

CommonWealth REIT  
Form DFAN14A  
March 12, 2014

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**SCHEDULE 14A**

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

Filed by the Registrant

Filed by a Party other than the Registrant

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**

Edgar Filing: Commonwealth REIT - Form DFAN14A

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

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

**RRERF ACQUISITION, LLC**

**JEFF T. BLAU**

**RICHARD O TOOLE**

**DAVID R. JOHNSON**

**JAMES CORL**

**EDWARD GLICKMAN**

**PETER LINNEMAN**

**JIM LOZIER**

**KENNETH SHEA**

**EGI-CW HOLDINGS, L.L.C.**

**DAVID HELFAND**

**SAMUEL ZELL**

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

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

- (1) Title of each class of securities to which transaction applies:
- (2) Aggregate number of securities to which transaction applies:
- (3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):
- (4) Proposed maximum aggregate value of transaction:

Edgar Filing: Commonwealth REIT - Form DFAN14A

(5) Total fee paid:

.. Fee paid previously with preliminary materials.

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

(1) Amount Previously Paid:

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

(3) Filing Party:

(4) Date Filed:

A New Beginning  
Presentation to CWH Shareholders  
March 12, 2014

2  
Table of Contents  
Executive Summary  
Appendix  
I.  
Exposing  
The  
Portnoys  
Scare

Tactics

II.

The

Portnoys

Latest

Financial

Distortions

III.

The

Portnoys

Reversible

Governance

Alterations

In

Context

IV.

Widespread

Disapproval

Of

The

Portnoys

V.

History

of

Underperformance

3  
Executive Summary

### A New Beginning

Commonwealth Shareholders Have A Choice Between Two Paths

CWH has underperformed for years due to a severe misalignment of interests in an external

management structure through which the Portnoys effectively control CWH despite owning virtually no stock, with the fees they pay themselves through RMR being their only meaningful economic interest in the Company

Not surprisingly, CWH's stock generated a cumulative total return of a mere 7% over a nearly 16-year



span  
(1)  
during  
which  
time  
CWH  
paid  
RMR  
approximately  
\$791  
million

(2)  
in  
fees  
In  
glaring  
contrast,

Sam  
Zell's  
track  
record  
speaks  
for  
itself:

Mr.  
Zell  
created

3  
of  
the  
most  
successful REITs in history

As evidenced in the chart on the following page, we believe Mr. Zell's chairmanship of EOP, EQR, ELS has unquestionably maximized value for shareholders over the same 16-year period in which CWH generated 7% returns

4  
The  
Portnoys  
path  
of  
conflicted  
external  
management,  
value  
destruction,

and  
the absence of accountability, with which CWH shareholders are all too familiar  
OR

Sam Zell's path of aligned internal management and accountability that fosters  
the

incentives  
critical  
in  
building  
a  
successful  
company  
focused  
on  
the  
long-  
term creation of shareholder value

We believe the choice could not be more clear

(1)

From 7/7/1997 (the earliest date on which the Zell-chaired REITs and CWH were all public) to 2/25/2013 (the last trading day)

(2)

RMR fees paid per CWH public filings include SIR. 2013 includes fees paid to SIR after deconsolidation on July 1, 2013 to management figures.

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

Zell-Chaired  
REITs  
vs.  
CWH

vs.

RMR

Fees

(1)

Total returns through February 25, 2013, the day prior to Related and Corvex's initial 13-D filing.

(2)

RMR fees paid per CWH public filings include SIR. 2013 includes fees paid to SIR after deconsolidation on July 1, 2013 to match disclosed figures.

Sources: Company filings, SNL

(1)

(2)

5

(\$100)

\$0

\$100

\$200

\$300

\$400

\$500

\$600

\$700

\$800

(100%)

0%

100%

200%

300%

400%

500%

600%

700%

800%

1997

2000

2003

2006

2009

2012

CWH

EOP

EQR

ELS

Cumulative RMR

Fees

EOP:

368%

CWH: 7%

EQR:

422%

ELS:

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

6

The Choice Is Clear: Uniquely Qualified

Sam Zell & David Helfand Have Joined Corvex/Related's Slate Of Nominees

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

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

Properties  
Trust  
(formerly  
the  
largest  
REIT  
in  
the  
U.S.)

Mr. Helfand is willing to serve as Commonwealth's CEO, if so appointed by the new Board

Mr. Helfand is Co-President of EGI and has previously served as Executive Vice President and Chief Investment Officer of Equity Office Properties Trust and President and CEO of Equity LifeStyle Properties

Mr. Zell and Mr. Helfand bring exceptional investment, real estate and public company credentials

to  
an  
already  
highly  
qualified  
slate  
of  
nominees

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

7

The Choice Is Clear: Alignment of Interests & Accountability  
Board & Management Focused On Increasing Shareholder Value

Sam  
Zell  
and  
David  
Helfand  
fully  
support



efforts  
to  
maximize  
value  
at  
CommonWealth  
for  
all  
shareholders  
and  
see  
an  
attractive  
opportunity  
at  
CommonWealth  
uniquely  
suited  
to  
their  
expertise  
in  
leading  
public  
real  
estate  
companies  
and  
in  
turning  
around  
underperforming  
assets  
Mr.  
Zell  
and  
Mr.  
Helfand  
plan  
to  
bring  
to  
the  
Company  
their  
highly  
qualified  
and  
experienced  
management

team  
to  
execute  
on  
a  
value-driven  
strategy  
and  
utilize  
their  
expertise  
in  
turning  
around  
underperforming  
assets  
Their  
business  
philosophy  
includes:  
A  
core  
operating  
principle  
of  
aligning  
interests  
between  
company  
leadership  
and  
shareholders  
A  
conviction  
that  
an  
internal  
management  
structure  
promotes  
incentives  
to  
build  
successful  
companies  
for  
the  
long-term  
creation  
of

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

8

The Choice Is Clear: Good Governance  
With Good Governance Shareholders Will Always Have A Choice

We  
are  
concerned  
about  
any  
attempts  
to

preclude  
shareholder  
rights,  
and  
our  
companies  
are  
free  
of  
such  
impediments.

With  
good  
corporate  
governance,  
shareholders  
will  
be  
able  
to  
hold  
their  
board  
and  
managers  
accountable  
without  
having  
to  
spend  
exorbitant  
sums  
litigating  
for  
the  
right  
to  
do  
so

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

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

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

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

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

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

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

9

The Case For Removal  
Irrefutable

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

in  
favor  
of



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

-

Glass Lewis Report, March 6, 2014  
Underperformance has been irrefutable;  
the unprecedented governance malfeasance undeniable

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

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

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

-

ISS Report, February 28, 2014

10  
The Case For Removal  
Third  
Party  
Confirmation

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

of CWH's Board and management team

On March 19, 2014, Glass Lewis agreed:

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

their  
performance  
has  
been  
horrible

In our  
opinion,  
this  
portion  
of  
the  
overall  
argument  
is  
effectively  
concluded,

both  
because  
the  
Trust's  
trading  
history  
since  
February  
25,  
2013

has  
been  
impacted  
by  
the  
public  
involvement  
of

Corvex/Related and, of equal import, because the data points prior thereto offer clear and largely irrefutable perspectives on the performance of incumbent management and the board.

As  
covered  
at  
length  
in  
our  
prior  
report,  
CW

vastly  
underperformed

a  
relevant

peer

set,

the

S&P

500

Office

REITs

Index

and

the

S&P

500

REITs

Industry

Index

for

the

one-,

three-

and

five-year

periods

ended February 25, 2013.

