CommonWealth REIT
Form DFAN14A
March 12, 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 x

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

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¨ 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

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

KENNETH SHEA

EGI-CW HOLDINGS, L.L.C.

DAVID HELFAND

SAMUEL ZELL

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

Payment of Filing Fee (Check the appropriate box):

x No fee required.

¨ Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

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(2) Aggregate number of securities to which transaction applies:

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(1) Amount Previously Paid:

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(3) Filing Party:

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A New Beginning
Presentation to CWH Shareholders
March 12, 2014

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Executive Summary

A New Beginning
CommonWealth Shareholders Have A Choice Between Two Paths
CWH has underperformed for years due to a severe misalignment of interests in an external management structure through which 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
Not surprisingly, CWH's stock generated a cumulative total return of a mere 7% over a nearly 16-year

span
(1)
during
which
time
CWH
paid
RMR
approximately
$791
million
(2)
in
fees
In
glaring
contrast,
Sam
Zell's
track
record
speaks
for
itself:
Mr.
Zell
created
3
of
the
most
successful REITs in history
As evidenced in the chart on the following page, we believe Mr. Zell's chairmanship of EOP, EQR, ELS has unquestionably maximized value for shareholders over the same 16-year period in which CWH generated 7% returns
4
The
Portnoys
path
of
conflicted
external
management,
value
destruction,
and
the absence of accountability, with which CWH shareholders are all too familiar
OR
Sam Zell s path of aligned internal management and accountability that fosters
the

incentives
critical
in
building
a
successful
company
focused
on
the
long-
term creation of shareholder value
We believe the choice could not be more clear
(1)
From 7/7/1997 (the earliest date on which the Zell-chaired REITs and CWH were all public) to 2/25/2013 (the last trading da
(2)
RMR fees paid per CWH public filings include SIR. 2013 includes fees paid to SIR after deconsolidation on July 1, 2013 to m
figures.

The Choice Is Clear: Value Creation
Sam Zell s Unrivaled Track Record For Value Creation
Total
Return
Performance

Zell-Chaired
REITs
vs.
CWH

vs.
RMR
Fees
(1)
Total returns through February 25, 2013, the day prior to Related and Corvex s initial 13-D filing.
(2)
RMR fees paid per CWH public filings include SIR. 2013 includes fees paid to SIR after deconsolidation on July 1, 2013 to m
disclosed figures.
Sources: Company filings, SNL
(1)
(2)
5
($100)
$0
$100
$200
$300
$400
$500
$600
$700
$800
(100%)
0%
100%
200%
300%
400%
500%
600%
700%
800%
1997
2000
2003
2006
2009
2012
CWH
EOP
EQR
ELS
Cumulative RMR
Fees
EOP:
368%
CWH: 7%
EQR:
422%
ELS:

574%
Cumulative RMR
Fees
since
1997: $791 million
(2)
Cumulative total returns
Zell-Chaired REITs
CWH
Variance
Timeframe
EOP
368%
103%
(265%)
7/7/1997 -
2/9/2007
EQR
422%
7%
(415%)
7/7/1997 -
2/25/2013
ELS
574%
7%
(567%)
7/7/1997 -
2/25/2013

6
The Choice Is Clear: Uniquely Qualified
Sam Zell & David Helfand Have Joined 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

Sam Zell is recognized as a founding father of today s public real estate industry after creating three of the most successful REITs in history: Equity Office Properties Trust (EOP), Equity Residential (EQR), and Equity LifeStyle Properties (ELS)

7
The Choice Is Clear: Alignment of Interests & Accountability
Board & Management Focused On Increasing Shareholder Value
Sam
Zell
and
David
Helfand
fully
support

efforts
to
maximize
value
at
CommonWealth
for
all
shareholders
and
see
an
attractive
opportunity
at
CommonWealth
uniquely
suited
to
their
expertise
in
leading
public
real
estate
companies
and
in
turning
around
underperforming
assets
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
and
utilize
their
expertise
in
turning
around
underperforming
assets
Their
business
philosophy
includes:
A
core
operating
principle
of
aligning
interests
between
company
leadership
and
shareholders
A
conviction
that
an
internal
management
structure
promotes
incentives
to
build
successful
companies
for
the
long-term
creation
of

shareholder
value,
while
external
management
structures
are
flawed
given
inherent
conflicts
of
interest
A
belief
that
shareholders
deserve
good
governance,
transparency
and
accountability
from
company
leadership
A
belief
that
a
public
company s
fiduciary
responsibility
to
its
shareholders
is
paramount
Led by Sam Zell, our highly qualified nominees offer shareholders a choice to elect an accountable and properly aligned board charged with being their advocate

8
The Choice Is Clear: Good Governance
With Good Governance Shareholders Will Always Have A Choice
We
are
concerned
about
any
attempts
to

preclude shareholder rights, and our companies are free of such impediments. With good corporate governance, shareholders will be able to hold their board and managers accountable without having to spend exorbitant sums litigating for the right to do so

if shareholders disapprove of our slate s performance, they can simply

nominate to replace them at the next Annual Meeting
Annual elections for all Trustees beginning at the 2014 Annual Meeting (no staggered board)

Plurality vote for contested elections
A conventional notification process for trustee nominations and other important Company business

i.e., elimination of unreasonably burdensome ownership/holding period requirements

and
other
procedural
roadblocks
No
changes
to
these
provisions
without
a
shareholder
vote

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

The core governance principles below are necessary underpinnings to good governance:

9
The Case For Removal
Irrefutable

Faced with the very clear prospect of a shareholder-led eviction, we find the board elected to submit little more than a redux of its previously failed arguments and suspect methodologies. We expect this circumstance speaks less to the current trustees' ability to submit strong arguments, and more to the fact that there are so few strong arguments to submit
in
favor
of

the
current
trustees:
CW's
unaffected
returns
have
been
objectively
poor
by
any
reasonable
methodology, the fees paid to RMR have been both exorbitant and disproportionate to the middling gains realized by investors and the board has more than once attempted to impose sharply regressive governance policies on CW's independent owners.

-
Glass Lewis Report, March 6, 2014

Underperformance has been irrefutable;
the unprecedented governance malfeasance undeniable

Every
major
principle
of
our
case
for
removal
has
been
validated
by
multiple
independent
third
parties
For
the
second
time
in
nine
months,
ISS
and
Glass
Lewis,
the
two
leading

independent
proxy
advisory
and
corporate
governance
advisory
firms
in
the
U.S.,
recommended
removal
of
the
entire
Board

On balance it seems clear
from the dismal relative and absolute shareholder returns the company eked out before
the dissidents
arrival, to the dissidents
central and compelling argument that this underperformance results from a
misaligned external management structure this board nonetheless continues to support, to the overwhelming long-term evidence of this board s willingness to unilaterally amend the bylaws in support of entrenchment rather than accountability
that the dissidents have made a compelling case that change at the board level is necessary.
-
ISS Report, February 28, 2014

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The Case For Removal
Third
Party
Confirmation

Indisputable
Underperformance
Corvex and Related have presented to shareholders over the past year
extensive data proving indisputably the abysmal long term underperformance

of CWH's Board and management team
On March 19, 2014, Glass Lewis agreed:
In our view, there is absolutely no way to slice and dice the data in favor of the Portnoys

their performance has been horrible
In our opinion, this portion of the overall argument is effectively concluded, both because the Trust's trading history since February 25, 2013 has been impacted by the public involvement of Corvex/Related and, of equal import, because the data points prior thereto offer clear and largely irrefutable perspectives on the performance of incumbent management and the board.
As covered at length in our prior report, CW

vastly underperformed a relevant peer set, the S&P 500 Office REITs Index and the S&P 500 REITs Industry Index for the one-, three- and five-year periods ended February 25, 2013.

