# Section 1: 10-Q (10-Q)

Table of Contents

# UNITED STATES
# SECURITIES AND EXCHANGE COMMISSION
**WASHINGTON, D.C. 20549**
# FORM 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the quarterly period ended June 30, 2019**

**OR**

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**Commission File Number 1-9317**

# EQUITY COMMONWEALTH
(Exact Name of Registrant as Specified in Its Charter)

| | |
|---|---|
| **Maryland** | **04-6558834** |
| (State or Other Jurisdiction of Incorporation or Organization) | (IRS Employer Identification No.) |
| **Two North Riverside Plaza, Suite 2100** **Chicago** **IL** | **60606** |
| (Address of Principal Executive Offices) | (Zip Code) |
| **(312)** | **646-2800** |

(Registrant's Telephone Number, Including Area Code)

**Securities registered pursuant to Section 12(b) of the Exchange Act:**

| Title Of Each Class | Trading Symbol | Name of Each Exchange On Which Registered |
|---|---|---|
| Common Shares of Beneficial Interest | EQC | The New York Stock Exchange |
| 6 1/2% Series D Cumulative Convertible Preferred Shares of Beneficial Interest | EQCpD | The New York Stock Exchange |

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

| | | | |
|---|---|---|---|
| Large accelerated filer | ☒ | Accelerated filer | ☐ |
| Non-accelerated filer | ☐ | Smaller reporting company | ☐ |
| | | Emerging growth company | ☐ |

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

Number of registrant’s common shares of beneficial interest, $0.01 par value per share, outstanding as of July 26, 2019:  121,921,801.

EQUITY COMMONWEALTH

FORM 10-Q

June 30, 2019

INDEX

**EXPLANATORY NOTE**

References in this Quarterly Report on Form 10-Q to the Company, EQC, we, us or our, refer to Equity Commonwealth and its consolidated subsidiaries as of June 30, 2019, unless the context indicates otherwise.

Table of Contents

**PART I. Financial Information**

**Item 1. Financial Statements.**

**EQUITY COMMONWEALTH**

**CONDENSED CONSOLIDATED BALANCE SHEETS**
**(amounts in thousands, except share data)**
**(unaudited)**

| | June 30, 2019 | December 31, 2018 |
|---|---|---|
| | | (audited) |
| **ASSETS** | | |
| Real estate properties: | | |
| Land | $ 85,627 | $ 135,142 |
| Buildings and improvements | 571,342 | 1,004,500 |
| | 656,969 | 1,139,642 |
| Accumulated depreciation | (193,166) | (375,968) |
| | 463,803 | 763,674 |
| Acquired real estate leases, net | 92 | 275 |
| Cash and cash equivalents | 3,180,548 | 2,400,803 |
| Marketable securities | — | 249,602 |
| Restricted cash | 2,310 | 3,298 |
| Rents receivable | 19,735 | 51,089 |
| Other assets, net | 35,683 | 62,031 |
| Total assets | $ 3,702,171 | $ 3,530,772 |
| | | |
| **LIABILITIES AND EQUITY** | | |
| Senior unsecured debt, net | $ — | $ 248,473 |
| Mortgage notes payable, net | 26,091 | 26,482 |
| Accounts payable, accrued expenses and other | 36,903 | 62,368 |
| Rent collected in advance | 3,554 | 9,451 |
| Total liabilities | 66,548 | 346,774 |
| | | |
| Shareholders' equity: | | |
| Preferred shares of beneficial interest, $0.01 par value: 50,000,000 shares authorized; | | |
| Series D preferred shares; 6 1/2% cumulative convertible; 4,915,196 shares issued and outstanding, aggregate liquidation preference of $122,880 | 119,263 | 119,263 |
| Common shares of beneficial interest, $0.01 par value: 350,000,000 shares authorized; 121,922,120 and 121,572,155 shares issued and outstanding, respectively | 1,219 | 1,216 |
| Additional paid in capital | 4,308,049 | 4,305,974 |
| Cumulative net income | 3,323,778 | 2,870,974 |
| Cumulative other comprehensive loss | — | (342) |
| Cumulative common distributions | (3,420,406) | (3,420,548) |
| Cumulative preferred distributions | (697,730) | (693,736) |
| Total shareholders’ equity | 3,634,173 | 3,182,801 |
| Noncontrolling interest | 1,450 | 1,197 |
| Total equity | 3,635,623 | 3,183,998 |
| Total liabilities and equity | $ 3,702,171 | $ 3,530,772 |

See accompanying notes.

**EQUITY COMMONWEALTH**
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**
**(amounts in thousands, except per share data)**
**(unaudited)**

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| Revenues: | | | | |
| Rental revenue | $ 30,574 | $ 45,569 | $ 69,464 | $ 100,842 |
| Other revenue | 2,794 | 3,067 | 5,656 | 6,382 |
| Total revenues | 33,368 | 48,636 | 75,120 | 107,224 |
| Expenses: | | | | |
| Operating expenses | 10,974 | 19,521 | 26,754 | 44,120 |
| Depreciation and amortization | 7,561 | 13,021 | 16,146 | 26,924 |
| General and administrative | 9,533 | 11,222 | 21,629 | 24,561 |
| Loss on asset impairment | — | — | — | 12,087 |
| Total expenses | 28,068 | 43,764 | 64,529 | 107,692 |
| Interest and other income, net | 20,695 | 12,668 | 38,470 | 18,448 |
| Interest expense (including net amortization of debt discounts, premiums and deferred financing fees of $154, $645, $319 and $1,446, respectively) | (4,070) | (6,350) | (8,276) | (16,465) |
| Loss on early extinguishment of debt | (6,374) | (1,536) | (6,374) | (6,403) |
| Gain on sale of properties, net | 227,166 | 26,937 | 420,203 | 232,148 |
| Income before income taxes | 242,717 | 36,591 | 454,614 | 227,260 |
| Income tax (expense) benefit | (340) | 456 | (1,640) | (2,551) |
| Net income | 242,377 | 37,047 | 452,974 | 224,709 |
| Net income attributable to noncontrolling interest | (91) | (14) | (170) | (77) |
| Net income attributable to Equity Commonwealth | $ 242,286 | $ 37,033 | $ 452,804 | $ 224,632 |
| Preferred distributions | (1,997) | (1,997) | (3,994) | (3,994) |
| Net income attributable to Equity Commonwealth common shareholders | $ 240,289 | $ 35,036 | $ 448,810 | $ 220,638 |
| | | | | |
| Weighted average common shares outstanding — basic | 122,122 | 121,822 | 122,041 | 122,839 |
| Weighted average common shares outstanding — diluted | 125,862 | 122,649 | 125,841 | 126,027 |
| Earnings per common share attributable to Equity Commonwealth common shareholders: | | | | |
| Basic | $ 1.97 | $ 0.29 | $ 3.68 | $ 1.80 |
| Diluted | $ 1.93 | $ 0.29 | $ 3.60 | $ 1.78 |

See accompanying notes.

**EQUITY COMMONWEALTH**

**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**
**(amounts in thousands)**
**(unaudited)**

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| Net income | $ 242,377 | $ 37,047 | $ 452,974 | $ 224,709 |
| | | | | |
| Other comprehensive income, net of tax: | | | | |
| Unrealized gain on derivative instruments | — | 339 | — | 456 |
| Unrealized gain on marketable securities | — | 298 | 342 | 72 |
| Total comprehensive income | 242,377 | 37,684 | 453,316 | 225,237 |
| Comprehensive income attributable to the noncontrolling interest | (91) | (14) | (170) | (77) |
| Total comprehensive income attributable to Equity Commonwealth | $ 242,286 | $ 37,670 | $ 453,146 | $ 225,160 |

See accompanying notes.

**EQUITY COMMONWEALTH**

**CONDENSED CONSOLIDATED STATEMENTS OF EQUITY**
**(amounts in thousands, except share data)**
**(unaudited)**

| | Equity Commonwealth Shareholders | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Preferred Shares | | | Common Shares | | | | | | | |
| | Series D | | | | | | | | | | |
| | Number of Shares | Preferred Shares | Cumulative Preferred Distributions | Number of Shares | Common Shares | Cumulative Common Distributions | Additional Paid in Capital | Cumulative Net Income | Cumulative Other Comprehensive Loss | Noncontrolling Interest | Total |
| Balance at April 1, 2019 | 4,915,196 | $119,263 | $(695,733) | 121,899,625 | $1,219 | $(3,420,512) | $4,304,560 | $3,081,492 | $ — | $ 1,272 | $3,391,561 |
| Net income | — | — | — | — | — | — | — | 242,286 | — | 91 | 242,377 |
| Repurchase of shares | — | — | — | (4,414) | — | — | (145) | — | — | — | (145) |
| Share-based compensation | — | — | — | 26,909 | — | — | 3,393 | — | — | 328 | 3,721 |
| Distributions | — | — | (1,997) | — | — | 106 | — | — | — | — | (1,891) |
| Adjustment for noncontrolling interest | — | — | — | — | — | — | 241 | — | — | (241) | — |
| Balance at June 30, 2019 | 4,915,196 | $119,263 | $(697,730) | 121,922,120 | $1,219 | $(3,420,406) | $4,308,049 | $3,323,778 | $ — | $ 1,450 | $3,635,623 |
| | | | | | | | | | | | |
| Balance at January 1, 2019 | 4,915,196 | $119,263 | $(693,736) | 121,572,155 | $1,216 | $(3,420,548) | $4,305,974 | $2,870,974 | $ (342) | $ 1,197 | $3,183,998 |
| Net income | — | — | — | — | — | — | — | 452,804 | — | 170 | 452,974 |
| Unrealized gain on marketable securities | — | — | — | — | — | — | — | — | 342 | — | 342 |
| Repurchase of shares | — | — | — | (168,327) | (2) | — | (5,485) | — | — | — | (5,487) |
| Share-based compensation | — | — | — | 518,292 | 5 | — | 6,978 | — | — | 665 | 7,648 |
| Distributions | — | — | (3,994) | — | — | 142 | — | — | — | — | (3,852) |
| Adjustment for noncontrollin interest | — | — | — | — | — | — | 582 | — | — | (582) | — |
| Balance at June 30, 2019 | 4,915,196 | $119,263 | $(697,730) | 121,922,120 | $1,219 | $(3,420,406) | $4,308,049 | $3,323,778 | $ — | $ 1,450 | $3,635,623 |

See accompanying notes.

Table of Contents

**EQUITY COMMONWEALTH**

**CONDENSED CONSOLIDATED STATEMENTS OF EQUITY (Continued)**
**(amounts in thousands, except share data)**
**(unaudited)**

| | Equity Commonwealth Shareholders | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Preferred Shares | | | Common Shares | | | | | | | |
| | Series D | | | | | | | | | | |
| | Number of Shares | Preferred Shares | Cumulative Preferred Distributions | Number of Shares | Common Shares | Cumulative Common Distributions | Additional Paid in Capital | Cumulative Net Income | Cumulative Other Comprehensive Loss | Noncontrolling Interest | Total |
| Balance at April 1, 2018 | 4,915,196 | $119,263 | $(687,745) | 121,457,073 | $1,214 | $(3,111,868) | $4,295,772 | $2,785,760 | $ (2,106) | $ 1,189 | $3,401,479 |
| Net income | — | — | — | — | — | — | — | 37,033 | — | 14 | 37,047 |
| Unrealized gain on derivative instruments | — | — | — | — | — | — | — | — | 339 | — | 339 |
| Unrealized gain on marketable securities | — | — | — | — | — | — | — | — | 298 | — | 298 |
| Share-based compensation | — | — | — | 25,600 | 1 | — | 4,812 | — | — | 329 | 5,142 |
| Contributions | — | — | — | — | — | — | — | — | — | 1 | 1 |
| Distributions | — | — | (1,997) | — | — | — | — | — | — | — | (1,997) |
| Adjustment for noncontrolling interest | — | — | — | — | — | — | 238 | — | — | (238) | — |
| Balance at June 30, 2018 | 4,915,196 | $119,263 | $(689,742) | 121,482,673 | $1,215 | $(3,111,868) | $4,300,822 | $2,822,793 | $ (1,469) | $ 1,295 | $3,442,309 |
| | | | | | | | | | | | |
| Balance at January 1, 2018 | 4,915,196 | $119,263 | $(685,748) | 124,217,616 | $1,242 | $(3,111,868) | $4,380,313 | $2,596,259 | $ (95) | $ 1,129 | $3,300,495 |
| Reclassification pursuant to change in accounting principle | — | — | — | — | — | — | — | 1,902 | (1,902) | — | — |
| Net income | — | — | — | — | — | — | — | 224,632 | — | 77 | 224,709 |
| Unrealized gain on derivative instruments | — | — | — | — | — | — | — | — | 456 | — | 456 |
| Unrealized gain on marketable securities | — | — | — | — | — | — | — | — | 72 | — | 72 |
| Repurchase of shares | — | — | — | (3,027,557) | (30) | — | (89,880) | — | — | — | (89,910) |
| Share-based compensation | — | — | — | 292,614 | 3 | — | 9,822 | — | — | 655 | 10,480 |
| Contributions | — | — | — | — | — | — | — | — | — | 1 | 1 |
| Distributions | — | — | (3,994) | — | — | — | — | — | — | — | (3,994) |
| Adjustment for noncontrolling interest | — | — | — | — | — | — | 567 | — | — | (567) | — |
| Balance at June 30, 2018 | 4,915,196 | $119,263 | $(689,742) | 121,482,673 | $1,215 | $(3,111,868) | $4,300,822 | $2,822,793 | $ (1,469) | $ 1,295 | $3,442,309 |

See accompanying notes.

**EQUITY COMMONWEALTH**
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**
**(amounts in thousands)**
**(unaudited)**

| | Six Months Ended June 30, 2019 | Six Months Ended June 30, 2018 |
|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net income | $ 452,974 | $ 224,709 |
| Adjustments to reconcile net income to cash provided by operating activities: | | |
| Depreciation | 13,531 | 21,740 |
| Net amortization of debt discounts, premiums and deferred financing fees | 319 | 1,446 |
| Straight line rental income | (848) | (2,550) |
| Amortization of acquired real estate leases | 105 | 1,562 |
| Other amortization | 2,375 | 3,505 |
| Amortization of right-of-use asset | 364 | — |
| Share-based compensation | 7,648 | 10,480 |
| Loss on asset impairment | — | 12,087 |
| Loss on marketable securities | — | 4,987 |
| Loss on early extinguishment of debt | 6,374 | 6,403 |
| Net gain on sale of properties | (420,203) | (232,148) |
| Change in assets and liabilities: | | |
| Rents receivable and other assets | (8,036) | (16,856) |
| Accounts payable, accrued expenses and other | (11,179) | (8,514) |
| Rent collected in advance | (2,183) | (2,971) |
| Cash provided by operating activities | 41,241 | 23,880 |
| | | |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Real estate improvements | (18,073) | (32,203) |
| Insurance proceeds received | — | 1,443 |
| Proceeds from sale of properties, net | 771,787 | 807,322 |
| Proceeds from maturity of marketable securities | 250,000 | — |
| Proceeds from sale of marketable securities | — | 23,933 |
| Cash provided by investing activities | 1,003,714 | 800,495 |
| | | |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Repurchase and retirement of common shares | (5,487) | (89,910) |
| Payments on borrowings | (255,557) | (575,526) |
| Contributions from holders of noncontrolling interest | — | 1 |
| Distributions to common shareholders | (1,160) | — |
| Distributions to preferred shareholders | (3,994) | (3,994) |
| Cash used in financing activities | (266,198) | (669,429) |
| | | |
| Increase in cash, cash equivalents, and restricted cash | 778,757 | 154,946 |
| Cash, cash equivalents, and restricted cash at beginning of period | 2,404,101 | 2,360,590 |
| Cash, cash equivalents, and restricted cash at end of period | $ 3,182,858 | $ 2,515,536 |

See accompanying notes.

