CommonWealth REIT
Form DFAN14A
February 13, 2014

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the

Securities Exchange Act of 1934

Filed by the Registrant ¨ Filed by a Party other than the Registrant 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

x Definitive Additional Materials

¨ Soliciting Material Pursuant to §240.14a-12

COMMONWEALTH REIT

(Name of the Registrant as Specified In Its Charter)

CORVEX MANAGEMENT LP

KEITH MEISTER

RELATED FUND MANAGEMENT, LLC

RELATED REAL ESTATE RECOVERY FUND GP-A, LLC

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.

(1) Title of each class of securities to which transaction applies:

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

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

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¨ Fee paid previously with preliminary materials.

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

(1) Amount Previously Paid:

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

(3) Filing Party:

(4) Date Filed:

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

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Disclaimer

This presentation does not constitute either an offer to sell or a solicitation of an offer to buy any interest in any fund associatec
Management LP (Corvex) or Related Fund Management, LLC (Related). Any such offer would only be made at the tim
receives a confidential offering memorandum and related subscription documentation.

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

uncertainties and contingencies and have been included solely for illustrative purposes, including those risks and uncertainties continuous disclosure and other filings of the Company, copies of which are available on the U.S. Securities and Exchange Co at www.sec.gov/edgar. No representations, express or implied, are made as to the accuracy or completeness of such forward-l statements, estimates or projections or with respect to any other materials herein. Corvex and Related may buy, sell, cover or the form of their investment in the Company for any reason at any time, without notice, and there can be no assurances that the the actions described in this document. Corvex and Related disclaim any duty to provide any updates or changes to the analys this document, except as may be required by law. Shareholders and others should conduct their own independent investigatio the Company. Except where otherwise indicated, the information in this document speaks only as of the date set forth on the c Permission to quote third party reports in this presentation has been neither sought nor obtained.

Additional Information Regarding the Solicitation

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

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

The following persons are participants in connection with the solicitation of CommonWealth REIT shareholders: Corvex Man Meister, Related Fund Management, LLC, Related Real Estate Recovery Fund GP-A, LLC, Related Real Estate Recovery Fun Real Estate Recovery Fund, L.P., RRERF Acquisition, LLC, Jeff T. Blau, Richard O Toole, David R. Johnson, James Corl, E Linneman, Jim Lozier, Kenneth Shea, EGI-CW Holdings, L.L.C., David Helfand and Samuel Zell. Information regarding the p solicitation and a description of their direct and indirect interests, by security holdings or otherwise, to the extent applicable, is definitive solicitation statement filed with the SEC on January 28, 2014 and Supplement No. 1 thereto filed on February 13, 2

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Executive Summary

Introduction

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

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

Corvex and Related will request a record date by February 16; CommonWealth must establish the record date to be within 10 business days of the record date request and on February 10 conditionally set the record date for February 18; the consent solicitation must be concluded within 30 calendar days of the record date

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

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

2007-2013
(1)
,
annual
fees
paid
to
RMR,
the
external
manager
wholly-owned
by
Barry
and
Adam
Portnoy,
increased
40%
(2)
,
as
the
fees
are linked primarily to the size of the Company rather than to profitability for shareholders
Over
the
1
year,
2
years,
3
years,
5
years,
and
10
years
ended
February
25,
2013
(3)
,
the stock
price declined -17%, -45%, -43%, -45%, and -53%, respectively
The
Portnoys
effectively
control

CWH
despite
owning
virtually
no
stock,
with
the
fees
they
pay
themselves through RMR being their only meaningful economic interest in the Company
As a result,
with
no
ability
for
shareholders
to
hold
management
accountable,
we
believe
the
Portnoys have had nothing to fear and underperformance has thrived
CWH s performance record is abysmal by almost any metric over any relevant
time period, in our view, but all the while the Portnoys have continued with
impunity to line their pockets
Shareholders can now take back CommonWealth, choose a new, truly
independent Board, and unlock the substantial value trapped within the
Portnoys
conflicted external management structure

(1)
Assumes 2013 share price as of 2/25/2013, last trading day before Corvex and Related filed their initial 13-D.
(2)
RMR fees paid per CWH public filings include Select Income REIT (SIR). YTD 9/30/13 figures annualized to arrive at full ye
(3)
Last trading day before Corvex and Related filed their initial 13-D.

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Executive Summary

The Case for Removal: Corporate Governance Malfeasance

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

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

Independent governance advisory firms such as ISS and Glass Lewis have long issued negative opinions on CWH s governance practices and recommended against re-election of certain Trustees
Conveniently coinciding with a solicitation to allow shareholders to take back their company, the Portnoys are now trumpeting highly misleading governance alterations, that can be unilaterally reversed at any time, and shamelessly asking shareholders to believe that they have experienced an epiphany
We believe the Board s actions over the past year alone, coupled with serial underperformance and atrocious corporate governance practices, warrant removal
Shareholders should not allow a few conveniently timed, reversible governance alterations to erase 28 years of poor governance, let alone the inexcusable actions of the past year

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Executive Summary
What Are Shareholders Voting On?

The consent solicitation before shareholders is not a vote on a revised set of bylaws, a charter amendment or some other apparatus of governance with which the Portnoys would like to distract shareholders, but a referendum on whether or not the individuals sitting on the current Board are fit to lead this company

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

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

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

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

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

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

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

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

When a board deliberately harms shareholder rights through unconscionable tactics to protect their own interests, accepting flawed governance alterations while leaving the same board in place simply invites more of the same

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

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Executive Summary
CWH Valuation Upside: NAV of Approximately $35 Per Share
We believe removal of the conflicted and underperforming Trustees will unlock
substantial
value
for
shareholders,
and
estimate

current NAV (1) to be approximately $35 per share in such a scenario, 36% higher than the closing price on February 10, 2014, and 51% higher than January 28, 2014, the date we filed definitive solicitation materials with the SEC

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

We believe there would be substantial low-hanging fruit easily within the grasp of a properly incentivized management team

While we continue to estimate 24-36 months for NOI to reach stabilization, we believe measurable progress can begin soon after installation of new management with progress reports communicated to shareholders on a regular basis

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

(1)
Represents estimate of private market value of all properties owned by CWH as disclosed in 9/30/13 10-Q filing, adjusted for r

We believe installing a new independent Board and an effective management team will make CWH investable

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

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Executive Summary
NAV Highlights
Estimated NAV is supported by extensive and continuing due diligence
Corvex/Related, with the assistance of Jim Lozier
(1)
, conducted independent site visits to
85% of the properties, by value, and leveraged Related s already extensive network of
market contacts with that of Mr. Lozier, the co-founder and former CEO of Archon Group
L.P., a subsidiary of Goldman Sachs with 8,500 employees at the time of Mr. Lozier s

departure in 2012
Stabilized NOI and private market cap rates are estimates based on a hyper-local, property-by-property build-up, supported by discussions with hundreds of local market participants in all of CWH s relevant markets, including investment sales and leasing brokers, tenants, owner/operators, and property managers
Estimates of private market cap rates are further supported by a peer analysis of comparable public REITs
Top 20 assets by value represent 57% of the total portfolio, and the Top 50 assets by value represent 79%
(1)
Mr. Lozier has been retained by Corvex/Related as a consultant.

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Executive Summary
Sam Zell and David Helfand Join Corvex/Related s Slate of Nominees
Mr. Zell is willing to serve as Chairman of the Board, if so appointed by the new Board

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

Trust
(formerly
the
largest
REIT
in
the
U.S.)
Mr. Helfand is willing to serve as CommonWealth s CEO, if so appointed by the new Board

Mr. Helfand is Co-President of EGI and has previously served as Executive Vice President and Chief Investment Officer of Equity Office Properties Trust and President and CEO of Equity LifeStyle Properties
Mr. Zell and Mr. Helfand bring exceptional investment, real estate and public company credentials
to
an
already
highly
qualified
slate
of
nominees
(1)
In addition, Mr. Zell and Mr. Helfand plan to bring to the Company their highly qualified and experienced management team to execute on a value-driven strategy
Mr. Zell has demonstrated a long-standing commitment to good corporate governance:
Corvex and Related announce the addition of Sam Zell and David Helfand of Equity Group Investments (EGI) to our previously announced slate of highly qualified nominees for election to the Board of CommonWealth
(1)
Detailed biographies are included in the Appendix
One of our core operating principals is the alignment of interests between company leadership and shareholders. We are concerned about any attempts to preclude shareholder rights, and our companies are free of such impediments.
-Sam Zell, Corvex/Related Press Release, February 11, 2014

