

CommonWealth REIT
Form DFAN14A
February 13, 2014

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

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

Filed by the Registrant

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

JAMES CORL

EDWARD GLICKMAN

PETER LINNEMAN

JIM LOZIER

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EGI-CW HOLDINGS, L.L.C.

DAVID HELFAND

SAMUEL ZELL

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

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The Case for Change Now at CWH
Updated Presentation to CWH Shareholders
February 13, 2014

2

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The information in this presentation is based on publicly available information about Commonwealth REIT (the "Company"). The information includes certain forward-looking statements, estimates and projections prepared with respect to, among other things, general economic conditions, market conditions, changes in management, changes in the composition of the Company's Board of Trustees, actions of the Company, its subsidiaries or competitors, and the ability to implement business strategies and plans and pursue business opportunities. Such statements, estimates, and projections reflect various assumptions concerning anticipated results that are inherently subject to

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Additional Information Regarding the Solicitation

Corvex Management LP and Related Fund Management, LLC have filed a definitive solicitation statement with the Securities and Exchange Commission (the "SEC") to (1) solicit consents to remove the entire board of trustees of Commonwealth REIT (the "Removal Proposal"), and (2) elect a slate of new trustees at a special meeting of shareholders that must be promptly called in the event the Removal Proposal is successful. **Investors and security holders are urged to read the definitive solicitation statement and other**

relevant

documents

are

available,

free

of

charge,

on

the

SEC's

website

at

www.sec.gov.

The

definitive

solicitation

statement

and

all

The following persons are participants in connection with the solicitation of Commonwealth REIT shareholders: Corvex Management LP, Meister, 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, David R. Johnson, James Corl, Eric Linneman, Jim Lozier, Kenneth Shea, EGI-CW Holdings, L.L.C., David Helfand and Samuel Zell. Information regarding the solicitation and a description of their direct and indirect interests, by security holdings or otherwise, to the extent applicable, is contained in the definitive solicitation statement filed with the SEC on January 28, 2014 and Supplement No. 1 thereto filed on February 13, 2014.

3	
Table of Contents	
Executive Summary	
Appendix	
I.	
History of Underperformance	
II.	
History of Worst-In-Class	
Corporate Governance	
III.	

The Portnoys

Reversible Governance Alterations In

Context

IV.

Corvex/Related Turnaround and Governance Plan

V.

Highly Qualified Nominees

VI.

Valuation Update

4

Executive Summary

Introduction

The Arbitration Panel's ruling in late 2013 established a clear process to facilitate this consent solicitation

CommonWealth stands on the brink of a new phase in its history in which shareholders can choose who will manage their company, unlock substantial value, and leave behind a history as an underperforming, controlled company rife with conflicts of interest

Corvex and Related will request a record date by February 16; Commonwealth must

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establish the record date to be within 10 business days of the record date request and on February 10 conditionally set the record date for February 18; the consent solicitation must be concluded within 30 calendar days of the record date

Corvex and Related are undertaking this consent solicitation to remove the entire Board of Trustees of Commonwealth REIT (Commonwealth, CWH or the Company) after a hard-fought battle for shareholders to hold this vote, and to subsequently elect a highly qualified new Board of Trustees led by Sam Zell

5
Executive Summary
The Case for Removal: Abysmal Performance
While
the
stock
price
plummeted
68%
during

2007-2013

(1)

,
annual
fees
paid
to
RMR,
the
external
manager
wholly-owned
by
Barry
and
Adam
Portnoy,
increased
40%

(2)

,
as
the
fees
are linked primarily to the size of the Company rather than to profitability for shareholders
Over
the
1
year,
2
years,
3
years,
5
years,
and
10
years
ended
February
25,
2013

(3)

,
the stock
price declined -17%, -45%, -43%, -45%, and -53%, respectively
The
Portnoys
effectively
control

CWH
despite
owning
virtually
no
stock,
with
the
fees
they
pay
themselves through RMR being their only meaningful economic interest in the Company

As a result,
with
no
ability
for
shareholders
to
hold
management
accountable,
we
believe
the

Portnoys have had nothing to fear and underperformance has thrived
CWH's performance record is abysmal by almost any metric over any relevant
time period, in our view, but all the while the Portnoys have continued with
impunity to line their pockets

Shareholders can now take back Commonwealth, choose a new, truly
independent Board, and unlock the substantial value trapped within the
Portnoys
conflicted external management structure

(1)
Assumes 2013 share price as of 2/25/2013, last trading day before Corvex and Related filed their initial 13-D.

