PUBLIC STORAGE INC /CA
Form DEFM14A
March 30, 2007
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant To Section 14(A) of

the Securities Exchange Act of 1934

Filed by the registrant x

Filed by a party other than the registrant ¨

Check the appropriate box:

¨ Preliminary proxy statement

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

x Definitive proxy statement

¨ Definitive additional materials

¨ Soliciting material pursuant to Rule 14a-11(c) or Rule 14a-12

PUBLIC STORAGE, INC.

(Name of Registrant as Specified in Its Charter)

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

Payment of filing fee (Check the appropriate box):

x No fee required.

¨ Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

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

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

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

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(4) Proposed maximum aggregate value of transaction:

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(5) Total fee paid:

¨ Fee paid previously with preliminary materials.

¨ Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the form or schedule and the date of its filing.

(1) Amount previously paid:

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(2) Form, schedule or registration statement no.:

(3) Filing party:

(4) Date filed:

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TO THE SHAREHOLDERS OF

PUBLIC STORAGE, INC.

Dear Shareholder:

On behalf of the Board of Directors, we would like to invite you to join us at our 2007 Annual Meeting of Shareholders. The formal business to be conducted at the meeting is described in the notice that follows this letter. In addition to the election of directors, ratification of the selection of our independent auditors and approval of the Public Storage 2007 Equity and Performance-Based Compensation Plan, we are asking you to consider and vote upon a proposal to reorganize the company into a Maryland real estate investment trust.

The proposed reorganization has been approved unanimously by our Board of Directors, which has considered the benefits of the reorganization as a Maryland REIT, which include being governed by Maryland REIT law as well as cost savings for the company. The enclosed proxy statement/prospectus describes in detail the proposed reorganization.

For the reasons set forth in the proxy statement/prospectus, the Board of Directors recommends a vote For each of the proposals. **Your vote is important regardless of how many shares you own. To ensure that your vote is recorded, please return the enclosed proxy card, properly completed and signed, as soon as possible in the envelope provided for that purpose whether or not you plan to attend the annual meeting.**

You may also vote your shares electronically through the Internet or by telephone. This will eliminate the need to return your proxy card. Instructions for Internet and telephone voting are on your proxy card. If you attend the meeting, you may withdraw your proxy at the meeting and vote your shares in person from the floor.

We appreciate your investment in Public Storage and look forward to seeing you at our 2007 Annual Meeting.

Sincerely,

Ronald L. Havner, Jr.
President and Chief
Executive Officer
Public Storage, Inc.

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

This proxy statement/prospectus is dated March 30, 2007, and is first being mailed to Public Storage shareholders on or about April 6, 2007.

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REFERENCES TO ADDITIONAL INFORMATION

Except where we indicate otherwise, as used in this proxy statement/prospectus, Public Storage refers to Public Storage, Inc. and its consolidated subsidiaries, and PS Maryland refers to Public Storage, a Maryland real estate investment trust which is proposed to become the successor to Public Storage as described under Proposal 4. This 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 proxy statement/prospectus. This proxy statement/prospectus incorporates the annual report on Form 10-K, as amended, of Public Storage for the fiscal year ended December 31, 2006. For a list of documents incorporated by reference into this 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 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. Information contained on Public Storage s website or the website of any other person is not incorporated by reference into this proxy statement/prospectus, and you should not consider information contained on those websites as part of this 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

If you would like to request documents, please do so by April 26, 2007, in order to receive them before the shareholders meetings.

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

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PUBLIC STORAGE, INC.

701 Western Avenue

Glendale, California 91201-2349

NOTICE OF 2007 ANNUAL MEETING OF SHAREHOLDERS

Please take notice that the 2007 Annual Meeting of Stockholders of Public Storage, Inc., a California corporation, will be held at the time and place and for the purposes indicated below.

Time and Date:	1:00 p.m., local time, on May 3, 2007
Place:	The Hilton Glendale, 100 West Glenoaks Boulevard, Glendale, California
Items of Business:	1. To elect ten directors to serve until the 2008 Annual Meeting of Shareholders and until their successors are elected and qualified; 2. To ratify the appointment of Ernst & Young LLP as the Company s independent registered public accounting firm for the fiscal year ending December 31, 2007; 3. To approve the Public Storage 2007 Equity and Performance-Based Incentive Compensation Plan; 4. To approve a proposal to reorganize from a California corporation to a Maryland real estate investment trust; 5. To adjourn or postpone the meeting, if necessary, to permit further solicitation of proxies if there are not sufficient votes at the time of the meeting to approve the above proposals; and 6. To consider and act upon such other matters as may properly come before the meeting or any adjournment or postponement thereof.
Record Date:	You are entitled to vote at the meeting if you were a stockholder of record at the close of business on March 23, 2007 of Public Storage (a) common stock, (b) depositary shares each representing 1/1,000 of a share of equity stock, series A, (c) equity stock, series AAA, (d) depositary shares each representing 1/1,000 of a share of each outstanding series of our preferred stock, other than our preferred stock, series Y, and (e) preferred stock, series Y.
Voting:	**Your vote is very important.** To ensure your representation at the meeting, please mark your vote on the enclosed proxy or voting instruction card, then date, sign and mail the proxy or voting instruction card in the stamped return envelope included with these materials as soon as possible. You may 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 proxy statement. 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.

By Order of the Board of Directors

Stephanie G. Heim, Secretary

Glendale, California

March 30, 2007

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This proxy statement/prospectus, including information and other documents incorporated by reference into this 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. These forward-looking statements are found at various places throughout this proxy statement/prospectus and the other documents incorporated by reference in this 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. Those forward looking statements, wherever they occur in this proxy statement/prospectus or the other documents incorporated by reference in this proxy statement/prospectus, are necessarily estimates or projections reflecting the judgment of the respective management of Public Storage 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 proxy statement/prospectus, including the risks discussed in Item 1A of Public Storage s Annual Report on Form 10-K for the fiscal year ended December 31, 2006, as amended, and the disclosures in Item 7A Qualitative and Quantitative Disclosures about Market Risk of the 10-K, all of which could affect the future results of Public Storage and could cause actual results to differ materially from those expressed in any forward-looking statements.

You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of the proxy statement/prospectus or, in the case of documents incorporated by reference, as of the date of those documents. Public Storage does not undertake any obligation to publicly update or release any revisions to these forward-looking statements to reflect events or circumstances after the date of this proxy statement/prospectus or to reflect the occurrence of unanticipated events, except as required by law.

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PUBLIC STORAGE, INC.

PROXY STATEMENT

ANNUAL MEETING OF SHAREHOLDERS

March 30, 2007

GENERAL INFORMATION

We are providing these proxy materials in connection with the solicitation by the Board of Directors of Public Storage, Inc. of proxies to be voted at our 2007 Annual Meeting, and at any adjournment or postponement of the meeting. The proxies will be used at our annual meeting to be held on May 3, 2007 beginning at 1:00 p.m. at the Hilton Glendale, 100 West Glenoaks Boulevard, Glendale, California.

This proxy statement contains important information regarding our annual meeting. Specifically, it identifies the proposals on which you are being asked to vote, provides information that you may find useful in determining how to vote, and describes voting procedures. We are first mailing this proxy statement and accompanying form of proxy and voting instructions on or about April 6, 2007 to holders of our common stock at the close of business on March 23, 2007, the record date for our annual meeting.

We use several abbreviations in this proxy statement. We refer to Public Storage, Inc. as Public Storage , we , us, our or the Company, unless context indicates otherwise. We call our Board of Directors the Board.

Purposes of the Meeting:

To elect ten directors of the Company;

To ratify the appointment of Ernst & Young LLP as the Company s independent registered public accounting firm for the fiscal year ending December 31, 2007;

To consider and vote upon the Public Storage 2007 Equity and Performance-Based Incentive Compensation Plan;

To consider and vote upon a proposal to reorganize from a California corporation to a Maryland real estate investment trust; and

To consider any other appropriate matters properly brought before the meeting or any adjournment or postponement of the meeting.

Who May Attend the Meeting and Vote:

Only shareholders of record of Public Storage (a) common stock, (b) depositary shares each representing 1/1,000 of a share of equity stock, series A, (c) equity stock, series AAA, (d) depositary shares each representing 1/1,000 of a share of preferred stock, other than our preferred stock, series Y, and (e) preferred stock, series Y, outstanding at the close of business on the record date of March 23, 2007 will be entitled to receive notice of and to vote at the meeting, or at any adjournment or postponement of the meeting. Each depositary share of equity stock, series A represents 1/1,000 of one share of equity stock, series A. The equity stock, series A and preferred stock have been deposited with Computershare Trust Company, N.A. (formerly known as EquiServe Trust Company, N. A.) as Depositary (the Depositary), except with respect to preferred stock, series Y. On the record date, Public Storage had issued and outstanding, approximately 170,449,788 shares of common stock; 8,740,766 depositary shares representing 8,740.766 shares of equity stock, series A; 4,289,544 shares of equity stock, series AAA; 132,600,000 depositary shares representing 1/1,000 of one share of preferred stock, other than our preferred stock, series Y; and 1,600,000 shares of preferred stock, series Y.

If your shares are held in the name of a bank, broker or other nominee and you plan to attend our 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 our shareholders entitled to vote at the annual meeting will be available for inspection at our executive offices during regular business hours for a period of no less than ten days before the annual meeting.

Voting Your Proxy

Your vote is important. Whether or not you plan to attend the annual meeting, we urge you to vote your proxy promptly. You may also vote your shares by telephone or through the Internet by following the instructions provided with your proxy card.

If you are a stockholder 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 stock or Depositary Shares 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 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 May 1, 2007.

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, equity stock, series AAA and preferred stock, series Y, represented thereby, if any, in the manner specified, and the Depositary will vote the equity stock, series A or preferred stock underlying the depositary 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 For the election of the Board s nominees for director, For the remaining proposals and in the discretion of the proxy holders on any other matter that may properly come before the meeting.** The persons designated as proxies and the Depositary 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 Depositary 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, or if you voted electronically through the Internet or by telephone, by entering a new vote.

Recommendations of the Board of Directors

If you sign and 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 Board. The Board recommends that you vote:

FOR the election of the nominees for director identified in Proposal 1;

FOR ratification of the appointment of Ernst & Young LLP as the Company s registered public accountants for fiscal year 2007;

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FOR approval of the Public Storage, Inc. 2007 Equity and Performance-Based Incentive Compensation Plan; and

FOR approval of the proposal to reorganize from a California corporation to a Maryland real estate investment trust.

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 Common Stock and 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, our meeting may be adjourned to a subsequent date for the purpose of obtaining a quorum.

Voting Rights

Holders of common stock and holders of equity stock, series A vote together as one class, except with respect to the approval of the proposal to reorganize as a Maryland real estate investment trust, on which common shareholders vote as one class, holders of our equity stock, series A and equity stock, series AAA vote together as another class, and holders of our outstanding preferred stock vote as a separate class. Holders of Depositary Shares are entitled to cast such number of votes as the shares of equity stock, series A, or preferred stock (other than preferred stock, series Y) represented by their Depositary Shares would be entitled to cast. With respect to the election of directors, (i) each holder of 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 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 equity stock, series A 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. 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 Annual Meeting prior to the voting of the intention to cumulate the shareholder s votes. With respect to all other matters, shareholders can cast one vote for each share of common stock and 100 votes for each share of equity stock, series A (equivalent to 1/10 of a vote for each depositary share) registered in their name. Holders of equity stock, series AAA and holders of preferred stock (equivalent to 1/1000 of a vote for each depositary share representing interests in preferred stock) are entitled to one vote for each share that they own but are only entitled to vote with regard to the approval of the proposal to reorganize as a Maryland real estate investment trust.

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 proposal to reorganize as a Maryland real estate investment trust.

