

PUBLIC STORAGE INC /CA
Form S-4
April 20, 2006
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As filed with the Securities and Exchange Commission on April 20, 2006

Registration No. 333-

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM S-4

REGISTRATION STATEMENT

UNDER

THE SECURITIES ACT OF 1933

PUBLIC STORAGE, INC.

(Exact Name of Registrant as Specified in Its Charter)

California
(State or Other Jurisdiction of
Incorporation or Organization)

6798
(Primary Standard Industrial
Classification Code Number)

95-3551121
(I.R.S. Employer
Identification Number)

701 Western Avenue

Glendale, California 91201-2349

(818) 244-8080

(Address, Including Zip Code, and Telephone Number, Including Area Code, of Registrant's Principal Executive Offices)

John S. Baumann, Esq.

Public Storage, Inc.

701 Western Avenue

Glendale, California 91201-2349

(818) 244-8080

(Name, Address, Including Zip Code, and Telephone Number, Including Area Code, of Agent for Service)

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Approximate date of commencement of proposed sale to public: As soon as practicable after this Registration Statement becomes effective and all other conditions to the proposed merger described herein have been satisfied or waived.

If the securities being registered on this form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box. "

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to Be Registered	Amount To Be Registered(1)	Proposed Maximum Offering Price Per Unit(2)	Proposed Maximum Aggregate Offering Price(3)	Amount of Registration Fee
Common shares, par value \$0.10 per share	40,905,468	Not applicable	\$ 3,018,524,226	\$ 322,982

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- (1) This number is based on (a)(i) 47,073,810 shares of Class A common stock, par value \$0.001 per share, of Shurgard Storage Centers, Inc. (Shurgard) outstanding as of March 8, 2006, (ii) 2,789,717 shares reserved for issuance under various Shurgard plans as of such date and (iii) 21,190 restricted stock units granted to non U.S. employees, and (b) the exchange ratio of 0.82 shares of common stock, par value \$0.10 per share, of the Registrant for each share of Shurgard common stock.
- (2) Not included pursuant to Rule 457(o).
- (3) The registration fee has been computed pursuant to Rule 457(c) and Rule 457(f)(1) under the Securities Act of 1933, as amended, solely for the purpose of calculating the registration fee based on the average of the high and low prices for shares of Shurgard common stock as reported on the New York Stock Exchange on Monday, April 17, 2006 (\$60.51 per share) multiplied by the maximum number of such shares (49,884,717) that may be exchanged for the securities being registered.

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the registration statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

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The information in this proxy statement/prospectus is not complete and may be changed. We may not sell the securities offered by this proxy statement/prospectus until the registration statement filed with the Securities and Exchange Commission is effective. This proxy statement/prospectus does not constitute an offer to sell or a solicitation of an offer to buy any securities in any jurisdiction where an offer or solicitation is not permitted.

PRELIMINARY SUBJECT TO COMPLETION DATED APRIL 20, 2006

**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. Upon completion of the merger, we estimate that Shurgard's former shareholders will own approximately []% 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 [], 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 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.

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.

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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. 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.

In addition, Public Storage's SEC filings are available to the public on Public Storage's website, www.publicstorage.com, and Shurgard's SEC filings are available to the public on Shurgard's website, 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 [], 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 [], 2006

To the shareholders of Shurgard Storage Centers, Inc.:

Shurgard will hold a special meeting of its shareholders at [] a.m., [], on [], 2006, at [], 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 , 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 or over the Internet 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

Vice President, General Counsel and Corporate Secretary

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PUBLIC STORAGE, INC.

701 Western Avenue

Glendale, California 91201-2349

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

TO BE HELD ON [], 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: [], local time, on [], 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, depository 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 [], 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 intend 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. If provided on your voting instruction card, you may also vote by Internet or telephone. 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, [], 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. 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*.

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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.

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*. 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 and the Pacific 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 by the end of the second quarter of 2006. See *The Merger Agreement Form of the Merger* and *The Merger Agreement Completion and Effectiveness of the Merger*.

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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* 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. 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;

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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.

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

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Procedures

Q: When and where are the shareholders meetings?

A: The Shurgard special meeting will be held on [], 2006, at [].
The Public Storage annual meeting will be held on [], 2006, 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 [], 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 [], 2006. See *The Public Storage Annual Meeting Record Date; Outstanding Shares; Shares Entitled to Vote*.

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 available, by submitting your proxy by telephone or over the Internet 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 voting by telephone or over the Internet, if available, 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 available, vote by telephone or the Internet, 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:

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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*.

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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 available, vote by telephone or the Internet?

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 available, voting again by telephone or over the Internet and submitting your proxy so that it is received prior to your company's meeting; or

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

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

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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,

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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.

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.

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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 available, vote using the telephone or the Internet 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.

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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 219. We have included references parenthetically in this summary to direct you to a more detailed description of each topic presented in this summary.*

The Companies

Shurgard (page 146)

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 December 31, 2005, it operated a network of over 646 operating storage centers containing approximately 40 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 128)

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 December 31, 2005, Public Storage had interests in 1,501 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.

Reasons for the Merger and Recommendations to Shareholders (page 51 for Public Storage and page 60 for Shurgard)

The Shurgard board of directors, for the reasons specified in *The Merger Shurgard's Reasons for the Merger and Recommendation of Shurgard's 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.

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The Public Storage board of directors, for the reasons specified in *The Merger Public Storage's Reasons for the Merger and Recommendation of Public Storage's Board of Directors*, has determined that the merger is

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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.

The Merger (page 37)

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 111)

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 [] 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.

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's Common Stock	Corresponding Value of Merger Consideration
\$90.00	\$73.80
\$88.00	\$72.16
\$86.00	\$70.52
\$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

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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 53 for Public Storage and page 64 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 its financial advisors, Citigroup Global Markets Inc. and Banc of America Securities LLC, as to the fairness, from a financial point of view and as of the date of such opinion, to the holders of Shurgard common 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 32 for Public Storage and page 29 for Shurgard)

Shurgard Shareholders. The record date for the special meeting of Shurgard shareholders is [], 2006. This means that you must have been a shareholder of record of Shurgard's common stock at the close of business on [], 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 [] votes, which consisted of [] shares of common stock.

Public Storage Shareholders. The record date for the annual meeting of Public Storage shareholders is [], 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 [], 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

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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 35 for Public Storage and page 30 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 [] shares of Shurgard common stock, collectively representing []% 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 [] shares of Public Storage common stock outstanding and entitled to vote at the annual meeting, approximately []% of which were owned and entitled to be voted by Public Storage directors and executive officers and their affiliates, [] depository shares representing Public Storage equity stock, series A outstanding and entitled to vote at the annual meeting, approximately []% 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.

Ownership of Public Storage After the Merger (page 32)

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 [] million shares of Public Storage common stock and former Shurgard shareholders will own approximately []% of the then-outstanding shares of Public Storage common stock.

Interests of Shurgard Directors and Executive Officers in the Merger (page 75)

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. The Shurgard board of directors was aware of the interests and considered them, among other matters, when approving the merger agreement and the merger.

Public Storage Board of Directors After the Merger (page 78)

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.

Special Meeting of Shurgard Shareholders (page 29)

The special meeting of Shurgard shareholders will be held on [], 2006, at [:] [a.m./p.m.], local time, at []. At the Shurgard special meeting, Shurgard shareholders will be asked:

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

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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 [], 2006, the Shurgard record date. On the Shurgard record date, there were [] 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 32)

Public Storage will hold an annual meeting of its shareholders at [] on [], 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;

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;

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, [], 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

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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 majority of the votes of the Public Storage equity stock 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.

Voting Agreements (page 126)

In connection with the merger agreement, Charles K. Barbo has entered into a voting agreement with Public Storage, pursuant to which Mr. Barbo has agreed, among other things, to vote all of the shares of Shurgard common stock beneficially owned by him, representing approximately 3% of the outstanding shares, in favor of the approval of the merger agreement and the transactions contemplated thereby, including the merger.

Also in connection with the merger agreement, B. Wayne Hughes and certain shareholders affiliated with him have entered into a voting agreement with Shurgard, pursuant to which such shareholders have agreed, among other things, to vote substantially all of the shares of Public Storage common stock beneficially owned by them, representing approximately 36% the outstanding shares of common stock, in favor of the approval of the merger agreement and the transactions contemplated thereby, including the issuance of Public Storage common stock.

Listing of Public Storage Common Stock and Delisting of Shurgard Common Stock (page 110)

Public Storage will apply to have the shares of Public Storage common stock issued in the merger approved for listing on the NYSE, where Public Storage common stock currently is traded under the symbol PSA. If the merger is completed, Shurgard common stock will no longer be listed on the NYSE and will be deregistered under the Securities Exchange Act of 1934, as amended, which is referred to as the Exchange Act, and Shurgard will no longer file periodic reports with the SEC.

Dissenters' Rights (page 106)

Shurgard. 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;

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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 Appraisal Rights*.

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.

Public Storage. Public Storage shareholders are not entitled to dissenters' rights in connection with the merger or in connection with any of the other annual meeting proposals on which the Public Storage shareholders are being asked to vote.

Conditions to Completion of the Merger (page 118)

As more fully described in this joint proxy statement/prospectus and the merger agreement, the completion of the merger depends on the satisfaction or waiver of a number of conditions, including:

the required approvals of Shurgard shareholders;

the required approvals of Public Storage shareholders;

the absence of any injunction or other order prohibiting the consummation of the merger by a court or provision of law;

the listing on the New York Stock Exchange of the shares of Public Storage common stock to be issued; and

the registration statement of which this joint proxy statement/prospectus forms a part having become effective and not being subject to any stop order or proceeding seeking a stop order;

Public Storage's and Merger Subs' obligations to effect the merger are also separately subject to satisfaction or waiver of certain other conditions, including the following:

the representations and warranties of Shurgard being true and correct, subject to the materiality standards contained in the merger agreement;

Shurgard's performance of and compliance with, in all material respects, all agreements and covenants required by the merger agreement;

there not having occurred a material adverse effect on Shurgard since March 6, 2006;

the parties to the merger agreement having obtained all permits and consents legally required to consummate the merger, subject to the materiality standards contained in the merger agreement; and

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Shurgard's delivery of a tax opinion on Shurgard's status as a REIT.

Shurgard's obligations to effect the merger is also separately subject to satisfaction or waiver of certain other conditions, including the following:

the representations and warranties of Public Storage and Merger Sub being true and correct, subject to the materiality standards contained in the merger agreement;

Public Storage's and Merger Sub's performance of and compliance with, in all material respects, all agreements and covenants required by the merger agreement;

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there not having occurred a material adverse effect on Public Storage or Merger Sub since March 6, 2006; and

Public Storage's delivery of a tax opinion on Public Storage's status as a REIT.

Required Regulatory Approvals (page 106)

Neither Public Storage nor Shurgard is aware of any material regulatory approvals that are required in order to consummate the merger.

Termination of the Merger Agreement (page 121)

The boards of directors of Merger Sub and Shurgard can agree at any time to terminate the merger agreement, even if Shurgard's and Public Storage shareholders have approved the merger. Also, any of Public Storage, Merger Sub or Shurgard can terminate the merger agreement if:

a governmental entity issues an order permanently enjoining or prohibiting the merger;

Shurgard shareholders fail to approve the merger agreement and the transactions contemplated by the merger agreement, including the merger, at the Shurgard special meeting;

Public Storage shareholders fail to approve the merger agreement and the transactions contemplated by the merger agreement, including the issuance of Public Storage common stock, at the Public Storage annual meeting;

the merger has not been completed by December 31, 2006 (other than because of a breach of the merger agreement by the party seeking termination); or

a counterparty has materially breached any of its representations, warranties, covenants or agreements in the merger agreement, and such breach is either not curable or has not been cured within 30 days of written notice or December 31, 2006, whichever is earlier (except that this right to terminate the merger agreement will not be available to any party that is itself in material breach of any of its representations, warranties, covenants or agreements).

Additionally, Shurgard may terminate the merger agreement if:

Shurgard has approved a superior proposal in accordance with the terms and subject to the conditions described in *The Merger Agreement Covenants and Agreements No Solicitation*, provided that Shurgard pays the applicable termination fee of \$125 million as described in *The Merger Agreement Termination and Other Fees* ;

Also, Public Storage or Merger Sub may terminate the merger agreement if:

the Shurgard board of directors (i) withdraws, modifies or changes in a manner adverse to Public Storage or Merger Sub its approval or recommendation of the merger agreement or the transactions contemplated by the merger agreement, including the merger, (ii) recommends or approves an acquisition proposal, (iii) adopts any resolution to effect any of the foregoing, or (iv) fails to reconfirm its recommendation of the merger agreement within five days after being requested in writing by Public Storage to do so.

