Whitestone REIT
Form DEF 14A
July 03, 2008

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 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 o

Check the appropriate box:

¨ Preliminary Proxy Statement
¨ Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
ý Definitive Proxy Statement
¨ Definitive Additional Materials
¨ Soliciting Material Pursuant to § 240.14a-12

Whitestone REIT
(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

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(3) Filing Party:
(4) Date Filed:

WHITESTONE REIT
2600 S. GESSNER, SUITE 500
HOUSTON, TEXAS 77063

July 3, 2008

Dear Shareholder:

You are cordially invited to attend the 2008 annual meeting of shareholders to be held on Tuesday, July 29, 2008 at 10:00 a.m., Central Daylight Time, at the Westchase Marriott, located at 2900 Briarpark Drive, Houston, Texas, 77042.

The notice of annual meeting and proxy statement accompanying this letter provide an outline of the business to be conducted at the meeting. I will also report on our progress during the past year and answer shareholders' questions.

It is important that your shares be represented at the annual meeting. If you are unable to attend the meeting in person, I urge you to authorize a proxy to vote your shares via the Internet, or by calling the toll-free telephone number, or by signing, dating and promptly returning your white proxy card in the enclosed envelope. Your vote is important.

Sincerely yours,

/s/ James C. Mastandrea
James C. Mastandrea
Chairman and Chief
Executive Officer

WHITESTONE REIT
2600 S. GESSNER, SUITE 500
HOUSTON, TEXAS 77063
NOTICE OF ANNUAL MEETING OF SHAREHOLDERS
To be Held July 29, 2008

To our shareholders:

You are invited to attend our 2008 annual meeting of shareholders, to be held at the Westchase Marriott, located at 2900 Briarpark Drive, Houston, Texas, 77042, on Tuesday, July 29, 2008 at 10:00 a.m., Central Daylight Time for the following purposes:

1. To elect one trustee to serve until our 2011 annual meeting of shareholders and thereafter until his successor has been duly elected and qualified (Proposal 1);

2. To consider and vote upon the 2008 Long-Term Equity Incentive Ownership Plan (Proposal 2);

3. To consider and vote upon an amendment and restatement of our Amended and Restated Declaration of Trust (Proposal 3); and

4. To transact such other business as may properly come before the meeting or any adjournment or postponement thereof.

Only shareholders of record at the close of business on June 16, 2008, the record date, are entitled to receive notice of and to vote at the annual meeting. A white proxy card is enclosed with this notice of annual meeting and proxy statement. A copy of our annual report to shareholders for the fiscal year ended December 31, 2007 was sent to shareholders on April 30, 2008.

YOUR VOTE IS IMPORTANT - You are urged to authorize a proxy to vote your shares via the Internet, or by calling the toll-free telephone number, or by signing, dating and promptly returning your white proxy card in the enclosed envelope.

When you submit your proxy, you authorize James C. Mastandrea, John J. Dee and David K. Holeman or any of them, each with full power of substitution, to vote your shares at the annual meeting in accordance with your instructions or, if no instructions are given, to vote for the election of the trustee nominee, to vote for the 2008 Long-Term Equity Incentive Ownership Plan, to vote for the amendment of our Amended and Restated Declaration of Trust and to vote for any adjournments or postponements of the annual meeting.

By order of the Board of
Trustees,

/s/ John J. Dee

John J. Dee
Chief Operating Officer and Corporate Secretary

July 3, 2008

TABLE OF CONTENTS

PROXY STATEMENT

ANNUAL MEETING OF SHAREHOLDERS
Tuesday, July 29, 2008

Whitestone REIT
2600 South Gessner, Suite 500
Houston, Texas 77063

SOLICITATION AND VOTING

The Board of Trustees (our "Board") of Whitestone REIT, a Maryland real estate investment trust ("Whitestone"), is soliciting proxies to be used at our 2008 annual meeting of shareholders to be held at 10:00 a.m., Central Daylight Time, on Tuesday, July 29, 2008, at the Westchase Marriott, located at 2900 Briarpark, Houston, Texas 77042 or at any adjournment thereof. This proxy statement and accompanying white proxy card are first being mailed to shareholders on or about July 3, 2008.

Purpose of Meeting

The purpose of the meeting is to (1) elect one trustee, (2) to consider and vote upon the Whitestone REIT 2008 Long-Term Equity Incentive Ownership Plan, and (3) to consider and vote upon an amendment and restatement of our Amended and Restated Declaration of Trust.

Who May Vote

Only shareholders who owned our common shares of beneficial interest at the close of business on June 16, 2008, the record date for the meeting, are entitled to receive notice of and to vote at the meeting. As of the close of business on June 16, 2008, we had 9,707,307 common shares of beneficial interest issued and outstanding. Shareholders are entitled to one vote for each common share of beneficial interest that they owned as of the record date.

How May You Vote

Shareholders may vote at the meeting in person or by proxy. Proxies validly delivered by shareholders (by Internet, telephone, or mail as described below) and timely received by us will be voted in accordance with the instructions contained therein. If a shareholder provides a proxy but gives no instructions, the shareholder's shares will be voted in accordance with the recommendation of our Board.
You may authorize a proxy in three ways:

BY MAIL: Mark, sign and date your white proxy card and return it in the postage-paid envelope we have provided. If the envelope is missing, please address your completed white proxy card to Whitestone REIT, c/o American Stock Transfer & Trust Company, 59 Maiden Lane, New York, New York 10273-0923.

BY INTERNET: Go to www.voteproxy.com and use the Internet to transmit your voting instructions and for electronic delivery of information until 11:59 p.m. Eastern Daylight Time on July 28, 2008. Have your white proxy card in hand when you access the website and then follow the instructions.

BY PHONE: Call 1-800-PROXIES (1-800-776-9437) and use any touch-tone telephone to transmit your voting instructions until 11:59 p.m. Eastern Daylight Time on July 28, 2008. Have your white proxy card in hand when you call the phone number above and then follow the instructions.

You may revoke your proxy at any time before it is exercised by:

giving written notice of revocation to our Chief Operating Officer and Corporate Secretary, John J. Dee, at Whitestone REIT, 2600 S. Gessner, Suite 500, Houston, Texas 77063;

timely delivering a properly executed, later-dated proxy; or

voting in person at the annual meeting.

If your shares are held by your broker or bank as nominee or agent, you should follow the instructions provided by your broker or bank.

Quorum

A quorum of shareholders is necessary to hold a valid meeting. A quorum will be present if the holders of at least 50% of the outstanding shares entitled to vote are present, in person or by proxy, at the annual meeting. Your shares will be counted as being present at the meeting if you appear in person at the meeting or if you submit a properly executed white proxy card.

If there are not enough votes to establish a quorum or to meet the voting requirement at the annual meeting, we may propose an adjournment or postponement of the annual meeting for the purpose of soliciting additional proxies. Therefore, please note that, by delivering a proxy to vote at the annual meeting, you are also granting a proxy that can be voted in favor of any adjournments or postponements of the annual meeting.

Board Recommendation

1. Our Board recommends a vote “For” the election of Donald F. Keating to serve as trustee until our 2011 annual meeting of shareholders and until his successor has been duly elected and qualified.

2. Our Board recommends a vote “For” approval of the Whitestone REIT 2008 Long-Term Equity Incentive Ownership Plan.

3. Our Board recommends a vote “For” approval of the Company’s Articles of Amendment and Restatement.

Required Vote

Votes will be counted by the inspector of election appointed for the Annual Meeting, who will separately count “FOR” and withheld votes, and, with respect to Proposals 2 and 3, “AGAINST” and “ABSTAIN” votes and broker non-votes. A broker non-vote occurs when a nominee, such as a broker or bank, 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 proposal and has not received instructions with respect to that proposal from the beneficial owner.

In the event that a broker, bank, custodian, nominee or other record holder of our common shares indicates on a proxy that it does not have discretionary authority to vote certain shares on a particular proposal, then those shares will be treated as broker non-votes with respect to that proposal. Accordingly, if you own shares through a nominee, such as a broker or bank, please be sure to instruct your nominee how to vote to ensure that your vote is counted on each of the proposals. Please note that brokers that have not received voting instructions from their clients cannot vote on their clients’ behalf on “non-routine” proposals, such as the proposals to approve the 2008 Long-Term Equity Incentive Ownership Plan (Proposal No. 2) and our Articles of Amendment and Restatement (Proposal 3). Abstentions and broker non-votes will be treated as shares present for the purpose of determining the presence of a quorum for the transaction of business at the Annual Meeting.

For Proposal No. 1, the vote of the holders of a majority of shares present in person or by proxy at the Annual Meeting at which a quorum is present is necessary for the election of Mr. Keating as trustee. For purposes of the election of trustees, abstentions and broker non-votes will be considered present for the purpose of determining the presence of a quorum but will be counted as votes against Proposal No. 1.

For the 2008 Long-Term Equity Incentive Ownership Plan (Proposal No. 2) to be approved, the proposal must receive a majority of all votes cast at the Annual Meeting, whether in person or by proxy. For purposes of the vote on this proposal, abstentions and broker non-votes will not be counted as votes cast and will have no effect on the result of the vote, although they will be considered present for the purpose of determining the presence of a quorum.

For Proposal No. 3, adoption of the Articles of Amendment and Restatement to be approved, the proposal must receive “FOR” votes from the holders of a majority of the issued and outstanding common shares entitled to vote at the Annual Meeting at which a quorum is present. Abstentions and broker non-votes will be counted as votes against Proposal No. 3.

Cost of Proxy Solicitation

This solicitation is being made by mail on behalf of our Board, but may also be made without additional remuneration by our officers or employees by telephone, facsimile transmission, e-mail or personal interview. We will bear the expense of the preparation, printing and mailing of the enclosed form of proxy, notice of annual meeting and this proxy statement and any additional material relating to the meeting that may be furnished to our shareholders by our Board subsequent to the furnishing of this proxy statement. We will reimburse banks and brokers who hold shares in their name or custody, or in the name of nominees for others, for their out-of-pocket expenses incurred in forwarding copies of the proxy materials to those persons for whom they hold such shares. To obtain the necessary representation of shareholders at the meeting, supplementary solicitations may be made by mail, telephone or interview by our officers or employees, without additional compensation, or selected securities dealers.

We have also retained Georgeson, Inc. to assist in the solicitation of proxies for a fee of approximately $7,500, plus out-of-pocket expenses. Any proxy given pursuant to this solicitation may be revoked by notice from the person giving the proxy at any time before it is exercised. Any such notice of revocation should be provided in writing signed by the shareholder in the same manner as the proxy being revoked and delivered to our proxy tabulator.

Annual Report

A copy of our annual report for the year ended December 31, 2007 was sent to shareholders on April 30, 2008. None of the information in our annual report is proxy solicitation material.

We will mail to you without charge, upon written request, a copy of our Annual Report on Form 10-K for the fiscal year ended December 31, 2007, as well as a copy of any exhibit specifically requested. Requests should be sent to: Corporate Secretary, Whitestone REIT, 2600 S. Gessner, Suite 500, Houston, Texas 77063. A copy of our Annual Report on Form 10-K has also been filed with the SEC and may be accessed from the SEC's homepage (www.sec.gov).

Householding of Proxy Materials

The SEC has adopted rules that permit companies and intermediaries, such as brokers, to satisfy the delivery requirements for proxy statements with respect to two or more shareholders sharing the same address by delivering a single proxy statement addressed to those shareholders. This process, which is commonly referred to as "householding," potentially provides extra convenience for shareholders and cost savings for companies.

Brokers may be householding our proxy materials by delivering a single proxy statement to multiple shareholders sharing an address unless contrary instructions have been received from the affected shareholders. Once you have received notice from your broker that they will be householding materials to your address, householding will continue until you are notified otherwise or until you revoke your consent. If at any time you no longer wish to participate in householding and would prefer to receive a separate proxy statement, or if you are receiving multiple copies of the proxy statement and wish to receive only one, please notify your broker if your shares are held in a brokerage account or us if you are a shareholder of record. You can notify us by sending a written request to: John J. Dee, Corporate Secretary, Whitestone REIT, 2600 S. Gessner, Suite 500, Houston, Texas 77063, or by calling (713) 827-9595. In addition, Whitestone REIT will promptly deliver, upon written or oral request to the address or telephone number above, a separate copy of the proxy statement to a shareholder at a shared address to which a single copy of the documents was delivered.

Additional Questions

If you have any questions about the 2008 annual meeting, these proxy materials or your ownership of our common shares, please contact our investor relations department at Whitestone REIT, Attn: Investor Relations, 2600 S. Gessner, Suite 500, Houston, Texas 77063, or call (713) 827-9595 x 3021.

