

CommonWealth REIT  
Form DFAN14A  
May 07, 2013

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**SCHEDULE 14A**

**Proxy Statement Pursuant to Section 14(a) of the  
Securities Exchange Act of 1934**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-12

**COMMONWEALTH REIT**

(Name of the Registrant as Specified In Its Charter)

**CORVEX MANAGEMENT LP**

**KEITH MEISTER**

**RELATED FUND MANAGEMENT, LLC**

**RELATED REAL ESTATE RECOVERY FUND GP-A, LLC**

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**RELATED REAL ESTATE RECOVERY FUND GP, L.P.**

**RELATED REAL ESTATE RECOVERY FUND, L.P.**

**RRERF ACQUISITION, LLC**

**JEFF T. BLAU**

**RICHARD O TOOLE**

**DAVID R. JOHNSON**

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

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- .. Fee paid previously with preliminary materials.
- .. Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.
  - (1) Amount Previously Paid:

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(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

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

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Disclaimer

Additional Information Regarding the Consent Solicitation

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

Securities

and

Exchange

Commission

(the

SEC )

to  
solicit  
written  
consents  
from  
shareholders  
of  
the  
Company.

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

The  
definitive  
written  
consent  
solicitation  
statement  
and  
all  
other  
relevant

documents are available, free of charge, on the SEC's website at [www.sec.gov](http://www.sec.gov).

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

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

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Introduction

Immediate Change is Needed

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

In

fact,

in

response



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

A Deeply Conflicted Management Structure;

Severe Financial and Operating Underperformance; and, most alarmingly,

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

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

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

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

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Introduction

Immediate Change is Needed

We propose to effect Change  
through Accountability:

Corvex/Related

propose

a

clear

plan

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

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

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

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Poor Corporate Governance

CWH's Corporate Governance Policies Destined to Fail Shareholders

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

in our view:

Managing

Trustees/President

of

CWH

own



<1%  
of  
CWH  
stock,  
but  
own  
100%

of  
RMR

All executive officers of CWH are also officers of RMR

CWH's so-called independent  
trustees are severely conflicted, in our view

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

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

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

-

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

(1)

Whose  
CommonWealth

Is

It

Anyway?

Barron s,

April

20,

2013

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Poor Corporate Governance

Conflicted Board of Trustees

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

trustees

In our view, the Portnoys and CWH's independent

trustees are conflicted by any common

sense definition

2

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

Directors:

Adam D. Portnoy  
President & Managing Trustee

Barry D. Portnoy  
Managing Trustee

William A. Lamkin  
Partner at Ackrell Capital

Frederick N. Zeytoonjian  
Founder & CEO of Turf Products

Joseph Morea  
Retired RBC Banker

7  
Poor Corporate Governance  
Fundamental Misalignment of Incentives  
\$2.7  
billion  
of  
net  
acquisitions  
and  
capex

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

while CWH book value per share essentially flat

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

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

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

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

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

'07-'12  
2007  
2008  
2009  
2010

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



8  
Poor Corporate Governance  
Actions Speak Louder Than Words  
A massively dilutive equity offering executed at 48% below book value to repay debt trading  
above par  
A failed attempt to secretly change Maryland law to make it impossible to remove trustees  
without cause  
A March  
1  
bylaw

amendment  
that  
attempts  
to  
eliminate  
shareholders  
right  
to  
action  
by  
written  
consent to remove trustees

A contemplated sale of CWH's 56% controlling interest in SIR at a potential discount rather than at a control premium, which would also have the effect of preserving RMR's fee stream from SIR

An April 12 bylaw amendment that conflicts with 14 years of CWH's own public disclosure

If  
there  
had  
previously  
been  
any  
doubt  
as  
to  
where  
the  
trustees  
alleigances  
lie,  
these  
actions  
have  
made  
clear  
it  
is  
with  
the  
Portnoys  
and  
not  
shareholders

Value destructive actions and attempts by the trustees to disenfranchise CWH shareholders, all undertaken after Corvex/Related attempts at reform, are appalling:

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Poor Corporate Governance

Dilutive Equity Offering

On March 5, 2013, CWH sold 34.5 million shares at \$19.00 despite protests from some of its

largest shareholders, a bona fide offer at substantial premium, and in our view no need to issue equity

