

FORM 10-Q

Whitestone REIT - N/A

Filed: May 15, 2009 (period: March 31, 2009)

Quarterly report which provides a continuing view of a company's financial position

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

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2009

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number 000-50256

WHITESTONE REIT

(Exact Name of Registrant as Specified in Its Charter)

Maryland
(State or Other Jurisdiction of
Incorporation or Organization)

76-0594970
(I.R.S. Employer
Identification No.)

2600 South Gessner, Suite 500
Houston, Texas
(Address of Principal Executive Offices)

77063
(Zip Code)

(713) 827-9595

(Registrant's Telephone Number, Including Area Code)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer
Non-accelerated filer (Do not check if a smaller reporting company)

Accelerated filer
Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of May 12, 2009, the registrant had outstanding 10,337,307 Common Shares of Beneficial Interest, \$0.001 par value per share.

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PART I. FINANCIAL INFORMATION
Item 1. Financial Statements

WHITESTONE REIT AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

(in thousands, except share data)	March 31, 2009	December 31, 2008
	(unaudited)	(revised)
ASSETS		
Real estate assets, at cost:		
Property	\$ 190,757	\$ 180,397
Accumulated depreciation	(30,411)	(29,550)
Total real estate assets	<u>160,346</u>	<u>150,847</u>
Cash and cash equivalents	14,782	12,989
Escrows and acquisition deposits	1,818	4,076
Accrued rent and accounts receivable, net of allowance for doubtful accounts	5,026	4,880
Unamortized lease commissions and loan costs	4,400	4,338
Prepaid expenses and other assets	1,298	815
Total assets	<u>\$ 187,670</u>	<u>\$ 177,945</u>
LIABILITIES AND EQUITY		
Liabilities:		
Notes payable	\$ 109,994	\$ 100,003
Accounts payable and accrued expenses	5,010	7,422
Tenants' security deposits	1,662	1,629
Dividends and distributions payable	1,696	1,719
Total liabilities	<u>118,362</u>	<u>110,773</u>
Commitments and contingencies:		
Equity:		
Preferred shares, \$0.001 par value per share; 50,000,000 shares authorized; none issued and outstanding at March 31, 2009 and December 31, 2008	—	—
Common shares, \$0.001 par value per share; 400,000,000 shares authorized; 10,337,307 and 9,707,307 issued and outstanding as of March 31, 2009 and December 31, 2008, respectively	10	10
Additional paid-in capital	69,372	69,188
Accumulated deficit	(24,436)	(23,307)
Total Whitestone REIT shareholders' equity	44,946	45,891
Noncontrolling interest in subsidiary	24,362	21,281
Total equity	<u>69,308</u>	<u>67,172</u>
Total liabilities and equity	<u>\$ 187,670</u>	<u>\$ 177,945</u>

See notes to Condensed Consolidated Financial Statements

WHITESTONE REIT AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(Unaudited)

(in thousands, except per share data)	Three Months ended March 31,	
	2009	2008
		(revised)
Property Revenues		
Rental revenues	\$ 6,505	\$ 6,228
Tenants' reimbursements and other property revenues	1,539	1,529
Total property revenues	8,044	7,757
Property expenses		
Property operation and maintenance	2,378	2,129
Real estate taxes	1,049	1,008
Total property expenses	3,427	3,137
Other expenses (income)		
General and administrative	1,429	1,963
Depreciation and amortization	1,708	1,556
Interest expense	1,428	1,402
Interest income	(11)	(85)
Total other expenses	4,554	4,836
Income (loss) from continuing operations before loss on disposal of assets and income taxes	63	(216)
Provision for income taxes	(54)	(54)
Loss on disposal of assets	(41)	(31)
Loss from continuing operations	(32)	(301)
Income from discontinued operations	—	190
Net loss	(32)	(111)
Less: Net loss attributable to noncontrolling interests	(11)	(42)
Net loss attributable to Whitestone REIT	\$ (21)	\$ (69)

See notes to Condensed Consolidated Financial Statements

WHITESTONE REIT AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(Unaudited)

(in thousands, except per share data)	Three Months ended March 31,	
	2009	2008 (revised)
Earnings per share - basic		
Loss from continuing operations attributable to Whitestone REIT excluding amounts attributable to unvested restricted shares	\$ (0.00)	\$ (0.03)
Income from discontinued operations attributable to Whitestone REIT	—	0.02
Net loss attributable to common shareholders excluding amounts attributable to unvested restricted shares	<u>\$ (0.00)</u>	<u>\$ (0.01)</u>
Earnings per share - diluted		
Loss from continuing operations attributable to Whitestone REIT excluding amounts attributable to unvested restricted shares	\$ (0.00)	\$ (0.03)
Income from discontinued operations attributable to Whitestone REIT	—	0.02
Net loss attributable to common shareholders excluding amounts attributable to unvested restricted shares	<u>\$ (0.00)</u>	<u>\$ (0.01)</u>
Weighted average number of common shares outstanding:		
Basic	9,707	10,001
Diluted	9,707	10,001
Dividends declared per common share	\$ 0.1125	\$ 0.1500
Condensed Consolidated Statements of Comprehensive Loss:		
Net loss	\$ (32)	\$ (111)
Other comprehensive loss		
Unrealized loss on cash flow hedging activities	—	(593)
Comprehensive loss	<u>(32)</u>	<u>(704)</u>
Comprehensive loss attributable to noncontrolling interests	<u>(11)</u>	<u>(265)</u>
Comprehensive loss attributable to Whitestone REIT	<u>\$ (21)</u>	<u>\$ (439)</u>

See notes to Condensed Consolidated Financial Statements

WHITESTONE REIT AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(in thousands)

	Common Shares		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Shareholders' Equity	Noncontrolling Interests		Total Equity
	Shares	Amount					Units	Dollars	
Balance, December 31, 2008 (revised)	9,707	\$ 10	\$ 69,188	\$ (23,307)	\$ —	\$ 45,891	4,740	\$ 21,281	\$ 67,172
OP units issued at \$5.15 per unit in connection with property acquisition	—	—	—	—	—	—	704	3,625	3,625
Stock-based compensation	630	—	184	—	—	184	—	—	184
Dividends and distributions	—	—	—	(1,108)	—	(1,108)	—	(533)	(1,641)
Net loss	—	—	—	(21)	—	(21)	—	(11)	(32)
Balance, March 31, 2009 (unaudited)	10,337	\$ 10	\$ 69,372	\$ (24,436)	\$ —	\$ 44,946	5,444	\$ 24,362	\$ 69,308

See notes to Condensed Consolidated Financial Statements

WHITESTONE REIT AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

(in thousands)	Three Months ended March 31,	
	2009	2008
		(revised)
Cash flows from operating activities:		
Net loss from continuing operations	\$ (21)	\$ (259)
Net income from discontinued operations	—	190
Net loss	(21)	(69)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	1,708	1,556
Net loss attributable to noncontrolling interest	(11)	(42)
Loss on sale or disposal of assets	41	31
Bad debt expense	218	191
Share-based compensation	241	—
Changes in operating assets and liabilities:		
Escrows and acquisition deposits	2,404	334
Accrued rent and accounts receivable	(364)	221
Unamortized lease commissions and loan costs	(88)	(267)
Prepaid expenses and other assets	(55)	(415)
Accounts payable and accrued expenses	(2,838)	(2,479)
Tenants' security deposits	33	35
Net cash provided by (used in) operating activities	1,268	(1,094)
Net cash provided by operating activities of discontinued operations	—	140
Cash flows from investing activities:		
Acquisitions of real estate	(5,619)	—
Additions to real estate	(1,249)	(1,122)
Net cash used in investing activities	(6,868)	(1,122)
Net cash used in investing activities of discontinued operations	—	(8)
Cash flows from financing activities:		
Dividends paid on common shares	(1,156)	(1,500)
Distributions paid to OP unit holders	(531)	(871)
Proceeds from notes payable	9,791	11,404
Repayments of notes payable	(423)	(6,333)
Payments of loan origination costs	(288)	(916)
Net cash provided by financing activities	7,393	1,784
Net increase (decrease) in cash and cash equivalents	1,793	(300)
Cash and cash equivalents at beginning of period	12,989	10,811
Cash and cash equivalents at end of period	\$ 14,782	\$ 10,511
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 1,200	\$ 1,445
Non cash investing and financing activities:		
Disposal of fully depreciated real estate	\$ 456	\$ 571
Financed insurance premiums	\$ 579	\$ 391
Acquisition of real estate asset in exchange for OP Units	\$ 3,625	\$ —

See notes to Condensed Consolidated Financial Statements

WHITESTONE REIT AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2009
(Unaudited)

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

The use of the words “we,” “us,” “our” or “Whitestone” refers to Whitestone REIT and our consolidated subsidiaries, except where the context otherwise requires.

1. Interim Financial Statements

The condensed consolidated financial statements included in this report are unaudited; however, amounts presented in the condensed consolidated balance sheet as of December 31, 2008 are derived from our audited consolidated financial statements at that date. The unaudited financial statements at March 31, 2009 have been prepared in accordance with U.S. generally accepted accounting principles for interim financial information on a basis consistent with the annual audited consolidated financial statements and with the instructions to Form 10-Q, except for the adoptions in the first quarter of 2009 of Statement of Financial Accounting Standards (“SFAS”) No. 160, “*Noncontrolling Interests in Consolidated Financial Statements*” (“SFAS No. 160”); Financial Accounting Standards Board (“FASB”) Staff Position EITF No. 03-6-1, “*Determining Whether Instruments Granted in Share-Based Payment Transactions are Participating Securities*” (“FSP EITF No. 03-6-1”); SFAS No. 141(R), “*Business Combinations*” (“SFAS No. 141(R)”), which is applied prospectively to business combinations with acquisition dates on or after January 1, 2009; and SFAS No. 157, “*Fair Value Measurements*” (“SFAS No. 157”), for all nonfinancial assets and nonfinancial liabilities not recognized or disclosed at fair value in the condensed consolidated financial statement on a recurring basis. Accordingly, they do not include all of the information and notes required by U.S. generally accepted accounting principles for complete financial statements.

The impact of SFAS No. 160 is discussed in more detail in Note 2, Summary of Significant Accounting Policies. The impact of FSP EITF No. 03-6-1, is discussed in more detail in Note 8, Earnings Per Share.

The condensed consolidated financial statements presented herein reflect all adjustments which, in the opinion of management, are necessary for a fair presentation of the financial position of Whitestone, and our subsidiaries as of March 31, 2009 and the results of operations for the three month period ended March 31, 2009 and 2008, the condensed consolidated statement of changes in equity for the three month period ended March 31, 2009 and cash flows for the three month period ended March 31, 2009 and 2008. All of these adjustments are of a normal recurring nature. The results of operations for the interim period are not necessarily indicative of the results expected for a full year. The statements should be read in conjunction with the audited consolidated financial statements and the notes which are included in our Annual Report on Form 10-K for the year ended December 31, 2008.

Business. Whitestone was formed as a real estate investment trust, pursuant to the Texas Real Estate Investment Trust Act on August 20, 1998. In July 2004, Whitestone changed its state of organization from Texas to Maryland pursuant to a merger of Whitestone directly with and into a Maryland real estate investment trust formed for the sole purpose effectuating of the reorganization and the conversion of each outstanding common share of beneficial interest of the Texas entity into 1.42857 common shares of beneficial interest of the Maryland entity (the “Common Shares”). Whitestone serves as the general partner of Whitestone REIT Operating Partnership, L.P. (the “Operating Partnership”), which was formed on December 31, 1998 as a Delaware limited partnership. Whitestone currently conducts substantially all of its operations and activities through the Operating Partnership. As the general partner of the Operating Partnership, Whitestone has the exclusive power to manage and conduct the business of the Operating Partnership, subject to certain customary exceptions. As of March 31, 2009 and December 31, 2008, we owned and operated 36 and 35 retail, warehouse and office properties, respectively, in and around Houston, Dallas, San Antonio, Chicago and Phoenix.

WHITESTONE REIT AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2009
(Unaudited)

2. Summary of Significant Accounting Policies

Basis of Consolidation. We are the sole general partner of the Operating Partnership and possess full legal control and authority over the operations of the Operating Partnership. As of March 31, 2009 and December 31, 2008, we owned a majority of the partnership interests in the Operating Partnership. Consequently, the accompanying condensed consolidated financial statements include the accounts of the Operating Partnership. All significant inter-company balances have been eliminated. Noncontrolling interest in the accompanying condensed consolidated financial statements represents the share of equity and earnings of the Operating Partnership allocable to holders of partnership interests other than us. Net income or loss is allocated to noncontrolling interests based on the weighted-average percentage ownership of the Operating Partnership during the year. Issuance of additional Common Shares and units of limited partnership interest in the Operating Partnership that are convertible into Common Shares on a one-for-one basis ("OP Units") changes the ownership interests of both the noncontrolling interests and Whitestone.

Basis of Accounting. Our financial records are maintained on the accrual basis of accounting whereby revenues are recognized when earned and expenses are recorded when incurred.

Use of Estimates. The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates that we use include the estimated useful lives for depreciable and amortizable assets and costs, the estimated allowance for doubtful accounts, estimates supporting our impairment analysis for the carrying values of our real estate assets and the estimated fair value of interest rate swaps. Actual results could differ from those estimates.

Reclassifications. We have reclassified certain prior fiscal year amounts in the accompanying condensed consolidated financial statements in order to be consistent with the current fiscal year presentation, including changes resulting from the adoption of SFAS No. 160 on January 1, 2009, as discussed later in this Note 2. Other than the changes resulting from the implementation of SFAS No. 160, these reclassifications had no effect on net loss or equity.

Share-Based Compensation. From time to time the Company awards nonvested Common Shares or Common Share Units to trustees, executive officers and employees which may be converted into Common Shares under the 2008 Long-Term Equity Incentive Ownership Plan (the "Plan"). The vast majority of the awarded shares and units vest when certain performance conditions are met. We recognize compensation expense when achievement of the performance conditions is probable using the fair market value of the shares as of the grant date, in accordance with SFAS No. 123R, "Share-Based Payments," as revised ("SFAS No. 123R"). For the three months ended March 31, 2009, the Company recognized \$0.2 million in share-based compensation expense. No share-based compensation expense was recognized prior to 2009 as no awards had been granted.

Noncontrolling Interests. In December 2007, the FASB issued SFAS No. 160 which is effective for fiscal years beginning on or after December 15, 2008. We adopted SFAS No. 160 effective January, 2009. Noncontrolling interests is the portion of equity in a subsidiary not attributable to a parent. The ownership interests not held by the parent are considered noncontrolling interests. Accordingly, we have reported noncontrolling interests in equity on the condensed consolidated balance sheets but separate from Whitestone's equity as prescribed by SFAS No. 160. On the consolidated statements of operations and comprehensive loss, subsidiaries are reported at the consolidated amount, including both the amount attributable to Whitestone and noncontrolling interests. Consolidated statements of changes in equity are included for both quarterly and annual financial statements, including beginning balances, activity for the period and ending balances for shareholders' equity, noncontrolling interests and total equity.

See Whitestone's Annual Report on Form 10-K for the year ended December 31, 2008 for further discussion on significant accounting policies.

WHITESTONE REIT AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2009
(Unaudited)

Recent Accounting Pronouncements. In September 2006, the FASB issued SFAS No. 157. SFAS No. 157 defines fair value, establishes a framework for measuring fair value in accordance with U.S. generally accepted accounting principles and expands disclosures about fair value measurements. The statement does not require new fair value measurements but is applied to the extent other accounting pronouncements require or permit fair value measurements. The statement emphasizes fair value as a market-based measurement which should be determined based upon assumptions market participants would use in pricing an asset or a liability. In February 2008, FASB issued FSP 157-2, “*Effective Date of FASB Statement 157*” (“FSP 157-2”) which deferred the effective date of SFAS No. 157 for all nonfinancial assets and nonfinancial liabilities except for those that are recognized or disclosed at fair value in the financial statements on a recurring basis to fiscal years beginning after November 15, 2008. Adoption of SFAS No. 157 on January 1, 2009 did not have a material effect on the Company.

In February 2007, FASB issued SFAS No. 159, “*The Fair Value Option for Financial Assets and Financial Liabilities—Including an amendment of FASB Statement No. 115*” (“SFAS No. 159”). SFAS No. 159 permits entities to choose to measure many financial instruments and certain other items at fair value. The objective of the statement is to improve financial reporting by providing entities with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. SFAS No. 159 is effective for financial statements issued for fiscal years beginning after November 15, 2007 and interim periods within those fiscal years. We adopted SFAS No. 159 effective January 1, 2008 and elected not to measure any of our current eligible financial assets or liabilities at fair value.

In December 2007, FASB issued SFAS No. 141(R) which replaces SFAS No. 141, “*Business Combinations*” which, among other things, establishes principles and requirements for how an acquiring entity recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed (including intangibles) and any noncontrolling interests in the acquired entity. SFAS No. 141(R) applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. Adoption of SFAS No. 141(R) on January 1, 2009 impacts our accounting for acquisitions and related transaction costs.

In December 2007, FASB issued SFAS No. 160. SFAS No. 160 amends ARB 51 to establish accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. It also amends certain of ARB 51’s consolidation procedures for consistency with the requirements of SFAS No. 141(R). SFAS No. 160 is effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2008. We adopted SFAS No. 160 on January 1, 2009.

In March 2008, FASB issued SFAS No. 161, “*Disclosures about Derivative Instruments and Hedging Activities—an amendment of FASB Statement No. 133*” (“SFAS No. 161”). SFAS No. 161 changes the disclosure requirements for derivative instruments and hedging activities. Entities are required to provide enhanced disclosures about (a) how and why an entity uses derivative instruments, (b) how derivative instruments and related hedged items are accounted for under SFAS No. 133 and its related interpretations, and (c) how derivative instruments and related hedged items affect an entity’s financial position, financial performance, and cash flows. SFAS No. 161 is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008. Currently, we do not have any derivative instrument or hedging activities.

In June 2008, the FASB issued FSP EITF No. 03-6-1, “*Determining Whether Instruments Granted in Share-based Payment Transactions are Participating Securities*” (“FSP EITF No. 03-6-1”). FSP EITF No. 03-6-1 affects entities which accrue non-returnable cash dividends on share-based payment awards during the awards’ service period. FASB concluded unvested share-based payment awards which are entitled to cash dividends, whether paid or unpaid, are participating securities any time the common shareholders receive dividends. Because the awards are considered participating securities, the issuing entity is required to apply the two-class method of computing basic and diluted earnings per share, as prescribed by EITF No. 03-6, “*Participating Securities and the Two-Class Method under FASB Statement No. 128*.” FSP EITF No. 03-6-1 is effective for fiscal years beginning after December 15, 2008, and early adoption is not permitted. Adoption on January 1, 2009 impacts our earnings per share (“EPS”) calculation, as specified in Note 8.

WHITESTONE REIT AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2009
(Unaudited)

3. Derivatives and Hedging

On September 28, 2007, we entered into an interest rate swap transaction which we have designated as a cash flow hedge. The effective date of the swap transaction was October 1, 2007, had a total notional amount of \$70 million, and fixed the swap rate at 4.77% plus the LIBOR margin through October 1, 2008. The purpose of this swap was to mitigate the risk of future fluctuations in interest rates on our variable rate debt. We determined that this swap was highly effective in offsetting future variable interest cash flows on variable rate debt. This interest rate swap matured on October 1, 2008 and was not renewed by us.

Whitestone elected to implement SFAS No. 157 with the one-year deferral permitted by FASB Staff Position No. FAS 157-2. FSP No. 157-2, which was issued February 2008, defers the effective date of SFAS No. 157 for one year for certain nonfinancial assets and nonfinancial liabilities measured at fair value, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis.

SFAS No. 157 establishes a three-level valuation hierarchy for disclosure of fair value measurements. The valuation hierarchy categorizes assets and liabilities measured at fair value into one of three different levels depending on the observability of the inputs employed in the measurement. The three levels are defined as follows:

- Level 1 – Observable inputs such as quoted prices in active markets at the measurement date for identical, unrestricted assets or liabilities.
- Level 2 – Other inputs that are observable directly or indirectly, such as quoted prices in markets that are not active, or inputs which are observable, either directly or indirectly, for substantially the full term of the asset or liability.
- Level 3 – Unobservable inputs for which there is little or no market data and which the Company makes its own assumptions about how market participants would price the assets and liabilities.

All of our derivative instruments which fall under the fair value requirements fall under the Level 2 criteria. Interest rate swaps are valued by a third-party consultant using modeling techniques that include market inputs such as interest rate yield curves.

4. Real Estate

As of March 31, 2009, we owned 36 commercial properties in the Houston, Dallas, San Antonio, Phoenix and Chicago areas comprising approximately 3.0 million square feet of total area.

WHITESTONE REIT AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2009
(Unaudited)

5. Accrued Rent and Accounts Receivable, net

Accrued rent and accounts receivable, net, consists of amounts accrued, billed and due from tenants, amounts due from insurance claims, allowance for doubtful accounts and other receivables as follows (in thousands):

	<u>March 31, 2009</u>	<u>December 31, 2008</u>
Tenant receivables	\$ 2,852	\$ 2,733
Accrued rent	3,711	3,644
Allowance for doubtful accounts	(1,542)	(1,497)
Other receivables	5	—
	<u>5,026</u>	<u>4,880</u>
Totals	<u>\$ 5,026</u>	<u>\$ 4,880</u>

6. Unamortized Leasing Commissions and Loan Costs

Costs which have been deferred consist of the following (in thousands):

	<u>March 31, 2009</u>	<u>December 31, 2008</u>
Leasing commissions	\$ 4,400	\$ 4,412
Deferred financing costs	2,212	1,921
Total cost	<u>6,612</u>	<u>6,333</u>
Less: accumulated amortization leasing commissions	(1,947)	(1,842)
Less: accumulated amortization deferred financing costs	(265)	(153)
Total cost, net of accumulated amortization	<u>\$ 4,400</u>	<u>\$ 4,338</u>

WHITESTONE REIT AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2009
(Unaudited)

7. Debt

Mortgages and other notes payable consist of the following (in thousands):

<u>Description</u>	<u>March 31, 2009</u>	<u>December 31, 2008</u>
Fixed rate notes		
\$10.0 million 6.04% Note, due 2014	\$ 9,749	\$ 9,782
\$11.2 million 6.52% Note, due 2015	11,139	11,159
\$21.4 million 6.53% Note, due 2013	21,131	21,263
\$24.5 million 6.56% Note, due 2013	24,500	24,500
\$9.9 million 6.63% Note, due 2014	9,941	—
\$0.5 million 5.05% Note, due 2009	448	40
Floating rate notes		
\$6.4 million LIBOR + 2.00% Note, due 2009	6,400	6,400
\$26.9 million LIBOR + 2.60% Note, due 2013	26,686	26,859
	<u>\$ 109,994</u>	<u>\$ 100,003</u>

Fixed Rate Notes. On February 3, 2009, Whitestone, operating through its subsidiary, Whitestone Centers LLC, executed four promissory notes (the “Sun Life Promissory Notes II”), totaling \$9.9 million payable to Sun Life Assurance Company of Canada with an applicable interest rate of 6.63% per annum and a maturity date of March 1, 2014. The Sun Life Promissory Notes II are non-recourse loans secured by the Whitestone Centers LLC’s properties and a limited guarantee by Whitestone.

