

PUBLIC STORAGE INC /CA  
Form DEFM14A  
July 25, 2006  
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As filed with the Securities and Exchange Commission on July 25, 2006

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

**SCHEDULE 14A**  
**Proxy Statement Pursuant to Section 14(a) of the**  
**Securities Exchange Act of 1934**  
**(Amendment No. \_\_)**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

**Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to §240.14a-12

**PUBLIC STORAGE, INC.**

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(Name of Registrant as Specified In Its Charter)

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(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

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(2) Aggregate number of securities to which transaction applies:

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(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

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(4) Date Filed:

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**TO THE SHAREHOLDERS OF  
PUBLIC STORAGE, INC. AND  
SHURGARD STORAGE CENTERS, INC.**

The boards of directors of Public Storage, Inc. and Shurgard Storage Centers, Inc. have approved a merger agreement authorizing the merger of Shurgard into ASKL Sub LLC, an indirect subsidiary of Public Storage that we refer to as Merger Sub. As a result of the merger, Merger Sub will acquire Shurgard and its subsidiaries. We are sending you this joint proxy statement/prospectus to ask you to vote on the approval of the merger.

If the merger is completed, Shurgard shareholders will receive Public Storage common stock in exchange for their shares of Shurgard common stock. Each share of Shurgard common stock will be converted into the right to receive 0.82 shares of Public Storage common stock. The value of the shares of Public Storage to be received by Shurgard shareholders is dependent on the market price of Public Storage at the time of the merger as the exchange ratio is fixed. Upon completion of the merger, we estimate that Shurgard's former shareholders will own approximately 24% of the then-outstanding shares of Public Storage common stock, based on the number of shares of Shurgard and Public Storage common stock outstanding on June 23, 2006. Public Storage's shareholders will continue to own their existing shares. Shares of Public Storage common stock are listed on the New York Stock Exchange under the symbol PSA. Upon completion of the merger, Shurgard common stock, which is listed on the New York Stock Exchange under the symbol SHU, will be delisted. We expect the merger to be taxable for federal income tax purposes for Shurgard shareholders.

Public Storage will hold an annual meeting of shareholders and Shurgard will hold a special meeting of shareholders in order to obtain those approvals necessary to consummate the merger and to approve certain other matters as described in this joint proxy statement/prospectus. At the Public Storage annual meeting, Public Storage will ask its common shareholders and equity shareholders to approve the merger agreement and the transactions contemplated by the merger agreement, including the issuance of shares of Public Storage common stock in connection with the merger, and to vote on the other Public Storage annual meeting matters described in this joint proxy statement/prospectus. At the Shurgard special meeting, Shurgard will ask its owners of common stock and of Shurgard's Employee Stock Purchase Plan stock, which are referred to as ESPP shares, to approve the merger agreement and the transactions contemplated by the merger agreement, including the merger, and the proposal to approve adjournments or postponements of the special meeting, if necessary, as described in this joint proxy statement/prospectus. More information about Public Storage, Shurgard and the proposed merger is contained in this joint proxy statement/prospectus. **We urge you to read this joint proxy statement/prospectus carefully, including Risk Factors Risks Relating to the Merger and Public Storage's Business for a discussion of the risks relating to the merger.** You may obtain additional information about Public Storage and Shurgard from the documents that each company has filed with the Securities and Exchange Commission. See [Where You Can Find More Information](#).

After careful consideration, each of our boards of directors has approved the merger agreement and has determined that the merger agreement and the merger are advisable and in the best interests of the shareholders of Public Storage and Shurgard, respectively. **Accordingly, the Shurgard board of directors recommends that Shurgard shareholders vote FOR the approval of the merger agreement and the transactions contemplated by the merger agreement, including the merger and FOR approval of adjournments or postponements of the special meeting. The Public Storage board of directors recommends that the Public Storage shareholders vote FOR the approval of the merger agreement and the transactions contemplated thereby, including the issuance of Public Storage common stock and FOR the other Public Storage annual meeting matters.** If you do not return or submit the proxy or vote in person at the Shurgard special meeting or the Public Storage annual meeting, the effect will be the same as a vote against the proposal to approve the merger agreement and the transactions contemplated by the merger agreement.

The merger agreement must be approved by the affirmative vote of the holders of (a) at least a majority of the outstanding shares of Public Storage common stock, (b) at least a majority of the outstanding Public Storage equity stock and (c) at least a majority of the outstanding shares of Shurgard common stock.

We are very excited about the opportunities the proposed merger brings to both Shurgard and Public Storage shareholders, and we thank you for your consideration and continued support.

Ronald L. Havner, Jr.

David K. Grant

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President and Chief Executive Officer

President and Chief Executive Officer

Public Storage, Inc.

Shurgard Storage Centers, Inc.

**Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this joint proxy statement/prospectus. Any representation to the contrary is a criminal offense.**

This joint proxy statement/prospectus is dated July 24, 2006, and is first being mailed to Shurgard and Public Storage shareholders on or about July 24, 2006.

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**REFERENCES TO ADDITIONAL INFORMATION**

Except where we indicate otherwise, as used in this joint proxy statement/prospectus, Public Storage refers to Public Storage, Inc. and its consolidated subsidiaries and Shurgard refers to Shurgard Storage Centers, Inc. and its consolidated subsidiaries. This joint proxy statement/prospectus incorporates important business and financial information about Public Storage from documents that it has filed with the Securities and Exchange Commission, referred to as the SEC, but that have not been included in or delivered with this joint proxy statement/prospectus. This joint proxy statement/prospectus incorporates the annual report on Form 10-K of Public Storage for the fiscal year ended December 31, 2005 and the quarterly report on Form 10-Q of Public Storage for the quarter ended March 31, 2006. For a list of documents incorporated by reference into this joint proxy statement/prospectus and how you may obtain them, see Where You Can Find More Information.

This information is available to you without charge upon your written or oral request. You can obtain the documents incorporated by reference into this joint proxy statement/prospectus by accessing the SEC's website maintained at [www.sec.gov](http://www.sec.gov).

In addition, Public Storage's SEC filings are available to the public on Public Storage's website, [www.publicstorage.com](http://www.publicstorage.com), and Shurgard's SEC filings are available to the public on Shurgard's website, [www.shurgard.com](http://www.shurgard.com). Information contained on Public Storage's website, Shurgard's website or the website of any other person is not incorporated by reference into this joint proxy statement/prospectus, and you should not consider information contained on those websites as part of this joint proxy statement/prospectus.

Public Storage will provide you with copies of this information relating to Public Storage, without charge, if you request them in writing or by telephone from:

Public Storage, Inc.

701 Western Avenue

Glendale, CA 91201-2349

Attention: Investor Relations

Telephone: (818) 244-8080

Shurgard will provide you with copies of this information relating to Shurgard, without charge, if you request them in writing or by telephone from:

Shurgard Storage Centers, Inc.

1155 Valley Street, Suite 400

Seattle, WA 98109-4426

Attention: Investor Relations

Telephone: (206) 624-8100

**If you would like to request documents, please do so by August 15, 2006, in order to receive them before the shareholders' meetings.**

Public Storage has supplied all information contained in or incorporated by reference in this joint proxy statement/prospectus relating to Public Storage, and Shurgard has supplied all information contained in this joint proxy statement/prospectus relating to Shurgard.

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**SHURGARD STORAGE CENTERS, INC.**

**1155 Valley Street, Suite 400**

**Seattle, WA 98109-4426**

**NOTICE OF SPECIAL MEETING OF SHAREHOLDERS**

**TO BE HELD ON AUGUST 22, 2006**

To the shareholders of Shurgard Storage Centers, Inc.:

Shurgard will hold a special meeting of its shareholders at 9:00 a.m. (PDT), on Tuesday, August 22, 2006, at the Bell Harbor International Conference Center, Pier 66, 2211 Alaskan Way, Seattle, Washington, unless postponed or adjourned to a later date. The Shurgard special meeting will be held for the following purposes:

1. To approve the Agreement and Plan of Merger, dated as of March 6, 2006, by and among Shurgard Storage Centers, Inc, Public Storage, Inc. and ASKL Sub LLC, an indirect subsidiary of Public Storage, and the transactions contemplated by the merger agreement, including the merger of Shurgard with and into ASKL Sub LLC, on the terms and subject to the conditions contained in the merger agreement, and the exchange of each outstanding share of Shurgard common stock for the right to receive 0.82 shares of Public Storage common stock. A copy of the merger agreement is attached as Annex A to the accompanying joint proxy statement/prospectus; and
2. To approve adjournments or postponements of the Shurgard special meeting, if necessary, to permit further solicitation of proxies if there are not sufficient votes at the time of the Shurgard special meeting to approve the above proposals.

