

**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 **June 30, 2024**  
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 001-34855**

**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**

**77063**

(Address of Principal Executive Offices)

(Zip Code)

**(713) 827-9595**

(Registrant's Telephone Number, Including Area Code)

**N/A**

(Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Shares of Beneficial Interest, par value \$0.001 per share	WSR	New York Stock Exchange

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 every Interactive Data File required to be submitted 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 such files).  Yes  No

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

Large accelerated filer   
Non-accelerated filer   
Emerging growth company

Accelerated filer   
Small reporting company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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 July 30, 2024, there were 50,064,943 common shares of beneficial interest, \$0.001 par value per share, outstanding.

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**PART I. FINANCIAL INFORMATION**

**Item 1. Financial Statements.**

**Whitestone REIT and Subsidiaries**  
**CONSOLIDATED BALANCE SHEETS**  
(in thousands, except share and per share data)

	June 30, 2024 (unaudited)	December 31, 2023
<b>ASSETS</b>		
Real estate assets, at cost		
Property	\$ 1,258,799	\$ 1,221,466
Accumulated depreciation	(240,535)	(229,767)
Total real estate assets	<u>1,018,264</u>	<u>991,699</u>
Investment in real estate partnership	—	31,671
Cash and cash equivalents	3,231	4,572
Restricted cash	—	68
Escrows and deposits	17,679	24,148
Accrued rents and accounts receivable, net of allowance for doubtful accounts	30,919	30,592
Receivable from partnership redemption	31,643	—
Receivable due from related party	1,532	1,513
Unamortized lease commissions, legal fees and loan costs	14,566	13,783
Prepaid expenses and other assets <sup>(1)</sup>	12,065	4,765
Finance lease right-of-use assets	10,471	10,428
Total assets	<u>\$ 1,140,370</u>	<u>\$ 1,113,239</u>
<b>LIABILITIES AND EQUITY</b>		
Liabilities:		
Notes payable	\$ 665,667	\$ 640,172
Accounts payable and accrued expenses <sup>(2)</sup>	33,223	36,513
Payable due to related party	1,577	1,577
Tenants' security deposits	9,038	8,614
Dividends and distributions payable	6,228	6,025
Finance lease liabilities	797	721
Total liabilities	<u>716,530</u>	<u>693,622</u>
Commitments and contingencies:	—	—
Equity:		
Preferred shares, \$0.001 par value per share; 50,000,000 shares authorized; none issued and outstanding as of June 30, 2024 and December 31, 2023	—	—
Common shares, \$0.001 par value per share; 400,000,000 shares authorized; 50,064,267 and 49,610,831 issued and outstanding as of June 30, 2024 and December 31, 2023, respectively	50	50
Additional paid-in capital	627,459	628,079
Accumulated deficit	(217,401)	(216,963)
Accumulated other comprehensive income	8,152	2,576
Total Whitestone REIT shareholders' equity	<u>418,260</u>	<u>413,742</u>
Noncontrolling interest in subsidiary	5,580	5,875
Total equity	<u>423,840</u>	<u>419,617</u>
Total liabilities and equity	<u>\$ 1,140,370</u>	<u>\$ 1,113,239</u>

See accompanying notes to Consolidated Financial Statements.

**Whitestone REIT and Subsidiaries**  
**CONSOLIDATED BALANCE SHEETS**  
(in thousands)

	<u>June 30, 2024</u> (unaudited)	<u>December 31, 2023</u>
(1) Operating lease right of use assets (net)	\$ 75	\$ 109
(2) Operating lease liabilities	\$ 75	\$ 112

See accompanying notes to Consolidated Financial Statements.

**Whitestone REIT and Subsidiaries**  
**CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME**  
(Uaudited)  
(in thousands)

	<b>Three Months Ended June 30,</b>		<b>Six Months Ended June 30,</b>	
	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
<b>Revenues</b>				
Rental(1)	\$ 37,480	\$ 36,241	\$ 74,221	\$ 71,738
Management, transaction, and other fees	167	219	590	573
Total revenues	<u>37,647</u>	<u>36,460</u>	<u>74,811</u>	<u>72,311</u>
<b>Operating expenses</b>				
Depreciation and amortization	8,521	8,360	17,321	16,206
Operating and maintenance	7,015	6,899	13,364	12,985
Real estate taxes	3,912	4,767	8,150	9,475
General and administrative	6,552	5,175	12,732	10,259
Total operating expenses	<u>26,000</u>	<u>25,201</u>	<u>51,567</u>	<u>48,925</u>
<b>Other expenses (income)</b>				
Interest expense	8,788	8,260	17,307	16,163
(Gain) loss on sale of properties	75	(9,621)	(6,450)	(9,621)
Loss on disposal of assets	72	14	72	20
Interest, dividend and other investment income	(4)	(18)	(12)	(38)
Total other expenses (income)	<u>8,931</u>	<u>(1,365)</u>	<u>10,917</u>	<u>6,524</u>
<b>Income before equity investment in real estate partnership and income tax</b>	2,716	12,624	12,327	16,862
Deficit in earnings of real estate partnership	—	(1,034)	(28)	(1,252)
Provision for income tax	(90)	(125)	(209)	(244)
<b>Net income</b>	<u>2,626</u>	<u>11,465</u>	<u>12,090</u>	<u>15,366</u>
Less: Net income attributable to noncontrolling interests	34	159	158	213
<b>Net income attributable to Whitestone REIT</b>	<u><u>\$ 2,592</u></u>	<u><u>\$ 11,306</u></u>	<u><u>\$ 11,932</u></u>	<u><u>\$ 15,153</u></u>

See accompanying notes to Consolidated Financial Statements.

**Whitestone REIT and Subsidiaries**  
**CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME**  
**(Unaudited)**  
**(in thousands, except per share data)**

	<u>Three Months Ended June 30,</u>	<u>2024</u>	<u>2023</u>	<u>Six Months Ended June 30,</u>	<u>2024</u>	<u>2023</u>
<b>Basic Earnings Per Share:</b>						
Net income attributable to common shareholders, excluding amounts attributable to unvested restricted shares	\$ 0.05	\$ 0.23	\$ 0.24	\$ 0.31		
<b>Diluted Earnings Per Share:</b>						
Net income attributable to common shareholders, excluding amounts attributable to unvested restricted shares	\$ 0.05	\$ 0.22	\$ 0.23	\$ 0.30		
<b>Weighted average number of common shares outstanding:</b>						
Basic	49,960	49,426	49,951	49,425		
Diluted	51,120	50,259	51,116	50,262		
<b>Consolidated Statements of Comprehensive Income</b>						
<b>Net income</b>	<b>\$ 2,626</b>	<b>\$ 11,465</b>	<b>\$ 12,090</b>	<b>\$ 15,366</b>		
<b>Other comprehensive income</b>						
Unrealized gain on cash flow hedging activities	643	7,095	5,650	2,508		
<b>Comprehensive income</b>	<b>3,269</b>	<b>18,560</b>	<b>17,740</b>	<b>17,874</b>		
Less: Net income attributable to noncontrolling interests	34	159	158	213		
Less: Comprehensive income attributable to noncontrolling interests	8	99	74	35		
<b>Comprehensive income attributable to Whitestone REIT</b>	<b>\$ 3,227</b>	<b>\$ 18,302</b>	<b>\$ 17,508</b>	<b>\$ 17,626</b>		

See accompanying notes to Consolidated Financial Statements.

**Whitestone REIT and Subsidiaries**  
**CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME**  
**(Unaudited)**  
**(in thousands)**

	<b>Three Months Ended June 30,</b>		<b>Six Months Ended June 30,</b>	
	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
<b>(1) Rental</b>				
Rental revenues	\$ 27,372	\$ 26,519	\$ 54,236	\$ 52,259
Recoveries	10,194	9,955	20,671	20,036
Bad debt	(86)	(233)	(686)	(557)
<b>Total rental</b>	<b>\$ 37,480</b>	<b>\$ 36,241</b>	<b>\$ 74,221</b>	<b>\$ 71,738</b>

See accompanying notes to Consolidated Financial Statements.

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**Whitestone REIT and Subsidiaries**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**(Unaudited)**  
**(in thousands)**

	<b>Common Shares</b>		<b>Additional Paid-In Capital</b>	<b>Accumulated Deficit</b>	<b>Accumulated Other Comprehensive Income</b>	<b>Total Shareholders' Equity</b>	<b>Noncontrolling Interests</b>		<b>Total Equity</b>
	<b>Shares</b>	<b>Amount</b>					<b>Units</b>	<b>Dollars</b>	
Balance, December 31, 2023	49,611	\$ 50	\$ 628,079	\$ (216,963)	\$ 2,576	\$ 413,742	694	\$ 5,875	\$ 419,617
Exchange of noncontrolling interest OP units for common shares	44	—	355	—	—	355	(44)	(355)	—
Issuance of shares under dividend reinvestment plan	2	—	23	—	—	23	—	—	23
Repurchase of common shares (1)	(118)	—	(1,442)	—	—	(1,442)	—	—	(1,442)
Share-based compensation	420	—	861	—	—	861	—	—	861
Distributions - \$0.1200 per common share / OP unit	—	—	—	(6,175)	—	(6,175)	—	(92)	(6,267)
Unrealized gain on change in value of cash flow hedge	—	—	—	—	4,941	4,941	—	66	5,007
Net income	—	—	—	9,340	—	9,340	—	124	9,464
Balance, March 31, 2024	49,959	\$ 50	\$ 627,876	\$ (213,798)	\$ 7,517	\$ 421,645	650	\$ 5,618	\$ 427,263
Exchange of noncontrolling interest OP units for common shares	—	—	—	—	—	—	—	—	—
Issuance of shares under dividend reinvestment plan	1	—	19	—	—	19	—	—	19
Repurchase of common shares (1)	(90)	—	(1,199)	—	—	(1,199)	—	—	(1,199)
Share-based compensation	194	—	763	—	—	763	—	—	763
Distributions - \$0.1238 per common share / OP unit	—	—	—	(6,195)	—	(6,195)	—	(80)	(6,275)
Unrealized gain on change in value of cash flow hedge	—	—	—	—	635	635	—	8	643
Net income	—	—	—	2,592	—	2,592	—	34	2,626
Balance, June 30, 2024	<u>50,064</u>	<u>\$ 50</u>	<u>\$ 627,459</u>	<u>\$ (217,401)</u>	<u>\$ 8,152</u>	<u>\$ 418,260</u>	<u>650</u>	<u>\$ 5,580</u>	<u>\$ 423,840</u>

See accompanying notes to Consolidated Financial Statements

**Whitestone REIT and Subsidiaries**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**(Unaudited)**  
**(in thousands)**

	<b>Common Shares</b>		<b>Additional Paid-in Capital</b>		<b>Accumulated Deficit</b>		<b>Accumulated Other Comprehensive Income</b>		<b>Total Shareholders' Equity</b>		<b>Noncontrolling Interests</b>		<b>Total Equity</b>
	<b>Shares</b>	<b>Amount</b>								<b>Units</b>	<b>Dollars</b>		
Balance, December 31, 2022	49,423	\$ 49	\$ 624,785	\$ (212,366)	\$ 5,980	\$ 418,448	695	\$ 6,006	\$ 424,454				
Issuance of shares under dividend reinvestment plan	2	—	17	—	—	—	17	—	—	—	—	—	17
Share-based compensation	—	—	755	—	—	—	755	—	—	—	—	—	755
Distributions - \$0.1200 per common share / OP unit	—	—	—	(5,931)	—	(5,931)	—	(83)	(6,014)				
Unrealized loss on change in value of cash flow hedge	—	—	—	—	(4,523)	(4,523)	—	(64)	(4,587)				
Net income	—	—	—	3,847	—	3,847	—	54	3,901				
Balance, March 31, 2023	49,425	\$ 49	\$ 625,557	\$ (214,450)	\$ 1,457	\$ 412,613	695	\$ 5,913	\$ 418,526				
Exchange of noncontrolling interest OP units for common shares	1	1	10	—	—	—	11	(1)	(11)	—	—	—	—
Issuance of shares under dividend reinvestment plan	2	—	19	—	—	—	19	—	—	—	—	—	19
Repurchase of common shares (1)	(30)	—	(289)	—	—	(289)	—	—	(289)				(289)
Share-based compensation	122	—	725	—	—	725	—	—	725				725
Distributions - \$0.1200 per common share / OP unit	—	—	—	(5,943)	—	(5,943)	—	(86)	(6,029)				
Unrealized gain on change in value of cash flow hedge	—	—	—	—	6,996	6,996	—	99	7,095				
Net income	—	—	—	11,306	—	11,306	—	159	11,465				
Balance, June 30, 2023	49,520	\$ 50	\$ 626,022	\$ (209,087)	\$ 8,453	\$ 425,438	694	\$ 6,074	\$ 431,512				

(1) The Company acquired common shares held by employees who tendered owned common shares to satisfy the tax withholding on the lapse of certain restrictions on restricted common shares.

See accompanying notes to Consolidated Financial Statements.

**Whitestone REIT and Subsidiaries**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(Unaudited)**  
**(in thousands)**

	<b>Six Months Ended June 30,</b>	
	<b>2024</b>	<b>2023</b>
<b>Cash flows from operating activities:</b>		
Net income	\$ 12,090	\$ 15,366
<b>Adjustments to reconcile net income to net cash provided by operating activities:</b>		
Depreciation and amortization	17,321	16,206
Amortization of deferred loan costs	534	550
Gain on sale of properties	(6,450)	(9,621)
Loss on disposal of assets	72	20
Bad debt	686	557
Share-based compensation	1,624	1,480
Deficit in earnings of real estate partnership	28	1,252
Amortization of right-of-use assets - finance leases	43	51
Changes in operating assets and liabilities:		
Escrows and deposits	6,469	3,982
Accrued rents and accounts receivable	(1,013)	(2,014)
Receivable due from related party	(19)	(59)
Unamortized lease commissions, legal fees and loan costs	(1,768)	(1,894)
Prepaid expenses and other assets	999	1,430
Accounts payable and accrued expenses	(7,258)	(5,586)
Payable due to related party	—	16
Tenants' security deposits	424	(25)
Net cash provided by operating activities	<u>23,782</u>	<u>21,711</u>
<b>Cash flows from investing activities:</b>		
Acquisitions of real estate	(50,136)	(25,455)
Additions to real estate	(8,548)	(8,771)
Proceeds from sales of properties	25,661	13,447
Reverse 1031 exchange	—	(13,447)
Net cash used in investing activities	<u>(33,023)</u>	<u>(34,226)</u>
<b>Cash flows from financing activities:</b>		
Distributions paid to common shareholders	(12,131)	(11,826)
Distributions paid to OP unit holders	(160)	(166)
Net (payments) proceeds from credit facility	(11,000)	48,000
Repayments of notes payable	(21,777)	(26,504)
Proceeds from notes payable	56,340	—
Payment of loan origination costs	(789)	—
Repurchase of common shares	(2,641)	(289)
Payment of finance lease liability	(10)	(6)
Net cash provided by financing activities	<u>7,832</u>	<u>9,209</u>
Net decrease in cash, cash equivalents and restricted cash	(1,409)	(3,306)
Cash, cash equivalents and restricted cash at beginning of period	4,640	6,355
Cash, cash equivalents and restricted cash at end of period (1)	<u>\$ 3,231</u>	<u>\$ 3,049</u>

(1) For a reconciliation of cash, cash equivalents and restricted cash, see supplemental disclosures below.

See accompanying notes to Consolidated Financial Statements.

**Whitestone REIT and Subsidiaries**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(Unaudited)**  
**(in thousands)**

	<b>Six Months Ended June 30,</b>	
	<b>2024</b>	<b>2023</b>
<b>Supplemental disclosure of cash flow information:</b>		
Cash paid for interest	\$ 17,013	\$ 15,219
Cash paid for taxes	\$ 432	\$ 435
<b>Non cash investing and financing activities:</b>		
Disposal of fully depreciated real estate	\$ 45	\$ 864
Financed insurance premiums	\$ 2,638	\$ 3,002
Value of shares issued under dividend reinvestment plan	\$ 42	\$ 36
Value of common shares exchanged for OP units	\$ 354	\$ 11
Change in fair value of cash flow hedge	\$ 5,650	\$ 2,508
Accrued capital expenditures	\$ 1,629	\$ —
Receivable from partnership redemption	\$ 31,643	\$ —
Recognition of finance lease liability	\$ 86	\$ —
<b>June 30,</b>		
	<b>2024</b>	<b>2023</b>
<b>Cash, cash equivalents and restricted cash</b>		
Cash and cash equivalents	\$ 3,231	\$ 2,927
Restricted cash	\$ —	\$ 122
Total cash, cash equivalents and restricted cash	<b>\$ 3,231</b>	<b>\$ 3,049</b>

See accompanying notes to Consolidated Financial Statements.

**WHITESTONE REIT AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**June 30, 2024**  
**(Unaudited)**

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

## **1. INTERIM FINANCIAL STATEMENTS**

The consolidated financial statements included in this report are unaudited; however, amounts presented in the consolidated balance sheet as of December 31, 2023 are derived from our audited consolidated financial statements as of that date. The unaudited consolidated financial statements as of and for the period ended June 30, 2024 have been prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP") for interim financial information on a basis consistent with the annual audited consolidated financial statements and with the instructions to Form 10-Q.

The 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 June 30, 2024 and December 31, 2023, and the results of operations for the three and six month periods ended June 30, 2024 and 2023, the consolidated statements of changes in equity for the three and six months ended June 30, 2024 and 2023 and cash flows for the six months ended June 30, 2024 and 2023. All of these adjustments are of a normal recurring nature. The results of operations for the interim periods 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 thereto which are included in our Annual Report on Form 10-K for the year ended December 31, 2023.

**Business.** Whitestone was formed as a real estate investment trust ("REIT") pursuant to the Texas Real Estate Investment Trust Act on August 20, 1998. In July 2004, we changed our state of organization from Texas to Maryland pursuant to a merger where we merged directly with and into a Maryland REIT formed for the sole purpose of the reorganization and the conversion of each of the outstanding common shares of beneficial interest of the Texas entity into 1.42857 common shares of beneficial interest of the Maryland entity. We serve 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. We currently conduct substantially all of our operations and activities through the Operating Partnership. As the general partner of the Operating Partnership, we have the exclusive power to manage and conduct the business of the Operating Partnership, subject to certain customary exceptions. As of June 30, 2024 and December 31, 2023, Whitestone wholly owned 57 and 55 commercial properties, respectively, in and around Austin, Dallas-Fort Worth, Houston, Phoenix and San Antonio.

As of June 30, 2024, these properties consist of:

*Consolidated Operating Portfolio*

- 51 wholly owned properties that meet our Community Centered Properties® strategy; and

*Redevelopment, New Acquisitions Portfolio*

- six parcels of land held for future development.

Acquired properties are categorized in the new acquisitions portfolio until the earlier of 90% occupancy or 18 months of ownership.

As of June 30, 2024, our ownership in Pillarstone Capital REIT Operating Partnership LP ("Pillarstone" or "Pillarstone OP") no longer represents a majority interest. On January 25, 2024, the Company exercised its notice of redemption for substantially all of its investment in Pillarstone OP. As of the date of this filing, Whitestone has not received consideration for its redemption of its equity investment in Pillarstone OP as required by the partnership agreement. The Company has filed a claim in the Pillarstone Bankruptcies for the value of its redemption claim along with interest and other costs. We intend to pursue collection of amounts due from Pillarstone OP through all means necessary and while we do not know the ultimate amount to be collected, we believe the amount will be in excess of the current carrying value of our receivable, formerly our equity investment in Pillarstone OP. Please refer to Note 2 in this Quarterly Report on form 10-Q for more information regarding the accounting treatment of the redemption of our OP units in Pillarstone OP.

**WHITESTONE REIT AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
June 30, 2024  
(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 June 30, 2024 and December 31, 2023, we owned a majority of the partnership interests in the Operating Partnership. Consequently, the accompanying consolidated financial statements include the accounts of the Operating Partnership.

Noncontrolling interest in the accompanying 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 period. Issuance of additional common shares of beneficial interest in Whitestone (the "common shares") and units of limited partnership interest in the Operating Partnership that are convertible into cash or, at our option, common shares on a one-for-one basis (the "OP units") changes the percentage of ownership interests of both the noncontrolling interests and Whitestone.

*Estimates regarding Pillarstone OP's financial condition and results of operations.* We rely on the reports furnished by our third-party partners for financial information regarding the Company's investment in Pillarstone OP. As of June 30, 2024 and December 31, 2023, Pillarstone OP's financial statements have not been made accessible to us. Consequently, we have estimated the financial status and operational outcomes of Pillarstone OP based on the information accessible to us at the time of this report.

*Equity Method.* In compliance with Accounting Standards Update ("ASU") 2014-09 ("Topic 606") and Accounting Standards Codification ("ASC") 610, "Other Income-Gains and Losses from the Derecognition of Nonfinancial Assets," the Company previously accounted for its investment in Pillarstone OP using the equity method. However, subsequent to January 25, 2024, the Company ceased utilizing the equity method following the exercise of its notice of redemption for substantially all of its investment in Pillarstone OP. Please refer to Note 6 to the accompanying consolidated financial statements for the full disclosure.

*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. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities as of 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 fair values of properties acquired, the estimated useful lives for depreciable and amortizable assets and costs, the grant date fair value of common share units included in share-based compensation expense, the estimated allowance for doubtful accounts, the estimated fair value of interest rate swaps, the estimates supporting our impairment analysis for the carrying values of our real estate assets, and the estimates made regarding Pillarstone REIT Operating Partnership LP's financial condition and results of operations. Actual results could differ from those estimates.

*Reclassifications.* We have reclassified certain prior period amounts in the accompanying consolidated financial statements in order to be consistent with the current period presentation. These reclassifications had no effect on net income, total assets, total liabilities or equity.

**WHITESTONE REIT AND SUBSIDIARIES**  
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**Restricted Cash.** We classify all cash pledged as collateral to secure certain obligations and all cash whose use is limited as restricted cash. During 2015, pursuant to the terms of our \$ 15.1 million 4.99% Note, due January 6, 2024 (see Note 7 (Debt)), which was collateralized by our Anthem Marketplace property, we were required by the lenders thereunder to establish a cash management account controlled by the lenders to collect all amounts generated by our Anthem Marketplace property in order to collateralize such promissory note. The note was paid off in January 2024. As of June 30, 2024, we had no restricted cash.

**Derivative Instruments and Hedging Activities.** We utilize derivative financial instruments, principally interest rate swaps, to manage our exposure to fluctuations in interest rates. We have established policies and procedures for risk assessment, and the approval, reporting and monitoring of derivative financial instruments. We recognize our interest rate swaps as cash flow hedges with the effective portion of the changes in fair value recorded in comprehensive income (loss) and subsequently reclassified into earnings in the period that the hedged transaction affects earnings. Any ineffective portion of a cash flow hedges' change in fair value is recorded immediately into earnings. Our cash flow hedges are determined using Level 2 inputs under ASC 820, "Fair Value Measurements and Disclosures." Level 2 inputs represent quoted prices in active markets for similar assets or liabilities; quoted prices in markets that are not active; and model-derived valuations in which significant inputs and significant value drivers are observable. As of June 30, 2024, we consider our cash flow hedges to be highly effective.

**Development Properties.** Land, buildings and improvements are recorded at cost. Expenditures related to the development of real estate are carried at cost which includes capitalized carrying charges and development costs. Carrying charges (interest, real estate taxes, loan fees, and direct and indirect development costs related to buildings under construction) are capitalized as part of construction in progress. The capitalization of such costs ceases when the property, or any completed portion, becomes available for occupancy. For the three months ended June 30, 2024, approximately \$ 150,000 and \$ 61,000 in interest expense and real estate taxes, respectively, were capitalized, and for the six months ended June 30, 2024, approximately \$ 284,000 and \$ 122,000 in interest expense and real estate taxes, respectively, were capitalized. For the three months ended June 30, 2023, approximately \$ 137,000 and \$ 72,000 in interest expense and real estate taxes, respectively, were capitalized and for the six months ended June 30, 2023, approximately \$ 271,000 and \$ 145,000 in interest expense and real estate taxes, respectively, were capitalized..

**Share-Based Compensation.** From time to time, we award nonvested restricted common share awards or restricted common share unit awards, which may be converted into common shares, to executive officers and employees under our 2018 Long-Term Equity Incentive Ownership Plan (the "2018 Plan"). Awarded shares and units vest when certain performance conditions are met. We recognize compensation expense when achievement of the performance conditions is probable based on management's most recent estimates using the fair value of the shares as of the grant date. We recognized \$ 888,000 and \$ 800,000 in share-based compensation net of forfeitures for the three months ended June 30, 2024 and 2023, respectively, and we recognized \$ 1,824,000 and \$ 1,629,000 in share-based compensation net of forfeitures for the six months ended June 30, 2024 and 2023, respectively.

**Noncontrolling Interests.** Noncontrolling interests are the portion of equity in a subsidiary not attributable to a parent. Accordingly, we have reported noncontrolling interests in equity on the consolidated balance sheets but separate from Whitestone's equity. On the consolidated statements of operations and comprehensive income, subsidiaries are reported at the consolidated amount, including both the amount attributable to Whitestone and noncontrolling interests. The consolidated statements of changes in equity is included for quarterly financial statements, including beginning balances, activity for the period and ending balances for shareholders' equity, noncontrolling interests and total equity.