Increased CWH's share count by 41% and diluted CWH's NAV by over \$6 per share

CWH's use of proceeds for the equity offering was to repay debt trading at prices ranging

from 102% to 111% of par

Remarkably, CWH did not have any upcoming maturities or liquidity issues associated with this debt or any debt

However,  
equity  
offering  
increases  
Company's  
equity  
base,  
creating  
additional  
capacity  
to  
do  
acquisitions  
and  
thereby  
pay  
more  
management  
fees  
to  
RMR

We believe the recently completed equity offering serves as a clear example of poor management, fundamentally misaligned incentives, and terrible capital allocation

10

Poor Corporate Governance

March 1 Bylaw Amendment

On March 1, 2013, CWH announced its bylaws had been amended to clarify that a shareholder

seeking

to

take

action

to

remove  
one  
or  
more  
Trustees  
must  
comply  
with  
the  
3%  
/ 3 year requirement

Far from a clarification,  
this is an attempt to effectively eliminate a shareholder right  
(action by written consent to remove trustees) granted in CWH's Declaration of Trust  
since 1986

But the Declaration of Trust supersedes the bylaws and can only be changed through a  
shareholder vote

In our view, the trustees are clearly terrified of facing their own shareholders  
We are litigating this matter in Maryland Court

We  
and  
our  
legal  
team  
believe  
the  
board's  
attempted  
clarification  
is  
inconsistent  
with  
CWH's  
own  
Declaration  
of  
Trust  
and  
thus  
null  
and  
void  
as  
a  
matter  
of

law  
Related  
and  
Corvex  
believe  
CWH s  
March  
1 bylaw  
amendment  
is  
invalid  
and  
a  
desperate attempt to disenfranchise shareholders  
st

11

Poor Corporate Governance

Failed Maryland House Bill Amendment

CWH used deceptive letters (which were later withdrawn) from a conflicted attorney in an attempt to mislead Maryland senators into believing amendment had broad legal support and

was

ministerial,

when

in

fact



it  
had  
not  
even  
been  
discussed  
by  
key  
Maryland  
bar  
committee

(1)  
Proposed amendment would have opened the door to make it impossible to remove trustees without cause in many Maryland companies, even if shareholders had the explicit right to do so in a company's charter

CWH  
again  
couched  
the  
proposed  
amendment  
as  
a

clarification,  
which  
we  
believe  
to  
be  
absurd

Existing Maryland law expressly contemplates the supposedly unclear situation the Portnoys allege, and clearly provides for the removal of a staggered board without cause when provided

for  
in  
a  
company's  
charter

as  
is  
unequivocally  
done  
in  
CWH's  
Declaration  
of  
Trust

The amendment quickly died once legislators became aware of CWH's manipulative behavior and

the  
clear  
fact  
that  
the  
amendment  
was  
substantive  
and  
not  
at  
all  
a  
clarification  
Current  
trustees  
would  
rather  
manipulate  
the  
Maryland  
legislative  
process  
and  
change  
the  
law  
than  
face  
their  
own  
shareholders  
One  
of  
the  
Portnoys  
latest  
legal  
maneuvers  
was  
a  
secret  
attempt  
(likely  
using  
CWH  
money)  
to  
insert  
an

11  
th  
hour  
amendment  
into  
a  
Maryland  
House  
Bill  
(1)  
The  
proposed  
amendment  
was  
not  
even  
discussed  
by  
the  
Corporation  
Law  
Committee  
of  
the  
Business  
Law  
Section  
of  
the  
Maryland  
State  
Bar  
Association,  
a  
group  
which  
typically  
reviews  
and  
comments,  
often  
for  
weeks  
or  
months  
at  
a  
time,  
on  
all

changes  
to  
Maryland  
corporate  
and  
REIT  
law  
before  
changes  
are  
heard  
by  
the  
General Assembly.

