

CommonWealth REIT
Form DFAN14A
February 28, 2014

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

**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 §240.14a-12

COMMONWEALTH REIT

(Name of the Registrant as Specified In Its Charter)

CORVEX MANAGEMENT LP

KEITH MEISTER

RELATED FUND MANAGEMENT, LLC

RELATED REAL ESTATE RECOVERY FUND GP-A, LLC

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RELATED REAL ESTATE RECOVERY FUND GP, L.P.

RELATED REAL ESTATE RECOVERY FUND, L.P.

RRERF ACQUISITION, LLC

JEFF T. BLAU

RICHARD O TOOLE

DAVID R. JOHNSON

JAMES CORL

EDWARD GLICKMAN

PETER LINNEMAN

JIM LOZIER

KENNETH SHEA

EGI-CW HOLDINGS, L.L.C.

DAVID HELFAND

SAMUEL ZELL

(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:
- (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:

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(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:

The Choice Is Clear

Vote the **GOLD**

Consent Card

February 27, 2014

ATTENTION

COMMONWEALTH

REIT

SHAREHOLDERS

The

Time

To

Act

Is

Now

The Consent Solicitation To Remove The Current Board

Must

Be

Concluded

No

Later

Than

March

20

Please

Sign,

Date

And

Return

The

GOLD

Consent

Card

Today

To Ensure Your Vote Is Counted By The March 20 Deadline

A Non-vote Is A Vote To Retain The Current Underperforming Board

2
The Choice Is Clear
The Case for Change Now
Corvex and Related are undertaking this consent solicitation to remove the entire Board of
Trustees
of
Commonwealth
REIT
(Commonwealth,

CWH
or
the
Company)
due
to
fundamental conflicts of interest, and to subsequently elect a highly qualified new Board
of Trustees led by Sam Zell
See footnotes on p. 10.
Corvex and Related believe removal of the current Board will unlock substantial value for
all
shareholders,
and
estimate
current
Net
Asset
Value
(4)
to
be
approximately
\$35
per
share in such a scenario, 34% higher than the closing price on Feb. 25, 2014 and 51% higher
than
on
Jan.
28,
2014,
the
date
we
filed
definitive
solicitation
materials
with
the
SEC
Additional information can be found at www.shareholdersforcommonwealth.com
As Chairman of CWH, Mr. Zell would bring an outstanding track record of value creation
for
the
benefit
of
all
CWH
shareholders
Sam Zell is recognized as a founding father of today's public real estate industry after

creating three of the most successful REITs in history: Equity Office Properties Trust (EOP), Equity Residential (EQR), and Equity LifeStyle Properties (ELS)

CWH
stock
price
plummeted
68%
during
2007-2013

(2)
while
annual
fees
paid
to
RMR
increased
40%

(3)
Barry
and
Adam
Portnoy
effectively
control
CWH

despite
owning
virtually
no
stock,
with the
fees
they
pay
themselves
through
RMR

(1)
being
their
only
meaningful
economic
interest in the Company

The Choice Is Clear: CWH Shareholders Can Choose Value
Creation or Value Destruction

Sam Zell's Unrivaled Track Record for Value Creation:

Total
Return
Performance

Zell-Chaired
REITs
vs.

CWH

vs.

RMR

Fees

(1)

3

Cumulative total returns

Zell-Chaired REITs

CWH

Variance

Timeframe

EOP

368%

103%

(265%)

7/7/1997 -

2/9/2007

EQR

422%

7%

(415%)

7/7/1997 -

2/25/2013

ELS

574%

7%

(567%)

7/7/1997 -

2/25/2013

(\$100)

\$0

\$100

\$200

\$300

\$400

\$500

\$600

\$700

\$800

(100%)

0%

100%

200%

300%

400%

500%

600%

700%

800%

1997

2000

2003

2006

2009

2012

CWH

EOP

EQR

ELS

Cumulative RMR

Fees

EOP:

368%

CWH: 7%

EQR:

422%

ELS:

574%

1997: \$791 million

(1)

Note: Total returns calculated from 7/7/1997 (the earliest date on which the Zell-chaired REITs and CWH were all public) to Related first publicly announced their intent to effect change at CWH in their initial 13-D filing with the SEC). Total returns are reinvested in the company's stock.