**WHITESTONE REIT AND SUBSIDIARIES**  
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**Accrued Rents and Accounts Receivable.** Included in accrued rents and accounts receivable are base rents, tenant reimbursements and receivables attributable to recording rents on a straight-line basis. We review the collectability of charges under our tenant operating leases on a regular basis, taking into consideration changes in factors such as the tenant's payment history, the financial condition of the tenant, business conditions in the industry in which the tenant operates and economic conditions in the area where the property is located. We recognize an adjustment to rental revenue if we deem it probable that the receivable will not be collected. Our review of collectability under our operating leases includes any accrued rental revenues related to the straight-line method of reporting rental revenue. As of June 30, 2024 and December 31, 2023, we had an allowance for uncollectible accounts of \$14.0 million and \$13.6 million, respectively. During the three months ending June 30, 2024 and 2023, we recorded an adjustment to rental revenue for bad debt, exclusive of straight-line rent reserve adjustments, resulting in a \$0.09 million and \$0.2 million decrease in revenue, respectively, and during the six months ending June 30, 2024 and 2023, we recorded an adjustment to rental revenue for bad debt, exclusive of straight-line rent reserve adjustment, in the amount of a \$0.7 million and \$0.6 million, respectively. Both adjustments resulted in a decrease in revenue. The three months ended June 30, 2024 included 18 cash basis tenants, resulting in an increase to rental revenue for straight-line rent adjustments of \$0.008 million and a decrease to rental revenue for bad debt adjustments of \$ 0.2 million. The three months ended June 30, 2023 included 18 cash basis tenants, resulting in an increase to rental revenue for straight-line rent adjustment of \$0.1 million and a decrease to rental revenue for bad debt adjustments of \$0.1 million, respectively. The six months ended June 30, 2024 included 18 cash basis tenants, resulting in a decrease to rental revenue for straight-line rent adjustments of \$0.02 million and a decrease to rental revenue for bad debt adjustments of \$ 0.4 million, and the six months ended June 30, 2023 included 18 cash basis tenants, resulting in a decrease to rental revenue for straight-line rent adjustments of \$ 0.2 million and a decrease to rental revenue for bad debt adjustments of \$0.3 million, respectively.

**Revenue Recognition.** All leases on our properties are classified as operating leases, and the related rental income is recognized on a straight-line basis over the terms of the related leases. Differences between rental income earned and amounts due per the respective lease agreements are capitalized or charged, as applicable, to accrued rents and accounts receivable. Percentage rents are recognized as rental income when the thresholds upon which they are based have been met. Recoveries from tenants for taxes, insurance, and other operating expenses are recognized as revenues in the period the corresponding costs are incurred. We combine lease and nonlease components in lease contracts, which includes combining base rent, recoveries, and percentage rents into a single line item, *Rental*, within the consolidated statements of operations and comprehensive income. Additionally, we have tenants who pay real estate taxes directly to the taxing authority. We exclude these costs paid directly by the tenant to third parties on our behalf from revenue recognized and the associated property operating expense.

Other property income primarily includes amounts recorded in connection with lease termination fees. We recognize lease termination fees in the year that the lease is terminated and collection of the fee is probable. Amounts recorded within other property income are accounted for at the point in time when control of the goods or services transfers to the customer and our performance obligation is satisfied.

See our Annual Report on Form 10-K for the year ended December 31, 2023 for further discussion on significant accounting policies.

**WHITESTONE REIT AND SUBSIDIARIES**  
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**3. LEASES**

*As a Lessor.* All leases on our properties are classified as noncancelable operating leases, and the related rental income is recognized on a straight-line basis over the terms of the related leases. Differences between rental income earned and amounts due per the respective lease agreements are capitalized or charged, as applicable, to accrued rents and accounts receivable. Percentage rents are recognized as rental income when the thresholds upon which they are based have been met. Recoveries from tenants for taxes, insurance, and other operating expenses are recognized as revenues in the period the corresponding costs are incurred. We combine lease and nonlease components in lease contracts, which includes combining base rent, recoveries, and percentage rents into a single line item, *Rental*, within the consolidated statements of operations and comprehensive income.

A summary of minimum future rents to be received (exclusive of renewals, tenant reimbursements, contingent rents, and collectability adjustments under Topic 842) under noncancelable operating leases in existence as of June 30, 2024 is as follows (in thousands):

	<b>Years Ended December 31,</b>	<b>Minimum Future Rents</b>
2024 (remaining)		\$ 51,391
2025		94,894
2026		80,733
2027		67,559
2028		53,404
Thereafter		153,099
<b>Total</b>		<b>\$ 501,080</b>

*As a Lessee.* We have office space, automobile, and office machine leases, which qualify as operating leases, with remaining lease terms of one to five years. As of June 30, 2024, the Company had one ground lease and one office machine lease that were classified as finance leases. The ground lease provides for variable rental payments based on CPI adjustment.

The following table summarizes the fixed, future minimum rental payments, excluding variable costs, which are discounted by our weighted average incremental borrowing rates to calculate the lease liabilities for our operating leases in which we are the lessee (in thousands):

	<b>Years Ended December 31,</b>	<b>Operating Leases</b>	<b>Finance Lease</b>
2024 (remaining)		\$ 18	\$ 41
2025		30	82
2026		24	83
2027		7	85
2028		1	86
Thereafter		—	2,723
<b>Total undiscounted rental payments</b>		<b>80</b>	<b>3,100</b>
Less imputed interest		5	2,303
<b>Total lease liabilities</b>		<b>\$ 75</b>	<b>\$ 797</b>

For the three months ended June 30, 2024 and 2023, the total lease costs for operating leases were \$ 10,000 and \$ 8,000, respectively, and for the finance lease were \$ 21,000 and \$ 22,000, respectively. For the six months ended June 30, 2024 and 2023, the total lease costs for operating leases were \$ 29,000 and \$ 41,000 respectively, and for the finance lease were \$ 43,000 and \$ 51,000, respectively.

The weighted average remaining lease term for our operating leases and our finance lease was 2.2 and 94 years, respectively, at June 30, 2024. We do not include renewal options in the lease term for calculating the lease liability unless we are reasonably certain we will exercise the option or the lessor has the sole ability to exercise the option. The weighted average incremental borrowing rate was 4.5% for our operating leases and 6.1% for our finance lease at June 30, 2024.

**WHITESTONE REIT AND SUBSIDIARIES**  
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**4. ACCRUED RENTS AND ACCOUNTS RECEIVABLE, NET**

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

	<b>June 30, 2024</b>	<b>December 31, 2023</b>
Tenant receivables	\$ 17,758	\$ 16,287
Accrued rents and other recoveries	26,343	26,751
Allowance for doubtful accounts	(14,044)	(13,570)
Other receivables	862	1,124
<b>Total</b>	<b>\$ 30,919</b>	<b>\$ 30,592</b>

**5. UNAMORTIZED LEASE COMMISSIONS, LEGAL FEES AND LOAN COSTS**

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

	<b>June 30, 2024</b>	<b>December 31, 2023</b>
Leasing commissions	\$ 21,511	\$ 19,462
Deferred legal cost	305	356
Deferred financing cost	4,149	4,149
Total cost	25,965	23,967
Less: leasing commissions accumulated amortization	(9,515)	(8,744)
Less: deferred legal cost accumulated amortization	(266)	(272)
Less: deferred financing cost accumulated amortization	(1,618)	(1,168)
Total cost, net of accumulated amortization	<b>\$ 14,566</b>	<b>\$ 13,783</b>

**6. INVESTMENT IN REAL ESTATE PARTNERSHIP**

On December 8, 2016, we, through our Operating Partnership, entered into a Contribution Agreement (the "Contribution Agreement") with Pillarstone OP and Pillarstone Capital REIT ("Pillarstone REIT") pursuant to which we contributed all of the equity interests in four of our wholly-owned subsidiaries that, at the time, owned 14 non-core properties that did not fit our Community Centered Property® strategy (the "Pillarstone Properties"), to Pillarstone OP for aggregate consideration of approximately \$84 million, consisting of (1) approximately \$18.1 million of Class A units representing limited partnership interests in Pillarstone OP ("Pillarstone OP Units") and (2) the assumption of approximately \$65.9 million of liabilities (collectively, the "Contribution"). As of June 30, 2024, our ownership in Pillarstone OP no longer represents a majority interest. On January 25, 2024, the Company exercised its notice of redemption for substantially all of its investment in Pillarstone OP. As of the date of this filing, Whitestone has not received consideration for its redemption of its equity investment in Pillarstone OP as required by the partnership agreement. The Company has filed a claim in the Pillarstone Bankruptcies for the value of its redemption claim along with interest and other costs. We intend to pursue collection of amounts due from Pillarstone OP through all means necessary and while we do not know the ultimate amount to be collected, we believe the amount will be in excess of the current carrying value of our equity investment in Pillarstone OP. Please refer to Note 2 in this Quarterly Report on form 10-Q for more information regarding the accounting treatment of the redemption of our OP units in Pillarstone OP.

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In connection with the Contribution, Whitestone TRS, Inc., a subsidiary of the Company ("Whitestone TRS"), entered into a management agreement with the entities that own the contributed Pillarstone Properties (collectively, the "Management Agreements"). Pursuant to the Management Agreements, Whitestone TRS agreed to provide certain property management, leasing and day-to-day advisory and administrative services. The Management Agreements were terminated on August 18, 2022. Prior to the termination of the Management Agreement, we reported approximately \$144,000 in property management fee income on a quarterly basis.

The table below presents the real estate partnership investment in which the Company holds an ownership interest (in thousands):

	Ownership Interest	Company's Investment as of	
		June 30, 2024	December 31, 2023
<b>Real estate partnership</b>			
Pillarstone OP	81.4%	\$ —	\$ 31,671
<b>Total real estate partnership</b> (1)(2)(3)		<u>\$ —</u>	<u>\$ 31,671</u>

(1) Representing eight property interests and 926,798 square feet of GLA, as of December 31, 2023. Subsequent to January 25, 2024, the Company ceased utilizing the equity method following the exercise of its notice of redemption for the majority of its investment in Pillarstone OP. We reclassified our investment in Pillarstone OP to a receivable on our balance sheet after estimating 25 days of our share of the equity investment income.

(2) On December 26, 2021, the Board of Trustees of Pillarstone REIT adopted a new shareholder rights agreement (the "Pillarstone Rights Agreement"). Because Pillarstone REIT sought to use the Pillarstone Rights Agreement to prevent Whitestone OP from exercising its contractual Redemption Right, on July 12, 2022, Whitestone OP filed suit against Pillarstone REIT in the Court of Chancery of the State of Delaware challenging the Pillarstone Rights Agreement. On September 8, 2022, Whitestone OP's Motion to Preserve the Status Quo was granted by the Court, limiting Pillarstone OP from engaging in any acts outside the ordinary course of business and otherwise imposing restrictions on Pillarstone OP to ensure that Whitestone's right of redemption is not impaired while the underlying dispute is being considered by the Court. On January 25, 2024, the Delaware Court of Chancery: held that Pillarstone breached the implied covenant of good faith and fair dealing when it adopted the Pillarstone Rights Agreement that thwarted Whitestone OP from exercising the unfettered contractual redemption right it obtained in connection with its investment in the partnership; and the Court held that the Rights Plan was unenforceable as to the limited partner and allowed Whitestone OP to exercise its redemption right; allowed Pillarstone to determine the current value of the Partnership's assets; and, as necessary, later enter a monetary judgment against Pillarstone for the difference between the amount Whitestone would have received in or around December 2021 and the current value. On January 25, 2024, the Company exercised its notice of redemption for substantially all of its investment in Pillarstone OP. On March 4, 2024, Pillarstone REIT authorized and filed the Chapter 11 bankruptcy of itself, Pillarstone OP, and the remainder of its special purpose entities in the United States Bankruptcy Court for the Northern District of Texas. As of the date of this filing, Whitestone has not received consideration for its redemption of its equity investment in Pillarstone OP as required by the partnership agreement. The Company has filed a claim in the Pillarstone Bankruptcies for the value of its redemption claim along with interest and other costs. We intend to pursue collection of amounts due from Pillarstone OP through all means necessary and while we do not know the ultimate amount to be collected, we believe the amount will be in excess of the current carrying value of our equity investment in Pillarstone OP.

(3) We rely on reporting provided to us by Pillarstone OP's general partner for financial information regarding the Company's investment in Pillarstone OP. Because Pillarstone OP financial statements as of December 31, 2023 have not been made available to us, we have estimated the value of the investment based on the information available to us at the time of this report.

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The table below presents the Company's share of net loss from its investment in the real estate partnership which is included in deficit in earnings of real estate partnership, net on the Company's consolidated statements of operations and comprehensive income (in thousands):

	<b>Three Months Ended June 30,</b>	<b>2024</b>	<b>2023</b>	<b>Six Months Ended June 30,</b>	<b>2024</b>	<b>2023</b>
Pillarstone OP		\$ —	\$ (1,034)	\$ (28)	\$ (1,252)	

Summarized financial information for the Company's investment in real estate partnership is as follows (in thousands):

	<b>June 30, 2024</b>	<b>December 31, 2023</b>
Assets:		
Real estate, net	\$ —	\$ 47,115
Other assets	—	6,680
Total assets(1)	—	53,795
Liabilities and equity:		
Notes payable	—	14,292
Other liabilities	—	4,040
Equity	—	35,463
Total liabilities and equity(2)	—	53,795
Company's share of equity	—	28,885
Cost of investment in excess of the Company's share of underlying net book value	—	2,786
Carrying value of investment in real estate partnership (3)	\$ —	\$ 31,671

(1) We rely on reporting provided to us by Pillarstone OP's general partner for financial information regarding the Company's investment in Pillarstone OP. Because Pillarstone OP financial statements as of December 31, 2023 have not been made available to us, we have estimated total assets and its components based on the information available to us at the time of this report.

(2) We rely on reporting provided to us by Pillarstone OP's general partner for financial information regarding the Company's investment in Pillarstone OP. Because Pillarstone OP financial statements as of December 31, 2023 have not been made available to us, we have estimated total liabilities and equity and its components based on the information available to us at the time of this report.

(3) We rely on reporting provided to us by Pillarstone OP's general partner for financial information regarding the Company's investment in Pillarstone OP. Because Pillarstone OP financial statements as of December 31, 2023 have not been made available to us, we have estimated the value of the investment based on the information available to us at the time of this report.

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	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	01/01/2024- 01/25/2024 (2)	2023
Revenues	\$ —	\$ 2,152	\$ 591	\$ 4,155
Operating expenses	—	(3,180)	(559)	(5,212)
Other expenses	—	(208)	(56)	(414)
<b>Net loss</b>	<b>\$ —</b>	<b>\$ (1,236)</b>	<b>\$ (24)</b>	<b>\$ (1,471)</b>

(1) We rely on reporting provided to us by Pillarstone OP's general partner for financial information regarding the Company's investment in Pillarstone OP. Because Pillarstone OP financial statements for the three and six months ended June 30, 2024 and June 30, 2023 have not been made available to us, we have estimated net loss and its components based on the information available to us at the time of this report.

(2) The estimated net loss and its components are calculated through January 25, 2024, the redemption date.

The amortization of the basis difference between the cost of investment and the Company's share of underlying net book value for the three months ended June 30, 2024 and 2023 is \$0 and \$27,000 respectively, and for the six months ended June 30, 2024 and 2023 is \$7,000 and \$54,000. The Company fully amortized the difference into deficit in earnings of real estate partnership on the consolidated statements of operations and comprehensive income.

The Company has evaluated its guarantee to Pillarstone OP pursuant to ASC 460, "Guarantees," and has determined the guarantee to be a performance guarantee, for which ASC 460 contains initial recognition and measurement requirements, and related disclosure requirements. The Company is obligated in two respects: (i) a noncontingent liability, which represents the Company's obligation to stand ready to perform under the terms of the guarantee in the event that the specified triggering event(s) occur; and (ii) the contingent liability, which represents the Company's obligation to make future payments if those triggering events occur. The fair value of our loan guarantee to Pillarstone OP is estimated on a Level 3 basis (as provided by ASC 820), using a probability-weighted discounted cash flow analysis based on a discount rate, discounting the loan balance. The Company recognized a noncontingent liability of \$462,000 at the inception of the guarantee at fair value which is recorded on the Company's consolidated balance sheets, net of accumulated amortization. The Company amortized the guarantee liability into income over seven years. For the three months ended June 30, 2024 and 2023, the amortization of the guarantee liability was approximately \$ 0 and \$ 9,000, respectively. For the six months ended June 30, 2024 and 2023, the amortization of the guarantee liability was \$ 0 and \$ 18,000, respectively.

*Estimates regarding Pillarstone OP's guarantee.* The Company had a limited guarantee on Pillarstone OP's loan for its Uptown Tower property located in Dallas, Texas. The guarantee was a so-called "bad boy" carve-out guarantee, which is generally only applicable if and when the borrower engages in acts such as fraud, prohibited transfers, breaches of material representations, environmental matters, and bankruptcy. The debt matured on October 4, 2023, and was in default, as Pillarstone OP failed to refinance the loan.

On December 1, 2023, the Company reached an agreement with the Lender that would avoid foreclosure and secure the release of the lien and discharge of the guarantee, and the Company negotiated and satisfied a payoff as of December 4, 2023, in the amount of \$13,632,764 (the "DPO Amount"). We paid the DPO amount and will be entitled to assert a subrogation claim against Pillarstone OP. We recorded the DPO amount as an asset in our financial statement line escrows and deposits.

The DPO Amount included a compromise settlement of approximately \$ 1,688,000 for the disputed default interest and other fees.

On December 1, 2023, Pillarstone OP authorized and filed the Chapter 11 bankruptcy of its special purpose entity borrower that owns Uptown Tower (Whitestone Uptown Tower LLC) in the United States Bankruptcy Court for the Northern District of Texas.

On January 25, 2024, the Company exercised its notice of redemption for substantially all of its investment in Pillarstone OP.

On February 9, 2024, the Lender filed suit in New York County, New York against the guarantor Whitestone OP and the Company for alleged amounts due under the guarantee. The compromise settlement is our best estimate of the amount due.

On March 4, 2024, Pillarstone Capital REIT ("Pillarstone REIT") authorized and filed the Chapter 11 bankruptcy of itself, Pillarstone OP, and all of its remaining special purpose entities in the United States Bankruptcy Court for the Northern District of Texas (the "Pillarstone Bankruptcies"). As of the date of this filing, Whitestone has not received consideration for our redemption of our equity investment in Pillarstone OP as required by the partnership agreement. The Company has filed a claim in the Pillarstone Bankruptcies for the value of its redemption claim along with interest and other costs.

On April 24, 2024, the lender and Pillarstone OP filed a motion with the bankruptcy court seeking approval to settle the dispute and dismiss their mutual lawsuits including the lawsuit by the lender against the Company as Guarantor of the loan. On or before June 10, 2024, Pillarstone OP agreed to pay to the lender the sum of \$1,123,950.24 plus all attorneys' fees and costs (not to exceed \$20,000.00) incurred by the lender from April 10, 2024 through the date of receipt of such payment. Upon timely receipt of the cash payment from Pillarstone OP, the lender applied the \$ 13,632,764.25 tendered to it by Whitestone REIT Operating Partnership, L.P., and the guaranty was subsequently released. The Company is pursuing collection of the DPO amount from Pillarstone in the Pillarstone Bankruptcies through a subrogation claim against Pillarstone OP.

The Company does not believe a probable loss will be incurred, nor does it anticipate a material adverse effect on its financial position, results of operations, cash flows or liquidity. Therefore, the Company has not recorded a charge as a result of the Pillarstone Bankruptcies.

*Accounting treatment of the redemption of our OP units in Pillarstone OP.* On January 25, 2024, we executed an irrevocable redemption of substantially all our investment in Pillarstone OP, converting our equity investment into a receivable. Pillarstone OP conveyed their intention to forego issuing equity, opting instead to liquidate the properties to satisfy creditors, with Whitestone being significantly the largest creditor. Based on insights from our legal team and advisors, we anticipate that the most probable outcome will involve the liquidation of all Pillarstone properties.

The carrying value of our investment in Pillarstone OP was approximately \$ 31.6 million as of January 25, 2024. We assert a claim of \$70 million, inclusive of the \$13 million default interest payment and accrued interest. It is anticipated that the claim and proceeds from liquidation will surpass the carrying value of our receivable for the redemption of our former equity investment in Pillarstone OP.

Subsequently, we reclassified our investment in Pillarstone OP to a receivable on our balance sheet after estimating 25 days of our share of the equity investment income. We will assess the credit losses of the receivable on a quarterly basis.

Any gains will be recognized once the proceeds received exceed our receivable.

This is within the scope of ASC 326, "*Financial Instruments - Credit Losses*." The value of the unencumbered assets of Pillarstone OP is significantly in excess of Whitestone's basis in the account receivable, but the precise value cannot be determined at this time. When applying the estimated loss rate method with a zero loss rate, the Current Expected Credit Losses ("CECL") are zero according to ASC 326. We will continue to monitor our legal team's assessment of the bankruptcy case and the value of the assets of Pillarstone OP to evaluate the credit risk of the receivable.

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**7. DEBT**

Certain subsidiaries of Whitestone are the borrowers under various financing arrangements. These subsidiaries are separate legal entities, and their respective assets and credit are not available to satisfy the debt of Whitestone or any of its other subsidiaries.

Debt consisted of the following as of the dates indicated (in thousands):

Description	June 30, 2024	December 31, 2023
<b>Fixed rate notes</b>		
\$265.0 million, 3.18% plus 1.45% to 2.10% Note, due January 31, 2028 (1)	\$ 265,000	\$ 265,000
\$80.0 million, 3.72% Note, due June 1, 2027	80,000	80,000
\$19.0 million 4.15% Note, due December 1, 2024	17,475	17,658
\$14.0 million 4.34% Note, due September 11, 2024	12,282	12,427
\$14.3 million 4.34% Note, due September 11, 2024	13,121	13,257
\$15.1 million 4.99% Note, due January 6, 2024	—	13,350
\$50.0 million, 5.09% Note, due March 22, 2029 (Series A)	35,714	42,857
\$50.0 million, 5.17% Note, due March 22, 2029 (Series B)	50,000	50,000
\$2.5 million 7.79% Note, due February 28, 2025	1,817	—
\$50.0 million, 3.71% plus 1.50% to 2.10% Note, due September 16, 2026 (2)	50,000	50,000
\$56.3 million, 6.23% Note, due July 31, 2031	56,340	—
<b>Floating rate notes</b>		
Unsecured line of credit, SOFR plus 1.50% to 2.10%, due September 16, 2026	85,000	96,000
<b>Total notes payable principal</b>	<b>666,749</b>	<b>640,549</b>
Less deferred financing costs, net of accumulated amortization	(1,082)	(377)
<b>Total notes payable</b>	<b>\$ 665,667</b>	<b>\$ 640,172</b>

(1) Promissory note includes an interest rate swap that fixes the SOFR portion of the term loan at an interest rate of 2.16% through October 28, 2022, 2.76% from October 29, 2022 through January 31, 2024, and 3.32% beginning February 1, 2024 through January 31, 2028.

(2) A portion of the unsecured line of credit includes an interest rate swap to fix the SOFR portion of the loan at 3.71%.

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On June 21, 2024, Whitestone REIT, operating through its subsidiaries Whitestone Strand LLC, Whitestone Las Colinas Village LLC, and Whitestone Seville, LLC (collectively, the "Borrower"), entered into a loan agreement (the "Loan Agreement") with Nationwide Life Insurance Company (the "Lender") for a mortgage loan in the principal amount of \$56,340,000 (the "Loan").

The Loan provides for a fixed interest rate of 6.23% per annum. Payments commence on August 1, 2024, and are due on the first day of each calendar month thereafter through July 1, 2031, with interest-only payments for the first 36 months. Monthly payments consist of principal and interest based on a 30-year amortization schedule beginning on August 1, 2027. The Loan may be prepaid in full but not in part, provided that, as conditions precedent, Borrower: (i) gives Lender not less than fifteen (15) days prior notice of Borrower's intention to prepay the Loan; (ii) pays to Lender the prepayment premium as set forth in the Loan Agreement, if any, then due and payable to Lender; and (iii) pays to Lender all other amounts then due under the loan documents. No prepayment premium is required for prepayments in full made on or after six months prior to the maturity date.

The Loan is a non-recourse loan secured by three of the Company's properties including their related equipment, fixtures, personal property, and other assets, and a limited carve-out guarantee by the Company's operating partnership.

The loan documents contain customary terms and conditions, including without limitation affirmative and negative covenants such as information reporting and insurance requirements. The loan documents also contain customary events of default, including defaults in the payment of principal or interest, defaults in compliance with the covenants, and bankruptcy or other insolvency events. Upon the occurrence of an event of default, the Lender is entitled to accelerate all obligations of the Borrower. The Lender will also be entitled to receive the entire unpaid principal balance at a default rate.

The Loan proceeds will be used to pay down the Borrower's existing floating rate indebtedness.

