

# CommonWealth REIT Holders Vote to Oust Board, Corvex Says

By Brian Louis Mar 18, 2014 6:16 PM ET

Shareholders representing 81 percent of **CommonWealth (CWH)** REIT's stock have voted to remove the company's board, according to Corvex Management LP and Related Cos., the investors leading a campaign to overthrow management.

CommonWealth has five business days, or until March 25, to have the consents inspected and the results declared, Corvex and Related said in a statement today. A two-thirds majority is required to remove the U.S. office landlord's board.

Corvex and Related, which together own 9.6 percent of CommonWealth, began their campaign to oust the trustees about a year ago. They have argued that the ownership of an external management firm by CommonWealth President Adam Portnoy and his father, Barry, a company founder, has led to conflicts of interest and **underperformance** at the real estate investment trust. Both Portnoys are **directors** of Newton, Massachusetts-based CommonWealth, which pays fees to the management company.

"The shareholders have exercised their rights and we look forward to working with the trustees in the coming days to arrange for an orderly transition process that best protects the interests of all shareholders," Keith Meister of Corvex and Jeff Blau of Related said in the statement. "We will immediately reach out to the trustees to begin these discussions."

A message left for Tim Bonang, CommonWealth's director of **investor relations**, wasn't immediately returned.

## Zell Slate

Corvex and Related, based in **New York**, have proposed a slate of board candidates led by billionaire investor **Sam Zell** and David Helfand, co-president of Zell's Equity Group Investments. The two agreed to serve as CommonWealth's chairman and chief executive officer, respectively, if a new board is chosen.

An entity affiliated with Zell and Helfand will have an option to acquire as many as 4

million CommonWealth shares, Corvex and Related said last month.

The dissident group has argued the Portnoys are more concerned about collecting fees for their firm, REIT Management & Research LLC, than operating CommonWealth for the benefit of all stockholders because the father and son don't own many shares themselves. Fees paid to RMR rose 40 percent from 2007 to 2013, while the shares fell 68 percent, Corvex and Related said in a March 12 presentation to investors.

## Downtown Buildings

CommonWealth has denied Corvex and Related's claims of conflicts of interest and said it is focused on buying office buildings in U.S. downtowns and selling suburban properties to boost **shareholder value**.

The company in September announced changes to its corporate governance after conversations with investors who said they wanted RMR's financial incentives to be more aligned with shareholders. The changes were made in December, according to the REIT.

The statement from Corvex and Related was released after the close of U.S. trading. CommonWealth shares fell 1.4 percent to \$26.81 today. They gained 16 percent in the **past 12 months**. In the five years ended Feb. 25, 2013, the day before Corvex and Related made their first public filings on CommonWealth, the stock fell 45 percent, compared with an 11 percent advance in the Bloomberg REIT Index.

The shares "face a tough road ahead," even with a victory by the activists, **Michael Knott** and Bayle Smith, analysts with REIT research firm Green Street Advisors Inc., wrote in a March 17 report. CommonWealth "has a scattered portfolio with lower-quality, shallow markets, increasing the difficulty of transition."

## Buyout Bid

The effort to oust the directors is the second by Corvex and Related. Last year, the group said its plan had support from holders of more than 70 percent of CommonWealth's shares. The process was challenged by the REIT and ruled invalid by an arbitration panel, which said the investors could try again.

Before attempting to remove the board, Corvex and Related offered to buy Commonwealth for \$24.50 a share, or \$2.9 billion. The REIT rejected the bid, saying it was conditional and didn't include a financing plan.

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