

CommonWealth REIT
Form DFAN14A
April 18, 2013

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

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(Name of the Registrant as Specified In Its Charter)

CORVEX MANAGEMENT LP

KEITH MEISTER

RELATED FUND MANAGEMENT, LLC

RELATED REAL ESTATE RECOVERY FUND GP-A, LLC

RELATED REAL ESTATE RECOVERY FUND GP, L.P.

RELATED REAL ESTATE RECOVERY FUND, L.P.

RRERF ACQUISITION, LLC

JEFF T. BLAU

RICHARD O TOOLE

DAVID R. JOHNSON

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

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This filing contains (1) a press release issued by Corvex Management LP (Corvex) and Related Fund Management, LLC (Related) on April 18, 2013, (2) a presentation disseminated by Corvex and Related on April 18, 2013, and (3) screenshots from a website hosted by Corvex and Related.

CORVEX AND RELATED SEND LETTER TO COMMONWEALTH REIT SHAREHOLDERS

CALLING FOR AN END TO VALUE DESTRUCTION

Urgent Need to Remove Entire Commonwealth Board Now and Stop Accelerating Campaign to

Disenfranchise Shareholders

Vote the WHITE Consent Card Today

NEW YORK, April 18, 2013 Corvex Management LP (Corvex) and Related Fund Management, LLC (Related), whose separately managed investment funds collectively own approximately 9.2% of the outstanding common shares of Commonwealth REIT (NYSE:CWH), today sent a letter to CWH shareholders, urging them to vote the WHITE consent card and remove the entire Board of Commonwealth before it can take any additional action to destroy shareholder value.

Corvex and Related have also published an investor presentation detailing their plan for driving value and restoring shareholder wealth at Commonwealth and outlining the latest actions of CWH's Board that they firmly believe have destroyed shareholder value. The presentation is available at www.shareholdersforcommonwealth.com.

Shareholders are urged to sign, date and return the WHITE consent card today. You may also be able to vote online by following the instructions on the voting materials you will be receiving. They also encourage all shareholders to call today D.F. King & Co., Inc., their proxy solicitor, at 1-800-714-3313 so they can ensure you receive their materials and they can assist you in voting your shares.

The text of the letter to CWH shareholders is as follows:

IMMEDIATE CHANGE IS NEEDED TO STOP THE CONTINUED VALUE DESTRUCTION

AT COMMONWEALTH

OUR CONSENT SOLICITATION WILL SERVE AS A REFERENDUM ON THE CURRENT

BOARD AND MANAGEMENT TEAM AND IS THE ONLY WAY TO EFFECT REAL CHANGE

SIGN, DATE AND RETURN THE WHITE CONSENT CARD TODAY!

Dear Fellow Shareholders:

We are two of the largest shareholders of Commonwealth REIT with a combined ownership of 9.2%, and are seeking written consents from shareholders to immediately remove all members of Commonwealth's board of trustees. Commonwealth is managed by Reit Management & Research LLC (RMR), which is owned by Barry Portnoy and his son Adam. The Portnoys, along with their hand-picked trustees, have in our view managed Commonwealth in a way which has enriched themselves rather than representing the interests of shareholders. **If we do not act NOW to remove the entire board, management will continue its unrestrained and accelerating campaign of value destruction, and shareholders will be forced to endure many more years of mismanagement.**

We made a substantial investment in Commonwealth earlier this year after conducting an exhaustive property-by-property study of Commonwealth and its assets under the lead of Related Fund Management, an affiliate of Related Companies – one of the most respected

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privately-owned real estate firms in the world with over \$15 billion of real estate assets and a 40 year history.

Based on Related's extensive due diligence and expert analysis, and with the assistance of highly qualified external consultants, we recognized that Commonwealth's real estate assets trade at a substantial discount to fair value due to a misalignment of incentives between RMR and shareholders, and what in our view is plain mismanagement by the Portnoys and the trustees. Specifically, the flawed RMR structure reduces the Company's cash flow, impairs Commonwealth's valuation multiple (40%+ discount to peers historically), destroys investor confidence, and has resulted in a track record of underperformance. In fact, Commonwealth is one of the few remaining externally managed equity REITs in the public markets. Green Street Advisors, a leading real estate and REIT research firm, refers to this structure as a "dinosaur" that stands out like a sore thumb.¹ We firmly believe this external manager structure must be removed and replaced with an internal management team that is truly focused on creating value for **ALL** shareholders.

Since announcing our ownership stake in late February, we have sought to effect change, and have consistently remained open to multiple options to create value for all shareholders. However, it is clear to us that the current board of trustees and management are solely beholden to the Portnoys, do not recognize or ignore the inherent conflicts of interest that the external manager structure creates, and will not act in a way that seeks to enhance value for all shareholders.

In fact, in response to our efforts, Commonwealth has shown that it will stop at nothing to silence us and other shareholders. Within the past seven weeks alone Commonwealth's management and board have: completed a massively dilutive equity offering at a 48% discount to book value; amended the governing documents of Commonwealth twice in an attempt to eliminate long-standing shareholder rights; announced the possibility of selling Commonwealth's controlling stake in Select Income REIT at a discount; secretly lobbied the Maryland legislature in an attempt to introduce amendments that would have eliminated shareholder democracy; and, most recently, purported to completely eliminate shareholder rights to remove trustees without cause—an effort that in our and our lawyers' view is invalid under Maryland law. If any shareholders had doubts as to where the trustees' allegiances lie, these actions have made clear it is to the Portnoys and not shareholders.

Given the accelerating pace of Commonwealth's value-destroying activities, we are left with no alternative but to seek to immediately remove this board. **The only way for shareholders to effect meaningful change is through our consent solicitation**. Any other strategy would take years to make a difference as a result of the various entrenching devices built into Commonwealth's governing documents.

**MISMANAGEMENT OF COMMONWEALTH BY THE CURRENT BOARD AND
MANAGEMENT TEAM HAS RESULTED IN SEVERE UNDERPERFORMANCE**

It is our firm view that the Portnoys' collective actions have led to Commonwealth significantly underperforming its peers on almost all key metrics, including:

Worst shareholder returns—Commonwealth's stock price has performed 28%, 31%, and 30% worse than peers over the last 1 year, 3 years, and 5 years, respectively.² Over the same 1 year, 3

¹ The Portnoy REITs—What It Means to be Uninvestable, Green Street Advisors, March 1, 2013. Permission was neither sought nor obtained to include quoted language.

² Commonwealth's peers include Piedmont Office Realty Trust Inc. (PDM), Highwoods Properties Inc. (HIW), Mack-Cali Realty Corp. (CLI), Brandywine Realty Trust (BDN) and Parkway Properties Inc. (PKY). Returns calculated through January 15, 2013, the day prior to when Corvex and Related began purchasing stock.

year, and 5 year time periods, Commonwealth's total return performance, which is calculated based on stock price performance and dividends, is 26%, 26%, and 22% below peers, respectively.

Massive discount to peers Commonwealth's share price was trading at a nearly 40% discount to its peers on an unlevered capitalization rate basis immediately prior to the public announcement of our ownership stake on February 26, 2013. Commonwealth has also traded at a 40%+ discount to peers on a price/FFO basis over the last 1 year and 3 years, respectively.

Mismanagement of operations Commonwealth has consistently delivered negative growth in both FFO/share (-5% 2010-2012 CAGR) and CAD/share (-23% 2010-2012 CAGR) and is among the bottom performers of peers on both metrics.

THE PORTNOYS AND THEIR TRUSTEES HAVE ENGAGED IN AN ACCELERATING

CAMPAIGN TO DISENFRANCHISE SHAREHOLDERS

AND DESTROY VALUE

Since we first called for change seven weeks ago, the Portnoys, aided by their trustees, have executed a self-serving campaign aimed at advancing their own financial interests, at the expense of shareholder rights and value. This campaign has included:

Completing a Highly Dilutive Equity Offering: This past March, the board completed a dilutive equity offering at a time when Commonwealth's shares were trading at a 48% discount to book value as of December 31, 2012, in order to repay debt trading at prices ranging from 102% to 111% of par. The offering increased Commonwealth's share count by 41% and diluted its NAV by over \$6 per share.

Disenfranchising Amendments to Governance Documents: Just last month, following the announcement of our investment in Commonwealth, the board has unilaterally decided to make various amendments to Commonwealth's bylaws that, on their face, sought to effectively eliminate shareholders' right to act by written consent. As previously stated, such amendments conflict with the Commonwealth charter and Maryland law and therefore we believe they are invalid as a matter of law.

Eleventh-Hour Lobbying Efforts to Change the Law: Not satisfied, earlier this month the Portnoys hired a team of political consultants likely paid for by YOU, as CWH shareholders to secretly lobby the Maryland legislature in a failed attempt to adopt an eleventh-hour amendment to a pending bill that would have deprived shareholders of their right to act by written consent to remove the board without cause.

Bylaw Amendment to Try to Eliminate Shareholders' Right to Remove Trustees Without Cause: Having failed to change the law in Maryland through their lobbying efforts, the Portnoys and their trustees have recently announced an additional unilateral amendment to Commonwealth's bylaws that purports to eliminate the right shareholders have had since 1986 to remove trustees without cause. They have done this through a novel interpretation of the Maryland corporate statute which flies in the face of 14 years of public disclosures by Commonwealth. It is our and our lawyers' view that such amendment is invalid.

Proposed Sale of the Company's 56% Controlling Interest in Select Income REIT (SIR): On March 25, 2013, the board announced that it was contemplating selling Commonwealth's 56% controlling equity interest in SIR in an underwritten offering, which we anticipate would be

completed at a discount to market price and would effectively transfer control away from Commonwealth while allowing RMR to continue extracting fees from SIR. In our view, any sale of shares constituting a control position in SIR, however, should reflect a control premium free of the existing restrictive management contract, not a discount.

