

CommonWealth REIT
Form DFAN14A
January 30, 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

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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

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(3) Filing Party:

(4) Date Filed:

The Case for Change Now at CWH
Presentation to CWH Shareholders
January 30, 2014

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Disclaimer

The information in this presentation is based on publicly available information about Commonwealth REIT (the Company) forward-looking statements, estimates and projections prepared with respect to, among other things, general economic and market conditions, management, changes in the composition of the Company's Board of Trustees, actions of the Company and its subsidiaries or its ability to implement business strategies and plans and pursue business opportunities. Such forward-looking statements, estimates, and projections are based on assumptions concerning anticipated results that are inherently subject to significant uncertainties and contingencies and have been prepared for illustrative purposes, including those risks and uncertainties detailed in the continuous disclosure and other filings of the Company available on the U.S. Securities and Exchange Commission website at www.sec.gov/edgar. No representations, express or implied, are made as to the accuracy or completeness of such forward-looking statements, estimates or projections or with respect to any other materials hereon.

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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"). 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 Corvex Management LP ("Corvex") or Related Fund Management, LLC ("Related"). Any such offer would only be made at the time an investor receives a confidential offering memorandum and related subscription documentation.

five
new
trustees
at
a
special
meeting
of
shareholders
that
must
be
promptly
called
in
the
event
that
the
Removal
Proposal
is
successful.

Investors and security holders are urged to read the definitive solicitation statement and other relevant documents because they contain important information regarding the solicitation.

The definitive solicitation statement and all other relevant documents are available, free of charge, on the SEC's website at www.sec.gov.

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Executive Summary

Introduction

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 new, truly independent Board of Trustees

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 establish the record date to be within 10 business days of the record date request; the consent solicitation must be concluded within 30 calendar days of the record date

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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).

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

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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

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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 highly qualified new leadership committed to good governance and unlocking the substantial value embedded in CommonWealth for shareholders

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Executive Summary

A Vote on Leadership

An imperfect governance framework is only as good as those entrusted to govern

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

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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, 50% higher than the closing price on January 29, 2014

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 market conditions

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

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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 and has been previously disclosed as a potential interim CEO.

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Executive Summary

Corvex/Related s Turnaround and Governance Plan To Maximize Value

The fair and unfettered election of a new Board consisting solely 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: 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 and Related continue to propose the following Turnaround and
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

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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:

Corporate strategic analysis for large real estate owner/operators

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

nominees

are

highly

qualified

with

wide-ranging

and

relevant real estate, finance and corporate governance experience

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Executive Summary
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

Without
wholesale
change,
the

Portnoys
will
retain
effective
control
of

CWH
Actions
over
the
past
year
belie

turned

leaf
intentions

Perpetual Fee Streams
are a powerful incentive to maintain Accountability Vacuum
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

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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

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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

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

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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

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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)

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of
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Highly Qualified Nominees

VI.

Valuation Update

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I. History of Underperformance

19
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

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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 Realty Trust (PKY). Excludes Mack-Cali (CLI), approximately 80% of whose office markets are either in secular decline or experiencing significant process of transitioning into the multi-family sector, creating uncertainty with respect to its public market valuation. Peers for Related are due to 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

(\$ 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%

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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, st

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

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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%)

23

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.

(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

(2)
(3)
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

CWH stock price
Cumulative fees paid out to RMR

24

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%

Edgar Filing: Commonwealth REIT - Form DFAN14A

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

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%

25
History of Underperformance
Total Returns
3 years
CWH
has
underperformed
its
peers
over

the
last
3
years
ending
2/25/2013

(1)
Note: Total returns include dividends

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

Source: SNL

PKY

BDN

HIW

PDM

CUZ

CWH

RMZ

(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

HIW: 42.1%

PDM: 39.1%

CWH: (26.6%)

PKY: 6.9%

CUZ: 42.5%

BDN: 35.8%

RMZ: 52.5%

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%

26

History of Underperformance

FFO Multiples

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

Source: Factset

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
PDM: 14.0x
CWH: 5.4x
HIW: 13.1x
CUZ: 18.2x
BDN: 9.0x
PKY: 13.3x
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%)

27

History of Underperformance

Operating Performance

Value

accruing to

RMR, not

shareholders

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

(\$ 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%

28

History of Underperformance

Same Store Underperformance

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)

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

Avg.:

2.0%

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

5.1%

3.3%

(0.4%)

(2.3%)

(3.0%)

(4.0%)

(3.0%)

(2.0%)

(1.0%)

0.0%

1.0%

2.0%

3.0%

4.0%

5.0%

6.0%

CUZ

BDN

HIW

CWH

PKY

Avg.:

1.3%

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

29

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)

6.5%

3.3%

3.3%

2.7%

0.1%

PKY

CUZ

HIW

BDN

CWH

Avg.:

4.0%

2.8%

2.2%

0.9%

0.8%

(1.1%)

(2.0%)

(1.0%)
0.0%
1.0%
2.0%
3.0%
PKY
HIW
CUZ
BDN
CWH
Avg
.:
1.7%
3.2%
0.3%
(2.8%)
(3.5%)
(5.2%)
(6.0%)
CUZ
HIW
BDN
CWH
PKY
Avg.:
(1.1%)
68.4%
66.6%
59.7%
55.7%
54.3%
50.0%
55.0%
60.0%
65.0%
70.0%
BDN
HIW
CUZ
PKY
CWH
Avg.:
62.6%
70.5%
67.7%
60.0%
59.8%
54.3%
BDN
HIW

CUZ
PKY
CWH
Avg.:
64.5%
0.4%
(1.6%)
(2.6%)
(3.0%)
(3.7%)
(4.0%)
(3.0%)
(2.0%)
(1.0%)
0.0%
1.0%
CUZ
CWH
BDN
HIW
PKY
Avg.:
(2.2%)
4.9%
0.0%
(0.9%)
(3.1%)
(4.3%)
(6.0%)
(4.0%)
(2.0%)
0.0%
2.0%
4.0%
6.0%
CUZ
HIW
PKY
BDN
CWH
Avg.:
(0.2%)
69.5%
67.3%
57.9%
55.9%
53.6%
50.0%
55.0%
60.0%

65.0%
70.0%
75.0%
BDN
HIW
CUZ
CWH
PKY
Avg.:
62.1%
4.0%
(0.9%)
(3.7%)
(6.2%)
(8.5%)
(10.0%)
CUZ
HIW
BDN
PKY
CWH
Avg.:
(1.7%)
0.0%
2.0%
4.0%
6.0%
8.0%
(4.0%)
(2.0%)
0.0%
2.0%
4.0%
(5.0%)
0.0%
5.0%
55.0%
60.0%
65.0%
70.0%
50.0%
75.0%

30
History of Underperformance
Acquisition Activity
CWH
has
grown
primarily
through
asset
acquisitions,

which
we
believe
benefits
RMR

and
therefore
the
Portnoys
personally

but
not
shareholders

(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

(5)

CWH

spent

\$2.9

billion

on

acquisitions

during

2007

YTD

9/30/2013,

even

as

the

stock

has

underperformed,

but

book

value

per

share

remains
flat,
suggesting
minimal
return
on
investment
RMR s
fee
income
has
grown
due
to
being
linked
primarily
to
the
size
of
the
company