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

new
Board
consisting
of
truly
independent
Trustees

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

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

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

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

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

We believe proper staffing levels and reinvestment in CWH s existing portfolio can harvest a substantial amount of low hanging fruit
No
poison
pill
-
Adoption
of
a
policy
against
new
pills
without
shareholder
approval
Cease
all
acquisition
activity
and
dilutive
capital
raises
until
stock
price
exceeds
its
NAV
Cease all related party transactions not approved by a vote of disinterested shareholders
Corvex/Related continue to propose the following Turnaround & Governance Plan:
While dramatically different from CWH s existing plan, these reforms are in our view self-evident to every informed investor and will make CWH look like virtually every
other
member
of
the

S&P
500

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

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Executive Summary

Our Nominees

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

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

Their collective experience includes, but is not limited to:

Exceptional track record for creating substantial value for public company shareholders

Superior investment and capital allocation acumen

Corporate strategic analysis for large real estate owner/operators

Extensive public REIT operations and financial reporting

Intensive asset management and property management operations

Leading Wall Street valuation techniques for public REITs

Raising capital in the public markets

Implementing best practices corporate governance

Biographies of our nominees are included in the Appendix

Our truly independent slate of nominees is highly qualified with wide-ranging and relevant public company, real estate, finance and corporate governance experience

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

at
CWH
is
rare
Historical
governance
policies
as
egregious
as
they
are
at
CWH
are
rare
How often do ISS and Glass Lewis and holders of more than 70% of
the outstanding shares
support removal of an entire Board?
Entrenchment
tactics
as
appalling
as
they
are
at
CWH
are
rare
The Portnoys ignored the shareholder right to vote enshrined in the Company s charter for 28
years, and forced us to litigate for months to have the right confirmed by the Panel
And the replacement for Barry Portnoy we have proposed is Sam Zell, who is recognized as
a founding father of today s public real estate industry after creating three of the most
successful REITs in history
The case for removal could not be easier to make than it is at CWH:
For
the
first
time
since
the
Portnoys
began
erecting
barriers
to
a
free
and

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

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

2013
cleared
a
path
to
an
open
and fair consent solicitation process
Seize
the
Moment:
The
Time
to
Make
Real
Change
at
CommonWealth
is
Now
Despite taking every action imaginable to deny shareholders a vote, the Portnoys now have
no choice but to face their shareholders in a clear process established by the Panel
The Panel struck down all of the illegal bylaws passed by the current Board:
The Panel expressly prohibited any action intended to impede or frustrate the new solicitation
The
Panel
also
declared
it
would
remain
available
to
resolve
any
issues
or
disputes
"There is no question that CWH's Bylaws erect a complex wall of procedural hurdles
to any consent solicitation."
-
Arbitration Panel, November 18, 2013
After nearly two weeks of live testimony and reviewing hundreds of exhibits, we believe the
Panel plainly agreed with our view that the Portnoys are highly incentivized to and capable of
continuing their campaign of shareholder disenfranchisement

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

for
the
new
consent
solicitation:
Request for a record date must be submitted by February 16, 2014
CWH must establish a record date that falls within 10 business days of the record date request

On February 10, 2014, CWH announced that it has set a conditional
record date of
February 18, 2014
Consent solicitation must be concluded within 30 calendar days of the record date
The Company will have 5 business days to certify the results of the solicitation
If the consent solicitation to remove all the Trustees is successful, the officers of CWH must promptly call a special meeting of shareholders to elect new Trustees to the Board
The
date
of
the
special
meeting
must
be
within
10
to
60
calendar
days
of
the
date
of
notice of such meeting

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

GOLD
Consent
Card
Today
A Non-vote is a Vote for the Portnoys
Place
your
vote
now
to
remove
the
entire
Board
of
Trustees
Without complete removal, the remaining Trustees would be able to unilaterally reinstate a removed Trustee
as they did just last year
or fill vacancies on the Board without input
from
the
true
owners
of
the
company

the
shareholders
Please
note
that
internet
voting
is
NOT
available
-
Shareholders
must
sign,
date
and
return the GOLD Consent Card in the pre-paid return envelopes provided
If you need assistance in executing your GOLD consent card or placing your vote, please call:

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

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Appendix

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I. History of Underperformance

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History of Underperformance
The Fundamental Cause of Underperformance
We continue to believe that the fundamental cause of underperformance at CWH is the absence of accountability, and more specifically the inability of shareholders to choose their own manager
Ironically,
the
severe
conflicts

in
the
external
management
structure
demand
rigorous
accountability
and
superior
governance,
but
in
our
view
none
exists
In a structure where the manager is incentivized to act without regard to
shareholder interests and still avoid being terminated, severe underperformance
is inevitable, as evidenced by the years of data establishing CWH
underperformance
The severe conflict of interest at CWH has been well-documented: the Portnoys effectively
control CWH despite owning virtually no stock
How
can
there
be
accountability
when
an
employee
controls
its
own
employer ?
RMR, a Delaware private company, is owned by Barry Portnoy and his son Adam Portnoy
All
executive officers of CWH are also officers of RMR
Given
these
inherent
and
widely
recognized
problems,
CWH
and
the
other
Portnoy

REITs
are
among the last remaining publicly-traded externally-managed equity REITs today
As
a
result,
RMR
is
held
accountable
by
no
one
and,
in
our
view,
enjoys
complete
immunity from shareholders

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History of Underperformance
By Any Metric Over Any Relevant Time Period
In our view, there is absolutely no way to slice and dice the data in favor of the
Portnoys

their
performance
has
been

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

and
9%
below
its
peers
(2)
on
an
NOI
margin
basis
for
YTD
9/30/2013,
YTD
9/30/2012,
2011,
and
2010,
respectively
(1)
Acquisitions and
return on investment
$2.9
billion
of
net
acquisitions
and
CapEx
since
2007
(over
2x
CWH s
market
cap
(3)
),
while
CWH
book value per share is essentially flat
CAD / share growth
-23% cash available for distribution per share (CAD / share) growth from 2010 to 2012, the worst
performance of its peers
(1)
Data calculated through February 25, 2013, the day prior to Related and Corvex s first public filing.
(2)
Select peers include Piedmont Office Realty (PDM), Highwoods Properties (HIW), Cousins Properties (CUZ), Brandywine Re
(PKY). Excludes Mack-Cali (CLI), approximately 80% of whose office markets are either in secular decline or experiencing s

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

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History of Underperformance
Valuation Discount
CWH has historically traded at a significant discount to its peers on all key measures
(1)
Note:
Share
price
and

estimates
updated
as
of
2/25/2013,
the
day
before
Related
and
Corvex's
13-D
filing.
Financial
information
as
of
Q4
2012.
Implied nominal cap rate is calculated as GAAP LTM NOI / TEV.
Peer set excludes Mack-Cali (CLI), 80% of whose office markets are either in secular decline or experiencing significant 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 $4,914 million and Related and Corvex estimates of comparable, st
Source: Company filings and FactSet
As a point of reference, CWH traded approximately 35% below peers on an unlevered cap
rate basis on February 25, 2013, the day before Related and Corvex s initial 13-D filing
($ in millions, except per share values and TEV / sq. ft.)
Enterprise
Implied
G&A /
2/25/2013
Equity
value
nominal
TEV /
equity
Net debt /
P / FFO
TEV / EBITDA
Div
Ticker
Company
price
mkt cap
(TEV)
cap rate
Sq. Ft.
mkt cap
TEV

2013E
2014E
2013E
2014E
yield
CWH
CommonWealth REIT
$15.85
$1,338
$4,914
10.7%
$105
3.9%
76%
5.4x
5.5x
12.0x
12.3x
6.3%
HIW
Highwoods Properties, Inc.
$35.35
$2,983
$4,999
6.6%
$144
1.3%
40%
13.1x
12.7x
15.6x
14.8x
4.8%
BDN
Brandywine Realty Trust
$12.96
$1,885
$4,689
7.1%
$176
1.3%
58%
9.0x
8.6x
14.1x
13.8x
4.6%
PDM
Piedmont Office Realty Trust, Inc.
$19.66

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

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

23
History of Underperformance
RMR Fees vs. CWH Shareholder Returns
(1)
RMR fees paid per CWH public filings include SIR.
(2)
Annualized YTD 9/30/2013 RMR fees include Q3 RMR fees paid by SIR to make the figure comparable to historically disclos
(3)
Share price and market capitalization figures are as of 2/25/2013, the day prior to Related and Corvex s initial 13-D filing.
(2)