12  
Poor Corporate Governance  
April 12 Bylaw Amendment  
On  
April  
12,  
2013,  
CWH  
purported  
to

opt-in  
to  
Section  
3-803  
of  
the  
Maryland  
General  
Corporation Law, which allows Maryland companies to adopt a classified board (something  
CWH has had in place since 1986)  
CWH  
has  
taken  
the  
view  
that  
opting  
in  
to  
Section  
3-803  
enables  
them  
to  
unilaterally  
eliminate shareholders  
right to remove trustees without cause

We  
and  
our  
lawyers  
firmly  
believe  
that  
they  
are  
wrong  
In fact, CWH recently sought to amend Section 3-803 to clarify  
that a company opting-in to  
Section 3-803 could eliminate shareholders right to remove trustees without cause. The  
Maryland legislature did not approve the proposed amendment. Various senators noted  
during hearing that CWH's proposed amendment represented a substantive change in the  
law, not a clarification  
CWH's erroneous interpretation of Section 3-803 conflicts with 14 years of public filings by  
CWH,  
which  
not  
once  
mention

the  
potential  
effects  
of  
opting  
into  
Section

3-803,

notwithstanding extensive disclosure of Maryland law applicable to shareholder rights, and  
CWH's continuous reminder to shareholders that trustees can be removed without cause by  
a two-thirds vote

CWH's latest bylaw amendment conflicts with 14 years of their own public  
disclosure

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#### History of Underperformance

##### Summary

CWH has in our view performed poorly in absolute terms and underperformed its peers

(1)

on almost any metric over any relevant time period

Stock price performance: -17%, -45%, -43%, -45%, and -53% return over the last 1 year, 2 years,

3



years,  
5  
years,  
and  
10  
years,  
respectively

(2)

Valuation:

Recent valuation nearly 40% below peers on an unlevered cap  
rate basis

(3)

and  
53%  
and  
41%  
discount  
on  
a  
price  
/  
forward  
FFO  
multiple  
basis  
for  
the  
last

year and 3 years, respectively

As  
detailed  
on  
pp.  
24-26  
in  
our  
presentation,

A  
Case  
for  
Change  
Now  
at  
CWH,  
April  
18,

2013, CWH also underperforms on:

Cost structure

Acquisitions and return on investment

FFO / share growth

In  
our  
view,  
there  
is  
absolutely  
no  
way  
to  
slice  
and  
dice  
the  
data  
in  
favor  
of  
the  
Portnoys

their  
performance  
has  
been  
horrible  
(1)  
Select  
peers  
include  
the  
following  
suburban  
office  
REITs:  
Piedmont  
Office  
Realty  
(PDM),  
Highwoods  
Properties  
(HIW),  
Mack-Cali  
Realty  
(CLI),  
Brandywine  
Realty  
(BDN), and Parkway Properties (PKY).

(2)  
Returns  
data  
calculated  
through  
February  
25,  
2013,  
the  
day  
prior  
to  
Related  
and  
Corvex's  
first  
public  
filing.

(3)  
Based  
on  
a  
closing  
price  
of  
\$15.85  
on  
February  
25,  
2013,  
the  
day  
prior  
to  
Corvex  
and  
Related's  
first  
public  
filing.

14  
History of Underperformance  
Total Returns  
3 years  
CWH has underperformed its peers over the last 3 years

Like  
CWH,  
selected  
peers

are  
also  
suburban  
office  
REITs

CWH has even underperformed CLI, ~80% of whose office markets  
are either struggling or in  
secular decline

HIW: 42.1%  
PDM: 39.1%  
CWH: (26.6%)  
PKY: 6.9%  
CLI: (2.7%)  
BDN: 35.8%  
RMZ: 52.5%

Note: Total returns include dividends  
Source: SNL

1 year  
3 year

PKY  
65.5%

6.9%  
BDN

25.2%  
35.8%

HIW  
15.5%

42.1%  
PDM

15.3%  
39.1%

CLI  
1.5%

(2.7%)  
Average

24.6%  
24.2%

RMZ  
10.6%

52.5%  
CWH

(9.4%)  
(26.6%)

: CWH  
Avg.

