

CommonWealth REIT
Form DEFA14A
February 18, 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 X

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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
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CommonWealth REIT

(Name of Registrant as Specified In Its Charter)

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On February 18, 2014, Commonwealth REIT (the Company), issued the following press release in connection with an investor presentation made available to the Company's shareholders (the Investor Presentation) on the Company's web site www.cwhreit.com in connection with the consent solicitation by Related Fund Management, LLC and Corvex Management LP to remove the Company's entire Board of Trustees, without cause. A copy of the Investor Presentation is also attached hereto.

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FOR IMMEDIATE RELEASE

CommonWealth REIT Files Investor Presentation

Makes the Case that CWH's Business Strategy, Combined with Meaningful Governance Changes, Creates the Best Path Forward to Generate Long Term Value for All Shareholders

Recommends Shareholders Reject Related/Corvex's Attempt to Take Control of CWH Without Paying Shareholders Anything for that Control

Record Date Set as February 18, 2014

Newton, MA (February 18, 2014): Commonwealth REIT (NYSE: CWH) today announced that it has made available to shareholders an investor presentation on the Company's website at www.cwhreit.com. The presentation will also be filed with the U.S. Securities and Exchange Commission (SEC) and will be available on the SEC's website at www.sec.gov.

The presentation provides details of why CWH's Board and management believe that the Company's

business strategy combined with meaningful governance changes creates the best the path forward to generate long term value for all shareholders. The CWH Board and management recommend that shareholders reject the attempt by Related Fund Management, LLC and Corvex Management LP (Related/Corvex) to take control of CWH without paying shareholders anything for that control. The CWH Board and management ask for shareholders continued support for the following reasons:

- **CWH s business strategy continues to deliver value for shareholders.** The Board and management have made significant progress implementing CWH s business plan to reposition the Company s portfolio to high value office properties in central business district (CBD) locations. Because of the successful execution of this plan, the Company s portfolio repositioning is largely complete and CWH is better positioned than many of its peers to benefit from improvements to the economy and the office market in 2014 and 2015.
 - **Reit Management & Research LLC (RMR) is managing CWH for the benefit of all shareholders.** While being managed by RMR, CWH s stock performance has outperformed the market over the long term. RMR provides CWH with a nationwide, fully integrated real estate management platform with approximately 850 real estate professionals working in offices throughout the U.S. RMR is able to leverage its large scale to lower costs for CWH, and without the benefits of RMR s economies of scale, the Company s G&A and operating costs would likely increase substantially.
 - **Related/Corvex s business plan for CWH is short term oriented, reckless and not credible.** It appears that Related/Corvex s business plan for CWH is to sell the Company s best performing, stabilized assets and increase debt leverage. This business plan would put at risk CWH s dividend and investment grade debt ratings, two criteria that REIT investors typically value highly. Related/Corvex also base their valuation of CWH on faulty financial analysis and unrealistic projections. In fact, Sam Zell recently refused to endorse Related/Corvex s valuation of CWH and he sold his entire investment in CWH at \$25.50 per share only two business days prior to joining
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the Related/Corvex campaign to take control of CWH. Related/Corvex's business plan is also not credible because of Related's track record of shareholder value destruction every time it has controlled publicly traded real estate companies in the past.

- **Related/Corvex are trying to take control of CWH without paying shareholders anything for that control.** Ever since Related identified CWH as a potential takeover target in 2012, Related/Corvex have engaged in a relentless pursuit to take control of CWH. In February and March 2013, Related/Corvex made several purported offers to acquire CWH, but they never presented CWH with a real, fully financed offer that was actionable by CWH or its shareholders. Now they plan to take control of CWH through their handpicked slate of replacement trustees for CWH. The majority of these replacement trustees are not truly independent or well qualified. Recently, Related/Corvex have added two qualified candidates to their slate, but had to offer them excessive special compensation arrangements equivalent to a signing bonus of approximately \$17 million to get them to join their campaign.
- **Removing the entire CWH Board by written consent may destroy shareholder value.** The removal of the entire board of a publicly traded company by written consent without cause and without concurrently electing a replacement board is unprecedented in the history of U.S. publicly traded companies. If Related/Corvex succeed in removing the entire CWH Board, CWH would be in limbo for an extended period of time until a new Board is elected at a subsequent special meeting of shareholders. The Board and management will try to minimize damage to CWH, but shareholders could still face unavoidable risks if the consent solicitation is successful, including possible: accelerated debts; SEC sanctions and NYSE delisting; dilution from preferred shareholder conversion rights; rating agency debt downgrades; and business operations suffering.
- **CWH's Board and management are committed to enhanced corporate governance.** The Board has implemented real and significant changes in the last several months in response to shareholder suggestions, including: increasing the Board's independence and size; strengthening the Board's leadership; enhancing the Board's structure and guidelines; simplifying the path for shareholder action; agreeing to terminate the shareholder rights plan; requiring minimum Trustee stock ownership; and further aligning management compensation with shareholders. These recent changes have moved CWH to best in class in corporate governance and the Board continues to engage with shareholders on governance and other matters.
- **CWH has made good faith and meaningful efforts to resolve matters with Related/Corvex.** Last month, CWH's Nominating and Governance Committee invited Keith Meister of Corvex to join the CWH Board as an Independent Trustee. To date, Related/Corvex have ignored CWH's offer to have Meister join the Board. Minutes before the news was publicly announced that Sam Zell was joining Related/Corvex's campaign, Zell notified CWH of his intentions; CWH immediately asked for the opportunity to meet with him to discuss the Company's business and the Board's commitment to governance enhancements. Zell refused, indicating that he was too busy to meet, and he has not