(1)

2013 RMR fees reflect annualized YTD 9/30/2013 figures. Q3 2013 RMR fees include fees paid by Select Income REIT, of common shares, to make the figure comparable to historically disclosed figures.

Sources: Company filings, SNL

Cumulative

RMR

fees

since

4
The Choice Is Clear
The Case for Removal: Abysmal Performance
While
the
stock
price
plummeted
68%

during
2007-2013

(1)
,
annual
fees
paid
to
RMR,
the
external
manager
wholly-owned
by
Barry
and
Adam
Portnoy,
increased
40%
(2)

,
as
RMR s
fees
are
linked
primarily
to
the
size
of
the
Company
rather
than
to
profitability
for
shareholders
Over
the
1
year,
2
years,
3
years,
5
years,

and
10
years
ended
February
25,
2013
(3)

,
the stock
price declined -17%, -45%, -43%, -45%, and -53%, respectively

The
Portnoys
effectively
control
CWH
despite
owning
virtually

no
stock,

with
the
fees

they
pay

themselves through RMR being their only meaningful economic interest in the Company

CWH's performance record is abysmal by almost any metric over any relevant
time period, in our view, but all the while the Portnoys have continued with
impunity to line their pockets

Shareholders can now take back Commonwealth, choose a new, truly
independent Board led by Sam Zell, and unlock the substantial value trapped as
a result of CWH's conflicted external management structure

(1)

Assumes 2013 share price as of 2/25/2013, last trading day before Corvex and Related first publicly announced their intent to
filing with the SEC.

(2)

RMR

fees

paid

per

CWH

public

filings

include

Select

Income

REIT,

of

which

CWH
owns
44%
of
the
outstanding
common
shares.

YTD
9/30/13
figures
annualized

to
arrive at full year 2013 estimate.

(3)

Last trading day before Corvex and Related first publicly announced their intent to effect change at CWH in their initial 13-D f

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The Choice Is Clear
The Portnoys
Record of Trampling on Corporate Democracy
Imposed illegal bylaw amendments and procedural hurdles, later declared invalid, that would
have made it impossible to even hold the current vote, even though this right has been plainly
granted by CWH's Declaration of Trust since 1986
Secretly attempted to manipulate state lawmakers into changing the Maryland Unsolicited
Takeover
Act

via
an
11
hour
amendment
to
eliminate
the
right
to
hold
this
vote

Spent nearly \$30 million of shareholders
money on a year-long litigation process in a brazen
campaign to systematically deprive shareholders of their right to a fair vote
Reinstated Trustee Joseph Morea after he received the vote of only 14% of the outstanding
shares at the 2013 annual meeting
Effectuated a massively dilutive equity offering priced at less than 50% of book value, increasing
share count by 41%, and destroying \$6 per share of value, in our
view

Opted into a provision of the Maryland Unsolicited Takeover Act in a misleading attempt, later
declared invalid, to try to eliminate the right to remove Trustees without cause

The Portnoys
Actions Speak Louder Than Our Words Ever Could

The
Portnoy
Board
has
gone
to
extraordinary
lengths
to
eliminate

your
right
to
simply vote on their removal, entrenching themselves at the expense of CWH
shareholders

and
protecting
RMR s
annual
\$84
million
(1)
fee
stream

Over the past year, the Board:

(1)
Represents
estimate
of
2013
RMR
fees
derived
by
annualizing
YTD
9/30/2013
figures.
Q3
2013
RMR
fees
include
fees
paid
by
Select
Income
REIT,
of
which
CWH
owns
44% of the outstanding common shares, to make the figure comparable to historically disclosed figures.
th

