

Carbonite Inc
Form DEFC14A
May 11, 2015

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
SCHEDULE 14A
(RULE 14A-101)

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934

Filed by the Registrant Filed by a Party other than the Registrant

Check the appropriate box:

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

CARBONITE, INC.

(Name of Registrant as Specified in Its Charter)

(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

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- (3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing

fee is calculated and state how it was determined):

- (4) Proposed maximum aggregate value of transaction:

- (5) Total fee paid:

.. Fee paid previously with preliminary materials.

.. Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

- (1) Amount Previously Paid:

- (2) Form, Schedule or Registration Statement No.:

- (3) Filing Party

- (4) Date Filed:

May 11, 2015

Dear Fellow Stockholders:

I am pleased to invite you to attend the 2015 Annual Meeting of Stockholders of Carbonite, Inc. (the Company) to be held on Monday, June 1, 2015 at 9:00 a.m. Eastern Time at Foley & Lardner LLP, 111 Huntington Avenue, Boston, MA 02199.

Details regarding the meeting and the business to be conducted are more fully described in the accompanying Notice of Annual Meeting and Proxy Statement.

Engine Capital, L.P. (Engine Capital) has provided notice of its intention to propose three director nominees for election at the Annual Meeting. **OUR BOARD OF DIRECTORS URGES YOU TO VOTE ONLY FOR OUR BOARD'S PROPOSED NOMINEES BY USING THE ENCLOSED WHITE PROXY CARD, TO DISREGARD ANY MATERIALS SENT BY ENGINE CAPITAL AND NOT TO SIGN OR RETURN OR VOTE ANY PROXY CARD SENT TO YOU BY ENGINE CAPITAL OR ANYONE SOLICITING PROXIES TO VOTE FOR ANY OF THE NOMINEES OF ENGINE CAPITAL.**

Our Board of Directors is committed to acting in the best interests of all of the Company's stockholders and, after considering the proposed nominees of Engine Capital, strongly urges all of the Company's stockholders to reject Engine Capital's efforts to replace any of the current directors on our Board of Directors. **Accordingly, our Board of Directors recommends that you vote FOR its director nominees, Mohamad Ali, Peter Gyenes and Pravin Vazirani, and FOR Proposals 2 and 3 using the WHITE proxy card.**

We urge you NOT to sign or return any proxy cards sent by Engine Capital. If you have already voted using a proxy card sent to you by Engine Capital, you can revoke it by subsequently executing and delivering the **WHITE** proxy card or by voting in person at the Annual Meeting. You may also vote over the Internet using the Internet address on the **WHITE** proxy card or by telephone using the toll-free number on the **WHITE** proxy card. Only your last-dated proxy will count, and any proxy may be revoked at any time prior to its exercise at the Annual Meeting as described in this Proxy Statement.

Your vote is important. Whether or not you plan to attend the 2015 Annual Meeting, I hope that you will vote as soon as possible.

Thank you for your ongoing support of and continued interest in Carbonite, Inc. Our Board of Directors is committed to acting in your best interests. We look forward to seeing you at our Annual Meeting.

Sincerely,

Mohamad Ali
President and Chief Executive Officer

Two Avenue de Lafayette

Boston, Massachusetts 02111

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS TO BE HELD ON JUNE 1, 2015

Notice is hereby given that the 2015 Annual Meeting of Stockholders (the Annual Meeting) of Carbonite, Inc., a Delaware corporation (the Company), will be held at Foley & Lardner LLP, 111 Huntington Avenue, Boston, MA 02199, on Monday, June 1, 2015, at 9:00 a.m. Eastern Time for the following purposes:

1. To elect three Class I directors to hold office until the 2018 annual meeting of stockholders or until their successors are elected and qualified;
2. To ratify the selection by the Audit Committee of the Board of Directors of the Company (the Audit Committee) of Ernst & Young LLP as the independent registered public accounting firm of the Company for the fiscal year ending December 31, 2015;
3. To approve, on an advisory basis, the compensation of the Company's named executive officers as disclosed in the accompanying materials; and
4. To transact such other business as may properly come before the Annual Meeting or any adjournment or postponement thereof.

Stockholders of record at the close of business on Friday, April 10, 2015 (the Record Date) are entitled to receive this notice of the Annual Meeting and to vote at the Annual Meeting and at any adjournments of such meeting.

This Proxy Statement and the accompanying **WHITE** proxy card are first being sent or given to stockholders of record on or about May 11, 2015.

Whether or not you plan to attend the meeting, ***please sign and return the enclosed WHITE proxy card as promptly as possible*** in the envelope enclosed for your convenience, or please vote via the Internet or phone using the instructions on the **WHITE** proxy card. If you receive more than one **WHITE** proxy card because your shares are registered in different names or addresses, each **WHITE** proxy card should be signed and returned to assure that all of your shares are represented at the meeting. Proxies forwarded by or for banks, brokers or other nominees should be returned as requested by them. The prompt return of proxies will save the expense involved in further communication.

You can find detailed information regarding voting in the section entitled Information About the Annual Meeting and Voting on pages 7 through 10 of this Proxy Statement. If you have any questions or require assistance in voting, please contact MacKenzie Partners, Inc. toll-free at (800) 322-2885 or call collect (212) 929-5500.

YOUR VOTE IS IMPORTANT. WHETHER OR NOT YOU INTEND TO BE PRESENT AT THE ANNUAL MEETING, PLEASE MARK, SIGN AND DATE THE ENCLOSED WHITE PROXY CARD AND RETURN IT IN THE ENCLOSED PREPAID ENVELOPE OR, IF YOU PREFER, SUBMIT YOUR PROXY BY TELEPHONE OR VIA THE INTERNET USING THE INSTRUCTIONS ON THE WHITE PROXY CARD

TO ASSURE THAT YOUR SHARES ARE REPRESENTED AT THE ANNUAL MEETING. IF YOU ATTEND THE ANNUAL MEETING, YOU MAY VOTE IN PERSON IF YOU WISH TO DO SO, EVEN IF YOU HAVE PREVIOUSLY SUBMITTED YOUR PROXY.

By Order of the Board of Directors,

Danielle Sheer

*General Counsel, Vice President, and
Secretary*

May 11, 2015

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS

FOR THE ANNUAL MEETING OF STOCKHOLDERS TO BE HELD ON JUNE 1, 2015

The Proxy Statement and the Company's 2014 Annual Report to stockholders (the Annual Report) are available at www.carbonite.com.

IMPORTANT

Our Board urges you **NOT** to sign any proxy card sent to you by Engine Capital or anyone soliciting proxies to vote for any of the nominees of Engine Capital. Engine Capital has notified the Company that it intends to propose three director nominees for election at the Annual Meeting. If you have already signed any proxy card provided by Engine Capital, you have every legal right to change your vote by using the enclosed **WHITE** proxy card to vote **TODAY** - by telephone or by Internet using the instructions on the **WHITE** proxy card, or by signing, dating and returning the **WHITE** proxy card in the postage-paid envelope provided.

Two Avenue de Lafayette

Boston, Massachusetts 02111

PROXY STATEMENT

FOR THE ANNUAL MEETING OF STOCKHOLDERS TO BE HELD ON JUNE 1, 2015

The Board of Directors of Carbonite, Inc. is soliciting your proxy to vote at the Annual Meeting of Stockholders to be held on Monday, June 1, 2015, at 9:00 a.m. Eastern Time and any adjournment or postponement of that meeting (the Annual Meeting). The Annual Meeting will be held at Foley & Lardner LLP, 111 Huntington Avenue, Boston, MA 02199. On or about May 11, 2015, we first mailed this Proxy Statement and the accompanying **WHITE** proxy card to stockholders of record as of April 10, 2015 (the Record Date). The only voting securities of Carbonite are shares of common stock, par value \$0.01 per share (the Common Stock). There were 27,332,782 shares of Common Stock outstanding as of the Record Date. We need the holders of a majority in voting power of the shares of Common Stock issued and outstanding and entitled to vote, present in person or represented by proxy, to hold the Annual Meeting.

In this Proxy Statement, we refer to Carbonite, Inc. as the Company, Carbonite, we, or us and the Board of Directors as our Board. When we refer to Carbonite's fiscal year, we mean the twelve-month period ending December 31 of the stated year.

The Company's Annual Report, including our Form 10-K for the year ended December 31, 2014, as amended (our Form 10-K), contains consolidated financial statements for the 2014 fiscal year and accompanies this Proxy Statement. You also may obtain a copy of our Form 10-K that was filed with the Securities and Exchange Commission (the SEC), without charge, by writing to our Investor Relations department at the above address. Our Form 10-K is also posted on our website at <http://investor.carbonite.com/sec.cfm>.

Proxy Summary

This summary highlights information contained elsewhere in this Proxy Statement. This summary does not contain all of the information you should consider and you should read the entire Proxy Statement before voting.

2015 Annual Meeting of Shareholders

Date & Time: Monday, June 1, 2015, at 9:00 a.m. EST **Record Date:** April 10, 2015

Place: Foley & Lardner LLP
111 Huntington Avenue
Boston, MA 02199

Voting: Only stockholders of record at the close of business on the Record Date will be entitled to vote at the Annual Meeting. Each share of Common Stock outstanding on the Record Date is entitled to one vote on each matter.

Meeting Agenda and Voting Matters

Item	Management Proposal	Board Vote Recommendation	Page Reference (for more detail)
1	Election of three Class I directors to hold office until the 2018 annual meeting of stockholders or until their successors are elected and qualified	FOR each of our Board's director nominees named in the Proxy Statement	24
2	Ratification of the selection by the Audit Committee of our Board of Ernst & Young LLP as the independent registered public accounting firm of the Company for the fiscal year ending December 31, 2015	FOR	25
3	Approval, on an advisory basis, of the compensation of the Company's named executive officers	FOR	26

Our Board urges you to vote for our Board's nominees and proposals by using the enclosed WHITE proxy card and not to sign or return or vote any proxy card sent to you by Engine Capital or anyone soliciting proxies to vote for any of the nominees of Engine Capital.

