

MISSION WEST PROPERTIES INC
Form DEF 14A
April 08, 2011

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

SCHEDULE 14A

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

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

Check the appropriate box:

- o Preliminary Proxy Statement
- o Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
- x Definitive Proxy Statement
- o Definitive Additional Materials
- o Soliciting Material Under Rule 14a-12

MISSION WEST PROPERTIES, INC.
(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than Registrant)

Payment of Filing Fee (Check the appropriate box):

- x No fee required
- o 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 transaction applies:
 - (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:

o Fee paid previously with preliminary materials
 o 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:

MISSION WEST PROPERTIES, INC.

10050 Bandlely Drive
Cupertino, California 95014

Dear Stockholder,

You are cordially invited to attend the 2011 Annual Stockholders' Meeting (the "Annual Meeting") of MISSION WEST PROPERTIES, INC. (the "Company") to be held on May 26, 2011, at 10:00 a.m., Pacific Time, at the Company's principal executive offices at 10050 Bandlely Drive, Cupertino, California 95014.

The matters expected to be acted upon at the meeting are described in detail in the following Notice of the 2011 Annual Stockholders' Meeting and Proxy Statement.

On or about April 11, 2011, the Company's Board of Directors expects to mail its stockholders either (i) a copy of the Company's Proxy Statement, the accompanying proxy card and the Company's Annual Report on Form 10-K for the year ended December 31, 2010 or (ii) a Notice of Internet Availability of Proxy Materials (the "Notice"), which will indicate how to access the Company's proxy materials on the Internet.

Whether or not you plan to attend the Annual Meeting, your vote is very important, and the Company encourages you to vote promptly. This will ensure your proper representation at the Annual Meeting. If you received a paper copy of the proxy card by mail, you may sign, date and mail the proxy card in the envelope provided. Instructions regarding both methods of voting will be contained in the proxy card or Notice that you receive. If you submit proxy voting instructions over the Internet or by telephone or you complete, sign and mail a proxy card, but later decide to attend the Annual Meeting in person, or for any other reason desire to revoke your proxy, you may do so at any time before your proxy is voted.

Sincerely,

Carl E. Berg

Chairman of the Board and Chief Executive Officer

Important Notice Regarding the Availability of Proxy Materials for
Mission West Properties, Inc.'s Annual Stockholders' Meeting to be held on May 26, 2011.

Mission West Properties, Inc.'s Proxy Statement and Annual Report on Form 10-K for the fiscal year ended December 31, 2010, are available free of charge at the following website: www.missionwest.com.

YOUR VOTE IS IMPORTANT.
PLEASE REMEMBER TO PROMPTLY RETURN YOUR PROXY.

MISSION WEST PROPERTIES, INC.

10050 Bandley Drive
Cupertino, CA 95014

NOTICE OF 2011 ANNUAL STOCKHOLDERS' MEETING
TO BE HELD MAY 26, 2011

To the Stockholders of Mission West Properties, Inc.:

NOTICE IS HEREBY GIVEN that the 2011 Annual Stockholders' Meeting (the "Annual Meeting") of Mission West Properties, Inc., a Maryland corporation (the "Company"), will be held at the Company's principal executive offices at 10050 Bandley Drive, Cupertino, California 95014 on May 26, 2011, at 10:00 a.m., Pacific Time, for the following purposes:

1. to elect five members of the Board of Directors to hold office until the next Annual Stockholders' Meeting or until their respective successors have been elected and qualified. The nominees are Carl E. Berg, William A. Hasler, Lawrence B. Helzel, Raymond V. Marino and Martin S. Roher;
2. to ratify the appointment of the accounting firm of Burr Pilger Mayer, Inc. as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2011;
3. to vote on a non-binding, advisory basis, to approve the compensation of the Company's named executive officers;
4. to recommend the frequency with which stockholders will vote on a non-binding, advisory basis, to approve the compensation of the Company's named executive officers in future years; and
5. to transact such other business as may properly come before the Annual Meeting or any adjournment of the Annual Meeting.

