

SHURGARD STORAGE CENTERS INC

Form 425

June 06, 2006

page 1  
NAREIT  
Investor  
Conference  
Summary  
of  
Public  
Storage/Shurgard  
Merger  
June  
6-8,  
2006  
THE  
MOST  
RECOGNIZED  
BRANDS  
IN  
SELF-STORAGE  
SLIDE  
PRESENTATION,  
FILED  
JUNE  
6,  
2006  
Filed  
by  
Public  
Storage,  
Inc.  
Pursuant  
to

Rule  
165  
and  
Rule  
425(a)  
under  
the  
United  
States  
Securities  
Act  
of  
1933,  
as  
amended  
Subject  
Company:  
Shurgard  
Storage  
Centers,  
Inc.  
Commission  
File  
No.  
001-11455  
Date:  
June  
6,  
2006

page 2  
Disclosures  
Forward-Looking  
Statements  
This  
presentation  
contains  
forward-looking  
statements  
within  
the  
meaning  
of

Section  
27A  
of  
the  
Securities  
Act  
of  
1933  
and  
Section  
21E  
of  
the  
Securities  
Exchange  
Act  
of  
1934.

All  
statements  
other  
than  
statements  
of  
historical  
facts  
included  
in  
this  
presentation  
are  
forward-looking  
statements.

All  
forward-looking  
statements  
speak  
only  
as  
of  
the  
date  
of  
this  
conference.

Such  
forward-looking  
statements  
involve  
known

and  
unknown  
risks,  
uncertainties  
and  
other  
factors  
that  
may  
cause  
the  
actual  
results,  
performance,  
achievements  
or  
transactions  
of  
Public  
Storage,  
Shurgard  
and  
their  
affiliates  
or  
industry  
results  
or  
the  
benefits  
of  
the  
proposed  
merger  
to  
be  
materially  
different  
from  
any  
future  
results,  
performance,  
achievements  
or  
transactions  
expressed  
or  
implied  
by

such forward-looking statements. Such risks, uncertainties and other factors relate to, among others, difficulties encountered in integrating the companies, approval of the transaction by the shareholders of the companies, the satisfaction of closing conditions to the transaction, inability to realize or delays in realizing the expected synergies, unanticipated operating costs

and  
the  
effects  
of  
general  
and  
local  
economic  
and  
real  
estate  
conditions.  
Additional  
information  
or  
factors  
which  
could  
impact  
the  
companies  
and  
the  
forward-looking  
statements  
contained  
herein  
are  
included  
in  
each  
company's  
filings  
with  
the  
Securities  
and  
Exchange  
Commission,  
including  
in  
Part  
II,  
Item  
1A,  
Risk  
Factors ,  
in  
Public  
Storage's

Quarterly  
Report  
on  
Form  
10-Q  
for  
the  
quarter  
ended  
March  
31,  
2006,  
our  
registration  
statement  
on  
Form  
S-4  
filed  
on  
April  
20,  
2006,  
as  
amended  
on  
May  
24,  
2006,  
and  
our  
other  
Reports  
on  
Form  
10-K,  
10-Q  
and  
8-K.  
The  
companies  
assume  
no  
obligation  
to  
update  
or  
supplement  
forward-looking  
statements



that  
become  
untrue  
because  
of  
subsequent  
events.  
Additional  
Information  
This  
presentation  
does  
not  
constitute  
an  
offer  
of  
any  
securities  
for  
sale.  
In  
connection  
with  
the  
proposed  
transaction,  
Public  
Storage  
and  
Shurgard  
have  
filed  
a  
preliminary  
joint  
proxy  
statement/prospectus  
as  
part  
of  
a  
registration  
statement  
regarding  
the  
proposed  
merger  
with  
the

