least three (3) days before the meeting.

4.7.4 FACSIMILE NOTICE

If notice is delivered by wire or wireless equipment that transmits a facsimile of the notice, the notice shall be deemed effective when dispatched at least two (2) days before the meeting to a Director at his or her telephone number or other number appearing on the records of the Corporation.

4.7.5 DELIVERY BY TELEGRAPH

If notice is delivered by telegraph, the notice shall be deemed effective if the content thereof is delivered to the telegraph company at least two (2) days before the meeting for delivery to a Director at his or her address shown on the records of the Corporation.

4.7.6 ORAL NOTICE

If notice is delivered orally, by telephone or in Person, the notice shall be deemed effective if personally given to the Director at least two (2) days before the meeting.

4.8 WAIVER OF NOTICE

4.8.1 IN WRITING

Whenever any notice is required to be given to any Director under the provisions of these By-Laws, the Certificate of Incorporation or the Delaware General Corporation Law, a waiver thereof in writing, signed by the Person or Persons entitled to such notice, whether before or after the time stated therein, shall be deemed equivalent to the giving of such notice. Neither the business to be transacted at nor the purpose of any regular or special meeting of the Board or any committee appointed by the Board need be specified in the waiver of notice of such meeting.

4.8.2 BY ATTENDANCE

The attendance of a Director at a Board or committee meeting shall constitute a waiver of notice of such meeting, except when a Director attends a meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened.

-12-

4.9 QUORUM

A majority of the total number of Directors fixed by or in the manner provided in these By-Laws or, if vacancies exist on the Board, a majority of the total number of Directors then serving on the Board, provided, however, that such number may be not less than one-third (1/3) of the total number of Directors fixed by or in the manner provided in these By-Laws, shall constitute a quorum for the transaction of business at any Board meeting. If less than a majority are present at a meeting, a majority of the Directors present may adjourn the meeting from time to time without further notice.

4.10 MANNER OF ACTING

The act of the majority of the Directors present at a Board or committee meeting at which there is a quorum shall be the act of the Board or committee, unless the vote of a greater number is required by these By-Laws, the Certificate of Incorporation or the Delaware General Corporation Law.

4.11 PRESUMPTION OF ASSENT

A Director present at a Board or committee meeting at which action on any corporate matter is taken shall be presumed to have assented to the action taken unless his or her dissent is entered in the minutes of the meeting, or unless such Director files a written dissent to such action with the Person acting as the secretary of the meeting before the adjournment thereof, or forwards such dissent by registered mail to the Secretary immediately after the adjournment of the meeting. A Director who voted in favor of such action may not dissent.

4.12 ACTION BY BOARD OR COMMITTEES WITHOUT A MEETING

Any action which could be taken at a meeting of the Board or of any committee appointed by the Board may be taken without a meeting if a written consent setting forth the action so taken is signed by each of the Directors or by each committee member. Any such written consent shall be inserted in the minute book as if it were the minutes of a Board or a committee meeting.

4.13 RESIGNATION

Any Director may resign at any time by delivering written notice to the Chairman of the Board, the President, the Secretary or the Board, or to the registered office of the Corporation. Any such resignation shall take effect at the time specified therein, or if the time is not specified, upon delivery thereof, and, unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

4.14 REMOVAL

At a meeting of Stockholders called expressly for that purpose, one or more members of the Board (including the entire Board) may be removed, but only with cause, by a vote of the holders of a majority of the Shares then entitled to vote on the election of Directors.

4.15 VACANCIES

Any vacancy occurring on the Board may be filled by the affirmative vote of a majority of the remaining Directors though less than a quorum of the Board; provided, however, that a vacancy created by the death, resignation or removal of an Independent Director, in the absence of a vote of the Stockholders, may be filled only by the vote of a majority of the remaining Independent Directors. A Director elected to fill a vacancy shall be elected for the unexpired term of his or her predecessor in office. Any Directorship to be filled by reason of an increase in the number of Directors may be filled by the Board for a term of office

-13-

continuing only until the next election of the class for which such Director shall have been chosen, and until his or her successor shall be elected and qualify.

4.16 EXECUTIVE AND OTHER COMMITTEES

4.16.1 CREATION AND AUTHORITY OF COMMITTEES

The Board may, by resolution passed by a majority of the number of Directors fixed by or in the manner provided in these By-Laws, appoint standing or temporary committees, including an "Executive Committee," each committee to

consist of one or more Directors, and invest such committees with such powers as it may see fit, subject to such conditions as may be prescribed by the Board and by applicable law; but no such committee shall have the power or authority of the Board in reference to (a) amending the Certificate of Incorporation, (b) adopting a plan of merger or consolidation, (c) recommending to the Stockholders the sale, lease or exchange or other disposition of all or substantially all the property and assets of the Corporation other than in the usual and regular course of business, (d) recommending to the Stockholders a voluntary dissolution or a revocation thereof, (e) amending these By-Laws, (f) declaring a dividend, or (g) authorizing the issuance of stock. The Board may designate one or more Directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee. In the absence or disqualification of a committee member, the member or members thereof present at any meeting and not disqualified from voting, whether or not such member or members constitute a quorum, may unanimously appoint another member of the Board to act at the meeting in the place of any such absent or disqualified member.

4.16.2 AUDIT COMMITTEE

In addition to any committees appointed pursuant to this Section 4.16, there shall be an "Audit Committee," appointed annually by the Board, consisting of at least two (2) Directors who are not members of management. It shall be the responsibility of the Audit Committee to review the scope and results of the annual independent audit of books and records of the Corporation, to review compliance with all corporate policies that have been approved by the Board and to discharge such other responsibilities as may from time to time be assigned to it by the Board. The Audit Committee shall meet at such times and places as the members deem advisable, and shall make such recommendations to the Board as they consider appropriate.

4.16.3 COMPENSATION COMMITTEE

The Board may, in its discretion, designate a "Compensation Committee" consisting of not less than two (2) Directors or such higher number as the Board may from time to time determine. The duties of the Compensation Committee shall consist of the following: (a) to establish and review periodically, but not less than annually, the compensation of the officers of the Corporation and to make recommendations concerning such compensation to the Board; (b) to consider incentive compensation plans for the employees of the Corporation; (c) to carry out the duties assigned to the Compensation Committee under any stock option plan or other plan approved by the Corporation; (d) to consult with the President concerning any compensation matters deemed appropriate by the President or the Compensation Committee; and (e) to perform such other duties as shall be assigned to the Compensation Committee by the Board.

4.16.4 NOMINATING AND ORGANIZATION COMMITTEE

The Board may, in its discretion, designate a "Nominating and Organization Committee" consisting of not less than two (2) Directors or such higher number as the Board may from time to time determine. The duties of the Nominating and

Organization Committee shall consist of the following: (a) to report and make recommendations to the Board on the size and composition of the Board and nominees for Directors; (b) to evaluate the performance of the officers of the Corporation and, together with management, select and recommend to the Board appropriate individuals for election, appointment and promotion as officers of the

-14-

Corporation and ensure the continuity of capable management; (c) to report and make recommendations to the Board on the organization of the Corporation; and (d) to perform such other duties as shall be assigned to the Nominating and Organization Committee by the Board.

4.16.5 MINUTES OF MEETINGS

All committees so appointed shall keep regular minutes of their meetings and shall cause them to be recorded in books kept for that purpose.

4.16.6 QUORUM AND MANNER OF ACTING

A majority of the number of Directors composing any committee of the Board, as established and fixed by resolution of the Board, shall constitute a quorum for the transaction of business at any meeting of such committee, but, if less than a majority are present at a meeting, a majority of such Directors present may adjourn the meeting from time to time without further notice. The act of a majority of the members of a committee present at a meeting at which a quorum is present shall be the act of such committee.

4.16.7 RESIGNATION

Any member of any committee may resign at any time by delivering written notice thereof to the Chairman of the Board, the President, the Secretary, the Board or the chairman of such committee. Any such resignation shall take effect at the time specified therein or, if the time is not specified, upon delivery thereof, and, unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

4.16.8 REMOVAL

The Board may remove from office any member of any committee elected or appointed by it or by an Executive Committee, but only by the affirmative vote of not less than a majority of the number of Directors fixed by or in the manner provided in these By-Laws.