PROPOSAL NO. 1
ELECTION OF TRUSTEE

Nominee for Trustee

Whitestone REIT's Board of Trustees is divided into three classes. Each class consists, as nearly as possible, of one-third of the total number of trustees, and each class has a three-year term.

The Board of Trustees presently has four (4) members. Chris A. Minton is our current Class I trustee and his term expires at our 2010 annual meeting. Donald F. Keating is our current Class II trustee and his term expires at the 2008 annual meeting. James C. Mastandrea and Jack L. Mahaffey are our current Class III trustees and their terms expire at our 2009 annual meeting.

Donald F. Keating, the current Class II trustee, who is standing for re-election at the 2008 annual meeting, was recommended for election to our Board of Trustees by our Nominating and Corporate Governance Committee and was nominated for re-election by the Board of Trustees. Mr. Keating was originally recommended to serve on our Board of Trustees by Jack L. Mahaffey, one of our trustees. If elected at the 2008 annual meeting, Mr. Keating will serve until the 2011 annual meeting of shareholders and until his successor is duly elected and qualifies, or until his earlier death, resignation or removal. Mr. Keating's nomination as a trustee is not being proposed for election pursuant to any agreement or understanding between us and him.

Trustees are elected by the holders of a majority of shares present in person or represented by proxy at the Annual Meeting. Shares represented by executed proxies will be voted, if authority to do so is not withheld, for the election of Mr. Keating. In the event that Mr. Keating should be unavailable for election as a result of an unexpected occurrence, such shares will be voted for the election of such substitute nominee as the Nominating and Corporate Governance Committee may propose. Mr. Keating has agreed to serve if elected.

Set forth below are descriptions of the principal occupation and certain other information of each of our current trustees, including Mr. Keating, and the period during which the trustee has served.

Trustee	Age(1)	Business Experience	Trustee Since
Donald F. Keating	75	Mr. Keating was formerly the Chief Financial Officer of Shell Mining Company. Mr. Keating retired from Shell Mining Company in 1992 and continued to provide consulting services to Shell Oil until 2002. Since 2002, Mr. Keating has managed his personal investments. Mr. Keating graduated from Fordham University with a Bachelor of Science Degree in Finance and served in the United States Marine Corps as infantry company commander. He is a former board member of Billiton Metals Company, R & F Coal Company and Marrowbone Coal Company.	February 2008
Jack L. Mahaffey	76	Mr. Mahaffey was formerly the President of Shell Mining Company. Since retiring from Shell Mining Company in 1991, Mr. Mahaffey has managed his personal investments. Mr. Mahaffey graduated from Ohio State University with a B.S. and M.S. in Petroleum Engineering and served in the United States Air Force. He is a former board member of the National Coal Association and the National Coal Counsel.	2000
James C. Mastandrea	64	Mr. Mastandrea has been our Chairman & Chief Executive Officer since October 2006. Mr. Mastandrea has over 34 years of experience in the real estate industry. He also serves, since 2003, as the President, Chief Executive Officer and Chairman of the Board of Trustees of Paragon Real Estate Equity and Investment Trust, a real estate company currently focused on value-added real estate and investments in shares of publicly-traded real estate investment trusts, and, since 1978, as the Chief Executive Officer/Founder of MDC Realty Corporation, a privately held residential and commercial real estate development company. From 1999 to 2002, Mr. Mastandrea served as Chief Executive Officer of Eagle's Wings Aviation Corporation. From 1994 to 1998, Mr. Mastandrea served as Chairman & CEO of First Union Real Estate Investments, a NYSE listed real estate investment trust. Mr. Mastandrea is a director of Cleveland State University Foundation Board, a director and a member of the real estate committee of University Circle Inc. Board, a development, service and advocacy organization, and a director of the Calvin Business Alliance Board at Calvin College, Grand Rapids, Michigan. Mr. Mastandrea also served in the U.S. Army as a Military Police Officer.	2006
Chris A. Minton	71	Mr. Minton was formerly a Vice President with Lockheed Martin. Since retiring from Lockheed Martin in 1995, Mr.	2000

Minton has managed his personal investments and served as a member of the board of Mount Carmel High School. Mr. Minton graduated from Villanova University with a Bachelors Degree, and he is a licensed CPA (retired status) in the State of Texas. He has been awarded the Gold Knight of Management award for achievements as a professional manager by the National Management Association.

(1) As of June 16, 2008

Our Board of Trustees unanimously recommends that you vote "For" the election of Donald F. Keating as set forth in Proposal No. 1.

CORPORATE GOVERNANCE

Independence

Our Board has affirmatively determined that three of our four trustees are "independent" under the NASDAQ listing standards, applicable SEC rules and the standards prescribed by our declaration of trust. These trustees are Jack L. Mahaffey, Chris A. Minton and Donald F. Keating (nominee).

Meetings and Committees of the Board of Trustees

General

Our Board met eight times during 2007. Our independent trustees meet separately on a regular basis — usually at each regularly scheduled meeting of our Board. All of our trustees attended at least 75% of the meetings for our Board and their assigned committees during 2007.

Three of our four trustees attended our 2007 annual meeting of shareholders. We strongly encourage our trustees to attend annual meetings, but we do not have a formal policy regarding attendance.

Our entire Board considers all major decisions concerning our business. Our Board has also established committees so that certain matters can be addressed in more depth than may be possible at a full Board meeting. Our Board's current standing committees are as follows, with the "X" denoting the members of the committee:

Name	Nominating and Corporate Governance Committee(1)	Audit Committee(2)	Compensation Committee(3)
Non-Employee Trustees:			
Donald F.Keating	X(4)	X	X
Jack L. Mahaffey	X	X	X(4)
Chris A. Minton	X	X(4)	X

(1) The Nominating and Corporate Governance Committee met 2 times during 2007.
(2) The Audit Committee met 4 times during 2007.
(3) The Compensation Committee met 2 times during 2007.
(4) Chairman

Our Board has adopted a charter for each committee. The charters are available on our website at www.whitestonereit.com. The information contained on our website is not, and should not be considered, a part of this proxy statement.

Nominating and Corporate Governance Committee

The primary purposes of the committee are:

- identifying individuals qualified to become trustees;
- monitoring the implementation of our corporate governance practices; and
- overseeing the evaluation of our management and our Board.

The committee currently consists of Chris A. Minton, Jack L. Mahaffey and Donald F. Keating, with Mr. Keating serving as chairman. Mr. Vyas served as Chairman prior to his resignation. Each member of the committee is "independent" under the NASDAQ listing standards, applicable SEC rules and the standards prescribed by our declaration of trust.

The committee is responsible for identifying individuals qualified to become trustees and for evaluating potential or suggested trustee nominees. Pursuant to our Bylaws, as amended, in order for an individual to qualify for nomination or election as a trustee, an individual, at the time of nomination, must have substantial expertise, experience or relationships relevant to the business of Whitestone, which may include:

- Commercial real estate experience;
- An in-depth knowledge of and working experience in finance or marketing;
- Capital markets or public company experience;
- University teaching experience in a Master of Business Administration or similar program;
- A bachelor's degree from an accredited university or college in the United States or the equivalent degree from an equivalent institution of higher learning in another country;
- Experience as a chief executive officer, chief operating officer or chief financial officer of a public or private company; or
- Public or private board experience.

Additionally, an individual shall not have been convicted of a felony or sanctioned or fined for a securities law violation of any nature. The committee in its sole discretion will determine whether a nominee satisfies the foregoing qualifications. The committee will also recommend nominees to the Board of Trustees that have a diversity of experience, gender, race, ethnicity and age.

The committee performs a preliminary evaluation of potential candidates primarily based on the need to fill any vacancies on our Board, the need to expand the size of our Board and the need to obtain representation in key disciplines and/or market areas. Once a potential candidate is identified that fills a specific need, the committee performs a full evaluation of the potential candidate. This evaluation includes reviewing the potential candidate's background information, relevant experience, willingness to serve, independence and integrity. In connection with this evaluation, the committee may interview the candidate in person or by telephone. After completing its evaluation, the committee makes a recommendation to the full Board as to the persons who should be nominated by our Board. Our Board determines the nominees after considering the recommendations and a report of the committee.

To date, the committee has not paid a fee to any third party to assist in the process of identifying or evaluating trustee candidates.

Audit Committee

The primary purposes of the committee are:

- assisting our Board in fulfilling its oversight responsibilities by reviewing the financial information to be provided to shareholders and others;
- overseeing and evaluating our system of internal controls established by management; and
- supervising the audit and financial reporting process (including direct responsibility for the appointment, compensation and oversight of the independent registered public accounting firm engaged to perform the annual audit and quarterly reviews with respect to our financial statements).

The committee also prepares a report each year in conformity with the rules of the SEC for inclusion in our annual proxy statement.

The committee currently consists of Chris A. Minton, Jack L. Mahaffey and Donald F. Keating, with Mr. Minton serving as chairman. Our Board has determined that Mr. Minton is an “audit committee financial expert” as defined by the rules promulgated by the SEC. Each member of the committee is “independent” under the NASDAQ listing standards, applicable SEC rules and the standards prescribed by our declaration of trust.

Compensation Committee

The primary purposes of the committee are:

- establishing, implementing and continually monitoring our executive compensation programs;
- assessment of the relationship of compensation relative to company performance;
- establishment of the rationale in the application of our compensation plans to specific incentive awards; and
- encourage entrepreneurship, which is a core driver of creating real estate value.

The 2008 Long-Term Equity Incentive Ownership Plan to be approved by shareholders at the 2008 annual meeting will provide the committee the authority to select participants, determine the type and number of awards to be granted, determine the terms and conditions of any award, interpret and specify the rules and regulations relating to the plan, and make all other determinations which may be necessary or desirable for the administration of the Plan.

The committee also prepares a report each year in conformity with the rules of the SEC for inclusion in our Form 10-K and/or annual proxy statement.

The committee currently consists of Chris A. Minton, Jack L. Mahaffey and Donald F. Keating, with Mr. Mahaffey serving as chairman. Each member of the committee is “independent” under the NASDAQ listing standards, applicable SEC rules and the standards prescribed by our declaration of trust.

The committee has the sole authority to oversee the administration of compensation programs applicable to our executive officers and trustees. Executive compensation will be reviewed at least annually by the committee. Trustee compensation is reviewed periodically by the committee as its members deem appropriate. The committee may delegate some or all of its authority to subcommittees when it deems appropriate. See “Compensation Discussion and Analysis” for more information regarding the committee’s processes and procedures for consideration and determination of executive compensation.

Code of Ethics

Our Board has adopted a code of business conduct that is applicable to all members of our Board, our executive officers and our employees. We have posted our code of business conduct on the Corporate Governance section of our website at www.whitestonereit.com.

Communication with our Board

We have established procedures for shareholders or other interested parties to communicate directly with our Board, including our independent trustees. Such parties can contact the Board by sending a letter to: Whitestone REIT, Attn: Corporate Secretary, 2600 S. Gessner, Suite 500, Houston, Texas 77063. Our Corporate Secretary will review all communications made by this means and forward the communication to our Board or to any individual trustee to whom the communication is addressed.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANANGEMENT

The following table sets forth beneficial ownership information, unless otherwise indicated, as of June 16, 2008 with respect to (i) each person known by us to own beneficially 5% or more of the outstanding common shares assuming the conversion of all OP Units (defined below), (ii) each of our trustees, (iii) each of our Named Executive Officers and (iv) all of our trustees and executive officers as a group. We are not aware of any shareholder who owns 5% or more of our outstanding common shares. The table also shows ownership information regarding outstanding units of Whitestone REIT Operating Partnership, L.P. (the "Operating Partnership"), which are convertible into our common shares of beneficial interest on a one-for-one basis ("OP Units"). As of June 16, 2008, we had 9,707,307 common shares outstanding and 14,085,706 OP Units outstanding.