These items of business are described in the accompanying joint proxy statement/prospectus. Only shareholders of record at the close of business on June 23, 2006, are entitled to notice of the Shurgard special meeting and to vote at the Shurgard special meeting and any adjournments or postponements of the Shurgard special meeting.

**Shurgard's board of directors approved the merger agreement and the transactions contemplated by the merger agreement, including the merger, on March 6, 2006, and determined that the transactions contemplated by the merger agreement are advisable and fair to, and in the best interests of, Shurgard and its shareholders. Shurgard's board of directors recommends that you vote FOR the approval of the merger agreement and the transactions contemplated by the merger agreement, including the merger and FOR approval of adjournments or postponements of the special meeting.**

Under Washington law, dissenters' rights will be available to Shurgard shareholders of record who vote against approval of the merger agreement. To exercise your dissenters' rights, you must strictly follow the procedures prescribed by Washington law. These procedures are summarized in the accompanying joint proxy statement/prospectus.

***Your vote is very important.*** Whether or not you plan to attend the Shurgard special meeting in person, please complete, sign and date the enclosed proxy card(s) or voting instruction card(s) as soon as possible and return it in the postage-prepaid envelope provided, or vote your shares by telephone as described in the accompanying joint proxy statement/prospectus. Completing a proxy now will not prevent you from being able to vote at the Shurgard special meeting by attending in person and casting a vote. **However, if you do not return or submit the proxy or vote in person at the special meeting, the effect will be the same as a vote against the proposal to approve the merger agreement and the transactions contemplated by the merger agreement, including the merger, and the proposal to approve adjournments or postponements of the special meeting.**

By order of the board of directors,

Jane A. Orenstein

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Vice President, General Counsel and Corporate Secretary

Seattle, Washington, July 24, 2006

**Please vote your shares promptly. You can find instructions for voting on the enclosed proxy card or voting instruction card. If you have any questions about the merger proposal or about voting your shares, please call MacKenzie Partners, Inc. at (212) 929-5500 (call collect) or (800) 322-2885 (toll free).**



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**PUBLIC STORAGE, INC.**

**701 Western Avenue**

**Glendale, California 91201-2349**

**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS**

**TO BE HELD ON AUGUST 22, 2006**

Please take notice that the 2006 Annual Meeting of Shareholders of Public Storage, Inc., a California corporation, will be held at the time and place and for the purposes indicated below.

**Time and Date:** 9:00 a.m., local time, on Tuesday, August 22, 2006

**Place:** The Hilton Glendale, 100 West Glenoaks Boulevard, Glendale, California

**Items of Business:**

1. To approve the merger agreement dated as of March 6, 2006, by and among Public Storage, Inc., Shurgard Storage Centers, Inc., and ASKL Sub LLC, an indirect subsidiary of Public Storage, Inc., a copy of which is attached as Annex A, and the transactions contemplated thereby, including the issuance of Public Storage common stock;
2. To elect ten members of Public Storage's board of directors to serve until the 2007 annual meeting of shareholders and until their successors are elected and qualified;
3. To ratify the appointment of Ernst & Young LLP as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2006;
4. To approve adjournments or postponements of the Public Storage annual meeting, if necessary, to permit further solicitation of proxies if there are not sufficient votes at the time of the Public Storage annual meeting to approve the above proposals; and
5. To consider and act on any other business that may properly come before the Public Storage annual meeting or any reconvened meeting following an adjournment or postponement of the Public Storage annual meeting.

These items of business are described in the accompanying joint proxy statement/prospectus. You are entitled to vote at the meeting if you were a shareholder of record of Public Storage common stock, depositary shares each representing 1/1,000th of a share of equity stock, series A or equity stock, series AAA at the close of business on June 23, 2006.

**Public Storage's board of directors approved the merger agreement and the transactions contemplated by the merger agreement, including the merger, on February 24, 2006, and determined that the transactions contemplated by the merger agreement are advisable and fair to, and in the best interests of, Public Storage and its shareholders. Public Storage's board of directors recommends that you vote FOR the approval of the merger agreement and the transactions contemplated thereby, including the issuance of Public Storage common stock.** The affirmative vote of both (i) the holders of at least a majority of outstanding shares of Public Storage common stock and (ii) the holders of at least a majority of outstanding shares of Public Storage equity stock is required to approve the merger agreement and the transactions contemplated by the merger agreement, including the issuance of Public Storage common stock in connection with the merger. An entity controlled by Public Storage has the right to cast a majority of the votes of the Public Storage equity stock with respect to the merger and intends to vote those shares in favor of the approval of the merger agreement and the transactions contemplated thereby, including the issuance of Public Storage common stock.

**Public Storage's board of directors also recommends that you vote FOR the other Public Storage annual meeting proposals, all of which are described in detail in the accompanying joint proxy statement/prospectus. Approval of the other Public Storage annual meeting proposals is not a condition to the merger.**

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***Your vote is very important.*** To ensure your representation at the meeting, please mark your vote on the enclosed proxy/instruction card, then date, sign and mail the proxy or voting instruction card in the stamped return envelope included with these materials as soon as possible. You may revoke a proxy at any time prior to its exercise at the meeting by following the instructions in the accompanying joint proxy statement/prospectus. Completing a proxy now will not prevent you from being able to vote at the annual meeting by attending in person and casting a vote. **However, if you do not return or submit the proxy or vote in person at the annual meeting, the effect will be the same as a vote against the proposal to approve the merger agreement and the transactions contemplated by the merger agreement, including the issuance of Public Storage common stock in the merger.**

By order of the board of directors,

Stephanie G. Heim

Secretary

Glendale, California, July 24, 2006

**Please vote your shares promptly. You can find instructions for voting on the enclosed proxy card or voting instruction card. If you have any questions about the merger proposal or about voting your shares, please call MacKenzie Partners, Inc. at (212) 929-5500 (call collect) or (800) 322-2885 (toll free).**

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**QUESTIONS AND ANSWERS ABOUT THE SHAREHOLDERS MEETINGS AND THE MERGER**

*The following questions and answers briefly address some commonly asked questions about the annual meeting of shareholders of Public Storage, the special meeting of shareholders of Shurgard, and the merger. They may not include all the information that is important to you. Public Storage and Shurgard urge you to read carefully this entire joint proxy statement/prospectus, including the annexes and the other documents to which we have referred you. We have included page references in certain parts of this summary to direct you to a more detailed description of each topic presented elsewhere in this joint proxy statement/prospectus.*

**The Merger**

**Q: Why am I receiving this joint proxy statement/prospectus?**

A: Public Storage and Shurgard have agreed to the acquisition of Shurgard by an indirect subsidiary of Public Storage under the terms of a merger agreement that is described in this joint proxy statement/prospectus. A copy of the merger agreement is attached to this joint proxy statement/prospectus as *Annex A*.

In order to complete the merger, the merger must be approved by the shareholders of both Public Storage and Shurgard. Public Storage and Shurgard will hold separate meetings of their respective shareholders to obtain these approvals, as well as to consider various other proposals unrelated to the transaction.

This joint proxy statement/prospectus contains important information about the merger, the merger agreement and the annual meeting of shareholders of Public Storage and the special meeting of shareholders of Shurgard, which you should read carefully. The enclosed voting materials allow you to vote your shares without attending your respective company's shareholders' meeting.

Your vote is very important. We encourage you to vote as soon as possible.

**Q: What is the proposed transaction for which I am being asked to vote?**

A: Shurgard shareholders are being asked to approve the merger agreement and the transactions contemplated by the merger agreement, including the merger of Shurgard into an indirect subsidiary of Public Storage. The approval of this proposal by Shurgard shareholders is a condition to the effectiveness of the merger. See *The Merger Agreement Conditions to the Merger* and *Summary Conditions to Completion of the Merger*.

Public Storage shareholders are being asked to approve the merger agreement and the transactions contemplated thereby, including the issuance of Public Storage common stock. The approval of this proposal by the Public Storage shareholders is a condition to the effectiveness of the merger. See *The Merger Agreement Conditions to the Merger* and *Summary Conditions to Completion of the Merger*.