4.17 COMPENSATION

By Board resolution, Directors and committee members may be paid their expenses, if any, of attendance at each Board or committee meeting, or a fixed

sum for attendance at each Board or committee meeting, or a stated salary as Director or a committee member, or a combination of the foregoing. No such payment shall preclude any Director or committee member from serving the Corporation in any other capacity and receiving compensation therefor.

4.18 LEAD OUTSIDE DIRECTOR

The members of the Board who at the time are neither employees of nor consultants to the Corporation (the "Outside Directors") may, by resolution passed by a majority of the number of such Outside Directors then in office, appoint one of their number to serve as Lead Outside Director. If so appointed, the Lead Outside Director shall be responsible for chairing any meetings of Outside Directors and shall perform such other duties as shall be requested of him or her from time to time by the Outside Directors, acting in the same manner.

SECTION 5. OFFICERS

5.1 NUMBER

The officers of the Corporation shall be a President, a Secretary and a Treasurer, each of whom shall be elected by the Board. One or more Vice Presidents and such other officers and assistant officers, including a Chairman of the Board, may be elected or appointed by the Board, such officers and assistant officers to hold office for such period, have such authority and perform such duties as are provided in these By-Laws or as may be provided by resolution of the Board. Any officer may be assigned by the Board any additional title that the Board deems appropriate. The Board may delegate to any officer or agent the power to appoint any such subordinate officers or agents and to prescribe their respective terms of office, authority and duties. Any two (2) or more offices may be held by the same Person.

-15-

5.2 ELECTION AND TERM OF OFFICE

The officers of the Corporation shall be elected annually by the Board at the Board meeting held after the annual meeting of the Stockholders. If the election of officers is not held at such meeting, such election shall be held as soon thereafter as a Board meeting conveniently may be held. Unless an officer dies, resigns or is removed from office, he or she shall hold office until the next annual meeting of the Board or until his or her successor is elected.

5.3 RESIGNATION

Any officer may resign at any time by delivering written notice to the Chairman of the Board, the President, a Vice President, the Secretary or the Board. Any such resignation shall take effect at the time specified therein or, if the time is not specified, upon delivery thereof, and, unless otherwise

specified therein, the acceptance of such resignation shall not be necessary to make it effective.

5.4 REMOVAL

Any officer or agent elected or appointed by the Board may be removed by the Board whenever in its judgment the best interests of the Corporation would be served thereby, but such removal shall be without prejudice to the contract rights, if any, of the Person so removed.

5.5 VACANCIES

A vacancy in any office because of death, resignation, removal, disqualification, creation of a new office or any other cause may be filled by the Board for the unexpired portion of the term, or for a new term established by the Board.

5.6 CHAIRMAN OF THE BOARD

If elected, the Chairman of the Board shall perform such duties as shall be assigned to him or her by the Board from time to time and shall preside over meetings of the Board and Stockholders unless another officer is appointed or designated by the Board as Chairman of such meeting

5.7 PRESIDENT

The President shall be the chief executive officer of the Corporation unless some other officer is so designated by the Board, shall preside over meetings of the Board and Stockholders in the absence of a Chairman of the Board and, subject to the Board's control, shall supervise and control all the assets, business and affairs of the Corporation. The President may sign certificates for Shares, deeds, mortgages, bonds, contracts or other instruments, except when the signing and execution thereof have been expressly delegated by the Board or by these By-Laws to some other officer or agent of the Corporation or are required by law to be otherwise signed or executed by some other officer or in some other manner. In general, the President shall perform all duties incident to the office of President and such other duties as are prescribed by the Board from time to time.

5.8 VICE PRESIDENT

In the event of the death of the President or his or her inability to act, the Vice President (or if there is more than one Vice President, the Vice President who was designated by the Board as the successor to the

President or, if no Vice President is so designated, the Vice President first elected to such office) shall perform the duties of the President, except as may

be limited by resolution of the Board, with all the powers of and subject to all the restrictions upon the President. Any Vice President may sign with the Secretary or any Assistant Secretary certificates for Shares. Vice Presidents shall have, to the extent authorized by the President or the Board, the same powers as the President to sign deeds, mortgages, bonds, contracts or other instruments. Vice Presidents shall perform such other duties as from time to time may be assigned to them by the President or by the Board. A Vice-President may be designated as an Executive Vice-President, a Senior Vice-President or a Vice-President of a specific function or responsibility or may be otherwise designated at the discretion of the Board to differentiate various Vice-Presidential positions.

5.9 SECRETARY

The Secretary shall be responsible for the preparation of minutes of meetings of the Board and Stockholders, maintenance of the Corporation's records and stock registers, and authentication of the Corporation's records and shall in general perform all duties incident to the office of Secretary and such other duties as from time to time may be assigned to him or her by the President or by the Board. In the absence of the Secretary, an Assistant Secretary may perform the duties of the Secretary.

5.10 TREASURER

If required by the Board, the Treasurer shall give a bond for the faithful discharge of his or her duties in such amount and with such surety or sureties as the Board shall determine. The Treasurer shall have charge and custody of and be responsible for all funds and Securities of the Corporation; receive and give receipts for moneys due and payable to the Corporation from any source whatsoever, and deposit all such moneys in the name of the Corporation in banks, trust companies or other depositories selected in accordance with the provisions of these By-Laws; sign certificates for Shares; and in general perform all the duties incident to the office of Treasurer and such other duties as from time to time may be assigned to him or her by the President or by the Board. In the absence of the Treasurer, an Assistant Treasurer may perform the duties of the Treasurer.

5.11 SALARIES

The salaries of the officers shall be fixed from time to time by the Board or by any Person or Persons to whom the Board has delegated such authority. No officer shall be prevented from receiving such salary by reason of the fact that he or she is also a Director.

SECTION 6. CONTRACTS, LOANS, CHECKS AND DEPOSITS

6.1 CONTRACTS

The Board may authorize any officer or officers, or agent or agents, to enter into any contract or execute and deliver any instrument in the name of and on behalf of the Corporation. Such authority may be general or confined to

specific instances.

6.2 LOANS TO THE CORPORATION

No loans shall be contracted on behalf of the Corporation and no evidences of indebtedness shall be issued in its name unless authorized by a resolution of the Board. Such authority may be general or confined to specific instances.

-17-

6.3 CHECKS, DRAFTS, ETC.

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

6.4 DEPOSITS

All funds of the Corporation not otherwise employed shall be deposited from time to time to the credit of the Corporation in such banks, trust companies or other depositories as the Board may select.

SECTION 7. CERTIFICATES FOR SHARES AND THEIR TRANSFER

7.1 ISSUANCE OF SHARES

No Shares shall be issued unless authorized by the Board, which authorization shall include the maximum number of Shares to be issued and the consideration to be received for each share.

7.2 CERTIFICATES FOR SHARES

Certificates representing Shares shall be signed by the Chairman of the Board or Vice Chairman of the Board or the President or the Vice President and by the Treasurer or an Assistant Treasurer or the Secretary or an Assistant Secretary, any of whose signatures may be a facsimile. The Board may in its discretion appoint responsible banks, trust companies or other qualified entities from time to time to act as transfer agents and registrars of the stock of the Corporation; and, when such appointments shall have been made, no stock certificate shall be valid until countersigned by one of such transfer agents and registered by one of such registrars. In case any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer, transfer agent or registrar before such certificate is issued, it may be issued by the Corporation with the same effect as if such Person was such officer, transfer agent or registrar at the date of issue. All certificates shall include on their face written notice of any restrictions which may be imposed on the transferability of such Shares and shall be consecutively numbered or otherwise identified.

7.3 STOCK RECORDS

The stock transfer books shall be kept at the registered office or principal place of business of the Corporation or at the office of the Corporation's transfer agent or registrar. The name and address of each Person to whom certificates for Shares are issued, together with the class and number of Shares represented by each such certificate and the date of issue thereof, shall be entered on the stock transfer books of the Corporation. The Person in whose name Shares stand on the books of the Corporation shall be deemed by the Corporation to be the owner thereof for all purposes.