The Board of Directors has fixed the close of business on March 31, 2011, as the record date for the determination of stockholders entitled to receive notice of and to vote at the Annual Meeting and at any adjournments thereof. A list of such stockholders will be available for inspection at the principal office of the Company.

The Company generally is providing its stockholders access to its proxy materials over the Internet instead of mailing them. On or about April 11, 2011, the Company's Board of Directors expects to mail to all stockholders whose shares are registered in the name of a nominee holding shares for a beneficial owner (i.e., "street name") a Notice of Internet Availability of Proxy Materials (the "Notice") in connection with the solicitation of proxies by the Company's Board of Directors for use at the Annual Meeting and any adjournments or postponements thereof. On the date of mailing, the Company will make its Proxy Statement, including this Notice of Annual Meeting, the form of proxy and the Company's Annual Report on Form 10-K for the year ended December 31, 2010 (collectively the "proxy materials"), publicly available on the Internet according to the instructions provided in the Notice.

If you receive the Notice by mail, you will not receive a printed copy of the proxy materials with the Notice. The Notice will instruct you as to how you may access and review all of the important information contained in the proxy materials, including by requesting a printed copy of the proxy materials. The Notice also will instruct you as to how you may submit voting instructions for your proxy over the Internet.

In lieu of mailing the Notice, the Company will mail the complete set of proxy materials to all stockholders of record who are not nominees for beneficial owners.

All stockholders are cordially invited to attend the Annual Meeting. Any stockholder attending the Annual Meeting may vote in person even though the stockholder has returned a proxy previously. Your proxy is revocable in accordance with the procedures set forth in the Proxy Statement.

BY ORDER OF THE BOARD OF DIRECTORS

/s/ Raymond V. Marino

Raymond V. Marino

Corporate Secretary

Cupertino, California

April 8, 2011

MISSION WEST PROPERTIES, INC.
10050 Bandley Drive
Cupertino, California 95014

PROXY STATEMENT

GENERAL INFORMATION

This Proxy Statement is furnished in connection with the solicitation by the Board of Directors (the “Board”) of Mission West Properties, Inc., a Maryland corporation (the “Company”), of proxies, in the accompanying form, to be used at the 2011 Annual Stockholders’ Meeting (the “Annual Meeting”) to be held at 10050 Bandley Drive, Cupertino, California 95014 on May 26, 2011, at 10:00 a.m., Pacific Time, and any postponement or adjournments thereof.

On or about April 11, 2011, the Board expects to mail to all stockholders whose shares are registered in the name of a nominee holding shares for a beneficial owner a Notice of Internet Availability of Proxy Materials (the “Notice”) in connection with the solicitation of proxies by the Board for use at the Annual Meeting and any adjournments or postponements thereof. On the date of mailing, the Company will make its Proxy Statement, the Notice of Annual Meeting, the form of proxy and its Annual Report on Form 10-K for the year ended December 31, 2010 (collectively the “proxy materials”), publicly available on the Internet according to the instructions provided in the Notice.

If you receive the Notice by mail, you will not receive a printed copy of the proxy materials with the Notice. The Notice will instruct you as to how you may access and review all of the important information contained in the proxy materials, including by requesting a printed copy of the proxy materials. The Notice also will instruct you as to how you may submit voting instructions for your proxy over the Internet.

In lieu of mailing the Notice, the Board will mail the complete set of proxy materials to all stockholders of record who are not nominees for the beneficial owners.

SOLICITATION AND VOTING PROCEDURES

Shares represented by valid proxies in the form enclosed, received in time for use at the Annual Meeting and not revoked at or before the Annual Meeting, will be voted at the Annual Meeting, as discussed below. The presence, in person or by proxy, of the holders of a majority of the outstanding shares of the Company’s common stock, par value \$.001 per share (“common stock”), is necessary to constitute a quorum at the Annual Meeting. Holders of common stock are entitled to one vote per share on all matters.

Assuming the presence of a quorum:

Proposal No. 1. The affirmative vote of a plurality of the votes cast at the Annual Meeting and entitled to vote is required to elect each of the directors, and the five nominees receiving the most votes will be elected to the Board.

