

CommonWealth REIT
Form DFAN14A
May 07, 2013

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

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

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to §240.14a-12

COMMONWEALTH REIT

(Name of the Registrant as Specified In Its Charter)

CORVEX MANAGEMENT LP

KEITH MEISTER

RELATED FUND MANAGEMENT, LLC

RELATED REAL ESTATE RECOVERY FUND GP-A, LLC

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RELATED REAL ESTATE RECOVERY FUND GP, L.P.

RELATED REAL ESTATE RECOVERY FUND, L.P.

RRERF ACQUISITION, LLC

JEFF T. BLAU

RICHARD O TOOLE

DAVID R. JOHNSON

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

Payment of Filing Fee (Check the appropriate box):

- x No fee required.
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 - (3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

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 - (1) Amount Previously Paid:

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

(3) Filing Party:

(4) Date Filed:

The Case for Change Now at CWH
Presentation to ISS
May 7, 2013

2

Disclaimer

Additional Information Regarding the Consent Solicitation

In connection with their solicitation of written consents, Corvex and Related have filed a definitive written consent solicitation

Securities

and

Exchange

Commission

(the

SEC)

to
solicit
written
consents
from
shareholders
of
the
Company.

Investors
and
security
holders
are
urged to read the definitive written consent solicitation statement and other relevant documents when they become available, but such documents may not contain important information regarding the consent solicitation.

The
definitive
written
consent
solicitation
statement
and
all
other
relevant

documents are available, free of charge, on the SEC's website at www.sec.gov.

The following persons are participants in connection with the written consent solicitation of the Company's shareholders: Corvex LP, Related Fund Management, LLC, Related Real Estate Recovery Fund GP-A, LLC, Related Real Estate Recovery Fund LP, RRERF Acquisition, LLC, Jeff T. Blau, Richard O. Toole and David R. Johnson. Information regarding the consent solicitation and a description of their direct and indirect interests, by security holdings or otherwise, to the extent applicable, is contained in the definitive written consent solicitation statement filed with the SEC on April 10, 2013 and Supplement No. 1 thereto filed on April 11, 2013. This presentation does not constitute either an offer to sell or a solicitation of an offer to buy any interest in any fund associated with the Company, including Corvex LP (Corvex) or Related Fund Management, LLC (Related). Any such offer would only be made at the time a qualified offering memorandum and related subscription documentation is available.

The information in this presentation is based on publicly available information about Commonwealth REIT (the Company) and may include 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 and its subsidiaries and the ability to implement business strategies and plans and pursue business opportunities. Such forward-looking statements and projections reflect various assumptions concerning anticipated results that are inherently subject to significant uncertainties and risks, which have been included solely for illustrative purposes, including those risks and uncertainties detailed in the continuous disclosure and prospectus of the Company, copies of which are available on the U.S. Securities and Exchange Commission website (EDGAR) at www.sec.gov. No representations, express or implied, are made as to the accuracy or completeness of such forward-looking statements, estimates and projections with respect to any other materials herein. Corvex and Related may buy, sell, cover or otherwise change the form of their investments.

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3

Introduction

Immediate Change is Needed

CWH's corporate governance practices are worst-in-class,
in our view

In

fact,

in

response

to
our
efforts
at
reform,
CWH
is
conducting
an
accelerating
scorched
earth
campaign,
building
on
a
longstanding
tradition
of
disregarding
shareholder
rights
CWH's corporate governance practices have yielded:

A Deeply Conflicted Management Structure;

Severe Financial and Operating Underperformance; and, most alarmingly,

We
are
pleased
to
present
to
ISS
our
case
for
change
at
Commonwealth
REIT
(1)
(1)
A
more
detailed
presentation,
The
Case

for
Change
Now
at
CWH,
was
filed
with
the
SEC
on
April
18,
2013.
CWH
stock
will
always
trade
at
a
substantial
discount
under
the
current
regime,
in
our
view
Trapped
inside
the
current
structure
and
under
the
supervision
of
the
current
trustees,
we
firmly
believe
the
capital
markets
will

never
credit
shareholders
for
the
true
fair
value
of
their
real
estate
assets,
whether
they
be
CBD ,
suburban
or
otherwise
Disenfranchised
Shareholders