**EQUITY COMMONWEALTH**
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)**
**(amounts in thousands)**
**(unaudited)**

| | Six Months Ended June 30, | |
|---|---|---|
| | 2019 | 2018 |
| SUPPLEMENTAL CASH FLOW INFORMATION: | | |
| Interest paid | $ 12,291 | $ 17,704 |
| Taxes paid, net | 2,873 | 2,417 |
| | | |
| NON-CASH INVESTING ACTIVITIES: | | |
| Recognition of right-of-use asset and lease liability | $ 1,503 | $ — |
| Accrued capital expenditures | $ 3,992 | $ 4,539 |

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the condensed consolidated balance sheets that sum to the total of the same such amounts shown in the condensed consolidated statements of cash flows (in thousands):

| | June 30, | |
|---|---|---|
| | 2019 | 2018 |
| Cash and cash equivalents | $ 3,180,548 | $ 2,507,117 |
| Restricted cash | 2,310 | 8,419 |
| Total cash, cash equivalents, and restricted cash shown in the statements of cash flows | $ 3,182,858 | $ 2,515,536 |

See accompanying notes.

**Note 1. Business**

Equity Commonwealth, or the Company, is a real estate investment trust, or REIT, formed in 1986 under the laws of the State of Maryland. Our business is primarily the ownership and operation of office properties in the United States.

On November 10, 2016, the Company converted to what is commonly referred to as an umbrella partnership real estate investment trust, or UPREIT. In connection with this conversion, the Company contributed substantially all of its assets to EQC Operating Trust, a Maryland real estate investment trust, or the Operating Trust, and the Operating Trust assumed substantially all of the Company's liabilities pursuant to a contribution and assignment agreement between the Company and the Operating Trust.

The Company now conducts and intends to continue to conduct substantially all of its activities through the Operating Trust. The Company beneficially owned 99.96% of the outstanding shares of beneficial interest, designated as units, in the Operating Trust, or OP Units, as of June 30, 2019, and the Company is the sole trustee of the Operating Trust. As the sole trustee, the Company generally has the power under the declaration of trust of the Operating Trust to manage and conduct the business of the Operating Trust, subject to certain limited approval and voting rights of other holders of OP Units.

At June 30, 2019, our portfolio consisted of 7 properties (12 buildings), with a combined 2.5 million square feet. As of June 30, 2019, we had $3.2 billion of cash and cash equivalents.

**Note 2. Summary of Significant Accounting Policies**

*Basis of Presentation*

The accompanying condensed consolidated financial statements of EQC have been prepared without audit. Certain information and footnote disclosures required by U.S. generally accepted accounting principles, or GAAP, for complete financial statements have been condensed or omitted. We believe the disclosures made are appropriate. The accompanying condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes contained in our Annual Report on Form 10-K, or our Annual Report, for the year ended December 31, 2018. Capitalized terms used, but not defined in this Quarterly Report, have the same meanings as in our Annual Report.

In the opinion of our management, all adjustments, which include only normal recurring adjustments considered necessary for a fair presentation, have been included. All intercompany transactions and balances with or among our subsidiaries have been eliminated. Operating results for interim periods are not necessarily indicative of the results that may be expected for the full year. Certain reclassifications have been made to the prior year's financial statements to conform to the current year's presentation.

The preparation of financial statements in conformity with GAAP requires us to make estimates and assumptions that affect reported amounts. Actual results could differ from those estimates. Significant estimates in the condensed consolidated financial statements include the assessment of the collectability of rental revenue, purchase price allocations, useful lives of fixed assets and impairment of real estate and intangible assets.

Share amounts are presented in whole numbers, except where noted.

*Recent Accounting Pronouncements*

In August 2018, the Financial Accounting Standards Board, or FASB, issued Accounting Standards Update, or ASU, 2018-13, Fair Value Measurement (Topic 820): Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement, which changes the fair value measurement disclosure requirements of FASB Accounting Standards Codification, or ASC, 820. This update is effective for fiscal years beginning after December 15, 2019, and for interim periods within those fiscal years. We do not expect the adoption of ASU 2018-13 to have a material impact on our consolidated financial statements.

In June 2018, the FASB issued ASU 2018-07, Improvements to Nonemployee Share-Based Payment Accounting, which simplifies the accounting for share-based payments granted to nonemployees for goods and services. This update is effective for fiscal years beginning after December 15, 2018, and for interim periods within those fiscal years. We adopted ASU 2018-07 on January 1, 2019, and the adoption did not have a material impact on our consolidated financial statements.

In June 2016, the FASB issued ASU 2016-13, Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments, which requires more timely recognition of credit losses associated with financial assets. This update is effective for fiscal years beginning after December 15, 2019, and for interim periods within those fiscal years. Early adoption is permitted for fiscal years, and interim periods within those years, beginning after December 15, 2018. We are currently evaluating the impact, if any, that the adoption of ASU 2016-13 will have on our consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, Leases, which sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract (i.e., lessees and lessors). ASU 2016-02 requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether the lease is effectively a financed purchase of the leased asset by the lessee. This classification will determine whether the lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease. A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term of greater than 12 months regardless of their classification. Leases with a term of 12 months or less will be accounted for similar to existing guidance for operating leases today. ASU 2016-02 supersedes previous leasing standards. For leases where we are the lessor, we account for these leases using an approach that is substantially equivalent to previous guidance prior to the adoption of ASU 2016-02. Additionally, under ASU 2016-02, lessors may only capitalize incremental direct leasing costs. For leases in which we are the lessee, we recognize a right-of-use asset and a lease liability equal to the present value of the minimum lease payments, with rent expense being recognized on a straight-line basis and the right of use asset being reduced when lease payments are made.

In July 2018, the FASB issued ASU 2018-11 to provide entities with relief from the costs of implementing certain aspects of ASU 2016-02. The amendment to the new leases standard includes a practical expedient that provides lessors an option not to separate lease and non-lease components when certain criteria are met and instead account for those components as a single component under the new leases standard. The amendment also provides a transition option that permits the application of the new guidance as of the adoption date rather than to all periods presented. We elected the practical expedient to account for both our lease (primarily base rent) and non-lease (primarily tenant reimbursements) components as a single component under the leases standard and elected the new transition option. We adopted these pronouncements on January 1, 2019, and the adoption did not have a material impact on our consolidated financial statements, both as a lessor and as a lessee.

Certain reclassifications were made to conform the prior period to our presentation of the condensed consolidated statements of operations as a result of adopting ASU 2016-02. Amounts that were previously disclosed as "Tenant reimbursements and other income" are now included in "Rental revenue" and are no longer presented as a separate line item. Parking revenues that do not represent components of leases and were previously disclosed as "Rental income" are now included in "Other revenue." Subsequent to January 1, 2019, provisions for credit losses are included in "Rental revenue." Provisions for credit losses prior to January 1, 2019 were disclosed as "Operating expenses" and were not reclassified to conform prior periods to the current presentation.

**Note 3. Real Estate Properties**

During the six months ended June 30, 2019 and 2018, we made improvements, excluding tenant-funded improvements, to our properties totaling \$8.5 million and \$29.6 million, respectively.

*Property Dispositions:*

During the six months ended June 30, 2019, we sold the following properties (dollars in thousands):

| Property | Date Sold | Number of Properties | Number of Buildings | Square Footage | Gross Sales Price | Gain on Sale |
|---|---|---|---|---|---|---|
| 1735 Market Street(1) | March 2019 | 1 | 1 | 1,286,936 | $ 451,600 | $ 192,985 |
| 600 108th Avenue NE(2) | April 2019 | 1 | 1 | 254,510 | 195,000 | 149,009 |
| Research Park(3) | June 2019 | 1 | 4 | 1,110,007 | 165,500 | 78,158 |
| | | 3 | 6 | 2,651,453 | $ 812,100 | $ 420,152 |

(1) Certain of our subsidiaries sold 100% of the equity interests in the fee simple owner of this property. The sale of this property did not represent a strategic shift under ASC Topic 205. However, the sale does represent an individually significant disposition. The operating results of this property are included in continuing operations for all periods presented through the date of sale. Net income related to this property was $0.1 million and $2.0 million for the three months ended June 30, 2019 and 2018, respectively, and $197.2 million (of which $193.0 million related to the gain on sale) and $3.8 million for the six months ended June 30, 2019 and 2018, respectively.

(2) The property includes an office building and additional development rights.

(3) There is consideration of $2.0 million being held in escrow related to the sale of this property. To the extent any of these proceeds are ultimately released to the Company, the gain on sale will increase.

*Lease Payments*

The future minimum lease payments, excluding tenant reimbursement revenue, scheduled to be received by us during the current terms of our leases as of June 30, 2019 are as follows (in thousands):

| | |
|---|---|
| 2019 | $ 33,114 |
| 2020 | 53,642 |
| 2021 | 58,692 |
| 2022 | 52,368 |
| 2023 | 46,859 |
| Thereafter | 340,138 |
| | $ 584,813 |

Rental revenue consists of the following (in thousands):

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| Lease payments | $ 20,429 | $ 30,628 | $ 48,334 | $ 70,164 |
| Variable lease payments | 10,145 | 14,941 | 21,130 | 30,678 |
| Rental revenue | $ 30,574 | $ 45,569 | $ 69,464 | $ 100,842 |

**Note 4. Marketable Securities**

As of December 31, 2018, our marketable securities consisted of United States Treasury notes and were classified as available-for-sale. The United States Treasury notes matured in January and February 2019, and as of June 30, 2019, we do not have any marketable securities.

Below is a summary of our marketable securities as of December 31, 2018 (in thousands):

| | December 31, 2018 | | |
|---|---|---|---|
| | Amortized Cost | Unrealized Loss | Estimated Fair Value |
| Marketable securities | $ 249,944 | $ (342) | $ 249,602 |

**Note 5. Indebtedness**

*Senior Unsecured Notes:*

On June 28, 2019, we redeemed all $250.0 million of our 5.875% senior unsecured notes due 2020 and recognized a loss on early extinguishment of debt of $6.4 million for the three and six months ended June 30, 2019 from prepayment fees, the write off of unamortized deferred financing fees and the write off of an unamortized discount.

*Debt Covenants:*

After the redemption of our 5.875% senior unsecured notes due 2020 on June 28, 2019, we no longer have any notes outstanding under our public debt indenture and related supplements, collectively the Indenture, and we are no longer required to maintain the financial ratio covenants prescribed in the Indenture. As a result, we are no longer rated by the rating agencies.

*Mortgage Note Payable:*

At June 30, 2019, one of our properties with an aggregate net book value of $43.9 million had a secured mortgage note totaling $26.1 million (including a net premium and unamortized deferred financing fees) maturing in 2021.

**Note 6. Shareholders' Equity**

*Common Share Issuances:*

See Note 10 for information regarding equity issuances related to share-based compensation.

*Common Share Repurchases:*

On March 13, 2019, our Board of Trustees authorized the repurchase of up to $150.0 million of our outstanding common shares over the twelve months following the date of authorization. During the six months ended June 30, 2019, we did not repurchase any of our common shares under our share repurchase program. The $150.0 million of remaining authorization available under our share repurchase program as of June 30, 2019 is scheduled to expire on March 13, 2020.

During the six months ended June 30, 2019 and 2018, certain of our employees surrendered 168,327 and 57,348 common shares owned by them, respectively, to satisfy their statutory tax withholding obligations in connection with the vesting of such common shares.

*Common Share and Unit Distribution:*

On September 26, 2018, our Board of Trustees declared a special, one-time cash distribution of $2.50 per common share/unit to shareholders/unitholders of record on October 9, 2018. On October 23, 2018, we paid this distribution to such shareholders/unitholders in the aggregate amount of $304.7 million. In February 2019, the number of earned awards for certain recipients of the Company's restricted stock units was determined. Pursuant to the terms of such awards, we paid a one-time catch-up cash distribution of $2.50 per common share/unit to these recipients in the aggregate amount of $1.2 million upon such determination.

*Preferred Share Distributions:*

In 2019, our Board of Trustees declared distributions on our series D preferred shares to date as follows:

| Declaration Date | Record Date | Payment Date | Series D Dividend Per Share |
|---|---|---|---|
| January 11, 2019 | January 30, 2019 | February 15, 2019 | $ 0.40625 |
| April 11, 2019 | April 29, 2019 | May 15, 2019 | $ 0.40625 |
| July 12, 2019 | July 30, 2019 | August 15, 2019 | $ 0.40625 |

**Note 7. Noncontrolling Interest**

Noncontrolling interest represents the portion of the OP Units not beneficially owned by the Company. The ownership of an OP Unit and a common share of beneficial interest have essentially the same economic characteristics. Distributions with respect to OP Units will generally mirror distributions with respect to the Company's common shares. Unitholders (other than the Company) generally have the right, commencing six months from the date of issuance of such OP Units, to cause the Operating Trust to redeem their OP Units in exchange for cash or, at the option of the Company, common shares of the Company on a one-for-one basis. As sole trustee, the Company will have the sole discretion to elect whether the redemption right will be satisfied by the Company in cash or the Company's common shares. As a result, the Noncontrolling interest is classified as permanent equity. As of June 30, 2019, the portion of the Operating Trust not beneficially owned by the Company is in the form of OP Units and LTIP Units (see Note 10 for a description of LTIP Units). LTIP Units may be subject to additional vesting requirements.

The following table presents the changes in Equity Commonwealth's issued and outstanding common shares and units for the six months ended June 30, 2019:

| | Common Shares | OP Units and LTIP Units | Total |
|---|---|---|---|
| Outstanding at January 1, 2019 | 121,572,155 | 45,720 | 121,617,875 |
| Repurchase of shares | (168,327) | — | (168,327) |
| Restricted share grants, time-based LTIP Unit grants and vested restricted stock units | 518,292 | 2,940 | 521,232 |
| Outstanding at June 30, 2019 | 121,922,120 | 48,660 | 121,970,780 |
| Noncontrolling ownership interest in the Operating Trust | | | 0.04% |

The carrying value of the Noncontrolling interest is allocated based on the number of OP Units and LTIP Units in proportion to the number of OP Units and LTIP Units plus the number of common shares. We adjust the Noncontrolling interest balance at the end of each period to reflect the noncontrolling partners' interest in the net assets of the Operating Trust. Net income is allocated to the Noncontrolling interest in the Operating Trust based on the weighted average ownership percentage during the period. Equity Commonwealth's weighted average ownership interest in the Operating Trust was 99.96% and 99.96% for the three and six months ended June 30, 2019, respectively.

**Note 8. Cumulative Other Comprehensive Loss**

The following table presents the amounts recognized in cumulative other comprehensive loss for the six months ended June 30, 2019 (in thousands):

| | Unrealized Loss on Marketable Securities |
|---|---|
| Balance as of January 1, 2019 | $ (342) |
| Other comprehensive income | 342 |
| Balance as of June 30, 2019 | $ — |

**Note 9. Income Taxes**

We have elected to be taxed as a REIT under the Internal Revenue Code of 1986, as amended, and are generally not subject to federal and state income taxes provided we distribute a sufficient amount of our taxable income to our shareholders and meet other requirements for qualifying as a REIT. We are also subject to certain state and local taxes without regard to our REIT status.

Our provision for income taxes consists of the following (in thousands):

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| Current: | | | | |
| State and local | $ (340) | $ 456 | $ (640) | $ (2,551) |
| Deferred: | | | | |
| State and local | — | — | (1,000) | — |
| Income tax (expense) benefit | $ (340) | $ 456 | $ (1,640) | $ (2,551) |

During the six months ended June 30, 2019, we recorded $1.0 million related to an uncertain tax position, as part of our income tax provision.

**Note 10. Share-Based Compensation**

At our annual meeting of shareholders on June 20, 2019, our shareholders approved an amendment to the Equity Commonwealth 2015 Omnibus Incentive Plan to increase the number of common shares of beneficial interest authorized thereunder by 2,500,000.

Recipients of the Company’s restricted shares have the same voting rights as any other common shareholder. During the period of restriction, holders of unvested restricted shares are eligible to receive dividend payments on their shares at the same rate and on the same date as any other common shareholder. The restricted shares are service based awards and vest over a four-year period.