Members of our Board of Directors

Name	Age	Position	Term Expires
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David Friend	67	Executive Chairman of the Board (Class III)	2017
Mohamad Ali	44	President, Chief Executive Officer and Director (Class I)	2015
Peter Gyenes	69	Director (Class I)	2015
Pravin Vazirani	43	Director (Class I)	2015
Stephen Munford	49	Director (Class II)	2016
Charles Kane	57	Director (Class II)	2016
Todd Krasnow	57	Director (Class III)	2017
Jeffry Flowers	61	Director (Class III)	2017

Information about our Board and Committees

	Number of Members	Independence	Number of Meetings During Fiscal Year 2014
Full Board	8	62.5%	14
Audit Committee	3	100%	7
Compensation Committee	3	100%	5
Nominating and Corporate Governance Committee	3	100%	1

Governance Highlights

- ü **Standing Board Committees Comprised Solely of Independent Directors**
- ü **Lead Independent Director**
- ü **Majority Independent Board**
- ü **Committee Authority to Retain Independent Advisors**
- ü **Robust Code of Business Conduct and Ethics; Policies on Insider Trading and Related Person Transactions**

Executive Compensation Highlights**Our Philosophy**

Our compensation philosophy is to tie a significant percentage of an executive officer's compensation to stockholder returns. We believe that because the achievement of our business and financial objectives will be reflected in the value of our equity, our executive officers will be incentivized to achieve these objectives when a significant portion of their compensation is tied to the value of our equity. To this end, we use stock options and restricted stock units (RSUs) as components of our named executive officer compensation program because we believe that equity compensation best ties individual compensation to the creation of stockholder value over time. We believe that equity compensation is a significant motivator in attracting employees to internet-related and other technology companies.

Core Components of Executive Compensation

- ü **Base Salary** Fixed cash payment giving consideration to the compensation paid to similarly situated executives at peer companies and an assessment of each executive officer's responsibilities, performance and contributions, among other factors.

- ü

- Incentive Cash Bonus** Variable cash payment giving consideration to the base compensation paid to similarly situated executives at peer companies and an assessment of each executive officer's responsibilities, performance and contributions, among other factors.
- ii

Equity Incentives Stock options and RSUs giving consideration to certain internal factors, such as the relative job scope, the value of prior and outstanding equity awards, individual performance and contributions, and external factors.

Key Features of our Executive Compensation Program

What We Do:

- ü **Linkage Between Performance Measures and Strategic and Operational Objectives** Our executive compensation program is designed to align compensation incentives with our corporate strategic, business, and financial objectives and the long-term interests of our stockholders.
- ü **Emphasis on Future Pay Opportunity vs. Current Pay Opportunity** For 2014, all of our long-term incentive awards were delivered 100% in the form of equity.
- ü **Performance-Based Options** For 2014, our new Chief Executive Officer received option awards that vest based on our stock price performance.
- ü **Market Comparison of Executive Compensation Against a Relevant Peer Group**
- ü **Double Trigger Cash Severance in the Event of a Change in Control** In the event of a change in control, cash severance benefits are payable only upon a double trigger.
- ü **Independent Compensation Consultant** - The Compensation Committee retains its own compensation consultant to review the Company's executive compensation program and practices.
- ü **Maximum Payout Caps for Annual Cash Incentive Compensation**

What We Don't Do:

- ý **No Change in Control or Perquisite Tax Gross-Ups**
- ý **No Executive Perquisites**
- ý **No Excessive Severance Benefits**
- ý **No Service-Based Defined Benefit Pension Plan or Other Similar Benefits**
- ý **No repricing of Underwater Stock Options**

Summary Compensation

The table below includes some, but not all, of the information included in the Summary Compensation Table.

Name and Principal Position	Salary (\$)	Bonus (\$ (1))	Stock Awards (\$ (2))	Non-Equity			Total (\$)
				Option Awards (\$ (2))	Incentive Plan Compensation (\$ (3))	All other Compensation (\$)	
Mohamad Ali, <i>President and Chief Executive Officer</i>	28,409	500,000	6,498,000	1,853,125			8,879,534
David Friend, <i>Executive Chairman (4)</i>	340,000		508,000	523,210	102,000	7,933	1,481,143
Anthony Folger, <i>Chief Financial Officer</i>	296,667	25,000	254,250	261,865	47,467	5,867	891,115
Peter Lamson, <i>Senior Vice President of Global Sales</i>	281,917		127,125	130,933	50,745	10,332	601,052
Brad Meiseles, <i>Senior Vice President of Engineering</i>	263,333		433,497		48,565	9,349	754,744
Danielle Sheer, <i>General Counsel, Vice President and Secretary</i>	256,250	28,000	294,200	104,746	35,875	9,941	729,012
Swami Kumaresan, <i>Executive Vice President of Product and Engineering (2013-2014) (5)</i>	154,917		127,125	130,933		137,865	550,839

(1) The amount reported for Mr. Ali represents a cash sign-on bonus of \$500,000. Mr. Ali is obligated to repay a prorated portion of this sign-on bonus if he voluntarily terminates his employment within one-year of his hire date.

- (2) The amounts reported in these columns represent the aggregate grant date fair value of RSU and option awards, calculated in accordance with FASB ASC Topic 718, except that no forfeiture assumptions were included. Under FASB ASC Topic 718, the vesting condition related to Mr. Ali's performance-based option awards is considered a market condition and not a performance condition. Accordingly, there is no grant date fair value below or in excess of the amount reflected in the table above for Mr. Ali that could be calculated and disclosed based on achievement of the underlying market condition. For a discussion of the assumptions made in the valuations reflected in this column, see Note 9 of the Consolidated Financial Statements included in our Form 10-K for the year ended December 31, 2014. Note that amounts reported in this column reflect the accounting cost for these stock option awards, and do not correspond to the actual economic value that may be received by the recipients of these stock option awards.
- (3) The amounts reported in this column represent incentive cash bonuses paid by the Company.
- (4) Mr. Friend was appointed Executive Chairman of the Board of Directors, effective January 8, 2015.
- (5) Mr. Kumaresan's employment with us terminated effective July 31, 2014.

Recent Compensation Actions

As part of its annual 2014 compensation review process, the Compensation Committee of the Board, approved the following compensation decisions with respect to the 2014 named executive officers:

2014 Base Salary Adjustments. Four of our named executive officers received base salary increases ranging from 3% to 7.7%.

2014 Cash Bonus. Under the 2014 cash bonus plan, bonuses were determined based on the Company's performance with respect to new small business bookings and free cash flow, weighted 60% and 40%, respectively. Based on the Company's performance, the Compensation Committee certified a bonus payout of 40% of target for the participating named executive officers.

2014 Equity Incentives. The 2014 equity program consisted of stock options and RSUs. The Compensation Committee approved the use of RSUs in the Company's executive compensation program to encourage retention and reward performance over the vesting period.

On December 3, 2014, the Company appointed Mohamad Ali as President and Chief Executive Officer and as a member of our Board. Effective upon such appointment, David Friend became Executive Chairman of the Board of Directors. In connection with Mr. Ali's appointment to the position of President and Chief Executive Officer, the Company entered into an executive employment agreement, which included, among other benefits: (i) an annual base salary of \$375,000, (ii) a sign-on bonus of \$500,000 to offset the compensation Mr. Ali forfeited by leaving his prior employer, which is subject to a prorated repayment by Mr. Ali in the event that prior to the one year anniversary of Mr. Ali's employment with the Company he voluntarily terminates his employment other than for Good Reason, Disability, or death or the Company terminates his employment for Cause (each as defined in Mr. Ali's Employment Agreement), (iii) an option to purchase 250,000 shares of Common Stock, with the vesting of such option determined based on the Company's stock price performance and (iv) 450,000 restricted stock units (RSUs), with 50,000 of such RSUs to vest on December 31, 2015 and 400,000 of such RSUs to vest 25% on the one year anniversary of Mr. Ali's employment with the Company and the remainder in equal quarterly installments over the following 36 months, subject to Mr. Ali's continued employment with the Company through each applicable vesting date.

On January 8, 2015, the Company entered into an employment agreement with Mr. Friend setting forth the terms of his employment as the Company's Executive Chairman, which included, among other benefits: (i) an annualized base salary of \$340,000 for an interim period beginning December 3, 2014 and ending February 28, 2015, (ii) an annualized base salary of \$125,000 for twelve (12) months following the conclusion of the interim period and (iii) an option to purchase 100,000 shares of Common Stock, with such option vesting and becoming exercisable quarterly over four (4) years for so long as Mr. Friend serves as an employee or director of the Company.

INFORMATION ABOUT THE ANNUAL MEETING

AND VOTING

Q. Who can vote at the Annual Meeting?

A. Only stockholders of record at the close of business on the Record Date (April 10, 2015) will be entitled to vote at the Annual Meeting. At the close of business on the Record Date, there were 27,332,782 shares of Common Stock issued and outstanding, and entitled to vote.

Q. What if my shares are registered in my name?

A. If, on the Record Date, your shares were registered directly in your name with Carbonite's transfer agent, American Stock Transfer & Trust Company, LLC, then you are a stockholder of record. As a stockholder of record, you may vote in person at the Annual Meeting or vote by proxy. Whether or not you plan to attend the Annual Meeting, we urge you to fill out and return the enclosed **WHITE** proxy card or vote by proxy over the telephone or on the internet as instructed below to ensure that your vote is counted.

Q. What if my shares are registered in the name of a broker, bank or other agent?

A. If, on the Record Date, your shares were held in an account at a brokerage firm, bank, dealer or other similar organization, then you are the beneficial owner of shares held in street name, and these proxy materials, including the **WHITE** voting instruction card, are being forwarded to you by that organization. The organization holding your account is considered to be the stockholder of record for purposes of voting at the Annual Meeting. As a beneficial owner, you have the right to direct your broker or other agent as to how to vote the shares of Common Stock in your account. You are also invited to attend the Annual Meeting. However, since you are not the stockholder of record, you may not vote your shares in person at the Annual Meeting unless you request and obtain a valid proxy card from your broker or other agent.

Q. What am I being asked to vote on?

A. You are being asked to vote **FOR:**

the election of the three Class I directors nominated by our Board, namely Mohamad Ali, Peter Gyenes and Pravin Vazirani, to hold office until the 2018 annual meeting of stockholders or until their successors are elected and qualified;

the ratification of the selection by the Audit Committee of our Board of Ernst & Young LLP as the independent registered public accounting firm of the Company for the fiscal year ending December 31, 2015; and

the approval, on an advisory basis, of the compensation of the Company's named executive officers. In addition, you are entitled to vote on any other matters that are properly brought before the Annual Meeting.