**Q: Why are Public Storage and Shurgard proposing the merger?**

A: Public Storage and Shurgard both believe that the merger will provide strategic and financial benefits to the shareholders of both companies by creating the largest self-storage company in the world, with significant operating platforms in both the United States and Europe. In addition, Shurgard is also proposing the merger to offer Shurgard shareholders the opportunity to participate in the growth and opportunities of the combined company by receiving Public Storage stock in the merger.

The combination is designed to provide a number of strategic and financial benefits and growth opportunities including:

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Solidifying Public Storage's position as the largest owner and operator of self-storage facilities in the United States;

Enhancing access to capital for the combined company and strengthening credit ratings relative to Shurgard;



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Eliminating duplicative general and administrative expenses and improving cost efficiencies;

Increasing growth opportunities, with significant platforms in Europe for international expansion;

Providing greater geographic and financial diversification relative to each company on a stand-alone basis; and

Increasing Public Storage's equity market capitalization.

To review the reasons for the merger in greater detail, see *The Merger Public Storage's Reasons for the Merger and Recommendation of Public Storage's Board of Directors* and *The Merger Shurgard's Reasons for the Merger and Recommendation of Shurgard's Board of Directors*.

**Q: What will happen in the proposed merger?**

A: In the proposed merger, Shurgard will merge with a newly formed, indirect subsidiary of Public Storage. After the merger, Shurgard will no longer be a public company and its business will be owned by a subsidiary of Public Storage. See *The Merger Agreement Form of the Merger* and *The Merger Agreement Completion and Effectiveness of the Merger*.

**Q: What vote is required to approve the merger?**

A: The merger agreement must be approved by the affirmative vote of the holders of (a) at least a majority of the outstanding shares of Public Storage common stock, (b) at least a majority of the outstanding Public Storage equity stock and (c) at least a majority of the outstanding shares of Shurgard common stock.

**Q: What will Shurgard shareholders receive in the merger?**

A: In the merger, Shurgard shareholders will receive 0.82 shares of Public Storage common stock for each share of Shurgard common stock that they own. Shurgard shareholders will receive cash for any fractional shares of Public Storage common stock that they would otherwise be entitled to receive in the merger. The value of the shares of Public Storage common stock to be received by Shurgard shareholders is dependent on the market price of Public Storage common stock at the time of the merger as the exchange ratio is fixed.

**Q: Do Shurgard shareholders have dissenters' rights?**

A: Yes. Under applicable Washington law, Shurgard common shareholders have the right to dissent from the merger and to receive payment in cash for the appraised value of their shares of Shurgard common stock. The appraised value of the shares of Shurgard common stock may be more than, less than or equal to the value of the merger consideration. Each Shurgard shareholder seeking to preserve statutory dissenters' rights must:

deliver to Shurgard, before the vote is taken at the Shurgard special meeting regarding the merger agreement and the merger, written notice of such shareholder's intent to demand payment for such shareholder's Shurgard common stock if the merger becomes effective;

not vote such shareholder's shares of Shurgard common stock in person or by proxy in favor of the proposal to approve the merger agreement; and

follow the statutory procedures for perfecting dissenters' rights under Washington law, which are described in the section of this joint proxy statement/prospectus entitled *The Merger Dissenters' Rights of Shurgard Shareholders*.

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Chapter 23B.13 of the Washington Business Corporation Act is reprinted in its entirety and attached as Annex G to this joint proxy statement/prospectus. Failure by a Shurgard shareholder to comply precisely with all procedures required by Washington law may result in the loss of dissenters' rights for that shareholder.

**Q: Do Public Storage shareholders have dissenters' rights?**

A: No. Public Storage shareholders are not entitled to dissenters' rights.

**Q: Will the rights of Shurgard shareholders change as a result of the merger?**

A: Yes. Shurgard shareholders will become Public Storage shareholders and their rights as Public Storage shareholders will be governed by California law and Public Storage's articles of incorporation and bylaws. For a description of those rights, see *Comparison of Rights of Shareholders*. For a copy of Public Storage's articles of incorporation or bylaws, see *Where You Can Find More Information*.

**Q: Will the rights of Public Storage shareholders change as a result of the merger?**

A: No. Public Storage shareholders will retain their shares of Public Storage common stock and their rights will continue to be governed by California law and Public Storage's articles of incorporation and bylaws.

**Q: Where does Public Storage common stock trade?**

A: Shares of Public Storage common stock trade on the New York Stock Exchange under the symbol PSA.

**Q: When do you expect to complete the merger?**

A: If the shareholders of both Shurgard and Public Storage approve the merger agreement and the transactions contemplated thereby, we expect to complete the merger shortly after the shareholders' meetings subject to the satisfaction or waiver of the other conditions to the merger. The transaction is targeted to close during the third quarter of 2006. See *The Merger Agreement Form of the Merger* and *The Merger Agreement Completion and Effectiveness of the Merger*.

**Q: Are there risks involved in undertaking the merger?**

A: Yes. In evaluating the merger, Public Storage and Shurgard shareholders should carefully consider the factors disclosed in the section of this joint proxy statement/prospectus entitled *Risk Factors Risks Relating to the Merger and Public Storage's Business* and other information included in this joint proxy statement/prospectus and the documents incorporated by reference in this joint proxy statement/prospectus.

**Q: Who will be the directors of Public Storage after the merger?**

A: The directors of Public Storage immediately prior to the merger will continue as directors after the merger. In addition, Public Storage has agreed to cause one of the current independent members of the board of directors of Shurgard to be appointed to the board of directors of Public Storage at the effective time of the merger.

**Q: What are the material U.S. federal income tax consequences of the merger to shareholders?**

A: Assuming that the merger is completed as currently contemplated, we expect that the receipt of the merger consideration by Shurgard common shareholders in exchange for their Shurgard common stock in the merger will be a taxable transaction for federal income tax purposes. Because the merger consideration consists solely of Public Storage common stock (other than cash received in the merger for fractional shares), holders of Shurgard common stock may need to sell shares of Public Storage common stock received in the merger, or raise cash from other sources, to pay any tax obligations resulting from the

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merger. We anticipate that the merger will have no material U.S. federal income tax consequences to Public Storage shareholders who do not own any Shurgard stock.

The tax consequences to you of the merger will depend on your own situation. You should consult your own tax advisor for a full understanding of the tax consequences to you of the merger. For more information regarding the tax consequences of the merger to Shurgard common shareholders, please see *The Merger Material United States Federal Income Tax Consequences of the Merger*.

### **Q: Should I send in my stock certificates now?**

A: No. If the merger is completed, Public Storage will send Shurgard shareholders written instructions for sending in their stock certificates. See *The Shurgard Special Meeting Solicitation of Proxies* and *The Merger Exchange of Shares; Exchange of Certificates; Withholding*. Public Storage shareholders will not need to send in their stock certificates.

### **Other Public Storage Annual Meeting Proposals**

#### **Q: On what other proposals am I being asked to vote at the Public Storage annual meeting?**

A: At Public Storage's annual meeting, in addition to voting on the merger agreement and the transactions contemplated thereby, including the issuance of Public Storage common stock, Public Storage shareholders will be asked:

To elect ten members of Public Storage's board of directors;

To ratify the appointment of Ernst & Young LLP as Public Storage's independent registered public accounting firm for the fiscal year ending December 31, 2006;

To approve adjournments or postponements of the Public Storage annual meeting, if necessary, to permit further solicitation of proxies if there are not sufficient votes at the time of the Public Storage annual meeting to approve the above proposals; and

To consider and act on any other business that may properly come before the Public Storage annual meeting or any reconvened meeting following an adjournment or postponement of the Public Storage annual meeting.

See *The Public Storage Annual Meeting Purposes of the Public Storage Annual Meeting*.

### **Procedures**

#### **Q: When and where are the shareholders' meetings?**

A: The Shurgard special meeting will be held on Tuesday, August 22, 2006, 9:00 a.m. (PDT) at the Bell Harbor International Conference Center, Pier 66, 2211 Alaskan Way, Seattle, Washington.

The Public Storage annual meeting will be held on Tuesday, August 22, 2006, 9:00 a.m. (PDT) at The Hilton Glendale, 100 West Glenoaks Boulevard, Glendale, California.