Securities  
and  
Exchange  
Commission.  
INVESTORS  
AND  
SECURITY  
HOLDERS  
ARE  
URGED  
TO  
READ  
THE  
DEFINITIVE  
JOINT  
PROXY  
STATEMENT/PROSPECTUS  
AND  
OTHER  
RELEVANT  
MATERIAL  
WHEN  
THEY  
BECOME  
AVAILABLE  
BECAUSE  
THEY  
WILL  
CONTAIN  
IMPORTANT  
INFORMATION  
ABOUT  
PUBLIC  
STORAGE  
AND  
SHURGARD  
AND  
THE  
PROPOSED  
MERGER.  
Investors  
and  
security  
holders  
may  
obtain  
a  
free  
copy  
of

the  
definitive  
proxy  
statement/prospectus  
when  
they  
become  
available  
and  
other  
documents  
filed  
by  
Public  
Storage  
and  
Shurgard  
with  
the  
SEC  
at  
the  
SEC's  
website  
at  
[www.sec.gov](http://www.sec.gov).  
The  
definitive  
joint  
proxy  
statement/prospectus  
and  
other  
relevant  
documents  
when  
they  
become  
available  
may  
also  
be  
obtained  
free  
of  
charge  
from  
Public  
Storage  
or

Shurgard  
by  
directing  
such  
request  
to:  
Public  
Storage,  
Inc.,  
701  
Western  
Avenue,  
Glendale,  
CA  
91201-2349,  
Attention:  
Investor  
Relations  
or  
Shurgard  
Storage  
Centers,  
Inc.,  
1155  
Valley  
Street,  
Suite  
400,  
Seattle,  
WA  
98109,  
Attention:  
Investor  
Relations.  
Public  
Storage  
and  
Shurgard  
and  
their  
respective  
directors  
and  
executive  
officers  
may  
be  
deemed  
to  
be

participants  
in  
the  
solicitation  
of  
proxies  
from  
the  
shareholders  
of  
Public  
Storage  
and  
Shurgard  
in  
connection  
with  
the  
merger.  
Information  
about  
Public  
Storage  
and  
its  
directors  
and  
executive  
officers,  
and  
their  
ownership  
of  
Public  
Storage  
and  
information  
about  
Shurgard  
and  
its  
directors  
and  
executive  
officers,  
and  
their  
ownership  
of  
Shurgard

securities,  
is  
set  
forth  
in  
the  
preliminary  
joint  
proxy  
statement/prospectus  
included  
in  
the  
registration  
statement  
on  
Form  
S-4  
filed  
with  
the  
SEC  
on  
April  
20,  
2006  
and  
amended  
May  
24,  
2006.  
Additional  
information  
regarding  
the  
interests  
of  
those  
persons  
may  
be  
obtained  
by  
reading  
the  
definitive  
proxy  
statement/prospectus  
when  
it

becomes  
available.  
This  
communication  
shall  
not  
constitute  
an  
offer  
to  
sell  
or  
the  
solicitation  
of  
an  
offer  
to  
sell  
or  
the  
solicitation  
of  
an  
offer  
to  
buy  
any  
securities,  
nor  
shall  
there  
be  
any  
sale  
of  
securities  
in  
any  
jurisdiction  
in  
which  
such  
offer,  
solicitation  
or  
sale  
would  
be  
unlawful

prior  
to  
registration  
or  
qualification  
under  
the  
securities  
laws  
of  
any  
such  
jurisdiction.  
No  
offering  
of  
securities  
shall  
be  
made  
except  
by  
means  
of  
a  
prospectus  
meeting  
the  
requirements  
of  
Section  
10  
of  
the  
Securities  
Act  
of  
1933,  
as  
amended.



page 3  
Merger Terms

page 4  
Terms of Merger

Each  
share  
of  
Shurgard's  
common  
stock  
will  
be  
exchanged  
for

.82  
shares  
of  
Public  
Storage s  
common  
stock

No  
caps  
or  
collars  
on  
share  
exchange

Issue  
approximately  
38.7  
million  
common  
shares,  
assume  
\$1.9  
billion  
of  
Shurgard  
debt  
and  
\$136  
million  
of  
Shurgard  
preferred  
will  
be  
redeemed  
prior  
to  
closing