(2)
RMR fees paid per CWH public filings include Select Income REIT (SIR). YTD 9/30/13 figures annualized to arrive at full year

(3)
Last trading day before Corvex and Related filed their initial 13-D.

6

Executive Summary

The Case for Removal: Corporate Governance Malfeasance

Having deliberately manufactured a highly lucrative and insulated situation for themselves over 28 years, it is not surprising the Portnoys would harbor a deep commitment to retaining control

However, the actions taken over the past year to silence shareholders were unconscionable, in our view, and included, among many others, illegal bylaw amendments (later invalidated) and a secret attempt to manipulate Maryland lawmakers into changing the Maryland Unsolicited Takeover Act

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Independent governance advisory firms such as ISS and Glass Lewis have long issued negative opinions on CWH's governance practices and recommended against re-election of certain Trustees

Conveniently coinciding with a solicitation to allow shareholders to take back their company, the Portnoys are now trumpeting highly misleading governance alterations, that can be unilaterally reversed at any time, and shamelessly asking shareholders to believe that they have experienced an epiphany

We believe the Board's actions over the past year alone, coupled with serial underperformance and atrocious corporate governance practices, warrant removal

Shareholders should not allow a few conveniently timed, reversible governance alterations to erase 28 years of poor governance, let alone the inexcusable actions of the past year

7

Executive Summary

What Are Shareholders Voting On?

The consent solicitation before shareholders is not a vote on a revised set of bylaws, a charter amendment or some other apparatus of governance with which the Portnoys would

like
to
distract
shareholders,
but
a
referendum
on
whether
or
not
the
individuals
sitting
on
the
current
Board
are
fit
to
lead
this
company

The consent solicitation also creates an opportunity to elect a highly
qualified new
board that will be committed
to
good
governance, focused
on
unlocking
the substantial value embedded in Commonwealth for all
shareholders,
and
led
by
Sam
Zell,
who
created
three
of
the
most
successful
REITs in history: Equity Office Properties Trust, Equity Residential, and
Equity LifeStyle Properties

8
Executive Summary
A Vote on Leadership
There
are
gaping
loopholes
in
the
Portnoys

recent
and
illusory
governance
alterations,
not
the
least
of
which
is
that
they
are
all
unilaterally
reversible
by
the
Board

But the obvious flaw in the governance modifications is that they require shareholders to trust the same individuals who deliberately harmed shareholder rights over the past year with actions such as:

Passing illegal bylaw amendments to eviscerate the ability to hold any consent solicitation, a right plainly granted by the Declaration of Trust since 1986

Secretly attempting to manipulate state lawmakers into changing the Maryland Unsolicited Takeover Act to eliminate the right to hold this consent solicitation

Refusing
to
eliminate
bylaws
that
require
2
Trustees
be
employed
by
RMR,
the
manager
owned
100%
by the Portnoys

In effect, the Portnoys are asking to be judged solely on the misleading modifications of the past two months, rather than their 28-year history of poor governance, not to mention the inexcusable actions of the past year

When a board deliberately harms shareholder rights through unconscionable tactics to protect their own interests, accepting flawed governance alterations

while
leaving
the
same
board
in
place
simply
invites
more
of
the
same

We believe that given a choice between the Portnoys and their record of value destruction and Sam Zell's record of value creation for shareholders, the choice is clear

9

Executive Summary

CWH Valuation Upside: NAV of Approximately \$35 Per Share

We believe removal of the conflicted and underperforming Trustees will unlock substantial value for shareholders, and estimate

current

NAV

(1)

to

be

approximately \$35 per share in such a scenario, 36% higher than the closing price on February 10, 2014, and 51% higher than January 28, 2014, the date we filed definitive solicitation materials with the SEC

Extensive due diligence has confirmed poor property and asset management practices, validating the flaws of conflicted external management