Q. Has the Company been notified that a stockholder intends to propose alternative director nominees at the Annual Meeting?

A. Yes. The Company received a notice dated February 26, 2015 from Engine Capital stating its intention to propose three alternative director nominees for election at the Annual Meeting. The Engine Capital nominees have NOT been endorsed by our Board. We urge you NOT to use any proxy card that you may receive from Engine Capital. We urge you to use the **WHITE** proxy card and vote FOR ALL of our Board's nominees for director.

OUR BOARD OF DIRECTORS URGES YOU TO DISREGARD ANY MATERIALS, AND NOT TO SIGN OR RETURN ANY PROXY CARD, SENT TO YOU BY ENGINE CAPITAL.

We are not responsible for the accuracy of any information provided by or relating to Engine Capital contained in any proxy solicitation materials filed or disseminated by, or on behalf of, Engine Capital or any other statements that Engine Capital may otherwise make.

Q. How do I vote?

A. You may vote by mail using the **WHITE** proxy card or follow any alternative voting procedure described on the **WHITE** proxy card. To use an alternative voting procedure, follow the instructions on the **WHITE** proxy card.

For the election of directors, you may either vote For a nominee or you may Withhold your vote for a nominee. For the ratification of the selection of the Company's independent auditors and the advisory vote on named executive officer compensation, you may vote For or Against or abstain from voting.

It will NOT help to elect the nominees nominated by our Board if you sign and return proxies sent by Engine Capital, even if you vote AGAINST or WITHHOLD on its directors using the Engine Capital proxy card. In fact, doing so will cancel any previous vote you may have cast in favor of our Board's nominees on the Company's **WHITE** proxy card.

Q. What are the voting procedures for stockholders of record?

A. If you are a stockholder of record, you may vote in person at the Annual Meeting. Alternatively, you may vote by mail by using the accompanying **WHITE** proxy card or over the internet or by telephone using the instructions on the **WHITE** proxy card. Whether or not you plan to attend the Annual Meeting, we urge you to vote by proxy to ensure that your vote is counted. Even if you have submitted a proxy before the Annual Meeting, you may still attend the Annual Meeting and vote in person. In such case, your previously submitted proxy card will be disregarded.

To vote in person, come to the Annual Meeting and we will give you a ballot when you arrive.

To vote by proxy over the internet or by telephone, follow the instructions provided on the **WHITE** proxy card.

To vote by mail by, complete, sign and date the **WHITE** proxy card and return it promptly in the envelope provided. If you return your signed **WHITE** proxy card to us before the Annual Meeting, we will vote your shares as you direct.

Q. What are the voting procedures if my shares are registered in the name of a broker, bank or other agent?

A. If you are a beneficial owner of shares registered in the name of your broker, bank or other agent, you should have received a **WHITE** voting instruction card and voting instructions with these proxy materials from that organization rather than from us. To ensure that your vote is counted, follow the directions set forth on the **WHITE** voting instruction card and voting instructions that you receive. To vote in person at the Annual Meeting, you must obtain a valid proxy card from your broker, bank or other agent. Follow the instructions from your broker, bank or other agent included with these proxy materials, or contact your broker, bank or other agent to request a proxy card.

Q. Who counts the votes?

A. MacKenzie Partners, Inc. (MacKenzie) has been engaged as our independent agent to provide advisory, consulting and solicitation services, and tabulate stockholder votes. If you are a stockholder of record, your executed proxy card is returned directly to MacKenzie for tabulation. If you hold your shares through a broker, your broker returns one proxy card to MacKenzie on behalf of all its clients.

Q. How are votes counted?

A. Each share of Common Stock outstanding on the Record Date is entitled to one vote on each matter.

With respect to Proposal One, the election of the directors, the three nominees receiving the highest number of votes will be elected.

With respect to Proposal Two and Proposal Three, the affirmative vote of the holders of a majority in voting power of the shares of Common Stock that are present in person or by proxy and entitled to vote on each proposal is required for approval.

If your shares are held by a broker, bank, or other agent (that is, in street name) and you do not instruct the broker, bank, or other agent as to how to vote these shares on Proposals One or Three, the broker, bank, or other agent may not exercise discretion to vote for or against those proposals. This would be a broker non-vote and these shares will not be counted as having been voted on the applicable proposal. However, broker non-votes will be considered present at the Annual Meeting and will be counted towards determining whether or not a quorum is present. With respect to Proposal Two, the broker, bank, or other agent may exercise its discretion to vote for or against that proposal in the absence of your instruction, except that, if any other person sends you proxy materials to solicit your proxy, your broker will not have discretionary authority to vote your shares with respect to Proposal Two. **Please instruct your broker, bank, or other agent so that your vote can be counted.**

If stockholders abstain from voting, including brokers, banks, or other agents holding their clients' shares of record who cause abstentions to be recorded, these shares will be considered present and entitled to vote at the Annual Meeting and will be counted towards determining whether or not a quorum is present. Abstentions will have no effect with regard to Proposal One because approval of a percentage of shares present or outstanding is not required for this proposal. With respect to Proposals Two and Three, abstentions will have the same effect as an Against vote.

Q. How do I vote via internet or telephone?

A. You may vote by proxy via the internet or by telephone by following the instructions provided on the **WHITE** proxy card. Please be aware that if you vote by phone or over the internet, you may incur costs such as telephone and internet access charges for which you will be responsible. The internet and telephone voting facilities for eligible stockholders of record will close at 11:59 p.m. Eastern Time on May 31, 2015. The giving of such a telephonic or internet proxy will not affect your right to vote in person should you decide to attend the Annual Meeting.

The telephone and internet voting procedures are designed to authenticate stockholders' identities, to allow stockholders to give their voting instructions and to confirm that stockholders' instructions have been recorded properly.

Q. What if I return a WHITE proxy card but do not make specific choices?

A. If we receive a signed and dated **WHITE** proxy card and the **WHITE** proxy card does not specify how your shares are to be voted, your shares will be voted in accordance with the recommendations of our Board, including For the election of each of our Board's three nominees for director, For the ratification of the appointment of Ernst & Young LLP as our independent registered public accounting firm and For the approval, on an advisory basis, of named executive officer compensation. If any other matter is properly presented at the Annual Meeting, your proxy (one of the individuals named on your proxy card) will vote your shares using his or her best judgment.

Q. Who is paying for this proxy solicitation?

A. This proxy solicitation is being made on behalf of our Board. We will pay for the entire cost of soliciting proxies. Directors, officers and employees will not be paid any additional compensation for soliciting proxies. We may also reimburse brokerage firms, banks and other agents for the cost of forwarding proxy materials to beneficial owners. The Company has engaged MacKenzie to provide advisory, consulting and solicitation services. If Engine Capital proceeds with a potential proxy contest, we may incur substantial additional costs in connection with our solicitation of proxies. The Company has agreed to pay MacKenzie customary compensation for its services, including an initial retainer of \$40,000 plus reimbursement for reasonable out-of-pocket expenses incurred during the solicitation, of which \$40,000.00 has been paid to date. MacKenzie has advised us that its initial fees could be up to \$150,000 in connection with a proxy contest. The Company has also arranged to indemnify MacKenzie against certain liabilities arising from or in connection with the engagement. In addition to mailed proxy materials and proxy materials available over the internet, MacKenzie and our directors, officers and employees may also solicit proxies in person, by telephone or by other means of communication. MacKenzie has advised us that approximately 40 of its employees will be involved in the proxy solicitation on our behalf. If Engine Capital proceeds with a potential proxy contest, the Company estimates that the total amount to be spent in connection with the solicitation would be \$150,000. The total expense; MARGIN-LEFT: 0pt; TEXT-INDENT: 0pt; LINE-HEIGHT: 1.25; MARGIN-RIGHT: 0pt" align="center">**Amount and Nature of**

Beneficial Ownership
Percent of Class

Trust Managers and Executive Officers

Stanford Alexander

5,462,130

(1)

6.1%

Andrew M. Alexander

	1,525,836
(2)	
	1.7%
J. Murry Bowden	
	18,115
	*
James W. Crownover	
	11,665
	*
Robert J. Cruikshank	
	6,865
	*
Martin Debrovner	
	429,928
(3)	
	*
Melvin A. Dow	
	1,138,237
(4)	
	1.3%
Stephen A. Lasher	
	651,115
(5)	
	21

	*
Douglas W. Schnitzer	
	1,421,420
(6)	
	1.6%
Marc J. Shapiro	
	38,140
	*
Johnny Hendrix	
	55,509
(7)	
	*
Stephen C. Richter	
	159,220
(8)	
	*
All trust managers and executive officers as a group (12 persons)	
	10,918,180
(9)	
	10.7%
<u>Five Percent Shareholder</u>	
Barclays Global Investors NA	
	5,016,585
(10)	

* Beneficial ownership of less than 1% of the class is omitted.

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- (1) Includes 887,618 shares held by various trusts for the benefit of Mr. Alexander's children and 667,518 shares for which voting and investment power are shared with Andrew M. Alexander and Melvin A. Dow, 87,437 shares that may be purchased by Mr. Alexander upon exercise of share options that are currently exercisable or that will become exercisable on or before April 18, 2006. Also includes 1,012,670 shares held by two charitable foundations, over which shares Mr. Alexander and his wife Joan have voting and investment power.
- (2) Includes 667,518 shares over which Messrs. S. Alexander and Dow have shared voting and investment power, and 86,042 shares that Mr. A. Alexander may purchase upon the exercise of share options that will be exercisable on or before April 18, 2006. Also includes 56,250 shares held by a charitable foundation, over which shares Mr. A. Alexander and his wife Julie have voting and investment power.
- (3) Includes 40,997 shares held in trust for the benefit of Mr. Debrovner's children, for which he has voting and investment power, and 39,082 shares that may be purchased upon the exercise of share options that will be exercisable on or before April 18, 2006.
- (4) Includes 667,518 shares over which Messrs. S. Alexander and A. Alexander have shared voting and investment power.
- (5) Includes 112,500 shares held by trusts for the benefit of Mr. Lasher's children, over which Mr. Lasher exercises voting and investment power.
- (6) Mr. Schnitzer owns 3,290 shares individually. With respect to the remaining shares beneficially owned, Mr. Schnitzer shares voting and investment power with Joan Weingarten Schnitzer under trusts for Joan Weingarten Schnitzer.
- (7) Includes 5,373 shares that may be purchased upon the exercise of share options that will be exercisable on or before April 18, 2006.
- (8) Includes 7,818 shares held in trust for the benefit of Mr. Richter's children, for which he has voting and investment power, and 37,187 shares that may be purchased upon the exercise of share options that will be exercisable on or before April 18, 2006.
- (9) Includes 255,121 shares that may be purchased upon the exercise of share options that will be exercisable on or before April 18, 2006.
- (10) Pursuant to information contained in a Schedule 13G filed by or on behalf of the beneficial owners with the SEC on January 27, 2006. The Schedule 13G lists the address of Barclays Global Investors NA/CA, 45 Fremont Street, 17th floor, San Francisco, CA 94105.