7.4 RESTRICTION ON TRANSFER

Except to the extent that the Corporation has obtained an opinion of counsel acceptable to the Corporation that transfer restrictions are not required under applicable securities laws, or has otherwise satisfied itself that such transfer restrictions are not required, all certificates representing Shares shall bear a legend on the face of the certificate, or on the reverse of the certificate if a reference to the legend is contained on the face, which reads substantially as follows:

"The securities evidenced by this certificate have not been registered under the Securities Act of 1933, as amended, or any applicable state law, and no interest therein may be sold, distributed, assigned,

-18-

offered, pledged or otherwise transferred unless (a) there is an effective registration statement under such Act and applicable state securities laws covering any such transaction involving said securities or (b) this corporation receives an opinion of legal counsel for the holder of these securities (concurring in by legal counsel for this corporation) stating that such transaction is exempt from registration or (c) this corporation otherwise satisfies itself that such transaction is exempt from registration. Neither the offering of the securities nor any offering materials have been reviewed by any administrator under the Securities Act of 1933, as amended, or any applicable state law."

7.5 TRANSFERS OF SHARES

Subject to Section 7.7 hereof, Shares shall be transferable on the records of the Corporation upon presentment to the Corporation or a transfer agent of a certificate or certificates representing the Shares requested to be transferred, with proper endorsement on the certificate or on a separate accompanying document, together with such evidence of the payment of transfer taxes and compliance with other provisions of law as the Corporation or its transfer agent may require. All certificates surrendered to the corporation for transfer shall be cancelled and no new certificate shall be issued until the former

certificates for a like number of Shares shall have been surrendered and cancelled.

Whenever it is deemed by the Board to be reasonably necessary to protect the tax status of the Corporation, the Board may require a statement or affidavit from each Stockholder or proposed transferee of Shares setting forth the number of Shares already owned by such Person and any related Person specified in the form prescribed by the Board for that purpose. If, in the opinion of the Board, which shall be conclusive, any proposed transfer would jeopardize the status of the Corporation as a REIT under the REIT Provisions of the Code, as now enacted or as hereafter amended, the Directors may refuse to permit such transfer. Any attempted transfer for which the Directors have refused this permission shall be void and of no effect to transfer any legal or beneficial interest in the Shares. All contracts for the sale or other transfer of Shares shall be subject to this provision.

7.6 STOCKHOLDERS' DISCLOSURES

The Stockholders, upon demand, shall disclose to the Corporation in writing such information with respect to direct and indirect ownership of the Shares as the Board deems necessary to comply with the provisions of the Code and the regulations thereunder or to comply with the requirements of any other taxing authority, including the provisions relating to qualification of the Corporation as a REIT.

7.7 LOST OR DESTROYED CERTIFICATES

In the case of a lost, destroyed or mutilated certificate, a new certificate may be issued therefor upon such terms and indemnity to the Corporation as the Board may prescribe.

SECTION 8. BOOKS AND RECORDS

8.1 MAINTENANCE OF BOOKS AND RECORDS

The Corporation shall keep correct and complete books and records of account, stock transfer books, minutes of the proceedings of its Stockholders and Board, and such other records as may be necessary or advisable.

8.2 ANNUAL REPORT TO STOCKHOLDERS

The Board shall cause an annual report to be sent to the Stockholders not later than one hundred twenty (120) days after the close of the fiscal year adopted by the Corporation. This report shall be sent at

least thirty (30) days before the annual meeting of Stockholders to be held during the next fiscal year and in the manner specified in Section 3.4 hereof

for giving notice to Stockholders. The annual report shall contain financial statements prepared in accordance with generally accepted accounting principles which are audited and reported on by independent certified public accountants.

SECTION 9. ACCOUNTING YEAR

The accounting year of the Corporation shall be the calendar year, provided that if a different accounting year is at any time selected for purposes of federal income taxes, the accounting year shall be the year so selected.

SECTION 10. SEAL

The seal of the Corporation, if any, shall consist of the name of the Corporation, the state of its incorporation and the year of its incorporation.

SECTION 11. INDEMNIFICATION

11.1 RIGHT TO INDEMNIFICATION

Each Person who was or is made a party or is threatened to be made a party to or is otherwise involved (including, without limitation, as a witness) in any actual or threatened action, suit or proceeding, whether civil, criminal, administrative or investigative (hereinafter a "proceeding"), by reason of the fact that he or she is or was a Director or an officer of the Corporation or that, being or having been such a Director or an officer or an employee of the Corporation, he or she is or was serving at the request of an executive officer of the Corporation as a Director, officer, employee or agent of another corporation or of a partnership, joint venture, trust or other enterprise, including service with respect to an employee benefit plan (hereinafter an "indemnitee"), whether the basis of such proceeding is alleged action in an official capacity as such a Director, officer, employee or agent or in any other capacity while serving as such a Director, officer, employee or agent, shall be indemnified and held harmless by the Corporation to the full extent permitted by the Delaware General Corporation Law, as the same exists or may hereafter be amended (but, in the case of any such amendment, only to the extent that such amendment permits the Corporation to provide broader indemnification rights than permitted prior thereto), or by other applicable law as then in effect, against all expense, liability and loss (including attorneys' fees, judgments, fines, ERISA excise taxes or penalties and amounts paid in settlement) actually and reasonably incurred or suffered by such indemnitee in connection therewith, and such indemnification shall continue as to an indemnitee who has ceased to be a Director, officer, employee or agent and shall inure to the benefit of the indemnitee's heirs, executors and administrators; provided, however, that except as provided in Section 11.2 hereof with respect to proceedings seeking to enforce rights to indemnification, the Corporation shall indemnify any such indemnitee in connection with a proceeding (or part thereof) initiated by such indemnitee only if such proceeding (or part thereof) was authorized or ratified by the Board. The right to indemnification conferred in this Section 11.1 shall be a contract right and shall include the right to be paid by the Corporation the expenses incurred in defending any such proceeding in advance of its final disposition (hereinafter an "advancement of expenses"); provided, however, that

if the Delaware General Corporation Law requires, an advancement of expenses incurred by an indemnitee in his or her capacity as a Director or an officer (and not in any other capacity in which service was or is rendered by such indemnitee, including, without limitation, service to an employee benefit plan) shall be made only upon delivery to the Corporation of an undertaking (hereinafter an "undertaking"), by or on behalf of such indemnitee, to repay all amounts so advanced upon ultimate determination of nonentitlement to indemnification for such expenses under this Section 11.1 or otherwise.

-20-

11.2 RIGHT OF INDEMNITEE TO BRING SUIT

If a claim under Section 11.1 hereof is not paid in full by the Corporation within sixty (60) days after a written claim has been received by the Corporation, except in the case of a claim for an advancement of expenses, in which case the applicable period shall be twenty (20) days, the indemnitee may at any time thereafter bring suit against the Corporation to recover the unpaid amount of the claim. If successful in whole or in part in any such suit, or in a suit brought by the Corporation to recover an advancement of expenses pursuant to the terms of an undertaking, the indemnitee shall be entitled to be paid also the expense of prosecuting or defending such suit. Neither the failure of the Corporation (including its Board, independent legal counsel or its Stockholders) to have made a determination prior to the commencement of such suit that indemnification of the indemnitee is proper in the circumstances nor an actual determination by the Corporation (including its Board, independent legal counsel or its Stockholders) that the indemnitee is not entitled to indemnification shall be a defense to the suit or create a presumption that the indemnitee is not so entitled.

11.3 NONEXCLUSIVITY OF RIGHTS

The rights to indemnification and to the advancement of expenses conferred in this Section 11 shall not be exclusive of any other right which any Person may have or hereafter acquire under any statute, agreement, vote of Stockholders or Independent Directors, provisions of the Certificate of Incorporation or By-Laws or otherwise. Notwithstanding any amendment to or repeal of this Section 11, or of any of the procedures established by the Board of Directors pursuant to Section 11.7, any indemnitee shall be entitled to indemnification in accordance with the provisions hereof and thereof with respect to any acts or omissions of such indemnitee occurring prior to such amendment or repeal.