	Common Shares Beneficially Owned(1)		Percent	
Name of Beneficial Owner	Actual	Assuming Conversion of All OP Units	Actual	Assuming Conversion of All OP Units
Named Executive Officers:				
James C. Mastandrea	—	—	—	—
John J. Dee	—	—	—	—
David K. Holeman	—	—	—	—
Valarie L. King	—	—	—	—
Daniel E. Nixon, Jr.	—	—	—	—
Non-Employee Trustees:				
Donald F. Keating	39,432.73	63,389.75	*	*
Jack L. Mahaffey	72,730.50	104,673.18	*	1.08%
Chris A. Minton (2)	44,671.74	74,902.53	*	*
Chand Vyas(3)	142,857.00	142,857.00	1.47%	1.47%
All executive officers and trustees as a group (consists of 9 persons) (4)	299,691.97	385,822.46	3.09%	3.94%

* Less than 1%

(1) Beneficial ownership is determined in accordance with the rules of the SEC that deem shares to be beneficially owned by any person or group who has or shares voting and investment power with respect to those shares. Actual amounts do not take into account OP Units held by the named person that are exchangeable for our common shares. The percentage ownership column that includes the OP Units assumes only the named person has converted his OP Units for our shares and does not give effect to any conversion of OP Units by any other person.

(2) Includes 44,671.74 common shares and 30,230.79 OP Units owned by Mr. Minton's wife for which Mr. Minton shares voting and dispositive power.

(3) Information obtained from corporate shareholder records. Mr. Vyas resigned in January 2008 due to personal time constraints and due to his own company business requiring more of his time.

(4) None of the shares beneficially owned by our trustees has been pledged as security for an obligation.

13

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934 requires our trustees and officers and persons who own more than 10% of our common shares to file reports of ownership and changes in ownership with the SEC. These persons are required by SEC rules to furnish us with copies of these reports. Based solely on our review of the copies of these reports received by us and representations from certain reporting persons that they have complied with the relevant filing requirements, we believe that all of these filing requirements were complied with during the year ended December 31, 2007, except that Daniel E. Nixon, Jr., Senior Vice President of Leasing and Redevelopment, failed to file a Form 3, Initial Statement of Beneficial Ownership of Securities, when he joined the Company. Mr. Nixon filed a Form 3 on June 19, 2008.

Executive Officers

The following table sets forth certain information about our executive officers.

Executive Officers	Age(1)	Position	Recent Business Experience
James C. Mastandrea	64	Chairman of the Board of Trustees and Chief Executive Officer (October 2006 – present)	President, Chief Executive Officer and Chairman of the Board of Trustees of Paragon Real Estate Equity and Investment Trust, a real estate company currently focused on value-added real estate and investments in shares of publicly-traded real estate investment (2003 – present), Chief Executive Officer/Founder of MDC Realty Corporation, a privately held residential and commercial real estate development company (1978 – present), Chief Executive Officer of Eagle's Wings Aviation Corporation (1999 -2002), Chairman of the Board of Trustees and Chief Executive Officer of First Union Real Estate Investments, a NYSE listed REIT (1994 – 1998).
John J. Dee	57	Chief Operating Officer (October 2006 – present)	Trustee, Senior Vice President, and Chief Financial Officer of Paragon Real Estate Equity and Investment Trust (2003 – present), Senior Vice President and Chief Financial Officer of MDC Realty Corporation, a privately held residential and commercial real estate development company (2002 – 2003), Director of Finance and Administration for Frantz Ward, LLP (2000 – 2002), several management positions and most recently Senior Vice President and Chief Accounting Officer with First Union Real Estate Investments, a NYSE listed REIT (1978 to 2000).
David K. Holeman	44	Chief Financial Officer (November 2006 – present)	Chief Financial Officer of Hartman Management, our former advisor (2006), Vice President and Chief Financial Officer of Gexa Energy, a NASDAQ listed retail electricity provider (2004 – 2006), Controller and most recently Chief Financial Officer of Houston Cellular Telephone Company (1994 – 2003).
Valarie L. King	47	Sr. Vice President of Property Management (October 2006 – present)	Several management positions and most recently Vice President of Property Management for Hartman Management, our former advisor (2000 – 2006).
Daniel E. Nixon, Jr.	59	Sr. Vice President of Leasing and Redevelopment (July 2007 –	Executive Vice President for Hull Storey Retail Group, LLC, owner of 17 enclosed malls, totaling 11 million square feet (2000 – 2007), several management positions and most recently Executive Vice President, Director of Retail at First Union Real Estate Investments, a NYSE

	present)	listed REIT (1978-1999).

(1) As of June 16, 2008.

15

Compensation Discussion and Analysis

The Compensation Committee (for purposes of this discussion and analysis, the “Committee”) of our Board has responsibility for establishing, implementing, and continually monitoring our executive compensation programs. Additionally, they are responsible for the assessment of the relationship of compensation relative to Whitestone’s performance, the rationale in the application of our compensation plans to specific incentive awards, and all recommendations to the Board relative to compensation under their charter.

The scope of this Compensation Discussion and Analysis (“CD&A”) relates to (1) all compensation components for the Named Executive Officers of Whitestone and, (2) to the extent appropriate in order to define Committee activities, responsibilities and decisions, summary information on:

- Overall Whitestone compensation programs;
- Performance evaluation methodology;
- Compensation plan development/adoption; and
- Comparative market compensation assessment.

Throughout this discussion James C. Mastandrea, our Chairman and Chief Executive Officer, John J. Dee, our Chief Operating Officer, David K. Holeman, our Chief Financial Officer, Valarie L. King, our Senior Vice President of Property Management, and Daniel E. Nixon, Jr., our Senior Vice President of Leasing and Redevelopment, are referred to as the “Named Executive Officers.” We did not have any other executive officers who earned more than $100,000 in 2007.

Compensation Strategy and Philosophy

The Committee believes that the most effective executive compensation strategy is one that encourages entrepreneurship, which is a core driver of creating real estate value and is designed to target specific annual and long-term goals defined by management and approved by the Board, which align the economic interests of employees with shareholders. This strategy should be designed to reward the achievement of performance above established goals that contribute to increased shareholder value.

The Committee believes that an effective executive compensation strategy has several components aimed at specific objectives and timeframes.

- Base Salary. Reflective of position, responsibility and experience, and correlated with market based salary levels for similar positions and competitor companies. The Committee presently believes that the competitive market 50th percentile level is the appropriate benchmark to target for base salary at this time in Whitestone’s growth and size.

Annual Incentive Bonus. An opportunity for selected employees (and potentially all employees) to receive an annual cash (or potentially cash and shares) award based on the achievement of specific organization, operating and financial goals and objectives at three levels during any fiscal year of Whitestone operation:

- Corporate performance;
- Business unit (functional area) performance; and
- Individual performance.

Whitestone currently has not formalized an annual incentive plan, but will be designing a plan in the near future. The Committee believes that any design of an annual incentive plan should establish a threshold, target and maximum incentive opportunity for participants. Additionally, the annual incentive plan should be designed to provide an effective weighting and performance measurement system to Whitestone, business unit (functional) and individual objectives, and be flexible to adapt to changing Whitestone needs and circumstances.

Long-Term Incentive Plan. On June 17, 2008 our Board of Trustees adopted the 2008 Long-Term Equity Incentive Ownership Plan (the "2008 Plan") to provide equity-based awards as incentive compensation to our key employees. We are presenting the 2008 Plan to our shareholders at the 2008 annual meeting for their approval. A long-term incentive plan is an opportunity for selected key employees (and potentially all employees) to participate in a plan which would provide awards of equity (restricted stock, phantom units or options) upon the long-term achievement of incremental value of Whitestone and its shareholders. This plan would be designed to encourage entrepreneurship and align employees with the long-term strategy of Whitestone and is expected to be an important component of total compensation and key employee retention.

Benefits and Other Perquisites. Whitestone provides the Named Executive Officers (and all other employees) a full range of benefits related to insurances for health and security. These benefit plans, and other perquisites to key employees, are consistent with Whitestone's competitors for experienced executives and are an important component of employee retention.

The Compensation Committee Charter outlines its key objectives in the governance of compensation plan development and award decisions, including its major responsibilities to evaluate Whitestone performance and executive compensation (and the relationship between them in any year and over time), one of the fundamental rationales for incentive compensation. Additionally, the Committee must ensure to the extent possible that Whitestone maintains its ability to attract and retain superior employees in key positions and that compensation opportunities to key employees remain competitive relative to that paid to similarly situated executives of our peer companies. To that end, the Committee believes executive compensation packages provided and to be developed will reflect the elements outlined above, and will require Whitestone to define specific performance measurement and accountability procedures to correlate with incentive awards.

Compensation Objectives

In association with the overall compensation strategy and philosophy outlined above, the Committee defines its core values and fundamental guiding principles relating to executive compensation as follows:

Compensation is linked to performance. Executive pay is linked to Whitestone and individual performance. Named Executive Officers should be rewarded for achieving annual strategic, operating, and financial goals. Goals should be defined and directed by Whitestone's strategic plan. Long-term compensation should promote retention and align management and employees with the long-term interests of shareholders.

Compensation elements should be appropriately balanced. The mix of compensation elements will vary with position and with Whitestone circumstances. Base salary and benefits are designed to attract and retain experienced key personnel. Annual incentives emphasize annual objectives, while long-term compensation emphasizes growth in profitability and shareholder value. The proportion of "guaranteed" and "at risk (incentive)" compensation should be structured by position consistent with responsibility, target total compensation level, and market benchmarks. Additionally, a severance benefits program is appropriate to encourage retention and objectivity in connection with events that may trigger a change in control of Whitestone or other circumstances of separation. Whitestone does not currently have a severance benefits program, but expects to develop one in the future.

Compensation should be fair and competitive. Whitestone and the Committee strive to establish fair and competitive compensation for the Named Executive Officers (and other management), and does so by the process and assessment methods to be outlined in Whitestone plan documents.

Executive stock ownership is expected. Whitestone believes that all executive officers (and to the extent possible, all employees) should be shareholders of Whitestone. Whitestone and the Committee will facilitate, and adopt a program to achieve this objective for executive ownership.

The Committee and Board exercise independent judgment. On behalf of the shareholders, the Committee and the Board ensure that executive compensation is appropriate and effective, and that all assessments, advisors, analysis, discussion, rationale and decision making are through the exercise of independent judgment.

Compensation may be structured to meet corporate tax and accounting rules. Whitestone generally structures the Named Executive Officers' compensation so that all elements of pay are tax deductible to Whitestone. Section 162(m) of the Internal Revenue Code limits the amount of compensation Whitestone may deduct in any fiscal year. Compensation above these limits can be deducted if it is awarded under a shareholder approved "performance based" incentive compensation plan. Under an annual incentive plan, awards which would limit the deductibility of compensation by Whitestone may (upon approval of the Committee) be delayed into a period where the deduction can be taken. Whitestone adheres to all Financial Accounting Standards Board rules and regulations related to the accounting treatment and reporting of compensation expense and valuation.

Roles and Responsibilities in Compensation Decisions

The Committee is specifically responsible for compensation decisions related to the Chairman and Chief Executive Officer.

The Committee philosophy and strategy, and the programs adopted by the Board, establish the general parameters within which the Chairman and Chief Executive Officer determines recommended compensation for the other Named Executive Officers. The Committee reviews, assesses and approves recommendations from the Chairman and Chief Executive Officer regarding any determination regarding base salary and bonuses to all officers, management and employees, including the other Named Executive Officers.

James C. Mastandrea, Chairman and Chief Executive Officer, and John J. Dee, Chief Operating Officer, annually review the performance of our other executive officers. The conclusions reached and recommendations made based on these reviews, including relative to base salary adjustments as well as bonuses, are presented to the Committee. The Committee can exercise its discretion in modifying any recommended salary adjustment or bonus award. The Committee reviews in detail the performance of our Named Executive Officers.

Compensation consultants familiar with the real estate industry and Whitestone's competitors are used by the Chairman and Chief Executive Officer, Chief Operating Officer, and the Committee to provide updated market compensation information regarding competitor compensation levels for various positions; to provide trends in the industry related to compensation awards and industry performance; and to address questions related to effective compensation plans and employee retention.

Setting Executive Compensation

Based on the strategy and philosophy described above, the Committee is in the process of structuring annual and long-term executive compensation plans aimed at attracting, retaining, and motivating executive officers to achieve our strategic business goals and rewarding them upon success. In furtherance of this agenda in 2007, the Committee engaged CEL & Associates, Inc./CEL Compensation Advisors, LLC ("CEL"), an independent executive compensation consulting firm with specific expertise in the real estate industry, to conduct a review and benchmarking of total compensation levels for our executive officers. CEL has provided the Committee with relevant market data and plan alternatives to consider when designing and adopting compensation programs for our executive officers. The Committee also independently reviews public disclosures made by companies in the real estate industry and on published surveys with particular focus on companies of similar size within our industry.