RMR
extracted
approximately
36%
of
CWH s
unaffected
market
capitalization
(3)
during 2007 -
2013, as CWH share price continued to plummet
(2)
2007
2008
2009
2010
2011
2012
Annualized
2013
2007-
2013
Cumulative
Fees Paid Out to RMR
(1)
$59.7
$63.2
$62.6
$62.2
$69.5
$77.3
$83.5
$478.0
RMR Fees % Growth
--
5.9%
(0.9%)
(0.6%)
11.7%
11.2%
8.0%
39.8%
RMR Fees as % of:
CWH Market Cap
(3)
4.5%
4.7%
4.7%
4.6%

5.2%
5.8%
6.2%
35.7%
CWH Market Cap, Cumulative
4.5%
9.2%
13.9%
18.5%
23.7%
29.5%
35.7%
35.7%
CWH Cumulative Stock Price Return
(37.4%)
(74.7%)
(46.0%)
(48.4%)
(66.3%)
(67.9%)
(67.9%)
(67.9%)

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

growth
%
is
based
on
annualized
YTD
9/30/2013
fees
as
reported
in
Company
filings,
which
include
SIR.
(2)
Stock price monthly through February 25, 2013, the day prior to Related and Corvex s first public filing.
(3)
Includes Q3 2013 RMR fees paid by SIR in order to make the figure comparable to previously reported figures.
Sources: Company filings, SNL
Annual fees
paid
to
RMR
climbed
40%
from
2007
to
2013
(1)
,
while
the
share
price
declined 68%
(2)
$50
$100
$150
$200
$250
$300
$350
$400
$450
$500

$10.00
$15.00
$20.00
$25.00
$30.00
$35.00
$40.00
$45.00
$50.00
$55.00
1/31/2007
1/31/2008
1/31/2009
1/31/2010
1/31/2011
1/31/2012
1/31/2013
(2)
(3)
CWH stock price
Cumulative fees paid out to RMR

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

the
1
year
ending
2/25/2013
(1)
HIW: 15.5%
PDM: 15.3%
CWH: (9.4%)
PKY: 65.5%
CUZ: 28.2%
BDN: 25.2%
RMZ: 10.6%
Note: Total returns include dividends
(1)
The last trading the day prior to Related and Corvex s first public filing.
Source: SNL
(25.0%)
0.0%
25.0%
50.0%
75.0%
2/24/2012
4/9/2012
5/25/2012
7/10/2012
8/25/2012
10/10/2012
11/25/2012
1/10/2013
2/25/2013
PKY
BDN
HIW
PDM
CUZ
CWH
RMZ

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

over
the
last
3
years
ending
2/25/2013
(1)
HIW: 42.1%
PDM: 39.1%
CWH: (26.6%)
PKY: 6.9%
CUZ: 42.5%
BDN: 35.8%
RMZ: 52.5%
Note: Total returns include dividends
(1)
The last trading the day prior to Related and Corvex s first public filing.
Source: SNL
(60.0%)
(40.0%)
(20.0%)
0.0%
20.0%
40.0%
60.0%
80.0%
2/25/2010
7/12/2010
11/26/2010
4/12/2011
8/27/2011
1/11/2012
5/27/2012
10/11/2012
2/25/2013
PKY
BDN
HIW
PDM
CUZ
CWH
RMZ
1 year
3 year
PKY
65.5%
6.9%
BDN
25.2%

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

27
History of Underperformance
FFO Multiples
CWH traded at the lowest price to FFO multiple of its peers prior to our 13-D filing
PDM: 14.0x
CWH: 5.4x
HIW: 13.1x
CUZ: 18.2x
BDN: 9.0x
Source: Factset

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

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

28
History of Underperformance
Operating Performance
Key financial metrics deteriorate, while fees paid to RMR continue to climb
(1)
YTD 9/30/2013 figures include SIR. Growth rates based on YTD 9/30/2012. Excludes 2013 share price performance due to th
(2)
Share price performance assumes stock is held since January 1st of the specified year through February 25th, 2013.
Source: Company filings and SNL
Value

accruing to
RMR, not
shareholders
($ in millions)
For the Fiscal Year Ending December 31,
YTD
2010
2011
2012
9/30/2013
(1)
Share Price Performance (if held since)
(2)
(38.2%)
(39.0%)
(6.9%)
N/A
SF Owned per Share (% growth)
(15.9%)
(5.2%)
(0.6%)
(32.7%)
NOI per Share (% growth)
(19.1%)
(4.2%)
16.1%
(28.0%)
EBITDA per Share (% growth)
(22.1%)
(4.7%)
(27.2%)
(20.1%)
FFO per Share (% growth)
(13.8%)
(9.9%)
0.0%
(19.1%)
CAD per Share (% growth)
(23.7%)
(27.7%)
(17.3%)
(15.6%)
Fees Paid to RMR
$62.2
$69.5
$77.3
$62.6
% growth
(0.6%)
11.7%

11.2%
10.6%

CWH trails its core office REIT peers by 234 bps and 359 bps on same store rental growth and NOI growth, respectively
We believe YTD 2013 results below overstate CWH s performance, as the Company has placed 112 buildings (47 properties) into discontinuing operations beginning in Q4 2012
Despite its greater scale, CWH s cost structure results in the lowest same store NOI margins of its peers
CWH s total rental and NOI growth is dependent upon its outsized acquisition activity
29
History of Underperformance
Same Store Underperformance

CWH underperforms its peers on a same store basis
Note: Analysis excludes PDM, which does not disclose same store rent. Average does not include CWH.
1)
CUZ figures represent consolidated portfolio.
Source: Company filings
9
months
ended
9/30/2013
rent
growth
(1)
9
months
ended
9/30/2013
NOI
growth
(1)
9
months
ended
9/30/2013
NOI
margin
(1)
Avg.: 2.0%
4.5%
2.7%
1.3%
(0.4%)
(0.6%)
(1.0%)
0.0%
1.0%
2.0%
3.0%
4.0%
5.0%
CUZ
BDN
HIW
CWH
PKY
5.1%
3.3%
(0.4%)
(2.3%)
(3.0%)
(4.0%)

(3.0%)
0.0%
4.0%
CUZ
BDN
HIW
CWH
PKY
Avg.:
1.3%
(2.0%)
(1.0%)
1.0%
2.0%
3.0%
5.0%
6.0%
71.2%
65.7%
59.6%
58.1%
56.4%
50.0%
55.0%
60.0%
65.0%
70.0%
75.0%
BDN
HIW
PKY
CUZ
CWH
Avg.:
62.2%
As a result, we also show on the following pages, results from 2010 through
9/30/2012

30
History of Underperformance
Same Store Underperformance (cont d)
CWH has consistently underperformed its peers on a same store basis historically
Note: Analysis excludes PDM, which does not disclose same store rent. CUZ data represents office portfolio only.
(1)
CommonWealth excluded 97 underperforming buildings as discontinued properties in its same store financials ending 12/31/2
reflection of company performance. Excludes SIR figures.
(2)
Includes revenue and NOI from SIR due to the public data insufficiency.

Source: Company filings
2011 rent growth
(2)
2011 NOI growth
(2)
2011 NOI margin
(2)
9 months ended 9/30/2012 rent growth
(1)
9 months ended 9/30/2012 NOI growth
(1)
9 months ended 9/30/2012 NOI margin
(1)
2010 rent growth
(2)
2010 NOI growth
(2)
2010 NOI margin
(2)

31
History of Underperformance
Acquisition Activity
(1)
Market cap as of 2/25/2013, the day prior to Related and Corvex s initial 13-D filing.
(2)
In Q3 2013, CUZ acquired Greenway Plaza, a 10-building, 4.3 million square foot office complex in Houston, Texas, and 777
building in the central business district of Fort Worth, Texas. The aggregate purchase price for the acquisition was $1.1 billion
(3)
Includes net sale proceeds from consolidated joint venture.