One  
Shurgard  
independent  
director  
to  
join  
Public  
Storage  
Board

of  
Directors

Structured  
as  
a  
taxable  
transaction

Step  
up  
in  
tax  
basis  
of  
properties  
enhances  
future  
free  
cash  
flow  
retention

Merger  
targeted  
to  
close  
during  
the  
third  
quarter,  
2006

Subject  
to  
shareholder  
votes  
and  
customary  
closing  
conditions

page 5  
Combined Company and  
Portfolio

page 6

2005 Combined Revenues and NOI

(\$ in millions)

(1)

Before minority interest and depreciation

(2)

PSA and SHU owned properties as of March 31, 2006

(3) Includes reclassification adjustments made to certain SHU historical amounts to conform to PSA presentation as filed in S-4 amendment on May 24, 2006

Combined

Pro Forma

Company

PSA

SHU  
 Combined  
 3  
 Percent  
 Revenues  
 U.S.  
 \$1,061  
 \$357  
 \$1,422  
 92%  
 Europe  
 -  
 127  
 127  
 8%  
 Total  
 \$1,061  
 \$484  
 \$1,549  
 100%  
 Property NOI  
 1  
 U.S.  
 \$666  
 \$204  
 \$872  
 95%  
 Europe  
 -  
 42  
 42  
 5%  
 Total  
 \$666  
 \$246  
 \$914  
 100%  
 Operations Footprint  
 2  
 1,508 facilities  
 642 facilities  
 2,150 facilities  
 (158 in Europe)  
 (158 in Europe)  
 37 states  
 21 states  
 38 states  
 -  
 7 European  
 7 European

-

countries

countries

92 mm sq ft

39 mm sq ft

131 mm sq ft

-

(8 mm sq ft in Europe)

(8 mm sq ft in Europe)

2005



page 7

Competitive Landscape

U.S.

1

Net Rentable

Number of

Square Feet

Properties

(million sq ft)

1

Public Storage / Shurgard

1,992

123

2  
Extra Space Storage  
634  
48  
3  
U-Haul  
1,000  
33  
4  
U-Store-It  
339  
21  
5  
Sovran Self Storage  
290  
18

(1) Public Storage and Shurgard owned properties as of March 31, 2006.

Competitor's information based on data disclosed on website or in public filings.

page 8

Competitive Landscape

Europe

1

1

Shurgard Europe

158

Belgium, France, Sweden, UK,

Netherlands, Denmark,

Germany

2

Safestore / Spaces / Une piece en plus

104  
UK, France  
3  
Access Self Storage  
44  
UK  
4  
Big Yellow Self Storage  
44  
UK  
5  
City Self Storage  
29  
Denmark, Czech Republic,  
Italy, Norway, Spain, Sweden  
6  
Lok'n Store  
20  
UK  
7  
Homebox  
16  
France  
Other Operators  
332  
Industry  
747  
Number of  
Properties  
Countries  
Served  
(1)  
Shurgard owned properties as of March 31, 2006.  
Competitor s information based on data disclosed on website or in public filings.

page 9

CA

313

52

NV

22

OR

24

14

WA

42  
51  
UT  
7  
AZ  
15  
22  
ID  
NM  
CO  
50  
8  
WY  
HI  
6  
MT  
TX  
170  
65  
KS  
22  
OK  
8  
NE  
1  
SD  
ND  
MO  
38  
IA  
MI  
15  
24  
IL  
100  
23  
IN  
18  
13  
KY  
7  
AR  
LA  
10  
ME  
VT  
WV  
VA  
42  
36

TN  
23  
10  
MS  
1  
AL  
22  
GA  
71  
18  
FL  
157  
32  
SC  
25  
15  
OH  
30  
0  
CT  
14  
DE  
4  
MA  
19  
MD: 44  
11  
NH  
2  
NJ: 48  
7  
RI  
2  
MI  
15  
28  
OH  
30  
Combined U.S. Portfolio  
Operations overlap  
Public Storage alone  
Shurgard alone  
1,992 Domestic Facilities  
1  
(as of March 31, 2006)  
Property  
Count  
Public  
Storage  
1,508

Shurgard

484

(1)

Public Storage and Shurgard owned properties as of March 31, 2006.