Proposal No. 2. An affirmative vote of the holders of a majority of the votes cast affirmatively or negatively is necessary to ratify the appointment of the Company’s independent registered public accounting firm for the fiscal year 2011 audit.

Proposal No. 3. The non-binding, advisory resolution to approve the compensation of the Company’s executive officers will be approved if the votes cast in favor of the proposal exceed the votes cast against the proposal.

Proposal No. 4. The option for the frequency of non-binding, advisory votes on executive compensation that receives the highest number of votes cast on Proposal No. 4 will be considered by the Board to be the voting frequency preferred by stockholders.

All proxies will be voted as specified on the proxy cards or electronic voting instructions submitted by stockholders as long as they are properly submitted in accordance with the Company's voting procedures and are received by the Company before the close of voting at the Annual Meeting or any adjournment or postponement thereof. If no choice has been specified, a properly executed and timely proxy will be voted "FOR" Proposals No. 1, 2 and 3 and for the option of every "THREE YEARS" on Proposal No. 4, which proposals are described in detail elsewhere in this Proxy Statement.

To vote in person, a stockholder must attend the Annual Meeting, and then complete and submit the ballot provided at the meeting. To vote by proxy, a stockholder of record who is not a beneficial owner must mark, sign, and date the accompanying proxy card and mail it to the Company's corporate office. A beneficial owner receiving the Notice may submit proxy voting instructions electronically by using the Internet and logging on to www.proxyvote.com and following the instructions provided on the Notice, and if a beneficial owner requests and reviews the proxy materials in accordance with such instructions, the beneficial owner also may submit voting instructions by calling the toll free telephone number provided on the Notice, the available website, or the proxy card provided for beneficial owners. In addition, a beneficial owner may vote by submitting a properly completed and signed proxy card by mail, or by attending the Annual Meeting and voting in person.

An automated system administered by Broadridge Financial Solutions, Inc. ("Broadridge") will tabulate stockholder votes by proxy instructions submitted by beneficial owners over the Internet, by telephone, or by proxy cards mailed to Broadridge. The Company will tabulate stockholder votes submitted by proxies mailed to the Company by stockholders of record other than beneficial owners. An officer of the Company serving as the inspector of the election will tabulate votes cast in person at the Annual Meeting.

With respect to the tabulation of proxies for purposes of constituting a quorum at the Annual Meeting, abstentions and broker non-votes will be treated as present. Abstentions will not be counted as votes cast at the Annual Meeting with respect to any proposal and will have no effect on the result of the vote. A broker "non-vote" occurs when a nominee holding shares for a beneficial owner (i.e., in "street name") does not have discretionary voting power with respect to a proposal and has not received instructions from the beneficial owner. Under applicable rules, nominee brokers do not have discretion regarding Proposals No. 1, 3 and 4, and will not be taken into account in determining the result of the vote on any of these proposals. If the nominee broker properly and timely requests instructions from the beneficial owner and does not receive them, under applicable rules the broker has discretionary authority to vote only on routine matters such as the ratification of the Company's independent registered public accounting firm in Proposal No. 2.

The close of business on March 31, 2011, has been fixed as the record date for determining the stockholders entitled to receive notice of and to vote at the Annual Meeting. As of March 31, 2011, the Company had 22,370,770 shares of common stock outstanding and entitled to vote at the Annual Meeting. There were 142 registered holders of the Company's common stock as of March 31, 2011. Holders of common stock outstanding as of the close of business on the record date will be entitled to one vote for each share of common stock held.

The cost of soliciting proxies, including expenses in connection with preparing and mailing this Proxy Statement, will be borne by the Company. In addition, the Company will reimburse brokerage firms and other persons representing beneficial owners of common stock for their expenses in forwarding proxy material to such beneficial owners. Solicitation of proxies by mail may be supplemented by telephone, telegram, telex and other electronic means, and personal solicitation by the directors, officers or employees of the Company. No additional compensation will be paid to directors, officers or employees for such solicitation. The Company estimates that the cost of the proxy solicitation will be approximately \$15,000.