6

The Choice Is Clear: Independent Third Parties Agree
The Portnoys Receive an F

New York Times

The deal world remained muted this year in terms of big transactions and activity.
Despite the relative doldrums, there were still some highlights and lowlights. Here
are some of them
The

father
and
son
duo
who
head
CommonWealth

Barry
and
Adam
Portnoy

and
CommonWealth's counsel at Skadden Arps showed little regard for shareholder rights,
doing
everything
in
their
power
to
prevent
Corvex
Management
and
the
Related
Companies from removing the Portnoys. The Portnoys banked on Commonwealth's
unique
requirement
that
shareholders
arbitrate
all
disputes
with
the
company
to
stymie
the
two
hedge
funds.
It
didn't
work,
and
the
arbitration

panel
ruled
against
CommonWealth,
clearing
the
way
for
the
funds
to
begin
a
campaign
to
unseat
them.
The Portnoys receive an F.
Despite
Doldrums
in
Deal
Activity,
A
Few
Highlights
This
Year,
New
York
Times,
December 17, 2013

7

The Choice Is Clear: A New Path

Sam Zell & David Helfand Have Joined Corvex/Related's Slate of Nominees

Mr. Zell is willing to serve as Chairman of the Board, if so appointed by the new Board

Mr. Zell is the current Chairman of Equity Residential, Equity LifeStyle Properties, Covanta Holding Corporation and Anixter International Inc. and the former Chairman of Equity Office Properties Trust (formerly the largest REIT in the U.S.)

Mr. Helfand is willing to serve as CommonWealth's CEO, if so appointed by the new Board

Mr. Helfand is Co-President of Equity Group Investments and has previously served as Executive Vice President and Chief Investment Officer of Equity Office Properties Trust and President and CEO of Equity LifeStyle Properties

Mr. Zell and Mr. Helfand bring exceptional credentials as well as a business philosophy that includes:

A core operating principle of aligning interests between company leadership and shareholders

A conviction that an internal management structure promotes incentives to build successful companies for the long-term creation of shareholder value, while external management structures are flawed given inherent conflicts of interest

A belief that a public company's fiduciary responsibility to its

shareholders

is

paramount

Sam Zell is recognized as a founding father of today's public real estate industry after creating three of the most successful REITs in history: Equity Office Properties Trust (EOP), Equity Residential (EQR), and Equity LifeStyle Properties (ELS)

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The Choice Is Clear

CommonWealth Shareholders Have a Choice Between Two Paths

The Portnoys

path of conflicted external management, value destruction, and
the absence of accountability, with which CWH shareholders are all too familiar

OR

Sam Zell's path of aligned internal management and accountability that fosters
the

incentives

critical
to
building
a
successful
company
focused
on
the
long-
term creation of shareholder value

As
shown
in
the
chart
on
page
3,
even
including
dividends

paid
on
CWH
stock
(1)

,
CWH
shareholders experienced a cumulative total return of a mere 7% over a nearly 16-year
span

(2)
during
which
time

CWH
paid
RMR
approximately
\$800
million

(3)
in
fees

In a glaring contrast, Sam Zell's track record speaks for itself: Mr. Zell created 3 of the most
successful REITs in history

As shown in the chart on page 3, we believe Mr. Zell's chairmanship of EOP, EQR, ELS has
unquestionably maximized value for shareholders over the same 16-year period in which
CWH generated 7% returns

The

Time
to
Act
is
NOW

Vote
the
GOLD
Card
Today

A
Non-vote
is
a
Vote
for
the
Portnoys

Shareholders finally have an ability to choose Value Creation over Value Destruction
Dividends are assumed to have been reinvested in CWH stock.

From 7/7/1997 (the earliest date on which the Zell-chaired REITs and CWH were all public) to 2/25/2013 (last trading day before
announced their intent to effect change at CWH in their initial 13-D filing with the SEC.).

2013 full year RMR fees derived by annualizing YTD 9/30/2013 figures. Q3 2013 RMR fees include fees paid by Select Income
outstanding common shares, to make the figure comparable to historically disclosed figures.