(4)
Weighted by market cap.
(5)
YTD 9/30/2013 not comparable due to deconsolidation of SIR during 2013.
Source: Company filings and Factset
Net acquistions / CapEx as % of Market Cap
2007
2008
2009
2010
2011
2012
YTD 9/30/2013
Cumulative
Parkway Properties Inc. (PKY)
5.4%
22.4%
1.9%
7.4%
36.2%
64.2%
17.1%
154.6%
Highwoods Properties Inc. (HIW)
4.8%
4.7%
2.1%
3.0%
5.5%
8.1%
13.1%
41.2%
Cousins
Properties
Inc.
(CUZ)
(2)
25.2%
11.7%
4.3%
(7.0%)
3.9%
(17.2%)
136.2%
157.1%
Piedmont Office Realty Trust Inc. (PDM)
(3)
1.4%
3.7%
1.1%

1.9%
(2.3%)
0.4%
6.1%
12.4%
Brandywine Realty Trust (BDN)
(6.2%)
(11.9%)
5.6%
9.6%
0.8%
0.3%
(2.7%)
(4.3%)
Average
(4)
3.7%
3.6%
2.6%
3.3%
4.7%
6.8%
20.2%
44.9%
CWH
31.0%
6.1%
33.5%
27.6%
45.2%
56.3%
14.7%
214.3%
Net Acquisitions and CapEx
$419
$83
$453
$369
$604
$753
$197
(5)
$2,878
CWH share price
$30.92
$13.48
$25.88
$25.76
$16.64
$15.84

$15.85
Book value per share
36.11
34.68
35.66
37.53
33.24
36.82
N/A
CWH price / FFO multiple
6.8x
3.1x
6.0x
6.9x
4.9x
4.7x
5.4x
CWH
spent
$2.9
billion
on
acquisitions
during
2007

YTD
9/30/2013,
even
as
the
stock
has
underperformed,
but book value per share remains flat, suggesting minimal return on investment
RMR s
fee
income
has
grown
due
to
being
linked
primarily
to
the
size
of
the

company
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
Its peers acquired assets at approximately one-fifth of CWH s rate over the same period
(1)
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

CWH Insider Holdings

	Position	% of S/O
Trustees and Executive Officers:		
Barry M. Portnoy	252,903	0.21%
Adam D. Portnoy	53,584	0.05%
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	414,016	0.34%

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

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II. History of Worst-In-Class Corporate Governance

34
History of Worst-In-Class
Corporate Governance
The Portnoys
Actions Speak Louder Than Our Words Ever Could
Imposed illegal bylaw amendments to prevent any consent solicitation, a right plainly granted by the Declaration of Trust since 1986
Secretly attempted to manipulate state lawmakers into changing the Maryland Unsolicited Takeover
Act

via
an
11
hour
amendment
to
eliminate
the
right
to
hold
this
consent
solicitation
Effected a massively dilutive equity offering priced at less than 50% of book value, increasing share count by 41%
Opted into a provision of the Maryland Unsolicited Takeover Act in a misleading attempt, later declared invalid, to try to eliminate the right to remove Trustees without cause
Reinstated Trustee Joseph Morea after a nearly 4-1 vote against his re-election at the 2013 annual meeting, and charged him with spearheading corporate governance
Spent
nearly
$30
million
of
shareholders
money
on
a
year-long
litigation
process
in
a
brazen
campaign to systematically disenfranchise shareholders
Should
two
months
of
reversible
governance
alterations
erase
the
inexcusable
actions of this Board or 28 years of poor governance and performance?
The
Portnoys
unconscionable

actions
over
the
past
year
say
more
about
their
intentions than their promises ever will
Over the past year, the Board deliberately:
th

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.

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History of Worst-In-Class
Corporate Governance
Independent Parties Agreed With Us
Consistently poor corporate governance has not gone unnoticed by
independent, highly-respected parties
ISS annual reports consistently reported Shareholder Rights were of High Concern

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

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

In 2013 CWH received the worst possible score, a 10, for Shareholder Rights

A score of 1 indicates lower governance risk while a 10 indicates higher governance risk

ISS and Glass Lewis already supported removing the entire board in June 2013

ISS report, June 13, 2013

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

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

Arbitration Panel, November 18, 2013

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History of Worst-In-Class
Corporate Governance
Widespread
Disapproval
of
the
Portnoys
Governance
Over the years, prominent and diverse parties have stood up against the

Portnoys, the conflicted management structures at their various entities, and
their actions against shareholder rights
How
can
such
a
diverse
group
all
be
wrong
about
the
Portnoys
and
their
true
intentions?
Delaware County Employees Retirement Fund has sued the Trustees of CWH twice in the last year regarding breach of fiduciary duty and improper use of shareholder funds to defend the Portnoys in litigation
Six pension
funds
(CalPERS,
CalSTRS,
Public
Employees
Retirement
Association
of
Colorado,
Florida
State
Board of Administration, North Carolina Retirement Systems and Ohio Public Employees Retirement System) have urged Hospitality Properties Trust, another RMR-managed REIT, to de-classify its Board

CalPERS
has
pushed
for
the
annual
election
of
all
trustees
every
year
from
2009-2013
Green Street Advisors, the preeminent independent investment research company focused on REITs, issued

a report on March 1, 2013 on the RMR-controlled REITs and labeled them Uninvestable

Perry Corp., a 5+ percent holder of the shares of CWH, publicly called for the Board to be replaced in its entirety in a letter dated April 30, 2013

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

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

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History of Worst-In-Class
Corporate Governance
The Arbitration Panel Has Spoken
The Arbitration Panel ruling on November 18, 2013, cleared a path to a free and fair consent solicitation process
After nearly two weeks of live testimony and reviewing hundreds of exhibits, we believe
the
Panel

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

Contested Bylaws
3%/3yr holding requirement to request a record date
All shares must be held in certificated form to request a record date
30 day period to respond to a record date request
60 day period to set a record date
90 day period to certify the results of the consent solicitation

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

New

York
Times

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

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

The father and son duo who head CommonWealth Barry and Adam Portnoy and CommonWealth s counsel at Skadden Arps showed little regard for shareholder rights, doing everything in their power to prevent Corvex Management and the Related Companies from removing the Portnoys. The Portnoys banked on CommonWealth s unique requirement that shareholders arbitrate all disputes with the company to stymie the two hedge funds. It didn t work, and the arbitration panel ruled against CommonWealth, clearing the way for the funds to begin a campaign to unseat them. The Portnoys receive an F.

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III. The Portnoys
Reversible Governance
Alterations In Context

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The Portnoys
Reversible Governance Alterations In Context
The Portnoys' Governance Alterations Are Illusory
The Portnoys
Check-the-Box
governance alterations create the illusion of
reform,
but
bring

zero
incremental
accountability
and
therefore
offer
no
guaranteed
ability
for
shareholders
to
choose
who
runs
their
company
When a board deliberately harms shareholder rights through unconscionable tactics to protect their own interests, accepting flawed governance alterations
while
leaving
the
same
board
in
place
simply
invites
more
of
the
same
All of
the
Portnoys'
alterations
are
ineffective,
and
most
importantly
all
are
unilaterally
reversible
through
the
extraordinary
powers
of

the
Portnoys
and
their
hand-picked
Trustees:

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

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

Unilaterally stagger the Board under MUTA, without shareholder approval

Reinstate hand-picked Trustees who fail to be re-elected by shareholders
Further, there is no way to repeal the "Silent Bylaw : Shareholders must spend exorbitant sums in litigation to strike down illegal, unilaterally-passed bylaw amendments simply to exercise their fundamental right to vote
But the 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

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The Portnoys
Reversible Governance Alterations In Context
Why It s All Smoke and Mirrors
On
the
following
pages,
we
review

and
highlight
the
flaws
of
the
Portnoys
Check-the-Box
governance alterations from December 26, 2013
Questions shareholders should ask themselves while conducting such a review
After
the
countless
tactics
employed
over
the
past
year,
would
the
Portnoys
really
now
implement
meaningful
corporate
governance
enhancements
and
subject
themselves
to
true
accountability
knowing
full
well
they
have
severely
underperformed
for
years?
Would
they
really
put
at
risk

their invaluable Perpetual Fee Stream ? How can the Portnoys possibly justify reappointing Joseph Morea to the Board after he received the vote of only 14% of the outstanding shares and how can he be in charge of spearheading purported governance reforms? What impact might losing the consent solicitation have on the

Portnoys other, much larger and more lucrative externally managed REITs? Did the Portnoys purposefully enact only reversible governance changes just to win votes from some shareholders and remain in power with zero real improvement in corporate governance or accountability? Until CommonWealth s long-suffering shareholders have the unambiguous ability to choose who manages their company, history will repeat itself, as the Portnoys delay their day of judgment through an illusory game of governance restructuring and legal maneuvering, all the while paying themselves huge fees for underperformance

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

Bylaws still require two Managing Trustees to be employees of RMR, making the promise of having

2/3 of the Board up for annual elections in 2015
highly misleading

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

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

CWH has not permanently opted out of Section 3-803

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

Last year s quorum was only 67%

Can shareholders expect the Portnoys and CWH to rock the vote
at the 2014 meeting
to de-classify Board, or could they allow the proposal to languish?
Portnoys
Window Dressing
Propose
declassification
of
Board
at
the
2014
annual
meeting

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

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 after 2014
annual meeting

Added share ownership guidelines

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

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

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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

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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

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.

