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PS BUSINESS PARKS INC/CA

Form 11-K

June 29, 2006

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

FORM 11-K

Annual Report Pursuant to Section 15(D) of the Securities Exchange Act of 1934

For the fiscal year ended December 31, 2005  
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OR

Transition Report Pursuant to Section 15(D) of the Securities Exchange Act of 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_.

Commission File Number: 1-10709

A. Full title of the plan and the address of the plan, if different from that of the issuer named below:

PS 401(k) PROFIT SHARING PLAN  
701 Western Avenue  
Glendale, CA 91201-2349

B. Name of issuer of the securities held pursuant to the plan and the address of its principal executive office:

PS BUSINESS PARKS, INC.  
701 Western Avenue  
Glendale, CA 91201-2349

PS 401(k) PROFIT SHARING PLAN

FINANCIAL STATEMENTS  
AND SUPPLEMENTAL SCHEDULE

TABLE OF CONTENTS

	Page
Report of Independent Registered Public Accounting Firm - 2005	1
Report of Independent Registered Public Accounting Firm - 2004	2

## Edgar Filing: PS BUSINESS PARKS INC/CA - Form 11-K

### Financial Statements:

Statements of Net Assets Available for Benefits at December 31, 2005 and 2004	3
Statement of Changes in Net Assets Available for Benefits for the year ended December 31, 2005	4
Notes to Financial Statements	5 - 9

### Supplemental Information:

Schedule I - Schedule of Assets (Held at End of Year)	10
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1

### REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Administrative Committee  
PS 401(k) Profit Sharing Plan  
Glendale, California

We have audited the accompanying statement of net assets available for benefits of PS 401(k) Profit Sharing Plan as of December 31, 2005, and the related statement of changes in net assets available for benefits for the year then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Plan's internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Plan at December 31, 2005, and the changes in its net assets available for benefits for the year then ended, in conformity with U.S. generally accepted accounting principles.

Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying supplemental schedule of assets (held at end of year) as of December 31, 2005, is presented for purposes of additional analysis and is not a required part of the financial statements but is supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. This supplemental schedule is the responsibility of the

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Plan's management. The supplemental schedule has been subjected to the auditing procedures applied in our audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

/s/ Ernst & Young LLP

Los Angeles, California

June 27, 2006

1

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Administrative Committee  
PS 401(k) Profit Sharing Plan  
Glendale, California

We have audited the accompanying statement of net assets available for benefits of PS 401(k) Profit Sharing Plan (the "Plan") as of December 31, 2004. This financial statement is the responsibility of the Plan's management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the net assets available for benefits of the Plan at December 31, 2004, in conformity with U.S. generally accepted accounting principles.

/s/ Link, Murrel & Co.

Irvine, California

June 27, 2006

2

PS 401(k) PROFIT SHARING PLAN  
STATEMENTS OF NET ASSETS AVAILABLE  
FOR BENEFITS

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	At December 31,	
	2005	2004
ASSETS		
Investments at fair value.....	\$61,939,817	\$58,377,8
Cash.....	-	24,0
Receivables:		
Participant contributions.....	121,045	96,3
Employer contributions.....	139,461	121,0
Dividends.....	-	267,0
Total receivables.....	260,506	484,4
Total assets.....	62,200,323	58,886,4
LIABILITIES		
Accrued expenses.....	19,860	43,6
Total liabilities.....	19,860	43,6
Net assets available for benefits.....	\$62,180,463	\$58,842,7

See accompanying notes.