We

believe

there

would

be

substantial

low-hanging

fruit

easily

within

the

grasp

of

a

properly incentivized management team

While we continue to estimate 24-36 months for NOI to reach stabilization, we

believe

measurable

progress

can

begin

soon

after

installation

of

new

management

with progress reports communicated to shareholders on a regular basis

Once CWH joins the ranks of other public REITs with institutional quality management, and benefits from internalized management, operational turnaround, and improved capital allocation, we believe CWH could trade at approximately \$40 per share at 12/31/15

(1)

Represents estimate of private market value of all properties owned by CWH as disclosed in 9/30/13 10-Q filing, adjusted for r

We believe installing a new independent Board and an effective management

team

will

make

CWH

investable

for
previously
untapped
REIT
investors
in
the
public markets, and remove the downside risk that the current conflicted
management structure will persist

10

Executive Summary

NAV Highlights

Estimated NAV is supported by extensive and continuing due diligence

Corvex/Related, with the assistance of Jim Lozier

(1)

, conducted independent site visits to

85% of the properties, by value, and leveraged Related's already extensive network of market contacts with that of Mr. Lozier, the co-founder and former CEO of Archon Group L.P., a subsidiary of Goldman Sachs with 8,500 employees at the time of Mr. Lozier's

departure in 2012

Stabilized NOI and private market cap rates are estimates based on a hyper-local, property-by-property build-up, supported by discussions with hundreds of local market participants in all of CWH's relevant markets, including investment sales and leasing brokers, tenants, owner/operators, and property managers

Estimates

of

private

market

cap

rates

are

further

supported

by

a

peer

analysis

of

comparable public REITs

Top

20

assets

by

value

represent

57%

of

the

total

portfolio,

and

the

Top

50

assets

by

value represent 79%

(1)

Mr. Lozier has been retained by Corvex/Related as a consultant.

11

Executive Summary

Sam Zell and David Helfand Join Corvex/Related's Slate of Nominees

Mr. Zell is willing to serve as Chairman of the Board, if so appointed by the new Board

Mr. Zell is the current Chairman of Equity Residential, Equity LifeStyle Properties, Covanta Holding Corporation and Anixter International Inc. and the former Chairman of Equity Office Properties

Trust
(formerly
the
largest
REIT
in
the
U.S.)

Mr. Helfand is willing to serve as Commonwealth's CEO, if so appointed by the new Board

Mr. Helfand is Co-President of EGI and has previously served as Executive Vice President and Chief Investment Officer of Equity Office Properties Trust and President and CEO of Equity LifeStyle Properties

Mr. Zell and Mr. Helfand bring exceptional investment, real estate and public company credentials

to
an
already
highly
qualified
slate
of
nominees

(1)

In addition, Mr. Zell and Mr. Helfand plan to bring to the Company their highly qualified and experienced management team to execute on a value-driven strategy

Mr. Zell has demonstrated a long-standing commitment to good corporate governance:

Corvex and Related announce the addition of Sam Zell and David Helfand of Equity Group Investments (EGI) to our previously announced slate of highly qualified nominees for election to the Board of Commonwealth

(1)

Detailed biographies are included in the Appendix

One of our core operating principals is the alignment of interests between company leadership and shareholders. We are concerned about any attempts to preclude shareholder rights, and our companies are free of such impediments.

-Sam Zell, Corvex/Related Press Release, February 11, 2014

12
Executive Summary
Corvex/Related s Turnaround and Governance Plan To Maximize Value
The
fair
and
unfettered
election
of
a

new
Board
consisting
of
truly
independent
Trustees

After consultation with fellow shareholders, we have proposed a slate of highly qualified nominees for election to the Board at the Special Meeting to be held if the current Board is removed: Sam Zell, David Helfand, James Corl, Edward Glickman, Peter Linneman, Jim Lozier and Kenneth Shea

Best-in-Class corporate governance to finally impose accountability

Amend
existing
Declaration
of
Trust
and
bylaws
to
conform
to
ISS
and
Glass
Lewis
best
practices