REVOCABILITY OF PROXIES

You can revoke your proxy at any time before the voting at the Annual Meeting by sending a properly signed written notice of your revocation to the Secretary of the Company, by submitting another proxy that is properly signed and bears a later date or by attending the Annual Meeting and voting in person. Attendance at the Annual Meeting will not itself revoke an earlier submitted proxy. You should direct any written notices of revocation, requests for additional copies of the Annual Report and Proxy Statement, and related correspondence to: Mission West Properties, Inc., 10050 Bandle Drive, Cupertino, California 95014, Attention: Corporate Secretary. Requests for additional copies of

the Annual Report on Form 10-K for the year ended December 31, 2010, and Proxy Statement may also be made by calling the Company at (408) 725-0700.

-2-

DIRECTORS AND EXECUTIVE OFFICERS

The names of the Company's executive officers and directors as of March 31, 2011, and certain information about them are set forth below:

Name	Age	Position with the Company
Carl E. Berg	73	Chairman of the Board, Chief Executive Officer and Director
William A. Hasler (1)	69	Director
Lawrence B. Helzel (1)	63	Director
Raymond V. Marino	52	President, Chief Operating Officer and Director
Wayne N. Pham	41	Vice President of Finance and Controller
Martin S. Roher (1)	61	Director

(1) Member of the Audit Committee, the Compensation Committee and the Independent Directors Committee.

The following is a biographical summary of the business experience of the Company's executive officers and directors:

Carl E. Berg. Mr. Berg has served as Chairman of the Board and Chief Executive Officer of the Company since 1997. Since 1979, Mr. Berg has been a general partner of Berg & Berg Developers and has been a director and officer of Berg & Berg Enterprises, Inc. since its inception. Mr. Berg has been actively engaged in venture capital investments and currently serves as Chairman of the Board of Directors of Valence Technology, Inc. and Hancock Fabrics, Inc. and a director of MoSys, Inc. He has extensive experience serving on boards of directors. He brings outstanding leadership and vision to the Company and has over 40 years of experience in the Silicon Valley real estate industry in the acquisition, development, management, leasing and sale of office/R&D properties. Mr. Berg's longstanding ties to the Silicon Valley, where all of the Company's properties are located, provide him with a keen insight into the market and submarkets in which the Company manages and operates properties.

William A. Hasler. Mr. Hasler became a director of the Company in 1998. Mr. Hasler currently serves as a director of TOUSA, Inc., Ditech Networks, Inc., Globalstar, Inc. and Aviat Networks, Inc. He is a trustee of the Schwab Funds. He is also a board member of various private companies. Mr. Hasler previously served as Co-Chief Executive Officer and Vice Chairman of Apton Corporation, Chairman of the Board of Directors of Solectron Corporation and a director of Genitope Corporation. For seven years, Mr. Hasler was Dean of the Haas School of Business at the University of California, Berkeley, and is a former Vice Chairman and director of KPMG LLP. In 1998, he retired as Dean Emeritus. Mr. Hasler is a member of the audit committee of various public and private companies. Mr. Hasler has extensive experience in Silicon Valley companies and is a substantial investor in industrial real estate. He brings valuable financials expertise, including extensive knowledge of accounting, auditing and investments in both public and private companies. Mr. Hasler also brings additional perspective based on his role as a director on other non-real estate companies, both public and private.

Lawrence B. Helzel. Mr. Helzel became a director of the Company in 1998. He is a private investor and a general partner of Helzel Kirshman, L.P., a private investment partnership, a position which he has held since 1996. Mr. Helzel has been a councilmember for the city of Ketchum, Idaho since January 2008. He previously served as a member of the board of directors of Pacific Gateway Properties, Inc. From 1987 to 2000, he was a member of the Pacific Stock Exchange where he acquired extensive experience in financial derivatives. Since 2008, he has served on the finance committee at St. Luke's Hospital Foundation. Mr. Helzel brings extensive knowledge of investments in both public and private companies.