Glass Lewis Report, March 19, 2014

11
The Case For Removal
Third
Party
Confirmation

Corporate
Governance
Malfeasance
Corvex

and
Related
have
documented
the
Portnoys
inexcusable
governance
malfeasance as well as an unmistakable pattern of behavior that leaves no
doubt as to where their true intentions lie
On February 28, 2014, ISS agreed:
To
breezily
reappoint
[following
the
2013
annual
meeting]
a
nominee
just
rejected
by
four
out
of
five
shareholders
underscores
the
central
concern
the
dissidents
have
articulated:
whether
there
is
any
attentiveness within this board to the concerns of the owners, rather than the managers, of the
company.
The numerous bylaw changes over the past several years not simply the ones proposed after the
Arbitration Panel ruled against the board suggest the board s attention, instead, has gone to
reinforcing its defenses. Particularly noteworthy is the 2008 amendment which require that at least
two
trustees
be
members

of
management
or
involved
in
day-to-day
operations a
bylaw
which
swims
upstream against the pronounced, shareholder-driven trend over the last decade of enhancing a
board s independence from management.
ISS Report, February 28, 2014
The
Portnoys
intentions
are
revealed
in
their
actions,
not
in
their
promises
or
what is written in their governing documents

12

The Case For Removal

A Vote on Leadership

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

Perhaps the most brazen tactic to eviscerate shareholder rights that the Portnoys employed
over
the
past

year
was
a
secret
attempt
to
change
Maryland
law
(1)
:

RMR,
an
external
service
provider
that
owns
virtually
no
shares,
sponsored
secret legislation to strip the only right shareholders have to hold them accountable

Had they succeeded, the Portnoys would have finally cemented their control over CWH for good

Equally appalling, the Portnoys attempted to railroad their proposal through the Maryland Assembly at the last minute rather than process it through a standard, legislative process
An imperfect governance framework is only as good as those entrusted to govern
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
(1)
See SEC filed presentation entitled The Portnoys Unsuccessfully Try To Change Maryland Law: A Case Study On Th
Pernicious Effects Of External Management dated March 7, 2014. Also available at www.shareholdersforcommonwealth.co

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The Case For Removal
A Vote on Leadership (cont.)
Imposed illegal, unilateral bylaw amendments to prevent any consent solicitation, a right plainly granted by the Declaration of Trust since 1986
Effected a massively dilutive equity offering priced at less than 50% of book value, increasing the 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
over
$30
million
of
shareholders
money
on
a
year-long
litigation
process
in
a
brazen
campaign to systematically disenfranchise shareholders
The
Portnoys
unconscionable
actions
over
the
past
year
speak
volumes
about
whether they are fit to lead this company
In addition to the secret attempt to change Maryland law, over the past year the Board also deliberately:
A few months of ineffective governance alterations cannot erase the inexcusable actions of this Board over the past year, much less 28 years of underperformance

14
The Case For Removal
A Clear and Open Path
The Choice Is Clear
The escape path for long-suffering shareholders leads to a destination that is indisputably superior to where shareholders have been for 28 years
Sam Zell s track record in REITs paints a clear picture of what the future CommonWealth will look like
Meanwhile,
the

Portnoys
28-year
history
of
underperformance
and
corporate
governance
malfeasance paints an equally clear picture of how the future will look without board removal
The Portnoys are effectively telling shareholders (again) that they do not really
have the ability to exercise their charter-given right to remove the Board,
because now the path to a new board is obstructed by a parade of horribles
rather than the Portnoys
governance malfeasance of the past year
As
we
outline
in
the
Appendix,
we
firmly
believe
the
Portnoys
risks
are
extremely
remote
and are dwarfed by the near certain value destruction that will take place, in our view, if the
Portnoys are left in place
ISS
and
Glass
Lewis
specifically
address
the
Portnoys
parade
of
horribles
and
agree
the
risks are remote
Holders of 70% of the outstanding shares dismissed these scare tactics last year

15
Removal Of The Entire Board Is the Necessary Path
Portnoys Acknowledge Governance Proposals Were Window Dressing
This
comes
after
months
of
touting
their

corporate governance epiphany and telling shareholders that CommonWealth had adopted best-in-class corporate governance.

Which other hollow Portnoy promises are unilaterally reversible?

Exactly how many seats will be up for nomination at the 2014 annual meeting?

The Bylaws still contain a requirement that two trustees be at all times employees of RMR.

If Barry Portnoy does not receive the requisite vote at the 2014 annual meeting, will he accept re-appointment like Joe Morea did in 2013?

Will the Trustees amend the Bylaws such that the new improved nomination process cannot be amended without a shareholder vote?
Nothing stops the Board from re-introducing restrictive access provisions like a 3%/3-year holding requirement for nominations at the 2015 Annual Meeting.

Why does the Board refute the ability of the Arbitration Panel that protected shareholders rights to decide future challenges by shareholders?
That means shareholders who have an issue with future bylaw amendments will have to spend tens of millions of dollars to initiate a new arbitration while the Portnoys spend tens of millions of shareholders money fighting back.

Will the Portnoys try to change Maryland law again?
Ten days before the consent deadline the Portnoys acknowledge that their proposed Board de-staggering was a hollow promise that could have been unilaterally reversed at any time.

16
Removal Of The Entire Board Is the Necessary Path
Portnoys Have Actively Opposed The Customary Channel
The Portnoys proclaim that the removal of an entire Board is unprecedented,
but so too are the abysmal performance and inexcusable governance
malfeasance at CWH
CalPERS pushed for the annual election of all trustees at Hospitality Properties Trust (HPT),
another RMR-managed REIT every year from 2009-2013

In 2012, CalPERS was joined by five other pension funds (CalSTRS, Public Employees

Retirement Association of Colorado, Florida State Board of Administration, North
Carolina
Retirement
Systems
and
Ohio
Public
Employees
Retirement
System)

After 5 years, the Portnoys only proposed the same misleading de-staggering structure
in 2013 that they proposed at CWH

Even
if
the
board
is
actually
de-staggered
in
2016,
it
will
have
required
eight
years
to effect change at HPT

For the past three consecutive years, shareowner proposals to declassify the board won overwhelming
support
from
shareowners,
receiving
in
each
year
a
supermajority
of
the
votes
cast
and
a
majority
of
outstanding shares. The proposal received support from over 73 percent of voting shares in 2009, over 90

percent in 2010 and over 88 percent in 2011. The company has yet to adopt the reform.

In 2010, a shareowner proposal to eliminate HPT s supermajority voting requirements won support of more than 88 percent of voting shares and 70 percent of the outstanding shares. The company has yet to adopt this reform.

Pension Fund Letter to Shareholders, April 26, 2012

Instead, the Portnoys claim shareholders have a clear path using customary channels, yet they have repeatedly and actively blocked this path

17
Removal Of The Entire Board Is the Necessary Path
Portnoys Have Actively Opposed The Customary Channel
In 2008, Locksmith sought the election of two nominees to the Board of TravelCenters of America, a Portnoy-managed public company, and a vote to declassify the Board
The
proposals
did
not
even

reach
a
vote
and
Locksmith
was
forced
to
give
up:

Similarly, the customary channel did not work out well for Locksmith Capital Management

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.