Glass Lewis Report, March 19, 2014

11  
The Case For Removal  
Third  
Party  
Confirmation

Corporate  
Governance  
Malfeasance  
Corvex

and  
Related  
have  
documented  
the  
Portnoys  
inexcusable  
governance  
malfeasance as well as an unmistakable pattern of behavior that leaves no  
doubt as to where their true intentions lie

On February 28, 2014, ISS agreed:

To  
breezily  
reappoint  
[following  
the  
2013  
annual  
meeting]  
a  
nominee  
just  
rejected  
by  
four  
out  
of  
five  
shareholders  
underscores  
the  
central  
concern  
the  
dissidents  
have  
articulated:  
whether  
there  
is  
any  
attentiveness within this board to the concerns of the owners, rather than the managers, of the  
company.

The numerous bylaw changes over the past several years not simply the ones proposed after the  
Arbitration Panel ruled against the board suggest the board's attention, instead, has gone to  
reinforcing its defenses. Particularly noteworthy is the 2008 amendment which require that at least  
two  
trustees  
be  
members

of  
management  
or  
involved  
in  
day-to-day  
operations a  
bylaw  
which  
swims

upstream against the pronounced, shareholder-driven trend over the last decade of enhancing a  
board s independence from management.

ISS Report, February 28, 2014

The  
Portnoys  
intentions  
are  
revealed  
in  
their  
actions,  
not  
in  
their  
promises  
or  
what is written in their governing documents



12

The Case For Removal

A Vote on Leadership

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

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

over

the

past

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

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

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

Equally appalling, the Portnoys attempted to railroad their proposal through the Maryland Assembly at the last minute rather than process it through a standard, legislative process. An imperfect governance framework is only as good as those entrusted to govern.

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

(1)

See SEC filed presentation entitled "The Portnoys Unsuccessfully Try To Change Maryland Law: A Case Study On The Pernicious Effects Of External Management" dated March 7, 2014. Also available at [www.shareholdersforcommonwealth.com](http://www.shareholdersforcommonwealth.com)

13

The Case For Removal

A Vote on Leadership (cont.)

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

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

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

Reinstated Trustee Joseph Morea after a nearly 4-1 vote against his re-election at the 2013

annual meeting, and charged him with spearheading corporate governance

Spent

over

\$30

million

of

shareholders

money

on

a

year-long

litigation

process

in

a

brazen

campaign to systematically disenfranchise shareholders

The

Portnoys

unconscionable

actions

over

the

past

year

speak

volumes

about

whether they are fit to lead this company

In addition to the secret attempt to change Maryland law, over the past year the

Board also deliberately:

A few months of ineffective governance alterations cannot erase the inexcusable actions of this Board over the past year, much less 28 years of underperformance

14

The Case For Removal

A Clear and Open Path

The Choice Is Clear

The escape path for long-suffering shareholders leads to a destination that is indisputably superior to where shareholders have been for 28 years

Sam Zell's track record in REITs paints a clear picture of what the future Commonwealth will look like

Meanwhile,

the

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

15

Removal Of The Entire Board Is the Necessary Path

Portnoys Acknowledge Governance Proposals Were Window Dressing

This

comes

after

months

of

touting

their

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

Which other hollow Portnoy promises are unilaterally reversible?

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

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

If  
Barry  
Portnoy  
does  
not  
receive  
the  
requisite  
vote  
at  
the  
2014  
annual  
meeting,  
will  
he



accept re-appointment like Joe Morea did in 2013?

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

Why does the Board refute the ability of the Arbitration Panel that protected shareholders  
rights to decide future challenges by shareholders?

That means shareholders who have an issue with future bylaw amendments will have  
to spend tens of millions of dollars to initiate a new arbitration while the Portnoys spend  
tens  
of  
millions  
of  
shareholders  
money  
fighting  
back.

Will the Portnoys try to change Maryland law again?

Ten days before the consent deadline the Portnoys acknowledge that their proposed Board  
de-staggering was a hollow promise that could have been unilaterally reversed at any time.

16

Removal Of The Entire Board Is the Necessary Path

Portnoys Have Actively Opposed The Customary Channel

The Portnoys proclaim that the removal of an entire Board is unprecedented, but so too are the abysmal performance and inexcusable governance malfeasance at CWH

CalPERS pushed for the annual election of all trustees at Hospitality Properties Trust (HPT), another RMR-managed REIT every year from 2009-2013

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

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

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

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

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

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

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

Pension  
Fund  
Letter  
to  
Shareholders,  
April  
26,  
2012

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

17

Removal Of The Entire Board Is the Necessary Path

Portnoys Have Actively Opposed The Customary Channel

In 2008, Locksmith sought the election of two nominees to the Board of TravelCenters of America, a Portnoy-managed public company, and a vote to declassify the Board

The proposals

did

not

even

reach  
a  
vote  
and  
Locksmith  
was  
forced  
to  
give  
up:

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

Instead of allowing shareholders an opportunity to vote for our nominees and shareholder proposals, they invoked meaningless technicalities in order to create a Soviet style election and entrench the current Board of Directors. This Board has no shame.

Locksmith Capital Management, April 2008

18

Removal Of The Entire Board Is the Necessary Path

Potent In-place Bylaws Block The Customary Channel

The Portnoys neglect to mention critical gating issues that effectively block shareholders

ability

to

achieve

meaningful

representation

on  
the  
Board  
via  
the  
customary channel

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

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

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

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

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

However even that conclusion assumes the Portnoys do nothing to impede or  
frustrate  
shareholder  
action

as  
they  
have  
repeatedly  
done  
in  
the  
past

We have publicly asked the Board to clarify whether they will continue to maintain this  
bylaw requirement

The Board has yet to respond

The  
Managing  
Trustee  
bylaw  
exposes  
the  
Portnoys  
recent  
governance  
alterations



as  
mere window dressing

19

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

Even  
if  
the  
Portnoys  
eliminate  
the

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

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

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

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

However, as is their strategy, the Portnoys have succeeded in creating a lengthy and expensive process for effecting change, while funding their entrenchment with shareholder funds rather than their own

In other words, nothing stops the Portnoys from re-inserting the 3%/3-year bylaw for Trustee nominations at future annual meetings

In  
fact,  
Select  
Income  
REIT  
( SIR )

another  
RMR-managed  
REIT

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

The SEC had questioned the clause during SIR's IPO process

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

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

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

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

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

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

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

innocuous  
bylaws  
to  
silence shareholders

We had to prove to the Portnoys in arbitration that our record date request had been sent via registered mail return receipt requested (which it was, in addition to e-mail, hand delivery and FedEx), in order to be counted as a valid request (1)

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

no  
reliable  
ability  
to  
act  
via  
the  
customary  
channel,  
the  
Portnoys  
recent  
governance alterations are exposed as mere window dressing  
The Portnoys  
potent tools (cont.):  
(1)  
See  
SEC  
filed  
presentation  
entitled  
A  
Case  
Study  
in  
Worst-In-Class  
Corporate  
Governance:  
The  
Portnoys'  
Red  
Tape  
Bylaws  
dated  
February  
6,  
2014.  
Also  
available at  
[www.shareholdersforcommonwealth.com](http://www.shareholdersforcommonwealth.com).



21

Removal Of The Entire Board Is the Necessary Path

Portnoys Do Not Prefer Constructive Engagement That Leads to Real Accountability

Corvex/Related strongly prefer constructive engagement, but the shareholders of CWH have issued a mandate demanding real accountability and an

unambiguous

ability

for

shareholders

to

choose  
who  
should  
manage  
their  
company

We prefer and have a history of constructive engagement, but based on the Portnoys

demonstrated aversion to real accountability, it appears that the Portnoy Board and real accountability cannot co-exist at Commonwealth

Unfortunately, the Portnoys repeatedly demonstrate an aversion to accountability:

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

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

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

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

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

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

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

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

22

Over the past year, the Portnoys have apparently scoured all of CWH's documents in search of the most minor technical issues with which to mislead shareholders and frighten them from voting for change, even though such issues have little practical relevance

Board Transition

Exposing the Portnoys

Scare Tactics

Most appalling, however, is that it is well within the ability of the Portnoy Board to provide for a seamless transition and thereby preclude their highly unlikely parade of horrors

from ever occurring

With all of the potent tactics at the Portnoys' disposals to block shareholder action, why is it impossible for them to use the same tools for the benefit of shareholders, particularly with assistance from the Arbitration Panel??