Eliminate
the
requirement
that
at
least
2
Trustees
be
affiliated
with
RMR

Permanently opt out of MUTA
Internalize management and align management compensation with shareholder returns
Right
the
ship
with

basic
operating
strategies
not
currently
being
employed
by
existing
conflicted
management structure

We believe proper staffing levels and reinvestment in CWH's existing portfolio can harvest a substantial amount of low hanging fruit

No
poison
pill
-
Adoption
of
a
policy
against
new
pills
without
shareholder

approval
Cease
all
acquisition
activity
and
dilutive
capital
raises
until
stock
price
exceeds
its
NAV

Cease all related party transactions not approved by a vote of disinterested shareholders
Corvex/Related continue to propose the following Turnaround & Governance Plan:
While dramatically different from CWH's existing plan, these reforms are in our view self-evident to every informed investor and will make CWH look like virtually every other member of the

S&P
500

Our Nominees have the qualifications to close the valuation gap by guiding the Company to a share price which more accurately reflects its value and prospects

13

Executive Summary

Our Nominees

Each nominee brings critical perspectives and skills that will be important to Commonwealth's future growth and success in unlocking value for shareholders

They have ready-to-implement strategic ideas designed to improve performance and are prepared to hit the ground running to oversee immediate improvements

Their collective experience includes, but is not limited to:

Exceptional track record for creating substantial value for public company shareholders

Superior investment and capital allocation acumen

Corporate strategic analysis for large real estate owner/operators

Extensive public REIT operations and financial reporting

Intensive asset management and property management operations

Leading Wall Street valuation techniques for public REITs

Raising capital in the public markets

Implementing best practices corporate governance

Biographies of our nominees are included in the Appendix

Our

truly

independent

slate of

nominees

is

highly

qualified

with

wide-ranging

and

relevant public company, real estate, finance and corporate governance experience

14
Executive Summary
A Clear Case For Change
Underperformance
as
undisputedly
poor
as
it
is

at
CWH
is
rare
Historical
governance
policies
as
egregious
as
they
are
at

CWH
are
rare
How often do ISS and Glass Lewis and holders of more than 70% of
the outstanding shares
support removal of an entire Board?

Entrenchment
tactics
as
appalling
as
they
are
at
CWH
are
rare

The Portnoys ignored the shareholder right to vote enshrined in the Company's charter for 28
years, and forced us to litigate for months to have the right confirmed by the Panel
And the replacement for Barry Portnoy we have proposed is Sam Zell, who is recognized as
a founding father of today's public real estate industry after creating three of the most
successful REITs in history

The case for removal could not be easier to make than it is at CWH:

For
the
first
time
since
the
Portnoys
began
erecting
barriers
to
a
free
and

fair

consent solicitation almost one year ago, shareholders of Commonwealth now have an unobstructed path to deciding their own fate

15
Executive Summary
Timeline and Path
The
Arbitration
Panel
ruling
on
November
18,

2013
cleared
a
path
to
an
open
and fair consent solicitation process

Seize
the
Moment:
The
Time
to
Make
Real
Change
at
CommonWealth

is
Now
Despite taking every action imaginable to deny shareholders a vote, the Portnoys now have
no choice but to face their shareholders in a clear process established by the Panel
The Panel struck down all of the illegal bylaws passed by the current Board:
The Panel expressly prohibited any action intended to impede or frustrate the new solicitation
The
Panel
also
declared
it
would
remain
available
to
resolve
any
issues
or
disputes
"There is no question that CWH's Bylaws erect a complex wall of procedural hurdles
to any consent solicitation."

-
Arbitration Panel, November 18, 2013

After nearly two weeks of live testimony and reviewing hundreds of exhibits, we believe the
Panel plainly agreed with our view that the Portnoys are highly incentivized to and capable of
continuing their campaign of shareholder disenfranchisement

16
Executive Summary
Timeline and Path (cont.)
The
Panel
set
forth
the
following
procedures

for
the
new
consent
solicitation:

Request for a record date must be submitted by February 16, 2014

CWH must establish a record date that falls within 10 business days of the record date request

On February 10, 2014, CWH announced that it has set a conditional record date of February 18, 2014

Consent solicitation must be concluded within 30 calendar days of the record date