On behalf of shareholders, Corvex and Related are soliciting consents to remove all members of the board of trustees of Commonwealth REIT (CWH or the Company) in a desperately needed referendum on CWH s corporate governance and performance

4

Introduction

Immediate Change is Needed

We propose to effect Change

through Accountability:

Corvex/Related

propose

a

clear

plan

and
will
work
collaboratively
with
other
shareholders
to
restore
CWH
to
health
after
removal
of
the
current
board
We
have
already
identified
a
potential
interim
CEO
and
premier
property
management
company
to
oversee
the
transition,
and
have
also
engaged
Deutsche
Bank
to
provide
financial
advisory
services
including
with
respect
to

any
potential
financing
needs
We
believe
in
a
significantly
higher
NAV
per
share
after
removal
of
current
trustees,
but
this
will
never
be
achieved
without
eliminating
the
valuation
discount
currently
ascribed to the disenfranchising
corporate governance practices
in
place
today
Action
by
written
consent;
a
2/3
vote
will
remove
the
entire
board
of
trustees
and

hold
them
accountable
Path
for Shareholders:
Value
for Shareholders:
Plan
for Shareholders:

5

Poor Corporate Governance

CWH's Corporate Governance Policies Destined to Fail Shareholders

CWH's corporate governance framework is worst-in-class,

in our view:

Managing

Trustees/President

of

CWH

own

<1%
of
CWH
stock,
but
own
100%

of
RMR

All executive officers of CWH are also officers of RMR

CWH's so-called independent
trustees are severely conflicted, in our view

Super-charged
classified board: bylaws purport to require the board include two managing
trustees, such that it would take three years to replace a simple majority
Poison pill with slow hand provision
If less than the entire board is removed, vacancies will be filled by the remaining trustees

How
could
the
underpinnings
of
CWH's
governance
framework
yield
anything
but
a
fundamental
misalignment
in
incentives
and
severe
underperformance?

I'm
on
both
boards
and
I
can
say
there's
no
conflict
of
interest.
(1)

-

Adam Portnoy,
President/Managing Trustee, CWH; and
President/CEO/Part-Owner, REIT Management & Research (RMR),
External Adviser to CWH

(1)

Whose
CommonWealth

Is

It

Anyway?

Barron s,

April

20,

2013

6

Poor Corporate Governance

Conflicted Board of Trustees

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

trustees

In our view, the Portnoys and CWH's independent

trustees are conflicted by any common

sense definition

2

of
3
independent
trustees
serve
on
other
Portnoy
boards
3
independent
trustee
retired
from
RBC
capital
markets
division
in
2012,
a
division
which
regularly receives lucrative business from CWH (including the recent dilutive equity offering
for which RBC received over \$2 million in fees) and RMR's other entities
rd
Same Job, Different Company?
Travel Centers
Five Star
RMR Real Estate
Name
Title
CWH
HPT
SNH
GOV
SIR
of America
Senior Living
Income Fund
Senior
Management:
Adam D. Portnoy
President & Managing Trustee
Vern D. Larkin
Director of Internal Audit
Jennifer B. Clark
Secretary
Board
of

Directors:

Adam D. Portnoy
President & Managing Trustee

Barry D. Portnoy
Managing Trustee

William A. Lamkin
Partner at Ackrell Capital

Frederick N. Zeytoonjian
Founder & CEO of Turf Products

Joseph Morea
Retired RBC Banker

7
Poor Corporate Governance
Fundamental Misalignment of Incentives
\$2.7
billion
of
net
acquisitions
and
capex

since
2007
(over
2x
CWH's
recent
market
cap
(1)
),

while CWH book value per share essentially flat

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

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

Over \$2 billion of related party transactions in the last 5 years, to seed new platforms for RMR

(1)
Market
cap
of
\$1.3
billion
based
on
a
closing
price
of
\$15.85
on
February
25,
2013,
the
day
prior
to
Related
and
Corvex's
first
public
filing.