Required Vote

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, series A not voted (whether by abstention or otherwise) will not affect the vote.

Ratification of Independent Auditors: This proposal requires the affirmative vote of at least a majority of the votes cast by the holders of Public Storage common stock and equity stock, series A voting together as one class. Any Public Storage shares not voted (whether by abstention or otherwise) will not affect the vote.

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Approval of the Public Storage, Inc. 2007 Equity and Performance-Based Incentive Compensation Plan. This proposal requires the affirmative vote of at least a majority of the votes cast by the holders of Public Storage common stock and equity stock, series A, voting together as one class. The rules of the New York Stock Exchange require that for the approval of incentive compensation plans, at least 50% of the shares entitled to vote must cast votes. For purposes of the NYSE rule, abstentions are counted as votes cast, but broker non-votes are not. Therefore, abstentions will not affect the vote, and broker non-votes will not affect the vote so long as at least 50% of the votes entitled to be cast are cast with respect to this proposal.

Approval of the proposal to reorganize as a Maryland real estate investment trust. This proposal requires the affirmative vote of at least a majority of each of (a) the holders of a majority of the outstanding shares of common stock, (b) the holders of at least a majority of outstanding equity stock, and (c) the holders of at least a majority of outstanding preferred stock to approve the proposal to reorganize as a Maryland real estate investment trust.

Because the affirmative vote required to approve the proposal to reorganize as a Maryland real estate investment trust is based on the total number of outstanding shares of common stock, equity stock, and preferred stock, the failure to submit a proxy or voting instruction card or to vote at the annual meeting will have the same effect as a vote against the proposal to reorganize as a Maryland real estate investment trust. Brokers holding shares of our stock will not have discretionary authority to vote those shares in the absence of 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.

Proxy Solicitation Costs

We will pay the cost of soliciting proxies. In addition to solicitation by mail, certain directors, officers and regular employees of the Company and its affiliates may solicit the return of proxies by telephone, personal interview or otherwise. We may also reimburse brokerage firms and other persons representing the beneficial owners of our stock for their reasonable expenses in forwarding proxy solicitation materials to such beneficial owners. The Altman Group, New York, New York may be retained to assist us in the solicitation of proxies, for which they would receive an estimated fee of $7,500 together with normal and customary expenses.

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CORPORATE GOVERNANCE

Board and Board Committee Meetings

During 2006, the Board of Directors held ten meetings, the Audit Committee held eight meetings, the Nominating/Corporate Governance Committee held five meetings, and the Compensation Committee held two meetings. During 2006, each of the directors attended at least 75% of the meetings held by the Board of Directors or, if a member of a committee of the Board of Directors, 75% of the meetings held by both the Board of Directors and all committees of the Board of Directors on which the director served. Directors are encouraged to attend the annual meeting of shareholders. Ten directors attended the last annual meeting of shareholders.

Committees of the Board of Directors

Our Board has three standing committees: (1) the Audit Committee; (2) the Nominating/Corporate Governance Committee; and (3) the Compensation Committee. In addition, the Board may appoint special committees to consider various matters. Each of the standing committees operates pursuant to a written charter. The charters for the Audit, Nominating/Corporate Governance and Compensation Committees can be viewed at our website at www.publicstorage.com/Corporateinformation/CorpGovernance.aspx and will be provided in print to any shareholder who requests a copy by writing to the Corporate Secretary. All members of the committees are independent directors under the rules of the New York Stock Exchange. In addition, all members of our Audit Committee are independent directors under the SEC rules for Audit Committees.

Our three standing committees are described below and the committee members are identified in the following table:

Director	Audit Committee	Nominating/Corporate Governance Committee	Compensation Committee
Dann V. Angeloff		X (Chairman)	X
William C. Baker		X	
John T. Evans	X (Chairman)	X	
Uri P. Harkham			X
Gary E. Pruitt	X		X
Daniel C. Staton	X		X (Chairman)
Number of meetings in 2006	8	5	2

Audit Committee

The primary functions of the Audit Committee are set forth in its charter and are to assist the Board in fulfilling its responsibilities for oversight of (1) the integrity of the Company s financial statements, (2) compliance with legal and regulatory requirements, (3) the qualifications, independence and performance of the independent registered public accounting firm, and (4) the scope and results of internal audits, the Company s internal controls over financial reporting and the performance of the Company s internal audit function. Among other things, the Audit Committee appoints, evaluates and determines the compensation of the independent registered public accounting firm; reviews and approves the scope of the annual audit, the audit fee and the financial statements; prepares the Audit Committee report for inclusion in the annual proxy statement; and annually reviews its charter and performance. The Audit Committee is comprised of three directors, John T. Evans (Chairman), Gary E. Pruitt and Daniel C. Staton. The Board of Directors has determined that each member of the Audit Committee meets the financial literacy and independence standards of the New York Stock Exchange rules. The Board has also determined that Gary E. Pruitt and Daniel C. Staton each qualifies as an audit committee financial expert within the meaning of the rules of the Securities and Exchange Commission and the New York Stock Exchange.

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Compensation Committee

The primary functions of the Compensation Committee, as set forth in its charter, are to (1) determine, either as a committee or together with other independent directors, the compensation of the Company s chief executive officer, (2) determine the compensation of other executive officers, (3) administer the Company s stock option and incentive plans, (4) review and discuss with management the Compensation Discussion and Analysis (CD&A) to be included in the proxy and to recommend to the Board inclusion of the CD&A in the company s Form 10-K and proxy statement, (5) provide a description of the processes and procedures for the consideration and determination of executive compensation for inclusion in the company s annual proxy statement, (6) produce the Compensation Committee Report for inclusion in the annual proxy statement, and (7) evaluate its performance annually.

As required by the charter, during 2006, the Compensation Committee made all compensation decisions for our executive officers, including the Named Executive Officers set forth in the Summary Compensation Table below. The Compensation Committee is comprised of four directors, Daniel C. Staton (Chairman), Dann V. Angeloff, Uri P. Harkham and Gary E. Pruitt. The Board of Directors has determined that each member of the Compensation Committee is independent under the rules of the New York Stock Exchange. The Compensation Committee has the authority to retain outside compensation consultants for advice, but historically has not done so, relying instead on surveys of publicly available information with respect to senior executive compensation at similar companies.

Our chief executive officer may be invited to attend all or a portion of a meeting of the Compensation Committee, depending on the nature of the agenda items. The chief executive officer does not vote on items before the Compensation Committee. However, the Compensation Committee and the Board solicit the view of the chief executive officer on compensation matters, particularly as they relate to the compensation of executive officers reporting to the chief executive officer, including the other Named Executive Officers. In addition, the Compensation Committee solicits the views of the Chairman of the Board and other Board members, particularly with respect to compensation of the chief executive officer.

Nominating/Corporate Governance Committee

The primary functions of the Nominating/Corporate Governance Committee as set forth in its charter are (1) to identify, evaluate and make recommendations to the Board for director nominees for each annual shareholder meeting or to fill any vacancy on the Board, (2) to develop and review and assess the adequacy of the Board s Guidelines on Corporate Governance on an ongoing basis and recommend any changes to those guidelines to the Board, and (3) to oversee the annual Board assessment of Board performance. Other duties and responsibilities include periodically reviewing the structure, size, composition and operation of the Board and each Board committee, recommending assignments of directors to Board committees, conducting a preliminary review of director independence, periodically evaluating director compensation and recommending any changes in director compensation to the Board, overseeing director orientation and annually evaluating its charter and performance.

The Nominating/Corporate Governance Committee is comprised of three directors, Dann V. Angeloff (Chairman), John T. Evans and William C. Baker. The Board of Directors has determined that each member of the Nominating/Corporate Governance Committee is independent under the rules of the New York Stock Exchange.

Director Independence

The Board of Directors determined that (1) each member of the Board of Directors, other than B. Wayne Hughes, Ronald L. Havner, Jr., Harvey Lenkin, and B. Wayne Hughes, Jr., and (2) each member of the Audit Committee, the Compensation Committee and the Nominating/Corporate Governance Committee has no material relationship with the Company and qualifies as independent under the rules adopted by the New York Stock

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Exchange. In arriving at this conclusion, the Board determined that none of the independent directors has a material relationship with the Company that would compromise the director s independence. As part of its review, the Board considered Dann V. Angeloff s relationships with the Company. Mr. Angeloff is the general partner of a limited partnership formed in 1973 that owns a mini-warehouse operated by the Company. Based on the size of Mr. Angeloff s interest in the partnership (20%) and the amount of property management fees paid by the limited partnership to the Company (approximately $68,000 in 2006), the Board determined that Mr. Angeloff s relationships with the Company are not material.

Compensation of Directors

General Compensation Arrangements:

Each director who is not an officer or employee of Public Storage or an affiliate is considered an Outside Director (currently, all directors other than B. Wayne Hughes and Ronald L. Havner, Jr.) and receives the following compensation:

- An annual retainer of $30,000, paid quarterly;
- Each member of the Audit, Compensation and Nominating/Corporate Governance Committees of the Board receives an additional annual fee of $5,000, paid quarterly, with the Chairman of each Committee receiving an additional $2,500 per year; and
- Immediately following the annual meeting of shareholders, each director who has attended at least 75% of the Board and applicable Board committee meetings during the preceding year is automatically granted a non-qualified stock option to acquire 2,500 shares that vests in equal installments over three years based on continued service.

In addition, under the 2001 Stock Option and Incentive Plan, each new Outside Director is, upon the date of his or her initial election by the Board or the shareholders to serve as an Outside Director, automatically granted a non-qualified option to purchase 15,000 shares of common stock that vests in equal installments over three years based on continued service. The Company s policy is also to reimburse directors for reasonable expenses related to their service as a director, such as travel expenses.

Consulting Arrangements:

B. Wayne Hughes. Pursuant to a consulting arrangement approved by the Compensation Committee and by the disinterested directors in March 2004, B. Wayne Hughes, Chairman of the Board and former Chief Executive Officer, (1) agreed to be available for up to 50 partial days a year for consulting services, (2) receives compensation of $60,000 per year and the use of a company car, and (3) is provided with the services of an executive assistant and office at the Company s headquarters. The consulting arrangement expires on December 31, 2013.

Harvey Lenkin. Effective July 2, 2005, upon his retirement as President and Chief Operating Officer of the Company, Mr. Lenkin entered into a consulting agreement with the Company that provided for compensation of $12,500 per month. The agreement was approved by the Compensation Committee and by the Board of Directors (with Mr. Lenkin not participating). The agreement terminated on June 30, 2006.

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The following table presents the compensation provided by the Company to our Outside Directors for the fiscal year ended December 31, 2006.

Director Compensation Table

Name (a)	Fees Earned or Paid in Cash ($)	Stock Awards ($)	Option Awards ($) (e)	All Other Compensation ($)	Total ($)
Robert J. Abernethy (c)	$ 41,875		$ 36,930		$ 78,805
Dann V. Angeloff	$ 42,500		$ 11,214		$ 53,714
William C. Baker	$ 35,000		$ 11,214		$ 46,214
John T. Evans	$ 40,625		$ 17,757		$ 58,382
Uri P. Harkham	$ 35,000		$ 11,214		$ 46,214
B. Wayne Hughes	NA		NA	$ 86,790(b)	$ 86,790
B. Wayne Hughes, Jr.	$ 30,000		$ 4,809		$ 34,809
Harvey Lenkin	$ 30,000		$ 2,711	$ 75,000(b)	$ 107,711
Gary E. Pruitt (d)	$ 12,000		$ 16,267		$ 28,267
Daniel C. Staton	$ 42,500		$ 11,214		$ 53,714

(a) Ronald L. Havner, Jr. is also a director; however, he receives no compensation for his service as a director. Mr. Havner s compensation as Chief Executive Officer and President of Public Storage is described under Executive Compensation beginning on page 62.