NY

49

11

PA

21

7

NC

25

41

MN

25

19

WI

16



page 10

Chicago

7%

San Francisco

7%

Dallas-Ft. Worth

5%

Houston

5%

New York  
5%  
Other  
33%  
Miami  
4%  
Wash DC  
3%  
Philadelphia  
3%  
Atlanta  
5%  
Sacramento  
2%  
Seattle-Tacoma  
3%  
Denver  
3%  
Tampa  
2%  
Minneapolis  
2%  
Los Angeles  
11%  
U.S. Portfolio -  
Self Storage sq ft  
1  
(as of March 31, 2006)  
Chicago  
7%  
San Francisco  
6%  
Dallas-Ft. Worth  
5%  
Seattle-Tacoma  
5%  
Houston  
5%  
Other  
36%  
Los Angeles  
9%  
Detroit  
2%  
Denver  
2%  
Minneapolis  
2%  
Philadelphia  
3%

Charlotte  
2%

New York  
5%

Wash. DC  
3%

Miami  
4%

Atlanta  
4%

Public Storage  
Shurgard

Los Angeles  
5%

San Francisco  
5%

Chicago  
5%

Other  
29%

Detroit  
6%

Charlotte  
7%

Dallas-Ft. Worth  
4%

Wash DC  
4%

Atlanta  
3%

Minneapolis  
4%

Phoenix  
3%

Houston  
4%

Orlando  
4%

New York  
4%

Portland  
3%

Seattle-Tacoma  
10%

Combined  
Over one million customers  
(1)  
Public Storage and Shurgard owned  
properties as of March 31, 2006.





page 11  
Denmark  
8  
Denmark  
8  
United  
Kingdom  
18

United  
Kingdom

18

France

48

France

48

Germany

11

Germany

11

Sweden

22

Sweden

22

Belgium

19

Belgium

19

Netherlands

32

Netherlands

32

European Portfolio

1

(as of March 31, 2006)

Total Locations: 158

Total Rentable sq ft: 8,309,000

(1)

Shurgard owned properties as of March 31,  
2006, per first quarter 2006 10-Q filing.

page 12  
European Portfolio  
Self Storage sq ft  
1  
(as of March 31, 2006)  
United Kingdom  
8%  
Netherlands  
9%



Denmark

9%

Germany

17%

Belgium

3%

France

54%

United Kingdom

11%

Belgium

16%

Sweden

18%

Netherlands

23%

Germany

4%

Denmark

4%

France

24%

Same Store (123)

New Store (35)

United Kingdom

10%

Belgium

13%

Sweden

15%

Netherlands

20%

Germany

7%

Denmark

5%

France

30%

All Stores (158)

(1)

Shurgard owned properties as of March 31,  
2006, per first quarter 2006 10-Q filing.

page 13  
Shurgard Merger Sources and Uses  
1

Public  
Storage  
has  
raised  
the  
capital  
to  
fund  
the

merger  
costs,  
payoff  
SHU s  
short-term  
debt  
and  
redeem  
SHU s  
preferred  
stock.