We must act now. If shareholders don't act now to remove the entire board, we will be subject to at least three more years of Portnoy mismanagement the minimum time needed to replace a simple majority of Commonwealth's super-charged staggered board. WE MUST ACT BEFORE THE PORTNOYS AND THEIR TRUSTEES TAKE ANY ADDITIONAL ACTION TO DESTROY SHAREHOLDER VALUE.

SIGN, DATE AND RETURN OUR WHITE CONSENT AND TAKE THE FIRST STEP TO

ELECT A NEW BOARD OF INDEPENDENT AND HIGHLY QUALIFIED TRUSTEES

Once the current trustees are removed, Commonwealth is required to promptly call a special meeting for shareholders to elect new trustees. We will engage in an active dialogue with all shareholders to identify a truly independent slate of highly qualified nominees focused on real estate industry veterans with pristine credentials who are prepared to work for the interests of ALL shareholders, not just the Portnoys.

Upon removal of the current board, we are prepared to leverage our substantial resources and real estate expertise to benefit all shareholders. CBRE, the world's largest commercial real estate services firm, has agreed to provide interim property management and leasing services to the Commonwealth portfolio as long as necessary to ensure a smooth change of guard to a new independent and properly functioning board elected by shareholders. Additionally, Jim Lozier, a well-respected real estate executive with more than 20 years of experience and co-founder and former CEO of Archon Group L.P., a subsidiary of Goldman Sachs and a diversified international real estate services and advisory company, has agreed to serve as interim CEO until a new board is appointed. During Jim'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. As interim CEO, Jim will focus on transition of management services, continuity of financial reporting and building out a permanent management team. We have also already engaged Deutsche Bank Securities Inc. as financial advisor and we expect to work with Deutsche Bank Securities Inc. on any required financing in connection with our effort. Make no mistake, we will be prepared to move immediately with a more professional and aligned real estate team from the moment shareholders regain control from the Portnoys.

CORVEX AND RELATED HAVE A PLAN FOR

DRIVING VALUE AND RESTORING SHAREHOLDER WEALTH

We are proposing Commonwealth take the following simple, yet decisive actions:

Internalize Management Structure, and transition to having its own management team instead of relying on the conflicted, overpaid services of RMR or another external manager. We note that RMR has received over **\$336 million just in the last five years from Commonwealth**, while managing at least 5 other entities in the Portnoy Empire and engaging in over \$2 billion of related party transactions at Commonwealth alone. **During the same period Commonwealth has seen its stock decline by over 49% and cut its dividend by 70%.**

Adopt Corporate Governance Best Practices, amending Commonwealth's existing charter and bylaws to improve them and conform to ISS and Glass Lewis best practices, increasing rights for all shareholders Commonwealth's board should no longer be insulated by a classified board, a poison pill with a slow hand provision and other entrenchment devices.

Cease Affiliate Transactions With, Or Managed By, RMR, which we believe are resulting in the transfer of enormous value to RMR and the Portnoys at YOUR expense.

Cease all acquisition and development activity until Commonwealth's stock price exceeds its NAV, and use excess cash flow to buy back Commonwealth's undervalued shares until its stock price exceeds NAV

Manage Commonwealth in ways which maximize long-term shareholder value, not fees paid to RMR.

As a sign of our commitment to Commonwealth, and to offer an alternative path to unlock value, we delivered to the board a bona fide offer to acquire up to 100% of the outstanding shares for \$24.50 in cash. We also encouraged the Company to welcome any additional offers from other potential bidders in excess of \$24.50 per share in cash. We are focused on liberating Commonwealth from the Portnoys any way we can, and believe an acquisition with an option for existing shareholders to retain their equity is one way to achieve this goal. We very much believe there is higher value that can be unlocked if Commonwealth were run by the proper internal management team. As such, we are open to the idea of allowing fellow shareholders to retain their equity in order to share significant upside potential of Commonwealth under qualified management. So far the board of trustees, despite having received our firm offer at a premium of 55% to the share price on the day before we announced our position, has refused to engage in any good faith negotiations with us regarding this option, and has instead rejected our offer in favor of a so-called strategic plan which has led to a 45% stock price decline in the last two years.

Signing, dating and returning the **WHITE** consent card will send a firm and unequivocal message to the board that the time has come for them to be held accountable to shareholders. **THIS PROCESS PRESENTS A CLEAR PATH FOR ALL SHAREHOLDERS TO EFFECT CHANGE NOW AND PARTICIPATE IN ELECTING REPLACEMENT TRUSTEES WITHOUT THE OVERSIGHT OF A SELF-INTERESTED BOARD.**

We are encouraged by the support we have received over the past weeks from many shareholders from large institutional holders, who have publicly stated their support for what we stand for, to small retail holders, who have seen their IRA accounts diminish in value as a result of the Portnoys' mismanagement. Now is the time for all of us to act.

We note that, unless the entire board is **removed**, **any remaining trustees will have the ability to fill vacancies created by the removal of individual trustees.** **YOUR CONSENT IS CRITICAL.**

If you have any questions or require any assistance in executing your consent, please contact D.F. King & Co., Inc. at (800) 714-3313 (toll-free) or (212) 269-5550 (call collect).

We thank you for your continuing support.

Keith Meister
Corvex Management LP

Jeff T. Blau
Related Fund Management, LLC

A copy of Related's and Corvex's consent solicitation materials can be obtained at www.shareholdersforcommonwealth.com or by calling D.F. King & Co., Inc., our proxy solicitor, at 1-800-714-3313.

About Corvex Management LP

Corvex Management LP is an investment firm headquartered in New York, New York that engages in value based investing across the capital structure in situations with identifiable catalysts. Corvex was founded in March 2011 and follows an opportunistic approach to investing with a specific focus on equity investments, special situations and distressed securities largely in North America.

About Related Fund Management LLC

Related Fund Management, LLC is an affiliate of Related Companies, one of the most prominent privately-owned real estate firms in the United States. Formed 40 years ago, Related is a fully-integrated, highly diversified industry leader with experience in virtually every aspect of development, acquisitions, management, finance, marketing and sales. Related's existing portfolio of real estate assets, valued at over \$15 billion, is made up of best-in-class mixed-use, residential, retail, office and affordable properties. For more information about Related Companies please visit www.related.com.

Additional Information Regarding the Consent Solicitation

In connection with their solicitation of written consents, Corvex and Related have filed a definitive written consent solicitation statement with the U.S. Securities and Exchange Commission (the "SEC") to solicit written consents from shareholders of Commonwealth REIT. **Investors and security holders are urged to read the definitive written consent solicitation statement and other relevant documents when they become available, because they contain important information regarding the consent solicitation.** The definitive written consent solicitation statement and all other relevant documents are available, free of charge, on the SEC's website at www.sec.gov.

The following persons are participants in connection with the written consent solicitation of Commonwealth's shareholders: Corvex Management LP, Keith Meister, Related Fund Management, LLC, Related Real Estate Recovery Fund GP-A, LLC, Related Real Estate Recovery Fund GP, L.P., Related Real Estate Recovery Fund, L.P., RRERF Acquisition, LLC, Jeff T. Blau, Richard O. Toole and David R. Johnson. Information regarding the participants in the consent solicitation and a description of their direct and indirect interests, by security holdings or otherwise, to the extent applicable, is available in the definitive written consent solicitation statement filed with the SEC on April 10, 2013 and Supplement No. 1 thereto filed on April 12, 2013.

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For further information, contact:

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The Case for Change Now at CWH
Presentation to CWH Shareholders
April 18, 2013

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Disclaimer

This presentation does not constitute either an offer to sell or a solicitation of an offer to buy any interest in any fund associated with the Company ("Corvex") or Related Fund Management, LLC ("Related"). Any such offer would only be made at the time a qualified offering memorandum and related subscription documentation is provided.

The information in this presentation is based on publicly available information about CommonWealth REIT (the "Company") and its subsidiaries. It contains forward-looking statements, estimates and projections prepared with respect to, among other things, general economic and market conditions, management, changes in the composition of the Company's Board of Trustees, actions of the Company and its subsidiaries or its subsidiaries to implement business strategies and plans and pursue business opportunities. Such forward-looking statements, estimates, and projections are based on assumptions concerning anticipated results that are inherently subject to significant uncertainties and contingencies and have the potential to differ materially from actual results.

illustrative purposes, including those risks and uncertainties detailed in the continuous disclosure and other filings of the Company available on the U.S. Securities and Exchange Commission website (EDGAR) at www.sec.gov/edgar. No representations, to the accuracy or completeness of such forward-looking statements, estimates or projections or with respect to any other material. Related may buy, sell, cover or otherwise change the form of their investment in the Company for any reason at any time, with assurances that they will take any of the actions described in this document. Corvex and Related disclaim any duty to provide analyses contained in this document, except as may be required by law. Shareholders and others should conduct their own independent analysis of the Company. Except where otherwise indicated, the information in this document speaks only as of the date set forth. Permission to quote third party reports in this presentation has been neither sought nor obtained.

Additional Information Regarding the Consent Solicitation

In connection with their solicitation of written consents, Corvex and Related have filed a definitive written consent solicitation statement with the Securities and Exchange Commission (the SEC) to solicit written consents from shareholders of the Company. **Investors are encouraged** to read the definitive written consent solicitation statement and other relevant documents when they become available, because they contain important information regarding the consent solicitation.

The following persons are participants in connection with the written consent solicitation of the Company's shareholders: Corvex, Meister, Related Fund Management, LLC, Related Real Estate Recovery Fund GP-A, LLC, Related Real Estate Recovery Fund GP-B, LLC, Related Real Estate Recovery Fund, L.P., RRERF Acquisition, LLC, Jeff T. Blau, Richard O. Toole and David R. Johnson. Information regarding the consent solicitation and a description of their direct and indirect interests, by security holdings or otherwise, to the extent applicable, is contained in the definitive written consent solicitation statement filed with the SEC on April 10, 2013 and Supplement No. 1 thereto filed on April 11, 2013. The definitive written consent solicitation statement and all other relevant documents are available, free of charge, on the SEC's website at www.sec.gov.