RMR receives fees based on gross historical cost basis, gross collected rents and construction costs, incentivizing growth through acquisitions regardless of returns to CWH shareholders

'07-'12
2007
2008
2009
2010

2011
 2012
 Total
 Fees Paid Out to RMR
 \$59.7
 \$63.2
 \$62.6
 \$62.2
 \$69.5
 \$77.3
 \$394.6
 RMR Fees % Growth
 --
 5.9%
 (1.0%)
 (0.5%)
 11.7%
 11.2%
 29.5%
 RMR Fees as % of:
 CWH Market Cap
 4.5%
 4.8%
 4.7%
 4.7%
 5.2%
 5.8%
 29.7%
 CWH Market Cap, Cumulative
 4.5%
 9.3%
 14.0%
 18.6%
 23.9%
 29.7%
 29.7%
 CWH Cumulative Stock Price Return
 (37.4%)
 (74.7%)
 (46.0%)
 (48.4%)
 (66.3%)
 (67.9%)
 (67.9%)

8
Poor Corporate Governance
Actions Speak Louder Than Words
A massively dilutive equity offering executed at 48% below book value to repay debt trading
above par
A failed attempt to secretly change Maryland law to make it impossible to remove trustees
without cause
A March
1
bylaw

amendment
that
attempts
to
eliminate
shareholders
right
to
action
by
written
consent to remove trustees

A contemplated sale of CWH's 56% controlling interest in SIR at a potential discount rather than at a control premium, which would also have the effect of preserving RMR's fee stream from SIR

An April 12 bylaw amendment that conflicts with 14 years of CWH's own public disclosure

If
there
had
previously
been
any
doubt
as
to
where
the
trustees
alleigances
lie,
these
actions
have
made
clear
it
is
with
the
Portnoys
and
not
shareholders

Value destructive actions and attempts by the trustees to disenfranchise CWH shareholders, all undertaken after Corvex/Related attempts at reform, are appalling:

9

Poor Corporate Governance

Dilutive Equity Offering

On March 5, 2013, CWH sold 34.5 million shares at \$19.00 despite protests from some of its

largest shareholders, a bona fide offer at substantial premium, and in our view no need to issue equity

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

CWH's use of proceeds for the equity offering was to repay debt trading at prices ranging

from 102% to 111% of par

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

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

We believe the recently completed equity offering serves as a clear example of poor management, fundamentally misaligned incentives, and terrible capital allocation

10

Poor Corporate Governance

March 1 Bylaw Amendment

On March 1, 2013, CWH announced its bylaws had been amended to clarify that a shareholder

seeking

to

take

action

to

remove
one
or
more
Trustees
must
comply
with
the
3%
/ 3 year requirement

Far from a clarification,
this is an attempt to effectively eliminate a shareholder right
(action by written consent to remove trustees) granted in CWH's Declaration of Trust
since 1986

But the Declaration of Trust supersedes the bylaws and can only be changed through a
shareholder vote

In our view, the trustees are clearly terrified of facing their own shareholders
We are litigating this matter in Maryland Court

We
and
our
legal
team
believe
the
board's
attempted
clarification
is
inconsistent
with
CWH's
own
Declaration
of
Trust
and
thus
null
and
void
as
a
matter
of

law
Related
and
Corvex
believe
CWH s
March
1 bylaw
amendment
is
invalid
and
a
desperate attempt to disenfranchise shareholders
st

11

Poor Corporate Governance

Failed Maryland House Bill Amendment

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

was

ministerial,

when

in

fact

it
had
not
even
been
discussed
by
key
Maryland
bar
committee

(1)
Proposed amendment would have opened the door to make it impossible to remove trustees without cause in many Maryland companies, even if shareholders had the explicit right to do so in a company's charter

CWH
again
couched
the
proposed
amendment
as
a

clarification,
which
we
believe
to
be
absurd

Existing Maryland law expressly contemplates the supposedly unclear situation the Portnoys allege, and clearly provides for the removal of a staggered board without cause when provided

for
in
a
company's
charter

as
is
unequivocally
done
in
CWH's
Declaration
of
Trust

The amendment quickly died once legislators became aware of CWH's manipulative behavior and

the
clear
fact
that
the
amendment
was
substantive
and
not
at
all
a
clarification
Current
trustees
would
rather
manipulate
the
Maryland
legislative
process
and
change
the
law
than
face
their
own
shareholders
One
of
the
Portnoys
latest
legal
maneuvers
was
a
secret
attempt
(likely
using
CWH
money)
to
insert
an

11
th
hour
amendment
into
a
Maryland
House
Bill
(1)
The
proposed
amendment
was
not
even
discussed
by
the
Corporation
Law
Committee
of
the
Business
Law
Section
of
the
Maryland
State
Bar
Association,
a
group
which
typically
reviews
and
comments,
often
for
weeks
or
months
at
a
time,
on
all

changes
to
Maryland
corporate
and
REIT
law
before
changes
are
heard
by
the
General Assembly.