Locksmith Capital Management, April 2008

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Removal Of The Entire Board Is the Necessary Path
Potent In-place Bylaws Block The Customary Channel
The Portnoys neglect to mention critical gating issues that effectively block
shareholders
ability
to
achieve
meaningful
representation

on
the
Board
via
the
customary channel
The
Managing
Trustee
bylaw:
The Portnoys misleadingly claim a majority of the board will stand for one year terms in 2015

Yet, the bylaws require two RMR employees to always be on CWH s Board

Barry and Adam Portnoy currently fulfill that requirement but they stand for election in 2014 and 2015, respectively, effectively shielding their two seats from being filled by new nominees

If Barry and Adam Portnoy s two seats must be held by RMR, shareholders cannot practically elect new trustees to a majority of the board in 2015 as the Portnoys claim

As a result, shareholders must wait until 2016 to effect any real change

However even that conclusion assumes the Portnoys do nothing to impede or
frustrate
shareholder
action
as
they
have
repeatedly
done
in
the
past
We have publicly asked the Board to clarify whether they will continue to maintain this bylaw requirement

The Board has yet to respond
The
Managing
Trustee
bylaw
exposes
the
Portnoys
recent
governance
alterations

as
mere window dressing

19
Removal Of The Entire Board Is the Necessary Path
Potent In-place Bylaws Block The Customary Channel
(cont.)
Even
if
the
Portnoys
eliminate
the

Managing
Trustee
requirement,
they
still
have at their disposal other potent tools that block the customary channel
The
Portnoy
Board
retains
the
unilateral
power
to
amend
the
bylaws

This power alone has proven to be a potent means of blocking shareholder action as we discovered over the past year, and Lockwood discovered in 2008

Corvex/Related have spent the past year and tens of millions of dollars to strike down illegal bylaw amendments aimed at eliminating the right to hold a consent solicitation

We and the Portnoys are in the same position with the solicitation process that we would have been in one year ago had the Portnoys not passed illegal bylaw amendments

However, as is their strategy, the Portnoys have succeeded in creating a lengthy and expensive process for effecting change, while funding their entrenchment with shareholder funds rather than their own
In other words, nothing stops the Portnoys from re-inserting the 3%/3-year bylaw for Trustee nominations at future annual meetings

In
fact,
Select
Income
REIT
(SIR)

another
RMR-managed
REIT

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

The SEC had questioned the clause during SIR s IPO process

The
unilateral
power
to
amend
the
bylaws
exposes
the
Portnoys
recent
governance
alterations as mere window dressing

20
Removal Of The Entire Board Is the Necessary Path
Potent
In-place
Bylaws
Block
The
Customary
Channel
(cont.)

The Portnoy Board also retains the ability to reinstate hand-picked Trustees who fail to be elected by shareholders

The Portnoy Board at CWH reinstated Joe Morea in 2013 after he received the votes of only 14% of the outstanding shares and 21% of the shares voted

The Portnoy Board at HPT reinstated William Lamkin in 2013 after he received the votes of only 31% of the outstanding shares and 43% of the shares voted

The Portnoy Board at HPT reinstated Dr. Bruce Gans in 2012 after he received the votes of only 32% of the outstanding shares and 42% of the shares voted

The Portnoys have also shown an aptitude for using even the most

innocuous
bylaws
to
silence shareholders

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
(1)
Their long-term pattern of behavior combined with the potent entrenchment tools
still
at
their
disposal
prove
the
Portnoys
customary
channel
is
a
red
herring
designed to trap shareholders in a cycle of litigation and delay
With

no reliable ability to act via the customary channel, the Portnoys recent governance alterations are exposed as mere window dressing

The Portnoys potent tools (cont.):

(1) See SEC filed presentation entitled A Case Study in Worst-In-Class Corporate Governance: The Portnoys' Red Tape Bylaws dated February 6, 2014. Also available at www.shareholdersforcommonwealth.com.

21
Removal Of The Entire Board Is the Necessary Path
Portnoys Do Not Prefer Constructive Engagement That Leads to Real Accountability
Corvex/Related strongly prefer constructive engagement, but the shareholders
of CWH have issued a mandate demanding real accountability and an
unambiguous
ability
for
shareholders
to

choose
who
should
manage
their
company

We prefer and have a history of constructive engagement, but based on the Portnoys demonstrated aversion to real accountability, it appears that the Portnoy Board and real accountability cannot co-exist at CommonWealth

Unfortunately, the Portnoys repeatedly demonstrate an aversion to accountability:

They secretly attempt to change state laws to avoid having to face a shareholder vote

They impose illegal bylaw amendments to avoid having to face a shareholder vote

They reinstate hand-picked trustees who fail to win re-election

They publish financial analyses with cherry-picked time frames to exclude periods of their underperformance

They tout recent financial results that exclude hundreds of properties whose underperformance they are directly responsible

Most telling, the Portnoys continue to cling to the incredulous and intransigent claim that external management benefits CWH shareholders despite all evidence to the contrary

If
that
is
the
Portnoys
unshakable
belief,
and
they
own
100%
of
the
external
manager,
how
likely
are
they
to
truly
engage
constructively
if

it means subjecting the external manager (and themselves) to real accountability?

22
Over the past year, the Portnoys have apparently scoured all of CWH s
documents in search of the most minor technical issues with which to mislead
shareholders and frighten them from voting for change, even though such issues
have little practical relevance
Board Transition
Exposing the Portnoys
Scare Tactics
Most appalling, however, is that it is well within the ability of the Portnoy Board to provide for a
seamless transition and thereby preclude their highly unlikely parade of horribles

from ever occurring
With all of the potent tactics at the Portnoys disposals to block shareholder action, why is it impossible for them to use the same tools for the benefit of shareholders, particularly with assistance from the Arbitration Panel??
What does it say about their true intentions that they don t?
Ironically, had the Portnoys read the charter s board removal provisions equally as carefully and literally, perhaps a year of litigation and tens of millions of dollars in expenses could have been prevented
As is their custom, the Portnoys are distorting the truth by removing context, misdirecting shareholders
attention, and relying on half-truths,
They are effectively telling shareholders (again) that they do not really have the ability to exercise their
charter-given
right
to
remove
the
Board,
due
to
the
parade
of
horribles
that
will
befall
CWH
if they do
In
the
Appendix,
we
address
each
of
the
Portnoys
scare
tactics
and
explain
what
the
Portnoys
are not telling shareholders about their parade of horribles

23
Timeline
The
Panel
set
forth
the
following
procedures
for

the new consent solicitation:

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

Corvex and Related submitted a formal request for a record date on February 14, 2014

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

On February 10, 2014, CWH announced a record date of February 18, 2014, conditioned on their receipt of the record date request that Corvex and Related have now delivered

In accordance with the Arbitration Panel s interim award our consent solicitation will be completed no later than March 20, 2014

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

24
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)

25
Appendix

26
I. Exposing The Portnoys
Scare Tactics

27
The
Portnoys
have
repeatedly
stressed
SEC
sanctions
(1)
and

NYSE
delisting
as
horrors
that
will
befall
the
Company
if
our
consent
solicitation
is
successful,
because
CommonWealth will temporarily be left without a board with a majority of independent
trustees and an independent audit committee
The
mission
of
the
U.S.
Securities
and
Exchange
Commission
is
to
protect
investors,
maintain fair, orderly, and efficient markets, and facilitate capital formation.
-
SEC Mission, available at sec.gov

We firmly believe the SEC and NYSE are unlikely to take action for temporary noncompliance that results from a supermajority of shareholders exercising their rights and choosing new leaders

Regulations requiring a majority independent board and independent audit committee are intended to ensure accountability to public shareholders

Shareholders taking advantage of their first opportunity in 28 years to hold trustees accountable should, in our view, be applauded by regulators
Reality
Exposing the Portnoys
Scare Tactics
Portnoys Fail to Understand Purpose of the SEC & NYSE
(1)
We do note that in their latest Presentation dated March 5, 2014, the Portnoys downgraded the threat level related to SEC matt

longer refer to sanctions . The Portnoys have not disclosed the reason for their change of heart.
Portnoys
Complaint

28
Exposing the Portnoys
Scare Tactics
Portnoys Fail to Understand Purpose of the SEC & NYSE (cont.)
ISS Agrees With Us
While
the
risk
of
sanction

by the SEC or delisting by the NYSE is a serious consideration, both the underlying reason for any rule violation shareholder s exercise of their governance rights, rather than willful violation by a sitting board

may mitigate this particular regulatory risk. The point of a regulation requiring a majority-independent board or audit committee, after all, is to help ensure accountability to public shareholders which might be endangered by too close an affinity with management. It seems unlikely, therefore, that regulators would rush to sanction a company where a supermajority of shareholders felt the entire board had demonstrated such lack of independence that it need be removed particularly when the bylaws already provide for a clear, and relatively swift (in regulatory time), resolution of the unintended regulatory violation.