(b) B. Wayne Hughes and Harvey Lenkin received compensation in 2006 pursuant to the consulting agreements with Public Storage described above. Mr. Lenkin s agreement (and related compensation opportunities) terminated June 30, 2006. Mr. Hughes compensation includes $60,000 for consulting services and $26,790 for a leased car. The amount for the leased car represents monthly lease payments paid by Public Storage pursuant to the consulting agreement. We do not pay for a driver, gas or any other related expenses.

(c) Mr. Abernethy retired from the Board on January 1, 2007. In November 2006, in anticipation of Mr. Abernethy s retirement, the Compensation Committee approved acceleration of vesting of all his outstanding options effective January 1, 2007, and extended his time to exercise vested options to January 1, 2009. Additional compensation was recognized in accordance with FAS 123(R) with respect to this modification to the terms of his stock option grants.

(d) Mr. Pruitt was appointed as a director on August 22, 2006 and his annual retainer was pro-rated for periods of service in 2006 beginning on such date.

(e) Reflects the dollar amount recognized for financial statement reporting purposes for the fiscal year ended December 31, 2006 in accordance with FAS 123(R), disregarding estimates relating to forfeitures due to service based vesting conditions, which includes amounts from awards granted in and before 2006. As of December 31, 2006, each director as of such date had the following number of options outstanding: Robert J. Abernethy: 7,500, Dann V. Angeloff: 7,500; William C. Baker: 22,500; John T. Evans: 22,500; Uri P. Harkham: 7,500; Ronald L. Havner, Jr.: 482,000; B. Wayne Hughes, Jr.: 2,500; Harvey Lenkin: 2,500; Gary E. Pruitt: 15,000; Daniel C. Staton: 11,667. In addition, following the 2006 Annual Meeting of Shareholders, each director noted above (other than Mr. Pruitt) received a stock option grant for 2,500 shares with a fair value in accordance with FAS 123(R) as of the grant date of $22,662. Mr. Pruitt joined the Board as of the date of the 2006 Annual Meeting and received an initial stock option grant for 15,000 shares. The FAS 123(R) value of Mr. Pruitt s grant as of such date was $135,972. Assumptions used in the calculation of these amounts are included in note 14 to the Company s audited financial statements for the fiscal year ended December 31, 2006, included in the Company s Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 1, 2007.

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COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

The Compensation Committee is comprised of Daniel C. Staton (Chairman), Dann V. Angeloff, Uri P. Harkham and Gary E. Pruitt, none of whom has ever been an employee of the Company. No member of the committee had any relationship with us requiring disclosure under Item 404 of SEC Regulation S-K. No executive officer of Public Storage served on the compensation committee or board of directors of any other entity which has an executive officer who also served on the Compensation Committee or Board of Directors of Public Storage at any time during 2006.

Messrs. Hughes, Havner, Lenkin and Hughes, Jr. are present or former officers of Public Storage and are members of the Board of Directors.

Consideration of Candidates for Director

Shareholder recommendations. The policy of the Nominating/Corporate Governance Committee is to consider properly submitted shareholder recommendations of candidates for membership on the Board of Directors as described below under Identifying and Evaluating Nominees for Directors. Under this policy, shareholder recommendations may only be submitted by shareholders who would be entitled to submit shareholder proposals under the SEC rules. In evaluating recommendations, the Nominating/Corporate Governance Committee seeks to achieve a balance of knowledge, experience and capability on the Board and to address the membership criteria set forth under Director Qualifications. Any shareholder recommendations proposed for consideration by the Nominating/Corporate Governance Committee should include the candidate s name and qualifications for Board membership, including the information required under Regulation 14A under the Securities and Exchange Act of 1934, and should be addressed to: Stephanie Heim, Corporate Secretary, Public Storage, Inc., 701 Western Avenue, Glendale, California 91201. Recommendations should be submitted in the time frame described under Deadlines for Receipt of Shareholder Proposals for Consideration at 2008 Annual Meeting on page 75.

Director Qualifications. Members of the Board should have high professional and personal ethics and values. They should have broad experience at the policy-making level in business or other relevant experience. They should be committed to enhancing shareholder value and should have sufficient time to carry out their duties and to provide insight and practical wisdom based on experience. Their service on other boards of public companies should be limited to a number that permits them, given their individual circumstances, to perform responsibly all director duties. Each director must represent the interests of all shareholders.

Identifying and Evaluating Nominees for Directors. The Nominating/Corporate Governance Committee utilizes a variety of methods for identifying and evaluating nominees for director. The Nominating/Corporate Governance Committee regularly assesses the appropriate size of the Board, and whether any vacancies on the Board are expected due to retirement or otherwise. In the event that vacancies are anticipated, or otherwise arise, the Nominating/Corporate Governance Committee considers various potential candidates for director. Candidates may come to the attention of the Nominating/Corporate Governance Committee through current Board members, professional search firms, shareholders or other persons. These candidates are evaluated at meetings of the Nominating/Corporate Governance Committee, and may be considered at any point during the year. As described above, the Nominating/Corporate Governance Committee considers properly submitted shareholder recommendations of candidates for the Board. Following verification of the shareholder status of persons proposing candidates, recommendations will be aggregated and considered by the Nominating/Corporate Governance Committee prior to the issuance of the proxy statement for the annual meeting. If any materials are provided by a shareholder in connection with the recommendation of a director candidate, such materials are forwarded to the Nominating/Corporate Governance Committee. The Nominating/Corporate Governance Committee also reviews materials provided by professional search firms or other parties in connection with a nominee who is not proposed by a shareholder. In evaluating such nominations, the Nominating/Corporate Governance Committee seeks to achieve a balance of knowledge, experience and capability on the Board.

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Communications with the Board

The Company provides a process by which shareholders and interested parties may communicate with the Board. Communications to the Board should be addressed to: Stephanie Heim, Corporate Secretary, Public Storage, 701 Western Avenue, Glendale, California 91201. Communications that are intended for a specified individual Board member or group of Board members should be addressed c/o Corporate Secretary at the above address and will be forwarded to the Board member(s).

Business Conduct Standards and Code of Ethics

The Board of Directors has adopted a Directors Code of Ethics for members of the Board and Business Conduct Standards applicable to officers and employees. The Board has also adopted a Code of Ethics for its senior financial officers, including the Company s principal executive officer, principal financial officer and principal accounting officer, that has additional requirements for those individuals. The Code of Ethics for senior financial officers covers those persons serving as the Company s principal executive officer, principal financial officer and principal accounting officer, currently Ronald L. Havner, Jr. and John Reyes, respectively. The Directors Code of Ethics, the Business Conduct Standards, and the Code of Ethics for senior financial officers may be found on the Public Storage website at www.publicstorage.com/Corporateinformation/CorpGovernance.aspx and in print to any shareholder who requests a copy by writing to the Corporate Secretary. Any amendments or waivers to the code of ethics for directors or executive officers will be disclosed on our website or other appropriate means in accordance with applicable SEC and New York Stock Exchange requirements.

Corporate Governance Guidelines

The Board has adopted Corporate Governance Guidelines to set forth its guidelines for overall governance practices. These Guidelines can be found on the Public Storage website at www.publicstorage.com/Corporateinformation/CorpGovernance.aspx. Shareholders can request a copy of the Guidelines by writing to the Corporate Secretary.

Executive Sessions and Presiding Director

The Company s independent directors meet without the presence of management. These meetings are held on a regular basis and at the request of any independent director. The position of presiding director of these sessions rotates among the chairs of the standing committees of the Board.

PROPOSAL 1

ELECTION OF DIRECTORS

Nominees for Director

Pursuant to its authority under the Public Storage by-laws, the Board has set the number of directors at ten. Nine of the ten members of the Board of Directors elected at the 2006 annual meeting are standing for re-election for a term expiring at the 2008 annual meeting of shareholders or until their successors have been duly elected and qualified, or their earlier death, removal, retirement or resignation. The tenth nominee for election at the 2007 Annual Meeting is Gary E. Pruitt, who was elected to the Board on August 22, 2006 following the Shurgard merger. Robert J. Abernethy retired from the Board December 31, 2006 after serving as a director of Public Storage, Inc. since 1980.

Each of the individuals nominated for election at the Annual Meeting has been recommended by the Nominating/Corporate Governance Committee of the Board of Directors and approved by a majority of the independent directors of Public Storage. We believe that each nominee for election as a director will be able to serve if elected. If any nominee is not able to serve, proxies may be voted in favor of the remainder of those nominated and may be voted for substitute nominees, if designated by the Board.

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Set forth below is information concerning each of the nominees for director:

B. Wayne Hughes, age 73, has been a director of the Company since its organization in 1980. Mr. Hughes was President and Co-Chief Executive Officer from 1980 until November 1991 when he became Chairman of the Board and sole Chief Executive Officer. Mr. Hughes retired as Chief Executive Officer in November 2002 and remains Chairman of the Board. Mr. Hughes is currently engaged in the acquisition and operation of commercial properties in California. Mr. Hughes has been active in the real estate investment field for over 30 years. He is the father of B. Wayne Hughes, Jr., a member of the Company s Board.

Ronald L. Havner, Jr., age 49, has been the Vice-Chairman, Chief Executive Officer and a director of the Company since November 2002 and President since July 1, 2005. Mr. Havner joined the Company in 1986 and held a variety of senior management positions until his appointment as Vice-Chairman and Chief Executive Officer in 2002. Mr. Havner has been Chairman of the Company s affiliate, PS Business Parks, Inc. (PSB), since March 1998 and was Chief Executive Officer of PSB from March 1998 until August 2003. He is also a member of the Board of Governors and the Executive Committee of the National Association of Real Estate Investment Trusts, Inc. (NAREIT) and a director of Union BanCal Corporation and Pac Van, Inc.

Dann V. Angeloff, age 71, Chairman of the Nominating/Corporate Governance Committee and a member of the Compensation Committee, has been a director of the Company since its organization in 1980. Mr. Angeloff has been President of the Angeloff Company, a corporate financial advisory firm, since 1976. Mr. Angeloff is currently the general partner and owner of a 20% interest in a limited partnership that in 1974 purchased a self-storage facility operated by the Company. He is a director of Bjurman, Barry Fund, Inc., Electronic Recyclers International, Nicholas/Applegate Fund, ReadyPac Foods, Retirement Capital Group and SoftBrands, Inc.

William C. Baker, age 73, a member of the Nominating/Corporate Governance Committee, became a director of the Company in November 1991. Mr. Baker was Chairman and Chief Executive Officer of Callaway Golf Company from August 2004 until August 2005. From August 1998 through April 2000, he was President and Treasurer of Meditrust Operating Company, a real estate investment trust. From April 1996 to December 1998, Mr. Baker was Chief Executive Officer of Santa Anita Companies, which then operated the Santa Anita Racetrack. From April 1993 through May 1995, he was President of Red Robin International, Inc., an operator and franchisor of casual dining restaurants in the United States and Canada. From January 1992 through December 1995, Mr. Baker was Chairman and Chief Executive Officer of Carolina Restaurant Enterprises, Inc., a franchisee of Red Robin International, Inc. From 1991 to 1999, he was Chairman of the Board of Coast Newport Properties, a real estate brokerage company. From 1976 to 1988, Mr. Baker was a principal shareholder and Chairman and Chief Executive Officer of Del Taco, Inc., an operator and franchisor of fast food restaurants in California. He is a director of California Pizza Kitchen and Javo Beverage Company.