12
Poor Corporate Governance
April 12 Bylaw Amendment
On
April
12,
2013,
CWH
purported
to

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

We
and
our
lawyers
firmly
believe
that
they
are
wrong
In fact, CWH recently sought to amend Section 3-803 to clarify
that a company opting-in to
Section 3-803 could eliminate shareholders right to remove trustees without cause. The
Maryland legislature did not approve the proposed amendment. Various senators noted
during hearing that CWH's proposed amendment represented a substantive change in the
law, not a clarification
CWH's erroneous interpretation of Section 3-803 conflicts with 14 years of public filings by
CWH,
which
not
once
mention

the
potential
effects
of
opting
into
Section
3-803,
notwithstanding extensive disclosure of Maryland law applicable to shareholder rights, and
CWH's continuous reminder to shareholders that trustees can be removed without cause by
a two-thirds vote
CWH's latest bylaw amendment conflicts with 14 years of their own public
disclosure

13

History of Underperformance

Summary

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

(1)

on almost any metric over any relevant time period

Stock price performance: -17%, -45%, -43%, -45%, and -53% return over the last 1 year, 2 years,

3

years,
5
years,
and
10
years,
respectively

(2)

Valuation:

Recent valuation nearly 40% below peers on an unlevered cap
rate basis

(3)

and
53%
and
41%
discount
on
a
price
/
forward
FFO
multiple
basis
for
the
last
year and 3 years, respectively

As
detailed
on
pp.
24-26
in
our
presentation,

A
Case
for
Change
Now
at
CWH,
April
18,
2013, CWH also underperforms on:

Cost structure

Acquisitions and return on investment

FFO / share growth

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

their
performance
has
been
horrible
(1)
Select
peers
include
the
following
suburban
office
REITs:
Piedmont
Office
Realty
(PDM),
Highwoods
Properties
(HIW),
Mack-Cali
Realty
(CLI),
Brandywine
Realty
(BDN), and Parkway Properties (PKY).

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

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

14

History of Underperformance

Total Returns

3 years

CWH has underperformed its peers over the last 3 years

Like

CWH,

selected

peers

are
also
suburban
office
REITs

CWH has even underperformed CLI, ~80% of whose office markets
are either struggling or in
secular decline

HIW: 42.1%
PDM: 39.1%
CWH: (26.6%)
PKY: 6.9%
CLI: (2.7%)
BDN: 35.8%
RMZ: 52.5%

Note: Total returns include dividends
Source: SNL

1 year
3 year

PKY
65.5%

6.9%
BDN

25.2%
35.8%

HIW
15.5%

42.1%
PDM

15.3%
39.1%

CLI
1.5%

(2.7%)
Average

24.6%
24.2%

RMZ
10.6%

52.5%
CWH

(9.4%)
(26.6%)

: CWH
Avg.

34.0%
50.8%

(60.0%)
(40.0%)

(20.0%)
0.0%
20.0%
40.0%
60.0%
80.0%
2/25/2010
7/12/2010
11/26/2010
4/12/2011
8/27/2011
1/11/2012
5/27/2012
10/11/2012
2/25/2013
PKY
BDN
HIW
PDM
CLI
CWH
RMZ

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

Enterprise

Implied

G&A /

Current

Equity

value

nominal

TEV /

equity

Net debt /
P / FFO
TEV / EBITDA
Div
Ticker
Company
price
mkt cap
(TEV)
cap rate
Sq. Ft.
mkt cap
TEV
2013E
2014E
2013E
2014E
yield
CWH
CommonWealth REIT
\$15.85
\$1,338
\$4,914
11.1%
\$89
3.9%
76%
5.4x
5.5x
12.0x
12.3x
6.3%
HIW
Highwoods Properties Inc.
\$35.35
\$2,983
\$4,999
6.6%
\$144
1.3%
40%
13.1x
12.7x
15.6x
14.8x
4.8%
BDN
Brandywine Realty Trust
\$12.96
\$1,885

\$4,689

7.1%

\$176

1.3%

58%

9.0x

8.6x

14.1x

13.8x

4.6%

CLI

Mack-Cali Realty Corp.