Termination Fees (page 122)

Shurgard agreed to pay to Public Storage a termination fee of \$125 million, less the amount of any of Public Storage's termination costs and expenses that have already been paid by Shurgard up to a maximum of \$10 million, subject to reduction in certain circumstances, if the merger

agreement is terminated under the circumstances specified in *The Merger Agreement Termination and Other Fees*.

Table of Contents**No Solicitation by Shurgard (page 116)**

Subject to certain exceptions, the merger agreement precludes Shurgard or any of its subsidiaries, whether directly or indirectly through officers, directors, employees, agents or representatives, from soliciting, encouraging, initiating or facilitating any inquiries that could reasonably be expected to lead to, participating in any discussions or negotiations regarding, or entering into any agreement with respect to, any third party's proposal with respect to the acquisition of assets representing 10% or more of the consolidated assets of Shurgard or of an equity interest representing a 10% or greater economic interest in Shurgard, its subsidiaries, or its assets.

Material United States Federal Income Tax Consequences (page 79)

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 pursuant to the merger will be a taxable transaction for federal income tax purposes. 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*.

Accounting Treatment (page 106)

Public Storage will account for the merger as a purchase for financial reporting purposes, as required by Statement of Financial Accounting Standards No. 141. Under that method of accounting, the aggregate merger consideration paid, merger costs incurred and the fair value of Shurgard options will be allocated to the fair value of the assets acquired and liabilities assumed in the merger.

Risks (page 23)

In evaluating the merger, the merger agreement or the issuance of shares of Public Storage common stock in the merger, you should carefully read this joint proxy statement/prospectus and especially consider the factors discussed in the section entitled *Risk Factors*.

Comparative Per Share Data and Comparative Market Prices (page 210)

The following table sets forth the closing sale prices of Public Storage common stock and Shurgard common stock as reported on the New York Stock Exchange on March 6, 2006, the last trading day prior to the date of the merger agreement, and on [], 2006, the last trading day prior to the printing of this joint proxy statement/prospectus for which it was practicable to obtain this information. This table also shows the equivalent per share price of Shurgard common stock.

Date	Public Storage	Shurgard	Equivalent Per Share Price (1)
	Common Stock	Common Stock	
March 6, 2006	\$79.46	\$63.60	\$65.16
[], 2006	[]	[]	[]

(1) The equivalent per share value of Shurgard common stock is calculated by multiplying the Public Storage closing price by the exchange ratio of 0.82.

The market price of Public Storage common stock will change prior to the merger, while the exchange ratio is fixed. You should obtain current stock price quotations for Public Storage common stock and Shurgard common stock. You can get these quotations from a newspaper, on the Internet or by calling your broker.

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Comparison of Rights of Shareholders (page 211)

As a result of the merger, the holders of Shurgard common stock will become holders of Public Storage common stock. Following the merger, Shurgard shareholders will have different rights as shareholders of Public Storage than as shareholders of Shurgard due to differences between the laws of the states of incorporation, articles of incorporation and bylaws of Public Storage and Shurgard.

For a summary of the material differences between the rights of Shurgard shareholders and Public Storage shareholders, see *Comparison of Rights of Shareholders* beginning on page 211.

Legal Proceedings Relating to the Merger (page 110)

On March 7, 2006, a putative class action complaint was filed on behalf of the public shareholders of Shurgard in the Superior Court of the State of Washington, King County, against Shurgard and certain of its directors entitled *Staer v. Shurgard Storage Centers, Inc. et al* (case no. 06-2-08148-0). The complaint alleges, among other things, that the directors of Shurgard breached their fiduciary duties by failing to properly value Shurgard and by failing to protect against alleged conflicts of interest arising out of certain directors' interests in the transaction. Among other things, the complaint seeks an order enjoining Shurgard from consummating the acquisition. Shurgard intends to defend the action vigorously.

Table of Contents**FINANCIAL SUMMARY****Selected Historical Financial Data of Public Storage**

The following table shows selected historical financial data for Public Storage. The data as of and for each of the five years ended December 31, 2005, was derived from Public Storage's audited consolidated financial statements.

Detailed historical financial information is included in the audited consolidated balance sheets as of December 31, 2005, and December 31, 2004, and the related consolidated statements of income, shareholders' equity and cash flows for each of the years in the three-year period ended December 31, 2005 included in Public Storage's Annual Report on Form 10-K for the fiscal year ended December 31, 2005, filed on March 15, 2006. You should read the following selected financial data together with Public Storage's historical consolidated financial statements, including the related notes, and the other information contained or incorporated by reference in this joint proxy statement/prospectus. See *Where You Can Find More Information*.

	2005 (1)	For the year ended December 31,			2001 (1)
		2004 (1)	2003 (1)	2002 (1)	
	(Amounts in thousands, except per share data)				
Revenues:					
Rental income and ancillary operations	\$ 1,044,514	\$ 953,910	\$ 891,419	\$ 846,379	\$ 787,655
Interest and other income	16,447	5,391	2,537	5,210	8,640
	1,060,961	959,301	893,956	851,589	796,295
Expenses:					
Cost of operations	378,631	362,269	341,182	309,819	279,564
Depreciation and amortization	196,397	183,063	184,063	175,726	163,922
General and administrative	21,115	18,813	17,127	15,619	21,038
Interest expense	8,216	760	1,121	3,809	3,227
	604,359	564,905	543,493	504,973	467,751
Income from continuing operations before equity in earnings of real estate entities, gain (loss) on disposition of real estate investments and casualty loss and minority interest in income					
	456,602	394,396	350,463	346,616	328,544
Equity in earnings of real estate entities	24,883	22,564	24,966	29,888	38,542
Gain/(loss) on disposition of real estate investments and casualty loss	1,182	67	1,007	(2,541)	4,091
Minority interest in income (3)	(32,651)	(49,913)	(43,703)	(44,087)	(46,015)
Income from continuing operations	450,016	367,114	332,733	329,876	325,162
Discontinued operations (2)	6,377	(901)	3,920	(11,138)	(954)
Net income	\$ 456,393	\$ 366,213	\$ 336,653	\$ 318,738	\$ 324,208
Per Common Share:					
Distributions	\$ 1.90	\$ 1.80	\$ 1.80	\$ 1.80	\$ 1.69
Net income Basic	\$ 1.98	\$ 1.39	\$ 1.29	\$ 1.15	\$ 1.41
Net income Diluted	\$ 1.97	\$ 1.38	\$ 1.28	\$ 1.14	\$ 1.39
Weighted average common shares Basic	128,159	127,836	125,181	123,005	122,310
Weighted average common shares Diluted	128,819	128,681	126,517	124,571	123,577

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	2005 (1)	For the year ended December 31,			2001 (1)
		2004 (1)	2003 (1)	2002 (1)	
(Amounts in thousands, except per share data)					
Balance Sheet Data:					
Total assets	\$ 5,552,486	\$ 5,204,790	\$ 4,968,069	\$ 4,843,662	\$ 4,625,879
Total debt	\$ 149,647	\$ 145,614	\$ 76,030	\$ 115,867	\$ 168,552
Minority interest (other partnership interests)	\$ 28,970	\$ 118,903	\$ 141,137	\$ 154,499	\$ 169,601
Minority interest (preferred partnership interests)	\$ 225,000	\$ 310,000	\$ 285,000	\$ 285,000	\$ 285,000
Shareholders' equity	\$ 4,817,009	\$ 4,429,967	\$ 4,219,799	\$ 4,158,969	\$ 3,909,583
Other Data:					
Net cash provided by operating activities	\$ 692,048	\$ 616,664	\$ 571,387	\$ 591,283	\$ 538,534
Net cash used in investing activities	\$ (443,656)	\$ (157,638)	\$ (205,133)	\$ (325,786)	\$ (306,058)
Net cash used in financing activities	\$ (121,146)	\$ (297,604)	\$ (264,545)	\$ (211,720)	\$ (272,596)

- (1) During 2005, 2004, 2003, 2002, and 2001, Public Storage completed several significant asset acquisitions, business combinations and equity transactions. See Notes 4, 7, 8, 9 and 10 to Public Storage's consolidated financial statements.
- (2) Commencing January 1, 2002, Public Storage adopted and modified a business plan that included the closure or consolidation of certain non-strategic containerized storage facilities. Public Storage sold two commercial properties—one in 2002, the other in 2004. During 2003 Public Storage sold five self-storage facilities. The historical operations of these facilities are classified as discontinued operations, with the rental income, cost of operations, depreciation expense and gain or loss on disposition of these facilities for current and prior periods included in the line-item Discontinued Operations on the consolidated income statement.
- (3) During 2004, holders of \$200,000,000 of Public Storage's Series N preferred partnership units agreed to a restructuring which included reducing their distribution rate from 9.5% to 6.4% in exchange for a special distribution of \$8,000,000. This special distribution, combined with \$2,063,000 in costs incurred at the time the units were originally issued that were charged against income in accordance with the Securities and Exchange Commission's clarification of Emerging Issues Task Force Topic D-42, are included in minority interest in income.

Table of Contents**Selected Historical Financial Data of Shurgard**

The following table shows selected historical financial data for Shurgard. The data as of and for each of the five years ended December 31, 2005, was derived from Shurgard's audited consolidated financial statements except for the balance sheet data as of December 31, 2001, which has not been audited.

Detailed historical financial information is included in the audited consolidated balance sheets as of December 31, 2005, and December 31, 2004, and the related consolidated statements of operations, shareholders' equity and cash flows for each of the years in the three-year period ended December 31, 2005. You should read the following selected financial data together with Shurgard's historical consolidated financial statements, including the related notes, and the other information contained in this joint proxy statement/prospectus. See *Index to Consolidated Financial Statements of Shurgard*.

	2005 (1)	For the year ended December 31,			2001 (2)
		2004 (1)	2003	2002	
(Amounts in thousands, except per share data)					
OPERATING DATA:					
Total revenue	\$ 483,214	\$ 423,624	\$ 297,390	\$ 267,637	\$ 236,935
Income (loss) from continuing operations (4)	\$ (867)	\$ 29,231	\$ 35,148	\$ 45,312	\$ 19,406
Per Common Share Basic:					
Income (loss) from continuing operations available to common shareholders (4)	\$ (0.28)	\$ 0.37	\$ 0.57	\$ 0.83	\$ 0.14
Per Common Share Diluted:					
Income (loss) from continuing operations available to common shareholders (4)	\$ (0.28)	\$ 0.37	\$ 0.56	\$ 0.81	\$ 0.14
Distributions per common share:					
Ordinary income	\$ 1.47	\$ 1.52	\$ 1.67	\$ 1.92	\$ 1.74
Capital gain	0.22	0.32	0.06	0.08	0.07
Return of capital	0.54	0.35	0.42	0.11	0.26
Total	\$ 2.23	\$ 2.19	\$ 2.15	\$ 2.11	\$ 2.07
BALANCE SHEET DATA:					
Total assets	\$ 2,957,372	\$ 2,940,584	\$ 2,067,091	\$ 1,620,327	\$ 1,353,296
Total borrowings (3)	\$ 1,859,220	\$ 1,684,502	\$ 1,014,869	\$ 826,423	\$ 590,934

- (1) The consolidation of Shurgard Europe and First Shurgard in Shurgard's financial statements for periods beginning January 1, 2004 materially affects the comparability of total revenue, total assets and total borrowings presented in this table. See Note 3 to Shurgard's Consolidated Financial Statements.
- (2) The balances for 2001 (balance sheet data only) have not been audited.
- (3) Total borrowings include participation rights liability net of discount of \$40.6 million, \$47.5 million and \$47.7 million in 2003, 2002 and 2001, respectively.
- (4) For all reported periods, Shurgard reclassified to discontinued operations the results of properties that it intended to sell or had sold as of December 31, 2005.

Table of Contents**Selected Unaudited Pro Forma Condensed Consolidated Data of Public Storage and Shurgard**

The following table shows information about our financial condition and results of operations, including per share data, after giving effect to the consummation of the merger. The table sets forth the information as if the merger had become effective on December 31, 2005, with respect to the balance sheet information, and as of January 1, 2005, with respect to the income statement information. The pro forma financial data presented are based on the purchase method of accounting.

The information is based on, and should be read together with, the historical financial statements, including the notes thereto, of Public Storage and Shurgard that have been presented in prior filings with the SEC, the consolidated financial statements of Shurgard included under *Index to Consolidated Financial Statements of Shurgard* and the more detailed pro forma financial information, including the notes thereto, appearing elsewhere in this document. See *Where You Can Find More Information* and *Unaudited Pro Forma Combined Condensed Consolidated Financial Statements*.