11.4 INSURANCE, CONTRACTS AND FUNDING

The Corporation may maintain insurance, at its expense, to protect itself and any Director, officer, employee or agent of the Corporation or another corporation, partnership, joint venture, trust or other enterprise against any expense, liability or loss, whether or not the Corporation would have the power to indemnify such Person against such expense, liability or loss under the

Delaware General Corporation Law. The Corporation, without further Stockholder approval, may enter into contracts with any Director, officer, employee or agent in furtherance of the provisions of this Section 11 and may create a trust fund, grant a security interest or use other means (including, without limitation, a letter of credit) to ensure the payment of such amounts as may be necessary to effect indemnification as provided in this Section 11.

11.5 INDEMNIFICATION OF EMPLOYEES AND AGENTS OF THE CORPORATION

The Corporation may, by action of the Board, grant rights to indemnification and advancement of expenses to employees or agents or groups of employees or agents of the Corporation with the same scope and effect as the provisions of this Section 11 with respect to the indemnification and advancement of expenses of Directors and officers of the Corporation; provided, however, that an undertaking shall be made by an employee or agent only if required by the Board.

11.6 PERSONS SERVING OTHER ENTITIES

Any Person who is or was a Director, an officer or employee of the Corporation who is or was serving (a) as a director or an officer of another corporation of which a majority of the shares entitled to vote in the election of its directors is held by the Corporation or (b) in an executive or management capacity in a partnership, joint venture, trust or other enterprise of which the Corporation or a wholly owned Subsidiary of the Corporation is a general partner or has a majority Ownership shall be deemed to be so serving at the

-21-

request of an executive officer of the Corporation and entitled to indemnification and advancement of expenses under Section 11.1 hereof.

11.7 PROCEDURES FOR THE SUBMISSION OF CLAIMS

The Board may establish reasonable procedures for the submission of claims for indemnification pursuant to this Section 11, determination of the entitlement of any Person thereto and review of any such determination. Such procedures shall be set forth in an appendix to these By-Laws and shall be deemed for all purposes to be a part hereof.

SECTION 12. INVESTMENT POLICY AND RESTRICTIONS

12.1 GENERAL STATEMENT OF POLICY

12.1.1 TYPES OF INVESTMENTS

The Corporation intends to invest, directly or indirectly, in: (a) self-service storage facilities; (b) office and business parks; (c) such other commercial real estate investments as may be approved by the Board from time to

time; and (d) Mortgage Loans secured by real estate of a type in which the Corporation is authorized to invest. Subject to the restrictions of this Section 12, the Corporation's investments may be acquired in such manner, through such means and upon such terms and conditions as may be determined by the Board, and such investments may include, but are not limited to, direct acquisitions by the Corporation of real estate interests as well as investments in corporations, business trusts, general partnerships, limited partnerships, joint ventures or other legal entities that acquire real estate investments. All investments made by the Corporation, except those pursuant to Section 12.3 hereof, must be approved by a majority of the Directors or made in accordance with guidelines approved by the Board and in effect at the time the investments are made by the Corporation's management.

12.1.2 TAX TREATMENT AS A REIT

As soon the Corporation commences doing business, the Corporation shall use its best efforts to be eligible for tax treatment as a REIT under the Code, shall make such elections and filings, and take such other actions as may be necessary, to be treated as a REIT under the Code and shall thereafter conduct its business to continue to qualify as a REIT under the REIT Provisions of the Code.

12.1.3 LIABILITY PROTECTION

Although the general purpose of the Corporation is to qualify as a REIT under the REIT Provisions of the Code, no Director, officer, employee, agent or independent contractor of the Corporation shall be liable for any act or omission resulting in the loss of tax benefits under the Code.

12.1.4 REVIEW OF INVESTMENT POLICIES

The Independent Directors shall review the investment policies of the Corporation at least annually to determine that the policies being followed by the Corporation are in the best interests of its Stockholders. Each such determination and the basis therefore shall be set forth in the minutes of the Directors.

12.2 APPRAISAL REQUIREMENT

The consideration paid for real property acquired by the Corporation shall ordinarily be based on the fair market value of the property as determined by a majority of the Directors. In determining the fair market value of property acquired by the Corporation, the Directors shall be entitled to rely upon appraisals prepared

by qualified independent real estate appraisers selected by the Corporation or such other market data and information available to the Directors which, in

their judgment, afford a reasonable basis for making an informed determination as to the fair market value of the property being acquired.

12.3 SPECIFIC INVESTMENTS

Pending investment or reinvestment of the Corporation's assets in the type of investments described in Section 12.1 hereof, the Corporation may invest its assets in investments such as: (a) U. S. government securities, (b) bankers' acceptances, (c) certificates of deposit, (d) bank repurchase agreements covering securities of the U. S. government or governmental agencies, (e) commercial paper rated A-1 or better by Moody's Investors Service, Inc. or any other nationally recognized rating agency, (f) interest-bearing time deposits in banks and thrift institutions, (g) money market funds, (h) mortgage-backed securities issued or guaranteed by the U. S. government or its agencies, (i) debt securities or equity securities collateralized by debt securities rated A-1 or better by Moody's Investors Service, Inc., or any other nationally recognized rating agency, (j) other short- or medium-term liquid investments or hybrid debt/equity securities approved by the Board, and (k) any combination of the foregoing investments.

12.4 RESERVES

The Corporation may retain, as a permanent reserve, such funds as the Board deems reasonable, in cash and in the types of investments described in Section 12.3 hereof.

12.5 INVESTMENT RESTRICTIONS

The Corporation shall not:

(a) invest more than ten percent (10%) of its Total Assets in Unimproved Real Property or Mortgage Loans on Unimproved Real Property;

(b) invest in foreign currency, bullion, commodities or commodity future contracts;

(c) invest in or make a Mortgage Loan, except on the following conditions:

(i) in determining the fair market value of the underlying property securing the Mortgage Loan, the Directors shall be entitled to rely upon appraisals prepared by qualified independent real estate appraisers selected by the Corporation or such other market data and information available to the Directors which, in their judgment, afford a reasonable basis for making an informed determination as to the fair market value of such underlying property.;

(ii) the Corporation has obtained a mortgagee's or owner's title insurance policy or other commitment as to the priority of the mortgage or the condition of the title of the underlying property;

(iii) the Mortgage Loan is secured by real estate of a type in

which the Corporation is authorized to invest;

(iv) the aggregate amount of the Mortgage Loan and all senior indebtedness as secured by the underlying property does not exceed ninety percent (90%) of the appraised value of the property as determined by an independent appraiser or as determined by the Board pursuant to this Section 12.5(c), unless the Board determines that an increased amount is justified by additional credit or collateral, such as personal guarantees or the pledge of additional assets, and the aggregate value of Mortgage Loans junior to other secured indebtedness does not exceed ten percent (10%) of the Corporation's Total Assets;

-23-

(v) the Mortgage Loan is not subordinate to any mortgage or equity interest of a Director or any Affiliates thereof or any other Affiliate of the Corporation; and

(vi) the investment in the Mortgage Loan would not cause the Corporation to have invested, immediately after the making of such investment, more than twenty-five percent (25%) of its Total Assets in Mortgage Loans;

(d) invest in contracts for the sale of real estate;

(e) engage in underwriting or the agency distribution of securities issued by others;

(f) issue "redeemable securities" (as defined in Section 2(a)(32) of the Investment Company Act of 1940, as amended), "face amount certificates of the installment type" (as defined in Section 2(a)(15) thereof) or "periodic payment plan certificates" (as defined in Section 2(a)(27) thereof);