\$27.15

\$2,715

\$4,983

8.2%

\$158

1.8%

44%

10.6x

10.5x

13.4x

13.3x

6.6%

PDM

Piedmont Office Realty Trust Inc.

\$19.66

\$3,294

\$4,699

6.9%

\$229

0.6%

30%

14.0x

13.5x

15.8x

15.1x

4.1%

PKY

Parkway Properties Inc.

\$16.39

\$920

\$2,096

6.0%

\$177

1.8%

37%

13.3x

12.4x

14.2x

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

15

History of Underperformance

Summary Public Comparables

CWH trades at a significant discount to its peers on all key measures

(1)

Note: Share price and estimates updated as of 2/25/2013, the day before Related and Corvex's 13D filing. Financial information calculated as GAAP LTM NOI / TEV.

(1) CWH

implied

cap

rate

based

on

CWH

standalone

TEV

of

\$4,914

million

(based

upon

CWH's

enterprise

value

excluding

the

market

value

of

CWH's

public

equity

stake

in

SIR

and

indebtedness

of

SIR)

and

estimate

of

comparable,

stabilized

NOI

of

\$547

million

(derived

from

a
bottom-up
property-by-
analysis
conducted
by
Related,
Corvex and their advisors.)
(2) CWH Net debt / TEV
includes CWH's Series D and Series E Preferred Shares. These preferred instruments have fixed cash coupons and fixed redemptions.
The
Series
E
is
not
convertible
to
common
stock.
The
Series
D
is
convertible
to
common
stock
at
a
conversion
price
of
\$52.00
or
approximately
133%
greater
than
CWH's recent stock price. As such, we believe these preferred instruments are more similar to subordinated debt securities than common stock.
Source: Company filings and FactSet.
(2)

16
Change Through Accountability
Path
for Shareholders
Given
entrenching
devices
in
CWH s
documents,

shareholders
must
act
now
to
remove
the
board
or
face
at
least
three
more
years
of
mismanagement.

All or None : If less than the entire board is removed, vacancies will be filled by the remaining trustees.

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

Record
date
is
April
22,
in
our
and
our
attorneys
view,
in
light
of
the
board's
lack
of
response to our request for a record date

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

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

17

Change Through Accountability
Value
for Shareholders

Value: \$35 per share potential NAV at 4/17/13 after removal of current trustees, and target stock price of \$44+ per share at 12/31/14

In our view, NAV represents current fair market value (if current trustees are removed) based on bottom-up property-by-property valuation analysis led by Related, one of the most

prominent
privately-owned
real
estate
firms
in
the
U.S.
(1)

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

In
our
view,
potential
downside
of
-40%
or
greater
to
current
price
should
existing
trustees
remain
in
place,
due
to
market
overhangs
from
external
management,
poor
corporate
governance,
and
likelihood
of
continued
underperformance
(1)

See Appendix.

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

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

18

Change Through Accountability

Plan

for Shareholders: Strategy

Internalize management and adopt a market cost structure

Align management compensation with shareholder returns

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

Amend

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

Cease all related party transactions

Cease all acquisition activity until CWH's stock price exceeds its NAV

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

In
short,
manage
the
Company
to
maximize
long-term
CWH
shareholder
value,
not fees paid to RMR

We propose the following key elements as a starting point for the Company's new direction, subject to the approval of the new board elected by shareholders

19

Change Through Accountability
Plan

for Shareholders: Board Transition

Once the current trustees are removed, CWH is required to promptly call a special meeting during which all shareholders will elect new trustees

At that time, we hope and expect all CWH shareholders will collectively identify an independent slate of highly qualified nominees including real estate industry veterans with pristine credentials

that are prepared to work for the best interests of all shareholders

Corvex/Related

are
committed
to
collaborating
with
fellow
shareholders

to
elect
an
independent
board

that
will
implement
ISS
and
Glass
Lewis
corporate
governance
best practices

In
particular,
Corvex/Related

are
committed
to
supporting
the
implementation
of
a
strict
policy
with
respect
to
related
party
transactions

With respect to material transactions with significant shareholders, we would demand that any such transactions be approved by a majority of the shares not owned by any such shareholder

Note that Related will not be managing the properties or incorporating them in any way into its own portfolio