As a part of the compensation decision making process, the Committee compares each element comprising total compensation for Whitestone positions against similar positions in a peer group of publicly-traded REITs and private owner/developer/investment companies (collectively, the "Compensation Peer Group"). The Compensation Peer Group, which is periodically reviewed and updated by the Committee, consists of companies with which we believe we compete for talent, investment opportunity, and shareholder investment.

The companies comprising the Compensation Peer Group were selected based on the following criteria:

- Competitive public real estate companies in Whitestone's major markets;
- Public companies with market capitalization (implied market cap) of $150 million to $750 million and within the retail shopping center, office, industrial and diversified sectors; and
- Private real estate investment and development companies based on portfolio size and range of geographic investments.

A total of seventeen (17) public companies and nine (9) private companies were used in the CEL analysis. The public companies include:

Acadia Realty Trust	PS Business Parks, Inc.
AmREIT	Ramco-Gershenson Properties Trust
Capital Lease Funding, Inc.	Republic Property Trust
Cedar Shopping Centers, Inc.	Saul Centers, Inc.
Columbia Equity Trust	Spirit Finance Corporation
First Potomac Realty Trust	Thomas Properties Group, Inc.
Government Properties Trust, Inc.	Urstadt Biddle Properties, Inc.
Kite Realty Group Trust	Winthrop Realty Trust
Marcus Corporation	

Whitestone competes with many companies for experienced executives, and the Committee generally has set compensation for executive officers relative to the range of compensation paid to similarly situated executives of the companies comprising the Compensation Peer Group. Variations to this objective may occur as dictated by the experience level of the individual, market factors, and Whitestone situation.

In late 2006, the Company was restructured from an externally managed REIT to one with its own employees and infrastructure. As a result of this change salaries were, by necessity and directive, to be below market (below the 50th percentile). Bonuses were awarded in 2007 (on a discretionary bases but highly related to performance in a new company start-up environment) to make-up some of this difference. The Committee (and Whitestone) believes that it is important to have an equity-based incentive program to retain experienced and qualified executives and to provide them long-term compensation aligned with the economic growth of the company and the creation of shareholder value.

The philosophy of the Committee is to provide programs that offer a significant percentage of total compensation from performance based incentives. Alignment of key management and employees with the growth of Whitestone and the creation of value is the guiding principle of Whitestone's compensation program. Currently, given Whitestone's limited operating history, policies, specific incentive compensation opportunity "targets," and the mix between cash and equity incentives for key employees are not completed. The Committee will continue to review a variety of information, including that provided by CEL, to determine the appropriate level and mix of incentive compensation. Income from incentive compensation is realized as a result of Whitestone's performance and that of individual performance, measured against established goals. The Committee believes that our executive officers must think and act like owners to create value, and therefore a significant portion of total compensation to our executive officers should be in the form of non-cash stock-based long-term incentive compensation. Annual and long-term incentive plans are currently being reviewed and evaluated by the Committee, management and CEL. A comprehensive incentive compensation program is a key strategic plan element for Whitestone and will be adopted as soon as possible.

Executive Compensation Elements – 2007

Several significant components of our executive compensation are under development, including an annual bonus opportunity based on strategic, operating and financial performance, and a long-term incentive compensation plan, which may include grants of shares and/or options based on the achievement of future growth performance measures. Until those plans are completed and adopted by the Board, Whitestone must rely on base salary, discretionary bonuses for superior performance and competitive company benefits and perquisites. A description of Whitestone compensation elements during 2007 are presented below.

Base Salary. The Named Executive Officers receive a base salary established by an assessment of the responsibilities, skills and experience related to their respective positions, and an evaluation of base salary of comparable positions in peer companies and the market in general. Other factors considered in base salary determinations are individual performance, the success of each business unit (functional area), the competitiveness of the executive’s total compensation, our ability to pay an appropriate and competitive salary, and internal and/or external equity. The Named Executive Officers are eligible for annual increases in their base salary as a result of: Individual performance; their salary relative to the compensation paid to similarly situated executives in companies comprising the Compensation Peer Group; cost of living considerations; and the time interval and changes in responsibility since the last salary increase. In late 2006, the Company was restructured from an externally managed REIT to one with its own employees and infrastructure. As a result of this change salaries were, by necessity and directive, to be below market (below the 50th percentile).

Annual Bonus. At this time, Whitestone does not have a formal annual incentive plan. In the future, the Committee plans to adopt an annual incentive plan and may, in accordance with such a plan, award annual bonuses to executives for the achievement of specific operating and financial goals by Whitestone; the individual’s business unit or functional area; and the individual’s personal achievements and performance. Daniel E. Nixon, Jr. was the only Named Executive Officer to receive a discretionary bonus in 2007. Mr. Nixon joined Whitestone at a compensation level below the amount he earned at his previous employer, in return for being included in any future equity ownership program. He received a discretionary bonus in 2007 from Whitestone to encourage him to join Whitestone and supplement his compensation for the equity ownership program not being in existence in 2007.

Long-Term Incentive Compensation. Whitestone did not have a long-term compensation plan in place in 2007, and as such, no amounts were awarded to any employee as long-term incentive compensation. The Committee has designed a plan which is presented for shareholder approval as Proposal 2 of this proxy statement. Because today’s business decisions affect Whitestone over a number of years, we intend to tie long-term incentive awards to long-term value of the enterprise, and the growth in the financial benchmarks which drive the market value of Whitestone.

Perquisites and Other Personal Benefits. Whitestone provides the Named Executive Officers with benefits and other personal perquisites that Whitestone deems reasonable and consistent with our overall compensation program. Such benefits enable Whitestone to attract and retain superior employees for key positions. The Committee periodically reviews Whitestone benefits program and specific perquisites provided to the Named Executive Officers.

During 2007, certain of the Named Executive Officers were provided automobiles for business and personal purposes, housing, and reimbursements for personal and spousal travel. We also maintain other executive benefits we consider necessary in order to offer fully competitive opportunities to our executive officers. These include 401(k) retirement savings plans, including Whitestone match, car allowances and related travel reimbursements. Executive officers are also eligible to participate in all of our employee benefit plans, including medical, dental, group life, disability and accidental death and dismemberment insurance, in each and all cases on the same basis as other employees. Additionally, three (3) of the Named Executive Officers (James C. Mastandrea, John J. Dee, and Daniel E. Nixon, Jr.) will be relocating to the Houston area in 2008. To accommodate this relocation, Whitestone, with review and approval by the Committee, will be defining and offering a financial assistance package to accommodate portions of the cost of their transition.

Employment Agreements for Named Executive Officers

None of the Named Executive Officers are under an employment agreement or individual severance agreement and were not in 2007.

COMPENSATION COMMITTEE REPORT

The Committee has reviewed and discussed the Compensation Discussion and Analysis required by Item 402(b) of Regulation S-K with management and, based on the review and discussions, the Committee recommended to the Board that the Compensation Discussion and Analysis be included in this Proxy Statement.

Respectfully submitted,
Whitestone REIT
Compensation Committee
Jack L. Mahaffey, Chairman
Donald F. Keating
Chris A. Minton

Executive Officer Compensation

2007 Summary Compensation Table

The table below summarizes the total compensation paid or earned to each of the Named Executive Officers in 2006 and 2007.

Name and Position	Year	Salary(1)	Bonus(2)	All Other Compensation(3)	Total(4)
James C. Mastandrea	2007	$ 200,000	—	$ 51,541(5)	$ 251,541
Chairman & Chief Executive Officer	2006	50,000	—	—	50,000
John J. Dee	2007	160,000	—	26,994(6)	186,994
Chief Operating Officer	2006	39,385	20,000	—	59,385
David K. Holeman	2007	170,000	—	2,550(7)	172,550
Chief Financial Officer	2006	21,577	—	—	21,577
Valarie L. King	2007	100,375	—	1,500(8)	101,875
SVP - Property Management	2006	19,231	—	—	19,231
Daniel E. Nixon, Jr.	2007	77,085	10,000	11,073(9)	98,158(10)
SVP - Leasing and Redevelopment					

(1) Base salary paid in 2007 and 2006.
(2) Discretionary bonus for 2007 for Mr. Nixon. Mr. Dee's bonus was awarded in 2006 and paid in 2008.
(3) See individual footnotes for details.
(4) Total of all items in this table.
(5) Represents the incremental cost of Whitestone automobiles not used exclusively for business purposes, housing, matching contributions under our 401(k) plan of $3,000, Whitestone-paid health insurance, and Whitestone-paid personal and spousal travel.
(6) Represents the cost of Whitestone automobiles not used exclusively for business purposes, housing, matching contributions under our 401(k) plan of $2,400, and Whitestone-paid personal and spousal travel.
(7) Represents matching contributions under our 401(k) plan of $2,550.
(8) Represents matching contributions under our 401(k) plan of $1,500.
(9) Represents auto allowance, temporary housing, Whitestone-paid health insurance and Whitestone-paid personal and spousal travel.
(10) Mr. Nixon began employment with Whitestone in July 2007. As such, total compensation in 2007 reflects a partial year.

Equity Compensation Plan Information as of December 31, 2007

Whitestone did not make any grants of plan-based awards in 2007. Additionally, Whitestone did not have any equity compensation plans and therefore also has no outstanding equity awards from 2007. On June 17, 2008, the Board of Trustees adopted and recommended that our shareholders adopt the 2008 Long-Term Equity Incentive Ownership Plan, as discussed below under the section "Proposal No. 2 2008 Long-Term Equity Incentive Ownership Plan."

Payments/Rights Upon Termination

Whitestone does not have a defined benefit pension plan, deferred compensation plan or severance plan. Upon termination of employment with Whitestone for any reason, the Named Executive Officers would only be entitled to receive their bases salary earned through the date of termination.

Compensation Committee Interlocks and Insider Participation

During 2007, the Compensation Committee was comprised of Messrs. Mahaffey, Minton and Vyas. None of Messrs. Mahaffey, Minton and Vyas had any non-trivial professional, familial or financial relationship with Whitestone, our Chairman and Chief Executive Officer or our other executive officers, other than his service as a trustee.

COMPENSATION OF TRUSTEES

Trustee Fees

Our non-employee trustees are paid an annual fee of $10,000. In addition, our non-employee trustees receive $1,000 for each in-person or telephonic Board meeting they attend. Trustees do not receive additional compensation for committee meetings. Non-employee trustees also are reimbursed for out-of-pocket expenses incurred to attend board meetings.

2007 Trustee Compensation

The table below summarizes the compensation we paid to each non-employee trustee in 2007. No employee who serves as a trustee is paid for those services.

Name	Fees Earned or Paid in Cash	Total
Jack L. Mahaffey	$ 18,000	$ 18,000
Chris A. Minton	18,000	18,000
Chand Vyas(1)	18,000	18,000
Donald F. Keating (2)	----	----

(1) Mr. Vyas resigned in January 2008 due to personal time constraints and due to his own company business requiring more of his time.
(2) Mr. Keating became a trustee in February 2008 therefore was paid no amounts in 2007.

Report of the Audit Committee of the Board of Trustees

The audit committee is composed of three independent non-employee trustees and operates under a written charter adopted by the board (a copy of which is available on our web site). The board has determined that each committee member is independent within the meaning of the applicable NASDAQ listing standards currently in effect and as required by the Sarbanes-Oxley Act of 2002. Management is responsible for the financial reporting process, including the preparation of the consolidated financial statements in accordance with GAAP and for the establishment and effectiveness of internal control over financial reporting. Our independent registered public accounting firm is responsible for auditing those financial statements and expressing an opinion as to their conformity with GAAP. The committee's responsibility is to oversee and review this process. We are not, however, professionally engaged in the practice of accounting or auditing, and do not provide any expert or other special assurances as to such financial statements concerning compliance with the laws, regulations or GAAP or as to the independence of the registered public accounting firm. The committee relies, without independent verification, on the information provided to us and on the representations made by management and the independent registered public accounting firm. We held four meetings during 2007. The meetings were designed, among other things, to facilitate and encourage communication among the committee, management and our independent registered public accounting firm, Pannell Kerr Forster of Texas, P.C. ("PKF"). We discussed with PKF the overall scope and plans of their audit. We met with PKF, with and without management present, to discuss the results of their examinations.

We have reviewed and discussed the audited consolidated financial statements for the fiscal year ended December 31, 2007 with management and PKF. We also discussed with management and PKF the process used to support certifications by our Chief Executive Officer and Chief Financial Officer that are required by the SEC and the Sarbanes-Oxley Act of 2002 to accompany our periodic filings with the SEC. In addition, we reviewed and discussed with management our compliance as of December 31, 2007 with Section 404 of the Sarbanes-Oxley Act of 2002.