Floating Rate Notes. On January 25, 2008, we entered into a \$6.4 million term loan agreement with KeyBank. The term loan is secured by a pledge of the partnership interests in WROP III, and Whitestone Pima Norte LLC (“WPN”), a wholly owned subsidiary of the Operating Partnership that was formed to hold title to our Pima Norte property purchased in October 2007. At March 31, 2009 and December 31, 2008, WROP III owned 13 and 17 properties, respectively, and WPN owned 1 property.

Outstanding amounts under the note accrue interest computed at the LIBOR rate on the basis of a 360-day year, plus 2%. Only interest is payable monthly under the loan with the total amount of principal coming due at maturity in July 2009. The covenants of this agreement mirror those in our \$75 million revolving credit agreement with KeyBank which was paid in full on October 3, 2008. The covenants are as follows:

- We will not permit our total indebtedness to exceed 60% of the fair market value of our real estate assets at the end of any quarter. “Total indebtedness” is defined as all of our liabilities, including the term loan and all other secured and unsecured debt, including letters of credit and guarantees. “Fair market value of real estate assets” is defined as aggregate net operating income for the preceding four quarters, less a \$0.15 per square foot per annum capital expenditure reserve, divided by a 9.25% capitalization rate.
- The ratio of consolidated rolling four-quarter earnings before interest, income tax, depreciation and amortization expenses to total interest expense, including capitalized interest, shall not be less than 2.0 to 1.0.
- The ratio of consolidated earnings before interest, income tax, depreciation and amortization expenses to total interest expense, including capitalized interest, principal amortization, capital expenditures and preferred stock dividends shall not be less than 1.5 to 1.0. Capital expenditures shall be deemed to be \$0.15 per square foot per annum.

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- The ratio of secured debt to fair market value of real estate assets shall not be greater than 40%.
- We must maintain a consolidated tangible net worth of not less than \$30 million plus 75% of the value of stock and OP units issued in conjunction with an offering or with the acquisition of an asset or stock. Consolidated tangible net worth is defined as shareholders' equity less intangible assets.

In order to pay off our \$75 million revolving credit facility in 2008, we entered into non-recourse mortgages secured by various properties and a limited guarantee by us. As a result of these secured mortgages, we are not in compliance with our secured debt to fair market value ratio and our total indebtedness to fair market value ratio covenants of our \$6.4 million term loan with KeyBank as of March 31, 2009. As this non-compliance constitutes an event of default, the lender has the right to accelerate payment. We are in discussions with KeyBank regarding an extension of this loan, which matures in July 2009, and have requested a waiver from KeyBank. As of the date of this filing, we have not received the waiver. Should we not receive a waiver, we will attempt to obtain other financing or pay off the loan from cash reserves.

Our loans are subject to customary financial covenants. As of March 31, 2009, we are in compliance with all loan covenants other than the non compliance described in the preceding paragraph.

Annual maturities of notes payable as of March 31, 2009, are due as set forth below (in thousands):

Year	Principal
2009	\$ 8,256
2010	2,276
2011	2,402
2012	2,534
2013	66,457
2014 and thereafter	28,069
Total	\$ 109,994

8. Earnings Per Share

Basic earnings per share for Whitestone's common shareholders is calculated by dividing loss from continuing operations excluding amounts attributable to unvested restricted shares, income from discontinued operations, and the net loss attributable to non-controlling interests by Whitestone's weighted-average common shares outstanding during the period. Diluted earnings per share is computed by dividing the net loss attributable to common shareholders excluding amounts attributable to unvested restricted shares, income from discontinued operations, and the net loss attributable to non-controlling interests by the weighted-average number of common shares including any unvested restricted shares.

On January 1, 2009, Whitestone adopted FSP EITF No. 03-6-1, "*Determining Whether Instruments Granted in Share-Based Payment Transactions are Participating Securities*," ("FSP EITF No. 03-6-1"), which addresses whether share-based payment transaction instruments are considered participating securities prior to vesting, and in which all unvested stock awards which contain non-forfeitable rights to dividends, whether paid or unpaid, are to be included in the number of shares outstanding in Whitestone's basic and diluted earnings per share ("EPS") calculations.

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Certain of Whitestone's performance restricted common shares are considered participating securities which require the use of the two-class method for the computation of basic and diluted earnings per share. For the quarter ended March 31, 2009, basic EPS was not impacted by the two-class method because the Company's participating securities are not obligated to participate in net operating losses, and diluted EPS was not impacted because the inclusion of these securities would have had an anti-dilutive effect on diluted EPS. During the three months ended March 31, 2009 and 2008, 5,443,797 and 5,808,337 OP Units and 175,020 and 0 restricted common shares, respectively, were excluded from the calculation of diluted earnings per share because their effect would be anti-dilutive.

For the three months ended March 31, 2009, distributions of \$64,000 were made to the holders of certain restricted share units, \$57,000 of which was charged against earnings. No distributions were made on the performance restricted shares prior to 2009. See Note 14 for information related to restricted shares under the incentive share plan.

<i>(in thousands)</i>	Three Months Ended March 31,	
	2009	2008
Numerator:		
Loss from continuing operations	\$ (32)	\$ (301)
Less: Net loss attributable to noncontrolling interests	11	42
Dividends paid on unvested restricted shares	(7)	—
Undistributed earnings attributable to unvested restricted shares	<u>—</u>	<u>—</u>
Loss from continuing operations attributable to Whitestone REIT excluding amounts attributable to unvested restricted shares	(28)	(259)
Income from discontinued operations attributable to Whitestone REIT	<u>—</u>	<u>190</u>
Net loss attributable to common shareholders excluding amounts attributable to unvested restricted shares	<u>\$ (28)</u>	<u>\$ (69)</u>
Denominator		
Weighted average number of common shares - basic	9,707	10,001
Effect of dilutive securities:		
Unvested restricted shares	<u>—</u>	<u>—</u>
Weighted average number of common shares - dilutive	<u>9,707</u>	<u>10,001</u>
Basic earnings per common share:		
Loss from continuing operations attributable to Whitestone REIT excluding amounts attributable to unvested restricted shares	\$ (0.00)	\$ (0.03)
Income from discontinued operations attributable to Whitestone REIT	<u>—</u>	<u>0.02</u>
Net loss attributable to common shareholders excluding amounts attributable to unvested restricted shares	<u>\$ (0.00)</u>	<u>\$ (0.01)</u>
Diluted earnings per common share:		
Loss from continuing operations attributable to Whitestone REIT excluding amounts attributable to unvested restricted shares	\$ (0.00)	\$ (0.03)
Income from discontinued operations attributable to Whitestone REIT	<u>—</u>	<u>0.02</u>
Net loss attributable to common shareholders excluding amounts attributable to unvested restricted shares	<u>\$ (0.00)</u>	<u>\$ (0.01)</u>

9. Income Taxes

Federal income taxes are not assessed against us because we intend to and believe we qualify as a real estate investment trust ("REIT") under the provisions of the Internal Revenue Code of 1986, as amended. Our shareholders include their proportionate taxable income in their individual tax returns. As a REIT, we must distribute at least 90% of our ordinary taxable income to our shareholders and meet certain income sources and investment restriction requirements. In addition, REITs are subject to a number of organizational and operational requirements. If we fail to qualify as a REIT in any taxable year, we will be subject to federal income tax (including any applicable alternative minimum tax) on our taxable income at regular corporate tax rates.

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Taxable income differs from net income for financial reporting purposes principally due to differences in the timing of recognition of interest, real estate taxes, depreciation, share-based compensation and rental revenue.

In May 2006, the State of Texas adopted the Texas Margin Tax effective with franchise tax reports filed on or after January 1, 2008. The Texas Margin Tax is computed by applying the applicable tax rate (1% for us) to the profit margin, which generally will be determined for us as total revenue less a 30% standard deduction. Although House Bill 3 states that the Texas Margin Tax is not an income tax, SFAS No. 109, "Accounting for Income Taxes" ("SFAS No. 109") applies to the Texas Margin Tax. We have recorded a margin tax provision of approximately \$54,000 for the three months ended March 31, 2009 and 2008.

10. Equity

Dividends and distributions. The following tables summarize the cash dividends/distributions paid to holders of Common Shares and holders of OP Units for the four quarters of 2008 and the first quarter of 2009.

Whitestone Shareholders			
Dividend per Common Share	Quarter Dividend Paid	Total Amount Paid (in thousands)	
\$ 0.1500	Qtr. ended 03/31/08	\$ 1,500	
0.1500	Qtr. ended 06/30/08	1,529	
0.1500	Qtr. ended 09/30/08	1,456	
0.1125	Qtr. ended 12/31/08	1,093	
0.1125	Qtr. ended 03/31/09	1,156	
OP Unit Holders Including Noncontrolling Unit Holders			
Distribution per OP Unit	Quarter Distribution Paid	Total Amount Paid (in thousands)	
\$ 0.1500	Qtr. ended 03/31/08	\$ 2,317	
0.1500	Qtr. ended 06/30/08	2,423	
0.1500	Qtr. ended 09/30/08	2,113	
0.1125	Qtr. ended 12/31/08	1,585	
0.1125	Qtr. ended 03/31/09	1,687	

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11. Commitments and Contingencies

We are subject to various legal proceedings and claims that arise in the ordinary course of business. These matters are generally covered by insurance. While the resolution of these matters cannot be predicted with certainty, management believes the final outcome of such matters will not have a material adverse effect on our condensed consolidated financial statements.

Hurricane Ike. Our 31 properties in Houston had minor to moderate harm, ranging from broken signage to uprooted landscaping; other properties had more significant issues, such as damaged roofing and exterior siding. We maintain casualty and business interruption insurance at levels that we believe are adequate. The detailed analysis of the total cost of Hurricane Ike, after the insurance deductible, to be borne by us is still being conducted.

12. Property Dispositions

On May 30, 2008, as part of our settlement with Hartman Management L.P. and Allen R. Hartman (“Hartman”), we exchanged two retail properties, Garden Oaks, a 95,046 square foot retail property located in Houston, Texas and Northeast Square, a 40,525 square foot retail property located in Houston, Texas, for \$11.4 million. The \$11.4 million purchase price was paid by Hartman in the form of 293,961.54 Common Shares and 1,068,451.271 OP Units.

The following is a summary of income (loss) from discontinued operations for the three months ended March 31, 2009 and 2008:

	Three Months ended March 31,	
	2009	2008
Property Revenues		
Rental revenues	\$ —	\$ 275
Other revenues	—	93
Total property revenues	<u>—</u>	<u>368</u>
Property Expenses		
Property operation and maintenance	—	61
Real estate taxes	—	46
Total property expenses	<u>—</u>	<u>107</u>
Other expense		
Depreciation and amortization	—	67
Total other expense	<u>—</u>	<u>67</u>
Income before loss on disposal of assets and income taxes	—	194
Loss on disposal of assets	—	(1)
Provision for income taxes	—	(3)
Income from discontinued operations	<u>\$ —</u>	<u>\$ 190</u>

13. Acquisitions

On January 16, 2009, we acquired a 41,396 square foot garden style mixed use property in Buffalo Grove, Illinois for approximately \$9.4 million, including cash of \$5.5 million, issuance of 703,912 OP Units worth \$3.6 million and credit for net prorations of \$0.3 million. The property, Spoerlein Commons, is a two story complex of retail, medical and professional office tenants. James C. Mastandrea, our Chairman, President and Chief Executive Officer, was the controlling limited partner of Midwest Development Venture IV, the seller of Spoerlein Commons, and had an ownership interest in the property and was entitled to a portion of the proceeds from the sale of the property to the Operating Partnership. Because of Mr. Mastandrea’s relationship with the seller, a special committee of the independent members of the Board of Trustees, including Donald F. Keating, Jack L. Mahaffey, and Chris A. Minton, negotiated the terms of the transaction, which included the use of an independent appraiser to value the property. This purchase was accounted for using the acquisition method as prescribed under SFAS No. 141(R). The assets acquired and liabilities accrued in this transaction were recorded at their estimated fair value at the time of purchase.

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14. Incentive Share Plan

On July 29, 2008, our shareholders approved the 2008 Long-Term Equity Incentive Ownership Plan (the "Plan"). The Plan provides that awards may be made with respect to Common Shares or OP Units, which may be converted into Common Shares of Whitestone. The Plan authorizes awards in respect of an aggregate of 2,063,885 Common Shares. The maximum aggregate number of Common Shares that may be issued under the Plan will be increased upon each issuance of Common Shares by Whitestone (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 of Whitestone and OP Units issued and outstanding (other than treasury shares and/or units issued to or held by Whitestone).

The Compensation Committee of Whitestone's Board of Trustees administers the Plan, except with respect to awards to non-employee trustees, for which the Plan is administered by Whitestone's Board of Trustees. The Committee is authorized to grant stock options, including both incentive stock options and non-qualified stock options, as well as stock appreciation rights, either with or without a related option. The Committee is also authorized to grant restricted common shares, restricted common share units, performance awards and other share-based awards. No single participant may receive options or stock appreciation rights in any calendar year that, taken together, relate to more than 500,000 common shares, subject to adjustment in certain circumstances.

On January 6, 2009, the Compensation Committee, pursuant to the Plan, granted to certain of its officers restricted common share awards (the "Restricted Shares") and restricted common share unit awards (the "Restricted Units") subject to certain restrictions. The Restricted Shares and Restricted Units will vest based on certain performance goals (as specified in the award agreement). The grantee is the record owner of the Restricted Shares and has all rights of a shareholder with respect to the Restricted Shares, including the right to vote the Restricted Shares and to receive dividends and distributions with respect to the Restricted Shares. The grantee has no rights of a shareholder with respect to the Restricted Units, including no right to vote the Restricted Units and no right to receive current dividends and distributions with respect to the Restricted Units until the units are fully vested and convertible to Common Shares of Whitestone.

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A summary of the stock-based incentive plan activity as of and for the three months ended March 31, 2009 is as follows:

	<u>Shares</u>	<u>Weight-Average Grant Date Fair Value</u>
Non-vested at January 1, 2009	—	\$ —
Granted	1,784,187	4.13
Vested	—	—
Forfeited	—	—
Non-vested at March 31, 2009	<u>1,784,187</u>	<u>\$ 4.13</u>

Total compensation recognized in earnings for share-based payments for the three months ended March 31, 2009 and 2008, was \$0.2 and \$0.0 million, respectively. As of March 31, 2009, there was \$0.6 million of total unrecognized compensation cost related to outstanding nonvested shares issued under the Plan, which is expected to be recognized over a weighted-average period of nine months. The fair value of the shares granted during the three months ended March 31, 2009 was determined based on observable market transactions occurring near the date of the grants.

15. Grants to Trustees

On March 25, 2009, each of our five independent trustees was granted 5,000 restricted common shares which vest in equal installments in 2010, 2011, and 2012. These shares were granted pursuant to individual grant agreements and were not pursuant to our 2008 Long-Term Equity Incentive Ownership Plan. The 25,000 shares had a weighted average grant date fair value of \$4.94 per share, resulting in total unrecognized compensation cost of \$0.1 million, which is expected to be recognized over a weighted-average period of approximately three years. The fair value of the shares granted during the three months ended March 31, 2009 was determined based on observable market transactions occurring near the date of the grants.

16. Segment Information

Historically, our management has not differentiated results of operations by property type or location and therefore does not present segment information.

17. Related Party Transactions

Spoerlein Commons Acquisition

On January 16, 2009, Whitestone, operating through the Operating Partnership, acquired Spoerlein Commons, a mixed use-garden style complex of retail, medical, and professional office tenants located in Buffalo Grove, Illinois. The Operating Partnership acquired Spoerlein Commons pursuant to the terms and conditions of the purchase, sale and contribution agreement dated December 18, 2008 (the "Agreement") between the Operating Partnership and Bank One, Chicago, NA, as trustee under the Trust Agreement dated January 29, 1986 and known as Trust Number TWB-0454 ("Seller"). Midwest Development Venture IV, an Illinois limited partnership ("Midwest"), is the sole beneficiary of the Seller under the Trust Agreement.

Spoerlein Commons represents an acquisition for Whitestone, and a substantial equity investment on behalf of the Seller. In exchange for Spoerlein Commons, the Operating Partnership paid the Seller \$5,500,000, received credit for net prorations of \$275,854 and issued 703,912 OP Units, valued at \$5.15 per Unit, for a total purchase price of \$9,401,000.

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Midwest, the sole beneficiary of the Seller, is entitled to all earnings and proceeds from the sale of Spoerlein Commons. James C. Mastandrea, our Chairman, President and Chief Executive Officer, is the controlling limited partner in Midwest and as such, had an ownership interest in Spoerlein Commons and is entitled to a portion of the proceeds from the sale of Spoerlein Commons to the Operating Partnership. Because of Mr. Mastandrea's relationship with the Seller, a special committee of the independent members of the Board of Trustees including Donald F. Keating, Jack L. Mahaffey, and Chris A. Minton determined the terms of the transaction, which included the use of an independent appraiser to value Spoerlein Commons.

No brokerage commission was paid by Whitestone for this acquisition, and in relation to Mr. Mastandrea's investment, there was no front end load, meaning that 100% of the amount paid is working for the benefit of Whitestone's shareholders.

In connection with the closing of Spoerlein Commons and the investment on behalf of the Seller, the Operating Partnership issued 703,912 OP Units to Midwest for its contribution of Spoerlein Commons to the Operating Partnership. The OP Units were issued in reliance on the exemption from registration provided by Section 4(2) under the Securities Act of 1933, as amended. The issuance was not effected using any form of general advertising or general solicitation and the issuance was made to a qualified investor.

The OP Units are convertible on a one-for-one basis into Common Shares at any time after July 1, 2009 in accordance with the terms of the Operating Partnership's Limited Partnership Agreement, as amended (the "Limited Partnership Agreement"). The Seller will not be entitled to any dividends or distributions with respect to the OP Units prior to June 30, 2009.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

You should read the following discussion of our financial condition and results of operations in conjunction with our condensed consolidated financial statements and the notes thereto included in this quarterly report on Form 10-Q (the "Report"). For more detailed information regarding the basis of presentation for the following information, you should read the notes to the condensed consolidated financial statements included in this Report.

This Report contains forward-looking statements, including discussion and analysis of our financial condition, anticipated capital expenditures required to complete projects, amounts of anticipated cash distributions to our shareholders in the future and other matters. These forward-looking statements are not historical facts but are the intent, belief or current expectations of our management based on its knowledge and understanding of our business and industry. Forward-looking statements are typically identified by the use of terms such as "may," "will," "should," "potential," "predicts," "anticipates," "expects," "intends," "plans," "believes," "seeks," "estimates" or the negative of such terms and variations of these words and similar expressions. These statements are not guarantees of future performance and are subject to risks, uncertainties and other factors, some of which are beyond our control, are difficult to predict and could cause actual results to differ materially from those expressed or forecasted in the forward-looking statements.

Forward-looking statements that were true at the time made may ultimately prove to be incorrect or false. You are cautioned to not place undue reliance on forward-looking statements, which reflect our management's view only as of the date of this Report. We undertake no obligation to update or revise forward-looking statements to reflect changed assumptions, the occurrence of unanticipated events or changes to future operating results. Factors that could cause actual results to differ materially from any forward-looking statements made in this Report include:

- the imposition of federal taxes if we fail to qualify as a REIT in any taxable year or foregone opportunity to ensure REIT status;
- uncertainties related to the national economy, the real estate industry in general and in our specific markets;
- legislative or regulatory changes, including changes to laws governing REIT;
- construction costs that may exceed estimates or construction delays;
- increases in interest rates;
- availability of credit equity or significant disruption in the credit or equity markets;
- litigation risks;
- lease-up risks;
- inability to obtain new tenants upon the expiration of existing leases;
- inability to generate sufficient cash flows due to market conditions, competition, uninsured losses, changes in tax or other applicable laws; and
- the potential need to fund tenant improvements or other capital expenditures out of operating cash flow.

The forward-looking statements should be read in light of these factors and the factors identified in the “Risk Factors” sections of our Annual Report on Form 10-K for the year ended December 31, 2008, as previously filed with the Securities and Exchange Commission (the “SEC”).

Executive Overview

We are a self-administered real estate investment trust (“REIT”) engaged in owning and operating income-producing real properties. Our investments include retail, office and warehouse properties located in the Houston, Dallas, San Antonio, Chicago and Phoenix metropolitan areas. Whitestone serves as the general partner of Whitestone REIT Operating Partnership, L.P. (the “Operating Partnership,” or “WROP” or “OP”), which was formed on December 31, 1998 as a Delaware limited partnership. Whitestone currently conducts substantially all of its operations and activities through the Operating Partnership. As the general partner of the Operating Partnership, Whitestone has the exclusive power to manage and conduct the business of the Operating Partnership, subject to certain customary exceptions. As of March 31, 2009, we owned and operated 36 commercial properties consisting of:

- Seventeen retail properties containing approximately 1.1 million square feet of leasable space and having a total carrying amount (net of accumulated depreciation) of \$61.3 million.
- Eight office properties containing approximately 0.7 million square feet of leasable space and having a total carrying amount (net of accumulated depreciation) of \$55.9 million.
- Eleven office/warehouse properties containing approximately 1.2 million square feet of leasable space and having a total carrying amount (net of accumulated depreciation) of \$43.2 million.

Our primary source of income and cash is rents associated with commercial leases. Our business objective is to increase shareholder value by employing a value-added investment strategy. This strategy is focused on owning and renovating commercial real estate assets in markets with positive demographic trends, achieving diversification by property type and location, and acquiring properties within our targeted returns.

As of March 31, 2009, we had 702 total tenants. We have a diversified tenant base with our largest tenant comprising only 2.7% of our total revenues for the three months ended March 31, 2009. Lease terms for our properties range from less than one year for smaller tenants to over 15 years for larger tenants. Our leases generally include minimum monthly lease payments and tenant reimbursements for payment of taxes, insurance and maintenance.