John T. Evans, age 68, Chairman of the Audit Committee and member of the Nominating/Corporate Governance Committee, became a director of the Company in August 2003. Mr. Evans has been a partner in the law firm of Osler, Hoskin & Harcourt LLP, Toronto, Canada from April 1993 to the present and in the law firm of Blake, Cassels & Graydon LLP, Toronto, Canada from April 1966 to April 1993. Mr. Evans specializes in business law matters, securities, restructurings, mergers and acquisitions and advising on corporate governance. Mr. Evans is a director of Cara Operations Inc., Kubota Metal Corporation, and Vice-Chairman of Toronto East General Hospital. Until August 2003, Mr. Evans was a director of Canadian Mini-Warehouse Properties Ltd., a Canadian corporation owned by B. Wayne Hughes and members of his family.

Uri P. Harkham, age 58, a member of the Compensation Committee, became a director of the Company in March 1993. Mr. Harkham has been the President and Chief Executive Officer of Harkham Industries, which specializes in designing, manufacturing and marketing women s clothing under its four labels, Harkham, Hype, Jonathan Martin and Johnny Martin, since its organization in 1976. Since 1978, Mr. Harkham has been the Chief Executive Officer of Harkham Family Enterprises, a real estate firm specializing in buying and rebuilding retail and mixed use real estate throughout Southern California.

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B. Wayne Hughes, Jr., age 47, became a director of the Company in January 1998. He was employed by the Company from 1989 to 2002, serving as Vice President - Acquisitions of the Company from 1992 to 2002. Mr. Hughes, Jr. is currently Vice President of American Commercial Equities, LLC and its affiliates, companies engaged in the acquisition and operation of commercial properties in California. He is the son of B. Wayne Hughes.

Harvey Lenkin, age 70, became a director of the Company in 1991. Mr. Lenkin retired as President and Chief Operating Officer of the Company in 2005, and was a consultant for Public Storage until July 1, 2006. Mr. Lenkin was employed by the Company or its predecessor for 27 years. He has been a director of the Company s affiliate, PS Business Parks, Inc., since March 1998. He is also a director of Paladin Realty Income Properties I, Inc. and a director of Huntington Memorial Hospital, Pasadena, California and a former member of the Executive Committee of the Board of Governors of NAREIT.

Gary E. Pruitt, age 57, a member of the Audit Committee and of the Compensation Committee, became a director of the Company in August 2006 in connection with the merger of Shurgard Storage Centers, Inc. with the Company. Mr. Pruitt was previously a director of Shurgard. He is the Chief Executive Officer of Univar N.V., a chemical distribution company based in Bellevue, Washington with distribution centers in the United States, Canada and Europe. Mr. Pruitt joined Univar in 1978 and held a variety of senior management positions until his appointment as Chairman and Chief Executive Officer in 2002.

Daniel C. Staton, age 54, Chairman of the Compensation Committee and a member of the Audit Committee, became a director of the Company in March 1999 in connection with the merger of Storage Trust Realty, with the Company. Mr. Staton was Chairman of the Board of Trustees of Storage Trust Realty from February 1998 until March 1999 and a Trustee of Storage Trust Realty from November 1994 until March 1999. He is Chairman of Staton Capital, an investment and venture capital company and the Co-Chief Executive Officer of PMGI (formerly Media General, Inc.), a print and electronic media company. Mr. Staton was the Chief Operating Officer and Executive Vice President of Duke Realty Investments, Inc. from 1993 to 1997 and a director of Duke Realty Investments, Inc. from 1993 until August 1999.

Vote Required and Board Recommendation. The ten nominees receiving the greatest number of votes duly cast for their election as directors will be elected.

Your Board of Directors recommends that you vote FOR the election of each nominee named above.

PROPOSAL 2

RATIFICATION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTANTS

The Audit Committee of the Board of Directors has appointed Ernst & Young LLP, as the independent registered public accounting firm for Public Storage for the fiscal year ending December 31, 2007.

Although the Public Storage bylaws do not require that shareholders ratify the appointment of Ernst & Young LLP as the independent registered public accounting firm, Public Storage is asking its shareholders to ratify this appointment because it believes that shareholder ratification of the appointment 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 the independent registered public accounting firm for Public Storage, 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.

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Representatives of Ernst & Young LLP, the independent registered public accounting firm for Public Storage since its organization in 1980, will be in attendance at the Annual Meeting of Shareholders and will have the opportunity to make a statement if they desire to do so and to respond to any appropriate shareholder inquiries.

Fees Billed to the Company by Ernst & Young LLP for 2006 and 2005

The following table shows the fees billed or expected to be billed to Public Storage by Ernst & Young for audit and other services provided for fiscal 2006 and 2005:

	2006	2005
Audit Fees (a)	$ 1,827,000	$ 549,000
Audit-Related Fees (b)	$ 36,000	$
Tax Fees (c)	$ 1,170,000	$ 689,000
All Other Fees	$	$
Total	$ 3,033,000	$ 1,238,000

(a) Audit Fees represent fees for professional services provided in connection with the audits of the Company s annual financial statements and internal control over financial reporting, review of the quarterly financial statements included in the Company s quarterly reports on Form 10-Q and services in connection with the Company s registration statements and securities offerings. The significant increase represents additional stand-alone and statutory audit requirements relative to the European operations acquired in the merger with Shurgard in August 2006.

(b) Audit-related fees represent professional services for auditing the Company s 401-K plan financial statements.

(c) During 2006, tax fees included $328,000 for preparation of federal and state income tax returns for the Company and its consolidated entities, and $842,000 for tax planning and consulting, principally representing due diligence work in connection with the Company s merger with Shurgard. During 2005, tax fees included $644,800 for preparation of federal and state income tax returns for the Company and its consolidated entities and $43,800 for tax planning.

The Audit Committee has adopted a pre-approval policy relating to any services provided by the Company s independent registered public accounting firm. Under this policy the Audit Committee of the Company pre-approved all services performed by Ernst & Young LLP during 2006. At this time, the Audit Committee has not delegated pre-approval authority to any member or members of the Audit Committee.

Required Vote

Ratification of the appointment of Ernst & Young LLP requires approval by a majority of the votes represented at the meeting and entitled to vote. For these purposes, an abstention or broker non-vote will not be treated as a vote cast.

Your Board of Directors recommends that you vote FOR the proposal to ratify the appointment of Ernst & Young LLP as our independent registered public accounting firm.

Audit Committee Report

The Audit Committee consists of three directors, each of whom has been determined by the Board to meet the New York Stock Exchange standards for independence and the Securities and Exchange Commission s requirements for audit committee member independence. The Audit Committee operates under a charter adopted by the Board of Directors.

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Management is responsible for the Company s internal controls and the financial reporting process. The independent registered public accounting firm is responsible for performing an independent audit of the Company s consolidated financial statements in accordance with generally accepted auditing standards and for issuing a report thereon. The Audit Committee s responsibility is to monitor and oversee these processes and necessarily relies on the work and assurances of the Company s management and of the Company s independent registered public accounting firm.

In this context, the Audit Committee has met with management and Ernst & Young LLP, the Company s independent registered public accounting firm, and has reviewed and discussed with them the audited consolidated financial statements. Management represented to the Audit Committee that the Company s consolidated financial statements were prepared in accordance with generally accepted accounting principles. The Audit Committee discussed with the independent registered public accounting firm matters required to be discussed by Statement on Auditing Standards No. 61 (Communication with Audit Committees), as modified or supplemented.

The Company s independent registered public accounting firm also provided to the Audit Committee the written disclosures and the letter required by Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees), and the Audit Committee discussed with the independent registered public accounting firm that firm s independence. In addition, the Audit Committee has considered whether the independent registered public accounting firm s provision of non-audit services to the Company is compatible with the firm s independence.

During 2006, management documented, tested and evaluated the Company s system of internal controls over financial reporting in response to the requirements set forth in Section 404 of the Sarbanes-Oxley Act of 2002 and SEC regulations adopted thereunder. The Audit Committee met with representatives of management, the internal auditors, legal counsel and the independent registered public accountants on a regular basis throughout the year to discuss the progress of the process. At the conclusion of this process, the Audit Committee received from management its assessment and report on the effectiveness of the Company s internal controls over financial reporting. In addition, the Audit Committee received from Ernst & Young LLP its attestation report on management s assessment and report on the Company s internal controls over financial reporting. The Audit Committee reviewed and discussed the results of management s assessment and Ernst & Young s attestation.

Based on the foregoing and the Audit Committee s discussions with management and the independent registered public accounting firm, and review of the representations of management and the report of the independent registered public accounting firm, the Audit Committee recommended to the Board of Directors, and the Board has approved, that the audited consolidated financial statements be included in the Company s Annual Report on Form 10-K for the year ended December 31, 2006 for filing with the Securities and Exchange Commission.

AUDIT COMMITTEE

John T. Evans (Chairman)

Gary E. Pruitt

Daniel C. Staton

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PROPOSAL 3

APPROVE 2007 EQUITY AND PERFORMANCE-BASED INCENTIVE COMPENSATION PLAN

At the Annual Meeting, the shareholders of the Company will be asked to approve the adoption of the Company s 2007 Equity and Performance-Based Incentive Compensation Plan (the 2007 Plan). The 2007 Plan was adopted by the Board on February 26, 2007, subject to approval of the 2007 Plan by the shareholders of the Company. If approved, the 2007 Plan will continue in effect until terminated by the Board, provided that no awards may be granted under the 2007 Plan after the ten-year anniversary of Board approval. Any awards outstanding after Plan termination, however, will remain subject to the terms of the 2007 Plan. The Board believes the 2007 Plan will enhance the Company s ability to attract and retain highly qualified officers and directors, key employees and other persons providing services to us and our subsidiaries; to provide incentive compensation opportunities that are competitive with other corporations and real estate investment trusts; to motivate participants to achieve our corporate goals; and further link executive compensation to the enhancement of long-term shareholder returns. Upon approval of the 2007 Plan, no further awards will be made under the Company s 2001 Stock Option and Incentive Plan and the 2001 Non-Executive/Non-Director Stock Option and Incentive Plan (the Prior Plans).

SUMMARY OF THE 2007 EQUITY AND PERFORMANCE-BASED

INCENTIVE COMPENSATION PLAN

A copy of the 2007 Plan is attached to this Proxy Statement as Appendix A. The following description of the 2007 Plan is a summary and is qualified by reference to the complete text of the 2007 Plan.

General

The purpose of the 2007 Plan is to enhance the long-term shareholder value of the Company by offering opportunities to eligible individuals to participate in the growth in value of the equity of the Company and provide appropriate cash and equity incentives to motivate and reward performance. Awards that may be granted under the 2007 Plan include stock options, stock appreciation rights, restricted stock, unrestricted stock, stock units, dividend equivalent rights, and cash awards (each, an award). Options granted under the 2007 Plan may be either incentive stock options, as defined in Section 422 of the Internal Revenue Code of 1986, as amended (the Code), or non-statutory stock options.

Administration. The Compensation Committee of the Board will administer the 2007 Plan. The Board may also delegate to a committee of at least two directors, who may also be employees of the Company, the authority to grant awards to employees and other service providers who are not officers or directors of the Company. References below to the Compensation Committee include this committee where applicable.

Shares Reserved. The shares with respect to which equity awards may be made under the 2007 Plan are currently authorized but unissued shares of common stock. The closing sale price of a share of our common stock on the New York Stock Exchange on March 22, 2007, the last date before the record date, was $97.28 per share. The maximum number of shares of common stock that may be delivered under the 2007 Plan is 5,000,000 shares. Any shares covered by an award under the 2007 Plan that expires or is forfeited or terminated without issuance of shares (including shares that are attributable to awards that are settled in cash or used to satisfy the applicable tax withholding obligation) will again be available for awards under the 2007 Plan.

Eligibility. Non-statutory stock options and other awards may be granted under the 2007 Plan to employees, directors and consultants of the Company, its affiliates and subsidiaries. Incentive stock options may be granted only to employees of the Company or its subsidiaries. The Compensation Committee, in its discretion, approves awards to be granted under the 2007 Plan. The Company intends the 2007 Plan to be a broad-based employee plan. As of the Record Date, the Company had approximately 5,000 employees and eight non-employee directors who would be eligible to participate in the 2007 Plan.