Recipients of the Company’s restricted stock units, or RSUs, are entitled to receive dividends with respect to the common shares underlying the RSUs if and when the RSUs are earned, at which time the recipient will be entitled to receive an amount in cash equal to the aggregate amount of cash dividends that would have been paid in respect of the common shares underlying the recipient’s earned RSUs had such common shares been issued to the recipient on the first day of the performance period. To the extent that an award does not vest, the dividends related to unvested RSUs will be forfeited. The RSUs are market-based awards with a service condition and recipients may earn RSUs based on the Company’s total shareholder return, or TSR, relative to the TSRs of the companies that comprise the NAREIT Office Index over a three-year performance period. Following the end of the three-year performance period, the number of earned awards will be determined. The earned awards vest in two tranches with 50% of the earned award vesting following the end of the performance period on the date the Compensation Committee of our Board of Trustees, or the Committee, determines the level of achievement of the performance metric and the remaining 50% of the earned award vesting approximately one year thereafter, subject to the grant recipient’s continued employment. Compensation expense for the RSUs is determined using a Monte Carlo simulation model and is recognized ratably from the grant date to the vesting date of each tranche.

LTIP Units are a class of beneficial interests in the Operating Trust that may be issued to employees, officers or trustees of the Operating Trust, the Company or their subsidiaries. Time-based LTIP Units have the same general characteristics as restricted shares and market-based LTIP Units have the same general characteristics as RSUs. Each LTIP Unit will convert automatically into an OP Unit on a one-for-one basis when the LTIP Unit becomes vested and its capital account is equalized with the per-unit capital account of the OP Units. Holders of LTIP Units generally will be entitled to receive the same per-unit distributions as the other outstanding OP Units in the Operating Trust, except that market-based LTIP Units will not participate in distributions until expiration of the applicable performance period, at which time any earned market-based LTIP Units generally will become entitled to receive a catch-up distribution for the periods prior to such time.

*2019 Equity Award Activity*

During the six months ended June 30, 2019, 382,413 RSUs vested, and, as a result, we issued 382,413 common shares, prior to certain employees surrendering their common shares to satisfy tax withholding obligations (see Note 6).

On June 20, 2019, in accordance with the Company's compensation plan for independent Trustees, the Committee awarded each of the nine independent Trustees $0.1 million in restricted shares or time-based LTIP Units as part of their compensation for the 2019-2020 year of service on the Board of Trustees. These awards equated to 2,940 shares or time-based LTIP Units per Trustee, for a total of 23,520 shares and 2,940 time-based LTIP Units, valued at $34.01 per share and unit, the closing price of our common shares on the New York Stock Exchange (NYSE) on that day. These shares and time-based LTIP Units vest one year after the date of the award.

On January 29, 2019, the Committee approved grants in the aggregate amount of 112,359 restricted shares and 228,128 RSUs at target (568,609 RSUs at maximum) to the Company's officers, certain employees and to Mr. Zell, the Chairman of our Board of Trustees, as part of their compensation for fiscal year 2018. The restricted shares granted on January 29, 2019 were valued at $31.77 per share, the closing price of our common shares on the NYSE on that day. The assumptions and fair value for the RSUs granted during the six months ended June 30, 2019 are included in the following table on a per share basis.

| | | **2019** |
|---|---|---|
| Fair value of RSUs granted | $ | 39.65 |
| Expected term (years) | | 4 |
| Expected volatility | | 13.98% |
| Risk-free rate | | 2.52% |

*2018 Equity Award Activity*

During the six months ended June 30, 2018, 141,605 RSUs vested, and, as a result, we issued 141,605 common shares, prior to certain employees surrendering their common shares to satisfy tax withholding obligations (see Note 6).

On June 20, 2018, in accordance with the Company's compensation plan for independent Trustees, the Committee awarded each of the nine independent Trustees $0.1 million in restricted shares or time-based LTIP Units as part of their compensation for the 2018-2019 year of service on the Board of Trustees. These awards equated to 3,200 shares or time-based LTIP Units per Trustee, for a total of 25,600 shares and 3,200 time-based LTIP Units, valued at $31.25 per share and unit, the closing price of our common shares on the New York Stock Exchange (NYSE) on that day. These shares and time-based LTIP Units vested one year after the date of the award.

On January 29, 2018, the Committee approved grants in the aggregate amount of 125,409 restricted shares and 254,615 RSUs at target (634,628 RSUs at maximum) to the Company's officers, certain employees and to Mr. Zell, the Chairman of our Board of Trustees, as part of their compensation for fiscal year 2017. The restricted shares were valued at $29.78 per share, the closing price of our common shares on the NYSE on the grant date. The RSUs were valued at $37.13 per share, their fair value on the grant date.

*Outstanding Equity Awards*

As of June 30, 2019, the estimated future compensation expense for all unvested restricted shares and time-based LTIP Units was $8.2 million. Compensation expense for the restricted share and time-based LTIP Unit awards is being recognized on a straight-line basis over the requisite service period for each separately vesting portion of the award. The weighted average period over which the future compensation expense will be recorded for the restricted shares and time-based LTIP units is approximately 2.5 years.

As of June 30, 2019, the estimated future compensation expense for all unvested RSUs and market-based LTIP Units was $16.7 million. The weighted average period over which the future compensation expense will be recorded for the RSUs and market-based LTIP Units is approximately 2.4 years.

During the three months ended June 30, 2019 and 2018, we recorded $3.7 million and $5.1 million, respectively, and during the six months ended June 30, 2019 and 2018, we recorded $7.6 million and $10.5 million, respectively, of compensation expense, net of forfeitures, in general and administrative expense for grants to our trustees and employees related to our equity compensation plans. Compensation expense recorded during the three months ended June 30, 2019 includes $0.3 million, and compensation expense recorded during the six months ended June 30, 2019 and 2018 includes $0.8 million and $0.4 million, respectively, of accelerated vesting due to staffing reductions. Forfeitures are recognized as they occur. At June 30, 2019, 2,857,696 shares/units remain available for issuance under the Equity Commonwealth 2015 Omnibus Incentive Plan, as amended.

**Note 11. Fair Value of Assets and Liabilities**

As of June 30, 2019, we do not have any assets measured at fair value.

*Financial Instruments*

Our financial instruments include our cash and cash equivalents, restricted cash, marketable securities, senior unsecured debt and mortgage note payable. At June 30, 2019 and December 31, 2018, the fair value of these additional financial instruments were not materially different from their carrying values, except as follows (in thousands):

| | June 30, 2019 | | December 31, 2018 | |
|---|---|---|---|---|
| | **Principal Balance** | **Fair Value** | **Principal Balance** | **Fair Value** |
| Senior unsecured debt and mortgage note payable | $ 25,719 | $ 26,588 | $ 276,000 | $ 283,214 |

The fair values of our senior notes are based on quoted market prices (level 2 inputs), and the fair value of our mortgage note payable is based on estimates using discounted cash flow analyses and currently prevailing interest rates adjusted by credit risk spreads (level 3 inputs).

Other financial instruments that potentially subject us to concentrations of credit risk consist principally of rents receivable. As of June 30, 2019, we have one tenant that is responsible for 22.7% of our total annualized rents, and no other single tenant of ours is responsible for more than 10.0% of our total annualized rents.

### Note 12. Earnings Per Common Share

The following table sets forth the computation of basic and diluted earnings per share (amounts in thousands except per share amounts):

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| **Numerator for earnings per common share - basic:** | | | | |
| Net income | $ 242,377 | $ 37,047 | $ 452,974 | $ 224,709 |
| Net income attributable to noncontrolling interest | (91) | (14) | (170) | (77) |
| Preferred distributions | (1,997) | (1,997) | (3,994) | (3,994) |
| Numerator for net income per share - basic | $ 240,289 | $ 35,036 | $ 448,810 | $ 220,638 |
| **Numerator for earnings per common share - diluted:** | | | | |
| Net income | $ 242,377 | $ 37,047 | $ 452,974 | $ 224,709 |
| Net income attributable to noncontrolling interests | (91) | (14) | (170) | (77) |
| Preferred distributions | — | (1,997) | — | — |
| Numerator for net income per share - diluted | $ 242,286 | $ 35,036 | $ 452,804 | $ 224,632 |
| **Denominator for earnings per common share - basic and diluted:** | | | | |
| Weighted average number of common shares outstanding - basic(1) | 122,122 | 121,822 | 122,041 | 122,839 |
| RSUs(2) | 1,005 | 762 | 1,064 | 746 |
| LTIP Units(3) | 172 | 65 | 173 | 79 |
| Series D preferred shares; 6 1/2% cumulative convertible(4) | 2,563 | — | 2,563 | 2,363 |
| Weighted average number of common shares outstanding - diluted | 125,862 | 122,649 | 125,841 | 126,027 |
| **Net income per common share attributable to Equity Commonwealth common shareholders:** | | | | |
| Basic | $ 1.97 | $ 0.29 | $ 3.68 | $ 1.80 |
| Diluted | $ 1.93 | $ 0.29 | $ 3.60 | $ 1.78 |
| **Anti-dilutive securities:** | | | | |
| Effect of Series D preferred shares; 6 1/2% cumulative convertible(4) | — | 2,363 | — | — |
| Effect of LTIP Units | 32 | 42 | 34 | 42 |
| Effect of OP Units(5) | 14 | 1 | 12 | 1 |

(1) The three months ended June 30, 2019 and 2018, includes 220 and 362 weighted-average, unvested, earned RSUs, respectively, and the six months ended June 30, 2019 and 2018, includes 203 and 335 weighted-average, unvested, earned RSUs, respectively.

(2) Represents weighted-average number of common shares that would have been issued if the quarter-end was the measurement date for unvested, unearned RSUs.

(3) Represents the weighted-average dilutive shares issuable from LTIP Units if the quarter-end was the measurement date for the periods shown.

(4) The Series D preferred shares are excluded from the diluted earnings per share calculation for the three months ended June 30, 2018 because including the Series D preferred shares would also require that the preferred distributions be added back to net income, resulting in anti-dilution.

(5) Beneficial interests in the Operating Trust.

**Note 13. Segment Information**

Our primary business is the ownership and operation of office properties, and we currently have one reportable segment. More than 90% of our revenues for the six months ended June 30, 2019 were from office properties.

**Note 14. Related Person Transactions**

The following discussion includes a description of our related person transactions for the six months ended June 30, 2019 and 2018.

*Two North Riverside Plaza Joint Venture Limited Partnership:* We have a lease with Two North Riverside Plaza Joint Venture Limited Partnership, an entity associated with Mr. Zell, our Chairman, to occupy office space on the twentieth and twenty-first floors of Two North Riverside Plaza in Chicago, Illinois (20th/21st Floor Office Lease). The initial term of the lease is approximately five years, expiring in December 2020, with one 5-year renewal option. We made improvements to the office space utilizing the $0.7 million tenant improvement allowance pursuant to the lease. In connection with the 20th/21st Floor Office Lease, we also have a storage lease with Two North Riverside Plaza Joint Venture Limited Partnership for storage space in the basement of Two North Riverside Plaza. The storage lease expires December 31, 2020; however, each party has the right to terminate on 30 days' prior written notice. During the three months ended June 30, 2019 and 2018, we recognized expense of $0.3 million and $0.2 million, respectively, and during the six months ended June 30, 2019 and 2018, we recognized $0.5 million and $0.4 million, respectively, pursuant to the 20th/21st Floor Office Lease and the related storage space.

**Note 15. Subsequent Events**

On July 12, 2019, our Board of Trustees declared a dividend of $0.40625 per series D preferred share, which will be paid on August 15, 2019 to shareholders of record on July 30, 2019.

**Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.**

The following discussion should be read in conjunction with our consolidated financial statements and accompanying notes included in this Quarterly Report on Form 10-Q, and in our Annual Report.

**FORWARD-LOOKING STATEMENTS**

Some of the statements contained in this Quarterly Report on Form 10-Q constitute forward-looking statements within the meaning of the federal securities laws including, but not limited to, statements pertaining to our capital resources, portfolio performance, results of operations or anticipated market conditions. Any forward-looking statements contained in this Quarterly Report on Form 10-Q are intended to be made pursuant to the safe harbor provisions of Section 27A of the Securities Act of 1933, as amended, or the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act. Forward-looking statements relate to expectations, beliefs, projections, future plans and strategies, anticipated events or trends and similar expressions concerning matters that are not historical facts. In some cases, you can identify forward-looking statements by the use of forward-looking terminology such as "may," "will," "should," "expects," "intends," "plans," "anticipates," "believes," "estimates," "predicts," or "potential" or the negative of these words and phrases or similar words or phrases which are predictions of or indicate future events or trends and which do not relate solely to historical matters. You can also identify forward-looking statements by discussions of strategy, plans or intentions.

The forward-looking statements contained in this Quarterly Report on Form 10-Q reflect our current views about future events and are subject to numerous known and unknown risks, uncertainties, assumptions and changes in circumstances that may cause our actual results to differ significantly from those expressed in any forward-looking statement. We do not guarantee that the transactions and events described will happen as described (or that they will happen at all). We disclaim any obligation to publicly update or revise any forward-looking statement to reflect changes in underlying assumptions or factors, of new information, data or methods, future events or other changes. For a further discussion of these and other factors that could cause our future results to differ materially from any forward-looking statements, see the section entitled "Risk Factors" in our Annual Report.

**OVERVIEW**

We are an internally managed and self-advised REIT primarily engaged in the ownership and operation of office properties in the United States. We were formed in 1986 under Maryland law. The Company operates as what is commonly referred to as an umbrella partnership real estate investment trust, or UPREIT, conducting substantially all of its activities through the Operating Trust.

At June 30, 2019, our portfolio consisted of 7 properties (12 buildings), with a combined 2.5 million square feet for a total undepreciated book value of $657.0 million and a depreciated book value of $463.8 million.

As of June 30, 2019, our overall portfolio was 90.5% leased. During the three months ended June 30, 2019, we entered into leases, excluding leasing activity for assets during the quarter in which the asset was sold, for 58,000 square feet, including lease renewals for 43,000 square feet and new leases for 15,000 square feet. Renewal leases entered into during the three months ended June 30, 2019 had weighted average cash and GAAP rental rates that were approximately 8.6% higher and 13.9% higher, respectively, compared to prior rental rates for the same space, and new leases entered into during the three months ended June 30, 2019 had weighted average cash and GAAP rental rates that were approximately 21.2% higher and 27.2% higher, respectively, than prior rental rates for the same space. The change in GAAP rents is different than the change in cash rents due to differences in the amount of rent abatements, the magnitude and timing of contractual rent increases over the lease term, and the length of term for the newly executed leases compared to the prior leases.

During the six months ended June 30, 2019, we sold three properties (six buildings) with a combined 2.7 million square feet for an aggregate gross sales price of $812.1 million, excluding credits and closing costs. For more information regarding these transactions, see Note 3 to the notes to our condensed consolidated financial statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q. We have generated significant proceeds from our dispositions to date and have cash and cash equivalents of $3.2 billion as of June 30, 2019. As we have sold assets, our income from operations has also declined.

We have engaged CBRE, Inc., or CBRE, to provide property management services for our properties. We pay CBRE a property-by-property management fee and may engage CBRE from time-to-time to perform project management services, such as coordinating and overseeing the completion of tenant improvements and other capital projects at the properties. We reimburse CBRE for certain expenses incurred in the performance of its duties, including certain personnel and equipment costs. For the three months ended June 30, 2019 and 2018, we incurred expenses of $1.2 million and $2.2 million, respectively, and for the six months ended June 30, 2019 and 2018, we incurred expenses of $3.0 million and $5.2 million, respectively, related to our property management agreement with CBRE, for property management fees, typically calculated as a percentage of property revenues, and salary and benefits reimbursements for property personnel, such as property managers, engineers and maintenance staff. As of June 30, 2019 and December 31, 2018, we had amounts payable pursuant to these services of $0.5 million and $0.8 million, respectively.