Its peers acquired assets at approximately one-fifth of CWH s rate over the same period

PKY

has
also
been
acquisitive,
but
is
internally
managed
and
has
made
accretive
capital
allocation
decisions,

leading to 42% stock price appreciation from 2011 to 2012

Net acquisitions / CapEx as % of Market Cap

(1)

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 Inc. (CUZ)

(2)

25.2%

11.7%

4.3%

(7.0%)

3.9%

(17.2%)

136.2%

157.1%

Piedmont Office Realty Trust Inc. (PDM)

(3)

1.4%

3.7%

1.1%

1.9%

(2.3%)

0.4%

6.1%

12.4%

Brandywine Realty Trust (BDN)

(6.2%)

(11.9%)

5.6%

9.6%

0.8%

0.3%

(2.7%)

(4.3%)

Average

(4)

3.7%

3.6%

2.6%

3.3%

4.7%

6.8%

20.2%

44.9%

CWH

31.0%

6.1%

33.5%

27.6%

45.2%

56.3%

14.7%

214.3%

Net Acquisitions and CapEx

\$419

\$83

\$453

\$369

\$604

\$753

\$197

\$2,878

CWH share price

\$30.92

\$13.48

\$25.88

\$25.76

\$16.64

\$15.84

\$15.85

Book value per share

36.11

34.68

35.66

37.53

33.24

36.82

N/A

CWH price / FFO multiple

6.8x

3.1x

6.0x

6.9x

4.9x

4.7x

5.4x

31

History of Underperformance

Management and Board Ownership

CWH Trustees and senior management have no meaningful ownership of CWH shares

CWH s insiders currently hold a 0.34% stake in the company

The ownership level is approximately one-tenth the insider ownership of the comp set

We believe management is not aligned with shareholders

Peer Director and Executive Officer Ownership

(1)

Average does not include CWH

Source: Company filings, CWH holdings per proxy filed 01/29/2014, SNL

CWH Insider Holdings

Position

% of S/O

Trustees

and

Executive

Officers:

Barry M. Portnoy

246,200

0.21%

Adam D. Portnoy

48,099

0.04%

John C. Popeo

41,000

0.03%

David M. Lepore

33,750

0.03%

Frederick N. Zeytoonjian

12,967

0.01%

William A. Lamkin

10,812

0.01%

Joseph L. Morea

4,000

0.00%

Ronald J. Artinian

3,000

0.00%

Ann Logan

2,000

0.00%

Total CWH Trustee and Executive Officer

Ownership

401,828

0.34%

5.4%

4.4%

2.1%

1.5%

0.5%

0.3%

0.0%

1.0%

2.0%

3.0%

4.0%

5.0%

6.0%

CUZ

PKY

HIW

BDN

PDM

CWH

Avg. (1): 2.8%

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II. History of Worst-In-Class
Corporate
Governance

33

History of Worst-In-Class

Corporate Governance

The Portnoys

Actions Speak Louder Than Our Words Ever Could

Imposed illegal bylaw amendments to prevent any consent solicitation, a right plainly granted by the Declaration of Trust since 1986

Secretly attempted to manipulate state lawmakers into changing the Maryland Unsolicited Takeover

Act

via
an
11
th
hour
amendment
to
eliminate
the
right
to
hold
this
consent
solicitation

Effected a massively dilutive equity offering priced at less than 50% of book value, increasing share count by 41%

Opted into a provision of the Maryland Unsolicited Takeover Act in a misleading attempt, later declared invalid, to try to eliminate the right to remove Trustees without cause

Reinstated Trustee Joseph Morea after a nearly 4-1 vote against his re-election at the 2013 annual meeting, and charged him with spearheading corporate governance

Spent nearly \$30 million of shareholders money on a year-long litigation process in a brazen campaign to systematically disenfranchise shareholders

Should
two
months

of
reversible
governance
alterations
erase

the
inexcusable
actions of this Board or 28 years of poor governance and performance?

The Portnoys
unconscionable actions over the past year say more about their intentions than their promises ever will

Over the past year, the Board deliberately:

34

History of Worst-In-Class

Corporate Governance

Independent Parties Agreed With Us

ISS has issued highly critical reviews of CWH's corporate governance policies

In

2013

CWH

received

the

worst
possible
score,
a
10,
for
Shareholder
Rights

A score of 1 indicates lower governance risk while a 10 indicates higher governance risk
ISS and Glass Lewis already supported removing the entire board in June 2013

ISS report, June 13, 2013
its owners.

Glass Lewis report, June 17, 2013

The Arbitration Panel struck down the illegal bylaws that stripped shareholders
of their right to vote through a consent solicitation

There is no question that CWH's Bylaws erect a complex wall of procedural hurdles to
any
consent
solicitation.

Arbitration
Panel,
November
18,
2013
Consistently
poor
corporate
governance
has
not
gone
unnoticed
by
independent,
highly-respected parties

ISS annual reports consistently reported Shareholder Rights were of High Concern

Perhaps most importantly, however, the history of this company under the current Board
and external management team strongly suggests the risk of doing nothing is
significantly greater than any risk from removing the entire Board at once.

In lieu of further subjugation of shareholder rights, we believe the Dissident's consent
solicitation offers the much more attractive prospect of meaningful change for CWH and

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History of Worst-In-Class

Corporate Governance

Widespread Disapproval of the Portnoys

Governance

Over the years, prominent and diverse parties have stood up against the Portnoys, the conflicted management structures at their various entities, and their actions against shareholder rights

How

can

such
a
diverse
group
all
be
wrong
about
the
Portnoys
and
their
true
intentions?

Delaware County Employees Retirement Fund has sued the Trustees of CWH twice in the last year regarding breach of fiduciary duty and improper use of shareholder funds to defend the Portnoys in litigation

Six
pension
funds
(CalPERS,
CalSTRS,
Public
Employees
Retirement
Association
of
Colorado,
Florida
State

Board of Administration, North Carolina Retirement Systems and Ohio Public Employees Retirement System) have urged Hospitality Properties Trust, another RMR-managed REIT, to de-classify its Board

CalPERS
has
pushed
for
the
annual
election
of
all
trustees
every
year
from
2009-2013

Green Street Advisors, the preeminent independent investment research company focused on REITs, issued a report on March 1, 2013 on the RMR-controlled REITs and labeled them Uninvestable Perry Corp., a 5+ percent holder of the shares of CWH, publicly called for the Board to be replaced in its entirety in a letter dated April 30, 2013

Edgar Filing: CommonWealth REIT - Form DFAN14A

In 2008, Locksmith Capital Management sought to allow shareholders to elect two independent nominees to the Board of TravelCenters of America, a Portnoy-managed public company, and vote to declassify the Board, noting at the time: Instead of allowing shareholders an opportunity to vote for our nominees and shareholder proposals, they invoked meaningless technicalities in order to create a Soviet style election and entrench the current Board of Directors. This Board has no shame.