The audit committee has discussed with the independent auditors the matters required to be discussed by Statement on Auditing Standards No. 61, as amended by Statement on Auditing Standards No. 114, The Auditor's Communication With Those Charged With Governance. The audit committee has received the written disclosures and the letter from the independent auditors required by Independence Standards Board Standard No. 1, Independence Discussions with Audit Committees, and has discussed their independence with the independent auditors. When considering the independence of PKF, we considered whether their array of services to the company beyond those rendered in connection with their audit of our consolidated financial statements and reviews of our consolidated financial statements, including our Quarterly Reports on Form 10-Q, was compatible with maintaining their independence. We also reviewed, among other things, the audit and non-audit services performed by, and the amount of fees paid for such services to, PKF.

Based on the foregoing review and discussions and relying thereon, we have recommended to our board of trustees that the audited financial statements for the year ended December 31, 2007 be included in Whitestone's Annual Report on Form 10-K. This section of the proxy statement is not deemed "filed" with the SEC and is not incorporated by reference into our Annual Report on Form 10-K.

The undersigned members of the Audit Committee have furnished this report to our Board.

Respectfully submitted,
Audit Committee
Chris A. Minton, Chairman
Donald F. Keating
Jack L. Mahaffey

THE AUDIT COMMITTEE HAS SELECTED, AND THE BOARD HAS RATIFIED, PANNELL KERR FORSTER OF TEXAS, P.C., AS WHITESTONE'S INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR THE FISCAL YEAR ENDING DECEMBER 31, 2007. WHITESTONE DOES NOT EXPECT A REPRESENTATIVE FROM THIS FIRM TO ATTEND THE ANNUAL MEETING AND, ACCORDINGLY, NO REPRESENTATIVE FROM PKF IS EXPECTED TO MAKE ANY STATEMENT OR TO BE AVAILABLE TO RESPOND TO QUESTIONS AT THE ANNUAL MEETING.

Independent Registered Public Accounting Firm Fees and Services

The following table sets forth the fees for professional audit services rendered by Pannell Kerr Forster of Texas, P.C., or PKF, our independent registered public accounting firm, for the audit of our annual consolidated financial statements for the years ended December 31, 2007 and 2006, and fees billed for other services rendered by PKF for those periods:

Category of Service	2007 (in thousands)	2006 (in thousands)
Audit fees (1)	$ 233.4	$ 249.7
Audit-related fees (2)	—	39.3
Tax fees (3)	58.9	5.4
All other fees	—	—
Total	$ 292.3	$ 294.4

(1) Audit fees were for professional services rendered in connection with the audit of our 2007 and 2006 consolidated financial statements and reviews of our quarterly consolidated financial statements within those years.
(2) Audit-related fees were for professional services rendered in connection with a review of our consolidated financial statements and other financial data included in our Registration Statement on Form S-11.
(3) Tax fees were for assistance with matters principally related to tax compliance, tax planning and tax advice.

Our Audit Committee has considered the audit and non-audit services rendered by PKF and has determined that the provision of these services is compatible with maintaining the independence of PKF.

Pre-Approval Policies and Procedures

Our Audit Committee has adopted a policy requiring it to approve all services (audit and/or non-audit) to be performed by our independent registered public accounting firm to assure that the provision of the services does not impair the firm's independence. All services, engagement terms, conditions and fees, as well as changes in the terms, conditions and fees must be approved by our Audit Committee in advance. Our Audit Committee will annually review and approve services that may be provided by our independent registered public accounting firm during the next year and will revise the list of approved services from time to time based on subsequent determinations. Our Audit Committee believes that our independent registered public accounting firm can provide tax services to us, such as tax compliance, tax planning and tax advice, without impairing the firm's independence and that the tax services do not constitute prohibited services pursuant to the SEC and/or NASDAQ rules. The authority to approve services may be delegated by our Audit Committee to one or more of its members, but may not be delegated to management. If authority to approve services has been delegated to an Audit Committee member, any approval of services must be reported to our Audit Committee at its next scheduled meeting. All audit and non-audit services rendered by our independent registered public accounting firm during 2007 and 2006 were pre-approved by our Audit Committee.

PROPOSAL NO. 2
2008 LONG-TERM EQUITY INCENTIVE OWNERSHIP PLAN

In the fourth quarter of 2006, the present Whitestone management and employee team was internalized immediately following the termination of the external management and advisory agreements. Accordingly, Whitestone now has employees working exclusively for the benefit of our shareholders. Previously, without employees, investment bankers advised that it would be virtually impossible for Whitestone to become listed on a stock exchange. The board of trustees made numerous and significant changes for Whitestone to become internally managed, with the initial decision being the most important one to hire key experienced real estate and capital market industry leaders who think and act as owners. They were commissioned to build and internalize a top quality management and employee team. This was accomplished, and Whitestone was restructured, repositioned, reorganized, and stabilized with an underlying culture and philosophy that is entrepreneurial based and rewards performance with ownership.

Moving forward, the business of managing Whitestone will require redeveloping existing properties, selling other properties currently in the portfolio, purchasing new properties and portfolios with greater growth potential, raising capital, and listing the shares on a public stock exchange. At present, management has no incentive plan in the form of ownership to encourage the accomplishment of these exceptional goals and objectives. Your board believes it has the management and employee team in place to do so, and believes it needs to provide the motivation and incentives. Thus, the board is recommending for shareholders to approve a program to reward the successful results of management and employees' work over the long run with ownership equity.

The compensation committee of the board of trustees, composed entirely of independent trustees, with assistance of an independent compensation consultant, reviewed industry practices and existing programs of other public and private real estate companies. After analyzing the needs and potential of Whitestone, the board approved, in concept, the necessary components for a successful long-term, equity-based incentive plan. The underlying characteristic of the program is to encourage, motivate, and directly link management and employee rewards to performance based on shareholder returns. The program was approved by the board, and the board is recommending for shareholder approval, an omnibus plan which places a limit on the amount of shares that can be issued and earned by management and employees, and authorizes the board, through the independent compensation committee, to develop the details of the program.

Our Board of Trustees has adopted and unanimously recommends that you vote "FOR" the 2008 Long-Term Equity Incentive Ownership Plan (the "2008 Plan" or the "Plan").

If approved by shareholders, the Plan will become effective as of July 29, 2008 and will authorize awards in respect of an aggregate of 2,063,885 common shares of beneficial interest. The maximum aggregate number of common shares that may be issued under the Plan will be increased upon each issuance of common shares and units of the Operating Partnership by the Company (including issuances pursuant to the Plan) so that at any time the maximum number of shares that may be issued under the Plan shall equal 12.5% of the aggregate number of common shares and units of the Operating Partnership issued and outstanding (other than treasury shares and/or units issued to or held by the Company) (the "Share Increase").

The primary purpose of the Plan is to have employees think and act as owners while promoting the interests of Whitestone and its shareholders by, among other things:

- attracting and retaining key officers, employees and trustees of, and consultants to, Whitestone and its subsidiaries and affiliates;
- motivating those individuals by means of performance-related incentives to achieve long-range performance goals;
- enabling such individuals to participate in the long-term growth and financial success of Whitestone;
- encouraging equity ownership of Whitestone by such individuals; and
- linking their compensation to the long-term interests of Whitestone and its shareholders.

Our general compensation philosophy is that long-term equity-based incentive compensation should strengthen and align the interests of employees with our shareholders, as more fully described under the heading "Compensation Discussion and Analysis." We believe that the utilization of long-term equity-based incentive compensation will enable us to attract and retain the talent critical to Whitestone. We believe that equity ownership will focus our employees on improving our performance and help to create a culture that encourages employees to think and act as shareholders. We believe participants in our long-term incentive compensation program will generally include our key employees.

If approved by shareholders, the Plan will authorize an aggregate of 2,063,885 common shares, plus the Share Increase.

If the Plan is not approved, we will not be able to provide long-term, equity incentives to present and future employees consistent with our current compensation philosophies and objectives. We believe that such a failure may adversely affect our ability to attract and retain the caliber of key employees that is critical to our continued success.

The following is a brief summary of the principal features of the Plan, which is qualified in its entirety by reference to the Plan itself, a copy of which is attached hereto as Annex A and incorporated herein by reference.

Shares Available for Awards under the Plan. Under the Plan, awards may be made in common shares of Whitestone or units in Whitestone's operating partnership, which may be converted into common shares. Subject to adjustment as provided by the terms of the Plan, the maximum aggregate number of common shares with respect to which awards may be granted under the Plan is 2,063,885, plus the Share Increase.

If any common shares covered by an award under the Plan are forfeited or if any such award otherwise terminates, expires unexercised or is cancelled, such common shares shall again become shares with respect to which awards can be made under the Plan. Common shares issued under the Plan may be either newly issued common shares or common shares that have been reacquired by Whitestone. In addition, shares that are canceled, tendered or withheld in payment of all or part of the exercise price of an award or in satisfaction of withholding tax obligations, and shares that are reacquired with cash tendered in payment of the exercise price of an award, will be included in or added to the number of shares available for grant under the Plan. Common shares issued by Whitestone as substitute awards granted solely in connection with the assumption of outstanding awards previously granted by a company acquired by Whitestone, or with which Whitestone combines ("Substitute Awards"), do not reduce the number of shares available for awards under the Plan.

In addition, the Plan imposes individual limitations on the amount of certain awards in order to comply with Section 162(m) of the Internal Revenue Code of 1986, as amended (the "Code"). Under these limitations, no single participant may receive options or stock appreciation rights ("SARs") in any calendar year that, taken together, relate to more than 500,000 common shares, subject to adjustment in certain circumstances. In addition, the maximum number of common shares that may be issued by options intended to be incentive stock options will be limited to 2,063,885 shares, during the life of the Plan.

With certain limitations, awards made under the Plan shall be adjusted by the Compensation Committee of the Board of Trustees (the "Committee") to prevent dilution or enlargement of benefits or potential benefits intended to be made available under the Plan in the event of any stock dividend, reorganization, recapitalization, stock split, combination, merger, consolidation, change in laws, regulations or accounting principles or other relevant unusual or nonrecurring event affecting Whitestone.

Eligibility and Administration. Current and prospective officers, employees and trustees of, and consultants to, Whitestone or its subsidiaries or affiliates are eligible to be granted awards under the Plan. As of June 18, 2008, approximately 50 individuals were eligible to participate in the Plan. However, Whitestone has not at the present time determined who will receive an award or how they will be allocated. The Committee will administer the Plan, except with respect to awards to non-employee trustees, for which the Plan will be administered by the Board. Subject to the terms of the Plan, the Committee is authorized to select participants, determine the type and number of awards to be granted, determine and later amend (subject to certain limitations) the terms and conditions of any award, interpret and specify the rules and regulations relating to the Plan, and make all other determinations which may be necessary or desirable for the administration of the Plan.

Stock Options and Stock Appreciation Rights. The Committee is authorized to grant stock options, including both incentive stock options, which can result in potentially favorable tax treatment to the participant, and non-qualified stock options. The Committee may specify the terms of such grants subject to the terms of the Plan. The Committee is also authorized to grant SARs, either with or without a related option. The exercise price per share subject to an option is determined by the Committee, but may not be less than the fair market value of a common share on the date of the grant, except in the case of Substitute Awards. The maximum term of each option or SAR, the times at which each option or SAR will be exercisable, and the provisions requiring forfeiture of unexercised options at or following termination of employment generally are fixed by the Committee, except that no option or SAR relating to an option may have a term exceeding 10 years. Incentive stock options that are granted to holders of more than 10% of Whitestone's voting securities are subject to certain additional restrictions, including a five-year maximum term and a minimum exercise price of 110% of fair market value.

A stock option or SAR may be exercised in whole or in part at any time, with respect to whole shares only, within the period permitted thereunder for the exercise thereof. Stock options and SARs will be exercised by written notice of intent to exercise the stock option or SAR and, with respect to options, payment in full to Whitestone of the amount of the option price for the number of shares with respect to which the option is then being exercised.