Raymond V. Marino. Mr. Marino joined the Company in 2001 as President and Chief Operating Officer and was appointed by the Board to fill a newly created board seat in July 2001. From November 1996 to August 2000, he was President, Chief Executive Officer and a member of the board of directors of Pacific Gateway Properties, Inc. Mr. Marino has been an executive officer at the Company for almost ten years and brings an intimate knowledge of the Company's day-to-day operations, which gives him a detailed understanding of the Company's business strategy and operations. Mr. Marino's accumulated knowledge and experience concerning the operations of publicly traded REITs allows him to provide valuable insights to the Board in its oversight of the Company's REIT operations.

Wayne N. Pham. Mr. Pham joined the Company in 2000 as Controller and was promoted to Vice President of Finance soon thereafter. Mr. Pham started his career at AvalonBay Communities, Inc., a multi-family apartment REIT, in 1995 (formerly Bay Apartment Communities, Inc.). He was the Corporate Accountant and Accounting Manager from 1995 to 1999. Mr. Pham has over 15 years of experience in finance, accounting and other operating aspects of publicly traded REITs. Mr. Pham has been an executive officer at the Company for over 11 years.

Martin S. Roher. Mr. Roher became a director of the Company in 2008. Mr. Roher is the owner of MSR Capital Management, an independent, wholly-owned money management firm exclusively designed to manage funds for individual clients, which he founded in 1986. He previously served as a member of the board of directors of Pacific Gateway Properties, Inc. He was a securities analyst at Goldman, Sachs and Company, Neuberger, Berman and Company, and Montgomery Securities from 1974 to 1986. Mr. Roher has accumulated over 39 years of experience in investment management and securities analysis. He also has over 30 years of experience in private real estate investments. Mr. Roher brings extensive knowledge of finance and investments in both public and private companies, as well as his knowledge of the real estate industry.

CORPORATE GOVERNANCE

Director Independence

The Board has determined that for all of 2010 Messrs. Hasler, Helzel and Roher were “independent,” as defined under Marketplace Rule 5605(a)(2) of the NASDAQ Stock Market (the “NASDAQ”) and are independent as of the date of this proxy statement. No director qualifies as independent unless the Board determines that the director has no direct or indirect material relationship with the Company. On an annual basis, each director and executive officer is obligated to complete a Director and Officer Questionnaire which requires disclosure of any transactions with the Company in which the director or executive officer, or any member of his or her immediate family, have a direct or indirect material interest. The Company also independently reviews the relationship of the Company to any entity for whom one of its directors is an employee or a member of the board of directors. The Board has determined that all director nominees, other than Messrs. Berg and Marino, are independent in accordance with the United States Securities and Exchange Commission (the “SEC”) rules and regulations and the NASDAQ Marketplace Rules. The Board has concluded that there are no business relationships that are material or that would interfere with the exercise of independent judgment by any of these directors in their service on the Board or its committees. The Audit Committee and the Compensation Committee are comprised solely of independent directors, and the nomination of directors for election at the Annual Meeting is approved by the Independent Directors Committee.

Code of Business Conduct and Ethics

The Company has adopted a code of business conduct and ethics that applies to all of its directors, officers and employees. The code of ethics is available on the Company’s website at www.missionwest.com. If the Company makes any substantive amendments to the code of ethics or grants any waiver, including any implicit waiver, from a provision of the code to the Company’s Chief Executive Officer, President and Chief Operating Officer, Vice President of Finance and Controller, or persons performing similar functions, where such amendment or waiver is required to be disclosed under applicable SEC rules, the Company intends to disclose the nature of such amendment or waiver on its website.

Board Leadership Structure and Role in Risk Oversight

Mr. Carl E. Berg has served as Chairman of the Board and Chief Executive Officer since the Company’s formation in September 1997. The Board believes it is important to select its Chairman and the Company’s Chief Executive Officer in the manner it considers in the best interests of the Company at any given point in time. The members of the Board possess considerable business experience and in-depth knowledge of the issues the Company faces, and are therefore in the best position to evaluate the needs of the Company and how best to organize the Company’s leadership structure to meet those needs. The Board believes that the most effective leadership structure for the Company at this time is for Mr. Berg to serve as both the Company’s Chairman and Chief Executive Officer because it demonstrates that the Company is under strong, unified leadership, with a single person developing and implementing strategic initiatives.