-ISS Report , 2/28/14

29
Removal of the Board of Trustees of CommonWealth will give competing landlords an opportunity to take advantage of the uncertainty

Removal of the Trustees will not immediately impact property operations

RMR has acknowledged it will continue to manage the properties until the new board terminates contracts and transitions management

Only

5.8%
of
CWH s
annualized
rental
revenue
expires
during
all
of
2014
(1)

Tenants with leases expiring during transition to the new board still face the same switching costs
of tenants whose leases expire outside of a transition period

Office tenants are often loathe to disrupt their businesses and incur the costs associated with moving, with the transition of the CWH Board likely factoring little into such decisions

CBRE
has
agreed
to
provide
interim
property
management
services
(2)

Sam Zell and David Helfand plan to bring to CWH their highly qualified and experienced management team
Reality
Exposing the Portnoys
Scare Tactics
Management of Properties Will Not Be Immediately Impacted
(1)
Per Company filings.
(2)
CBRE will perform management and leasing services on customary terms to be agreed to in the event CWH s management ag
terminated.
Portnoys
Complaint

30
ISS Agrees With Us
Exposing the Portnoys
Scare Tactics
Management of Properties Will Not Be Immediately Impacted (cont.)

The actual business risk to the company is less clear, given that there should be no change to management at the C-suite level or at the property level. Any competent competitors would likely try to take advantage of any uncertainty at CommonWealth; at the same time, it is worth noting that the company leases office space, where tenants generally lock into multi-year leases and face significant switching costs in everything from moving

expenses to business disruption suggesting there is low risk of meaningful lease cancellations during a comparatively short period between boards. RMR, moreover, will continue to manage the company under its contract regardless of whether a board is in place, and the board has stated that it intends to take all appropriate action to mitigate any resulting harm to Commonwealth and its shareholders if the consent solicitation is successful.
-ISS Report dated 2/28/14

31
The Portnoys believe that the Rating Agencies are likely to immediately downgrade CWH s unsecured debt rating to below investment grade.
Reality

It is widely known in the marketplace that rating agencies are deliberative organizations and we fully expect them to take the time to meet with the new Zell-led board and management team rather than issue a knee-jerk rating based on false statements issued by the Portnoys prior to their removal

Zell-chaired REIT Equity Office Properties was investment grade and operated with prudent financial management during its life as a public company

Zell-chaired REIT Equity Residential Properties has been investment grade for at least 15 years

Zell-chaired REIT Equity LifeStyle Properties has no public debt outstanding or agency rating, but is operated with modest leverage and prudent financial management policies

Corvex and Related have never proposed selling CWH s best assets and engaging in imprudent financial management

In fact, S&P recently downgraded CWH s issuer rating to below investment grade status in June 2013, noting concerns that external management structures can potentially result in a weaker alignment of interests between shareholders and management when compared with internally managed REITs.

Downgrade
was
issued
in
spite
of
the
Portnoys
massively
dilutive
equity
offering
of
February
2013
which was executed expressly for the purpose of avoiding a rating agency downgrade
Portnoys
Complaint
Exposing the Portnoys
Scare Tactics
The Risk Of A Rating Agency Downgrade is Minimal

32
ISS Reaction
Exposing the Portnoys
Scare Tactics
The Risk Of A Rating Agency Downgrade is Minimal
The risk of a credit downgrade which the board argues would be realized immediately is also a credible risk. Shareholders should note, however, that the company was downgraded in 2013 for, among other things, the competitive risk inherent in having an external manager structure. As importantly, neither Moody s nor S&P has issued any warnings related to, or put the company on credit watch negative for, the risk the board

might be replaced by shareholders, despite the fact the 2013 consent solicitation demonstrated enough support among shareholders to make that a distinct possibility in the current effort. Any rating downgrade issued in response to the removal of the incumbent board, moreover, would presumably be up for review once a new board were elected and a restoration to at least the current rating might be all the more likely if the new board also acted to eliminate the external management structure which occasioned last summer s downgrade.

-ISS Report dated 2/28/14

33
Removal
of
the
board
will
trigger
preferred
shareholders
right

to
convert
their
shares
and will dilute existing common shareholders

If the consent solicitation is successful, Series D preferred shareholders will have
the
right
to
convert
at
a
2%
discount
to
the
prevailing
market
price
of
the
stock
(1)

The governing documents contain a mechanism to repurchase the Series D preferred shares for its liquidation preference plus accrued dividends which would enable us to avoid a problem if the current board is willing work together cooperatively

While we believe it is preferable to avoid conversion of the Series D preferred, we find it ironic that the Portnoys are concerned that preferred shareholders could
convert
their
shares
at
a
price
near
current
levels
(in
the
high
$20 s
per
share),
when
the Portnoys themselves issued shares representing 29% of the current shares outstanding

at
$19
per
share
one
year
ago
despite
protests
from
their
largest
shareholders
Reality
Portnoys
Complaint
Exposing the Portnoys
Scare Tactics
Conversion Of Preferred Stock Is A Minimal Risk
(1)
Market price means, with respect to any Fundamental Change Conversion Date, the average of the Closing Sale Prices of the C
five (5) consecutive Trading Days ending on the third Trading Day prior to the Fundamental Change Conversion Date. See Co

34
ISS Report
WE AGREE WITH ISS
Exposing the Portnoys
Scare Tactics
Conversion Of Preferred Stock Is A Minimal Risk

Without an extant board, the company might in fact be unable to borrow $380 million to repurchase preferreds from holders who wish to convert, and common shareholders would experience dilution of about 12%. This is, however, a feature of the preferred security itself, not a new wrinkle created by the consent solicitation.

Were the company
unable to borrow the $380 million to repurchase the preferreds directly, moreover, it could achieve the same end fending off dilution to common shareholders by authorizing a repurchase program for an equivalent amount of common shares once a new board is in place. Any dilution risk which common shareholders would prefer the board eliminate through cash repurchases, therefore, could be eliminated just as effectively after a new board is seated.
-ISS Report dated 2/28/14

35
Upon removal of the board, the Portnoys claim bank lenders will call a default and accelerate CommonWealth s debt.
Reality

The bank debt is currently trading above par highlighting the high credit quality and safety with which the market views the debt

It is widely accepted amongst sophisticated market participants that institutional lenders have a strong

preference
to
avoid
acceleration
or
foreclosure
due
to
the
substantial
expenses
involved

With
the
debt
trading
above
par,
there
is
no
financial
incentive
to
accelerate
or
foreclose
and
by
doing so generate a recovery that will likely be less than par due to the expenses involved

Institutional lenders are also in the relationship business and not in the business of foreclosing
on
valuable,
performing
debt
issued
by
desirable
clients

ie,
banks
do
now
want
to
own
CWH

in
our
view

Sam Zell has a long history of success running public REITs. We believe lenders will be encouraged by the opportunity for Zell to be chairman of CWH

We have publicly committed to purchase 51% of the bank debt to prevent acceleration if necessary

Any member of the lending group can therefore sell debt to us rather than incur foreclosure
expenses
in
the
highly
unlikely
event
such
member
is
considering
acceleration

CWH s claim that a waiver of default requires two-thirds approval ignores the fact that calling an acceleration in the first place requires the support of 50% of the debt

We will simultaneously seek to obtain waivers from lenders and begin the process to refinance the
debt
if
necessary,
which
we
can
believe
can
be
accomplished
in
a
timely
manner
Portnoys
Complaint
Exposing the Portnoys
Scare Tactics
Acceleration Of Debt Is Highly Preventable

36
WE AGREE WITH ISS
ISS Report
Exposing the Portnoys
Scare Tactics
Acceleration Of Debt Is Highly Preventable
-ISS Report dated 2/28/14
That lenders might call the company s debt is possible, but whether it is likely remains unclear. The debt which is publicly traded currently trades above par, creating an economic disincentive for holders to call a default. For another, lenders are generally more concerned with changes to a company s business

outlook which directly affects a company s ability to service its debt than with changes to the composition of its board. Given the dissidents have nominated Zell, a well-known REIT investor and executive with a long history of success, lenders might well believe the company s business prospects would grow brighter, rather than dim, with the proposed board change.