34.0%  
50.8%

(60.0%)  
(40.0%)

(20.0%)  
0.0%  
20.0%  
40.0%  
60.0%  
80.0%  
2/25/2010  
7/12/2010  
11/26/2010  
4/12/2011  
8/27/2011  
1/11/2012  
5/27/2012  
10/11/2012  
2/25/2013  
PKY  
BDN  
HIW  
PDM  
CLI  
CWH  
RMZ

(\$ in millions, except per share values and TEV / sq. ft.)

Enterprise

Implied

G&A /

Current

Equity

value

nominal

TEV /

equity

Net debt /  
P / FFO  
TEV / EBITDA  
Div  
Ticker  
Company  
price  
mkt cap  
(TEV)  
cap rate  
Sq. Ft.  
mkt cap  
TEV  
2013E  
2014E  
2013E  
2014E  
yield  
CWH  
CommonWealth REIT  
\$15.85  
\$1,338  
\$4,914  
11.1%  
\$89  
3.9%  
76%  
5.4x  
5.5x  
12.0x  
12.3x  
6.3%  
HIW  
Highwoods Properties Inc.  
\$35.35  
\$2,983  
\$4,999  
6.6%  
\$144  
1.3%  
40%  
13.1x  
12.7x  
15.6x  
14.8x  
4.8%  
BDN  
Brandywine Realty Trust  
\$12.96  
\$1,885



\$4,689

7.1%

\$176

1.3%

58%

9.0x

8.6x

14.1x

13.8x

4.6%

CLI

Mack-Cali Realty Corp.

\$27.15

\$2,715

\$4,983

8.2%

\$158

1.8%

44%

10.6x

10.5x

13.4x

13.3x

6.6%

PDM

Piedmont Office Realty Trust Inc.

\$19.66

\$3,294

\$4,699

6.9%

\$229

0.6%

30%

14.0x

13.5x

15.8x

15.1x

4.1%

PKY

Parkway Properties Inc.

\$16.39

\$920

\$2,096

6.0%

\$177

1.8%

37%

13.3x

12.4x

14.2x

13.7x  
2.7%  
High  
\$3,294  
\$4,999  
8.2%  
\$229  
1.8%  
58%  
14.0x  
13.5x  
15.8x  
15.1x  
6.6%  
Mean  
2,359  
4,293  
7.0%  
177  
1.4%  
42%  
12.0x  
11.5x  
14.6x  
14.1x  
4.6%  
Median  
2,715  
4,699  
6.9%  
176  
1.3%  
40%  
13.1x  
12.4x  
14.2x  
13.8x  
4.6%  
Low  
920  
2,096  
6.0%  
144  
0.6%  
30%  
9.0x  
8.6x  
13.4x  
13.3x  
2.7%

15

History of Underperformance

Summary Public Comparables

CWH trades at a significant discount to its peers on all key measures

(1)

Note: Share price and estimates updated as of 2/25/2013, the day before Related and Corvex's 13D filing. Financial information calculated as GAAP LTM NOI / TEV.

(1) CWH

implied

cap

rate

based

on

CWH

standalone

TEV

of

\$4,914

million

(based

upon

CWH's

enterprise

value

excluding

the

market

value

of

CWH's

public

equity

stake

in

SIR

and

indebtedness

of

SIR)

and

estimate

of

comparable,

stabilized

NOI

of

\$547

million

(derived

from

a  
bottom-up  
property-by-  
analysis  
conducted  
by  
Related,  
Corvex and their advisors.)  
(2) CWH Net debt / TEV  
includes CWH's Series D and Series E Preferred Shares. These preferred instruments have fixed cash coupons and fixed redemptions.  
The  
Series  
E  
is  
not  
convertible  
to  
common  
stock.  
The  
Series  
D  
is  
convertible  
to  
common  
stock  
at  
a  
conversion  
price  
of  
\$52.00  
or  
approximately  
133%  
greater  
than  
CWH's recent stock price. As such, we believe these preferred instruments are more similar to subordinated debt securities than common stock.  
Source: Company filings and FactSet.  
(2)

16  
Change Through Accountability  
Path  
for Shareholders  
Given  
entrenching  
devices  
in  
CWH s  
documents,

shareholders  
must  
act  
now  
to  
remove  
the  
board  
or  
face  
at  
least  
three  
more  
years  
of  
mismanagement.

All or None : If less than the entire board is removed, vacancies will be filled by the remaining trustees.