(g) invest in the equity securities of any nongovernmental issuer for a period in excess of eighteen (18) months, except for investments in the Other Shurgard Programs, equity investments in any Person organized for the primary purpose of investing in self-service storage facilities and office parks or for rendering Ancillary Services with respect to the ownership, operation and holding of such real estate assets made pursuant to Section 12.6(f) or 12.8 hereof, equity interests in any general partnership, joint venture, association, trust, limited partnership or other legal entity permitted under Section 12.9 hereof, equity interests in entities that would be considered qualified REIT subsidiaries of the Corporation under Section 856(i) of the Code and investments in REITs the portfolios of which consist of assets the Board of Directors considers appropriate for the Corporation, were it to hold such assets directly;

(h) issue debt securities of the Corporation unless the issuance of such debt is not restricted by Section 12.6 hereof and the historical debt service coverage (in the most recently completed fiscal year), as adjusted for known

changes, would, in the opinion of the Board, be sufficient to service the principal and interest payments from the higher level of corporate debt;

(i) issue options, warrants or similar evidences of a right to purchase the Corporation's Securities unless (i) issued to all its Stockholders ratably, (ii) as a part of a financing arrangement, or (iii) as a part of a stock option or similar plan to compensate the Corporation's Directors, officers, employees, consultants, advisors and/or other similar persons that has been approved by the Board; provided, however, that the number of Shares of Common Stock subject to outstanding options under such plan shall not exceed ten percent (10%) of the then outstanding Shares of Common Stock;

(j) engage in short sales, or borrow, on an unsecured basis, if such borrowing will result in an Asset Coverage of less than three hundred percent (300%);

(k) engage in trading activities in Securities, as compared with investment activities;

(l) invest in any commercial real estate other than self-service storage facilities or office and business parks, unless the Board makes each of the following determinations as to the proposed investment:

(i) the acquisition and holding of the investment would not jeopardize or in the future be likely to jeopardize the qualification of the Corporation as a REIT under the Code;

(ii) the Corporation's management has the experience and expertise necessary for effective management of the investment or has contracted or will contract, on behalf of the Corporation, with a third party manager having such experience and expertise; and

-24-

(iii) the investment constitutes a prudent and reasonable investment by the Corporation and is being made for the purpose of (A) maximizing the value of property acquired by the Corporation, a portion of which is being used as or was acquired for the purpose of a self-service storage facility or an office and business park, or (B) diversifying the Corporation's portfolio to protect the value of its assets and to hedge against the risk of having the Corporation's assets concentrated in self-service storage facilities and office and business parks; and

(m) acquire securities in any company holding investments or engaging in activities prohibited by paragraphs (a) through (e), (i) and (k) of this Section 12.5.

12.6 RESTRICTIONS UPON DEALINGS BETWEEN THE CORPORATION AND INTERESTED PARTIES

(a) GENERAL RESTRICTION. Except as provided in this Section 12.6, the Corporation shall not engage in a transaction with any Interested Party. Any transaction between the Corporation and any Interested Party made in compliance with the requirements of this Section 12.6 shall be valid notwithstanding such relationship and such Interested Party shall not be under any disability from or have any liability as a result of entering into any such transaction with the Corporation.

(b) SALES TO THE CORPORATION. The Corporation shall not purchase property from any Interested Party, unless

, after disclosure to the Board of the interest of the Interested Party in the proposed transaction, a majority of Directors not otherwise interested in such transaction (including a majority of the Independent Directors) has determined that the property is being offered to the Corporation upon terms fair and reasonable to the Corporation.

(c) SALES BY THE CORPORATION. The Corporation shall not sell property to a Director or any Affiliate thereof.

(d) LOANS TO OR FROM THE CORPORATION. The Corporation shall not make loans to, or borrow funds from, any Interested Party unless, after disclosure to the Board of the interest of the Interested Party in the proposed transaction, a majority of Directors not otherwise interested in such transaction (including a majority of the Independent Directors) approves the transaction as being fair, competitive and commercially reasonable and no less favorable to the Corporation than loans between unaffiliated lenders and borrowers under the same circumstances.

(e) OTHER SERVICES AND TRANSACTIONS. Except to the extent otherwise expressly authorized by the terms of Section 12.6 or this Section 12.6(e), the Corporation shall not enter into any transaction with any Interested Party, unless the terms and conditions of such transaction have been disclosed to the Board and approved by a majority of the Directors not otherwise interested in the matter (including a majority of Independent Directors). The disclosure required by this Section 12.6(e) shall be in writing and shall fully describe all the material terms and conditions of the proposed transaction, and such Directors in approving the transaction have determined the transaction to be fair, competitive and commercially reasonable and on terms and conditions not less favorable to the Corporation than those available from unaffiliated third parties. The determinations required by this Section 12.6(e) shall be set forth in writing, together with such explanation as the Directors deem necessary or advisable, and shall be filed with the Corporation's books and records. In construing this Section 12.6(e), the term "transaction" shall be understood to refer to any dealings between the Corporation and an Interested Party, wherein the Corporation transfers, or is obligated to transfer, to the Interested Party valuable consideration, whether in the form of cash, securities, tangible assets, intangible assets or otherwise, in exchange for property, services, waiver of claims or other valuable consideration, however designated.

(f) ANCILLARY SERVICES. The Corporation may permit one or more third parties, including a property manager, a Director and/or an Affiliate thereof, to offer Ancillary Services to its customers or others or use the Corporation's properties as a site for offering such Ancillary Services, provided that the conditions in Section 12.8 hereof are satisfied.

12.7 CORPORATION'S RIGHT TO BORROW FUNDS

Subject to the restrictions contained in this Section 12.7, the Corporation may, at any time, at the discretion of the Board, borrow funds, on a secured or unsecured basis, from institutional lenders, banks and other lenders selected by the Board and, in connection therewith, execute, issue and deliver promissory notes, commercial paper, notes, debentures, bonds and other debt obligations (which may be convertible into Shares or other equity interests or be issued together with warrants to acquire Shares or other equity interests). Notwithstanding the foregoing, except as otherwise provided in the following sentence, the Corporation shall not borrow any funds if, after giving effect to such borrowing, the Corporation's Indebtedness would exceed fifty percent (50%) of its Total Assets. The ceiling upon the Corporation's Indebtedness imposed by the preceding sentence shall not prohibit the Corporation from incurring Indebtedness as necessary to refinance Indebtedness previously obtained by the Corporation, which was permissible at the time such Indebtedness was obtained, and to make distributions to Stockholders in order to preserve the eligibility of the Corporation as a REIT under the provisions of the Code. The restriction upon the Corporation's ability to borrow funds is to be applied at the time the borrowing is obtained by the Corporation. Any borrowing by the Corporation permitted at the time such borrowing is made does not become unauthorized, or constitute a violation of these By-Laws, even if, after the borrowing is in place, the Corporation's Indebtedness exceeds the ceiling upon Indebtedness referenced above (namely, the fifty percent (50%) ceiling), whether or not such excess is due, in part, to any accrued but unpaid interest, late fees or penalties, finance charges or other amounts due with respect to the Corporation's new borrowing or previous borrowings. In addition, the Corporation shall not borrow any funds if, after giving effect to such borrowing, the Corporation's Indebtedness would exceed three hundred percent (300%) of its Adjusted Net Worth. The Board shall review the status of the Corporation's Indebtedness at least quarterly.

12.8 PURSUIT OF ANCILLARY SERVICES

(a) The Corporation may provide any Ancillary Services to its tenants or others as long as the Board believes in good faith that the Corporation's pursuit of such Ancillary Services would not jeopardize the Corporation's qualification as a REIT under the Code.

(b) In the event that the Corporation's pursuit of one or more of the

Ancillary Services might jeopardize the qualification of the Corporation as a REIT under the Code, the Corporation may, in lieu of offering such Ancillary Services directly:

(i) restructure the manner in which such Ancillary Services are offered to the Corporation's tenants or others, alter the pricing of the Ancillary Services or take such other action as the Corporation deems necessary;

(ii) invest in one or more other entities which directly provide the Ancillary Services to the Corporation's tenants or others; or

(iii) permit others, including Interested Parties, to offer the Ancillary Services to the Corporation's tenants or others in compliance with the terms of Section 12.8(c) hereof;

provided, however, that, in each such instance, the Board has received an opinion from tax counsel or a ruling from the IRS that such action, subject to the qualifications and restrictions imposed by the Board, and such

-26-

other assumptions as the Board may reasonably establish, would not disqualify the Corporation from taxation as a REIT under the Code.