The Company will have 5 business days to certify the results of the solicitation

If the consent solicitation to remove all the Trustees is successful, the officers of CWH must promptly call a special meeting of shareholders to elect new Trustees to the Board

The
date
of
the
special
meeting
must
be
within
10
to
60
calendar
days
of
the
date
of
notice of such meeting

17
Executive Summary
Voting Instructions
The Time to Act is Now
Please
Sign,
Date
and
Return
the

GOLD

Consent

Card

Today

A Non-vote is a Vote for the Portnoys

Place

your

vote

now

to

remove

the

entire

Board

of

Trustees

Without complete removal, the remaining Trustees would be able to unilaterally reinstate a removed Trustee

as they did just last year

or fill vacancies on the Board without input

from

the

true

owners

of

the

company

the

shareholders

Please

note

that

internet

voting

is

NOT

available

-

Shareholders

must

sign,

date

and

return the GOLD Consent Card in the pre-paid return envelopes provided

If you need assistance in executing your GOLD consent card or placing your vote, please call:

Ed McCarthy (212-493-6952) or Rick Grubaugh (212-493-6950)

18

Appendix

Table of Contents:

History of Underperformance

History of Worst-In-Class Corporate Governance

The Portnoys Reversible Governance Alterations

In Context

Corvex/Related Turnaround and Governance Plan

Highly Qualified Nominees

Valuation Update

19

I. History of Underperformance

20

History of Underperformance

The Fundamental Cause of Underperformance

We continue to believe that the fundamental cause of underperformance at CWH is the absence of accountability, and more specifically the inability of shareholders to choose their own manager

Ironically,

the

severe

conflicts

in
the
external
management
structure
demand
rigorous
accountability
and
superior
governance,

but
in
our
view
none
exists

In a structure where the manager is incentivized to act without regard to shareholder interests and still avoid being terminated, severe underperformance is inevitable, as evidenced by the years of data establishing CWH underperformance

The severe conflict of interest at CWH has been well-documented: the Portnoys effectively control CWH despite owning virtually no stock

How
can
there
be
accountability
when
an
employee
controls
its
own
employer ?

RMR, a Delaware private company, is owned by Barry Portnoy and his son Adam Portnoy

All
executive officers of CWH are also officers of RMR

Given
these
inherent
and
widely
recognized
problems,
CWH
and
the
other
Portnoy

REITs

are

among the last remaining publicly-traded externally-managed equity REITs today

As

a

result,

RMR

is

held

accountable

by

no

one

and,

in

our

view,

enjoys

complete

immunity from shareholders

21

History of Underperformance

By Any Metric Over Any Relevant Time Period

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

their
performance
has
been

horrible
The
Portnoys
performance
record
at
CWH
is
abysmal
by
almost
any
metric
over any relevant time period, in our view:
Stock price
performance
-17%, -45%, -43%, -45%, and -53% CWH stock price decline over the 1 year, 2 years, 3 years, 5
years,
and
10
years
ended
2/25/13,
respectively
(1)
Valuation
Unaffected
valuation
approximately
35%
below
peers
(2)
on
an
unlevered
cap
rate
basis
(3)
54%, 47%, and 46% discount to peers on a price / forward FFO multiple basis for 1 year, 3 years,
and
5
years,
respectively
(1)
Cost structure
6%,
10%,
8%,

and
9%
below
its
peers
(2)
on
an
NOI
margin
basis
for
YTD
9/30/2013,
YTD
9/30/2012,
2011,
and
2010,
respectively

(1)
Acquisitions and
return on investment

\$2.9
billion
of
net
acquisitions
and
CapEx
since
2007

(over
2x
CWH's
market

cap
(3)

),
while
CWH

book value per share is essentially flat

CAD / share growth

-23% cash available for distribution per share (CAD / share) growth from 2010 to 2012, the worst
performance of its peers

(1)
Data calculated through February 25, 2013, the day prior to Related and Corvex's first public filing.

(2)
Select peers include Piedmont Office Realty (PDM), Highwoods Properties (HIW), Cousins Properties (CUZ), Brandywine REIT (PKY). Excludes Mack-Cali (CLI), approximately 80% of whose office markets are either in secular decline or experiencing

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process of transitioning into the multi-family sector, creating uncertainty with respect to its public market valuation. Peers for L
lack of sufficient disclosure.