Payment of the option price must be made in cash or cash equivalents, or, at the discretion of the Committee, (i) by transfer, either actually or by attestation, to Whitestone of shares that have been held by the participant for at least six months (or such lesser period as may be permitted by the Committee) which have a fair market value on the date of exercise equal to the option price, together with any applicable withholding taxes, or (ii) by a combination of such cash or cash equivalents and such shares. In addition, if permitted by the Committee in its sole discretion, payment may also be made in whole or in part in the form of an option to acquire shares or in the form of another award (based, in each case, on the fair market value of such option or award on the date the option is exercised). Subject to applicable securities laws, an option may also be exercised by delivering a notice of exercise and simultaneously selling the shares thereby acquired, pursuant to a brokerage or similar agreement approved in advance by proper officers of Whitestone, using the proceeds of such sale as payment of the option price, together with any applicable withholding taxes. Until the participant has been issued the shares subject to such exercise, he or she shall possess no rights as a shareholder with respect to such shares. Subject to certain exceptions for non-qualified stock options, options are generally not transferable other than by will or the laws of descent or distribution.

Restricted Common Shares and Restricted Common Share Units. The Committee is authorized to grant restricted common shares and restricted common share units. Restricted common shares are common shares subject to transfer restrictions as well as forfeiture upon certain terminations of employment prior to the end of a restricted period or other conditions specified by the Committee in the award agreement. Restricted shares are also subject to restrictions on voting rights and receipt of dividends. None of the restricted common shares may be transferred, encumbered or disposed of during the restricted period or until after fulfillment of the restrictive conditions.

Each restricted common share unit has a value equal to the fair market value of a common share on the date of grant. The Committee determines, in its sole discretion, the restrictions applicable to the restricted common share units. A participant may be credited with dividend equivalents on any vested restricted common share units at the time of any payment of dividends to shareholders on common shares. Except as determined otherwise by the Committee, restricted common share units may not be transferred, encumbered or disposed of, and such units shall terminate, without further obligation on the part of Whitestone, unless the participant remains in continuous employment of Whitestone for the restricted period and any other restrictive conditions relating to the restricted share units are met.

Restricted Unit Award. The Committee is authorized to grant units in our Operating Partnership, subject to the terms of the limited partnership agreement of the Operating Partnership. The units would be represented by a restricted unit award agreement. A participant who is receives a restricted unit award agreement has immediate rights of ownership in the units underlying the award, but such units are subject to restrictions in accordance with the terms and provisions of the Plan and the limited partnership agreement of the Operating Partnership, as amended, and may be subject to additional restrictions in accordance with the terms of a restricted unit award agreement, including provisions causing the units to be subject to forfeiture by the individual until the earlier of (a) the time such restrictions lapse or are satisfied, or (b) the time such shares are forfeited, pursuant to the terms and provisions of any award agreement pertaining to the award.

Performance Awards. A performance award consists of a right that is denominated in cash or common shares, valued in accordance with the achievement of certain performance goals during certain performance periods as established by the Committee, and payable at such time and in such form as the Committee shall determine. Performance awards may be paid in a lump sum or in installments following the close of a performance period or on a deferred basis, as determined by the Committee. Termination of employment prior to the end of any performance period, other than for reasons of death or total disability, will result in the forfeiture of the performance award. A participant’s rights to any performance award may not be transferred, encumbered or disposed of in any manner, except by will or the laws of descent and distribution or as the Committee may otherwise determine.

Performance awards are subject to certain specific terms and conditions under the Plan. Unless otherwise expressly stated in the relevant award agreement, each award granted to a Covered Officer (as defined in Section 162(m)) under the Plan is intended to be performance-based compensation within the meaning of Section 162(m). Performance goals for Covered Officers will be limited to one or more of the following financial performance measures relating to Whitestone or any of its subsidiaries, operating units, business segments or divisions:

- earnings before interest, taxes, depreciation and/or amortization;
- operating income or profit;
- operating efficiencies;
- return on equity, assets, capital, capital employed or investment;
- net income;
- earnings per share;
- utilization;
- net investment income;
- gross profit;
- loan loss ratios;
- stock price or total shareholder return;
- net asset growth;
- debt reduction;
- funds from operations;
- strategic business objectives, consisting of one or more objectives based on meeting specified cost targets, business expansion goals, and goals relating to acquisitions or divestitures; or
- any combination thereof.

Each goal may be expressed on an absolute and/or relative basis, may be based on or otherwise employ comparisons based on internal targets, the past performance of Whitestone or any subsidiary, operating unit or division of Whitestone and/or the past or current performance of other companies, and in the case of earnings-based measures, may use or employ comparisons relating to capital, shareholders' stock and/or shares outstanding, or to assets or net assets. The Committee may appropriately adjust any evaluation of performance under criteria set forth in the Plan to exclude any of the following events that occurs during a performance period:

- asset write-downs;
- litigation or claim judgments or settlements;
- the effect of changes in tax law, accounting principles or other such laws or provisions affecting reported results;
- accruals for reorganization and restructuring programs; and
- any extraordinary non-recurring items as described in Statement of Financial Accounting Standards No. 144 and/or in management's discussion and analysis of financial condition and results of operations appearing in Whitestone's annual report to shareholders for the applicable year.

To the extent necessary to comply with Section 162(m) of the Code, with respect to grants of performance awards, no later than 90 days following the commencement of each performance period (or other time required or permitted by Section 162(m)), the Committee will, in writing, (1) select the performance goal or goals applicable to the performance period, (2) establish the various targets and bonus amounts which may be earned for such performance period, and (3) specify the relationship between performance goals and targets and the amounts to be earned by each Covered Officer for such performance period. Following the completion of each performance period, the Committee will certify in writing whether the applicable performance targets have been achieved and the amounts, if any, payable to Covered Officers for such performance period. In determining the amount earned by a Covered Officer for a given performance period, subject to any applicable award agreement, the Committee shall have the right to reduce (but not increase) the amount payable at a given level of performance to take into account additional factors that the Committee may deem relevant to the assessment of individual or corporate performance for the performance period. With respect to any Covered Officer, the maximum annual number of shares in respect of which all performance awards may be granted under the Plan is 500,000 and the maximum annual amount of all performance awards that are settled in cash is $5,000,000.

Other Share-Based Awards. The Committee is authorized to grant any other type of awards that are denominated or payable in, valued by reference to, or otherwise based on or related to the common shares. The Committee will determine the terms and conditions of such awards, consistent with the terms of the Plan.

Non-Employee Trustee Awards. Subject to applicable legal requirements, the Board may provide that all or a portion of a non-employee trustee's annual retainer and/or retainer fees or other awards or compensation as determined by the Board be payable in non-qualified stock options, restricted shares, restricted share units and/or other share-based awards, including unrestricted shares, either automatically or at the option of the non-employee trustees. The Board will determine the terms and conditions of any such awards, including those that apply upon the termination of a non-employee trustee's service as a member of the Board. Non-employee trustees are also eligible to receive other awards pursuant to the terms of the Plan, including options and SARs, restricted shares and restricted share units, and other share-based awards upon such terms as the Committee may determine; provided, however, that with respect to awards made to members of the Committee, the Plan will be administered by the Board.

Termination of Employment. The Committee will determine the terms and conditions that apply to any award upon the termination of employment with Whitestone, its subsidiaries and affiliates, and provide the terms in the applicable award agreement or in its rules or regulations.

Change in Control. The Committee may specify in the applicable award agreement at or after grant, or otherwise by resolution prior to a Change in Control (as described below), that all or a portion of the outstanding awards under the Plan shall vest, become immediately exercisable or payable and have all restrictions lifted upon a Change in Control. As defined in the Plan, a Change in Control would generally include the following events:

- Any person, or group, other than the Company or one of its subsidiaries, becomes the beneficial owner of more than 35% of the combined voting power of the then outstanding securities of the Company (other than as a result of an issuance of securities initiated by the Company in the ordinary course of business).
- In connection with a merger, tender offer or other business combination, less than a majority of the combined voting power of the then outstanding securities of the Company after such transaction are held in the aggregate by the holders of the Company's securities immediately prior to such transaction.
- A complete liquidation or dissolution of the Company.
- The sale or other disposition of all or substantially all of the assets of the Company to any person (other than a transfer to a subsidiary).
- During any period of 2 consecutive years, individuals who at the beginning of the 2 year period constitute the Board cease for any reason to constitute at least a majority thereof, unless the election, or the nomination for election by the Company's shareholders, of each trustee of the Company first elected during such period was approved by a vote of at least two-thirds (2/3rds) of the trustees of the Company then still in office and such trustees were in office before the 2 year period and otherwise not put in office in connection with any event listed above.
- With respect to Award Agreements for the chief executive officer and the chief operating officer only, a termination of the chief executive officer without cause, excluding non-appealable determinations by a court of law for fraud, gross negligence, or willful neglect, which would be considered termination for cause.

Amendment and Termination. The Board may amend, alter, suspend, discontinue or terminate the Plan or any portion of the Plan at any time, provided that no such amendment, alteration, suspension, discontinuation or termination shall be made without shareholder approval if (a) such approval is necessary to comply with any tax or regulatory requirement for which or with which the Board deems it necessary or desirable to comply or (b) if such amendment, alteration, suspension, discontinuation or termination constitutes a material revision to the Plan. Among other things, a material revision includes:

- a material increase in the number of shares subject to the Plan (other than the Share Increase);
- an expansion of the types of awards under the Plan;
- a material expansion of the class of employees, trustees or other participants eligible to participate in the Plan;
- a material extension of the term of the 2008 Plan; and
- a material change to the method of determining option price under the Plan.

A material revision does not include any revision that curtails rather than expands the scope of the Plan. Subject to certain restrictions in the Plan, the Committee may waive any conditions or rights under, amend any terms of, or alter, suspend, discontinue, cancel or terminate any award, either prospectively or retroactively. The Committee does not have the power, however, to amend the terms of previously granted options to reduce the exercise price per share subject to such option or to cancel such options and grant substitute options with a lower exercise price per share than the cancelled options. The Committee also may not materially and adversely affect the rights of any award holder without the award holder's consent.

Other Terms of Awards. Whitestone may take action, including the withholding of amounts from any award made under the Plan, to satisfy withholding and other tax obligations. The Committee may provide for additional cash payments to participants to defray any tax arising from the grant, vesting, exercise or payment of any award.

Effective Date. The Plan will be effective upon approval by the shareholders at the 2008 annual meeting.

Because awards granted under the Plan will be made at the discretion of the Committee, the benefits that will be awarded under the Plan are not currently determinable.

Certain Federal Income Tax Consequences. The following is a brief description of the Federal income tax consequences generally arising with respect to awards under the Plan.

Tax consequences to Whitestone and to participants receiving awards will vary with the type of award. Generally, a participant will not recognize income, and Whitestone is not entitled to take a deduction, upon the grant of an incentive stock option, a nonqualified option, a SAR or a restricted share award. A participant will not have taxable income upon exercising an incentive stock option (except that the alternative minimum tax may apply). Upon exercising an option other than an incentive stock option, the participant must generally recognize ordinary income equal to the difference between the exercise price and fair market value of the freely transferable and non-forfeitable common shares acquired on the date of exercise.

If a participant sells common shares acquired upon exercise of an incentive stock option before the end of two years from the date of grant and one year from the date of exercise, the participant must generally recognize ordinary income equal to the difference between (i) the fair market value of the common shares at the date of exercise of the incentive stock option (or, if less, the amount realized upon the disposition of the incentive stock option shares), and (ii) the exercise price. Otherwise, a participant's disposition of common shares acquired upon the exercise of an option (including an incentive stock option for which the incentive stock option holding period is met) generally will result in short-term or long-term capital gain or loss measured by the difference between the sale price and the participant's tax basis in such shares (the tax basis generally being the exercise price plus any amount previously recognized as ordinary income in connection with the exercise of the option).

Whitestone generally will be entitled to a tax deduction equal to the amount recognized as ordinary income by the participant in connection with an option. Whitestone generally is not entitled to a tax deduction relating to amounts that represent a capital gain to a participant. Accordingly, Whitestone will not be entitled to any tax deduction with respect to an incentive stock option if the participant holds the common shares for the incentive stock option holding periods prior to disposition of the shares.

Similarly, the exercise of an SAR will result in ordinary income on the value of the stock appreciation right to the individual at the time of exercise. Whitestone will be allowed a deduction for the amount of ordinary income recognized by a participant with respect to an SAR. Upon a grant of restricted shares, the participant will recognize ordinary income on the fair market value of the common shares at the time restricted shares vest unless a participant makes an election under Section 83(b) of the Code to be taxed at the time of grant. The participant also is subject to capital gains treatment on the subsequent sale of any common shares acquired through the exercise of an SAR or restricted share award. For this purpose, the participant’s basis in the common shares is its fair market value at the time the SAR is exercised or the restricted share becomes vested (or is granted, if an election under Section 83(b) is made). Payments made under performance awards are taxable as ordinary income at the time an individual attains the performance goals and the payments are made available to, and are transferable by, the participant.