**Q: Who is eligible to vote at the Shurgard special meeting and the Public Storage annual meeting?**

A: Holders of Shurgard common stock are eligible to vote at the Shurgard special meeting if they were shareholders of record at the close of business on June 23, 2006. See *The Shurgard Special Meeting Record Date; Shares Entitled to Vote; Quorum*. Holders of Public Storage common stock and equity stock are eligible to vote at the Public Storage annual meeting if they were shareholders of record at the close of business on June 23, 2006. See *The Public Storage Annual Meeting Record Date; Outstanding Shares; Shares Entitled to Vote*.

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### **Q: What should I do now?**

A: You should read this joint proxy statement/prospectus carefully, including the annexes, and return your completed, signed and dated proxy card(s) or voting instruction card(s) by mail in the enclosed postage-paid envelope or, if you are a Shurgard shareholder, by submitting your proxy by telephone as soon as possible so that your shares will be represented and voted at your respective company's meeting. A number of banks and brokerage firms participate in a program that also permits shareholders whose shares are held in "street name" to direct their vote by telephone or over the Internet. If your shares are held in an account at a bank or brokerage firm that participates in such a program, you may direct the vote of these shares by telephone or over the Internet by following the voting instructions enclosed with the proxy form from the bank or brokerage firm. See *The Shurgard Special Meeting Voting of Proxies*, and *The Public Storage Annual Meeting Voting Your Proxy*.

### **Q: If I am going to attend my company's meeting, should I return my proxy card(s) or voting instruction card(s)?**

A: Yes. Returning your signed and dated proxy card(s) or voting instruction card(s) or, if you are a Shurgard shareholder, voting by telephone ensures that your shares will be represented and voted at your respective company's meeting. See *The Shurgard Special Meeting Voting of Proxies* and *The Public Storage Annual Meeting Voting Your Proxy*.

### **Q: How will my proxy be voted?**

A: If you complete, sign and date your proxy card(s) or voting instruction card(s), or, if you are a Shurgard shareholder, vote by telephone your proxy will be voted in accordance with your instructions. If you sign and date your proxy card(s) or voting instruction card(s) but do not indicate how you want to vote at your meeting:

For Shurgard shareholders, your shares will be voted FOR the approval of the merger agreement and the transactions contemplated by the merger agreement, including the merger and FOR the approval to any adjournment and postponement of the special meeting, if necessary, to permit further solicitation of proxies if there are not sufficient votes at the time of the special meeting to approve the merger agreement. If you vote FOR the approval of the merger agreement and the transactions contemplated by the merger agreement, including the merger, at the Shurgard special meeting, you will lose the appraisal rights to which you would otherwise be entitled. See *Summary Dissenters Rights*, *The Merger Dissenters Rights of Shurgard Shareholders* and *The Shurgard Special Meeting Voting of Proxies*.

For Public Storage shareholders, your shares will be voted FOR the approval of the merger agreement and the transactions contemplated thereby, including the issuance of Public Storage common stock, FOR the election of the members of the board of directors and FOR the ratification of the independent registered public accounting firm. See *The Public Storage Annual Meeting Voting Your Proxy*.

### **Q: Can I change my vote after I mail my proxy card(s) or voting instruction card(s), or, if I am a Shurgard shareholder, vote by telephone?**

A: Yes. If you are a record holder of Shurgard common stock, Shurgard ESPP shares, Public Storage common stock or Public Storage equity stock, you can change your vote by:

sending to the corporate secretary of the company in which you hold shares a written notice that is received prior to your company's meeting and states that you revoke your proxy;

signing and delivering a new proxy card(s) or voting instruction card(s) bearing a later date;

if you are a Shurgard shareholder, voting again by telephone and submitting your proxy so that it is received prior to Shurgard's meeting; or

attending your company's meeting *and* voting in person, although your attendance alone will not revoke your proxy.



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If your shares are held in a street name account, you must contact your broker, bank or other nominee to change your vote. See *The Public Storage Annual Meeting Revoking Your Proxy* and *The Shurgard Special Meeting Revocability of Proxies*.

### **Q: What if my shares are held in street name by my broker?**

A: If a broker holds your common stock for your benefit but not in your own name, your shares are in street name. In that case, your broker will send you a voting instruction form to use to vote your shares. The availability of Internet and telephone voting depends on your broker's voting procedures. Please follow the instructions on the voting instruction form they send you. If your shares are held in your broker's name and you wish to vote in person at your company's meeting, you must contact your broker and request a document called a legal proxy. You must bring this legal proxy to your respective company's meeting in order to vote in person. See *The Public Storage Annual Meeting Voting Your Proxy* and *The Shurgard Special Meeting Voting of Proxies*.

### **Q: What if I don't provide my broker with instructions on how to vote?**

A: Generally, a broker may only vote the common stock that it holds for you in accordance with your instructions. However, if your broker has not received your instructions, your broker has the discretion to vote on certain matters that are considered routine. A broker non-vote occurs if your broker cannot vote on a particular matter because your broker has not received instructions from you and because the proposal is not routine.

#### *Shurgard Shareholders*

If you wish to vote on the proposal to approve the merger agreement and the transactions contemplated by the merger agreement, including the merger, you must provide instructions to your broker, because this proposal is not routine. If you do not provide your broker with instructions, your broker will not be authorized to vote with respect to approving the merger agreement and the transactions contemplated by the merger agreement, including the merger, and a broker non-vote will occur. This will have the same effect as a vote against the approval of the merger agreement and the transactions contemplated by the merger agreement, including the merger. Because adjournments and postponements of the special meeting require the affirmative vote of a majority of the shares of Shurgard common stock present, in person or by proxy, and entitled to vote at the special meeting, broker non-votes, which are not entitled to vote, will have the effect of reducing the aggregate number of votes required to adjourn or postpone the meeting. See *The Shurgard Special Meeting Voting of Proxies* and *The Shurgard Special Meeting Record Date; Shares Entitled to Vote; Quorum*.

#### *Public Storage Shareholders*

If you wish to vote on the proposal to approve the merger, you must provide instructions to your broker because this proposal is not routine. If you do not provide your broker with instructions, your broker will not be authorized to vote with respect to the approval of the merger agreement and the transactions contemplated thereby, and a broker non-vote will occur. Because the affirmative vote required to approve the merger agreement and the transactions contemplated thereby is based upon the total number of outstanding shares of Public Storage common stock and Public Storage equity stock, broker non-votes will have the same effect as votes against the approval of the merger agreement and the transactions contemplated thereby, including the issuance of Public Storage common stock.

If you wish to vote on the proposals to elect the ten members to the board of directors of Public Storage, to ratify the appointment of Public Storage's independent registered public accounting firm or to act upon any other routine business that may properly come before the Public Storage annual meeting, you should provide instructions to your broker. If you do not provide your broker with instructions, your broker generally will have the authority to vote on the election of directors, the ratification of the appointment of the independent registered public accounting firm and other routine matters.

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If you wish to vote on any proposal to approve adjournments or postponements of the Public Storage annual meeting, you should provide instructions to your broker. If you do not provide instructions to your broker, your broker generally will have the authority to vote on proposals such as the adjournment or postponement of meetings. However, your broker will not be authorized to vote on any proposal to adjourn or postpone the meeting solely relating to the solicitation of proxies to approve the proposal to approve the merger agreement and the transactions contemplated by the merger agreement, including the issuance of Public Storage common stock. See *The Public Storage Annual Meeting Voting Your Proxy*, *The Public Storage Annual Meeting Voting Rights* and *The Public Storage Annual Meeting Quorum*.

### **Q: What if I abstain from voting?**

A: Your abstention from voting will have the following effect:

If you are a Shurgard shareholder:

Because the affirmative vote of a majority of the outstanding shares of Shurgard common stock is required to approve the merger agreement and the transactions contemplated thereby, an abstention or failure to submit a proxy/voting instruction card or to vote at the Shurgard special meeting will have the same effect as a vote against the approval of the merger agreement and the transactions contemplated by the merger agreement, including the merger. Because adjournments and postponements of the special meeting require the affirmative vote of a majority of the shares of Shurgard common stock present, in person or by proxy, and entitled to vote at the special meeting, abstentions will have the same effect as a vote against the approval of adjournments or postponements of the special meeting.

See *The Shurgard Special Meeting Voting of Proxies*.

If you are a Public Storage shareholder:

Abstentions will have the same effect as a vote against the approval of the merger agreement.