3

PS 401(k) PROFIT SHARING PLAN

STATEMENT OF CHANGES IN NET ASSETS  
AVAILABLE FOR BENEFITS

For the Year Ended December 31, 2005

ADDITIONS TO NET ASSETS ATTRIBUTED TO:

Investment income:

Net appreciation (depreciation) in fair value of investments.....	\$	5,412,644
Interest income.....		230,277
Dividend income.....		2,077,759
		-----
		7,720,680

Contributions:

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Participant.....	3,219,655
Participant rollovers.....	720,548
Employer.....	1,540,661
	-----
	5,480,864
	-----
Total additions.....	13,201,544
DEDUCTIONS FROM NET ASSETS ATTRIBUTED TO:	
Benefits paid to participants.....	9,847,989
Administrative expenses.....	15,816
	-----
Total deductions.....	9,863,805
	-----
Net increase in net assets available for benefits.....	3,337,739
Net assets available for benefits - beginning of year.....	58,842,724
	-----
Net assets available for benefits - end of year.....	\$ 62,180,463
	=====

See accompanying notes.

4

PS 401(k) PROFIT SHARING PLAN  
 NOTES TO FINANCIAL STATEMENTS  
 December 31, 2005 and 2004

1. Summary of Significant Accounting Principles

Basis of Presentation

PS 401(k) Profit Sharing Plan (the "Plan") encompasses Public Storage, Inc., PS Business Parks, Inc. and their majority owned subsidiaries collectively, (the "Company"). The financial statements and supplemental schedule are prepared in accordance with the financial reporting requirements of the Employee Retirement Income Security Act ("ERISA").

Basis of Accounting

The financial statements of the Plan are prepared under the accrual basis of accounting.

Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires the Plan administrator to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

Income Tax Status

The Plan has received a determination letter from the Internal Revenue

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Service dated March 13, 2003, stating that the Plan is qualified under Section 401(a) of the Internal Revenue Code (the "Code") and, therefore, the related trust is exempt from taxation. Subsequent to this determination by the Internal Revenue Service, the Plan was amended and restated. Once qualified, the Plan is required to operate in conformity with the Code to maintain its qualification. The plan administrator believes the Plan is being operated in compliance with the applicable requirements of the Code and, therefore, believes that the Plan, as amended and restated is qualified and the related trust is tax exempt. The Company has indicated it will take the necessary steps, if any, to maintain the Plan's qualified status.

### Investment Valuation

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Investments in cash equivalents (liquid funds, money market funds and time deposits) are valued at cost, which approximates fair value. Investments in mutual funds are valued at quoted market prices which represent the net asset value of shares held by the Plan at year-end. All other securities are valued at the last reported sale price on the last business day of the Plan year or at the quoted market price. Interest income is recognized when earned. Dividends are recorded on the ex-dividend date.

### 2. Description of the Plan

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The following description of the Plan provides only general information. Participants should refer to the Plan documentation for a more complete description of the Plan's provisions.

The Plan is a defined contribution plan for the benefit of all permanent employees of the Company who have completed at least 30 days of service and are 21 years of age. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974. Although it has not expressed the intention to do so, the Company has the right to terminate the Plan subject to ERISA provisions. The Plan allows interim allocations of Company contributions and earnings or losses of trust fund assets among participants.

The Company appoints a committee to administer the Plan. At December 31, 2005, the Plan Administrative Committee is comprised of seven officers of the Company with Union Bank of California acting as Trustee (the "Trustee"). Other significant provisions of the Plan are as follows:

5

PS 401(k) PROFIT SHARING PLAN  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2005 and 2004

### Contributions

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Employee contributions to the Plan (voluntary contributions) are deferrals of the employee's compensation made through a direct reduction of compensation in each payroll period. The maximum annual employee contribution amount is based upon Internal Revenue Code rules with respect to 401(k) plans, which are generally limited, subject to certain exceptions, to \$14,000 for 2005. Participants may also contribute amounts representing distributions from other qualified benefit or defined contribution plans.

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The Company contributes one dollar (\$1.00) for each dollar deferred by a participant up to three percent (3%) of compensation, as defined. The Company also contributes an additional fifty cents (\$.50) for each dollar that each participant defers in excess of three percent (3%) of compensation but not more than five percent (5%) of compensation, subject to certain limitations as described in the Plan document. The matching contribution is 100% vested. Additional amounts may be contributed at the option of the Company.