We employ 55 full-time employees as of March 31, 2009. As a self-managed REIT, we bear our own expenses of operations, including the salaries, benefits and other compensation of our employees, office expenses, legal, accounting and investor relations expenses and other overhead.

We believe that one of the key measures of our performance is property occupancy. Occupancy for the total portfolio was 82% at March 31, 2009, compared to 86% at March 31, 2008. We executed 63 new and renewal leases during the three months ended March 31, 2009, totaling approximately 180,000 square feet and \$8.5 million in total lease value.

In the fourth quarter of 2006, our Board approved our five-year business plan. The key elements of the plan are as follows:

- Maximize value in current properties through operational focus and redevelopment;
- Grow through strategic acquisitions of commercial properties in high potential markets, including properties outside of Texas;
- Dispose of non-core properties and reinvest the capital in redevelopment of existing properties or acquisition of core properties in high potential markets;
- Raise capital using a combination of the private and public equity and debt markets, as well as joint ventures; and
- Bring liquidity to our stock by listing on a national stock exchange.

A summary of our progress on the execution of this five year plan is described in the following sections on redevelopment, acquisitions and dispositions.

Redevelopment

We completed the redevelopment of the Westchase Plaza Retail and Office Center located in Houston, Texas during the three months ended March 31, 2009. The total redevelopment of this center cost approximately \$1.7 million, and it added approximately 6,600 square feet of leasable office space.

Acquisitions

On January 16, 2009, we acquired a 41,396 square foot garden style mixed use property in Buffalo Grove, Illinois for approximately \$9.4 million. The property, Spoerlein Commons, is a two story complex of retail, medical and professional office tenants. James C. Mastandrea, our Chairman, President and Chief Executive Officer, was the controlling limited partner of Midwest Development Venture IV, the seller of Spoerlein Commons, and had an ownership interest in the property and was entitled to a portion of the proceeds from the sale of the property to the Operating Partnership. Because of Mr. Mastandrea's relationship with the seller, a special committee of the independent members of the Board of Trustees, including Donald F. Keating, Jack L. Mahaffey, and Chris A. Minton, negotiated the terms of the transaction, which included the use of an independent appraiser to value the property.

Dispositions (discontinued operations)

On May 30, 2008, as part of our settlement with Hartman Management L.P. and Allen R. Hartman ("Hartman"), we exchanged two retail properties, Garden Oaks, a 95,046 square foot retail property located in Houston, Texas and Northeast Square, a 40,525 square foot retail property located in Houston, Texas, for \$11.4 million. The \$11.4 million purchase price was paid by Hartman in the form of 293,961.54 Whitestone Common Shares (the "Common Shares") and 1,068,451.271 units of ownership interest in Whitestone REIT Operating Partnership, L.P (the "OP Units").

Critical Accounting Policies

In preparing the condensed consolidated financial statements, we have made estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reported periods. Actual results may differ from these estimates. A summary of our critical accounting policies is included in our Form 10-K, as amended, for the year ended December 31, 2008, under Item 7. *Management's Discussion and Analysis of Financial Condition and Results of Operations*. There have been no significant changes to these policies during the first three months of 2009 except for the adoptions in the first quarter of 2009 of Statement of Financial Accounting Standards ("SFAS") No. 160, "Noncontrolling Interests in Consolidated Financial Statements" ("SFAS No. 160"); Financial Accounting Standards Board ("FASB") Staff Position EITF No. 03-6-1, "Determining Whether Instruments Granted in Share-Based Payment Transactions are Participating Securities" ("FSP EITF No. 03-6-1"); SFAS 141(R), "Business Combinations", which is applied prospectively to business combinations with acquisition dates on or after January 1, 2009; and SFAS No. 157, "Fair Value Measurements" (SFAS No. 157), for all nonfinancial assets and nonfinancial liabilities. For disclosure regarding recent accounting pronouncements and the anticipated impact they will have on our operations, please refer to Note 2 of the condensed consolidated financial statements.

Results of Operations

Comparison of the Three Month Periods Ended March 31, 2009 and 2008

The following tables provide a general comparison of our results of operations for the three months ended March 31, 2009 and 2008 (in thousands, except for aggregate gross leasable area):

	<u>March 31, 2009</u>	<u>March 31, 2008</u>
Number of properties owned and operated	36	37
Aggregate gross leasable area (sq. ft.)	3,039,300	3,093,063
Ending occupancy rate	82%	86%
Total property revenues	\$ 8,044	\$ 7,757
Total property expenses	3,427	3,137
Total other expenses	4,554	4,836
Provision for income taxes	54	54
Loss on disposal of assets	41	31
Loss from continuing operations	<u>(32)</u>	<u>(301)</u>
Income from discontinued operations	<u>—</u>	<u>190</u>
Net loss	<u>(32)</u>	<u>(111)</u>
Less: Net loss attributable to noncontrolling interests	<u>(11)</u>	<u>(42)</u>
Net loss attributable to Whitestone REIT	<u>\$ (21)</u>	<u>\$ (69)</u>
Funds from operations ⁽¹⁾	\$ 1,556	\$ 1,372
Dividends and distributions paid on common shares and OP Units	1,687	2,371
Per common share and OP unit	\$ 0.11	\$ 0.15
Dividends paid as a % of funds from operations	108%	173%

(1) For a reconciliation of funds from operations to net income, see Funds From Operations below.

Property revenues. Substantially all of our revenue is derived from rents received from the use of our properties. We had rental income and tenant reimbursements of approximately \$8.0 million for the three months ended March 31, 2009 as compared to \$7.8 million for the three months ended March 31, 2008, an increase of \$0.2 million, or 3%. The increase is primarily attributable to increased rent per square foot, offset by decreased occupancy.

Property expenses. Our total property expenses were \$3.4 million for the three months ended March 31, 2009, as compared to \$3.1 million for the three months ended March 31, 2008, an increase of \$0.3 million, or 10%. The primary components of operating expense are detailed in the table below (in thousands):

	Three Months Ended March 31,	
	2009	2008
Real estate taxes	\$ 1,049	\$ 1,008
Utilities	618	686
Contract services	543	524
Repairs and maintenance	263	291
Bad debt	218	191
Repairs related to Hurricane Ike	241	—
Labor and other	495	437
Total property expenses	<u>\$ 3,427</u>	<u>\$ 3,137</u>

The increase in property expenses is primarily attributed to ongoing repairs related to Hurricane Ike. During the three months ended March 31, 2009, we expensed \$241,000 in Hurricane Ike-related repairs, as compared to \$0 during the three months ended March 31, 2008. We maintain casualty and business interruption insurance at levels that we believe are adequate. The detailed analysis of the total cost of Hurricane Ike, after the insurance deductible, to be borne by us is still being conducted.

Other expense. Our other expenses were \$4.6 million for the three months ended March 31, 2009, as compared to \$4.8 million for the three months ended March 31, 2008, a decrease of \$0.2 million, or 4%. The primary components of other expense, net are detailed in the table below (in thousands):

	Three Months Ended March 31,	
	2009	2008
General and administrative	\$ 1,429	\$ 1,963
Depreciation and amortization	1,708	1,556
Interest expense	1,428	1,402
Interest income	(11)	(85)
Total other expenses	<u>\$ 4,554</u>	<u>\$ 4,836</u>

General and administrative. The decrease of \$0.5 million in general and administrative expense is primarily due to decreased legal fees as a result of the settlement of the litigation with Mr. Hartman and Hartman Management, L.P. in May 2008. Legal fees were \$64,000 for the three months ended March 31, 2009, as compared to \$663,000 for the same period in 2008. General and administrative expense includes \$241,000 and \$0 in share-based compensation for the three months ended March 31, 2009 and 2008, respectively. The share-based compensation is tied to performance measures, and we expect quarterly share-based compensation expense to remain at current levels for the rest of 2009.

Depreciation and amortization. Depreciation and amortization increased \$152,000 for the three months ended March 31, 2009, as compared to the three months ended March 31, 2008. Two acquired properties (Pima Norte and Spoerlein Commons) were added subsequent to March 31, 2008 and have added additional depreciation expense.

Interest expense, net. Interest expense for the three months ended March 31, 2009 was \$1,428,000, an increase of \$26,000 over the same period in 2008. An increase in the average outstanding note payable balance of \$19.0 million accounted for approximately \$310,000 in increased interest expense during 2009, while a lower effective interest rate of 1.1% per annum (excluding amortized loan fees) accounted for approximately \$284,000 in decreased interest expense during 2009. The decrease in interest income of approximately \$74,000 is primarily due to lower interest rates of return on our deposits.

Discontinued Operations. Discontinued operations are comprised of the two properties known as Garden Oaks and Northeast Square. The two properties were transferred to Mr. Hartman and Hartman Management, L.P. as part of a legal settlement on May 30, 2008. Below is a recap of income from discontinued operations (in thousands):

	Three Months ended March 31,	
	2009	2008
Property Revenues		
Rental revenues	\$ —	\$ 275
Other revenues	—	93
Total property revenues	<u>—</u>	<u>368</u>
Property Expenses		
Property operation and maintenance	—	61
Real estate taxes	—	46
Total property expenses	<u>—</u>	<u>107</u>
Other expense		
Depreciation and amortization	—	67
Total other expense	<u>—</u>	<u>67</u>
Income before loss on disposal of assets and income taxes	<u>—</u>	<u>194</u>
Loss on disposal of assets	—	(1)
Provision for income taxes	—	(3)
Income from discontinued operations	<u>\$ —</u>	<u>\$ 190</u>

Funds From Operations

The National Association of Real Estate Investment Trusts (“NAREIT”) defines funds from operations (“FFO”) as net income (loss) available to common shareholders computed in accordance with U.S. generally accepted accounting principles (“GAAP”), excluding gains or losses from sales of operating real estate assets and extraordinary items, plus depreciation and amortization of operating properties, including our share of unconsolidated real estate joint ventures and partnerships. We calculate FFO in a manner consistent with the NAREIT definition.

Management uses FFO as a supplemental measure to conduct and evaluate our business because there are certain limitations associated with using GAAP net income by itself as the primary measure of our operating performance. Historical cost accounting for real estate assets in accordance with GAAP implicitly assumes that the value of real estate assets diminishes predictably over time. Because real estate values instead have historically risen or fallen with market conditions, management believes that the presentation of operating results for real estate companies that use historical cost accounting is insufficient by itself. There can be no assurance that FFO presented by us is comparable to similarly titled measures of other REITs.

FFO should not be considered as an alternative to net income or other measurements under GAAP as an indicator of our operating performance or to cash flows from operating, investing or financing activities as a measure of liquidity. FFO does not reflect working capital changes, cash expenditures for capital improvements or principal payments on indebtedness.

Below is the calculation of FFO and the reconciliation to net income (loss), which we believe is the most comparable GAAP financial measure (in thousands):

Reconciliation of Non-GAAP Financial Measures

	Three Months Ended March 31,	
	2009	2008
Net income (loss) attributable to Whitestone REIT	\$ (21)	\$ (69)
Depreciation and amortization of real estate assets ⁽¹⁾	1,547	1,452
Loss on sale of assets ⁽¹⁾	41	31
Net loss attributable to noncontrolling interests	(11)	(42)
FFO	\$ 1,556	\$ 1,372

⁽¹⁾ Including amounts for discontinued operations

Liquidity and Capital Resources

Overview

Our primary liquidity demands are distributions to the holders of our Common Shares and holders of OP Units, capital improvements and repairs and maintenance for our properties, acquisition of additional properties, tenant improvements and debt repayments.

Primary sources of capital for funding our acquisitions and redevelopment programs are cash flows generated from operating activities, issuances of notes payable, sales of Common Shares, sales of OP units and sales of underperforming properties.

Our capital structure includes recourse and non-recourse secured debt that we assumed or originated on certain properties. We may hedge the future cash flows of certain debt transactions principally through interest rate swaps with major financial institutions.

During the three months ended March 31, 2009, our cash provided from operating activities was \$1.3 million and our total distributions were \$1.7 million. Therefore, we had distributions in excess of cash flow from operations of approximately \$0.4 million.

We anticipate that cash flows from operating activities and our borrowing capacity will provide adequate capital for our working capital requirements, anticipated capital expenditures and scheduled debt payments during the next 12 months. We also believe that cash flows from operating activities and our borrowing capacity will allow us to make all distributions required for us to continue to qualify to be taxed as a REIT.

Cash and Cash Equivalents

We had cash and cash equivalents of \$14.8 million at March 31, 2009, as compared to \$13.0 million on December 31, 2008. The increase of \$1.8 million was primarily the result of the following:

Sources of Cash

- Proceeds of \$9.5 million from issuance of notes payable net of origination costs.
- Cash provided from operations of \$1.3 million.

Uses of Cash

- Payment of dividends and distributions of \$1.7 million to holders of Common Shares and OP Units.
- Payment of loans of \$0.4 million.
- Additions to real estate of \$6.9 million.

We place all cash in short-term, highly liquid investments that we believe provide appropriate safety of principal.

Debt

Mortgages and other notes payable consist of the following (in thousands):

Description	March 31, 2009	December 31, 2008
Fixed rate notes		
\$10.0 million 6.04% Note, due 2014	\$ 9,749	\$ 9,782
\$11.2 million 6.52% Note, due 2015	11,139	11,159
\$21.4 million 6.53% Note, due 2013	21,131	21,263
\$24.5 million 6.56% Note, due 2013	24,500	24,500
\$9.9 million 6.63% Note, due 2014	9,941	—
\$0.5 million 5.05% Note, due 2009	448	40
Floating rate notes		
\$6.4 million LIBOR + 2.00% Note, due 2009	6,400	6,400
\$26.9 million LIBOR + 2.60% Note, due 2013	26,686	26,859
	<u>\$ 109,994</u>	<u>\$ 100,003</u>

Fixed Rate Notes. On February 3, 2009, Whitestone, operating through its subsidiary, Whitestone Centers LLC, executed four promissory notes (the “Sun Life Promissory Notes II”), totaling \$9.9 million payable to Sun Life Assurance Company of Canada with an applicable interest rate of 6.63% per annum and a maturity date of March 1, 2014. The Sun Life Promissory Notes II are non-recourse loans secured by the Whitestone Centers LLC’s properties and a limited guarantee by Whitestone.

Floating Rate Notes. On January 25, 2008, we entered into a \$6.4 million term loan agreement with KeyBank. The term loan is secured by a pledge of the partnership interests in WROP III, and Whitestone Pima Norte LLC (“WPN”), a wholly owned subsidiary of the Operating Partnership that was formed to hold title to our Pima Norte property purchased in October 2007. At March 31, 2009 and December 31, 2008, WROP III owned 13 and 17 properties, respectively, and WPN owned 1 property.

Annual maturities of notes payable as of March 31, 2009, are due as set forth below (in thousands):

<u>Year</u>	<u>Principal</u>
2009	\$ 8,256
2010	2,276
2011	2,402
2012	2,534
2013	66,457
2014 and thereafter	28,069
Total	<u>\$ 109,994</u>

Capital Expenditures

We continually evaluate our properties' performance and value. We may determine it is in our shareholders' best interest to invest capital in properties we believe have potential for increasing value. We also may have unexpected capital expenditures or improvements for our existing assets. Additionally, we intend to invest in similar properties outside of Texas in cities with exceptional demographics to diversify market risk, and we may incur significant capital expenditures or make improvements in connection with any properties we may acquire.

Distributions

The following distributions for Common Shares and OP Units were paid or declared payable during the three months ended March 31, 2009 and the year ended December 31, 2008 (in thousands):

<u>Period</u>	<u>2009 Status</u>	<u>2009 Amount</u>	<u>Per Share /OP Unit</u>	<u>2008 Amount</u>	<u>Per Share /OP Unit</u>
January -March	Paid	\$ 1,687	\$ 0.1125	\$ 2,371	\$ 0.1500
April - June	Payable	\$ 1,696	\$ 0.1125	\$ 2,507	\$ 0.1500
July - September				\$ 2,168	\$ 0.1500
October - December				\$ 1,626	\$ 0.1125

Taxes

We elected to be taxed as a REIT under the Internal Revenue Code of 1986, as amended (the "Code"), beginning with our taxable year ended December 31, 1999. As a REIT, we generally are not subject to federal income tax on income that we distribute to our shareholders. If we fail to qualify as a REIT in any taxable year, we will be subject to federal income tax on our taxable income at regular corporate rates. We believe that we are organized and operate in such a manner as to qualify to be taxed as a REIT, and we intend to operate so as to remain qualified as a REIT for federal income tax purposes.

Inflation

We anticipate that our leases will continue to be triple-net leases or otherwise provide that tenants pay for increases in operating expenses and will contain provisions that we believe will mitigate the effect of inflation. In addition, many of our leases are for terms of less than five years, which allows us to adjust rental rates to reflect inflation and other changing market conditions when the leases expire. Consequently, increases due to inflation, as well as ad valorem tax rate increases, generally do not have a significant adverse effect upon our operating results.

Environmental Matters

Our properties are subject to environmental laws and regulations adopted by various governmental authorities in the jurisdictions in which our operations are conducted. From our inception, we have incurred no significant environmental costs, accrued liabilities or expenditures to mitigate or eliminate future environmental contamination.

Off-Balance Sheet Arrangements

We have no significant off-balance sheet arrangements as of March 31, 2009 and December 31, 2008.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Our future income, cash flows and fair value relevant to our financial instruments depend upon prevailing market interest rates. Market risk is the risk of loss arising from adverse changes in market rates and prices. The principal market risk to which we are exposed is the risk related to interest rate fluctuations. Based upon the nature of our operations, we are not subject to foreign exchange or commodity risk. We will be exposed to changes in interest rates as a result of our financial instruments consist of loans that have floating interest rates. As of March 31, 2009, we had \$33.1 million of loans with floating interest rates. All of our financial instruments were entered into for other than trading purposes. As of March 31, 2009, we did not have a fixed rate hedge in place, leaving \$33.1 million subject to interest rate fluctuations. The impact of a 1% increase or decrease in interest rates on our debt would result in a decrease or increase of net income of approximately \$0.3 million, respectively.

Item 4T. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

The management of Whitestone REIT, under the supervision and with the participation of our principal executive and financial officers, has evaluated the effectiveness of our disclosure controls and procedures in ensuring that the information required to be disclosed in our filings under Rule 13a-15(e) of the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, including ensuring that such information is accumulated and communicated to Whitestone REIT's management as appropriate to allow timely decisions regarding required disclosure. Based on such evaluation, our principal executive and financial officers have concluded that such disclosure controls and procedures were effective as of March 31, 2009 (the end of the period covered by this Quarterly Report on Form 10-Q).

Changes in Internal Control Over Financial Reporting

During the three months ended March 31, 2009, there has been no changes in our internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

We are subject to various legal proceedings and claims that arise in the ordinary course of business. These matters are generally covered by insurance. While the resolution of these matters cannot be predicted with certainty, management believes the final outcome of such matters will not have a material adverse effect on our condensed consolidated financial statements.

Item 1A. Risk Factors

There have been no material changes from the risk factors disclosed in the “Risk Factors” section of the Company’s Annual Report on Form 10-K for the year ended December 31, 2008.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Submission of Matters to a Vote of Security Holders

None.

Item 5. Other Information

None.

Item 6. Exhibits

The list of exhibits filed as part of this Quarterly Report on Form 10-Q in response to Item 601 of Regulation S-K is submitted on the Exhibit Index attached hereto.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Whitestone REIT

Date: May 15, 2009

/s/ James C. Mastandrea

James C. Mastandrea
Chief Executive Officer
(Chief Executive Officer)

Date: May 15, 2009

/s/ David K. Holeman

David K. Holeman
Chief Financial Officer
(Chief Financial and Chief Accounting Officer)

EXHIBIT INDEX

Exhibit No.	Description
3.1	Articles of Amendment and Restatement of Declaration of Trust of Whitestone REIT (previously filed as and incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K, filed on July 31, 2008)
3.2	Articles Supplementary (previously filed as and incorporated by reference to Exhibit 3(i).1 to the Registrant's Current Report on Form 8-K, filed on December 6, 2006)
3.3	Amended and Restated Bylaws (previously filed as and incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K, filed on October 9, 2008)
4.1	Specimen certificate for common shares of beneficial interest, par value \$.001 (previously filed as and incorporated by reference to Exhibit 4.2 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-111674, filed on December 31, 2003)
10.1+	Form of Restricted Common Share Award Agreement (Performance Vested) (previously filed and incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K, filed January 7, 2009)
10.2+	Form of Restricted Common Share Award Agreement (Time Vested) (previously filed and incorporated by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K, filed January 7, 2009)
10.3+	Form of Restricted Unit Award Agreement (previously filed and incorporated by reference to Exhibit 10.3 to the Registrant's Current Report on Form 8-K, filed January 7, 2009)
10.4	Promissory Note among Whitestone Centers LLC and Sun Life Assurance Company of Canada dated February 3, 2009 (previously filed and incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K, filed February 10, 2009)
10.5	Promissory Note among Whitestone Centers LLC and Sun Life Assurance Company of Canada dated February 3, 2009 (previously filed and incorporated by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K, filed February 10, 2009)
10.6	Promissory Note among Whitestone Centers LLC and Sun Life Assurance Company of Canada dated February 3, 2009 (previously filed and incorporated by reference to Exhibit 10.3 to the Registrant's Current Report on Form 8-K, filed February 10, 2009)
10.7	Promissory Note among Whitestone Centers LLC and Sun Life Assurance Company of Canada dated February 3, 2009 (previously filed and incorporated by reference to Exhibit 10.4 to the Registrant's Current Report on Form 8-K, filed February 10, 2009)
10.8*	Purchase, Sale and Contribution Agreement between Whitestone REIT Operating Partnership, L.P. and Bank One, Chicago, NA, as trustee for Midwest Development Venture IV dated December 18, 2008

10.9*+	Grant Agreement for Restricted Shares between Whitestone REIT and Daryl J. Carter
10.10*+	Grant Agreement for Restricted Shares between Whitestone REIT and Daniel G. DeVos
10.11*+	Grant Agreement for Restricted Shares between Whitestone REIT and Donald F. Keating
10.12*+	Grant Agreement for Restricted Shares between Whitestone REIT and Jack L. Mahaffey
10.13*+	Grant Agreement for Restricted Shares between Whitestone REIT and Chris A. Minton
31.1*	Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2*	Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1**	Certificate of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2**	Certificate of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

* Filed herewith.

** Furnished herewith.

+ Denotes management contract or compensatory plan or arrangement.

AGREEMENT OF PURCHASE AND SALE

THIS AGREEMENT (“Agreement”) is made as of the 18th day of December, 2008 (the “Effective Date”), between Bank One, Chicago, NA, as successor by merger with Bank One, Wilmette, f/k/a, First Illinois Bank of Wilmette, as Trustee under Trust Agreement dated January 29, 1986 and known as Trust Number TWB-0454 (the “Seller”) and Whitestone REIT Operating Partnership, L.P., a Delaware limited partnership, or its designee (the “Purchaser”).