Abstentions will not be counted and therefore will not have an effect on the outcome of the election of the board of directors.

Abstentions will not be counted for and therefore will not have an effect on the ratification of the appointment of the independent registered public accounting firm or the approval of adjournments or postponements of the Public Storage annual meeting.

See *The Public Storage Annual Meeting Voting Your Proxy*.

### **Q: What does it mean if I receive multiple proxy cards?**

A: Your shares may be registered in more than one account, such as brokerage accounts and 401(k) accounts. It is important that you complete, sign, date and return each proxy card or voting instruction card you receive, or, if you are a Shurgard shareholder, vote using the telephone as described in the instructions included with your proxy card(s) or voting instruction card(s).

### **Q: Where can I find more information about Public Storage and Shurgard?**

A: You can find more information about Public Storage and Shurgard from various sources described under *Where You Can Find More Information*.

**Q: Who can help answer my questions?**

A: If you have any questions about the merger or your meeting, need assistance in voting your shares, or need additional copies of this joint proxy statement/prospectus or the enclosed proxy card(s) or voting instructions, you should contact: MacKenzie Partners, Inc. by telephone at 1-212-929-5500 (call collect) or 1-800-322-2885 (toll free) or by email at [proxy@mackenziepartners.com](mailto:proxy@mackenziepartners.com).

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**SUMMARY**

*This summary of the material information contained in this joint proxy statement/prospectus may not include all the information that is important to you. To understand fully the proposed merger, and for a more detailed description of the terms and conditions of the merger and certain other matters being considered at your meeting, you should read this entire joint proxy statement/prospectus and the documents to which we have referred you. See *Where You Can Find More Information*, beginning on page 265. We have included references parenthetically in this summary to direct you to a more detailed description of each topic presented in this summary.*

*Shurgard's consolidated financial statements as set forth under *Index to Consolidated Financial Statements of Shurgard*, *Shurgard Management's Discussion and Analysis of Financial Condition and Results of Operations as of December 31, 2005* and *Selected Historical Financial Data of Shurgard* for each of the fiscal years ended December 31, 2005, 2004, 2003, 2002 and 2001 have been revised to reflect the reclassification of two properties from held for sale to properties held for use during the three-month period ended March 31, 2006. There is no effect on Shurgard's previously reported net income, financial condition or cash flows.*

**The Companies**

***Shurgard (page 162)***

Shurgard Storage Centers, Inc. is a real estate investment trust headquartered in Seattle, Washington. Shurgard develops, acquires, invests in, operates and manages self-storage centers and related operations in the United States and Europe. As of March 31, 2006, it operated a network of over 656 operating storage centers containing approximately 41 million net rentable square feet located throughout the United States and in Europe.

Shurgard Storage Centers, Inc.

1155 Valley Street, Suite 400

Seattle, WA 98109-4426

Telephone: (206) 624-8100

***Public Storage (page 144)***

Public Storage, Inc., an S&P 500 company, is a fully integrated, self-administered and self-managed real estate investment trust that primarily acquires, develops, owns and operates self-storage facilities. Public Storage's headquarters are located in Glendale, California. Public Storage's self-storage properties are located in 37 states. At March 31, 2006, Public Storage had interests in 1,508 storage facilities with approximately 92 million net rentable square feet.

Public Storage, Inc.

701 Western Avenue

Glendale, CA 91201-2349

Telephone: (818) 244-8080

***ASKL Sub LLC***

ASKL Sub LLC, or Merger Sub, is a Delaware limited liability company, recently organized as an indirect subsidiary of Public Storage solely for the purpose of effecting the merger. Currently, Merger Sub has no material assets and has not engaged in any activities except in connection with the merger. Public Storage presently intends to change the name of Merger Sub from ASKL Sub LLC to Shurgard Storage Centers, LLC after the consummation of the merger.



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### **Shurgard's Reasons for the Merger and Recommendations to Shareholders (page 73)**

The Shurgard board of directors, has determined that the merger is fair to and in the best interests of Shurgard and its shareholders, and recommends that Shurgard shareholders vote FOR the approval of the merger agreement and the transactions contemplated by the merger agreement, including the merger and FOR the approval of adjournments or postponements of the special meeting.

Among the reasons for the Shurgard board of directors' recommendation are the following:

*Completion of Strategic Alternatives Process.* The Shurgard board of directors, with the assistance of outside advisors, conducted a comprehensive strategic alternatives process designed to maximize value to Shurgard's shareholders. In conducting this strategic alternatives process, the Shurgard board of directors evaluated strategic alternatives reasonably available to Shurgard, including a sale of Shurgard, the formation of one or more asset joint ventures with strategic partners, a sale of certain of Shurgard's assets or operations, and continued implementation of Shurgard's strategic business plan.

*Market Price.* The Shurgard board of directors considered the value of the merger consideration to be received by Shurgard's shareholders in the merger, and noted that, based upon the closing price of Public Storage's common stock on March 6, 2006, the exchange ratio of 0.82 of a share of Public Storage common stock for each share of Shurgard common stock represented a premium of approximately 39% over Shurgard's closing stock price on July 29, 2005, the last trading day prior to Public Storage's publicized acquisition proposal, and a premium of approximately 52% over the average closing price of Shurgard's common stock during the six months prior to Public Storage's publicized acquisition proposal.

*Form of Merger Consideration.* The Shurgard board of directors considered that the all-stock merger consideration will permit Shurgard's shareholders to exchange their shares of Shurgard common stock for shares of Public Storage common stock and retain an equity interest in the combined enterprise with the related opportunity to share in its future growth, synergies from the combination and any economies of scale. The Shurgard board of directors also reviewed Public Storage's current and historical results of operations, the trading prices for Public Storage common stock and considered its future prospects.

*Terms of the Merger Agreement.* The Shurgard board of directors, with the assistance of its legal advisors, reviewed the terms of the merger agreement, the amount of the termination fees payable under certain circumstances described below and the outside termination date of December 31, 2006. In addition, the Shurgard board of directors considered the ability of Shurgard's management and employees to continue to run the business consistent with past practices in the period between the signing of the merger agreement and the closing of the merger.

*Likelihood of Consummation of the Merger.* The Shurgard board of directors considered the likelihood of consummation of the merger, including the terms and conditions of the merger agreement and the conditions to the consummation of the merger.

*Business, Condition and Prospects.* The Shurgard board of directors considered information with respect to Shurgard's financial condition, results of operations, business, competitive position, relationships with regulators, outstanding legal proceedings and business prospects, on both a historical and prospective basis, as well as current industry, economic, government regulatory and market conditions and trends.

*Improved Liquidity.* The Shurgard board of directors considered the fact that the combined company would have a significantly larger market capitalization resulting in an enhanced ability for current Shurgard shareholders to sell their shares of common stock of the combined company.

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*Financing Related to the Merger.* The Shurgard board of directors considered the fact that the merger with Public Storage would not be contingent on any financing condition.

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*Strategic Advantages.* The Shurgard board of directors considered the fact that the merger with Public Storage would offer numerous strategic advantages to Shurgard's shareholders going forward, including:

the ability to participate in expanded growth opportunities as a result of forming the largest self-storage owner/operator in the world, with significant platforms in the U.S. and Europe suitable for continued expansion;

the ability to derive enhanced property and geographical diversification in the United States and an enlarged footprint improving the risk profile of the combined company's property portfolio;

enhanced access to capital through a combination with a larger entity with stronger credit ratings and less financial leverage than Shurgard;

the taxable nature of the merger would create a step-up in the tax basis of Shurgard's assets so as to enhance the combined company's growth prospects through the retention of free cash flow (see also the potential tax risks arising from the taxable nature of the merger, discussed below under *Potential Risks*);

the ability to derive significant synergies, including the ability to lower the combined company's general and administrative costs through the elimination of redundancies in back office support staff, executive infrastructure and the reduction in compliance costs related to the Sarbanes-Oxley Act of 2002;

the ability to lower the combined company's operating costs through the implementation of scalable financial systems, realization of economies of scale in media, call centers and supervisory personnel, and the reduction in duplicate expenses of advertising and management information systems; and

the ability of the combined company to increase revenues through participation in national media and promotional programs and the expansion of ancillary businesses, such as tenant reinsurance.