Path: action by written consent requires 2/3 vote to remove the entire board of trustees

Record  
date  
is  
April  
22,  
in  
our  
and  
our  
attorneys  
view,  
in  
light  
of  
the  
board's  
lack  
of  
response to our request for a record date

We and our lawyers believe CWH's recent bylaw amendments, which would effectively eliminate shareholder rights to remove trustees without cause, are invalid and a desperate attempt to disenfranchise shareholders

We believe removing CWH's entire board of trustees immediately is in the best long-term interests of all shareholders, and the only near-term means for shareholders to effect change

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Change Through Accountability

Value

for Shareholders

Value: \$35 per share potential NAV at 4/17/13 after removal of current trustees, and target stock price of \$44+ per share at 12/31/14

In our view, NAV represents current fair market value (if current trustees are removed) based on bottom-up property-by-property valuation analysis led by Related, one of the most

prominent  
privately-owned  
real  
estate  
firms  
in  
the  
U.S.  
(1)

We believe CWH could trade at a stock price of \$44 or higher at 12/31/14 through internalization of management, operational turnaround, improved capital allocation, and multiple expansion

In  
our  
view,  
potential  
downside  
of  
-40%  
or  
greater  
to  
current  
price  
should  
existing  
trustees  
remain  
in  
place,  
due  
to  
market  
overhangs  
from  
external  
management,  
poor  
corporate  
governance,  
and  
likelihood  
of  
continued  
underperformance  
(1)

See Appendix.

We believe our path will unlock significant value for all shareholders, whereas



the  
status  
quo  
will  
lead  
to  
continued  
value  
destruction  
and  
self  
dealing  
for  
the  
benefit of the Portnoys

18

Change Through Accountability

Plan

for Shareholders: Strategy

Internalize management and adopt a market cost structure

Align management compensation with shareholder returns

While corporate management will be replaced, we anticipate current property level employees will be hired to work at the new CWH

Amend

existing  
Declaration  
of  
Trust  
and  
bylaws  
to  
conform

to  
ISS  
and  
Glass  
Lewis  
best  
practices

Cease all related party transactions

Cease all acquisition activity until CWH's stock price exceeds its NAV

Use excess cash flow to buy back CWH stock until the Company's stock price exceeds its  
NAV

In  
short,  
manage  
the  
Company  
to  
maximize  
long-term  
CWH  
shareholder  
value,  
not fees paid to RMR

We propose the following key elements as a starting point for the Company's  
new direction, subject to the approval of the new board elected by shareholders

19

Change Through Accountability  
Plan

for Shareholders: Board Transition

Once the current trustees are removed, CWH is required to promptly call a special meeting during which all shareholders will elect new trustees

At that time, we hope and expect all CWH shareholders will collectively identify an independent slate of highly qualified nominees including real estate industry veterans with pristine credentials

that are prepared to work for the best interests of all shareholders

Corvex/Related

are  
committed  
to  
collaborating  
with  
fellow  
shareholders

to  
elect  
an  
independent  
board

that  
will  
implement  
ISS  
and  
Glass  
Lewis  
corporate  
governance  
best practices

In  
particular,  
Corvex/Related

are  
committed  
to  
supporting  
the  
implementation  
of  
a  
strict  
policy  
with  
respect  
to  
related  
party  
transactions

With respect to material transactions with significant shareholders, we would demand that any such transactions be approved by a majority of the shares not owned by any such shareholder

Note that Related will not be managing the properties or incorporating them in any way into its own portfolio

The  
Declaration  
of  
Trust  
contemplates  
the  
removal  
of  
the  
entire  
board  
of  
trustees and provides a roadmap for the transition

20  
Change Through Accountability  
Plan  
for Shareholders: New Corporate Governance Framework  
Terminate CWH's poison pill, and impose a strict policy of non-implementation of poison pills without  
shareholder approval  
Opt-out of every provision of the Maryland Unsolicited Takeovers Act  
Annually elected board of trustees, with a majority being independent (based on ISS's definition of  
independence)  
Majority vote for the removal of trustees with or without cause