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Executive Summary

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Executive Summary
Immediate Change is Needed
Outdated structure creates inherent conflicts of interest between shareholders and external manager Reit Management and Research, LLC (RMR), which is owned by Barry Portnoy and his son Adam, the two Managing Trustees of CWH

RMR receives fees based on gross historical cost basis of real estate, incentivizing growth through acquisitions regardless of returns to CWH shareholders

CWH paid out \$395 million in fees to RMR during 2007-2012 (nearly 30% of CWH's market

cap

as

of

2/25/13

(1)

),

while

CWH's

share

price

declined

68%

during

this

time

Poor corporate governance has led to continued self-dealing for benefit of RMR and the Portnoys in our view

Over \$2 billion of related party transactions in the last 5 years alone

ISS has taken notice and recommended voting against incumbent trustees last year

Given

entrenching

devices

in

CWH's

documents,

shareholders

must

act

now

to

remove

the

board

or

face

at

least

three

more

years

of

mismanagement

CWH's performance on key shareholder return and operating metrics has been poor in

absolute

and

relative
terms
over
any
relevant
time
period
in
our
view
We
firmly
believe
Commonwealth
REIT
(CWH
or
the
Company)

is
in
desperate need of a shareholder referendum given its flawed externally advised
management structure, poor corporate governance, and track record of
underperformance

(1)
The day prior to Related and Corvex s first public filing.

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Executive Summary

Shareholder Referendum: Path

Path: action by written consent requiring 2/3 vote to remove entire board of trustees

We filed definitive consent solicitation materials with the SEC on April 10, 2013

We delivered to CWH formal shareholder demands to fix a record date to determine shareholders entitled to act by written consent on April 12, 2013

In
light
of
the
board's
refusal
to
recognize
our
consent
solicitation
and
fix
a
record
date,
it
is
our
position
that
the
record
date
will
be
the
close
of
business
on
April
22
(i.e.
the
10
th
day after our request)

We and our lawyers believe CWH's recent bylaw amendments, which would effectively eliminate shareholder rights to remove trustees without cause, are invalid and a desperate attempt to disenfranchise shareholders (see pg. 39 and

41
for
details)

With a successful 2/3 vote, shareholders can remove current trustees, elect new trustees at a special meeting, terminate RMR's management agreement, and unlock significant value for all shareholders

Act
now:
the
future
of
the
Company
is
in
your
hands,
its
owners

We believe removing CWH's entire board of trustees immediately is in the best long-term interests of all shareholders, and the only near-term means for shareholders to effect change

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Executive Summary
Shareholder Referendum: Value
Value: \$35 per share potential NAV at 4/17/13 after removal of current trustees, and target stock price of \$44+ per share at 12/31/14 (see Appendix for details on valuation)

\$35
represents
upside
potential

of
55%
and
121%
to
current
share
price
(1)
and
unaffected
share
price
(2)

,
respectively,
after
removal
of
board

In our view, NAV represents current fair market value (if current trustees are removed) based on bottom-up property-by-property valuation analysis led by Related, one of the most prominent privately-owned real estate firms in the U.S.

Key changes from previous valuation include CWH's massively dilutive equity offering (followed by dilutive debt tender at a premium), sale of CWH's minority stake in GOV, and additional market input

We believe CWH could trade at a stock price of \$44 or higher at 12/31/14 through internalization of management, operational turnaround, improved capital allocation, and multiple expansion

a
straightforward
path
if
shareholders
act
now
to
remove
the
board

In
our
view,
potential
downside

of
-40%
or
greater
to
current
price
should
existing
trustees
remain
in
place,
due
to
market
overhangs
from
external
management,
poor
corporate
governance,
and
likelihood
of
continued
underperformance

(1)
Based on a closing price of \$22.56 on April 17, 2013.

(2)
Based
on
a
closing
price
of
\$15.85
on
February
25,
2013,
the
day
prior
to
Related
and
Corvex s

first
public
filing.

We believe our path will unlock significant value for all shareholders, whereas

the
status
quo
will
lead
to
continued
value
destruction
and
self
dealing
for
the
benefit of the Portnoys

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Executive Summary
Shareholder Referendum: Strategic Plan
Strategic
Plan:
manage
the
Company
in
ways

that
maximize
long-term
CWH
shareholder
value,
not
fees
paid
to
RMR.
Quite
simply,
CWH
must
adopt
best
practices

While corporate management will be replaced, we anticipate current property level employees will be hired to work at the new CWH

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

no
more
shareholder
disenfranchisement

Cease
all
acquisition
activity
until
CWH's
stock

price
exceeds
its
NAV

no
more
dilutive
equity
offerings
or
ignoring
the
views
of
shareholders

Use
excess
cash
flow
to
buy
back
CWH
stock
until
the
Company's
stock
price
exceeds
its
NAV

no
more
buy
high,
sell
low
capital
allocation

Cease
all
related
party
transactions

no
more
self-dealing
for
benefit
of
the
Portnoys
Jim
Lozier,
former
CEO
and
co-founder
of
the
Archon
Group
L.P.,
and
CBRE,
the
world's
largest
commercial
real
estate
services
firm,
are
in
discussions
with
us
to
be
available
to
provide
interim
management,
property
management
services,
and
leasing
services
to
the
CWH

portfolio
as
necessary
While
a
new
board
selected
by
all
shareholders
will
ultimately
determine
the
details
of
CWH s
new
strategic
plan,
we
propose
the
following
key
elements
as
a
starting
point
for
the
Company s
new
direction

Internalize management, adopt a market cost structure, and align
management
compensation with shareholder returns
no more skewed incentives

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Executive Summary

Structural Change is Much Needed

(1)

Note: Citi was a lead underwriter in CWH's recent massively dilutive equity offering completed on February 27, 2013. Even CWH's underwriter has taken pains to point out the Company's flawed structure and history of value destruction

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Executive Summary

Track Record of Underperformance

CWH has in our view performed poorly in absolute terms and underperformed its peers

(1)

on almost any metric over any relevant time period

-17%, -45%, -43%, -45%, and -53% CWH stock price return over the last 1 year, 2 years, 3 years,

5

years,
and
10
years,
respectively

(2)
Recent
valuation
nearly
40%
below
peers
on
unlevered
cap
rate
basis

(3)
53% and 41% discount to peers on a price / forward FFO multiple basis for last year and 3
years, respectively
-23% cash available for distribution per share (CAD / share) growth since 2010, the worst
performance of its peers

\$2.7
billion
of
net
acquisitions
and
capex
since
2007
(over
2x
CWH's
recent
market
cap

(3)
,
while CWH book value per share is essentially flat

In
our
view,
there
is
absolutely
no
way
to
slice

and
dice
the
data
in
favor
of
the
Portnoys

their
performance
has
been
horrible

(1)
Select peers include Piedmont Office Realty (PDM), Highwoods Properties (HIW), Mack-Cali Realty (CLI), Brandywine Real

(2)
Returns
data
calculated
through
February
25,
2013,
the
day
prior
to
Related
and
Corvex s
first
public
filing.

(3)
Based
on
a
closing
price
of
\$15.85
on
February
25,
2013,
the
day
prior

to
Corvex
and
Related s
first
public
filing.

11
Executive Summary
Flawed RMR Structure and Poor Corporate Governance
ISS
recommended
voting
against
incumbent
trustees
last

year
(per
ISS
Proxy
Advisory
Services
report,
April
25,
2012)
Proposal
to
Elect
Director
William
A.
Lamkin

ISS
RECOMMENDATION:
AGAINST
Proposal
to
Elect
Director
Adam
D.
Portnoy

ISS
RECOMMENDATION:
AGAINST
ISS Governance Risk Indicators:

Shareholder Rights HIGH CONCERN

The board is classified
The company has a poison pill in effect
The company s poison pill includes a dead-hand, slow-hand, or similar provision
The company s poison pill has not been approved by shareholders

Board Structure MEDIUM CONCERN

40% of the directors are family members of executives or majority shareholders
The
company
has
a
poison
pill
that
contains

a
dead-hand,
slow-hand,
or
similar
feature.
Such
features
are
uncommon
and
are
unjustifiable
from
a
governance
standpoint.
Not
only
do
dead-hand
poison
pills
and
their
variants
exclude
shareholders
from
the
corporate
governance
process,
but
they
also
disenfranchise
future
directors

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Executive Summary

Gigantic Conflicts of Interest

The externally managed REIT structure creates conflicts of interest that are so severe, we don't believe we can quantify the share price discount an investor should require to buy any of these companies. As a result, we have long deemed the Portnoy REITs to be uninvestable.

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

not on its success (or lack thereof). Therein lies the conflict of interest. The advisor carries a strong incentive to constantly sell common stock in order to raise funds for acquisitions. The price at which the equity is raised matters little to the advisor making the REIT bigger and increasing the advisory fee is a primary objective.

The Portnoy REITs
What It Means to be Uninvestable ,
Green Street Advisors,
March 1, 2013

13
Executive Summary
Questions All CWH Shareholders Should be Asking
Have
current
trustees
created
value
for
CWH

shareholders?

Is it possible for existing trustees to fairly represent shareholders given their conflicts of interest?

Why have RMR's fees gone up 30% since 2007 while CWH's stock has declined 68%?

Why are the Portnoy REITs some of the last remaining externally managed equity REITs in the public markets?

Will

CWH

ever

trade

at

a

peer

valuation

with

RMR

as

its

external

manager?

How

much

of

the

Portnoy

fortune

has

been

extracted

from

the

savings

of

retail

investors?

Why does CWH lag peers on nearly every relevant operational metric?

Why did CWH seek to sell equity at a 48% discount to book value to repay debt trading above par with no maturities or liquidity needs?

Why did CWH sell its \$240 million minority stake in GOV only after massively diluting shareholders by issuing \$650 million in new CWH equity at \$19.00?

How can existing trustees defend selling equity at \$19.00, a massive discount, at the same time they ignored an offer at \$27.00, a significant premium?

How

can

CWH

call

its

hand-picked

trustees

independent?