*Ability to Accept a Superior Proposal Upon Payment of a Termination Fee.* The Shurgard board of directors considered Shurgard's ability to terminate the merger agreement under certain circumstances prior to shareholder approval of the merger agreement in order to enter into an alternative transaction in response to a superior proposal. In this regard, Shurgard may not solicit competing offers and would be required to pay a \$125 million termination fee in connection with accepting a superior proposal.

*Potential Risks.* The Shurgard board of directors considered a number of potential risks, as well as related mitigating factors, in connection with its evaluation of the merger, including:

the possibility that the merger might not be completed as a result of the failure to satisfy certain closing conditions, including securing approvals from shareholders of both Shurgard and Public Storage, which failure to complete the merger could result in significant distractions to Shurgard's employees, and Shurgard would still be obligated to pay certain fees and expenses of its advisors regardless of whether the merger was consummated;

the risk that the Hughes family will be able to significantly influence the outcome of matters submitted to a vote of the combined company's shareholders, due to their current aggregate ownership of approximately 36% of all of the outstanding shares of Public Storage common stock and Public Storage's 2% ownership limit;



the risk that prior to the completion or abandonment of the merger, Shurgard is required to conduct its business only in the ordinary course consistent with past practice and subject to certain operational restrictions that could damage Shurgard's business if the merger were not consummated;

the uncertainties involved in a change of control environment impose difficulties in retaining key management and store personnel and motivating employees facing uncertainties about the future ownership and direction of Shurgard;

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the fact that Public Storage historically has paid a lower dividend to its common shareholders than Shurgard has paid to its common shareholders;

the risk that after the merger Shurgard shareholders will have an interest in a combined entity with a potentially lower proportion of growth properties than Shurgard on a stand-alone basis, as Public Storage has a more mature property portfolio;

the fact that the fully taxable nature of the transaction will cause Shurgard's common shareholders to recognize gain from the receipt of Public Storage common stock, and such shareholders will not receive any cash as part of the merger consideration in order to pay taxes on this gain;

the risks arising from the challenges of integrating the businesses, management teams, strategies, cultures and organizations of the two companies, including the risks associated with the integration of Shurgard's European operations into Public Storage;

the possibility that Shurgard would be required to pay a termination fee of \$125 million if the merger agreement is terminated under specified circumstances and Shurgard later agrees to or consummates a different acquisition proposal, and the possibility that Shurgard would be required to pay up to \$10 million of Public Storage's expenses if Shurgard's common shareholders do not vote to approve the merger agreement and another acquisition proposal is publicly proposed or publicly announced at that time; and

the fact that the stock price of the Public Storage common stock had appreciated significantly during period between the publicized acquisition proposal and the entry into the merger agreement and was trading near its then all-time high upon entry into the merger agreement, and the fact that, given the fixed exchange ratio of 0.82 of a share of Public Storage common stock for each share of Shurgard common stock, if the stock price of Public Storage were to decline between the date of execution of the merger agreement and the closing date of the merger, the value of the merger consideration to be received by a Shurgard common shareholder would be reduced.

In the judgment of the Shurgard board, however, these potential risks were more than offset by the potential benefits of the merger discussed above.

*Opinions of Financial Advisors.* The Shurgard board of directors considered the joint financial presentation of Shurgard's financial advisors, Citigroup Global Markets Inc. and Banc of America Securities LLC, including the separate opinions, each dated March 6, 2006, of Citigroup and Banc of America Securities to the Shurgard board of directors as to the fairness, from a financial point of view and as of the date of such opinion, of the exchange ratio provided for in the merger agreement, as more fully described below under the caption *The Merger Opinions of Shurgard's Financial Advisors*.

*Additional Considerations.* In the course of its deliberations on the merger agreement and the merger, the Shurgard board of directors consulted with members of Shurgard management and Shurgard's legal, financial, accounting and tax advisors on various legal, business and financial matters. Additional factors considered by the Shurgard board of directors in determining whether to approve the merger agreement and the merger and recommend that Shurgard's shareholders vote to approve the merger agreement and the merger included:

the existence of severance and other benefits under Shurgard's employee benefits plans for those employees whose employment may terminate under certain circumstances following the execution of the merger agreement; and

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the fact that Shurgard's shareholders will have an opportunity to vote on the merger on the terms provided in the merger agreement.

In connection with its search for strategic alternatives and negotiation and execution of the merger agreement with Public Storage, to date Shurgard has paid fees of \$15.0 million to its legal, financial and

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accounting advisors and will be obligated to pay an additional \$12.9 million to its financial advisors if the merger is consummated.

### **Public Storage's Reasons for the Merger and Recommendations to Shareholders (page 64)**

The Public Storage board of directors has determined that the merger is fair to and in the best interests of Public Storage and its shareholders, and recommends that Public Storage shareholders vote FOR the merger, as well as FOR the other proposals being presented at the annual meeting.

Among the reasons for the Public Storage board's recommendation are the following:

**Strategic Considerations.** The Public Storage board believes that the merger will provide a number of significant strategic opportunities and benefits, including the following, all of which it viewed as generally supporting its decision:

The combination, by increasing the net rentable square feet of Public Storage's self-storage facilities in the United States by approximately 36%, will further solidify Public Storage's position as the largest owner and operator of self-storage facilities in the United States;

The combined company will eliminate duplicative general and administrative expenses and should eliminate certain other duplicative expenses in the United States, such as yellow page advertisements, as well as improve cost efficiencies of certain support functions, such as human resources, payroll and national telephone reservation system, resulting in economies of scale and cost efficiencies;

With Shurgard's existing European portfolio and an in-place infrastructure and management team, the combination will provide Public Storage with a platform for international expansion, which would provide Public Storage with geographic and financial diversification;

A taxable combination will provide Public Storage with a step-up in basis in Shurgard's assets, providing for increased depreciation deductions to facilitate internal growth; and

The acquisition will increase Public Storage's equity market capitalization, which may increase the liquidity for Public Storage shareholders and potentially enhance Public Storage's long-term financial flexibility.

**Other Factors Considered by the Public Storage Board of Directors.** In addition to considering the strategic factors outlined above, the Public Storage board of directors considered the following additional factors, all of which it viewed as generally supporting its decision to approve the merger:

Historical information concerning Shurgard's and Public Storage's respective businesses, financial performance and condition, operations, management, competitive positions and stock performance, which comparisons generally informed the Public Storage board of directors' determination as to the relative values of Shurgard, Public Storage and the combined companies;

The results of the due diligence review of Shurgard's businesses and operations;

The presentation by representatives of Goldman Sachs, and Goldman Sachs' oral opinion, subsequently confirmed in writing, to the effect that, as of the date of the written fairness opinion and based upon and subject to the factors and assumptions set forth therein, the exchange ratio of 0.82 shares of Public Storage common stock to be issued in exchange for each share of Shurgard common stock pursuant to the merger agreement was fair from a financial point

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of view to Public Storage (the written opinion of Goldman Sachs is attached as Annex D to this joint proxy statement/prospectus and discussed under *Opinion of Public Storage's Financial Advisor*); and

Management's assessment that the proposed merger was likely to meet certain criteria it deemed necessary for a successful merger - strategic fit, acceptable execution risk, and financial benefits to Public Storage and its shareholders.

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***Potential Risks Considered by the Public Storage Board.*** Public Storage's board also considered the potential risks of the merger including the following:

The Shurgard debt to be assumed or repaid by Public Storage in the combination, the borrowings required in connection with the redemption of Shurgard preferred stock and the out-of-pocket costs incurred in the transaction would increase Public Storage's indebtedness by about \$2 billion in the absence of Public Storage raising additional capital, including issuances of preferred stock;

The size of the transaction may make integration of Public Storage and Shurgard difficult, expensive and disruptive, affecting the combined company's earnings, and implementation of merger integration efforts may divert management's attention from other strategic priorities;

Shurgard's European operations have not been profitable to date and may not become profitable, and the acquisition of Shurgard's European properties may create currency risks, potentially adverse tax burdens, burdens of complying with a variety of foreign laws, obstacles to the repatriation of earnings and cash, local, regional and national political uncertainty, economic slowdown and/or downturn in foreign markets, and potential difficulties in staffing and managing international operations;

As a share of overall operations, particularly in Europe, Shurgard has more recently developed properties whose occupancies have not stabilized and more construction activity than Public Storage, and delays in construction and fill up could create additional costs and expenses;

As a share of overall operations, particularly in Europe, Shurgard has more joint venture facilities and more facilities located on leased land than Public Storage. Joint venture facilities and leased facilities present additional risks, such as loss of control or additional financial commitments in respect of the facilities;

As a result of the merger, some of Shurgard's facilities could be subject to property tax reappraisal; and

The merger will be dilutive to Public Storage shareholders.