What does it say about their true intentions that they don't?

Ironically, had the Portnoys read the charter's board removal provisions equally as carefully and literally, perhaps a year of litigation and tens of millions of dollars in expenses could have been prevented

As is their custom, the Portnoys are distorting the truth by removing context, misdirecting shareholders

attention, and relying on half-truths,

They are effectively telling shareholders (again) that they do not really have the ability to exercise their

charter-given

right

to

remove

the

Board,

due

to

the

parade

of

horribles

that

will

befall

CWH

if they do

In

the

Appendix,

we

address

each

of

the

Portnoys

scare

tactics

and

explain

what

the

Portnoys

are not telling shareholders about their parade of horribles

23  
Timeline  
The  
Panel  
set  
forth  
the  
following  
procedures  
for

the  
new  
consent  
solicitation:

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

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

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

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

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

The Company will have 5 business days to certify the results of the solicitation

If the consent solicitation to remove all the Trustees is successful, the officers of CWH must promptly call a special meeting of shareholders to elect new Trustees to the Board

The  
date  
of  
the  
special  
meeting  
must  
be  
within  
10  
to  
60  
calendar  
days  
of  
the  
date  
of  
notice of such meeting

24  
Voting Instructions  
The  
Time  
to  
Act  
is  
Now  
Please  
Sign,



Date  
and  
Return  
the  
GOLD  
Consent  
Card  
Today  
A  
Non-vote  
is  
a  
Vote  
for  
the  
Portnoys  
Place  
your  
vote  
now  
to  
remove  
the  
entire  
Board  
of  
Trustees  
Without  
complete  
removal,  
the  
remaining  
Trustees  
would  
be  
able  
to  
unilaterally  
reinstate  
a  
removed  
Trustee

as  
they  
did  
just  
last  
year

or  
fill  
vacancies  
on  
the  
Board  
without  
input  
from  
the  
true  
owners  
of  
the  
company

the  
shareholders  
Please  
note  
that  
internet  
voting  
is  
NOT  
available

-  
Shareholders  
must  
sign,  
date  
and  
return  
the  
GOLD  
Consent  
Card  
in  
the  
pre-paid  
return  
envelopes  
provided  
If  
you  
need  
assistance  
in  
executing  
your

GOLD  
consent  
card  
or  
placing  
your  
vote,  
please  
call:

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



26

I. Exposing The Portnoys  
Scare Tactics

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

NYSE  
delisting

as  
horrors

that  
will

befall  
the

Company  
if

our  
consent

solicitation  
is

successful,  
because

CommonWealth will temporarily be left without a board with a majority of independent trustees and an independent audit committee

The  
mission

of  
the

U.S.  
Securities

and  
Exchange  
Commission

is  
to

protect  
investors,

maintain fair, orderly, and efficient markets, and facilitate capital formation.

-  
SEC Mission, available at [sec.gov](http://sec.gov)

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

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

Shareholders taking advantage of their first opportunity in 28 years to hold trustees accountable should, in our view, be applauded by regulators

Reality  
Exposing the Portnoys

Scare Tactics  
Portnoys Fail to Understand Purpose of the SEC & NYSE

(1)

We do note that in their latest Presentation dated March 5, 2014, the Portnoys downgraded the threat level related to SEC matters

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



28

Exposing the Portnoys

Scare Tactics

Portnoys Fail to Understand Purpose of the SEC & NYSE (cont.)

ISS Agrees With Us

While

the

risk

of

sanction

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

may  
mitigate  
this  
particular  
regulatory  
risk.  
The  
point  
of  
a  
regulation  
requiring  
a  
majority-independent  
board  
or

audit  
committee,  
after  
all,  
is  
to  
help  
ensure  
accountability  
to  
public  
shareholders  
which  
might  
be  
endangered  
by  
too  
close  
an  
affinity  
with  
management.

It seems unlikely,  
therefore, that regulators would rush to sanction a company where a supermajority of  
shareholders felt the entire board had demonstrated such lack of independence that it need  
be removed particularly when the bylaws already provide for a clear, and relatively swift  
(in regulatory time), resolution of the unintended regulatory violation.

-ISS Report , 2/28/14

29

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

Removal of the Trustees will not immediately impact property operations

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

Only

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

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

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

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

Sam Zell and David Helfand plan to bring to CWH their highly qualified and experienced management team

Reality  
Exposing the Portnoys  
Scare Tactics  
Management of Properties Will Not Be Immediately Impacted

(1)  
Per Company filings.

(2)  
CBRE will perform management and leasing services on customary terms to be agreed to in the event CWH's management agreement is terminated.

Portnoys  
Complaint

30

ISS Agrees With Us

Exposing the Portnoys

Scare Tactics

Management of Properties Will Not Be Immediately Impacted (cont.)

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

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

-ISS Report dated 2/28/14

31

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

Reality

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

Zell-chaired REIT Equity Office Properties was investment grade and operated with prudent financial



management during its life as a public company

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

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

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

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

Downgrade

was

issued

in

spite

of

the

Portnoys

massively

dilutive

equity

offering

of

February

2013

which was executed expressly for the purpose of avoiding a rating agency downgrade

Portnoys

Complaint

Exposing the Portnoys

Scare Tactics

The Risk Of A Rating Agency Downgrade is Minimal

32

ISS Reaction

Exposing the Portnoys

Scare Tactics

The Risk Of A Rating Agency Downgrade is Minimal

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

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

-ISS Report dated 2/28/14

33  
Removal  
of  
the  
board  
will  
trigger  
preferred  
shareholders  
right

to  
convert  
their  
shares  
and will dilute existing common shareholders

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

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

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

at  
\$19  
per  
share  
one  
year  
ago  
despite  
protests  
from  
their  
largest  
shareholders  
Reality  
Portnoys  
Complaint  
Exposing the Portnoys  
Scare Tactics  
Conversion Of Preferred Stock Is A Minimal Risk

(1)

Market price means, with respect to any Fundamental Change Conversion Date, the average of the Closing Sale Prices of the C  
five (5) consecutive Trading Days ending on the third Trading Day prior to the Fundamental Change Conversion Date. See Co

34

ISS Report

WE AGREE WITH ISS

Exposing the Portnoys

Scare Tactics

Conversion Of Preferred Stock Is A Minimal Risk

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

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

-ISS Report dated 2/28/14



35

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

Reality

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

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

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

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

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

ie,  
banks  
do  
now  
want  
to  
own  
CWH

in  
our  
view

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

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

Any member of the lending group can therefore sell debt to us rather than incur foreclosure expenses

in  
the  
highly  
unlikely  
event  
such  
member  
is  
considering  
acceleration

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

We will simultaneously seek to obtain waivers from lenders and begin the process to refinance the debt

if  
necessary,  
which  
we  
can  
believe  
can  
be  
accomplished

in  
a  
timely

manner

Portnoys

Complaint

Exposing the Portnoys

Scare Tactics

Acceleration Of Debt Is Highly Preventable

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

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

37

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

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

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

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

board to declare and pay the dividend before the end of May

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

Portnoys

Complaint

Exposing the Portnoys

Scare Tactics

Next Dividend Can Be Authorized By Current Or New Board

38

II. The Portnoys

Latest Financial Distortions



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

some  
of  
the  
Portnoys  
most  
egregious  
financial distortions of the truth

Given  
the  
numerous  
errors  
and  
misleading  
financial  
analyses  
the  
Portnoys  
have  
presented  
over  
the  
last  
few  
weeks,  
we  
caution  
shareholders

to  
view  
any  
claims  
or  
statistics  
asserted  
by  
the  
Company  
with  
a  
healthy  
dose  
of  
skepticism

Glass Lewis Agrees:

What it appears the board was ultimately able to take away from this marginally  
mitigated  
defeat

--  
and  
how

it  
elected  
to  
address  
the  
decidedly  
foreseeable  
effort  
by  
Corvex  
and  
Related  
to  
further  
pursue  
comprehensive  
board-level  
change

--

reflects,  
in

our view, a disconcertingly intransigent reliance on half-truths, misdirection and flatly  
disingenuous analyses as a means to preserve the status quo.

