Whitestone REIT
Form PRE 14A
June 20, 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 [ ]

Check the appropriate box:

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

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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SUBJECT TO COMPLETION, Dated June 20, 2008

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

June __, 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 vote your shares via the Internet, or 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,

James C. Mastandrea
Chairman and Chief Executive Officer

SUBJECT TO COMPLETION, Dated June 20, 2008

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 approve the 2008 Long-Term Equity Incentive Ownership Plan (Proposal 2);

3. To approve 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.

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 vote your shares via the Internet, or 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 and to vote on any adjournments or postponements of the annual meeting.

By order of the Board of Trustees,

John J. Dee
Chief Operating Officer and Corporate Secretary

June __, 2008

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SUBJECT TO COMPLETION, Dated June 20, 2008

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 ("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 June 27, 2008.

Purpose of Meeting

The purpose of the meeting is to (1) elect one trustee, (2) approve the Whitestone REIT 2008 Long-Term Equity Incentive Ownership Plan, and (3) to approve 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 vote by proxy 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 at least a majority of the outstanding shares entitled to vote are represented by shareholders present at the annual meeting or by proxy. 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 Second Amended and Restated Declaration of Trust

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,” “ABSTAIN” 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 proposal to approve the 2008 Long-Term Equity Incentive Ownership Plan (Proposal No. 2) and our Second Amended and Restated Declaration of Trust (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 a plurality of all of the votes cast 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 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 the 2008 Long-Term Equity Incentive Ownership Plan (Proposal No. 2) to be approved, the proposal must receive “FOR” votes from the 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.

To approve Proposal No. 3, adoption of the Second Amended and Restated Declaration of Trust, the proposal must receive “FOR” votes from 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] c/o 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 qualified, 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 a plurality of the votes present in person or represented by proxy and entitled to vote 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

Trustee	Age(1)	Business Experience	Trustee Since
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. 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.	2000

(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 One.

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; and
- 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	63,689.75	*	*
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	386,122.46	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

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).

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Daniel E. Nixon, Jr.	Sr. Vice President of Leasing and Redevelopment (July 2007 – present)	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 listed REIT (1978-1999).

(1) As of June 16, 2008.

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; trends in the industry related to compensation awards and industry performance; and 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 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
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 Chairman & Chief Executive Officer	2007	$200,000	—	$51,541(5)	$251,541
	2006	50,000	—	—	50,000
John J. Dee Chief Operating Officer	2007	160,000	—	26,994(6)	186,994
	2006	39,385	20,000	—	59,385
David K. Holeman Chief Financial Officer	2007	170,000	—	2,550(7)	172,550
	2006	21,577	—	—	21,577
Valarie L. King SVP - Property Management	2007	100,375	—	1,500(8)	101,875
	2006	19,231	—	—	19,231
Daniel E. Nixon, Jr. SVP - Leasing and Redevelopment	2007	77,085	10,000	11,073(9)	98,158(10)

(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 Equity Incentive 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 other executive officer, 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