We anticipate that the merger will provide the combined company with financial benefits that include cost savings and additional revenue opportunities. The pro forma information, while helpful in illustrating the financial characteristics of the combined company under one set of assumptions, does not reflect benefits of expected cost savings (other than expected reductions in general and administrative expense) or opportunities to earn additional revenue and, accordingly, does not attempt to predict or suggest future results. It also does not necessarily reflect what the historical results of the combined company would have been had our companies been combined during this period.

	For the year ended
	December 31, 2005
	Public Storage/Shurgard
	Pro Forma Combined (Unaudited) (Amounts in thousands, except per share data)
Revenues:	
Rental income and ancillary operations	\$ 1,525,136
Interest and other income	8,735
	\$ 1,533,871
Expenses:	
Cost of operations	\$ 621,330
Depreciation and amortization	619,346
General and administrative	30,291
Interest expense	89,724
	\$ 1,360,691
Income from continuing operations before equity in earnings of real estate entities, gain (loss) on disposition, casualty loss, minority interest in income, loss on derivatives, foreign exchange loss, and income taxes	\$ 173,180
Equity in earnings of real estate entities	24,943
Gain on disposition, casualty, loss, loss on derivatives, foreign exchange loss, and income tax expense	(11,241)
Minority interest in income	(11,715)
Income from continuing operations	\$ 175,167
Per Common Share:	
Net loss Basic and Diluted	\$ (0.16)
Weighted average common shares Basic	168,797
Weighted average common shares Diluted	168,797

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Balance Sheet Data:

Total assets	\$	10,600,994
Total debt		1,641,812
Minority interest (other partnership interests)		145,335
Minority interest (preferred partnership interests)		225,000
Shareholders' equity		8,086,902

Table of Contents**COMPARATIVE PER SHARE INFORMATION**

We present below for Public Storage and Shurgard historical, unaudited pro forma combined and pro forma equivalent per share financial data for the year ended December 31, 2005. You should read the information below together with the financial statements and related notes of Public Storage that are incorporated by reference in this document, the consolidated financial statements of Shurgard included under *Index to Consolidated Financial Statements of Shurgard* and the unaudited pro forma combined financial data included under *Unaudited Pro Forma Combined Financial Information*.

	Year Ended December 31, 2005
<i>Public Storage Historical</i>	
Income per basic share from continuing operations	\$ 1.93
Income per diluted share from continuing operations	1.92
Book value per share	16.43
<i>Shurgard Historical</i>	
Loss per basic share from continuing operations	\$ (0.28)
Loss per diluted share from continuing operations	(0.28)
Book value per share	14.12
<i>Unaudited Pro Forma Combined</i>	
Loss per basic share from continuing operations	\$ (0.16)
Loss per diluted share from continuing operations	(0.16)
Book value per share	31.80
<i>Unaudited Pro Forma Combined Shurgard Equivalents (A)</i>	
Loss per basic share from continuing operations	\$ (0.13)
Loss per diluted share from continuing operations	(0.13)
Book value per share	26.08

(A) Represents unaudited pro forma combined amounts multiplied by the exchange ratio of 0.82 share of Public Storage common stock for each outstanding share of Shurgard common stock.

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RISK FACTORS

*In addition to the other information contained in or incorporated by reference into this joint proxy statement/prospectus, including the matters addressed under the caption **Special Note Regarding Forward-Looking Statements**, you should carefully consider the following risk factors in deciding whether to vote for approval of the merger agreement.*

Because the market price of Public Storage common stock may fluctuate, Shurgard shareholders cannot be sure of the market value of the common stock to be issued in the merger.

Upon completion of the merger, each share of Shurgard common stock will be converted into 0.82 shares of Public Storage common stock. This exchange ratio will not be adjusted for changes in the market price of either Public Storage common stock or Shurgard common stock. Changes in the price of Public Storage common stock prior to the merger will affect the value that Shurgard common shareholders will receive on the date of the merger. Stock price changes may result from a variety of factors, including general market and economic conditions, changes in our businesses, operations and prospects and regulatory considerations, many of which factors are beyond our control. Neither of us is permitted to terminate the merger agreement or resolicit the vote of our shareholders solely because of changes in the market price of either of our common stocks.

The prices of Public Storage common stock and Shurgard common stock at the closing of the merger may vary from their respective prices on the date the merger agreement was executed, on the date of this document and on the date of the meetings. As a result, the value represented by the exchange ratio will also vary. For example, based on the range of closing prices of Public Storage common stock during the period from March 6, 2006, the last trading day before public announcement of the merger, through [], 2006, the exchange ratio represented a value ranging from a high of \$[] to a low of \$[] for each share of Shurgard common stock. Because the date that the merger is completed will be later than the date of the meetings, at the time of your company's meeting, you will not know the exact market value of the Public Storage common stock that Shurgard shareholders will receive upon completion of the merger.

The merger should be taxable to Shurgard shareholders.

The merger should be treated as a taxable sale by Shurgard of all of its assets followed by a liquidating distribution to the Shurgard shareholders. The Shurgard shareholders effectively should be treated as selling their Shurgard common stock in exchange for the merger consideration. As a result, Shurgard shareholders should recognize gain or loss equal to the difference, if any, between the fair market value of Public Storage common stock and the amount of any cash received in the merger and the holder's adjusted tax basis in the Shurgard common stock exchanged. Generally, any gain or loss recognized should be capital gain or loss and will constitute long-term capital gain or loss if the Shurgard shareholder held the Shurgard common stock for more than one year as of the effective time of the merger.

We may fail to realize the anticipated benefits of the merger.

The success of the merger will depend, in part, on our ability to realize the anticipated cost savings from combining the businesses of Public Storage and Shurgard. However, to realize the anticipated benefits from the merger, we must successfully combine the businesses of Public Storage and Shurgard in a manner that permits those cost savings to be realized. If we are not able to successfully achieve these objectives, the anticipated benefits of the merger may not be realized fully or at all or may take longer or cost more to realize than expected. Public Storage and Shurgard have operated and, until the completion of the merger, will continue to operate, independently. It is possible that the integration process could result in the loss of valuable employees, the disruption of each company's ongoing businesses or inconsistencies in standards, controls, procedures, practices, policies and compensation arrangements that adversely affect our ability to maintain relationships with tenants and employees or to achieve the anticipated benefits of the merger. Further, the size of the transaction may make

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integration of Public Storage and Shurgard difficult, expensive and disruptive, adversely affecting the combined company's revenues and earnings, and implementation of merger integration efforts may divert management's attention from other strategic priorities. In addition, the merger has been structured so that it should be a taxable transaction for U.S. Federal income tax purposes. As a result, the combined company should have the benefit of a step-up in tax basis in Shurgard's assets. It is possible that the IRS may challenge the step-up in basis. If such challenge were sustained, we would not achieve this benefit, which would reduce our depreciation deductions and our ability to retain cashflow.

There may be unexpected delays in the consummation of the merger.

The merger is targeted to close by the end of the second quarter of 2006. However, certain events may delay the consummation of the merger. Some of the events that could delay the consummation of the merger include difficulties in obtaining the approval of Public Storage or Shurgard common shareholders, satisfying the closing conditions to which the merger is subject or delays in redeeming the outstanding shares of Shurgard Series C Preferred Stock and Shurgard Series D Preferred Stock. It is contemplated by the merger agreement that prior to the consummation of the merger, the outstanding shares of Shurgard Series C Preferred Stock and Shurgard Series D Preferred Stock will be redeemed and that Shurgard will not seek the approval of the holders of shares of Shurgard's Series C Preferred Stock and Shurgard's Series D Preferred Stock to approve the merger agreement and the merger.

The market price of the Public Storage shares after the merger may be affected by factors different from those affecting the shares of Shurgard or Public Storage currently.

The businesses of Public Storage and Shurgard differ and, accordingly, the results of operations of the combined company and the market price of the combined company's shares of common stock may be affected by factors different from those currently affecting the independent results of operations of each of Public Storage or Shurgard. For a discussion of the businesses of Public Storage and Shurgard and of certain factors to consider in connection with those businesses, see the documents incorporated by reference in this document and referred to under *Where You Can Find More Information*, and for further discussion of the business of Shurgard, see *Information about Shurgard Shurgard's Business*.

The merger is subject to certain closing conditions that, if not satisfied or waived, will result in the merger not being completed, which may cause the market price of Public Storage common stock or Shurgard common stock, or both, to decline.

The merger is subject to customary conditions to closing, including the receipt of required approvals of the shareholders of Shurgard and Public Storage. If any condition to the merger is not satisfied or, if permissible, waived, the merger will not be completed. In addition, Public Storage and Shurgard may terminate the merger agreement in certain circumstances. If Public Storage and Shurgard do not complete the merger, the market price of Public Storage common stock or Shurgard common stock may fluctuate to the extent that the current market prices of those shares reflect a market assumption that the merger will be completed. Public Storage and Shurgard will also be obligated to pay certain investment banking, financing, legal and accounting fees and related expenses in connection with the merger, whether or not the merger is completed. In addition, Public Storage and Shurgard have each diverted significant management resources in an effort to complete the merger and are each subject to restrictions contained in the merger agreement on the conduct of its business. If the merger is not completed, Public Storage and Shurgard will have incurred significant costs, including the diversion of management resources, for which it will have received little or no benefit. Further, in specified circumstances, Shurgard may be required to pay to Public Storage a termination fee of \$125 million if the merger agreement is terminated. For a detailed description of the circumstances in which such termination fee will be paid, see *The Merger Agreement Termination and Other Fees*.

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Distributions to Shurgard shareholders will decrease after the merger.

Because Public Storage currently distributes a smaller share of its cash provided by operations than does Shurgard, the initial level of regular cash distributions to a Shurgard shareholder will be lower after the merger. In certain prior years, a portion of the Shurgard distribution has been a return of capital.

The unaudited pro forma financial data included in this joint proxy statement/prospectus is preliminary and Public Storage's actual financial position and results of operations may differ materially from the unaudited pro forma financial data included in this joint proxy statement/prospectus.

The unaudited pro forma financial data in this joint proxy statement/prospectus reflect adjustments, which are based upon preliminary estimates, to allocate the purchase price to Shurgard's net assets. The purchase price allocation reflected in this joint proxy statement/prospectus is preliminary, and final allocation of the purchase price will be based upon the actual purchase price and the actual assets and liabilities of Shurgard as of the date of the completion of the merger. Public Storage may need to revise materially its current estimates of those assets and liabilities as the valuation process and accounting policy review are finalized. Accordingly, the actual purchase accounting adjustments may differ materially from the pro forma adjustments reflected in this joint proxy statement/prospectus.

The unaudited pro forma financial data in this joint proxy statement/prospectus is presented for illustrative purposes only and is not necessarily indicative of what Public Storage's actual financial position or results of operations would have been had the merger been completed on the dates indicated. The unaudited pro forma financial data in this joint proxy statement/prospectus does not give effect to (1) Public Storage or Shurgard's results of operations or other transactions or developments since December 31, 2005, (2) with the exception of cost savings from a reduction in general and administrative expenses, the synergies, cost savings and one-time charges expected to result from the merger or (3) the effects of transactions or developments, including sales of stores or other assets, which may occur after the merger. In addition, the unaudited pro forma financial data in this joint proxy statement/prospectus assumes the absence of any adjustment to the purchase price provided for in the merger agreement.

Public Storage would incur adverse tax consequences if it or Shurgard failed to qualify as a real estate investment trust for United States federal income tax purposes.

Public Storage has assumed based on public filings that Shurgard has qualified and will continue to qualify as a real estate investment trust for United States federal income tax purposes, referred to hereinafter as a REIT, and that Public Storage will be able to continue to qualify as a REIT following the merger. However, if Shurgard has failed or fails to qualify as a REIT, Public Storage and Merger Sub generally would succeed to or incur significant tax liabilities (including the significant tax liability that would result from the deemed sale of assets by Shurgard pursuant to the merger), and Public Storage could possibly lose its REIT status should disqualifying activities continue after the acquisition.

REITs are subject to a range of complex organizational and operational requirements. As a REIT, Public Storage must distribute with respect to each year at least 90% of its REIT taxable income to its shareholders. Other restrictions apply to its income and assets. Public Storage's REIT status is also dependent upon the ongoing qualification of its affiliate, PS Business Parks, Inc., as a REIT, as a result of its substantial ownership interest in that company.

For any taxable year that Public Storage fails to qualify as a REIT and is unable to avail itself of certain savings provisions set forth in the Internal Revenue Code of 1986, it would be subject to federal income tax at the regular corporate rates on all of its taxable income, whether or not it makes any distributions to its shareholders. Those taxes would reduce the amount of cash available for distribution to its shareholders or for reinvestment and would adversely affect Public Storage's earnings. As a result, Public Storage's failure to qualify as a REIT during any taxable year could have a material adverse effect upon Public Storage and its shareholders.