On March 22, 2019, we, through our Operating Partnership, entered into a Note Purchase and Guarantee Agreement (the "Note Agreement") together with certain subsidiary guarantors as initial guarantor parties thereto (the "Subsidiary Guarantors") and The Prudential Insurance Company of America and the various other purchasers named therein (collectively, the "Purchasers") providing for the issuance and sale of \$100 million of senior unsecured notes of the Operating Partnership, of which (i) \$50 million are designated as 5.09% Series A Senior Notes due March 22, 2029 (the "Series A Notes") and (ii) \$50 million are designated as 5.17% Series B Senior Notes due March 22, 2029 (the "Series B Notes" and, together with the Series A Notes, the "Notes") pursuant to a private placement that closed on March 22, 2019 (the "Private Placement"). Obligations under the Notes are unconditionally guaranteed by the Company and by the Subsidiary Guarantors.

On December 16, 2022, Whitestone REIT (the "Company") and its operating partnership, Whitestone REIT Operating Partnership, L.P. (the "Operating Partnership"), amended its Note Purchase and Guarantee Agreement originally executed on March 22, 2019 (the "Existing Note Agreement"), pursuant to the terms and conditions of an Amendment No. 1 to Note Purchase and Guaranty Agreement, dated as of December 16, 2022 (the Existing Note Purchase Agreement, as so amended, the "Amended Note Agreement"), by and among the Company and the Operating Partnership, together with certain subsidiary guarantors as initial guarantor parties thereto and The Prudential Insurance Company of America and the various other purchasers named therein.

Neither the term of the Existing Note Agreement, the interest rate, nor the principal amounts, were amended. The purpose of the amendment is to conform certain covenants and defined terms contained in the Amended Note Agreement with the Company's recently amended unsecured credit facility with the lenders party thereto, Bank of Montreal, as administrative agent, Truist Bank, as syndication agent, and BMO Capital Markets Corp., Truist Bank, Capital One, National Association, and U.S. Bank National Association, as co-lead arrangers and joint book runners.

The principal of the Series A Notes began to amortize on March 22, 2023 with annual principal payments of approximately \$7.1 million. The principal of the Series B Notes will begin to amortize on March 22, 2025 with annual principal payments of \$10.0 million. The Notes will pay interest quarterly on the 22nd day of March, June, September and December in each year until maturity.

The Operating Partnership may prepay at any time all, or from time to time part of, the Notes, in an amount not less than \$1,000,000 in the case of a partial prepayment, at 100% of the principal amount so prepaid, plus a make-whole amount. The make-whole amount is equal to the excess, if any, of the discounted value of the remaining scheduled payments with respect to the Notes being prepaid over the aggregate principal amount of such Notes (as described in the Note Agreement). In addition, in connection with a Change of Control (as defined in the Note Purchase Agreement), the Operating Partnership is required to offer to prepay the Notes at 100% of the principal amount plus accrued and unpaid interest thereon.

The Note Agreement contains representations, warranties, covenants, terms and conditions customary for transactions of this type and substantially similar to the Operating Partnership's existing senior revolving credit facility, including limitations on liens, incurrence of investments, acquisitions, loans and advances and restrictions on dividends and certain other restricted payments. In addition, the Note Agreement contains certain financial covenants substantially similar to the Operating Partnership's existing senior revolving credit facility, including the following:

- maximum total indebtedness to total asset value ratio of 0.60 to 1.00;
- maximum secured debt to total asset value ratio of 0.40 to 1.00;
- minimum EBITDA (earnings before interest, taxes, depreciation, amortization or extraordinary items) to fixed charges ratio of 1.50 to 1.00;
- maximum secured recourse debt to total asset value ratio of 0.15 to 1.00;
- maintenance of a minimum tangible net worth (adjusted for accumulated depreciation and amortization) of 75% of the Company's total net worth as of December 31, 2021 plus 75% of the net proceeds from additional equity offerings (as defined therein); and
- minimum adjusted property NOI to implied unencumbered debt service ratio of 1.50 to 1.00.

In addition, the Note Agreement contains a financial covenant requiring that maximum unsecured indebtedness not exceed the ratio of unsecured indebtedness to unencumbered asset pool of 0.60 to 1.00. That covenant is substantially similar to the borrowing base concept contained in the Operating Partnership's existing senior revolving credit facility.

The Note Agreement also contains default provisions, including defaults for non-payment, breach of representations and warranties, insolvency, non-performance of covenants, cross-defaults with other indebtedness and guarantor defaults. The occurrence of an event of default under the Note Agreement could result in the Purchasers accelerating the payment of all obligations under the Notes. The financial and restrictive covenants and default provisions in the Note Agreement are substantially similar to those contained in the Operating Partnership's existing credit facility.



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Net proceeds from the Private Placement were used to refinance existing indebtedness. The Notes have not been and will not be registered under the Securities Act of 1933, as amended (the "Securities Act"), and may not be offered or sold in the United States absent registration or an applicable exemption from the registration requirements of the Securities Act. The Notes were sold in reliance on the exemption from registration provided by Section 4(a)(2) of the Securities Act.

On September 16, 2022, we, through our Operating Partnership, entered into an unsecured credit facility (the "2022 Facility") with the lenders party thereto, Bank of Montreal, as administrative agent (the "Administrative Agent"), Truist Bank, as syndication agent, and BMO Capital Markets Corp., Truist Bank, Capital One, National Association, and U.S. Bank National Association, as co-lead arrangers and joint book runners. The 2022 Facility amended and restated the Company's previous unsecured revolving credit facility, dated January 31, 2019 (the "2019 Facility").

The 2022 Facility is comprised of the following two tranches:

- \$250.0 million unsecured revolving credit facility with a maturity date of September 16, 2026 (the "2022 Revolver");
- \$265.0 million unsecured term loan with a maturity date of January 31, 2028 ("Term Loan").

Borrowings under the 2022 Facility accrue interest (at the Operating Partnership's option) at a Base Rate or an Adjusted Term Secured Overnight Financing Rate ("SOFR") plus an applicable margin based upon our then existing leverage. As of June 30, 2024, the interest rate on the 2022 Revolver was 6.88%. Based on our current leverage ratio, the revolver has initial interest rate of SOFR plus 1.60% and a 10 basis point credit spread adjustment. In addition, we entered into interest rate swaps to fix the interest rates on the Term Loan. The Term Loan with the swaps has the following interest rates:

- 2.16% plus 1.55% through October 28, 2022
- 2.80% plus 1.55% from October 29, 2022 through January 31, 2024
- 3.42% plus 1.55% from February 1, 2024 through January 31, 2028

The 2022 Facility also has a pricing provision where the applicable margin can be adjusted by an aggregate 0.02% per annum based on the Company's performance on certain sustainability performance targets. Base Rate means, for any day, the higher of: (a) the Administrative Agent's prime commercial rate, (b) the sum of (i) the rate per annum equal to the weighted average of the rates on overnight federal funds transactions with members of the Federal Reserve System, as published by the Federal Reserve Bank of New York for such day, plus (ii) 0.50%, or (c) the sum of (i) Adjusted Term SOFR for a one-month tenor in effect on such day plus (ii) 1.10%. Adjusted Term SOFR means, for any such day, the sum of (i) the SOFR-based term rate for the day two (2) business days prior and (ii) 0.10%.

The 2022 Facility includes an accordion feature that will allow the Operating Partnership to increase the borrowing capacity by \$ 200.0 million, upon the satisfaction of certain conditions. As of June 30, 2024, subject to any potential future paydowns or increases in the borrowing base, we have \$115.0 million remaining availability under the 2022 Revolver. As of June 30, 2024, \$400.0 million was drawn on the 2022 Facility and our unused borrowing capacity was \$115.0 million, assuming that we use the proceeds of the 2022 Facility to acquire properties, or to repay debt on properties, that are eligible to be included in the unsecured borrowing base.

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The Company, each direct and indirect material subsidiary of the Operating Partnership and any other subsidiary of the Operating Partnership that is a guarantor under any unsecured ratable debt will serve as a guarantor for funds borrowed by the Operating Partnership under the 2022 Facility. The 2022 Facility contains customary terms and conditions, including, without limitation, customary representations and warranties and affirmative and negative covenants including, without limitation, information reporting requirements, limitations on investments, acquisitions, loans and advances, mergers, consolidations and sales, incurrence of liens, dividends and restricted payments. In addition, the 2022 Facility contains certain financial covenants including the following:

- maximum total indebtedness to total asset value ratio of 0.60 to 1.00;
- maximum secured debt to total asset value ratio of 0.40 to 1.00;
- minimum EBITDA (earnings before interest, taxes, depreciation, amortization or extraordinary items) to fixed charges ratio of 1.50 to 1.00;
- maximum other recourse debt to total asset value ratio of 0.15 to 1.00; and
- maintenance of a minimum tangible net worth (adjusted for accumulated depreciation and amortization) of \$ 449 million plus 75% of the net proceeds from additional equity offerings (as defined therein).

As of June 30, 2024, our \$179.22 million in secured debt was collateralized by seven properties with a carrying value of \$ 270.5 million. Our loans contain restrictions that would require the payment of prepayment penalties for the acceleration of outstanding debt and are secured by deeds of trust on certain of our properties and by assignment of the rents and leases associated with those properties. As of June 30, 2024, we were in compliance with all loan covenants.

Scheduled maturities of our outstanding debt as of June 30, 2024 were as follows (in thousands):

<b>Year</b>	<b>Amount Due</b>
2024 (remaining)	\$ 44,241
2025	17,596
2026	152,143
2027	97,414
2028	282,823
Thereafter	72,532
<b>Total</b>	<b>\$ 666,749</b>

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**8. DERIVATIVES AND HEDGING ACTIVITIES**

The fair value of our interest rate swaps is as follows (in thousands):

Balance Sheet Location	June 30, 2024 Estimated Fair Value
Prepaid expenses and other assets	\$ 8,264

Balance Sheet Location	December 31, 2023 Estimated Fair Value
Prepaid expenses and other assets	\$ 2,613

On March 31, 2023, we, through our Operating Partnership, entered into an interest rate swap of \$ 50 million ("Revolver Swap") with Bank of Montreal that fixed the unhedged SOFR portion of the variable rate debt at 3.71%. Pursuant to the terms of the agreement governing the interest rate swap, Bank of Montreal assigned \$10.0 million of the swap to U.S. Bank, \$10.0 million of the swap to Capital One, \$12.5 million of the swap to SunTrust Bank, and \$2.5 million of the swap to Associated Bank. The swap began on March 31, 2023 and will mature on September 16, 2026. We designated the interest rate swap as a cash flow hedge with the effective portion of the changes in fair value recorded in comprehensive income (loss) and subsequently reclassified into earnings in the period that the hedged transaction affects earnings. The Company does not expect any amount of the existing gains or losses to be reclassified into earnings within the next 12 months.

On September 16, 2022, we, through our Operating Partnership, entered an interest rate swap with Bank of Montreal that fixed the unhedged SOFR portion of Term Loan under the 2022 Facility at 3.32%. The notional amount of the swap begins at \$100 million on October 29, 2022, and increases to \$265 million on February 1, 2024, maturing on January 31, 2028. Pursuant to the terms of the agreement governing the interest rate swap, Bank of Montreal assigned beginning and ending notional of \$20.7 million and \$54.8 million of the swap, respectively, to U.S. Bank, National Association, beginning and ending notional of \$25.4 million and \$67.2 million of the swap, respectively, to Truist Bank, beginning and ending notional of \$20.7 million and \$54.8 million of the swap, respectively, to Capital One, National Association, and beginning and ending notional of \$ 5.9 million and \$15.7 million of the swap, respectively, to Associated Bank. See Note 7 (Debt) for additional information regarding the 2022 Facility. We designated the interest rate swap as a cash flow hedge with the effective portion of the changes in fair value recorded in comprehensive income (loss) and subsequently reclassified into earnings in the period that the hedged transaction affects earnings. The Company does not expect any amount of the existing gains or losses to be reclassified into earnings within the next 12 months.

On January 31, 2019, we, through our Operating Partnership, entered into an interest rate swap of \$ 165 million with Bank of Montreal that fixed the LIBOR portion of our \$165 million term loan under the 2019 Facility at 2.43%. Pursuant to the terms of the agreement governing the interest rate swap, Bank of Montreal assigned \$32.6 million of the swap to U.S. Bank, National Association, \$29.4 million of the swap to Regions Bank, \$40.0 million of the swap to SunTrust Bank, and \$15.0 million of the swap to Associated Bank. Effective September 7, 2022, Regions Bank novated \$29.4 million of the swap to Bank of Montreal. See Note 7 (Debt) for additional information regarding the 2019 Facility. The swap began on February 8, 2021 and matured on January 31, 2024. Effective September 16, 2022, our contracts indexed to LIBOR were converted to SOFR. We designated the interest rate swap as a cash flow hedge with the effective portion of the changes in fair value to be recorded in comprehensive income (loss) and subsequently reclassified into earnings in the period that the hedged transaction affects earnings.

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A summary of our interest rate swap activity is as follows (in thousands):

	<b>Amount Recognized as Comprehensive Income (Loss)</b>		<b>Location of Income Recognized in Earnings</b>	<b>Amount of Income Recognized in Earnings (1)</b>
Three Months Ended June 30, 2024	\$ 643		Interest expense	\$ 1,549
Three Months Ended June 30, 2023	\$ 7,095		Interest expense	\$ 1,701
Six Months Ended June 30, 2024	\$ 5,650		Interest expense	\$ 3,248
Six Months Ended June 30, 2023	\$ 2,508		Interest expense	\$ 2,904

(1) There was no ineffective portion of our interest rate swaps to recognize in earnings for the three and six months ended June 30, 2024 and 2023.

## 9. EARNINGS PER SHARE

Basic earnings per share for our common shareholders is calculated by dividing net income excluding the net income attributable to unvested restricted common shares and the net income attributable to noncontrolling interests, by our weighted average common shares outstanding during the period. Diluted earnings per share is computed by dividing the net income attributable to common shareholders, excluding the net income attributable to unvested restricted common shares and the net income attributable to noncontrolling interests, by the weighted average number of common shares including any dilutive unvested restricted common shares.

Certain of our performance-based restricted common shares are considered participating securities that require the use of the two-class method for the computation of basic and diluted earnings per share. During the three months ended June 30, 2024 and 2023, 649,200 and 694,297 OP units, respectively, were excluded from the calculation of diluted earnings per share because their effect would be anti-dilutive, and during the six months ended June 30, 2024 and 2023, 656,411 and 694,298 OP units, respectively, were excluded from the calculation of diluted earnings per share because their effect would be anti-dilutive.

<i>(in thousands, except per share data)</i>	<b>Three Months Ended June 30,</b>		<b>Six Months Ended June 30,</b>	
	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
<b>Numerator:</b>				
Net income	\$ 2,626	\$ 11,465	\$ 12,090	\$ 15,366
Less: Net income attributable to noncontrolling interests	(34)	(159)	(158)	(213)
<b>Net income attributable to common shareholders excluding amounts attributable to unvested restricted shares</b>	<b>\$ 2,592</b>	<b>\$ 11,306</b>	<b>\$ 11,932</b>	<b>\$ 15,153</b>
<b>Denominator:</b>				
Weighted average number of common shares - basic	49,960	49,426	49,951	49,425
Effect of dilutive securities:				
Unvested restricted shares	1,160	833	1,165	837
Weighted average number of common shares - dilutive	<u>51,120</u>	<u>50,259</u>	<u>51,116</u>	<u>50,262</u>
<b>Earnings Per Share:</b>				
<b>Basic:</b>				
Net income attributable to common shareholders excluding amounts attributable to unvested restricted shares	\$ 0.05	\$ 0.23	\$ 0.24	\$ 0.31
<b>Diluted:</b>				
Net income attributable to common shareholders excluding amounts attributable to unvested restricted shares	<u>0.05</u>	<u>0.22</u>	<u>0.23</u>	<u>0.30</u>

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## **10. INCOME TAXES**

With the exception of our taxable REIT subsidiaries, federal income taxes are generally not provided because we intend to and believe we continue to qualify as a REIT under the provisions of the Internal Revenue Code of 1986, as amended (the "Code"), and because we have distributed and intend to continue to distribute all of our taxable income to our shareholders. As a REIT, we must distribute at least 90% of our REIT 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.

We are subject to the Texas Margin Tax, which is computed by applying the applicable tax rate (0.75% for us) to the profit margin, which generally will be determined for us as total revenue less a 30% standard deduction. Although the Texas Margin Tax is not an income tax, FASB ASC 740, "Income Taxes" applies to the Texas Margin Tax. For the three months ended June 30, 2024 and 2023, we recognized approximately \$111,000 and \$125,000, respectively, in margin tax provision, and for the six months ended June 30, 2024 and 2023, we recognized approximately \$231,000 and \$244,000, respectively.

## **11. EQUITY**

### **Common Shares**

Under our declaration of trust, as amended, we have authority to issue up to 400,000,000 common shares of beneficial interest, \$0.001 par value per share, and up to 50,000,000 preferred shares of beneficial interest, \$0.001 par value per share.

### **Equity Offerings**

On May 20, 2022, our universal shelf registration statement on Form S-3 was declared effective by the SEC, which registers the issuance and sale by us of up to \$500 million in securities from time to time, including common shares, preferred shares, debt securities, depositary shares and subscription rights.

On September 9, 2022, we entered into eleven equity distribution agreements for an at-the-market equity distribution program (the "2022 equity distribution agreements") providing for the issuance and sale of up to an aggregate of \$100 million of the Company's common shares pursuant to our Registration Statement on Form S-3 (File No. 333-264881). Actual sales will depend on a variety of factors determined by us from time to time, including (among others) market conditions, the trading price of our common shares, capital needs and our determinations of the appropriate sources of funding for us, and were made in transactions that will be deemed to be "at-the-market" offerings as defined in Rule 415 under the Securities Act. We have no obligation to sell any of our common shares and can at any time suspend offers under the 2022 equity distribution agreements or terminate the 2022 equity distribution agreements.

We have in the past, and expect to in the future, enter into at-the-market equity distribution programs providing for the issuance and sale of common shares. Actual sales will depend on a variety of factors determined by us from time to time, including (among others) market conditions, the trading price of our common shares, capital needs and our determinations of the appropriate sources of funding for us, and were made in transactions that will be deemed to be "at-the-market" offerings as defined in Rule 415 under the Securities Act of 1933, as amended (the "Securities Act"). For the three and six months ended June 30, 2024 and 2023, we did not sell shares under the equity distribution agreements.

### **Operating Partnership Units**

Substantially all of our business is conducted through our Operating Partnership. We are the sole general partner of the Operating Partnership. As of June 30, 2024, we owned a 98.7% interest in the Operating Partnership.

Limited partners in the Operating Partnership holding OP units have the right to redeem their OP units for cash or, at our option, common shares at a ratio of one OP unit for one common share. Distributions to OP unit holders are paid at the same rate per unit as distributions per share to holders of Whitestone common shares. As of June 30, 2024 and December 31, 2023, there were 50,592,627 and 50,182,938 OP units outstanding, respectively. We owned 49,943,427 and 49,489,991 OP units as of June 30, 2024 and December 31, 2023, respectively. The balance of the OP units is owned by third parties, including certain members of our Board of Trustees. Our weighted average share ownership in the Operating Partnership was approximately 98.7% and 98.6% for the three months ended June 30, 2024 and 2023, respectively, and approximately 98.7% and 98.6% for the six months ended June 30, 2024 and 2023, respectively. During the three months ended June 30, 2024 and 2023, 0 and 864 OP units, respectively, were redeemed for an equal number of common shares, and during the six months ended June 30, 2024 and 2023, 43,747 and 875 OP units, respectively, were redeemed for an equal number of common shares.

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**Distributions**

The following table summarizes the cash distributions paid or payable to holders of common shares and to holders of noncontrolling OP units during each quarter of 2023 and the six months ended June 30, 2024 (in thousands, except per share/per OP unit data):

Quarter Paid	Common Shares		Noncontrolling OP Unit Holders		Total	
	Distributions Per Common Share	Amount Paid	Distributions Per OP Unit	Amount Paid	Amount Paid	Amount Paid
<b>2024</b>						
Second Quarter	\$ 0.1238	\$ 6,162	\$ 0.1238	\$ 80	\$ 6,242	
First Quarter	0.1200	5,969	0.1200	80		6,049
<b>Total</b>	<b>\$ 0.2438</b>	<b>\$ 12,131</b>	<b>\$ 0.2438</b>	<b>\$ 160</b>	<b>\$ 12,291</b>	
<b>2023</b>						
Fourth Quarter	\$ 0.1200	\$ 5,930	\$ 0.1200	\$ 83	\$ 6,013	
Third Quarter	0.1200	5,928	0.1200	83		6,011
Second Quarter	0.1200	5,913	0.1200	83		5,996
First Quarter	0.1200	5,913	0.1200	83		5,996
<b>Total</b>	<b>\$ 0.4800</b>	<b>\$ 23,684</b>	<b>\$ 0.4800</b>	<b>\$ 332</b>	<b>\$ 24,016</b>	

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**12. INCENTIVE SHARE PLAN**

The Company's 2008 Long-Term Equity Incentive Plan (as amended, the "2008 Plan") expired in July 2018. At the Company's annual meeting of shareholders on May 11, 2017, our shareholders voted to approve the 2018 Long-Term Equity Incentive Ownership Plan (the "2018 Plan"). The 2018 Plan provides for the issuance of up to 3,433,831 common shares and OP units pursuant to awards under the 2018 Plan. The 2018 Plan became effective on July 30, 2018, which is the day after the 2008 Plan expired.

The Compensation Committee administered the 2008 Plan and administers the 2018 Plan except, in each case, with respect to awards to non-employee trustees, for which the 2008 Plan was and the 2018 Plan is administered by the Board of Trustees. The Compensation Committee is authorized to grant share options, including both incentive share options and non-qualified share options, as well as share appreciation rights, either with or without a related option. The Compensation Committee is also authorized to grant restricted common shares, restricted common share units, performance awards and other share-based awards. On September 6, 2017, the Compensation Committee approved the grant of an aggregate of 965,000 performance-based restricted common share units under the 2008 Plan which only vest immediately prior to the consummation of a Change in Control (as defined in the 2008 Plan) that occurs on or before September 30, 2024 (the "CIC Units") to certain of our employees. Continued employment is required through the vesting date. If a Change in Control does not occur on or before September 30, 2024, the CIC Units shall be immediately forfeited. The Company considers a Change in Control on or before September 30, 2024 to be improbable, and no expense has been recognized for the CIC Units. If a Change in Control occurs, any outstanding CIC Units would be expensed immediately on the date of the Change in Control using the grant date fair value. The grant date fair value for each CIC Unit of \$13.05 was determined based on the Company's closing share price on the grant date. As of June 30, 2024, 455,000 CIC Units remained outstanding.

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**(Unaudited)**

On June 30, 2021, the Compensation Committee approved the grant of an aggregate of 433,200 TSR Units and 433,200 time-based restricted common share units under the 2018 Plan to certain of our employees. Vesting of the TSR Units is contingent upon achieving Total Shareholder Return relative to the peer group defined in the TSR Unit award agreements over a three-year performance period. At the end of the performance period, the number of common shares awarded for each vested TSR Unit will vary from 0% to 200% depending on the Company's TSR Peer Group Ranking. Continued employment is required through the vesting date. The grant date fair value for each TSR Unit of \$4.17 was determined using the Monte Carlo simulation method and is being recognized as share-based compensation expense ratably from the June 30, 2021 grant date to the end of the performance period, December 31, 2023. The Monte Carlo simulation model utilizes multiple input variables that determine the probability of satisfying the market condition stipulated in the award grant and calculates the fair value of the award. Expected volatilities utilized in the model were estimated using a historical period consistent with the performance period of approximately three years. The risk-free interest rate was based on the United States Treasury rate for a term commensurate with the expected life of the grant. The time-based restricted common share units have a grant date fair value of \$7.51 and vest annually in three equal installments. The 433,200 TSR Units granted on June 30, 2021 include 111,465 TSR Units that will be converted into the right to receive cash in the amount of the fair market value of the common shares to the extent that common shares are not available for issuance under the 2018 Plan. On January 1, 2024, the remaining unvested 210,400 TSR units that were granted on June 30, 2021 vested at 200% achievement into 420,800 common shares.

On September 30, 2021, the Compensation Committee approved the grant of an aggregate of 5,500 time-based restricted common share units under the 2018 Plan to certain of our employees. The time-based common share units had a grant date fair value of \$9.06 each and vest annually in three equal installments.

On March 28, 2022, the Compensation Committee approved the grant of an aggregate of 162,556 TSR Units and 162,556 time-based restricted common share units under the 2018 Plan to certain of our employees. Vesting of the TSR Units is contingent upon achieving Total Shareholder Return relative to the peer group defined in the TSR Unit award agreements over a three-year performance period. At the end of the performance period, the number of common shares awarded for each vested TSR Unit will vary from 0% to 200% depending on the Company's TSR Peer Group Ranking. Continued employment is required through the vesting date. The grant date fair value for each TSR Unit of \$13.74 was determined using the Monte Carlo simulation method and is being recognized as share-based compensation expense ratably from the June 30, 2022 grant date to the end of the performance period, December 31, 2024. The Monte Carlo simulation model utilizes multiple input variables that determine the probability of satisfying the market condition stipulated in the award grant and calculates the fair value of the award. Expected volatilities utilized in the model were estimated using a historical period consistent with the performance period of approximately three years. The risk-free interest rate was based on the United States Treasury rate for a term commensurate with the expected life of the grant. The time-based restricted common share units have a grant date fair value of \$9.94 and vest annually in three equal installments.