We are pleased to report that management, employees, trust managers and their extended families own, in the aggregate, 12.9% of our outstanding common shares as of February 17, 2006, not including any unexercised share options.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934 requires our trust managers and executive officers, and persons who own more than 10% of a registered class of our equity securities, to file reports of holdings and transactions in our securities with the SEC and the NYSE. Executive officers, trust managers and greater than 10% beneficial owners are required by applicable regulations to furnish us with copies of all Section 16(a) forms they file with the SEC.

Based solely upon a review of the reports furnished to us with respect to fiscal 2005, we believe that all SEC filing requirements applicable to our trust managers, executive officers and 10% beneficial owners were satisfied.

EXECUTIVE OFFICERS

No trust manager or executive officer was selected as a result of any arrangement or understanding between the trust manager or executive officer and any other person. All executive officers are elected annually by, and serve at the discretion of, the board of trust managers.

Our executive officers are as follows:

Name	Age	Position	Recent Business Experience
Stanford Alexander	77	Chairman of the Board	See "Election of Trust Managers"
Andrew M. Alexander	49	President and Chief Executive Officer	See "Election of Trust Managers"
Martin Debrovner	69	Vice Chairman	1997 to Present - Vice Chairman; 1993 to 1997 - President and Chief Operating Officer
Stephen C. Richter	51	Executive Vice President and Chief Financial Officer	Appointed Executive Vice President, February 2005; 2000 to 2004 - Senior Vice President and Chief Financial Officer; 1997 to 2000 - Senior Vice President and Treasurer
Johnny Hendrix	48	Executive Vice President/Asset Management	Appointed Executive Vice President, February 2005; 2001 to 2004 - Senior Vice President/Director of Leasing; 1998 to 2000 - Vice President/Associate Director of Leasing

EXECUTIVE COMPENSATION**Compensation of Executive Officers**

The following table summarizes the compensation paid by us for each of the fiscal years ended December 31, 2005, 2004 and 2003 to the Chief Executive Officer and the four other most highly compensated executive officers who received a total annual salary and bonus in excess of \$100,000 in fiscal 2005.

Name and Principal Position	Year	Annual Compensation		Long-Term Compensation Awards		
		Salary (\$)	Bonus (\$)	Restricted Share Awards (\$)	Securities Underlying Options/SARs (#) (1)	All Other Compensation
Stanford Alexander Chairman	2005	\$ 625,000	\$ 375,000	\$ 325,380(2)	86,908	\$ 7,912(7)
	2004	600,000	471,500	279,999	58,455	9,831
	2003	575,000	345,000	237,519	78,991	10,820
Andrew M. Alexander President and Chief Executive Officer	2005	650,000	487,500	400,367(3)	106,962	778,513(8)
	2004	625,000	596,563	337,517	70,459	296,336
	2003	575,000	345,000	275,022	91,465	170,232
Martin Debrovner Vice Chairman	2005	475,000	237,500	230,384(4)	61,507	586,818(9)
	2004	450,000	288,500	199,982	41,754	64,082
	2003	425,000	178,500	162,513	54,047	9,799
Stephen C. Richter Executive Vice President/Chief Financial Officer	2005	330,000	115,500	100,606(5)	26,811	225,974(10)
	2004	315,000	125,213	80,056	16,712	108,579
	2003	300,000	103,500	70,628	23,486	79,784
Johnny L. Hendrix Executive Vice President/ Asset Management	2005	300,000	126,000	96,230(6)	25,638	176,669(11)
	2004	285,000	150,335	79,063	16,505	88,760
	2003	273,000	125,580	69,771	23,199	69,064

- (1) No SARs were granted during 2003, 2004 or 2005.
- (2) Of the 8,690 restricted shares awarded in 2005, 1,738 will vest on each of December 5, 2006, 2007, 2008, 2009 and 2010. Ten shares were also gifted as restricted shares to employees with a value of \$374. Dividends are payable on restricted shares. As of December 31, 2005, Mr. S. Alexander held 19,063 restricted shares having a market value on that date of \$720,772.
- (3) Of the 10,695 restricted shares awarded in 2005, 2,139 will vest on each of December 5, 2006, 2007, 2008, 2009 and 2010. Ten shares were also gifted as restricted shares to employees with a value of \$374. Dividends are

payable on restricted shares. As of December 31, 2005, Mr. A. Alexander held 22,973 restricted shares having a market value on that date of \$868,609.

- (4) Of the 6,150 restricted shares awarded in 2005, 1,230 will vest on each of December 5, 2006, 2007, 2008, 2009 and 2010. Ten shares were also gifted as restricted shares to employees with a value of \$374. Dividends are payable on restricted shares. As of December 31, 2005, Mr. Debrovner held 16,583 restricted shares having a market value on that date of \$507,297.

- (5) Of the 2,680 restricted shares awarded in 2005, 536 will vest on each of December 5, 2006, 2007, 2008, 2009 and 2010. Ten shares were also gifted as restricted shares to employees with a value of \$374. Dividends are payable on restricted shares. As of December 31, 2005, Mr. Richter held 7,042 restricted shares having a market value on that date of \$215,555.
- (6) Of the 2,563 restricted shares awarded in 2005, 512 will vest on each of December 5, 2006, 2007, 2008, 2009 and 2010. Ten shares were also gifted as restricted shares to employees with a value of \$374. Dividends are payable on restricted shares. As of December 31, 2005, Mr. Hendrix held 6,871 restricted shares having a market value on that date of \$209,732.
- (7) Includes \$6,300 for our contributions to the 401(k) Savings and Investment Plan on behalf of Mr. S. Alexander. Also includes \$149 for federal income taxes paid on 10 shares of WRI stock gifted to employees and \$1,463 for expenses of personal usage of company automobile.
- (8) Includes \$6,300 for our contributions to the 401(k) Savings and Investment Plan on behalf of Mr. A. Alexander and \$764,708 contributed to the Supplemental Retirement Plan (which includes \$269,237 for the year 2004). Also includes \$192 for federal income taxes paid on 10 shares of WRI stock gifted to employees and \$7,313 for expenses of personal usage of company automobile.
- (9) Includes \$6,300 for our contributions to the 401(k) Savings and Investment Plan on behalf of Mr. Debrovner and \$577,751 contributed to the Supplemental Retirement Plan (which includes \$208,257 for the year 2004). Also includes \$153 for federal income taxes paid on 10 shares of WRI stock gifted to employees and \$2,614 for expenses of personal usage of company automobile.
- (10) Includes \$6,300 for our contributions to the 401(k) Savings and Investment Plan on behalf of Mr. Richter and \$214,885 contributed to the Supplemental Retirement Plan (which includes \$87,645 for the year 2004). Also includes \$64 for federal income taxes paid on 10 shares of WRI stock gifted to employees and \$4,725 for expenses of personal usage of company automobile.
- (11) Includes \$6,300 for our contributions to the 401(k) Savings and Investment Plan on behalf of Mr. Hendrix and \$164,331 contributed to the Supplemental Retirement Plan (which includes \$70,828 for the year 2004). Also includes \$109 for federal income taxes paid on 10 shares of WRI stock gifted to employees and \$5,929 for expenses of personal usage of company automobile.

Option Grants in 2005

The following table sets forth information concerning grants of share options during 2005 to each of the executive officers named in the Executive Compensation Table who were executive officers in 2005 and the potential realizable value of the options at assumed annual rates of share price appreciation for the option term.

OPTION GRANTS IN 2005 Individual Grants

Name	Number of Securities Underlying Options Granted (#)	% of Total Options Granted to Employees In Fiscal Year	Exercise or Base Price (\$/Sh)	Expiration Date	Potential Realizable Value at Assumed Annual Rate of Share Price Appreciation For Option Term (2)	
					5% (\$)	10% (\$)
Stanford Alexander	86,898(1)	16.1	\$ 37.40	12-5-15	\$ 2,045,313	\$ 5,181,893

Andrew M. Alexander	106,952(1)	19.8	37.40	12-5-15	2,517,323	6,377,751
Martin Debrovner	61,497(1)	11.4	37.40	12-5-15	1,447,451	3,667,183
Stephen C. Richter	26,801(1)	5.0	37.40	12-5-15	630,813	1,598,195
Johnny L. Hendrix	25,628(1)	4.7	37.40	12-5-15	603,205	1,528,246

(1) The plans governing share option grants provide that the option price per share shall not be less than 100% of the market value per share of our common shares at the grant date. The term of any option is no more than 10

years from the date of grant. Options granted in 2005 become exercisable after one year in five equal annual installments of 20%. Shares were granted based on an average price for December 5, 2005.

- (2) The dollar amounts under these columns are the result of calculations assuming annual rates of share price appreciation over the option term at the 5% and 10% rates set by SEC rules and are not intended to forecast possible future appreciation, if any, in our common share price.

Option Exercises and Fiscal Year-End Option Values

The following table sets forth certain information concerning exercises of share options during 2005 by our named executive officers who were executive officers in 2005 and the value of the unexercised options as of December 31, 2005, based on the closing price of \$37.81 per share of our common shares on December 30, 2005.

Name	Shares Acquired on Exercise (#)	Value Realized	Number of Securities Underlying		Value of Unexercised In-the-Money Options at December 31, 2005	
			Number of Unexercised Options Held at December 31, 2005		Exercisable	Unexercisable
			Exercisable	Unexercisable		
Stanford Alexander Andrew M. Alexander	33,734	\$ 610,844	87,437	302,695	\$ 982,545	\$ 2,354,599
Martin Debrovner	131,625	2,719,517	185,486	412,244	2,580,900	3,486,043
Stephen C. Richter	21,707	343,688	66,074	227,146	769,988	1,873,016
Johnny L. Hendrix	5,000	99,405	56,992	101,796	867,185	868,317
	-	-	22,589	95,906	274,929	792,978

Retirement Plan

The following table shows the approximate annual retirement benefits under our non-contributory retirement plan (before the reduction made for social security benefits) to eligible grandfathered employees in specified compensation and years of service categories, assuming retirement occurs at age 65 and that benefits are payable only during the employee's lifetime. Benefits are not actuarially reduced where survivorship benefits are provided.