Mr. Berg's long tenure with the Company provides a stable leadership that is beneficial to the Company and its stockholders. In particular, the Board recognizes that, given Mr. Berg's familiarity with the Company's properties and day-to-day operations and his long-standing experience with the Company, it is valuable to have him lead Board discussions. The Company does not have a lead independent director. Rather, the three independent directors as a group fulfill the role of reviewing all proposed transactions that involve potential conflicts of interest, nominating directors (except for nominations reserved for the Berg Group under our organizational documents), and proposing matters for consideration or reviewing other actions by management for which independent review is required or considered appropriate. This is accomplished in their capacities as members of the Independent Directors Committee, Audit Committee and Compensation Committee. The Board and management view this level of independent director involvement as adequate given the nature of the Company and its business. In particular, due to the limited size of the Company's operations and headcount, the well-defined nature of its business and operating results, and the relative infrequency of transactions (other than leases in the ordinary course of business) undertaken by the Company each year, the Company has not required more formal and extensive interaction, and the Board has not considered it necessary to date.

With respect to the Board's role in the risk oversight of the Company, the Board has set forth which transactions may require the prior approval of the Board or a committee of the Board and which transactions may proceed with management authorization and without any such Board prior approval. These cover transactions such as financings, property acquisitions, property dispositions, other investments and general corporate policies. Also, related party transactions are reviewed by the Independent Directors Committee.

Stockholder Communications with the Board of Directors

Stockholders who desire to communicate with the Board, or to a specific director, may do so by delivering the communication addressed to either the Board or any director, c/o Mission West Properties, Inc., 10050 Bandle Drive, Cupertino, California 95014. These communications will be delivered to the Board, or any individual director, as specified.

Annual Meeting Attendance

The Board encourages each director to attend the Company's annual meetings of stockholders, but attendance is not required. Messrs. Berg, Marino and Roher attended the Company's 2010 annual meeting of stockholders.

Number, Term and Election of Directors

The Company's Bylaws currently provide for a board of directors consisting of five directors. Each director serves for a term of one year or until the next annual meeting at which directors are elected and the director's successor is elected and qualified.

Designation of Certain Directors

Under the Company's Articles of Amendment and Restatement, or its Charter, its Bylaws and contracts with the "Berg Group," which consists of Carl E. Berg, Clyde J. Berg, the members of their respective immediate families, and affiliated entities owning limited partnership interests, or O.P. Units, in any of the Company's four operating partnerships, the Berg Group has special rights with respect to meetings of the Board. A quorum for any meeting requires the presence of Carl E. Berg, or in the event of his death, disability or other event which results in his ceasing to be director, the presence of someone who Mr. Berg has designated to replace him ("Berg Designee"). With written consent from Mr. Berg or the Berg Designee, meetings of the Board may be held without the presence of either of them. Mr. Berg is obligated to submit a written statement identifying the Berg Designee to the Company from time to time and may amend the statement at his sole discretion. In addition, a majority of the Board, which must include Mr. Berg or the Berg Designee, is required for approval of any amendment to the Charter or Bylaws and any merger, consolidation or sale of all or substantially all of the Company's assets or those of the Operating Partnerships. These special provisions will remain in effect as long as the Berg Group collectively owns at least 15% of the Company's voting stock computed on a diluted, or "fully diluted," basis taking into account all voting stock issuable upon the exercise of all outstanding warrants, options, convertible securities and other rights to acquire voting stock of the Company, and all O.P. Units exchangeable or redeemable for common stock or other voting stock of ours without regard to any percentage ownership limit set forth in the Charter or Bylaws, or by agreement.

Committees of the Board of Directors and Meetings

The Board has standing Independent Directors, Audit and Compensation Committees. All three of these committees had the same three members in 2010: William A. Hasler, Lawrence B. Helzel and Martin S. Roher.