(c) The Corporation may permit one or more third parties to offer Ancillary Services to its customers or others, or to use the Corporation's properties as a site for offering such Ancillary Services, if the Board has, in good faith, made the following determinations:

(i) the Corporation does not wish, or consider it advisable, to offer the Ancillary Services directly to its tenants and others or has determined that rendering such Ancillary Services would jeopardize the qualification of the Corporation as a REIT under the Code;

(ii) permitting others to render such Ancillary Services would likely increase the rental revenues or other income derived from the ownership of the Corporation's properties, enhance the competitiveness of the Corporation or otherwise provide economic benefits, directly or indirectly, to the Corporation;

(iii) the party or parties rendering the Ancillary Services are competent to do so, have experience in rendering such Ancillary Services and have entered into a written contract with the Corporation with respect to the provision of the Ancillary Services, having terms and conditions deemed fair and equitable to the Board; and

(iv) if the Person to render the Ancillary Services is an Interested Party, the transaction has been disclosed to and approved by the

Directors as provided in Section 12.6(e) hereof.

12.9 CORPORATION'S RIGHT TO PARTICIPATE IN JOINT INVESTMENTS

The Corporation may participate in, and contribute funds to or invest in, any general partnership, joint venture, association, trust, limited partnership or other legal entity (a "Joint Enterprise") as long as:

(a) such investment in the Joint Enterprise would not (i) jeopardize the qualification of the Corporation as a REIT under the Code or (ii) result in the Corporation's becoming an investment company within the meaning of the Investment Company Act of 1940, as amended (unless the Corporation is exempt from all the provisions of such Act);

(b) the principal purpose of the Joint Enterprise is either to own, manage, hold, occupy or otherwise deal with self-service storage facilities and/or office and business parks, and/or with Mortgage Loans collateralized by such assets, or to render Ancillary Services to Persons who own, manage or hold self-service storage facilities, office and business parks and/or Mortgage Loans collateralized by such assets; and

(c) if one or more of the other parties to the Joint Enterprise are Interested Parties, such transaction has been disclosed to and approved by the Directors (including a majority of the Independent Directors) as provided in Section 12.6(e) hereof.

12.10 INVESTMENT IN CORPORATION'S SHARES

The Corporation may, at any time, at the discretion of the Board, invest in any class or series of the Common Stock or Preferred Stock, or in any promissory notes, commercial paper, notes, debentures, bonds or other debt obligations, for the purpose of supporting the value of any such securities and for any other valid corporate purposes; provided, however, that until March 1, 1997, any action to support the value of the Common Stock must be approved by a majority vote of the Independent Directors.

-27-

SECTION 13. INDEPENDENT ACTIVITIES

13.1 SHARES HELD BY DIRECTORS AND OFFICERS

Any Director or officer may acquire, own, hold and dispose of Shares, for his or her individual account, and may exercise all rights of a Stockholder to the same extent and in the same manner as if he or she were not a Director or an officer.

13.2 BUSINESS INTERESTS AND INVESTMENTS OF DIRECTORS

Subject to the limitations contained in this Section 13.2, any Director who is not an officer may have personal business interests and may engage in personal business activities, which interests and activities may include the acquisition, syndication, holding, management, operation or disposition, for his or her own account or for the account of others, of interests in real property or Persons engaged in the real estate business, even if those interests and activities directly compete with the actual business being conducted by the Corporation, and is not required to present to the Corporation any business opportunity which comes to him or her even though such opportunity is within the Corporation's investment policies.

13.3 OTHER BUSINESS RELATIONSHIPS OF DIRECTORS

Subject to the provisions of Section 12 hereof, any Director or officer may be interested as trustee, officer, director, stockholder, partner, member, advisor or employee, or otherwise have a direct or indirect interest in any Person who may be engaged to render advice or services to the Corporation, and may receive compensation from such Person as well as compensation as Director, officer or otherwise hereunder, and no such activity shall be deemed to conflict with his or her duties and powers as Director or officer.

SECTION 14. AMENDMENTS

These By-Laws may be amended or repealed and new By-Laws may be adopted by the Board; provided, however, that all By-Laws made by the Board may be amended or repealed by the Stockholders.

SECTION 15. MISCELLANEOUS

15.1 PROVISIONS IN CONFLICT WITH LAW OR REGULATIONS

The provisions of these By-Laws are separable, and if the Board shall determine, with the advice of counsel, that any one or more of such provisions (the "Conflicting Provisions") are in conflict with the REIT Provisions of the Code, the Delaware General Corporation Law or other applicable federal or Delaware laws and regulations, the Conflicting Provisions shall be deemed never to have constituted a part of these By-Laws; provided, however, that such determination of the Directors shall not affect or impair any of the remaining provisions of these By-Laws or render invalid or improper any action taken or omitted (including, but not limited to, the election of Directors) prior to such determination. Such determination shall become effective when a certificate, signed by a majority of the Directors setting forth any such determination and reciting that it was duly adopted by the Directors, shall be filed with the books and records of the Corporation. The Directors shall not be liable for failure to make any determination under this Section 17. Nothing in this Section 17 shall in any way limit or affect the rights of the Directors or the Stockholders to amend these By-Laws.

15.2 RELIANCE UPON LEGAL ADVICE

The Directors, including the Independent Directors, may retain one or more

legal counsel to assist them in making any determinations required by them, or which they are permitted to make, pursuant to the

-28-

terms of these By-Laws. Such Directors shall not be liable for any loss caused by or resulting from any action taken or omitted in reliance upon any legal opinion rendered by such counsel, so long as the selection of the legal counsel and reliance on the advice was in good faith.

In making any such determinations, the Directors shall, however, not be obligated to follow the advice of any legal counsel engaged to advise them.

15.3 CONSTRUCTION

Unless the context requires otherwise, the general provisions, rules of construction and definitions in the Delaware General Corporation Law shall govern the construction of these By-Laws.

The foregoing By-Laws were adopted by the Board on May 9, 1995 and by the Stockholders on July 26, 1995.

/s/ Kristin Stred

Secretary

-29-

SHURGARD STORAGE CENTERS, INC.

Exhibit (10.7) AMENDED AND RESTATED STOCK INCENTIVE PLAN FOR
NONEMPLOYEE DIRECTORS

SECTION 1. PURPOSES

The purposes of the Shurgard Storage Centers, Inc. Stock Incentive Plan for Nonemployee Directors (the "Plan") are to attract and retain the services of experienced and knowledgeable nonemployee directors of Shurgard Storage Centers, Inc. (the "Corporation") and to provide an incentive for such directors to increase their proprietary interests in the Corporation's long-term success and progress.

SECTION 2. SHARES SUBJECT TO THE PLAN

Subject to adjustment in accordance with Section 6 hereof, the total number of shares of the Corporation's Class A Common Stock, \$0.001 par value per share (the "Common Stock"), which may be issued under the Plan is 200,000 (the "Shares"). The Shares shall be shares presently authorized but unissued or subsequently acquired by the Corporation and shall include shares representing the unexercised portion of any option granted under the Plan that expires or terminates without being exercised in full.

SECTION 3. ADMINISTRATION OF THE PLAN

The administrator of the Plan (the "Plan Administrator") shall be the Board of Directors of the Corporation (the "Board"). Subject to the terms of the Plan, the Plan Administrator shall have the power to construe the provisions of the Plan, to determine all questions arising thereunder and to adopt and amend such rules and regulations for the administration of the Plan as it may deem desirable. No member of the Plan Administrator shall participate in any vote by the Plan Administrator on any matter materially affecting the rights of any such member under the Plan.

SECTION 4. ELIGIBILITY TO PARTICIPATE IN THE PLAN

Each member of the Board elected or appointed who is not otherwise an employee of the Corporation or any parent or subsidiary corporation (an "Eligible Director") shall be eligible to participate in the Plan.