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

22

History of Underperformance

Valuation Discount

CWH has historically traded 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
13-D
filing.
Financial
information
as
of
Q4
2012.

Implied nominal cap rate is calculated as GAAP LTM NOI / TEV.

Peer set excludes Mack-Cali (CLI), 80% of whose office markets are either in secular decline or experiencing significant distress into the multi-family sector, creating uncertainty with respect to its public market valuation.

(1)
CWH implied cap rate based on CWH stand-alone TEV of \$4,914 million and Related and Corvex estimates of comparable, stand-alone properties.
Source: Company filings and FactSet

As a point of reference, CWH traded approximately 35% below peers on an unlevered cap rate basis on February 25, 2013, the day before Related and Corvex's initial 13-D filing (\$ in millions, except per share values and TEV / sq. ft.)

Enterprise
Implied
G&A /
2/25/2013
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

10.7%

\$105

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%

PDM

Piedmont Office Realty Trust, Inc.

\$19.66

\$3,294
\$4,699
8.7%
\$229
1.5%
30%
14.0x
13.5x
15.8x
15.1x
4.1%
PKY
Parkway Properties, Inc.
\$16.39
\$920
\$2,096
6.0%
\$177
2.3%
37%
13.3x
12.4x
14.2x
13.7x
2.7%
CUZ
Cousins Properties Incorporated
\$9.38
\$977
\$1,586
7.0%
\$134
2.4%
26%
18.2x
16.6x
18.9x
17.3x
1.9%
High
\$3,294
\$4,999
8.7%
\$229
2.4%
58%
18.2x
16.6x
18.9x
17.3x

4.8%
Mean
2,012
3,613
7.1%
172
1.8%
38%
13.5x
12.8x
15.7x
14.9x
3.6%
Median
1,885
4,689
7.0%
176
1.5%
37%
13.3x
12.7x
15.6x
14.8x
4.1%
Low
920
1,586
6.0%
134
1.3%
26%
9.0x
8.6x
14.1x
13.7x
1.9%

23

History of Underperformance

RMR Fees vs. CWH Shareholder Returns

(1)

RMR fees paid per CWH public filings include SIR.

(2)

Annualized YTD 9/30/2013 RMR fees include Q3 RMR fees paid by SIR to make the figure comparable to historically disclosed

(3)

Share price and market capitalization figures are as of 2/25/2013, the day prior to Related and Corvex's initial 13-D filing.

(2)

RMR

extracted

approximately

36%

of

CWH s

unaffected

market

capitalization

(3)

during 2007 -

2013, as CWH share price continued to plummet

(2)

2007

2008

2009

2010

2011

2012

Annualized

2013

2007-

2013

Cumulative

Fees Paid Out to RMR

(1)

\$59.7

\$63.2

\$62.6

\$62.2

\$69.5

\$77.3

\$83.5

\$478.0

RMR Fees % Growth

--

5.9%

(0.9%)

(0.6%)

11.7%

11.2%

8.0%

39.8%

RMR Fees as % of:

CWH Market Cap

(3)

4.5%

4.7%

4.7%

4.6%

5.2%

5.8%

6.2%

35.7%

CWH Market Cap, Cumulative

4.5%

9.2%

13.9%

18.5%

23.7%

29.5%

35.7%

35.7%

CWH Cumulative Stock Price Return

(37.4%)

(74.7%)

(46.0%)

(48.4%)

(66.3%)

(67.9%)

(67.9%)

(67.9%)

24
History of Underperformance
RMR Fees vs. CWH Shareholder Returns (cont'd)
(1)
2007
to
2013
RMR
cumulative
fee

growth
%
is
based
on
annualized
YTD
9/30/2013
fees
as
reported
in
Company
filings,
which
include
SIR.

(2)
Stock price monthly through February 25, 2013, the day prior to Related and Corvex's first public filing.