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Executive Summary
Questions All CWH Shareholders Should be Asking (cont d)
Why
haven't
CWH's
independent
trustees
formed
an

independent
committee

and
hired
independent advisors?

How have CWH shareholders been compensated for the multiple new RMR platforms launched with
CWH's assets?

Does

CWH

even

have

a

strategy,

or

is

it

simply

recycling

capital

to

create

the

appearance

of doing

something?

Why does CWH refuse to hold Q&A on its conference calls and roadshows?

Why

are

the

Portnoys

trying

to

change

Maryland

law

rather

than

face

a

shareholder

vote?

Why haven't current trustees prepared a detailed presentation of their own

demonstrating how much

value they have created for CWH shareholders?

Why isn't anyone in the REIT industry speaking up to defend the Portnoys?

How much CWH shareholder money have existing trustees already wasted in the last seven weeks

trying to further entrench themselves?

How

much

more

damage
will
be
inflicted
on
CWH
shareholders
in
the
next
3
years
if
current
trustees
are
not
removed
immediately?

15
History of Underperformance

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History of Underperformance

CWH has in our view performed poorly in absolute terms and underperformed its peers on almost any metric over any relevant time period

Stock price performance and total shareholder return

Valuation

Cost structure

Acquisitions and return on investment

NOI, EBITDA, CAD, and FFO / share growth

Corporate governance

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

their
performance
has
been
horrible

(\$ in millions, except per share values and TEV / sq. ft.)

Enterprise

Implied

G&A /

Current

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
11.1%
\$89
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%

CLI

Mack-Cali Realty Corp.

\$27.15

\$2,715

\$4,983

8.2%

\$158

1.8%

44%

10.6x

10.5x

13.4x

13.3x

6.6%

PDM

Piedmont Office Realty Trust Inc.

\$19.66

\$3,294

\$4,699

6.9%

\$229

0.6%

30%

14.0x

13.5x

15.8x

15.1x

4.1%

PKY

Parkway Properties Inc.

\$16.39

\$920

\$2,096

6.0%

\$177

1.8%

37%

13.3x

12.4x

14.2x

13.7x
2.7%
High
\$3,294
\$4,999
8.2%
\$229
1.8%
58%
14.0x
13.5x
15.8x
15.1x
6.6%
Mean
2,359
4,293
7.0%
177
1.4%
42%
12.0x
11.5x
14.6x
14.1x
4.6%
Median
2,715
4,699
6.9%
176
1.3%
40%
13.1x
12.4x
14.2x
13.8x
4.6%
Low
920
2,096
6.0%
144
0.6%
30%
9.0x
8.6x
13.4x
13.3x
2.7%

17

History of Underperformance

Summary Public Comparables

CWH trades 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 13D filing

Financial information as of Q4 2012. Implied nominal cap rate is calculated as GAAP LTM NOI / TEV.

(1) CWH implied cap rate based on CWH standalone TEV of \$4,914 million and Related and Corvex estimates of comparable

Source: Company filings and FactSet

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History of Underperformance

Total Returns

1 year

HIW: 15.5%

PDM: 15.3%

CWH: (9.4%)

PKY: 65.5%

CLI: 1.5%

BDN: 25.2%

RMZ: 10.6%

Note: Total returns include dividends

Source: SNL

1 year

3 year

PKY

65.5%

6.9%

BDN

25.2%

35.8%

HIW

15.5%

42.1%

PDM

15.3%

39.1%

CLI

1.5%

(2.7%)

Average

24.6%

24.2%

RMZ

10.6%

52.5%

CWH

(9.4%)

(26.6%)

CWH

Avg.

34.0%

50.8%

CWH has underperformed its peers over the last year

CWH's peer with the closest total return performance is CLI, which has consistently outperformed CWH notwithstanding having 80% of its office markets either struggling or in secular decline

19

History of Underperformance

Total Returns

3 years

CWH has underperformed its peers over the last 3 years

HIW: 42.1%

PDM: 39.1%

CWH: (26.6%)

PKY: 6.9%

CLI: (2.7%)

Edgar Filing: Commonwealth REIT - Form DFAN14A

BDN: 35.8%

RMZ: 52.5%

Note: Total returns include dividends

Source: SNL

1 year

3 year

PKY

65.5%

6.9%

BDN

25.2%

35.8%

HIW

15.5%

42.1%

PDM

15.3%

39.1%

CLI

1.5%

(2.7%)

Average

24.6%

24.2%

RMZ

10.6%

52.5%

CWH

(9.4%)

(26.6%)

CWH

Avg.

34.0%

50.8%

20

History of Underperformance

Share Price Performance

1 year

CWH has underperformed its peers over the last year

HIW: 9.8%

PDM: 10.1%

CWH: (16.9%)

PKY: 60.2%

CLI: 5.0%

BDN: 19.1%

Source: Factset

1 year

3 year

PKY

60.2%

(0.7%)

BDN

19.1%

15.4%

HIW

9.8%

21.4%

PDM

10.1%

16.1%

CLI

(5.0%)

(18.9%)

Average

18.8%

6.6%

CWH

(16.9%)

(42.9%)

CWH

Avg.

35.7%

49.5%

21
History of Underperformance
Share
Price
Performance

3
years
CWH has underperformed its peers over the last three years
HIW: 21.4%

PDM: 15.4%
CWH: (42.9%)
PKY: (0.7%)
CLI: (18.9%)
BDN: 16.1%
Source: Factset
1 year
3 year
PKY
60.2%
(0.7%)
BDN
19.1%
15.4%
HIW
9.8%
21.4%
PDM
10.1%
16.1%
CLI
(5.0%)
(18.9%)
Average
18.8%
6.6%
CWH
(16.9%)
(42.9%)
CWH
Avg.
35.7%
49.5%

22

History of Underperformance

FFO Multiples

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

PDM: 14.0x

CWH: 5.4x

HIW: 13.1x

CLI: 10.6x

BDN: 9.0x

Source: Factset

PKY: 13.3x

Average

1 year

3 year

PKY

9.9x

7.9x

BDN

8.9x

8.6x

HIW

12.3x

12.8x

PDM

12.6x

12.3x

CLI

10.4x

11.1x

Average

10.8x

10.5x

CWH

5.0x

6.2x

CWH

Avg.

(53.4%)

(40.7%)

23

History of Underperformance

Operating Performance

Value

accruing to

RMR, not

shareholders

Poor performance on key financial metrics, while fees paid to RMR continue to

grow

(1)

Edgar Filing: Commonwealth REIT - Form DFAN14A

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

Source: Company filings and SNL

(\$ in millions)

For the Fiscal Year Ending December 31,

2010

2011

2012

Share

Price

Performance

(if

held

since)

(1)

(38.2%)

(39.0%)

(6.9%)

SF Owned per Share (% growth)

(15.9%)

(5.2%)

(0.6%)

NOI per Share (% growth)

(19.1%)

(4.2%)

16.1%

EBITDA per Share (% growth)

(22.1%)

(4.7%)

(27.2%)

FFO per Share (% growth)

(13.8%)

(9.9%)

0.0%

CAD per Share (% growth)

(23.7%)

(27.7%)

(17.3%)

Fees Paid to RMR

\$62.2

\$69.5

\$77.3

% growth

3.4%

11.7%

11.2%

24

History of Underperformance

Same Store Underperformance

CWH trails its core office REIT peers by 225 bps and 265 bps on same store rental growth and NOI growth, respectively

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

CWH underperforms its peers on a same store basis

Note: Analysis excludes PDM, which does not disclose same store rent

(1)

(2)

(3)

Source: Company filings

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)

CommonWealth excluded 94 underperforming properties as discontinued properties in its same store financials ending 12/31/2012 as a more representative reflection of company performance

Average does not include CWH

Unlike CWH, 80% of CLI's markets are either struggling or in secular decline

(3.0%)

(2.0%)

(1.0%)

0.0%

1.0%

2.0%

3.0%

4.0%

2.8%

2.2%

0.8%

(1.1%)

(2.0%)

PKY

HIW

BDN

CWH

CLI

6.5%

3.3%

2.7%

0.2%
(1.1%)
(2.0%)
(1.0%)
0.0%
1.0%
2.0%
3.0%
4.0%
5.0%
6.0%
7.0%
PKY
HIW
BDN
CWH
CLI
70.5%
67.7%
61.0%
59.8%
57.7%
50.0%
55.0%
60.0%
65.0%
70.0%
75.0%
BDN
HIW
CLI
PKY
CWH
Avg
(2)
: 1.2%
Avg
(2)
: 2.8%
Avg
(2)
: 64.7%
(3)
(3)

25

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

(1)

Average does not include CWH

Source: Company filings

2010 rent growth

2010 NOI growth

2010 NOI margin
2011 rent growth
2011 NOI growth
2011 NOI margin

0.3%
(2.8%)
(2.5%)
(3.5%)
(5.2%)
(6.0%)
(5.0%)
(4.0%)
(3.0%)
(2.0%)
(1.0%)

0.0%

1.0%

HIW

BDN

CLI

CWH

PKY

Avg

(1)

:

(2.5%)
(0.9%)
(3.3%)
(3.7%)
(6.2%)
(8.5%)
(9.0%)
(8.0%)
(7.0%)
(6.0%)
(5.0%)
(4.0%)
(3.0%)
(2.0%)
(1.0%)

0.0%

HIW

CLI

BDN

PKY

CWH

Avg

(1)

:

(3.5%)

68.4%
66.6%
60.2%
55.7%
54.3%
50.0%
55.0%
60.0%
65.0%
70.0%
BDN
HIW
CLI
PKY
CWH
Avg
(1)
:
62.7%
(1.6%)
(2.6%)
(3.0%)
(3.4%)
(3.7%)
(4.0%)
(3.5%)
(3.0%)
(2.5%)
(2.0%)
(1.5%)
(1.0%)
(0.5%)
0.0%
CWH
BDN
HIW
CLI
PKY
Avg
(1)
:
(3.2%)
0.0%
(0.9%)
(3.1%)
(4.3%)
(6.4%)
(7.0%)
(6.0%)
(5.0%)

(4.0%)
(3.0%)
(2.0%)
(1.0%)
0.0%
1.0%
HIW
PKY
BDN
CWH
CLI
Avg
(1)
:
(2.6%)
69.5%
67.3%
60.2%
55.9%
53.6%
50.0%
55.0%
60.0%
65.0%
70.0%
75.0%
BDN
HIW
CLI
CWH
PKY
Avg
(1)
:
62.7%

26

History of Underperformance

Acquisition Activity

CWH has grown primarily through asset acquisitions, which we believe benefit RMR and not shareholders

(1)

Market cap as of 12/31/12. Metric shown includes SIR.