Glass Lewis Report, March 19, 2014

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

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

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

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

The externally managed REIT structure creates conflicts of interest that are so severe, we don't believe we can quantify the share price discount an investor should require to buy any of these companies.

As  
a  
result,  
we  
have  
long  
deemed  
the  
Portnoy  
REITs  
to  
be  
uninvestable .

Green  
Street,  
March 1, 2013  
CWH  
has  
paid  
the  
Portnoys  
nearly  
\$800

million  
in  
cumulative  
fees  
since  
1997  
while  
shareholders  
have  
experienced  
a  
meager  
7%  
total  
return  
and  
-79%  
share  
price  
decline  
The  
twisted  
incentives  
of  
externalized  
management  
have  
motivated  
the  
Portnoys  
to  
engage  
in  
unconscionable  
governance  
malfeasance  
in  
order  
to  
protect  
their  
external  
fee  
stream

Wall Street analysts explicitly discount CWH for its external management structure:  
The REIT industry long ago recognized the need to leave behind the inherent flaws of the  
external management structure in order to create mutually beneficial and aligned relationships  
between shareholders and management

Out of approximately 108 equity REITs with greater than a \$1 billion market cap and greater than 1

year in the public markets, only seven are externally managed today, five of which are Portnoy REITs

41

The Portnoys' Latest Financial Distortions

G&A Expense

The Portnoys claim that CWH benefits from being externally managed by RMR based on incorrect & misleading G&A statistics

However,  
presenting

G&A  
statistics

in



a vacuum completely misses the mark, and is an obvious attempt to distract shareholders from the real issues RMR runs CWH in this manner because they are not in the real estate business, in our view, but the AUM (1) business in which they are compensated to grow the size of the Company rather than its profitability

When comparing NOI margin % as well as same store NOI performance over the last several years vs a true peer set, CWH has clearly underperformed as shown on pages 84-85

We believe this is explained by, among other things, the fact that G&A at CWH is composed primarily of fees to RMR and RMR in turn uses only a skeleton leasing and asset management staff in order to optimize profits for an external service provider: the Portnoys

Meanwhile, G&A at internally managed REITs is spent on value additive expenses: people, services, equipment, etc., in order to maximize profits for the company rather than for an outside party

RMR's skeleton leasing/asset management

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

42

The Portnoys' Latest Financial Distortions

G&A Expense (cont.)

For the record, we also believe that in their presentation of 3/5/14, the Portnoys understate pro forma G&A expense by 11% and also use a faulty peer set to create misleading financial analyses

The Company uses a faulty peer set:

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

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

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

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

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

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

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

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

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

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

The Portnoys never cease to demonstrate an aversion to accountability

As depicted on the following pages: since Q4 2002, CWH has reported 45 quarters of  
same  
property  
NOI  
statistics,

during  
which  
time  
there  
have  
been  
7  
flashes  
in  
the  
pan  
of  
positive  
growth,  
while  
the  
remaining  
38  
exhibited  
average  
negative  
growth  
of  
3.6%  
(2)

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

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

1)  
Represents  
the  
sum  
of  
1)  
Loss  
on



asset  
impairment  
from  
discontinued  
operations,  
2)  
Loss  
from  
discontinued  
operations;  
and  
3)  
Net  
gain  
on  
sale  
of  
properties  
from  
discontinued operations, for 2012 and 2013, per company filings.

2)  
Represents  
GAAP  
NOI  
vs  
Cash  
NOI.  
Unlike  
almost  
all  
other  
REITs,  
CWH  
did  
not  
begin  
disclosing  
same  
property  
NOI  
growth  
on  
a  
cash  
basis  
until  
mid-2013.

3)  
Peers include: PKY, HIW, CUZ and BDN.  
No one but the Portnoys are making the incredulous claim that CWH has outperformed:

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

44

The Portnoys' Latest Financial Distortions

Fourth Quarter 2013 Same Property NOI (cont.)

The Dangers of Extrapolation: In 2006, it appeared that CWH's plan to acquire to industrial properties was working

Year-over-year Same Property NOI Growth 2002-06, by quarter

(12.0%)

(10.0%)

(8.0%)

(6.0%)

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

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

like  
the  
Portnoys  
business  
plans  
have  
ever  
worked ?

Year-over-year Same Property NOI Growth since 2002, by quarter

46

The Portnoys' Latest Financial Distortions

Their Business Plan Is Working

The Portnoys tout their purported portfolio repositioning as their salvation for nearly three decades of underperformance

But CWH shareholders have seen this movie before, and know how it ends

Over its 28-year history, CWH has operated a wide variety of property types:

senior housing,

hospitality, industrial, office, land, vineyards, etc.

CWH has also operated in every region of the U.S. as well as internationally

In other words, CWH has always lacked a true strategy other than the indiscriminate accumulation of assets to generate fees for an external service provider. Over its history, the Company has transitioned to various property types not for strategic real estate reasons, in our view, but to optimize the marketing of equity offerings and maximize the size of the Company.

What shareholders are now witnessing in real time is yet another such meandering transition, disguised as a business plan. Regardless of property type, geography, purported business plan, or timeframe, the results at CWH have always been the same: dismal underperformance. But what has remained constant is the management team. Rather than reset the property



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

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

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

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

By selecting 2/28/2014 as an end date for their performance comparison above, the Portnoys attempt to take credit for almost

a  
full  
year  
of  
stock  
performance  
that  
occurred  
after  
Corvex and Related filed their initial 13-D  
(2)

Excludes over 2 years  
of recent history  
~1 year after  
Corvex/Related s  
initial 13-D filing  
Last trading day  
before  
Corvex/Related s  
initial 13-D filing  
Total Shareholder Return  
1/1/2000 to 2/28/2014)

172%  
147%  
CWH  
Office REIT Peers  
Average  
(  
101%  
97%  
CWH

Office REIT Peers

Average

Total Shareholder Return

(1/1/2000 to 1/1/2011)

52%

148%

CWH

Office REIT Peers

Average

Total Shareholder Return

(1/1/2000 to

2/25/2013)

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

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

CommonWealth REIT Presentation to Shareholders, p. 8, 3/5/14.

Source: Bloomberg, Factset

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

Even if February 22 were an appropriate end date, the Portnoys appear to miscalculate CWH's total return by an additional 154 percentage points, for a total misstatement of over 200 percentage points

Last trading day before

Corvex/Related's initial 13-D filing  
Total Shareholder Return  
(1/2/1990 to 2/22/2013)  
639%

589%

CWH  
S&P 500 Index  
414%

579%

CWH  
S&P 500 Index  
Total Shareholder Return  
(1/2/1990 to 2/25/2013)

The Portnoys selected as an end date the last trading day before

the announcement of their massively dilutive equity offering which **drove the** stock down 12%

While we question the analytical value of comparing an office REIT with the S&P 500 rather than its office peers over the extended period in question, we believe the deceptiveness of the Portnoys

analysis is particularly appalling

49

III. The Portnoys  
Reversible Governance  
Alterations In Context



50

The Portnoys

Reversible Governance Alterations In Context

The Portnoys' Governance Alterations Are Illusory

All of the Portnoys' alterations are ineffective, and most importantly nearly all are reversible through the extraordinary powers of the Portnoys and their hand-picked Trustees:

Require

two

RMR

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

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

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

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

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

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

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

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

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

of  
Board  
at  
the  
2014  
annual  
meeting

Requires a total of 4 annual meetings

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

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

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

Last year's quorum was only 67%

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

52

The Portnoys

Reversible Governance Alterations In Context

Why It's All Smoke and Mirrors

Reality

The Board that appointed the two new  
independent

Trustees is the same one that has  
unconditionally supported the Portnoys and re-

appointed Joe Morea after he was voted out of office at the 2013 annual meeting

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

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

Neither of the two new independent Trustees will be up for election at the 2014 annual meeting

they were conveniently added to the classes up for election in 2015 and 2016

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

shareholders cannot hold him accountable until 2016  
Portnoys  
Window Dressing  
Board Composition

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

Added Ronald J. Artinian and Ann  
Logan  
as  
independent  
Trustees

Lead Independent Trustee will be  
designated after appointment of  
another Trustee. Expected before  
2014 annual meeting

Added share ownership guidelines



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

Red  
Tape  
Bylaws  
can

be  
amended  
at  
any  
time  
by  
the

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

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

In fact, the Portnoys have proven that they will use the Red Tape bylaws

even  
the  
most  
innocuous  
ones

to  
silence shareholders

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

Nothing stops Board from re-inserting the 3%/3-year bylaw for Trustee nominations before the 2015 annual meeting

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

re-inserted  
an  
arbitration  
clause  
in

its  
bylaws  
within  
months  
after  
clearing  
SEC  
comments  
and  
going  
public  
(SEC  
had  
challenged  
the clause during SIR's IPO process)  
We had to prove to the Portnoys in arbitration that  
our record date request had been sent via  
registered mail return receipt requested (which it  
was, in addition to e-mail, hand delivery and  
FedEx), in order to be counted as a valid  
request

54

The Portnoys

Reversible Governance Alterations In Context

Why It's All Smoke and Mirrors

Reality

Company will continue to have a poison pill built into its charter and bylaws that prohibit stock acquisitions over 9.8 percent

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

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

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

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

Dead-hand  
provisions eliminated  
Poison Pill

55

The Portnoys

Reversible Governance Alterations In Context

Why It 's All Smoke and Mirrors

Reality

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

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

During 2003-13, CWH issued 88.5 million shares  
(1)  
or  
~\$2.5 billion  
of equity,  
averaging  
9.1 million shares/yr or 11.1 million/yr,  
excluding the financial crisis years of 2008-09

Incentive Fee benchmarks subject to change as the RMR contract is negotiated by the Board with assistance from RMR and without independent outside advisors

Stock component is not meaningful  
Portnoys  
Window Dressing

Beginning in 2014, base business management fee to be based on the lower of: (i) gross historical cost of real estate assets or (ii) CWH's total market capitalization

10% of base business management fees will be paid in stock

Annual incentive fees will be based upon total returns realized by shareholders (i.e., appreciation plus dividends) in excess of benchmark

RMR Management Agreement

(1)

Adjusted for reverse stock splits.



56

#### IV. Widespread Disapproval Of The Portnoys

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

57

Widespread Disapproval Of The Portnoys

The Arbitration Panel Has Spoken

The Panel struck down illegal bylaws passed by the current Board, expressly prohibited any action intended to impede or frustrate the new solicitation and ruled

that

Corvex/Related

had

satisfied

onerous

red

tape

bylaw

requirements

Most importantly, the Panel Declared it would remain available to resolve any issues or disputes in the new consent solicitation

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

Interim Arbitration Award, November 18, 2013

After nearly two weeks of live testimony and reviewing hundreds of exhibits, we believe

the

Panel

plainly

agreed

with

our

view

that

the

Portnoys

are

highly

incentivized and capable of continuing their campaign of shareholder

disenfranchisement

Given the significant risk that leaving any incumbents on the board would prevent shareholders from effecting the necessary change, however and particularly in light of the fact the board has demonstrated its willingness to reappoint even a trustee whom shareholders just voted out of office by a four-to-one margin shareholders should consent to removal of the entire board by voting FOR the proposal.

ISS report, February 28, 2014

58

Widespread Disapproval Of The Portnoys

ISS Disapproves of the Portnoys

Perhaps most importantly, however, the history of this company under the current

Board  
and  
external  
management  
team  
strongly  
suggests  
the  
risk  
of  
doing  
nothing  
is  
significantly greater than any risk from removing the entire Board at once.  
ISS  
report,  
June  
13,  
2013  
ISS recommended removal of the entire Board for the second time in nine months

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

Glass Lewis report, March 5, 2014

59

Widespread Disapproval Of The Portnoys

Glass Lewis Disapproves of the Portnoys

In

lieu

of

further  
subjugation  
of  
shareholder  
rights,

we  
believe  
the  
Dissident s  
consent

solicitation offers the much more attractive prospect of meaningful change for CWH  
and its owners.

Glass Lewis report, June 17, 2013

Glass Lewis recommended removal of the entire Board for the second time in  
nine months

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

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

not  
on



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

making  
the  
REIT  
bigger  
and  
increasing  
the  
advisory  
fee  
is a  
primary objective.

Green Street Advisors, March 1, 2013

60

Widespread Disapproval Of The Portnoys  
Green Street Advisors Disapproves of the Portnoys

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

The rating on Commonwealth also reflects our "weak" assessment of its management and governance. Through subsidiaries, RMR provides fee-based services to Commonwealth, including the direction of capital market activities, selection and acquisition of its investments, execution of property transactions, and management and leasing of its properties. Standard & Poor's believes that external management structures can potentially result in a weaker alignment of interests

between shareholders and management when compared with internally managed REITs. **Further, Commonwealth's staggered, small, and interrelated board** manifests a lack of independence from management and may provide insufficient oversight and scrutiny of key enterprise risks, in our view.

Commonwealth REIT Rating Is Lowered To 'BB+'; Outlook Stable; '2 Recovery

Rating Is Assigned To Senior Unsecured Debt,  
Standard and Poors, June 10, 2013

61

Widespread Disapproval Of The Portnoys

Standard and Poors Disapproves of the Portnoys

62

#### Widespread Disapproval Of The Portnoys

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

[The Portnoys] have directly participated in and received substantial monetary benefits from the wrongdoing alleged herein. Year-after-year, they reinstate the Portnoys and RMR as CWH's manager, pursuant to lucrative agreements, despite CWH's

failing  
performance  
Accordingly,

and  
for  
the  
additional  
reasons  
alleged

herein, CWH is operated and controlled by Defendants, including a majority of its Board of Trustees, whose interests materially conflict with the interests of CWH.

Complaint as filed from Delaware County Employees Retirement Fund,  
February 28, 2013

63

Widespread Disapproval Of The Portnoys

Six Pension Funds Disapprove of the Portnoys

Six

pension

funds

(CalPERS,

CalSTRS,

Public

Employees

## Retirement

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

### **HPT HAS A LONG HISTORY OF DISREGARDING SHAREOWNERS**

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

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

Pension Fund Letter to Shareholders, April 26, 2012

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

64

Widespread Disapproval Of The Portnoys

Perry Corp. Disapproves of the Portnoys

Perry Corp., a 5+ percent holder of the shares of CWH, publicly called for the Board

to

be

replaced

in

its



entirety  
in  
a  
letter  
dated  
April  
30,  
2013

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

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

is  
therefore  
critical  
to  
bridging

the  
gap  
between

market and intrinsic value. The CWH board has demonstrated that they will go to extraordinary lengths to preserve their unchecked control. Management is running a scorched earth campaign to disenfranchise shareholders to continue milking their cash cow. **The Board must be replaced in its entirety to protect shareholders.**

Perry Corp. 13D/A, April 30, 2013

65

Widespread Disapproval Of The Portnoys

Locksmith Capital Disapproves of the Portnoys

In 2008, Locksmith Capital Management sought to allow shareholders to elect two independent nominees to the Board of TravelCenters of America, a Portnoy-managed public company, and vote to declassify the Board

We continue to be amazed that Barry Portnoy, Arthur G. Koumartzelis, Thomas M. O'brien, Barbara D.