(3)
Includes Q3 2013 RMR fees paid by SIR in order to make the figure comparable to previously reported figures.
Sources: Company filings, SNL

Annual fees
paid
to
RMR
climbed
40%
from
2007
to
2013
(1)

,
while
the
share
price
declined 68%

(2)
\$50
\$100
\$150
\$200
\$250
\$300
\$350
\$400
\$450
\$500

\$10.00

\$15.00

\$20.00

\$25.00

\$30.00

\$35.00

\$40.00

\$45.00

\$50.00

\$55.00

1/31/2007

1/31/2008

1/31/2009

1/31/2010

1/31/2011

1/31/2012

1/31/2013

(2)

(3)

CWH stock price

Cumulative fees paid out to RMR

25
History of Underperformance
Total Returns
1 year
CWH
has
underperformed
its
peers
over

the
1
year
ending
2/25/2013

(1)
HIW: 15.5%
PDM: 15.3%
CWH: (9.4%)
PKY: 65.5%
CUZ: 28.2%
BDN: 25.2%
RMZ: 10.6%

Note: Total returns include dividends

(1)
The last trading the day prior to Related and Corvex's first public filing.

Source: SNL

(25.0%)

0.0%

25.0%

50.0%

75.0%

2/24/2012

4/9/2012

5/25/2012

7/10/2012

8/25/2012

10/10/2012

11/25/2012

1/10/2013

2/25/2013

PKY

BDN

HIW

PDM

CUZ

CWH

RMZ

26
History of Underperformance
Total Returns
3 years
CWH
has
underperformed
its
peers

over
the
last
3
years
ending
2/25/2013

(1)
HIW: 42.1%
PDM: 39.1%
CWH: (26.6%)
PKY: 6.9%
CUZ: 42.5%
BDN: 35.8%
RMZ: 52.5%

Note: Total returns include dividends

(1)
The last trading the day prior to Related and Corvex's first public filing.

Source: SNL

(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

CUZ

CWH

RMZ

1 year

3 year

PKY

65.5%

6.9%

BDN

25.2%

35.8%
HIW
15.5%
42.1%
PDM
15.3%
39.1%
CUZ
28.2%
42.5%
Average
30.0%
33.3%
RMZ
10.6%
52.5%
CWH
(9.4%)
(26.6%)
: CWH -
Avg.
39.3%
59.9%

27

History of Underperformance

FFO Multiples

CWH traded at the lowest price to FFO multiple of its peers prior to our 13-D filing

PDM: 14.0x

CWH: 5.4x

HIW: 13.1x

CUZ: 18.2x

BDN: 9.0x

Source: Factset

PKY: 13.3x
0.0x
5.0x
10.0x
15.0x
20.0x
25.0x
30.0x
2/25/2008
10/10/2008
5/26/2009
1/10/2010
8/26/2010
4/11/2011
11/26/2011
7/11/2012
2/25/2013
PKY
BDN
HIW
PDM
CUZ
CWH
1 year
3 year
5 year
PKY
5.8x
5.2x
5.5x
BDN
8.6x
7.5x
6.3x
HIW
12.9x
12.7x
12.1x
PDM
11.2x
11.3x
N/A
CUZ
15.5x
16.2x
16.2x
Average
10.8x
10.6x
10.0x

CWH
5.0x
5.6x
5.4x
CWH -
Avg.
(54.2%)
(46.6%)
(45.8%)

28

History of Underperformance

Operating Performance

Key financial metrics deteriorate, while fees paid to RMR continue to climb

(1)

YTD 9/30/2013 figures include SIR. Growth rates based on YTD 9/30/2012. Excludes 2013 share price performance due to the

(2)

Share price performance assumes stock is held since January 1st of the specified year through February 25th, 2013.

