

DELAWARE COURT OF CHANCERY RULES IN FAVOR OF WHITESTONE

PILLARSTONE BREACHED THE IMPLIED DUTY OF GOOD FAITH AND FAIR DEALING, POISON PILL DECLARED UNENFORCEABLE

HOUSTON, January 25, 2024 – In Whitestone REIT Operating Partnership, L.P. (“Whitestone”) v Pillarstone Capital REIT (“Pillarstone”), the Delaware Court of Chancery issued a ruling today in Whitestone’s favor with the following findings:

- Whitestone proved that Pillarstone’s adoption of the Rights Agreement (“Poison Pill”) breached the implied covenant of good faith and fair dealing and caused Whitestone harm.
- That Whitestone may proceed to serve a notice of redemption for some or all of its units without fear of damaging repercussions.
- That once redemption has occurred and Pillarstone has assigned a current value to the partnership’s assets, the Court of Chancery will enter a monetary judgement against Pillarstone for the difference between the amount Whitestone would have received in or around December 2021 (\$51,200,600 + interest) and the current value.

With the Poison Pill constructed by Pillarstone’s trustees Dennis Chookaszian, Kathy Jassem, Paul Lambert, and former Whitestone executives James Mastandrea and John Dee declared unenforceable today, Whitestone served Pillarstone with a notice of redemption for all of its units. The limited partnership agreement provides Whitestone with an express right to exit its investment by tendering a notice of redemption and Capital Pillarstone REIT Operating Partnership L.P. has 30 days to determine a current value.

Whitestone REIT’s management anticipates they will be able to provide further updates on the path to monetizing Whitestone’s investment in Pillarstone REIT Operating Partnership L.P. on their 4th quarter earnings call on March 7, 2024. The ultimate value Whitestone receives from monetization may be different than the court’s monetary judgement, depending on the value of the assets.

The full ruling can found [here](#).

This ruling is preceded by a Harris County District Court Judgment dismissing all claims by former Whitestone CEO, James Mastandrea, filed against Whitestone, members of the Board of Trustees, and management related to the termination of his employment for cause. A full [press release](#) related to this ruling was issued on December 11, 2023.

About Whitestone REIT

Whitestone REIT (NYSE: WSR) is a community-centered real estate investment trust (REIT) that acquires, owns, operates, and develops open-air, retail centers located in some of the fastest growing markets in the country: Phoenix, Austin, Dallas-Fort Worth, Houston and San Antonio.

Our centers are convenience focused: merchandised with a mix of service-oriented tenants providing food (restaurants and grocers), self-care (health and fitness), services (financial and logistics), education and entertainment to the surrounding communities. The Company believes its strong community connections and deep tenant relationships are key to the success of its current centers and its acquisition strategy. For additional information, please visit [the Company's investor relations website](#).

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.

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, the real estate industry 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 COVID-19 on our tenants’ ability to pay their rent, which could result in bad debt allowances or straight-line rent reserve adjustments; inflation and increases in interest rates, operating costs or general and administrative expenses; 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; 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; 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 need to fund tenant improvements or other capital expenditures out of operating cash flow; and the risk that we are unable to raise capital for working capital, acquisitions or other uses on attractive terms or at all and other factors detailed in the Company’s most recent Annual Report on Form 10-K, Quarterly Reports on Form 10-Q and other documents the Company files with the Securities and Exchange Commission from time to time.

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