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Furthermore, unless certain relief provisions apply, Public Storage would not be eligible to elect REIT status again until the fifth taxable year that begins after the first year for which it failed to qualify.

Public Storage and Shurgard shareholders will become subject to the risks of new real estate markets.

Shurgard shareholders will become subject to the risks of the real estate markets in the United States in which Public Storage currently operates, or in which its operations are more concentrated as compared with Shurgard. Conversely, Public Storage shareholders will become subject to the risks of the real estate markets in the United States in which Shurgard currently operates, or in which its operations are more concentrated as compared with Public Storage.

Some of Shurgard's facilities will be subject to property tax reappraisal.

As a result of the merger, some of Shurgard's facilities will be subject to property tax reappraisal. Resulting increases in property tax expense could adversely affect Public Storage's profitability.

Shurgard shareholders will become subject to the risks of owning commercial properties.

As a result of the combined company's continued ownership of a significant interest in PS Business Parks, after the merger, Shurgard shareholders will face the risks inherent in the ownership of commercial (non-self storage) properties.

Public Storage cannot protect against liabilities that may result from indirect investments.

Shurgard has acquired additional equity interests in partnerships, joint ventures or other legal entities that have invested in real estate. Merger Sub will acquire these investments in the merger, and Public Storage may make additional investments of this type after the merger. These investments carry risks that are not present when Public Storage invests directly in real estate and against which Public Storage may not be able to protect, including the risk that Public Storage may not control the legal entity that has title to the real estate, the possibility that the enterprise in which Public Storage invests has liabilities that are not disclosed at the time of the investment and the possibility that Public Storage's investments may not be easily sold or readily accepted as collateral by its lenders.

Provisions in Public Storage's organizational documents may limit changes in control.

Provisions in Public Storage's organizational documents may limit changes in control. Unless Public Storage's board of directors waives these limitations, no shareholder may own more than (1) 2.0% of the outstanding shares of Public Storage common stock or (2) 9.9% of the outstanding shares of each class or series of Public Storage preferred or equity stock. As described below, however, Public Storage's organizational documents in effect provide that the Hughes family may continue to own the shares of Public Storage's common stock held by them at the time of the 1995 reorganization, and in the event the merger is completed, the Hughes family will be permitted to acquire additional common stock to maintain its premerger holding percentage. These limitations are designed, to the extent possible, to avoid a concentration of ownership that might jeopardize Public Storage's ability to qualify as a REIT. These limitations, however, also may make a change of control significantly more difficult (if not impossible) even if it would be favorable to the interests of Public Storage's public shareholders. These provisions will prevent future takeover attempts not approved by Public Storage's board of directors even if a majority of Public Storage's public shareholders deem it to be in their best interests because they would receive a premium for their shares over the shares' then market value or for other reasons.

The Hughes family could significantly influence Public Storage and take actions adverse to other shareholders.

Public Storage's organizational documents currently in effect provide that the Hughes family may continue to own the shares of Public Storage common stock held by them at the time of Public Storage's 1995

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reorganization. In the event the merger is completed, after giving effect to the shares to be acquired in the merger, the Hughes family is expected to own approximately 27% of Public Storage's outstanding shares of common stock immediately following the merger, and will be permitted to acquire additional Public Storage common stock to maintain its premerger ownership percentage. Consequently, the Hughes family could significantly influence matters submitted to a vote of Public Storage's shareholders, including electing directors, amending Public Storage's organizational documents, dissolving and approving other extraordinary transactions, such as a takeover attempt, even though such actions may not be favorable to the other common shareholders. No individual or group of individuals currently owns a significant percentage of Shurgard common stock.

There could be a significant increase in the exposure of Public Storage to interest rate and refinancing risks.

Shurgard is significantly more leveraged than Public Storage, with more fixed and floating-rate debt and with related derivative instruments that Public Storage will assume. Further, completion of the merger may result in Public Storage's incurrence of additional short-term borrowings in order to raise funds that will be used in connection with the redemption of approximately \$136 million of Shurgard's preferred stock, fund costs of the merger, and to repay Shurgard's outstanding borrowings on its line of credit (\$583.5 million at December 31, 2005) that becomes immediately payable upon completion of the merger. These changes would result in a significant increase in Public Storage's exposure to interest rate and refinancing risks.

The European operations of Shurgard have not been profitable and have specific inherent risks.

Merger Sub will also be acquiring Shurgard's international operations in Europe, which consist principally of facilities that have been completed in the last few years and are in various stages of fill-up. Shurgard's international operations have not been profitable, and there is no assurance they will ultimately be profitable. Also, as a share of its European operations, Shurgard has more non-stabilized properties and more construction activity than Public Storage, and delays in construction and fill-up could result in additional costs. Merger Sub and Public Storage have no experience in European operations, which may adversely affect the ability to operate profitably in Europe. In addition, these operations have specific inherent risks, including without limitation the following: currency risks, including currency fluctuations; unexpected changes in legislative and regulatory requirements; potentially adverse tax burdens; burdens of complying with different permitting standards, environmental and labor laws and a wide variety of foreign laws; obstacles to the repatriation of earnings and cash; regional, national and local political uncertainty; economic slowdown and/or downturn in foreign markets; difficulties in staffing and managing international operations; and reduced protection for intellectual property in some countries.

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This joint proxy statement/prospectus, including information and other documents incorporated by reference into this joint proxy statement/prospectus, contains or may contain forward-looking statements intended to qualify for the safe harbor from liability established by the Private Securities Litigation Reform Act of 1995 that relate to the businesses of Public Storage and Shurgard. These forward-looking statements are found at various places throughout this joint proxy statement/prospectus and the other documents incorporated by reference in this joint proxy statement/prospectus. These forward-looking statements include, without limitation, those relating to projected financial and operating results, earnings and cash flows, future actions, new projects, strategies, tax consequences of the merger, and the outcome of contingencies such as legal proceedings, in each case relating to Public Storage or Shurgard, respectively. Those forward looking statements, wherever they occur in this joint proxy statement/prospectus or the other documents incorporated by reference in this joint proxy statement/prospectus, are necessarily estimates or projections reflecting the judgment of the respective management of Public Storage and Shurgard and are subject to known and unknown risks and uncertainties that could cause actual results to differ materially from any future results, performance or achievements expressed or implied by those forward-looking statements.

You should understand that the risks, uncertainties, factors and assumptions listed and discussed in this joint proxy statement/prospectus, including those set forth under the heading *Risk Factors*; the risks discussed in Shurgard's Annual Report on Form 10-K for the fiscal year ended December 31, 2005, in Item 7A *Qualitative and Quantitative Disclosures about Market Risk*; the risks discussed in Public Storage's Annual Report on Form 10-K for the fiscal year ended December 31, 2005, in Item 7A *Qualitative and Quantitative Disclosures about Market Risk*; and the following important factors and assumptions, could affect the future results of Public Storage following the merger, or the future results of Public Storage and Shurgard if the merger does not occur, and could cause actual results to differ materially from those expressed in any forward-looking statements:

the ability of Public Storage to integrate the Shurgard businesses with Public Storage's businesses and achieve the expected synergies from the merger;

the approval of the merger agreement and the transactions contemplated by the merger agreement, including the merger, at the Shurgard special meeting;

the approval of the merger agreement and the transactions contemplated thereby, including the issuance of Public Storage common stock, at the Public Storage annual meeting;

changes in federal income tax laws and regulations;

the timing of the completion of the merger;

the actual financial position and results of operations of Public Storage following the merger, which may differ significantly from the pro forma financial data contained in this joint proxy statement/prospectus;

the impact of competitive products and pricing;

general market conditions in the self-storage industry;

the level of capital resources required for future acquisitions and operations; and

changes in laws and regulations.

You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of the joint proxy statement/prospectus or, in the case of documents incorporated by reference, as of the date of those documents. Neither Public Storage nor Shurgard undertakes any obligation to publicly update or release any revisions to these forward-looking statements to reflect events or circumstances after the date of this joint proxy statement/prospectus or to reflect the occurrence of unanticipated events, except as required by law.

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THE SHURGARD SPECIAL MEETING

Shurgard is furnishing this joint proxy statement/prospectus to Shurgard shareholders as of the Shurgard record date as part of the solicitation of proxies by the Shurgard board of directors for use at the Shurgard special meeting.

The Shurgard special meeting will be held on [], 2006, at [:] [a.m./p.m.], local time, at []. Please complete and return the enclosed request for admittance card as soon as possible if you plan to attend the Shurgard special meeting. If you return the request card, Shurgard will send you an admittance card.

Purpose of the Special Meeting

Shurgard will hold a special meeting of its shareholders at [] a.m., [], on [], 2006, at [], unless postponed or adjourned to a later date. The Shurgard special meeting will be held for the following purposes:

1. To approve the merger agreement and the transactions contemplated by the merger agreement, including the merger, pursuant to which Shurgard will merge with and into Merger Sub and each outstanding share of Shurgard common stock for the right to receive 0.82 shares of Public Storage common stock; 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.

The Shurgard board of directors has determined that the merger agreement and the transactions contemplated by the merger agreement, including the merger, are advisable and fair to, and in the best interests of, Shurgard and its shareholders, adopted the merger agreement and recommends that Shurgard shareholders vote FOR 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.

Record Date; Shares Entitled to Vote; Quorum

Only holders of record of Shurgard common stock at the close of business on [], 2006, the Shurgard record date for the Shurgard special meeting, are entitled to notice of, and to vote at, the Shurgard special meeting and any reconvened meeting following an adjournment or postponement of the Shurgard special meeting. On the Shurgard record date, [] shares of Shurgard common stock were outstanding and held by approximately [] holders of record.

A quorum will exist at the Shurgard special meeting if a majority of all the shares of Shurgard common stock issued and outstanding on the Shurgard record date and entitled to vote at the Shurgard special meeting are represented at the Shurgard special meeting in person or by a properly executed proxy. Abstentions and broker non-votes (described below) will be treated as present at the Shurgard special meeting for purposes of determining the presence or absence of a quorum for the transaction of all business. In the event that a quorum is not present at the Shurgard special meeting, it is expected that the meeting will be adjourned or postponed to solicit additional proxies. Holders of record of Shurgard common stock on the Shurgard record date are entitled to one vote per share on each matter submitted to a vote at the Shurgard special meeting.

Vote Required

The approval of the merger agreement and the transactions contemplated by the merger agreement, including the merger, requires the affirmative vote of the holders of a majority of the outstanding shares of

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Shurgard common stock on the Shurgard record date. Because the required vote of Shurgard shareholders is based on the number of outstanding shares of Shurgard common stock entitled to vote, rather than on the number of shares actually voted, the failure by a shareholder to submit a proxy or to vote in person at the Shurgard special meeting, including abstentions and broker non-votes, will have the same effect as a vote against approval of the merger agreement and the merger.

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. As a result, abstentions will have the same effect as a vote against the approval of adjournments or postponements whereas 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.

In accordance with the merger agreement, Shurgard's Series C and Series D Preferred Stock have been called for redemption, subject to satisfaction or waiver of all the conditions of the merger. See *Risk Factors*.

Shares Owned by Shurgard Directors and Executive Officers

At the close of business on the Shurgard record date, directors and executive officers of Shurgard beneficially owned and were entitled to vote [] shares of Shurgard common stock, which represented approximately []% of the shares of Shurgard common stock outstanding on that date. In connection with the merger agreement, Charles K. Barbo has entered into a voting agreement with Public Storage, pursuant to which Mr. Barbo has agreed, among other things, to vote all of the shares of Shurgard common stock beneficially owned by him, representing approximately 3% of the outstanding shares, in favor of the approval of the merger agreement and the transactions contemplated thereby, including the merger.

Voting of Proxies

Shareholders of record may vote their shares by attending the Shurgard special meeting and voting their shares in person at the meeting, or by completing the enclosed proxy card, signing and dating it and mailing it in the enclosed postage pre-paid envelope. Shareholders also may submit their proxy by telephone or on the Internet by following the instructions provided in the enclosed proxy card. If a proxy card is signed by a shareholder of record and returned without specific voting instructions, the shares represented by the proxy will be voted FOR the proposals presented at the Shurgard special meeting.

Shareholders whose shares are held in street name must either instruct the record holder of their shares how to vote their shares or obtain a proxy from the record holder to vote at the Shurgard special meeting. Please check the voting form used by your bank, broker, nominee, fiduciary or other custodian for information on how to submit your instructions to them. Failure to provide voting instructions to your record holder will result in a broker non-vote for those shares held in street name. Shares represented by broker non-votes will not be voted FOR or AGAINST the proposals, but will be counted in determining whether or not a quorum exists.