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Transferability of Awards. Unless otherwise determined by the Compensation Committee, most awards granted under the 2007 Plan are not transferable other than by will, domestic relations order, or the laws of descent and distribution or certain limited not-for-value transfers to family members.

Limitation on Awards. Under the 2007 Plan, employees of the Company may not be granted (i) stock options in excess of 1,000,000 shares during any single fiscal year, and (ii) any other awards available under the 2007 Plan with a fair market value at the time of grant greater than $10,000,000 in the aggregate in any single fiscal year. For this purpose, fair market value shall be determined in accordance with the valuation used in the Company s financial statements under Financial Accounting Statement 123(R).

Stock Options

Exercise Price. The Compensation Committee determines the exercise price of options at the time the options are granted. No stock option, including an incentive stock option, may have an exercise price less than the fair market value of a share of common stock on the date of grant. The exercise price of an incentive stock option granted to a ten percent shareholder may not be less than 110% of the fair market value of a share of common stock on the date of grant of such option. The fair market value of a share of common stock is generally determined to be the closing sales price as quoted on the New York Stock Exchange for the date the value is being determined.

Exercise of Option; Form of Consideration. The Compensation Committee determines when options become exercisable. The means of payment for shares issued on exercise of an option are cash, check or wire transfer, and such other payment methods as may be specified by the Compensation Committee, including tender of Company shares previously owned by the Grantee or broker-assisted same-day sale.

Term of Option. The term of an option may be no more than ten years from the date of grant. The term of an incentive stock option granted to a ten percent holder may be no more than five years from the date of grant. No option may be exercised after the expiration of its term.

Vesting. Each option granted under the 2007 Plan will become vested and exercisable at times set forth in the applicable award agreement provided that no options, other than options granted to persons who are not entitled to overtime under applicable state or federal laws, will vest or be exercisable within the six-month period starting on the date of grant.

Termination of Service. Generally, if a Grantee s service to the Company as an employee, consultant or director terminates other than for death, disability or for cause, vested options will remain exercisable for a period of thirty days following the Grantee s termination and unvested options will immediately terminate and be forfeited. Unless otherwise provided for by the Compensation Committee in the award agreement:

if a Grantee terminates employment because of his death, all unvested options granted to such Grantee will fully vest and will be exercisable by the Grantee s estate at any time within one year after the date of the Grantee s death;

if a Grantee terminates employment because of his total and permanent disability, all options granted to the Grantee will continue to vest in accordance with the terms of the Grantee s award agreement and shall be exercisable to the extent they are vested, for a period of one year after the Grantee s termination;

if a Grantee s employment is terminated for cause, all options granted to him, whether or not vested, will immediately be forfeited.

Repricing. Options may not be repriced, replaced or regranted through cancellation or modification without shareholder approval.

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Restricted Stock Awards and Stock Unit Awards

The Committee may grant awards of restricted stock or stock units in its discretion.

Restrictions. At the time a grant of restricted stock or stock units is made, the Compensation Committee may establish a restricted period applicable to the restricted stock or stock units. The restricted period may expire upon the passage of time or the attainment of performance objectives as the Compensation Committee, in its sole discretion, determines.

Right of Holders of Restricted Stock and Stock Units. Unless the Compensation Committee provides otherwise in an award agreement, holders of restricted stock will have the right to vote the stock and the right to receive any dividends declared or paid on the stock and holders of stock units will have no right to vote the stock underlying their units but will have the right to receive any dividends declared or paid on the stock.

Purchase of Restricted Stock and Stock Delivered Pursuant to an Award of Stock Units. To the extent required by applicable law, the Grantee will be required to purchase any restricted stock granted to the Grantee or any stock delivered to the Grantee upon vesting of the Grantee s Stock Units at a purchase price at least equal to the par value of the shares of common stock issuable under the restricted stock award or award of stock units.

Termination of Service. Generally, if a Grantee s service to the Company as an employee, consultant or director terminates other than for death or disability, any restricted stock or stock units that have not vested, or with respect to which all applicable restrictions and conditions have not lapsed, will immediately be forfeited. Unless otherwise provided for by the Compensation Committee in the award agreement:

- if a Grantee terminates employment because of his death, all unvested restricted stock and stock units granted to such Grantee will fully vest and the shares of common stock underlying the award will be delivered to the Grantee s estate; and

- if a Grantee terminates employment because of his total and permanent disability, all unvested restricted stock and stock units granted to the Grantee will continue to vest in accordance with the terms of the Grantee s award agreement for a period of one year after the Grantee s termination of employment.

Repurchase Right. If a restricted stock award consists of shares of common stock sold to the employee subject to a right of repurchase, the Company will have the right, during the seven months after the termination of the Grantee s service, to repurchase any or all of the award shares that were unvested as of the date of that termination at a purchase price determined by the Compensation Committee.

Unrestricted Stock Awards

The 2007 Plan permits the grant of fully vested shares of common stock in such instances as the Compensation Committee believes are appropriate. Thus for example, if the uncompensated value of past services equals or exceeds the fair market value of the stock award at grant, the Compensation Committee could award fully vested awards if it determines such award is appropriate in the circumstances. Likewise, the Compensation Committee could award fully vested shares of common stock as a retirement benefit if it determines such award is appropriate under the circumstances.

Cash Awards

The Compensation Committee may grant cash awards, which entitle the Grantee to a cash payment on satisfaction of goals described in an award agreement. The Compensation Committee determines the terms, conditions and restrictions related to cash awards.

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Stock Appreciation Rights

The Compensation Committee may also grant stock appreciation rights, which are a right to receive, upon exercise, an amount equal to the increase in the fair market value of the shares of common stock underlying the stock appreciation rights during a stated period specified by the Compensation Committee. The term of a stock appreciation right may be no more than ten years from the date of grant.

Dividend Equivalent Rights

The Compensation Committee may also grant dividend equivalent rights, which are rights entitling the Grantee to receive credits for dividends that would have been paid if the recipient had held a specified number of shares of common stock.

Performance-Based Compensation

Pursuant to section 162(m) of the Internal Revenue Code (also discussed below in Federal Income Tax Consequences of Options and Stock Awards under the 2007 Plan), we are generally not entitled to a U.S. income tax deduction for annual compensation in excess of $1 million paid to our chief executive officer and the four next most highly compensated officers. However, amounts that constitute performance-based compensation under a plan approved by shareholders are not counted toward the $1 million limit. Qualified performance-based compensation by the Company must be paid solely on account of the attainment of one or more objective performance measures established in writing by the Compensation Committee while the attainment of such measures is substantially uncertain as provided by applicable regulatory or other guidance. The Compensation Committee may designate whether any so-called full value awards, such as restricted stock, stock units and stock awards, or cash incentive awards being granted to any participant are intended to be performance-based compensation as that term is used in section 162(m). The performance measures that may be used for such awards will be based on any one or more of the following performance criteria as selected by the Committee: (i) funds from operation (FFO); (ii) funds available for distribution (FAD); (iii) revenue, revenue growth or rate of revenue growth; (iv) earnings, including operating income, earnings before or after taxes, earnings before or after interest, depreciation, amortization, or extraordinary or special items or book value per share (which may exclude nonrecurring items); (v) pre-tax income or after-tax income; (vi) earnings per share (basic or diluted); (vii) the intrinsic business value of the enterprise; (viii) operating profit or margin; (ix) stock price or total shareholder return ; (x) cash flow (before or after dividends, free cash flow, cash flow return on investment (discounted or otherwise), net cash provided by operations, cash flow in excess of cost of capital or cash flow per share (before or after dividends); (xi) implementation or completion or critical or strategic projects, acquisitions or processes; (xii) economic value created; (xiii) return on equity; (xiv) return on invested capital; (xv) operational efficiency measures; (xvi) rental income; (xvii) move-in activity; (xviii) occupancy level of store properties; (xix) ratio of earnings to fixed charges; (xx) acquisition and development activity; (xxi) cost targets, reductions and savings, productivity and efficiencies; (xxii) strategic business criteria, consisting of one or more objectives based on meeting specified market penetration, geographic business expansion, customer satisfaction, employee satisfaction, human resources management, supervision of litigation, information technology, and goals related to acquisitions, divestitures, joint ventures and similar transactions, and budget comparisons; (xxiii) personal professional objectives, including any of the foregoing performance targets, the implementation of policies and plans, the negotiation of transactions, the development of long-term business goals, formation of joint ventures and the completion of other corporate transactions; or (xxiv) any combination of any of the foregoing. These business criteria may apply to an individual, a business unit or the Company as a whole, and need not be based on an increase or positive result under the business criteria selected.

The performance targets may include a threshold level of performance below which no payment will be made (or no vesting will occur), levels of performance at which specified payments will be made (or specified vesting will occur) and a maximum level of performance above which no additional payment will be made (or at which full vesting will occur). Performance targets will be subject to certification by the Compensation Committee.

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Adjustments on Changes in Capitalization, Merger or Change in Control

Changes in Capitalization. In the event of any stock dividend, stock split, reverse stock split, recapitalization, combination or reclassification of stock, spin-off, extraordinary cash or other property dividend or similar change to the Company s capital structure, appropriate equitable adjustments will be made to:

the number and type of awards that may be granted under the 2007 Plan;

the number and type of options and other awards that may be granted to any individual under the 2007 Plan;

the purchase price and number and class of securities issuable under each outstanding award; and

the repurchase price of any securities substituted for award shares that are subject to repurchase rights.

Merger or Change in Control. Generally, outstanding awards under the 2007 Plan may be assumed, converted, replaced, substituted or cashed out if any of the following corporate transactions occur (each, a Fundamental Transaction):

the dissolution or liquidation of the Company or the merger or consolidation in which the Company is not the surviving corporation;

a merger in which the Company is the surviving corporation but after which the Company s shareholders immediately prior to such merger cease to own their shares or other equity interest in the Company;

the sale of substantially all of the Company s assets; or

the acquisition, sale, or transfer of more than 50% of the Company s outstanding shares by tender offer or similar transaction.

In the event the successor corporation (if any) does not assume or substitute outstanding awards in connection with a Fundamental Transaction, the vesting with respect to such awards will accelerate so that the awards may be exercised before the closing of the Fundamental Transaction but then terminate. The Compensation Committee may also, in its sole discretion, elect to accelerate the vesting of any or all outstanding awards prior to the closing of any Fundamental Transaction or to cash out any or all outstanding awards at the transaction price less the exercise price of the award, if applicable, even if the successor corporation will assume such awards or provide for substitute awards.

In addition, the Board may also specify that certain other transactions or events constitute a change in control or divestiture (as such terms are defined in the 2007 Plan) and, in these cases, may take any one or more of the actions described above for a Fundamental Transaction and may also extend the exercise date of any award (but not beyond the original expiration date). The Board need not adopt the same rules for each award under the 2007 Plan or for each holder of an outstanding award.

The Compensation Committee may provide in an award agreement that any awards that are assumed or replaced in a Fundamental Transaction or change in control and do not otherwise accelerate at that time shall automatically accelerate in full in the event of an involuntary termination of the Grantee for any reason other than death, disability or cause within 18 months following the Fundamental Transaction or change in control, and such accelerated awards shall be exercisable for one year following termination, but in no event after the expiration of its term.

Amendment and Termination of the 2007 Plan

The Board may amend, alter, suspend or terminate the 2007 Plan, or any part thereof, at any time and for any reason. However, the Company must obtain shareholder approval for any amendment to the 2007 Plan to the

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extent necessary and desirable to comply with applicable laws. Generally, no such action by the Board or shareholders may alter or impair any award previously granted under the 2007 Plan without the written consent of the Grantee. The 2007 Plan will terminate on February 26, 2017, unless terminated earlier by the Board.