### Vesting

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Since January 1, 2005 employee deferrals and the Company's matching contribution are 100% vested and non-forfeitable. Prior to January 1, 2005, the Company contributed a guaranteed 3% to all eligible Plan participants; these amounts vested over a seven year period.

With respect to Company contributions before January 1, 2005, each participant's account became 10 percent vested (non-forfeitable) after two years of service (as defined), 20 percent after three years of service and an additional 20 percent for each additional year of service thereafter.

Upon death, severance by reason of disability, or the attainment of the participant's sixty-fifth birthday, a participant automatically becomes fully vested to the extent of the balance in their account. In the event the Plan is terminated or contributions are completely discontinued, each participant becomes fully vested.

### Investment Options

-----

From January 1, 2004 through December 19, 2005, upon enrollment in the Plan, a participant had the option of directing their contributions in any of the following twenty-two investment options:

- |                                   |                                    |
|-----------------------------------|------------------------------------|
| 1. Highmark Div. Money Market     | 12. American Funds Growth Fund R3  |
| 2. Strong Government Securities   | 13. AIM Opportunities A            |
| 3. BGI Lifepath Income Fund R     | 14. AIM Small CAP Growth A         |
| 4. BGI Lifepath 2010 Class R      | 15. Oakmark International II       |
| 5. BGI Lifepath 2020 Class R      | 16. Fidelity Advisor Equity Growth |
| 6. BGI Lifepath 2030 Class R      | 17. Ivy Science & Technology Y     |
| 7. BGI Lifepath 2040 Class R      | 18. PIMCO Real Return Bond         |
| 8. MFS Value A                    | 19. Public Storage Common Stock    |
| 9. Federated Capital Appreciation | 20. Public Storage Preferred Stock |
| 10. Dreyfus S&P 500 Index         | 21. PS Business Parks Stock        |
| 11. Janus Adv CAP Appreciation    | 22. Scudder Real Estate            |

Since December 19, 2005, upon enrollment in the Plan, a participant may direct their contributions in any of the following fourteen investment options:

6

PS 401(k) PROFIT SHARING PLAN  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2005 and 2004

- |                              |                                |
|------------------------------|--------------------------------|
| 1. Dodge & Cox International | 8. T. Rowe Price Equity Income |
|------------------------------|--------------------------------|

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2. EuroPacific Growth Fund/R5	9. UBOC Stable Value B
3. Growth Fund of America /R5	10. Vanguard Explorer/ Admrl
4. Oakmark Equity & Income I	11. Vanguard Extended Market Index/Inv
5. PIMCO Total Return Inst	12. Vanguard 500 Index/Admrl
6. Scudder RREEF Real Estate A	13. Vanguard Short Term Federal
7. Selected American D	14. Vanguard Windsor II

### Distributions from the Trust Fund

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Distributions of each participant's vested account balance upon severance or death are made in a single lump sum payment; however, if the participant's vested account balance exceeds \$5,000, payment may be deferred at the election of the participant until April 1st of the calendar year in which the participant reaches 70 1/2 years of age.

Additionally, the Plan provides for hardship distributions (as defined) at the discretion of the Plan Administrative Committee.

Generally, distributions are made no later than 60 days after the close of the Plan year in which the participant becomes eligible for such distributions. Under certain circumstances, participants enrolled in the Plan prior to and including December 31, 1983 may elect alternative distribution methods.

### Forfeited Accounts

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Forfeitures of profit sharing contributions will be used (i) as a non-elective allocation to all eligible Plan participants, (ii) to reduce the Company's safe harbor matching contribution or (iii) reduce Plan expenses. During 2005, a total of \$949,000 in non-vested amounts were forfeited and will be allocated to eligible Plan participants in 2006.