### **The Merger (page 49)**

The boards of directors of Shurgard and Public Storage each approved the merger of Shurgard into Merger Sub, on the terms and subject to the conditions contained in the merger agreement. The surviving company of the merger will be a subsidiary of Public Storage.

We encourage you to read the merger agreement, which governs the merger and is attached as *Annex A* to this joint proxy statement/prospectus, because it sets forth the terms of the merger of Shurgard into Merger Sub.

### **Merger Consideration (page 127)**

Holders of Shurgard common stock (other than Public Storage, Merger Sub, any other subsidiary of Public Storage, Shurgard and dissenting Shurgard shareholders who properly exercise their dissenters' rights) will be entitled to receive 0.82 shares of Public Storage common stock for each share of Shurgard common stock that they own. As a result, Public Storage will issue approximately 41 million shares of Public Storage common stock in the merger based on the number of shares of Shurgard common stock outstanding on the record date. We refer to the stock consideration to be paid to Shurgard shareholders by Public Storage as the merger consideration.

The total value of the merger consideration that a Shurgard common shareholder will receive in the merger may vary. The value of the merger consideration to be paid to Shurgard common shareholders is not fixed and will depend on the value of 0.82 shares of Public Storage common stock. This value may be ascertained by multiplying the trading price of Public Storage common stock upon completion of the merger by 0.82.



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As illustrated in the table below, the value of 0.82 shares of Public Storage common stock may be less than or greater than \$65.16, which was the value of 0.82 shares of Public Storage common stock as of the announcement of the transaction, based on the closing price of Public Storage common stock as of March 6, 2006. In particular, if the closing price of Public Storage common stock upon completion of the merger is greater than \$79.46, then the value of 0.82 shares of Public Storage common stock would be greater than \$65.16. If the closing price of Public Storage common stock upon completion of the merger is less than \$79.46, then the value of 0.82 shares of Public Storage common stock would be less than \$65.16.

Hypothetical Trading Price of Public Storage Common Stock	Corresponding Value of Merger Consideration
\$84.00	\$68.88
\$82.00	\$67.24
\$80.00	\$65.60
\$78.00	\$63.96
\$76.00	\$62.32
\$74.00	\$60.68
\$72.00	\$59.04
\$70.00	\$57.40
\$68.00	\$55.76
\$66.00	\$54.12
\$64.00	\$52.48
\$62.00	\$50.84
\$60.00	\$49.20

No fractional shares of Public Storage common stock will be issued in the merger. All fractional shares of Public Storage common stock that a Shurgard shareholder would otherwise be entitled to receive will be aggregated. As soon as practicable following the effective time of the merger, the aggregated shares will be sold at the prevailing prices on the NYSE. Any holder of shares of Shurgard common stock entitled to receive a fractional share of Public Storage common stock will be entitled to receive a cash payment in an amount equal to such holder's proportionate interest in the net proceeds from the sale or sales in the open market of the aggregated shares.

**Opinions of Financial Advisors (page 66 for Public Storage and page 77 for Shurgard)**

*Public Storage:* Goldman Sachs delivered its opinion to the Public Storage board of directors that, as of the date of the written fairness opinion and based upon and subject to the factors and assumptions set forth therein, the exchange ratio of 0.82 shares of Public Storage common stock to be issued in exchange for each share of Shurgard common stock pursuant to the merger agreement was fair from a financial point of view to Public Storage.

The full text of the written opinion of Goldman Sachs, dated March 6, 2006, which sets forth assumptions made, procedures followed, matters considered and limitations on the review undertaken in connection with the opinion, is attached as Annex D to this joint proxy statement/prospectus. Goldman Sachs provided its opinion for the information and assistance of the Public Storage board of directors in connection with its consideration of the merger. The Goldman Sachs opinion is not a recommendation as to how any holder of the Public Storage common stock should vote with respect to the merger.

*Shurgard:* In connection with the merger, Shurgard's board of directors received separate written opinions, each dated March 6, 2006, from Shurgard's financial advisors, Citigroup and Banc of America Securities, as to the fairness, from a financial point of view and as of the date of such opinion, to the holders of Shurgard common



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stock, other than Public Storage, Merger Sub and their respective affiliates, of the exchange ratio provided for in the merger agreement. The full text of the written opinions of Citigroup and Banc of America Securities are attached to this joint proxy statement/prospectus as Annex E and Annex F, respectively. We encourage you to read these opinions carefully in their entirety for a description of the assumptions made, procedures followed, matters considered and limitations on the review undertaken by Citigroup and Banc of America Securities. **Citigroup's and Banc of America Securities' respective opinions were provided to Shurgard's board of directors in connection with its evaluation of the exchange ratio and relate only to the fairness, from a financial point of view, of the exchange ratio. The opinions of Citigroup and Banc of America Securities do not address any other terms, aspects or implications of the merger and do not constitute a recommendation to any shareholder as to how such shareholder should vote or act as to any matters relating to the proposed merger.**

### **Record Date; Outstanding Shares; Shares Entitled to Vote (page 44 for Public Storage and page 41 for Shurgard)**

*Shurgard Shareholders.* The record date for the special meeting of Shurgard shareholders is June 23, 2006. This means that you must have been a shareholder of record of Shurgard's common stock at the close of business on June 23, 2006, in order to vote at the special meeting. You are entitled to one vote for each share of common stock you owned on that date. On Shurgard's record date, Shurgard's voting securities carried 47,411,173 votes, which consisted of 47,411,173 shares of common stock.

*Public Storage Shareholders.* The record date for the annual meeting of Public Storage shareholders is June 23, 2006. This means that you must have been a shareholder of record of Public Storage's common stock or equity stock at the close of business on June 23, 2006, in order to vote at the annual meeting. You are entitled to one vote for each share of common stock you owned on that date. You are entitled to one-tenth of a vote for each depository share that you own representing equity stock, series A. You are entitled to one vote for each share of equity stock, series AAA but with respect to those shares are only entitled to vote with regard to the approval of the merger agreement and the transactions contemplated thereby, including the issuance of Public Storage common stock. As of the record date for the Public Storage annual meeting, a subsidiary of Public Storage had the right to vote all 4,289,544 shares of the outstanding equity stock, series AAA at the Public Storage annual meeting.

### **Stock Ownership of Directors and Executive Officers (page 47 for Public Storage and page 42 for Shurgard)**

*Shurgard.* At the close of business on the record date for the Shurgard special meeting, directors and executive officers of Shurgard and their affiliates beneficially owned and were entitled to vote approximately 1,641,646 shares of Shurgard common stock, collectively representing 3.5% of the shares of Shurgard common stock outstanding on that date.

*Public Storage.* As of the record date for the Public Storage annual meeting, there were 129,351,154 shares of Public Storage common stock outstanding and entitled to vote at the annual meeting, approximately 19.3% of which were owned and entitled to be voted by Public Storage directors and executive officers and their affiliates, 8,744,193 depository shares representing Public Storage equity stock, series A outstanding and entitled to vote at the annual meeting, approximately 1.4% of which were owned and entitled to be voted by Public Storage directors and executive officers and their affiliates, and 4,289,544 shares of Public Storage equity stock, series AAA outstanding and entitled to vote at the annual meeting, all of which were owned and entitled to be voted by an entity controlled by Public Storage.

**Table of Contents****Ownership of Public Storage After the Merger (page 44)**

Based on the number of shares of Public Storage and Shurgard common stock outstanding on their respective record dates, after completion of the merger, Public Storage expects to issue approximately 41 million shares of Public Storage common stock and former Shurgard shareholders will own approximately 24% of the then-outstanding shares of Public Storage common stock.