## Edgar Filing: CommonWealth REIT - Form DFAN14A

Directors elected by majority of votes cast, with strict resignation policy; plurality voting to apply in contested elections

Shareholders to fill trustee vacancies and permit them to both expand the size of the board and fill newly created vacancies

Eliminate ownership / holding period requirements for the nomination of directors or making of other shareholder proposals at the annual meeting

Eliminate ownership / holding period requirements for requesting a record date

Shareholders to have the power to amend bylaws

No mandatory arbitration of shareholder disputes

Strict policy on related party transactions

We will only support trustees who commit to immediately upon their election

take steps to amend CWH's charter and bylaws to conform to ISS and Glass

Lewis best practices:



21

Change Through Accountability

Plan

for Shareholders: Corporate Management Transition

Mr. Lozier is a 30+ year real estate industry veteran:

Former CEO and co-founder of the Archon Group L.P., a subsidiary of Goldman Sachs,

During

Mr.

Lozier's

tenure  
at  
Archon,  
the  
company  
grew  
from  
320  
employees  
to  
8,500  
employees  
managing  
36,000  
assets with a gross value of approximately \$59 billion

Prior to Archon, Mr. Lozier was an employee of the J.E. Robert Company ( JER )  
managing the Goldman Sachs / JER joint venture for two years. Mr. Lozier directed the  
acquisition  
efforts  
of  
the  
joint  
venture  
between  
GS  
and  
JER  
from  
1991-1995

Related/Corvex have identified a potential interim CEO, Jim Lozier, to help  
transition CWH to internal management

22

Change Through Accountability

Plan

for Shareholders: Property Operations Transition

CBRE, the world's largest commercial real estate services firm, has agreed to provide interim property management services and leasing services to the CWH portfolio as necessary

CBRE

(1)

employs 42,000+ people in 430+ offices and manages more than 3.3 billion square feet of

commercial property and corporate facilities across the globe

Successfully

managed

transition

of

leasing

/

management

services

for

1.2

billion

square

feet

of

commercial properties in the U.S. over the previous nine years, including transitions done under significant time pressure

(1)

Employees,

offices,

and

square

footage

under

management

includes

CBRE

affiliate

offices.

23

Change Through Accountability

Plan

for Shareholders: Financial Transition

In connection with their scare tactics, current trustees have also emphasized risk that a termination of RMR's agreements could lead to a change of control

under CWH's credit agreements and other agreements

We, along with our financial advisor Deutsche Bank, have analyzed the Company's credit agreements

Deutsche

Bank

has

already

given

us

a

highly

confident

letter

for

any

necessary

refinancing

which may arise under CWH financing agreements as a result of the change of control,  
positioning CWH for a smooth transition

24  
Conclusions  
Change Through Accountability  
The  
board  
of  
trustees  
of  
CWH  
must

be  
held  
accountable,  
and  
removed  
in  
its  
entirety  
Worst-in-class  
corporate governance, in our view, has produced a fundamental  
misalignment  
of  
incentives,  
destroyed  
value,  
and  
disenfranchised  
shareholders  
CWH  
has,  
in  
our  
view,  
performed  
poorly  
in  
absolute  
terms  
and  
underperformed  
its  
peers  
on  
almost  
any  
metric  
over  
any  
relevant  
time  
period  
Corvex/Related  
have  
proposed  
a  
clear  
Path  
and  
Plan  
to



unlocking  
significant  
Value

Stock Price  
Related / Corvex  
@ 2/25  
NAV @ 4/17  
Stock Price  
\$15.85  
\$34.92  
% Change  
--  
120.3%

Diluted shares outstanding

84.4

118.3

Equity value

\$1,338

\$4,131

TEV

4,914

7,137

Cap Rate of Stabilized NOI

(3)

11.12%

7.66%

Cap Rate of LQA NOI

(4)

9.92%

6.83%

Price / LQA Normalized FFO

5.9x

13.0x

Price / GAAP Book Value per Share

0.43x

0.95x

Price / Square Foot

(5)

\$89

\$135

Dividend Yield @ Current \$0.25 / Qtr

6.31%

2.86%

We believe NAV can be thought of as fair market value of the current portfolio, before benefit from any other value enhancing actions (which we believe are plentiful)

Valuation was led by Related, one of the most well respected real estate developers, operators, and investors in the U.S. with a 40 year history and a portfolio of over \$15 billion of real estate operating assets today

We believe CWH could trade at a stock price of \$44 or higher at 12/31/14 through internalization of management, operational turnaround, improved capital allocation, and multiple expansion

Appendix

Valuation Summary

(1)

Includes value of SIR stake as of April 17, 2013.