We continue to execute our office repositioning strategy to own and acquire at a discount to replacement cost high-quality, multi-tenant office assets in markets and sub-markets with favorable long-term supply and demand fundamentals. We expect our efforts in the office sector to continue to be primarily focused on larger buildings in central business districts and major urban areas that offer an attractive quality of life, including opportunities for tenants to live and play in close proximity to where they work, with a preference for markets that have above average limitations on new supply. We currently target such efforts towards acquiring portfolios of properties or pursuing other large acquisitions as opposed to purchasing individual properties, although we may acquire individual properties if opportunities to do so are consistent with our strategy. The set of opportunities that we pursue in the future may include acquisitions in the office sector as well as other property types in order to create a foundation for long-term growth.

In executing this strategy, we may sell additional properties, depending on market conditions. With the progress we have had executing dispositions, and the strength and liquidity of our balance sheet, we are in a position to increasingly shift our focus to capital allocation. We intend to use our capital to purchase new properties or businesses, repay debt, buy back common shares or make other investments or distributions that further our long-term strategic goals.

We may be unable to identify suitable opportunities. If we do not redeploy capital, we will strive to achieve a sale or liquidation of the Company in a manner that optimizes shareholder value. We are unable to predict if or when we will make a determination to sell or liquidate the Company.

***Property Operations***

Leased occupancy data for 2019 and 2018 are as follows (square feet in thousands):

| | All Properties(1) | | Comparable Properties(2) | |
|---|---|---|---|---|
| | As of June 30, | | As of June 30, | |
| | 2019 | 2018 | 2019 | 2018 |
| Total properties | 7 | 13 | 7 | 7 |
| Total square feet | 2,469 | 6,341 | 2,469 | 2,474 |
| Percent leased(3) | 90.5% | 89.8% | 90.5% | 92.0% |

(1) Excludes properties sold or classified as held for sale as of the end of the period.

(2) Based on properties owned continuously from January 1, 2018 through June 30, 2019, and excludes properties sold or classified as held for sale as of the end of the period.

(3) Percent leased includes space subject to leases that have commenced, space being fitted out for occupancy pursuant to existing leases, and space that is leased but not occupied or is being offered for sublease by tenants.

The weighted average lease term based on square feet for leases entered into during the three months ended June 30, 2019 was 3.0 years. Commitments made for leasing expenditures and concessions, such as tenant improvements and leasing commissions, for leases entered into during the three months ended June 30, 2019 totaled $0.7 million, or $11.49 per square foot on average (approximately $3.83 per square foot per year of the lease term).

As of June 30, 2019, approximately 9.6% of our leased square feet and 7.8% of our annualized rental revenue, determined as set forth below, are included in leases scheduled to expire through December 31, 2019.  Renewal and new leases and rental rates at which available space may be relet in the future will depend on prevailing market conditions at the times these leases are negotiated.  We believe that the in-place cash rents for leases expiring for the remainder of 2019, that have not been backfilled, are above market. Lease expirations by year, as of June 30, 2019, are as follows (square feet and dollars in thousands):

| Year | Number of Tenants Expiring | Leased Square Feet Expiring(1) | % of Leased Square Feet Expiring(1) | Cumulative % of Leased Square Feet Expiring (1) | Annualized Rental Revenue Expiring(2) | % of Annualized Rental Revenue Expiring | Cumulative % of Annualized Rental Revenue Expiring |
|---|---|---|---|---|---|---|---|
| 2019 | 15 | 215 | 9.6% | 9.6% | $ 7,592 | 7.8% | 7.8% |
| 2020 | 21 | 131 | 5.9% | 15.5% | 5,752 | 5.9% | 13.7% |
| 2021 | 22 | 196 | 8.8% | 24.3% | 8,139 | 8.5% | 22.2% |
| 2022 | 14 | 212 | 9.5% | 33.8% | 7,937 | 8.1% | 30.3% |
| 2023 | 17 | 234 | 10.5% | 44.3% | 10,132 | 10.3% | 40.6% |
| 2024 | 14 | 273 | 12.2% | 56.5% | 10,745 | 11.0% | 51.6% |
| 2025 | 7 | 94 | 4.2% | 60.7% | 6,275 | 6.4% | 58.0% |
| 2026 | 8 | 80 | 3.6% | 64.3% | 3,491 | 3.6% | 61.6% |
| 2027 | 2 | 35 | 1.6% | 65.9% | 1,530 | 1.6% | 63.2% |
| 2028 | 3 | 59 | 2.6% | 68.5% | 2,916 | 3.0% | 66.2% |
| Thereafter | 10 | 705 | 31.5% | 100.0% | 32,913 | 33.8% | 100.0% |
| | 133 | 2,234 | 100.0% | | $ 97,422 | 100.0% | |
| Weighted average remaining lease term (in years): | | 7.4 | | | 7.8 | | |

(1) Leased Square Feet as of June 30, 2019 includes space subject to leases that have commenced, space being fitted out for occupancy pursuant to existing leases, and space which is leased but is not occupied or is being offered for sublease by tenants. The Leased Square Feet Expiring corresponds to the latest-expiring signed lease for a given suite. Thus, backfilled suites expire in the year stipulated by the new lease.

(2) Annualized rental revenue is annualized contractual rents from our tenants pursuant to leases which have commenced as of June 30, 2019, plus estimated recurring expense reimbursements. Annualized rental revenue excludes lease value amortization, straight line rent adjustments, abated (free) rent periods and parking revenue. We calculate annualized rental revenue by aggregating the recurring billings outlined above for the most recent month during the quarter reported, adding abated rent, and multiplying the sum by 12 to provide an estimation of near-term potentially-recurring revenues.  Annualized rental revenue is a forward-looking non-GAAP measure.  Annualized rental revenue cannot be reconciled to a comparable GAAP measure without unreasonable efforts, primarily due to the fact that it is calculated from the billings of tenants in the most recent month at the most recent rental rates during the quarter reported, whereas historical GAAP measures include billings from a potentially different group of tenants over multiple months at potentially different rental rates.

The principal source of funds for our operations is rents from tenants at our properties. Rents are generally received from our tenants monthly in advance. As of June 30, 2019, tenants representing 2.0% or more of our total annualized rental revenue were as follows (square feet in thousands):

| Tenant | Square Feet(1) | % of Total Leased Square Feet(1) | % of Annualized Rental Revenue (2) | Weighted Average Remaining Lease Term |
|---|---|---|---|---|
| 1. Expedia, Inc.(3) | 427 | 19.1% | 22.7% | 0.5 |
| 2. Georgetown University(4) | 240 | 10.7% | 7.1% | 0.3 |
| 3. Beth Israel Deaconess Medical Center, Inc. | 117 | 5.2% | 4.1% | 4.3 |
| 4. Dana-Farber Cancer Institute, Inc. | 77 | 3.4% | 3.7% | 10.2 |
| 5. Equinor Energy Services, Inc. | 77 | 3.4% | 3.3% | 4.5 |
| 6. BT Americas, Inc. | 59 | 2.6% | 3.1% | 0.1 |
| 7. KPMG, LLP | 66 | 3.0% | 2.7% | 3.6 |
| 8. CBRE, Inc.(5) | 40 | 1.8% | 2.0% | 8.8 |
| Total | 1,103 | 49.2% | 48.7% | 2.3 |

(1) Total Leased Square Feet as of June 30, 2019 includes space subject to leases that have commenced, space being fitted out for occupancy pursuant to existing leases, and space which is leased but is not occupied or is being offered for sublease by tenants.

(2) Annualized rental revenue is annualized contractual rents from our tenants pursuant to leases which have commenced as of June 30, 2019, plus estimated recurring expense reimbursements; excludes lease value amortization, straight line rent adjustments, abated (free) rent periods and parking revenue. We calculate annualized rental revenue by aggregating the recurring billings outlined above for the most recent month during the quarter reported, adding abated rent, and multiplying the sum by 12 to provide an estimation of near-term potentially-recurring revenues. Annualized rental revenue is a forward-looking non-GAAP measure. Annualized rental revenue cannot be reconciled to a comparable GAAP measure without unreasonable efforts, primarily due to the fact that it is calculated from the billings of tenants in the most recent month at the most recent rental rates during the quarter reported, whereas historical GAAP measures include billings from a potentially different group of tenants over multiple months at potentially different rental rates.

(3) During the third quarter of 2018, an affiliate of Amazon.com, Inc. entered into a new 16-year lease for 429,012 square feet, including all of the Expedia, Inc. space. The lease commences in 2020.

(4) Georgetown University's leased space includes 111,600 square feet that are sublet to another tenant. During the fourth quarter of 2017, the other tenant committed to lease the 111,600 square feet space through September 30, 2037 directly from the Company. The lease commences on October 1, 2019.

(5) We reported a weighted average remaining lease term for CBRE, Inc. of 10.0 years in our March 31, 2019 Quarterly Report on Form 10-Q. The correct weighted average remaining lease term for CBRE, Inc. as of March 31, 2019 was 9.0 years.

***Financing Activities***

On June 28, 2019, we redeemed all $250.0 million of our 5.875% senior unsecured notes due 2020 and recognized a loss on early extinguishment of debt of $6.4 million for the three and six months ended June 30, 2019 from prepayment fees, the write off of unamortized deferred financing fees and the write off of an unamortized discount. As of June 30, 2019, our only debt consists of one $25.7 million mortgage note payable.

***Regulation FD Disclosures***

We intend to use any of the following to comply with our disclosure obligations under Regulation FD: press releases, SEC filings, public conference calls, or our website. We routinely post important information on our website at www.eqcre.com, including information that may be deemed to be material. We encourage investors and others interested in the Company to monitor these distribution channels for material disclosures. Our website address is included in this Quarterly Report as a textual reference only and the information on the website is not incorporated by reference into this Quarterly Report.

**RESULTS OF OPERATIONS**

***Three Months Ended June 30, 2019, Compared to Three Months Ended June 30, 2018***

| | Comparable Properties Results(1) | | | | Other Properties Results(2) | | Consolidated Results | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Three Months Ended June 30, | | | | | | | | | |
| | 2019 | 2018 | $ Change | % Change | 2019 | 2018 | 2019 | 2018 | $ Change | % Change |
| | (dollars in thousands) | | | | | | | | | |
| Rental revenue(3) | $ 26,486 | $ 22,737 | $ 3,749 | 16.5% | $ 4,088 | $ 22,832 | $ 30,574 | $ 45,569 | $ (14,995) | (32.9)% |
| Other revenue(3) | 2,651 | 2,421 | 230 | 9.5% | 143 | 646 | 2,794 | 3,067 | (273) | (8.9)% |
| Operating expenses | (9,697) | (9,294) | (403) | 4.3% | (1,277) | (10,227) | (10,974) | (19,521) | 8,547 | (43.8)% |
| Net operating income(4) | $ 19,440 | $ 15,864 | $ 3,576 | 22.5% | $ 2,954 | $ 13,251 | 22,394 | 29,115 | (6,721) | (23.1)% |
| Other expenses: | | | | | | | | | | |
| Depreciation and amortization | | | | | | | 7,561 | 13,021 | (5,460) | (41.9)% |
| General and administrative | | | | | | | 9,533 | 11,222 | (1,689) | (15.1)% |
| Total other expenses | | | | | | | 17,094 | 24,243 | (7,149) | (29.5)% |
| Interest and other income, net | | | | | | | 20,695 | 12,668 | 8,027 | 63.4 % |
| Interest expense | | | | | | | (4,070) | (6,350) | 2,280 | (35.9)% |
| Loss on early extinguishment of debt | | | | | | | (6,374) | (1,536) | (4,838) | 315.0 % |
| Gain on sale of properties, net | | | | | | | 227,166 | 26,937 | 200,229 | 743.3 % |
| Income before income taxes | | | | | | | 242,717 | 36,591 | 206,126 | 563.3 % |
| Income tax (expense) benefit | | | | | | | (340) | 456 | (796) | (174.6)% |
| Net income | | | | | | | 242,377 | 37,047 | 205,330 | 554.2 % |
| Net income attributable to noncontrolling interest | | | | | | | (91) | (14) | (77) | 550.0 % |
| Net income attributable to Equity Commonwealth | | | | | | | 242,286 | 37,033 | 205,253 | 554.2 % |
| Preferred distributions | | | | | | | (1,997) | (1,997) | — | — % |
| Net income attributable to Equity Commonwealth common shareholders | | | | | | | $240,289 | $ 35,036 | $ 205,253 | 585.8 % |

(1) Comparable properties consist of 7 properties (12 buildings) we owned continuously from April 1, 2018 to June 30, 2019.

(2) Other properties consist of properties sold or classified as held for sale as of the end of the period.

(3) Certain reclassifications were made to conform the prior period to our presentation of the condensed consolidated statements of operations due to the impact of adopting ASU 2016-02. Amounts that were previously disclosed as "Tenant reimbursements and other income" are now included in "Rental revenue" and are no longer presented as a separate line item. Parking revenues that do not represent components of leases and were previously disclosed as "Rental income" are now included in "Other revenue." Subsequent to January 1, 2019, provisions for credit losses are included in "Rental revenue." Provisions for credit losses prior to January 1, 2019 were disclosed as "Operating expenses" and were not reclassified to conform prior periods to the current presentation.

(4) We define net operating income, or NOI, as shown above, as income from our real estate including lease termination fees received from tenants less our property operating expenses. NOI excludes amortization of capitalized tenant improvement costs and leasing commissions and corporate level expenses. For a discussion of why we consider NOI to be an appropriate supplemental measure to net income as well as a reconciliation of NOI to net income, the most directly comparable financial measure under GAAP reported on our consolidated financial statements, please see "- Liquidity and Capital Resources - Property Net Operating Income (NOI)."

*Rental revenue*. Rental revenue decreased $15.0 million, or 32.9%, in the 2019 period, compared to the 2018 period, primarily due to the properties sold in 2019 and 2018. Rental revenue increased $3.7 million, or 16.5%, at the comparable properties primarily due to an increase in commenced occupancy, a $2.2 million increase in lease termination fees and a $0.8 million increase in escalations resulting from increases in commenced occupancy and real estate tax recoveries.

Rental revenue includes increases for straight line rent adjustments totaling $11,000 in the 2019 period and $1.0 million in the 2018 period, and net increases for amortization of acquired real estate leases and assumed real estate lease obligations totaling

$39,000 in the 2019 period and $18,000 in the 2018 period. Rental revenue also includes the recognition of lease termination fees totaling $2.2 million in the 2019 period and $1.6 million in the 2018 period.

*Other revenue.* Other revenue, which primarily includes parking revenue, decreased $0.3 million, or 8.9%, in the 2019 period, compared to the 2018 period, primarily due to the properties sold in 2019 and 2018. Parking revenue at the comparable properties increased $0.2 million, or 9.5%, in the 2019 period, compared to the 2018 period.

*Operating expenses.* Operating expenses decreased $8.5 million, or 43.8%, in the 2019 period, compared to the 2018 period, primarily due to the properties sold in 2019 and 2018. Operating expenses increased $0.4 million, or 4.3%, at the comparable properties primarily due to a $0.6 million increase in real estate tax expense, partially offset by a $0.2 million decrease in utility expense.

*Depreciation and amortization.* Depreciation and amortization decreased $5.5 million, or 41.9%, in the 2019 period, compared to the 2018 period primarily due to properties sold in 2019 and 2018.

*General and administrative.* General and administrative expenses decreased $1.7 million, or 15.1%, in the 2019 period, compared to the 2018 period, primarily due to a $1.7 million decrease in share-based compensation expense and a $0.6 million decrease in payroll expenses as a result of a staffing reduction, partially offset by $0.9 million of compensation expenses related to severance in the 2019 period.

*Interest and other income, net.* Interest and other income, net increased $8.0 million, or 63.4% in the 2019 period, compared to the 2018 period, primarily due to $7.8 million of additional interest received on higher invested balances and higher average interest rates in 2019.