During 2005, \$1,265,000 was allocated to eligible Plan participants based upon the extent an individual participant's compensation bears to the total eligible compensation of all such eligible participants in the Plan year the amounts were forfeited. These amounts were comprised of forfeitures totaling \$606,000 and \$648,000 during 2003 and 2004, respectively and earnings during 2005 on those assets of approximately \$11,000.

### 3. Investments

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Union Bank has custody of the investments under a non-discretionary trust agreement with the Plan.

7

### PS 401(k) PROFIT SHARING PLAN NOTES TO FINANCIAL STATEMENTS December 31, 2005 and 2004

The following presents the fair value of investments at December 31, 2005 and 2004 that represent five percent (5%) or more of the Plan's net assets available for benefits:

2005	2004
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Money Market Funds	\$	8,371,508	\$	8,498,252
Mutual Funds:				
Oakmark Equity & Income I		8,307,289		-
Vanguard Index 500		8,045,759		-
Growth Fund of America		5,158,086		-
Dreyfus S&P 500 Index		-		8,615,718
Strong Government Securities		-		3,230,585
Public Storage, Inc. Common		17,901,822		22,846,009
Public Storage, Inc. Preferred		3,837,069		3,643,129

During 2005, the Plan's investments (including gains and losses on investments bought and sold, as well as held during the year) appreciated in value as follows:

		2005
		-----
Mutual Funds.....	\$	3,203,709
Common and Preferred Stock.....		2,208,935
		-----
Totals	\$	5,412,644
		=====

4. Administration Fees

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For the Plan year ended December 31, 2005, the Plan paid a quarterly participant fee of \$1.50 per eligible participant and certain transaction related expenses incurred for the administration of the Plan. The Company directly paid for trustee fees and all other expenses related to the Plan.

5. Related Party Transactions

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Prior to December 19, 2005, participants had the option of directing contributions to the Company's securities. The Company is the Plan sponsor as defined by the Plan document. Though participants no longer have the option of directing contributions to the Company's securities, the Plan held the following shares in the Company's securities from contributions prior to December 19, 2005:

	At December 31, 2005		At December 31, 2004	
	Shares	Amount	Shares	Amount
	-----	-----	-----	-----
Public Storage, Inc. Common	264,351	\$ 17,901,822	409,794	\$ 22,846,009
Public Storage, Inc. Preferred	138,673	3,837,069	126,894	3,643,129
PS Business Parks, Inc. Common	10,126	498,187	13,584	612,653
	-----	-----	-----	-----
Totals	413,150	\$ 22,237,078	550,272	\$ 27,101,791
	=====	=====	=====	=====

Ronald Havner Jr., the Vice-Chairman, Chief Executive Officer and President of Public Storage, Inc. and Chairman of the Board of PS Business Parks, Inc., is a member of the Board of Directors of Union BanCal Corporation,

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which is the parent company of the Trustee.

UBOC Stable Value B, is a money market fund offered by the Plan's Trustee. At December 31, 2005 and 2004, Plan participant's directed \$8,371,508 and \$8,498,252, respectively, to this investment selection.

8

### PS 401(k) PROFIT SHARING PLAN NOTES TO FINANCIAL STATEMENTS December 31, 2005 and 2004

#### 6. Risks and Uncertainties

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The Plan provides for various investment options in any combination of equity, fixed income, and other investment securities. Investment securities are exposed to various risks, such as interest rate, market, and credit. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in risks in the near term could materially affect participants' account balances and the amounts reported in the statements of net assets available for benefits and the statement of changes in net assets available for benefits.

#### 7. Concentrations

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Investments in the Company's securities comprised approximately of 36% and 46% of the Plan's total investments as of December 31, 2005 and 2004, respectively.