Council of Institutional Investors, a leading voice for effective corporate governance and strong shareowner rights has consistently expressed concern regarding CWH and other Portnoy REITs

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History of Worst-In-Class

Corporate Governance

The Arbitration Panel Has Spoken

The Arbitration Panel ruling on November 18, 2013, cleared a path to a free and fair consent solicitation process

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 and capable of continuing their campaign of shareholder
disenfranchisement
The Panel struck down illegal bylaws passed by the current Board
The Panel expressly prohibited any action intended to impede or frustrate the new solicitation
The Panel declared it would remain available to resolve any issues or disputes
The
Panel
ruled
that
Corvex/Related
had
satisfied
onerous
red
tape
bylaw
requirements
The Panel determined that opting into Section 3-803 of the Maryland Unsolicited Takeovers
Act
(MUTA)
does
not
revoke
the
right
of
shareholders
to
remove
Trustees
without
cause,
as
misleadingly claimed by the Portnoys
Ruling
INVALID AS A MATTER OF LAW
INVALID AS A MATTER OF LAW
INVALID AS A MATTER OF LAW
INVALID AS A MATTER OF LAW
INVALID AS A MATTER OF LAW

Contested Bylaws

3%/3yr holding requirement to request a record date

All shares must be held in certificated form to request a record date

30 day period to respond to a record date request

60 day period to set a record date

90 day period to certify the results of the consent solicitation

The deal world remained muted this year in terms of big transactions and activity. Despite the relative doldrums, there were still some highlights and lowlights. Here are some of them

The
father
and
son
duo
who
head

Commonwealth

Barry
and
Adam
Portnoy

and
Commonwealth's counsel at Skadden Arps showed little regard for shareholder rights,
doing
everything
in
their
power
to
prevent
Corvex
Management
and
the
Related
Companies from removing the Portnoys. The Portnoys banked on Commonwealth's
unique
requirement
that
shareholders
arbitrate
all
disputes
with
the
company
to
stymie
the two hedge funds. It didn't work, and the arbitration panel ruled against
Commonwealth,
clearing
the
way
for
the
funds
to
begin
a
campaign
to
unseat
them.
The Portnoys receive an F.

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History of Worst-In-Class
Corporate Governance
The Portnoys Receive an F

New York Times
Despite
Doldrums
in
Deal
Activity,
A
Few
Highlights
This
Year,
New
York
Times,
December 17, 2013

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III. The Portnoys
Reversible Governance
Alterations In Context

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The Portnoys

Reversible Governance Alterations In Context

The Portnoys' Governance Alterations Are Illusory

The Portnoys

Check-the-Box

governance alterations create the illusion of

reform,

but

bring

zero
incremental
accountability
and
therefore
offer
no
guaranteed
ability
for
shareholders

to
choose
who
runs
their
company

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

All
of
the
Portnoys'
alterations

are
ineffective,

and
most

importantly
all

are
unilaterally
reversible

through the extraordinary powers of the Portnoys and their hand-picked Trustees:

Require
two

RMR
employees
to
always
be
on
the
Board,
even
though
RMR
owns
no
equity
in
CWH
and
in
our
opinion
has
incentives
diametrically
opposed
to
those
of
shareholders

Unilaterally amend the bylaws (while shareholders cannot) to effectively cripple shareholder action

Unilaterally stagger the Board under MUTA, without shareholder approval

Reinstate hand-picked Trustees who fail to be re-elected by shareholders

Further, there is no way to repeal the "Silent Bylaw" : Shareholders must spend exorbitant sums in litigation to strike down illegal, unilaterally-passed bylaw amendments simply to exercise their fundamental right to vote

But the fatal flaw in the alterations is that they require shareholders to trust the same individuals who deliberately harmed shareholder rights over the past year with actions that we believe suggest total disdain for shareholder rights

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The Portnoys

Reversible Governance Alterations In Context

Why It's All Smoke and Mirrors

After the countless tactics employed over the past year, would the Portnoys really now implement meaningful

corporate

governance

enhancements

and

subject
themselves
to
true
accountability
knowing
full well they have severely underperformed for years? Would they really put at risk their invaluable
Perpetual Fee Stream ?
How can the Portnoys possibly justify reappointing Joseph Morea to the Board after he received the vote
of
only
14%
of
the
outstanding
shares
and
how
can
he
be
in
charge
of
spearheading
purported
governance reforms?
What
impact
might
losing
the
consent
solicitation
have
on
the
Portnoys
other,
much
larger
and
more
lucrative externally managed REITs?
Did the Portnoys purposefully enact only reversible governance changes just to win votes from some
shareholders and remain in power with zero real improvement in corporate governance or accountability?
On
the
following
pages,

we
review
and
highlight
the
flaws
of
the
Portnoys

Check-the-Box

governance alterations from December 26, 2013

Questions shareholders should ask themselves while conducting such a review

Until CommonWealth's long-suffering shareholders have the unambiguous ability to choose who manages their company, history will repeat itself, as the Portnoys delay their day of judgment through an illusory game of governance restructuring and legal maneuvering, all the while paying themselves huge fees for underperformance

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The Portnoys

Reversible Governance Alterations In Context

Why It's All Smoke and Mirrors

Reality

Annual Elections

Bylaws still require two Managing Trustees to be employees of RMR, making the promise of having 2/3 of the Board up for annual elections in 2015

highly misleading

We publicly asked the Board to clarify this obvious contradiction but they have refused to respond

Section 3-803 of the Maryland Unsolicited Takeover Act allows Portnoys to unilaterally re-classify CWH Board at any time regardless of contrary provisions in governing documents, without a shareholder vote

CWH has not permanently opted out of Section 3-803

Charter amendment to de-classify Board requires a vote of holders of 75% of outstanding shares at 2014 annual meeting

Last year's quorum was only 67%

Can shareholders expect the Portnoys and CWH

to

rock

the

vote

at

the

2014

meeting

to de-classify Board, or could they allow the proposal to languish?

Portnoys

Window Dressing

Propose declassification of Board at the 2014 annual meeting

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The Portnoys

Reversible Governance Alterations In Context

Why It's All Smoke and Mirrors

Reality

Portnoys

Window Dressing

Board Composition

The Board that appointed the two new

independent
Trustees is the same one that
has unconditionally supported the Portnoys
and re-appointed Joe Morea after he was voted
out of office at the 2013 annual meeting

Why would the new Trustees be any more
independent
than
Joe
Morea,
William
Lamkin
and Frederick Zeytoonjian?

Are shareholders expected to believe
that this time it is different because the
new appointees were found by a
headhunter hired by CWH?