Average Compensation**	Estimated Annual Benefits Upon Retirement Years of Service					
	15	20	25	30	35	40
\$ 200,000	\$ 45,000	\$ 60,000	\$ 75,000	\$ 90,000	\$ 105,000	\$ 120,000
225,000	50,625	67,500	84,375	101,250	118,125	135,000
250,000	56,250	75,000	93,750	112,500	131,250	150,000
300,000	67,500	90,000	112,500	135,000	157,500	180,000 *
400,000	90,000	120,000	150,000	180,000 *	210,000 *	240,000 *

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450,000	101,250	135,000	168,750	202,500 *	236,250 *	270,000 *
500,000	112,500	150,000	187,500 *	225,000 *	262,500 *	300,000 *
600,000	135,000	180,000 *	225,000 *	270,000 *	315,000 *	360,000 *
700,000	157,500	210,000 *	262,500 *	315,000 *	367,500 *	420,000 *
800,000	180,000 *	240,000 *	300,000 *	360,000 *	420,000 *	480,000 *
900,000	202,500 *	270,000 *	337,500 *	405,000 *	472,500 *	540,000 *
1,000,000	225,000 *	300,000 *	375,000 *	450,000 *	525,000 *	600,000 *

* Currently, the maximum annual pension benefit, which currently may be paid under a qualified plan is \$170,000 (subject to certain grandfather rules) for limitation years beginning in 2005.

** Compensation in excess of \$200,000 is disregarded with respect to all plan years before 2004, compensation in excess of \$205,000 is disregarded with respect to the 2004 plan year, and compensation in excess of \$210,000 is disregarded with respect to the 2005 plan year. Accordingly, the compensation of each named executive officer included in the Executive Compensation Table, which was covered by the non-contributory retirement plan was limited to \$210,000.

The compensation used in computing average monthly compensation is the total of all amounts paid by us, plus amounts electively deferred by the employee under our savings plan, 125 cafeteria plan and nonqualified deferred compensation plan. Credited years of service for named executive officers as of March 15, 2006 are as follows: Mr. S. Alexander, 52 years; Mr. Debrovner, 38 years; Mr. A. Alexander, 28 years; Mr. Hendrix, 20 years and Mr. Richter, 26 years. Mr. S. Alexander and Mr. Debrovner commenced receiving benefits under the Plan in January 1996 and June 2001, respectively.

The non-contributory pension plan converted to a cash balance retirement plan on April 1, 2002. A grandfathered participant will remain covered by the provisions of the plan prior to the conversion to the cash balance plan. A grandfathered participant is any participant born prior to January 1, 1952, who was hired prior to January 1, 1997, and was an active employee on April 1, 2002. The retirement plan pays benefits to grandfathered participants in the event of death, disability, retirement or other termination of employment after the employee meets certain vesting requirements (all grandfathered participants are 100% vested). The amount of the monthly retirement benefit payable beginning at age 65, the normal retirement age, is equal to (i) 1.5% of average monthly compensation during five consecutive years, within the last ten years, which would yield the highest average monthly compensation multiplied by years of service rendered after age 21, minus (ii) 1.5% of the monthly social security benefits in effect on the date of retirement multiplied by years of service rendered after age 21 and after July 1, 1976 (not in excess of 33 1/3 years).

Cash Balance Retirement Plan

The following table shows the approximate annual retirement benefits under our non-contributory cash balance retirement plan to eligible employees in specified compensation and years of service categories, assuming retirement occurs at age 65 and that benefits are payable only during the employee's lifetime. Benefits are not actuarially reduced where survivorship benefits are provided. No opening balance was included in the table.

		Estimated Annual Benefits Upon Retirement					
		Years of Service					
Average Compensation**		15	20	25	30	35	40
\$ 200,000	\$	10,928	\$ 16,958	\$ 25,228	\$ 35,338	\$ 47,698	\$ 62,809
225,000		12,295	19,077	28,381	39,756	53,661	70,660
250,000		13,661	21,197	31,535	44,173	59,623	78,511
300,000		16,393	25,437	37,842	53,008	71,548	94,213
350,000		19,125	29,676	44,149	61,842	83,472	109,916
400,000		21,857	33,915	50,456	70,677	95,397	125,618
450,000		24,589	38,155	56,763	79,511	107,322	141,320
500,000		27,321	42,394	63,070	88,346	119,246	157,022
600,000		32,785	50,873	75,684	106,015	143,095	188,427 *
700,000		38,250	59,352	88,298	123,684	166,945	219,831 *
800,000		43,714	67,831	100,912	141,353	190,794 *	251,236 *
900,000		49,178	76,310	113,526	159,023	214,643 *	282,640 *

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1,000,000	54,642	84,789	126,140	176,692 *	238,492 *	314,045 *
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* Currently, the maximum annual pension benefit, which currently may be paid under a qualified plan is \$170,000 (subject to certain grandfather rules) for limitation years beginning in 2005.

** Compensation in excess of \$200,000 is disregarded with respect to all plan years before 2004, compensation in excess of \$205,000 is disregarded with respect to the 2004 plan year, and compensation in excess of \$210,000 is disregarded with respect to the 2005 plan year. Accordingly, the compensation of each named executive officer included in the Executive Compensation Table, which was covered by the non-contributory retirement plan was limited to \$210,000.

The non-contributory cash balance retirement plan covers all employees beginning on April 1, 2002 with no age or service minimum requirement. However, leased employees and employees covered by a collective bargaining agreement will not participate in the plan. The cash balance plan pays benefits in the event of death (if married), retirement or termination of employment after the participant meets certain vesting requirements (generally 100% vested after 5 years of service). The amount of the monthly retirement benefit payable beginning at age 65, the normal retirement age, is equal to the greater of (i) the monthly benefit that is actuarial equivalent of the cash balance account, or (ii) the accrued monthly benefit under the prior plan as of January 1, 2002. The opening balance of a cash balance participant, who was an active participant in the plan on January 2, 2002 and was an active employee on April 1, 2002, is the actuarial equivalent present value of his frozen accrued benefit on January 1, 2002. Interest Credits are determined on the last day of each plan years based on the annual rate of interest on the ten-year US Treasury Bill Constant Maturities on October 1 of the immediately preceding the Plan Year. A Service Credit will be credited to the cash balance account of any cash balance participant who is an active participant at any time during the plan year. The amount of the Service Credit shall be a percentage of the participant's earnings for the plan year based on the years of credited service on the last day of the prior Plan Year.

Years of Credited Service	Percentage of Earnings
0 through 9.99	3%
10 through 19.99	4%
20 or more	5%

Change In Control Arrangements

Messrs. S. Alexander, A. Alexander and M. Debrovner have not entered into change in control arrangements with us.

We have however, entered into a severance and change in control agreement with each of Mr. Hendrix and Mr. Richter which becomes operative only upon a change in control. All other Vice Presidents have also entered into the same change in control agreement with us. A change in control is deemed to occur upon any one of five events: (1) we merge, consolidate or reorganize into or with another corporation or legal entity and we are not the surviving entity; (2) we sell or otherwise transfer 50% or more of our assets to one entity or in a series of related transactions; (3) any person or group acquires 25% or more of our then outstanding voting shares; (4) we file a report or proxy statement with the SEC disclosing that a change in control has occurred or will occur; or (5) if, during any 12-month period, trust managers at the beginning of the 12-month period cease to constitute a majority of the trust managers.

If Mr. Hendrix, Mr. Richter or any other Vice President is terminated under specified conditions within one year following a change in control, he will be entitled to a severance benefit in an amount equal to (1) 2.99 times his annualized base salary as of the first date constituting a change in control or, if greater, (2) 2.99 times his highest base

salary in the five fiscal years preceding the first event constituting a change in control, plus, in either case, 2.99 times his targeted bonus for the fiscal year in which the first

event constituting a change in control occurs. In addition, Mr. Hendrix, Mr. Richter or any other Vice President, as applicable, is entitled to receive an additional payment or payments to the extent the severance benefit is subject to the excise tax imposed by Section 4999 of the Code or any similar tax imposed by state or local law, or any penalties or interest with respect to the tax. Mr. Hendrix and Mr. Richter will also receive one year of employee benefits coverage substantially similar to what he received or was entitled to receive prior to the change in control.

Management Development and Compensation Committee Report On Executive Compensation

Overview

Our executive compensation is supervised by the management development and compensation committee of the board of trust managers which is comprised entirely of independent trust managers as determined by the board within the meaning of the applicable NYSE listing standards currently in effect. The board designates the members and the chairman of the committee on an annual basis.

The committee is responsible for developing, administering and monitoring the executive compensation programs, ensuring that the executive compensation programs are designed to be consistent with our corporate strategies and business objectives; reviewing and approving all compensation plans affecting senior management; and determining the specific amounts of compensation for the officers. Additionally the committee is responsible for administering our share option and deferred compensation plans. Our share option programs are for all of our associates, including our officers. The specific duties and responsibilities of the committee are described in the charter of the management development and compensation committee, which is available on our Web site at www.weingarten.com.

The committee met three times during fiscal 2005. The meetings generally focus on long-term management development, the compensation policy including both short-term and long-term forms of compensation, the review of best practices in executive compensation, the evaluation of the independent consultants' report to the committee on the compensation of the executive officers, and the evaluation of the CEO's performance. All committee members are actively engaged in the review of matters presented. The committee has direct access to independent compensation consultants and other experts for survey data, best practices and other information, as it deems appropriate.

Compensation Philosophy and Objectives.

The members of the committee attribute our historical success in large part to the talent and dedication of our associates and, in particular to the management and leadership efforts of our executive officers. The goal of our compensation program is to attract, motivate and retain the highly talented individuals needed to operate, acquire, develop and re-merchandise our properties for the long-term. We seek to provide executive compensation that will support the achievement of our financial and growth goals and objectives. When our performance is better than the goals and objectives set for the performance period, our associates should be paid more, and when our performance does not meet one or more of our financial or other objectives, any incentive award payment is at the committee's discretion. In order to achieve our goals and objectives, we have structured an incentive based compensation system tied to our financial performance and portfolio growth. We will attempt to maximize the amount of compensation expense that is tax deductible where consistent with our compensation philosophy.