On March 7, 2023, the Compensation Committee approved the grant of an aggregate of 228,025 TSR Units and 228,025 time-based restricted common share units under the 2018 Plan to certain of our employees. Vesting of the TSR Units is contingent upon achieving Total Shareholder Return relative to the peer group defined in the TSR Unit award agreements over a three-year performance period. At the end of the performance period, the number of common shares awarded for each vested TSR Unit will vary from 0% to 200% depending on the Company's TSR Peer Group Ranking. Continued employment is required through the vesting date. The grant date fair value for each TSR Unit of \$9.55 was determined using the Monte Carlo simulation method and is being recognized as share-based compensation expense ratably from the June 30, 2023 grant date to the end of the performance period, December 31, 2025. The Monte Carlo simulation model utilizes multiple input variables that determine the probability of satisfying the market condition stipulated in the award grant and calculates the fair value of the award. Expected volatilities utilized in the model were estimated using a historical period consistent with the performance period of approximately three years. The risk-free interest rate was based on the United States Treasury rate for a term commensurate with the expected life of the grant. The time-based restricted common share units have a grant date fair value of \$8.72 and vest annually in three equal installments.

On March 4, 2024, the Compensation Committee approved the grant of an aggregate of 203,518 TSR Units and 169,065 time-based restricted common share units under the 2018 Plan to certain of our employees. Vesting of the TSR Units is contingent upon achieving Total Shareholder Return relative to the peer group defined in the TSR Unit award agreements over a three-year performance period. At the end of the performance period, the number of common shares awarded for each vested TSR Unit will vary from 0% to 200% depending on the Company's TSR Peer Group Ranking. Continued employment is required through the vesting date. The grant date fair value for each TSR Unit of \$15.12 was determined using the Monte Carlo simulation method and is being recognized as share-based compensation expense ratably from the June 30, 2024 grant date to the end of the performance period, December 31, 2026. The Monte Carlo simulation model utilizes multiple input variables that determine the probability of satisfying the market condition stipulated in the award grant and calculates the fair value of the award. Expected volatilities utilized in the model were estimated using a historical period consistent with the performance period of approximately three years. The risk-free interest rate was based on the United States Treasury rate for a term commensurate with the expected life of the grant. The time-based restricted common share units have a grant date fair value of \$12.29 and vest annually in three equal installments.

A summary of the share-based incentive plan activity as of and for the six months ended June 30, 2024 is as follows:

	Shares	Weighted Average Grant Date Fair Value
Non-vested at January 1, 2023	1,452,433	\$ 10.12
Granted	372,583	13.84
Vested	(404,171)	6.30
Forfeited	(15,311)	10.18
Non-vested at June 30, 2024	<u>1,405,534</u>	<u>12.20</u>
Available for grant at June 30, 2024	<u>764,479</u>	

A summary of our non-vested and vested shares activity for the six months ended June 30, 2024 and years ended December 31, 2023 and 2022 is presented below:

	Shares Granted	Shares Vested		
	Non-Vested Shares Issued	Weighted Average Grant-Date Fair Value	Vested Shares	Total Vest-Date Fair Value
Six Months Ended June 30, 2024	372,583	\$ 13.84	(404,171)	\$ 2,546

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Year Ended December 31, 2023	480,184	\$ 9.30	(231,600)	\$ 1,841
Year Ended December 31, 2022	360,334	\$ 11.61	(519,003)	\$ 3,442

**WHITESTONE REIT AND SUBSIDIARIES**  
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Total compensation recognized in earnings for share-based payments was \$888,000 and \$800,000 for the three months ended June 30, 2024 and 2023, respectively, and \$1,824,000 and \$1,629,000 for the six months ended June 30, 2024 and 2023, respectively.

Based on our current financial projections, we expect approximately 100% of the unvested awards, exclusive of 455,000 CIC Units, to vest over the next 36 months. As of June 30, 2024, there was approximately \$4.8 million in unrecognized compensation cost related to outstanding non-vested TSR Units, which are expected to vest over a period of 30 months, and approximately \$3.9 million in unrecognized compensation cost related to outstanding non-vested time-based shares, which are expected to be recognized over a period of approximately 36 months beginning on July 1, 2024.

We expect to record approximately \$4.5 million in non-cash share-based compensation expense in 2024 and \$6.3 million subsequent to 2024. The unrecognized share-based compensation cost is expected to vest over a weighted average period of 27 months. The dilutive impact of the performance-based shares will be included in the denominator of the earnings per share calculation beginning in the period that the performance conditions are expected to be met. The dilutive impact of the TSR Units is based on the Company's TSR Peer Group Ranking as of the reporting date and weighted according to the number of days outstanding in the period. As of June 30, 2024, the TSR Peer Group Ranking called for attainment of 200%, 200%, and 200% for the shares issued in 2022, 2023, and 2024, respectively. The dilutive impact of the CIC Units is based on the probability of a Change in Control. Because the Company considers a Change in Control on or before September 30, 2024 to be improbable, no CIC Units are included in the Company's dilutive shares.

### **13. GRANTS TO TRUSTEES**

On December 20, 2023, five independent trustees and one trustee emeritus were granted a total of 24,134 common shares, which vest immediately and are prorated based on date appointed. The 24,134 common shares granted to our trustees had a grant fair value of \$ 12.44 per share. The fair value of the shares granted during the year ended December 31, 2023 was determined using quoted prices available on the date of grant.

### **14. SEGMENT INFORMATION**

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

### **15. REAL ESTATE**

#### *Property Acquisitions.*

On April 5, 2024, we acquired Scottsdale Commons, a property that meets our Community Centered Property® strategy, for \$ 22.2 million in cash and net prorations. Scottsdale Commons, a 69,482 square foot property, was 96.6% leased at the time of purchase and is located in Scottsdale, Arizona. The funding for this acquisition was provided by the Company's credit facility.

On April 1, 2024, we acquired Anderson Arbor Pad, a development parcel that meets our Community Centered Property® strategy, for \$0.9 million in cash and net prorations. Anderson Arbor Pad is located in Austin, Texas.

On February 20, 2024, we acquired Garden Oaks Shopping Center, a property that meets our Community Centered Property® strategy, for \$27.2 million in cash and net prorations. Garden Oaks Shopping Center, a 106,858 square foot property, was 95.8% leased at the time of purchase and is located in Houston, Texas.

On June 12, 2023, we acquired Arcadia Towne Center, a property that meets our Community Centered Property® strategy, for \$ 25.5 million in cash and net prorations. Arcadia Towne Center, a 69,503 square foot property, was 100% leased at the time of purchase and is located in Phoenix, Arizona.

#### *Property dispositions.*

On March 27, 2024, we completed the sale of Mercado at Scottsdale Ranch, located in Phoenix, Arizona, for \$ 26.5 million. We recorded a gain on sale of \$6.6 million. We have not included Mercado at Scottsdale Ranch in discontinued operations as it did not meet the definition of discontinued operations.

On December 20, 2023, we completed the sale of Spoerlein Commons, located in Buffalo Grove, Illinois, for \$ 7.4 million. We recorded a loss on sale of \$0.7 million. We have not included Spoerlein in discontinued operations as it did not meet the definition of discontinued operations.

On June 30, 2023, we completed the sale of Westchase, located in Houston, Texas, for \$ 7.8 million. We recorded a gain on sale of \$4.6 million. We have not included Westchase in discontinued operations as it did not meet the definition of discontinued operations.

On June 30, 2023, we completed the sale of Sunridge, located in Houston, Texas, for \$ 6.7 million. We recorded a gain on sale of \$5.0 million. We have not included Sunridge in discontinued operations as it did not meet the definition of discontinued operations.

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### **16. RELATED PARTY TRANSACTIONS**

*Former Executives, Trustee, and Their Ownership Interests in Pillarstone REIT*. Prior to his employment termination on January 18, 2022, Mr. James C. Mastandrea, the former Chairman and Chief Executive Officer of Whitestone REIT, also served as the Chairman and Chief Executive Officer of Pillarstone REIT and beneficially owns approximately 66.7% of the outstanding equity in Pillarstone REIT (when calculated in accordance with Rule 13d-3(d)(1) under the Exchange Act of 1934, as amended (the "Exchange Act")). He resigned as a member of the Board of Whitestone REIT on April 18, 2022. Prior to his employment termination on February 9, 2022, Mr. John J. Dee, the Company's former Chief Operating Officer and Corporate Secretary, also served as the Senior Vice President and Chief Financial Officer of Pillarstone REIT and beneficially owns approximately 20.0% of the outstanding equity in Pillarstone REIT (when calculated in accordance with Rule 13d-3(d)(1) under the Exchange Act). In addition, Mr. Paul T. Lambert, a Trustee of the Company, until expiration of his term on May 12, 2023, also served as a Trustee of Pillarstone REIT.

*Pillarstone OP*. In connection with the Contribution, Whitestone TRS, Inc., a subsidiary of the Company ("Whitestone TRS"), entered into a management agreement with the entities that own the contributed Pillarstone Properties (collectively, the "Management Agreements"). Pursuant to the Management Agreements, Whitestone TRS agreed to provide certain property management, leasing and day-to-day advisory and administrative services. The Management Agreements were terminated on August 18, 2022.

The Company previously accounted for its investment in Pillarstone OP using the equity method. However, subsequent to January 25, 2024, the Company ceased utilizing the equity method following the exercise of its notice of redemption for the majority of its investment in Pillarstone OP.

The following table presents the revenue and expenses with Pillarstone OP included in our consolidated statements of operations and comprehensive income for the three and six months ended June 30, 2024 and 2023 (in thousands):

Location of Revenue (Expense)	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Rent	\$ —	\$ —	\$ —	\$ (15)
Property management fee income	\$ —	\$ —	\$ —	\$ —

### **17. COMMITMENTS AND CONTINGENCIES**

#### **Guarantor for Pillarstone OP's Loan**

The Company had a limited guarantee on Pillarstone OP's loan for its Uptown Tower property located in Dallas, Texas, with an aggregate principal amount of \$14.4 million as of September 30, 2023. The guarantee was a so-called "bad boy" carve-out guarantee, which is generally only applicable if and when the borrower engages in acts such as fraud, prohibited transfers, breaches of material representations, environmental matters, and bankruptcy. The debt matured on October 4, 2023, and was in default, as Pillarstone OP failed to refinance the loan. The loan was also secured by the Uptown Tower property. On October 24, 2023, the Lender provided notice of a planned foreclosure sale on December 5, 2023. The Lender also claimed that an additional sum of \$4.6 million was due which included default interest of approximately \$ 6.3 million and net credits from escrowed funds and other charges of approximately \$1.7 million.

On December 1, 2023, the Company reached an agreement with the Lender that would avoid foreclosure and secure the release of the lien and discharge of the guarantee, and the Company negotiated and satisfied a payoff as of December 4, 2023, in the amount of \$13,632,764 (the "DPO Amount"). The DPO Amount included a compromise settlement of approximately \$1,688,000 for the disputed default interest and other fees. The Company's share of it was recorded in the 4th quarter of fiscal year 2023 in the financial statement line equity (deficit) in earnings of real estate partnership. Per the agreement, this payment would satisfy the Loan. The Company wired the DPO Amount to Lender on December 4, 2023, with accompanying releases as required by Lender, fully satisfying the agreement.

On December 1, 2023, Pillarstone OP authorized and filed the Chapter 11 bankruptcy of its special purpose entity borrower that owns Uptown Tower, in the United States Bankruptcy Court for the Northern District of Texas. On January 25, 2024, the Company exercised its notice of redemption for substantially all of its investment in Pillarstone OP. On February 9, 2024, the Lender filed suit in New York County against the guarantor Whitestone OP and the Company for alleged amounts due under the guarantee. On March 4, 2024, Pillarstone REIT authorized and filed the Chapter 11 bankruptcy of itself, Pillarstone OP, and the remainder of its special purpose entities in the United States Bankruptcy Court for the Northern District of Texas (the "Pillarstone Bankruptcies").

On April 24, 2024, the lender and Pillarstone OP filed a motion with the bankruptcy court seeking approval to settle the dispute and dismiss their mutual lawsuits including the lawsuit by the lender against the Company as Guarantor of the loan. On or before June 10, 2024, Pillarstone OP agreed to pay to the lender the sum of \$1,123,950.24 plus all attorneys' fees and costs (not to exceed \$20,000.00) incurred by the lender from April 10, 2024 through the date of receipt of such payment. Upon timely receipt of the cash payment from Pillarstone OP, the lender applied the \$13,632,764.25 tendered to it by Whitestone REIT Operating Partnership, L.P., and the guaranty was subsequently released. The Company is pursuing collection of the DPO amount from Pillarstone in the Pillarstone Bankruptcies through a subrogation claim against Pillarstone OP.

#### **Litigation between the Company and Pillarstone REIT**

On September 16, 2022, Pillarstone Capital REIT and Pillarstone Capital REIT Operating Partnership, L.P. filed suit against the Company and certain of its subsidiaries (Whitestone TRS, Inc. and Whitestone REIT Operating Partnership, L.P.) along with certain of its executives (Peter Tropoli, Christine Mastandrea, and David Holeman) in the District Court of Harris County, Texas, alleging claims relating to the limited partnership agreement between Pillarstone Capital REIT and Whitestone REIT Operating Partnership, as well as the termination of Management Agreements between Pillarstone Capital REIT Operating Partnership, L.P. and Whitestone TRS, Inc. On November 25, 2022, the claims against Peter Tropoli, Christine Mastandrea and David Holeman were dismissed. The claimants seek monetary relief in excess of \$1,000,000 in damages and equitable relief. However, the Company denies the claims, has substantial legal and factual defenses against the claims, and intends to vigorously defend against the claims. The Company does not believe a probable loss will be incurred, nor does it anticipate a material adverse effect on its financial position, results of operations, cash flows or liquidity. Therefore, the Company has not recorded a charge as a result of this action.

#### **Former COO Litigation**

On May 9, 2023, the Company's former COO, John Dee, filed suit against the Company in the District Court of Harris County, Texas, purporting to assert claims for breach of his change-in-control agreement arising from the Company's termination of its former CEO James Mastandrea

for cause, and is seeking monetary relief in excess of \$1,000,000 in damages and equitable relief. The Company denies the claims, has substantial legal and factual defenses against the claims, and intends to vigorously defend against the claims. The Company does not believe a probable loss will be incurred, nor does it anticipate a material adverse effect on its financial position, results of operations, cash flows or liquidity. Therefore, the Company has not recorded a charge as a result of this action.

**Former CEO Litigation**

On February 23, 2022, the Company's former CEO, James Mastandrea, filed suit against the Company and certain of its trustees (Nandita Berry, Jeff Jones, Jack Mahaffey, and David Taylor) and officers (David Holeman, Christine Mastandrea, Peter Tropoli) in the District Court of Harris County, Texas, alleging \$25 million in damages and equitable relief claims relating to the termination of his employment, including breach of his employment contract, negligence, tortious interference with contract, civil conspiracy, and declaratory judgment. On September 12, 2022, the claim for breach of fiduciary duty was dismissed and a claim for negligence was added (as to the trustee defendants).

On December 6, 2023, the 215th District Court of Harris County granted summary judgement and dismissed all claims against the Company related to the termination of Mr. Mastandrea. The court also dismissed all claims against certain of the Company's trustees and officers. The dismissal is subject to appeal. A trial to adjudicate the Company's counter-claims against Mr. Mastandrea for breach of fiduciary duty, theft, and conversion of company property remains.

**WHITESTONE REIT AND SUBSIDIARIES**  
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**(Unaudited)**

**Pillarstone Rights Plan**

On December 26, 2021, the Board of Trustees of Pillarstone REIT adopted a new shareholder rights agreement (the "Pillarstone Rights Agreement"). Because Pillarstone REIT sought to use the Pillarstone Rights Agreement to prevent Whitestone OP from exercising its contractual Redemption Right, on July 12, 2022, Whitestone OP filed suit against Pillarstone REIT in the Court of Chancery of the State of Delaware challenging the Pillarstone Rights Agreement.

On September 8, 2022, Whitestone OP's Motion to Preserve the Status Quo was granted by the Court, limiting Pillarstone OP from engaging in any acts outside the ordinary course of business and otherwise imposing restrictions on Pillarstone OP to ensure that Whitestone's right of redemption is not impaired while the underlying dispute is being considered by the Court.

On January 25, 2024, the Delaware Court of Chancery held that Pillarstone breached the implied covenant of good faith and fair dealing when it adopted the Pillarstone Rights Agreement that thwarted Whitestone OP from exercising the unfettered contractual redemption right it obtained in connection with its investment in the partnership; and the Court held that the Rights Plan was unenforceable as to the limited partner and allowed Whitestone OP to exercise its redemption right; allowed Pillarstone to determine the current value of the Partnership's assets; and, as necessary, later enter a monetary judgment against Pillarstone for the difference between the amount Whitestone would have received in or around December 2021 and the current value.

On January 25, 2024, the Company exercised its notice of redemption for substantially all of its investment in Pillarstone OP.

On March 4, 2024, Pillarstone REIT authorized and filed the Chapter 11 bankruptcy of itself, Pillarstone OP, and the remainder of its special purpose entities in the United States Bankruptcy Court for the Northern District of Texas.

As of the date of this filing, Whitestone has not received consideration for its redemption of its equity investment in Pillarstone OP as required by the partnership agreement. The Company has filed a claim in the Pillarstone Bankruptcies for the value of its redemption claim along with interest and other costs. We intend to pursue collection of amounts due from Pillarstone OP through all means necessary and while we do not know the ultimate amount to be collected, we believe the amount will be in excess of the current carrying value of our equity investment in Pillarstone OP.

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 financial position, results of operations, cash flows or liquidity.

**18. SUBSEQUENT EVENTS**

None.

**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 unaudited consolidated financial statements and the notes thereto included in this Quarterly Report on Form 10-Q (this "Report"), and the consolidated financial statements and the notes thereto and "Management's Discussion and Analysis of Financial Condition and Results of Operations" contained in our Annual Report on Form 10-K for the year ended December 31, 2023. For more detailed information regarding the basis of presentation for the following information, you should read the notes to the unaudited consolidated financial statements included in this Report.

**Forward-Looking Statements**

This Report contains forward-looking statements within the meaning of the federal securities laws, including discussion and analysis of our financial condition, pending acquisitions and the impact of such acquisitions on our financial condition and results of operations, 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, although not all forward-looking statements include these words. 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 not to 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 income taxes if we fail to qualify as a real estate investment trust ("REIT") in any taxable year or forego an opportunity to ensure REIT status;
- uncertainties related to the national economy and the real estate industry, both in general and in our specific markets;
- legislative or regulatory changes, including changes to laws governing REITs;
- adverse economic or real estate developments or conditions in Texas or Arizona, Houston and Phoenix in particular, including the potential impact of public health emergencies such as COVID-19 on our tenants' ability to pay their rent, which could result in bad debt allowances or straight-line rent reserve adjustments;
- our current geographic concentration in the Houston and Phoenix metropolitan area makes us susceptible to local economic downturns;
- increases in interest rates, including as a result of inflation, which may increase our operating costs or general and administrative expenses;
- natural disasters, such as floods and hurricanes, which may increase as a result of climate change may adversely affect our returns and adversely impact our existing and prospective tenants;
- increasing focus by stakeholders on environmental, social and governance matters;
- financial institution disruptions;
- availability and terms of capital and financing, both to fund our operations and to refinance our indebtedness as it matures;
- decreases in rental rates or increases in vacancy rates;
- harm to our reputation, ability to do business and results of operations as a result of improper conduct by our employees, agents or business partners;
- litigation risks;
- lease-up risks, including leasing risks arising from exclusivity and consent provisions in leases with significant tenants;
- our inability to renew tenant leases or obtain new tenant leases upon the expiration of existing leases;
- risks related to generative artificial intelligence tools and language models, along with the potential interpretations and conclusions they might make regarding our business and prospects, particularly concerning the spread of misinformation;
- our inability to generate sufficient cash flows due to market conditions, competition, uninsured losses, changes in tax or other applicable laws;
- geopolitical conflicts, such as the ongoing conflict between Russia and Ukraine, the conflict in the Gaza Strip and unrest in the Middle East;
- the need to fund tenant improvements or other capital expenditures out of operating cash flow;
- the risk that we are unable to raise capital for working capital, acquisitions or other uses on attractive terms or at all; and
- the ultimate amount we will collect in connection with the redemption of our equity investment in Pillarstone Capital REIT Operating Partnership LP ("Pillarstone" or "Pillarstone OP.")

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The forward-looking statements should be read in light of these factors and the factors identified in the "Risk Factors" section of our Annual Report on Form 10-K for the year ended December 31, 2023, as previously filed with the Securities and Exchange Commission ("SEC").

### Overview

We are a fully-integrated real estate company that owns and operates commercial properties in culturally diverse markets in major metropolitan areas. Founded in 1998, we are internally managed with a portfolio of commercial properties in Texas and Arizona.

In October 2006, we adopted a strategic plan to acquire, redevelop, own and operate Community Centered Properties®. We define Community Centered Properties® as visibly located properties in established or developing culturally diverse neighborhoods in our target markets. We market, lease and manage our centers to match tenants with the shared needs of the surrounding neighborhood. Those needs may include specialty retail, grocery, restaurants and medical, educational and financial services. Our goal is for each property to become a Whitestone-branded retail community that serves a neighboring five-mile radius around our property. We employ and develop a diverse group of associates who understand the needs of our multi-cultural communities and tenants.

We serve 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. We currently conduct substantially all of our operations and activities through the Operating Partnership. As the general partner of the Operating Partnership, we have the exclusive power to manage and conduct the business of the Operating Partnership, subject to certain customary exceptions.

As of June 30, 2024, we wholly owned 57 commercial properties consisting of:

#### **Consolidated Operating Portfolio**

- 51 wholly owned properties that meet our Community Centered Properties® strategy containing approximately 5.1 million square feet of gross leasable area ("GLA") and having a total carrying amount (net of accumulated depreciation) of \$995.6 million; and

#### **Redevelopment, New Acquisitions Portfolio**

- six parcels of land held for future development that meet our Community Centered Properties® strategy having a total carrying value of \$22.7 million.

Acquired properties are categorized in the new acquisitions portfolio until the earlier of 90% occupancy or 18 months of ownership.

As of June 30, 2024, we had an aggregate of 1,465 tenants. We have a diversified tenant base with our largest tenant comprising only 2.1% of our annualized rental revenues for the six months ended June 30, 2024. Lease terms for our properties range from less than one year for smaller tenants to over 15 years for larger tenants. Our leases include minimum monthly lease payments and generally provide for tenant reimbursements for payment of taxes, insurance and maintenance. We completed 147 new and renewal leases during the six months ended June 30, 2024, totaling 503,417 square feet and approximately \$55.3 million in total lease value. This compares to 136 new and renewal leases totaling 367,391 square feet and approximately \$41.8 million in total lease value during the same period in 2023.

We employed 76 full-time employees as of June 30, 2024, including one on leave. As an internally 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 costs.

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### **Real Estate Partnership**

As of June 30, 2024, our ownership in Pillarstone OP no longer represents a majority interest. On January 25, 2024, the Company exercised its notice of redemption for substantially all of its investment in Pillarstone OP. As of the date of this filing, Whitestone has not received consideration for its redemption of its equity investment in Pillarstone OP as required by the partnership agreement. The Company has filed a claim in the Pillarstone Bankruptcies for the value of its redemption claim along with interest and other costs. We intend to pursue collection of amounts due from Pillarstone OP through all means necessary and while we do not know the ultimate amount to be collected, we believe the amount will be in excess of the current carrying value of our equity investment in Pillarstone OP.

### **Inflation**

We anticipate that the majority of 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.

### **Rising Interest Rates**

As of June 30, 2024, \$85.0 million, or approximately 13% of our outstanding debt, was subject to floating interest rates of SOFR plus 1.60% and a 10 basis point credit spread adjustment and not currently subject to a hedge. The impact of a 1% increase or decrease in interest rates on our non-hedged variable rate debt would result in a decrease or increase of annual net income of approximately \$0.9 million, respectively.

### **How We Derive Our Revenue**

Substantially all of our revenue is derived from rents received from leases at our properties. We had total revenues of approximately \$37.6 million and \$36.5 million for the three months ended June 30, 2024 and 2023, respectively, and \$74.8 million and \$72.3 million for the six months ended June 30, 2024 and 2023, respectively.