Neither of the two new independent
Trustees
will be up for election at the 2014 annual
meeting
they were conveniently added to the
classes up for election in 2015 and 2016

In fact, Mr. Morea himself also will not be up for
election
in
2014

shareholders
cannot
hold
him accountable until 2016

Size of the Board to be increased
such that the ratio of Independent
Trustees compared to total Trustees
will increase from the current 71% to
at least 75%

Added Ronald J. Artinian and Ann
Logan
as
independent
Trustees

Lead Independent Trustee will be

designated after appointment of
another Trustee. Expected after 2014
annual meeting

Added share ownership guidelines

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The Portnoys

Reversible Governance Alterations In Context

Why It's All Smoke and Mirrors

Reality

Portnoys

Window Dressing

Red Tape Bylaws

Bylaws amended to have a seemingly less
offensive process of director nominations at

annual meeting

Red
Tape
Bylaws
can
be
amended
at
any
time
by
the

Board without shareholder approval, as they were last year to prevent ability to hold a consent solicitation; in fact, shareholders don't have the right to amend or modify bylaws at all

Shareholders are expected to assume that Bylaws will not be again amended whenever convenient to the Portnoys

In fact, the Portnoys have proven that they will use the Red Tape bylaws even the most innocuous ones to silence shareholders Nothing stops Board from re-inserting the 3%/3-year bylaw for Trustee nominations before the 2015 annual meeting

In fact, Select Income REIT (SIR) another RMR-managed REIT 44% of whose shares are owned by CWH

re-inserted
an
arbitration
clause
in
its
bylaws
within
months
after
clearing
SEC
comments
and

going
public
(SEC
had
challenged
the clause during SIR's IPO process)

We had to prove to the Portnoys in arbitration that our record date request had been sent via registered mail return receipt requested (which it was, in addition to e-mail, hand delivery and FedEx), in order to be counted as a valid request

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The Portnoys

Reversible Governance Alterations In Context

Why It's All Smoke and Mirrors

Reality

Portnoys

Window Dressing

Poison Pill

Company will continue to have a poison pill

built into its charter and bylaws that prohibit stock acquisitions over 9.8 percent

Still no response to our letter request for a waiver despite resolution of disputes by the Arbitration Panel

As
look
through
entities
for
tax
purposes, REIT status concerns
regarding the 9.8% limitation are not an
issue with respect to Corvex and
Related

Company can always unilaterally add back in the dead hand provisions or implement a new poison pill overnight without shareholder approval

Expiration of poison pill to be accelerated from October 17, 2014 to a date soon after resolution of the pending disputes with Corvex/Related

Dead-hand
provisions eliminated

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The Portnoys

Reversible Governance Alterations In Context

Why It's All Smoke and Mirrors

Reality

Portnoys

Window Dressing

RMR Management Agreement

(1)

Adjusted for reverse stock splits.

CWH still externally advised by a conflicted outside party not subject to accountability by CWH's shareholders and that owns virtually no stock in CWH

Continues to primarily incentivize RMR to grow assets at the expense of shareholders when the company resumes its history of serial equity issuance

During 2003-13, CWH issued 88.5 million shares

(1)

or

~\$2.5

billion

of

equity,

averaging

9.1 million shares/yr or 11.1 million/yr,

excluding the financial crisis years of 2008-09

Incentive Fee benchmarks subject to change as the

RMR

contract

is

negotiated

by

the

Board

with

assistance

from

RMR

and

without

independent outside

advisors

Stock component is not meaningful

Beginning in 2014, base business

management fee to be based on the

lower of: (i) gross historical cost of real estate assets or (ii) CWH's total market capitalization

10% of base business management fees

will be paid in stock

Annual incentive fees will be based upon

total returns realized by shareholders
(i.e., appreciation plus dividends) in
excess of benchmark

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The Portnoys

Reversible Governance Alterations In Context

The Portnoys' True Intentions Revealed

On January 21, 2014, we sent the Board a public letter, providing them an opportunity to address the gaping loopholes in their governance alterations and

commit

to

permanent,

true
governance
reform

The Board's response? Silence.
Coupled with the unconscionable actions taken over the last year,
what else do you need to know?
We asked if the Portnoy Board will:

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

Amend the charter to ensure that the Board cannot opt back into Section 3-803 of the Maryland General Corporation Law which allows them to unilaterally re-stagger the Board?

Amend governance documents to commit that if Barry Portnoy is not elected as a Trustee at the 2014 Annual Meeting, he cannot be unilaterally reinstated as Joseph Morea was after receiving the vote of only 14% of the outstanding shares?

Amend the charter and bylaws to ensure the new provisions that make the annual meeting and nomination process less offensive reversible only with a shareholder vote?

Amend the charter and bylaws to replicate the Arbitration Panel's procedural guidelines for any future consent solicitation?

Post online the entire un-redacted transcript of the October 2013 hearing before the Arbitration Panel so that shareholders can understand management's testimony about, among other things, their fiduciary duties to RMR vs. shareholders and how the RMR contract is negotiated every

year?

Work with Corvex/Related and the Arbitration Panel to implement obvious solutions that address the Board's professed concerns regarding the transition to a new Board?

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The Portnoys

Reversible Governance Alterations In Context

The Portnoys

Actions Explained

RMR's business model, in our view, is founded on creating and preserving the conflict of interest

at

its

externally

managed
REITs
in
order
to
manufacture
Perpetual
Fee
Streams ,
regardless of the impact on CWH 's share price
We
believe
the
Portnoys
view
control
of
CWH
as
binary

either
they
have
dominant
control
over
the
fee
stream
built
over
28
years,
or
they
do
not
In
our
opinion,
the
profits
from
RMR 's
Perpetual
Fee
Streams
could
be

valued
at
~20x
cash
flow (but for the ability of the Board to terminate RMR management contracts), given the
highly
recurring
and
practically
infinite,
growing
nature
of
the
cash
flow
streams
under
the
protection of the Accountability Vacuum
We
believe
the
staggering
value
of
Perpetual
Fee
Streams
are
a
powerful
motivator for dodging accountability, leading the Portnoys to always choose
Check-The-Box
governance revisions over real reform
We believe the Portnoys harbor an extraordinarily deep commitment to
protecting
their
Perpetual
Fee
Streams
and
will
attempt
to
mislead
shareholders
with
Check-the-Box
reform

rather
than
true
accountability

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IV. Corvex/Related s Turnaround and
Governance Plan

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Corvex/Related s Turnaround and Governance Plan

Corvex/Related s Plan To Maximize Value

The fair and unfettered election of a new Board consisting solely 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: 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 and Related continue to propose the following Turnaround and
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

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Corvex/Related s Turnaround and Governance Plan

A Simple Blueprint for Change

CommonWealth can then elect a Board of Trustees that:

Is truly independent (per ISS s definition)

Implements and can describe to shareholders the procedures designed to ensure its independent Trustees can continue to operate independently

Is accountable to shareholders

Hires its own independent advisors when necessary

Systematically sets performance goals for the management team, measures its performance, and holds it accountable for its failures

Objectively
benchmarks
its
corporate
governance
policies
against
peers

Challenges management's thinking on material strategic issues when appropriate

Once shareholders take back control of CommonWealth and can choose who should manage their company, the conflict of interest between manager and owner will be eliminated

In short, shareholders can elect an experienced, independent Board charged with being their advocate

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Corvex/Related s Turnaround and Governance Plan
Peaceful
Transition
of
Authority

Plan
A

To eliminate the already miniscule risks, the Board members could implement the following

to protect Commonwealth and its shareholders:

We also point out that the Arbitration Panel will remain available for resolving disputes

even

after

the

removal

of

the

Trustees

and

during

the

transition

to

a

newly

elected

Board

While we wholeheartedly dismiss the scare tactics employed by the Portnoys

that

a

removal

of

Trustees

will

cause

the

business

material

harm

we

point

out

that ironically the sitting Board members could easily preclude any of their

imagined disruptions from occurring by acting responsibly in advance of a

consent solicitation

We have asked the Board to work with Corvex/Related and the Arbitration Panel

to implement obvious solutions that address the Board's professed concerns,

but the Board refuses to respond

Agree to allow nominations of replacement Trustees concurrently with the removal of existing

