

CommonWealth REIT
Form DFAN14A
February 13, 2014

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

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

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

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

COMMONWEALTH REIT

(Name of the Registrant as Specified In Its Charter)

CORVEX MANAGEMENT LP

KEITH MEISTER

RELATED FUND MANAGEMENT, LLC

RELATED REAL ESTATE RECOVERY FUND GP-A, LLC

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

RRERF ACQUISITION, LLC

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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)

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

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

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Additional Information Regarding the Solicitation

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

relevant

documents

are

available,

free

of

charge,

on

the

SEC's

website

at

www.sec.gov.

The

definitive

solicitation

statement

and

all

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

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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

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

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

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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 year

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

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Executive Summary

The Case for Removal: Corporate Governance Malfeasance

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

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

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

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

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

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

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Executive Summary

What Are Shareholders Voting On?

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

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

The consent solicitation also creates an opportunity to elect 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

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

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

Seize
the
Moment:

The
Time
to
Make
Real
Change
at

CommonWealth
is
Now

Despite taking every action imaginable to deny shareholders a vote, the Portnoys now have no choice but to face their shareholders in a clear process established by the Panel
The Panel struck down all of the illegal bylaws passed by the current Board:
The Panel expressly prohibited any action intended to impede or frustrate the new solicitation

The
Panel
also
declared
it
would
remain
available
to
resolve
any
issues

or
disputes

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

-
Arbitration Panel, November 18, 2013

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

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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

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

GOLD

Consent

Card

Today

A Non-vote is a Vote for the Portnoys

Place

your

vote

now

to

remove

the

entire

Board

of

Trustees

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

as they did just last year

or fill vacancies on the Board without input

from

the

true

owners

of

the

company

the

shareholders

Please

note

that

internet

voting

is

NOT

available

-

Shareholders

must

sign,

date

and

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

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

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

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Appendix

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History of Underperformance

History of Worst-In-Class Corporate Governance

The Portnoys Reversible Governance Alterations

In Context

Corvex/Related Turnaround and Governance Plan

Highly Qualified Nominees

Valuation Update

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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 REIT (PKY). Excludes Mack-Cali (CLI), approximately 80% of whose office markets are either in secular decline or experiencing

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

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

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History of Underperformance

Valuation Discount

CWH has historically traded at a significant discount to its peers on all key measures

(1)

Note:

Share

price

and

estimates
updated
as
of
2/25/2013,
the
day
before
Related
and
Corvex's
13-D
filing.
Financial
information
as
of
Q4
2012.

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

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

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

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

Enterprise
Implied
G&A /
2/25/2013
Equity
value
nominal
TEV /
equity
Net debt /
P / FFO
TEV / EBITDA
Div
Ticker
Company
price
mkt cap
(TEV)
cap rate
Sq. Ft.
mkt cap
TEV

2013E

2014E

2013E

2014E

yield

CWH

CommonWealth REIT

\$15.85

\$1,338

\$4,914

10.7%

\$105

3.9%

76%

5.4x

5.5x

12.0x

12.3x

6.3%

HIW

Highwoods Properties, Inc.

\$35.35

\$2,983

\$4,999

6.6%

\$144

1.3%

40%

13.1x

12.7x

15.6x

14.8x

4.8%

BDN

Brandywine Realty Trust

\$12.96

\$1,885

\$4,689

7.1%

\$176

1.3%

58%

9.0x

8.6x

14.1x

13.8x

4.6%

PDM

Piedmont Office Realty Trust, Inc.

\$19.66

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

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

23

History of Underperformance

RMR Fees vs. CWH Shareholder Returns

(1)

RMR fees paid per CWH public filings include SIR.

(2)

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

(3)

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

(2)

RMR

extracted

approximately

36%

of

CWH s

unaffected

market

capitalization

(3)

during 2007 -

2013, as CWH share price continued to plummet

(2)

2007

2008

2009

2010

2011

2012

Annualized

2013

2007-

2013

Cumulative

Fees Paid Out to RMR

(1)

\$59.7

\$63.2

\$62.6

\$62.2

\$69.5

\$77.3

\$83.5

\$478.0

RMR Fees % Growth

--

5.9%

(0.9%)

(0.6%)

11.7%

11.2%

8.0%

39.8%

RMR Fees as % of:

CWH Market Cap

(3)

4.5%

4.7%

4.7%

4.6%

5.2%

5.8%

6.2%

35.7%

CWH Market Cap, Cumulative

4.5%

9.2%

13.9%

18.5%

23.7%

29.5%

35.7%

35.7%

CWH Cumulative Stock Price Return

(37.4%)

(74.7%)

(46.0%)

(48.4%)

(66.3%)