#### ***Rental Income***

We expect our rental income to increase year-over-year due to the addition of properties and rent increases on renewal leases. The amount of net rental income generated by our properties depends principally on our ability to maintain the occupancy rates of currently leased space and to lease currently available space, newly acquired properties with vacant space, and space available from unscheduled lease terminations. The amount of rental income we generate also depends on our ability to maintain or increase rental rates in our submarkets. Included in our adjustments to rental revenue for the conversion of 18 tenants to cash basis revenue was an increase to rental revenue for straight-line rent reserve adjustment of \$0.008 million and a decrease to rental revenue for bad debt adjustment of \$0.2 million for the three months ending June 30, 2024, and a decrease to rental revenue for straight-line rent reserve of \$0.02 million and a decrease to rental revenue for bad debt of \$0.4 million for the six months ended June 30, 2024. The three months ended June 30, 2023 included 18 cash basis tenants, resulting in an increase to rental revenue for straight-line rent adjustment of \$0.1 million and a decrease to rental revenue for bad debt adjustments of \$0.1 million, respectively, and the six months ended June 30, 2023 included 18 cash basis tenants, resulting in decreases to rental revenue for straight-line rent adjustments \$0.2 million and a decrease to rental revenue for bad debt adjustments of \$0.3 million, respectively.

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### **Scheduled Lease Expirations**

We tend to lease space to smaller businesses that desire shorter term leases. As of June 30, 2024, approximately 23% of our GLA was subject to leases that expire prior to December 31, 2025. Over the last three calendar years, we have renewed expiring leases with respect to approximately 68% of our GLA. We routinely seek to renew leases with our existing tenants prior to their expiration and typically begin discussions with tenants as early as 24 months prior to the expiration date of the existing lease. Inasmuch as our early renewal program and other leasing and marketing efforts target these expiring leases, we work to re-lease most of that space prior to expiration of the leases. In the markets in which we operate, we obtain and analyze market rental rates through review of third-party publications, which provide market and submarket rental rate data and through inquiry of property owners and property management companies as to rental rates being quoted at properties that are located in close proximity to our properties and we believe display similar physical attributes as our nearby properties. We use this data to negotiate leases with new tenants and renew leases with our existing tenants at rates we believe to be competitive in the markets for our individual properties. Due to the short term nature of our leases, and based upon our analysis of market rental rates, we believe that, in the aggregate, our current leases are at market rates. Market conditions, including new supply of properties and competition, and macroeconomic conditions in our markets and nationally affecting tenant income, such as employment levels, business conditions, interest rates, tax rates, fuel and energy costs and other matters, could adversely impact our renewal rate and/or the rental rates we are able to negotiate. We continue to monitor our tenants' operating performances as well as overall economic trends to evaluate any future negative impact on our renewal rates and rental rates, which could adversely affect our cash flow and ability to make distributions to our shareholders.

### **Acquisitions**

We seek to grow our GLA through the acquisition of additional properties, and we are carefully evaluating development and redevelopment activities on a case-by-case basis. We have extensive relationships with community banks, attorneys, title companies, and others in the real estate industry, which we believe enables us to take advantage of these market opportunities and maintain an active acquisition pipeline.

#### **Property Acquisitions, Dispositions and Development**

We seek to acquire commercial properties in high-growth markets. Our acquisition targets are properties that fit our Community Centered Properties® strategy. We may acquire properties in other high-growth cities in the future. As part of our ongoing commitment to our Community Centered Properties® strategy and in pursuit of expanding our commercial property portfolio in high-growth markets, we have carefully evaluated and identified certain non-core properties for divestment, allowing us to reallocate resources towards acquiring properties that align more closely with our long-term growth objectives.

On April 5, 2024, we acquired Scottsdale Commons, a property that meets our Community Centered Property® strategy, for \$22.2 million in cash and net prorations. Scottsdale Commons, a 69,482 square foot property, was 96.6% leased at the time of purchase and is located in Scottsdale, Arizona. The funding for this acquisition was provided by the Company's credit facility.

On April 1, 2024, we acquired Anderson Arbor Pad, a development parcel that meets our Community Centered Property® strategy, for \$0.9 million in cash and net prorations. Anderson Arbor Pad is located in Austin, Texas.

On February 20, 2024, we acquired Garden Oaks Shopping Center, a property that meets our Community Centered Property® strategy, for \$27.2 million in cash and net prorations. Garden Oaks Shopping Center, a 106,858 square foot property, was 95.8% leased at the time of purchase and is located in Houston, Texas.

On June 12, 2023, we acquired Arcadia Towne Center, a property that meets our Community Centered Property® strategy, for \$25.5 million in cash and net prorations. Arcadia Towne Center, a 69,503 square foot property, was 100% leased at the time of purchase and is located in Phoenix, Arizona.

On March 27, 2024, we completed the sale of Mercado at Scottsdale Ranch, located in Phoenix, Arizona, for \$26.5 million. We recorded a gain on sale of \$6.6 million. We have not included Mercado at Scottsdale Ranch in discontinued operations as it did not meet the definition of discontinued operations.

On December 20, 2023, we completed the sale of Spoerlein Commons, located in Buffalo Grove, Illinois, for \$7.4 million. We recorded a Loss on sale of \$0.7 million. We have not included Spoerlein in discontinued operations as it did not meet the definition of discontinued operations.

On June 30, 2023, we completed the sale of Westchase, located in Houston, Texas, for \$7.8 million. We recorded a gain on sale of \$4.6 million. We have not included Westchase in discontinued operations as it did not meet the definition of discontinued operations.

On June 30, 2023, we completed the sale of Sunridge, located in Houston, Texas, for \$6.7 million. We recorded a gain on sale of \$5.0 million. We have not included Sunridge in discontinued operations as it did not meet the definition of discontinued operations.

**Leasing Activity**

As of June 30, 2024, we owned 57 properties with 5,055,050 square feet of GLA and, as of June 30, 2024 and June 30, 2023, our occupancy rate for all properties was approximately 94% and 93%, respectively. The following is a summary of the Company's leasing activity for the six months ended June 30, 2024:

	<b>Number of Leases Signed</b>	<b>GLA Signed</b>	<b>Weighted Average Lease Term (2)</b>	<b>TI and Incentives per Sq. Ft. (3)</b>	<b>Contractual Rent Per Sq. Ft. (4)</b>	<b>Prior Contractual Rent Per Sq. Ft. (5)</b>	<b>Straight-lined Basis Increase (Decrease) Over Prior Rent</b>
<b>Comparable (1)</b>							
Renewal Leases	91	364,666	4.2	\$ 0.78	\$ 19.95	\$ 18.80	14.4%
New Leases	23	52,840	5.3	19.46	32.58	27.40	30.4%
<b>Total</b>	<b>114</b>	<b>417,506</b>	<b>4.3</b>	<b>\$ 3.14</b>	<b>\$ 21.55</b>	<b>\$ 19.89</b>	<b>17.3%</b>
<b>Total</b>							
Renewal Leases	93	370,309	4.2	\$ 0.78	\$ 19.93		
New Leases	54	133,108	6.8	19.91		24.43	
<b>Total</b>	<b>147</b>	<b>503,417</b>	<b>4.9</b>	<b>\$ 5.84</b>	<b>\$ 21.12</b>		

(1) Comparable leases represent leases signed on spaces for which there was a former tenant within the last twelve months and the new or renewal square footage was within 25% of the expired square footage.

(2) Weighted average lease term is determined on the basis of square footage.

(3) Estimated amount per signed leases. Actual cost of construction may vary. Does not include first generation costs for tenant improvements ("TI") and leasing commission costs needed for new acquisitions or redevelopment of a property to bring to operating standards for its intended use.

(4) Contractual minimum rent under the new lease for the first month, excluding concessions.

(5) Contractual minimum rent under the prior lease for the final month.

**Critical Accounting Policies and Estimates**

In preparing the 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 as of 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 Annual Report on Form 10-K for the year ended December 31, 2023, under "Management's Discussion and Analysis of Financial Condition and Results of Operations." Except the new accounting policies associated with the Pillarstone OP redemption, there have been no significant changes to policies during the six months ended June 30, 2024. For disclosure regarding recent accounting pronouncements and the anticipated impact they will have on our operations, please refer to Note 2 to the consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2023.

**Results of Operations****Comparison of the Three Months Ended June 30, 2024 and 2023**

The following table provides a general comparison of our results of operations and other metrics for the three months ended June 30, 2024 and 2023 (dollars in thousands, except per share and per OP unit amounts):

	Three Months Ended June 30,	
	2024	2023
Number of properties owned and operated	57	56
Aggregate GLA (sq. ft.) <sup>(1)</sup>	5,055,050	5,036,645
Ending occupancy rate - operating portfolio <sup>(1)</sup>	93%	93%
Ending occupancy rate	93%	93%
 Total revenues	 \$ 37,647	 \$ 36,460
Total operating expenses	26,000	25,201
Total other expense (income)	8,931	(1,365)
Income before equity investment in real estate partnership and income tax	2,716	12,624
Deficit in earnings of real estate partnership	—	(1,034)
Provision for income tax	(90)	(125)
Net income	2,626	11,465
Less: Net income attributable to noncontrolling interests	34	159
Net income attributable to Whitestone REIT	<u>\$ 2,592</u>	<u>\$ 11,306</u>
 Funds from operations <sup>(2)</sup>	 \$ 11,270	 \$ 10,579
Property net operating income <sup>(3)</sup>	26,720	25,462
Distributions paid on common shares and OP units	6,242	5,996
Distributions per common share and OP unit	<u>\$ 0.1238</u>	<u>\$ 0.1200</u>
Distributions paid as a percentage of funds from operations	55%	57%

(1) Excludes (i) new acquisitions, through the earlier of attainment of 90% occupancy or 18 months of ownership, and (ii) properties that are undergoing significant redevelopment or re-tenanting.

(2) For an explanation and reconciliation of funds from operations, a Non-GAAP metric, to net income, see “—Reconciliation of Non-GAAP Financial Measures—Funds From Operations (“FFO”)” below.

(3) For an explanation and reconciliation of property net operating income, a non-GAAP metric, to net income, see “—Reconciliation of Non-GAAP Financial Measures—Property Net Operating Income (“NOI”)” below.

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We define "Same Store" as properties that have been owned for the entire period being compared. For purposes of comparing the three months ended June 30, 2024 to the three months ended June 30, 2023, Same Store includes properties owned during the entire period from April 1, 2023 to June 30, 2024. We define "Non-Same Store" as properties acquired since the beginning of the period being compared and properties that have been sold, but not classified as discontinued operations.

**Revenues.** The primary components of revenue are detailed in the table below (in thousands, except percentages):

Revenue	Three Months Ended June 30,			Change	% Change
	2024	2023			
<b>Same Store</b>					
Rental revenues (1)	\$ 25,907	\$ 25,392	\$ 515	2%	
Recoveries	9,582	9,622	(40)	(0)%	
Bad debt (2)	(76)	(138)	62	(45)%	
Total rental	35,413	34,876	537	2%	
Other revenues	168	217	(49)	(23)%	
Same Store Total	35,581	35,093	488	1%	
<b>Non-Same Store</b>					
Rental revenues (3)	1,465	1,127	338	30%	
Recoveries (3)	612	333	279	84%	
Bad debt (3)	(10)	(95)	85	(89)%	
Total rental	2,067	1,365	702	51%	
Other revenues (3)	(1)	2	(3)	(150)%	
Non-Same Store Total	2,066	1,367	699	51%	
<b>Total revenue</b>	<b>\$ 37,647</b>	<b>\$ 36,460</b>	<b>\$ 1,187</b>		<b>3%</b>

- (1) The Same Store rental revenues increase of \$515,000 resulted from an increase of \$87,000 from higher average leased square feet from 4,475,858 to 4,491,178, and an increase of \$428,000 from higher average rent per leased square foot from \$22.69 to \$23.07. Same Store rental revenues include straight-line rent write offs for tenants converted to cash basis accounting of an increase of \$8,000 and \$100,000 for the three months ended June 30, 2024 and 2023, respectively.
- (2) During the three months ended June 30, 2024 and 2023, Same Store bad debt includes an adjustment of \$176,000 and \$100,000, respectively, from cash basis accounting.
- (3) Non-Same Store rental revenue includes Scottsdale Commons (acquired on April 5, 2024), Mercado at Scottsdale Ranch (sold on March 27, 2024), Garden Oaks (acquired on February 20, 2024), and Arcadia Towne Center (acquired on June 12, 2023).

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*Operating expenses.* The primary components of operating expenses for the three months ended June 30, 2024 and 2023 are detailed in the table below (in thousands, except percentages):

Operating Expenses	Three Months Ended June 30,		Change	% Change
	2024	2023		
<b>Same Store</b>				
Operating and maintenance	\$ 6,680	\$ 6,563	\$ 117	2%
Real estate taxes (1)	3,762	4,566	(804)	(18)%
Same Store total	<u>10,442</u>	<u>11,129</u>	<u>(687)</u>	<u>(6)%</u>
<b>Non-Same Store</b>				
Operating and maintenance (2)	335	336	(1)	(0)%
Real estate taxes (2)	150	201	(51)	(25)%
Non-Same Store total	<u>485</u>	<u>537</u>	<u>(52)</u>	<u>(10)%</u>
Depreciation and amortization	8,521	8,360	161	2%
General and administrative (3)	6,552	5,175	1,377	27%
<b>Total operating expenses</b>	<b><u>\$ 26,000</u></b>	<b><u>\$ 25,201</u></b>	<b><u>\$ 799</u></b>	<b><u>3%</u></b>

- (1) Same Store real estate taxes decrease is primarily from \$720,000 of real estate property tax reduction from successful property tax protests. Most of the real estate tax reduction is passed back to our tenants, having a minimal impact on net operating income.
- (2) Non-Same Store rental expenses includes Scottsdale Commons (acquired on April 5, 2024), Mercado at Scottsdale Ranch (sold on March 27, 2024), Garden Oaks (acquired on February 20, 2024), and Arcadia Towne Center (acquired on June 12, 2023).
- (3) The general and administrative expense increase is attributable to proxy solicitation fees of \$1,319,000, increased payroll cost of \$180,000, increased professional fees of \$163,000, and increased other costs of \$111,000, offset by decreased legal fees of \$396,000.

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*Other expenses (income).* The primary components of other expenses (income) for the three months ended June 30, 2024 and 2023 are detailed in the table below (in thousands, except percentages):

Other Expenses (Income)	Three Months Ended June 30,		Change	% Change
	2024	2023		
Interest expense (1)	\$ 8,788	\$ 8,260	\$ 528	6%
(Gain) loss on sale of properties (2)	75	(9,621)	9,696	N/A
Loss on disposal of assets	72	14	58	414%
Interest, dividend and other investment income	(4)	(18)	14	(78)%
Total other expenses (Income)	<u>\$ 8,931</u>	<u>\$ (1,365)</u>	<u>\$ 10,296</u>	<u>(754)%</u>

(1) The \$528,000 increase in interest expense is attributable to higher interest rates, which led to an increase in our effective interest rate to 5.2% for the three months ended June 30, 2024 as compared to 4.99% for the three month ended June 30, 2023, resulting in a \$340,000 increase in interest expense and an increase in our average outstanding notes payable balance of \$15,108,000, resulting in a \$188,000 increase in interest expense.

(2) On June 30, 2023, we completed the sale of Sunridge, located in Houston, Texas, for \$6.7 million. We recorded a gain on sale of \$5.0 million. On June 30, 2023, we completed the sale of Westchase, located in Houston, Texas, for \$7.8 million. We recorded a gain on sale of \$4.6 million.

*Deficit in earnings of real estate partnership.* As of June 30, 2024, our ownership in Pillarstone OP no longer represents a majority interest. On January 25, 2024, we exercised our notice of redemption for substantially all of our investment in Pillarstone OP. For the three months ended June 30, 2023 our estimated deficit in earnings from the real estate partnership was \$ 1,034,000. Please refer to Note 6 (Investment in Real Estate Partnership) to the accompanying consolidated financial statements for more information regarding our investment in Pillarstone OP.

*Same Store net operating income.* The components of Same Store net operating income is detailed in the table below (in thousands):

	Three Months Ended June 30,		Increase (Decrease)	% Increase (Decrease)
	2024	2023		
Same Store (48 properties, excluding development land)				
Property revenues				
Rental	\$ 35,413	\$ 34,876	\$ 537	2%
Management, transaction and other fees	168	217	(49)	(23)%
Total property revenues	<u>35,581</u>	<u>35,093</u>	<u>488</u>	<u>1%</u>
Property expenses				
Property operation and maintenance	6,680	6,563	117	2%
Real estate taxes	3,762	4,566	(804)	(18)%
Total property expenses	<u>10,442</u>	<u>11,129</u>	<u>(687)</u>	<u>(6)%</u>
Total property revenues less total property expenses	25,139	23,964	1,175	5%
Same Store straight-line rent adjustments	(821)	(1,038)	217	(21)%
Same Store amortization of above/below market rents	(190)	(203)	13	(6)%
Same Store lease termination fees	(1)	(87)	86	(99)%
Same Store NOI(1)	<u>\$ 24,127</u>	<u>\$ 22,636</u>	<u>\$ 1,491</u>	<u>7%</u>

(1) See below for a reconciliation of property net operating income to net income.

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	Three Months Ended June 30,	
	2024	2023
<b>PROPERTY NET OPERATING INCOME ("NOI")</b>		
Net income attributable to Whitestone REIT	\$ 2,592	\$ 11,306
General and administrative expenses	6,552	5,175
Depreciation and amortization	8,521	8,360
Deficit in earnings of real estate partnership (1)	—	1,034
Interest expense	8,788	8,260
Interest, dividend and other investment income	(4)	(18)
Provision for income taxes	90	125
(Gain) loss on sale of properties	75	(9,621)
Loss on disposal of assets	72	14
NOI of real estate partnership (pro rata) (1)	—	668
Net income attributable to noncontrolling interests	34	159
NOI	\$ 26,720	\$ 25,462
Non-Same Store NOI (2)	(1,581)	(830)
NOI of real estate partnership (pro rata) (1)	—	(668)
<b>NOI less Non-Same Store NOI and NOI of real estate partnership (pro rata)</b>	<b>25,139</b>	<b>23,964</b>
Same Store straight-line rent adjustments	(821)	(1,038)
Same Store amortization of above/below market rents	(190)	(203)
Same Store lease termination fees	(1)	(87)
<b>Same Store NOI (3)</b>	<b>\$ 24,127</b>	<b>\$ 22,636</b>

(1) We rely on reporting provided to us by Pillarstone OP's general partner for financial information regarding the Company's investment in Pillarstone OP. Because Pillarstone OP financial statements for the three months ended June 30, 2023 have not been made available to us, we have estimated deficit in earnings and pro rata share of NOI of real estate partnership based on the information available to us at the time of this report. As of June 30, 2024, our ownership in Pillarstone OP no longer represents a majority interest. On January 25, 2024, we exercised our notice of redemption for substantially all of our investment in Pillarstone OP. Please refer to Note 6 to the accompanying consolidated financial statements for the full disclosure.

(2) We define "Non-Same Store" as properties that have been acquired since the beginning of the period being compared and properties that have been sold, but not classified as discontinued operations. For purposes of comparing the three months ended June 30, 2024 to the three months ended June 30, 2023, Non-Same Store includes properties acquired between April 1, 2023 and June 30, 2024 and properties sold between April 1, 2023 and June 30, 2024, but not included in discontinued operations.

(3) We define "Same Store" as properties that have been owned during the entire period being compared. For purposes of comparing the three months ended June 30, 2024 to the three months ended June 30, 2023, Same Store includes properties owned before April 1, 2023 and not sold before June 30, 2024. Straight-line rent adjustments, above/below market rents, and lease termination fees are excluded.

**Results of Operations**

**Comparison of the Six Months Ended June 30, 2024 and 2023**

The following table provides a general comparison of our results of operations and other metrics for the six months ended June 30, 2024 and 2023 (dollars in thousands, except per share and per OP unit amounts):

	<b>Six Months Ended June 30,</b>	
	<b>2024</b>	<b>2023</b>
Number of properties owned and operated	57	56
Aggregate GLA (sq. ft.)(1)	5,055,050	5,036,645
Ending occupancy rate - operating portfolio (1)	93%	93%
Ending occupancy rate	93%	93%
 Total revenues	 \$ 74,811	 \$ 72,311
Total operating expenses	51,567	48,925
Total other expense	10,917	6,524
Income before equity investment in real estate partnership and income tax	12,327	16,862
Deficit in earnings of real estate partnership	(28)	(1,252)
Provision for income tax	(209)	(244)
Net income	12,090	15,366
Less: Net income attributable to noncontrolling interests	158	213
Net income attributable to Whitestone REIT	<u>\$ 11,932</u>	<u>\$ 15,153</u>
 Funds from operations (2)	 \$ 23,088	 \$ 22,694
Property net operating income (3)	53,480	51,083
Distributions paid on common shares and OP units	12,291	11,992
Distributions per common share and OP unit	\$ 0.2438	\$ 0.2400
Distributions paid as a percentage of funds from operations	53%	53%

(1) Excludes (i) new acquisitions, through the earlier of attainment of 90% occupancy or 18 months of ownership, and (ii) properties that are undergoing significant redevelopment or re-tenanting.

(2) For an explanation and reconciliation of funds from operations, a Non-GAAP metric, to net income, see “—Reconciliation of Non-GAAP Financial Measures—Funds From Operations (“FFO”)” below.

(3) For an explanation and reconciliation of property net operating income, a non-GAAP metric, to net income, see “—Reconciliation of Non-GAAP Financial Measures—Property Net Operating Income (“NOI”)” below.

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We define "Same Store" as properties that have been owned for the entire period being compared. For purposes of comparing the six months ended June 30, 2024 to the six months ended June 30, 2023, Same Store includes properties owned during the entire period from January 1, 2023 to June 30, 2024. We define "Non-Same Store" as properties acquired since the beginning of the period being compared and properties that have been sold, but not classified as discontinued operations.

**Revenues.** The primary components of revenue are detailed in the table below (in thousands, except percentages):

Revenue	Six Months Ended June 30,		Change	% Change
	2024	2023		
<b>Same Store</b>				
Rental revenues (1)	\$ 51,588	\$ 50,217	\$ 1,371	3%
Recoveries (2)	19,746	19,156	590	3%
Bad debt (3)	(654)	(462)	(192)	42%
Total rental	70,680	68,911	1,769	3%
Other revenues	590	566	24	4%
Same Store Total	71,270	69,477	1,793	3%
<b>Non-Same Store</b>				
Rental revenues (4)	2,648	2,042	606	30%
Recoveries (4)	925	880	45	5%
Bad debt (4)	(32)	(95)	63	(66)%
Total rental	3,541	2,827	714	25%
Other revenues (4)	—	7	(7)	(100)%
Non-Same Store Total	3,541	2,834	707	25%
<b>Total revenue</b>	<b>\$ 74,811</b>	<b>\$ 72,311</b>	<b>\$ 2,500</b>	<b>3%</b>

- (1) The Same Store rental revenues increase of \$1,371,000 resulted from an increase of \$65,000 from higher average leased square feet from 4,498,371 to 4,504,060, and an increase of \$1,306,000 from higher average rent per leased square foot from \$22.33 to \$22.91. Same Store rental revenues include straight-line rent write offs for tenants converted to cash basis accounting of a decrease of \$20,000 and \$200,000 for the six months ended June 30, 2024 and 2023, respectively.
- (2) The Same Store recoveries revenue increase of \$590,000 is primarily attributable to increases in operating expenses. Our recovery revenue from tenants generally increases as the related operating and maintenance and real estate tax expenses increase.
- (3) During the six months ended June 30, 2024 and 2023, Same Store bad debt include s an adjustment of \$353,000 and \$300,000, respectively, from cash basis accounting.
- (4) Non-Same Store rental revenue includes Scottsdale Commons (acquired on April 5, 2024), Mercado at Scottsdale Ranch (sold on March 27, 2024), Garden Oaks (acquired on February 20, 2024), and Arcadia Towne Center (acquired on June 12, 2023).

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*Operating expenses.* The primary components of operating expenses for the six months ended June 30, 2024 and 2023 are detailed in the table below (in thousands, except percentages):

Operating Expenses	Six Months Ended June 30,		Change	% Change
	2024	2023		
<b>Same Store</b>				
Operating and maintenance (1)	\$ 12,822	\$ 12,310	\$ 512	4%
Real estate taxes (2)	7,895	9,119	(1,224)	(13)%
Same Store total	20,717	21,429	(712)	(3)%
<b>Non-Same Store and affiliated company rents</b>				
Operating and maintenance (3)	542	660	(118)	(18)%
Real estate taxes (3)	255	356	(101)	(28)%
Affiliated company rents (4)	—	15	(15)	(100)%
Non-Same Store and affiliated company rents total	797	1,031	(234)	(23)%
Depreciation and amortization (3)	17,321	16,206	1,115	7%
General and administrative (5)	12,732	10,259	2,473	24%
<b>Total operating expenses</b>	<b>\$ 51,567</b>	<b>\$ 48,925</b>	<b>\$ 2,642</b>	<b>5%</b>

(1) The \$512,000 Same Store operating and maintenance cost increase includes \$322,000 in increased contract services cost, \$217,000 in increased insurance costs, \$168,000 in increased labor costs, and \$155,000 in increased association fees, offset by \$350,000 in decreased repair costs.

(2) Same Store real estate taxes decrease is primarily from \$957,000 of real estate property tax reduction from successful property tax protests. Most of the real estate tax reduction is passed back to our tenants, having a minimal impact on net operating income.

(3) Non-Same Store rental expenses includes Scottsdale Commons (acquired on April 5, 2024), Mercado at Scottsdale Ranch (sold on March 27, 2024), Garden Oaks (acquired on February 20, 2024), and Arcadia Towne Center (acquired on June 12, 2023).