WHEREAS, Seller has agreed to sell and Purchaser has agreed to purchase the Property (as hereinafter defined);

NOW, THEREFORE, in consideration of the agreements contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. Property. Seller hereby agrees to sell and Purchaser, or his designee, hereby agrees to purchase from Seller certain real property in the City of Buffalo Grove, Lake County, Illinois, municipally known as Spoerlein Commons, 1151 McHenry Road, Buffalo Grove, Illinois 60084, generally comprising approximately 3.6595 acres of land and more particularly described on Exhibit A hereto and hereby incorporated by reference herein, together with an approximately 50,000 square foot retail/office building and all other improvements located thereon and all rights, easements, hereditaments and appurtenances thereto belonging, together with all telephone numbers for the Property and all tangible and intangible personal property of Seller located on and used in connection with the operation of the Property (collectively, the “Property”).

2. Earnest Money. Within three (3) business days after the Effective Date, Purchaser shall deposit with Chicago Title Insurance Company (the “Escrow Agent”) Fifty Thousand and 00/100 Dollars (\$50,000.00) in cash or certified or cashier’s check as earnest money (the “Earnest Money”). Said Earnest Money shall be refundable to Purchaser in accordance with Section 4 hereof. The parties hereto covenant and agree that in performing any of its duties under this Agreement, Escrow Agent shall not be liable for any loss, costs or damage which it may incur in the capacity of Escrow Agent, except for any loss, costs or damage arising out of its default or gross negligence.

Purchaser and Seller shall indemnify the Escrow Agent and hold the Escrow Agent harmless from all damage, costs, claims and expenses arising from performance of its duties as Escrow Agent including reasonable attorney’s fees, except for those damages, costs, claims and expenses resulting from the gross negligence of willful misconduct of the Escrow Agent.

Accordingly, Escrow Agent shall not incur any liability with respect to (i) any action taken or omitted to be taken in good faith upon advice of counsel given with respect to any questions relating to duties and responsibilities, or (ii) to any action taken or omitted to be taken in reliance upon any documents, including any written notice of instruction provided for in this Agreement, not only as to its execution and the validity and effectiveness of its provisions, but also to the truth and accuracy of any information contained therein, which Escrow Agent shall in good faith believe to be genuine, to be signed or presented by a proper person or persons and to conform with the provisions of this Agreement. The Seller and/or Purchaser are aware the Federal Deposit Insurance Corporation (FDIC) coverages apply to a maximum amount of \$250,000.00 per depositor (as may be modified by the FDIC from time to time). Further, the Seller and/or Purchaser do not and will not hold Escrow Agent liable for any loss occurring which arises from bank failure or error, insolvency or suspension, or a situation or event which falls under the FDIC coverages.

In the event any party to the transaction underlying this Agreement shall tender any performance after the time when such performance was due, Escrow Agent may proceed under this Agreement unless one of the parties to this Agreement shall give to the Escrow Agent written direction to stop further performance of the Escrow Agent's functions hereunder. In the event written notice of default or dispute is given to the Escrow Agent by any party, or if Escrow Agent receives contrary written instructions from any party, then Escrow Agent will promptly notify all other parties of such notice. Thereafter, Escrow Agent will decline to disburse funds or to deliver any instrument or otherwise continue to perform its escrow functions, except upon receipt of a mutual written agreement of the parties or upon an appropriate order of court. In the event of a dispute, the Escrow Agent is authorized to deposit the escrow into a court of competent jurisdiction for a determination as to the proper disposition of said funds. In the event that the funds are deposited in court, the Escrow Agent shall be entitled to file a claim in the proceeding for its costs and counsel fees, if any.

3. Purchase Price. The purchase price (the "Purchase Price") of the Property shall be an amount equal to Nine Million Four Hundred One Thousand and 00/100 Dollars (\$9,401,000.00). At the Closing, all Earnest Money shall be applied to the Purchase Price, and the balance of the Purchase Price shall be paid in part in cash and in part in Units of limited partnership of Purchaser ("Units") or shares of stock in Purchaser's general partner, Whitestone REIT, a Maryland real estate investment trust ("Shares") as follows: (i) Five Million Four Hundred Fifty Thousand and 00/100 Dollars (\$5,450,000.00) in cash at Closing by wire transfer of immediately available funds and (ii) the balance of the Purchase Price, subject to the adjustments and prorations required by this Agreement, ("Unit Dollar Value") by Purchaser's delivery to Seller of that number of Units or Shares (to be determined by Seller) obtained by dividing the Unit Dollar Value by \$5.15. In any event, the Units shall be freely convertible to Shares at any time after July 1, 2009, pursuant to the Purchaser's limited partnership agreement, as may be amended from time to time.

4. Inspection Period; Refund of Earnest Money; Due Diligence Materials. Purchaser shall have until December 22, 2008 ("Inspection Period") to make such determinations with respect to the Property as Purchaser deems appropriate and to elect to either continue or terminate this Agreement. Purchaser may terminate this Agreement, and receive a full refund of the Earnest Money, less \$10.00 to be retained by Seller as consideration for entering into this Agreement, by delivering written termination notice to Seller at any time prior to expiration of the Inspection Period. In the event of such termination, Purchaser agrees to reimburse Seller the cost of obtaining the Survey. If Purchaser does not so terminate this Agreement, the Earnest Money shall thereafter be nonrefundable (except as expressly otherwise set forth in this Agreement) and this Agreement shall remain in effect.

Within five (5) days after the Effective Date, Seller shall deliver to Purchaser at Seller's sole expense the information more particularly described on Schedule 4 hereto (the "Due Diligence Materials"). For each day of Seller's delay in delivering all of the Due Diligence Materials beyond five (5) days after the Effective Date, the Inspection Period and Closing Date shall (at Purchaser's option) be extended by one (1) day.

5. Costs and Prorations.

(a) Purchaser shall pay for all recording costs applicable to the deed of transfer, the premium for extended or additional coverage or endorsements to the Title Policy to be delivered at Closing pursuant to Section 6(c) hereof and the premium for any lender's title policy, the costs of any Phase I environmental report, property condition assessment, appraisal, and other third party reports obtained by Purchaser for its due diligence. Seller shall pay for preparation of the deed of transfer, all transfer taxes applicable to the deed of transfer, the costs of production of the title search or abstract, the premium for the Title Policy to be delivered at Closing pursuant to Section 6(c) hereof and the Survey required pursuant to Section 8 hereof. Each party shall pay its own attorney's fees. Purchaser shall pay all expenses incident to any financing obtained for the purchase of the Property.

(b) The following shall be prorated between the parties as of the Closing Date as defined in Section 7: (i) ad valorem property taxes constituting a lien against the Property for the year in which the Closing occurs and all other unpaid assessments with respect thereto, and (ii) rents and other tenant charges, utilities, and operating expenses for the Property for the calendar month in which Closing occurs, subject to subsections 6(c) and 6(d) below. If applicable, percentage rent attributable to sales at the Property for the year in which Closing occurs shall be prorated on a straight line basis for the year in which Closing occurs based on the number of days Seller and Purchaser each own the Property in the year in which the Closing occurs. In the event such proration is based upon a previous year's taxes or assessment, after Closing, at such time as any of the taxes or assessments are capable of exact determination, the party having the information permitting the exact determination shall send to the other party a detailed report of the exact determination so made. Within thirty (30) days after both Seller and Purchaser shall have received such report, Seller and Purchaser shall adjust the amounts apportioned pursuant to the estimates made at Closing to reflect the exact determinations contained in the report, and Seller or Purchaser, as the case may be, shall pay to the other whatever amount shall be necessary to compensate for the difference. Purchaser shall receive a credit against the Purchase Price in the amount of all security deposits (together with interest required to be paid thereon) held or required to be held by Seller under the Leases. Purchaser shall have no rights to any of Seller's utility deposits for the Property, and Seller shall be entitled to seek a refund of the same.

(c) Nondelinquent rent collected by Seller after Closing attributable to periods from and after Closing shall be promptly remitted to Purchaser. Delinquent rent collected by Seller and Purchaser after the date of Closing shall be delivered by the recipient as follows: Within fifteen (15) days after the receipt thereof, Seller and Purchaser agree that all rent received by Seller or Purchaser shall be applied first to then current rents, and then to delinquent rents for periods after Closing and then to delinquent rents for periods prior to Closing. Seller retains the right to pursue tenants for payment of delinquent rent but may not seek to dispossess a tenant, terminate a lease or enforce a landlord lien.

(d) Seller, as landlord under the Leases, is currently collecting from tenants additional rent to cover taxes, insurance, utilities, maintenance and other operating costs and expenses incurred by Seller in connection with the ownership, operation, maintenance and management of the Property (such expenses, collectively “Expenses” and such collections, collectively “Collections”). Non delinquent Collections for the month in which Closing occurs shall be prorated in the same manner as other rents as set forth above. Subsequent to Closing Purchaser shall calculate adjustments for Expenses incurred and Collections received for the year of Closing and shall prepare and present to Seller a calculation of the Collections received and Expenses incurred by each of Seller and Purchaser attributable to each party’s period of ownership. The parties shall make the appropriate adjusting payment between them within 30 days after presentment to Seller of Purchaser’s calculation. Either party may inspect the other’s books and records related to the Property to confirm the calculation.

6. Conditions Precedent To Purchaser’s Obligations. Seller acknowledges that as a condition precedent to Purchaser’s obligations hereunder, the following shall occur on or before the Closing Date, any of which conditions may be waived by Purchaser in its sole discretion:

(a) Purchaser shall have received a current Phase I environmental assessment satisfactory to Purchaser prepared by a competent licensed environmental engineer satisfactory to Purchaser that does not recommend a Phase II environmental assessment and reflecting that there are no hazardous wastes or hazardous materials located on or below the surface of the Property, and that the Property is in compliance with all applicable environmental laws, ordinances, rules and regulations.

(b) Prior to the expiration of the Inspection Period, Seller shall have delivered to Purchaser (i) Qualifying Tenant Estoppels (defined below) executed by tenants occupying at least 90% of the rentable square footage of the Property, and (ii) any subordination, non-disturbance and attornment agreements (“SNDA’s”) reasonably required by Purchaser or Purchaser’s lender from tenants at the Property. Seller agrees to use reasonable efforts to obtain the required tenant estoppels and SNDA’s. For purposes hereof, a “Qualifying Tenant Estoppel” is a tenant estoppel substantially in the form of Exhibit B (or in any other form reasonably required by or acceptable to Purchaser and Purchaser’s lender) that does not include any information that is materially inconsistent with Seller’s representations and warranties in this Agreement.

(c) Chicago Title Insurance Company (the “Title Company”) shall be irrevocably committed to issue upon Closing a 2006 ALTA Owner’s Policy of Title Insurance (the “Title Policy”), insuring Purchaser as owner of fee simple title to the Property, subject only to Permitted Exceptions (defined below), in the amount of the Purchase Price, and containing such endorsements as Purchaser shall have requested.

(d) Each and every representation and warranty of Seller set forth in Section 10 shall be true and correct, and Seller shall not be in default under any of its obligations under this Agreement, as of Closing.

7. Closing. Subject to all preconditions set forth herein, the closing or settlement (“Closing”) of the transaction contemplated hereby, unless terminated in accordance with this Agreement or as otherwise agreed upon by Purchaser and Seller, shall be held via the mails, through the Title Company, or at the offices of Whitestone REIT, 2600 S. Gessner Road, Suite 500, Houston, Texas 77063 at 10:00 a.m. on January 15, 2009 or such earlier date as Seller may determine or such other place and time as the parties may agree (such date shall be referred to herein as the “Closing Date”).

At Closing, Seller shall convey to Purchaser good, marketable and insurable title to the Property by special warranty deed acceptable to Purchaser and the Title Company (the “Deed”), subject to (i) standard exceptions for real property taxes not yet due and payable, and (ii) any other matters which are waived by, or acceptable to, Purchaser pursuant to Section 9 (the “Permitted Exceptions”).

8. Survey. Seller at its expense, has ordered an ALTA survey of the Property from a reputable registered local surveyor selected by Purchaser (“Survey”) and delivered a copy of the Survey to the Purchaser. The Survey must indicate, among other things, the exact location and square footage of improvements located on the Property and shall indicate the exact metes and bounds and aggregate acreage of the Property, together with the metes and bounds and acreage of any and all portions of the Property located within (a) any public right of way (including any proposed right of way or any proposed widening of any existing right of way), (b) any body of water, (c) any 100-year flood plain, (d) any marshlands or wetlands and (e) any easement areas, buffer zones or natural preserves in which the construction of buildings is prohibited by any law, ordinance, regulation or private covenant including PUD conditions governing the Property of the Property. After the Survey shall have been completed, the description of the Property shall automatically be amended to conform to the legal description based on the Survey, and thereafter, the new legal description shall be the legal description of the Property for all purposes relating to this Agreement.

9. Title. Within five (5) days after the Effective Date, Seller shall deliver to Purchaser a title insurance commitment in the amount of the Purchase Price covering the Property issued by the Title Company (the “Title Commitment”). Purchaser shall have until December 31, 2008 to object to any matters shown on the Title Commitment or Survey by written notice to Seller (“Title Objection Notice”). Purchaser may also object to any new matters thereafter revealed by a title update or survey update by subsequent Title Objection Notice to Seller. Within five (5) days after receipt of Purchaser’s Title Objection Notice, Seller shall either (i) deliver written notice to Purchaser of any title or Survey objections which Seller elects not to cure, or (ii) cure or satisfy such objections (or commence to cure or satisfy such objections as long as Seller reasonably believes such objections may be cured or satisfied at least five (5) business days prior to Closing). Within five (5) days after receipt of Seller’s written notification that Seller elects not to cure a title or Survey objection, Purchaser may terminate this Agreement and receive a full refund of the Earnest Money by delivering written notice thereof to Seller. If Purchaser does not so terminate this Agreement, then any such title or Survey objection which Seller elects not to cure shall be deemed waived by Purchaser and shall be an additional Permitted Exception. If any objection which Seller elects to cure is not satisfied by Seller at least five (5) business days before the scheduled date of Closing, Purchaser shall have the right to terminate this Agreement, in which case the Earnest Money shall be returned to Purchaser and neither party shall have any further rights, obligations or duties under this Agreement. If Seller does cure or satisfy the objections at least five (5) business days prior to Closing, then this Agreement shall continue in effect. Any exception to or defect in title which Purchaser shall elect to waive, or which is otherwise acceptable to Purchaser, shall be deemed an additional Permitted Exception to title at Closing. Seller covenants and agrees not to alter or encumber in any way Seller’s title to the Property after the date hereof.

Notwithstanding anything in this Agreement to the contrary, Seller shall cause any deed of trust, mortgage, deed to secure debt, judgment or other lien for a liquidated sum encumbering the Property to be released at or before Closing.

10. Seller's Representations and Warranties. As of the date hereof and as of the Closing Date (as evidenced by Seller's downdate certificate to be provided at Closing), Seller represents, warrants and covenants to Purchaser that:

(a) There are and there will be no parties in possession of any portion of the Property as lessees, and no other party has been granted an oral or written license, lease, option, purchase agreement or other right pertaining to the use, purchase or possession of any portion of the Property, other than tenants in possession under the Leases (defined hereafter). True, complete and correct copies of all leases affecting the Property and any amendments thereto (collectively, the "Leases") have been or will be furnished to Purchaser within seven (7) days after the Effective Date as part of the Due Diligence Materials, together with true, correct and complete copies of any service, maintenance or other contracts or agreements with third parties relating to or affecting the Property (the "Contracts"). A schedule and rent roll of all Leases and amendments is attached hereto as Exhibit C ("Lease Schedule") and incorporated herein by reference. Such Leases and Contracts are valid and binding in accordance with their respective terms and conditions, are in full force and effect, and, to Seller's knowledge, have no uncured breach or default by any party except as disclosed on Exhibit C. To Seller's knowledge, no off-sets or defenses are available to any party under the Leases or Contracts. All Contracts are cancellable upon not more than thirty (30) days prior written notice. No rents have been collected more than thirty (30) days in advance and no tenant is entitled to any allowance for decoration, redecoration or other improvements under any of the Leases (a "TI Allowance"), except as specifically set forth on Exhibit C. There are no leasing brokerage agreements, leasing commission agreements or other agreements providing for the payment of any amounts, and no commissions due, for leasing activities with respect to the Property except as set forth in the Leases or on Exhibit C. Purchaser shall have no liability for (and Seller hereby indemnifies Purchaser against any claim for) any such leasing commissions and any TI Allowance with respect to the Leases except to the extent (i) expressly allocated to Purchaser on Exhibit C, or (ii) expressly provided for in any current Lease or any Lease entered into after the Effective Date that is approved by Purchaser pursuant to Section 16 below.

(b) The Seller has not received written notice of any default (nor does Seller have any knowledge of any default) under any note or deed of trust related to or secured by the Property. The execution and delivery of this Agreement, the consummation of the transaction herein contemplated and the compliance with the terms and provisions hereof will not conflict with or (with or without notice or the passage of time or both) result in a breach of any of the terms or provisions of, or constitute a default under, any indenture, mortgage, loan agreement or instrument to which the Seller is a party or by which the Seller or the Property is bound, any applicable regulation or any judgment, order or decree of any court having jurisdiction over the Seller or the Property.

(c) The Seller has not received any written notice, nor is the Seller aware, of any violation of any ordinance, regulation, law, statute, rule or restriction relating to the Property.

(d) There are no attachments, executions, assignments for the benefit of creditors, or voluntary or involuntary proceedings in bankruptcy or under any applicable debtor relief laws or any other litigation contemplated by or pending or threatened against the Seller or the Property.

(e) Seller has been duly organized and is validly existing under the laws of the State of Illinois. Seller has the full right and authority to enter into this Agreement and to transfer all of the Property to be conveyed by Seller pursuant hereto and to consummate or cause to be consummated the transactions contemplated herein to be made by Seller. The person signing this Agreement on behalf of Seller is authorized to do so. This Agreement constitutes, and all agreements and documents contemplated hereby (when executed and delivered pursuant hereto) will constitute, the valid and legally binding obligations of Seller, enforceable in accordance with their respective terms. No other signatures or approvals are required to make this Agreement fully enforceable by the Purchaser with respect to the Seller or the Property. This Agreement constitutes, and all agreements and documents contemplated hereby (when executed and delivered pursuant hereto) will constitute, the valid and legally binding obligations of Seller, enforceable in accordance with their respective terms.

(f) The Seller has and will convey to the Purchaser good, marketable and indefeasible title in fee simple to the Property, subject only to the Permitted Exceptions.

(g) There is no pending or threatened condemnation or similar proceeding or assessment affecting the Property or any part thereof, nor to the knowledge of the Seller is any such proceeding or assessment contemplated by any governmental authority. There will be no claim against the Property or Purchaser for or on account of work done, materials furnished, and utilities supplied to the Property prior to the Closing Date. To Seller's knowledge, there are no public plans or proposals for changes in road grade, access, or other municipal improvements which would adversely affect the Property or result in any assessment; and, to Seller's knowledge, no ordinance authorizing improvements, the cost of which might be assessed against Purchaser or the Property, is pending.

(h) No portion of the Property is within the area determined to be within any flood hazard areas, including the 100-year flood plain on the Flood Insurance Rate Map published by the Federal Emergency Management Agency and/or by the United States Army Corps of Engineers and/or Lake County and/or the State of Illinois, except as may be shown on the Survey.

(i) Seller has not entered into any agreement to dispose of its interest in the Property or any part thereof, except for this Agreement.

(j) Seller is not a party to any litigation which is still pending, and knows of no threatened litigation, affecting or relating to the Property.

(k) Neither the Seller, nor to Seller's knowledge, any other party has ever caused or permitted any "hazardous material" (as hereinafter defined) to be placed, held, located, or disposed of on, under, or at the Property or any part thereof in forms or concentrations which violate applicable laws and regulations, and, to Seller's knowledge, neither the Property nor any part thereof has ever been used as a dump or storage site (whether permanent or temporary) for any hazardous material. As used herein, "hazardous material" means and includes any hazardous, toxic, or dangerous waste, substance, or material defined as such in, or for purposes of, the Comprehensive Environmental Response, Compensation Liability Act (42 U.S.C. Section 9601, et seq., as amended) or any other "super fund" or "super lien" law or any other Federal, State, or local statute, or law, ordinance, code, rule, regulation, order or decree regulating, relating to, or imposing liability for standards of conduct concerning any substance or material, as presently in effect. The Property does not currently contain any underground storage tanks.

Seller hereby indemnifies and holds harmless Purchaser from and against any and all loss, expense (including without limitation reasonable attorney fees), liability, cost, claim, demand, action, cause of action and suit arising out of or in any way related to any breach of any representation, warranty, covenant or agreement of Seller in this Agreement.

11. Broker and Broker's Commission.

Purchaser and Seller each represent and warrant to the other that such party has not incurred an obligation to any other broker or agent in connection with the transaction contemplated hereby. Each party hereby covenants and agrees to defend, indemnify and hold harmless the other party against and from any and all loss, expense, liability, cost, claim, demand, damage, action, cause of action and suit arising out of or in any manner relating to the alleged employment or use by such party of any real estate broker or agent in connection with this transaction. The provisions of this Section 11 shall survive the Closing of this transaction.

Purchaser represents and warrants that it has not and shall not incur any broker-dealer, underwriting or placement agent fee and/or discount related to the issuance of the Units or Shares set forth in Section 3 hereof.

12. Survey and Inspection. Purchaser and Purchaser's agents, employees and independent contractors shall have the right and privilege to enter upon the Property during the Inspection Period to survey and inspect the Property and to conduct soil borings, environmental assessment and toxic waste studies and other geological, engineering or landscaping tests or studies, all at Purchaser's sole cost and expense. Purchaser hereby covenants and agrees to indemnify and hold harmless Seller from any and all loss, liability, cost, claim, demand, damage, action, cause of action and suit arising out of or in any manner related to the exercise by Purchaser of Purchaser's rights under this section (but not the existence of any condition discovered in the course of Purchaser's inspections and testing).