The persons named as proxies by a shareholder may propose and vote for one or more adjournments of the Shurgard special meeting, including adjournments to permit further solicitations of proxies. Any adjournment may be made at any time by shareholders representing a majority of the votes present in person or by proxy at the Shurgard special meeting, whether or not a quorum exists, without further notice other than by an announcement made at the meeting. Shurgard does not currently intend to seek an adjournment of the Shurgard special meeting. No proxy voted against the proposal to approve the merger agreement and the merger will be voted in favor of any adjournment or postponement.

Shurgard does not expect that any matter other than the proposal to approve the merger agreement and the merger will be brought before the Shurgard special meeting. If, however, other matters are properly brought before the Shurgard special meeting, or any reconvened meeting following an adjournment or postponement, the persons named as proxies will vote in accordance with their judgment.

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Revocability of Proxies

Shareholders of record may revoke their proxy at any time prior to the time it is voted at the meeting. Shareholders of record may revoke their proxy by:

executing a later-dated proxy card relating to the same shares and delivering it to Shurgard's Corporate Secretary by Internet, telephone or mail before the taking of the vote at the Shurgard special meeting;

filing with Shurgard's Corporate Secretary before the taking of the vote at the Shurgard special meeting a written notice of revocation bearing a later date than the proxy card; or

attending the Shurgard special meeting and voting in person (although attendance at the Shurgard special meeting will not, in and of itself, revoke a proxy).

Any written revocation or subsequent proxy card should be delivered to Shurgard Storage Centers, Inc., 1155 Valley Street, Suite 400, Seattle, Washington 98109, Attention: Corporate Secretary, or hand delivered to Shurgard's Corporate Secretary or her representative before the taking of the vote at the Shurgard special meeting.

Solicitation of Proxies

Shurgard is soliciting proxies for the Shurgard special meeting and will bear all expenses in connection with such solicitation of proxies of its shareholders. Upon request, Shurgard will pay banks, brokers, nominees, fiduciaries or other custodians their reasonable expenses for sending proxy material to, and obtaining instructions from, persons for whom they hold shares.

Shurgard has retained MacKenzie Partners, Inc. to assist with the solicitation of proxies. MacKenzie Partners, Inc. will receive customary fees as compensation for its services and MacKenzie Partners, Inc. expects to solicit proxies primarily by mail, but directors, officers and other employees of Shurgard or MacKenzie Partners, Inc. may also solicit proxies in person or by Internet, telephone or mail. No additional compensation will be paid to directors, officers or other employees of Shurgard in connection with this solicitation.

Shurgard shareholders who receive more than one proxy card or voting instruction form have shares registered in different forms or in more than one account. Please complete, sign, date and return all proxy cards and provide instructions for all voting instruction forms received to ensure that all of your shares are voted.

Shurgard shareholders should not send stock certificates with their proxies. A transmittal form with instructions for the surrender of Shurgard common stock certificates will be mailed to Shurgard shareholders shortly after completion of the merger.

Adjournment and Postponement

Shareholders may be asked to vote on a proposal to adjourn or postpone 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.

Any adjournment may be made from time to time by approval of the shareholders holding a majority of the voting power present, in person or by proxy, at the special meeting, whether or not a quorum exists, without further notice other than by announcement made at the special meeting. In addition, if the adjournment of the special meeting is for more than 120 days or if after the adjournment a new record date is otherwise fixed for an adjourned meeting, notice of the adjourned meeting must be given to each shareholder of record entitled to vote at such special meeting. If a quorum is not present at the special meeting, shareholders may be asked to vote on a proposal to adjourn or postpone the special meeting to solicit additional proxies. If a quorum is present at the special meeting but there are not sufficient votes at the time of the special meeting to approve the proposal to approve the merger agreement, holders of common stock may also be asked to vote on a proposal to approve the adjournment or postponement of the special meeting to permit further solicitation of proxies.

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THE PUBLIC STORAGE ANNUAL MEETING

General

This joint proxy statement/prospectus is being provided to Public Storage shareholders as part of a solicitation of proxies by the Public Storage board of directors for use at the annual meeting of Public Storage shareholders and at any adjournment or postponement thereof. This joint proxy statement/prospectus is first being furnished to shareholders of Public Storage on or about [], 2006. This joint proxy statement/prospectus provides Public Storage shareholders with the information they need to know to be able to vote or instruct their vote to be cast at the annual meeting of Public Storage shareholders.

Date, Time and Place of the Public Storage Annual Meeting

The annual meeting of Public Storage shareholders will be held at [], local time, on [], 2006, at The Hilton Glendale, 100 West Glenoaks Boulevard, Glendale, California

Purposes of the Public Storage Annual Meeting

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;

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 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.

Record Date; Outstanding Shares; Shares Entitled to Vote

Only shareholders of record of (a) Public Storage common stock, (b) depositary shares each representing 1/1,000 of a share of Public Storage equity stock, series A or (c) Public Storage equity stock, series AAA at the close of business on the record date of [], 2006 will be entitled to vote at the meeting, or at any reconvened meeting following an adjournment or postponement of the meeting. Each depositary share of Public Storage equity stock, series A represents 1/1,000 of one share of Public Storage equity stock, series A. The Public Storage equity stock, series A has been deposited with Computershare Trust Company, N.A. (formerly known as EquiServe Trust Company, N.A.) as Depositary. On the record date, Public Storage had approximately [] shares of Common Stock, 8,744,193 Depositary Shares representing 8,744.193 shares of equity stock, series A, and 4,289,544 shares of equity stock, series AAA issued and outstanding. 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 [] million shares of Public Storage common stock and former Shurgard shareholders will own approximately []% of the then-outstanding shares of Public Storage common stock.

If your shares are held in the name of a bank, broker or other nominee and you plan to attend Public Storage annual meeting, you will need to bring proof of ownership, such as a recent bank or brokerage account statement.

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A complete list of Public Storage shareholders entitled to vote at the Public Storage annual meeting will be available for inspection at the executive offices of Public Storage during regular business hours for a period of no less than ten days before the annual meeting.

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Voting Your Proxy

Your vote is important. Whether or not you plan to attend the Public Storage annual meeting, we urge you to vote your proxy promptly.

If you are a shareholder of record (that is, you hold shares of Public Storage stock in your own name), you may vote your shares by proxy by completing, signing, dating and returning the enclosed proxy card in the postage-prepaid envelope provided.

If your shares of Public Storage common stock are held by a broker, bank or other nominee in street name, you will receive voting instructions (including instructions, if any, on how to vote by telephone or through the Internet) from the record holder that you must follow in order to have your shares voted at the Public Storage annual meeting.

If you hold your shares as a participant in the PS 401(k)/Profit Sharing Plan, your proxy will serve as a voting instruction for the trustee of the plan with respect to the amount of shares of common stock credited to your account as of the record date. If you provide voting instructions via your proxy/instruction card with respect to your shares held in the plan, trustee will vote those shares of common stock in the manner specified. The trustee will vote any shares for which it does not receive instructions in the same proportion as the shares for which voting instructions have been received, unless the trustee is required by law to exercise its discretion in voting such shares. To allow sufficient time for the trustee to vote your shares, the trustee must receive your voting instructions by [], 2006.

If a proxy/instruction card in the accompanying form is properly executed and is received before the voting and not revoked, the persons designated as proxies will vote the shares of common stock represented thereby, if any, in the manner specified, and the Depository will vote the equity stock underlying the depository shares represented thereby, if any, in the manner specified. **If you do not indicate how your shares should be voted on a matter, the shares represented by your properly completed proxy/instruction card will be voted as the Public Storage board of directors recommends.** The persons designated as proxies and the Depository reserve full discretion to cast votes for other persons if any of the nominees for director become unavailable to serve and to cumulate votes selectively among the nominees as to which authority to vote has not been withheld.

Revoking Your Proxy

You may revoke your proxy/instruction card at any time before it is voted at the annual meeting. To revoke your proxy/instruction card, you may send a written notice of revocation to the Corporate Secretary at Public Storage, Inc., 701 Western Ave., Glendale, CA 91201 or to the Depository before the annual meeting. You may also revoke your proxy by submitting another signed proxy with a later date, or by voting in person at the annual meeting.

Recommendations of the Public Storage Board of Directors

If you submit the proxy card but do not indicate your voting instructions, the persons named as proxies on your proxy card will vote in accordance with the recommendations of the Public Storage board of directors. The Public Storage 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 as discussed in Proposal 1;

FOR the election of the nominees for director identified in Proposal 2;

FOR ratification of the appointment of Ernst & Young LLP as Public Storage's registered public accountants for fiscal year 2006 as discussed in Proposal 3; and

FOR the approval of adjournments or postponements of the Public Storage annual meeting, if necessary to permit further solicitation of proxies if at the time of the Public Storage annual meeting to approve the above proposals.

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Quorum

The presence at the meeting in person or by proxy of the holders of a majority of the voting power represented by the outstanding shares of Public Storage common stock and Public Storage equity stock, counted together as a single class, will constitute a quorum for the transaction of business. Abstentions and broker non-votes are counted for purposes of whether a quorum exists.

A broker non-vote occurs when a nominee holding shares for a beneficial owner does not vote on a particular proposal because the nominee does not have discretionary voting power with respect to that item and has not received voting instructions from the beneficial owner. If the shareholders present or represented by proxy at the meeting constitute holders of less than a majority of the shares entitled to vote, Public Storage's meeting may be adjourned to a subsequent date for the purpose of obtaining a quorum.

Voting Rights

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 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 depository 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, series A registered in its name (equivalent to 1/10 the number of depository 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. However, no shareholder shall be entitled to cumulate votes unless the candidate's name has been placed in nomination prior to the voting and the shareholder, or any other shareholder, has given notice at the Public Storage annual meeting prior to the voting of the intention to cumulate the shareholder's votes. 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 depository shares) registered in their name. Holders of Public Storage equity stock, series AAA are entitled to one vote for each share that they own but are only entitled to vote with regard to the approval of the merger agreement and the transactions contemplated thereby.

Entities controlled by Public Storage have the right to cast a majority of the votes of the equity stock with respect to the merger and intend 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.

Required Vote

To approve 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 Public Storage equity stock is required to approve the merger agreement and the transactions contemplated thereby, including the issuance of Public Storage common stock.

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 equity stock, the failure to submit a proxy/voting instruction card or to vote at the Annual Meeting will have the same effect as a vote against the approval of the merger agreement and the transactions contemplated thereby, including the issuance of Public Storage common stock. Brokers holding shares of Public Storage stock will not have discretionary authority to vote those shares in the absence of

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instructions from the beneficial owners of those shares, so the failure to provide voting instructions to your broker will also have the same effect as a vote against the proposal to approve the merger agreement and the transactions contemplated thereby, including the issuance of Public Storage common stock.

Election of Directors: The ten candidates who receive the most votes will be elected directors of Public Storage. Shares of common stock or equity stock not voted (whether by abstention or otherwise) will not affect the vote.

Ratification of Independent Auditors: This proposal requires the affirmative vote of the holders of at least a majority of the votes cast. Any Public Storage shares not voted (whether by abstention or otherwise) will not affect the vote.

Voting by Public Storage's Directors and Executive Officers

As of the record date for the Public Storage annual meeting, Public Storage's directors and executive officers had the right to vote approximately [] shares of the then outstanding Public Storage common stock at the Public Storage annual meeting. As of the record date of the Public Storage annual meeting, these shares represented approximately []% of the Public Storage common stock outstanding and entitled to vote at the meeting.

As of the record date for the Public Storage annual meeting, Public Storage's directors and executive officers had the right to vote approximately [] shares of the then outstanding depositary shares representing Public Storage equity stock, series A at the Public Storage annual meeting. As of the record date of the Public Storage annual meeting, these shares represented approximately []% of the depositary shares representing Public Storage equity stock, series A outstanding and entitled to vote at the meeting.

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 then outstanding equity stock, series AAA at the annual meeting.

Proxy Solicitation Costs

Public Storage will pay the cost of soliciting proxies. In addition to solicitation by mail, certain directors, officers and regular employees of the Public Storage and its affiliates may solicit the return of proxies by telephone, personal interview or otherwise. Public Storage may also reimburse brokerage firms and other persons representing the beneficial owners of its stock for their reasonable expenses in forwarding proxy solicitation materials to such beneficial owners. MacKenzie Partners, Inc., a proxy soliciting firm, has been retained to assist Public Storage in the solicitation of proxies, for which MacKenzie Partners, Inc. will receive normal and customary fees and expenses estimated at [\$].