37
Removal of the board may impact the Company s ability to pay dividends to shareholders.
Reality

The last dividend to shareholders was paid on February 21, 2014

Historically, the next dividend will not be paid until late May 2014

If the current board decides not to declare and approve payment of the next dividend before the Trustees are removed, we believe there will be ample time for the new board to declare and pay the dividend before the end of May

We do not believe the potential delay of one quarter s worth of dividends will harm shareholders in a material way, particularly in light of the dramatically improved outlook for the Company under new leadership

Portnoys

Complaint

Exposing the Portnoys

Scare Tactics

Next Dividend Can Be Authorized By Current Or New Board

38
II. The Portnoys
Latest Financial Distortions

39
The Portnoys
Latest Financial Distortions
Exercise Caution!
On
the
following
pages,
we
highlight

some
of
the
Portnoys
most
egregious
financial distortions of the truth
Given
the
numerous
errors
and
misleading
financial
analyses
the
Portnoys
have
presented
over
the
last
few
weeks,
we
caution
shareholders
to
view
any
claims
or
statistics
asserted
by
the
Company
with
a
healthy
dose
of
skepticism
Glass Lewis Agrees:
What it appears the board was ultimately able to take away from this marginally
mitigated
defeat
--
and
how

it
elected
to
address
the
decidedly
foreseeable
effort
by
Corvex
and
Related
to
further
pursue
comprehensive
board-level
change
--
reflects,
in
our view, a disconcertingly intransigent reliance on half-truths, misdirection and flatly disingenuous analyses as a means to preserve the status quo.
Glass Lewis Report, March 19, 2014

40
The Portnoys' Latest Financial Distortions
External Management   Benefits Shareholders
The
Portnoys
make
the
incredulous
claim
that

external management benefits shareholders and base this claim on immaterial financial metrics that are erroneous and extremely misleading

Further, the statistics the Portnoys tout are the epitome of myopic financial analysis, a classic example of losing the forest between the trees

In reality, the pernicious effects of external management are glaring when viewed through a more holistic lens:

The externally managed REIT structure creates conflicts of interest that are so severe, we don t believe we can quantify the share price discount an investor should require to buy any of these companies. As a result, we have long deemed the Portnoy REITs to be uninvestable .

Green Street, March 1, 2013

CWH has paid the Portnoys nearly $800

million in cumulative fees since 1997 while shareholders have experienced a meager 7% total return and -79% share price decline
The twisted incentives of externalized management have motivated the Portnoys to engage in unconscionable governance malfeasance in order to protect their external fee stream
Wall Street analysts explicitly discount CWH for its external management structure:
The REIT industry long ago recognized the need to leave behind the inherent flaws of the external management structure in order to create mutually beneficial and aligned relationships between shareholders and management

Out of approximately 108 equity REITs with greater than a $1 billion market cap and greater than 1 year in the public markets, only seven are externally managed today, five of which are Portnoy REITs

41
The Portnoys' Latest Financial Distortions
G&A Expense
The Portnoys claim that CWH benefits from being externally managed by RMR
based on incorrect & misleading G&A statistics
However,
presenting
G&A
statistics
in

a
vacuum
completely
misses
the
mark,
and
is
an
obvious
attempt
to
distract
shareholders
from
the
real
issues
RMR runs CWH in this manner because they are not in the real estate business, in our view,
but
the
AUM
(1)
business
in
which
they
are
compensated
to
grow
the
size
of
the
Company
rather than its profitability
When comparing NOI margin % as well as same store NOI performance over the last several years vs a true peer set, CWH has clearly underperformed as shown on pages 84-85
We believe this is explained by, among other things, the fact that G&A at CWH is composed primarily of fees to RMR and RMR in turn uses only a skeleton leasing and asset management staff in order to optimize profits for an external service provider: the Portnoys
Meanwhile, G&A at internally managed REITs
is spent on value additive expenses: people,
services, equipment, etc., in order to maximize profits for the company rather than for an outside party
RMR s
skeleton
leasing/asset
management

staff
manages
5
REITs
(>$20B
in
assets)
and
also the Portnoys
private real estate holdings, which altogether encompass an excessively
wide range of property types: office, industrial, retail, hospitality, senior housing, and land
Based on our extensive diligence in the field, the staff at RMR is smaller than that of much
smaller real estate organizations who focus on just a single property type
1)
AUM
refers to Assets Under Management.

42
The Portnoys' Latest Financial Distortions
G&A Expense (cont.)
For the record, we also believe that in their presentation of 3/5/14, the Portnoys understate pro forma G&A expense by 11% and also use a faulty peer set to create misleading financial analyses
The Company uses a faulty peer set:

PKY manages 12.2 million square feet of office space for third parties on top of the 17.6 million square feet

it
owns
outright
and
therefore
incurs
substantially
greater
G&A
expense
relative
to
Revenues,
Gross Real Estate Assets, and NOI

LRY maintains a larger than normal construction and development operation and is also an industrial property REIT but CWH has very limited industrial exposure in continuing operations

CLI s properties are highly concentrated in a geography that is widely viewed as being in secular or
long
term
decline
and
therefore
generates
below
average
revenues
and
NOI

DRE is an industrial REIT and does not belong in the peer set
When the Portnoys
financial analysis is performed correctly, pro forma G&A expense ratios
for
CWH
appear
to
be
roughly
in
line
with
a
true
peer
set
rather
than
significantly

better
But
as
we
note
on
the
prior
page,
this
ignores
the
impact
of
the
skewed
incentives
and
poor
management
practices
of
external
management
on
NOI
performance

43
The Portnoys' Latest Financial Distortions
Fourth Quarter 2013 Same Property NOI
The
Portnoys
tout
highly
misleading
Q4
same

property NOI results as vindication for their purported business plan

We remind shareholders that CWH s same property NOI excludes 205 underperforming buildings placed in discontinued operations (out of an original portfolio total of 439 at Q4 2012) that have been either sold or impaired for a total loss of $415 million (or $3.51 per share) (1)

CWH no longer reports same store NOI statistics for this discontinued portfolio

The Portnoys would like to disown the abysmal performance record of the discontinued portfolio, but if the Portnoys are not accountable, who is?

The Portnoys never cease to demonstrate an aversion to accountability

As depicted on the following pages: since Q4 2002, CWH has reported 45 quarters of same property NOI statistics, during which time there have been 7 flashes in the pan of positive growth, while the remaining 38 exhibited average negative growth of 3.6% (2)

During the same time period, CWH total return performance lagged peers (3) by 26%

On the earnings conference call, Adam Portnoy admitted the stated growth rate of 8.4% would actually be 5%, excluding a nonrecurring expense from Q4 2012

1) Represents the sum of 1) Loss on

asset
impairment
from
discontinued
operations,
2)
Loss
from
discontinued
operations;
and
3)
Net
gain
on
sale
of
properties
from
discontinued operations, for 2012 and 2013, per company filings.
2)
Represents
GAAP
NOI
vs
Cash
NOI.
Unlike
almost
all
other
REITs,
CWH
did
not
begin
disclosing
same
property
NOI
growth
on
a
cash
basis
until
mid-2013.
3)
Peers include: PKY, HIW, CUZ and BDN.
No one but the Portnoys are making the incredulous claim that CWH has outperformed:

We also strongly caution against making long term extrapolations from a single period:

44
The Portnoys' Latest Financial Distortions
Fourth Quarter 2013 Same Property NOI (cont.)
The Dangers of Extrapolation: In 2006, it appeared that CWH s plan to acquire
to industrial properties was working
Year-over-year Same Property NOI Growth 2002-06, by quarter
(12.0%)
(10.0%)
(8.0%)
(6.0%)

(4.0%)
(2.0%)
0.0%
2.0%
4.0%
6.0%

45
The Portnoys' Latest Financial Distortions
Fourth Quarter 2013 Same Property NOI (cont.)
Putting
It
In
Context:
Does
it
look

like
the
Portnoys
business
plans
have
ever
worked ?
Year-over-year Same Property NOI Growth since 2002, by quarter