The
Declaration
of
Trust
contemplates
the
removal
of
the
entire
board
of
trustees and provides a roadmap for the transition

20
Change Through Accountability
Plan
for Shareholders: New Corporate Governance Framework
Terminate CWH's poison pill, and impose a strict policy of non-implementation of poison pills without
shareholder approval
Opt-out of every provision of the Maryland Unsolicited Takeovers Act
Annually elected board of trustees, with a majority being independent (based on ISS's definition of
independence)
Majority vote for the removal of trustees with or without cause

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Directors elected by majority of votes cast, with strict resignation policy; plurality voting to apply in contested elections

Shareholders to fill trustee vacancies and permit them to both expand the size of the board and fill newly created vacancies

Eliminate ownership / holding period requirements for the nomination of directors or making of other shareholder proposals at the annual meeting

Eliminate ownership / holding period requirements for requesting a record date

Shareholders to have the power to amend bylaws

No mandatory arbitration of shareholder disputes

Strict policy on related party transactions

We will only support trustees who commit to immediately upon their election

take steps to amend CWH's charter and bylaws to conform to ISS and Glass

Lewis best practices:

21

Change Through Accountability

Plan

for Shareholders: Corporate Management Transition

Mr. Lozier is a 30+ year real estate industry veteran:

Former CEO and co-founder of the Archon Group L.P., a subsidiary of Goldman Sachs,

During

Mr.

Lozier's

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

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

Related/Corvex have identified a potential interim CEO, Jim Lozier, to help
transition CWH to internal management

22

Change Through Accountability

Plan

for Shareholders: Property Operations Transition

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

CBRE

(1)

employs 42,000+ people in 430+ offices and manages more than 3.3 billion square feet of

commercial property and corporate facilities across the globe

Successfully

managed

transition

of

leasing

/

management

services

for

1.2

billion

square

feet

of

commercial properties in the U.S. over the previous nine years, including transitions done under significant time pressure

(1)

Employees,

offices,

and

square

footage

under

management

includes

CBRE

affiliate

offices.

23

Change Through Accountability

Plan

for Shareholders: Financial Transition

In connection with their scare tactics, current trustees have also emphasized risk that a termination of RMR's agreements could lead to a change of control

under CWH's credit agreements and other agreements

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

Deutsche

Bank

has

already

given

us

a

highly

confident

letter

for

any

necessary

refinancing

which may arise under CWH financing agreements as a result of the change of control,
positioning CWH for a smooth transition

24
Conclusions
Change Through Accountability
The
board
of
trustees
of
CWH
must

be
held
accountable,
and
removed
in
its
entirety
Worst-in-class
corporate governance, in our view, has produced a fundamental
misalignment
of
incentives,
destroyed
value,
and
disenfranchised
shareholders
CWH
has,
in
our
view,
performed
poorly
in
absolute
terms
and
underperformed
its
peers
on
almost
any
metric
over
any
relevant
time
period
Corvex/Related
have
proposed
a
clear
Path
and
Plan
to

unlocking
significant
Value

Stock Price
Related / Corvex
@ 2/25
NAV @ 4/17
Stock Price
\$15.85
\$34.92
% Change
--
120.3%

Diluted shares outstanding

84.4

118.3

Equity value

\$1,338

\$4,131

TEV

4,914

7,137

Cap Rate of Stabilized NOI

(3)

11.12%

7.66%

Cap Rate of LQA NOI

(4)

9.92%

6.83%

Price / LQA Normalized FFO

5.9x

13.0x

Price / GAAP Book Value per Share

0.43x

0.95x

Price / Square Foot

(5)

\$89

\$135

Dividend Yield @ Current \$0.25 / Qtr

6.31%

2.86%

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

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

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

Appendix

Valuation Summary

(1)

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

(2)

Derived based on the sum of a bottom-up, property-by-property analysis conducted by Related, Corvex and their advisors.

(3)

Stabilized NOI of \$547 million.