*Interest expense.* Interest expense decreased $2.3 million, or 35.9%, in the 2019 period, compared to the 2018 period, primarily due to the redemption at par of the total $400.0 million outstanding under our 5-year and 7-year term loans in May 2018, the termination of our credit agreement in December 2018 and a decrease in amortization of deferred financing fees.

*Loss on early extinguishment of debt*. The loss on early extinguishment of debt of $6.4 million in the 2019 period reflects the write off of unamortized deferred financing fees, the write off of an unamortized discount and prepayment fees related to the redemption of our 5.875% senior unsecured notes due 2020. The loss on early extinguishment of debt of $1.5 million in the 2018 period reflects the write off of unamortized deferred financing fees related to the redemption at par of the total $400.0 million outstanding under our 5-year and 7-year term loans.

*Gain on sale of properties, net.* Gain on sale of properties, net increased $200.2 million in the 2019 period, as compared to the 2018 period. Gain on sale of properties, net in the 2019 period primarily relates to the following (dollars in thousands):

| Asset | Gain on Sale, Net |
|---|---|
| 600 108th Avenue NE | $ 149,009 |
| Research Park | 78,158 |
| | $ 227,167 |

Gain on sale of properties, net in the 2018 period primarily relates to the following (dollars in thousands):

| Asset | Gain on Sale, Net |
|---|---|
| 1601 Dry Creek Drive | $ 26,992 |

*Income tax (expense) benefit.* In the 2019 period, we recorded income tax expense of $0.3 million and in the 2018 period, we recorded income tax benefit of $0.5 million. The change in income taxes is primarily due to the adjustment of state and local apportionment factors based on the sales of properties and state and local taxes incurred upon the sale of properties.

*Net income attributable to noncontrolling interest.* In 2019, 2018 and 2017, we granted LTIP Units to certain of our trustees and employees. The net income attributable to noncontrolling interest of $91,000 in the 2019 period and $14,000 in the 2018 period relates to the allocation of net income to the LTIP Unit holders.

**RESULTS OF OPERATIONS**

***Six Months Ended June 30, 2019, Compared to Six Months Ended June 30, 2018***

| | Comparable Properties Results(1) | | | | Other Properties Results(2) | | Consolidated Results | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Six Months Ended June 30, | | | | | | | | | |
| | 2019 | 2018 | $ Change | % Change | 2019 | 2018 | 2019 | 2018 | $ Change | % Change |
| | (dollars in thousands) | | | | | | | | | |
| Rental revenue(3) | $ 50,709 | $ 45,125 | $ 5,584 | 12.4% | $18,755 | $ 55,717 | $ 69,464 | $100,842 | $ (31,378) | (31.1)% |
| Other revenue(3) | 5,004 | 4,698 | 306 | 6.5% | 652 | 1,684 | 5,656 | 6,382 | (726) | (11.4)% |
| Operating expenses | (19,195) | (18,297) | (898) | 4.9% | (7,559) | (25,823) | (26,754) | (44,120) | 17,366 | (39.4)% |
| Net operating income(4) | $ 36,518 | $ 31,526 | $ 4,992 | 15.8% | $11,848 | $ 31,578 | 48,366 | 63,104 | (14,738) | (23.4)% |
| Other expenses: | | | | | | | | | | |
| Depreciation and amortization | | | | | | | 16,146 | 26,924 | (10,778) | (40.0)% |
| General and administrative | | | | | | | 21,629 | 24,561 | (2,932) | (11.9)% |
| Loss on asset impairment | | | | | | | — | 12,087 | (12,087) | (100.0)% |
| Total other expenses | | | | | | | 37,775 | 63,572 | (25,797) | (40.6)% |
| Interest and other income, net | | | | | | | 38,470 | 18,448 | 20,022 | 108.5 % |
| Interest expense | | | | | | | (8,276) | (16,465) | 8,189 | (49.7)% |
| Loss on early extinguishment of debt | | | | | | | (6,374) | (6,403) | 29 | (0.5)% |
| Gain on sale of properties, net | | | | | | | 420,203 | 232,148 | 188,055 | 81.0 % |
| Income before income taxes | | | | | | | 454,614 | 227,260 | 227,354 | 100.0 % |
| Income tax expense | | | | | | | (1,640) | (2,551) | 911 | (35.7)% |
| Net income | | | | | | | 452,974 | 224,709 | 228,265 | 101.6 % |
| Net income attributable to noncontrolling interests | | | | | | | (170) | (77) | (93) | 120.8 % |
| Net income attributable to Equity Commonwealth | | | | | | | 452,804 | 224,632 | 228,172 | 101.6 % |
| Preferred distributions | | | | | | | (3,994) | (3,994) | — | — % |
| Net income attributable to Equity Commonwealth common shareholders | | | | | | | $448,810 | $220,638 | $ 228,172 | 103.4 % |

(1) Comparable properties consist of 7 properties (12 buildings) we owned continuously from January 1, 2018 to June 30, 2019.

(2) Other properties consist of properties sold or classified as held for sale as of the end of the period.

(3) Certain reclassifications were made to conform the prior period to our presentation of the condensed consolidated statements of operations due to the impact of adopting ASU 2016-02. Amounts that were previously disclosed as "Tenant reimbursements and other income" are now included in "Rental revenue" and are no longer presented as a separate line item. Parking revenues that do not represent components of leases and were previously disclosed as "Rental income" are now included in "Other revenue." Subsequent to January 1, 2019, provisions for credit losses are included in "Rental revenue." Provisions for credit losses prior to January 1, 2019 were disclosed as "Operating expenses" and were not reclassified to conform prior periods to the current presentation.

(4) See Note 4 on page 22 for further information regarding NOI.

*Rental revenue*. Rental revenue decreased $31.4 million, or 31.1%, in the 2019 period, compared to the 2018 period, primarily due to the properties sold in 2019 and 2018. Rental revenue at the comparable properties increased $5.6 million, or 12.4%, primarily due to an increase in commenced occupancy, a $2.0 million increase in lease termination fees and a $1.8 million increase in escalations resulting from increases in commenced occupancy and real estate tax recoveries.

Rental revenue includes increases for straight line rent adjustments totaling $0.8 million in the 2019 period and $2.6 million in the 2018 period, and net increases (reductions) for amortization of acquired real estate leases and assumed real estate lease obligations totaling $0.1 million in the 2019 period and $(0.1) million in the 2018 period. Rental revenue also includes the recognition of lease termination fees totaling $2.2 million in the 2019 period and $2.5 million in the 2018 period.

*Other revenue.* Other revenue, which primarily includes parking revenue, decreased $0.7 million, or 11.4%, in the 2019 period, compared to the 2018 period, primarily due to the properties sold in 2019 and 2018. Parking revenue at the comparable properties increased $0.3 million, or 6.5%, in the 2019 period, compared to the 2018 period.

*Operating expenses.* Operating expenses decreased $17.4 million, or 39.4%, in the 2019 period, compared to the 2018 period, primarily due to the properties sold in 2019 and 2018. Operating expenses increased $0.9 million, or 4.9%, at the comparable properties primarily due to a $1.2 million increase in real estate tax expense, partially offset by a $0.5 million decrease in utility expense.

*Depreciation and amortization.* Depreciation and amortization decreased $10.8 million, or 40.0%, in the 2019 period, compared to the 2018 period, primarily due to the properties sold in 2019 and 2018.

*General and administrative.* General and administrative expenses decreased $2.9 million, or 11.9%, in the 2019 period, compared to the 2018 period, primarily due to a $3.2 million decrease in share-based compensation expense and a $0.9 million decrease in payroll expenses as a result of a staffing reduction, partially offset by a $1.4 million increase in compensation expenses related to severance from $1.8 million in the 2018 period to $3.2 million in the 2019 period.

*Loss on asset impairment.* We recorded impairment charges of $12.1 million in the 2018 period related to 777 East Eisenhower Parkway and 97 Newberry Road, based upon the shortening of our expected period of ownership and updated market information in accordance with our impairment analysis procedures. We did not record any impairment charges in the 2019 period.

*Interest and other income, net.* Interest and other income, net increased $20.0 million, or 108.5%, in the 2019 period, compared to the 2018 period, primarily due to $13.9 million of additional interest received on higher invested balances and higher average interest rates in 2019 and a $5.0 million loss on the sale of marketable securities in the 2018 period.

*Interest expense.* Interest expense decreased $8.2 million, or 49.7%, in the 2019 period, compared to the 2018 period, primarily due to the prepayment in March 2018 of all $175.0 million of our 5.75% senior unsecured notes due 2042, the redemption at par of the total $400.0 million outstanding under our 5-year and 7-year term loans in May 2018, the termination of our credit agreement in December 2018 and a decrease in amortization of deferred financing fees.

*Loss on early extinguishment of debt.* The loss on early extinguishment of debt of $6.4 million in the 2019 period reflects the write off of unamortized deferred financing fees, the write off of an unamortized discount and prepayment fees related to the redemption of our 5.875% senior unsecured notes due 2020. The loss on early extinguishment of debt of $6.4 million in the 2018 period reflects the write off of unamortized deferred financing fees related to our redemption at par of the total $400.0 million outstanding under our 5-year and 7-year term loans and the write off of unamortized deferred financing fees related to our repayment at par of our 5.75% senior unsecured notes due 2042.

*Gain on sale of properties, net.* Gain on sale of properties, net increased $188.1 million in the 2019 period, compared to the 2018 period. Gain on sale of properties, net in the 2019 period primarily relates to the following (dollars in thousands):

| **Asset** | **Gain on Sale, Net** |
|---|---|
| 1735 Market Street | $ 192,985 |
| 600 108th Avenue NE | 149,009 |
| Research Park | 78,158 |
| | $ 420,152 |

Gain on sale of properties, net in the 2018 period primarily relates to the following (dollars in thousands):

| **Asset** | **Gain on Sale, Net** |
|---|---|
| 1600 Market Street | $ 54,599 |
| 600 West Chicago Avenue | 107,830 |
| 5073, 5075, & 5085 S. Syracuse Street | 42,762 |
| 1601 Dry Creek Drive | 26,992 |
| | $ 232,183 |

*Income tax expense.* Income tax expense decreased $0.9 million in the 2019 period, compared to the 2018 period, primarily due to a decrease in state and local taxes incurred upon the sale of properties.

*Net income attributable to noncontrolling interest.* In 2019, 2018 and 2017, we granted LTIP Units to certain of our trustees and employees. The net income attributable to noncontrolling interest of $0.2 million in the 2019 period and $0.1 million in the 2018 period relates to the allocation of net income to the LTIP Unit holders.

**LIQUIDITY AND CAPITAL RESOURCES**

***Our Operating Liquidity and Resources***

As of June 30, 2019, we had $3.2 billion of cash and cash equivalents. We expect to use our cash balances, cash flow from our operations and proceeds of any future property sales to fund our operations, make distributions, repurchase our common shares, acquire assets or businesses, fund tenant improvements and leasing costs and for other general business purposes. We believe our cash balances and the cash flow from our operations will be sufficient to fund our ordinary course activities.

Our future cash flows from operating activities will depend primarily upon our:

- ability to maintain or improve the occupancy of, and the rental rates at, our properties;
- ability to control operating and financing expense increases at our properties; and
- ability to purchase additional properties, which produce rents, less property operating expenses, in excess of our costs of acquisition capital.

Volatility in energy costs and real estate taxes may cause our future operating expenses to fluctuate; however, the impact of these fluctuations is expected to be partially offset by the pass through of operating expenses to our tenants pursuant to lease terms, although there can be no assurance that we will be able to successfully offset these expenses or that doing so would not negatively impact our competitive position or business.

Cash flows provided by (used in) operating, investing and financing activities were $41.2 million, $1.0 billion and $(266.2) million, respectively, for the six months ended June 30, 2019, and $23.9 million, $800.5 million and $(669.4) million, respectively, for the six months ended June 30, 2018. Changes in these three categories of our cash flows between 2019 and 2018 are primarily related to a decrease in property net operating income (as a result of property dispositions), an increase in interest income (as a result of additional interest received on higher invested balances and higher average interest rates in 2019), real estate improvements, dispositions of properties, proceeds from sales and maturities of marketable securities, repayments of debt and repurchase of our common shares.

***Our Investment and Financing Liquidity and Resources***

On June 28, 2019, we redeemed all $250.0 million of our 5.875% senior unsecured notes due 2020 and recognized a loss on early extinguishment of debt of $6.4 million for the three and six months ended June 30, 2019 from prepayment fees, the write off of unamortized deferred financing fees and the write off of an unamortized discount. As of June 30, 2019, our only debt consists of one $25.7 million mortgage note payable.

During the six months ended June 30, 2019, we paid an aggregate of $4.0 million of distributions on our series D preferred shares. On July 12, 2019, our Board of Trustees declared a dividend of $0.40625 per series D preferred share, which will be paid on August 15, 2019 to shareholders of record on July 30, 2019.

On March 13, 2019, our Board of Trustees authorized the repurchase of up to $150.0 million of our outstanding common shares over the twelve months following the date of authorization. During the six months ended June 30, 2019, we did not repurchase any of our common shares under our share repurchase program. The $150.0 million of remaining authorization available under our share repurchase program as of June 30, 2019 is scheduled to expire on March 13, 2020.

Our outstanding debt maturity and interest rate as of June 30, 2019, were as follows (dollars in thousands):

| Year | Scheduled Principal Payments During Period<br>Secured Fixed Rate Debt (1) | Interest Rate(2) |
|---|---|---|
| 2019 | $ 286 | 5.7% |
| 2020 | 597 | 5.7% |
| 2021 | 24,836 | 5.7% |
| Thereafter | — | —% |
| | $ 25,719 | 5.7% |

(1) Total debt outstanding as of June 30, 2019, including net unamortized premiums and net unamortized deferred financing costs, was $26,091.

(2) Contractual interest rate.

For further information about our indebtedness, see Note 5 to the notes to our condensed consolidated financial statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q.

As the maturity date of our debt approaches, we may explore alternatives to repay the amount due. Such alternatives may include using our cash balances, incurring additional debt and issuing new equity securities, and entering into a new revolving credit facility. We have an effective shelf registration statement that allows us to issue certain types of public securities on an expedited basis, but it does not apply to debt securities nor does it assure that there will be buyers for any such securities.

We believe that we will have access to various types of financings, including debt or equity offerings, to fund any future acquisitions and to pay our debt and other obligations as they become due. The completion and the costs of any future debt transactions will depend primarily upon market conditions and our credit ratings at such time. We have no control over market conditions. Our credit ratings will depend upon evaluations by credit rating agencies of our business practices and plans and, in particular, whether we appear to have the ability to maintain our earnings, to space our debt maturities and to balance our use of debt and equity capital so that our financial performance and leverage ratios afford us flexibility to withstand any reasonably foreseeable adverse changes. We intend to conduct our business activities in a manner which will continue to afford us reasonable access to capital for investment and financing activities. However, there can be no assurance regarding our ability to complete any debt or equity offerings or that our cost of any future public or private financings will not increase.

During the six months ended June 30, 2019, we sold three properties (six buildings) with a combined 2.7 million square feet for an aggregate gross sales price of $812.1 million, excluding credits and closing costs. For more information regarding these transactions, see Note 3 to the notes to our condensed consolidated financial statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q.

During the three and six months ended June 30, 2019 and 2018, amounts capitalized at our properties, including properties sold or classified as held for sale, for tenant improvements, leasing costs and building improvements were as follows (amounts in thousands):

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| Tenant improvements(1) | $ 2,491 | $ 13,773 | $ 4,941 | $ 24,680 |
| Leasing costs(2) | 374 | 4,909 | 1,217 | 7,751 |
| Building improvements(3) | 2,328 | 2,936 | 3,584 | 4,887 |

(1) Tenant improvements include capital expenditures to improve tenants' spaces.

(2) Leasing costs include leasing commissions and related legal expenses.

(3) Building improvements generally include expenditures to replace obsolete building components and expenditures that extend the useful life of existing assets. Tenant-funded capital expenditures are excluded.