SECTION 5. STOCK OPTION GRANTS

5.1 ORIGINAL GRANTS

Each person who becomes an Eligible Director prior to the first Annual

Meeting of Stockholders held after the consolidating transaction among up to 17 limited partnerships sponsored by Shurgard Incorporated as described in the Registration Statement on Form S-4 (No. 33-57794) filed with the Securities Exchange Commission on February 2, 1993, as amended (the "Consolidation"), shall automatically receive the grant of an option (an "Original Grant") to purchase 400 Shares upon their election or appointment to the Board, such option to vest and become exercisable upon the optionee's continued service as a director until the first anniversary of the date of grant.

Each person who is an Eligible Director on May 9, 1995 shall automatically receive a grant of an option to purchase 3,000 Shares, such option to vest and become exercisable upon the optionee's continued service until the 1995 Annual Meeting (as hereinafter defined).

5.2 ANNUAL GRANTS

In addition, each Eligible Director shall automatically receive the grant of an option (an "Annual Grant") to purchase 3,000 Shares immediately following each Annual Meeting of Stockholders commencing with the first Annual Meeting of Stockholders held after the Consolidation and ending with the 1995 Annual Meeting of Stockholders, such option to vest and become exercisable upon the optionee's continued service as a director until the next Annual Meeting of Stockholders after the date of grant.

5.3 PERIODIC GRANTS

Each Eligible Director in office immediately following the 1996 Annual Meeting of Stockholders shall automatically receive the grant of an option (a "Periodic Grant") to purchase 9,000 Shares immediately following the 1996 Annual Meeting of Stockholders and each Eligible Director elected for the first time after the 1996 Annual Meeting of Stockholders shall automatically receive a Periodic Grant immediately following his or her election by the stockholders at an Annual Meeting of Stockholders, such option to vest and become exercisable in three equal annual installments upon the optionee's continued service as a director until each of the following three Annual Meetings of Stockholders after the date of grant.

-2-

Once an Eligible Director's Periodic Grant becomes fully vested, such Director shall automatically receive another Periodic Grant to purchase 9,000 Shares immediately following the Annual Meeting of Stockholders at which a Periodic Grant previously granted becomes fully vested, such Periodic Grant to vest and become exercisable in three equal installments immediately following each of the three subsequent Annual Meetings of Stockholders.

5.4 OPTION TERMS

Each option granted to an Eligible Director under the Plan and the issuance

of Shares thereunder shall be subject to the following terms:

5.4.1 OPTION AGREEMENT

Each option granted under the Plan shall be evidenced by an option agreement (an "Agreement") duly executed on behalf of the Corporation. Each Agreement shall comply with and be subject to the terms and conditions of the Plan. Any Agreement may contain such other terms, provisions and conditions not inconsistent with the Plan as may be determined by the Plan Administrator.

5.4.2 OPTION EXERCISE PRICE

The option exercise price for each Annual Grant and Periodic Grant granted under the Plan shall be the fair market value of the Shares covered by the option at the time the option is granted. For purposes of the Plan, "fair market value" as of a given date shall be: (i) the closing price of a share of the Common Stock on the principal exchange on which the Common Stock is then trading, if any, on the day previous to such date or, if no Common Stock was traded on such date, on the next preceding date on which Common Stock was so traded; or (ii) if the Common Stock is not traded on an exchange, the average of the high and low sales prices at which the Common Stock was sold on the day previous to such date as reported in the Wall Street Journal for the New York Stock Exchange--Composite Transactions (or similar successor consolidated transactions report) on such date or, if no Common Stock was traded on such date, on the next preceding date on which Common Stock was so traded. The

-3-

option exercise price for each Original Grant granted under the Plan prior to May 9, 1995 shall be the average fair market value of the Shares covered by the option during the 30 business days immediately after the date the Common Stock is first publicly traded.

5.4.3 HOLDING PERIOD.

If a person subject to Section 16 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), sells shares of Common Stock obtained upon the exercise of any option granted under the Plan within six months after the date the option was granted, the option grant will no longer be deemed a nonexempt, matchable purchase under Section 16 as of the date of the option grant.

5.4.4 TIME AND MANNER OF EXERCISE OF OPTION

Each option may be exercised in whole or in part at any time and from time to time; provided, however, that no fewer than 50 Shares (or the remaining Shares then purchasable under the option, if less than 50 Shares) may be purchased upon any exercise of option rights hereunder and that only whole Shares will be issued pursuant to the exercise of any option.

Any option may be exercised by giving written notice, signed by the person exercising the option, to the Corporation stating the number of Shares with respect to which the option is being exercised, accompanied by payment in full for such Shares, which payment may be in whole or in part (i) in cash or by check, (ii) in shares of Common Stock already owned for at least six months by the person exercising the option, valued at fair market value at the time of such exercise, or (iii) by delivery of a properly executed exercise notice, together with irrevocable instructions to a broker, to properly deliver to the Corporation the amount of sale or loan proceeds to pay the exercise price, all in accordance with the regulations of the Federal Reserve Board.

5.4.5 TERM OF OPTIONS

Each option shall expire ten years from the date of the granting thereof, but shall be subject to earlier termination as follows:

(a) In the event that an optionee ceases to be a director of the Corporation for any reason other than the death of the optionee, the vested portion of the options granted to such optionee may be exercised by him or her only within one year after the date such optionee ceases to be a director of the Corporation.

(b) In the event of the death of an optionee, whether during the optionee's service as a director or during the one-year period referred to in Section 5.4.5(a), the

-4-

vested portion of the options granted to such optionee shall be exercisable, and such options shall expire unless exercised within one year after the date of the optionee's death, by the legal representatives or the estate of such optionee, by any person or persons whom the optionee shall have designated in writing on forms prescribed by and filed with the Corporation or, if no such designation has been made, by the person or persons to whom the optionee's rights have passed by will or the laws of descent and distribution.

5.4.6 TRANSFERABILITY

During an optionee's lifetime, an option may be exercised only by the optionee. Options granted under the Plan and the rights and privileges conferred thereby shall not be subject to execution, attachment or similar process and may not be transferred, assigned, pledged or hypothecated in any manner (whether by operation of law or otherwise) other than by will or by the applicable laws of descent and distribution except that, to the extent permitted by applicable law and Rule 16b-3 promulgated under Section 16(b) of the Exchange Act, the Plan Administrator may permit a recipient of an option to designate in writing during the optionee's lifetime a beneficiary to receive and exercise options in the event of the optionee's death (as provided in Section 5.4.5(b)). Any attempt to transfer, assign, pledge, hypothecate or otherwise dispose of any

option under the Plan or of any right or privilege conferred thereby, contrary to the provisions of the Plan, or the sale or levy or any attachment or similar process upon the rights and privileges conferred hereby, shall be null and void.

SECTION 6. ELECTION TO RECEIVE STOCK IN LIEU OF CASH
COMPENSATION

Commencing on May 14, 1996, each Eligible Director may elect to reduce all or a portion of the cash compensation otherwise payable for services to be rendered by him or her as a director (including the annual retainer and any fees payable for serving on the Board or a Committee of the Board, but excluding any expense reimbursement) by a specified dollar amount or percentage and to receive in lieu thereof a whole number of Shares equal in value to the amount of the reduction divided by the fair market value of the Common Stock on the date the cash compensation would have been paid. Such Shares shall be delivered to each such Eligible Director as soon as practicable after the date the cash compensation would have been paid. The value of any fractional Shares shall be paid to the Eligible Director in cash on the date the Shares are delivered.

Any such election shall be made in writing on a form provided by the Company and shall state the dollar amount or percentage by which the Eligible Director desires to reduce the cash compensation. To the extent necessary to qualify

-5-

the Plan under Rule 16b-3 under the Exchange Act, any such election must be made at least six months before the services are rendered giving rise to such cash compensation, and may not be revoked or changed thereafter except as to cash compensation for services rendered at least six months after any such election to revoke or change is made in writing.