(2)

Derived based on the sum of a bottom-up, property-by-property analysis conducted by Related, Corvex and their advisors.

(3)

Stabilized NOI of \$547 million.

(4)

Wholly-owned LQA GAAP NOI of \$487.3 million per CWH 4Q12 Supplemental.

(5)

Wholly-owned square feet per Company filings and Related / Corvex analysis.

(1)

With the removal of current trustees, we estimate an NAV per share of \$35 today (4/17/13) based on bottom-up property-by-property analysis, and a target stock price of \$44 or higher at 12/31/14

(2)

25

Appendix

Share Repurchase Analysis

We believe accretive capital allocation could lead to a stock price of \$44 by  
12/31/14

26

Stabilized Cash NOI (after Non-Core Asset Sales)

\$511.4

Cap Rate Assumed

7.50%

Implied CWH TEV

\$6,818.7  
PF Net Debt  
2,331.2  
Preferred Equity  
655.0  
Implied CWH Equity Value  
\$3,832.5  
Implied CWH Share Price  
\$44.33  
% Change to Current  
96.5%  
Memo: Shares Outstanding  
86.5  
Implied CWH Share Price  
Non-Core Asset Sales  
\$44.33  
\$0.0  
\$150.0  
\$300.0  
\$450.0  
\$600.0  
7.00%  
\$43.52  
\$46.34  
\$49.96  
\$54.78  
\$61.52  
Cap  
7.25%  
41.10  
43.70  
47.05  
51.51  
57.74  
Rate  
7.50%  
38.83  
41.24  
44.33  
48.45  
54.20  
7.75%  
36.71  
38.93  
41.78  
45.58  
50.90  
8.00%  
34.72  
36.77

39.40

42.90

47.80

% Change to Current

Non-Core Asset Sales

\$0.0

\$150.0

\$300.0

\$450.0

\$600.0

7.00%

92.9%

105.4%

121.5%

142.8%

172.7%

Cap

7.25%

82.2%

93.7%

108.5%

128.3%

155.9%

Rate

7.50%

72.1%

82.8%

96.5%

114.7%

140.3%

7.75%

62.7%

72.6%

85.2%

102.1%

125.6%

8.00%

53.9%

63.0%

74.6%

90.2%

111.9%

2012

2013E

2014E

Reported CAD

\$131.4

Run-Rate

Target

Savings

Business Mgmt. Fees  
 \$46.2  
 \$35.0  
 \$11.2  
 Property Mgmt Fees  
 36.8  
 25.8  
 11.0  
 Incremental CAD  
 \$83.1  
 \$60.8  
 \$22.3  
 \$22.3  
 \$22.3  
 Reduction in Interest  
 43.2  
 43.2  
 43.2  
 Adjusted CAD  
 \$196.9  
 \$196.9  
 \$206.7  
 Current Quarterly Dividend  
 \$0.25  
 \$0.25  
 Avg. Shares Outstanding  
 110.1  
 94.2  
 Annual Dividends Paid  
 \$110.1  
 \$94.2  
 2013E  
 2014E  
 CAD after Dividends Paid  
 \$86.8  
 \$112.6  
 Non-Core Asset Sales  
 300.0  
 300.0  
 Divested NOI  
 (9.0)  
 (27.0)  
 Share Repurchases  
 \$377.8  
 \$385.6  
 Share Repurchase Price Assumed  
 \$23.00  
 \$25.00  
 % Premium to Current Price  
 2.0%



10.8%

Shares Repurchased

16.4

15.4

% of Shares Outstanding (Current)

13.9%

13.0%

Beginning Shares

118.3

101.9

Ending Shares

101.9

86.5

Avg. Shares Outstanding

110.1

94.2

Note: Other upside drivers not modeled here include stronger end market growth, SIR appreciation, further multiple expansion

27  
Appendix  
Questions All CWH Shareholders Should be Asking  
Have  
current  
trustees  
created  
value  
for  
CWH

shareholders?