Restricted unit awards consisting of operating partnership units that constitute “profits interests” within the meaning of the Code and published IRS guidance generally will not be taxed to the recipient at the time of grant. Instead, such units generally will be taxed upon their disposition. Generally, under such circumstances, no deduction is available to the Company or the Operating Partnership upon the grant, vesting or disposition of the units. Alternatively, restricted unit awards consisting of operating partnership units that do not constitute “profits interests” within the meaning of the Code and IRS guidance generally will be taxed to the recipient at the time of grant based on the difference in the value of the unit on the date of grant and the amount paid for such unit by the recipient. Any amount included in the taxable income of the recipient of the unit upon the grant should result in a corresponding deduction to the Company or the Operating Partnership. Recipients of operating partnership units will be required to report on their income tax returns their allocable shares of the Operating Partnership’s income, gain, loss, deduction, and credit, regardless of whether the Operating Partnership makes a distribution of cash to such recipients. Further, distributions of cash from the Operating Partnership to recipients of units may be taxable to the recipient to the extent that such amounts received exceed the basis in their units.

Section 162(m) of the Code generally disallows a public company’s tax deduction for compensation paid in excess of $1 million in any tax year to its five most highly compensated executives. However, compensation that qualifies as “performance-based compensation” is excluded from this $1 million deduction limit and therefore remains fully deductible by the company that pays it. Whitestone intends that (i) performance awards and (ii) options granted (a) with an exercise price at least equal to 100% of fair market value of the underlying common shares at the date of grant (b) to employees the Committee expects to be named executive officers at the time a deduction arises in connection with such awards, qualify as “performance-based compensation” so that these awards will not be subject to the Section 162(m) deduction limitations.

The foregoing discussion is general in nature and is not intended to be a complete description of the Federal income tax consequences of the Plan. This discussion does not address the effects of other Federal taxes or taxes imposed under state, local or foreign tax laws. Participants in the Plan are urged to consult a tax advisor as to the tax consequences of participation.

The Plan is not intended to be a “qualified plan” under Section 401(a) of the Code.

PROPOSAL NO. 3
AMENDING AND RESTATING OUR DECLARATION OF TRUST

Overview of Reasons for Proposed Changes

The Company was originally structured as an externally-advised and managed REIT conducting business solely through an external adviser pursuant to separate investment advisory and asset management agreements. The Company's Amended and Restated Declaration of Trust, as filed with and accepted for record by the State Department of Assessments and Taxation of Maryland on July 28, 2004 (the "Current Declaration"), was originally designed to accommodate the Company's former structure as an externally advised and managed REIT. In addition, many of the provisions in the Current Declaration were included in order to comply with the requirements of the North American Securities Administrators Association's Statement of Policy Regarding Real Estate Investment Trusts ("NASAA Guidelines"), as adopted by many of the states, in order to permit the Company to conduct a continuous offering of the Company's common shares registered with the SEC and in the several states.

In October 2006, the Company converted to a self-advised, self-managed REIT conducting business under the direction of its board of trustees through its officers and employees. In addition, the Company discontinued raising equity capital through the sale of the Company's common shares in a continuous offering registered with the SEC and the several states, and is no longer required to comply with the NASAA Guidelines imposed on REITs who sell securities that are not listed on a national securities exchange. The Company intends to pursue additional capital and the listing of its common shares on the New York Stock Exchange, the Nasdaq National Market, or other national securities exchange or over-the-counter market ("Exchange") as soon as market conditions permit.

Because we did not amend our Current Declaration in order to accommodate our new business structure, to account for the fact that the Company is no longer externally advised and managed or to otherwise prepare for a future equity offering, the provisions in the Current Declaration are not consistent with the Company's current management structure and capital plans. We believe the Current Declaration in its present form would require significant changes prior to the execution of a public offering and listing of the Company's common shares.

For these reasons, we are asking you to approve an amendment and restatement of our Current Declaration. By doing so, our trustees will be given powers substantially similar to those granted to directors or trustees of most publicly traded REITs. We believe we will be able to operate in a more efficient and economical manner by allowing our board of trustees to react quickly to opportunities to list our common shares and to changes in the competitive and regulatory environment in which we operate. If the proposed Articles of Amendment and Restatement are not approved at the annual meeting, we would have to wait to amend and restate our Current Declaration in connection with a listed offering, and a delay in shareholder approval could adversely affect the success of the offering.

The board of trustees believes that it is advisable and in the best interests of the Company to amend and restate the Current Declaration in order to accommodate the Company's current structure as an internally-advised and managed REIT and to prepare for an offering of additional common shares of beneficial interest in the Company and the listing of such shares.

Recommendation

Our Board of Trustees unanimously recommends that you vote "FOR" the Articles of Amendment and Restatement of the Company as described in Proposal No. 3.

Comparison of Provisions of Our Current Declaration and the Proposed Articles of Amendment and Restatement

Below is a comparison of what we believe to be the material differences between the proposed Articles of Amendment and Restatement of the Company (the "Amended Declaration") and the Current Declaration. This comparison is not an exhaustive description of all changes and we would encourage you to carefully read the Amended Declaration attached to this Proxy Statement as Annex B.

	Current Declaration	Amended Declaration
Dividends and Distributions	In-kind distributions are allowed only under certain circumstances and, if they do not consist of readily marketable securities or beneficial interests in a liquidating trust established for the dissolution of the Company and the liquidation of its assets, may be made only to shareholders who accept them.	The Amended Declaration does not restrict in-kind distributions.
Advisor	The Current Declaration provides for the appointment and various obligations of and payment to an external advisor. The Company was previously externally managed by an advisor.	Because the Company is no longer externally managed, the Amended Declaration omits all provisions regarding an advisor.
Conflicts of Interest	The Current Declaration specifically addresses potential conflicts of interest between the Company and any sponsor, advisor, trustee or affiliate thereof and requires that the Company's independent trustees approve and make certain determinations with respect to any transactions between the Company and any sponsor, advisor, trustee or affiliate thereof.	Because the Company is now internally managed and does not intend to offer securities through registered state securities offerings in the future, the Amended Declaration omits such conflict of interest provisions.
Repurchase of Shares and Reinvestment of Distributions	The Current Declaration expressly provides that the Board may establish share repurchase programs or distribution reinvestment plans.	The Amended Declaration does not specifically address the repurchase of shares by the Company or the reinvestment of distributions by shareholders, although the Company will still have the power under Maryland law to establish share repurchase programs and distribution reinvestment plans.

	Current Declaration	Amended Declaration
Investment Objectives and Limitations	Our Current Declaration contains a number of limitations and restrictions on our ability to make certain types of investments in real estate, real estate-related instruments, and equity securities, as well as our ability to make borrowings and incur indebtedness. These investment limitations and restrictions were included in order to comply with the NASAA Guidelines.	To be consistent with the governance practices of other publicly traded REITs, the Amended Declaration eliminates any specific investment limitations and restrictions. Instead, our Board and our management will be responsible for evaluating and determining whether to make these types of investments and will take into account the complex rules and interpretations required to maintain REIT status under the Code as well as whether a proposed investment is in the Company’s best interests. However, the elimination of certain of these restrictions may expose us to greater risks, for example by allowing us to borrow a greater amount of money, relative to our asset base, than we are permitted to borrow under our Current Declaration or to lend money in situations in which we would not have been able to lend money under our Current Declaration. Our Board believes that the elimination of these restrictions is desirable and will allow us to expand our investment and capital market opportunities.
Suitability of Shareholders	Investors are required to meet certain suitability standards, as required by securities laws of individual states.	As the Company does not intend to offer unlisted shares through registered state securities offerings in the future, the Amended Declaration omits such suitability standards.
Right of Inspection	Any shareholder is permitted access to the books and records of the Company upon reasonable notice during normal business hours.	The Amended Declaration does not address shareholder inspection rights. However, under Maryland law, any shareholder will continue to have the right to inspect the Company’s bylaws, minutes of shareholder proceedings, annual statements of affairs and voting trust agreements on file at the Company’s principal office and to request a statement showing all shares of beneficial interest and securities issued by the Company during a specified period of not more than twelve months before the date of the request.

Access to Shareholder List	A shareholder list may be requested by a shareholder and must be mailed within 10 days of the receipt of the request upon a reasonable charge.	The Amended Declaration does not address shareholder lists. Thus, under Maryland law, only shareholders who for at least six months have been shareholders of record of at least five percent (5%) of the outstanding shares of any class of the Company will be permitted to request a shareholder list.
Reports	The board of trustees must mail to each shareholder an annual report within 120 days after the end of each fiscal year containing certain information regarding the advisor and related fees.	The Amended Declaration does not address reports to shareholders. However, as the Company is subject to the Securities Exchange Act of 1934, it is required to file an annual report on Form 10-K for each year, and these reports are publicly available on the Company's website and the SEC's website. Because the Company is no longer externally managed, such information regarding the advisor as required to be reported by the Current Declaration is no longer applicable.
Shareholder Action without a Meeting	Although the Company's Bylaws do not currently include such a provision, the Current Declaration provides that the Bylaws may contain a provision permitting shareholders to take action by written consent of the requisite number of shares required to take such action, without holding a meeting.	The Amended Declaration permits shareholder action without a meeting only upon unanimous written or electronic consent of the shareholders.

	Current Declaration	Amended Declaration
Restrictions on Transfer and Ownership	To assist us in qualifying as a REIT, among other purposes, the Current Declaration generally limits ownership of our shares of beneficial interest to 9.8% of the value of our outstanding shares and ownership of our common shares to 9.8% in value or in number of shares, whichever is more restrictive, of the outstanding common shares.	To assist us in qualifying as a REIT, among other purposes, the Amended Declaration generally limits ownership of our common shares to 9.8%, in value or in number of shares, whichever is more restrictive, of the outstanding common shares and ownership of any class or series of our preferred shares to 9.8% in value or in number of shares, whichever is more restrictive, of the outstanding preferred shares of such class or series.
Number of Trustees	The Current Declaration provides that the number of trustees, initially six (6), may be increased or decreased from time to time pursuant to the Bylaws, provided that the total number shall not be fewer than three (3).	The Amended Declaration provides that the number of trustees is currently four (4) and that such number may be increased or decreased pursuant to the Bylaws and eliminates the requirement that the number of trustees be at least three (3).
Term of Trustees	Pursuant to the Company's election to be subject to Section 3-803 of the Maryland General Corporation Law (the "MGCL"), the Board is currently classified, with each trustee serving a three (3) year term.	The Amended Declaration provides the trustees are divided into 3 classes with three (3) year terms until such time as the Company is no longer subject to Section 3-803 of the MGCL, in which case the trustees would be elected annually for one (1) year terms at the annual shareholders meeting.
Removal of Trustees	Pursuant to the Company's election to be subject to Section 3-804(a) of the MGCL, shareholders can remove any trustee only by the affirmative vote of at least two-thirds (2/3) of all votes entitled to be cast. However, the Current Declaration permits such removal with or without cause.	Consistent with the Company's election to be subject to Section 3-804(a) of the MGCL, the Amended Declaration provides that a trustee may be removed only by the affirmative vote of at least two-thirds (2/3) of all votes entitled to be cast. The Amended Declaration also requires cause for such removal.
Independent Trustees	Our Current Declaration requires that a majority of the Board and a majority of each committee of the Board consist of Independent Trustees. Subject to certain exceptions, a trustee is not considered independent under the Current Declaration if he or she is on the date of determination, or has been within the last two years from the date of determination, directly or indirectly associated with the	Although a majority of the Board and a majority of each committee of the Board may still consist of independent trustees under the rules of the applicable Exchange on which our common shares are listed or quoted, the Amended Declaration omits the requirement that a majority of the Board and a majority of each Board committee consist of Independent Trustees as defined by the

	sponsor, the Company, the advisor or any affiliate thereof.	Current Declaration.
Experience of Trustees	The Current Declaration requires that each non-Independent Trustee have at least three years of experience acquiring and managing the type of assets being acquired by the Company and that at least one Independent Trustee have three (3) years of such experience.	The Amended Declaration omits the requirement that trustees possess certain experience. Instead, matters regarding the experience and qualification of our trustees will be governed by our Bylaws and the appropriate Exchange rules and interpretations.