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

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The Portnoys
Reversible Governance Alterations In Context
The Portnoys' True Intentions Revealed
On January 21, 2014, we sent the Board a public letter, providing them an opportunity to address the gaping loopholes in their governance alterations and commit to permanent, true governance reform
The Board s response? Silence.
Coupled with the unconscionable actions taken over the last year, what else do you need to know?

We asked if the Portnoy Board will:

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

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

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

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

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

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

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

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The Portnoys
Reversible Governance Alterations In Context
The Portnoys
Actions Explained
RMR s business model, in our view, is founded on creating and preserving the conflict of
interest
at
its
externally

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

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

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

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IV. Corvex/Related s Turnaround and
Governance Plan

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Corvex/Related s Turnaround and Governance Plan
Corvex/Related s Plan To Maximize Value
The fair and unfettered election of a new Board consisting of truly independent Trustees

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

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

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

Permanently opt out of MUTA
Internalize management and align management compensation with shareholder returns
Right
the
ship
with
basic
operating
strategies
not
currently
being
employed
by
existing
conflicted
management structure

We believe proper staffing levels and reinvestment in CWH s existing portfolio can harvest a

substantial amount of low hanging fruit
No
poison
pill
-
Adoption
of
a
policy
against
new
pills
without
shareholder
approval
Cease
all
acquisition
activity
and
dilutive
capital
raises
until
stock
price
exceeds
its
NAV
Cease all related party transactions not approved by a vote of disinterested shareholders
Corvex/Related continue to propose the following Turnaround & Governance Plan:
While dramatically different from CWH s existing plan, these reforms are in our view self-evident to every informed investor and will make CWH look like virtually every other member of the S&P 500

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Corvex/Related s Turnaround and Governance Plan
A Simple Blueprint for Change
CommonWealth can then elect a Board of Trustees that:

Is truly independent (per ISS s definition)

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

Is accountable to shareholders

Hires its own independent advisors when necessary

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

Objectively benchmarks its corporate governance policies against peers

Challenges management s thinking on material strategic issues when appropriate
Once shareholders take back control of CommonWealth and can choose who should manage their company, the conflict of interest between manager and owner will be eliminated
In short, shareholders can elect an experienced, independent Board charged with being their advocate

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Corvex/Related s Turnaround and Governance Plan

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

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

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

Equity

Office

Properties

Trust
(formerly
the
largest
REIT
in
the
U.S.)
Mr. Helfand is willing to serve as CommonWealth s CEO, if so appointed by the new Board

Mr. Helfand is Co-President of EGI and has previously served as Executive Vice President and Chief Investment Officer of Equity Office Properties Trust and President and CEO of Equity LifeStyle Properties
Mr. Zell and Mr. Helfand bring exceptional investment, real estate and public company credentials
to
an
already
highly
qualified
slate
of
nominees
(1)
In addition, Mr. Zell and Mr. Helfand plan to bring to the Company their highly qualified and experienced management team to execute on a value-driven strategy
Mr. Zell has demonstrated a long-standing commitment to good corporate governance:
Corvex and Related announce the addition of Sam Zell and David Helfand of Equity Group Investments (EGI) to our previously announced slate of highly qualified nominees for election to the Board of CommonWealth
(1)
Detailed biographies are included in the Appendix
One of our core operating principals is the alignment of interests between company leadership and shareholders. We are concerned about any attempts to preclude shareholder rights, and our companies are free of such impediments.
-Sam Zell, Corvex/Related Press Release, February 11, 2014

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Corvex/Related s Turnaround and Governance Plan
Sam Zell and Corvex/Related Share A Common View
We are fully supportive of Corvex and Related s efforts to maximize value at CommonWealth for all shareholders. We see an attractive opportunity at CommonWealth uniquely suited to our expertise in leading public real estate companies and in turning around underperforming assets. We created three of the most successful REITs in the U.S., including Equity Office, which at the time of its $39 billion sale in 2007, owned nearly 100 million square feet of space in over 500 office buildings across the country.
One of our core operating principals is the alignment of interests between company leadership and

shareholders. We are concerned about any attempts to preclude shareholder rights, and our companies are free of such impediments. We believe the shareholders of our REITs have clearly benefited from having an accountable, properly aligned board overseeing an effective, internalized management team with the sole goal of increasing shareholder value.
-Sam Zell, Corvex/Related Press Release, February 11, 2014

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Corvex/Related s Turnaround and Governance Plan
Sam Zell s Unrivaled Track Record for Value Creation
We
believe
Sam
Zell s
chairmanship
of
these

REITs
has
unquestionably
maximized
value
for
shareholders
These REITs clearly demonstrate, in our view, the value to shareholders of having an accountable, properly aligned board overseeing an effective, internalized management team with the sole goal of increasing shareholder value
In stark contrast, CWH has been operated by an underperforming, external manager focused on increasing its fee stream at the expense of shareholders, while erecting barriers to shareholder action
Not surprisingly, the long-suffering shareholders of CWH have had the opposite experience of Mr. Zell s shareholders, as clearly depicted on the following page
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, Equity Residential, and Equity LifeStyle
Properties

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Corvex/Related s Turnaround and Governance Plan
Sam Zell s Unrivaled Track Record for Value Creation (cont.)
(1)
(2)
($100)
$0
$100
$200
$300

$400
$500
$600
$700
$800
1997
2000
2003
2006
2012
(100%)
0%
100%
200%
300%
400%
500%
600%
700%
800%
Total Return Performance Zell-Chaired REITs vs. CWH vs. RMR Fees
CWH
EOP
EQR
ELS
Cumulative RMR
Fees
(1)
Total returns through February 25, 2013, the day prior to Related and Corvex s initial 13-D filing.
(2)
2013 RMR fees reflected annualized YTD 9/30/2013 figures. Q3 2013 RMR fees include fees paid by SIR to make the figure
Sources: Company filings, SNL
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
Cumulative RMR fees
since 1997: $791
(2)
EOP:
368%
EQR:
422%
ELS:
574%
CWH: 7%
2009

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Corvex/Related s Turnaround and Governance Plan
Peaceful Transition of Authority
Plan A
To eliminate the already miniscule risks, the Board members could implement the following to protect CommonWealth and its shareholders:
While we wholeheartedly dismiss the scare tactics employed by the Portnoys
that
a
removal

of
Trustees
will
cause
the
business
material
harm

we
point
out
that ironically the sitting Board members could easily preclude any of their
imagined disruptions from occurring by acting responsibly in advance of a
consent solicitation
We have asked the Board to work with Corvex/Related and the Arbitration Panel
to implement obvious solutions that address the Board s professed concerns ,
but the Board refuses to respond
Agree to allow for the election of replacement Trustees concurrently with the removal of
existing Trustees
We also point out that the Arbitration Panel will remain available for resolving disputes
even
after
the
removal
of
the
Trustees
and
during
the
transition
to
a
newly
elected
Board
Request waivers under existing financing agreements regarding a change in control or arrange
for replacement facilities
RMR could remove language or simply agree not to immediately terminate its management of the
assets in the event of a change in control

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Corvex/Related s Turnaround and Governance Plan
Disruptive Transition of Authority
Plan B
In the event the Trustees are not cooperative in transitioning authority, Related and Corvex have a plan to protect the Company
Shareholders should not be coerced into voting for the current Board out of fear
that
the
existing

Trustees
will
burn
down
the
house
on
the
way
out
the
door
David Helfand, a 25-year industry veteran, possesses substantial executive experience
managing
large
portfolios
of
commercial
real
estate
in
a
variety
of
contexts
Mr. Helfand has served CEO, CIO and President roles for companies, including Equity LifeStyle Properties, American Residential Communities, Helix Funds, and Equity Office Properties Trust
Mr.
Helfand
has
led
more
than
$14
billion
in
investment
activity
over
the
past
15
years
Jim
Lozier,
a
30+
year
industry
veteran,

is
available
to
assist
in
CWH s
transition
(1)
Mr. Lozier served as co-founder and CEO of the Archon Group L.P., a subsidiary of Goldman Sachs, from its formation in 1996 until 2012, during which time, the company grew from 320 employees to 8,500 employees managing 36,000 assets with a gross value of approximately $59 billion
Archon s
core
competencies
include
the
ability
to
quickly
integrate
new
properties
into
its
operating
platform, regardless of the condition of the property or the difficulty of transitioning such properties
CBRE, one of the world s largest integrated real estate services firms, has agreed to provide
interim
property
management
services
(2)
Successfully managed transition of leasing/management services for 1.2 billion sq. ft. of commercial properties in the U.S. over the last nine years, including transitions done under significant time pressure
Related and Corvex have agreed to purchase up to 51% of the bank
debt in order to prevent
acceleration of the Company s debt
(1)
Mr. Lozier is providing consulting services to Related in connection with Related s investment in CWH.
(2)
CBRE will perform management and leasing services on customary terms to be agreed to in the event CWH s management ag