(2)

Includes net sale proceeds from consolidated joint venture

(3)

Weighted by market cap
Source: Company filings and Factset
Net
acquisitions
/
CapEx
as
%
of
Recent
Market
Cap
(1)
2007
2008
2009
2010
2011
2012
Cumulative
Parkway Properties Inc. (PKY)
6.4%
26.2%
2.2%
8.7%
42.4%
75.2%
161.1%
Highwoods Properties Inc. (HIW)
5.3%
5.2%
2.3%
3.4%
6.1%
9.0%
31.3%
Mack-Cali Realty Corp. (CLI)
15.0%
3.6%
0.8%
3.6%
3.6%
3.3%
29.9%
Piedmont
Office
Realty
Trust
Inc.
(PDM)

(2)

1.5%

4.1%

1.2%

2.1%

(2.5%)

0.5%

6.9%

Brandywine Realty Trust (BDN)

(6.6%)

(12.8%)

6.0%

10.4%

0.9%

0.3%

(1.8%)

Average

(3)

4.7%

3.1%

2.2%

4.6%

4.9%

8.7%

28.2%

CWH

31.0%

6.1%

33.5%

27.3%

44.6%

55.6%

198.1%

CWH share price

\$30.92

\$13.48

\$25.88

\$25.76

\$16.64

\$15.84

CWH price / FFO multiple

6.8x

3.1x

6.0x

6.9x

4.9x

4.7x

CWH has spent \$2.7 billion on acquisitions since 2007 as the stock has underperformed

Its peers acquired at approximately one-seventh of CWH's rate over the same period

PKY

has
also
been
acquisitive,
but
is
internally
managed
and
has
made
accretive
capital
allocation
decisions, leading to 42% stock price appreciation from 2011 to 2012

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History of Underperformance

Management and Board Ownership

CWH trustees and senior management hold a smaller stake than those of peers

CWH insiders currently hold a 0.3% stake in the company

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

We believe management is not aligned with shareholders

Peer Director and Executive Officer Ownership

(1)

Average does not include CWH

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Source: Company filings, CWH holdings per proxy filed 2/25/13

CWH Insider Holdings

Position

% of S/O

Directors and Executive Officers:

1

Barry M. Portnoy

233,086

0.20%

2

Adam D. Portnoy

38,599

0.03%

3

John C. Popeo

33,500

0.03%

4

David M. Lepore

29,250

0.02%

5

Frederick N. Zeytoonjian

10,967

0.01%

6

William A. Lamkin

8,812

0.01%

7

Joseph L. Morea

2,000

0.00%

356,214

0.30%

Total CWH Director and Executive

Officer Ownership

0.0%

1.0%

2.0%

3.0%

4.0%

5.0%

6.0%

7.0%

8.0%

6.8%

3.0%

3.0%

2.8%

0.5%

0.3%

CLI

HIW

PKY

BDN

PDM

CWH

Avg. (1): 3.2%

28

History of Underperformance

Externally Managed Equity REITs

Out of approximately 90 equity REITs with greater than \$1 billion market cap and greater than 1 year in the public markets, only six are externally managed today

The externally managed REITs have consistently underperformed their internally managed peers

SNH peers include HCP, VTR, HCN, ARE, BMR, OHI, HTA, HR, NHI, MPW, LTC, SBRA, and UHT

HPT peers include HST, LHO, DRH, RHP, RLJ, SHO, PEB, BEE, HT, AHT, FCH, CHSP, INN, CLDT, MDH, and SPPR

CWH and GOV peers include PKY, PDM, BDN, CLI, and HIW

As of March 12, 2013

Source: SNL

: CWH

Avg.

Company (ticker)

Property type

External corporate

adviser

Market cap

(\$M)

Premium/

discount to NAV

(%)

3-year total

return (%)

Senior Housing Properties Trust (SNH)

Health care

RMR

4,742.7

(33.6)

(25.0)

Hospitality Properties Trust (HPT)

Hotel

RMR

3,277.6

1.2

(0.7)

CommonWealth REIT (CWH)

Office

RMR

2,573.1

(40.8)

(32.5)

Government Properties Income Trust (GOV)

Office

RMR

1,361.7

2.7

0.7

Select Income REIT (SIR)

Diversified

RMR

1,028.8

NA

NA

Average

2,596.8

(17.6)

(14.4)

RMR manages five of those six REITs

The sixth is Alexander's (ALX), which is managed by Vornado; however Vornado, also holds a

32% stake in the company

29

History of Underperformance

No Management Credibility

Management appears to lack an understanding of their own finances given a 50% cut in the dividend one quarter after dismissing the question

CWH appears to have now discontinued Q&A on all of its conference calls

Yeah.

I'm

glad

you

asked
that,
John,
because
it's
something
that
a
lot
of
investors
have
asked
us
about,
and
it's
the
security
of
the
dividend.
Right
now,
we
acknowledge
that
it
certainly
appears
that
the
market
is
expecting
a
dividend
cut.
We
disclosed
our
CAD
payout
ratio
as
a
104%.
That
is
above

100%,
it's
not
much
above
100%.
We
think
we
can
maintain
this
dividend
for
the
foreseeable
future.
If
the
payout
ratio
were
to
balloon
up,
well
above
104%,
well
above
100%,
and
be
there
for
quite
some
time,
I
think
we'd
have
to
seriously
consider
reducing
the
dividend.
But
right

now,
there's
no
intention
from
management
or
the
Board,
to
do
anything
with
the
dividend.
Now
that
might
change
as
circumstances
change.
But
today,
we
have
no
intention
of
changing
the
dividend.
And
I
have
to
tell
you,
it
is

at
times
it
is
perplexing
to
us,
because
we

look
at
our
numbers
and
say
we
can
afford
the
dividend,
and
the
dividend
doesn't
look
like
it
should
be
at
risk.
Yet
the
stock
price
seems
to
indicate
that
everybody
else
doesn't
see
that.
They
think
that
we're
going
to

that
there
should
be
a
dividend
cut.
Maybe

they
are
anticipating
something
years
from
now,
or
a
long
time
from
now.
But
I
don't

it
is

sometimes
it's
as
perplexing
to
us
as
to
maybe
you,
John,
but
that's
our
thoughts
on
it.

And
then
the
last
question,
the
obvious
question,
as
you
are
bouncing
around

\$18,
\$19
a
share,
high
10s
on
the
dividend,
clearly
when
you're
at
that
level,
people
are
either
anticipating
a
diminution
or
a
decline
in
share
value
and/or
a
dividend
adjustment.
And
it
seems
to
me
that
if
the
stocks
price
can't
get
back
up
into
the
low
to
mid

20's,
a
dividend
cut
would
be
the
prudent
thing
to
do.
In
fact,
if
you
cut
the
dividend
down
to
\$1.20
you'd
still
have
one
of
the
highest
dividends
in
the
office
industrial
REIT
space.
So
what's
your
thought
process
on
all
that?

Stifel Nicolaus: Q1 2012 Earnings Call, May 3, 2012

Adam Portnoy: Q1 2012 Earnings Call, May 3, 2012

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Flawed RMR Structure and
Poor Corporate Governance

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Flawed RMR Structure and Poor Corporate Governance

RMR Fees vs. CWH Shareholder Returns

Fees paid to RMR continue to grow, while CWH shareholder value continues to decline

RMR extracted nearly 30% of CWH's market cap during 2007-2012, as CWH stock continued to plummet

'07-'12

2007

2008

2009

2010

2011

2012

Total

Fees Paid Out to RMR

\$59.7

\$63.2

\$62.6

\$62.2

\$69.5

\$77.3

\$394.6

RMR Fees % Growth

--

5.9%

(1.0%)

(0.5%)

11.7%

11.2%

29.5%

RMR

Fees

as

%

of:

CWH Market Cap

4.5%

4.8%

4.7%

4.7%

5.2%

5.8%

29.7%

CWH Market Cap, Cumulative

4.5%

9.3%

14.0%

18.6%

23.9%

29.7%

29.7%

CWH Cumulative Stock Price Return

(37.4%)

(74.7%)

(46.0%)

(48.4%)

(66.3%)

(67.9%)

(67.9%)

(1)

Market cap of \$1.3 billion based on a closing price of \$15.85 on February 25, 2013, the day prior to Related and Corvex's first

(2)

RMR fees paid per CWH public filings.