13. Eminent Domain. If, after the Effective Date and prior to Closing, Seller shall receive notice of the commencement or threatened commencement of eminent domain or other like proceedings against the Property or any portion thereof, Seller shall immediately notify Purchaser in writing, and Purchaser shall elect within thirty (30) days from and after such notice, by written notice to Seller, one of the following: (a) not to close the transaction contemplated hereby, in which event all Earnest Money shall be refunded to Purchaser and this Agreement shall be void and of no further force and effect; or (b) to close the purchase of the Property contemplated hereby in accordance with its terms but subject to such proceedings, in which event the Purchase Price shall remain the same and Seller shall transfer and assign to Purchaser at Closing all condemnation proceeds and rights to additional condemnation proceeds, if any. If Purchaser elects to purchase after receipt of such a notice, all actions taken by Seller with regard to such eminent domain proceedings, including but not limited to, negotiations, litigation, settlement, appraisals and appeals, shall be subject to the approval of Purchaser, which approval shall not be unreasonably withheld. If Purchaser does not make such election within the aforesaid time period, Purchaser shall be deemed to have elected to close the transactions contemplated hereby in accordance with clause (b) above.

14. Property Damage. If, after the Effective Date and prior to Closing, the Property shall suffer significant damage as the result of fire or other casualty, Seller shall immediately notify Purchaser in writing. In the event said damage results in damage of the improvements situated on the Property in the amount of Two Hundred Fifty Thousand and No/100 Dollars (\$250,000.00) or greater, Purchaser shall have the right to elect within fifteen (15) days from and after such notice, by written notice, one of the following: (a) not to close the transaction contemplated hereby, in which event all Earnest Money shall be refunded to Purchaser and this Agreement shall be void and of no further force and effect; or (b) to close the purchase of the Property contemplated hereby in accordance with its terms but subject to such damage, in which event the Purchase Price shall remain the same and Seller shall transfer and assign to Purchaser at Closing all insurance proceeds received or to be received as a result of such damage, and Purchaser shall receive a credit against the Purchase Price for any insurance deductible or uninsured loss. If Purchaser does not make such election within the aforesaid time period, Purchaser shall be deemed to have elected to close the transactions contemplated hereby in accordance with clause (b) above.

In the event less than Two Hundred Fifty Thousand and No/100 Dollars (\$250,000.00) of damage to the improvements situated on the Property exists, this Agreement shall remain in full force and effect, but, at Closing, Seller shall transfer and assign to Purchaser all insurance proceeds received or to be received as a result of such damage, and Purchaser shall receive a credit against the Purchase Price for any insurance deductible or uninsured loss.

15. Condition of Property. Subsequent to the Effective Date and prior to Closing, Seller shall maintain the Property in accordance with its past practices and ordinary maintenance, but shall not be required to provide any extraordinary maintenance.

16. Operations. After the Effective Date and prior to the Closing Date, Seller shall neither enter into any new, nor terminate, modify, extend, amend or renew any existing, lease or service, management, maintenance, repair, employment, union, construction, leasing or other contract or agreement affecting the Property (each, a “New Agreement”) without providing at least five (5) business days prior notice (and opportunity to review and approve the New Agreement) to Purchaser. Purchaser shall have five (5) business days after Purchaser’s actual receipt (notwithstanding the notice provisions in Section 17 below) of a true, correct and complete copy of a New Agreement to approve the same. If Purchaser does not approve any such New Agreement that Seller will enter into prior to expiration of the Inspection Period, then Purchaser’s sole and exclusive remedy will be to terminate this Agreement by delivering written notice to Seller no later than five (5) business days after receiving the New Agreement, and in such event Purchaser shall receive a full refund of the Earnest Money. If Purchaser fails to terminate this Agreement as set forth in the preceding sentence, it shall be deemed to have approved the New Agreement that Seller will enter into prior to expiration of the Inspection Period in the form provided. Seller may not enter into New Agreement after expiration of the Inspection Period unless Purchaser has approved the same in writing. If Purchaser approves (or is deemed to have approved) any New Agreement and thereafter consummates the Closing under this Agreement, then it will be responsible for any leasing commissions and TI Allowance payments expressly set forth in the approved form of the New Agreement (whether payable before or after the Closing Date), and Seller shall receive a credit at Closing for any such leasing commissions and TI Allowance payments which Seller pays prior to Closing. Seller shall cause any Contracts which Purchaser elects in its discretion not to assume to be cancelled at or before Closing. Seller shall promptly notify Purchaser in writing of any default by any party under any Lease that occurs after the Effective Date, and if any such default occurs Purchaser may terminate this Agreement and receive a full refund of the Earnest Money.

17. Notice. Each notice required or permitted to be given hereunder shall be in writing and shall be deemed to have been duly given (i) two (2) business days after deposit in registered or certified U.S. mail, postage fully prepaid, (ii) one (1) business day after deposit with a recognized overnight delivery service such as Federal Express or (iii) immediately upon facsimile or e-mail transmission provided confirmation of facsimile or e-mail is received and further provided any such facsimile or e-mail notice shall be sent by one of the other methods of providing notice on or before the next succeeding business day. Rejection or other refusal by the addressee to accept shall be deemed to be receipt of the notice sent. The addresses of the parties to which notices are to be sent shall be those set forth on the signature page of this Agreement, provided that a copy of any notice to the Purchaser shall also be sent to T. Gaillard Uhlhorn, V, Bass, Berry & Sims PLC, 100 Peabody Place, Suite 900, Memphis, Tennessee 38103, Fax No. 901-543-5999, email: guhlhorn@bassberry.com and provided that a copy of any notice to the Seller shall also be sent to Richard A. Merel, Garfield & Merel, Ltd., 223 W Jackson Blvd Ste 1010, Chicago, IL 60606, Fax No. (312) 288-0120; email: rmerel@garfield-merel.com.

18. Remedies. If this transaction fails to close by reason of Purchaser’s wrongful failure to perform its obligations under this Agreement, the Earnest Money shall be retained by Seller as liquidated damages the parties hereby acknowledging that Seller’s actual damages in such circumstances would be difficult, if not impossible, to determine. Seller expressly acknowledges and agrees that retention of the Earnest Money as provided for herein shall be Seller’s sole and exclusive remedy in the event of Purchaser’s failure to perform its obligations hereunder. If this transaction fails to close for any reason other than Purchaser’s wrongful failure to perform his obligations hereunder, the Earnest Money shall promptly be refunded to Purchaser. In the event Seller fails or refuses to convey the Property in accordance with the terms hereof or otherwise fails to perform its obligations hereunder, Purchaser shall have the right to a refund of all Earnest Money, specific performance and all other rights and remedies available at law or in equity for Seller’s breach, all of which are reserved, cumulative, and nonexclusive. Seller waives the right to assert the defense of the lack of mutuality in any suit for specific performance instituted by Purchaser.

19. Time of Essence. Time is of the essence of this Agreement.

20. Closing Documents. At or prior to Closing, each party shall deliver to the other party appropriate evidence to establish the authority of such party to enter into and close the transaction contemplated hereby. Seller also shall execute and deliver to the Title Company at Closing, for it to hold in escrow pending Purchaser's payment of the Purchase Price, (i) the Deed; (ii) a certificate with respect to Section 1445 of the Internal Revenue Code stating, among other things, that Seller is not a foreign corporation as defined in the Internal Revenue Code and I.R.S. Regulations; (iii) the Assignment and Assumption Agreement substantially in the form attached hereto as Exhibit D; (iv) a letter to each tenant under the Leases in the form reasonably requested by Purchaser; (v) Seller's representation and warranty downdate certificate under Section 10; and (vi) such other documents reasonably necessary or appropriate to complete and evidence the transaction contemplated hereby, including without limitation a standard title company owner's affidavit and a warranty bill of sale in form reasonably acceptable to Purchaser as to any personal property included in the Property. Additionally at Closing, the parties shall enter into an agreement that provides that in the event James C. Mastandrea is not re-elected as a trustee of Purchaser's general partner, Whitestone REIT, in 2009 for a three-year term and appointed Chairmen, President and CEO for any reason, Purchaser shall repurchase the Shares or Units (as the case may be) in cash for \$5.15 for each Unit or Share transferred pursuant to Section 3 hereof.

21. Entire Agreement. This Agreement constitutes the entire agreement of the parties and may not be amended except by written instrument executed by Purchaser and Seller. All prior understandings and agreements between the parties are deemed merged herein.

22. Headings. The section headings are inserted for convenience only and are in no way intended to describe, interpret, define or limit the scope or content of this Agreement or any provision hereof.

23. Possession. Seller shall deliver actual possession of the Property at Closing.

24. Applicable Law. This Agreement shall be construed and interpreted in accordance with the laws of the State of Illinois.

25. Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective heirs, successors and permitted assigns as the case may be, and Purchaser shall not have the right to assign its rights hereunder without Seller's prior written consent.

26. Surviving Clauses. The provisions of this Agreement relating to tax proration after Closing, Purchaser's indemnification with respect to its entering upon the Property prior to Closing, Seller's representations, covenants, warranties and indemnity agreement in Section 10, Seller's covenant not to encumber the Property subsequent to the date hereof, the mutual covenants of Seller and Purchaser to indemnify each other, as the case may be, as set forth in Section 11, shall survive any Closing pursuant to this Agreement. Except as set forth in the preceding sentence or as otherwise expressly set forth herein, no other provision of this Agreement shall survive the Closing of this transaction.

27. Confidentiality. Neither Purchaser nor Seller shall make any public announcement or disclosure of any information related to this Agreement to outside brokers or third parties, before the Closing, without the prior written specific consent of the other party; provided, however, that Purchaser may make disclosure of this Agreement to its certain outside parties as necessary to perform its inspections of the Property and as may be required under laws or regulations applicable to Purchaser.

IN WITNESS WHEREOF, this Agreement has been duly executed on the day and year first above written.

ADDRESSES:

2600 S. Gessner Road
Suite 500
Houston, Texas 77063
Attention: John J. Dee
Fax: (713) 465-8847
Email: jdee@whitestonereit.com

Attention: _____
Fax: _____
Email: _____

PURCHASER:

Whitestone REIT Operating Partnership, L.P.,
A Delaware limited partnership

By: Whitestone REIT, a Maryland real estate
investment trust, its general partner

By: /s/ John J. Dee

Name: John J. Dee

Title: Chief Operating Officer

SELLER:

Bank One, Chicago, NA, as successor by merger with Bank
One, Wilmette, f/k/a, First Illinois Bank of Wilmette, as
Trustee under Trust Agreement dated January 29, 1986 and
known as Trust Number TWB-0454

By: /s/ Christine C. Young

Name: Christine C. Young

Title: Trust Officer

SCHEDULE 4

DUE DILIGENCE MATERIALS

- (a) Plans, drawings, specifications and engineering and architectural studies and work (including “as built” plans and drawings, if any) with regard to the Property that are in Seller’s possession;
- (b) Any appraisals of the Property in Seller’s possession obtained during the period during which Seller has owned the Property;
- (c) Income and expense statements for the two (2) most recent complete calendar years and the current year-to-date;
- (d) Copies of all current Leases and any amendments or proposed amendments thereto;
- (e) A current rent roll for the Property setting forth, for each Lease and tenant, (i) the portion of the Property occupied and the square footage of the space occupied, (ii) the rent payable under such Lease, (iii) the date on which rent is due under each Lease, (iv) all receipts for rent and the rental period for which rent has been paid, (v) the expiration date of such Lease and any renewal or extension options, and (vii) information regarding the status of security deposits;
- (f) Copies of all correspondence in Seller’s possession relating to the current Leases;
- (g) Copies of insurance certificates with respect to the Property;
- (h) Copies of all of the Contracts and any amendments or proposed amendments thereto;
- (i) Copies of any soil boring or other similar engineering reports with respect to the Property obtained during the period during which Seller has owned the Property; and
- (j) Any environmental assessment report or study with respect to the Property in Seller’s possession.

EXHIBIT A

PROPERTY DESCRIPTION

Parcel 1: Lot 4 in McHenry Road Homesites, being a subdivision of part of the Northwest $\frac{1}{4}$ of the Southwest $\frac{1}{4}$ of Section 29, Township 43 North, Range 11, East of the Third Principal Meridian, according to the Plat thereof recorded November 24, 1956 as Document 931656, in Book 1501 of Records, Page 154, in Lake County, Illinois.

Parcel 2: Lot 4 in Spoerlein Farm Commercial Phase 1C, being a subdivision of part of the Northwest $\frac{1}{4}$ of the Southwest $\frac{1}{4}$ of Section 29, Township 43 North, Range 11, East of the Third Principal Meridian, according to the Plat thereof recorded May 28, 1985 as Document 2357829, (except that part taken for road purposes by Case No. 93ED5), in Lake County, Illinois.

EXHIBIT B

TENANT ESTOPPEL CERTIFICATE

THIS TENANT ESTOPPEL CERTIFICATE (this “**Estoppel**”), is executed this _____ day of _____, 2008, by _____ (“**Tenant**”), to and in favor of **Whitestone REIT**, a Maryland real estate investment trust, its successors and assigns (“**Purchaser**”), having its principal place of business at Woodlake Plaza, 2600 S. Gessner, Houston, Texas 77063.

RECITALS:

A. Tenant is the lessee under that certain lease executed between Tenant and Chicago Land Trust Company, as Successor Trustee to LASALLE BANK NATIONAL ASSOCIATION, Under Trust No. TWB-0454 (“**Landlord**”), dated _____, 200__ (the lease and all amendments thereto are hereinafter referred to as the “**Lease**”), covering all or a portion of property legally described in **Schedule I** attached hereto and made a part hereof (the “**Property**”).

B. Purchaser is performing its due diligence as it relates to the potential purchase of the Property from Landlord which is secured, in part, by an assignment of leases and rents from the Property.

C. As a condition to of any said purchase of the Property, Purchaser requires that Tenant enter into this Estoppel and Tenant acknowledges that Purchaser is relying upon this Estoppel.

NOW, THEREFORE, Tenant does hereby certify to Purchaser as follows:

A. Tenant hereby represents, acknowledges and agrees as follows:

1. The Lease is in full force and effect and has not been amended, modified or extended.
Yes No
If No, Please state most recent amendment.

2. The Lease does not contain any options to purchase and/or lease additional space, rights of set off, rights of first refusal to purchase and/or lease additional space or any similar provisions regarding acquisition of ownership interests or additional leased space in the building except as follows:

3. Lease commencement date _____
4. Lease termination date _____.
5. Current monthly rent \$ _____.
6. CAM \$ _____
7. Insurance \$ _____
8. Real Estate Taxes \$ _____
9. Current amount due \$ _____
10. Rent has been paid through _____, 200_ and Tenant has not paid any rentals in advance.
11. The improvements described in the Lease have been completed and accepted by Tenant. There is no further obligation of improvements by the Landlord.
12. The security deposit under the Lease is currently \$ _____.
13. Has Tenant sublet any portion of the leased premises or assigned any of its rights under the Lease.

Yes No

If Yes, sublessee _____
14. Tenant is in full and complete possession of the premises demised under the Lease, such possession having been delivered by the Landlord pursuant to the Lease and having been accepted by the Tenant.
15. Tenant has no existing claims, defenses or offsets under the Lease against Landlord, no uncured default exists under the Lease, and no event has occurred that would, except for the lapse of time, the giving of notice or both, constitute a default.

16. Upon Purchaser succeeding to Landlord's interest under the Lease, Tenant covenants and agrees to attorn to Purchaser, to recognize such successor landlord as Tenant's landlord under the Lease, and to be bound by and perform all of the obligations and conditions imposed upon Tenant by the Lease. If requested by Purchaser or any subsequent owner, Tenant shall execute a new lease with Purchaser, for a term equal to the remaining term of the Lease and otherwise containing the same provisions and covenants of the Lease.
 17. Tenant will not look to Purchaser for the return of the security deposit, if any, under the Lease, except to the extent that such funds are delivered to Purchaser.
 18. The guaranty of the Lease, if any, is in full force and effect.
 19. There are no actions, whether voluntary or involuntary or otherwise pending against Tenant under the bankruptcy laws of the United States or any portion of its interest in the Property or the Lease.
- B. Tenant shall deliver to Purchaser a copy of all notices Tenant delivers to or receives from Landlord in accordance with the notice provisions set forth herein. Prior to terminating the Lease due to a default by Landlord thereunder, Tenant agrees to notify Purchaser of such default and give Purchaser the opportunity to cure such default within the later of (i) thirty (30) days after the expiration of any notice and cure period or (ii) thirty (30) days of Purchaser's receipt of such notice (or, if such default cannot reasonably be cured within such thirty (30) day period, Purchaser shall have such longer time as may be necessary to cure the default; provided that Purchaser commences the cure within such period and diligently pursues the cure thereafter).
- C. This Estoppel may be executed in any number of counterparts, each of which shall be deemed to be an original but all of which when taken together shall constitute one agreement. This Estoppel shall inure to the benefit of Purchaser, its successors and assigns and shall be binding upon Tenant and its successors and assigns.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the Tenant has executed this Estoppel the day and year first above written.

TENANT:

By: _____

Name: _____

Its: _____

[notary seal]

EXHIBIT C

SCHEDULE OF LEASES AND RENT ROLL

EXHIBIT D

ASSIGNMENT AND ASSUMPTION AGREEMENT

THIS ASSIGNMENT AND ASSUMPTION AGREEMENT (this “Assignment”) is entered into as of the ____ of _____, 20____, between _____ (“Assignor”), whose address is _____, and _____ (“Assignee”), a _____ whose address is _____.

1. Property. The “Property” means the real property located in the County of _____, State of _____ and the County of _____, State of _____ legally described in Exhibit A attached to this Assignment, together with the building, structures and other improvements located thereon.

2. Leases. The “Leases” means those leases and occupancy agreements (and guarantees thereof) affecting the Property which are described in Exhibit B attached to this Assignment. The “Contracts” mean those contracts which are described on Exhibit C attached to this Assignment.

3. Security Deposits. “Security Deposits” means those security deposits set forth on Exhibit B.

4. Assignment. For good and valuable consideration received by Assignor, the receipt and sufficiency of which are hereby acknowledged, Assignor hereby grants, transfers and assigns to Assignee the entire right, title and interest of Assignor in and to the Contracts, Leases and the Security Deposits.

5. Assumption. Assignee hereby assumes the obligations of Assignor under the Contracts and as lessor under the Leases first arising from and after the date hereof. Assignor shall promptly notify Assignee in writing if any claim is made against Assignor with respect to any matter which Assignee has agreed to assume in this Assignment, specifying the nature and details of such claim. Assignor shall cooperate fully with Assignee and its counsel and attorneys in the defense against such claim in accordance with their judgment and discretion, and Assignor shall not pay or settle any such claim without Assignee’s prior written consent. No person or entity, other than Assignor, shall be deemed a beneficiary of the provisions of this Section 5.

6. Indemnity. Assignee agrees to indemnify, defend and hold Assignor harmless from and against any and all claims, damages, demands, causes of action, liabilities, judgments, losses, costs and expenses (including but not limited to reasonable attorneys’ fees) asserted against or incurred by Assignor caused by the failure of Assignee to perform any obligation under the Contracts, and Leases which obligation was assumed by Assignee hereunder. Assignor agrees to indemnify, defend and hold Assignee harmless from and against any and all claims, damages, demands, causes of action, liabilities, judgments, losses, costs and expenses (including but not limited to reasonable attorneys’ fees) asserted against or incurred by Assignor caused by the failure of Assignor to perform any obligation under any of the Contracts, or the Leases first arising prior to the date hereof.

7. Power and Authority. Assignor represents and warrants to Assignee that it is fully empowered and authorized to execute and deliver this Assignment, and the individual signing this Assignment on behalf of Assignor represents and warrants to Assignee that he or she is fully empowered and authorized to do so.

8. Attorneys' Fees. If either Assignee or Assignor or their respective successors or assigns file suit to enforce the obligations of the other party under this Assignment, the prevailing party shall be entitled to recover the reasonable fees and expenses of its attorneys.

9. Successors and Assigns. This Assignment shall be binding upon and inure to the benefit of Assignor and Assignee and their respective successors and assigns.

10. Counterparts. This Agreement may be executed in any number of identical counterparts, any or all of which may contain the signatures of fewer than all of the parties but all of which shall be taken together as a single instrument.

11. Governing Law. This Agreement shall be governed and interpreted in accordance with the laws of the State of _____.

IN WITNESS WHEREOF, Assignor and Assignee have executed and delivered this Assignment the day and year first above written.

ASSIGNOR

By: _____
Title: _____

ASSIGNEE

**TRUSTEE RESTRICTED COMMON SHARE GRANT AGREEMENT
(TIME VESTED)**

THIS RESTRICTED COMMON SHARE GRANT AGREEMENT (TIME VESTED) (this "Agreement") is entered into as of **March 25, 2009** (the "Effective Date"), by and between Whitestone REIT, a Maryland real estate investment trust (the "Company"), and **Daryl J. Carter** (the "Trustee").

WHEREAS, the Trustee serves on the Board of Trustees of the Company and in connection therewith has rendered or will render services for and on behalf of the Company and/or its subsidiaries or affiliates;

WHEREAS, the Company believes the Trustee should have interests that are aligned with the interests of the Company's shareholders; and

WHEREAS, the Company desires to compensate to grant the Trustee common shares of beneficial interest, par value \$0.001 per share, of the Company (the "Common Shares").

NOW, THEREFORE, IT IS AGREED, by and between the Company and the Trustee, as follows:

1. Restricted Common Share Grant. The Trustee is hereby granted **5,000** Common Shares (the "Shares") subject to the restrictions and on the terms and conditions set forth in this Agreement (the "Grant").

2. Restriction on the Shares.

(a) Period of Restriction. Except as otherwise set forth herein, all the Shares issued to the Trustee pursuant to this Agreement shall be subject to a period of restriction (the "Period of Restriction") during which the Trustee's rights in and to such Shares shall be subject to the limitations and obligations set forth in this Section 2.

(b) Lapse of Period of Restriction. The Period of Restriction shall lapse in accordance with the provisions of Exhibit A, which is attached hereto and forms part of this Agreement. During the period that the Shares are subject to the Period of Restriction, such Shares are referred to herein as "Restricted Common Shares."

(c) Termination of Trustee. Notwithstanding any other provision of this Agreement to the contrary, if the Trustee's position as trustee of the Company terminates for any reason (or no reason), other than the Trustee's death or Disability (defined as a disability that would qualify as a total and permanent disability under the Company's then current long-term disability plan), any Restricted Common Shares that are subject to the Period of Restriction on the date of the Trustee's termination shall be immediately forfeited by the Trustee and shall be automatically transferred to and reacquired by the Company at no cost to the Company, and neither the Trustee nor his or her heirs, executors, administrators or successors shall have any right or interest in such Restricted Common Shares. In the event of the Trustee's death or Disability, any Restricted Common Shares that are subject to the Period of Restriction on the date of death or Disability shall immediately vest and the Trustee or his or her heirs, executors, administrators or successors shall have the right and interest in such Restricted Common Shares.

