

CommonWealth REIT
Form DFAN14A
May 07, 2013

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

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

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

(3) Filing Party:

(4) Date Filed:

The Case for Change Now at CWH
Presentation to ISS
May 7, 2013

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Disclaimer

Additional Information Regarding the Consent Solicitation

In connection with their solicitation of written consents, Corvex and Related have filed a definitive written consent solicitation

Securities

and

Exchange

Commission

(the

SEC)

to
solicit
written
consents
from
shareholders
of
the
Company.

Investors
and
security
holders
are
urged to read the definitive written consent solicitation statement and other relevant documents when they become available, but such documents may contain important information regarding the consent solicitation.

The
definitive
written
consent
solicitation
statement
and
all
other
relevant

documents are available, free of charge, on the SEC's website at www.sec.gov.

The following persons are participants in connection with the written consent solicitation of the Company's shareholders: Corvex LP, Corvex LP (Corvex), Related Fund Management, LLC, Related Real Estate Recovery Fund GP-A, LLC, Related Real Estate Recovery Fund LP, Related Real Estate Recovery Fund, L.P., RRERF Acquisition, LLC, Jeff T. Blau, Richard O. Toole and David R. Johnson. Information regarding the consent solicitation and a description of their direct and indirect interests, by security holdings or otherwise, to the extent applicable, is contained in the definitive written consent solicitation statement filed with the SEC on April 10, 2013 and Supplement No. 1 thereto filed on April 10, 2013. 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 LP (Corvex) or Related Fund Management, LLC (Related). Any such offer would only be made at the time a qualified offering memorandum and related subscription documentation is available.

The information in this presentation is based on publicly available information about Commonwealth REIT (the Company) and may contain certain forward-looking statements, estimates and projections prepared with respect to, among other things, general economic conditions, changes in management, changes in the composition of the Company's Board of Trustees, actions of the Company and its subsidiaries and the ability to implement business strategies and plans and pursue business opportunities. Such forward-looking statements and projections reflect various assumptions concerning anticipated results that are inherently subject to significant uncertainties and risks, which have been included solely for illustrative purposes, including those risks and uncertainties detailed in the continuous disclosure and prospectus of the Company, copies of which are available on the U.S. Securities and Exchange Commission website (EDGAR) at www.sec.gov. No representations, express or implied, are made as to the accuracy or completeness of such forward-looking statements, estimates and projections with respect to any other materials herein. Corvex and Related may buy, sell, cover or otherwise change the form of their investments.

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reason at any time, without notice, and there can be no assurances that they will take any of the actions described in this document. Related disclaim any duty to provide any updates or changes to the analyses contained in this document, except as may be required. Shareholders and others should conduct their own independent investigation and analysis of the Company. Except where otherwise stated, information in this document speaks only as of the date set forth on the cover page. Permission to quote third party reports in this document has been neither sought nor obtained.

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Introduction

Immediate Change is Needed

CWH's corporate governance practices are worst-in-class,
in our view

In

fact,

in

response

to
our
efforts
at
reform,
CWH
is
conducting
an
accelerating
scorched
earth
campaign,
building
on
a
longstanding
tradition
of
disregarding
shareholder
rights
CWH's corporate governance practices have yielded:

A Deeply Conflicted Management Structure;

Severe Financial and Operating Underperformance; and, most alarmingly,

We
are
pleased
to
present
to
ISS
our
case
for
change
at
Commonwealth
REIT
(1)
(1)
A
more
detailed
presentation,
The
Case

for
Change
Now
at
CWH,
was
filed
with
the
SEC
on
April
18,
2013.
CWH
stock
will
always
trade
at
a
substantial
discount
under
the
current
regime,
in
our
view
Trapped
inside
the
current
structure
and
under
the
supervision
of
the
current
trustees,
we
firmly
believe
the
capital
markets
will

never
credit
shareholders
for
the
true
fair
value
of
their
real
estate
assets,
whether
they
be
CBD ,
suburban
or
otherwise
Disenfranchised
Shareholders

On behalf of shareholders, Corvex and Related are soliciting consents to remove all members of the board of trustees of Commonwealth REIT (CWH or the Company) in a desperately needed referendum on CWH s corporate governance and performance

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Introduction

Immediate Change is Needed

We propose to effect Change
through Accountability:

Corvex/Related

propose

a

clear

plan

and
will
work
collaboratively
with
other
shareholders
to
restore
CWH
to
health
after
removal
of
the
current
board
We
have
already
identified
a
potential
interim
CEO
and
premier
property
management
company
to
oversee
the
transition,
and
have
also
engaged
Deutsche
Bank
to
provide
financial
advisory
services
including
with
respect
to

any
potential
financing
needs
We
believe
in
a
significantly
higher
NAV
per
share
after
removal
of
current
trustees,
but
this
will
never
be
achieved
without
eliminating
the
valuation
discount
currently
ascribed to the disenfranchising
corporate governance practices
in
place
today
Action
by
written
consent;
a
2/3
vote
will
remove
the
entire
board
of
trustees
and

hold
them
accountable
Path
for Shareholders:
Value
for Shareholders:
Plan
for Shareholders:

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Poor Corporate Governance

CWH's Corporate Governance Policies Destined to Fail Shareholders

CWH's corporate governance framework is worst-in-class,

in our view:

Managing

Trustees/President

of

CWH

own

<1%
of
CWH
stock,
but
own
100%
of
RMR

All executive officers of CWH are also officers of RMR
CWH's so-called independent
trustees are severely conflicted, in our view

Super-charged
classified board: bylaws purport to require the board include two managing
trustees, such that it would take three years to replace a simple majority
Poison pill with slow hand provision
If less than the entire board is removed, vacancies will be filled by the remaining trustees

How
could
the
underpinnings
of
CWH's
governance
framework
yield
anything
but
a
fundamental
misalignment
in
incentives
and
severe
underperformance?

I'm
on
both
boards
and
I
can
say
there's
no
conflict
of
interest.
(1)

-

Adam Portnoy,
President/Managing Trustee, CWH; and
President/CEO/Part-Owner, REIT Management & Research (RMR),
External Adviser to CWH

(1)

Whose
CommonWealth
Is
It
Anyway?
Barron s,
April
20,
2013

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Poor Corporate Governance

Conflicted Board of Trustees

Significant overlap of board members across RMR entities, including so-called independent

trustees

In our view, the Portnoys and CWH's independent

trustees are conflicted by any common

sense definition

2

of
3
independent
trustees
serve
on
other
Portnoy
boards
3
independent
trustee
retired
from
RBC
capital
markets
division
in
2012,
a
division
which
regularly receives lucrative business from CWH (including the recent dilutive equity offering
for which RBC received over \$2 million in fees) and RMR's other entities
rd
Same Job, Different Company?
Travel Centers
Five Star
RMR Real Estate
Name
Title
CWH
HPT
SNH
GOV
SIR
of America
Senior Living
Income Fund
Senior
Management:
Adam D. Portnoy
President & Managing Trustee
Vern D. Larkin
Director of Internal Audit
Jennifer B. Clark
Secretary
Board
of

Directors:

Adam D. Portnoy
President & Managing Trustee

Barry D. Portnoy
Managing Trustee

William A. Lamkin
Partner at Ackrell Capital

Frederick N. Zeytoonjian
Founder & CEO of Turf Products

Joseph Morea
Retired RBC Banker

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Poor Corporate Governance
Fundamental Misalignment of Incentives
\$2.7
billion
of
net
acquisitions
and
capex

since
2007
(over
2x
CWH's
recent
market
cap
(1)
),

while CWH book value per share essentially flat

Fees paid to RMR continue to grow, while CWH shareholder value continues to decline

RMR extracted nearly 30% of CWH's market cap during 2007-2012, as CWH stock continued to plummet

Over \$2 billion of related party transactions in the last 5 years, to seed new platforms for RMR

(1)
Market
cap
of
\$1.3
billion
based
on
a
closing
price
of
\$15.85
on
February
25,
2013,
the
day
prior
to
Related
and
Corvex's
first
public
filing.

RMR receives fees based on gross historical cost basis, gross collected rents and construction costs, incentivizing growth through acquisitions regardless of returns to CWH shareholders

'07-'12
2007
2008
2009
2010

2011
 2012
 Total
 Fees Paid Out to RMR
 \$59.7
 \$63.2
 \$62.6
 \$62.2
 \$69.5
 \$77.3
 \$394.6
 RMR Fees % Growth
 --
 5.9%
 (1.0%)
 (0.5%)
 11.7%
 11.2%
 29.5%
 RMR Fees as % of:
 CWH Market Cap
 4.5%
 4.8%
 4.7%
 4.7%
 5.2%
 5.8%
 29.7%
 CWH Market Cap, Cumulative
 4.5%
 9.3%
 14.0%
 18.6%
 23.9%
 29.7%
 29.7%
 CWH Cumulative Stock Price Return
 (37.4%)
 (74.7%)
 (46.0%)
 (48.4%)
 (66.3%)
 (67.9%)
 (67.9%)

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Poor Corporate Governance
Actions Speak Louder Than Words
A massively dilutive equity offering executed at 48% below book value to repay debt trading
above par
A failed attempt to secretly change Maryland law to make it impossible to remove trustees
without cause
A March
1
bylaw

amendment
that