During the three months ended June 30, 2019, commitments made for expenditures in connection with leasing space at our properties, excluding leasing activity for assets during the quarter in which the asset was sold or classified as held for sale, were as follows (dollar and square foot measures in thousands):

| | New Leases | Renewals | Total |
|---|---|---|---|
| Rentable square feet leased during the period | 15 | 43 | 58 |
| Tenant improvements and leasing commissions | $ 329 | $ 341 | $ 670 |
| Tenant improvements and leasing commissions per rentable square foot | $ 21.93 | $ 7.93 | $ 11.49 |
| Weighted average lease term by square foot (years) | 4.3 | 2.5 | 3.0 |
| Total tenant improvements and leasing commissions per rentable square foot per year | $ 5.05 | $ 3.12 | $ 3.83 |

***Debt Covenants***

After the redemption of our 5.875% senior unsecured notes due 2020 on June 28, 2019, we no longer have any notes outstanding under the Indenture, and we are no longer required to maintain the financial ratio covenants prescribed in the Indenture. As a result, we are no longer rated by the rating agencies.

***Off Balance Sheet Arrangements***

As of June 30, 2019, we had no off balance sheet arrangements that have had or that we expect would be reasonably likely to have a future material effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources. We had no swaps or hedges as of June 30, 2019.

***Funds from Operations (FFO) and Normalized FFO***

We compute FFO in accordance with standards established by the National Association of Real Estate Investment Trusts, or NAREIT. NAREIT defines FFO as net income (loss), calculated in accordance with GAAP, excluding real estate depreciation and amortization, gains (or losses) from sales of depreciable property, impairment of depreciable real estate, and our portion of these items related to equity investees and non-controlling interests. Our calculation of Normalized FFO differs from NAREIT's definition of FFO because we exclude certain items that we view as nonrecurring or impacting comparability from period to period. We consider FFO and Normalized FFO to be appropriate measures of operating performance for a REIT, along with net income, net income attributable to Equity Commonwealth common shareholders and cash flow from operating activities.

We believe that FFO and Normalized FFO provide useful information to investors because by excluding the effects of certain historical amounts, such as depreciation expense, FFO and Normalized FFO may facilitate a comparison of our operating performance between periods and with other REITs. FFO and Normalized FFO do not represent cash generated by operating activities in accordance with GAAP and should not be considered as alternatives to net income, net income attributable to Equity Commonwealth common shareholders or cash flow from operating activities, determined in accordance with GAAP, or as indicators of our financial performance or liquidity, nor are these measures necessarily indicative of sufficient cash flow to fund all of our needs. These measures should be considered in conjunction with net income, net income attributable to Equity Commonwealth common shareholders and cash flow from operating activities as presented in our condensed consolidated statements of operations, condensed consolidated statements of comprehensive income and condensed consolidated statements of cash flows. Other REITs and real estate companies may calculate FFO and Normalized FFO differently than we do.

The following table provides a reconciliation of net income to FFO attributable to Equity Commonwealth common shareholders and unitholders and a calculation to Normalized FFO attributable to Equity Commonwealth common shareholders and unitholders (in thousands):

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| **Reconciliation to FFO:** | | | | |
| Net income | $ 242,377 | $ 37,047 | $ 452,974 | $ 224,709 |
| Real estate depreciation and amortization | 7,283 | 12,717 | 15,560 | 26,320 |
| Loss on asset impairment | — | — | — | 12,087 |
| Gain on sale of properties, net | (227,166) | (26,937) | (420,203) | (232,148) |
| FFO attributable to Equity Commonwealth | 22,494 | 22,827 | 48,331 | 30,968 |
| Preferred distributions | (1,997) | (1,997) | (3,994) | (3,994) |
| FFO attributable to Equity Commonwealth common shareholders and unitholders | $ 20,497 | $ 20,830 | $ 44,337 | $ 26,974 |
| | | | | |
| **Reconciliation to Normalized FFO:** | | | | |
| FFO attributable to Equity Commonwealth common shareholders and unitholders | $ 20,497 | $ 20,830 | $ 44,337 | $ 26,974 |
| Lease value amortization | (39) | (18) | (78) | 80 |
| Straight line rent adjustments | (11) | (1,022) | (848) | (2,550) |
| Loss on early extinguishment of debt | 6,374 | 1,536 | 6,374 | 6,403 |
| Loss on sale of securities | — | — | — | 4,987 |
| Income taxes related to gains on property sales, net | 415 | (496) | 565 | 2,473 |
| Normalized FFO attributable to Equity Commonwealth common shareholders and unitholders | $ 27,236 | $ 20,830 | $ 50,350 | $ 38,367 |

***Property Net Operating Income (NOI)***

We use property net operating income, or NOI, to evaluate the performance of our properties. We define NOI as income from our real estate including lease termination fees received from tenants less our property operating expenses. NOI excludes amortization of capitalized tenant improvement costs and leasing commissions and corporate level expenses.

The following table includes the reconciliation of NOI to net income, the most directly comparable financial measure under GAAP reported in our consolidated financial statements.  We consider NOI to be an appropriate supplemental measure to net income because it may help to understand the operations of our properties.  We use NOI internally to evaluate property level performance, and we believe that NOI provides useful information to investors regarding our results of operations because it reflects only those income and expense items that are incurred at the property level and may facilitate comparisons of our operating performance between periods and with other REITs.  NOI does not represent cash generated by operating activities in accordance with GAAP and should not be considered as an alternative to net income, net income attributable to Equity Commonwealth common shareholders or cash flow from operating activities, determined in accordance with GAAP, or as an indicator of our financial performance or liquidity, nor is this measure necessarily indicative of sufficient cash flow to fund all of our needs.  This measure should be considered in conjunction with net income, net income attributable to Equity Commonwealth common shareholders and cash flow from operating activities as presented in our consolidated statements of operations, consolidated statements of comprehensive income and consolidated statements of cash flows.  Other REITs and real estate companies may calculate NOI differently than we do.

A reconciliation of NOI to net income for the three and six months ended June 30, 2019 and 2018, is as follows (in thousands):

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| Rental revenue | $ 30,574 | $ 45,569 | $ 69,464 | $ 100,842 |
| Other revenue | 2,794 | 3,067 | 5,656 | 6,382 |
| Operating expenses | (10,974) | (19,521) | (26,754) | (44,120) |
| NOI | $ 22,394 | $ 29,115 | $ 48,366 | $ 63,104 |
| | | | | |
| NOI | $ 22,394 | $ 29,115 | $ 48,366 | $ 63,104 |
| Depreciation and amortization | (7,561) | (13,021) | (16,146) | (26,924) |
| General and administrative | (9,533) | (11,222) | (21,629) | (24,561) |
| Loss on asset impairment | — | — | — | (12,087) |
| Interest and other income, net | 20,695 | 12,668 | 38,470 | 18,448 |
| Interest expense | (4,070) | (6,350) | (8,276) | (16,465) |
| Loss on early extinguishment of debt | (6,374) | (1,536) | (6,374) | (6,403) |
| Gain on sale of properties, net | 227,166 | 26,937 | 420,203 | 232,148 |
| Income before income taxes | 242,717 | 36,591 | 454,614 | 227,260 |
| Income tax (expense) benefit | (340) | 456 | (1,640) | (2,551) |
| Net income | $ 242,377 | $ 37,047 | $ 452,974 | $ 224,709 |

***Related Person Transactions***

For information about our related person transactions and about the risks that may arise as a result of these related person transactions and relationships, see Note 14 to the notes to our condensed consolidated financial statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q.

**Item 3. Quantitative and Qualitative Disclosures About Market Risk.**

The Company's market risk has not changed materially from the amounts and information reported in Part II, Item 7A. *Quantitative and Qualitative Disclosures About Market Risk*, in our Annual Report.

**Item 4. Controls and Procedures.**

As of the end of the period covered by this report, our management carried out an evaluation, under the supervision and with the participation of our President and Chief Executive Officer and our Executive Vice President, Chief Financial Officer and Treasurer, of the effectiveness of our disclosure controls and procedures pursuant to the Exchange Act Rule 13a-15 and Rule 15d-15. Based upon that evaluation, our President and Chief Executive Officer and our Executive Vice President, Chief Financial Officer and Treasurer concluded that our disclosure controls and procedures are effective.

There have been no changes in our internal control over financial reporting during the quarter ended June 30, 2019 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## PART II. Other Information

### Item 1. Legal Proceedings.

We are or may become a party to various legal proceedings. We are not currently involved in any litigation nor, to our knowledge, is any litigation threatened against us where the outcome would, in our judgment based on information currently available to us, have a material adverse effect on the Company.

### Item 1A. Risk Factors.

There have been no material changes to the risk factors relating to the Company disclosed in our Annual Report.

### Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

*Surrender of Common Shares for Tax Withholding*

During the three months ended June 30, 2019, certain of our employees surrendered common shares owned by them to satisfy their statutory tax withholding obligations in connection with the vesting of restricted common shares and restricted stock units.

The following table summarizes all of these repurchases during the three months ended June 30, 2019:

| Period | Total Number of Shares Purchased(1) | Average Price Paid per Share | Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs | Maximum Number or Approximate Dollar Value of Shares that May Yet be Purchased Under the Plans or Programs |
|---|---|---|---|---|
| April 2019 | 656 | $ 31.55 | N/A | N/A |
| May 2019 | 2,348 | $ 32.49 | N/A | N/A |
| June 2019 | 1,410 | $ 33.59 | N/A | N/A |
| Total | 4,414 | $ 32.70 | | |

(1) The number of shares repurchased represents common shares surrendered by certain of our employees to satisfy their statutory minimum federal and state tax obligations associated with the vesting of restricted common shares and restricted stock units of beneficial interest. With respect to these shares, the price paid per share is based on the closing price of our common shares as of the date of the determination of the statutory minimum federal and state tax obligations.

### Item 3. Defaults Upon Senior Securities.

Not applicable.

### Item 4. Mine Safety Disclosures.

Not applicable.

### Item 5. Other Information.

Not applicable.

**Item 6. Exhibits.**

| Exhibit Number | Description |
|---|---|
| 3.1 | Articles of Amendment and Restatement of Declaration of Trust of the Company, dated July 1, 1994, as amended to date. (Incorporated by reference to the Company's Current Report on Form 8-K filed August 1, 2014.) |
| 3.2 | Articles Supplementary, dated October 10, 2006. (Incorporated by reference to the Company's Current Report on Form 8-K filed October 11, 2006.) |
| 3.3 | Articles Supplementary, dated May 31, 2011. (Incorporated by reference to the Company's Current Report on Form 8-K filed May 31, 2011.) |
| 3.4 | Articles Supplementary, dated March 14, 2018. (Incorporated by reference to the Company's Current Report on Form 8-K filed March 15, 2018.) |
| 3.5 | Third Amended and Restated Bylaws of the Company, adopted March 15, 2017. (Incorporated by reference to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2017.) |
| 4.1 | Form of Common Share Certificate. (Incorporated by reference to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2014.) |
| 4.2 | Form of 61/2% Series D Cumulative Convertible Preferred Share Certificate. (Incorporated by reference to the Company's Annual Report on Form 10-K for the year ended December 31, 2012.) |
| 4.3 | Indenture, dated as of July 9, 1997, between the Company and State Street Bank and Trust Company, as Trustee. (Incorporated by reference to Exhibit 4.10 to the Company's Annual Report on Form 10-K for the year ended December 31, 1997, File Number 001-09317.) |
| 10.1 | Amendment No. 2 to the Equity Commonwealth 2015 Omnibus Incentive Plan. (+) (Incorporated by reference to the Company's Registration Statement on Form S-8 filed July 16, 2019.) |
| 10.2 | Change in Control Agreement, dated as of April 24, 2019, by and between the Company, Equity Commonwealth Management LLC and David Helfand. (†) (Filed herewith.) |
| 31.1 | Rule 13a-14(a) Certification. (Filed herewith.) |
| 31.2 | Rule 13a-14(a) Certification. (Filed herewith.) |
| 32.1 | Section 1350 Certification. (Furnished herewith.) |
| 101.1 | The following materials from the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2019, formatted in Inline XBRL (eXtensible Business Reporting Language): (i) the Condensed Consolidated Balance Sheets, (ii) the Condensed Consolidated Statements of Operations, (iii) the Condensed Consolidated Statements of Comprehensive Income, (iv) the Condensed Consolidated Statements of Cash Flows and (v) related notes to these condensed consolidated financial statements, tagged as blocks of text and in detail. (Filed herewith.) |

\+ Management contract or compensatory plan or arrangement.

† Pursuant to Instruction 2 of Item 601 of Regulation S-K, Registrant has omitted certain change in control agreements (the "Omitted CIC Agreements"), which are substantially identical in all material respects except as to the parties thereto, the dates of execution, or other details. The below schedule identifies the Omitted CIC Agreements. The only term in the Omitted CIC Agreements that differs from the change in control agreement filed herewith is the term of coverage under the Company's group health plan, which is 24 months under Section 3(a)(iv) of the Omitted CIC Agreements. The Registrant hereby agrees to file the Omitted CIC Agreements upon request by the Commission.

Schedule

1. Change in Control Agreement, dated as of April 24, 2019, by and between the Company, Equity Commonwealth Management LLC and Adam Markman.
2. Change in Control Agreement, dated as of April 24, 2019, by and between the Company, Equity Commonwealth Management LLC and David Weinberg.
3. Change in Control Agreement, dated as of April 24, 2019, by and between the Company, Equity Commonwealth Management LLC and Orrin Shifrin.

Table of Contents

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

EQUITY COMMONWEALTH

By: /s/ David A. Helfand
David A. Helfand
President and Chief Executive Officer
Dated: August 1, 2019

By: /s/ Adam S. Markman
Adam S. Markman
Executive Vice President, Chief Financial Officer and Treasurer
Dated: August 1, 2019



(Back To Top)

# Section 2: EX-10.2 (EXHIBIT 10.2)

Exhibit 10.2

## CHANGE IN CONTROL AGREEMENT

THIS CHANGE IN CONTROL AGREEMENT (the "Agreement") is entered into as of April 24, 2019, by and between Equity Commonwealth, a Maryland real estate investment trust ("EQC"), Equity Commonwealth Management LLC, a Delaware limited liability company and indirect subsidiary of EQC ("Equity Management" and, together with EQC, the "Company"), and David Helfand (the "Executive").

## WITNESSETH

WHEREAS, the Board of Trustees of the Company (the "Board") recognizes that the possibility of a Change in Control (as hereinafter defined) exists or may exist in the future and that the threat or the occurrence of a Change in Control can result in significant distractions of its key management personnel because of the uncertainties inherent in such a situation;

WHEREAS, the Board has determined that it is essential and in the best interest of the Company and its shareholders to retain the services of the Executive in the event of a threat or occurrence of a Change in Control and to ensure the Executive's continued dedication and efforts in such event without undue concern for the Executive's personal financial and employment security; and

WHEREAS, in order to induce the Executive to remain in the employ of the Company and/or an affiliate of the Company, particularly in the event of a threat or the occurrence of a Change in Control, the Company desires to enter into this Agreement with the Executive to provide the Executive with certain benefits in the event the Executive's employment is terminated as a result of, in connection with, or in anticipation of, a Change in Control.

## AGREEMENT

NOW, THEREFORE, in consideration of the respective agreements of the parties contained herein and other good and valuation consideration, the receipt and sufficiency of which are hereby acknowledged, it is agreed as follows:

1. **Term of Agreement**. This Agreement shall commence as of the date hereof and shall continue in effect until the date the Executive's employment is terminated; provided, however, that if the Executive's employment terminates in a manner that entitles the Executive to receive severance payments and benefits under Section 3(a) hereof (or would entitle the Executive to receive severance payments and benefits if a Change in Control (as defined in Section 2.5 hereof) occurs within six months following the Executive's termination of employment), then the term shall continue in effect until all payments and benefits have been made or provided to the Executive hereunder (or, if applicable, until the six month anniversary of the Executive's termination of employment if no Change in Control has occurred as of such date).