(d) Escrow. Upon the Trustee's execution and delivery of this Agreement, the Trustee agrees to concurrently deliver one or more executed stock powers as requested by the Company, duly endorsed in blank for transfer, in the form attached hereto as Exhibit B, which shall be deposited with the Company during the Period of Restriction. Each certificate representing Restricted Common Shares shall bear the following legend until the lapse of the Period of Restriction with respect to the shares represented by such certificate:

Transfer of this certificate and the shares represented hereby is restricted pursuant to the terms of the Restricted Common Share Grant Agreement pertaining to the shares represented hereby, dated as of _____, 200[], (the "Agreement"). Copies of the Agreement are on file at the offices of Whitestone REIT.

The certificates representing the Restricted Common Shares along with the stock power(s) shall be held in escrow by the Company until such time as either (i) the Period of Restriction with respect to all of such Restricted Common Shares lapses in accordance with this Agreement, in which case the shares shall be delivered to the Trustee, or (ii) any such Restricted Common Shares are forfeited pursuant to this Agreement, in which case such shares shall be transferred to and reacquired by the Company in accordance with Section 2(c) of this Agreement.

(e) Distributions. All cash distributions on the Restricted Common Shares shall be paid directly to the Trustee and shall not be held in escrow. Any new, substituted or additional securities or other property issued in respect of Restricted Common Shares shall be held in escrow, together, where applicable, with appropriate stock powers, assignments or other transfer documents which the Trustee hereby agrees to execute as a condition to receipt of such securities or other property. If the Restricted Common Shares in respect of which such securities or other property was issued are forfeited to the Company pursuant to Section 2(c) of this Agreement, then such securities or other property shall be immediately forfeited to the Company and automatically transferred to and reacquired by the Company at no cost to the Company, to the same extent and in accordance with Section 2(c) of this Agreement as if such securities or other property were Restricted Common Shares hereunder.

3. Rights as a Shareholder. Upon the Trustee's execution and delivery of this Agreement and until such time as the Restricted Common Shares are forfeited to the Company as set forth herein, the Trustee shall be the record owner of the Restricted Common Shares and, subject to the terms of this Agreement, shall have all rights of a shareholder with respect to the Restricted Common Shares, including the right to vote the Restricted Common Shares and subject to the terms of Section 2 hereof, to receive dividends and distributions with respect to the Restricted Common Shares.

4. Change in Control. Notwithstanding Section 2 of this Agreement, if the Trustee holds Restricted Common Shares at the time a Change in Control (as defined below) occurs, the Period of Restriction with respect to such Restricted Common Shares granted in Section 1 shall automatically lapse immediately prior to the consummation of such Change in Control.

A Change of Control is defined as any of the following events:

(i) any person or entity, including a “group” as defined in Section 13(d)(3) of the Securities Exchange Act of 1934, 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 of Trustees of the Company 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 of Trustees of the Company, 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; or

(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)).

5. Withholding. If the Trustee makes an election under Section 83(b) of the Internal Revenue Code of 1986 (the “Code”) with respect to the Restricted Common Shares, the grant made pursuant to this Grant shall be conditioned upon the prompt payment to the Company of any applicable withholding obligations or withholding taxes by the Trustee (“Withholding Taxes”). Failure by the Trustee to pay such Withholding Taxes will render this Grant null and void *ab initio* and the Restricted Common Shares granted hereunder will immediately be canceled. If the Trustee does not make an election under Section 83(b) of the Code with respect to the Restricted Common Shares, upon the lapse of the Period of Restriction with respect to any portion of the Restricted Common Shares (or property distributed with respect thereto), the Company shall satisfy the required Withholding Taxes as set forth in the Internal Revenue Service guidelines for the employer’s minimum statutory withholding with respect to Trustee and issue vested shares to the Trustee without restriction. In the sole discretion of the Company, the Company may satisfy the required Withholding Taxes by withholding from the Restricted Common Shares included in the Grant that number of whole shares necessary to satisfy such taxes as of the date the restriction lapse with respect to such Restricted Common Shares based on the Fair Market Value of the Shares (defined for purposes of this Grant, as of any date (i) the average of the closing sales prices of the Common Shares on all national securities exchanges on which the Common Shares may at the time be listed, or any other such exchange on which the Common Shares are traded, on such date, or in the absence of reported sales on such date, the average closing sales prices on the immediately preceding date on which sales were reported, (ii) if on any day the Common Shares shall not be quoted on a national securities exchange, the average of the high and low bid and asked prices on such day in the over-the-counter market as reported by National Quotation Bureau Incorporated, or any similar successor organization, or (iii) in the event there is no public market or over-the-counter market for the Common Shares on such date, the fair market value as determined, in good faith, by the Board of Trustees of the Company in its sole discretion).

6. Restrictions on Transfer. During the Period of Restriction, the Trustee shall not sell, transfer, pledge, hypothecate, assign, exchange or otherwise dispose of the Restricted Common Shares. Any attempted sale, transfer, pledge, hypothecation, assignment, exchange or other disposition shall be null and void and of no force or effect and the Company shall have the right to disregard the same on its books and records and to issue “stop transfer” instructions to its transfer agent.

7. Consent to Electronic Delivery. The Company may choose to deliver certain statutory materials relating to the Grant in electronic form. By accepting this Agreement, the Trustee agrees that the Company may deliver any documents required by the Securities and Exchange Commission and the Company’s annual report to the Trustee in an electronic format. If at any time the Trustee would prefer to receive paper copies of these documents, please contact Chief Financial Officer of the Company to request paper copies of these documents.

8. No Rights Conferred. Nothing in this Agreement shall give the Trustee any right to continue in the employ or service of the Company, any affiliate or any subsidiary and/or as a member of the Company’s Board of Trustees or in any other capacity, or interfere in any way with the right of the Company, any affiliate or any subsidiary to terminate the employment or services of the Trustee.

9. Adjustments. All references to the number and class of shares covered by this Agreement and other terms in this Agreement may be appropriately adjusted, by a vote of the majority of the members of the Board of Trustees of the Company, in the event of certain unusual or non-recurring transactions, including an unusual or non-recurring dividend or other distribution (whether in the form of an extraordinary cash dividend, dividend of Common Shares, other securities or other property), recapitalization, stock split, reverse stock split, reorganization, merger, consolidation, split-up, spin-off, combination, repurchase or exchange of Common Shares or other securities of the Company, issuance of warrants or other rights to purchase Common Shares or other securities of the Company, or other similar corporate transaction or event affects the Common Shares. In such an event, the Board of Trustees of the Company may in an equitable and proportionate manner (and, as applicable, in such equitable and proportionate manner as is consistent with Sections 422 and 409A of the Internal Revenue Code of 1986, as amended from time to time (the "Code") and the regulations thereunder and with Section 162(m) of the Code) either: (i) adjust the number of Shares, provided that the number of Shares shall always be a whole number; (ii) provide for an equivalent award in respect of securities of the surviving entity of any merger, consolidation or other transaction or event having a similar effect; or (iii) make provision for a cash payment to the Trustee for the Shares.

10. Compliance with Section 409A of the Code. The Trustee hereby consents (without further consideration) to any change to this Agreement or the Grant so the Trustee can avoid paying penalties under Section 409A of the Code, even if those changes affect the terms and conditions of this Agreement of the Grant and reduce its value or potential value.

11. Binding Effect. This Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective heirs, executors, administrators, successors and permitted assigns. This Agreement may not be assigned or transferred in whole or in part by the Trustee, nor may the Trustee delegate any duty or obligation under this Agreement, and any attempt to so assign, transfer or delegate shall be null and void and of no force or effect.

12. Interpretation of this Agreement. All determinations and interpretations made by the Board of Trustees of the Company with regard to any questions arising under this Agreement shall be final, binding and conclusive as to all persons, including without limitation the Trustee and any person claiming rights from or through the Trustee.

13. Venue. Each party to this Agreement hereby irrevocably (i) consents and submits to the exclusive jurisdiction of the state and federal courts in Harris County, Texas in connection with any disputes arising out of this Agreement, and (ii) waives any objection based on venue or inconvenient forum with respect to any action instituted therein arising under this Agreement or the transactions contemplated hereby, and agrees that any dispute with respect to such matters shall be heard only in the courts described above.

14. Governing Law; Entire Agreement; Amendment. This Agreement shall be governed by and construed in accordance with the laws of the State of Maryland, without regard to such state's conflict of laws principles. This Agreement constitutes the entire agreement between the parties with respect to the subject matter hereof and supersede all prior understandings and agreements, written or oral, of the parties hereto with respect to the subject matter hereof. This Agreement may be amended by a majority of the members of the Board of Trustees, subject to the Trustee's consent if such amendment materially and adversely affects the rights of the Trustee, except that the consent of the Trustee shall not be required for any amendment made pursuant to Section 10 of this Agreement.

15. Tax Elections. THE TRUSTEE UNDERSTANDS THAT HE OR SHE (AND NOT THE COMPANY) SHALL BE RESPONSIBLE FOR THE TRUSTEE'S OWN TAX LIABILITY THAT MAY ARISE AS A RESULT OF THE ACQUISITION OF THE SHARES HEREUNDER. THE TRUSTEE ACKNOWLEDGES AND AGREES THAT HE OR SHE HAS CONSIDERED THE ADVISABILITY OF ALL TAX ELECTIONS IN CONNECTION WITH THE ISSUANCE OF THE SHARES, INCLUDING THE MAKING OF AN ELECTION UNDER SECTION 83(b) OF THE CODE. THE TRUSTEE FURTHER ACKNOWLEDGES AND AGREES THAT, IF THE TRUSTEE DETERMINES TO MAKE AN ELECTION UNDER SECTION 83(b) OF THE CODE, (i) THE TRUSTEE (AND NOT THE COMPANY) IS SOLELY RESPONSIBLE FOR PROPERLY AND TIMELY COMPLETING AND FILING ANY SUCH SECTION 83(b) ELECTION, AND (ii) THE TRUSTEE AGREES TO TIMELY PROVIDE A COPY OF THE ELECTION TO THE COMPANY AS REQUIRED UNDER THE CODE.

16. Notices. Any notice, demand or request required or permitted to be given under this Agreement shall be in writing and shall be deemed given (i) when delivered personally, or (ii) three days after being deposited in the United States mail, by certified or registered mail, postage prepaid, or (iii) the next business day after sent by nationally recognized overnight delivery service, and addressed, if to the Company, at its principal place of business, Attention: Chief Financial Officer, and if to the Trustee, at his or her most recent address as shown in the employment or stock records of the Company.

IN WITNESS WHEREOF, the undersigned have executed this Agreement as of the date first written above.

Whitestone REIT

By: /s/ James C. Mastandrea

Name: James C. Mastandrea

Title: Chairman of the Board of Trustees

Trustee: /s/ Daryl S. Carter

Date: March 25, 2009

Exhibit A

LAPSE OF PERIOD OF RESTRICTION

Number of Shares	Vesting Date	Percentage of Shares
5,000	March 25, 2010	34%
	March 25, 2011	33%
	March 25, 2012	33%

Exhibit B

STOCK POWER

For value received, I hereby sell, assign and transfer unto _____ Common Shares of Whitestone REIT standing in my name on the books of said Company represented by Certificate(s) Number(s) _____ herewith, and do hereby irrevocably constitute and appoint _____ attorney to transfer the said stock on the books of said Company with full power of substitution in the premises.

Date: _____

Printed Name: _____

Signature: _____

Witness Signature: _____

**TRUSTEE RESTRICTED COMMON SHARE GRANT AGREEMENT
(TIME VESTED)**

THIS RESTRICTED COMMON SHARE GRANT AGREEMENT (TIME VESTED) (this "Agreement") is entered into as of **March 25, 2009** (the "Effective Date"), by and between Whitestone REIT, a Maryland real estate investment trust (the "Company"), and **Daniel G. DeVos** (the "Trustee").

WHEREAS, the Trustee serves on the Board of Trustees of the Company and in connection therewith has rendered or will render services for and on behalf of the Company and/or its subsidiaries or affiliates;

WHEREAS, the Company believes the Trustee should have interests that are aligned with the interests of the Company's shareholders; and

WHEREAS, the Company desires to compensate to grant the Trustee common shares of beneficial interest, par value \$0.001 per share, of the Company (the "Common Shares").

NOW, THEREFORE, IT IS AGREED, by and between the Company and the Trustee, as follows:

1. Restricted Common Share Grant. The Trustee is hereby granted **5,000** Common Shares (the "Shares") subject to the restrictions and on the terms and conditions set forth in this Agreement (the "Grant").

2. Restriction on the Shares.

(a) Period of Restriction. Except as otherwise set forth herein, all the Shares issued to the Trustee pursuant to this Agreement shall be subject to a period of restriction (the "Period of Restriction") during which the Trustee's rights in and to such Shares shall be subject to the limitations and obligations set forth in this Section 2.

(b) Lapse of Period of Restriction. The Period of Restriction shall lapse in accordance with the provisions of Exhibit A, which is attached hereto and forms part of this Agreement. During the period that the Shares are subject to the Period of Restriction, such Shares are referred to herein as "Restricted Common Shares."

(c) Termination of Trustee. Notwithstanding any other provision of this Agreement to the contrary, if the Trustee's position as trustee of the Company terminates for any reason (or no reason), other than the Trustee's death or Disability (defined as a disability that would qualify as a total and permanent disability under the Company's then current long-term disability plan), any Restricted Common Shares that are subject to the Period of Restriction on the date of the Trustee's termination shall be immediately forfeited by the Trustee and shall be automatically transferred to and reacquired by the Company at no cost to the Company, and neither the Trustee nor his or her heirs, executors, administrators or successors shall have any right or interest in such Restricted Common Shares. In the event of the Trustee's death or Disability, any Restricted Common Shares that are subject to the Period of Restriction on the date of death or Disability shall immediately vest and the Trustee or his or her heirs, executors, administrators or successors shall have the right and interest in such Restricted Common Shares.

(d) Escrow. Upon the Trustee's execution and delivery of this Agreement, the Trustee agrees to concurrently deliver one or more executed stock powers as requested by the Company, duly endorsed in blank for transfer, in the form attached hereto as Exhibit B, which shall be deposited with the Company during the Period of Restriction. Each certificate representing Restricted Common Shares shall bear the following legend until the lapse of the Period of Restriction with respect to the shares represented by such certificate:

Transfer of this certificate and the shares represented hereby is restricted pursuant to the terms of the Restricted Common Share Grant Agreement pertaining to the shares represented hereby, dated as of _____, 200[], (the "Agreement"). Copies of the Agreement are on file at the offices of Whitestone REIT.

The certificates representing the Restricted Common Shares along with the stock power(s) shall be held in escrow by the Company until such time as either (i) the Period of Restriction with respect to all of such Restricted Common Shares lapses in accordance with this Agreement, in which case the shares shall be delivered to the Trustee, or (ii) any such Restricted Common Shares are forfeited pursuant to this Agreement, in which case such shares shall be transferred to and reacquired by the Company in accordance with Section 2(c) of this Agreement.

(e) Distributions. All cash distributions on the Restricted Common Shares shall be paid directly to the Trustee and shall not be held in escrow. Any new, substituted or additional securities or other property issued in respect of Restricted Common Shares shall be held in escrow, together, where applicable, with appropriate stock powers, assignments or other transfer documents which the Trustee hereby agrees to execute as a condition to receipt of such securities or other property. If the Restricted Common Shares in respect of which such securities or other property was issued are forfeited to the Company pursuant to Section 2(c) of this Agreement, then such securities or other property shall be immediately forfeited to the Company and automatically transferred to and reacquired by the Company at no cost to the Company, to the same extent and in accordance with Section 2(c) of this Agreement as if such securities or other property were Restricted Common Shares hereunder.

3. Rights as a Shareholder. Upon the Trustee's execution and delivery of this Agreement and until such time as the Restricted Common Shares are forfeited to the Company as set forth herein, the Trustee shall be the record owner of the Restricted Common Shares and, subject to the terms of this Agreement, shall have all rights of a shareholder with respect to the Restricted Common Shares, including the right to vote the Restricted Common Shares and subject to the terms of Section 2 hereof, to receive dividends and distributions with respect to the Restricted Common Shares.

4. Change in Control. Notwithstanding Section 2 of this Agreement, if the Trustee holds Restricted Common Shares at the time a Change in Control (as defined below) occurs, the Period of Restriction with respect to such Restricted Common Shares granted in Section 1 shall automatically lapse immediately prior to the consummation of such Change in Control.

A Change of Control is defined as any of the following events:

(i) any person or entity, including a “group” as defined in Section 13(d)(3) of the Securities Exchange Act of 1934, 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 of Trustees of the Company 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 of Trustees of the Company, 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; or

(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)).

5. Withholding. If the Trustee makes an election under Section 83(b) of the Internal Revenue Code of 1986 (the “Code”) with respect to the Restricted Common Shares, the grant made pursuant to this Grant shall be conditioned upon the prompt payment to the Company of any applicable withholding obligations or withholding taxes by the Trustee (“Withholding Taxes”). Failure by the Trustee to pay such Withholding Taxes will render this Grant null and void *ab initio* and the Restricted Common Shares granted hereunder will immediately be canceled. If the Trustee does not make an election under Section 83(b) of the Code with respect to the Restricted Common Shares, upon the lapse of the Period of Restriction with respect to any portion of the Restricted Common Shares (or property distributed with respect thereto), the Company shall satisfy the required Withholding Taxes as set forth in the Internal Revenue Service guidelines for the employer’s minimum statutory withholding with respect to Trustee and issue vested shares to the Trustee without restriction. In the sole discretion of the Company, the Company may satisfy the required Withholding Taxes by withholding from the Restricted Common Shares included in the Grant that number of whole shares necessary to satisfy such taxes as of the date the restriction lapse with respect to such Restricted Common Shares based on the Fair Market Value of the Shares (defined for purposes of this Grant, as of any date (i) the average of the closing sales prices of the Common Shares on all national securities exchanges on which the Common Shares may at the time be listed, or any other such exchange on which the Common Shares are traded, on such date, or in the absence of reported sales on such date, the average closing sales prices on the immediately preceding date on which sales were reported, (ii) if on any day the Common Shares shall not be quoted on a national securities exchange, the average of the high and low bid and asked prices on such day in the over-the-counter market as reported by National Quotation Bureau Incorporated, or any similar successor organization, or (iii) in the event there is no public market or over-the-counter market for the Common Shares on such date, the fair market value as determined, in good faith, by the Board of Trustees of the Company in its sole discretion).

6. Restrictions on Transfer. During the Period of Restriction, the Trustee shall not sell, transfer, pledge, hypothecate, assign, exchange or otherwise dispose of the Restricted Common Shares. Any attempted sale, transfer, pledge, hypothecation, assignment, exchange or other disposition shall be null and void and of no force or effect and the Company shall have the right to disregard the same on its books and records and to issue “stop transfer” instructions to its transfer agent.

7. Consent to Electronic Delivery. The Company may choose to deliver certain statutory materials relating to the Grant in electronic form. By accepting this Agreement, the Trustee agrees that the Company may deliver any documents required by the Securities and Exchange Commission and the Company’s annual report to the Trustee in an electronic format. If at any time the Trustee would prefer to receive paper copies of these documents, please contact Chief Financial Officer of the Company to request paper copies of these documents.

8. No Rights Conferred. Nothing in this Agreement shall give the Trustee any right to continue in the employ or service of the Company, any affiliate or any subsidiary and/or as a member of the Company’s Board of Trustees or in any other capacity, or interfere in any way with the right of the Company, any affiliate or any subsidiary to terminate the employment or services of the Trustee.

9. Adjustments. All references to the number and class of shares covered by this Agreement and other terms in this Agreement may be appropriately adjusted, by a vote of the majority of the members of the Board of Trustees of the Company, in the event of certain unusual or non-recurring transactions, including an unusual or non-recurring dividend or other distribution (whether in the form of an extraordinary cash dividend, dividend of Common Shares, other securities or other property), recapitalization, stock split, reverse stock split, reorganization, merger, consolidation, split-up, spin-off, combination, repurchase or exchange of Common Shares or other securities of the Company, issuance of warrants or other rights to purchase Common Shares or other securities of the Company, or other similar corporate transaction or event affects the Common Shares. In such an event, the Board of Trustees of the Company may in an equitable and proportionate manner (and, as applicable, in such equitable and proportionate manner as is consistent with Sections 422 and 409A of the Internal Revenue Code of 1986, as amended from time to time (the "Code") and the regulations thereunder and with Section 162(m) of the Code) either: (i) adjust the number of Shares, provided that the number of Shares shall always be a whole number; (ii) provide for an equivalent award in respect of securities of the surviving entity of any merger, consolidation or other transaction or event having a similar effect; or (iii) make provision for a cash payment to the Trustee for the Shares.

10. Compliance with Section 409A of the Code. The Trustee hereby consents (without further consideration) to any change to this Agreement or the Grant so the Trustee can avoid paying penalties under Section 409A of the Code, even if those changes affect the terms and conditions of this Agreement of the Grant and reduce its value or potential value.

11. Binding Effect. This Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective heirs, executors, administrators, successors and permitted assigns. This Agreement may not be assigned or transferred in whole or in part by the Trustee, nor may the Trustee delegate any duty or obligation under this Agreement, and any attempt to so assign, transfer or delegate shall be null and void and of no force or effect.

12. Interpretation of this Agreement. All determinations and interpretations made by the Board of Trustees of the Company with regard to any questions arising under this Agreement shall be final, binding and conclusive as to all persons, including without limitation the Trustee and any person claiming rights from or through the Trustee.

13. Venue. Each party to this Agreement hereby irrevocably (i) consents and submits to the exclusive jurisdiction of the state and federal courts in Harris County, Texas in connection with any disputes arising out of this Agreement, and (ii) waives any objection based on venue or inconvenient forum with respect to any action instituted therein arising under this Agreement or the transactions contemplated hereby, and agrees that any dispute with respect to such matters shall be heard only in the courts described above.

14. Governing Law; Entire Agreement; Amendment. This Agreement shall be governed by and construed in accordance with the laws of the State of Maryland, without regard to such state's conflict of laws principles. This Agreement constitutes the entire agreement between the parties with respect to the subject matter hereof and supersede all prior understandings and agreements, written or oral, of the parties hereto with respect to the subject matter hereof. This Agreement may be amended by a majority of the members of the Board of Trustees, subject to the Trustee's consent if such amendment materially and adversely affects the rights of the Trustee, except that the consent of the Trustee shall not be required for any amendment made pursuant to Section 10 of this Agreement.