(4) Affiliated company rents are spaces that we leased from Pillarstone OP.

(5) The general and administrative expense increase is attributable to proxy solicitation fees of \$1,757,000, increased payroll costs of \$820,000, increased share-based compensation of \$143,000, increased professional fees of \$130,000, and increased other costs of \$85,000, offset by decreased legal fees of \$462,000.

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*Other expenses.* The primary components of other expenses for the six months ended June 30, 2024 and 2023 are detailed in the table below (in thousands, except percentages):

Other Expenses	Six Months Ended June 30,		Change	% Change
	2024	2023		
Interest expense (1)	\$ 17,307	\$ 16,163	\$ 1,144	7%
Gain on sale of properties, net (2)	(6,450)	\$ (9,621)	3,171	N/A
Loss on disposal of assets, net	72	\$ 20	52	260%
Interest, dividend and other investment income	(12)	(38)	26	(68)%
<b>Total other expenses</b>	<b>\$ 10,917</b>	<b>\$ 6,524</b>	<b>\$ 4,393</b>	<b>67%</b>

(1) The \$1,144,000 increase in interest expense is attributable to higher interest rates, which led to an increase in our effective interest rate to 5.16% for the six months ended June 30, 2024 as compared to 4.92% for the six month ended June 30, 2023, resulting in a \$787,000 increase in interest expense and an increase in our average outstanding notes payable balance of \$14,987,000, resulting in a \$357,000 increase in interest expense.

(2) On March 27, 2024, we completed the sale of Mercado at Scottsdale Ranch, located in Phoenix, Arizona, for an aggregate \$26.5 million. We recorded a gain on sale of \$6.6 million.

On June 30, 2023, we completed the sale of Sunridge, located in Houston, Texas, for \$6.7 million. We recorded a gain on sale of \$5.0 million.

On June 30, 2023, we completed the sale of Westchase, located in Houston, Texas, for \$7.8 million. We recorded a gain on sale of \$4.6 million.

*Deficit in earnings of real estate partnership.* As of June 30, 2024, our ownership in Pillarstone OP no longer represents a majority interest. On January 25, 2024, we exercised our notice of redemption for substantially all of our investment in Pillarstone OP. For the six months ended June 30, 2024, our estimated deficit in earnings from the real estate partnership, which was generated through our 81.4% ownership of Pillarstone OP up to the redemption date, amounted to \$28,000. For the six months ended June 30, 2023 our estimated deficit in earnings from the real estate partnership was \$1,252,000. Please refer to Note 6 (Investment in Real Estate Partnership) to the accompanying consolidated financial statements for more information regarding our investment in Pillarstone OP.

*Same Store net operating income.* The components of Same Store net operating income is detailed in the table below (in thousands):

	Six Months Ended June 30,		Increase (Decrease)	% Increase (Decrease)
	2024	2023		
Same Store (48 properties, excluding development land)				
Property revenues				
Rental	\$ 70,680	\$ 68,911	\$ 1,769	3%
Management, transaction and other fees	590	566	24	4%
<b>Total property revenues</b>	<b>71,270</b>	<b>69,477</b>	<b>1,793</b>	<b>3%</b>
Property expenses				
Property operation and maintenance	12,822	12,310	512	4%
Real estate taxes	7,895	9,119	(1,224)	(13)%
<b>Total property expenses</b>	<b>20,717</b>	<b>21,429</b>	<b>(712)</b>	<b>(3)%</b>
<b>Total property revenues less total property expenses</b>	<b>50,553</b>	<b>48,048</b>	<b>2,505</b>	<b>5%</b>
Same Store straight-line rent adjustments	(1,903)	(1,558)	(345)	22%
Same Store amortization of above/below market rents	(399)	(413)	14	(3)%
Same Store lease termination fees	(269)	(301)	32	(11)%
<b>Same Store NOI(1)</b>	<b>\$ 47,982</b>	<b>\$ 45,776</b>	<b>\$ 2,206</b>	<b>5%</b>

(1) See below for a reconciliation of property net operating income to net income.

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	Six Months Ended June 30,	
	2024	2023
<b>PROPERTY NET OPERATING INCOME ("NOI")</b>		
Net income attributable to Whitestone REIT	\$ 11,932	\$ 15,153
General and administrative expenses	12,732	10,259
Depreciation and amortization	17,321	16,206
Deficit in earnings of real estate partnership (1)	28	1,252
Interest expense	17,307	16,163
Interest, dividend and other investment income	(12)	(38)
Provision for income taxes	209	244
Gain on sale of properties, net	(6,450)	(9,621)
Management fee, net of related expenses	—	16
Loss on disposal of assets, net	72	20
NOI of real estate partnership (pro rata) (1)	183	1,216
Net income attributable to noncontrolling interests	158	213
<b>NOI</b>	<b>\$ 53,480</b>	<b>\$ 51,083</b>
Non-Same Store NOI (2)	(2,744)	(1,819)
NOI of real estate partnership (pro rata) (1)	(183)	(1,216)
<b>NOI less Non-Same Store NOI and NOI of real estate partnership (pro rata)</b>	<b>50,553</b>	<b>48,048</b>
Same Store straight-line rent adjustments	(1,903)	(1,558)
Same Store amortization of above/below market rents	(399)	(413)
Same Store lease termination fees	(269)	(301)
<b>Same Store NOI (3)</b>	<b>\$ 47,982</b>	<b>\$ 45,776</b>

(1) We rely on reporting provided to us by Pillarstone OP's general partner for financial information regarding the Company's investment in Pillarstone OP. Because Pillarstone OP financial statements for the six months ended June 30, 2024 and 2023 have not been made available to us, we have estimated deficit in earnings and pro rata share of NOI of real estate partnership based on the information available to us at the time of this report. As of June 30, 2024, our ownership in Pillarstone OP no longer represents a majority interest. On January 25, 2024, we exercised our notice of redemption for substantially all of our investment in Pillarstone OP. Please refer to Note 6 to the accompanying consolidated financial statements for the full disclosure.

(2) We define "Non-Same Store" as properties that have been acquired since the beginning of the period being compared and properties that have been sold, but not classified as discontinued operations. For purposes of comparing the three months ended June 30, 2024 to the three months ended June 30, 2023, Non-Same Store includes properties acquired between January 1, 2023 and June 30, 2024 and properties sold between January 1, 2023 and June 30, 2024, but not included in discontinued operations.

(3) We define "Same Store" as properties that have been owned during the entire period being compared. For purposes of comparing the three months ended June 30, 2024 to the three months ended June 30, 2023, Same Store includes properties owned before January 1, 2023 and not sold before June 30, 2024. Straight-line rent adjustments, above/below market rents, and lease termination fees are excluded.

**Reconciliation of Non-GAAP Financial Measures**

**Funds From Operations ("FFO") and Core FFO**

The National Association of Real Estate Investment Trusts ("NAREIT") defines FFO as net income available to Whitestone REIT (calculated in accordance with GAAP), excluding depreciation and amortization related to real estate, gains or losses from the sale of certain real estate assets, gains and losses from change in control, and impairment write-downs of certain real estate assets and investments in entities when the impairment is directly attributable to decreases in the value of depreciable real estate held by the entity. We calculate FFO in a manner consistent with the NAREIT definition and also include adjustments for our unconsolidated real estate partnership.

Core Funds from Operations ("Core FFO") is a non-GAAP measure. We define Core FFO as FFO excluding proxy contest costs.

Management uses FFO and Core FFO as a supplemental measure to conduct and evaluate our business because there are certain limitations associated with using GAAP net income alone 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. In addition, securities analysts, investors and other interested parties use FFO as the primary metric for comparing the relative performance of equity REITs.

FFO and Core FFO should not be considered as alternatives 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 and Core FFO do not reflect working capital changes, cash expenditures for capital improvements or principal payments on indebtedness. Although our calculation of FFO is consistent with that of NAREIT, there can be no assurance that FFO and Core FFO presented by us is comparable to similarly titled measures of other REITs.

Below are the calculations of FFO and Core FFO, along with the reconciliations to net income, which we believe are the most comparable U.S. GAAP financial measures (in thousands):

FFO (NAREIT) AND CORE FFO	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Net income attributable to Whitestone REIT	\$ 2,592	\$ 11,306	\$ 11,932	\$ 15,153
Adjustments to reconcile to FFO: (1)				
Depreciation and amortization of real estate assets	8,497	8,318	17,265	16,123
Depreciation and amortization of real estate assets of real estate partnership (pro rata) (2)	—	403	111	806
Loss on disposal of assets	72	14	72	20
(Gain) loss on sale of properties	75	(9,621)	(6,450)	(9,621)
Net income attributable to noncontrolling interests	34	159	158	213
FFO (NAREIT)	\$ 11,270	\$ 10,579	\$ 23,088	\$ 22,694
Adjustments to reconcile to Core FFO:				
Proxy contest costs	1,319	—	1,757	—
Core FFO	\$ 12,589	\$ 10,579	\$ 24,845	\$ 22,694

(1) Includes pro-rata share attributable to real estate partnership for the three and six months ended June 30, 2023 and for the six months ended June 30, 2024, through January 25, 2024, the redemption date.

(2) We rely on reporting provided to us by Pillarstone OP's general partner for financial information regarding the Company's investment in Pillarstone OP. Because Pillarstone OP financial statements for the three and six months ended June 30, 2024 and 2023 have not been made available to us, we have estimated depreciation and amortization of real estate assets based on the information available to us at the time of this report. As of June 30, 2024, our ownership in Pillarstone OP no longer represents a majority interest. On January 25, 2024, we exercised our notice of redemption for substantially all of our investment in Pillarstone OP. Please refer to Note 6 to the accompanying consolidated financial statements for the full disclosure.

### Property Net Operating Income ("NOI")

Management believes that NOI is a useful measure of our property operating performance. We define NOI as operating revenues (rental and other revenues) less property and related expenses (property operation and maintenance and real estate taxes). Other REITs may use different methodologies for calculating NOI and, accordingly, our NOI may not be comparable to other REITs. Because NOI excludes general and administrative expenses, depreciation and amortization, deficit in earnings of real estate partnership, interest expense, interest, dividend and other investment income, provision for income taxes, (gain) loss on sale of properties, management fee, net of related expenses, loss on disposal of assets, and includes NOI of real estate partnership (pro rata) and net income attributable to noncontrolling interest, it provides a performance measure that, when compared year-over-year, reflects the revenues and expenses directly associated with owning and operating commercial real estate properties and the impact to operations from trends in occupancy rates, rental rates and operating costs, providing perspective not immediately apparent from net income. We use NOI to evaluate our operating performance since NOI allows us to evaluate the impact that factors such as occupancy levels, lease structure, lease rates and tenant base have on our results, margins and returns. In addition, management believes that NOI provides useful information to the investment community about our property and operating performance when compared to other REITs since NOI is generally recognized as a standard measure of property performance in the real estate industry. However, NOI should not be viewed as a measure of our overall financial performance since it does not reflect the level of capital expenditure and leasing costs necessary to maintain the operating performance of our properties, including general and administrative expenses, depreciation and amortization, equity or deficit in earnings of real estate partnership, interest expense, interest, dividend and other investment income, provision for income taxes, (gain) loss on sale of properties, management fee, net of related expenses, and loss on disposal of assets.

Below is the calculation of NOI and the reconciliations to net income, which we believe is the most comparable U.S. GAAP financial measure (in thousands):

PROPERTY NET OPERATING INCOME	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Net income attributable to Whitestone REIT	\$ 2,592	\$ 11,306	\$ 11,932	\$ 15,153
General and administrative expenses	6,552	5,175	12,732	10,259
Depreciation and amortization	8,521	8,360	17,321	16,206
Deficit in earnings of real estate partnership	—	1,034	28	1,252
Interest expense	8,788	8,260	17,307	16,163
Interest, dividend and other investment income	(4)	(18)	(12)	(38)
Provision for income taxes	90	125	209	244
(Gain) loss on sale of properties	75	(9,621)	(6,450)	(9,621)
Management fee, net of related expenses	—	—	—	16
Loss on disposal of assets, net	72	14	72	20
NOI of real estate partnership (pro rata) (1)	—	668	183	1,216
Net income attributable to noncontrolling interests	34	159	158	213
NOI	<b>\$ 26,720</b>	<b>\$ 25,462</b>	<b>\$ 53,480</b>	<b>\$ 51,083</b>

(1) We rely on reporting provided to us by Pillarstone OP's general partner for financial information regarding the Company's investment in Pillarstone OP. Because Pillarstone OP financial statements for the three and six months ended June 30, 2024 and 2023 have not been made available to us, we have estimated equity in earnings and pro rata share of NOI of real estate partnership based on the information available to us at the time of this report. As of June 30, 2024, our ownership in Pillarstone OP no longer represents a majority interest. On January 25, 2024, we exercised our notice of redemption for substantially all of our investment in Pillarstone OP. Please refer to Note 6 for the full disclosure.

### Liquidity and Capital Resources

Our short-term liquidity requirements consist primarily of distributions to holders of our common shares and OP units, including those required to maintain our REIT status and satisfy our current quarterly distribution target of \$0.12375 per common share and OP unit, recurring expenditures, such as repairs and maintenance of our properties, non-recurring expenditures, such as capital improvements and tenant improvements, debt service requirements, and, potentially, acquisitions of additional properties.

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During the six months ended June 30, 2024, our cash provided by operating activities was \$23,782,000 and our total distributions were \$12,291,000. Therefore, we had cash flow from operations in excess of distributions of approximately \$11,491,000. We anticipate that cash flows from operating activities and our borrowing capacity under our 2022 Facility will provide adequate capital for our working capital requirements, anticipated capital expenditures, acquisitions and scheduled debt payments in the short term. 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 for federal income tax purposes. The funding for Scottsdale Commons acquisition was provided by the Company's credit facility.

Our long-term capital requirements consist primarily of maturities under our longer-term debt agreements, development and redevelopment costs, and potential acquisitions. We expect to meet our long-term liquidity requirements with net cash from operations, long-term indebtedness, sales of common shares, issuance of OP units, sales of underperforming properties and non-core properties and other financing opportunities, including debt financing. We believe we have access to multiple sources of capital to fund our long-term liquidity requirements, including the incurrence of additional debt and the issuance of additional equity. On March 5, 2024, the Company announced an increase to its quarterly distribution to \$0.12375 per common share and OP unit, equal to a monthly distribution of \$0.04125, beginning with the April 2024 distribution. The Board will regularly reassess the dividend in light of economic conditions. As of June 30, 2024, subject to any potential future paydowns in the borrowing base, we have \$115.0 million remaining availability under the 2022 Revolver.

Our ability to access the capital markets will be dependent on a number of factors as well, including general market conditions for REITs and market perceptions about our Company. In light of the dynamics in the capital markets impacted by macro economic factors and economic uncertainty, our access to capital may be diminished. Despite these potential challenges, we believe we have sufficient access to capital for the foreseeable future, but we can provide no assurance that such capital will be available to us on attractive terms or at all.

On May 20, 2022, our universal shelf registration statement on Form S-3 was declared effective by the SEC, which registers the issuance and sale by us of up to \$500 million in securities from time to time, including common shares, preferred shares, debt securities, depositary shares and subscription rights.

On September 9, 2022, we entered into eleven equity distribution agreements for an at-the-market equity distribution program (the "2022 equity distribution agreements") providing for the issuance and sale of up to an aggregate of \$100 million of the Company's common shares pursuant to our Registration Statement on Form S-3 (File No. 333-264881). Actual sales will depend on a variety of factors determined by us from time to time, including (among others) market conditions, the trading price of our common shares, capital needs and our determinations of the appropriate sources of funding for us, and will be made in transactions that will be deemed to be "at-the-market" offerings as defined in Rule 415 under the Securities Act. We have no obligation to sell any of our common shares and can at any time suspend offers under the 2022 equity distribution agreements or terminate the 2022 equity distribution agreements. For the three and six months ended June 30, 2024 and 2023, we did not sell shares under the 2022 equity distribution agreements.

To the extent we sell shares in the future under the 2022 equity distribution agreements, we anticipate using net proceeds for general corporate purposes, which may include acquisitions of additional properties, the repayment of outstanding indebtedness, capital expenditures, the expansion, redevelopment and/or re-tenanting of properties in our portfolio, working capital and other general purposes.

We expect that our rental income will increase as we continue to acquire additional properties, subsequently increasing our cash flows generated from operating activities. We intend to finance the continued acquisition of such additional properties through equity issuances and through debt financing.

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Our capital structure includes non-recourse mortgage debt that we have assumed or originated on certain properties. We may hedge the future cash flows of certain variable rate debt transactions principally through interest rate swaps with major financial institutions. See Note 8 (Derivatives and Hedging Activities) to the accompanying consolidated financial statements for a description of our current cash flow hedges.

As discussed in Note 2 (Summary of Significant Accounting Policies) to the accompanying consolidated financial statements, pursuant to the terms of our \$15.1 million 4.99% Note, due January 6, 2024 (see Note 7 (Debt) to the accompanying consolidated financial statements), which is collateralized by our Anthem Marketplace property, we were required by the lenders thereunder to establish a cash management account controlled by the lenders to collect all amounts generated by our Anthem Marketplace property in order to collateralize such promissory note. The note was paid off in January 2024. As of June 30, 2024, we had no restricted cash.

### **Cash, Cash Equivalents and Restricted Cash**

We had cash, cash equivalents and restricted cash of approximately \$3,231,000 as of June 30, 2024, as compared to \$4,640,000 on December 31, 2023. Sources and uses of cash during the six months ended June 30, 2024 and 2023 were as follows:

#### Sources of Cash

- Proceeds from notes payable of \$56,340,000 for the six months ended June 30, 2024, compared to \$0 for the six months ended June 30, 2023;
- Proceeds from sale of properties of \$25,661,000 for the six months ended June 30, 2024, compared to \$13,447,000 for the six months ended June 30, 2023;
- Cash flow from operations of \$23,782,000 for the six months ended June 30, 2024, compared to \$21,711,000 for the six months ended June 30, 2023;

#### Uses of Cash

- Acquisition of real estate of \$50,136,000 for the six months ended June 30, 2024, compared to \$25,455,000 for the six months ended June 30, 2023;
- Payments of notes payable of \$21,777,000 for the six months ended June 30, 2024, compared to \$26,504,000 for the six months ended June 30, 2023;
- Payment of distributions to common shareholders and OP unit holders of \$12,291,000 for the six months ended June 30, 2024, compared to \$11,992,000 for the six months ended June 30, 2023;
- Net payment of credit facility of \$11,000,000 for the six months ended June 30, 2024, compared to proceeds from of the credit facility of \$48,000,000 for the six months ended June 30, 2023;
- Additions to real estate of \$8,548,000 for the six months ended June 30, 2024, compared to \$8,771,000 for the six months ended June 30, 2023;
- Repurchase of common shares from employees to satisfy tax withholding obligations upon vesting of equity awards of \$2,641,000 for the six months ended June 30, 2024, compared to \$289,000 for the six months ended June 30, 2023;
- Payment of loan origination costs of \$789,000, compared to \$0 for the six months ended June 30, 2023 and;
- Payment of finance lease liability of \$10,000 six months ended June 30, 2024, compared to \$6,000 for the six months ended June 30, 2023.

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

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**Debt**

Debt consisted of the following as of the dates indicated (in thousands):

Description		June 30, 2024	December 31, 2023
Fixed rate notes			
\$265.0 million, 3.18% plus 1.45% to 2.10% Note, due January 31, 2028 (1)	\$ 265,000	\$ 265,000	\$ 265,000
\$80.0 million, 3.72% Note, due June 1, 2027	80,000	80,000	80,000
\$19.0 million 4.15% Note, due December 1, 2024	17,475	17,658	17,427
\$14.0 million 4.34% Note, due September 11, 2024	12,282	12,427	12,427
\$14.3 million 4.34% Note, due September 11, 2024	13,121	13,257	13,257
\$15.1 million 4.99% Note, due January 6, 2024	—	13,350	13,350
\$50.0 million, 5.09% Note, due March 22, 2029 (Series A)	35,714	42,857	42,857
\$50.0 million, 5.17% Note, due March 22, 2029 (Series B)	50,000	50,000	50,000
\$2.5 million 7.79% Note, due February 28, 2025	1,817	—	—
\$50.0 million, 3.71% plus 1.50% to 2.10% Note, due September 16, 2026 (2)	50,000	50,000	50,000
\$56.3 million, 6.23% Note, due July 31, 2031	56,340	—	—
Floating rate notes			
Unsecured line of credit, SOFR plus 1.50% to 2.10%, due September 16, 2026	85,000	96,000	96,000
Total notes payable principal	666,749	640,549	640,549
	(1,082)	(377)	(377)
Less deferred financing costs, net of accumulated amortization			
Total notes payable	\$ 665,667	\$ 640,172	\$ 640,172

(1) Promissory note includes an interest rate swap that fixes the SOFR portion of the term loan at an interest rate of 2.16% through October 28, 2022, 2.76% from October 29, 2022 through January 31, 2024, and 3.32% beginning February 1, 2024 through January 31, 2028.

(2) A portion of the unsecured line of credit includes an interest rate swap to fix the SOFR portion of the loan at 3.71%.

Scheduled maturities of our outstanding debt as of June 30, 2024 were as follows (in thousands):

Year	Amount Due
2024 (remaining)	\$ 44,241
2025	17,596
2026	152,143
2027	97,414
2028	282,823
Thereafter	72,532
Total	\$ 666,749

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On June 21, 2024, Whitestone REIT, operating through its subsidiaries Whitestone Strand LLC, Whitestone Las Colinas Village LLC, and Whitestone Seville, LLC (collectively, the "Borrower"), entered into a loan agreement (the "Loan Agreement") with Nationwide Life Insurance Company (the "Lender") for a mortgage loan in the principal amount of \$56,340,000 (the "Loan").

The Loan provides for a fixed interest rate of 6.23% per annum. Payments commence on August 1, 2024, and are due on the first day of each calendar month thereafter through July 1, 2031, with interest-only payments for the first 36 months. Monthly payments consist of principal and interest based on a 30-year amortization schedule beginning on August 1, 2027. The Loan may be prepaid in full but not in part, provided that, as conditions precedent, Borrower: (i) gives Lender not less than fifteen (15) days prior notice of Borrower's intention to prepay the Loan; (ii) pays to Lender the prepayment premium as set forth in the Loan Agreement, if any, then due and payable to Lender; and (iii) pays to Lender all other amounts then due under the loan documents. No prepayment premium is required for prepayments in full made on or after six months prior to the maturity date.

The Loan is a non-recourse loan secured by three of the Company's properties including their related equipment, fixtures, personal property, and other assets, and a limited carve-out guarantee by the Company's operating partnership.

The loan documents contain customary terms and conditions, including without limitation affirmative and negative covenants such as information reporting and insurance requirements. The loan documents also contain customary events of default, including defaults in the payment of principal or interest, defaults in compliance with the covenants, and bankruptcy or other insolvency events. Upon the occurrence of an event of default, the Lender is entitled to accelerate all obligations of the Borrower. The Lender will also be entitled to receive the entire unpaid principal balance at a default rate.

The Loan proceeds will be used to pay down the Borrower's existing floating rate indebtedness.

On September 16, 2022 we, through our Operating Partnership, entered into an unsecured credit facility (the "2022 Facility") with the lenders party thereto, Bank of Montreal, as administrative agent (the "Administrative Agent"), Truist Bank, as syndication agent, and BMO Capital Markets Corp., Truist Bank, Capital One, National Association, and U.S. Bank National Association, as co-lead arrangers and joint book runners. The 2022 Facility amended and restated the Company's previous unsecured revolving credit facility, dated January 31, 2019 (the "2019 Facility").

The 2022 Facility is comprised of the following three tranches:

- \$250.0 million unsecured revolving credit facility with a maturity date of September 16, 2026 (the "2022 Revolver");
- \$265.0 million unsecured term loan with a maturity date of January 31, 2028 ("Term Loan").

Borrowings under the 2022 Facility accrue interest (at the Operating Partnership's option) at a Base Rate or an Adjusted Term SOFR plus an applicable margin based upon our then existing leverage. As of June 30, 2024, the interest rate on the 2022 Revolver was 6.88%. Based on our current leverage ratio, the revolver has initial interest rate of SOFR plus 1.60% and a 10 basis point credit spread adjustment. In addition, we entered into interest rate swaps to fix the interest rates on the Term Loan. The Term Loan with the swaps has the following interest rates:

- 2.16% plus 1.55% through October 28, 2022
- 2.80% plus 1.55% from October 29, 2022 through January 31, 2024
- 3.42% plus 1.55% from February 1, 2024 through January 31, 2028

The 2022 Facility also has a pricing provision where the applicable margin can be adjusted by an aggregate 0.02% per annum based on the Company's performance on certain sustainability performance targets. Base Rate means, for any day, the higher of: (a) the Administrative Agent's prime commercial rate, (b) the sum of (i) the rate per annum equal to the weighted average of the rates on overnight federal funds transactions with members of the Federal Reserve System, as published by the Federal Reserve Bank of New York for such day, plus (ii) 0.50%, or (c) the sum of (i) Adjusted Term SOFR for a one-month tenor in effect on such day plus (ii) 1.10%. Adjusted Term SOFR means, for any such day, the sum of (i) the SOFR-based term rate for the day two (2) business days prior and (ii) 0.10%.