Description of Items of Business for the Annual Meeting

ITEM 1 THE APPROVAL OF THE MERGER AGREEMENT AND THE TRANSACTIONS CONTEMPLATED THEREBY, INCLUDING THE ISSUANCE OF PUBLIC STORAGE COMMON STOCK

As discussed elsewhere in this joint proxy statement/prospectus, Public Storage shareholders are considering and voting on a proposal to approve the merger agreement and the transactions contemplated thereby, including the issuance of Public Storage common stock. Public Storage shareholders should read carefully this joint proxy statement/prospectus in its entirety for more detailed information concerning the merger agreement and the merger. In particular, Public Storage shareholders are directed to the merger agreement, which is attached as *Annex A* to this joint proxy statement/prospectus.

The Public Storage board of directors recommends a vote FOR approval of the merger agreement and the transactions contemplated thereby and your proxy will be so voted unless you specify otherwise.

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ITEM 2 ELECTION OF DIRECTORS

Ten directors, constituting the entire Public Storage board of directors, are to be elected at the Public Storage annual meeting, to hold office until the next annual meeting and until their successors are elected and qualified. When the accompanying proxy/instruction card is properly executed and returned before the voting, the persons designated as proxies and the trustee will vote the shares of Public Storage common stock represented thereby, if any, and the depositary will vote the Public Storage equity stock, series A underlying the depositary shares represented thereby, if any, in the manner indicated on the proxy/instruction card. If any nominee below becomes unavailable to serve before the meeting, the shares of Public Storage common stock and/or the shares of Public Storage equity stock underlying depositary shares represented by a proxy/instruction card voted for that nominee, will be voted for the person, if any, designated by the Public Storage board of directors to replace the nominee. However, the Public Storage board of directors has no reason to believe that any nominee will be unavailable.

For information regarding the directors nominated for reelection, and regarding the Public Storage board of directors as a whole, see *Information about Public Storage Election of Directors*.

The Public Storage board of directors recommends that Public Storage shareholders vote FOR the election of the nominees named above. Proxies solicited by the Public Storage board

will be so voted unless you specify otherwise.

ITEM 3 RATIFICATION OF APPOINTMENT OF INDEPENDENT

REGISTERED PUBLIC ACCOUNTANTS

The Audit Committee of the Public Storage board of directors, under authority granted by the Public Storage board of directors, has appointed Ernst & Young LLP, as its independent registered public accounting firm, to audit the accounts of Public Storage for the fiscal year ending December 31, 2006. Public Storage's bylaws do not require that shareholders ratify the appointment of Ernst & Young LLP as Public Storage's independent registered public accounting firm. Public Storage is asking its shareholders to ratify this appointment because it believes such a proposal is a matter of good corporate practice. If the shareholders do not ratify the appointment of Ernst & Young LLP, the Audit Committee will reconsider whether or not to retain Ernst & Young LLP as Public Storage's independent registered public accounting firm, but may determine to do so. Even if the appointment of Ernst & Young LLP is ratified by the shareholders, the Audit Committee may change the appointment at any time during the year if it determines that a change would be in the best interest of Public Storage and its shareholders. See *Information about Public Storage Ratification of Independent Registered Public Accountants*.

The Public Storage board of directors recommends that Public Storage shareholders vote FOR the ratification of the appointment of Ernst & Young LLP, and your proxy will be so voted unless you specify otherwise.

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THE MERGER

Background of the Merger and Prior Contacts

From time to time, Public Storage initiated discussions with Shurgard regarding a possible business combination between the two companies, in the belief that a combination could be in the best interests of the shareholders of both companies. In exploring a possible transaction, there were intermittent contacts between representatives of Public Storage and Shurgard prior to 2004. During this period, the two companies never reached any agreement for a business combination between the two companies.

In November 2003, Ronald L. Havner, Jr., Chief Executive Officer of Public Storage, called Charles K. Barbo, Chief Executive Officer of Shurgard, and suggested that the two meet. A meeting was subsequently scheduled for January 27, 2004.

On January 27, 2004, Mr. Havner and Mr. Barbo, together with the in-house counsel for both companies, met in Seattle. At the meeting, those present engaged in a general discussion of the self-storage industry and of the two companies. Mr. Havner suggested a potential combination of the two companies. Mr. Barbo expressed a general willingness to explore a possible transaction but stated that the timing was currently inopportune for Shurgard, given that Shurgard had recently changed auditors and was in the process of preparing its financial statements for inclusion in its annual reports on Form 10-K for the years ended December 31, 2002 and December 31, 2003, respectively, and having those financial statements audited by PricewaterhouseCoopers LLP, Shurgard's new auditors.

On April 1 and 2, 2005, Public Storage's directors and senior management held a strategic planning session. At the session, the Public Storage board of directors concluded that exploring a combination of Public Storage and Shurgard would be beneficial to Public Storage's shareholders.

On May 5, 2005, the Public Storage board of directors met with members of Public Storage's senior management. Mr. Havner reviewed with the Public Storage board of directors management's review and analysis of Shurgard, based solely on publicly available information.

On May 19, 2005, the Public Storage board of directors met with members of Public Storage's senior management to discuss a possible transaction with Shurgard. Mr. Havner presented the results of management's further review and analysis, including visits to certain of Shurgard's properties and described management's view of the potential benefits and detriments of a transaction with Shurgard. Mr. Havner suggested that the directors consider the matters discussed at the meeting and indicated that there would be another meeting the following week to consider further a possible transaction with Shurgard.

On May 25, 2005, the Public Storage board of directors again met with members of Public Storage's senior management to discuss a possible transaction with Shurgard. After discussion, the directors agreed that management should seek to effectuate a combination of Shurgard with Public Storage within the parameters discussed at the meeting and to use management's discretion as to how to proceed to accomplish this objective.

In June 2005, Mr. Havner called Mr. Barbo and suggested that representatives from the two companies meet again. A meeting between the representatives for the two companies was subsequently scheduled for July 7, 2005.

On June 30, 2005, at a meeting of the Public Storage board of directors, Mr. Havner informed the Board that a meeting with Shurgard was scheduled for July 7, 2005.

On July 7, 2005, Mr. Havner and Harvey Lenkin, a director of Public Storage, met with Mr. Barbo and David K. Grant, President of Shurgard. The participants engaged in a general discussion of the self-storage industry and of the businesses of the two companies. Mr. Havner and Mr. Lenkin again expressed Public

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Storage's interest in pursuing a combination of Shurgard and Public Storage. Mr. Barbo informed Messrs. Havner and Lenkin that, consistent with their fiduciary duties, Messrs. Barbo and Grant would inform the Shurgard board of directors of the substance of the meeting.

In connection with the ongoing discussions between senior management of Public Storage and Shurgard described above, Shurgard engaged Willkie Farr & Gallagher LLP and Perkins Coie LLP to provide legal advice to Shurgard. In addition, in July 2005, Citigroup Global Markets Inc. and Banc of America Securities LLC were retained as Shurgard's financial advisors in connection with the Public Storage indication of interest and related matters.

On July 8, 2005, Mr. Havner sent the following letter to Messrs. Barbo and Grant:

July 8, 2005

Mr. Charles Barbo, CEO and Chairman of the Board

Mr. David Grant, President and COO

Shurgard

1155 Valley Street, Suite 400

Seattle, Washington 98109

Dear Chuck,

Thank you for taking the time to meet with Harvey and me. We enjoyed catching up and reminiscing about the evolution of the self-storage industry and its prospects. The similarity of our corporate cultures is amazing.

We thought it would be helpful for you to have in writing some of the benefits we perceive for both companies by merging. We recognize that you have a business plan that we assume is shareholder value driven. We think a merger of our two companies would accelerate and enhance the benefits to your plan, delivering an immediate increase in value to your shareholders and also allowing them to participate in the enhanced upside of the combined business.

The benefits of a merger are totally shareholder value driven. The benefits to your shareholders would include:

a combined company with ownership interests in over 2,000 quality properties in 38 states and seven European countries

a more active trading market for their securities

enhanced credit ratings and access to capital

reduced overall leverage

the combined company's financial resources and strong financial position will facilitate expanded career opportunities for the best people

lower general and administrative expenses

a more secure common dividend with greater upside potential

greater concentration of properties in faster growing markets, such as Southern California and South Florida

higher FFO per share growth

financial capacity, post merger, to significantly grow in Europe and the United States without jeopardizing the company's credit rating

significant opportunities for revenue and expense synergies

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We believe that the use of our national telephone reservation system, as well as media advertising programs, which will be more cost effective with a larger number of properties in major markets, will drive revenue growth of Shurgard's properties. In addition, valuable and important ancillary businesses, such as tenant reinsurance, merchandise sales and truck rentals, could be expanded. Furthermore, by spreading property level costs over a larger number of properties in the same markets, we would be able to reduce a number of cost items for the properties of both Shurgard and Public Storage, including television and yellow pages advertising, casualty and liability insurance and supervisory payroll. Through economies of scale, we can also improve cost efficiencies of certain support functions, such as HR, payroll and national telephone reservation system.

In short, we believe a combined company will deliver superior returns, in which Shurgard shareholders will participate through their ongoing equity interest in the combined enterprise.

As we stated in the meeting, we would hope that David Grant would accept the role of President in the new combined enterprise.

We have structured a transaction that offers an immediate premium to your current trading price and affords your shareholders the opportunity to potentially increase the value of their existing investment in a company with greater liquidity and increased geographic diversification. We believe that this transaction will be enthusiastically received by your shareholders. Our proposed structure is:

Shurgard shareholders would receive 0.8 shares of our common stock for each share of Shurgard common stock (an implied value of \$52.74 per share of Shurgard stock based on today's close). This represents a 12% premium to the Shurgard stock price at today's close and a 24% premium to the average Shurgard closing price over the past six months.

So that the combined company would have the benefit of a step-up in tax basis and therefore the enhanced ability to retain free cash flow for growth, we propose that the combination be structured as a taxable transaction.

We have been talking about combining our two great companies for nearly a decade. The time is now. Combined, we can produce even greater returns for our owners and even greater opportunities for our employees. In addition, our lenders, both debt and preferred, would benefit from the enhanced credit-worthiness of the combined enterprise and our owners would accordingly enjoy a lower cost of capital.

The transaction we propose would not be subject to any unusual governmental or third party approvals, or any other significant contingencies. We believe that this transaction can be completed expeditiously.

This transaction has our full attention and highest priority. We hope that you will be as excited as we are about the benefits of this combination for both our companies and our respective shareholders, and we want to work with your board and senior management towards the prompt consummation of a negotiated transaction. We have engaged the law firm of Wachtell, Lipton, Rosen & Katz to assist us in completing this transaction in an expeditious manner. They and we are prepared to start immediately to negotiate an agreement. Thank you for your prompt consideration.

Sincerely,

/s/ Ronald L. Havner, Jr.

Ronald L. Havner, Jr.

Chief Executive Officer

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After discussions with the Shurgard board of directors and Shurgard's legal advisors, Mr. Barbo determined that the July 8, 2005 letter from Mr. Havner warranted an in-person meeting of the Shurgard board of directors and proceeded to schedule such meeting. On July 12, 2005, after receiving advice from Shurgard's legal advisors, Mr. Barbo responded by letter to Mr. Havner's letter as follows:

July 12, 2005

Mr. Ron Havner

Chief Executive Officer

Public Storage

701 Western Avenue, Suite 200

Glendale, CA 91201-2397

Dear Ron,

I received your letter dated July 8, 2005.

We will convene a meeting of Shurgard's board of directors as promptly as possible, likely in the upcoming week or two, to consider your proposal.

We will respond to you promptly thereafter.

Sincerely,

/s/ Charles Barbo

Charles Barbo

Chairman and Chief Executive Officer

On July 13, 2005, Mr. Havner sent the following letter to each of the members of the Shurgard board of directors, enclosing the letter that he sent to Messrs. Barbo and Grant on July 8, 2005:

July 13, 2005

Dear [Director]:

I was pleased to learn from Chuck yesterday, that you and the rest of the Shurgard Board of Directors will soon be considering our proposal to merge our two great companies. I wanted to take this opportunity to thank you for your prompt consideration of this transaction. For your convenience, I have enclosed a copy of the letter I sent to Charles Barbo and David Grant which summarizes our meeting and proposal.

At Public Storage, we have long believed that there are compelling reasons, both financial and strategic, to combine our two companies. We believe that the time to act is now, and I assure you that this transaction has our full attention and highest priority. Our Board of Directors and senior management team are fully committed to this merger.

I would be pleased to discuss the proposal with you individually or with your board as a group. Please do not hesitate to contact me directly.