- (1)
- (2)
- (3)

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The Choice Is Clear
Voting Instructions
The
Time
to
Act
is
Now
Please

Sign,
Date
and
Return
the
GOLD
Consent
Card
Today
A Non-vote is a Vote for the Portnoys
Place
your
vote
now
to
remove
the
entire
Board
of
Trustees
Please
note
that
internet
voting
is
NOT
available
-
Shareholders
must
sign,
date
and
return the
GOLD
Consent Card in the pre-paid return envelopes provided
If
you
need
assistance
in
executing
your
GOLD
consent
card
or
placing

your
vote,
please
call our proxy solicitor:

D.F. King & Co., Inc., at (800) 714-3313

Without complete removal, the remaining Trustees would be able to unilaterally
reinstate a removed Trustee as they did just last year or fill vacancies on the Board
without input from the true owners of the company the shareholders

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Footnotes

Footnotes to p. 2

(1)

RMR is CWH's external manager, owned 100% by Barry and Adam Portnoy.

(2)

Assumes 2013 share price as of 2/25/2013, last trading day before Corvex and Related first publicly announced their intent to effect change at CWH in their initial 13-D filing with the SEC.

(3)

2013 RMR fees reflect annualized YTD 9/30/2013 figures. Q3 2013 RMR fees include fees paid by Select Income REIT,

of which CWH owns 44% of the outstanding common shares, to make the figure comparable to historically disclosed figures.

(4)

Represents estimate of private market value of all properties owned by CWH as disclosed in 9/30/13 10-Q filing, adjusted for recent asset sales reported in the media. Additional detail behind our NAV estimate is provided on page 71 of Corvex and Related's *Updated Presentation to Shareholders, The Case for Change Now at CWH*, February 13, 2014. This presentation has been filed with the SEC and can also be found at www.shareholdersforcommonwealth.com.

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Disclaimer

Additional Information Regarding the Solicitation

The following persons are participants in connection with the solicitation of Commonwealth REIT shareholders: Corvex Man

Related

Fund

Management,

LLC,

Related

Real

Estate
Recovery
Fund
GP-A,
LLC,
Related
Real
Estate
Recovery
Fund
GP,
L.P.,
Related
Real
Estate

Recovery Fund, L.P., RRERF Acquisition, LLC, Jeff T. Blau, Richard O Toole, David R. Johnson, James Corl, Edward Glick
Lozier, Kenneth Shea, EGI-CW Holdings, L.L.C., David Helfand and Samuel Zell. Information regarding the participants in the
description
of
their
direct
and
indirect
interests,
by
security
holdings
or
otherwise,
to
the
extent
applicable,
is
available
in
the
definitive
solicitation

statement filed with the SEC on January 28, 2014 and Supplement No. 1 thereto filed on February 13, 2014.

This presentation does not constitute either an offer to sell or a solicitation of an offer to buy any interest in any fund associated with the Company ("Corvex") or Related Fund Management, LLC ("Related"). Any such offer would only be made at the time a qualified offer memorandum and related subscription documentation.

The information in this presentation is based on publicly available information about CommonWealth REIT (the "Company") and its subsidiaries, including forward-looking statements, estimates and projections prepared with respect to, among other things, general economic and market conditions, management, changes in the composition of the Company's Board of Trustees, actions of the Company and its subsidiaries or its subsidiaries to implement business strategies and plans and pursue business opportunities. Such forward-looking statements, estimates, and projections are based on assumptions concerning anticipated results that are inherently subject to significant uncertainties and contingencies and have been prepared for illustrative purposes, including those risks and uncertainties detailed in the continuous disclosure and other filings of the Company available on the U.S. Securities and Exchange Commission website at www.sec.gov/edgar. No representations, express or implied,

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Corvex

Management

LP

and

Related

Fund

Management,

LLC

have

filed

a

definitive

solicitation

statement

with

the

Securities

and

Exchange

Commission

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SEC)

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(1)

solicit

consents

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remove

the

entire

board

of

trustees

of

Commonwealth

REIT

(the

Removal

Proposal),

and

(2)

elect

a

s

late
of
new
trustees
at
a
special
meeting
of
shareholders
that
must
be
promptly
called
in
the
event
that
the
Removal
Proposal
is
successful.

Investors
and security holders are urged to read the definitive solicitation statement and other relevant documents because they contain information regarding the solicitation.

The
definitive
solicitation
statement
and
all
other
relevant
documents
are
available,
free
of
charge,
on
the
SEC's
website
at
www.sec.gov.