Our committee annually reviews our compensation programs to ensure that pay levels and incentive opportunities are competitive and reflect our performance. In general, the proportion of an

officer's total compensation that is dependent on our performance should increase as the scope and level of the individual's business responsibilities increase.

Through the design of our compensation program, we look to balance the focus of our officers on achieving strong short-term, or annual results in a manner that will ensure our long-term viability and success. Therefore, to reinforce the importance of balancing these perspectives, our officers are regularly provided with both annual and long-term incentives. Thus, we generally compensate our officers through a combination of base salary, annual bonus compensation and annual awards of share options and restricted shares. Our Chairman, Chief Executive Officer and the Vice Chairman, generally have lower base salaries than comparable companies, coupled with a leveraged incentive bonus system, which will pay more with good performance and less with performance that is below expectation. Generally, target bonuses for our executive officers are within 30% to 75% of the base compensation of the individual, depending on the size of the incentive bonus awarded.

Base Salary

Base salary levels for executive officers are largely derived through an evaluation of the Company's performance over time, each executive officer's performance and subjective features like individual experience. The committee periodically evaluates the appropriate combination of cash and stock-based compensation, and weighs the competitiveness of our plans in relation to compensation practices of companies of similar size, complexity and, where comparable, in the same industry. The determination of comparable companies was based upon selections made by both us, as to comparable companies in the real estate industry, and by independent compensation consultants, as to other comparable companies. Not all companies included in the NAREIT All Equity Index described on page 21 are comparable in size and complexity, and not all comparable real estate companies are REITs. Actual salaries are based on an executive officer's skill and ability to influence our financial performance and growth in both the short-term and long-term. During 2005, our committee used compensation information provided by an outside consultant, Ferguson Partners Ltd., in establishing base salaries.

Bonus Compensation

We design the annual incentive or bonus compensation to align pay with our annual performance. We establish, at the beginning of each year, the key performance measures we believe require the special focus of all of our associates, including our officers, to move the business forward and create value for our shareholders. All of our officers participate in our bonus program. Each individual's eligible bonus is based on a percentage of the individual's base salary. This bonus program has been in effect for more than 25 years. The bonus percentage is also based on a competitive analysis and is reviewed with the independent consultants.

Again, the officer's ability to influence our success is considered in establishing this percentage. Incentive compensation earned is determined annually on the basis of performance against the pre-established goals and objectives. Other than for the Chairman, Vice Chairman and Chief Executive Officer, the eligible bonus percentage for officers is generally allocated 50% to company performance and 50% to the individual performance. Specific individual goals for each officer are established at the beginning of the year and are tied to the functional responsibilities of each executive officer. Individual goals include both objective financial measures as well as subjective factors such as efficiency in managing capital resources, successful acquisitions and new developments, good investor relations and the continued development of management. Company performance is primarily based on operating performance, as measured by factors such as our funds from operations, and achieving the appropriate growth objective, relating primarily to portfolio acquisitions and new development. Other than the allocation between company performance and individual performance, no specific weights are assigned to the individual goals. The bonuses of the Chairman, Vice Chairman and Chief Executive Officer are based

entirely on our performance. Our performance targets and all individual goals were met in fiscal 2005 and, consequently, the executive officers were eligible for full bonus awards.

Share Incentive Program

Our committee strongly believes that by providing our officers with an opportunity to increase their ownership of common shares, the interests of shareholders and the officers will be closely aligned. Therefore, the long-term incentive component for our officer's total compensation program is provided in two forms, share options and restricted share awards. Recently the committee has altered the allocation between restricted shares and share options, placing more emphasis on restricted shares. The management development and compensation committee feels that the use of both forms of long-term incentive compensation is appropriate. Thus, our officers are eligible to receive both restricted share awards and share options annually, giving them the right to purchase our common shares. The number of share options granted to an executive officer is based on practices of the same comparable companies used to define base salary levels. Share awards and options are a significant part of our executive compensation system, and these awards and options are issued on an annual basis.

Because of our strong belief in aligning our officers with the interest of shareholders through share ownership, we have provided guidelines for ownership of our shares over time. Our Chairman, CEO, and Vice Chairman must own shares equal to five times their base compensation, executive vice presidents three times, senior vice presidents 2.5 times and vice presidents one time. These officers are provided various ways to become shareholders including the share incentive program, an employee share purchase program, and our 401(k) savings plan.

2005 Performance

The committee determines base salary and incentive compensation of senior management based, in part, on the Company's performance. In evaluating 2005 performance, the committee noted the Company's ability, under the direction of senior management, to increase its Funds from Operations, or FFO, for the year ended December 31, 2005 to \$244.3 million as compared to \$219.4 million for the year ended December 31, 2004. On a diluted per share basis, FFO increased 7.9% to \$2.72 for the year ended December 31, 2005 from \$2.52 for the previous year. FFO is a widely accepted supplemental non-GAAP measure of performance for real estate investment trusts.

The Company's improved performance reflects the combined effect of (i) acquisitions of operating properties during 2005 and 2004 providing base minimum rentals of \$31.8 million for the year ended December 31, 2005 and (ii) same-property net operating income growth of 4.6 % for the year ended December 31, 2005 as compared to 3.0% December 31, 2004.

As a result of the Company's improved 2005 performance, the Board of Directors increased the annualized cash dividend beginning in 2006 by 5.7% to \$1.86 per share as compared to \$1.76 per share for 2005.

The Executive Compensation Committee believes the Company's 2005 financial and operating performance underscores the Company's long-term strategy to maintain a strong balance sheet while investing selectively in order to enhance stockholder value.

The Committee determined bonuses and stock awards for senior management in 2005 based on its analysis of the Company's 2005 performance and the ability of individual members of management to achieve targeted earnings, operations and financing objectives.

Chief Executive Officer Performance Evaluation

The compensation of Mr. A. Alexander, Chief Executive Officer, for the year ended December 31, 2005 was determined in accordance with the criteria discussed above. In addition, the committee annually reviews and approves the objectives for the Chief Executive Officer, including financial performance of the Company and growth in real estate assets. The committee has reviewed all components of Mr. Alexander's compensation, including base salary, bonus compensation and the share incentive program.

As we met our 2005 company performance goals, Mr. A. Alexander received 100% of his potential bonus for 2005. Mr. A. Alexander's bonus in 2005 was lower than his 2004 bonus as we exceeded our 2004 compensation goals resulting in Mr. A. Alexander receiving 115% of his 2004 targeted bonus. The management development and compensation committee finds Mr. A. Alexander's total compensation to be reasonable and not excessive in the aggregate. In considering the components of Mr. A. Alexander's total compensation, the committee takes into account the aggregate amounts and mix of all components.

Respectfully Submitted,

Management Development and Compensation Committee

Robert J. Cruikshank, 2005 Chairman

Stephen A. Lasher

Marc J. Shapiro

Performance Graph

SEC rules require the presentation of a line graph comparing, over a period of five years, the cumulative total shareholder return to a performance indicator of a broad equity market index and either a nationally recognized industry index or a peer group index constructed by us.

The graph below provides an indicator of cumulative total shareholder returns for us as compared with the S&P 500 Stock Index and the NAREIT All Equity Index, weighted by market value at each measurement point. The graph assumes that \$100 was invested on December 31, 2000 in our common shares and that all dividends were reinvested by the shareholder.

Comparison of Five Year Cumulative Return

	2001	2002	2003	2004	2005
Weingarten	117.56	144.03	183.19	260.82	257.52
S&P 500 Index	88.11	68.64	88.33	97.94	102.75
The NAREIT All Equity Index	113.93	118.29	162.21	213.43	239.39

There can be no assurance that our share performance will continue into the future with the same or similar trends depicted in the graph above. We will not make or endorse any predications as to future share performance.

Report of the Audit Committee of the Board of Trust Managers

The audit committee is composed of four independent non-employee trust managers and operates under a written charter adopted by the board (a copy of which is available on our Web site). The board has determined that each committee member is independent within the meaning of the applicable NYSE listing standards currently in effect.

Management is responsible for the financial reporting process, including the system of internal controls, and for the preparation of consolidated financial statements in accordance with GAAP. Our independent registered public accounting firm is responsible for auditing those financial statements and expressing an opinion as to their conformity with GAAP. The committee's responsibility is to oversee and review these processes. We are not, however, professionally engaged in the practice of accounting or auditing, and do not provide any expert or other special assurance as to such financial statements concerning compliance with the laws, regulations or GAAP or as to the independence of the registered public accounting firm. The committee relies, without independent verification, on the information provided to us and on the representations made by management and the independent registered public accounting firm. We held five meetings during fiscal 2005. The meetings were designed, among other things, to facilitate and encourage communication among the committee, management, the internal audit function and our independent registered public accounting firm, Deloitte & Touche LLP (Deloitte). We discussed with Deloitte the overall scope and plans for their audit. We met with Deloitte, with and without management present, to discuss the results of their examinations and their evaluations of our internal controls.

We have reviewed and discussed the audited consolidated financial statements for the fiscal year ended December 31, 2005 with management and Deloitte. We also discussed with management and Deloitte the process used to support certifications by our Chief Executive Officer and Chief Financial Officer that are required by the SEC and the Sarbanes-Oxley Act of 2002 to accompany our periodic filings with the SEC. In addition, we reviewed and discussed our progress on complying with Section 404 of the Sarbanes-Oxley Act of 2002, including the Public Company Accounting Oversight Board's (PCAOB) Auditing Standard No. 2 regarding the audit of internal control over financial reporting.

In addition, the audit committee obtained from Deloitte a formal written statement describing all relationships between Deloitte and the company that might bear on Deloitte's independence consistent with Independence Standards Board Standard No. 1, "Independence Discussions with Audit Committees," discussed with Deloitte any relationships that may impact their objectivity and independence, and satisfied itself as to their independence. When considering Deloitte's independence, we considered whether their provision of services to the company beyond those rendered in connection with their audit of our consolidated financial statements and reviews of our consolidated financial statements, including in its Quarterly Reports on Form 10-Q, was compatible with maintaining their independence. We also reviewed, among other things, the audit and non-audit services performed by, and the amount of fees paid for such services to, Deloitte. The audit committee also discussed and reviewed with the independent registered public accounting firm all communications required by generally accepted auditing standards, including those described in Statement on Auditing Standards (SAS) No. 61, as amended, "Communication with Audit Committees," SAS 99 "Consideration of Fraud in a Financial Statement Audit," and SEC rules discussed in Final Release Nos. 33-8183 and 33-8183a.