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Flawed RMR Structure and Poor Corporate Governance

Flawed RMR Structure

We believe CWH's externally managed structure skews incentives, reduces cash flow through excessive fees, destroys investor confidence, and impairs valuation multiple (off already depressed earnings)

RMR receives fees based on gross historical cost basis, incentivizing growth through acquisitions regardless of returns to CWH shareholders or strategic rationale

\$2.7 billion of net acquisitions and capex since 2007 (over 2x CWH's recent market

cap
(1)
, while CWH book value per share essentially flat
Trustees
own
less
than
1%
of
CWH
stock,
but
certain
trustees
own
100%
of
RMR,
skewing
their incentives in favor of the external manager

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

All executive officers of CWH are also officers of RMR

Barry Portnoy's son-in-law is also an officer of RMR

Given
these
inherent
and
widely
recognized
problems,
CWH
and
the
other
Portnoy
REITs
are
some of the last remaining publicly traded equity REITs today

(1)

Market cap of \$1.3 billion based on a closing price of \$15.85 on February 25, 2013, the day prior to Related and Corvex's first

33

Flawed RMR Structure and Poor Corporate Governance

External Manager RMR Causes Concern

We recommend investors avoid the shares of CWH at this time due to the uncertainty generated by the spinoff of SIR and the continuous decline in per share values. SIR is the second spinoff since 2009 and a recent one, GOV, did not seem to benefit the share holders. It appears that SIR, which carried little debt and all of the highest margin properties from CWH to its own portfolio, may become an acquisition vehicle. The manager

seems
to
be
making
decisions
which
are
beneficial
to
the
management
company and detrimental to the shareholders. The management contract awards
compensation for growing the portfolio but not as much for improving share value.
The
portfolio
is
in
good
shape
and
could
be
worth
more
to
an
acquirer
An
acquirer
could also reduce the operating costs by about \$50 million annually by replacing
RMR.

External Manager RMR Causes Concern At CommonWealth REIT,
Seeking Alpha,
August 27, 2012

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Flawed RMR Structure and Poor Corporate Governance

Poor Corporate Governance

In our view trustees have crossed the limits of legally enforceable corporate governance time and time again in order to disenfranchise CWH shareholders, insulate management, and maximize control

and
financial
benefits
for
RMR
One of the Portnoys
latest legal maneuvers was a secret, failed attempt (likely using CWH
funds)
to
insert
an
11
th
hour
amendment
into
a
Maryland
House
Bill
that
would
have
allowed
CWH to unilaterally eliminate shareholders right to remove trustees without cause

Trustees would rather intervene in the Maryland legislative process and change the law
than face their own shareholders
Over \$2 billion of related party transactions in last 5 years

CWH assets have been repeatedly used to seed new platforms for RMR, creating new
income streams for RMR without, in our view, due compensation for CWH shareholders,
and worsening the cash flow profile of CWH

We
believe
3
so-called
independent
trustees
are
conflicted
by
any
common
sense definition

2
of
CWH s
independent

trustees
serve
on boards of other RMR-managed entities

3
rd
independent

trustee

was

former

RBC

banker

in

capital

markets

division (retired in

2012), which regularly receives lucrative business from CWH (including recent dilutive equity offering) and RMR's other entities

Other issues include a classified board, poison pill, and slow hand provision

ISS

has

taken

notice

and

recommended

voting

against

incumbent

trustees

last

year

35

Flawed RMR Structure and Poor Corporate Governance

Scorched Earth Policies Require Action Now

These value destructive actions include:

A massively dilutive equity offering done 48% below book value to repay debt trading above par

Two separate bylaw amendments that in our view are invalid and seek to disenfranchise shareholders by effectively eliminating their ability to act by written consent to remove

trustees without cause

A failed attempt to secretly change Maryland law to make it impossible for shareholders to remove trustees without cause

A contemplated sale of CWH's 56% controlling interest in SIR at a potential discount to the market price rather than a control premium (which would also allow RMR to continue extracting fees from SIR)

If any shareholders had doubts as to where the trustees' allegiances lie, these actions have made clear it is with the Portnoys and not shareholders

Since our first call for change seven weeks ago, the Portnoys and their hand-picked trustees have used Company funds in a self-serving campaign aimed at in our view advancing their own financial interests and entrenchment

If shareholders don't act now to remove the entire board, we will be subject to at least three more years of mismanagement, the minimum time needed to replace a simple majority of CWH's super-charged staggered Board

If less than the entire board is removed, vacancies will be filled by the remaining

trustees and no change will be effected

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Flawed RMR Structure and Poor Corporate Governance

Conflicted Board of Trustees

Significant overlap of board members across RMR entities, including so-called independent

trustees

In

our

view

Portnoys

and
independent
trustees
conflicted
by
any
common
sense
definition

2
of
3
independent
trustees
serve
on
other
Portnoy
boards

3
independent
trustee
just
retired
from
RBC
capital
markets
division
in
2012,

a
division
which regularly receives lucrative business from CWH (including the recent dilutive equity offering) and RMR's other entities
Same Job, Different Company?

Travel Centers
Five Star
RMR Real Estate
Name
Title
CWH
HPT
SNH
GOV
SIR
of America
Senior Living
Income Fund
Senior

Management:

Adam D. Portnoy
President & Managing Trustee

Vern D. Larkin
Director of Internal Audit

Jennifer B. Clark
Secretary

Board
of

Directors:

Adam D. Portnoy
President & Managing Trustee

Barry D. Portnoy
Managing Trustee

William A. Lamkin
Partner at Ackrell Capital

Frederick N. Zeytoonjian
Founder & CEO of Turf Products

Joseph Morea
Retired RBC Banker
rd

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Flawed RMR Structure and Poor Corporate Governance

Dilutive Equity Offering

Despite protests from some of its largest shareholders, a bona fide offer for \$27.00 per share, and in our view no need to issue equity, on March 5, 2013 CWH sold 34.5 million shares at \$19.00

Transaction increased CWH's share count by 41% and diluted CWH's NAV by over \$6 per share

Why did CWH sell its \$240 million minority stake in GOV only after issuing new CWH shares

at a 48% discount to book value?

Perhaps recognizing its actions were indefensible, trustees insulated themselves from questioning and ignored shareholder demands to stop offering

Canceled investor lunch and did not hold Q&A on roadshow call
CWH's use of proceeds for the equity offering, at a massive discount, was to repay debt trading at prices ranging from 102% to 111% of par

Remarkably, CWH did not have any upcoming maturities or liquidity issues associated with this debt or any debt

We believe recently completed equity offering serves as clear example of poor management, skewed incentives, and terrible capital allocation

However,
equity
offering
increases
Company's
equity
base,
creating
additional
capacity
to
do
acquisitions
and
thereby
pay
more
management
fees
to
RMR

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Flawed RMR Structure and Poor Corporate Governance

Acting in the best interest of RMR rather than as a fiduciary

[Related and Corvex] are spending their own dollars, while CWH is spending

shareholder

money

to

prevent

RMR

from

being
terminated

-

an
outcome

we
think

virtually all shareholders favor. Ironic.

RMR, with \$77mm of high-margin annual revenue on the line, has too much to lose and is directing the CWH board to fight to the finish (using shareholder dollars to do so).

The CWH board, controlled by external manager RMR, is in the unique position of acting in the best interest of RMR rather than as a fiduciary to the CWH Shareholders.

If RMR prevails, we believe the end result is the instantaneous resumption of CWH shares trading at a significant discount to NAV - we believe a \$15/sh price...

Stifel Nicolaus, March 7, 2013

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Flawed RMR Structure and Poor Corporate Governance

March 1 Bylaw Amendment

On Friday, March 1, 2013, CWH announced its bylaws had been amended to clarify that a shareholder seeking to take action to remove one or more Trustees must comply with the same bylaw requirements as a shareholder making a nomination of an individual for election to the Board.

(3% / 3 year requirement)

Clarification

is actually an attempt to re-craft bylaws in order to effectively eliminate a shareholder right (action by written consent to remove trustees) granted in CWH s Declaration of Trust since 1986

The Declaration of Trust can only be changed through a shareholder vote, explaining why trustees are attempting to use the bylaws in this backdoor manner
The Declaration of Trust supersedes the bylaws, and bylaws cannot be used to remove a right granted in the Declaration of Trust

Amateurish word games suggest to us that trustees are terrified of facing their own shareholders, and have looked to throw up any obstacle or delay tactic they can

We are litigating this matter in Maryland Court and have a hearing scheduled for May 3rd

We and our legal team believe the board s attempted clarification

is
inconsistent
with
CWH s
own
Declaration
of
Trust
and
thus
null
and
void
as
a
matter
of
law
Related
and
Corvex
believe
CWH s
March
1
bylaw
amendment
is
invalid
and
a
desperate attempt to disenfranchise shareholders
st

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Flawed RMR Structure and Poor Corporate Governance

Failed Maryland House Bill Amendment

Proposed amendment would have opened door to make it impossible to remove trustees without cause in many Maryland companies (regardless of voting threshold), even if shareholders had explicit right to do so in a company's charter

Similar to March 1st bylaw amendment, CWH couched proposed amendment as a clarification

We believe notion that amendment was a clarification is absurd, as existing Maryland law

expressly contemplates removal of staggered board without cause when provided for in a company's charter

as
is
unequivocally
done
in
CWH's
Declaration
of
Trust

CWH used deceptive letters (which were later withdrawn) from a conflicted attorney in an attempt to mislead Maryland senators into believing amendment had broad legal support and was ministerial,

when
in
fact
it

had
not
even
been
discussed
by
key
Maryland
bar
committee

(1)
Fortunately for CWH shareholders and all shareholders of Maryland-based corporations and trusts,

the
amendment
quickly
died
once

legislators
became
aware

of
CWH's
manipulative

behavior and the clear fact that the amendment was substantive and not at all a clarification

Current
trustees
would
rather

manipulate
the
Maryland
legislative
process
and
change
the
law
than
face
their
own
shareholders

One
of
the
Portnoys
latest
legal
maneuvers

was
a
secret
attempt
(likely
using
CWH money) to insert an 11

th
hour amendment into a Maryland House Bill
(1)

The proposed amendment was not even discussed by the Corporation Law Committee of the Business Law Section of the Maryland State Bar Association, which typically reviews and comments on all changes to Maryland corporate and REIT law before changes are heard by the Governor.