Federal Income Tax Consequences of Options and Stock Awards Under the 2007 Plan

THE FOLLOWING IS A SUMMARY OF THE FEDERAL INCOME TAX CONSEQUENCES OF GRANTS OF OPTIONS OR OTHER AWARDS UNDER THE 2007 PLAN. IT DOES NOT DESCRIBE STATE, LOCAL OR FOREIGN TAX CONSIDERATIONS. THE APPLICABLE RULES ARE COMPLEX AND MAY VARY WITH A GRANTEE S INDIVIDUAL CIRCUMSTANCES. THE DESCRIPTION IS THUS NECESSARILY GENERAL AND DOES NOT ADDRESS ALL OF THE POTENTIAL FEDERAL AND OTHER INCOME TAX CONSEQUENCES TO EVERY GRANTEE.

Non-Statutory Stock Options

A Grantee will not recognize taxable income upon the grant of a non-statutory option. Upon exercise of the option, a Grantee will recognize taxable ordinary income equal to the difference between the fair market value of a share of common stock on the date of exercise and the option exercise price. The Company will generally be entitled to a tax deduction equal in amount to the income that a Grantee recognizes upon the exercise of a non-statutory option. When a Grantee sells the shares, the Grantee will have short-term or long-term capital gain or loss, as the case may be, equal to the difference between the amount the Grantee received from the sale and the tax basis of the shares sold. The tax basis of the shares generally will be equal to the greater of the fair market value of the shares on the exercise date or the option exercise price.

Incentive Stock Options

A Grantee will not recognize taxable income upon the grant of an incentive stock option. If a Grantee exercises an incentive stock option during employment or within three months after his or her employment ends (12 months in the case of disability), the Grantee will not recognize taxable income at the time of exercise, although the Grantee generally will have taxable income for alternative minimum tax purposes at that time as if the option were a non-statutory stock option.

If a Grantee sells or exchanges the shares after the later of (a) one year from the date the Grantee exercised the option and (b) two years from the grant date of the option, the Grantee will recognize long-term capital gain or loss equal to the difference between the amount the Grantee received in the sale or exchange and the option exercise price. If a Grantee disposes of the shares before these holding period requirements are satisfied, the disposition will constitute a disqualifying disposition, and the Grantee generally will recognize taxable ordinary income in the year of disposition equal to the excess, as of the date of exercise of the option, of the fair market value of the shares received over the option exercise price (or, if less, the excess of the amount realized on the disposition of the shares over the option exercise price). Additionally, the Grantee will have long-term or short-term capital gain or loss, as the case may be, equal to the difference between the amount the Grantee received upon disposition of the shares and the option exercise price increased by the amount of ordinary income, if any, the Grantee recognized.

The Company will generally be entitled to a deduction with respect to an incentive stock option only if the Grantee makes a disqualifying disposition. In that situation, the Company will generally be entitled to a deduction in an amount equal to the ordinary income that the Grantee recognizes as a result of the disqualifying disposition.

With respect to both non-statutory stock options and incentive stock options, special rules apply if a Grantee uses shares already held by the Grantee to pay the exercise price or if the shares received upon exercise of the option are subject to a substantial risk of forfeiture by the Grantee.

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Restricted Stock Awards

A Grantee of a restricted stock award generally will recognize taxable ordinary income when the restrictions on the shares lapse. The amount of income recognized will equal the excess of the fair market value of the shares at such time over the amount, if any, the Grantee paid to the Company for the shares. However, no later than 30 days after a Grantee receives the restricted stock award, the Grantee may elect under Section 83(b) of the Internal Revenue Code to recognize taxable ordinary income in an amount equal to the excess of the fair market value of the shares at the time of receipt over the amount the Grantee paid to the Company for the shares. Provided that the election is made in a timely manner, when the restrictions on the shares lapse, the Grantee will not recognize any additional income. The taxable income to the Grantee constitutes wages subject to income and employment tax withholding, and the Company receives a corresponding income tax deduction.

When a Grantee sells the shares, the Grantee will have short-term or long-term capital gain or loss, as the case may be, equal to the difference between the amount received from the sale and the tax basis of the shares sold. The tax basis of the shares generally will be equal to the amount, if any, that the Grantee paid to the Company for the shares plus the amount of taxable ordinary income the Grantee recognized either at the time the restrictions lapsed or at the time of a Section 83(b) election, if an election was made by the Grantee. If the Grantee forfeits the shares to the Company (e.g., upon the Grantee s termination prior to expiration of the restriction period), the Grantee may not claim a deduction with respect to the income recognized as a result of the election. Any dividends paid with respect to shares of restricted stock generally will be taxable as ordinary income to the Grantee at the time the dividends are received.

Stock Units

There are no immediate tax consequences of receiving an award of stock units under the 2007 Plan. A Grantee who is awarded stock units will be required to recognize ordinary income in an amount equal to the cash or fair market value of the shares of common stock issued to him when the restrictions on the stock units lapse.

Stock Appreciation Rights

There are no immediate consequences of receiving an award of stock appreciation rights under the 2007 Plan. Upon exercising a stock appreciation right, a Grantee will recognize ordinary income in an amount equal to the difference between the exercise price and the fair market value of a share of common stock on the date of exercise.

Dividend Equivalent Rights and Cash Awards

Grantees who receive dividend equivalent rights or cash awards under the 2007 Plan will be required to recognize ordinary income on any amounts distributed to the Grantee pursuant to such awards.

Limitation on Deduction of Certain Compensation. A publicly held corporation may not deduct compensation of over a certain amount that is paid in any year to any of its executive officers unless the compensation constitutes qualified performance-based compensation under Section 162(m) of the Internal Revenue Code. The Company will generally attempt to ensure that any award under the 2007 Plan will qualify for deduction, but may not do so in every instance.

Plan Benefits

In March 2007, the Compensation Committee set the corporate performance targets for 2007 incentive compensation for our Named Executive Officers under the 2007 Plan, subject to shareholder approval of the 2007 Plan at the Annual Meeting. The Committee determined that these executives would be eligible for a bonus of up to ten times his or her respective base salary in 2007 based on achieving positive growth in FFO, revenues, and the Company s FAD. In addition, the Committee determined that these executives would be eligible for a

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separate bonus of up to ten times his or her base salary upon the successful completion of a capital plan for the Company s European operations to position it for long-term, sustainable growth. In each case above, the Compensation Committee may exercise negative discretion pursuant to Section 162(m) of the Internal Revenue Code to reduce the amount of the award. The actual annual incentive compensation awards paid to these executives pursuant to the 2007 Plan, if approved by the shareholders, may be paid in cash, restricted stock units or any combination thereof.

Required Vote

Approval of the Performance-Based Plan requires approval by a majority of the votes cast by the holders of Public Storage common stock and equity stock, series A, voting together as one class. The rules of the New York Stock Exchange require that for the approval of incentive compensation plans, at least 50% of the shares entitled to vote must cast votes. For purposes of the NYSE rule, abstentions are counted as votes cast, but broker non-votes are not. Therefore, abstentions will not affect the vote, and broker non-votes will not affect the vote so long as at least 50% of the votes entitled to be cast are cast with respect to this proposal.

The Board of Directors recommends you vote FOR approval of the 2007 Equity and Performance-Based Incentive Compensation Plan.

PROPOSAL 4

PROPOSAL TO REORGANIZE FROM A CALIFORNIA CORPORATION TO A MARYLAND REAL ESTATE INVESTMENT TRUST

Our Board of Directors has unanimously approved a proposal to reorganize Public Storage from a California corporation into a Maryland real estate investment trust. For the reasons discussed below, our Board of Directors believes that the reorganization is in the best interests of the company and its shareholders. The resulting effect of the reorganization would be that the Maryland statute governing real estate investment trusts formed under the laws of that state, which we refer to as the Maryland REIT law, would govern our affairs and California law would no longer apply to us. Following the reorganization:

- Our name will change from Public Storage, Inc. to Public Storage.
- Our headquarters will continue to be located in Glendale, California. We will not establish any offices or operations in Maryland as a result of the reorganization.
- Our business and management will not change and will continue as they were immediately before the reorganization, and the Public Storage directors elected at the 2007 annual meeting will serve as trustees of the Maryland entity until the 2008 annual meeting.
- Our fiscal year, assets, liabilities and dividend policies will be the same as immediately before the reorganization.
- Each outstanding share of Public Storage, Inc. capital stock will convert automatically into one share of beneficial interest of the capital of PS Maryland, without any action of shareholders required.

Why Have We Chosen to Reorganize under Maryland Law?

Public Storage, Inc. was organized as a California corporation in 1980 under the name of Storage Equities, Inc. In 1980, the Company was a third-party administered real estate investment company with a $30 million market capitalization and substantially all of its properties were located in California. At the time, the decision to organize in California reflected the Company s substantial connections to the state. Today Public Storage is a self-administered REIT with more than 2,000 properties in 38 states and seven foreign countries. As of March 14, 2007, the market value of our outstanding common stock was more than $16 billion based on the closing price of our common stock on the New York Stock Exchange.

As we plan for the future, our Board and management believe that it is essential to be able to draw upon well established and comprehensive laws governing real estate investment trusts, or REITs. Our Board believes

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that because of Maryland s more comprehensive laws governing REITs and the number of REITs domiciled in that state, Maryland courts have developed an expertise in dealing with REITs and REIT issues and a greater body of relevant case law. Our Board believes that the comprehensive Maryland statutes, Maryland s policies with respect to REITs and the established body of relevant case law are highly conducive to the operations of a REIT and provide the directors and management of a REIT with greater certainty and predictability in managing the affairs of the company. That this belief is commonly held is evidenced by, among other things, the fact that nearly 200 publicly owned REITs are currently organized under Maryland law (including approximately 65% of REITs that are members of the National Association of Real Estate Investment Trusts, or NAREIT) and as of December 31, 2006, seven of the ten other REITs in the S&P 500 were organized under Maryland law.

The number of REITs organized under Maryland law may be attributable to the fact that for many years Maryland has encouraged REITs to establish their legal domicile in that state. In furtherance of that policy, Maryland has adopted comprehensive, modern and flexible laws that are periodically updated and revised to meet changing business needs, including a separate statute governing REITs that are organized as trusts, and many believe the separate statute helps provide greater certainty with respect to the treatment of a REIT under state law. The Maryland REIT Law and other provisions of Maryland law are favorable to REITs, including:

- provisions permitting charter restrictions on the transferability of stock, which are necessary to satisfy REIT tax requirements;
- provisions permitting the issuance of shares to holders for the specific purpose of satisfying REIT tax requirements on share ownership; and
- no franchise taxes are imposed by the State of Maryland on real estate investment trusts.

As a result of the above, our Board believes that being organized in Maryland and being governed by Maryland law, like the majority of REITs in our peer group, would be in the best interest of the company and that our shareholders will benefit from the responsiveness of Maryland law to their needs and to those of the company that they own.

What are the Benefits of the Reorganization?

Our Board believes that Public Storage will benefit in several ways by reorganizing into a Maryland REIT:

- We will be governed by the Maryland REIT law, which contains provisions conducive to the operations of a REIT.
- As a Maryland trust REIT (as opposed to a corporate REIT) we will have access to the benefits specifically afforded to trusts by the Maryland REIT law, including greater flexibility to address in our declaration of trust or bylaws a range of governance and other issues that the Maryland General Corporation Law otherwise prescribes or limits with respect to corporations.
- Maryland offers additional protections for trustee and officer indemnification, which should facilitate our efforts to attract and retain qualified trustees and officers.
- Maryland law offers additional protections in the event of an unsolicited takeover attempt that we believe should better protect shareholder interests.
- The fact that many of our peer group companies are currently organized under the laws of Maryland (as discussed above) has resulted in the development of a comprehensive body of law and practice relating to Maryland REITs.