15. Tax Elections. THE TRUSTEE UNDERSTANDS THAT HE OR SHE (AND NOT THE COMPANY) SHALL BE RESPONSIBLE FOR THE TRUSTEE'S OWN TAX LIABILITY THAT MAY ARISE AS A RESULT OF THE ACQUISITION OF THE SHARES HEREUNDER. THE TRUSTEE ACKNOWLEDGES AND AGREES THAT HE OR SHE HAS CONSIDERED THE ADVISABILITY OF ALL TAX ELECTIONS IN CONNECTION WITH THE ISSUANCE OF THE SHARES, INCLUDING THE MAKING OF AN ELECTION UNDER SECTION 83(b) OF THE CODE. THE TRUSTEE FURTHER ACKNOWLEDGES AND AGREES THAT, IF THE TRUSTEE DETERMINES TO MAKE AN ELECTION UNDER SECTION 83(b) OF THE CODE, (i) THE TRUSTEE (AND NOT THE COMPANY) IS SOLELY RESPONSIBLE FOR PROPERLY AND TIMELY COMPLETING AND FILING ANY SUCH SECTION 83(b) ELECTION, AND (ii) THE TRUSTEE AGREES TO TIMELY PROVIDE A COPY OF THE ELECTION TO THE COMPANY AS REQUIRED UNDER THE CODE.

16. Notices. Any notice, demand or request required or permitted to be given under this Agreement shall be in writing and shall be deemed given (i) when delivered personally, or (ii) three days after being deposited in the United States mail, by certified or registered mail, postage prepaid, or (iii) the next business day after sent by nationally recognized overnight delivery service, and addressed, if to the Company, at its principal place of business, Attention: Chief Financial Officer, and if to the Trustee, at his or her most recent address as shown in the employment or stock records of the Company.

IN WITNESS WHEREOF, the undersigned have executed this Agreement as of the date first written above.

Whitestone REIT

By: /s/ James C. Mastandrea

Name: James C. Mastandrea

Title: Chairman of the Board of Trustees

Trustee: /s/ Daniel G. DeVos

Date: March 25, 2009

Exhibit A

LAPSE OF PERIOD OF RESTRICTION

Number of Shares	Vesting Date	Percentage of Shares
5,000	March 25, 2010	34%
	March 25, 2011	33%
	March 25, 2012	33%

Exhibit B

STOCK POWER

For value received, I hereby sell, assign and transfer unto _____ Common Shares of Whitestone REIT standing in my name on the books of said Company represented by Certificate(s) Number(s) _____ herewith, and do hereby irrevocably constitute and appoint _____ attorney to transfer the said stock on the books of said Company with full power of substitution in the premises.

Date: _____

Printed Name: _____

Signature: _____

Witness Signature: _____

**TRUSTEE RESTRICTED COMMON SHARE GRANT AGREEMENT
(TIME VESTED)**

THIS RESTRICTED COMMON SHARE GRANT AGREEMENT (TIME VESTED) (this “Agreement”) is entered into as of **March 25, 2009** (the “Effective Date”), by and between Whitestone REIT, a Maryland real estate investment trust (the “Company”), and **Donald F. Keating** (the “Trustee”).

WHEREAS, the Trustee serves on the Board of Trustees of the Company and in connection therewith has rendered or will render services for and on behalf of the Company and/or its subsidiaries or affiliates;

WHEREAS, the Company believes the Trustee should have interests that are aligned with the interests of the Company’s shareholders; and

WHEREAS, the Company desires to compensate to grant the Trustee common shares of beneficial interest, par value \$0.001 per share, of the Company (the “Common Shares”).

NOW, THEREFORE, IT IS AGREED, by and between the Company and the Trustee, as follows:

1. Restricted Common Share Grant. The Trustee is hereby granted **5,000** Common Shares (the “Shares”) subject to the restrictions and on the terms and conditions set forth in this Agreement (the “Grant”).

2. Restriction on the Shares.

(a) Period of Restriction. Except as otherwise set forth herein, all the Shares issued to the Trustee pursuant to this Agreement shall be subject to a period of restriction (the “Period of Restriction”) during which the Trustee’s rights in and to such Shares shall be subject to the limitations and obligations set forth in this Section 2.

(b) Lapse of Period of Restriction. The Period of Restriction shall lapse in accordance with the provisions of Exhibit A, which is attached hereto and forms part of this Agreement. During the period that the Shares are subject to the Period of Restriction, such Shares are referred to herein as “Restricted Common Shares.”

(c) Termination of Trustee. Notwithstanding any other provision of this Agreement to the contrary, if the Trustee’s position as trustee of the Company terminates for any reason (or no reason), other than the Trustee’s death or Disability (defined as a disability that would qualify as a total and permanent disability under the Company’s then current long-term disability plan), any Restricted Common Shares that are subject to the Period of Restriction on the date of the Trustee’s termination shall be immediately forfeited by the Trustee and shall be automatically transferred to and reacquired by the Company at no cost to the Company, and neither the Trustee nor his or her heirs, executors, administrators or successors shall have any right or interest in such Restricted Common Shares. In the event of the Trustee’s death or Disability, any Restricted Common Shares that are subject to the Period of Restriction on the date of death or Disability shall immediately vest and the Trustee or his or her heirs, executors, administrators or successors shall have the right and interest in such Restricted Common Shares.

(d) Escrow. Upon the Trustee's execution and delivery of this Agreement, the Trustee agrees to concurrently deliver one or more executed stock powers as requested by the Company, duly endorsed in blank for transfer, in the form attached hereto as Exhibit B, which shall be deposited with the Company during the Period of Restriction. Each certificate representing Restricted Common Shares shall bear the following legend until the lapse of the Period of Restriction with respect to the shares represented by such certificate:

Transfer of this certificate and the shares represented hereby is restricted pursuant to the terms of the Restricted Common Share Grant Agreement pertaining to the shares represented hereby, dated as of _____, 200[], (the "Agreement"). Copies of the Agreement are on file at the offices of Whitestone REIT.

The certificates representing the Restricted Common Shares along with the stock power(s) shall be held in escrow by the Company until such time as either (i) the Period of Restriction with respect to all of such Restricted Common Shares lapses in accordance with this Agreement, in which case the shares shall be delivered to the Trustee, or (ii) any such Restricted Common Shares are forfeited pursuant to this Agreement, in which case such shares shall be transferred to and reacquired by the Company in accordance with Section 2(c) of this Agreement.

(e) Distributions. All cash distributions on the Restricted Common Shares shall be paid directly to the Trustee and shall not be held in escrow. Any new, substituted or additional securities or other property issued in respect of Restricted Common Shares shall be held in escrow, together, where applicable, with appropriate stock powers, assignments or other transfer documents which the Trustee hereby agrees to execute as a condition to receipt of such securities or other property. If the Restricted Common Shares in respect of which such securities or other property was issued are forfeited to the Company pursuant to Section 2(c) of this Agreement, then such securities or other property shall be immediately forfeited to the Company and automatically transferred to and reacquired by the Company at no cost to the Company, to the same extent and in accordance with Section 2(c) of this Agreement as if such securities or other property were Restricted Common Shares hereunder.

3. Rights as a Shareholder. Upon the Trustee's execution and delivery of this Agreement and until such time as the Restricted Common Shares are forfeited to the Company as set forth herein, the Trustee shall be the record owner of the Restricted Common Shares and, subject to the terms of this Agreement, shall have all rights of a shareholder with respect to the Restricted Common Shares, including the right to vote the Restricted Common Shares and subject to the terms of Section 2 hereof, to receive dividends and distributions with respect to the Restricted Common Shares.

4. Change in Control. Notwithstanding Section 2 of this Agreement, if the Trustee holds Restricted Common Shares at the time a Change in Control (as defined below) occurs, the Period of Restriction with respect to such Restricted Common Shares granted in Section 1 shall automatically lapse immediately prior to the consummation of such Change in Control.

A Change of Control is defined as any of the following events:

(i) any person or entity, including a “group” as defined in Section 13(d)(3) of the Securities Exchange Act of 1934, 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 of Trustees of the Company 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 of Trustees of the Company, 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; or

(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)).

5. Withholding. If the Trustee makes an election under Section 83(b) of the Internal Revenue Code of 1986 (the “Code”) with respect to the Restricted Common Shares, the grant made pursuant to this Grant shall be conditioned upon the prompt payment to the Company of any applicable withholding obligations or withholding taxes by the Trustee (“Withholding Taxes”). Failure by the Trustee to pay such Withholding Taxes will render this Grant null and void *ab initio* and the Restricted Common Shares granted hereunder will immediately be canceled. If the Trustee does not make an election under Section 83(b) of the Code with respect to the Restricted Common Shares, upon the lapse of the Period of Restriction with respect to any portion of the Restricted Common Shares (or property distributed with respect thereto), the Company shall satisfy the required Withholding Taxes as set forth in the Internal Revenue Service guidelines for the employer’s minimum statutory withholding with respect to Trustee and issue vested shares to the Trustee without restriction. In the sole discretion of the Company, the Company may satisfy the required Withholding Taxes by withholding from the Restricted Common Shares included in the Grant that number of whole shares necessary to satisfy such taxes as of the date the restriction lapse with respect to such Restricted Common Shares based on the Fair Market Value of the Shares (defined for purposes of this Grant, as of any date (i) the average of the closing sales prices of the Common Shares on all national securities exchanges on which the Common Shares may at the time be listed, or any other such exchange on which the Common Shares are traded, on such date, or in the absence of reported sales on such date, the average closing sales prices on the immediately preceding date on which sales were reported, (ii) if on any day the Common Shares shall not be quoted on a national securities exchange, the average of the high and low bid and asked prices on such day in the over-the-counter market as reported by National Quotation Bureau Incorporated, or any similar successor organization, or (iii) in the event there is no public market or over-the-counter market for the Common Shares on such date, the fair market value as determined, in good faith, by the Board of Trustees of the Company in its sole discretion).

6. Restrictions on Transfer. During the Period of Restriction, the Trustee shall not sell, transfer, pledge, hypothecate, assign, exchange or otherwise dispose of the Restricted Common Shares. Any attempted sale, transfer, pledge, hypothecation, assignment, exchange or other disposition shall be null and void and of no force or effect and the Company shall have the right to disregard the same on its books and records and to issue “stop transfer” instructions to its transfer agent.

7. Consent to Electronic Delivery. The Company may choose to deliver certain statutory materials relating to the Grant in electronic form. By accepting this Agreement, the Trustee agrees that the Company may deliver any documents required by the Securities and Exchange Commission and the Company’s annual report to the Trustee in an electronic format. If at any time the Trustee would prefer to receive paper copies of these documents, please contact Chief Financial Officer of the Company to request paper copies of these documents.

8. No Rights Conferred. Nothing in this Agreement shall give the Trustee any right to continue in the employ or service of the Company, any affiliate or any subsidiary and/or as a member of the Company’s Board of Trustees or in any other capacity, or interfere in any way with the right of the Company, any affiliate or any subsidiary to terminate the employment or services of the Trustee.

9. Adjustments. All references to the number and class of shares covered by this Agreement and other terms in this Agreement may be appropriately adjusted, by a vote of the majority of the members of the Board of Trustees of the Company, in the event of certain unusual or non-recurring transactions, including an unusual or non-recurring dividend or other distribution (whether in the form of an extraordinary cash dividend, dividend of Common Shares, other securities or other property), recapitalization, stock split, reverse stock split, reorganization, merger, consolidation, split-up, spin-off, combination, repurchase or exchange of Common Shares or other securities of the Company, issuance of warrants or other rights to purchase Common Shares or other securities of the Company, or other similar corporate transaction or event affects the Common Shares. In such an event, the Board of Trustees of the Company may in an equitable and proportionate manner (and, as applicable, in such equitable and proportionate manner as is consistent with Sections 422 and 409A of the Internal Revenue Code of 1986, as amended from time to time (the "Code") and the regulations thereunder and with Section 162(m) of the Code) either: (i) adjust the number of Shares, provided that the number of Shares shall always be a whole number; (ii) provide for an equivalent award in respect of securities of the surviving entity of any merger, consolidation or other transaction or event having a similar effect; or (iii) make provision for a cash payment to the Trustee for the Shares.

10. Compliance with Section 409A of the Code. The Trustee hereby consents (without further consideration) to any change to this Agreement or the Grant so the Trustee can avoid paying penalties under Section 409A of the Code, even if those changes affect the terms and conditions of this Agreement of the Grant and reduce its value or potential value.

11. Binding Effect. This Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective heirs, executors, administrators, successors and permitted assigns. This Agreement may not be assigned or transferred in whole or in part by the Trustee, nor may the Trustee delegate any duty or obligation under this Agreement, and any attempt to so assign, transfer or delegate shall be null and void and of no force or effect.

12. Interpretation of this Agreement. All determinations and interpretations made by the Board of Trustees of the Company with regard to any questions arising under this Agreement shall be final, binding and conclusive as to all persons, including without limitation the Trustee and any person claiming rights from or through the Trustee.

13. Venue. Each party to this Agreement hereby irrevocably (i) consents and submits to the exclusive jurisdiction of the state and federal courts in Harris County, Texas in connection with any disputes arising out of this Agreement, and (ii) waives any objection based on venue or inconvenient forum with respect to any action instituted therein arising under this Agreement or the transactions contemplated hereby, and agrees that any dispute with respect to such matters shall be heard only in the courts described above.

14. Governing Law; Entire Agreement; Amendment. This Agreement shall be governed by and construed in accordance with the laws of the State of Maryland, without regard to such state's conflict of laws principles. This Agreement constitutes the entire agreement between the parties with respect to the subject matter hereof and supersede all prior understandings and agreements, written or oral, of the parties hereto with respect to the subject matter hereof. This Agreement may be amended by a majority of the members of the Board of Trustees, subject to the Trustee's consent if such amendment materially and adversely affects the rights of the Trustee, except that the consent of the Trustee shall not be required for any amendment made pursuant to Section 10 of this Agreement.

15. Tax Elections. THE TRUSTEE UNDERSTANDS THAT HE OR SHE (AND NOT THE COMPANY) SHALL BE RESPONSIBLE FOR THE TRUSTEE'S OWN TAX LIABILITY THAT MAY ARISE AS A RESULT OF THE ACQUISITION OF THE SHARES HEREUNDER. THE TRUSTEE ACKNOWLEDGES AND AGREES THAT HE OR SHE HAS CONSIDERED THE ADVISABILITY OF ALL TAX ELECTIONS IN CONNECTION WITH THE ISSUANCE OF THE SHARES, INCLUDING THE MAKING OF AN ELECTION UNDER SECTION 83(b) OF THE CODE. THE TRUSTEE FURTHER ACKNOWLEDGES AND AGREES THAT, IF THE TRUSTEE DETERMINES TO MAKE AN ELECTION UNDER SECTION 83(b) OF THE CODE, (i) THE TRUSTEE (AND NOT THE COMPANY) IS SOLELY RESPONSIBLE FOR PROPERLY AND TIMELY COMPLETING AND FILING ANY SUCH SECTION 83(b) ELECTION, AND (ii) THE TRUSTEE AGREES TO TIMELY PROVIDE A COPY OF THE ELECTION TO THE COMPANY AS REQUIRED UNDER THE CODE.

16. Notices. Any notice, demand or request required or permitted to be given under this Agreement shall be in writing and shall be deemed given (i) when delivered personally, or (ii) three days after being deposited in the United States mail, by certified or registered mail, postage prepaid, or (iii) the next business day after sent by nationally recognized overnight delivery service, and addressed, if to the Company, at its principal place of business, Attention: Chief Financial Officer, and if to the Trustee, at his or her most recent address as shown in the employment or stock records of the Company.

IN WITNESS WHEREOF, the undersigned have executed this Agreement as of the date first written above.

Whitestone REIT

By: /s/ James C. Mastandrea

Name: James C. Mastandrea

Title: Chairman of the Board of Trustees

Trustee: /s/ Donald F. Keating

Date: March 25, 2009

Exhibit A

LAPSE OF PERIOD OF RESTRICTION

Number of Shares	Vesting Date	Percentage of Shares
5,000	March 25, 2010	34%
	March 25, 2011	33%
	March 25, 2012	33%

Exhibit B

STOCK POWER

For value received, I hereby sell, assign and transfer unto _____ Common Shares of Whitestone REIT standing in my name on the books of said Company represented by Certificate(s) Number(s) _____ herewith, and do hereby irrevocably constitute and appoint _____ attorney to transfer the said stock on the books of said Company with full power of substitution in the premises.

Date: _____

Printed Name: _____

Signature: _____

Witness Signature: _____

**TRUSTEE RESTRICTED COMMON SHARE GRANT AGREEMENT
(TIME VESTED)**

THIS RESTRICTED COMMON SHARE GRANT AGREEMENT (TIME VESTED) (this "Agreement") is entered into as of **March 25, 2009** (the "Effective Date"), by and between Whitestone REIT, a Maryland real estate investment trust (the "Company"), and **Jack L. Mahaffey** (the "Trustee").

WHEREAS, the Trustee serves on the Board of Trustees of the Company and in connection therewith has rendered or will render services for and on behalf of the Company and/or its subsidiaries or affiliates;

WHEREAS, the Company believes the Trustee should have interests that are aligned with the interests of the Company's shareholders; and

WHEREAS, the Company desires to compensate to grant the Trustee common shares of beneficial interest, par value \$0.001 per share, of the Company (the "Common Shares").

NOW, THEREFORE, IT IS AGREED, by and between the Company and the Trustee, as follows:

1. Restricted Common Share Grant. The Trustee is hereby granted **5,000** Common Shares (the "Shares") subject to the restrictions and on the terms and conditions set forth in this Agreement (the "Grant").

2. Restriction on the Shares.

(a) Period of Restriction. Except as otherwise set forth herein, all the Shares issued to the Trustee pursuant to this Agreement shall be subject to a period of restriction (the "Period of Restriction") during which the Trustee's rights in and to such Shares shall be subject to the limitations and obligations set forth in this Section 2.

(b) Lapse of Period of Restriction. The Period of Restriction shall lapse in accordance with the provisions of Exhibit A, which is attached hereto and forms part of this Agreement. During the period that the Shares are subject to the Period of Restriction, such Shares are referred to herein as "Restricted Common Shares."

(c) Termination of Trustee. Notwithstanding any other provision of this Agreement to the contrary, if the Trustee's position as trustee of the Company terminates for any reason (or no reason), other than the Trustee's death or Disability (defined as a disability that would qualify as a total and permanent disability under the Company's then current long-term disability plan), any Restricted Common Shares that are subject to the Period of Restriction on the date of the Trustee's termination shall be immediately forfeited by the Trustee and shall be automatically transferred to and reacquired by the Company at no cost to the Company, and neither the Trustee nor his or her heirs, executors, administrators or successors shall have any right or interest in such Restricted Common Shares. In the event of the Trustee's death or Disability, any Restricted Common Shares that are subject to the Period of Restriction on the date of death or Disability shall immediately vest and the Trustee or his or her heirs, executors, administrators or successors shall have the right and interest in such Restricted Common Shares.

(d) Escrow. Upon the Trustee's execution and delivery of this Agreement, the Trustee agrees to concurrently deliver one or more executed stock powers as requested by the Company, duly endorsed in blank for transfer, in the form attached hereto as Exhibit B, which shall be deposited with the Company during the Period of Restriction. Each certificate representing Restricted Common Shares shall bear the following legend until the lapse of the Period of Restriction with respect to the shares represented by such certificate:

Transfer of this certificate and the shares represented hereby is restricted pursuant to the terms of the Restricted Common Share Grant Agreement pertaining to the shares represented hereby, dated as of _____, 200[], (the "Agreement"). Copies of the Agreement are on file at the offices of Whitestone REIT.

The certificates representing the Restricted Common Shares along with the stock power(s) shall be held in escrow by the Company until such time as either (i) the Period of Restriction with respect to all of such Restricted Common Shares lapses in accordance with this Agreement, in which case the shares shall be delivered to the Trustee, or (ii) any such Restricted Common Shares are forfeited pursuant to this Agreement, in which case such shares shall be transferred to and reacquired by the Company in accordance with Section 2(c) of this Agreement.

(e) Distributions. All cash distributions on the Restricted Common Shares shall be paid directly to the Trustee and shall not be held in escrow. Any new, substituted or additional securities or other property issued in respect of Restricted Common Shares shall be held in escrow, together, where applicable, with appropriate stock powers, assignments or other transfer documents which the Trustee hereby agrees to execute as a condition to receipt of such securities or other property. If the Restricted Common Shares in respect of which such securities or other property was issued are forfeited to the Company pursuant to Section 2(c) of this Agreement, then such securities or other property shall be immediately forfeited to the Company and automatically transferred to and reacquired by the Company at no cost to the Company, to the same extent and in accordance with Section 2(c) of this Agreement as if such securities or other property were Restricted Common Shares hereunder.

3. Rights as a Shareholder. Upon the Trustee's execution and delivery of this Agreement and until such time as the Restricted Common Shares are forfeited to the Company as set forth herein, the Trustee shall be the record owner of the Restricted Common Shares and, subject to the terms of this Agreement, shall have all rights of a shareholder with respect to the Restricted Common Shares, including the right to vote the Restricted Common Shares and subject to the terms of Section 2 hereof, to receive dividends and distributions with respect to the Restricted Common Shares.

4. Change in Control. Notwithstanding Section 2 of this Agreement, if the Trustee holds Restricted Common Shares at the time a Change in Control (as defined below) occurs, the Period of Restriction with respect to such Restricted Common Shares granted in Section 1 shall automatically lapse immediately prior to the consummation of such Change in Control.

A Change of Control is defined as any of the following events:

(i) any person or entity, including a “group” as defined in Section 13(d)(3) of the Securities Exchange Act of 1934, 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 of Trustees of the Company 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 of Trustees of the Company, 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; or

(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)).

5. Withholding. If the Trustee makes an election under Section 83(b) of the Internal Revenue Code of 1986 (the “Code”) with respect to the Restricted Common Shares, the grant made pursuant to this Grant shall be conditioned upon the prompt payment to the Company of any applicable withholding obligations or withholding taxes by the Trustee (“Withholding Taxes”). Failure by the Trustee to pay such Withholding Taxes will render this Grant null and void *ab initio* and the Restricted Common Shares granted hereunder will immediately be canceled. If the Trustee does not make an election under Section 83(b) of the Code with respect to the Restricted Common Shares, upon the lapse of the Period of Restriction with respect to any portion of the Restricted Common Shares (or property distributed with respect thereto), the Company shall satisfy the required Withholding Taxes as set forth in the Internal Revenue Service guidelines for the employer’s minimum statutory withholding with respect to Trustee and issue vested shares to the Trustee without restriction. In the sole discretion of the Company, the Company may satisfy the required Withholding Taxes by withholding from the Restricted Common Shares included in the Grant that number of whole shares necessary to satisfy such taxes as of the date the restriction lapse with respect to such Restricted Common Shares based on the Fair Market Value of the Shares (defined for purposes of this Grant, as of any date (i) the average of the closing sales prices of the Common Shares on all national securities exchanges on which the Common Shares may at the time be listed, or any other such exchange on which the Common Shares are traded, on such date, or in the absence of reported sales on such date, the average closing sales prices on the immediately preceding date on which sales were reported, (ii) if on any day the Common Shares shall not be quoted on a national securities exchange, the average of the high and low bid and asked prices on such day in the over-the-counter market as reported by National Quotation Bureau Incorporated, or any similar successor organization, or (iii) in the event there is no public market or over-the-counter market for the Common Shares on such date, the fair market value as determined, in good faith, by the Board of Trustees of the Company in its sole discretion).