SECTION 7. CAPITAL ADJUSTMENTS

The aggregate number and class of Shares which may be issued under the Plan, as provided in Section 2, the number and class of Shares covered by each automatic option grant and each outstanding option and the exercise price per share thereof (but not the total price), shall all be proportionately adjusted for any stock dividends, stock splits, recapitalizations, combinations or exchanges of shares, split-ups, spin-offs or other similar changes in capitalization. Upon the effective date of a dissolution or liquidation of the Corporation, or of a reorganization, merger or consolidation of the Corporation with one or more corporations that results in more than 80% of the outstanding voting shares of the Corporation being owned by one or more affiliated corporations or other affiliated entities, or of a transfer of all or substantially all of the assets or more than 80% of the then outstanding shares of the Corporation to another corporation or other entity, this Plan and all options granted hereunder shall terminate. In the event of such dissolution, liquidation, reorganization, merger, consolidation, transfer of assets or

transfer of stock, (i) each optionee shall be entitled, for a period of 20 days prior to the effective date of such transaction, to purchase the full number of Shares under his or her option that he or she otherwise would have been entitled to purchase during the remaining term of such option, and (ii) all cash compensation which has been earned by an Eligible Director who has elected to receive Shares in lieu of cash compensation but which has not yet been converted into Shares, shall be paid immediately in cash.

Adjustment under this Section 7 shall be made by the Plan Administrator, whose determination shall be final. In the event of any adjustment in the number of Shares covered by any option, any fractional Shares resulting from such adjustment shall be disregarded and each such option shall cover only the number of full Shares resulting from such option.

SECTION 8. PARTICIPANT'S OR SUCCESSOR'S RIGHTS AS STOCKHOLDER

Neither the recipient of an option under the Plan nor the optionee's successor(s) in interest shall have any rights as a stockholder of the Corporation with respect to any Shares subject to an option granted to such person until such person becomes a holder of record of such Shares. An Eligible Director who has made an election to receive Shares in lieu of cash compensation shall not have any rights as a stockholder of the

-6-

Corporation until such cash compensation is converted into Shares and such person becomes a holder of record of such Shares.

SECTION 9. LIMITATION AS TO DIRECTORSHIP

Neither the Plan, nor the granting of an option, nor the making of an election to receive Shares in lieu of cash compensation, nor any other action taken pursuant to the Plan shall constitute or be evidence of any agreement or understanding, express or implied, that an Eligible Director has a right to continue as a director for any period of time or at any particular rate of compensation.

SECTION 10. REGULATORY APPROVAL AND COMPLIANCE

The Corporation shall not be required to issue any certificate or certificates for Shares upon the exercise of an option granted under the Plan, or pursuant to an Eligible Director's election to receive Shares in lieu of cash compensation, or to record as a holder of record of Shares the name of the individual exercising an option under the Plan, or who has made an election to receive stock in lieu of cash compensation, without obtaining to the complete satisfaction of the Plan Administrator the approval of all regulatory bodies deemed necessary by the Plan Administrator, and without complying, to the Plan Administrator's complete satisfaction, with all rules and regulations under federal, state or local law deemed applicable by the Plan Administrator.

SECTION 11. EXPENSES OF THE PLAN

All costs and expenses of the adoption and administration of the Plan shall be borne by the Corporation; none of such expenses shall be charged to any optionee.

SECTION 12. EFFECTIVE DATE AND DURATION OF THE PLAN

The Plan shall be effective upon approval of the Corporation's shareholders. The Plan shall continue in effect until it is terminated by action of the Board or the Corporation's shareholders, but such termination shall not affect the then-outstanding terms of any options.

SECTION 13. TERMINATION AND AMENDMENT OF THE PLAN

The Board may amend, terminate or suspend the Plan at any time, in its sole and absolute discretion; provided, however, that if required to qualify the Plan under Rule 16b-3 promulgated under Section 16(b) of the Exchange Act, no amendment may be made more than once every six months that would change the amount, price, timing or vesting of the options, other than to comport with changes in the Internal

-7-

Revenue Code of 1986, as amended, or the rules and regulations promulgated thereunder; and provided, further, that to the extent required for compliance with applicable law or regulation, the Board may not amend the Plan without the approval of the Corporation's stockholders, including any amendment that would: (a) materially increase the number of shares that may be issued under the Plan; (b) materially modify the requirements as to eligibility for participation in the Plan to add a class of participants who are subject to Section 16 of the Exchange Act; or (c) otherwise materially increase the benefits accruing under the Plan to participants who are subject to Section 16 of the Exchange Act. Any amendment of the Plan requiring approval by the Corporation's stockholders pursuant to this Section 13 shall be effective upon adoption by the Board, so long as it is approved by the stockholders at any time within 12 months of such adoption or, if earlier, and to the extent required for compliance with Rule 16b-3 under the Exchange Act, at or prior to the next annual meeting of the Corporation's stockholders after adoption of the amendment by the Board.

SECTION 14. COMPLIANCE WITH RULE 16B-3

It is the intention of the Corporation that the Plan comply in all respects with Rule 16b-3 promulgated under Section 16(b) of the Exchange Act and that Plan participants remain disinterested persons ("disinterested persons") for purposes of administering other employee benefit plans of the Corporation and having such other plans be exempt from Section 16(b) of the Exchange Act. Therefore, if any Plan provision is later found not to be in compliance with

Rule 16b-3 or if any Plan provision would disqualify Plan participants from remaining disinterested persons, that provision shall be deemed null and void, and in all events the Plan shall be construed in favor of its meeting the requirements of Rule 16b-3.

-8-

SHURGARD STORAGE CENTERS, INC.

EXHIBIT (11.1) - STATEMENT RE: COMPUTATION OF EARNINGS PER SHARE

<TABLE>
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Primary Net Income Per Common ----- and Common Equivalent Share -----	Year Ended Dec. 31, 1994 -----	Year Ended Dec. 31, 1995 -----
<S>	<C>	<C>
Net income	\$ 17,821,000 -----	\$ 29,572,000 -----
Weighted average common and common equivalent shares outstanding:		
Weighted average common shares outstanding	16,983,887	20,661,218
Net effect of dilutive stock options - based on treasury stock method using average market price (1)		14,138 -----
Total	\$16,983,887 ----- -----	\$20,675,356 ----- -----
Primary earnings per common and common equivalent share	\$1.05 ----- -----	\$1.43 ----- -----

</TABLE>

- (1) No adjustment has been made in 1994 as the option price exceeded the market price of the Company's stock for substantially all of the fourth quarter of 1994.

<TABLE>
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Fully-diluted Net Income Per Common ----- and Common Equivalent Share -----	Year Ended Dec. 31, 1994 -----	Year Ended Dec. 31, 1995 -----
<S>	<C>	<C>
Net income	\$ 17,821,000 -----	\$ 29,572,000 -----
Weighted average common and common equivalent shares outstanding:		
Weighted average common shares outstanding	16,983,887	20,661,218
Net effect of dilutive stock options - based on treasury stock method using average market price (1)		34,516 -----
Total	\$ 16,983,887 ----- -----	\$ 20,695,734 ----- -----
Primary earnings per common and common equivalent share	\$1.05 ----- -----	\$1.43 ----- -----

</TABLE>

- (1) No adjustment has been made in 1994 as the option price exceeded the market price of the Company's stock for substantially all of the fourth quarter of 1994.

SHURGARD STORAGE CENTERS, INC.
EXHIBIT (21.1) - SUBSIDIARIES OF THE REGISTRANT

- (I) SSC Property Holdings, Inc.;
- (ii) SSC Acquisitions, Inc.;
- (iii) SSC Benelux, Inc.;
- (iv) SSC Evergreen, Inc.; and
- (v) SSC North Carolina, Inc.
- (vi) Shurgard's Storage To Go, Inc.

SHURGARD STORAGE CENTERS, INC.
EXHIBIT (23.1) - INDEPENDENT AUDITORS' CONSENT

We consent to the incorporation by reference in Registration Statement No. 33-76248 of Shurgard Storage Centers, Inc. on form S-8 of our report dated February 2, 1996, appearing in this Annual Report on Form 10-K of Shurgard Storage Centers, Inc. for the year ended December 31, 1995.

/s/Deloitte & Touche LLP
DELOITTE & TOUCHE LLP
Seattle, Washington

March 19, 1996

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