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Corvex/Related s Turnaround and Governance Plan

About Related

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

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

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

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

-
Several assets representing hundreds of millions of dollars in value in contested foreclosure or adversarial bankruptcy proceeding, including acting as agent for court appointed receivers between 2010-2012
-
Portfolio of 32 REO properties comprised of 10,000 multifamily units on behalf of GSE
Founded over 40 years ago, Related operates a real estate portfolio valued at over $15 billion today including residential, office, mixed-use, and affordable properties

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Corvex/Related s Turnaround and Governance Plan
About Corvex
Value-based
investing
across
the
capital
structure
in

situations
with
clearly
identifiable catalysts
Follows an opportunistic approach to investing with a specific focus on equity investments, special situations and distressed securities largely in North America.
Active investing to create asymmetric risk/reward opportunities
Public markets view for fundamental and event-driven investing
Successfully engages with management teams of invested companies

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Corvex/Related s Turnaround and Governance Plan

Jim Lozier

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

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

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

Archon underwrote, acquired and asset managed real estate and real estate debt for Goldman Sachs with a concentration in office, multi-family and limited service hospitality

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

Mr. Lozier will remain available to assist in CommonWealth s transition upon removal of the current Board

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V. Highly Qualified Nominees

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Highly Qualified Nominees
Truly Independent Slate
Mr.
Zell
maintains
substantial
interests
in
and

serves as Chairman of four public companies, two of which are REITs

Equity Residential (NYSE: EQR), the largest multifamily REIT, and Equity LifeStyle Properties (NYSE: ELS), the largest manufactured home community REIT. He is also Chairman of Covanta Holding Corporation (NYSE: CVA), an international leader in converting waste to energy, and Anixter International (NYSE: AXE), a global supplier of communications and securi products.

Mr. Zell also serves as Chairman of two private investment firms, Equity Group Investments, which he founded over 40 years ago, and Equity International. While EGI s roots are in real estate, the firm s investments today span industries and continent and include interests in real estate, energy, logistics, transportation, media, and health care, among others. Equity International, which Mr. Zell founded in 1999, is a private investment firm focused on building real estate-related businesses i international emerging markets.

Mr. Zell is a member of the President s Advisory Board at the University of Michigan, and with the combined efforts of the University of Michigan Business School, established the Zell/Lurie Entrepreneurial Center. He is also a long-standing supporter of the University of Pennsylvania Wharton Real Estate Center, and has endowed the Samuel Zell/Robert Lurie Real Estate Center at Wharton. Mr. Zell also endowed the Northwestern University Center for Risk Management. Mr. Zell holds a BA and a JD from the University of Michigan.

Chairman, Founder, *Equity Group Investments (EGI)*

Chairman, *Equity Residential, Equity LifeStyle Properties, Covanta Holding Corporation, Anixter International Inc.*

Chairman, Founder, *Equity International*

Sam Zell Candidate for Chairman of CommonWealth

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Highly Qualified Nominees
Truly Independent Slate (cont.)
Co-President, *Equity Group Investments (EGI   )*
Mr. Helfand is currently Co-President of EGI where he oversees all aspects of the firm. He began working with Sam Zell more than 25 years ago, and has worked with him in a variety of capacities since then.
Prior to rejoining EGI in 2012, Mr. Helfand was Founder and President of Helix Funds, where he oversaw the acquisition, management and disposition of more than $2.2 billion of real estate assets. While at Helix, he also served as Chief Executive Officer for American Residential Communities, a Helix portfolio company.
Before founding Helix, Mr. Helfand served as Executive Vice President and Chief Investment Officer for Equity Office

Properties Trust, the largest REIT in the U.S. at the time, where he led approximately $12 billion of mergers and acquisitions activity. Prior to Equity Office, Mr. Helfand served as a Managing Director and participated in the formation of Equity International. He also held the role of President and Chief Executive Officer at Equity LifeStyle Properties, and served as Chairman of the board s audit committee. His earlier career included investment activity in a variety of asset classes, including retail, office, parking and multifamily.

Mr. Helfand holds an MBA from the University of Chicago Graduate School of Business, and a BA from Northwestern University. He serves as a member of the Board of Trustees and Executive Committee of National Louis University, as a Director of the Ann & Robert H. Lurie Children s Hospital of Chicago, on the Executive Committee of the Zell/Lurie Real Estate Center at the Wharton School, and on the Board of Visitors at the Weinberg College of Arts and Sciences at Northwestern University.

David Helfand Candidate for CEO of CommonWealth

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Highly Qualified Nominees
Truly Independent Slate (cont.)
James
Corl
Managing Director and Head of Real Estate, *Siguler Guff & Company*
James Corl has been a Managing Director at Siguler Guff & Company since 2009, and is the Head of Real Estate. Mr. Corl ov
Firm s real estate investment activities, setting investment strategy, designing and constructing the portfolio, identifying poten
investments, and negotiating investment terms and conditions. Prior to joining Siguler Guff, Mr. Corl spent 13 years in the RE
investment industry, most recently as Chief Investment Officer for all of the real estate activities of Cohen & Steers, Inc., a lea

in global real estate securities. While at Cohen & Steers, Inc., Mr. Corl was directly responsible for over $30 billion of client assets invested in mutual funds and institutional separate accounts around the world. As an Associate with the Real Estate Investment group at Credit Suisse First Boston, Mr. Corl was involved in acquiring portfolios of non-performing loans and distressed real assets for CSFB s Praedium Real Estate Recovery Fund, as well as restructuring troubled real estate companies as publicly tra REITs.

Edward Glickman
Executive Director, Center for Real Estate Finance Research, *New York University Stern School of Business*
Clinical Professor of Finance, *New York University Stern School of Business*
Executive Chairman, *FG Asset Management US*
Senior Advisor, *Econsult Solutions, Inc.*

Edward Glickman is the Executive Director of the Center for Real Estate Finance Research and Clinical Professor of

Finance at New York University Stern School of Business, and has been a Professor at the Stern School of Business since 2006. Mr. Glickman is also currently the Executive Chairman of FG Asset Management US, an alternative asset manager serving Korean investors, and is a Senior Advisor for Econsult Solutions, Inc., an econometric consulting firm. From 2004 to 2012 Mr. Glickman served as President and Chief Ope Officer

of the Pennsylvania Real Estate Investment Trust, where he oversaw all operating functions and was a member of its Board of Trustees. Mr. Glickman has more than 30 years of experience in the real estate and financial services industry having been pre
employed by The Rubin Organization, Presidential Realty Corporation, Shearson Lehman Brothers and Smith Barney. Mr. Gli
Fellow of the Royal Institute of Chartered Surveyors, a Certified Treasury Professional and a Registered Securities Principal.

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Highly Qualified Nominees
Truly Independent Slate (cont.)
Peter Linneman
Emeritus Albert Sussman Professor of Real Estate, *University of Pennsylvania, Wharton School of Business*
Principal, *Linneman Associates*
Principal, *American Land Funds*
From 1979 to 2011, Dr. Linneman was a Professor of Real Estate, Finance and Public Policy at the University of Pennsylvania
School of Business and is currently an Emeritus Albert Sussman Professor of Real Estate there. Dr. Linneman is currently a pr
Linneman Associates, a real estate advisory firm, and a principal of American Land Funds, a private real estate acquisition fun

than 35 years he has advised leading corporations and served on over 20 public and private boards, including serving as Chairman of Rockefeller Center Properties, where he led the successful restructuring and sale of Rockefeller Center in the mid-1990s. Dr. L has won accolades from around the world, including PREA s prestigious Graaskamp Award for Real Estate Research, Wharto Lurie Real Estate Center s Lifetime Achievement Award, Realty Stock Magazine s Special Achievement Award, and has bee One of the 25 Most Influential People in Real Estate by Realtor Magazine and was included in The New York Observer s 100 Most Powerful People in New York Real Estate.