46
The Portnoys' Latest Financial Distortions
Their Business Plan Is   Working
The Portnoys tout their purported portfolio repositioning as their salvation for nearly three decades of underperformance
But CWH shareholders have seen this movie before, and know how it ends
Over its 28-year history, CWH has operated a wide variety of property types: senior housing,
hospitality, industrial, office, land, vineyards, etc.
CWH has also operated in every region of the U.S. as well as internationally

In other words, CWH has always lacked a true strategy other than the indiscriminate accumulation of assets to generate fees for an external service provider

Over its history, the Company has transitioned to various property types not for strategic real estate reasons, in our view, but to optimize the marketing of equity offerings and maximize the size of the Company

What shareholders are now witnessing in real time is yet another such meandering transition, disguised as a business plan

Regardless of property type, geography, purported business plan, or timeframe, the results at CWH have always been the same: dismal underperformance

But what has remained constant is the management team

Rather than reset the property

portfolio,
perhaps
it s
finally
time
to
reset
the
management team

47
The Portnoys
Latest Financial Distortions
The Portnoys Cherry-Pick
Timeframes To Skew CWH Stock Performance
Portnoys
Distortion
(1)

By selecting 1/1/2011 as an end date for their performance comparison above, the Portnoys ignore the period of 2011 through early 2013 as if they are only accountable for performance during periods of their choosing

The
Portnoys
actions
repeatedly
demonstrate
an
aversion
to accountability
Reality
See footnotes on p. 88.

By selecting 2/28/2014 as an end date for their performance comparison above, the Portnoys attempt to take credit for
almost
a
full
year
of
stock
performance
that
occurred
after
Corvex and Related filed their initial 13-D
(2)
Excludes over 2 years
of recent history
~1 year after
Corvex/Related s
initial 13-D filing
Last trading day
before
Corvex/Related s
initial 13-D filing
Total Shareholder Return
1/1/2000 to 2/28/2014)
172%
147%
CWH
Office REIT Peers
Average
(
101%
97%
CWH

Office REIT Peers
Average
Total Shareholder Return
(1/1/2000 to1/1/2011)
52%
148%
CWH
Office REIT Peers
Average
Total Shareholder Return
(1/1/2000 to
2/25/2013)

The Portnoys are attempting to disclaim selected periods of underperformance, while taking credit for outperformance for which they are not responsible, but in our view there is no way to slice and dice the data in favor of the Portnoys their performance has been horrible

48
The Portnoys
Latest Financial Distortions
More Errors and End Dates
Portnoys
Distortion
(1)
Reality
1)

CommonWealth REIT Presentation to Shareholders, p. 8, 3/5/14.
Source: Bloomberg, Factset

The
Portnoys
select
an
end
date
of
February
22,
2013,
presumably
because
they
prefer
that
shareholders
overlook the massively dilutive equity offering they announced on the next trading day, February 25, 2013, which drove CWH s stock price down **12.1%**
in a single day

Even if February 22 were an appropriate end date, the Portnoys appear to miscalculate CWH s total return by an additional 154 percentage points, for a total misstatement of over 200 percentage points
Last trading day
before
Corvex/Related s
initial 13-D filing
Total Shareholder Return
(1/2/1990 to 2/22/2013)
639%
589%
CWH
S&P 500 Index
414%
579%
CWH
S&P 500 Index
Total Shareholder Return
(1/2/1990 to 2/25/2013)
The Portnoys selected as an
end date the last trading day
before
the announcement of
their massively dilutive equity
offering which **drove the**
stock down 12%
While we question the analytical value of comparing an office REIT with the S&P 500 rather than its office peers over the extended period in question, we believe the deceptiveness of the Portnoys

analysis is particularly appalling

49
III. The Portnoys
Reversible Governance
Alterations In Context

50
The Portnoys
Reversible Governance Alterations In Context
The Portnoys' Governance Alterations Are Illusory
All of the Portnoys' alterations are ineffective, and most importantly nearly all are 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

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 obvious 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
The
Portnoys
Check-the-Box
governance
alterations
create
the
illusion
of
reform,
but
still
bring

zero
incremental
accountability
and
therefore
offer
no
guaranteed
ability
for
shareholders
to
choose
who
runs
their
company

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

51
The Portnoys
Reversible Governance Alterations In Context
Reality
Annual Elections
Portnoys
Window Dressing
Why It s All Smoke and Mirrors
Propose
declassification

of
Board
at
the
2014
annual
meeting
Requires a total of 4 annual meetings

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

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?

52
The Portnoys
Reversible Governance Alterations In Context
Why It s All Smoke and Mirrors
Reality

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
Portnoys
Window Dressing
Board Composition

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 before 2014 annual meeting

Added share ownership guidelines

53
The Portnoys
Reversible Governance Alterations In Context
Why It s All Smoke and Mirrors
Reality

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

Portnoys
Window Dressing
Red Tape Bylaws
Bylaws amended to have a seemingly less offensive process of trustee nominations at annual meeting

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

54
The Portnoys
Reversible Governance Alterations In Context
Why It s All Smoke and Mirrors
Reality

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
Portnoys
Window Dressing

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
Poison Pill

55
The Portnoys
Reversible Governance Alterations In Context
Why It s All Smoke and Mirrors
Reality

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
Portnoys
Window Dressing

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

RMR Management Agreement
(1)
Adjusted for reverse stock splits.

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IV. Widespread Disapproval Of The Portnoys

How can such a diverse group of parties all be wrong
about
the
Portnoys
and
their
true
intentions?

57
Widespread Disapproval Of The Portnoys
The Arbitration Panel Has Spoken
The Panel struck down illegal bylaws passed by the current Board, expressly prohibited any action intended to impede or frustrate the new solicitation and
ruled
that
Corvex/Related
had
satisfied

onerous
red
tape
bylaw
requirements
Most importantly, the Panel Declared it would remain available to resolve any issues or disputes in the new consent solicitation
There is no question that CWH s Bylaws, in the aggregate, erect a complex wall of procedural hurdles to any consent solicitation.
Interim Arbitration Award, 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 and capable of continuing their campaign of shareholder disenfranchisement

Given the significant risk that leaving any incumbents on the board would prevent shareholders from effecting the necessary change, however and particularly in light of the fact the board has demonstrated its willingness to reappoint even a trustee whom shareholders just voted out of office by a four-to-one margin shareholders should consent to removal of the entire board by voting FOR the proposal.
ISS report, February 28, 2014
58
Widespread Disapproval Of The Portnoys
ISS Disapproves of the Portnoys
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.
ISS
report,
June
13,
2013
ISS recommended removal of the entire Board for the second time in nine months

as clearly stated in our original report we continue to believe shareholders should support the current arbitration-enforced solicitation and effect the board change proposed and supported nearly a full year ago...

Glass Lewis report, March 5, 2014

59

Widespread Disapproval Of The Portnoys

Glass Lewis Disapproves of the Portnoys

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 its owners.
Glass Lewis report, June 17, 2013
Glass Lewis recommended removal of the entire Board for the second time in
nine months

The externally managed REIT structure creates conflicts of interest that are so severe, we don t believe we can quantify the share price discount an investor should require to buy any of these companies. As a result, we have long deemed the Portnoy REITs to be uninvestable.

For most externally advised REITs, the fee paid to the advisor is predicated on the company s
size

not
on

its success (or lack thereof). Therein lies the conflict of interest. The advisor carries a strong incentive to constantly sell common stock in order to raise funds for acquisitions. The price at which the equity is raised matters little to the advisor

making the REIT bigger and increasing the advisory fee is a primary objective.
Green Street Advisors, March 1, 2013
60
Widespread Disapproval Of The Portnoys
Green Street Advisors Disapproves of the Portnoys

We are concerned about the ability of Newton, Mass.-based CommonWealth REIT's management to improve the competitive positioning of its office portfolio given weak office market conditions. **We also assess CommonWealth's management and** governance as "weak".

The rating on CommonWealth also reflects our "weak" assessment of its management and governance. Through subsidiaries, RMR provides fee-based services to CommonWealth, including the direction of capital market activities, selection and acquisition of its investments, execution of property transactions, and management and leasing of its properties. Standard & Poor's believes that external management structures can potentially result in a weaker alignment of interests between shareholders and management when compared with internally managed REITs. **Further, CommonWealth's staggered, small, and interrelated board** manifests a lack of independence from management and may provide insufficient oversight and scrutiny of key enterprise risks, in our view.