(67.9%)

(67.9%)

(67.9%)

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

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

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

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

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

,
while
the
share
price
declined 68%

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

\$10.00

\$15.00

\$20.00

\$25.00

\$30.00

\$35.00

\$40.00

\$45.00

\$50.00

\$55.00

1/31/2007

1/31/2008

1/31/2009

1/31/2010

1/31/2011

1/31/2012

1/31/2013

(2)

(3)

CWH stock price

Cumulative fees paid out to RMR

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

the
1
year
ending
2/25/2013

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

Note: Total returns include dividends

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

Source: SNL

(25.0%)

0.0%

25.0%

50.0%

75.0%

2/24/2012

4/9/2012

5/25/2012

7/10/2012

8/25/2012

10/10/2012

11/25/2012

1/10/2013

2/25/2013

PKY

BDN

HIW

PDM

CUZ

CWH

RMZ

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

over
the
last
3
years
ending
2/25/2013

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

Note: Total returns include dividends

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

Source: SNL

(60.0%)
(40.0%)
(20.0%)
0.0%
20.0%
40.0%
60.0%
80.0%

2/25/2010
7/12/2010
11/26/2010
4/12/2011
8/27/2011
1/11/2012
5/27/2012
10/11/2012
2/25/2013

PKY
BDN
HIW
PDM
CUZ
CWH
RMZ

1 year
3 year
PKY
65.5%
6.9%
BDN
25.2%

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

27

History of Underperformance

FFO Multiples

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

PDM: 14.0x

CWH: 5.4x

HIW: 13.1x

CUZ: 18.2x

BDN: 9.0x

Source: Factset

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

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

28

History of Underperformance

Operating Performance

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

(1)

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

(2)

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

Source: Company filings and SNL

Value

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

For the Fiscal Year Ending December 31,

YTD

2010

2011

2012

9/30/2013

(1)

Share Price Performance (if held since)

(2)

(38.2%)

(39.0%)

(6.9%)

N/A

SF Owned per Share (% growth)

(15.9%)

(5.2%)

(0.6%)

(32.7%)

NOI per Share (% growth)

(19.1%)

(4.2%)

16.1%

(28.0%)

EBITDA per Share (% growth)

(22.1%)

(4.7%)

(27.2%)

(20.1%)

FFO per Share (% growth)

(13.8%)

(9.9%)

0.0%

(19.1%)

CAD per Share (% growth)

(23.7%)

(27.7%)

(17.3%)

(15.6%)

Fees Paid to RMR

\$62.2

\$69.5

\$77.3

\$62.6

% growth

(0.6%)

11.7%

11.2%

10.6%

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

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

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

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History of Underperformance

Same Store Underperformance

Edgar Filing: Commonwealth REIT - Form DFAN14A

CWH underperforms its peers on a same store basis

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

1)

CUZ figures represent consolidated portfolio.

Source: Company filings

9

months

ended

9/30/2013

rent

growth

(1)

9

months

ended

9/30/2013

NOI

growth

(1)

9

months

ended

9/30/2013

NOI

margin

(1)

Avg.: 2.0%

4.5%

2.7%

1.3%

(0.4%)

(0.6%)

(1.0%)

0.0%

1.0%

2.0%

3.0%

4.0%

5.0%

CUZ

BDN

HIW

CWH

PKY

5.1%

3.3%

(0.4%)

(2.3%)

(3.0%)

(4.0%)

(3.0%)

0.0%

4.0%

CUZ

BDN

HIW

CWH

PKY

Avg.:

1.3%

(2.0%)

(1.0%)

1.0%

2.0%

3.0%

5.0%

6.0%

71.2%

65.7%

59.6%

58.1%

56.4%

50.0%

55.0%

60.0%

65.0%

70.0%

75.0%

BDN

HIW

PKY

CUZ

CWH

Avg.:

62.2%

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

30

History of Underperformance

Same Store Underperformance (cont d)

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

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

(1)

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

(2)

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

Source: Company filings

2011 rent growth

(2)

2011 NOI growth

(2)

2011 NOI margin

(2)

9 months ended 9/30/2012 rent growth

(1)

9 months ended 9/30/2012 NOI growth

(1)

9 months ended 9/30/2012 NOI margin

(1)

2010 rent growth

(2)

2010 NOI growth

(2)

2010 NOI margin

(2)

31

History of Underperformance

Acquisition Activity

(1)

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

(2)

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

(3)

Includes net sale proceeds from consolidated joint venture.

(4)

Weighted by market cap.