Merger Funding

(1)

Per information filed in S-4 amendment May 24, 2006

(2)

Unsecured credit facility balance of \$621M at 3/31/06 and \$67M of notes payable at 3/31/06

Funding Sources

(\$ in millions)

%

Funding Requirements

(\$ in millions)

%

Common equity

3,177

\$

78%

Common equity

3,177

\$

78%

Cash

892

22%

Retirement of SHU debt<sup>2</sup>

688

17%

Redeem SHU preferred

136

3%

Transaction costs

68

2%

4,069

\$

100%

4,069

\$

100%

page 14  
Combined Capitalization as of March 31, 2006  
(\$ in millions, except share price)  
(1)  
Pro  
forma  
combined  
company  
uses  
PSA s  
stock

price  
and  
pro  
forma  
shares  
outstanding  
to  
calculate  
combined  
equity  
market  
capitalization  
at  
March  
31,  
2006  
(2)  
Pro  
forma  
includes:  
payoff  
of  
SHU  
unsecured  
credit  
facility  
of  
\$621M  
at  
3/31/06,  
payoff  
of  
SHU  
notes  
payable  
of  
\$67M  
at  
3/31/06,  
issuance  
of  
\$518M  
of  
PSA  
preferred  
stock,  
redemption  
of  
\$136M  
of

SHU  
 preferred  
 stock  
 and  
 issuance  
 of  
 \$100M  
 of  
 PSA  
 preferred  
 units.

Post merger, the combined company will still have one of the  
 most conservative capital structures in the REIT industry

Pro Forma

PSA

SHU

Combined

2

Share Price (close at 3/31/06)

1

81.23

\$

66.63

\$

81.23

\$

Common Shares (in millions)

128.2

47.3

166.9

Equity Market Capitalization

10,414

\$

3,152

\$

13,557

\$

Debt

142

1,943

1,413

Preferred Stock

2,603

136

3,121

Preferred Units

225

-

325

Minority Interest

33

139

172

Total Capitalization

13,417

\$

5,370

\$

18,588

\$

Debt / Total Capitalization

1%

36%

8%

Debt + Pref. / Total Capitalization

20%

39%

24%

page 15  
Strategic Rationale



page 16  
Strategic Rationale

Highest quality, best located portfolio complimentary to PSA's  
portfolio

Best  
opportunity  
to  
drive  
economies  
of  
scale

in  
operations

Opportunity to acquire large competitor in all stock, taxable transaction

Significant increase in depreciable assets

Significant  
increase  
in  
market  
presence  
in  
several  
high  
barrier  
to  
entry  
markets

General & Administrative costs reduced significantly

PSA: 2% of revenues vs. SHU 7% of revenues

1

Eliminate redundancies in back office and executive infrastructure

SOX compliance and audit cost will be substantially reduced

Operating cost per facility could be reduced

Domestic Same Store NOI margin: PSA 67% vs. SHU 60%

2

Significant number of facilities in the same markets will further enhance economies of scale

Revenues could be enhanced

Occupancy: PSA 91% vs. SHU 86%

3

Participation in national media and promotional programs

Largest and best platform in Europe

Most properties are newly developed and of high quality

Opportunity to drive top line revenue through application of U.S. marketing, pricing and promotional programs

Opportunities to improve economies of scale, customer awareness in many markets

(1)  
2005  
G&A  
/  
total  
revenues:  
PSA  
total  
revenues  
of  
\$1,061M  
and  
G&A  
of  
\$21M,  
SHU  
total  
revenues  
of  
\$484M  
and  
G&A  
of  
\$35M  
(2)  
2005  
Same  
Store  
NOI  
(after  
direct  
and  
in-direct  
costs)  
/  
total  
revenues:  
PSA  
total  
revenues  
of  
\$811  
and  
NOI  
of  
\$543M,  
SHU  
total  
revenues

of  
\$329M  
and  
NOI  
of  
\$196M  
(3)  
2005  
full  
year  
Same  
Store  
occupancy

page 17

General & Administrative Expenses

1

(\$ in millions)