The Independent Directors Committee is responsible for reviewing and acting upon proposed transactions between the Company and members of the Berg Group under the terms of certain agreements between the Company and such Berg Group members. See "Transactions with Related Persons" below. Generally, the meetings of this committee occur at the same time as the Audit Committee meetings, unless a special meeting is required.

The Audit Committee has been established in accordance with section 3(a)(58)(A) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). The Audit Committee reviews, acts on and reports to the Board with respect to various auditing and accounting matters. The Audit Committee has the authority and responsibility to select, evaluate, and where appropriate, replace the Company's independent registered public accounting firm. The Board has determined that Mr. Roher, the Chairman of the Audit Committee, and Mr. Hasler each as an "audit committee financial expert" in accordance with applicable SEC rules based upon their prior business experience as described above under "Directors and Executive Officers." The Audit Committee also approves the scope of the services provided and reviews the annual audit fees to be paid to the Company's independent registered public accounting firm, the performance of that firm, the audit report of the Company's consolidated financial statements following completion of the audit and the accounting practices of the Company with respect to internal accounting and financial controls.

The Board has delegated to the Compensation Committee responsibility for reviewing, recommending and approving its compensation policies and benefits programs, including the compensation of Carl E. Berg, Chairman of the Board and Chief Executive Officer, and the Company's other two executive officers. The Compensation Committee also has the principal responsibility for the administration of the Company's 2004 Equity Incentive Plan (the "2004 Plan"), including approving stock option grants and awards to executive officers.

During 2010, there were four meetings of the Board of Directors, five meetings of the Audit Committee and one meeting of the Compensation Committee. During that period, each of the Company's directors attended at least 75% of the meetings of the Board of Directors and each of its committees on which he served. The Board, Audit Committee and Compensation Committee also acted by unanimous written consent periodically during 2010. The Company's policy is that directors should make every effort to attend all meetings of the Board of Directors, as well as the meetings of committees of which they are members. Members may attend such meetings by telephone, if necessary, to mitigate schedule conflicts.

Board of Directors Nominations and Other Stockholder Proposals

The Board does not believe that a separate nominating committee is necessary because all of the independent directors currently serve on the Independent Directors, Audit and Compensation Committees, and any additional committee of independent directors would consist of the same individuals. The Berg Group has the right to designate two nominees to the Board under the Company's Charter and Bylaws. Currently, Mr. Berg and Mr. Marino are the two nominees proposed by the Berg Group. The three current independent directors, Messrs. Hasler, Helzel and Roher have been designated by the Board to review the qualifications of all other candidates for director and to give their recommendations to the entire Board, which reviews and approves nominations for election to the Board at the next annual stockholders' meeting. The independent directors will give director candidates proposed by stockholders the same consideration as other proposed candidates.

When there is a need to identify or evaluate a prospective nominee, the Independent Directors Committee is authorized to undertake a careful review process which may involve, among other things, candidate interviews, inquiries of the person or persons recommending the candidate, engagement of an outside firm to gather additional information and/or discussions with management and incumbent directors. In evaluating candidates, including current directors eligible for re-election, the Independent Directors Committee considers various factors that it considers necessary or appropriate, including the size and composition of the Board and its committees, the needs of the Board and its committees, the candidate's education, expertise and business experience, the candidate's independence and potential conflicts of interest, the candidate's character and integrity, the candidate's ability to work in a collegial manner with persons of diverse educational, business and cultural backgrounds, and the candidate's existing commitments. Upon completion of its review and evaluation, the Independent Directors Committee makes its recommendations to the Board regarding the candidate(s). After considering the Independent Directors Committee's recommendations, the Board determines and approves which candidate(s) shall be nominated for election to the Board, subject to stockholder approval. The Company does not have a formal policy for the consideration of diversity in identifying nominees for director. However, in addition to the criteria set forth above, the Independent Directors Committee strives to create diversity in perspective, background and experience in the Board as a whole when identifying and selecting nominees for the Board.