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Flawed RMR Structure and Poor Corporate Governance
April 12 Bylaw Amendment
On
April
12,
2013,
CWH
purported
to

opt-in
to
Section
3-803
of
the
Maryland
General
Corporation Law, which allows Maryland companies to adopt a classified board (something
CWH has had in place since 1986)
CWH
has
taken
the
view
that
opting
in
to
Section
3-803
enables
them
to
unilaterally
eliminate shareholders
right to remove trustees without cause

We
and
our
lawyers
firmly
believe
that
they
are
wrong
In fact, CWH recently sought to amend Section 3-803 to clarify
that a company opting-in to
Section 3-803 could eliminate shareholders right to remove trustees without cause. The
Maryland legislature did not approve the proposed amendment. Various senators noted
during hearing that CWH's proposed amendment represented a substantive change in the
law, not a clarification
CWH's novel interpretation of Section 3-803 conflicts with 14 years of public filings by CWH,
which not once mention the potential effects of opting into Section 3-803, notwithstanding
extensive disclosure of Maryland law applicable to shareholder rights, and CWH's continuous
reminder to shareholders that trustees can be removed without cause by a two-thirds vote
CWH's latest bylaw amendment conflicts with 14 years of their own public
disclosure

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Flawed RMR Structure and Poor Corporate Governance

No Shareholder Return on Investment

Trustees continue to spend on acquisitions and issue more shares despite poor shareholder

returns due to skewed incentives created by RMR's external management

Management has spent \$2.7 billion on acquisitions and capex since 2007 (over

2x

CWH's

entire

market

cap

(1)

), while CWH book value per share is essentially

flat

(1)

Market

cap

of

\$1.3

billion

based

on

a

closing

price

of

\$15.85

on

February

25,

2013,

the

day

prior

to

Related

and

Corvex's

first

public filing.

(2)

Historical book values calculated using SIR and GOV market values. Market cap and 2012 book value uses stock market price

(3)

Metric shown includes SIR.

'07-'12

'07-'12

2007

2008

2009

2010

2011

2012

CAGR

Cumulative

Book Value

(2)

\$2,198

\$2,217

\$2,259

\$2,702

\$2,816

\$3,086

7.0%

40.4%

Book Value per Share

\$36.11

\$34.68

\$35.66

\$37.53

\$33.24

\$36.82

0.4%

2.0%

Memo: Shares Outstanding

60.9

63.9

63.4

72.0

84.7

83.8

6.6%

37.6%

Gross Real Estate Assets

(3)

\$6,156

\$6,242

\$6,324

\$6,357

\$7,244

\$7,829

4.9%

27.2%

Cumulative

Net Acquisitions and CapEx

\$419

\$83

\$453

\$369

\$604

\$753

\$2,681

% of Recent Market Cap

31.6%

6.2%

34.1%

27.8%

45.5%

56.7%

201.9%

Total RMR Management Fees

\$59.7

\$63.2

\$62.6

\$62.2

\$69.5

\$77.3

\$394.6

% of Recent Market Cap

4.5%

4.8%

4.7%

4.7%

5.2%

5.8%

29.7%

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Flawed RMR Structure and Poor Corporate Governance

A Dinosaur

As the REIT industry grew rapidly during the 90s, the externally advised model became a dinosaur. The IPO wave of the 90s brought forth companies with top-notch managers/employees whose financial interests were strongly aligned with those of shareholders.

While

the

externally

advised
structure
remains
the
norm
in
the non-
traded REIT world, where conflicts of interest run rampant, the Portnoy REITs stand
out like a sore thumb in the publicly traded REIT domain.
If
the
conflicts
of
interest
are
so
detrimental
to
shareholders,
why
don't
they
and the
Boards of the REITs terminate the advisory contract and staff the REIT with its own
employees?
With
respect
to
the
Portnoy
REITs,
a
primary
reason
is
that
the
corporate
governance impediments are substantial. Staggered boards are a primary obstacle.
Poison
pills
are
another.
In
addition,
the
valuation
gap
between
the

Portnoy
companies
and
their
REIT
peers
has
usually
been
wide,
but
rarely
wide
enough to
make the financial reward worthwhile for the vast effort required to enact change.

The
Portnoy
REITs

What
It
Means
to
be
Uninvestable ,
Green
Street
Advisors,
March 1, 2013

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Flawed RMR Structure and Poor Corporate Governance

A Case Study in Skewed Incentives

How does a misalignment in incentives manifest itself in financial losses for

CWH

shareholders

and

profits

for

RMR?

Capital Investment
\$10,000,000
Equity Investment
\$10,000,000
Current Occupancy
0.0%
Financing at 60% LTV
\$15,000,000
New Occupancy
80.0%
Total Capital Investment
\$25,000,000
Incremental NOI
\$2,000,000
Incremental NOI (6% cap rate)
\$1,500,000
Less: Financing Cost (4.5%)
(\$675,000)
Equity Cash Flow
\$825,000
Return on Equity
20.0%
Return on Equity
8.3%
Incremental Fees to RMR
Incremental Fees to RMR
% of historical cost basis
0.5%
% of historical cost basis
0.5%
Incremental historical cost basis
\$10,000,000
Incremental historical cost basis
\$25,000,000
Incremental Fees to RMR
\$50,000
Incremental Fees to RMR
\$125,000
Capital Allocation Option "B"
Capital Allocation Option "A"
Acquire New Property at lower ROE
Reinvest in Existing Property to Maximize ROE
Which option would you have chosen?
Which option do you think RMR chose?
Is
it
any
wonder
that
CWH s

stock
is
down
43%
over
the
past
3
years?

The case study below is based on extensive due diligence performed by Related on a specific vacant property in CWH's portfolio, which we believe management is unwisely looking to sell

45
Refuting the Portnoys
Spurious Claims

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Refuting the Portnoys

Spurious Claims

Shareholders are Being Asked to Relinquish Control

Existing trustees falsely claim Related and Corvex are asking shareholders to
relinquish control

in fact it is totally the opposite

We

believe

our
consent
solicitation
to
remove
the
board
will
serve
as
a
shareholder
referendum
on
the
current
board
of
trustees
and
senior
management
and
their
value
destructive
behavior

Shareholders
are
not
being
asked
by
Related/Corvex
to
relinquish
control
of
CWH
in
any
way;
they
are
being
asked
to
take
back

CWH
from
the
grip
of
the
Portnoys
and
RMR,
and
restore
control
to
all
CWH s
shareholders

The only group at risk of losing control is RMR and the Portnoys, which we believe have used CWH as their own personal piggy bank for years
Once the current trustees are removed, CWH is required to promptly call a special meeting for all shareholders to elect new trustees

At
that
time
we
hope
and
expect
all
CWH
shareholders
will
work
to
collectively
identify
an
independent
slate
of
highly
qualified
nominees

including
real
estate
industry
veterans

with
pristine
credentials

that
are
prepared
to
work
for
the
interests
of
all
shareholders

We
also
hope
and
expect
a
newly
elected
board
would
adopt
ISS
and
Glass
Lewis
corporate
governance
best
practices,
restoring
appropriate
shareholder
rights
for
all
CWH
shareholders
going
forward

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Refuting the Portnoys

Spurious Claims

CWH Has a Strategic Plan

Existing trustees claim to have a strategic plan

Unfortunately, in our view the so-called strategic plan consists largely of capital recycling, without any path to actual value creation for shareholders

Creates

the

appearance
of
activity,
but
does
not
actually
result
in
any
progress

Only figures associated with strategic plan reference volume of activity, and make no mention of shareholder returns or value creation

Strategic
plan
continues
management s
historical
practice
of

buy

high,

sell

low

capital

allocation

The two key elements

of the so-called strategic plan are:

Strategic Plan

Says:

We Believe Strategic Plan

Actually Means:

Improving Commonwealth's Financial

Condition and Liquidity

Sell equity at a massive discount to repay debt

trading at a premium, to give the appearance of

changing capital structure (i.e. buy high, sell low)

Continued Repositioning of

Commonwealth's Property Portfolio

Sell vacant suburban properties at a massive

discount and recycle proceeds to acquire fully

occupied CBD properties at premium valuations

(i.e. buy high, sell low)

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Refuting the Portnoys

Spurious Claims

CWH Will be Unable to Continue Normal Operations

The Portnoys have tried to paint a bleak picture of CWH upon removal of themselves

and

their

conflicted

trustees

a
fictional
picture
of
a
company
without leadership, unable to comply with basic regulatory obligations

These
statements
represent

a
scare
tactic
employed
by
current
trustees

in
a
desperate
attempt
to
intimidate
CWH's
shareholders;

nothing
could
be
further
from
the
truth

Upon removal of the current board, we are committed to put at the immediate disposal of CWH and all its shareholders all of our considerable resources, including highly qualified property and financial managers

Jim Lozier, former CEO and co-founder of the Archon Group L.P., has agreed to a potential interim CEO position

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

CWH
portfolio
as
necessary

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Refuting the Portnoys

Spurious Claims

Change of Control

under Credit Agreement, Other Agreements

In connection with their scare tactics, current trustees have also emphasized

risk that a termination of RMR's agreements could lead to a change of

control

under CWH's credit agreements and other agreements

We, along with our financial advisor Deutsche Bank, have analyzed the Company's credit

agreements

Deutsche Bank has already given us highly confident letters for necessary refinancings which may arise under a change of control, positioning CWH for a smooth transition

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Refuting the Portnoys

Spurious Claims

Current Trustees and RMR Acting in Best Interests
of CWH

Existing trustees claim they and RMR are acting in the best interests of CWH
Based on what track record and what evidence?

Why would trustees acting in the best interests of shareholders pursue and even upsize
an unnecessary, massively dilutive equity offering?

Why would trustees acting in the best interests of shareholders attempt to pass bylaw amendments to disenfranchise shareholders?

Why would trustees acting in the best interests of shareholders attempt to secretly pass a new Maryland law making it impossible to remove them?

Why would trustees acting in the best interests of shareholders make plans to potentially sell CWH s controlling stake in SIR at a discount to market rather than a premium?