Jim Lozier

Co-founder and former CEO, *Archon Group L.P.*
Jim Lozier served as co-founder and CEO of Archon Group L.P. from its formation in 1996 until 2012. Archon, a wholly owne of Goldman Sachs, is a diversified international real estate services and advisory company that under Mr. Lozier s leadership 36,000 assets with a gross value of approximately $59 billion and over 8,500 employees in offices located in Washington D.C. Angeles, Dallas, Boston, Asia and Europe. Prior to the formation of Archon, Mr. Lozier was an employee of the J.E. Robert Company and was responsible for managing the Goldman Sachs/J.E. Robert joint venture for two years. Mr. Lozier directed the acquisition efforts of the joint venture between GS and JER from 1991-1995. Jim has served on the Board of Directors of Dallas CASA (Court Appoint Advocates for Children) since 1999, and currently is on the Executive Committee and is heading CASA s capital campaign.

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Highly Qualified Nominees
Truly Independent Slate (cont.)
Kenneth Shea
President, *Coastal Capital Management LLC*
Kenneth
Shea
is
the
President

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

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VI. Valuation Update

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

and
owner/operators
across
CWH s
markets regarding their experience with RMR, we believe:
Many
leasing
brokers
representing
tenants
across
CWH s
markets
steer
tenants
away
from RMR-managed properties because of a lack of attention from RMR personnel
RMR often fails to execute simple asset and property management functions, such as responding to tenant work requests, and challenging real estate tax assessments

Blake Schreck, president and economic development director for the Lenexa Chamber of Commerce, didn't sound unhappy about Southlake Technology Park changing hands. He echoed multiple local commercial real estate brokers, who indicated that CommonWealth's slow response to requests for lease proposals from prospective tenants had likely cost the 933,0000-square-foot office park deals and contributed to its 48 percent occupancy rate.
Over the past six months, representatives from Corvex and/or Related have independently performed detailed site visits on approximately 85% of the portfolio
Kansas City Business Journal, October 23, 2013

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Valuation Update
Where Are The Employees?
RMR employees service assets for CWH in addition to other RMR-managed public REITs
(SIR,
GOV,
HPT,
SNH)
as
well

as
the
Portnoys
privately
owned
real
estate,
all
of
which
encompass office, retail, hospitality, senior housing, land and other property types
It appears that the leasing staff is too small, resources are spread too thin, and a true asset management department is non-existent
The majority of, if not all, leases from CWH, SIR, HPT, SNH and GOV are processed through the CWH s headquarters office for review, approval and negotiation
There appears to be little delegation to local RMR representatives, creating a substantial bottleneck that leads to very slow response times
It appears that staffing is maintained at deficient levels in order to maximize profit margins for RMR at the expense of CWH shareholders
Clearly, assets that are suffering from such poor management should only be sold after first maximizing value for CWH shareholders
Opportunistic funds with expensive capital (such as Oaktree Capital and Garrison
Investment
Group)
were
among
the
largest
buyers
of
assets
in
the
last
round
of
CWH
dispositions
We believe there are too few employees spread over too many assets and product types:

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Valuation Update

Significant Operational Upside

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

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

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

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

Valuation Update
NAV Components
Implied cap rates of CWH s public peers
Analysis of private market transactions in
local markets
CWH management s own published valuation
of key assets
Cap rate surveys published by national
brokerage firms
71

Source: Company filings, media reports.
Properties classified as Held for Sale
are per CWH s SEC filings,
adjusted for subsequent asset sales reported in the media.
In-Place Cash NOI based on annualized YTD 9/30/13 results,
adjusted for subsequent asset sales reported in the media.
Estimate based upon Related s expertise and knowledge of the real
estate market and having considered factors such as size and
location of CWH s real estate portfolio as well as estimates from and
discussions with CBRE regarding the potential extension of
management services for CWH.
Represents the stabilization improvement implied by the difference
between As-Stabilized NOI and In-Place NOI after Property
Management Fee savings. As-Stabilized NOI is derived through an
extensive bottoms-up real estate analysis on a property-by-property
basis.
(1)
(2)
(3)
(4)
Related performed a bottoms-up real estate
analysis on a property-by-property basis
We believe our estimate of Stabilized Cash NOI is
supported by our extensive field due diligence
We find support for cap rate assumptions and price
per foot valuations from:
NAV Methodology
(In millions, except PSF and per share amounts)
Continuing
Held for
Operations
Sale
(1)
Total
$428
$42
$470
8
2
10
28
20
48
As-Stabilized Cash NOI
$465
$63
$528
Cap Rate
7.3%
8.7%

7.5%
As-Stabilized Value
$6,346
$731
$7,077
Plus: Australia Assets Held at Book Value
95
0
95
Plus: Potential Development Assets
34
0
34
Concluded Value
$6,475
$731
$7,205
Less: Stabilization Costs
(170)
(82)
(252)
Concluded Value
$6,305
$649
$6,953
$PSF
$168
$76
$151
NAV Calculation
PF 9/30/13
Concluded Value
$6,953
Stake in SIR (as of 2/10/14)
602
Cash
360
Other Current Assets, Net
54
Total Asset Value
$7,970
Less:
Unsecured Revolving Credit Facility
($334)
Unsecured Term Loan
(500)
Unsecured Notes
(1,361)
Mortgage Notes Payable
(920)

Series D Preferred Stock
(380)
Series E Preferred Stock
(275)
Total Debt + Preferred stock
($3,769)
Net Asset Value
$4,200
Shares Outstanding
118
NAV / Share
$35.48
(2)
(3)
(4)
In-Place Cash NOI
Plus: Property Management Fee Savings
Plus: Stabilization Improvement, Implied

Valuation Update
2-Year Forward Share Price Analysis
The illustrative roll-forward analysis below demonstrates the potential to drive substantial value creation through thoughtful capital allocation strategies
CWH
could
close
the
gap
between

its
stock
price
and
NAV
by
using
excess
cash
flow
and/or
proceeds
from
non-core
asset
sales to buy back stock at prices below NAV
Analysis
assumes
stabilized
NOI
remains
flat,
ie,
no
market
growth
in
the
office
sector
72
2013E
2014E
2015E
Estimated CAD (Wall Street Consensus)
$150.0
$483.0
Business Mgmt. Fees Savings
$11.0
Cap Rate Assumed
7.50%
Property Mgmt. Fees Savings
10.0
Implied CWH TEV
$6,440.0
Incremental CAD
$21.0
CWH Pro forma Net Debt (Net of SIR, Cash, other assets)
1,973.3
Annualization Adjustment-Q1 '13 Bond Tender

10.2
Preferred Equity
655.0
Adjusted CAD
$181.2
$181.2
$181.2
Implied CWH Equity Value
$3,811.7
Adj CAD reflects abnormally high g&a in starting CAD figure
Implied CWH Share Price, 12/31/15
2.5%
$40.13
Current Quarterly Dividend
$0.25
$0.25
% Change to Stock Price at 2/10/14
56.3%
Avg. Shares Outstanding
111.9
100.3
Memo: Shares Outstanding
95.0
Annual Dividends Paid
$111.9
$100.3
Implied CWH Share Price
2014E
2015E
Non-Core Asset Sales/year
CAD after Dividends Paid
$69.3
$81.0
$40.13
$0.0
$150.0
$300.0
$450.0
$600.0
Non-Core Asset Sales
300.0
300.0
7.00%
$43.11
$43.95
$44.97
$46.21
$47.76
Divested NOI (Assumes Dispositions Mid-Year)
(11.3)

(33.8)
Cap
7.25%
40.83
41.57
42.46
43.56
44.92
Share Repurchases
$358.1
$347.2
Rate
7.50%
38.70
39.35
40.13
41.08
42.27
Share Repurchase Price Assumed
$28.00
$33.00
7.75%
36.71
37.27
37.94
38.76
39.79
% Premium to Stock Price at 2/10/14
9.0%
28.5%
8.00%
34.84
35.32
35.89
36.59
37.47
Shares Repurchased
12.8
10.5
% Change to Current Share Price
% of Shares Outstanding (Current)
10.8%
8.9%
Non-Core Asset Sales/year
$0.0
$150.0
$300.0
$450.0
$600.0
Beginning Shares