Based on our review and these meetings, discussions and reports, and subject to the limitations on our role and responsibilities referred to above and in the audit committee charter, we recommended to the board of trust managers (and the board has approved) that the audited financial statements for the year ended December 31, 2005 be included in Weingarten's Annual Report on Form 10-K. We have selected Deloitte as our independent registered public accounting firm for the fiscal year ending December 31, 2006, and have presented the selection to the shareholders for ratification.

The undersigned members of the audit committee have furnished this report to the board of trust managers.

Respectfully Submitted,

Audit Committee

James W. Crownover, 2005 Chairman

Robert J. Cruikshank

J. Murry Bowden

Douglas Schnitzer

**PROPOSAL TWO
RATIFICATION OF INDEPENDENT
REGISTERED PUBLIC ACCOUNTING FIRM**

The audit committee has appointed Deloitte & Touche LLP (Deloitte) as independent registered public accounting firm to audit our financial statements for the fiscal year ending December 31, 2006. During fiscal 2005, Deloitte served as our independent registered public accounting firm and also provided certain tax and other audit related services. Deloitte, or its predecessors, has served as our independent registered public account firm for more than 30 years and is familiar with our affairs and financial procedures.

Principal Accounting Firm Fees

Aggregate fees billed to us for the fiscal years ended December 31, 2005, and 2004 by Deloitte are set forth below:

	2005	2004
	(\$ in thousands)	
Audit Fees (a)	\$ 1,100.4	\$ 1,082.2
Audit-Related Fees (b)	-	8.0
Tax Fees (c)	405.7	312.6
All Other Fees	-	-
Total	\$ 1,506.1	\$ 1,402.8

(a) Fees for audit services billed in 2005 consisted of: audit of the Company's annual financial statements, audit of the Company's internal control over financial reporting, reviews of the Company's quarterly financial statements, consents and other services related to Securities and Exchange Commission matters.

Fees for audit services billed in 2004 consisted of: audit of the Company's annual financial statements, audit of the Company's internal control over financial reporting, reviews of the Company's quarterly financial statements, statutory and regulatory audits, consents and other services related to SEC matters.

(b) Fees for audit-related services billed in 2004 consisted of financial accounting and reporting consultations.

(c) Fees for tax services billed in 2005 and 2004 consisted of tax compliance and tax planning and advice. Fees for tax compliance services totaled \$367,600 and \$279,300 in 2005 and 2004, respectively. Tax compliance services are services rendered based upon facts already in existence or transactions that have already occurred to document, compute, and obtain government approval for amounts to be included in tax filings and consisted of Federal, state and local income tax return assistance, research for technical advice regarding technical terminations and disguised sales, research for technical advice and analysis for the purpose of filing amended returns and assistance with earnings and profits calculation and review.

Fees for tax planning and advice services totaled \$38,100 and \$33,300 in 2005 and 2004, respectively. Tax planning and advice are services rendered with respect to proposed transactions

or that alter a transaction to obtain a particular tax result. Such services consisted of tax advice related to structuring certain proposed mergers, acquisitions and disposals, tax advice related to Internal Revenue Code §1031 exchanges and tax advice related to an intra-group restructuring.

At its regularly scheduled and special meetings, the audit committee considers and pre-approves any audit and non-audit services to be performed by our independent accountants. The audit committee has delegated to its chairman, an independent member of our board of trust managers, the authority to grant pre-approvals of non-audit services provided that any such pre-approval by the chairman shall be reported to the audit committee at its next scheduled meeting. However, pre-approval of non-audit services is not required if (i) the aggregate amount of non-audit services is less than 5% of the total amount paid by us to the auditor during the fiscal year in which the non-audit services are provided; (ii) such services were not recognized by us as non-audit services at the time of the engagement; and (iii) such services are promptly brought to the attention of the audit committee and, prior to completion of the audit, are approved by the audit committee or by one or more audit committee members who have been delegated authority to grant approvals.

The audit committee has considered whether the provision of these services is compatible with maintaining the independent accountants' independence and has determined that such services have not adversely affected Deloitte's independence.

Representatives of Deloitte will be present at the annual meeting and will have an opportunity to make a statement, if they desire to do so, and to respond to appropriate questions from shareholders.

The board of trust managers unanimously recommends that you vote FOR the ratification of independent registered public accounting firm as set forth in Proposal Two. Proxies solicited by the board of trust managers will be so voted unless you specify otherwise in your proxy.

**PROPOSAL THREE
WEINGARTEN REALTY INVESTORS
AMENDMENT TO
2001 LONG TERM INCENTIVE PLAN**

Our board of trust managers has approved an amendment to our 2001 Long Term Incentive Plan to change the number of common shares of beneficial interest issuable under the plan from the as adjusted number of 2,250,000 shares currently issuable thereunder to 4,750,000 shares and has directed that the amendment to the plan be submitted to the shareholders for approval. If approved, the second sentence of Section 1.6 of the plan would be amended in its entirety to read as follows:

"Subject to the provisions of Section 1.10, the number of Shares available under the Plan for the grant of Share Options and Restricted Shares shall not exceed 4,750,000 Shares in the aggregate."

In the opinion of our board of trust managers, it is appropriate to amend the plan to increase the number of shares issuable pursuant to awards granted under the plan because the board believes that providing share ownership opportunities to employees of the company is in the best interests of the company and its continued growth. We currently have only 666,000 shares left for issuance under the plan, and our board believes the increased number will provide the company a sufficient number of shares for issuance for the remainder of the term of the plan.

Purpose. The purpose of the plan is to secure for us and our shareholders the benefits arising from share ownership by selected key employees, consultants and trust managers of the company or its subsidiaries as the compensation committee may from time to time determine. We believe that the possibility of participation in the plan through receipt of incentive share options, nonqualified share options and common shares of beneficial interest that are restricted will provide participants an incentive to perform more effectively and will assist us in attracting and retaining people of outstanding talent and ability.

Administration. The plan is administered by the management development and executive compensation committee, which consists solely of two or more non-employee trust managers. All questions of interpretation and application of the plan are determined by the committee, and each award granted under the plan has a term selected by the committee.

Participation. All regular, full-time employees, meaning an employee who works at least 30 hours or more per week, consultants and trust managers of the company or any subsidiary of the company are eligible for selection to participate in the plan. The committee will determine from time to time the individuals who are to receive awards under the plan. The number of employees eligible to participate in the plan is approximately 350. During the lifetime of participants, share options are exercisable only by the optionee, and no share options will be transferable otherwise than by will or the laws of descent and distribution; provided, however, that the option agreement may allow nonqualified share options to be transferred to permitted transferees (as defined in the plan).

Shares Available for Grant. If this amendment is approved, a total of 4,750,000 of our common shares of beneficial interest are reserved for issuance under the plan. The shares may be either authorized and unissued shares or issued and outstanding shares (including, in the discretion of the committee, shares purchased in the open market). If a share option expires unexercised, is terminated, or is cancelled or forfeited, the shares allocable to the unexercised portion of that share option may again be subject to a share option under the plan.

The plan provides that in the event of any change in the outstanding shares of the company by reason of any share dividend, split, spin-off, recapitalization, merger, consolidation, combination, exchange of shares or other similar change, the aggregate number of shares with respect to which awards may be made under the plan, the terms and the number of outstanding shares, and the exercise price of a share option, may be equitably adjusted by the board in its sole discretion.

Share Options. The committee may designate a share option as an incentive share option or a nonqualified share option, or the committee may award a grant of restricted shares. The terms of each award shall be set out in a written award agreement which incorporates the terms of the plan.

The exercise price of a nonqualified share option and/or an incentive share option shall be determined by the committee; provided, however, that the exercise price of an option may not be less than 100% of the fair market value (as defined in the plan) of a share on the date of grant, and options may not be exercisable after 10 years from the date of grant. Additionally, the grant of incentive share options to an employee owning over 10% of our voting shares must be at an exercise price of not less than 110% of the fair market value of the shares on the date of grant, and the incentive share option may not be exercisable after five years from the date of grant. The aggregate fair market value of all shares with respect to which incentive share options are exercisable for the first time by any optionee during any one calendar year shall not exceed \$100,000, determined based on the option exercise price on the date of grant. The purchase price of restricted shares will be determined by the committee on the date the restricted shares are granted, and the restricted shares will be free of the restrictions at the end of the restricted period (as defined in the plan).

Incentive share options and nonqualified share options may be exercised by payment of the share option price in cash, in shares valued at fair market value on the date of exercise, or any combination thereof. A holder of nonqualified share options may also make payment, unless restricted by the committee or the award agreement, in shares purchased upon the exercise of nonqualified share options through our withholding of shares (valued at fair market value as of the date of exercise) that would otherwise be issuable upon exercise of such options equivalent to the purchase price of the nonqualified share options. Special rules apply which limit the time of exercise of a share option following an employee's termination of employment. The committee may impose additional restrictions on the exercise of any share option.

Amendment of the Plan. The board may amend, suspend or terminate the plan at any time; provided, however, that no action by the board shall, without further approval of the shareholders, increase the total number of shares under the plan, materially increase the benefits accruing under the plan or materially modify the requirements as to eligibility for participation in the plan.

Change in Control/Corporate Transactions. The plan provides that in the event of any recapitalization, merger, consolidation or conversion, under which the holders of share options do not receive any securities or other property, all awards will remain outstanding and will continue in full force and effect in accordance with their terms. If the corporate transaction is consummated and the holders of share options receive transactional consideration, the awards will be modified as follows: (i) if the corporate transaction provides for the assumption by the entity issuing transactional consideration of the awards without any modification or amendment, the awards will remain outstanding and will continue in full force and effect; (ii) if the corporate transaction does not provide for the assumption by the entity issuing transactional consideration, all vesting restrictions applicable to awards which will not be assumed will accelerate and the award holders may exercise/receive the benefits of the awards during the 10 day period immediately preceding the consummation of the corporate transaction.