Trustees

Request waivers under existing financing agreements regarding a change in control or

arrange for replacement facilities

RMR could remove language or simply agree not to immediately terminate its management of

the assets in the event of a change in control

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Corvex/Related s Turnaround and Governance Plan
Disruptive
Transition
of
Authority

Plan
B
In the event the Trustees are not cooperative in transitioning authority, Related

and Corvex, clearly incentivized to minimize disruption as one of CWH's largest shareholders, have a plan to protect the Company

Shareholders should not be coerced into voting for the current Board out of fear that

the existing Trustees

will burn down

the house

on the way

out the door

Jim Lozier, a

30+ year industry veteran,

can be retained

to lead CWH

on an interim basis

(1) Mr. Lozier served as co-founder and CEO of the Archon Group L.P., a subsidiary of Goldman Sachs, from its formation in 1996 until 2012

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
Archon's
core
competencies
include
the
ability
to
quickly
integrate
new
properties
into
its
operating
platform, regardless of the condition of the property or the difficulty of transitioning such properties
CBRE, one of the world's largest integrated real estate services firms, has agreed to provide
interim
property
management
services
(2)
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
Related and Corvex have agreed to purchase up to 51% of the bank
debt in order to prevent
acceleration of the Company's debt
(1)
Mr.
Lozier
is
providing
consulting

services
to
Related
in
connection
with
Related s
investment
in
CommonWealth
and
has
agreed
to
serve
in
the
role
of
interim
CEO
of
the

Company on such terms as may be reasonably agreed to by Mr. Lozier and CWH.

(2)

CBRE will perform management and leasing services on customary terms to be agreed to in the event Commonwealth s man terminated.

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Corvex/Related s Turnaround and Governance Plan

About Related

Founded in 1972 by Stephen Ross, Related is amongst the most prolific and respected real estate developers, operators and investors in the nation

Owns and operates a portfolio valued at over \$15 billion including 5 million square feet of commercial space and over 40,000 apartment units

Over 2,000 employees located in Boston, Chicago, Dallas, Los Angeles, Miami, New York, San Francisco, Shanghai, Abu Dhabi and Sao Paulo

Experience with portfolios of assets in distressed or hostile situations, including:

-
Several assets representing hundreds of millions of dollars in value in contested foreclosure or adversarial bankruptcy proceeding, including acting as agent for court appointed receivers between 2010-2012

-
Portfolio of 32 REO properties comprised of 10,000 multifamily units on behalf of GSE
Founded over 40 years ago, Related operates a real estate portfolio valued at over \$15 billion today including residential, office, mixed-use, and affordable properties

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Corvex/Related s Turnaround and Governance Plan

About Corvex

Follows an opportunistic approach to investing with a specific focus on equity investments, special situations and distressed securities largely in North America.

Active investing to create asymmetric risk/reward opportunities

Public markets view for fundamental and event-driven investing

Successfully engages with management teams of invested companies

Value-based

investing

across
the
capital
structure
in
situations
with
clearly
identifiable catalysts

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Corvex/Related s Turnaround and Governance Plan

Potential Interim CEO

Mr. Lozier served as co-founder and CEO of the Archon Group L.P., a subsidiary of Goldman Sachs, from its formation in 1996 until 2012

Archon is an international real estate services and advisory company based in Dallas, TX

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

Archon underwrote, acquired and asset managed real estate and real estate debt for

Goldman Sachs with a concentration in office, multi-family and limited service hospitality

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

Mr. Lozier could serve as interim CEO until the new Board decides to hire a permanent CEO. As interim CEO, he would focus on transition of management services, continuity of financial reporting, and building out a permanent management team

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

Mr. Lozier is a 30+ year real estate industry veteran with impeccable credentials

who has created significant value for equity holders during his career

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Corvex/Related s Turnaround and Governance Plan

About CBRE

CBRE Asset Services group provides property management, financial reporting and construction management to clients

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.

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

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V. Highly Qualified Nominees

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Highly Qualified Nominees

Truly Independent

James Corl

Managing Director and Head of Real Estate, *Siguler Guff & Company*

James Corl has been a Managing Director at Siguler Guff & Company since 2009, and is the Head of Real Estate. Mr. Corl oversees the Firm's real estate investment activities, setting investment strategy, designing and constructing the portfolio, identifying potential investments, and negotiating investment terms and conditions. Prior to joining Siguler Guff, Mr. Corl spent 13 years in the REIT investment industry, most recently as Chief Investment Officer for all of the real estate activities of Cohen & Steers, Inc., a leader in

global
real
estate
securities.

While

at

Cohen

&

Steers,

Inc.,

Mr.

Corl

was

directly

responsible

for

over

\$30

billion

of

client

assets

invested in mutual funds and institutional separate accounts around the world. As an Associate with the Real Estate Investment group at Credit Suisse First Boston, Mr. Corl was involved in acquiring portfolios of non-performing loans and distressed real assets for CSFB's Praedium Real Estate Recovery Fund, as well as restructuring troubled real estate companies as publicly traded REITs.

Edward Glickman

Executive Director, Center for Real Estate Finance Research, *New York University Stern School of Business*

Clinical Professor of Finance, *New York University Stern School of Business*

Executive Chairman, *FG Asset Management US*

Senior Advisor, *Econsult Solutions, Inc.*

Edward

Glickman

is

the

Executive

Director

of

the

Center

for

Real

Estate

Finance

Research

and

Clinical

Professor

of

Finance

at
New
York
University
Stern
School
of
Business,
and
has
been

a
Professor
at
the
Stern
School
of
Business
since
2006.

Mr.
Glickman
is
also
currently
the
Executive
Chairman
of
FG
Asset
Management
US,

an
alternative
asset
manager
serving
Korean
investors,
and

is
a
Senior
Advisor
for

Econsult Solutions, Inc., an econometric consulting firm. From 2004 to 2012 Mr. Glickman served as President and Chief Operating Officer of

the
Pennsylvania
Real
Estate
Investment
Trust,
where
he
oversaw
all
operating
functions
and
was
a
member
of
its
Board
of

Trustees. Mr. Glickman has more than 30 years of experience in the real estate and financial services industry having been previously employed by The Rubin Organization, Presidential Realty Corporation, Shearson Lehman Brothers and Smith Barney. Mr. Glickman is a Fellow of the Royal Institute of Chartered Surveyors, a Certified Treasury Professional and a Registered Securities Principal.

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Highly Qualified Nominees

Truly Independent (cont.)