The 2022 Facility includes an accordion feature that will allow the Operating Partnership to increase the borrowing capacity by \$200.0 million, upon the satisfaction of certain conditions. As of June 30, 2024, subject to any potential future paydowns or increases in the borrowing base, we have \$115.0 million remaining availability under the 2022 Revolver. As of June 30, 2024, \$400.0 million was drawn on the 2022 Facility and our unused borrowing capacity was \$115.0 million, assuming that we use the proceeds of the 2022 Facility to acquire properties, or to repay debt on properties, that are eligible to be included in the unsecured borrowing base.

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The Company, each direct and indirect material subsidiary of the Operating Partnership and any other subsidiary of the Operating Partnership that is a guarantor under any unsecured ratable debt will serve as a guarantor for funds borrowed by the Operating Partnership under the 2022 Facility. The 2022 Facility contains customary terms and conditions, including, without limitation, customary representations and warranties and affirmative and negative covenants including, without limitation, information reporting requirements, limitations on investments, acquisitions, loans and advances, mergers, consolidations and sales, incurrence of liens, dividends and restricted payments. In addition, the 2022 Facility contains certain financial covenants including the following:

- maximum total indebtedness to total asset value ratio of 0.60 to 1.00;
- maximum secured debt to total asset value ratio of 0.40 to 1.00;
- minimum EBITDA (earnings before interest, taxes, depreciation, amortization or extraordinary items) to fixed charges ratio of 1.50 to 1.00;
- maximum secured recourse debt to total asset value ratio of 0.15 to 1.00; and
- maintenance of a minimum tangible net worth (adjusted for accumulated depreciation and amortization) of \$449 million plus 75% of the net proceeds from additional equity offerings (as defined therein).

On March 22, 2019, we, through our Operating Partnership, entered into a Note Purchase and Guarantee Agreement (the "Note Agreement") together with certain subsidiary guarantors as initial guarantor parties thereto (the "Subsidiary Guarantors") and The Prudential Insurance Company of America and the various other purchasers named therein (collectively, the "Purchasers") providing for the issuance and sale of \$100 million of senior unsecured notes of the Operating Partnership, of which (i) \$50 million are designated as 5.09% Series A Senior Notes due March 22, 2029 (the "Series A Notes") and (ii) \$50 million are designated as 5.17% Series B Senior Notes due March 22, 2029 (the "Series B Notes" and, together with the Series A Notes, the "Notes") pursuant to a private placement that closed on March 22, 2019 (the "Private Placement"). Obligations under the Notes are unconditionally guaranteed by the Company and by the Subsidiary Guarantors.

On December 16, 2022, Whitestone REIT (the "Company") and its operating partnership, Whitestone REIT Operating Partnership, L.P. (the "Operating Partnership"), amended its Note Purchase and Guarantee Agreement originally executed on March 22, 2019 (the "Existing Note Agreement"), pursuant to the terms and conditions of an Amendment No. 1 to Note Purchase and Guaranty Agreement, dated as of December 16, 2022 (the Existing Note Purchase Agreement, as so amended, the "Amended Note Agreement"), by and among the Company and the Operating Partnership, together with certain subsidiary guarantors as initial guarantor parties thereto and The Prudential Insurance Company of America and the various other purchasers named therein.

Neither the term of the Existing Note Agreement, the interest rate, nor the principal amounts, were amended. The purpose of the amendment is to conform certain covenants and defined terms contained in the Amended Note Agreement with the Company's recently amended unsecured credit facility with the lenders party thereto, Bank of Montreal, as administrative agent, Truist Bank, as syndication agent, and BMO Capital Markets Corp., Truist Bank, Capital One, National Association, and U.S. Bank National Association, as co-lead arrangers and joint book runners.

The principal of the Series A Notes began to amortize on March 22, 2023 with annual principal payments of approximately \$7.1 million. The principal of the Series B Notes will begin to amortize on March 22, 2025 with annual principal payments of \$10.0 million. The Notes will pay interest quarterly on the 22nd day of March, June, September and December in each year until maturity.

The Operating Partnership may prepay at any time all, or from time to time part of, the Notes, in an amount not less than \$1,000,000 in the case of a partial prepayment, at 100% of the principal amount so prepaid, plus a make-whole amount. The make-whole amount is equal to the excess, if any, of the discounted value of the remaining scheduled payments with respect to the Notes being prepaid over the aggregate principal amount of such Notes (as described in the Note Agreement). In addition, in connection with a Change of Control (as defined in the Note Purchase Agreement), the Operating Partnership is required to offer to prepay the Notes at 100% of the principal amount plus accrued and unpaid interest thereon.

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The Note Agreement contains representations, warranties, covenants, terms and conditions customary for transactions of this type and substantially similar to the Operating Partnership's existing senior revolving credit facility, including limitations on liens, incurrence of investments, acquisitions, loans and advances and restrictions on dividends and certain other restricted payments. In addition, the Note Agreement contains certain financial covenants substantially similar to the Operating Partnership's existing senior revolving credit facility, including the following:

- maximum total indebtedness to total asset value ratio of 0.60 to 1.00;
- maximum secured debt to total asset value ratio of 0.40 to 1.00;
- minimum EBITDA (earnings before interest, taxes, depreciation, amortization or extraordinary items) to fixed charges ratio of 1.50 to 1.00;
- maximum secured recourse debt to total asset value ratio of 0.15 to 1.00;
- maintenance of a minimum tangible net worth (adjusted for accumulated depreciation and amortization) of 75% of the Company's total net worth as of December 31, 2021 plus 75% of the net proceeds from additional equity offerings (as defined therein); and
- minimum adjusted property NOI to implied unencumbered debt service ratio of 1.50 to 1.00.

In addition, the Note Agreement contains a financial covenant requiring that maximum unsecured indebtedness not exceed the ratio of unsecured indebtedness to unencumbered asset pool of 0.60 to 1.00. That covenant is substantially similar to the borrowing base concept contained in the Operating Partnership's existing senior revolving credit facility.

The Note Agreement also contains default provisions, including defaults for non-payment, breach of representations and warranties, insolvency, non-performance of covenants, cross-defaults with other indebtedness and guarantor defaults. The occurrence of an event of default under the Note Agreement could result in the Purchasers accelerating the payment of all obligations under the Notes. The financial and restrictive covenants and default provisions in the Note Agreement are substantially similar to those contained in the Operating Partnership's existing credit facility.

Net proceeds from the Private Placement were used to refinance existing indebtedness. The Notes have not been and will not be registered under the Securities Act of 1933, as amended (the "Securities Act"), and may not be offered or sold in the United States absent registration or an applicable exemption from the registration requirements of the Securities Act. The Notes were sold in reliance on the exemption from registration provided by Section 4(a)(2) of the Securities Act.

As of June 30, 2024, our \$179.22 million in secured debt was collateralized by seven properties with a carrying value of \$270.5 million. Our loans contain restrictions that would require the payment of prepayment penalties for the acceleration of outstanding debt and are secured by deeds of trust on certain of our properties and by assignment of the rents and leases associated with those properties. As of June 30, 2024, we were in compliance with all loan covenants.

Refer to Note 7 (Debt) to the accompanying consolidated financial statements for additional information regarding debt.

## **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 that we believe have potential for increasing value. We also may have unexpected capital expenditures or improvements for our existing assets. Additionally, we intend to continue investing in similar properties outside of the markets on which we focus 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.

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The following is a summary of the Company's capital expenditures for the three and six month periods ended June 30, 2024 and 2023 (in thousands):

<b>Capital expenditures:</b>	<b>Three Months Ended June 30,</b>		<b>Six Months Ended June 30,</b>	
	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
Tenant improvements and allowances	\$ 3,007	\$ 1,992	\$ 6,274	\$ 3,455
Developments / redevelopments	738	1,342	2,209	1,885
Leasing commissions and costs	726	651	1,480	1,065
Maintenance capital expenditures	1,429	1,908	1,694	3,431
Total capital expenditures (1)	<u>\$ 5,900</u>	<u>\$ 5,893</u>	<u>\$ 11,657</u>	<u>\$ 9,836</u>

(1) Total capital expenditures include the non cash accrued capital expenditures line item as reported in the consolidated statements of cash flows.

## **Distributions**

U.S. federal income tax law generally requires that a REIT distribute annually to its shareholders at least 90% of its REIT taxable income, without regard to the deduction for dividends paid and excluding net capital gains, and that it pay tax at regular corporate rates on any taxable income that it does not distribute. We currently, and intend to continue to, accrue distributions quarterly and make distributions in three monthly installments following the end of each quarter. For a discussion of our cash flow as compared to dividends, see "Management's Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources."

The timing and frequency of our distributions are authorized and declared by our Board of Trustees in exercise of its business judgment based upon a number of factors, including:

- our funds from operations;
- our debt service requirements;
- our capital expenditure requirements for our properties;
- our taxable income, combined with the annual distribution requirements necessary to maintain REIT qualification;
- requirements of Maryland law;
- our overall financial condition; and
- other factors deemed relevant by our Board of Trustees.

Any distributions we make will be at the discretion of our Board of Trustees and we cannot provide assurance that our distributions will be made or sustained in the future.

On March 5, 2024, the Company announced an increase to its quarterly distribution to \$0.12375 per common share and OP unit, equal to a monthly distribution of \$0.04125, beginning with the April 2024 distribution. The Board will continue to regularly reassess the dividend level.

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During the six months ended June 30, 2024, we paid distributions to our common shareholders and OP unit holders of \$12.3 million, compared to \$12.0 million in the six months ended June 30, 2023. Common shareholders and OP unit holders receive monthly distributions. Payments of distributions are declared quarterly and paid monthly. The following table summarizes the cash distributions paid or payable to holders of our common shares and noncontrolling OP units during each quarter of 2023 and the six months ended June 30, 2024 (in thousands, except per share data):

Quarter Paid	Common Shares		Noncontrolling OP Unit Holders		Total
	Distributions Per Common Share	Amount Paid	Distributions Per OP Unit	Amount Paid	
<b>2024</b>					
Second Quarter	\$ 0.1238	\$ 6,162	\$ 0.1238	\$ 80	\$ 6,242
First Quarter	0.1200	5,969	0.1200	80	6,049
<b>Total</b>	<b>\$ 0.2438</b>	<b>\$ 12,131</b>	<b>\$ 0.2438</b>	<b>\$ 160</b>	<b>\$ 12,291</b>
<b>2023</b>					
Fourth Quarter	\$ 0.1200	\$ 5,930	\$ 0.1200	\$ 83	\$ 6,013
Third Quarter	0.1200	5,928	0.1200	83	6,011
Second Quarter	0.1200	5,913	0.1200	83	5,996
First Quarter	0.1200	5,913	0.1200	83	5,996
<b>Total</b>	<b>\$ 0.4800</b>	<b>\$ 23,684</b>	<b>\$ 0.4800</b>	<b>\$ 332</b>	<b>\$ 24,016</b>

## **Taxes**

We elected to be taxed as a REIT under 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 a manner to qualify and be taxed as a REIT, and we intend to operate so as to remain qualified as a REIT for federal income tax purposes.

## **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**

**Guarantees.** We may guarantee the debt of a real estate partnership primarily because it allows the real estate partnership to obtain funding at a lower cost than could be obtained otherwise. This results in a higher return for the real estate partnership on its investment, and a higher return on our investment in the real estate partnership. We may receive a fee from the real estate partnership for providing the guarantee. Additionally, when we issue a guarantee, the terms of the real estate partnership's partnership agreement typically provide that we may receive indemnification from the real estate partnership or have the ability to increase our ownership interest. See Note 6 (Investment in Real Estate Partnership) to the accompanying consolidated financial statements for information related to our former guarantee of the real estate partnership's debt, which is no longer in effect.

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### **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 refers to the risk of loss from adverse changes in market prices and interest rates. Based upon the nature of our operations, we are not subject to foreign exchange rate or commodity price risk. The principal market risk to which we are exposed is the risk related to interest rate fluctuations. Many factors, including governmental monetary and tax policies, domestic and international economic and political considerations, and other factors that are beyond our control contribute to interest rate risk. Our interest rate risk objective is to limit the impact of interest rate fluctuations on earnings and cash flows and to lower our overall borrowing costs. To achieve this objective, we manage our exposure to fluctuations in market interest rates for our borrowings through the use of fixed rate debt instruments to the extent that reasonably favorable rates are obtainable.

All of our financial instruments were entered into for other than trading purposes.

#### **Fixed Interest Rate**

As of June 30, 2024, \$581.7 million, or approximately 87% of our total outstanding debt, was subject to fixed interest rates, which limit the risk of fluctuating interest rates. Although a change in the market interest rates affects the fair market value of our fixed interest rate debt, it does not impact net income to shareholders or cash flows. Our total outstanding fixed interest rate debt had an average effective interest rate as of June 30, 2024 of approximately 4.85% per annum with scheduled maturities ranging from 2024 to 2031. See Note 7 (Debt) to the accompanying consolidated financial statements for further detail. Holding other variables constant, a 1% increase or decrease in interest rates would cause a \$15.5 million decline or increase, respectively, in the fair value for our fixed rate debt.

#### **Variable Interest Rate Debt**

As of June 30, 2024, \$85.0 million, or approximately 13% of our outstanding debt, was subject to floating interest rates of SOFR plus 1.50% to 2.10% and not currently subject to a hedge. The impact of a 1% increase or decrease in interest rates on our non-hedged variable rate debt would result in a decrease or increase of annual net income of approximately \$0.9 million, respectively.

#### **Credit Risk**

Credit risk may be increased as a result of macroeconomic factors such as inflation, rising interest rates, and financial institution disruptions. Actions taken by the U.S. and international governments to decrease the impact of inflation, including rising interest rates, may result in a continued decline in global economic activity generally, and may adversely affect the financial condition of our tenants in particular. Although the full extent of the adverse impacts on our tenants cannot be predicted, in future periods we may experience reductions in on-time payments or closures of tenants' businesses, which could have a material adverse effect on our results of operations, cash flows and financial condition.

### **Item 4. Controls and Procedures.**

#### **Evaluation of Disclosure Controls and Procedures**

The Company's management is responsible for establishing and maintaining adequate disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Disclosure controls and procedures means controls and other procedures of the Company that are designed to ensure that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act, is recorded, processed, summarized, and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the Company's management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. Based on the evaluation of our disclosure controls and procedures as of June 30, 2024, our principal executive and financial officers have concluded that such disclosure controls and procedures were effective.

#### **Changes in Internal Control Over Financial Reporting**

There have been no changes in our internal control over financial reporting during the six months ended June 30, 2024 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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## **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 financial position, results of operations or liquidity.

#### **Guarantor for Pillarstone OP's Loan**

The Company had a limited guarantee on Pillarstone OP's loan for its Uptown Tower property located in Dallas, Texas, with an aggregate principal amount of \$14.4 million as of September 30, 2023. The guarantee was a so-called "bad boy" carve-out guarantee, which is generally only applicable if and when the borrower engages in acts such as fraud, prohibited transfers, breaches of material representations, environmental matters, and bankruptcy. The debt matured on October 4, 2023, and was in default, as Pillarstone OP failed to refinance the loan. The loan was also secured by the Uptown Tower property. On October 24, 2023, the Lender provided notice of a planned foreclosure sale on December 5, 2023. The Lender also claimed that an additional sum of \$4.6 million was due which included default interest of approximately \$6.3 million and net credits from escrowed funds and other charges of approximately \$1.7 million.

On December 1, 2023, the Company reached an agreement with the Lender that would avoid foreclosure and secure the release of the lien and discharge of the guarantee, and the Company negotiated and satisfied a payoff as of December 4, 2023, in the amount of \$13,632,764 (the "DPO Amount"). The DPO Amount included a compromise settlement of approximately \$1,688,000 for the disputed default interest and other fees. The Company's share of it was recorded in the 4th quarter of fiscal year 2023 in the financial statement line equity (deficit) in earnings of real estate partnership. Per the agreement, this payment would satisfy the Loan. The Company wired the DPO Amount to Lender on December 4, 2023, with accompanying releases as required by Lender, fully satisfying the agreement.

On December 1, 2023, Pillarstone OP authorized and filed the Chapter 11 bankruptcy of its special purpose entity borrower that owns Uptown Tower, in the United States Bankruptcy Court for the Northern District of Texas. On January 25, 2024, the Company exercised its notice of redemption for substantially all of its investment in Pillarstone OP. On February 9, 2024, the Lender filed suit in New York County against the guarantor Whitestone OP and the Company for alleged amounts due under the guarantee. On March 4, 2024, Pillarstone REIT authorized and filed the Chapter 11 bankruptcy of itself, Pillarstone OP, and the remainder of its special purpose entities in the United States Bankruptcy Court for the Northern District of Texas (the "Pillarstone Bankruptcies").

On April 24, 2024, the lender and Pillarstone OP filed a motion with the bankruptcy court seeking approval to settle the dispute and dismiss their mutual lawsuits including the lawsuit by the lender against the Company as Guarantor of the loan. On or before June 10, 2024, Pillarstone OP agreed to pay to the lender the sum of \$1,123,950.24 plus all attorneys' fees and costs (not to exceed \$20,000.00) incurred by the lender from April 10, 2024 through the date of receipt of such payment. Upon timely receipt of the cash payment from Pillarstone OP, the lender applied the \$13,632,764.25 tendered to it by Whitestone REIT Operating Partnership, L.P., and the guaranty was subsequently released. The Company is pursuing collection of the DPO amount from Pillarstone in the Pillarstone Bankruptcies through a subrogation claim against Pillarstone OP.

#### **Litigation between the Company and Pillarstone REIT**

On September 16, 2022, Pillarstone Capital REIT and Pillarstone Capital REIT Operating Partnership, L.P. filed suit against the Company and certain of its subsidiaries (Whitestone TRS, Inc. and Whitestone REIT Operating Partnership, L.P.) along with certain of its executives (Peter Tropoli, Christine Mastandrea, and David Holeman) in the District Court of Harris County, Texas, alleging claims relating to the limited partnership agreement between Pillarstone Capital REIT and Whitestone REIT Operating Partnership, as well as the termination of Management Agreements between Pillarstone Capital REIT Operating Partnership, L.P. and Whitestone TRS, Inc. On November 25, 2022, the claims against Peter Tropoli, Christine Mastandrea and David Holeman were dismissed. The claimants seek monetary relief in excess of \$1,000,000 in damages and equitable relief. However, the Company denies the claims, has substantial legal and factual defenses against the claims, and intends to vigorously defend against the claims. The Company does not believe a probable loss will be incurred, nor does it anticipate a material adverse effect on its financial position, results of operations, cash flows or liquidity. Therefore, the Company has not recorded a charge as a result of this action.

#### **Former COO Litigation**

On May 9, 2023, the Company's former COO, John Dee, filed suit against the Company in the District Court of Harris County, Texas. Claimant purports to assert claims for breach of his change-in-control agreement arising from the Company's termination of its former CEO James Mastandrea for cause, and is seeking monetary relief in excess of \$1,000,000 in damages and equitable relief. The Company denies the claims, has substantial legal and factual defenses against the claims, and intends to vigorously defend against the claims. The Company does not believe a probable loss will be incurred, nor does it anticipate a material adverse effect on its financial position, results of operations, cash flows or liquidity. Therefore, the Company has not recorded a charge as a result of this action.

#### **Former CEO Litigation**

On February 23, 2022, the Company's former CEO, James Mastandrea, filed suit against the Company and certain of its trustees (Nandita Berry, Jeff Jones, Jack Mahaffey, and David Taylor) and officers (David Holeman, Christine Mastandrea, Peter Tropoli) in the District Court of Harris County, Texas, alleging \$25 million in damages and equitable relief claims relating to the termination of his employment, including breach of his employment contract, negligence, tortious interference with contract, civil conspiracy, and declaratory judgment. On September 12, 2022, the claim for breach of fiduciary duty was dismissed and a claim for negligence was added (as to the trustee defendants).

On December 6, 2023, the 215th District Court of Harris County granted summary judgement and dismissed all claims against the Company related to the termination of Mr. Mastandrea. The court also dismissed all claims against certain of the Company's trustees and officers. The dismissal is subject to appeal. A trial to adjudicate the Company's counter-claims against Mr. Mastandrea for breach of fiduciary duty, theft, and conversion of company property remains.

#### **Pillarstone Rights Plan**

On December 26, 2021, the Board of Trustees of Pillarstone REIT adopted a new shareholder rights agreement (the "Pillarstone Rights Agreement"). Because Pillarstone REIT sought to use the Pillarstone Rights Agreement to prevent Whitestone OP from exercising its contractual Redemption Right, on July 12, 2022, Whitestone OP filed suit against Pillarstone REIT in the Court of Chancery of the State of Delaware challenging the Pillarstone Rights Agreement.

On September 8, 2022, Whitestone OP's Motion to Preserve the Status Quo was granted by the Court, limiting Pillarstone OP from engaging in any acts outside the ordinary course of business and otherwise imposing restrictions on Pillarstone OP to ensure that Whitestone's right of redemption is not impaired while the underlying dispute is being considered by the Court.

On January 25, 2024, the Delaware Court of Chancery held that Pillarstone breached the implied covenant of good faith and fair dealing when it adopted the Pillarstone Rights Agreement that thwarted Whitestone OP from exercising the unfettered contractual redemption right it obtained in connection with its investment in the partnership; and the Court held that the Rights Plan was unenforceable as to the limited partner and allowed Whitestone OP to exercise its redemption right; allowed Pillarstone to determine the current value of the Partnership's assets; and, as necessary, later enter a monetary judgment against Pillarstone for the difference between the amount Whitestone would have received in or around December 2021 and the current value.

On January 25, 2024, the Company exercised its notice of redemption for substantially all of its investment in Pillarstone OP.

On March 4, 2024, Pillarstone REIT authorized and filed the Chapter 11 bankruptcy of itself, Pillarstone OP, and the remainder of its special purpose entities in the United States Bankruptcy Court for the Northern District of Texas.

As of the date of this filing, Whitestone has not received consideration for its redemption of its equity investment in Pillarstone OP as required by the partnership agreement. The Company has filed a claim in the Pillarstone Bankruptcies for the value of its redemption claim along with interest and other costs. We intend to pursue collection of amounts due from Pillarstone OP through all means necessary and while we do not know the ultimate amount to be collected, we believe the amount will be in excess of the current carrying value of our equity investment in Pillarstone OP.

#### **Item 1A. Risk Factors.**

There has been no material change in our risk factors from those previously disclosed in Part I, Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2023 other than the following.

##### ***Risk associated with the Kroger acquisition of Albertsons.***

On October 14, 2022, Kroger Co. ("Kroger") announced its intention to acquire Albertsons Companies, Inc. ("Albertsons"). In connection with obtaining the regulatory clearance necessary to close the transaction, C&S Wholesale Grocers has entered into a definitive agreement to purchase 579 stores. As of June 30, 2024, the Company had 3 grocery stores owned by Albertsons as the Company's tenants, and 2 grocery stores in shadow space adjacent to Company properties. If the acquisition is approved by regulating authorities, any of the Albertsons' stores currently leasing from Whitestone REIT could be purchased by C&S Wholesale Grocers, and such assignment could potentially result in adverse changes to the traffic and profitability of the shopping center in which it is located.

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

(a) During the period covered by this Quarterly Report on Form 10-Q, we did not sell any equity securities that were not registered under the Securities Act of 1933, as amended.

(b) Not applicable.

(c) During the three months ended June 30, 2024, certain of our employees tendered owned common shares to satisfy the tax withholding on the lapse of certain restrictions on restricted common shares issued under the 2018 Plan. The following table summarizes all of these repurchases during the three months ended June 30, 2024.

Period	Total Number of Shares Purchased (1)	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet be Purchased Under the Plans or Programs
April 1, 2024 - April 30, 2024	—	\$ —	—	N/A
May 1, 2024 - May 31, 2024	—	—	—	N/A
June 1, 2024 - June 30, 2024	90,115	13.31	—	N/A
<b>Total</b>	<b>90,115</b>	<b>\$ 13.31</b>	<b>—</b>	<b>N/A</b>

(1) The number of shares purchased represents common shares held by employees who tendered owned common shares to satisfy the tax withholding on the lapse of certain restrictions on restricted common shares issued under the 2018 Plan. With respect to these shares, the price paid per share is based on the fair market value at the time of tender.

**Item 3. Defaults Upon Senior Securities.**

None.

**Item 4. Mine Safety Disclosures.**

Not applicable.

**Item 5. Other Information.**

During the three months ended June 30, 2024, no trustee or officer of the Company adopted or terminated a "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement," as each term is defined in Item 408(a) of Regulation S-K.

**Item 6. Exhibits.**

The exhibits listed on the accompanying Exhibit Index are filed, furnished and incorporated by reference (as stated therein) as part of this Report.