Gilmore,  
and  
Patrick  
F.  
Donelan  
have  
spent  
a  
significant  
amount  
of  
shareholder  
money  
in  
order  
to  
disenfranchise  
its  
shareholders,  
said  
Timothy  
Brog,

Managing Director of Locksmith Capital Management LLC. Instead of allowing  
shareholders an opportunity to vote for our nominees and shareholder proposals, they  
invoked meaningless technicalities in order to create a Soviet style election and  
entrench the current Board of Directors. **This Board has no shame.**  
Locksmith Capital Management, April 2008

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

The  
father  
and  
son  
duo  
who  
head

Commonwealth

Barry

and

Adam

Portnoy

and Commonwealth's counsel at Skadden Arps showed little regard for shareholder rights, doing everything in their power to prevent Corvex Management and the Related Companies from removing the Portnoys. The Portnoys banked on Commonwealth's unique

requirement

that

shareholders

arbitrate

all

disputes

with

the

company

to

stymie

the two hedge funds. It didn't work, and the arbitration panel ruled against

Commonwealth,

clearing

the

way

for

the

funds

to

begin

a

campaign

to

unseat

them.

The Portnoys receive an F.

Despite

Doldrums

in

Deal

Activity,

A

Few

Highlights

This

Year,

New

York

Times,

December 17, 2013

66

Widespread Disapproval Of The Portnoys

The

New

York

Times

Disapproves

of

the

Portnoys

The

Portnoys

Receive

an

F

New

York

Times

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



board

all  
while  
having  
little  
equity  
stake  
in the company.

If the conflicts at Commonwealth are so glaring, why don't shareholders agitate for change? **Some have tried, only to encounter an array of barriers that appear to**

be  
set  
up  
to  
keep  
the  
outside  
managers  
lucrative  
contract  
in  
place  
and  
the  
company under their control.

The  
list  
of  
entrenchment  
tactics  
is  
lengthy

As  
if  
these  
barriers  
were  
not  
enough,  
they have been strengthened in the last five years by no less than six changes to the company's bylaws favoring the Portnoys and their management company.

Management, to the Barricades!,  
New York Times, May 4, 2013

67  
Widespread Disapproval Of The Portnoys  
The New York Times Disapproves of the Portnoys

Management,  
to  
the

Barricades!

New  
York  
Times

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

of  
Institutional  
Investors, a  
Washington-based nonprofit that focuses on shareholder rights.  
Wall Street Journal, March 5, 2014

68  
Widespread Disapproval Of The Portnoys  
Council of Institutional Investors

The Council of Institutional Investors is a prominent nonprofit association of pension funds, endowments and foundations with assets that exceed \$3 trillion. The Council of Institutional Investors is one of the leading voices for effective corporate governance and strong shareholder rights.

We  
agree  
with  
the  
need  
for  
structural  
change  
at  
CommonWealth,

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

Citi Research, February 26, 2013

69

Widespread Disapproval Of The Portnoys  
Citigroup Disapproves of the Portnoys

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

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

**An**

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



of  
MOB/Life  
Science  
revenues.  
For  
the  
\$1.1bn  
acquisition  
of  
the  
Vertex  
buildings,  
we  
est.  
\$7.7m  
of  
additional  
fees  
for  
RMR  
(or  
\$0.04/sh).  
The  
fee  
streams  
to  
RMR  
will  
increase  
SNH's  
G&A  
by  
an  
estimated  
24%  
in  
2014.  
Stated  
another  
way,  
the  
fees  
to  
RMR  
on  
a  
per  
share  
basis  
roughly

equal  
the  
accretion  
of  
the  
deal  
to  
SNH  
shareholders

.  
RMR  
has  
locked  
in  
about  
\$115m  
of  
fees  
over  
the  
life  
of  
the  
15-year  
lease  
on  
the  
building  
for  
an  
asset  
that  
is  
96%  
occupied  
under  
a  
triple-net  
lease  
that  
we  
think  
requires  
virtually  
no  
incremental  
asset/property  
management  
oversight.

**Latest**

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

UBS, February 11, 2014

Okay, okay. And then, Adam [Portnoy], we're both fiduciaries to investors, so don't take this personally and take it constructively please. **But when I talk to investors** about CommonWealth, the investment strategy, the balance sheet, the operations, there's just zero investor confidence out there. The term that most people use is uninvestable.

Stifel Nicholas, August 8, 2012

71

Widespread Disapproval Of The Portnoys

Stifel Nicholas Disapproves of the Portnoys

**The**  
scale  
of  
the  
Portnoy  
real  
estate  
empire  
and  
its

conflicts  
of  
interest  
are  
even  
larger than that

**But**  
there  
is  
no  
getting  
around  
the  
damaging  
conflict  
of  
interest  
at  
the  
heart  
of  
Commonwealth's business.

The Portnoys are not employed executives at the trust in  
any conventional sense and do not own much of its stock. Their firms runs the  
business  
under  
a  
management  
contract.

In  
general,  
the  
fees  
go  
up  
as  
the  
trust  
gets  
bigger, and not necessarily when it performs better for shareholders.

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

way  
out  
for  
years.

Nearly everyone

acknowledges its built-in conflicts are toxic.

Finally, Tougher Foes May Humble Real Estate Empire,  
The Boston Globe, February 4, 2014

72

Widespread Disapproval Of The Portnoys

The Boston Globe Disapproves of the Portnoys

The Portnoys are even criticized in their own hometown!

73

Widespread Disapproval Of The Portnoys

Shareholders Vote Against The Portnoys And Their Beholden Trustees

In recent elections, shareholders have expressed displeasure with the Portnoys and their Trustees at various RMR-managed entities

In 2013 only 14% of CommonWealth's outstanding shares and 21% of the shares voting in the election voted FOR the election of Joe Morea

In 2013 only 20% of Senior Housing Properties Trust's outstanding shares and 27% of the shares voting in the election voted FOR the re-election of Adam Portnoy

In 2013 only 23.5% of Senior Housing Properties Trust's outstanding shares and 32% of the



Edgar Filing: Commonwealth REIT - Form DFAN14A

shares voting in the election voted FOR the re-election of John Harrington

In 2012 only 32% of Senior Housing Properties Trust's outstanding shares and 43% of the shares voting in the election voted FOR the re-election of Barry Portnoy

In 2013 only 31% of Hospitality Properties Trust's outstanding shares and 43% of the shares voting in the election voted FOR the re-election of William Lamkin

In 2012 only 32% of Hospitality Properties Trust's outstanding shares and 42% of the shares voting in the election voted FOR the re-election of Dr. Bruce Gans

In 2013 only 33% of Five Star Quality Care's outstanding shares and 45% of the shares voting in the election voted FOR the re-election of Dr. Bruce Gans

If Barry Portnoy receives a similar disapproval at the 2014 Commonwealth meeting what will he do?

Despite these unfavorable results, each of these individuals still serves on the Board of the respective entity

74

V. History of Underperformance

75

History of Underperformance

The Fundamental Cause of Underperformance

We continue to believe that the fundamental cause of underperformance at CWH is the absence of accountability, and more specifically the inability of shareholders to choose their own manager

Ironically,

the

severe

conflicts

in  
the  
external  
management  
structure  
demand  
rigorous  
accountability  
and  
superior  
governance,  
but

in  
our  
view  
none  
exists

In a structure where the manager is incentivized to act without regard to shareholder interests and still avoid being terminated, severe underperformance is inevitable, as evidenced by the years of data establishing CWH underperformance

The severe conflict of interest at CWH has been well-documented: the Portnoys effectively control CWH despite owning virtually no stock

How  
can  
there  
be  
accountability  
when  
an  
employee  
controls  
its  
own  
employer ?

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

All  
executive officers of CWH are also officers of RMR

Given  
these  
inherent  
and  
widely  
recognized  
problems,  
CWH  
and  
the  
other  
Portnoy

REITs

are

among the last remaining publicly-traded externally-managed equity REITs today

As

a

result,

RMR

is

held

accountable

by

no

one

and,

in

our

view,

enjoys

complete

immunity from shareholders

76

History of Underperformance

By Any Metric Over Any Relevant Time Period

(1)

Data calculated through February 25, 2013, the day prior to Related and Corvex's first public filing.