Peter Linneman

Emeritus Albert Sussman Professor of Real Estate, *University of Pennsylvania, Wharton School of Business*

Principal, *Linneman Associates*

Principal, *American Land Funds*

From 1979 to 2011, Dr. Linneman was a Professor of Real Estate, Finance and Public Policy at the University of Pennsylvania School of Business and is currently an Emeritus Albert Sussman Professor of Real Estate there. Dr. Linneman is currently a principal of Linneman Associates, a real estate advisory firm, and a principal of American Land Funds, a private real estate acquisition fund.

than
35
years
he
has
advised
leading
corporations
and
served
on
over
20
public
and
private
boards,
including
serving
as
Chairman
of

Rockefeller Center Properties, where he led the successful restructuring and sale of Rockefeller Center in the mid-1990s. Dr. Lurie has won accolades from around the world, including PREA's prestigious Graaskamp Award for Real Estate Research, Wharton's Lurie Real Estate Center's Lifetime Achievement Award, Realty Stock Magazine's Special Achievement Award, and has been

One
of
the
25
Most
Influential
People
in
Real
Estate
by
Realtor
Magazine
and
was
included
in
The
New
York
Observer's
100

Most
Powerful People in New York Real Estate.
Jim Lozier

Co-founder and former CEO, *Archon Group L.P.*

Jim Lozier served as co-founder and CEO of Archon Group L.P. from its formation in 1996 until 2012. Archon, a wholly owned subsidiary of Goldman Sachs, is a diversified international real estate services and advisory company that under Mr. Lozier's leadership manages assets with a gross value of approximately \$59 billion and over 8,500 employees in offices located in Washington D.C.,

Los Angeles,

Dallas,

Boston,

Asia

and

Europe.

Prior

to

the

formation

of

Archon,

Mr.

Lozier

was

an

employee

of

the

J.E.

Robert

Company

and

was

responsible

for

managing

the

Goldman

Sachs/J.E.

Robert

joint

venture

for

two

years.

Mr.

Lozier

directed

the

acquisition

efforts

of

the

joint venture between GS and JER from 1991-1995. Jim has served on the Board of Directors of Dallas CASA (Court Appointed Advocates for Children) since 1999, and currently is on the Executive Committee and is heading CASA's capital campaign.

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Highly Qualified Nominees

Truly Independent (cont.)

Kenneth Shea

President, *Coastal Capital Management LLC*

Kenneth

Shea

is

the

President

of
Coastal
Capital
Management
LLC,
an
affiliate
of
Coastal
Development,
LLC,
a
New
York-based

privately-held developer of resort destinations, luxury hotels and casino gaming facilities. Prior to joining Coastal in September 2009, Mr. Shea was a Managing Director for Icahn Capital LP, where Mr. Shea had responsibility for private equity investments in the gaming and leisure industries. From 1996 to 2008, Mr. Shea was employed by Bear, Stearns & Co., Inc., where he served as a Senior Managing Director and global head of the Gaming and Leisure investment banking department. At Bear, Stearns, Mr. Shea played an active role on over \$55 billion of M&A and capital raising transactions for many of the leading public companies in the gaming and leisure sector including Harrah's Entertainment, Inc., Station Casinos Inc., Penn National Gaming Inc., Las Vegas Sands Corp., Resorts Ltd., and Carnival Corp. Mr. Shea currently serves on the board of directors of CVR Refining, LP.

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VI. Valuation Update

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Valuation Update
Intensive Due Diligence Continues
Based
on
repeated
feedback
from
tenants,
brokers

and
owner/operators
across
CWH s
markets regarding their experience with RMR, we believe:

Many
leasing
brokers
representing
tenants
across
CWH s
markets
steer
tenants
away

from RMR-managed properties because of a lack of attention from RMR personnel
RMR often fails to execute simple asset and property management functions, such as
responding to tenant work requests, and challenging real estate tax assessments

Blake Schreck, president and economic development director for the Lenexa Chamber of
Commerce, didn't sound unhappy about Southlake Technology Park changing hands. He
echoed multiple local commercial real estate brokers, who indicated that Commonwealth's
slow response to requests for lease proposals from prospective tenants had likely cost the
933,0000-square-foot office park deals and contributed to its 48 percent occupancy rate.
Kansas City Business Journal, October 23, 2013

Over the past six months, representatives from Corvex and/or Related have
independently performed detailed site visits on approximately 85% of the
portfolio

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Valuation Update

Where Are The Employees?

RMR employees service assets for CWH in addition to other RMR-managed public REITs

(SIR,
GOV,
HPT,
SNH)

as

well

as
the
Portnoys
privately
owned
real
estate,
all
of
which

encompass office, retail, hospitality, senior housing, land and other property types

It appears that the leasing staff is too small, resources are spread too thin, and a true asset management department is non-existent

The majority of, if not all, leases from CWH, SIR, HPT, SNH and GOV are processed through the CWH's headquarters office for review, approval and negotiation

There appears to be little delegation to local RMR representatives, creating a substantial bottleneck that leads to very slow response times

It appears that staffing is maintained at deficient levels in order to maximize profit margins for RMR at the expense of CWH shareholders

Clearly, assets that are suffering from such poor management should only be sold after first maximizing value for CWH shareholders

Opportunistic funds with expensive capital (such as Oaktree Capital and Garrison Investment Group)

were
among
the
largest
buyers
of
assets
in
the
last
round
of
CWH
dispositions

We believe there are too few employees spread over too many assets and product types:

64

Valuation Update

Significant Operational Upside

We are confident that misaligned incentives at the corporate level have translated into underperforming run rate NOI

In our opinion, properties can achieve our estimate of stabilized NOI within 24-36 months of installing an effective management team whose incentives are aligned with shareholders

Furthermore, we believe that measurable progress can begin within several months of initiating a repositioning program with progress reports communicated to shareholders in real time

The cost to shareholders of a severely conflicted external management structure was self-evident during our work in the field

Plus: Management Fee Savings

65

Valuation Update

NAV Components

(1)

Properties classified as Held for Sale
and Discontinued

Operations

are per CWH's SEC filings.

(2)

Estimate based upon Related's expertise and knowledge of the real estate market and having considered factors such as size and location of CWH's real estate portfolio as well as estimates from and discussions with CBRE regarding the potential extension of management services for CWH.

Source: 10-Q, 9/30/2013, adjusted for subsequent asset sales.

Related performed a bottoms-up real estate analysis on a property-by-property basis

We believe our estimate of stabilized NOI is supported by our extensive field due diligence

We find support for cap rate assumptions and price per foot valuations from:

Implied cap rates of CWH's public peers

Analysis of private market transactions in local markets

CWH management's own published valuation of key assets

Cap rate surveys published by national brokerage firms

NAV Methodology

(In millions, except PSF and per share amounts)

Continuing

Held for

Operations

Sale

(1)

Total

In-Place NOI

\$443

\$46

\$489

8

2

10

Plus: Stabilization Improvement

14

16

29

As-Stabilized NOI

\$465

\$63

\$528

Cap Rate

7.3%

8.7%

7.5%
 As-Stabilized Value
 \$6,346
 \$731
 \$7,077
 Plus: Australia Assets Held at Book Value
 95
 0
 95
 Plus: Potential Development Assets
 34
 0
 34
 Concluded Value
 \$6,475
 \$731
 \$7,205
 Less: Stabilization Costs
 (170)
 (82)
 (252)
 Concluded Value
 \$6,305
 \$649
 \$6,953
 \$PSF
 \$168
 \$76
 \$151
 NAV Calculation
 PF 9/30/13
 Concluded Value
 \$6,953
 Stake in SIR (as of 1/29/14)
 598
 Cash
 360
 Other Current Assets, Net
 54
 Total Asset Value
 \$7,965
 Less:
 Unsecured Revolving Credit Facility
 (\$334)
 Unsecured Term Loan
 (500)
 Unsecured Notes
 (1,361)
 Mortgage Notes Payable
 (920)