CommonWealth REIT Rating Is Lowered To 'BB+'; Outlook Stable; '2
Recovery
Rating Is Assigned To Senior Unsecured Debt,
Standard and Poors, June 10, 2013

61

Widespread Disapproval Of The Portnoys

Standard and Poors Disapproves of the Portnoys

62
Widespread Disapproval Of The Portnoys
Delaware County Employees Retirement Fund Disapproves of the Portnoys
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
[The Portnoys] have directly participated in and received substantial monetary benefits from the wrongdoing alleged herein. Year-after-year, they reinstate the Portnoys and RMR as CWH s manager, pursuant to lucrative agreements, despite CWH s

failing
performance
Accordingly,
and
for
the
additional
reasons
alleged
herein, CWH is operated and controlled by Defendants, including a majority of its Board of Trustees, whose interests materially conflict with the interests of CWH.
Complaint as filed from Delaware County Employees Retirement Fund,
February 28, 2013

63
Widespread Disapproval Of The Portnoys
Six Pension Funds Disapprove of the Portnoys
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.

HPT HAS A LONG HISTORY OF DISREGARDING SHAREOWNERS

For the past three consecutive years, shareowner proposals to declassify the board won overwhelming support from shareowners, receiving in each year a supermajority of the votes cast and a majority of outstanding shares. The proposal received support from over 73 percent of voting shares in 2009, over 90 percent in 2010 and over 88 percent in 2011. The company has yet to adopt the reform.

In 2010, a shareowner proposal to eliminate HPT s supermajority voting requirements won support of more than 88 percent of voting shares and 70 percent of the outstanding shares. The company has yet to adopt this reform.

Pension Fund Letter to Shareholders, April 26, 2012

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

64
Widespread Disapproval Of The Portnoys
Perry Corp. Disapproves of the Portnoys
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

In our view, conflicted decision-makers have allowed CWH s assets to suffer from underinvestment and mismanagement, which has caused CWH s shares to be woefully undervalued. We believe that the poor strategic decisions are a direct result of the fact that there is no shareholder check on management who are compensated via RMR for growing assets instead of generating returns for shareholders of CWH. Changing the RMR management structure

and the conflicted corporate governance that enables it to stay in place

is therefore critical to bridging

the
gap
between
market and intrinsic value. The CWH board has demonstrated that they will go to extraordinary lengths to preserve their unchecked control. Management is running a scorched earth campaign to disenfranchise shareholders to continue milking their cash cow. **The Board must be replaced in its entirety to protect shareholders.**
Perry Corp. 13D/A, April 30, 2013

65
Widespread Disapproval Of The Portnoys
Locksmith Capital Disapproves of the Portnoys
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
We continue to be amazed that Barry Portnoy, Arthur G. Koumantzelis, Thomas M. O'brien,
Barbara
D.

Gilmore, and Patrick F. Donelan have spent a significant amount of shareholder money in order to disenfranchise its shareholders, said Timothy Brog, Managing Director of Locksmith Capital Management LLC. 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.**

Locksmith Capital Management, April 2008

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.

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

December 17, 2013
66
Widespread Disapproval Of The Portnoys
The
New
York
Times
Disapproves
of
the
Portnoys
The
Portnoys
Receive
an
F

New
York
Times

So, to recap, the founder of CommonWealth and his son run the company, manage the property for a hefty fee and dominate the board

all
while
having
little
equity
stake
in the company.
If the conflicts at CommonWealth are so glaring, why don t shareholders agitate for change? **Some have tried, only to encounter an array of barriers that appear to**
be
set
up
to
keep
the
outside
managers
lucrative
contract
in
place
and
the
company under their control.
The
list
of
entrenchment
tactics
is
lengthy
As
if
these
barriers
were
not
enough,
they have been strengthened in the last five years by no less than six changes to the company s bylaws favoring the Portnoys and their management company.
Management, to the Barricades!,
New York Times, May 4, 2013
67
Widespread Disapproval Of The Portnoys
The New York Times Disapproves of the Portnoys
Management,
to
the

Barricades!

New
York
Times

"The corporate governance track record of Portnoy-managed companies isn't pretty," says Ann Yerger, executive director of the Council

of
Institutional
Investors, a
Washington-based nonprofit that focuses on shareholder rights.
Wall Street Journal, March 5, 2014
68
Widespread Disapproval Of The Portnoys
Council of Institutional Investors
The Council of Institutional Investors is a prominent nonprofit association of pension funds, endowments and foundations with assets that exceed $3 trillion. The Council of Institutional Investors is one of the leading voices for effective corporate governance and strong shareholder rights.

We agree with the need for structural change at CommonWealth,

as
we
have
noted
for years and articulated by activist shareholders Corvex/Related. External mgmt for equity REITs is a relic in the REIT sector; it has created a clear incentive for CWH to grow and maintain assets. **The co.'s strategy over its history has been value** destructive,
characterized by leveraged acquisitions, more limited capital recycling
and weak core fundamentals. Even when assets were sold, they were sold to affiliated
RMR
entities
keeping
AUM
in
house
and
not
maximizing
value.
This
has
resulted in
large dividend reductions and now prompted a large equity offering. An internalization and restructuring of mgmt and better capital allocations in our view would be major positives for the stock.
Citi Research, February 26, 2013
69
Widespread Disapproval Of The Portnoys
Citigroup Disapproves of the Portnoys

70
Widespread Disapproval Of The Portnoys
UBS Disapproves of the Portnoys
We believe SNH's planned acquisition of a

$1.1 billion Boston life science complex highlights problematic issues with regard to its external management structure

An Unjustified 24% G&A Increase. As an externally-managed REIT, SNH must pay its manager, RMR, a combination of fees. The base fee equates to 0.5% of acquisition cost, w/ property management at 3%

of MOB/Life Science revenues. For the $1.1bn acquisition of the Vertex buildings, we est. $7.7m of additional fees for RMR (or $0.04/sh). The fee streams to RMR will increase SNH's G&A by an estimated 24% in 2014. Stated another way, the fees to RMR on a per share basis roughly equal the accretion of the deal to SNH shareholders. RMR has locked in about $115m of fees over the life of the 15-year lease on the building for an asset that is 96% occupied under a triple-net lease that we think requires virtually no incremental asset/property management oversight.

Latest

acquisition highlights issues with external management structure at SNH. We see SNH shares moving to a substantial discount to underlying Net Asset Value, as the market assigns a greater discount for a corporate structure that utilizes an external manager whose interests can conflict with those of SNH's shareholders.
UBS, February 11, 2014

Okay, okay. And then, Adam [Portnoy], we re both fiduciaries to investors, so don t take this personally and take it constructively please. **But when I talk to investors** about CommonWealth, the investment strategy, the balance sheet, the operations, there s just zero investor confidence out there. The term that most people use is uninvestable.

Stifel Nicholas, August 8, 2012

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Widespread Disapproval Of The Portnoys

Stifel Nicholas Disapproves of the Portnoys

The scale of the Portnoy real estate empire and its conflicts of interest are even larger than that

But there is no getting around the damaging conflict of interest at the heart of Commonwealth s business. The Portnoys are not employed executives at the trust in any conventional sense and do not own much of its stock. Their firms runs the business under a management contract. In general, the fees go up as the trust gets bigger, and not necessarily when it performs better for shareholders.

This kind of business leadership arrangement is known in the real estate trust world as external management, and it has been on the

way
out
for
years.
Nearly everyone
acknowledges its built-in conflicts are toxic.
Finally, Tougher Foes May Humble Real Estate Empire,
The Boston Globe, February 4, 2014
72
Widespread Disapproval Of The Portnoys
The Boston Globe Disapproves of the Portnoys
The Portnoys are even criticized in their own hometown!