responded to CWH's open offer to engage in a discussion. CWH has also addressed each of Related/Corvex's five original recommendations for change. Based on this, the CWH Board believes there is likely nothing it can do to satisfy Related/Corvex in their relentless pursuit to take control of CWH without paying shareholders anything for that control.

Adam Portnoy, Managing Trustee and President of CWH, made the following statement regarding today's announcement:

The Board and management firmly believe that Related/Corvex's consent solicitation to remove the entire CWH Board without cause is NOT in the best interest of shareholders. During the next few weeks, we look forward to discussing with shareholders why the Company's business strategy creates value for all shareholders and why Related/Corvex's business plan is the wrong path forward for CWH. Although Related/Corvex have chosen a handpicked slate of replacement trustees for CWH, shareholders should be aware that there is no Trustee election taking place at this time. Related/Corvex and their replacement trustees are acting as if they can disregard a process designed to ensure all shareholders have a voice. The Board and management also ask shareholders to consider that the better path to effect change in an orderly manner is through CWH's annual shareholders meeting in June 2014, rather than by subjecting shareholders to possible risks involved in the unprecedented action of removing an entire board by written consent, without cause, and without simultaneously electing a replacement board.

CWH also confirmed that the record date for shareholders entitled to participate in the written consent proposed by Related/Corvex to remove the entire CWH Board without cause is February 18, 2014.

The CWH Board recommends that shareholders sign, date and return CWH's WHITE consent revocation card and discard any materials they may receive from Related/Corvex.

Commonwealth REIT is a real estate investment trust that primarily owns office properties located in central business district of urban locations. CWH is headquartered in Newton, MA.

WARNING REGARDING FORWARD LOOKING STATEMENTS

THIS PRESS RELEASE INCLUDES FORWARD LOOKING STATEMENTS WITHIN THE MEANING OF THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995 AND OTHER SECURITIES LAWS. THESE FORWARD LOOKING STATEMENTS ARE BASED UPON CWH'S PRESENT BELIEFS AND EXPECTATIONS, BUT THEY ARE NOT GUARANTEED TO OCCUR AND MAY NOT OCCUR FOR VARIOUS REASONS, INCLUDING SOME REASONS BEYOND CWH'S CONTROL. FOR THESE REASONS, AMONG OTHERS, INVESTORS ARE CAUTIONED NOT TO PLACE UNDUE RELIANCE UPON FORWARD LOOKING STATEMENTS IN THIS PRESS RELEASE OR THEIR IMPLICATIONS.

ADDITIONAL INFORMATION REGARDING THE CONSENT SOLICITATION

CWH, its Trustees and certain of its executive officers, and RMR and certain of its directors, officers and employees may be deemed to be participants in the solicitation of consent revocations from shareholders in connection with the solicitation being conducted by Related/Corvex. On January 29, 2014, CWH filed a definitive consent revocation statement with the SEC in response to the Related/Corvex solicitation and has mailed the definitive consent revocation statement and form of WHITE consent revocation card to each shareholder. SHAREHOLDERS ARE URGED TO READ THE CONSENT REVOCATION STATEMENT FILED WITH THE SEC, AND ANY AMENDMENTS OR SUPPLEMENTS THERETO AND ANY OTHER RELEVANT DOCUMENTS THAT CWH MAY FILE WITH THE SEC WHEN THEY BECOME AVAILABLE, BECAUSE THEY CONTAIN IMPORTANT

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INFORMATION. Additional information regarding the identity of the potential participants and their direct or indirect interests, by share holdings or otherwise, is set forth in the definitive consent revocation statement filed by CWH with the SEC in connection with the solicitation of revocations of consents.

Shareholders may obtain free of charge copies of the definitive consent revocation statement and any other documents filed by CWH with the SEC in connection with the Related/Corvex solicitation at the SEC's website (<http://sec.gov>), at CWH's website (<http://cwhreit.com>) or by requesting these materials from

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Timothy Bonang, by phone at (617) 796-8222, or by mail at Two Newton Place, 255 Washington Street, Newton, MA 02458 or by requesting materials from the firm assisting CWH in the solicitation of consent revocations, Morrow & Co., LLC, toll free at (800) 276-3011 (banks and brokers call collect at (203) 658-9400).

Contacts

Media:

Joele Frank Wilkinson Brimmer Katcher

Andrew Siegel/Jonathan Keehner

212-355-4449

or

Investor:

CommonWealth REIT

Timothy Bonang, Vice President, Investor Relations

Jason Fredette, Director, Investor Relations

617-796-8222

www.cwhreit.com