In general, the Independent Directors Committee will consider candidates for nomination as director who are recommended by the Company's stockholders and will not evaluate such candidates differently than other nominations for director. The submission deadline for next year's annual meeting is set forth under "Stockholder Proposals for 2012 Annual Meeting" elsewhere in this proxy statement. Stockholders may suggest qualified candidates for director by

giving timely notice in writing to the Independent Directors Committee at the following address: Mission West Properties, Inc., 10050 Bandley Drive, Cupertino, CA 95014, Attention: Corporate Secretary, and must include the candidate's name, home and business contact information, detailed biographical data and qualifications and an explanation of the reasons why the stockholder believes this candidate is qualified for service on the Board. The stockholder must also provide the stockholder's name and address as they appear on the Company's books, the number of shares of Common Stock owned of record and beneficially by the stockholder, and such other information about the candidate that would be required by the SEC rules to be included in a proxy statement. In addition, the stockholder must include the consent of the candidate and describe any arrangements or undertakings between the stockholder and the candidate regarding the nomination. The Corporate Secretary will then forward this information to the Independent Directors Committee.

To date, the Company has neither rejected nor received any recommendations for any candidate from any stockholder or group of stockholders owning more than five percent of the Company's common stock.

Compensation Committee Interlocks and Insider Participation

The Compensation Committee of the Board was formed in December 1998 and currently is comprised of Messrs. Hasler, Helzel and Roher. None of these individuals were at any time during 2010, or at any other time, an officer or employee of the Company. No executive officer of the Company serves as a member of the compensation committee or board of directors of any other entity that has one or more executive officers serving as a member of the Board or Compensation Committee.

Compensation of Directors

The Company pays each director who is not an employee of the Company an annual cash retainer for serving as director. The annual cash retainer is equal to \$25,000 plus \$1,500 for attendance (in person or by telephone) at each meeting of the Board of Directors, and \$500 for attendance at each separate committee meeting. Employees who are also directors do not receive compensation for their services as directors.

Each non-employee member of the Board who became or becomes a member of the Board automatically receives a grant of an option to purchase 50,000 shares of common stock at an exercise price equal to 100% of the fair market value of the common stock at the date of grant of such option upon joining the Board. The options become exercisable cumulatively with respect to 1/48th of the underlying shares on the first day of each month following the date of grant. Generally, the options must be exercised while the optionee remains a director. All of the current directors received such an initial option grant.

Under the 2004 Plan, the Board may authorize annual option grants or awards to non-employee directors at the Board of Director's discretion as long as the number of shares or equivalent number of underlying shares of common stock, in the case of certain awards, does not exceed 50,000 per year. Such option grants or awards become exercisable cumulatively with respect to 1/48th of the underlying shares on the first day of each month following the date of grant. Generally, stock options must be exercised while the optionee remains a director. In addition, the full Board, acting through a disinterested majority, may authorize additional shares to a director who performs significant additional tasks, such as chairing a Board committee, or otherwise provides extraordinary service to the Board. Under the 2004 Plan, in the event of certain acquisitions representing the transfer of more than 50% of the voting power of the Company's stock, all options and awards to non-employee directors will fully vest upon the completion of the acquisition.

Although the Company considers option grants under the 2004 Plan to be an adequate form of long-term compensation for directors, to provide regular periodic compensation to the Company's independent directors, each of the Company's three non-employee directors has received an award of 45,000 dividend equivalent rights ("DER"). Each DER represents the right to receive payment of the dividend declared with respect to one share of common stock at the time the Company pays the dividend and continues in effect as to each recipient as long as he continues to serve on the Board.

The following table sets forth the compensation for each independent director for the year ended December 31, 2010.

Name	Fees			All Other Compensation	Total (\$)
	Earned or Paid in Cash (\$)	Stock Awards	Option Awards (\$)(1)		
William A. Hasler	29,500	-	-	27,000	56,500
Lawrence B. Helzel	31,000	-	-	27,000	58,000
Martin S. Roher	31,000	-	-	27,000	58,000

(1) No stock option awards were granted to any non-employee directors in 2010.

(2) Represents the amount of dividends paid and accrued in 2010 on DER awards, as discussed above.

The following table sets forth all outstanding DER and option awards for each independent director as of December 31, 2010.