Source: Company filings and SNL

Value

accruing to
RMR, not
shareholders
(\$ in millions)

For the Fiscal Year Ending December 31,

YTD

2010

2011

2012

9/30/2013

(1)

Share Price Performance (if held since)

(2)

(38.2%)

(39.0%)

(6.9%)

N/A

SF Owned per Share (% growth)

(15.9%)

(5.2%)

(0.6%)

(32.7%)

NOI per Share (% growth)

(19.1%)

(4.2%)

16.1%

(28.0%)

EBITDA per Share (% growth)

(22.1%)

(4.7%)

(27.2%)

(20.1%)

FFO per Share (% growth)

(13.8%)

(9.9%)

0.0%

(19.1%)

CAD per Share (% growth)

(23.7%)

(27.7%)

(17.3%)

(15.6%)

Fees Paid to RMR

\$62.2

\$69.5

\$77.3

\$62.6

% growth

(0.6%)

11.7%

11.2%
10.6%

CWH trails its core office REIT peers by 234 bps and 359 bps on same store rental growth and NOI growth, respectively

We believe YTD 2013 results below overstate CWH's performance, as the Company has placed 112 buildings (47 properties) into discontinuing operations beginning in Q4 2012. Despite its greater scale, CWH's cost structure results in the lowest same store NOI margins of its peers.

CWH's total rental and NOI growth is dependent upon its outsized acquisition activity.

29

History of Underperformance

Same Store Underperformance

Edgar Filing: Commonwealth REIT - Form DFAN14A

CWH underperforms its peers on a same store basis

Note: Analysis excludes PDM, which does not disclose same store rent. Average does not include CWH.

1)

CUZ figures represent consolidated portfolio.

Source: Company filings

9

months

ended

9/30/2013

rent

growth

(1)

9

months

ended

9/30/2013

NOI

growth

(1)

9

months

ended

9/30/2013

NOI

margin

(1)

Avg.: 2.0%

4.5%

2.7%

1.3%

(0.4%)

(0.6%)

(1.0%)

0.0%

1.0%

2.0%

3.0%

4.0%

5.0%

CUZ

BDN

HIW

CWH

PKY

5.1%

3.3%

(0.4%)

(2.3%)

(3.0%)

(4.0%)

(3.0%)

0.0%

4.0%

CUZ

BDN

HIW

CWH

PKY

Avg.:

1.3%

(2.0%)

(1.0%)

1.0%

2.0%

3.0%

5.0%

6.0%

71.2%

65.7%

59.6%

58.1%

56.4%

50.0%

55.0%

60.0%

65.0%

70.0%

75.0%

BDN

HIW

PKY

CUZ

CWH

Avg.:

62.2%

As a result, we also show on the following pages, results from 2010 through 9/30/2012

30

History of Underperformance

Same Store Underperformance (cont d)

CWH has consistently underperformed its peers on a same store basis historically

Note: Analysis excludes PDM, which does not disclose same store rent. CUZ data represents office portfolio only.

(1)

CommonWealth excluded 97 underperforming buildings as discontinued properties in its same store financials ending 12/31/2014 as a reflection of company performance. Excludes SIR figures.

(2)

Includes revenue and NOI from SIR due to the public data insufficiency.

Source: Company filings

2011 rent growth

(2)

2011 NOI growth

(2)

2011 NOI margin

(2)

9 months ended 9/30/2012 rent growth

(1)

9 months ended 9/30/2012 NOI growth

(1)

9 months ended 9/30/2012 NOI margin

(1)

2010 rent growth

(2)

2010 NOI growth

(2)

2010 NOI margin

(2)

31

History of Underperformance

Acquisition Activity

(1)

Market cap as of 2/25/2013, the day prior to Related and Corvex's initial 13-D filing.

(2)

In Q3 2013, CUZ acquired Greenway Plaza, a 10-building, 4.3 million square foot office complex in Houston, Texas, and 777 building in the central business district of Fort Worth, Texas. The aggregate purchase price for the acquisition was \$1.1 billion.

(3)

Includes net sale proceeds from consolidated joint venture.

(4)

Weighted by market cap.

(5)

YTD 9/30/2013 not comparable due to deconsolidation of SIR during 2013.

Source: Company filings and Factset

Net acquisitions / CapEx as % of Market Cap

2007

2008

2009

2010

2011

2012

YTD 9/30/2013

Cumulative

Parkway Properties Inc. (PKY)

5.4%

22.4%

1.9%

7.4%

36.2%

64.2%

17.1%

154.6%

Highwoods Properties Inc. (HIW)

4.8%

4.7%

2.1%

3.0%

5.5%

8.1%

13.1%

41.2%

Cousins

Properties