Being governed by Maryland law will bring the company s governance more in line with that of other REITs.

We expect to realize cost savings by reorganizing into a trust.

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Will the Company s Business Change after the Reorganization?

No, the reorganization will not result in any change in our business, board members, management team, fiscal year, assets, liabilities, or dividend policies.

Will the Reorganization Affect My Investment in Public Storage Shares?

Generally, no, although after the reorganization your investment will be in shares of a Maryland REIT instead of a California corporation. Our intention, however, is that the shares of beneficial interest of PS Maryland will mirror in all material respects the voting rights (except as provided under Maryland law as discussed below), dividend rights and liquidation rights attributable to the various classes and series of Public Storage stock prior to the effective time of the reorganization. Our common stock and depositary shares representing interests in our equity stock and preferred stock are currently listed on the New York Stock Exchange under the symbols PSA, PSAA, PSAPRW, PSAPRF, PSAPRE, PSAPRV, PSAPRD, PSAPRL, PSAPRG, PSAPRM, PSAPRH, PSAPRK, PSAPRI, PSAPRX, PSAPRZ, PSAPRA, PSA Following the reorganization, the common shares and depositary shares representing interests in the equity shares and preferred shares of PS Maryland will continue to be listed on the NYSE under the same symbols, and all certificates representing shares of our stock immediately before the merger will continue to represent a like number and kind of shares of beneficial interest in the surviving trust. The NYSE has advised us that it will consider delivery of existing certificates representing our common stock and depositary shares representing interests in our equity and preferred stock as constituting good delivery of the surviving trust s shares of beneficial interest in transactions subsequent to the reorganization.

If the reorganization is approved, we will take necessary action to provide that all rights of participants in our equity incentive plans prior to the merger will be substantially identical to their rights following the reorganization. Accordingly, the participants new rights will be on substantially identical terms and conditions contained in our existing plans. A vote to approve the reorganization will also be deemed a vote to approve the necessary amendments to the existing stock option and stock purchase plans.

Will the Reorganization Change My Voting Rights?

Generally, the voting rights of holders of common stock will not change after the reorganization. The voting rights of holders of equity stock and preferred stock will be reduced to the extent that California law provides for separate class votes for holders of equity stock and preferred stock for certain extraordinary transactions, such as mergers and reorganizations, while Maryland law has no comparable provisions. Holders of depositary shares representing interests in PS Maryland preferred shares will continue to have the voting rights described under Description of PS Maryland Shares of Beneficial Interest Preferred Shares of Beneficial Interest and holders of depositary shares representing interests in PS Maryland equity shares, series A will continue to vote as a single class with our common shares on all matters submitted for shareholder approval.

How Will the Reorganization be Accomplished?

The reorganization will be accomplished according to an Agreement and Plan of Merger (the Agreement) that we have entered into with PS Maryland, a copy of which is attached to this proxy statement/prospectus as Appendix B. The reorganization and the Agreement have been approved unanimously by our board of directors. Following approval by our shareholders, the reorganization will become effective when articles of merger are filed with and accepted for record by the State Department of Assessments and Taxation of the State of Maryland and when the certificate of merger is accepted for record by the Secretary of State of the State of California. We anticipate that this filing will be made shortly after the annual meeting. Under the Agreement, at the effective time:

Public Storage will be merged with and into PS Maryland, which will be the survivor of the merger, and the name of the surviving entity will be Public Storage.

Public Storage will cease to exist as a California corporation. As a Maryland REIT, the surviving entity will be governed by Maryland law instead of California law.

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Following the merger, the company will be governed by the PS Maryland declaration of trust and PS Maryland bylaws, in substantially the form attached to this proxy statement/prospectus as Appendices C and D, respectively.

The directors and officers of Public Storage will become the trustees and officers of the surviving trust.

All issued outstanding shares of our common stock will be converted into an equal number of common shares of the surviving trust.

All issued outstanding shares of our equity stock will be converted into an equal number of equity shares of the surviving trust, and the depositary shares representing 1/1000 of a share of equity stock, series A, will thereafter represent 1/1000 of an equity share, series A, of the surviving trust.

All issued outstanding shares of our preferred stock will be converted into an equal number of preferred shares of the surviving trust, and the depositary shares representing 1/1000 of a share of preferred stock will thereafter represent 1/1000 of a preferred share of the surviving trust.

All options, rights or warrants to purchase shares of our stock immediately prior to the merger will thereafter entitle the holder to purchase a like number of shares of beneficial interest in the surviving trust on the same terms without any action on the part of the holder.

Following the effective time of the merger, all share certificates representing shares of our capital stock immediately before to the merger will continue to represent a like number and kind of shares of beneficial interest in the surviving trust without any action on the part of the holder. **It will not be necessary for shareholders to exchange their existing stock certificates for certificates representing shares of beneficial interest of the surviving trust.** However, if they so choose, shareholders will have the ability to exchange their old share certificates for new share certificates issued in the name of the surviving trust by delivering their old stock certificates to Computershare Trust Company, N.A., our exchange agent, together with the required paperwork.

Are There Any Conditions to Completion of the Reorganization?

The reorganization is subject to a number of customary closing conditions, including receipt of all necessary governmental and other consents and approvals as well as the approval of the holders of at least a majority of each of (a) the outstanding shares of our common stock, (b) the outstanding shares of our equity stock, and (c) the outstanding shares of our preferred stock. Notwithstanding shareholder approval of the reorganization, we may terminate the Agreement and abandon the reorganization if circumstances arise or facts are revealed that make it inadvisable, in the judgment of our Board, to proceed with the reorganization. In addition, it is a condition to completion of the reorganization (which may be waived by the Board) that dissenters rights with respect to the reorganization are exercised, if at all, only by holders of fewer than (a) 5% of the outstanding shares or depositary shares of Public Storage s NYSE-listed common, preferred and equity stock, and (b) 1% of the outstanding shares of Public Storage s equity stock, series AAA, and preferred stock, series Y. Approval of the reorganization proposal will also constitute approval of the Agreement, which is attached to this proxy statement/prospectus as Appendix B, as well as the corresponding changes required to our existing stock option and other employee benefit plans and arrangements.

Do Stockholders Have Dissenters Rights in the Reorganization?

Since Public Storage s common stock and depositary shares representing interests in the equity stock, series A and in the preferred stock are listed on the New York Stock Exchange, dissenting shareholders rights will not generally be available in connection with the reorganization unless shareholders owning five percent or more of the total outstanding common stock, equity stock or preferred stock file proper demands for payment pursuant to Chapter 13 of the California General Corporation Law following shareholder approval of the reorganization.

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The following discussion is a summary of Sections 1300 through 1313 of the California General Corporation Law, sometimes referred to as the CGCL in this proxy statement/prospectus, which sets forth the procedures for Public Storage shareholders to dissent from the proposed reorganization and to demand statutory dissenters rights of appraisal of their shares under the CGCL. The following discussion is not a complete statement of the provisions of the CGCL relating to the rights of Public Storage shareholders to payment of the fair market value of their shares and is qualified in its entirety by reference to the full text of Sections 1300 to and including 1313 of the CGCL, which is provided in its entirety as Appendix E to this proxy statement/prospectus. All references in Sections 1300 through 1313 of the CGCL and in this summary to a shareholder are to the holder of record of the shares of Public Storage stock as to which dissenters rights are asserted. A person having a beneficial interest in the shares of Public Storage stock held of record in the name of another person, such as a broker or nominee, must act promptly to cause the holder of record to follow the steps summarized below properly and in a timely manner to perfect such person s dissenters rights.

Chapter 13 of the CGCL provides Public Storage shareholders who do not approve the proposed reorganization with the right, subject to compliance with the requirements summarized below, to dissent and demand the payment of, and be paid in cash, the fair market value of their Public Storage shares owned by such shareholders as of March 23, 2007, the record date for Public Storage s annual shareholders meeting. In accordance with Chapter 13 of the CGCL, the fair market value of Public Storage shares will be their fair market value determined as of March 19, 2007, the last business day before the first announcement of the terms of the proposed reorganization made in the filing of our preliminary proxy statement/prospectus with the SEC, exclusive of any appreciation or depreciation in the value of the shares in consequence of the proposed reorganization. Because Public Storage s common stock and depositary shares representing interests in its equity stock, series A and preferred stock are listed on the New York Stock Exchange, shareholders will be entitled to dissent and seek payment of the fair market value for their shares only if holders of 5% or more of the outstanding shares or depositary shares, as applicable of Public Storage common stock, equity stock or preferred stock properly dissent from the proposed reorganization and demand payment of fair market value. Holders of the equity stock, AAA and the preferred stock, series Y will have dissenters rights of appraisal irrespective of the percentage of holders of those classes that dissent from the reorganization.

Even though a shareholder who wishes to exercise dissenters rights may be required to take certain actions before Public Storage s annual shareholders meeting, if the merger agreement relating to the proposed reorganization is later terminated and the proposed reorganization is abandoned, no Public Storage shareholder will have the right to any payment from Public Storage, other than necessary expenses incurred in proceedings initiated in good faith and reasonable attorneys fees, by reason of having taken that action. The following discussion is subject to those qualifications.

Vote Against the Reorganization. Any Public Storage shareholder (other than holders of equity stock, AAA or preferred stock, series Y) who desires to exercise dissenters rights must vote his, her or its shares against the proposed reorganization. If a Public Storage shareholder does not return a proxy that is voted against the proposed reorganization, then he, she or it will not be entitled to exercise dissenters rights.

Written Demand for Payment. Written demand must be made by the record holder of the shares. Such demand must be mailed or otherwise directed to Public Storage, Inc., 701 Western Avenue, Glendale, California 91201-2349, Attn: Corporate Secretary, Telephone: (818) 244-8080; be received not later than the date of the annual meeting; specify the shareholder s name and mailing address and the number and class of shares of Public Storage stock held of record which the shareholder demands Public Storage purchase; state that the shareholder is demanding purchase of the shares and payment of their fair market value; and state the price which the shareholder claims to be the relevant fair market value of the shares. The fair market value of the shares is determined as of the day before the first announcement of the terms of the proposed reorganization. The statement of fair market value constitutes an offer by the shareholder to sell the shares to Public Storage at such price.

In addition, within 30 days after notice of the approval of the proposed reorganization by the holders of the requisite percentages of Public Storage shares entitled to vote thereon is mailed to shareholders, the shareholder

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must also submit to Public Storage or a transfer agent of Public Storage, for endorsement as dissenting shares, the stock certificates representing the Public Storage shares as to which the shareholder is exercising dissenters rights.

Simply failing to vote for, or voting against, the proposed reorganization will not be sufficient to constitute the demand described above.

Shares of Public Storage stock held by shareholders who have perfected their dissenters rights in accordance with Chapter 13 of the CGCL and have not withdrawn their demands or otherwise lost their rights are referred to in this summary as dissenting shares.

Notice by Public Storage. Within 10 days after approval of the proposed reorganization by Public Storage s shareholders, Public Storage must mail notice of the approval, accompanied by a copy of Sections 1300, 1301, 1302, 1303, and 1304 of the CGCL, to each Public Storage shareholder who voted against the proposed reorganization and who properly made a written demand to Public Storage in the manner described above and otherwise in accordance with the applicable provisions of Chapter 13 of the CGCL. This notice must state the price determined by Public Storage to represent the fair market value of the dissenting shares. As stated above, the fair market value of the shares is determined as of the day before the first announcement of the terms of the proposed reorganization. The notice must also include a brief description of the procedure to be followed if the shareholder desires to exercise the shareholder s right under such sections. The statement of price determined by Public Storage to represent the fair market value of dissenting shares, as set forth in the notice of approval of the reorganization, will constitute an offer by Public Storage to purchase the dissenting shares at the stated amount if the proposed reorganization closes and the dissenting shares do not otherwise lose their status as such.