	Current Declaration	Amended Declaration
Indemnification and Advance of Expenses	Under our Current Declaration, we are required to indemnify and hold harmless our trustees and officers, the advisor and any affiliate thereof for losses or liabilities incurred by any of them, in connection with their service on our behalf and to pay or reimburse reasonable legal expenses incurred by them in advance of final disposition of a proceeding. However, in addition to any limitations on indemnification and advance of expenses imposed by Maryland law, the Current Declaration provides, among other things, that we may not indemnify a non-Independent Trustee, the advisor or any affiliate thereof for loss or liability resulting from negligence or misconduct, that we may not indemnify an Independent Trustee for loss or liability resulting from gross negligence or willful misconduct, that indemnification may be paid only out of our net assets and that expenses may be advanced in a legal proceeding initiated by a shareholder only if a court of competent jurisdiction has approved such advancement.	The Amended Declaration provides for indemnification of our trustees and officers and advance of expenses to our trustees and officers to the maximum extent permitted by Maryland law. Accordingly, we will indemnify any trustee or officer who has been successful, on the merits or otherwise, in the defense of any proceeding to which he or she is made or threatened to be made a party by reason of his or her service in that capacity and we will indemnify our present and former trustees and officers against judgments, penalties, fines, settlements and reasonable expenses actually incurred by them in connection with any proceeding to which they may be made or threatened to be made a party by reason of their service in those or other capacities unless it is established that: (1) the act or omission of the trustee or officer was material to the matter giving rise to the proceeding and was committed in bad faith or was the result of active and deliberate dishonesty, (2) the trustee or officer actually received an improper personal benefit in money, property or services or (3) in the case of any criminal proceeding, the trustee or officer had reasonable cause to believe that the act or omission was unlawful. In addition, we will advance reasonable expenses to a trustee or officer upon receipt of (a) a written affirmation by the trustee or officer of his or her good faith belief that he or she has met the standard of conduct necessary for indemnification and (b) a written undertaking by him or her or on his or her behalf to repay the amount paid or reimbursed if it is ultimately determined that the standard of conduct was not met. Our Board believes that these provisions will facilitate our ability to attract and retain attractive trustees and officer candidates and may aid in our obtaining trustees and officers liability insurance and controlling insurance costs. Provisions of this nature are

		similar to the provisions customarily provided by other publicly traded companies and thus will allow us to compete with those companies for the most qualified candidates.
Amendments to Declaration of Trust	Except for amendments permitted to be made without shareholder approval by Maryland law or the Current Declaration, amendments to our Current Declaration are permitted only if approved by our shareholders by the affirmative vote of a majority of all votes entitled to be cast on the matter.	Except for amendments permitted to be made without shareholder approval by Maryland law or the Current Declaration, amendments to the Amended Declaration will generally require the approval of shareholders entitled to cast not less than a majority of all votes entitled to be cast on the matter. However, any amendment to provisions regarding the removal of trustees must be approved by the affirmative vote of shareholders entitled to cast not less than two-thirds (2/3) of all the votes entitled to be cast on the matter.
Roll-up Transactions	The Current Declaration provides that the Company may not engage in certain roll-up transactions unless certain conditions are satisfied, including the appraisal of all of the Company's assets and the offer to shareholders who vote against the transaction the choice of accepting the securities of the roll-up entity offered in the transaction or one of the following: remaining as shareholders of the Company and preserving their interests therein on the same terms as previously existed or receiving cash in an amount equal to their pro rata share of the appraised value of the Company's net assets.	The Amended Declaration omits all restrictions on roll-up transactions.

	Current Declaration	Amended Declaration
Duration	Under the Current Declaration, twelve years after the Company's first offering, if the Company is not in the process of listing or making an orderly dissolution, upon receipt by the Company's Secretary of written requests from shareholders holding ten percent of the outstanding common shares, the Company must proxy the shareholders as to whether the Company should be dissolved.	Under the Amended Declaration, the Company will continue perpetually unless terminated upon the approval of the Board and the shareholders entitled to cast not less than a majority of all the votes entitled to be cast on the matter.

SHAREHOLDER PROPOSALS

We will consider for inclusion in our proxy materials for the 2009 annual meeting of shareholders, shareholder proposals that are received at our executive offices no later than March 5, 2009 and that comply with all applicable requirements of Rule 14a-8 promulgated under the Securities Exchange Act of 1934, as amended, or the Exchange Act. Proposals must be sent to our Corporate Secretary at Whitestone REIT, 2600 S. Gessner, Suite 500, Houston, Texas, 77063.

Pursuant to Whitestone REIT's bylaws, as amended, shareholders wishing to submit proposals or trustee nominations, whether or not included in our proxy materials, must have given timely notice thereof in writing to our Corporate Secretary. Under the current bylaws, to be timely for the 2009 annual meeting of shareholders, you must notify our Corporate Secretary, in writing, not later than the close of business on April 4, 2009, nor earlier than the close of business on March 5, 2009. We also advise you to review Whitestone REIT's bylaws, which contain additional requirements about advance notice of shareholder proposals and trustee nominations, including the different notice submission date requirements in the event that we mail out the notice for our 2009 annual meeting of shareholders 30 days before or after July 3, 2009. The Chairman of the 2009 annual meeting of shareholders may determine, if the facts warrant, that a matter has not been properly brought before the meeting and, therefore, may not be considered at the meeting. In addition, the proxy solicited by the Board of Trustees for the 2009 annual meeting of shareholders will confer discretionary voting authority with respect to (i) any proposal presented by a shareholder at that meeting for which Whitestone REIT has not been provided with timely notice and (ii) any proposal made in accordance with Whitestone REIT's bylaws, if the 2009 proxy statement briefly describes the matter and how management's proxy holders intend to vote on it and if the shareholder does not comply with the requirements of Rule 14a-4(c)(2) promulgated under the Exchange Act.

Shareholder Nominations for Trustee

If a shareholder is recommending a candidate to serve on the Board of Trustees, the recommendation must include the information specified in Whitestone REIT's bylaws, including the following:

- the shareholder's name and address, and the class, series and number of all shares of Whitestone REIT which are owned beneficially by such shareholder;
- to the extent known by such shareholder, the name and address of any other shareholder supporting such candidate;
- the name, age, business address and residence address of such candidate proposed;
- the class, series and number of shares of Whitestone REIT which are owned beneficially and of record by such candidate and the date such shares were acquired and the investment intent of such acquisition;
- the nominee's written consent to being named in Whitestone REIT's proxy statement as a nominee and to serving as a trustee if elected; and
- all information regarding the nominee that would be required to be included in Whitestone REIT's proxy statement by the rules of the SEC, including the nominee's age, business experience for the past five years and any other trusteeships or directorships held by the nominee.

If a shareholder proposes to bring any other business before the 2009 annual meeting, the proposal must include, amount other things, a description of the business desired to be brought before the meeting, the reasons for proposing such business at the meeting and any material interest or anticipated interest in such business of such shareholder and any person associated with such shareholder.

OTHER BUSINESS

The Board of Trustees knows of no other business to be presented for action at the annual meeting. If any matters do come before the meeting on which action can properly be taken, it is intended that the proxies shall vote in accordance with the discretion of the person or persons exercising the authority conferred by the proxy at the meeting. The submission of a proposal does not guarantee its inclusion in our proxy statement or presentation at the meeting unless certain securities law and other requirements are met.

You are cordially invited to attend the annual meeting of shareholders in person. Whether or not you plan to attend the meeting, you are requested to complete, date, sign and promptly return the accompanying white proxy card in the enclosed postage-paid envelope.

By order of the Board of
Trustees,

/s/ John J. Dee
John J. Dee
Chief Operating Officer and Corporate Secretary

July 3, 2008
Houston, Texas

Annex A

WHITESTONE REIT

2008 LONG-TERM EQUITY INCENTIVE OWNERSHIP PLAN

TABLE OF CONTENTS

WHITESTONE REIT
2008 LONG-TERM EQUITY INCENTIVE OWNERSHIP PLAN

SectionPurpose.
1.

This plan shall be known as the "Whitestone REIT 2008 Long-Term Equity Incentive Ownership Plan" (the "Plan"). The purpose of the Plan is to promote the interests of Whitestone REIT, a Maryland real estate investment trust (the "Company"), its Subsidiaries and its shareholders by (i) attracting and retaining key officers, employees, and trustees of, and consultants to, the Company and its Subsidiaries and Affiliates; (ii) motivating such individuals by means of performance-related incentives to achieve long-range performance goals; (iii) enabling such individuals to participate in the long-term growth and financial success of the Company; (iv) encouraging ownership of equity in the Company by such individuals; and (v) linking their compensation to the long-term interests of the Company and its shareholders. With respect to any awards granted under the Plan that are intended to comply with the requirements of "performance-based compensation" under Section 162(m) of the Code, the Plan shall be interpreted in a manner consistent with such requirements.

SectionDefinitions.
2.

As used in the Plan, the following terms shall have the meanings set forth below:

(a) "Affiliate" shall mean (i) any entity that, directly or indirectly, is controlled by the Company, (ii) any entity in which the Company has a significant equity interest, (iii) an affiliate of the Company, as defined in Rule 12b-2 promulgated under Section 12 of the Exchange Act, and (iv) any entity in which the Company has at least twenty percent (20%) of the combined voting power of the entity's outstanding voting securities, in each case as designated by the Board as being a participating employer in the Plan.

(b) "Award" shall mean any Option, Stock Appreciation Right, Restricted Common Share Award, Restricted Common Share Unit, Restricted Unit Award, Performance Award, Other Share-Based Award or other award granted under the Plan, whether singly, in combination or in tandem, to a Participant by the Committee (or the Board) pursuant to such terms, conditions, restrictions and/or limitations, if any, as the Committee (or the Board) may establish or which are required by applicable legal requirements.

(c) "Award Agreement" shall mean any written agreement, contract or other instrument or document evidencing any Award, which may, but need not, be executed or acknowledged by a Participant.

(d) "Board" shall mean the Board of Trustees of the Company.

(e) "Change in Control" shall mean, unless otherwise defined in the applicable Award Agreement, any of the following events:

(i) any person or entity, including a "group" as defined in Section 13(d)(3) of the Exchange Act, other than the Company or a wholly-owned subsidiary thereof or any employee benefit plan of the Company or any of its Subsidiaries, becomes the beneficial owner of the Company's securities having 35% or more of the combined voting power of the then outstanding securities of the Company that may be cast for the election of trustees of the Company (other than as a result of an issuance of securities initiated by the Company in the ordinary course of business);

(ii) as the result of, or in connection with, any cash tender or exchange offer, merger or other business combination or contested election, or any combination of the foregoing transactions, less than a majority of the combined voting power of the then outstanding securities of the Company or any successor company or entity entitled to vote generally in the election of the trustees of the Company or such other corporation or entity after such transaction are held in the aggregate by the holders of the Company's securities entitled to vote generally in the election of trustees of the Company immediately prior to such transaction;

(iii) during any period of two (2) consecutive years, individuals who at the beginning of any such period constitute the Board cease for any reason to constitute at least a majority thereof, unless the election, or the nomination for election by the Company's shareholders, of each Trustee of the Company first elected during such period was approved by a vote of at least two-thirds (2/3rds) of the Trustees of the Company then still in office who were (a) Trustees of the Company at the beginning of any such period, and (b) not initially (1) appointed or elected to office as result of either an actual or threatened election and/or proxy contest by or on behalf of a Person other than the Board, or (2) designated by a Person who has entered into an agreement with the Company to effect a transaction described in (i) or (ii) above or (iv) or (v) below;

(iv) a complete liquidation or dissolution of the Company;

(v) the sale or other disposition of all or substantially all of the assets of the Company to any Person (other than a transfer to a Subsidiary); or

(vi) with respect to Award Agreements for the chief executive officer, the chief operating officer and the chief financial officer only, a termination of the chief executive officer without cause, excluding non-appealable determinations by a court of law for fraud, gross negligence, or willful neglect, which would be considered termination for cause.

(f) "Code" shall mean the Internal Revenue Code of 1986, as amended from time to time.

(g) "Committee" shall mean a committee of the Board composed of not less than two Non-Employee Trustees, at least two of whom shall be (i) a "non-employee director" for purposes of Section 16 of the Exchange Act and Rule 16b-3 thereunder, (ii) an "outside director" for purposes of Section 162(m) and the regulations promulgated under the Code, and each of whom shall be "independent" within the meaning of the listing standards of the Nasdaq Stock Market. To the extent that compensation realized in respect of Awards is intended to be "performance based" under Section 162(m) of the Code and the Committee is not comprised solely of individuals who are "outside directors" within the meaning of Section 162(m) of the Code, the Committee may from time to time delegate some or all of its functions under the Plan to a committee or subcommittee composed of members that meet the relevant requirements.

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