#### 8. Plan Amendments

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Effective January 1, 2005, the Plan was amended to incorporate the following changes:

- o An employee is eligible to participate in the Plan if he or she is at least 21 years old and has completed 30 days of employment.
- o The Company no longer offers the guaranteed three percent (3%) contribution of compensation to each participant.
- o The Company contributes one dollar (\$1.00) for each dollar deferred by a participant up to three percent (3%) of compensation. The Company also contributes an additional fifty cents (\$.50) for each dollar that each participant defers in excess of three percent (3%) of compensation but not more than five percent (5%) of compensation. The matching contribution is 100% vested. Contributions are subject to certain limitations.

Effective December 19, 2005, the Plan was amended to incorporate the following changes:

- o Participants no longer have the option to direct contributions to the Company's securities Existing holdings of Company securities on December 19, 2005, were either held or transferred to other Plan investment alternatives at the option of each participant.

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9

SUPPLEMENTAL INFORMATION

SCHEDULE I

PS 401(k) PROFIT SHARING PLAN  
 SCHEDULE H, LINE 4i -  
 SCHEDULE OF ASSETS (HELD AT END OF YEAR)  
 December 31, 2005

Employer Identification Number: 95-3551121  
 Plan Number: 001

Identity of issue, borrower, lessor, or similar party	Description of investment including maturity date, rate of interest, collateral, par or maturity date	Cost
-----		
MONEY MARKET ACCOUNT		
* UBOC Stable Value B. Money Market	Money Market	**
MUTUAL FUNDS		
Dodge & Cox International	Mutual Fund	**
Dreyfus S&P 500 Index	Mutual Fund	**
DWS RREEF Real Estate A	Mutual Fund	**
EuroPacific Growth R5	Mutual Fund	**
Growth Fund of America R5	Mutual Fund	**
Oakmark Equity & Income I	Mutual Fund	**
PIMCO Funds Real Return Bond	Mutual Fund	**
PIMCO Total Return Institutional	Mutual Fund	**
Selected American D	Mutual Fund	**
Stock Liquidity Management Account	Mutual Fund	**
T. Rowe Price Equity Income	Mutual Fund	**
Vanguard Explorer AdmY	Mutual Fund	**
Vanguard Extended Market Index	Mutual Fund	**
Vanguard Index 500	Mutual Fund	**
Vanguard Short Term Fed Adm	Mutual Fund	**
Vanguard Windsor II	Mutual Fund	**
Total Mutual Funds		
Equity Securities		
* Public Storage, Inc. Common Stock	Common Stock	**
* Public Storage, Inc. Preferred Stock	Preferred Stock	**
* PS Business Parks, Inc. Common Stock	Common Stock	**
Total Equity Securities		
Total Investments		

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- \* Indicates a party-in-interest of the Plan.
- \*\* Pursuant to paragraph 2520.103-11, specifically, the special rule for certain participant directed transactions cost information is omitted as the Plan's investments are participant directed.

10

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the Registration Statement (Form S-8 No. 333-50274) pertaining to the PS 401(k) Profit Sharing Plan of PS Business Parks, Inc. of our report dated June 27, 2006, with respect to the financial statements and schedule of the PS 401(k) Profit Sharing Plan included in this Annual Report (Form 11-K) for the year ended December 31, 2005.

/s/ Ernst & Young LLP

Los Angeles, California  
June 28, 2006

11

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the Registration Statement (Form S-8 No. 333-50274) pertaining to the PS 401(k) Profit Sharing Plan of PS Business Parks, Inc. of our report dated May 25, 2005, with respect to the statement of net assets available for benefits of the PS 401(k) Profit Sharing Plan as of December 31, 2004, which report appears in the December 31, 2005 Annual Report on Form 11-K for the PS 401(k) Profit Sharing Plan.

/s/ Link, Murrel & Co.

Irvine, California  
June 27, 2006

12

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the trustees (or other persons who administer the Plan) have duly caused this annual

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report to be signed on its behalf by the undersigned hereunto duly authorized.

PS 401(k) PROFIT SHARING PLAN

Date: June 29, 2006

By: /s/ Candace Krol

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Candace Krol  
Chairman, Administrative Committee