Series D Preferred Stock
(380)
Series E Preferred Stock
(275)
Total Debt + Preferred stock
(\$3,769)
Net Asset Value
\$4,196
Shares Outstanding
118
NAV / Share
\$35.44
(2)

66

Valuation Update

2-Year Forward Share Price Analysis

The illustrative roll-forward analysis below demonstrates the potential to drive substantial value creation through thoughtful capital allocation strategies

CWH

could

close

the

gap

between
its
stock
price
and
NAV
by
using
excess
cash
flow
and/or
proceeds
from
non-core
asset
sales to buy back stock at prices below NAV
Analysis
assumes
stabilized
NOI
remains
flat,
ie,
no
market
growth
in
the
office
sector
(in millions, except per share amounts)
2013E
2014E
2015E
Estimated CAD
\$150.0
Stabilized Cash NOI (after Non-Core Asset Sales)
\$483.0
lower than consensus due to asset sales
Cap Rate Assumed
7.50%
Implied CWH TEV
\$6,440.0
Business Mgmt. Fees Savings
\$11.0
CWH Pro forma Net Debt (Net of SIR, Cash, other assets)
1,973.3
Property Mgmt Fees Savings
10.0

Preferred Equity
 655.0
 Incremental CAD
 \$21.0
 Implied CWH Equity Value
 \$3,811.7
 Reduction in Interest-Bond Tender
 10.2
 Implied CWH Share Price, 12/31/15
 \$40.13
 Adjusted CAD
 \$181.2
 \$181.2
 \$181.2
 % Change to Current
 88.4%
 Memo: Shares Outstanding
 95.0
 Current Quarterly Dividend
 \$0.25
 \$0.25
 Avg. Shares Outstanding
 111.9
 100.3
 Implied CWH Share Price
 Annual Dividends Paid
 \$111.9
 \$100.3
 Non-Core Asset Sales/year
 \$40.13
 \$0.0
 \$150.0
 \$300.0
 \$450.0
 \$600.0
 2014E
 2015E
 7.00%
 \$43.11
 \$43.95
 \$44.97
 \$46.21
 \$47.76
 CAD after Dividends Paid
 \$69.3
 \$81.0
 Cap
 7.25%
 40.83
 41.57

42.46
 43.56
 44.92
 Non-Core Asset Sales
 300.0
 300.0
 Rate
 7.50%
 38.70
 39.35
 40.13
 41.08
 42.27
 Divested NOI
 (11.3)
 (33.8)
 7.75%
 36.71
 37.27
 37.94
 38.76
 39.79
 Share Repurchases
 \$358.1
 \$347.2
 8.00%
 34.84
 35.32
 35.89
 36.59
 37.47
 Share Repurchase Price Assumed
 \$28.00
 \$33.00
 % Premium to Current Price
 18.7%
 39.9%
 % Change to Current Share Price
 Non-Core Asset Sales/year
 Shares Repurchased
 12.8
 10.5
 \$0.0
 \$150.0
 \$300.0
 \$450.0
 \$600.0
 % of Shares Outstanding (Current)
 10.8%
 8.9%

7.00%

102.4%

106.4%

111.1%

117.0%

124.2%

Cap

7.25%

91.7%

95.2%

99.4%

104.5%

110.9%

Beginning Shares

118.3

105.5

Rate

7.50%

81.7%

84.7%

88.4%

92.9%

98.5%

Ending Shares

105.5

95.0

7.75%

72.3%

75.0%

78.1%

82.0%

86.8%

Avg. Shares Outstanding

111.9

100.3

8.00%

63.6%

65.8%

68.5%

71.8%

75.9%

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Valuation Update

Public Peer Analysis

Our weighted average cap rate for the continuing operations portfolio is 7.3% vs. the public peer average of 6.7% despite CWH having a higher percentage of CBD/urban infill assets

See footnotes on page 74.

(7)

(7)

(7)

(7)

(7)
(6)
(6)
(6)
(6)
(6)
CommonWealth
(NAV)
(1)
CommonWealth
(Current price)
Peer Avg.
Brandywine
Parkway
(2)
Highwoods
(3)
Piedmont
Cousins
Share price
\$35.51
\$23.59
\$14.05
\$17.71
\$36.42
\$16.52
\$10.45
Implied cap rate
(4)
7.3%
9.1%
6.7%
7.0%
6.2%
6.9%
6.7%
6.6%
TEV / SF
\$208
\$170
\$200
\$187
\$246
\$167
\$212
\$186
% CBD / urban infill
66.6%
62.1%
46.7%

27.7%
70.8%
20.0%
64.2%
51.0%
Avg gross rent \$PSF
\$20.34
\$18.62
\$23.46
\$23.28
\$24.27
\$21.36
\$26.85
\$21.54
Top 5 Markets
(5)
Chicago
Philadelphia Suburbs
Houston
Raleigh
Washington, D.C.
Atlanta
% of total rent / NOI
12.7%
28.4%
34.7%
18.8%
22.8%
48.0%
Avg gross rent \$PSF
\$22.06
N/A
\$22.27
\$20.23
\$34.48
N/A
Philadelphia
Philadelphia CBD
Charlotte
Atlanta
New York
Houston
% of total rent / NOI
11.9%
24.6%
14.0%
15.0%
16.4%
30.0%
Avg gross rent \$PSF

\$28.30
 N/A
 \$24.61
 \$25.79
 \$33.22
 N/A
 Austin
 Metropolitan DC
 Atlanta
 Nashville
 Chicago
 Austin
 % of total rent / NOI
 6.8%
 20.6%
 10.2%
 13.5%
 12.5%
 5.0%
 Avg gross rent \$PSF
 \$17.44
 N/A
 \$25.83
 \$25.57
 \$27.03
 N/A
 Indianapolis
 New Jersey / Delaware
 Jacksonville
 Tampa
 Minneapolis
 Dallas
 % of total rent / NOI
 4.2%
 9.1%
 10.2%
 12.5%
 7.5%
 4.0%
 Avg gross rent \$PSF
 \$22.48
 N/A
 \$20.94
 \$18.74
 \$27.80
 N/A
 Denver
 Austin
 Phoenix
 Richmond

Boston
Birmingham
% of total rent / NOI
4.0%
6.7%
7.4%
10.1%
6.6%
3.0%
Avg gross rent \$PSF
\$27.89
N/A
\$26.00
\$18.94
\$25.09
N/A

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Valuation Update

How We Stack Up Against Management's Estimate of Value

Related/

Corvex

Value

\$248MM

\$236MM

\$194MM

\$366MM

\$110MM

\$113MM

\$1,267mm

\$1,391mm

(1)

CWH Investor Presentation, April 22, 2013.

(2)

Based on concluded value of approximately \$7.1BN.

Our valuation is \$124 million lower than management's own estimates

(1)

of

value

on

nearly

20%

of

the

portfolio

(2)

,

pointing

to

the reasonableness of our \$35 per share NAV estimate

69

Valuation Update

Portfolio Concentration

Top 10 Markets

The Top 10 markets, by concluded value, account for over 50% of the value of the entire portfolio

(1)

(1)

Excludes Australia and land in Austin.