SHU G&A costs can be reduced or eliminated

\$17

\$19

\$21

\$18

\$33

\$35  
 \$0  
 \$20  
 \$40  
 2003  
 2004  
 2005  
 PSA  
 SHU  
 6%  
 Rev  
 8%  
 Rev  
 7%  
 Rev  
 2%  
 Rev  
 2%  
 Rev  
 2%  
 Rev  
 \$22.7 million of G&A costs is expected to be eliminated  
 SHU G&A costs (\$millions) 2005  
 Executive and personnel expenses  
 Audit and consulting fee (including  
 Sarbanes-Oxley compliance costs)  
 Other costs of being a public company  
 Total SHU G&A costs  
 \$ 9.5  
 9.4  
 3.8  
 \$ 35.3  
 Potential synergy cost savings  
 Total potential synergy cost savings  
 2  
 22.7  
 Europe  
 Other miscellaneous costs  
 3.6  
 9.0  
 (1)  
 Per PSA and SHU 2005 10-K filings.  
 Calculated  
 G&A  
 /  
 total  
 revenues:  
 PSA  
 total  
 revenues

-  
2003  
\$894M,  
2004  
\$959M,  
2005  
\$1,061M;  
SHU  
total  
revenues

-  
2003  
\$298M,  
2004  
\$424M,  
2005  
\$484M

(2) As filed in amended S-4, May 24, 2006

page 18  
Domestic Same Store Operating Margins  
1

Duplicative Yellow Pages costs can  
be significantly reduced

Television advertising costs will be  
allocated over a larger number of  
properties



Duplicative support service costs  
will be reduced or eliminated

Human Resources

Payroll processing

Accounts Payable

Cash Management

Insurance

Property Tax Management

Accounting and Income Tax

MIS function

65.3%

65.6%

67.0%

61.1%

60.5%

59.6%

0%

25%

50%

75%

2003

2004

2005

PSA

SHU

Each 100 basis point improvement in SHU s  
domestic

Same Store margin contributes \$3.2 million in annual cash flow

(1)

Domestic Same Store: NOI (after direct and in-direct) / total revenues:

PSA NOI -

2003 \$480M, 2004 \$507M, 2005 \$543M

PSA total revenues -

2003 \$735M, 2004 \$773M, 2005 \$811M

SHU NOI

2003 \$168M, 2004 \$187M, 2005 \$196M

SHU total revenues

2003 \$275M. 2004 \$309M, 2005 \$329M

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Domestic Same Store Sq Ft Occupancy  
1

SHU s  
occupancy levels can  
be enhanced with the aid of  
PSA s  
marketing efforts,  
national reservation center

and centralized pricing programs

Opportunity to enhance revenues by incorporating PSA s tenant reinsurance and truck rental programs into the

SHU s portfolio

89.2%

91.0%

91.0%

83.0%

84.0%

86.0%

60%

80%

100%

2003

2004

2005

PSA

SHU

Each 100 basis point improvement in SHU s domestic Same Store occupancy, at constant rental rates, increases annual revenues by \$3.7 million

(1)

Per PSA and SHU 2005 10-K filings.



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Business Plan

Rebrand  
all domestic properties to Public Storage and use PSA  
operating platform

Maximize revenue growth

Strive to improve occupancy levels to those experienced by PSA

Centralize pricing at corporate level

Utilize national call center

Expand usage of internet and website to attract customers more efficiently

Centralize marketing and real estate at corporate level

Drive economies of scale benefits

Use television with no incremental costs for properties in same markets

Combine Yellow Page promotions for properties in same markets

Streamline field supervision functions

Eliminate duplicative back-office support functions

Meaningful benefits not expected until 2007

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Long-term Financing Plan

Capital structure

Use preferred stock and retained cash as sources of permanent capital to repay debt assumed in the merger and future growth opportunities

Shurgard debt assumed

Refinance where possible with permanent capital

Goal is to quickly recapitalize Public Storage's balance sheet, positioning it for continued growth