Is it possible for existing trustees to fairly represent shareholders given their conflicts of interest?

Why have RMR's fees gone up 30% since 2007 while CWH's stock has declined 68%?

Why are the Portnoy REITs some of the last remaining externally managed equity REITs in the public markets?

Will

CWH

ever

trade

at

a

peer

valuation

with

RMR

as

its

external

manager?

How

much

of

the

Portnoy

fortune

has

been

extracted

from

the

savings

of

retail

investors?

Why does CWH lag peers on nearly every relevant operational metric?

Why did CWH seek to sell equity at a 48% discount to book value to repay debt trading above par with no maturities or liquidity needs?

Why did CWH sell its \$240 million minority stake in GOV only after massively diluting shareholders by issuing \$650 million in new CWH equity at \$19.00?

How can existing trustees defend selling equity at \$19.00, a massive discount, at the same time they ignored an offer at \$27.00, a significant premium?

How

can

CWH

call

its

hand-picked

trustees

independent?

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Appendix

Questions All CWH Shareholders Should be Asking (cont'd)

Why

haven't

CWH's

independent

trustees

formed

an

independent  
committee

and  
hired independent advisors?

How have CWH shareholders been compensated for the multiple new RMR platforms launched  
with CWH's assets?

Does

CWH

even

have

a

strategy,

or

is

it

simply

recycling

capital

to

create

the

appearance

of

doing

something?

Why does CWH refuse to hold Q&A on its conference calls and roadshows?

Why

are

the

Portnoys

trying

to

change

Maryland

law

rather

than

face

a

shareholder

vote?

Why

haven't

current

trustees

prepared

a

detailed

presentation

of

their  
own  
demonstrating  
how  
much value they have created for CWH shareholders?  
Why isn't anyone in the REIT industry speaking up to defend the Portnoys?  
How much CWH shareholder money have existing trustees already wasted in the last seven weeks  
trying to further entrench themselves?  
How  
much  
more  
damage  
will  
be  
inflicted  
on  
CWH  
shareholders  
in  
the  
next  
3  
years  
if  
current  
trustees  
are  
not  
removed  
immediately?

29  
Appendix  
Structural Change is Much Needed  
Citi  
Research  
has  
stated  
that  
the  
Company

has  
a  
flawed  
structure  
and  
history  
of  
value destruction



30

Appendix

External Manager RMR Causes Concern

(1) For the 9 month period ended September 30, 2012, CWH reported a NOI margin of 57.7%. CWH excluded 94 underperforming stores from its same store financials ending 12/31/2012, making the 9 months ended 9/30/2012 a more representative reflection of company performance. The 57.7% NOI margin, the lowest of its peers, compares to a peer average of 64.7% over the same time period, despite CWH's greater scale. The 7.0% difference between CWH and its peers implies over \$70 million of potential excess costs at CWH, a difference which has attracted the attention of market participants.

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Appendix

Acting in the best interest of RMR rather than as a fiduciary

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Appendix

Related & Corvex Overview

Related and Corvex collectively own 10.9 million shares of CWH (9.2% of shares outstanding)

Related Companies

Related Fund Management, LLC is an affiliate of Related Companies ( Related ), one of the most prominent privately-owned real estate firms in the United States

Formed 40 years ago, Related is a fully-integrated, highly diversified industry leader with experience in virtually every aspect of development, acquisitions, management, finance, marketing and sales

Related's existing portfolio of real estate assets, valued at over \$15 billion, is made up of best-in-class mixed-use, residential, retail, office and affordable properties  
Corvex Management

Value-based  
investing  
across  
the  
capital  
structure  
in  
situations  
with  
clearly  
identifiable  
catalysts

Active investing to create asymmetric risk/reward opportunities

13D investments since inception include AboveNet (acquired by Zayo in March 2012), Corrections Corporation of America (elected REIT status in February 2013), Ralcorp (acquired by ConAgra in November 2012), and ADT (Keith Meister joined Board in December 2012)