2. **Definitions**

2.1 ***Accrued Compensation***. For purposes of this Agreement, "Accrued Compensation" shall mean all amounts that have accrued to the benefit of the Executive through the "Termination Date" (as hereinafter defined) but not paid as of the Termination Date including: (a) base salary, (b) reimbursement for reasonable and necessary expenses incurred by the Executive on behalf of the Company during the period ending on the Termination Date, (c) vacation and sick leave pay (to the extent provided by Company policy or applicable law), with all amounts owed to the Executive under each of (a), (b) and (c) payable in a cash lump sum no later than the Company's first regularly scheduled payroll date after the Termination Date, (d) any Annual Incentive Award for service in the last fiscal year ended prior to the Termination Date, in the amount approved or to be approved by the Committee, payable in a lump sum at the time the Company pays bonuses to active employees (but in no event later than thirty (30) days following the Committee's approval of the Annual Incentive Award), (e) any amounts that are vested benefits or that the Executive is otherwise entitled to receive under any plan, policy, practice or program of or any other contract or agreement with the Company at or subsequent to the Termination Date, payable in accordance with such plan, policy, practice or program, contract or agreement, and (f) any other amounts or benefits required to be paid by law.

2.2 ***Annual Incentive Award***. For purposes of this Agreement, "Annual Incentive Award" shall mean compensation offered as an annual cash incentive in addition to base salary which the Executive was eligible to earn for service in a given year. As of the date of this Agreement, "Annual Incentive Award" would refer to compensation awarded under the Company's Short-Term Annual Incentive Program.

2.3 **Base Amount**. For purposes of this Agreement, "Base Amount" shall mean (a) the Executive's annual base salary, at the rate in effect for the year of the Termination Date, or, (b) in connection with a Qualifying Termination under Section 2.12(a) hereof within twenty-four (24) months following a Change in Control, the greater of (i) the Executive's annual base salary, at the rate in effect for the year of the Termination Date, and (ii) the Executive's annual base salary, at the rate in effect immediately prior to the Change in Control.

2.4 ***Cause***. For purposes of this Agreement, "Cause" means: (a) the Executive's conviction of, or plea of guilty or no contest to, a felony or a crime involving moral turpitude or the commission of any other act by the Executive involving willful malfeasance or material fiduciary breach with respect to the Company or an affiliate of the Company; (b) the Executive's gross negligence or willful misconduct in connection with the performance of the Executive's duties to the Company; (c) a material breach by the Executive of any term of any employment, consulting or other services, confidentiality, intellectual property or non-competition agreements, if any, between the Executive and the Company or an affiliate of the Company; or (d) a material violation by the Executive of state or federal securities laws. Notwithstanding anything contained in this Agreement to the contrary, no failure to perform by the Executive after a Notice of Termination (as defined in Section 2.10 hereof) is given by the Company to the Executive shall constitute Cause for purposes of this Agreement.

2.5 ***Change in Control***. For purposes of this Agreement, a "Change in Control" shall have the meaning set forth in the Company's 2015 Omnibus Incentive Plan, as amended (the "Omnibus Incentive Plan"), or any successor equity incentive plan.

2.6 ***Change in Control Protection Period***. For purposes of this Agreement, "Change in Control Period" means the period beginning six (6) months prior to a Change in Control and ending twenty-four (24) months following a Change in Control.

2.7 ***Company***. For purposes of this Agreement, the "Company" shall include the Company's "Successors and Assigns" (as hereinafter defined).

2.8 ***Disability***. For purposes of this Agreement, "Disability" shall mean the inability of the Executive to perform each of the essential duties of the Executive's position by reason of a medically determinable physical or mental impairment which is potentially permanent in character or which can be expected to last for a continuous period of not less than twelve (12) months.

2.9 ***Good Reason***.

(a) For purposes of this Agreement, "Good Reason" shall mean the occurrence of one or more of the following without the Executive's express written consent, which circumstances are not remedied by the Company within thirty (30) days of its receipt of a written notice from the Executive describing the applicable circumstances giving rise to Good Reason (which notice must be provided by the Executive within ninety (90) days of the Executive's knowledge of the applicable circumstances); provided, however, that in order for the Executive to terminate his employment for Good Reason, the Executive must terminate employment within sixty (60) days following the end of the Company's cure period if the circumstances giving rise to Good Reason have not been cured:

(i) any material, adverse change in the Executive's duties, responsibilities, authority, title, status or reporting structure;

(ii) a material reduction in the Executive's base salary or bonus opportunity; or

(iii) a geographical relocation of the Executive's principal office location by more than fifty (50) miles.

(b) The Executive's right to terminate the Executive's employment pursuant to this Section 2.9 shall not be affected by the Executive's incapacity due to a Disability.

2.10 ***Notice of Termination***. For purposes of this Agreement, "Notice of Termination" shall mean a written notice of termination from the Company of the Executive's employment which indicates a specific termination provision in this Agreement relied upon and which sets forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive's employment under the provision so indicated.

2.11 ***Pro Rata Annual Incentive Award***. For purposes of this Agreement, "Pro Rata Annual Incentive Award" shall mean the most recent Annual Incentive Award amount earned by the Executive prior to the Termination Date, multiplied by a fraction, the numerator of which is the number of days in such fiscal year through the Termination Date and the denominator of which is 365.

2.12 ***Qualifying Termination***. For purposes of this Agreement, "Qualifying Termination" means a termination of the Executive's employment by the Company without Cause (excluding, for the avoidance of doubt, by reason of the Executive's death or Disability) or by the Executive for Good Reason, in each case (a) during the Change in Control Protection Period or (b) in connection with or in anticipation of a Change in Control, regardless of whether such termination occurs during the Change in Control Protection Period.

2.13 ***Successors and Assigns***. For purposes of this Agreement, "Successors and Assigns" shall mean a corporation or other entity acquiring all or substantially all the voting securities, assets or business of the Company whether by operation of law or otherwise, and any affiliate of such Successors and Assigns.

2.14 ***Termination Date***. For purposes of this Agreement, "Termination Date" shall mean: (a) in the case of Good Reason, the last day of the Executive's employment and (b) in all other cases, the date specified in the Notice of Termination or if no Notice of Termination is sent, the last day of the Executive's employment.

3. **Termination of Employment**.

(a) If the Executive's employment with the Company terminates and such termination constitutes a Qualifying Termination, as determined by the Compensation Committee of the Board (the "Committee") in its reasonable discretion, the Executive shall be entitled to receive the following compensation and benefits, subject to Section 3(c) hereof:

(i) the Company shall pay or provide to the Executive the Accrued Compensation;

(ii) the Company shall pay the Executive the Pro Rata Annual Incentive Award;

(i) the Company shall pay the Executive as severance pay and in lieu of any further compensation for periods subsequent to the Termination Date, an amount equal to three (3) times the sum of (A) the Base Amount and (B) the average of the two most recent Annual Incentive Awards earned by the Executive prior to the Termination Date;

(ii) the Company shall pay the Executive an amount equal to (x) thirty-six (36) multiplied by (y) the total monthly premium (i.e., both the employer portion and the employee portion of the premium) in effect on the Termination Date for family coverage under the Company's group health plan less the monthly employee charge for such coverage in effect on the Termination Date.

(iii) all outstanding, unvested restricted stock, restricted stock units, LTIP units and other equity awards held by the Executive that are subject to solely time-based vesting conditions (collectively, the "Time-Based Awards") shall fully vest as of the Termination Date, subject to Section 3(b) below; and

(iv) all outstanding, unvested restricted stock units, LTIP units and other equity awards held by the Executive that are subject to performance-based vesting conditions (collectively, the "Performance-Based Awards") shall remain eligible to become earned based on the actual level of achievement of the applicable performance criteria, as determined by the Committee at the end of the applicable performance period or, if earlier, as of the date of a Change in Control in which such Performance-Based Awards are not assumed by the acquirer or surviving entity, and the earned portion of such Performance-Based Awards, if any, shall become fully vested as of the date the Committee determines the achievement of the applicable performance criteria and shall be settled in accordance with the terms of the applicable award agreements, subject to Section 3(b) below.

(b) If the Executive's employment with the Company terminates within six (6) months prior to a Change in Control, and such termination constitutes a Qualifying Termination that falls under Section 2.12(a) hereunder, then, notwithstanding anything to the contrary contained herein, the terms of the Executive's Time-Based Awards and Performance-Based Awards shall be governed by the Omnibus Incentive Plan and the award agreements issued to the Executive thereunder, each as amended, except as provided in Sections 3(b)(i) and (ii) below.

(i) With respect to each Time-Based Award that is held by the Executive as of his termination of employment, the unvested portion of such Time-Based Award that would have been forfeited by the Executive upon his termination of employment shall instead remain outstanding and unvested until the occurrence of the Change in Control, upon which such unvested portion shall fully vest.

(ii) With respect to each Performance-Based Award that is held by the Executive as of his termination of employment, (x) if the end of the applicable performance period occurs after the Termination Date and prior to the Change in Control, then the portion of such Performance-Based Award that becomes earned, if any, that does not otherwise vest on the date the Committee determines the achievement of the applicable performance criteria, shall vest upon the occurrence of the Change in Control, and (y) if the end of the applicable performance period occurs after the Termination Date and after the Change in Control, and the Performance-Based Award is assumed by the acquirer or surviving entity in the Change in Control transaction, then the Performance-Based Award shall become earned at the end of the applicable performance period based on the achievement of the applicable performance criteria, as determined by the Committee, and the portion of such Performance-Based Award that becomes earned, if any, shall fully vest on the date the Committee determines the achievement of the applicable performance criteria. Each Performance-Based Award that becomes earned and vested in accordance with this Section 3(b)(ii) shall be settled as soon as practicable following the applicable vesting date, but in no event later than sixty (60) days thereafter.

(c) The Company's obligation to pay or provide to the Executive the payments and benefits set forth in Sections 3(a)(ii), (iii), (iv), (v) and (vi) and Section 3(b) (collectively, the "Severance Payments") shall be contingent upon the Executive's compliance with the provisions of Sections 5(c) and (d) hereof and the Executive's execution and non-revocation of the Release (as defined in Section 12 hereof) in accordance with Section 12 hereof. The amounts provided for in Sections 3(a)(ii), (iii) and (iv) shall be paid to the Executive in a single lump sum cash payment within ten (10) days following the Release Effective Date (as defined in Section 12 hereof). Notwithstanding anything contained herein to the contrary, in the event that the period during which the Executive may review and revoke the Release begins in one calendar year and ends in the following calendar year, any Severance Payments hereunder that constitute non-qualified deferred compensation subject to Section 409A of the Internal Revenue Code of 1986, as amended (the "Code"), shall be paid to the Executive no earlier than January 1 of the second calendar year.

(d) The Executive shall not be required to mitigate the amount of any payment provided for in this Agreement by seeking other employment or otherwise and no such payment shall be offset or reduced by the amount of any compensation or benefits provided to the Executive in any subsequent employment.

(e) The Executive's entitlement to any other compensation or benefits or any indemnification shall be determined in accordance with the Company's employee benefit plans and other applicable programs, policies and practices or any indemnification agreement in effect.

4. **Notice of Termination**. Any purported termination of the Executive's employment by the Company shall be communicated by Notice of Termination to the Executive. For purposes

of this Agreement, no such purported termination shall be effective without such Notice of Termination.

5. **Non-Disclosure of Proprietary Information**.

(a) The Company may have provided and/or may provide the Executive with access to confidential, proprietary, and highly sensitive information relating to the business of the Company, which is a competitive asset of the Company, and which may include, without limitation, data and information: (i) relating to the Company's business, regardless of whether the data or information constitutes a trade secret; (ii) disclosed to the Executive or of which the Executive became aware of as a consequence of the Executive's relationship with the Company or any of its affiliates; (iii) having value to the Company or any of its affiliates; (iv) not generally known to competitors of the Company; and (v) which may include, without limitation, trade secrets, methods of operation, information regarding acquisitions and dispositions, tenant (including prospective tenant) and lease information, shareholder information, financial information and projections, personnel data, information of any third party provided to the Company or any of its affiliates which the Company or any affiliate is obligated to treat as confidential, and similar information. The confidential, proprietary, and highly sensitive information described herein above is referred to as "Proprietary Information." The Company and the Executive hereby agree that the term Proprietary Information shall include only such information of which the Executive has specific knowledge.

(b) The Executive acknowledges and understands that the term Proprietary Information does not include information or know-how which: (i) has been voluntarily disclosed to the public by the Company, except where such public disclosure has been made without authorization from the Company; (ii) which has otherwise entered the public domain through lawful means, or (iii) is approved for release by written authorization of the Company.

(c) The Executive acknowledges that from time to time the Company may disclose Proprietary Information to the Executive in order to enable the Executive to perform his duties for the Company. The Executive recognizes and agrees that the unauthorized disclosure of Proprietary Information could place the Company at a competitive disadvantage. Consequently, the Executive agrees not: (i) to use, at any time, any Proprietary Information for the Executive's own benefit or for the benefit of any person, entity, or corporation other than the Company; or (ii) to disclose, directly or indirectly, any Proprietary Information to any person who is not a current trustee or employee of the Company, except in the performance of the duties assigned to the Executive by the Company, at any time before or after the termination of the Executive's employment, without the express, written consent of the Company. The Executive further acknowledges and agrees not to make copies, except in the performance of the duties assigned to the Executive by the Company, of any Proprietary Information, except as authorized by the Company.

(d) The Executive acknowledges that any and all documents, including documents containing Proprietary Information, furnished by the Company or otherwise acquired or developed by the Executive in connection with his employment or association with the Company (collectively, "Recipient Materials") shall at all times be the property of the Company. Promptly following the termination of the Executive's employment with the Company, the Executive shall destroy or return to the Company any Recipient Materials that are in the Executive's possession, custody, or control.

(e) Nothing contained herein shall prohibit the Executive from reporting possible violations of federal law or regulation to any governmental agency or entity, including but not limited to the Department of Justice, the Securities and Exchange Commission, the Occupational Safety and Health Administration, the Equal Employment Opportunity Commission, any Inspector General, or making other disclosures protected under the whistleblower provisions of federal law or regulation. The Executive does not need the prior authorization of the Company to make any such reports or disclosures and the Executive is not required to notify the Company that the Executive has made such reports or disclosures.

(f) Notwithstanding anything to the contrary contain herein, the parties hereto acknowledge that pursuant to 18 USC § 1833(b), the Executive may not be held liable under any criminal or civil federal or state trade secret law for disclosure of a trade secret: (i) made in confidence to a government official, either directly or indirectly, or to an attorney, solely for the purpose of reporting or investigating a suspected violation of law or (ii) in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal. Additionally, the parties hereto acknowledge that if the Executive sues the Company for retaliation based on the reporting of a suspected violation of law, the Executive may disclose a trade secret to his attorney and use the trade secret information in the court proceeding, so long as any document containing the trade secret is filed under seal and the Executive does not disclose the trade secret except pursuant to court order.

6. **Excise Tax**.

(a) The Executive is, or, if applicable, the Executive's dependents, heirs or beneficiaries are, responsible for covering any excise taxes incurred by the Executive pursuant to Section 4999 (and any successor provision) of the Code with respect to any payments received by the Executive upon termination in connection with a Change in Control, and the Company has no responsibility for such excise taxes, or any gross up related thereto.

(b) Notwithstanding any other provisions of this Agreement to the contrary, in the event that any payments or benefits received or to be received by the Executive in connection with the Executive's employment with the Company (or termination thereof) would subject the Executive to the excise tax imposed under Section 4999 of the Code (the "Excise Tax"), and if the net-after tax amount (taking into account all applicable taxes payable by the Executive, including any Excise Tax) that the Executive would receive with respect to such payments or benefits does not exceed the net-after tax amount the Executive would receive if the amount of such payments and benefits were reduced to the maximum amount which could otherwise be payable to the Executive without the imposition of the Excise Tax, then, to the extent necessary to eliminate the imposition of the Excise Tax, (i) such cash payments and benefits shall first be reduced (if necessary, to zero) and (ii) all other non-cash payments and benefits shall next be reduced. Cash amounts payable latest in time shall be reduced first to the extent that such reduction results in a greater level of aggregate value to become payable to the Executive, and no payment shall be altered in violation of Code Section 409A.