**Interests of Shurgard Directors and Executive Officers in the Merger (page 89)**

In considering the recommendation of the Shurgard board of directors with respect to the merger agreement and the merger, Shurgard shareholders should be aware that certain executive officers and directors of Shurgard have certain interests in the merger that may be different from, or in addition to, the interests of Shurgard's shareholders generally. These interests include rights of Shurgard's executive officers under business combination agreements with Shurgard, rights under Shurgard's equity compensation plans and rights to continued indemnification and insurance coverage by Public Storage after the merger. Each of Shurgard's executive officers, Charles Barbo, Harrell Beck, Devasis Ghose, David Grant, Jane Orenstein, and Steven Tyler, is party to a business combination agreement with Shurgard and will be entitled to certain severance payments in the event that his or her employment is terminated by Shurgard (or its successor) without cause, or by the executive for good reason, within two and one half (2 1/2) years after the consummation of the merger. Generally, upon such termination, the executive officer will be entitled to (i) an amount equal to two and one half (2 1/2) times the sum of the executive officer's annual base salary and target bonus, (ii) continued welfare coverage for a period of two and one half (2 1/2) years following such termination (or an amount equal to the cost of the premiums) and (iii) reimbursement of any golden parachute excise tax payable by the executive, including any income taxes and further excise tax payable by the executive due to this reimbursement. Assuming annual base salary and target bonus as in effect for the 2006 fiscal year, the aggregate amount of payments that will be payable to the executive officers pursuant to the business combination agreements if all of the agreements are triggered within two and one half (2 1/2) years following the consummation of the merger (excluding any amounts associated with the golden parachute excise tax gross-up or the continued welfare coverage) will be approximately \$7.5 million. In addition, 25 other officers and employees of Shurgard are also party to business combination agreements with Shurgard. For more information regarding the business combination agreements, please see *Interests of Shurgard Directors and Executive Officers in the Merger Business Combination Agreements*.

As of the consummation of the merger, all outstanding stock options held by the directors, officers and employees of Shurgard under the Shurgard Storage Centers, Inc. 1995 Long-Term Incentive Compensation Plan, the Shurgard Storage Centers, Inc. 2000 Long-Term Incentive Plan and the Shurgard Storage Centers, Inc. 2004 Long-Term Incentive Plan, which plans we refer to in this section collectively as the stock plans, will become fully vested and will be converted into options to acquire the number of shares of Public Storage common stock multiplied by 0.82 (and rounded down to the nearest share). As of the consummation of the merger, all outstanding stock options granted to directors under the Shurgard Storage Centers, Inc. Amended and Restated Stock Incentive Plan for Nonemployee Directors, which plan we refer to in this section as the director incentive plan, will terminate. For 20 days prior to the consummation of the merger, each director will be entitled to exercise all options granted to such director, whether vested or unvested. Additionally, by virtue of the merger any outstanding restricted shares of Shurgard common stock held by the directors, officers or employees that were granted under the stock plans will be converted into the number of shares of Public Storage common stock obtained by multiplying such number of restricted shares of Shurgard common stock by 0.82. Assuming a value of \$63.60 per share of Shurgard common stock (the value of a share of Shurgard common stock at the closing of the market on March 6, 2006, the date of the merger agreement), the aggregate value of the unvested options and restricted stock held by executive officers and directors that will be accelerated in connection with the merger is approximately \$12.1 million. For more information regarding the treatment of Shurgard options and restricted following the merger, please see *Interests of Shurgard Directors and Executive Officers in the Merger Option Vesting; Conversion of Options and Restricted Stock*.

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The Shurgard board of directors was aware of these interests and considered them, among other matters, when approving the merger agreement and the merger. For more information regarding the benefits the directors and executive officers may receive pursuant to the business combination agreements and the equity compensation plans, please see *Interests of Shurgard Directors and Executive Officers in the Merger Business Combination Agreements* and *Interests of Shurgard Directors and Executive Officers in the Merger Option Vesting; Conversion of Options and Restricted Stock*.

### **Public Storage Board of Directors After the Merger (page 93)**

Public Storage has agreed to cause one of the current independent members of the board of directors of Shurgard to be appointed to the board of directors of Public Storage at the effective time of the merger.

### **Public Storage Executive Officers After the Merger (page 93)**

Public Storage currently anticipates that all of the current executive officers of Public Storage will remain executive officers of Public Storage following the merger. As of the date of this joint proxy statement/prospectus, Public Storage has not finalized any arrangements with current executive officers of Shurgard with respect to their employment by the combined company. If none of the current executive officers remains employed by Public Storage following the merger, it is anticipated that the associated severance costs would be approximately \$9.8 million based on calculations made as of March 6, 2006.

### **Special Meeting of Shurgard Shareholders (page 41)**

The special meeting of Shurgard shareholders will be held on Tuesday, August 22, 2006, at 9:00 a.m., (PDT), at the Bell Harbor International Conference Center, Pier 66, 2211 Alaskan Way, Seattle, Washington. At the Shurgard special meeting, Shurgard shareholders will be asked:

to approve the merger agreement and the transactions contemplated thereby, including the merger, and

to approve adjournments or postponements of the Shurgard special meeting, if necessary, to permit further solicitation of proxies if there are not sufficient votes at the time of the Shurgard special meeting to approve the above proposal.

Shurgard shareholders are entitled to vote at the Shurgard special meeting if they owned shares of Shurgard common stock as of the close of business on June 23, 2006, the Shurgard record date. On the Shurgard record date, there were 47,411,173 shares of Shurgard common stock entitled to vote at the Shurgard special meeting. Shareholders will have one vote at the Shurgard special meeting for each share of Shurgard common stock that they owned on the Shurgard record date.

Approval of the merger agreement and the merger requires the affirmative vote of the holders of a majority of the outstanding shares of Shurgard common stock entitled to vote. Approval of adjournments or postponements of the special meeting requires the affirmative vote of the holders of a majority of shares of Shurgard common stock present, in person or by proxy, and entitled to vote at the special meeting.

### **Annual Meeting of Public Storage Shareholders (page 44)**

Public Storage will hold an annual meeting of its shareholders at 9:00 a.m. (PDT) on Tuesday, August 22, 2006 at The Hilton Glendale, 100 West Glenoaks Boulevard, Glendale, California. At the Public Storage annual meeting, Public Storage shareholders will be asked:

To approve the merger agreement and the transactions contemplated thereby, including the issuance of Public Storage common stock;

To elect ten members of Public Storage's board of directors;

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To ratify the appointment of Ernst & Young LLP as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2006;

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To approve adjournments or postponements of the Public Storage annual meeting, if necessary, to permit further solicitation of proxies if there are not sufficient votes at the time of the Public Storage annual meeting to approve the above proposals; and

To consider and act on any other business that may properly come before the Public Storage annual meeting or any reconvened meeting following an adjournment or postponement of the Public Storage annual meeting.

Public Storage shareholders may vote at the Public Storage annual meeting if they owned shares of Public Storage common stock or equity stock at the close of business on the Public Storage record date, June 23, 2006.

Holders of Public Storage common stock and holders of Public Storage equity stock vote together as one class except with respect to the approval of the merger agreement and the transactions contemplated thereby, including the issuance of Public Storage common stock, on which Public Storage common shareholders vote as one class and holders of Public Storage equity stock, series A and Public Storage equity stock, series AAA vote together as another class. With respect to the election of directors, (i) each holder of Public Storage common stock on the record date is entitled to cast as many votes as there are directors to be elected multiplied by the number of shares registered in the holder's name on the record date, and (ii) each holder of depositary shares representing Public Storage equity stock, series A is entitled to cast as many votes as there are directors to be elected multiplied by 100 times the number of shares of Public Storage equity stock registered in its name (equivalent to 1/10 the number of depositary shares registered in the holder's name). The holder may cumulate its votes for directors by casting all of its votes for one candidate or by distributing its votes among as many candidates as it chooses. With respect to all other matters, Public Storage shareholders can cast one vote for each share of Public Storage common stock and 100 votes for each share of Public Storage equity stock, series A (equivalent to 1/10 of a vote for each depositary shares) registered in their name. Holders of Public Storage equity stock, series AAA are entitled to one vote for each share but are only entitled to vote with regard to the approval of the merger agreement and the transactions contemplated thereby. The proposals require different percentages of votes in order to approve them:

The affirmative vote of both (i) the holders of at least a majority of outstanding shares of Public Storage common stock and (ii) the holders of at least a majority of outstanding shares of Public Storage equity stock is required to approve the merger agreement and the transactions contemplated thereby, including the issuance of Public Storage common stock.

The ten director nominees who receive the most votes will be elected directors of Public Storage.

The ratification of Ernst & Young LLP as the Company's independent registered public accounting firm requires the affirmative vote of the holders of at least a majority of the votes cast.

An entity controlled by Public Storage holds a ma