Sincerely,

/s/ Ronald L. Havner, Jr.

Ronald L. Havner, Jr.

Chief Executive Officer

cc: Charles Barbo

David Grant

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On July 14, 2005, Mr. Havner and Mr. Barbo discussed by telephone Mr. Havner's letter of July 13, 2005. During this conversation, Mr. Barbo informed Mr. Havner that the Shurgard board of directors would consider Public Storage's proposal promptly and that Mr. Havner did not need to send separate correspondence to Shurgard's independent directors. On July 15, 2005, Mr. Barbo sent the following letter to Mr. Havner:

July 15, 2005

Mr. Ron Havner

Chief Executive Officer

Public Storage

701 Western Avenue, Suite 200

Glendale, CA 91201-2397

Dear Ron,

It is not conducive to friendly or cooperative relations between our companies if you presume to communicate directly to our Board of Directors on a subject which I had assured you just yesterday we would consider in the very near future.

You will hear from me promptly after the Board has considered your letter and decided what is in the best interest of Shurgard's shareholders.

Sincerely,

/s/ Charles Barbo

Charles Barbo

Chairman and Chief Executive Officer

On July 22, 2005, the Shurgard board of directors met with Shurgard's legal and financial advisors and representatives of Shurgard's senior management team to discuss Public Storage's acquisition proposal and Shurgard's past and current business operations, financial condition and prospects. The representatives from Shurgard's senior management team made presentations and responded to questions regarding Shurgard's business, the progress on Shurgard's strategic business plan and Shurgard's historical financial results and projected future results. Shurgard's legal advisors discussed with the Shurgard board the fiduciary duties of the directors and presented the board with an overview of the terms of Public Storage's acquisition proposal and related legal matters. The financial advisors then reviewed financial aspects of Public Storage's proposal with the Shurgard board. After thorough discussion, the independent directors met separately to discuss the acquisition proposal. The full Shurgard board then reconvened with certain of its advisors and certain members of management. After further discussion, the Shurgard board, by the unanimous vote of all directors, determined to reject Public Storage's acquisition proposal and decided that further discussions with Public Storage regarding an acquisition proposal would not be productive at that time. The Shurgard board also authorized the delivery of a letter to Public Storage communicating the results of its deliberations.

Mr. Barbo sent the following letter to Mr. Havner on July 26, 2005:

July 26, 2005

Mr. Ron Havner

Chief Executive Officer

Public Storage, Inc.

701 Western Avenue, Suite 200

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Glendale, CA 91201-2397

Dear Ron,

I write in response to your letter of July 8. The Board of Directors of Shurgard met to consider Public Storage's proposal to acquire all of the outstanding shares of Shurgard.

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The Board, with the assistance of financial advisors and legal counsel, conducted a thorough review of your proposal. The Board unanimously decided that the Company is not for sale and, therefore, rejected your proposal. The Board determined that combining our companies in a transaction as outlined in your July 8 letter would not be in the best interests of Shurgard's shareholders.

Sincerely,

/s/ Charles K. Barbo

Charles K. Barbo

Chairman and Chief Executive Officer

On August 1, 2005, following receipt of Mr. Barbo's letter of July 26, 2005, Public Storage publicly disclosed its proposal to enter into a business combination with Shurgard, and further disclosed the contents of the July 8, 2005 and July 26, 2005 letters described above. Also, on August 1, 2005, following Public Storage's publicized acquisition proposal, Shurgard publicly disclosed its rejection of the acquisition proposal.

On August 4, 2005, at a meeting of the Public Storage board of directors, Public Storage's senior management updated the board on the status of the potential Shurgard transaction. The board discussed the investor and analyst reaction to Public Storage's proposal and authorized Public Storage to retain an investment banking firm to assist with a potential Shurgard transaction.

Pursuant to a letter agreement dated August 16, 2005, Public Storage engaged Goldman Sachs to act as its financial advisor in connection with a potential Shurgard transaction.

On August 30, 2005, the Shurgard board of directors met with Shurgard's legal and financial advisors and the representatives of Shurgard's senior management team. The financial advisors reviewed with the board recent events related to the Public Storage proposal, research analyst, shareholder and market reactions to the proposal, and Shurgard's stock price performance and trading patterns following Public Storage's acquisition proposal. Possible strategic alternatives available to Shurgard were also discussed. These alternatives included continued pursuit of Shurgard's strategic business plan, entering into one or more joint ventures, recapitalizing a portion or all of Shurgard's operations, conducting a merger or sale transaction for all or part of Shurgard's business, merging Shurgard's European business with another public company, selling the European business for cash, launching an initial public offering of the European business or spinning-off the European business to Shurgard's shareholders.

During August and September 2005, Shurgard received several letters from shareholders related to the Public Storage proposal. On September 13, 2005, the Shurgard board of directors met and discussed appropriate responses to these letters. The Shurgard board advised representatives of Shurgard's senior management team to meet with certain Shurgard shareholders to discuss the Public Storage proposal and Shurgard's response. Over a period of two weeks in September 2005, Messrs. Barbo and Grant, along with Shurgard's financial advisors, met with numerous Shurgard shareholders to discuss the Public Storage proposal.

During September 2005, members of Public Storage's senior management met with certain Shurgard shareholders to discuss Public Storage's proposal and the potential benefits of the combination.

On September 23, 2005, Mr. Havner sent the following letter to each of the members of the Shurgard board of directors:

September 23, 2005

Dear [Director],

In July we proposed a combination of Public Storage and Shurgard through a merger in which each share of Shurgard common stock would be exchanged for .80 shares of Public Storage common stock. In response to our premium offer, you informed us and your shareholders that Shurgard is not for sale. We urge you to reconsider your position.

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We met recently with Shurgard shareholders who collectively own more than 50% of your outstanding shares. Based on these conversations, the feedback we received was clear: your shareholders strongly endorse a transaction with Public Storage and hope you will facilitate a merger of our two companies.

We suspect you have heard the same message too. As we have repeatedly stated, it is our preference to enter into a negotiated transaction with Shurgard. This will save both of our companies the time and expense of special meetings, proxy contests, litigation, unilateral exchange offers and other expensive and time-consuming measures.

As you can understand, we based our offer of .80 shares exclusively on public information. Nevertheless, because you believe our price is insufficient, we will consider any non-public information which you can provide us to help justify a higher valuation. We are also willing to consider alternative forms of consideration and transaction structures.

In exercising your fiduciary duties, we are hopeful that you will listen to the appeals of your own shareholders, recognize the value of our proposal and appreciate our willingness to negotiate with you in a flexible and open-minded spirit. We are prepared to meet with you at any time to discuss this mutually beneficial business combination.

I look forward to hearing from you.

Sincerely,

/s/ Ronald L. Havner, Jr.

Ronald L. Havner, Jr.

Chief Executive Officer

On September 26, 2005, Public Storage issued a press release publicly disclosing the September 23, 2005 letters to Shurgard's directors.

On October 3, 2005, the Shurgard board of directors met via teleconference with Shurgard's legal and financial advisors and Shurgard's senior management team to discuss management's meetings with certain of Shurgard's shareholders. Messrs. Barbo and Grant reported that the general consensus among Shurgard's shareholders was that the offer price, based on Public Storage's proposed exchange ratio of 0.80 shares of Public Storage common stock for each outstanding share of Shurgard common stock, was too low. As of October 3, 2005, this proposed offer price represented a value of approximately \$53.62 per share of Shurgard common stock, as compared with the then-current price of Shurgard common stock, which closed at \$55.98 on October 3, 2005, based on the closing price of Public Storage common stock on that date. Messrs. Barbo and Grant also reported that certain shareholders were in favor of Shurgard beginning an auction process through which it could solicit offers from other interested parties. Following this discussion, Shurgard's financial advisors outlined for the Shurgard board the mechanics of an auction process and possible parties which might be interested in participating in such process. At the end of this meeting, the Shurgard board authorized the financial advisors to solicit indications of interests from selected third parties in the U.S. regarding a possible combination or alternative transaction with Shurgard.

On October 5, 2005, at a meeting of the Public Storage board of directors, Public Storage's senior management updated the board on the status of the potential Shurgard transaction. Mr. Havner briefed the board on the reaction of Shurgard's major institutional investors to Public Storage's proposal. Following Mr. Havner's update, the directors discussed the potential transaction with Shurgard.

During the months of October and November 2005, indications of interests were solicited from selected third parties, which included both strategic and financial buyers, regarding a possible combination or alternative transaction with Shurgard. Shurgard entered into confidentiality agreements with certain of these third parties, and subsequently members of Shurgard's senior management team met with and discussed possible transactions with several of these third parties. Certain of the parties were primarily interested in a transaction for either Shurgard's U.S. operations or its European operations.

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On October 11, 2005, certain members of the Shurgard board of directors met via teleconference with Shurgard's legal and financial advisors and Shurgard's senior management team to review the status of discussions with parties interested in a potential combination or alternative transaction with Shurgard. In light of the fact that certain of the parties were primarily interested in a transaction for either Shurgard's U.S. operations or its European operations, the Board authorized the financial advisors to begin contacting selected third parties in Europe to solicit indications of interest in a potential separate sale of the European operations.

On October 21, 2005, Shurgard's legal and financial advisors updated certain members of the Shurgard board of directors on the results of the solicitation for indications of interest.

On October 26, 2005, at a telephonic meeting of the Shurgard board of directors the board determined to proceed with a formal search for strategic alternatives. The directors subsequently executed a unanimous written consent authorizing Shurgard, with the assistance of financial advisors and legal counsel, to explore any strategic alternatives reasonably available to Shurgard, including, but not limited to, a sale of Shurgard, formation of 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.

On October 27, 2005, Shurgard issued a press release announcing that the Shurgard board of directors had authorized senior management and Shurgard's financial advisors to explore strategic alternatives reasonably available to Shurgard to maximize shareholder value, including, but not limited to, a sale of Shurgard, formation of 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.

During Public Storage board of directors meetings held on October 27, 2005, October 31, 2005, and November 23, 2005, Mr. Havner and other members of Public Storage's senior management team updated the Board and engaged in a discussion with the directors about the potential transaction with Shurgard.

On November 10, 2005, at a meeting of the Shurgard board of directors, Shurgard's legal and financial advisors and Shurgard's senior management team updated the Shurgard board of directors on the strategic alternatives process.

On November 28, 2005, Shurgard and Public Storage signed a confidentiality agreement in connection with Shurgard's process of exploring its strategic alternatives, and Shurgard and Public Storage publicly disclosed the agreement. As part of the confidentiality agreement, Public Storage agreed to a standstill providing that it would not pursue the acquisition of Shurgard (other than pursuant to Shurgard's strategic alternatives process) until April 27, 2006. The standstill would terminate earlier than April 27, 2006 if Shurgard entered into a definitive agreement with a third party for a business combination or disclosed that it had concluded its exploration of strategic alternatives. The standstill would also terminate if a third party commenced an unsolicited tender offer or exchange offer for Shurgard's securities that was not publicly rejected by Shurgard's board of directors, or if Shurgard mailed a notice or publicly disclosed the date of its annual meeting. The confidentiality agreement also stated that it was not intended to restrict Public Storage's ability to identify and solicit individuals to be nominated to serve as directors of Shurgard or to nominate any such individuals for election as directors of Shurgard at Shurgard's next regularly scheduled annual meeting of shareholders. The agreement also stated that, on or before January 15, 2006, Shurgard would invite Public Storage to submit a non-binding indication of interest to acquire Shurgard.

On November 30, 2005, Shurgard opened an electronic data room to interested parties which previously had signed confidentiality agreements with Shurgard, including Public Storage and its financial and legal advisors, and indicated that it expected preliminary non-binding indications of interest from participants in its strategic alternatives process by January 12, 2006. During the months of December 2005 and January 2006, Public Storage conducted due diligence on Shurgard.

During the month of December 2005, indications of interests continued to be solicited from various third parties regarding a possible combination or alternative transaction with Shurgard. During the course of the entire

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process of soliciting indications of interest, over 100 potentially interested parties were contacted and approximately 36 parties entered into confidentiality agreements with Shurgard. During December 2005, Shurgard offered to conduct management presentations (both in the U.S. and in Europe) for parties which had executed confidentiality agreements, and conducted such presentations during December 2005 and January 2006 for interested parties. Shurgard also permitted interested parties to visit Shurgard's properties both in the U.S. and in Europe.

On December 12, 2005, Shurgard's legal and financial advisors, and the Shurgard senior management team updated the Shurgard board of directors on the strategic alternatives process.

On December 15, 2005, representatives of Shurgard conducted a management presentation in Seattle for representatives of Public Storage, and from January 10 through January 12, 2006, Shurgard conducted management presentations in Europe for representatives of Public Storage.