118.3
105.5
7.00%
67.9%
71.2%
75.1%
80.0%
86.0%
Ending Shares
105.5
95.0
Cap
7.25%
59.0%
61.9%
65.4%
69.6%
74.9%
Avg. Shares Outstanding
111.9
100.3
Rate
7.50%
50.7%
53.2%
56.3%
60.0%
64.6%
7.75%
42.9%
45.1%
47.7%
50.9%
55.0%
Dividend Coverage
8.00%
35.7%
37.5%
39.8%
42.5%
45.9%
Adj. CAD after Non-Core Asset Sales
$170.0
$147.5
Annual Dividends Paid
$111.9
$100.3
Payout Ratio
65.8%
68.0%

Stabilized Cash NOI (after Non-Core Asset Sales)
(in millions, except per share amounts)

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Valuation Update
Public Peer Analysis
Our weighted average cap rate for the continuing operations portfolio is 7.3% vs. the public peer average of 6.7% despite CWH having a higher percentage of CBD/urban infill assets
Note: Stock prices as of 2/10/14. All CWH statistics based on continuing operations portfolio only. See other footnotes on page 80.
(7)
(7)

(7)
(7)
(7)
(6)
(6)
(6)
(6)
(6)
(NAV)
(1)
CommonWealth
(Current price)
Peer Avg.
Brandywine
Parkway
(2)
Highwoods
(3)
Piedmont
Cousins
Share price
$35.51
$25.68
$13.98
$17.77
$37.27
$16.25
$10.76
Implied cap rate
(4)
7.3%
8.7%
6.7%
7.0%
6.2%
6.9%
6.7%
6.6%
TEV / SF
$208
$177
$200
$187
$246
$169
$210
$190
% CBD / urban infill
66.6%
62.1%

46.7%
27.7%
70.8%
20.0%
64.2%
51.0%
Avg gross rent $PSF
$20.34
$18.62
$23.46
$23.28
$24.27
$21.36
$26.85
$21.54
Top 5 Markets
(5)
Chicago
Philadelphia Suburbs
Houston
Raleigh
Washington, D.C.
Atlanta
% of total rent / NOI
12.7%
28.4%
34.7%
18.8%
22.8%
48.0%
Avg gross rent $PSF
$22.06
N/A
$22.27
$20.23
$34.48
N/A
Philadelphia
Philadelphia CBD
Charlotte
Atlanta
New York
Houston
% of total rent / NOI
11.9%
24.6%
14.0%
15.0%
16.4%
30.0%

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

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

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Valuation Update
How We Stack Up Against Management s Estimate of Value
(1)
CWH Investor Presentation, April 22, 2013.
(2)
Based on concluded value of approximately $7.1BN.
Our valuation is $124 million lower than management s own estimates
(1)

of
value
on
nearly
20%
of
the
portfolio
(2)
,
pointing
to
the reasonableness of our $35 per share NAV estimate
Related/
Corvex
Value
$248MM
$236MM
$194MM
$366MM
$110MM
$113MM
$1,267mm
$1,391mm

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Valuation Update
Portfolio Concentration
Top 10 Markets
The Top 10 markets, by concluded value, account for over 50% of the value of the entire portfolio
(1)
(1)
Excludes Australia and land in Austin.
Our weighted average cap rate for the Top 10 markets in CWH s portfolio is 6.8% while the

average implied cap rate of the public peers is 6.7%
Given that the portfolio of assets in CWH s Top 10 markets are comparable or superior to the full portfolios of the average public peer, we believe our weighted average cap rate compares favorably

#	City	NOI ($MM)	Concluded Cap Rate	Concluded Value ($MM)	Concluded Value ($PSF)	% Concluded Value
1	Chicago	$63	7.2%	$865	$204.32	12.4%
2	Philadelphia	$67	7.0%	$851	$185.13	12.2%
3	Austin	$36	7.0%	$511	$202.01	7.3%
5	Bellevue	$19	5.6%	$330	$500.02	4.7%
4	Denver	$21	6.8%	$312	$338.40	4.5%

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

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Valuation Update
Portfolio Concentration
Top 20/Top 50 Assets
CWH s entire portfolio has approximately 305 properties but only 50 of these assets account for almost 80% of total portfolio value
(1)
Based on Company Filings.
Top 20 Assets
The Top 20 assets, by concluded

value, account for over 55% of the
value of the portfolio, or over 60% if
assets held in discontinued
operations are excluded
Top 50 Assets
The Top 50 assets, by concluded
value, account for nearly 80% of the
value of the portfolio, or nearly 90%
if assets held in discontinued
operations are excluded
We believe CWH s Top 20 assets represent a portfolio of comparable or superior quality relative to the full portfolios of CWH s public peers yet we value CWH s Top 20 assets at a weighted average cap rate of 7.1% while the average public peer trades at an implied cap rate of 6.7%

Subset	Reported Occupancy	Net Rentable Area	As-Stabilized NOI ($MM)	Cap Rate	Concluded Value ($MM)	Concluded Value PSF	% of Concluded Value
Top 20 Assets	91.3%	18,380,734	$285	7.1%	$3,926	$213.61	56.5%
Top 50 Assets	90.3%	27,521,106	403	7.2%	5,477	199.00	78.8%
Other Continued Operations	87.5%	9,875,136	62	8.3%	828		

83.87
11.9%
Total Continued Operations
89.5%
37,396,242
$465
7.3%
$6,305
$168.59
90.7%
Total Discontinued Operations
(1)
71.3%
8,502,942
63
8.7%
649
76.27
9.3%
Total
86.2%
45,899,184
$528
7.5%
$6,953
$151.49
100.0%

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Valuation Update
Chicago Portfolio
CWH s Chicago assets account for roughly 12% of the portfolio s total value
Recent Transactions
120 S. Riverside
Nov-13
$264 PSF
6.3% cap rate
111 W. Jackson

Dec-13
$237 PSF
6.5% cap rate
300 S. Wacker
Aug-13
$220 PSF
6.3% cap rate
625 N. Michigan
Jun-13
$316 PSF
6.0% cap rate
Source:
Comparable data comes from CBRE, HFF and MBReal Estate
We believe our 7.2% weighted average cap rate and weighted average value per square foot of $204 compare favorably to recent transaction comparables in the market place

City	NOI ($MM)	Cap Rate	Concluded Value ($MM)	Concluded Value PSF
Chicago Assets	$63	7.2%	$865	$204.32

While core cap rates are hovering around 6.0%, it should be noted that in three of five cases core office cap rates dipped below 6.0% in 2013.
CBRE Chicago Downtown Office MarketView Q4 2013

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Valuation Update
Philadelphia Portfolio
CWH s Philadelphia assets account for roughly 13% of the portfolio s total value
Recent Transactions
1500 Spring Garden
Oct-13
$171 PSF
6.99% cap rate

Commerce Sq I & II
Dec-13
$175 PSF
6.5% cap rate
2000 Market
Mar-13
$165 PSF
7.0% cap rate
Source:
Comparable data comes from CBRE, HFF and MBReal Estate
We believe our 7.0% weighted average cap rate and
weighted average value per square foot of $185 compare
favorably to recent transaction comparables in the market
place
City
NOI ($MM)
Cap Rate
Concluded
Value ($MM)
Concluded
Value PSF
Philadelphia Assets
$67
7.0%
$851
$185.13

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

Gerard H. Sweeney, President and CEO of Brandywine

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Valuation Update
By Asset Type and Vintage
Over 60% of CWH s assets are located in CBD locations or close to 70% if assets held in discontinued operations are excluded
($ and SF in millions, except PSF)
of
Cap
Concluded
Concluded

Property Type
Properties
SF
Rate
NOI
Value
Value PSF
Office -
CBD
52
22.0
7.2%
$314
$4,215
$192
Office -
Suburban
188
17.2
7.8%
184
2,256
131
Industrial
47
6.0
8.4%
21
344
57
Other
18
0.8
8.7%
9
138
179
Portfolio
305
45.9
7.5%
$528
$6,953
$151
($ and SF in millions, except PSF)
of
Cap
Concluded
Concluded
Vintage

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

$151
Portfolio
Summary
-
by
Property
Type
Portfolio
Summary
-
by
Vintage

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Valuation Update
Footnotes
(1)
(2)
(3)
Footnotes to p. 73
(4)
(5)
(6)

(7)
Source: Company filings, Factset, SNL, Greenstreet Advisors
Per estimates from Related.
Pro forma for acquisition of Thomas Properties Group.
Highwoods data excludes industrial and retail.
Per Greenstreet Advisors, except for CWH. CWH implied cap rates exclude discontinued operations and are based on total portfolio Stabilized Cash NOI of $528 million.
% of total for Top 5 markets represents nine months ended 9/30/2013.
Parkway only discloses rent by market.
Parkway rent per square foot for individual markets as of 12/31/2012.