73
Widespread Disapproval Of The Portnoys
Shareholders Vote Against The Portnoys And Their Beholden Trustees
In recent elections, shareholders have expressed displeasure with the Portnoys and their Trustees at various RMR-managed entities
In 2013 only 14% of CommonWealth s outstanding shares and 21% of the shares voting in the election voted FOR the election of Joe Morea
In 2013 only 20% of Senior Housing Properties Trust s outstanding shares and 27% of the shares voting in the election voted FOR the re-election of Adam Portnoy
In 2013 only 23.5% of Senior Housing Properties Trust s outstanding shares and 32% of the

shares voting in the election voted FOR the re-election of John Harrington
In 2012 only 32% of Senior Housing Properties Trust s outstanding shares and 43% of the shares voting in the election voted FOR the re-election of Barry Portnoy
In 2013 only 31% of Hospitality Properties Trust s outstanding shares and 43% of the shares voting in the election voted FOR the re-election of William Lamkin
In 2012 only 32% of Hospitality Properties Trust s outstanding shares and 42% of the shares voting in the election voted FOR the re-election of Dr. Bruce Gans
In 2013 only 33% of Five Star Quality Care s outstanding shares and 45% of the shares voting in the election voted FOR the re-election of Dr. Bruce Gans
If Barry Portnoy receives a similar disapproval at the 2014 CommonWealth meeting what will he do?
Despite these unfavorable results, each of these individuals still serves on the Board of the respective entity

74
V. History of Underperformance

75
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

76
History of Underperformance
By Any Metric Over Any Relevant Time Period
(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 Re
Excludes
Mack-Cali
(CLI),

approximately 80% of whose office markets are either in secular decline or experiencing significant distress. CLI is also in the process of transitioning into the multi-family sector, creating uncertainty with respect to its public market valuation. Peers for NOI margin analysis exclude PDM 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 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
2013,
YTD
9/30/2012,
2011,
and
2010,
respectively
(1)
Acquisitions and
return on investment
$2.7
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

($ 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%

77
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 distre
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)
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 fees paid per CWH public filings include SIR. 2013 includes fees paid to SIR after deconsolidation on July 1, 2013.
RMR
extracted
approximately

36%
of
CWH s
unaffected
market
capitalization
(1)
during
2007
-
2013,
as
CWH
share
price
continued
to
plummet
2007
2008
2009
2010
2011
2012
2013
2007-
2013
Cumulative
Fees Paid Out to RMR
(2)
$59.7
$63.2
$62.6
$62.2
$69.5
$77.3
$83.7
$478.2
RMR Fees % Growth
--
5.9%
(0.9%)
(0.6%)
11.7%
11.2%
8.3%
40.2%
RMR Fees as % of:
CWH Market Cap
(1)

4.5%
4.7%
4.7%
4.6%
5.2%
5.8%
6.3%
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%)

79
History of Underperformance
RMR Fees vs. CWH Shareholder Returns (cont d)
(1)
Stock price monthly through February 25, 2013, the day prior to Related and Corvex s first public filing.
(2)
Includes 2013 RMR fees paid by SIR in order to make the figure comparable to previously reported figures.
Sources: Company filings, SNL
(1)
(2)
Fees paid to RMR climbed 40% from 2007 to 2013, while the share price
declined 68%
(1)
$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

80
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
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%)
39.3%
59.9%
CWH-Avg.

81
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
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%)
39.3%
59.9%
CWH-Avg.

82
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
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%)

83
History of Underperformance
Operating
Performance
Value
accruing to
RMR, not
shareholders
Key financial metrics deteriorate, while fees paid to RMR continue to climb
(1)

2013 figures include SIR. Excludes 2013 share price performance due to the share price impact of the 13-D filing.
(2)
Share price performance assumes stock is held since January 1st of the specified year through February 25th, 2013.
(3)
SIR does not disclose CAD, therefore the figures will not be comparable post deconsolidation of SIR.
Source: Company filings and SNL
($ in millions)
For the Fiscal Year Ending December 31,
2010
2011
2012
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%)
(17.8%)
NOI per Share (% growth)
(19.1%)
(4.2%)
16.1%
(20.0%)
EBITDA per Share (% growth)
(22.1%)
(4.7%)
(27.2%)
(21.9%)
FFO per Share (% growth)
(13.8%)
(9.9%)
0.0%
(13.2%)
CAD per Share (% growth)
(23.7%)
(27.7%)
(17.3%)
N/A
(3)
Fees Paid to RMR
$62.2
$69.5
$77.3
$83.7

% growth
(0.6%)
11.7%
11.2%
8.2%

CWH trails its core office REIT peers by 188 bps and 200 bps on same store rental growth and NOI growth, respectively

We believe 2013 results below overstate CWH s performance, as the Company has placed 115 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

84

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
2013 rent growth
(1)
2013 NOI growth
(1)
2013 NOI margin
(1)
As a result, we also show on the following pages, results from 2010 through 9/30/2012

85
History of Underperformance
Same Store Underperformance (cont d)
CWH has consistently underperformed its peers on a same store basis historically
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)
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 12/31/2
reflection of company performance. Excludes SIR figures.
(2)
Includes revenue and NOI from SIR due to the public data insufficiency.
Source: Company filings

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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
(5)
Net acquistions / CapEx as % of Market Cap
(1)
2007
2008
2009
2010
2011
2012
2013
Cumulative
Parkway Properties Inc. (PKY)
5.4%
22.4%
1.9%
7.4%
36.2%
64.2%
3.4%
140.9%
Highwoods Properties Inc. (HIW)
4.8%
4.7%
2.1%
3.0%
5.5%
8.1%
11.9%
40.1%
Cousins Properties Inc. (CUZ)
(2)
25.2%
11.7%
4.3%
(7.0%)
3.9%
(17.2%)
137.9%
158.8%
Piedmont Office Realty Trust Inc. (PDM)
(3)
1.4%
3.7%
1.1%
1.9%

(2.3%)
0.4%
13.6%
19.9%
Brandywine Realty Trust (BDN)
(6.2%)
(11.9%)
5.6%
9.6%
0.8%
0.3%
(7.5%)
(9.1%)
Average
(4)
3.7%
3.6%
2.6%
3.3%
4.7%
6.8%
20.3%
45.0%
CWH
31.0%
6.1%
33.5%
27.6%
45.2%
56.3%
3.3%
202.9%
Net Acquisitions and CapEx
$419
$83
$453
$369
$604
$753
$44
$2,725
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
CWH
spent
$2.7
billion
on
acquisitions
during
2007

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
CWH has grown primarily through asset acquisitions, which we believe benefits RMR and therefore the Portnoys personally but not shareholders

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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	252,903	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	408,531	0.35%

Footnotes
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Footnotes to page 47
1)
Charts re-created from CommonWealth REIT Presentation to Shareholders, p. 6, 3/5/14.
2)
2/25/13 is the last trading day before Corvex and Related filed their initial 13-D.
Source: Factset
Note: For comparability purposes we use the same peer set described in CWH s Presentation to Shareholders of 3/5/14: BDN
DRE, HIW, LRY, and PKY, but we exclude

PDM as PDM did not go public until 2/9/10. Peer Average represents a simple average.

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at
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definitive
solicitation
statement
and
all
other
relevant
documents
are
available,
free
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charge,
on
the

The following persons are participants in connection with the solicitation of CommonWealth REIT shareholders: Corvex Man
Related Fund Management, LLC, Related Real Estate Recovery Fund GP-A, LLC, Related Real Estate Recovery Fund GP, L.
Recovery Fund, L.P., RRERF Acquisition, LLC, Jeff T. Blau, Richard O Toole, David R. Johnson, James Corl, Edward Glick
Lozier, Kenneth Shea, EGI-CW Holdings, L.L.C., David Helfand and Samuel Zell. Information regarding the participants in th
of their direct and indirect interests, by security holdings or otherwise, to the extent applicable, is available in the definitive sol
the SEC on January 28, 2014 and Supplement No. 1 thereto filed on February 13, 2014.

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

Investors and
Corvex
Management
LP
and
Related
Fund
Management,
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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 that the Removal Proposal is successful.