Federal Tax Consequences. The grant of incentive share options to an employee does not result in any income tax consequences. The exercise of an incentive share option generally does not result in

any income tax consequences to an employee if (i) the incentive share option is exercised by the employee during his employment with us or one of our subsidiaries, or within a specified period after termination of employment, and (ii) the employee does not dispose of shares acquired pursuant to the exercise of an incentive share option before the expiration of two years from the date of grant of the incentive share option or one year after exercise and the transfer of the shares to him, whichever is later. However, the excess of the fair market value of the shares as of the date of exercise over the option exercise price is includable in an employee's alternative minimum taxable income in the year of exercise.

An employee who disposes of his incentive share option shares prior to the expiration of the waiting period generally will recognize ordinary income in the year of sale in an amount equal to the excess, if any, of (a) the lesser of (i) the fair market value of the shares as of the date of exercise or (ii) the amount realized on the sale, over (b) the incentive share option exercise price. Any additional amount realized on an early disposition should be treated as capital gain to the employee, short or long term, depending on the employee's holding period for the shares. If an employee sells shares acquired pursuant to the exercise of an incentive share option, the employee will generally recognize a long-term capital gain or loss on the sale if the shares were held for more than 12 months.

We will not be entitled to a deduction as a result of the grant of an incentive share option, the exercise of an incentive share option, or the sale of incentive share option shares after the waiting period. If an employee disposes of incentive share option shares in an early disposition, we would be entitled to deduct the amount of ordinary income recognized by the employee.

The grant of nonqualified share options under the plan will not result in the recognition of any taxable income by the optionee. An optionee will recognize ordinary income on the date of exercise of the nonqualified share option equal to the excess, if any, of (i) the fair market value of the shares acquired as of the exercise date, over (ii) the exercise price. The income reportable on exercise of a nonqualified share option is subject to federal income and employment tax withholding. Generally, we will be entitled to a deduction for our taxable year within which the optionee recognizes compensation income in a corresponding amount.

Generally, the recipient of an award of restricted shares is taxed upon the fair market value of the shares at the date or dates that such shares vest, and we are entitled to a deduction at the same time in the same amount.

Grants under the Plan. There have been no grants under the plan since the board approved the amendment described in this proposal; accordingly, the benefits or amounts that will be received as a result of the adoption of the plan are not currently determinable.

Shareholder Approval Requirement. The approval of the amendment requires the affirmative vote of a majority of our common shares of beneficial interest voting on the matter. Abstentions and broker non-votes will not be included in the tabulation of votes cast on this proposal.

The board of trust managers unanimously recommends that shareholders vote FOR the amendment of the plan as set forth in this Proposal Three. Proxies solicited by the board of trust managers will be so voted unless you specify otherwise in your proxy.

PROPOSAL FOUR

SHAREHOLDER PROPOSAL

We have received a shareholder proposal from the Massachusetts State Carpenter's Fund, (MSCF), 350 Fordham Road, Wilmington, Massachusetts 01887. MSCF has requested that we include the following proposal and supporting statement in our proxy statement for our 2006 annual meeting of shareholders, and if properly presented, this proposal will be voted on at the annual meeting. MSCF beneficially owns approximately 1,000 of our common shares. The shareholder proposal is quoted verbatim in italics below.

Our board of trust managers disagrees with the adoption of the resolution proposed below and asks shareholders to read through our board of trust manager's response, which follows the shareholder proposal.

SHAREHOLDER PROPOSAL: PAY-FOR-SUPERIOR-PERFORMANCE PROPOSAL

This proposal was submitted by the Massachusetts State Carpenters Fund, 350 Fordham Road, Wilmington, Massachusetts 01887, which owns approximately 1,000 shares of our common stock.

RESOLVED: That the shareholders of Weingarten Realty Investors ("Company") request that the Board of Director's Executive Compensation Committee establish a pay-for-superior-performance standard in the Company's executive compensation plan for senior executives ("Plan"), by incorporating the following principles into the Plan:

- 1. The annual incentive component of the Company's Plan should utilize financial performance criteria that can be benchmarked against peer group performance, and provide that no annual bonus be awarded based on financial performance criteria unless the Company exceeds the median or mean performance of a disclosed group of peer companies on the selected financial criteria;*
- 2. The long-term equity compensation component of the Company's Plan should utilize financial and/or stock price performance criteria that can be benchmarked against peer group performance, and any options, restricted shares, or other equity compensation used should be structured so that compensation is received only when Company performance exceeds the median or mean performance of the peer group companies on the selected financial and stock price performance criteria; and*
- 3. Plan disclosure should allow shareholders to monitor the correlation between pay and performance established in the Plan.*

SUPPORTING STATEMENT: We feel it is imperative that executive compensation plans for senior executives be designed and implemented to promote long-term corporate value. A critical design feature of a well-conceived executive compensation plan is a close correlation between the level of pay and the level of corporate performance. We believe the failure to tie executive compensation to superior corporate performance has fueled the escalation of executive compensation and detracted from the goal of enhancing long-term corporate value. The median increase in CEO total compensation between 2003 and 2004 was 30.15% for S&P 500 companies, twice the previous year increase of 15.04% according to The Corporate Library's CEO Pay Survey.

The pay-for-performance concept has received considerable attention, yet most executive compensation plans are designed to award significant amounts of compensation for average or below average peer group performance. Two common and related executive compensation practices have

combined to produce pay-for-average-performance and escalating executive compensation.

First, senior executive total compensation levels are targeted at peer group median levels. Second, the performance criteria and benchmarks in the incentive compensation portions of the plans, which typically deliver the vast majority of total compensation, are calibrated to deliver a significant portion of the targeted amount. The formula combines generous total compensation targets with less than demanding performance criteria and benchmarks.

We believe the Company's Plan fails to promote the pay-for-superior-performance principle. Our Proposal offers a straightforward solution: The Compensation Committee should establish and disclose meaningful performance criteria on which to base annual and long-term incentive senior executive compensation and then set and disclose performance benchmarks to provide for awards or payouts only when the Company exceeds peer group performance. We believe a plan to reward only superior corporate performance will help moderate executive compensation and focus senior executives on building sustainable long-term corporate value.

The board of trust managers believes that the proposal is contrary to the interests of the company and our shareholders, and accordingly is recommending that you vote AGAINST the proposal for the following reasons:

The management development and compensation committee of our board of trust managers, which is comprised entirely of independent trust managers, supervises our executive compensation. As described in the report of the management development and compensation committee, the committee already considers our performance when determining appropriate levels of executive compensation. Our Chairman, Chief Executive Officer and the Vice Chairman generally have lower base salaries than comparable companies, coupled with a leveraged incentive bonus system which will pay more with good performance and less with performance that is below expectation. The management development and compensation committee believes it is in our best interest to retain certain flexibility when setting compensation levels instead of being tied to specific metrics, such as stock price performance, that may or may not be an accurate measure of our performance during any given period. The bonuses of the Chairman, Vice Chairman and Chief Executive Officer are based entirely on our performance.

Even though certain components of executive compensation are based on our performance, our board of trust managers does not believe it is in our best interest to disclose specific performance targets, as they are subject to large degrees of uncertainty and are derived based on material, nonpublic information.

Please refer to the report of the management development and compensation committee of our board of trust managers for a more detailed explanation of our executive compensation arrangements.

The board of trust managers unanimously recommends that you vote AGAINST the shareholder proposal as set forth in Proposal Four. Proxies solicited by the board of trust managers will be so voted unless you specify otherwise in your proxy.

OTHER MATTERS

As of the mailing date of this proxy statement, the board of trust managers knows of no other matters to be presented at the meeting. Should any other matter requiring a vote of the shareholders arise at the meeting, the persons named in the proxy will vote the proxies in accordance with their best judgment.

SHAREHOLDER PROPOSALS

Any shareholder who intends to present a proposal at the annual meeting in the year 2007, and who wishes to have the proposal included in our proxy statement for that meeting, must deliver the proposal to our corporate secretary M. Candace DuFour, at P.O. Box 924133, Houston, Texas 77292-4133 by November 23, 2006. All proposals must meet the requirements set forth in the rules and regulations of the SEC in order to be eligible for inclusion in the proxy statement for that meeting.

Any shareholder who intends to bring business to the annual meeting in the year 2007, but not include the proposal in our proxy statement, or to nominate a person to the board of trust managers, must give written notice to our corporate secretary, M. Candace DuFour, at P.O. Box 924133, Houston, Texas 77292-4133, by January 19, 2007.

ANNUAL REPORT

We have provided without charge a copy of the annual report to shareholders for fiscal year 2005 to each person being solicited by this proxy statement. **Upon the written request by any person being solicited by this proxy statement, we will provide without charge a copy of the annual report on Form 10-K as filed with the SEC (excluding exhibits, for which a reasonable charge shall be imposed).** All requests should be directed to: M. Candace DuFour, Sr. Vice President and Secretary at Weingarten Realty Investors, P.O. Box 924133, Houston, Texas 77292-4133. This information is also available via the Internet at our Web site (www.weingarten.com) and the EDGAR version of such report (with exhibits) is available at the SEC's world wide Web site (www.sec.gov).

HOUSEHOLDING ELECTION

The Securities and Exchange Commission has enacted a rule that allows multiple investors residing at the same address the convenience of receiving a single copy of annual reports, proxy statements, prospectuses and other disclosure documents if they consent to do so. This is known as "Householding." Please note, if you do not respond, Householding will start 60 days after the mailing of this notice. We will allow Householding only upon certain conditions. Some of those conditions are:

You agree to or do not object to the Householding of your materials,

You have the same last name and exact address as another investor(s).

If these conditions are met, and Securities and Exchange Commission regulations allow, your household will receive a single copy of annual reports, proxy statements, prospectuses and other disclosure documents.

The HOUSEHOLDING ELECTION, which appears on the enclosed proxy card, provides a means for you to notify us whether or not you consent to participate in Householding. By marking “Yes” in the block provided, you will consent to participate in Householding. By marking “No,” you will withhold your consent to participate. If you do nothing, you will be deemed to have given your consent to participate. Your consent to Householding will be perpetual unless you withhold or revoke it. You may revoke your consent at any time by contact ADP-ICS, either by calling toll-free at (800) 542-1061, or by writing to ADP-ICS, Householding Department, 51 Mercedes Way, Edgewood, New York, 11717. We will remove you from the Householding program within 30 days of receipt of your response, following which you will receive an individual copy of our disclosure document.