(2)

Select peers include Piedmont Office Realty (PDM), Highwoods Properties (HIW), Cousins Properties (CUZ), Brandywine REIT (BWS),

Excludes

Mack-Cali

(CLI),

approximately  
80%  
of  
whose  
office  
markets  
are  
either  
in  
secular  
decline  
or  
experiencing  
significant  
distress.

CLI  
is  
also  
in  
the  
process  
of  
transitioning  
into  
the  
multi-family  
sector,  
creating  
uncertainty  
with  
respect  
to  
its  
public  
market  
valuation.

Peers  
for  
NOI  
margin  
analysis  
exclude  
PDM  
due  
to  
lack  
of  
sufficient  
disclosure.  
(3)

Based  
on  
a  
closing  
price  
of  
\$15.85  
on  
February  
25,  
2013,  
the  
day  
prior  
to  
Corvex  
and  
Related s  
first  
public  
filing.

Source: Company filings and FactSet

In our view, there is absolutely no way to slice and dice the data in favor of the  
Portnoys  
their performance has been horrible

The  
Portnoys  
performance  
record  
at  
CWH  
is  
abysmal  
by  
almost  
any  
metric

over any relevant time period, in our view:

Stock price  
performance

-17%, -45%, -43%, -45%, and -53% CWH stock price decline over the 1 year, 2 years, 3 years, 5

years,

and

10

years

ended

2/25/13,

respectively

(1)  
Valuation



Unaffected  
valuation  
approximately

35%  
below

peers  
(2)

on  
an  
unlevered

cap  
rate  
basis

(3)  
54%, 47%, and 46% discount to peers on a price / forward FFO multiple basis for 1 year, 3 years,  
and 5 years, respectively

(1)  
Cost structure

6%,  
10%,  
8%,  
and  
9%

below  
its  
peers

(2)  
on  
an  
NOI  
margin  
basis

for  
2013,  
YTD  
9/30/2012,  
2011,  
and  
2010,  
respectively

(1)  
Acquisitions and  
return on investment

\$2.7  
billion  
of  
net

acquisitions  
and  
CapEx

since  
2007  
(over  
2x  
CWH's  
market  
cap  
(3)  
)  
,  
while  
CWH  
book  
value  
per  
share  
is  
essentially  
flat  
CAD / share growth  
-23%  
cash  
available  
for  
distribution  
per  
share  
(CAD  
/  
share)  
growth  
from  
2010  
to  
2012,  
the  
worst  
performance  
of  
its  
peers

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

Enterprise

Implied

G&A /

2/25/2013

Equity

value

nominal

TEV /

equity

Net debt /  
P / FFO  
TEV / EBITDA  
Div  
Ticker  
Company  
price  
mkt cap  
(TEV)  
cap rate  
Sq. Ft.  
mkt cap  
TEV  
2013E  
2014E  
2013E  
2014E  
yield  
CWH  
CommonWealth REIT  
\$15.85  
\$1,338  
\$4,914  
10.7%  
\$105  
3.9%  
76%  
5.4x  
5.5x  
12.0x  
12.3x  
6.3%  
HIW  
Highwoods Properties, Inc.  
\$35.35  
\$2,983  
\$4,999  
6.6%  
\$144  
1.3%  
40%  
13.1x  
12.7x  
15.6x  
14.8x  
4.8%  
BDN  
Brandywine Realty Trust  
\$12.96  
\$1,885

\$4,689

7.1%

\$176

1.3%

58%

9.0x

8.6x

14.1x

13.8x

4.6%

PDM

Piedmont Office Realty Trust, Inc

\$19.66

\$3,294

\$4,699

8.7%

\$229

1.5%

30%

14.0x

13.5x

15.8x

15.1x

4.1%

PKY

Parkway Properties, Inc.

\$16.39

\$920

\$2,096

6.0%

\$177

2.3%

37%

13.3x

12.4x

14.2x

13.7x

2.7%

CUZ

Cousins Properties Incorporated

\$9.38

\$977

\$1,586

7.0%

\$134

2.4%

26%

18.2x

16.6x

18.9x

17.3x  
1.9%  
High  
\$3,294  
\$4,999  
8.7%  
\$229  
2.4%  
58%  
18.2x  
16.6x  
18.9x  
17.3x  
4.8%  
Mean  
2,012  
3,613  
7.1%  
172  
1.8%  
38%  
13.5x  
12.8x  
15.7x  
14.9x  
3.6%  
Median  
1,885  
4,689  
7.0%  
176  
1.5%  
37%  
13.3x  
12.7x  
15.6x  
14.8x  
4.1%  
Low  
920  
1,586  
6.0%  
134  
1.3%  
26%  
9.0x  
8.6x  
14.1x  
13.7x  
1.9%

77

History of Underperformance

Valuation Discount

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

(1)

Note:

Share

price

and

estimates

updated

as

of

2/25/2013,

the

day

before

Related

and

Corvex's

13-D

filing.

Financial

information

as

of

Q4

2012.

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

Peer set excludes Mack-Cali (CLI), 80% of whose office markets are either in secular decline or experiencing significant 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

78

History of Underperformance

RMR Fees vs. CWH Shareholder Returns

(1)

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

(2)

RMR fees paid per CWH public filings include SIR. 2013 includes fees paid to SIR after deconsolidation on July 1, 2013.

RMR

extracted

approximately



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

4.5%

4.7%

4.7%

4.6%

5.2%

5.8%

6.3%

35.7%

CWH Market Cap, Cumulative

4.5%

9.2%

13.9%

18.5%

23.7%

29.5%

35.7%

35.7%

CWH Cumulative Stock Price Return

(37.4%)

(74.7%)

(46.0%)

(48.4%)

(66.3%)

(67.9%)

(67.9%)

(67.9%)

79

History of Underperformance

RMR Fees vs. CWH Shareholder Returns (cont'd)

(1)

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

(2)

Includes 2013 RMR fees paid by SIR in order to make the figure comparable to previously reported figures.

Sources: Company filings, SNL

(1)

(2)

Fees paid to RMR climbed 40% from 2007 to 2013, while the share price declined 68%

(1)

\$50

\$100

\$150

\$200

\$250

\$300

\$350

\$400

\$450

\$500

\$10.00

\$15.00

\$20.00

\$25.00

\$30.00

\$35.00

\$40.00

\$45.00

\$50.00

\$55.00

1/31/2007

1/31/2008

1/31/2009

1/31/2010

1/31/2011

1/31/2012

1/31/2013

CWH stock price

Cumulative fees paid out to RMR

80  
History of Underperformance  
Total  
Returns

1  
year  
CWH  
has

underperformed

its

peers

over

the

1

year

ending

2/25/2013

(1)

HIW: 15.5%

PDM: 15.3%

CWH: (9.4%)

PKY: 65.5%

CUZ: 28.2%

BDN: 25.2%

RMZ: 10.6%

Note: Total returns include dividends

(1)

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

Source: SNL

1 year

3 year

PKY

65.5%

6.9%

BDN

25.2%

35.8%

HIW

15.5%

42.1%

PDM

15.3%

39.1%

CUZ

28.2%

42.5%

Average

30.0%

33.3%

RMZ

10.6%

52.5%

CWH

(9.4%)

(26.6%)

39.3%

59.9%

CWH-Avg.

81  
History of Underperformance  
Total Returns  
3 years  
CWH  
has  
underperformed  
its  
peers

over  
the  
last  
3  
years  
ending  
2/25/2013

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

Note: Total returns include dividends

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

Source: SNL

1 year

3 year

PKY

65.5%

6.9%

BDN

25.2%

35.8%

HIW

15.5%

42.1%

PDM

15.3%

39.1%

CUZ

28.2%

42.5%

Average

30.0%

33.3%

RMZ

10.6%

52.5%

CWH

(9.4%)

(26.6%)

39.3%

59.9%

CWH-Avg.