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New Management Team and Strategy

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New Management Team and Strategy

New Strategic Plan

Internalize

management,

adopt

a

market

cost

structure,

and
align
management
compensation
with
shareholder
returns

no
more
skewed
incentives

While corporate management will be replaced, we anticipate current property level employees will be hired to work at the new CWH

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

no
more
shareholder
disenfranchisement
Cease
all
acquisition
activity
until
CWH s
stock
price
exceeds
its
NAV

no
more

dilutive
equity
offerings
and
ignoring
the
views
of
shareholders

We believe reinvesting in CWH's existing portfolio can lead to a stabilized NOI of \$547 million, an increase of ~20% from the Company's LQA 4Q12 cash NOI
Use excess cash flow to buy back CWH stock until the Company's stock price exceeds its NAV

no
more
buy
high,
sell
low
capital
allocation
Cease
all
related
party
transactions

no
more
self-dealing
for
benefit
of
the
Portnoys
Adopt
best
practices
and
manage
the
Company
in
ways
which
maximize
long-term
CWH

shareholder
value,
not
fees
paid
to
RMR

While a new board selected by all shareholders will ultimately determine the details of CWH's new strategic plan, we propose the following key elements as a starting point for the Company's new direction

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New Management Team and Strategy

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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New Management Team and Strategy

Potential Interim CEO

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

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

During Mr. Lozier's tenure at Archon, the company grew from 320 employees to 8,500

employees managing 36,000 assets with a gross value of approximately \$59 billion

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

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

Prior to the formation of Archon, Mr. Lozier was an employee of the J.E. Robert Company and had been

responsible

for

managing

the

GS

/

JER

joint

venture

for

two

years.

Mr.

Lozier

directed

the

acquisition

efforts

of

the

joint

venture

between

GS

and

JER

from

1991-1995

Mr. Lozier could serve as interim CEO until the new board decides to hire a permanent CEO. As

interim CEO, he would focus on transition of management services, continuity of financial

reporting, and building out a permanent management team

Related/Corvex have identified a potential interim CEO, Jim Lozier, to help

transition

CWH

to

internal

management.

Mr.

Lozier

is

a

30+

year

real

estate

industry veteran with impeccable credentials who has created significant value

for equity holders during his career

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New Management Team and Strategy

About CBRE

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

CBRE

(1)

employs 42,000+ people in 430+ offices and manages more than 3.3 billion square feet of commercial property and corporate facilities across the globe

Successfully

managed
transition
of
leasing
/
management
services
for
1.2
billion
square
feet
of
commercial properties in the U.S. over the previous nine years, including transitions done under
significant time pressure
(1)
Employees,
offices,
and
square
footage
under
management
includes
CBRE
affiliate
offices.
CBRE, the world's largest commercial real estate services firm, has agreed to
provide interim property management and leasing services to the CWH
portfolio as necessary

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Appendix

Valuation Summary

(1)

Includes value of SIR stake as of April 17, 2013.

(2)

Stabilized NOI of \$547 million.

(3)

Wholly-owned LQA GAAP NOI of \$487.3 million per CWH 4Q12 Supplemental.

(4)

Wholly-owned square feet per Company filings and Related / Corvex analysis.

(1)

With the removal of current trustees, we estimate an NAV per share of \$35 today (4/17/13) based on bottom-up property-by-property analysis, and a target stock price of \$44 or higher at 12/31/14

We believe NAV can be thought of as fair market value of the current portfolio, before benefit from any other value enhancing actions (which we believe are plentiful)

Valuation was led by Related, one of the most well respected real estate developers, operators, and investors in the U.S. with a 40 year history and a portfolio of over \$15 billion of real estate operating assets today

We believe CWH could trade at a stock price of \$44 or higher at 12/31/14 through internalization of management, operational turnaround, improved capital allocation, and multiple expansion

Stock Price

Related / Corvex

@ 2/25

NAV @ 4/17

Stock Price

\$15.85

\$34.92

% Change

--

120.3%

Cap Rate of Stabilized NOI

(2)

11.12%

7.66%

Cap Rate of LQA NOI

(3)

9.92%

6.83%

Price / LQA Normalized FFO

5.9x

13.0x

Price / GAAP Book Value per Share

0.43x

0.95x

Price / Square Foot

(4)

\$89

\$135

Dividend Yield @ Current \$0.25 / Qtr

6.31%

2.86%

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Appendix

Underwriting Methodology

Related and Corvex believe CWH's wholly owned real estate is worth \$7.1 billion today after removal of current trustees (compared to a cost basis of \$7.0 billion

and

implied

market

value

of

\$4.9
billion
as
of
2/25/13)
based

on
property-by-
property underwriting

(1)
CWH \$4.9 billion enterprise value calculated using SIR and GOV market value as of 2/25/13.

Related did not rely on book value and
instead, did a bottoms up real estate
valuation on 90% of the portfolio

Related analyzed market rental,
vacancy and cap rate trends as
well as market research reports

Related performed site visits,
met with local brokers and had
appropriate internal Related teams

review underwriting assumptions

Related used Gross Asset Value
(GAV) and Cap Rate Valuation
methodologies to determine NAV per
share.

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Appendix
Underwriting Methodology (continued)
The
most
extensive
property
level
detail
that

CWH provides is a Schedule 3 (accumulated depreciation schedule) produced at the end of every fiscal year. This report does not show the assets names or addresses and is merely a list of properties identified by an ID number. The following represents our underwriting methodology:

1. Associate each property ID in the Schedule 3 with an address, name and portfolio where appropriate
2. Remove any SIR spin-off properties (76 total) based on Schedule 1.1 of Form 8-K dated

3/31/12

3.

Account for any acquisitions and dispositions during 2012 and 2013

4.

Perform extended due diligence on 367 properties

Represents 90% of the portfolio's total SF

Represents 90% of the portfolio's total cost basis

5.

Extrapolate results to the rest of the portfolio

6.

Analyze market rental, vacancy and cap rate trends and meet with brokers, research comparable transactions and perform site visits to further improve property level assumptions

7.

Determine CWH's NAV per share based on gross asset value (GAV) and cap rate methodologies

We believe GAV is a more appropriate indicator of valuation because of the nature of CWH's portfolio

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Appendix
How RMR is Paid
Business management agreement

Requires
CWH
to
pay
RMR

at
annual
rate
of
0.7%
of
the
historical
cost
basis
of
U.S.,

Canadian, and Puerto Rican investments for the first \$250 million of such investments and 0.5% thereafter

1.0% fee level for investments outside the U.S., Canada, and Puerto Rico

Additionally, RMR is entitled to an incentive fee equal to 15% of the product of (i) weighted average fully diluted shares outstanding and (ii) the excess of FFO per share over FFO per share in the preceding fiscal year

No incentive paid in recent years given continued FFO per share declines

Property management agreement

Provides for fees equal to 3.0% of gross collected rents, and construction supervision fees equal to 5.0% of construction costs

CWH is managed under two agreements with RMR (terminable by Company with 60 days notice), which generate steady fees based on gross historical cost basis and gross rents

'07-'12

2007

2008

2009

2010

2011

2012

Cumulative

Business Management Fees

\$31.0

\$33.4

\$33.6

\$34.7

\$39.2

\$43.6

\$215.6

Property Management Fees

28.7

29.8

29.0

27.5

30.3

33.7

\$179.0

RMR Management Fees

\$59.7

\$63.2

\$62.6

\$62.2

\$69.5

\$77.3

\$394.6

% of Recent Market Cap

4.5%

4.8%

4.7%

4.7%

5.2%

5.8%

29.7%

% of Rental Income

7.1%

8.4%

7.4%

7.3%

7.6%

7.5%

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Appendix
CWH Related Party Transactions
5 Year
Related
Party
Transactions
2008
2009
2010

2011
2012
Cumulative
SNH
\$346.8
\$214.6
\$374.1
\$262.9
\$1,198.3
GOV
395.3
231.0
626.3
SIR
400.0
400.0
AIC
5.2
5.3
5.4
6.7
5.3
28.0
Total
\$352.0
\$615.2
\$610.5
\$269.6
\$405.3
\$2,252.6

Figures discussed in presentation per disclosure in CWH public filings. Figures above do not include fees paid to RMR and distributions from minority stakes, which would have the impact of increasing the amount of related party transactions.

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Appendix

Related & Corvex Overview

Related and Corvex collectively own 10.9 million shares of CWH (9.2% of shares outstanding)

Related Companies

Related Fund Management, LLC is an affiliate of Related Companies (Related), one of the most prominent privately-owned real estate firms in the United States

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Formed 40 years ago, Related is a fully-integrated, highly diversified industry leader with experience in virtually every aspect of development, acquisitions, management, finance, marketing and sales

Related's existing portfolio of real estate assets, valued at over \$15 billion, is made up of best-in-class mixed-use, residential, retail, office and affordable properties
Corvex Management

Value-based investing across the capital structure in situations with clearly identifiable catalysts

Active investing to create asymmetric risk/reward opportunities

13D investments since inception include AboveNet (acquired by Zayo in March 2012), Corrections Corporation of America (elected REIT status in February 2013), Ralcorp (acquired by ConAgra in November 2012), and ADT (Keith Meister joined Board in December 2012)

Additional Information Regarding the Consent Solicitation

In connection with their solicitation of written consents, Corvex Management LP and Related Fund Management, LLC have filed a definitive written consent solicitation statement with the U.S. Securities and Exchange Commission (the SEC) to solicit written consents from shareholders of Commonwealth REIT. **Investors and security holders are urged to read the definitive written consent solicitation statement and other relevant documents when they become available, because they contain important information regarding the consent solicitation.** The definitive written consent solicitation statement and all other relevant documents are available, free of charge, on the SEC's website at www.sec.gov.

The following persons are participants in connection with the written consent solicitation of the Company's shareholders: Corvex Management LP, Keith Meister, Related Fund Management, LLC, Related Real Estate Recovery Fund GP-A, LLC, Related Real Estate Recovery Fund GP, L.P., Related Real Estate Recovery Fund, L.P., RRERF Acquisition, LLC, Jeff T. Blau, Richard O. Toole and David R. Johnson. Information regarding the participants in the consent solicitation and a description of their direct and indirect interests, by security holdings or otherwise, to the extent applicable, is available in the definitive written consent solicitation statement filed with the SEC on April 10, 2013 and Supplement No. 1 thereto filed on April 12, 2013.