(c) The determination by the Company of whether any reduction in such payments or benefits to be provided under this Agreement or otherwise is required pursuant to the preceding sentence will be confirmed at the expense of the Company by independent accountants or compensation or benefits consultants selected by the Company, and the Executive shall have the right to review such determination. The fact that the Executive's right to payments or benefits may be reduced by reason of the limitations contained in this Section 6 will not of itself limit or otherwise affect any other rights of the Executive other than pursuant to this Agreement.

7. **Successors; Binding Agreement**. This Agreement shall be binding upon and shall inure to the benefit of the Company, its Successors and Assigns, and the Company shall require any Successors and Assigns to expressly assume and agree to perform this Agreement

in the same manner and to the same extent that the Company would be required to perform it if no such succession or assignment had taken place. Neither this Agreement nor any right or interest hereunder shall be assignable or transferable by the Executive, the Executive's beneficiaries or legal representatives, except by will or by the laws of descent and distribution. This Agreement shall inure to the benefit of and be enforceable by the Executive's legal personal representative.

8. **Notice**. For the purposes of this Agreement, notices and all other communications provided for in the Agreement (including the Notice of Termination) shall be in writing and shall be deemed to have been duly given when personally delivered or sent by overnight courier addressed to the respective addresses last given by each party to the other, provided that all notices to the Company shall include as an addressee the Chief Executive Officer and the Secretary of the Company. All notices and communications shall be deemed to have been received on the date of delivery thereof or one business day after mailing if sent by overnight courier.

9. **Non-Exclusivity of Rights**. Nothing in this Agreement shall prevent or limit the Executive's continuing or future participation in any benefit, bonus, incentive or other plan or program provided by the Company (except for any severance or termination policies, plans, programs or practices) and for which the Executive may qualify, nor shall anything herein limit or reduce such rights as the Executive may have under any other agreements with the Company (except for any severance or termination agreement). Amounts which are vested benefits or which the Executive is otherwise entitled to receive under any plan or program of the Company shall be payable in accordance with such plan or program, except as explicitly modified by this Agreement.

10. **No Guaranteed Employment**. The Executive and the Company acknowledge that, except as may otherwise be provided under any other written agreement between the Executive and the Company, the employment of the Executive by the Company is "at will" and may be terminated by either the Executive or the Company at any time, subject, however to the rights of the Executive provided herein in the event of any such termination.

11. **Settlement of Claims**. The Company's obligation to make the payments provided for in this Agreement and otherwise to perform its obligations hereunder shall not be affected by any circumstances, including, without limitation, any set-off, counterclaim, recoupment, defense or other right which the Company may have against the Executive or others.

12. **Full Satisfaction; Waiver and Release**. As a condition to receiving the Severance Payments hereunder, the Executive shall execute a release of claims substantially in the form of the release attached hereto as Exhibit A (the "Release"). Within three business days following the Termination Date, the Company shall deliver to the Executive the Release for the Executive to execute; provided, however, that if the Executive's employment with the Company terminates within six (6) months prior to a Change in Control, and such termination constitutes a Qualifying Termination that falls under Section 2.12(a) hereunder, then the Company shall instead deliver the Release to the Executive within three business days following the date of the Change in Control. The Executive shall forfeit all rights to receive the Severance Payments unless, within sixty (60) days following delivery of the Release by the Company to the Executive, the Executive executes and delivers the Release to the Company and such Release has become irrevocable by virtue of the expiration of the revocation period specified therein without the Release having been revoked (the first such date, the "Release Effective Date"). For the avoidance of doubt, in connection with a termination of employment that occurs within six (6) months prior to a Change in Control, which constitutes a Qualifying Termination that falls under Section 2.12(a) hereunder, the Executive shall not execute the Release, and the Release Effective Date shall not occur, until after the Change in Control. The Company's obligation to pay or provide the Severance Payments is subject to the occurrence of the Release Effective Date, and if the Release Effective Date does not occur, the

Company shall have no obligation to pay or provide such Severance Payments. In the event the Executive breaches one or more of the provisions of Sections 5(c) or (d) hereof, the Executive shall forfeit the Executive's right to receive the Severance Payments.

13. **Section 409A**.

(a) The Company intends that the payments and benefits provided under this Agreement shall either be exempt from the application of, or comply with, the requirements of Section 409A of the Code, and this Agreement shall be construed in a manner that effectuates this intent. Neither the Company nor its respective trustees, directors, officers, employees or advisers (other than the Executive) shall be held liable for any taxes, interest, penalties or other monetary amounts owed by the Executive as a result of this Agreement. Notwithstanding anything in this Agreement to the contrary, the Company may amend this Agreement, to take effect retroactively or otherwise, as deemed necessary or advisable for the purpose of remaining exempt from or complying with the requirements of Section 409A of the Code and the administrative regulations and rulings promulgated thereunder.

(b) In the event that, notwithstanding the clear language of this Agreement and the intent of the Company, any amount or benefit under this Agreement constitutes non-exempt "deferred compensation" for purposes of Section 409A of the Code ("Non-Exempt Deferred Compensation") and is payable or distributable by reason of the Executive's separation from service during a period in which the Executive qualifies as a "specified employee" (as defined in Section 409A of the Code and the final regulations thereunder), then, subject to any permissible acceleration of payment under Section 409A of the Code: (i) the amount of such Non-Exempt Deferred Compensation that would otherwise be payable during the six-month period immediately following the Executive's separation from service under the terms of this Agreement shall be accumulated through and paid or provided on the first day of the seventh month following the Executive's separation from service (or, if the Executive dies during such period, within thirty (30) days after Executive's death) (in either case, the "Required Delay Period"); and (ii) the normal payment or distribution schedule for any remaining payments or distributions shall resume at the end of the Required Delay Period.

(c) To the extent that any right to reimbursement of expenses or payment of any benefit in-kind under this Agreement constitutes Non-Exempt Deferred Compensation, (i) any such expense reimbursement shall be made by the Company no later than the last day of the taxable year following the taxable year in which such expense was incurred by the Executive, (ii) the right to reimbursement or in-kind benefits shall not be subject to liquidation or exchange for another benefit, and (iii) the amount of expenses eligible for reimbursement or in-kind benefits provided during any taxable year shall not affect the expenses eligible for reimbursement or in-kind benefits to be provided in any other taxable year.

14. **Miscellaneous**. No provision of this Agreement may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in writing and signed by the Executive and the Company. No waiver by either party hereto at any time of any breach by the other party hereto of, or compliance with, any condition or provisions of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time. No agreement or representations, oral or otherwise, express or implied, with respect to the subject matter hereof have been made by either party which are not expressly set forth in this Agreement.

15. **Withholding**. The Company shall have the authority and right to withhold an amount sufficient to satisfy federal, state and local taxes required by law to be withheld with respect to any payments or benefits under this Agreement.

16. **Governing Law**. This Agreement shall be governed by and construed and enforced in accordance with the substantive laws of the State of Illinois without giving effect to the conflict of laws principles thereof. Any action brought by any party to this Agreement shall be brought and maintained in a court of competent jurisdiction in Cook County in the State of Illinois.

17. **Severability**. The provisions of this Agreement shall be deemed severable and the invalidity or unenforceability of any provision shall not affect the validity or enforceability of the other provisions hereof.

18. **Entire Agreement**. This Agreement constitutes the entire agreement between the parties hereto and supersedes all prior agreements, if any, understandings and arrangements, oral or written, between the parties hereto with respect to the subject matter hereof.

IN WITNESS WHEREOF, the Company has caused this Agreement to be executed by its duly authorized representative and the Executive has executed this Agreement as of the day and year first above written.

EQUITY COMMONWEALTH

By: /s/ Kenneth Shea
Kenneth Shea, Authorized Signatory and
Chair of Compensation Committee

EQUITY COMMONWEALTH MANAGEMENT LLC
By: EQC Operating Trust, its Managing Member
By: Equity Commonwealth, its Trustee

By: /s/ Kenneth Shea
Kenneth Shea, Authorized Signatory and
Chair of Compensation Committee

EXECUTIVE

By: /s/ David Helfand
David Helfand

EXHIBIT A

## WAIVER AND RELEASE AGREEMENT

THIS WAIVER AND RELEASE AGREEMENT (this “Release”) is entered into as of [Date] (the “Effective Date”), by [Name] (the “Executive”) in consideration of the severance payments and benefits (collectively, the “Severance Payments”) provided to the Executive pursuant to the Change in Control Agreement by and among Equity Commonwealth, a Maryland real estate investment trust (“EQC”), Equity Commonwealth Management LLC, a Delaware limited liability company and indirect subsidiary of EQC (“Equity Management” and, together with EQC, the “Company”), and the Executive, dated as of [Date] (the “Change in Control Agreement”).

1. Waiver and Release. Subject to the last sentence of the first paragraph of this Section 1, the Executive, on his own behalf and on behalf of his heirs, executors, administrators, attorneys and assigns, hereby unconditionally and irrevocably releases, waives and forever discharges the Company and each of its affiliates, parents, subsidiaries, successors, and predecessors, and each of their respective directors, trustees, owners, members, shareholders, officers, agents, and employees (collectively, all of the foregoing are referred to as the “Employer”), from any and all causes of action, claims and damages, including attorneys’ fees, whether known or unknown, foreseen or unforeseen, presently asserted or otherwise arising through the date of his signing of this Release, concerning his employment or separation from employment with the Company and any services that he provided to the Company. Subject to the last sentence of the first paragraph of this Section 1, this Release includes, but is not limited to, any payments, benefits or damages arising under any federal law (including, but not limited to, Title VII of the Civil Rights Act of 1964, the Age Discrimination in Employment Act, the Employee Retirement Income Security Act of 1974, the Americans with Disabilities Act, Executive Order 11246, the Family and Medical Leave Act, and the Worker Adjustment and Retraining Notification Act, each as amended, and all other employment discrimination laws whatsoever as may be created or amended from time to time); any claim arising under any state or local laws, ordinances or regulations (including, but not limited to, any state or local laws, ordinances or regulations requiring that advance notice be given of certain workforce reductions), including, but not limited to, the Chicago Human Rights Ordinance, the Cook County Human Rights Ordinance, the Illinois Human Rights Act, as amended, and the Illinois Constitution; and any claim arising under any common law principle or public policy, including, but not limited to, all suits in tort or contract, such as wrongful termination, defamation, emotional distress, invasion of privacy or loss of consortium. Notwithstanding any other provision of this Release to the contrary, this Release does not encompass, and the Executive does not release, waive or discharge, the obligations of the Company (a) to make the payments and provide the other benefits contemplated by the Change in Control Agreement, or (b) under any restricted stock agreement, restricted stock unit agreement, LTIP unit agreement or other agreement pertaining to the Executive’s equity ownership, or (c) under any indemnification or similar agreement with the Executive or indemnification under the Amended and Restated Bylaws or other governing instruments of the Company.

The Executive understands that by signing this Release, he is not waiving any claims or administrative charges which cannot be waived by law. Nothing in this Release shall be construed to prohibit the Executive from commencing or otherwise assisting in any investigation or proceeding conducted by the Equal Employment Opportunity Commission or any other federal, state or local government agency; provided, however, the Executive waives any right to monetary recovery or individual relief in connection with any such proceeding or should one be pursued on his behalf arising out of or related to his employment with and/or separation from employment with the

Company. For the avoidance of doubt, nothing herein prevents the Executive from pursuing a whistleblower claim under applicable law.

The Executive further agrees without any reservation whatsoever, never to sue the Employer or become a party to a lawsuit on the basis of any and all claims of any type lawfully and validly released in this Release.

2. Acknowledgements. The Executive is signing this Release knowingly and voluntarily. He acknowledges that:

a. He is hereby advised in writing to consult an attorney before signing this Release;

b. He has relied solely on his own judgment and/or that of his attorney regarding the consideration for and the terms of this Release and is signing this Release knowingly and voluntarily of his own free will;

c. He is not entitled to the Severance Payments unless he agrees to and honors the terms of this Release;

d. He has been given at least twenty-one (21) calendar days to consider this Release, or he expressly waives his right to have at least twenty-one (21) days to consider this Release;

e. He may revoke this Release within seven (7) calendar days after signing it by submitting a written notice of revocation to the Employer. He further understands that this Release is not effective or enforceable until after the seven (7) day period of revocation has expired without revocation, and that if he revokes this Release within the seven (7) day revocation period, he will not receive the Severance Payments;

f. He has read and understands the Release and further understands that, subject to the limitations contained herein, it includes a general release of any and all known and unknown, foreseen or unforeseen claims presently asserted or otherwise arising through the date of his signing of this Release that he may have against the Employer; and

g. No statements made or conduct by the Employer has in any way coerced or unduly influenced him to execute this Release.

1. No Admission of Liability. This Release does not constitute an admission of liability or wrongdoing on the part of the Employer, the Employer does not admit there has been any wrongdoing whatsoever against the Executive, and the Employer expressly denies that any wrongdoing has occurred.

2. Entire Agreement. There are no other agreements of any nature between the Employer and the Executive with respect to the matters discussed in this Release, except as expressly stated herein, and in signing this Release, the Executive is not relying on any agreements or representations, except those expressly contained in this Release.

3. Execution. It is not necessary that the Employer sign this Release following the Executive's full and complete execution of it for it to become fully effective and enforceable.

4. Severability. If any provision of this Release is found, held or deemed by a court of competent jurisdiction to be void, unlawful or unenforceable under any applicable statute or controlling law, the remainder of this Release shall continue in full force and effect.

5. Governing Law. This Release shall be governed by and construed and enforced in accordance with the substantive laws of the State of Illinois without giving effect to the conflict of laws principles thereof. Any action brought by any party to this Release shall be brought and maintained in a court of competent jurisdiction in Cook County in the State of Illinois.

6. Headings. Section and subsection headings contained in this Release are inserted for the convenience of reference only. Section and subsection headings shall not be deemed to be a part of this Release for any purpose, and they shall not in any way define or affect the meaning, construction or scope of any of the provisions hereof

EXECUTIVE

By: ______________________________
[Name]



(Back To Top)

# Section 3: EX-31.1 (EXHIBIT 31.1)

**Exhibit 31.1**

**CERTIFICATION PURSUANT TO EXCHANGE ACT RULES 13a-14(a) AND 15d-14(a)**

I, David A. Helfand, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Equity Commonwealth;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

| | | |
|---|---|---|
| Date: | August 1, 2019 | /s/ David A. Helfand |
| | | David A. Helfand |
| | | President and Chief Executive Officer |

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(Back To Top)

# Section 4: EX-31.2 (EXHIBIT 31.2)

**EXHIBIT 31.2**

**CERTIFICATION PURSUANT TO EXCHANGE ACT RULES 13a-14(a) AND 15d-14(a)**

I, Adam S. Markman, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Equity Commonwealth;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

| | | |
|---|---|---|
| Date: | August 1, 2019 | /s/Adam S. Markman |
| | | Adam S. Markman |
| | | Executive Vice President, Chief |
| | | Financial Officer and Treasurer |

(Back To Top)

# Section 5: EX-32.1 (EXHIBIT 32.1)

**Exhibit 32.1**

Certification Pursuant to 18 U.S.C. Sec. 1350

In connection with the filing by Equity Commonwealth (the "Company") of the Quarterly Report on Form 10-Q for the period ended June 30, 2019 (the "Report"), each of the undersigned hereby certifies, to the best of his knowledge:

1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

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|---|---|
| /s/ David A. Helfand | /s/ Adam S. Markman |
| David A. Helfand | Adam S. Markman |
| President and Chief Executive Officer | Executive Vice President, Chief Financial Officer |
| | and Treasurer |

Date: August 1, 2019

(Back To Top)