82

History of Underperformance

FFO Multiples

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

PDM: 14.0x

CWH: 5.4x

HIW: 13.1x

CUZ: 18.2x

BDN: 9.0x

Source: Factset

PKY: 13.3x

1 year

3 year

5 year

PKY

5.8x

5.2x

5.5x

BDN

8.6x

7.5x

6.3x

HIW

12.9x

12.7x

12.1x

PDM

11.2x

11.3x

N/A

CUZ

15.5x

16.2x

16.2x

Average

10.8x

10.6x

10.0x

CWH

5.0x

5.6x

5.4x

CWH-Avg.

(54.2%)

(46.6%)

(45.8%)

83

History of Underperformance

Operating

Performance

Value

accruing to

RMR, not

shareholders

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

(1)

Edgar Filing: Commonwealth REIT - Form DFAN14A

2013 figures include SIR. Excludes 2013 share price performance due to the share price impact of the 13-D filing.

(2)

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

(3)

SIR does not disclose CAD, therefore the figures will not be comparable post deconsolidation of SIR.

Source: Company filings and SNL

(\$ in millions)

For the Fiscal Year Ending December 31,

2010

2011

2012

2013

(1)

Share Price Performance (if held since)

(2)

(38.2%)

(39.0%)

(6.9%)

N/A

SF Owned per Share (% growth)

(15.9%)

(5.2%)

(0.6%)

(17.8%)

NOI per Share (% growth)

(19.1%)

(4.2%)

16.1%

(20.0%)

EBITDA per Share (% growth)

(22.1%)

(4.7%)

(27.2%)

(21.9%)

FFO per Share (% growth)

(13.8%)

(9.9%)

0.0%

(13.2%)

CAD per Share (% growth)

(23.7%)

(27.7%)

(17.3%)

N/A

(3)

Fees Paid to RMR

\$62.2

\$69.5

\$77.3

\$83.7

% growth

(0.6%)

11.7%

11.2%

8.2%

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

We believe 2013 results below overstate CWH's performance, as the Company has placed 115 buildings (47 properties) into discontinuing operations beginning in Q4 2012. Despite its greater scale, CWH's cost structure results in the lowest same store NOI margins of its peers.

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

84

History of Underperformance

Same

Store

Underperformance

CWH underperforms its peers on a same store basis

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

1)

CUZ figures represent consolidated portfolio.

Source: Company filings

2013 rent growth

(1)

2013 NOI growth

(1)

2013 NOI margin

(1)

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

85

History of Underperformance

Same Store Underperformance (cont d)

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

2011 rent growth

(2)

2011 NOI growth

(2)

2011 NOI margin

(2)



9 months ended 9/30/2012 rent growth

(1)

9 months ended 9/30/2012 NOI growth

(1)

9 months ended 9/30/2012 NOI margin

(1)

2010 rent growth

(2)

2010 NOI growth

(2)

2010 NOI margin

(2)

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

(1)

CommonWealth excluded 97 underperforming buildings as discontinued properties in its same store financials ending 12/31/2012 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

86

History of Underperformance

Acquisition Activity

(1)

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

(2)

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

(3)

Includes net sale proceeds from consolidated joint venture.

(4)

Weighted by market cap.

(5)

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

Source: Company filings and Factset

(5)

Net acquisitions / CapEx as % of Market Cap

(1)

2007

2008

2009

2010

2011

2012

2013

Cumulative

Parkway Properties Inc. (PKY)

5.4%

22.4%

1.9%

7.4%

36.2%

64.2%

3.4%

140.9%

Highwoods Properties Inc. (HIW)

4.8%

4.7%

2.1%

3.0%

5.5%

8.1%

11.9%

40.1%

Cousins Properties Inc. (CUZ)

(2)

25.2%

11.7%

4.3%

(7.0%)

3.9%

(17.2%)

137.9%

158.8%

Piedmont Office Realty Trust Inc. (PDM)

(3)

1.4%

3.7%

1.1%

1.9%

(2.3%)

0.4%

13.6%

19.9%

Brandywine Realty Trust (BDN)

(6.2%)

(11.9%)

5.6%

9.6%

0.8%

0.3%

(7.5%)

(9.1%)

Average

(4)

3.7%

3.6%

2.6%

3.3%

4.7%

6.8%

20.3%

45.0%

CWH

31.0%

6.1%

33.5%

27.6%

45.2%

56.3%

3.3%

202.9%

Net Acquisitions and CapEx

\$419

\$83

\$453

\$369

\$604

\$753

\$44

\$2,725

CWH share price

\$30.92

\$13.48

\$25.88

\$25.76

\$16.64

\$15.84

\$15.85

Book value per share

36.11

34.68

35.66

37.53

33.24

36.82

N/A

CWH price / FFO multiple

6.8x

3.1x

6.0x

6.9x

4.9x

4.7x

5.4x

CWH

spent

\$2.7

billion

on

acquisitions

during

2007

2013,

even

as

the

stock

has

underperformed,

but

book

value per share remains flat, suggesting minimal return on investment

RMR s

fee

income

has

grown

due

to

being

linked

primarily

to

the

size

of

the

company

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

PKY

has

also

been

acquisitive,

but

is

internally

managed

and

has

made

accretive

capital

allocation

decisions,

leading to 42% stock price appreciation from 2011 to 2012

CWH has grown primarily through asset acquisitions, which we believe benefits RMR and

therefore the Portnoys personally but not shareholders

87

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

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

CWH Insider Holdings

Position

% of S/O

Trustees and Executive Officers:

Barry M. Portnoy

252,903

0.21%

Adam D. Portnoy

48,099

0.04%

John C. Popeo

41,000

0.03%

David M. Lepore

33,750

0.03%

Frederick N. Zeytoonjian

12,967

0.01%

William A. Lamkin

10,812

0.01%

Joseph L. Morea

4,000

0.00%

Ronald J. Artinian

3,000

0.00%

Ann Logan

2,000

0.00%

Total CWH Trustee and Executive Officer

Ownership

408,531

0.35%



Footnotes

88

Footnotes to page 47

1)

Charts re-created from Commonwealth REIT Presentation to Shareholders, p. 6, 3/5/14.

2)

2/25/13 is the last trading day before Corvex and Related filed their initial 13-D.

Source: Factset

Note: For comparability purposes we use the same peer set described in CWH's Presentation to Shareholders of 3/5/14: BDN, DRE, HIW, LRY, and PKY, but we exclude

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

89

Disclaimer

Additional Information Regarding the Solicitation

SEC's

website

at

[www.sec.gov](http://www.sec.gov).

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

The information in this presentation is based on publicly available information about Commonwealth REIT (the Company) includes certain forward-looking statements, estimates and projections prepared with respect to, among other things, general economic conditions, changes in management, changes in the composition of the Company's Board of Trustees, actions of the Company or competitors, and the ability to implement business strategies and plans and pursue business opportunities. Such forward-looking estimates, and projections reflect various assumptions concerning anticipated results that are inherently subject to significant uncertainties and have been included solely for illustrative purposes, including those risks and uncertainties detailed in the cover page and other filings of the Company, copies of which are available on the U.S. Securities and Exchange Commission website at www.sec.gov. No representations, express or implied, are made as to the accuracy or completeness of such forward-looking statements, estimates or with respect to any other materials herein. Corvex and Related may buy, sell, cover or otherwise change the form of their investment in the Company for any reason at any time, without notice, and there can be no assurances that they will take any of the actions described in this document. Corvex and Related disclaim any duty to provide any updates or changes to the analyses contained in this document that may be required by law. Shareholders and others should conduct their own independent investigation and analysis of the Company and its operations. Otherwise indicated, the information in this document speaks only as of the date set forth on the cover page. Permission to quote or reproduce reports in this presentation has been neither sought nor obtained.

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

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

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

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