Irrespective of the percentage of Public Storage s shares with respect to which dissent demands have been properly filed, Public Storage must mail the notice referred to above to any shareholder who has filed a demand with respect to Public Storage s shares that are subject to transfer restrictions imposed by Public Storage or by any law or regulations.

Payment of agreed upon price. If Public Storage and a dissenting shareholder agree that the shares are dissenting shares and agree on the price of the shares, the dissenting shareholder is entitled to receive the agreed price with interest at the legal rate on judgments from the date of that agreement. Payment for the dissenting shares must be made within 30 days after the later of the date of that agreement or the date on which all statutory and contractual conditions to the proposed reorganization are satisfied. Payments are also conditioned on the surrender of the certificates representing the dissenting shares.

Determination of dissenting shares or fair market value. If Public Storage denies that shares are dissenting shares or the shareholder fails to agree with Public Storage as to the fair market value of the shares, then, within the time period provided by Section 1304(a) of the CGCL, any shareholder demanding purchase of such shares as dissenting shares or any interested corporation may file a complaint in the superior court in the proper California county praying the court to determine whether the shares are dissenting shares or as to the fair market value of the holder s shares, or both, or may intervene in any action pending on such complaint.

On the trial of the action, the court determines the issues. If the status of the shares as dissenting shares is in issue, the court first determines that issue. If the fair market value of the dissenting shares is in issue, the court determines, or appoints one or more impartial appraisers to determine, the fair market value of the shares.

If the court appoints an appraiser or appraisers, they shall proceed to determine the fair market value per share. Within the time fixed by the court, the appraisers, or a majority of the appraisers, shall make and file a report in the office of the clerk of the court. Thereafter, on the motion of any party, the report shall be submitted to the court and considered on such evidence as the court considers relevant. If the court finds the report reasonable, the court may confirm it.

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If a majority of the appraisers fail to make and file a report within 10 days after the date of their appointment or within such further time as the court allows, or if the court does not confirm the report, the court determines the fair market value of the dissenting shares. Subject to Section 1306 of the CGCL, judgment is rendered against Public Storage for payment of an amount equal to the fair market value of each dissenting share multiplied by the number of dissenting shares that any dissenting shareholder who is a party, or who has intervened, is entitled to require Public Storage to purchase, with interest at the legal rate from the date on which the judgment is entered. Any party may appeal from the judgment.

The costs of the action, including reasonable compensation to the appraisers to be fixed by the court, is assessed or apportioned as the court considers equitable. However, if the appraisal determined by the court is more than the price offered by Public Storage, Public Storage pays the costs (including, in the discretion of the court, attorneys fees, fees of expert witnesses and interest at the legal rate on judgments from the date the shareholder made the demand and submitted shares for endorsement if the value awarded by the court for the shares is more than 125 percent of the price offered by Public Storage).

Maintenance of dissenting share status. Except as expressly limited by Chapter 13 of the CGCL, holders of dissenting shares continue to have all the rights and privileges incident to their shares until the fair market value of their shares is agreed upon or determined. A holder of dissenting shares may not withdraw a demand for payment unless Public Storage consents to the withdrawal.

Dissenting shares lose their status as dissenting shares, and dissenting shareholders cease to be entitled to require Public Storage to purchase their shares upon the happening of any of the following:

the proposed reorganization is abandoned;

the shares are transferred before their submission to Public Storage for the required endorsement;

the dissenting shareholder and Public Storage do not agree on the status of the shares as dissenting shares or do not agree on the purchase price, but neither Public Storage nor the shareholder files a complaint or intervenes in a pending action within six months after Public Storage mails a notice that its shareholders have approved the proposed reorganization; or

with Public Storage s consent, the dissenting shareholder withdraws the shareholder s demand for purchase of the dissenting shares.

To the extent that the provisions of Chapter 5 of the CGCL (which places conditions on the power of a California corporation to make distributions to its shareholders) prevent the payment to any holders of dissenting shares of the fair market value of the dissenting shares, the dissenting shareholders will become creditors of Public Storage for the amount that they otherwise would have received in the repurchase of their dissenting shares, plus interest at the legal rate on judgments until the date of payment, but subordinate to all other creditors of Public Storage in any liquidation proceeding, with the debt to be payable when permissible under the provisions of Chapter 5 of the CGCL.

Any Public Storage shareholder wishing to exercise dissenters rights is urged to consult legal counsel before attempting to exercise dissenters rights. Failure to comply strictly with all of the procedures set forth in Sections 1300-1313 of the CGCL may result in the loss of a shareholder s statutory dissenters rights. In such case, such shareholder will be entitled to receive only the applicable class or series of PS Maryland shares for their shares of Public Storage, Inc. stock as provided in the merger agreement.

What are the Material Federal Income Tax Consequences of the Reorganization?

Consummation of the reorganization merger is subject to our receipt of an opinion from our special tax counsel, Hogan & Hartson LLP, that, on the basis of facts, representations and assumptions set forth in the opinion, the transaction will be treated for federal income tax purposes as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code (the Code). Based on the intended qualification of the reorganization as a reorganization under the Code, no gain or loss will be recognized by Public Storage as a

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result of the reorganization, and no gain or loss will be recognized by any shareholder of Public Storage who receives shares of beneficial interest in the new Maryland real estate investment trust in exchange for our shares of our stock, except to the extent a shareholder receives cash in connection with an exercise of dissenters rights. State, local or foreign income tax consequences to shareholders may vary from the federal tax consequences described above, and shareholders should consult their own tax advisors as to the effect of the reorganization under applicable tax laws.

Description of PS Maryland Shares of Beneficial Interest

The following is a summary of the material terms of the shares of beneficial interest of PS Maryland. The discussion that follows is based in part on the terms of PS Maryland s declaration of trust and bylaws as both will be in effect upon completion of the proposed reorganization. All references to the declaration of trust and bylaws are to these amended versions, copies of which are attached as Appendices C and D to this proxy statement/prospectus.

Common Shares of Beneficial Interest

PS Maryland is authorized to issue up to 650,000,000 common shares of beneficial interest, par value $0.10 per share. At March 23, 2007, Public Storage had outstanding 170,449,788 shares of its common stock (excluding shares issuable upon conversion of convertible securities and shares subject to options). Upon completion of the reorganization, each of these outstanding shares will be converted into one common share of PS Maryland.

Holders of PS Maryland common shares will be entitled to receive dividends when, as and if declared by our board of trustees, out of funds legally available for distribution. If PS Maryland fails to pay dividends on its outstanding preferred shares of beneficial interest, generally PS Maryland may not pay dividends on or repurchase its common shares. If PS Maryland were to liquidate, dissolve or wind up its affairs, holders of common shares will be entitled to share equally and ratably in any assets available for distribution to them, after payment or provision for payment of PS Maryland s debts and other liabilities and the preferential amounts owing with respect to any of its outstanding preferred shares. Holders of common shares will have no preemptive rights, which means they have no right to acquire any additional common shares that PS Maryland may issue at a later date.

The holders of PS Maryland common shares will be entitled to cast one vote for each share on all matters presented to our holders for a vote. The PS Maryland common shares will be, when issued, fully paid and nonassessable.

The rights, preferences and privileges of holders of PS Maryland common shares are subject to, and may be adversely affected by, the rights of the holders of shares of any series of PS Maryland preferred shares or equity shares which will be outstanding upon completion of the reorganization or which we may designate and issue in the future. The preferred shares and equity shares are described below.

Preferred Shares of Beneficial Interest

PS Maryland is authorized to issue up to 100,000,000 preferred shares of beneficial interest, par value $0.01 per share (Preferred Shares). Our declaration of trust will provide that Preferred Shares may be issued from time to time in one or more series and give our board of trustees broad authority to fix the dividend and distribution rights, conversion and voting rights, if any, redemption provisions and liquidation preferences of each series of Preferred Shares. Holders of Preferred Shares will have no preemptive rights. The Preferred Shares will be, when issued, fully paid and nonassessable.

At March 23, 2007, we had outstanding 17 series of preferred stock and had reserved for issuance, upon conversion of preferred units in one of our operating partnerships, two additional series. Each series (1) has a

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stated value of $25.00 per share or depositary share as applicable, (2) provides for cumulative quarterly distributions calculated as a percentage of the stated value (ranging from 6.125% to 7.500% per year) in preference to the holders of shares of Public Storage common stock and any other capital stock ranking junior to such preferred stock as to payment of dividends, and (3) is subject to redemption after a specified date, in whole or in part, at our option at a cash redemption price of $25.00 per share or depositary share as applicable, plus accrued and unpaid distributions.

Upon completion of the reorganization, the outstanding shares of each series of Public Storage preferred stock will be converted into Preferred Shares of a corresponding series, having terms substantially similar to those of the Public Storage preferred stock, and the depositary shares representing such Public Storage preferred stock will thereafter represent such Preferred Shares . The following table shows the series of Preferred Shares that PS Maryland will issue upon completion of the reorganization, including the distribution rate and date upon which such shares first will be subject to redemption at the option of PS Maryland:

	Distribution Rate	Date First Redeemable
Depositary Shares Representing 1/1,000 of a 7.500% Cumulative Preferred Share, Series V $.01 par value	7.500%	September 30, 2007
Depositary Shares Representing 1/1,000 of a 6.500% Cumulative Preferred Share, Series W $.01 par value	6.500%	October 6, 2008
Depositary Shares Representing 1/1,000 of a 6.450% Cumulative Preferred Share, Series X $.01 par value	6.450%	November 13, 2008
6.850% Cumulative Preferred Shares, Series Y $0.01 par value	6.850%	January 2, 2009
Depositary Shares Representing 1/1,000 of a 6.250% Cumulative Preferred Share, Series Z $.01 par value	6.250%	March 5, 2009
Depositary Shares Representing 1/1,000 of a 6.125% Cumulative Preferred Share, Series A $.01 par value	6.125%	March 31, 2009
Depositary Shares Representing 1/1,000 of a 7.125% Cumulative Preferred Share, Series B $.01 par value	7.125%	June 30, 2009
Depositary Shares Representing 1/1,000 of a 6.600% Cumulative Preferred Share, Series C $.01 par value	6.600%	September 13, 2009
Depositary Shares Representing 1/1,000 of a 6.180% Cumulative Preferred Share, Series D $.01 par value	6.180%	February 28, 2010
Depositary Shares Representing 1/1,000 of a 6.750% Cumulative Preferred Share, Series E $.01 par value	6.750%	April 27, 2010
Depositary Shares Representing 1/1,000 of a 6.450% Cumulative Preferred Share, Series F $.01 par value	6.450%	August 23, 2010
Depositary Shares Representing 1/1,000 of a 7.000% Cumulative Preferred Share, Series G $.01 par value	7.000%	December 12, 2010
Depositary Shares Representing 1/1,000 of a 6.950% Cumulative Preferred Share, Series H $.01 par value	6.950%	January 19, 2011
Depositary Shares Representing 1/1,000 of a 7.250% Cumulative Preferred Share, Series I $.01 par value	7.250%	May 3, 2011
Depositary Shares Representing 1/1,000 of a 7.250% Cumulative Preferred Share, Series K $.01 par value	7.250%	August 8, 2011
Depositary Shares Representing 1/1,000 of a 6.750% Cumulative Preferred Share, Series L $.01 par value	6.750%	October 20, 2011
Depositary Shares Representing 1/1,000 of a 6.625% Cumulative Preferred Share, Series M $.01 par value	6.625%	January 9, 2012

Ranking. The Preferred Shares of each series to be issued upon completion of the reorganization will, with respect to distribution rights and rights upon liquidation, dissolution or winding up of our affairs, rank:

(1) senior to the common shares, any additional class of common shares, existing and future equity shares and any future series of preferred shares ranking junior to the Preferred Shares; and