(5)

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

Source: Company filings and Factset

Net acquisitions / CapEx as % of Market Cap

2007

2008

2009

2010

2011

2012

YTD 9/30/2013

Cumulative

Parkway Properties Inc. (PKY)

5.4%

22.4%

1.9%

7.4%

36.2%

64.2%

17.1%

154.6%

Highwoods Properties Inc. (HIW)

4.8%

4.7%

2.1%

3.0%

5.5%

8.1%

13.1%

41.2%

Cousins

Properties

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)

Edgar Filing: Commonwealth REIT - Form DFAN14A

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

Edgar Filing: CommonWealth REIT - Form DFAN14A

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

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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 agrees

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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 security 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 continents 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 in 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

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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 oversees the Firm's real estate investment activities, setting investment strategy, designing and constructing the portfolio, identifying potential investments, and negotiating investment terms and conditions. Prior to joining Siguler Guff, Mr. Corl spent 13 years in the REIT investment industry, most recently as Chief Investment Officer for all of the real estate activities of Cohen & Steers, Inc., a leading

in
global
real
estate
securities.

While

at

Cohen

&

Steers,

Inc.,

Mr.

Corl

was

directly

responsible

for

over

\$30

billion

of

client

assets

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

Edward Glickman

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

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

Executive Chairman, *FG Asset Management US*

Senior Advisor, *Econsult Solutions, Inc.*

Edward

Glickman

is

the

Executive

Director

of

the

Center

for

Real

Estate

Finance

Research

and

Clinical

Professor

of

Finance
at
New
York
University
Stern
School
of
Business,
and
has
been
a
Professor
at
the
Stern
School
of
Business
since
2006.

Mr.
Glickman
is
also
currently
the
Executive
Chairman
of
FG
Asset
Management
US,
an
alternative
asset
manager
serving
Korean
investors,
and
is
a
Senior
Advisor
for
Econsult Solutions, Inc., an econometric consulting firm. From 2004 to 2012 Mr. Glickman served as President and Chief Operating Officer

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

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

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Highly Qualified Nominees

Truly Independent 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 principal of Linneman Associates, a real estate advisory firm, and a principal of American Land Funds, a private real estate acquisition fund.

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

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

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

Powerful People in New York Real Estate.
Jim Lozier

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

Jim Lozier served as co-founder and CEO of Archon Group L.P. from its formation in 1996 until 2012. Archon, a wholly owned subsidiary of Goldman Sachs, is a diversified international real estate services and advisory company that under Mr. Lozier's leadership managed over \$36,000 assets with a gross value of approximately \$59 billion and over 8,500 employees in offices located in Washington D.C., Los Angeles,

Angeles,

Dallas,

Boston,

Asia

and

Europe.

Prior

to

the

formation

of

Archon,

Mr.

Lozier

was

an

employee

of

the

J.E.

Robert

Company

and

was

responsible

for

managing

the

Goldman

Sachs/J.E.

Robert

joint

venture

for

two

years.

Mr.

Lozier

directed

the

acquisition

efforts

of

the

joint venture between GS and JER from 1991-1995. Jim has served on the Board of Directors of Dallas CASA (Court Appointed Special 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 September 2009, Mr. Shea was a Managing Director for Icahn Capital LP, where Mr. Shea had responsibility for private equity investments in the gaming and leisure industries. From 1996 to 2008, Mr. Shea was employed by Bear, Stearns & Co., Inc., where he served as a Senior Managing Director and global head of the Gaming and Leisure investment banking department. At Bear, Stearns, Mr. Shea played an active role on over \$55 billion of M&A and capital raising transactions for many of the leading public companies in the gaming and leisure sector including Harrah's Entertainment, Inc., Station Casinos Inc., Penn National Gaming Inc., Las Vegas Sands Corp., Resorts Ltd., and Carnival Corp. Mr. Shea currently serves on the board of directors of CVR Refining, LP.

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VI. Valuation Update

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

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

Many
leasing
brokers
representing

tenants
across
CWH s
markets
steer
tenants
away

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

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

70

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

75

Valuation Update

Portfolio Concentration

Top 10 Markets

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

(1)

(1)

Excludes Australia and land in Austin.

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

Edgar Filing: Commonwealth REIT - Form DFAN14A

average implied cap rate of the public peers is 6.7%

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

NOI

Concluded

Concluded

% Concluded

#

City

(\$MM)

Cap Rate

Value (\$MM)

Value (\$PSF)

Value

1

Chicago

\$63

7.2%

\$865

\$204.32

12.4%

2

Philadelphia

\$67

7.0%

\$851

\$185.13

12.2%

3

Austin

\$36

7.0%

\$511

\$202.01

7.3%

5

Bellevue

\$19

5.6%

\$330

\$500.02

4.7%

4

Denver

\$21

6.8%

\$312

\$338.40

4.5%

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

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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

80

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.