EXHIBIT INDEX

**Exhibit No.** **Description**

<a href="#"><u>3.1.1</u></a>	<a href="#"><u>Articles of Amendment and Restatement 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)</u></a>
<a href="#"><u>3.1.2</u></a>	<a href="#"><u>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)</u></a>
<a href="#"><u>3.1.3</u></a>	<a href="#"><u>Articles of Amendment (previously filed as and incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K, filed on August 24, 2010)</u></a>
<a href="#"><u>3.1.4</u></a>	<a href="#"><u>Articles of Amendment (previously filed as and incorporated by reference to Exhibit 3.2 to the Registrant's Current Report on Form 8-K, filed on August 24, 2010)</u></a>
<a href="#"><u>3.1.5</u></a>	<a href="#"><u>Articles Supplementary (previously filed as and incorporated by reference to Exhibit 3.3 to the Registrant's Current Report on Form 8-K, filed on August 24, 2010)</u></a>
<a href="#"><u>3.1.6</u></a>	<a href="#"><u>Articles of Amendment (previously filed as and incorporated by reference to Exhibit 3.1.1 to the Registrant's Current Report on Form 8-K, filed on June 27, 2012)</u></a>
<a href="#"><u>3.1.7</u></a>	<a href="#"><u>Articles of Amendment (previously filed as and incorporated by reference to Exhibit 3.1.2 to the Registrant's Current Report on Form 8-K, filed on June 27, 2012)</u></a>
<a href="#"><u>3.1.8</u></a>	<a href="#"><u>Articles of Amendment (previously filed as and incorporated by reference to Exhibit 3.1.8 to the Registrant 's Annual Report on Form 10-K, filed on March 2, 2020)</u></a>
<a href="#"><u>3.1.9</u></a>	<a href="#"><u>Articles Supplementary for Series A Preferred Shares (previously filed and incorporated by reference to Exhibit 3.1. to the Registrant 's Current Report on Form 8-K filed on May 15, 2020)</u></a>
<a href="#"><u>3.2.1</u></a>	<a href="#"><u>Amended and Restated Bylaws 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 March 24,2020)</u></a>
<a href="#"><u>3.2.2</u></a>	<a href="#"><u>Amendment No. 1 to Amended and Restated Bylaws 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 January 19, 2022)</u></a>
<a href="#"><u>3.2.3</u></a>	<a href="#"><u>Amendment No. 2 to Amended and Restated Bylaws 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 March 30, 2022)</u></a>
<a href="#"><u>10.1</u></a>	<a href="#"><u>Loan Agreement dated June 21, 2024, by and among Whitestone Strand LLC, Whitestone Las Colinas Village LLC, Whitestone Seville LLC, and Nationwide Life Insurance Company (incorporated by reference to Exhibit 10.1 on Form 8-K, filed June 27, 2024).</u></a>
<a href="#"><u>10.2</u></a>	<a href="#"><u>Fixed Rate Promissory Note by Whitestone Strand LLC, Whitestone Las Colinas Village LLC, Whitestone Seville LLC to Nationwide Life Insurance Company, dated June 21, 2024 (incorporated by reference to Exhibit 10.2 on Form 8-K, filed June 27, 2024).</u></a>
<a href="#"><u>10.3</u></a>	<a href="#"><u>Carveout Guaranty by Whitestone REIT Operating Partnership, L.P. to Nationwide Life Insurance Company, dated June 21, 2024 (incorporated by reference to Exhibit 10.3 on Form 8-K, filed June 27, 2024).</u></a>
<a href="#"><u>10.4</u></a>	<a href="#"><u>Form of Restricted Common Share Unit Award Agreement (time-based)</u></a>
<a href="#"><u>10.5</u></a>	<a href="#"><u>Form of Restricted Common Share Unit Award Agreement (performance-based)</u></a>
<a href="#"><u>31.1*</u></a>	<a href="#"><u>Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u></a>
<a href="#"><u>31.2*</u></a>	<a href="#"><u>Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u></a>
<a href="#"><u>32.1**</u></a>	<a href="#"><u>Certificate of Chief Executive Officer pursuant to Section 906 o f the Sarbanes-Oxley Act of 2002</u></a>
<a href="#"><u>32.2**</u></a>	<a href="#"><u>Certificate of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxle y Act of 2002</u></a>
<a href="#"><u>101</u></a>	<a href="#"><u>The following financial information of the Registrant for the quarter ended June 30, 2024, formatted in Inline XBRL (eXtensible Business Reporting Language): (i) the Consolidated Balance Sheets as of June 30, 2024 (unaudited) and December 31, 2023, (ii) the Consolidated Statements of Operations and Comprehensive Income for the three and six month periods ended June 30, 2024 and 2023 (unaudited), (iii) the Consolidated Statements of Changes in Equity for the three and six month periods ended June 30, 2024 and 2023 (unaudited), (iv) the Consolidated Statement of Cash Flows for the six months ended June 30, 2024 and 2023 (unaudited) and (v) the Notes to the Consolidated Financial Statements (unaudited).</u></a>
<a href="#"><u>104</u></a>	<a href="#"><u>Cover Page Interactive Data File - the cover page XBRL tags are embedded within the Inline XBRL document and in Exhibit 101.</u></a>

\* Filed herewith.

\*\* Furnished herewith.

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**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.

Date: August 1, 2024

**WHITESTONE REIT**  
/s/ David K. Holeman  
David K. Holeman  
Chief Executive Officer  
(Principal Executive Officer)

Date: August 1, 2024

/s/ John S. Hogan  
John S. Hogan  
Chief Financial Officer  
(Principal Financial and Principal Accounting Officer)

## RESTRICTED COMMON SHARE UNIT AWARD AGREEMENT

THIS RESTRICTED COMMON SHARE UNIT AWARD AGREEMENT (this "Agreement") is entered into as of [Grant Date] (the "Effective Date"), by and between Whitestone REIT, a Maryland real estate investment trust (the "Company"), and [Participant] (the "Participant"). Capitalized terms not defined in this Agreement shall have the meanings ascribed to such terms in the 2018 Long-Term Equity Incentive Ownership Plan, as it may be amended from time to time (the "Plan").

WHEREAS, the Company maintains the Plan, which is incorporated into and forms a part of this Agreement, and the Participant is an Employee and has been selected by the Committee to receive an award of Restricted Common Share Units under the Plan.

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

1. Restricted Common Share Unit Award. The Participant is hereby granted [Total Number of Units] Restricted Common Share Units (the "Units") subject to the restrictions and on the terms and conditions set forth in this Agreement (the "Award"). Each Unit shall represent the right to receive one (1) Common Share.

2. Restriction on the Units.

(a) Period of Restriction. Except as otherwise set forth herein, all the Units issued to the Participant pursuant to this Agreement shall be subject to a period of restriction (the "Period of Restriction") during which the Participant's rights in and to such Units 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 Units are subject to the Period of Restriction, such Units are referred to herein as "Restricted Units."

(c) Delivery of the Common Shares. Subject to Section 2(d) below, upon the lapse of the Period of Restriction, each Restricted Unit that vests shall be converted into the right to receive a Common Share to the extent Common Shares remain available for issuance under the Plan. Each remaining Restricted Unit that vests shall be converted into the right to receive in cash the Fair Market Value of a Common Share. The Company will deliver to the Participant a Common Share or the Fair Market Value of a Common Share, as applicable, for each such Unit on the applicable date of the lapse of the Period of Restriction or as soon as practicable (and in all events within 74 days) thereafter. The form of delivery of Common Shares (e.g., a share certificate or electronic entry evidencing such shares) shall be determined by the Company.

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(d) Termination of Service. Notwithstanding any other provision of this Agreement to the contrary, if the Participant's service as an Employee terminates for any reason (or no reason), other than the Participant's death or Disability, any Restricted Units that are subject to the Period of Restriction on the date of the Participant's termination shall be immediately forfeited by the Participant and shall be automatically transferred to and reacquired by the Company at no cost to the Company, and neither the Participant nor his or her heirs, executors, administrators or successors shall have any right or interest in such Restricted Units or the underlying Common Shares. In the event of the Participant's death or Disability, any Restricted Units that are subject to the Period of Restriction on the date of death or Disability shall immediately vest and the Participant or his or her heirs, executors, administrators or successors shall have the right and interest in such Restricted Units.

3. No Rights as a Shareholder. Until Common Shares shall have been delivered to the Participant in accordance with Section 2(c) hereof, subject to the terms of this Agreement and the Plan, the Participant shall have 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 or dividend equivalents with respect to the Restricted Units.

4. Change in Control. Notwithstanding Section 2 of this Agreement, if the Participant holds Restricted Units at the time a Change in Control occurs, the Period of Restriction with respect to such Restricted Units granted in Section 1 shall automatically lapse immediately prior to the consummation of such Change in Control. Change in Control shall mean any of the following events:

- i. any person or entity, including a "group" as defined in Section 13(d)(3) of the Exchange Act, other than the Company or a wholly-owned subsidiary thereof or any employee benefit plan of the Company or any of its Subsidiaries, becomes the beneficial owner of the Company's securities having 35% or more of the combined voting power of the then outstanding securities of the Company that may be cast for the election of trustees of the Company (other than as a result of an issuance of securities initiated by the Company in the ordinary course of business);
- ii. as the result of, or in connection with, any cash tender or exchange offer, merger or other business combination or contested election, or any combination of the foregoing transactions, less than a majority of the combined voting power of the then outstanding securities of the Company or any successor company or entity entitled to vote generally in the election of the trustees of the Company or such other corporation or entity after such transaction are held in the aggregate by the holders of the Company's securities entitled to vote generally in the election of trustees of the Company immediately prior to such transaction;
- iii. during any period of two (2) consecutive years, individuals who at the beginning of any such period constitute the Board cease for any reason to constitute at least a majority thereof, unless the election, or the nomination for election by the Company's shareholders, of each Trustee of the Company first elected during such period was approved by a vote of at least two-thirds (2/3rds) of the Trustees of the Company then still in office who were (a) Trustees of the Company at the beginning of any such period, and (b) not initially (1) appointed or elected to office as result of either an actual or threatened election and/or proxy contest by or on behalf of a Person other than the Board, or (2) designated by a Person who has entered into an agreement with the Company to effect a transaction described in (i) or (ii) above or (iv) or (v) below;

- iv. a complete liquidation or dissolution of the Company; 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 and Responsibility for Taxes. Pursuant to Article 15.5 of the Plan, the Company, any Affiliate or any Subsidiary shall have the power and the right to deduct or withhold, or require the Participant to remit to the Company, any Affiliate or any Subsidiary, an amount sufficient to satisfy any federal, state, local or other taxes required by law to be withheld with respect to the Units. The Participant may direct the Company to satisfy the withholding obligation with respect to the Units by the Company withholding Common Shares (otherwise deliverable pursuant to Section 2(c) above) having a Fair Market Value equal to the minimum statutory withholding (based on minimum statutory withholding rates for federal and state tax purposes, including payroll taxes) that could be imposed on the transaction and, in any case in which it would not result in additional accounting expense to the Company, in excess of the minimum statutory withholding amount. The Participant understands that he or she (and not the Company, any Affiliate or any Subsidiary) shall be responsible for his or her own tax liability that may arise with respect to the Units and any Common Shares issued pursuant to this Agreement.

6. Restrictions on Transfer. During the Period of Restriction, the Participant shall not sell, transfer, pledge, hypothecate, assign, exchange or otherwise dispose of the Restricted Units. 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. Plan Provisions Control. This Agreement is subject to the terms and conditions of the Plan, which are incorporated herein by reference. Notwithstanding anything to the contrary contained herein, the provisions of the Plan shall govern if and to the extent that there are inconsistencies between the provisions of the Plan and the provisions of this Agreement. The Participant acknowledges that the Participant has received a copy of the Plan prior to the execution of this Agreement.

8. No Rights Conferred. Nothing in this Agreement shall give the Participant 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 Participant.

9. Consent to Electronic Delivery. The Company may choose to deliver certain materials relating to the Plan in electronic form. By accepting this Agreement, the Participant agrees that the Company may deliver the Plan prospectus and the Company's annual report to the Participant in an electronic format. If at any time the Participant would prefer to receive paper copies of these documents, please contact the Chief Financial Officer of the Company to request paper copies of these documents.

1 0 . Adjustments. The number and kind of shares covered by this Agreement and other terms in this Agreement may be appropriately adjusted in accordance with Section 4.2 of the Plan.

1 1 . Compliance with Section 409A of the Code. The Participant hereby consents (without further consideration) to any change to this Agreement or the Award so the Participant can avoid paying penalties under Section 409A of the Code, even if those changes affect the terms and conditions of this Agreement or the Award and reduce its value or potential value.

1 2 . 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 Participant, nor may the Participant 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.

1 3 . Interpretation of this Agreement. All determinations and interpretations made by the Committee with regard to any questions arising under the Plan or this Agreement shall be final, binding and conclusive as to all persons, including without limitation the Participant and any person claiming rights from or through the Participant.

1 4 . 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.

15. 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. The Plan and this Agreement constitute 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; provided, however, that if the Participant is party to an employment, change in control or similar agreement with the Company or an Affiliate and such agreement contains terms applicable to equity awards of the type granted by this Agreement that are more favorable to the Participant than is provided for in this Agreement, the terms of such employment, change in control or similar agreement shall control. This Agreement may be amended by the Committee, subject to the Participant's consent if such amendment materially and adversely affects the rights of the Participant, except that the consent of the Participant shall not be required for any amendment made pursuant to Section 4.2 or Section 15.11 of the Plan, or as set forth in Section 11 of this Agreement.

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 Participant, 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: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Participant \_\_\_\_\_

Date: \_\_\_\_\_

**Exhibit A**

**LAPSE OF PERIOD OF RESTRICTION**

The purpose of this Exhibit A is to set forth the date of lapse of the Period of Restriction under the terms of the attached Restricted Common Share Unit Award Agreement (the "Agreement"). This Exhibit A is incorporated into and forms a part of the Agreement.

The Period of Restriction will lapse as follows:

- (a) 1/3rd of these Units will vest on \_\_\_\_\_
- (b) 1/3rd of these Units will vest on \_\_\_\_\_
- (c) 1/3rd of these Units will vest on \_\_\_\_\_

## RESTRICTED COMMON SHARE UNIT AWARD AGREEMENT

THIS RESTRICTED COMMON SHARE UNIT AWARD AGREEMENT (this "Agreement") is entered into as of [Grant Date] (the "Effective Date"), by and between Whitestone REIT, a Maryland real estate investment trust (the "Company"), and [Participant] (the "Participant"). Capitalized terms not defined in this Agreement shall have the meanings ascribed to such terms in the 2018 Long-Term Equity Incentive Ownership Plan, as it may be amended from time to time (the "Plan").

WHEREAS, the Company maintains the Plan, which is incorporated into and forms a part of this Agreement, and the Participant is an Employee and has been selected by the Committee to receive an award of Restricted Common Share Units under the Plan.

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

1. Restricted Common Share Unit Award. The Participant is hereby granted [Participant] Restricted Common Share Units (the "Units") subject to the restrictions and on the terms and conditions set forth in this Agreement (the "Award"). Each Unit shall represent the right to receive one Common Share. The "target" number of Units awarded is [Total Number of Units] Units (the "Target Number of Units"); however, the actual number of Units that vest (referred to in this Agreement as the lapsing of the Period of Restriction) may range from zero to 200% of the Target Number of Units, depending on the extent to which the applicable vesting conditions set forth in the vesting schedule in Exhibit A are satisfied.

2. Restriction on the Units.

(a) Period of Restriction. Except as otherwise set forth herein, all the Units issued to the Participant pursuant to this Agreement shall be subject to a period of restriction (the "Period of Restriction") during which the Participant's rights in and to such Units 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 Units are subject to the Period of Restriction, such Units are referred to herein as "Restricted Units."

(c) Delivery of the Common Shares. Subject to Section 2(d) below, upon the lapse of the Period of Restriction, each Restricted Unit that vests shall be converted into the right to receive a Common Share to the extent Common Shares remain available for issuance under the Plan. Each remaining Restricted Unit that vests shall be converted into the right to receive in cash the Fair Market Value of a Common Share. The Company will deliver to the Participant a Common Share or the Fair Market Value of a Common Share, as applicable, for each such Unit on the applicable date of the lapse of the Period of Restriction or as soon as practicable (and in all events within 74 days) thereafter. The form of delivery of Common Shares (e.g., a share certificate or electronic entry evidencing such shares) shall be determined by the Company.

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(d) Termination of Service. Notwithstanding any other provision of this Agreement to the contrary, if the Participant's service as an Employee terminates for any reason (or no reason), other than the Participant's death or Disability, any Restricted Units that are subject to the Period of Restriction on the date of the Participant's termination shall be immediately forfeited by the Participant and shall be automatically transferred to and reacquired by the Company at no cost to the Company, and neither the Participant nor his or her heirs, executors, administrators or successors shall have any right or interest in such Restricted Units or the underlying Common Shares. In the event of the Participant's death or Disability, any Restricted Units that are subject to the Period of Restriction on the date of death or Disability shall immediately vest and the Participant or his or her heirs, executors, administrators or successors shall have the right and interest in such Restricted Units.

3. No Rights as a Shareholder. Until Common Shares shall have been delivered to the Participant in accordance with Section 2(c) hereof, subject to the terms of this Agreement and the Plan, the Participant shall have 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 or dividend equivalents with respect to the Restricted Units.

4. Change in Control. Notwithstanding Section 2 of this Agreement, if the Participant holds Restricted Units at the time a Change in Control occurs, the Period of Restriction with respect to the Target Number of Units granted in Section 1 shall automatically lapse immediately prior to the consummation of such Change in Control. In addition to the above, all equity awards granted under this Agreement shall become fully vested at the higher of: (i) target vesting (100%); or (ii) performance vesting based on the level of achievement obtained under the criteria for vesting referenced in Exhibit "A" to the Award Agreement at the time of the Change in Control. "Change in Control" shall mean any of the following events:

- i. any person or entity, including a "group" as defined in Section 13(d)(3) of the Exchange Act, other than the Company or a wholly-owned subsidiary thereof or any employee benefit plan of the Company or any of its Subsidiaries, becomes the beneficial owner of the Company's securities having 35% or more of the combined voting power of the then outstanding securities of the Company that may be cast for the election of trustees of the Company (other than as a result of an issuance of securities initiated by the Company in the ordinary course of business);
- ii. as the result of, or in connection with, any cash tender or exchange offer, merger or other business combination or contested election, or any combination of the foregoing transactions, less than a majority of the combined voting power of the then outstanding securities of the Company or any successor company or entity entitled to vote generally in the election of the trustees of the Company or such other corporation or entity after such transaction are held in the aggregate by the holders of the Company's securities entitled to vote generally in the election of trustees of the Company immediately prior to such transaction;

- iii. during any period of two (2) consecutive years, individuals who at the beginning of any such period constitute the Board cease for any reason to constitute at least a majority thereof, unless the election, or the nomination for election by the Company's shareholders, of each Trustee of the Company first elected during such period was approved by a vote of at least two-thirds (2/3rds) of the Trustees of the Company then still in office who were (a) Trustees of the Company at the beginning of any such period, and (b) not initially (1) appointed or elected to office as result of either an actual or threatened election and/or proxy contest by or on behalf of a Person other than the Board, or (2) designated by a Person who has entered into an agreement with the Company to effect a transaction described in (i) or (ii) above or (iv) or (v) below;
- iv. a complete liquidation or dissolution of the Company; 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 and Responsibility for Taxes. Pursuant to Article 15.5 of the Plan, the Company, any Affiliate or any Subsidiary shall have the power and the right to deduct or withhold, or require the Participant to remit to the Company, any Affiliate or any Subsidiary, an amount sufficient to satisfy any federal, state, local or other taxes required by law to be withheld with respect to the Units. The Participant may direct the Company to satisfy the withholding obligation with respect to the Units by the Company withholding Common Shares (otherwise deliverable pursuant to Section 2(c) above) having a Fair Market Value equal to the minimum statutory withholding (based on minimum statutory withholding rates for federal and state tax purposes, including payroll taxes) that could be imposed on the transaction and, in any case in which it would not result in additional accounting expense to the Company, in excess of the minimum statutory withholding amount. The Participant understands that he or she (and not the Company, any Affiliate or any Subsidiary) shall be responsible for his or her own tax liability that may arise with respect to the Units and any Common Shares issued pursuant to this Agreement.

6. Restrictions on Transfer. During the Period of Restriction, the Participant shall not sell, transfer, pledge, hypothecate, assign, exchange or otherwise dispose of the Restricted Units. 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. Plan Provisions Control. This Agreement is subject to the terms and conditions of the Plan, which are incorporated herein by reference. Notwithstanding anything to the contrary contained herein, the provisions of the Plan shall govern if and to the extent that there are inconsistencies between the provisions of the Plan and the provisions of this Agreement. The Participant acknowledges that the Participant has received a copy of the Plan prior to the execution of this Agreement.

8. No Rights Conferred. Nothing in this Agreement shall give the Participant 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 Participant.

9. Consent to Electronic Delivery. The Company may choose to deliver certain materials relating to the Plan in electronic form. By accepting this Agreement, the Participant agrees that the Company may deliver the Plan prospectus and the Company's annual report to the Participant in an electronic format. If at any time the Participant would prefer to receive paper copies of these documents, please contact the Chief Financial Officer of the Company to request paper copies of these documents.

10. Adjustments. The number and kind of shares covered by this Agreement and other terms in this Agreement may be appropriately adjusted in accordance with Section 4.2 of the Plan.

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

12. 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 Participant, nor may the Participant 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.

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

14. 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.

15. 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. The Plan and this Agreement constitute 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; provided, however, that if the Participant is party to an employment, change in control or similar agreement with the Company or an Affiliate and such agreement contains terms applicable to equity awards of the type granted by this Agreement that are more favorable to the Participant than is provided for in this Agreement, the terms of such employment, change in control or similar agreement shall control. This Agreement may be amended by the Committee, subject to the Participant's consent if such amendment materially and adversely affects the rights of the Participant, except that the consent of the Participant shall not be required for any amendment made pursuant to Section 4.2 or Section 15.11 of the Plan, or as set forth in Section 11 of this Agreement.

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 Participant, 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: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Participant \_\_\_\_\_

Date:

**Exhibit A**

**LAPSE OF PERIOD OF RESTRICTION**

The purpose of this Exhibit A is to set forth the performance goals that will determine the number of Restricted Units that will vest, resulting in the lapsing of the Period of Restriction applicable to such Units and the issuance of one Common Share for each such vested Unit in accordance with the terms of the attached Restricted Unit Award Agreement (the "Agreement"). This Exhibit A is incorporated into and forms a part of the Agreement.

The Period of Restriction will lapse as follows:

On, or as soon as practicable after, December 31, 20XX, the Company will measure its 3-Year Total Shareholder Return (" TSR" ) and compare it to the 3-Year TSR for the peer group below for the 3-year period ending December 31, 20XX. The beginning and ending average share price used to calculate the TSR are based on the average closing stock price for the 30 trading days preceding the start of the performance period and the average closing stock price for the last 30 trading days of the performance period, respectively. The Company will determine its rank/position in the list of the XX companies set forth below. The number of Units that vest, resulting in the lapsing of the Period of Restriction applicable to such Units and the issuance of one Common Share for each such vested Unit, may range from zero to 200% of the Target Number of Units, based on the Company's position relative to the peer group, such number of Units to be determined by multiplying the Target Number of Units by the applicable Conversion Factor shown in the table below. The Period of Restriction will lapse when the Committee makes its final determination of the Company's relative TSR rank/position.

Institution Name (2)	Ticker
[ ]	[ ]
[ ]	[ ]
[ ]	[ ]
[ ]	[ ]
[ ]	[ ]
[ ]	[ ]
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[ ]	[ ]
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[ ]	[ ]
Whitestone REIT	WSR

Three Year (20XX–20XX) Relative Shareholder Return Performance Rank	Rank	Conversion Factor (1)
90th Percentile	X – X	2.0
75th Percentile	X – X	1.5
50th Percentile	X – X	1.0
35th Percentile	X – X	0.5
Less than 35th Percentile	X – X	0.0

- (1) The Conversion Factor determines the number of Units that vest, resulting in the lapsing of the Period of Restriction applicable to such Units and the issuance of one Common Share for each such vested Unit. Example: At the 75th percentile, the Period of Restriction will lapse with respect to 150% of the Target Number of Units and one Common Share will be issued for each such Unit.
- (2) If Total Shareholder Return is not available for any of the companies listed above due to (1) bankruptcy or (2) delisting due to not meeting the minimum share price requirements of the applicable stock exchange, then such company will be deemed to be at the lowest rank of the companies. If Total Shareholder Return is not available for any of the companies listed due to merger, acquisition or take-private transaction, then such company will be omitted from the list and the number of companies included in each percentile will be adjusted accordingly.

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER**

I, David K. Holeman, certify that:

1. I have reviewed this quarterly report on Form 10-Q, for the period ended June 30, 2024, 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: August 1, 2024

/s/ David K. Holeman  
 David K. Holeman  
 Chief Executive Officer

**CERTIFICATION OF CHIEF FINANCIAL OFFICER**

I, John S. Hogan, certify that:

1. I have reviewed this quarterly report on Form 10-Q, for the period ended June 30, 2024, 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: August 1, 2024

/s/ John S. Hogan  
 John S. Hogan  
 Chief Financial Officer

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

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 June 30, 2024, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, David K. Holeman, 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.

/s/ David K. Holeman  
David K. Holeman  
Chief Executive Officer

Date: August 1, 2024

**CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

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 June 30, 2024, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, John S. Hogan, 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.

*/s/ John S. Hogan*  
John S. Hogan  
Chief Financial Officer

Date: August 1, 2024