Our weighted average cap rate for the Top 10 markets in CWH's portfolio is 6.8% while the

Edgar Filing: Commonwealth REIT - Form DFAN14A

average implied cap rate of the public peers is 6.7%

Given that the portfolio of assets in CWH's Top 10 markets are comparable or superior to the full portfolios of the average public peer, we believe our weighted average cap rate compares favorably

NOI

Concluded

Concluded

% Concluded

#

City

(\$MM)

Cap Rate

Value (\$MM)

Value (\$PSF)

Value

1

Chicago

\$63

7.2%

\$865

\$204.32

12.4%

2

Philadelphia

\$67

7.0%

\$851

\$185.13

12.2%

3

Austin

\$36

7.0%

\$511

\$202.01

7.3%

5

Bellevue

\$19

5.6%

\$330

\$500.02

4.7%

4

Denver

\$21

6.8%

\$312

\$338.40

4.5%

6
Indianapolis
\$22
7.5%
\$287
\$169.40
4.1%
7
Hoboken
\$12
6.0%
\$194
\$371.33
2.8%
8
Boca Raton
\$12
7.0%
\$172
\$268.60
2.5%
9
Washington D.C.
\$9
5.1%
\$156
\$364.70
2.2%
10
Milwaukee
\$11
7.6%
\$141
\$173.92
2.0%
Top 10 Markets
\$271
6.8%
\$3,817
\$229.93
54.9%

70
Valuation Update
Portfolio
Concentration

Top
20/Top
50
Assets
CWH's entire portfolio has approximately 305 properties but only 50 of these

assets account for almost 80% of total portfolio value

(1)

Based on Company Filings.

Top 20 Assets

The Top 20 assets, by concluded value, account for over 55% of the value of the portfolio, or over 60% if assets held in discontinued operations are excluded

Top 50 Assets

The Top 50 assets, by concluded value, account for nearly 80% of the value of the portfolio, or nearly 90% if assets held in discontinued operations are excluded

We believe CWH's Top 20 assets represent a portfolio of comparable or superior quality relative to the full portfolios of CWH's public peers yet we value CWH's Top 20 assets at a weighted average cap rate of 7.1% while the average public peer trades at an implied cap rate of 6.7%

Subset

Reported

Occupancy

Net Rentable

Area

As-Stabilized

NOI (\$MM)

Cap Rate

Concluded

Value (\$MM)

Concluded

Value PSF

% of Concluded

Value

Top 20 Assets

91.3%

18,380,734

\$285

7.1%

\$3,926

\$213.61

56.5%

Top 50 Assets

90.3%

27,521,106

403

7.2%

5,477

199.00

78.8%

Other Continued Operations

87.5%

9,875,136

62

8.3%

828

83.87

11.9%

Total Continued Operations

89.5%

37,396,242

\$465

7.3%

\$6,305

\$168.59

90.7%

Total Discontinued Operations

(1)

71.3%

8,502,942

63

8.7%

649

76.27

9.3%

Total

86.2%

45,899,184

\$528

7.5%

\$6,953

\$151.49

100.0%

71

Valuation Update

Chicago Portfolio

CWH's Chicago assets account for roughly 12% of the portfolio's total value

Recent

Transactions

120 S. Riverside

Nov-13

\$264 PSF

6.3% cap rate

111 W. Jackson

Dec-13

\$237 PSF

6.5% cap rate

300 S. Wacker

Aug-13

\$220 PSF

6.3% cap rate

While core cap rates are hovering around 6.0%, it should be noted that in three of five cases core office cap rates dipped below 6.0% in 2013.

CBRE Chicago Downtown Office MarketView Q4 2013

625 N. Michigan

Jun-13

\$316 PSF

6.0% cap rate

Source:

Comparable data comes from CBRE, HFF and MBReal Estate

We believe our 7.2% weighted average cap rate and weighted average value per square foot of \$204 compare favorably to recent transaction comparables in the market place

City

NOI (\$MM)

Cap Rate

Concluded

Value (\$MM)

Concluded

Value PSF

Chicago Assets

\$63

7.2%

\$865

\$204.32

72

Valuation Update

Philadelphia Portfolio

CWH's Philadelphia assets account for roughly 13% of the portfolio's total value

Recent Transactions

1500 Spring Garden

Oct-13

\$171 PSF

6.99% cap rate

Commerce Sq I & II

Dec-13

\$175 PSF

6.5% cap rate

This transaction enables us to acquire two of Philadelphia's Trophy-class CBD properties [(Commerce Sq I and II)] at a significant discount to replacement cost.

Gerard H. Sweeney, President and CEO of Brandywine

2000 Market

Mar-13

\$165 PSF

7.0% cap rate

Source:

Comparable data comes from CBRE, HFF and MBReal Estate

We believe our 7.0% weighted average cap rate and weighted average value per square foot of \$185 compare favorably to recent transaction comparables in the market place

City

NOI (\$MM)

Cap Rate

Concluded

Value (\$MM)

Concluded

Value PSF

Philadelphia Assets

\$67

7.0%

\$851

\$185.13

73

Valuation Update

By Asset Type and Vintage

Over 60% of CWH's assets are located in CBD locations or close to 70% if assets held in discontinued operations are excluded

Portfolio Summary - by Property Type

(\$ and SF in millions, except PSF)

of

Cap

Concluded

Concluded
 Property Type
 Properties

SF

Rate

NOI

Value

Value PSF

Office - CBD

52

22.0

7.2%

\$314

\$4,215

\$192

Office - Suburban

188

17.2

7.8%

184

2,256

131

Industrial

47

6.0

8.4%

21

344

57

Other

18

0.8

8.7%

9

138

179

Portfolio

305

45.9

7.5%

\$528

\$6,953

\$151

Portfolio Summary - by Vintage

(\$ and SF in millions, except PSF)

of

Cap

Concluded

Concluded

Vintage

Properties
SF
Rate
NOI
Value
Value PSF
Prior to 2000
70
9.6
7.1%
\$129
\$1,689
\$177
2000 - 2005
97
11.3
7.8%
101
1,248
110
2006 - 2008
70
7.9
8.4%
60
688
87
2009 - 2011
62
12.6
7.3%
180
2,538
201
Since 2012
6
4.5
7.3%
58
790
175
Portfolio
305
45.9
7.5%
\$528
\$6,953
\$151

74

Valuation Update

Footnotes

Footnotes to p. 67

Per estimates from Related. Implied cap rate, TEV/SF, % CBD/urban infill, Avg gross rent \$PSF, and Top 5 Market data include continuing operations only.

Pro forma for acquisition of Thomas Properties Group.

Highwoods data excludes industrial and retail.

Per

Greenstreet

Advisors,
except
for
CWH.
CWH
implied
cap
rates
are
based
on
stabilized
NOI
of
\$528
million.

% of total for top 5 markets represents nine months ended 9/30/2013.

Parkway only discloses rent by market.

Parkway rent per square foot for individual markets as of 12/31/2012.

(2)

(3)

(4)

(5)

(6)

(7)

Source: Company filings, Factset, SNL, Greenstreet Advisors

(1)