6. Restrictions on Transfer. During the Period of Restriction, the Trustee shall not sell, transfer, pledge, hypothecate, assign, exchange or otherwise dispose of the Restricted Common Shares. Any attempted sale, transfer, pledge, hypothecation, assignment, exchange or other disposition shall be null and void and of no force or effect and the Company shall have the right to disregard the same on its books and records and to issue “stop transfer” instructions to its transfer agent.

7. Consent to Electronic Delivery. The Company may choose to deliver certain statutory materials relating to the Grant in electronic form. By accepting this Agreement, the Trustee agrees that the Company may deliver any documents required by the Securities and Exchange Commission and the Company’s annual report to the Trustee in an electronic format. If at any time the Trustee would prefer to receive paper copies of these documents, please contact Chief Financial Officer of the Company to request paper copies of these documents.

8. No Rights Conferred. Nothing in this Agreement shall give the Trustee any right to continue in the employ or service of the Company, any affiliate or any subsidiary and/or as a member of the Company’s Board of Trustees or in any other capacity, or interfere in any way with the right of the Company, any affiliate or any subsidiary to terminate the employment or services of the Trustee.

9. Adjustments. All references to the number and class of shares covered by this Agreement and other terms in this Agreement may be appropriately adjusted, by a vote of the majority of the members of the Board of Trustees of the Company, in the event of certain unusual or non-recurring transactions, including an unusual or non-recurring dividend or other distribution (whether in the form of an extraordinary cash dividend, dividend of Common Shares, other securities or other property), recapitalization, stock split, reverse stock split, reorganization, merger, consolidation, split-up, spin-off, combination, repurchase or exchange of Common Shares or other securities of the Company, issuance of warrants or other rights to purchase Common Shares or other securities of the Company, or other similar corporate transaction or event affects the Common Shares. In such an event, the Board of Trustees of the Company may in an equitable and proportionate manner (and, as applicable, in such equitable and proportionate manner as is consistent with Sections 422 and 409A of the Internal Revenue Code of 1986, as amended from time to time (the "Code") and the regulations thereunder and with Section 162(m) of the Code) either: (i) adjust the number of Shares, provided that the number of Shares shall always be a whole number; (ii) provide for an equivalent award in respect of securities of the surviving entity of any merger, consolidation or other transaction or event having a similar effect; or (iii) make provision for a cash payment to the Trustee for the Shares.

10. Compliance with Section 409A of the Code. The Trustee hereby consents (without further consideration) to any change to this Agreement or the Grant so the Trustee can avoid paying penalties under Section 409A of the Code, even if those changes affect the terms and conditions of this Agreement of the Grant and reduce its value or potential value.

11. Binding Effect. This Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective heirs, executors, administrators, successors and permitted assigns. This Agreement may not be assigned or transferred in whole or in part by the Trustee, nor may the Trustee delegate any duty or obligation under this Agreement, and any attempt to so assign, transfer or delegate shall be null and void and of no force or effect.

12. Interpretation of this Agreement. All determinations and interpretations made by the Board of Trustees of the Company with regard to any questions arising under this Agreement shall be final, binding and conclusive as to all persons, including without limitation the Trustee and any person claiming rights from or through the Trustee.

13. Venue. Each party to this Agreement hereby irrevocably (i) consents and submits to the exclusive jurisdiction of the state and federal courts in Harris County, Texas in connection with any disputes arising out of this Agreement, and (ii) waives any objection based on venue or inconvenient forum with respect to any action instituted therein arising under this Agreement or the transactions contemplated hereby, and agrees that any dispute with respect to such matters shall be heard only in the courts described above.

14. Governing Law; Entire Agreement; Amendment. This Agreement shall be governed by and construed in accordance with the laws of the State of Maryland, without regard to such state's conflict of laws principles. This Agreement constitutes the entire agreement between the parties with respect to the subject matter hereof and supersede all prior understandings and agreements, written or oral, of the parties hereto with respect to the subject matter hereof. This Agreement may be amended by a majority of the members of the Board of Trustees, subject to the Trustee's consent if such amendment materially and adversely affects the rights of the Trustee, except that the consent of the Trustee shall not be required for any amendment made pursuant to Section 10 of this Agreement.

15. Tax Elections. THE TRUSTEE UNDERSTANDS THAT HE OR SHE (AND NOT THE COMPANY) SHALL BE RESPONSIBLE FOR THE TRUSTEE'S OWN TAX LIABILITY THAT MAY ARISE AS A RESULT OF THE ACQUISITION OF THE SHARES HEREUNDER. THE TRUSTEE ACKNOWLEDGES AND AGREES THAT HE OR SHE HAS CONSIDERED THE ADVISABILITY OF ALL TAX ELECTIONS IN CONNECTION WITH THE ISSUANCE OF THE SHARES, INCLUDING THE MAKING OF AN ELECTION UNDER SECTION 83(b) OF THE CODE. THE TRUSTEE FURTHER ACKNOWLEDGES AND AGREES THAT, IF THE TRUSTEE DETERMINES TO MAKE AN ELECTION UNDER SECTION 83(b) OF THE CODE, (i) THE TRUSTEE (AND NOT THE COMPANY) IS SOLELY RESPONSIBLE FOR PROPERLY AND TIMELY COMPLETING AND FILING ANY SUCH SECTION 83(b) ELECTION, AND (ii) THE TRUSTEE AGREES TO TIMELY PROVIDE A COPY OF THE ELECTION TO THE COMPANY AS REQUIRED UNDER THE CODE.

16. Notices. Any notice, demand or request required or permitted to be given under this Agreement shall be in writing and shall be deemed given (i) when delivered personally, or (ii) three days after being deposited in the United States mail, by certified or registered mail, postage prepaid, or (iii) the next business day after sent by nationally recognized overnight delivery service, and addressed, if to the Company, at its principal place of business, Attention: Chief Financial Officer, and if to the Trustee, at his or her most recent address as shown in the employment or stock records of the Company.

IN WITNESS WHEREOF, the undersigned have executed this Agreement as of the date first written above.

Whitestone REIT

By: /s/ James C. Mastandrea

Name: James C. Mastandrea

Title: Chairman of the Board of Trustees

Trustee: /s/ Jack L. Mahaffey

Date: March 25, 2009

Exhibit A

LAPSE OF PERIOD OF RESTRICTION

Number of Shares	Vesting Date	Percentage of Shares
5,000	March 25, 2010	34%
	March 25, 2011	33%
	March 25, 2012	33%

Exhibit B

STOCK POWER

For value received, I hereby sell, assign and transfer unto _____ Common Shares of Whitestone REIT standing in my name on the books of said Company represented by Certificate(s) Number(s) _____ herewith, and do hereby irrevocably constitute and appoint _____ attorney to transfer the said stock on the books of said Company with full power of substitution in the premises.

Date: _____

Printed Name: _____

Signature: _____

Witness Signature: _____

**TRUSTEE RESTRICTED COMMON SHARE GRANT AGREEMENT
(TIME VESTED)**

THIS RESTRICTED COMMON SHARE GRANT AGREEMENT (TIME VESTED) (this "Agreement") is entered into as of **March 25, 2009** (the "Effective Date"), by and between Whitestone REIT, a Maryland real estate investment trust (the "Company"), and **Chris A. Minton** (the "Trustee").

WHEREAS, the Trustee serves on the Board of Trustees of the Company and in connection therewith has rendered or will render services for and on behalf of the Company and/or its subsidiaries or affiliates;

WHEREAS, the Company believes the Trustee should have interests that are aligned with the interests of the Company's shareholders; and

WHEREAS, the Company desires to compensate to grant the Trustee common shares of beneficial interest, par value \$0.001 per share, of the Company (the "Common Shares").

NOW, THEREFORE, IT IS AGREED, by and between the Company and the Trustee, as follows:

1. Restricted Common Share Grant. The Trustee is hereby granted **5,000** Common Shares (the "Shares") subject to the restrictions and on the terms and conditions set forth in this Agreement (the "Grant").

2. Restriction on the Shares.

(a) Period of Restriction. Except as otherwise set forth herein, all the Shares issued to the Trustee pursuant to this Agreement shall be subject to a period of restriction (the "Period of Restriction") during which the Trustee's rights in and to such Shares shall be subject to the limitations and obligations set forth in this Section 2.

(b) Lapse of Period of Restriction. The Period of Restriction shall lapse in accordance with the provisions of Exhibit A, which is attached hereto and forms part of this Agreement. During the period that the Shares are subject to the Period of Restriction, such Shares are referred to herein as "Restricted Common Shares."

(c) Termination of Trustee. Notwithstanding any other provision of this Agreement to the contrary, if the Trustee's position as trustee of the Company terminates for any reason (or no reason), other than the Trustee's death or Disability (defined as a disability that would qualify as a total and permanent disability under the Company's then current long-term disability plan), any Restricted Common Shares that are subject to the Period of Restriction on the date of the Trustee's termination shall be immediately forfeited by the Trustee and shall be automatically transferred to and reacquired by the Company at no cost to the Company, and neither the Trustee nor his or her heirs, executors, administrators or successors shall have any right or interest in such Restricted Common Shares. In the event of the Trustee's death or Disability, any Restricted Common Shares that are subject to the Period of Restriction on the date of death or Disability shall immediately vest and the Trustee or his or her heirs, executors, administrators or successors shall have the right and interest in such Restricted Common Shares.

(d) Escrow. Upon the Trustee's execution and delivery of this Agreement, the Trustee agrees to concurrently deliver one or more executed stock powers as requested by the Company, duly endorsed in blank for transfer, in the form attached hereto as Exhibit B, which shall be deposited with the Company during the Period of Restriction. Each certificate representing Restricted Common Shares shall bear the following legend until the lapse of the Period of Restriction with respect to the shares represented by such certificate:

Transfer of this certificate and the shares represented hereby is restricted pursuant to the terms of the Restricted Common Share Grant Agreement pertaining to the shares represented hereby, dated as of _____, 200[], (the "Agreement"). Copies of the Agreement are on file at the offices of Whitestone REIT.

The certificates representing the Restricted Common Shares along with the stock power(s) shall be held in escrow by the Company until such time as either (i) the Period of Restriction with respect to all of such Restricted Common Shares lapses in accordance with this Agreement, in which case the shares shall be delivered to the Trustee, or (ii) any such Restricted Common Shares are forfeited pursuant to this Agreement, in which case such shares shall be transferred to and reacquired by the Company in accordance with Section 2(c) of this Agreement.

(e) Distributions. All cash distributions on the Restricted Common Shares shall be paid directly to the Trustee and shall not be held in escrow. Any new, substituted or additional securities or other property issued in respect of Restricted Common Shares shall be held in escrow, together, where applicable, with appropriate stock powers, assignments or other transfer documents which the Trustee hereby agrees to execute as a condition to receipt of such securities or other property. If the Restricted Common Shares in respect of which such securities or other property was issued are forfeited to the Company pursuant to Section 2(c) of this Agreement, then such securities or other property shall be immediately forfeited to the Company and automatically transferred to and reacquired by the Company at no cost to the Company, to the same extent and in accordance with Section 2(c) of this Agreement as if such securities or other property were Restricted Common Shares hereunder.

3. Rights as a Shareholder. Upon the Trustee's execution and delivery of this Agreement and until such time as the Restricted Common Shares are forfeited to the Company as set forth herein, the Trustee shall be the record owner of the Restricted Common Shares and, subject to the terms of this Agreement, shall have all rights of a shareholder with respect to the Restricted Common Shares, including the right to vote the Restricted Common Shares and subject to the terms of Section 2 hereof, to receive dividends and distributions with respect to the Restricted Common Shares.

4. Change in Control. Notwithstanding Section 2 of this Agreement, if the Trustee holds Restricted Common Shares at the time a Change in Control (as defined below) occurs, the Period of Restriction with respect to such Restricted Common Shares granted in Section 1 shall automatically lapse immediately prior to the consummation of such Change in Control.

A Change of Control is defined as any of the following events:

(i) any person or entity, including a “group” as defined in Section 13(d)(3) of the Securities Exchange Act of 1934, 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 of Trustees of the Company 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 of Trustees of the Company, 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; or

(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)).

5. Withholding. If the Trustee makes an election under Section 83(b) of the Internal Revenue Code of 1986 (the “Code”) with respect to the Restricted Common Shares, the grant made pursuant to this Grant shall be conditioned upon the prompt payment to the Company of any applicable withholding obligations or withholding taxes by the Trustee (“Withholding Taxes”). Failure by the Trustee to pay such Withholding Taxes will render this Grant null and void *ab initio* and the Restricted Common Shares granted hereunder will immediately be canceled. If the Trustee does not make an election under Section 83(b) of the Code with respect to the Restricted Common Shares, upon the lapse of the Period of Restriction with respect to any portion of the Restricted Common Shares (or property distributed with respect thereto), the Company shall satisfy the required Withholding Taxes as set forth in the Internal Revenue Service guidelines for the employer’s minimum statutory withholding with respect to Trustee and issue vested shares to the Trustee without restriction. In the sole discretion of the Company, the Company may satisfy the required Withholding Taxes by withholding from the Restricted Common Shares included in the Grant that number of whole shares necessary to satisfy such taxes as of the date the restriction lapse with respect to such Restricted Common Shares based on the Fair Market Value of the Shares (defined for purposes of this Grant, as of any date (i) the average of the closing sales prices of the Common Shares on all national securities exchanges on which the Common Shares may at the time be listed, or any other such exchange on which the Common Shares are traded, on such date, or in the absence of reported sales on such date, the average closing sales prices on the immediately preceding date on which sales were reported, (ii) if on any day the Common Shares shall not be quoted on a national securities exchange, the average of the high and low bid and asked prices on such day in the over-the-counter market as reported by National Quotation Bureau Incorporated, or any similar successor organization, or (iii) in the event there is no public market or over-the-counter market for the Common Shares on such date, the fair market value as determined, in good faith, by the Board of Trustees of the Company in its sole discretion).

6. Restrictions on Transfer. During the Period of Restriction, the Trustee shall not sell, transfer, pledge, hypothecate, assign, exchange or otherwise dispose of the Restricted Common Shares. Any attempted sale, transfer, pledge, hypothecation, assignment, exchange or other disposition shall be null and void and of no force or effect and the Company shall have the right to disregard the same on its books and records and to issue “stop transfer” instructions to its transfer agent.

7. Consent to Electronic Delivery. The Company may choose to deliver certain statutory materials relating to the Grant in electronic form. By accepting this Agreement, the Trustee agrees that the Company may deliver any documents required by the Securities and Exchange Commission and the Company’s annual report to the Trustee in an electronic format. If at any time the Trustee would prefer to receive paper copies of these documents, please contact Chief Financial Officer of the Company to request paper copies of these documents.

8. No Rights Conferred. Nothing in this Agreement shall give the Trustee any right to continue in the employ or service of the Company, any affiliate or any subsidiary and/or as a member of the Company’s Board of Trustees or in any other capacity, or interfere in any way with the right of the Company, any affiliate or any subsidiary to terminate the employment or services of the Trustee.

9. Adjustments. All references to the number and class of shares covered by this Agreement and other terms in this Agreement may be appropriately adjusted, by a vote of the majority of the members of the Board of Trustees of the Company, in the event of certain unusual or non-recurring transactions, including an unusual or non-recurring dividend or other distribution (whether in the form of an extraordinary cash dividend, dividend of Common Shares, other securities or other property), recapitalization, stock split, reverse stock split, reorganization, merger, consolidation, split-up, spin-off, combination, repurchase or exchange of Common Shares or other securities of the Company, issuance of warrants or other rights to purchase Common Shares or other securities of the Company, or other similar corporate transaction or event affects the Common Shares. In such an event, the Board of Trustees of the Company may in an equitable and proportionate manner (and, as applicable, in such equitable and proportionate manner as is consistent with Sections 422 and 409A of the Internal Revenue Code of 1986, as amended from time to time (the "Code") and the regulations thereunder and with Section 162(m) of the Code) either: (i) adjust the number of Shares, provided that the number of Shares shall always be a whole number; (ii) provide for an equivalent award in respect of securities of the surviving entity of any merger, consolidation or other transaction or event having a similar effect; or (iii) make provision for a cash payment to the Trustee for the Shares.

10. Compliance with Section 409A of the Code. The Trustee hereby consents (without further consideration) to any change to this Agreement or the Grant so the Trustee can avoid paying penalties under Section 409A of the Code, even if those changes affect the terms and conditions of this Agreement of the Grant and reduce its value or potential value.

11. Binding Effect. This Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective heirs, executors, administrators, successors and permitted assigns. This Agreement may not be assigned or transferred in whole or in part by the Trustee, nor may the Trustee delegate any duty or obligation under this Agreement, and any attempt to so assign, transfer or delegate shall be null and void and of no force or effect.

12. Interpretation of this Agreement. All determinations and interpretations made by the Board of Trustees of the Company with regard to any questions arising under this Agreement shall be final, binding and conclusive as to all persons, including without limitation the Trustee and any person claiming rights from or through the Trustee.

13. Venue. Each party to this Agreement hereby irrevocably (i) consents and submits to the exclusive jurisdiction of the state and federal courts in Harris County, Texas in connection with any disputes arising out of this Agreement, and (ii) waives any objection based on venue or inconvenient forum with respect to any action instituted therein arising under this Agreement or the transactions contemplated hereby, and agrees that any dispute with respect to such matters shall be heard only in the courts described above.

14. Governing Law; Entire Agreement; Amendment. This Agreement shall be governed by and construed in accordance with the laws of the State of Maryland, without regard to such state's conflict of laws principles. This Agreement constitutes the entire agreement between the parties with respect to the subject matter hereof and supersede all prior understandings and agreements, written or oral, of the parties hereto with respect to the subject matter hereof. This Agreement may be amended by a majority of the members of the Board of Trustees, subject to the Trustee's consent if such amendment materially and adversely affects the rights of the Trustee, except that the consent of the Trustee shall not be required for any amendment made pursuant to Section 10 of this Agreement.

15. Tax Elections. THE TRUSTEE UNDERSTANDS THAT HE OR SHE (AND NOT THE COMPANY) SHALL BE RESPONSIBLE FOR THE TRUSTEE'S OWN TAX LIABILITY THAT MAY ARISE AS A RESULT OF THE ACQUISITION OF THE SHARES HEREUNDER. THE TRUSTEE ACKNOWLEDGES AND AGREES THAT HE OR SHE HAS CONSIDERED THE ADVISABILITY OF ALL TAX ELECTIONS IN CONNECTION WITH THE ISSUANCE OF THE SHARES, INCLUDING THE MAKING OF AN ELECTION UNDER SECTION 83(b) OF THE CODE. THE TRUSTEE FURTHER ACKNOWLEDGES AND AGREES THAT, IF THE TRUSTEE DETERMINES TO MAKE AN ELECTION UNDER SECTION 83(b) OF THE CODE, (i) THE TRUSTEE (AND NOT THE COMPANY) IS SOLELY RESPONSIBLE FOR PROPERLY AND TIMELY COMPLETING AND FILING ANY SUCH SECTION 83(b) ELECTION, AND (ii) THE TRUSTEE AGREES TO TIMELY PROVIDE A COPY OF THE ELECTION TO THE COMPANY AS REQUIRED UNDER THE CODE.

16. Notices. Any notice, demand or request required or permitted to be given under this Agreement shall be in writing and shall be deemed given (i) when delivered personally, or (ii) three days after being deposited in the United States mail, by certified or registered mail, postage prepaid, or (iii) the next business day after sent by nationally recognized overnight delivery service, and addressed, if to the Company, at its principal place of business, Attention: Chief Financial Officer, and if to the Trustee, at his or her most recent address as shown in the employment or stock records of the Company.

IN WITNESS WHEREOF, the undersigned have executed this Agreement as of the date first written above.

Whitestone REIT

By: /s/ James C. Mastandrea

Name: James C. Mastandrea

Title: Chairman of the Board of Trustees

Trustee: /s/ Chris A. Minton

Date: March 25, 2009

Exhibit A

LAPSE OF PERIOD OF RESTRICTION

<u>Number of Shares</u>		<u>Vesting Date</u>	<u>Percentage of Shares</u>
5,000		March 25, 2010	34%
		March 25, 2011	33%
		March 25, 2012	33%

Exhibit B

STOCK POWER

For value received, I hereby sell, assign and transfer unto _____ Common Shares of Whitestone REIT standing in my name on the books of said Company represented by Certificate(s) Number(s) _____ herewith, and do hereby irrevocably constitute and appoint _____ attorney to transfer the said stock on the books of said Company with full power of substitution in the premises.

Date: _____

Printed Name: _____

Signature: _____

Witness Signature: _____

**CHIEF EXECUTIVE OFFICER
CERTIFICATION**

I, James C. Mastandrea, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q, for the period ended March 31, 2009, of Whitestone REIT;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 15, 2009

/s/ James C. Mastandrea

James C. Mastandrea, Chief Executive Officer

**CHIEF FINANCIAL OFFICER
CERTIFICATION**

I, David K. Holeman, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q, for the period ended March 31, 2009, of Whitestone REIT;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 15, 2009

/s/ David K. Holeman

David K. Holeman, Chief Financial Officer

**CERTIFICATION PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002
(18 U.S.C. SECTION 1350)**

In connection with the Quarterly Report of Whitestone REIT, a Maryland real estate investment trust (the "Company") on Form 10-Q for the period ended March 31, 2009, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, James C. Mastandrea, Chief Executive Officer of the Company, certify pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: May 15, 2009

/s/ James C. Mastandrea

James C. Mastandrea
Chief Executive Officer

**CERTIFICATION PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002
(18 U.S.C. SECTION 1350)**

In connection with the Quarterly Report of Whitestone REIT, a Maryland real estate investment trust (the "Company") on Form 10-Q for the period ended March 31, 2009, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, David K. Holeman, Chief Financial Officer of the Company, certify pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: May 15, 2009

/s/ David K. Holeman

David K. Holeman
Chief Financial Officer