On January 10, 2006, the Public Storage board of directors met with members of Public Storage's senior management team to discuss a potential preliminary bid for Shurgard. Mr. Havner advised the board that Public Storage's management and its advisors had reviewed financial and other due diligence information maintained in the online data room provided by Shurgard. Mr. Havner also noted that Public Storage's real estate group management had visited many of Shurgard's U.S. properties and Public Storage's senior real estate group management was currently in Europe visiting certain of Shurgard's European properties. Mr. Havner reviewed the terms of the draft first round proposal letter that had been previously distributed to the board. The board then authorized management to submit the proposal letter.

On January 12, 2006, Public Storage delivered a non-binding preliminary bid, in which Public Storage offered to acquire the U.S. operations of Shurgard in a transaction in which each Shurgard common shareholder would receive 0.64 of a share of Public Storage common stock for each share of Shurgard common stock held by such shareholder, which would be worth \$46.82 per share based on the closing price of Public Storage common stock as of January 12, 2006. Public Storage also indicated that it would be willing to acquire all of Shurgard in a transaction in which each Shurgard common shareholder would receive 0.80 of a share of Public Storage common stock for each share of Shurgard common stock held by such shareholder, which would be worth \$58.53 per share, as compared with the then-current Shurgard common stock price, which closed at \$60.33 on January 12, 2006, based on the closing price of Public Storage common stock on that date. The letter also stated that Public Storage was ready to begin negotiations immediately and would be willing to enter into a definitive agreement promptly.

Also on January 12, 2006, Shurgard received four additional non-binding preliminary bids from third parties, two of which were for the entire company and two of which were for only Shurgard's European operations.

On January 17, 2006, the Shurgard board of directors met with Shurgard's financial and legal advisors to discuss the preliminary bids that had been received and to review Shurgard's recent stock price performance. The financial advisors reviewed the extent of the strategic alternatives process conducted to date, noting that more than 100 potentially interested parties had been contacted. The board then reviewed its possible next steps, including beginning to negotiate a transaction with Public Storage, continuing the auction process, liquidating certain of Shurgard's properties in the U.S. or Europe or terminating the auction process and continuing with Shurgard's strategic business plan. The independent directors then met separately, together with Shurgard's legal counsel, to discuss the results of the strategic alternative process so far. Following this discussion, Shurgard's legal counsel summarized (1) certain proposed technical amendments to Shurgard's business combination agreements with senior management, and (2) certain proposed amendments to Shurgard's long-term incentive plans. The definition of corporate transaction in the long-term incentive plan was amended so that it conformed with the pre-existing definition of business combination in the business combination agreements. After thorough discussion, the board approved these amendments.

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Later on January 17, 2006, Messrs. Barbo and Grant contacted representatives of Willkie Farr & Gallagher LLP to discuss the possibility of leading an acquisition group to pursue a transaction for Shurgard or Shurgard's European operations. Messrs. Barbo and Grant were advised to make a formal request to Shurgard's board of directors.

On January 18, 2006, the independent directors of Shurgard met via teleconference with Shurgard's legal advisors to discuss the possibility of an acquisition group which includes Messrs. Barbo and Grant, submitting a proposal for the purchase of Shurgard or Shurgard's European operations. The Shurgard board determined that any proposal that had the possibility of maximizing shareholder value should be encouraged and considered. Messrs. Barbo and Grant would recuse themselves and have no further involvement in the Shurgard board's discussions and deliberations related to the strategic alternatives process.

On January 20, 2006, the independent directors of Shurgard met via teleconference with Shurgard's legal and financial advisors to discuss the status of the search for strategic alternatives and current indications of interest, including recent discussions with Public Storage's financial advisors. At this time Shurgard's advisors informed the Shurgard independent directors that Messrs. Barbo and Grant would be partnering with two large financial institutions and would be pursuing a transaction only for Shurgard's European operations.

On January 23, 2006, the financial advisors for Public Storage and Shurgard met to discuss Public Storage's bid for Shurgard. At this time, Public Storage's financial advisor notified Shurgard's financial advisors that Public Storage was willing to raise its bid for all of Shurgard to 0.8175 of a share of Public Storage common stock for each outstanding share of Shurgard common stock, representing a value of approximately \$57.98 per share of Shurgard common stock, based on the closing price of Public Storage common stock on January 23, 2006, as compared with the then-current price of Shurgard common stock, which closed at \$58.92 on that date.

On January 24, 2006 several of the independent members of Shurgard's board of directors met via teleconference with Shurgard's legal and financial advisors to discuss the recent changes to Public Storage's acquisition proposal and the status of the strategic alternatives process. The financial advisors reviewed their recent discussions with Public Storage's financial advisor and the increase in Public Storage's bid price.

On January 27, 2006, the acquisition group of which Messrs. Barbo and Grant were a part submitted a non-binding preliminary bid for Shurgard's European operations. Also on that day, another of the interested parties in Shurgard's strategic alternative process informed Shurgard's financial advisors that it would not be pursuing a transaction with Shurgard. Later that day, the independent directors of Shurgard met via teleconference with Shurgard's legal and financial advisors to discuss the next phase of the strategic alternatives process. The Shurgard board reviewed the bid submitted by the acquisition group of which Messrs. Barbo and Grant were a part and discussed the logistics of conducting a separate transaction for Shurgard's European portfolio. The board determined that, consistent with the intent of the strategic alternatives process, if separate sales of Shurgard's U.S. operations to Public Storage and Shurgard's European operations to the acquisition group of which Messrs. Barbo and Grant were a part would yield maximum shareholder value, then the board would pursue both transactions. During this discussion, the board considered possible drawbacks to a bifurcated sale process, including heightened execution risk, additional closing conditions and regulatory approvals, and potential delay.

On January 30, 2006, the acquisition group of which Messrs. Barbo and Grant were a part submitted a revised non-binding preliminary bid for Shurgard's European operations.

On February 1, 2006, four of the parties which had submitted preliminary indications of interest, including Public Storage and the acquisition group of which Messrs. Barbo and Grant were a part, were invited by Shurgard to participate in the second phase of Shurgard's strategic alternatives process, with final bids due on February 28, 2006. Concurrent with the commencement of the second round of the auction process, Shurgard made additional legal and corporate due diligence materials available to the bidders in Shurgard's online data room. Public Storage and its advisors conducted further due diligence on Shurgard until March 6, 2006.

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On February 2, 2006, the Public Storage board of directors met with members of Public Storage's senior management team to discuss the status of negotiations with Shurgard. On the same day, the independent directors of Shurgard met via teleconference with Shurgard's legal and financial advisors to discuss the status of the strategic alternatives process. The Shurgard board of directors determined that the most viable offers were the offers made by Public Storage and the acquisition group of which Messrs. Barbo and Grant were a part, and the board focused its discussions on these options.

On February 6, 2006, another of the interested parties in Shurgard's strategic alternatives process other than Public Storage and the acquisition group of which Messrs. Barbo and Grant were a part, informed Shurgard's financial advisors that they would not be pursuing a transaction with Shurgard.

On February 7, 2006, the Shurgard board of directors met via teleconference with Shurgard's financial and legal advisors to discuss potential transaction alternatives to a merger with Public Storage. These alternatives included entering into a business combination transaction with one or more U.S. strategic partners, selling the European business separately and selling the remaining U.S. business to Public Storage or merging the remaining U.S. business with a strategic partner, or selling the European business separately with the U.S. business remaining as a standalone company. After discussion, the Shurgard board determined to continue to pursue discussions with Public Storage.

On February 9, 2006, Shurgard's legal advisors distributed a draft purchase agreement to the acquisition group of which Messrs. Barbo and Grant were a part, for the acquisition of interests in Shurgard's European subsidiaries. On February 17, 2006, representatives from Willkie Farr & Gallagher LLP and counsel to this acquisition group held a teleconference call to discuss significant issues on the purchase agreement, including indemnification and break up fee provisions that the acquisition group desired in the purchase agreement.

On February 16, 2006, the financial advisors for Public Storage and Shurgard met and discussed primarily the proposed exchange ratio and whether Public Storage would consider offering a combination of stock and cash as part of the consideration to be paid in the proposed transaction. At this meeting, Public Storage's financial advisor relayed that Public Storage may be willing to increase the proposed exchange ratio for all of Shurgard to 0.82 of a share of Public Storage common stock for each outstanding share of Shurgard common stock, which would be worth \$62.34 per share, as compared with the then-current Shurgard common stock price, which closed at \$62.10 on February 16, 2006, based on the closing price of Public Storage common stock on that date. On the evening of February 16, 2006, Shurgard's legal advisors sent Public Storage's legal advisors two copies of a draft merger agreement, one assuming all stock consideration and the other assuming mixed consideration of cash and stock.

On February 17, 2006, the independent directors of Shurgard met via teleconference with Shurgard's legal and financial advisors to discuss the recent discussions between the financial advisors of Public Storage and Shurgard. The financial advisors relayed Public Storage's possible willingness, as previously indicated by Public Storage's financial advisor, to increase the proposed exchange ratio to 0.82 of a share of Public Storage common stock for each outstanding share of Shurgard common stock. This exchange ratio represented a value of approximately \$62.94 per share of Shurgard common stock, as compared with the then-current Shurgard common stock price, which closed at \$62.88 on February 17, 2006, based on the closing price of Public Storage common stock on that date.

On February 20, 2006, Shurgard's legal and financial advisors held a teleconference call with representatives of the acquisition group of which Messrs. Barbo and Grant were a part and the group's advisors. Representatives of the group indicated that the price indicated in the group's non-binding bid letter would likely decrease in the final bid due to tax, acquisition financing and structuring matters. The representatives of the group also requested additional time to submit the final bid letter in order to complete the group's due diligence examination.

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On February 21, 2006, the remaining interested party in Shurgard's strategic alternatives process other than Public Storage and the acquisition group of which Messrs. Barbo and Grant were a part, informed Shurgard's financial advisors that it was no longer interested in pursuing a transaction with the Shurgard. Later that day, the independent directors of Shurgard met via teleconference with Shurgard's legal and financial advisors to discuss recent developments in the strategic alternatives process. The financial advisors reported that the last remaining bidder, other than Public Storage and the acquisition group of which Messrs. Barbo and Grant were a part, had dropped out of the process. The financial advisors also reported that representatives of the acquisition group of which Messrs. Barbo and Grant were a part had indicated that they believed that the prior bid from that acquisition group would likely be reduced and had requested an extension of the deadline for final bids. The directors then discussed the current status of negotiations with Public Storage. On the evening of February 21, 2006, Public Storage's legal advisors sent Shurgard's legal advisors proposed revisions to the draft merger agreement.

On February 22, 2006, Public Storage's legal advisors and Shurgard's legal advisors discussed the merger agreement. Among the issues discussed were the payment of dividends, the representations and warranties of the parties to the merger agreement, Shurgard's operating covenants, the nature and scope of benefit coverage to Shurgard's employees, the definition of the term "material adverse effect," and the conditions under which a termination fee would be payable and the amount of the termination fee.

Also on February 22, 2006, Shurgard extended the deadline for final bids until March 3, 2006. At that time, the proposed exchange ratio of 0.82 of a share of Public Storage common stock for each outstanding share of Shurgard common stock would be worth \$63.51 per share, as compared with the then-current Shurgard common stock price, which closed at \$63.45 on February 22, 2006, based on the closing price of Public Storage common stock on that date.

On February 23, 2006, the Public Storage board of directors met with members of Public Storage senior management to discuss the potential transaction with Shurgard. The directors and members of senior management discussed the status of negotiations. Mr. Havner informed the board that Public Storage's financial and legal advisors would participate in a meeting the next day. It was noted that Shurgard was requesting that Mr. Hughes, B. Wayne Hughes, Jr. and Tamara Hughes Gustavson sign a voting agreement obligating them to vote their shares for approval of the merger agreement and the transactions contemplated thereby and restricting their ability to sell or transfer shares of Public Storage stock until the merger. At this meeting, the board waived the ownership limitation set forth in Public Storage's charter and in Public Storage's shareholders' agreement with the Hughes family, contingent on the closing of the merger. After closing, the waiver would allow the Hughes family to buy shares of Public Storage common stock in an amount such that their total ownership of Public Storage common stock, as a percentage of all outstanding shares, after the closing of the merger will be equal to their collective total ownership of Public Storage common stock, as a percentage of all outstanding shares, as of the approval of the merger agreement by Public Storage's board of directors.

On the evening of February 23, 2006, Shurgard's legal advisors sent Public Storage's legal advisors further proposed revisions to the draft merger agreement.

On February 24, 2006, the legal