(4)

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

(5)

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

(1)

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

(2)

25

Appendix

Share Repurchase Analysis

We believe accretive capital allocation could lead to a stock price of \$44 by
12/31/14

26

Stabilized Cash NOI (after Non-Core Asset Sales)

\$511.4

Cap Rate Assumed

7.50%

Implied CWH TEV

\$6,818.7
PF Net Debt
2,331.2
Preferred Equity
655.0
Implied CWH Equity Value
\$3,832.5
Implied CWH Share Price
\$44.33
% Change to Current
96.5%
Memo: Shares Outstanding
86.5
Implied CWH Share Price
Non-Core Asset Sales
\$44.33
\$0.0
\$150.0
\$300.0
\$450.0
\$600.0
7.00%
\$43.52
\$46.34
\$49.96
\$54.78
\$61.52
Cap
7.25%
41.10
43.70
47.05
51.51
57.74
Rate
7.50%
38.83
41.24
44.33
48.45
54.20
7.75%
36.71
38.93
41.78
45.58
50.90
8.00%
34.72
36.77

39.40
42.90
47.80
% Change to Current
Non-Core Asset Sales
\$0.0
\$150.0
\$300.0
\$450.0
\$600.0
7.00%
92.9%
105.4%
121.5%
142.8%
172.7%
Cap
7.25%
82.2%
93.7%
108.5%
128.3%
155.9%
Rate
7.50%
72.1%
82.8%
96.5%
114.7%
140.3%
7.75%
62.7%
72.6%
85.2%
102.1%
125.6%
8.00%
53.9%
63.0%
74.6%
90.2%
111.9%
2012
2013E
2014E
Reported CAD
\$131.4
Run-Rate
Target
Savings

Business Mgmt. Fees
 \$46.2
 \$35.0
 \$11.2
 Property Mgmt Fees
 36.8
 25.8
 11.0
 Incremental CAD
 \$83.1
 \$60.8
 \$22.3
 \$22.3
 \$22.3
 Reduction in Interest
 43.2
 43.2
 43.2
 Adjusted CAD
 \$196.9
 \$196.9
 \$206.7
 Current Quarterly Dividend
 \$0.25
 \$0.25
 Avg. Shares Outstanding
 110.1
 94.2
 Annual Dividends Paid
 \$110.1
 \$94.2
 2013E
 2014E
 CAD after Dividends Paid
 \$86.8
 \$112.6
 Non-Core Asset Sales
 300.0
 300.0
 Divested NOI
 (9.0)
 (27.0)
 Share Repurchases
 \$377.8
 \$385.6
 Share Repurchase Price Assumed
 \$23.00
 \$25.00
 % Premium to Current Price
 2.0%

10.8%

Shares Repurchased

16.4

15.4

% of Shares Outstanding (Current)

13.9%

13.0%

Beginning Shares

118.3

101.9

Ending Shares

101.9

86.5

Avg. Shares Outstanding

110.1

94.2

Note: Other upside drivers not modeled here include stronger end market growth, SIR appreciation, further multiple expansion

27
Appendix
Questions All CWH Shareholders Should be Asking
Have
current
trustees
created
value
for
CWH

shareholders?

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

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

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

Will

CWH

ever

trade

at

a

peer

valuation

with

RMR

as

its

external

manager?

How

much

of

the

Portnoy

fortune

has

been

extracted

from

the

savings

of

retail

investors?

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

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

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

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

How

can

CWH

call

its

hand-picked

trustees

independent?

28

Appendix

Questions All CWH Shareholders Should be Asking (cont'd)

Why

haven't

CWH's

independent

trustees

formed

an

independent
committee

and
hired independent advisors?

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

Does

CWH

even

have

a

strategy,

or

is

it

simply

recycling

capital

to

create

the

appearance

of

doing

something?

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

Why

are

the

Portnoys

trying

to

change

Maryland

law

rather

than

face

a

shareholder

vote?

Why

haven't

current

trustees

prepared

a

detailed

presentation

of

their
own
demonstrating
how
much value they have created for CWH shareholders?
Why isn't anyone in the REIT industry speaking up to defend the Portnoys?
How much CWH shareholder money have existing trustees already wasted in the last seven weeks
trying to further entrench themselves?
How
much
more
damage
will
be
inflicted
on
CWH
shareholders
in
the
next
3
years
if
current
trustees
are
not
removed
immediately?

29
Appendix
Structural Change is Much Needed
Citi
Research
has
stated
that
the
Company

has
a
flawed
structure
and
history
of
value destruction

30

Appendix

External Manager RMR Causes Concern

(1) For the 9 month period ended September 30, 2012, CWH reported a NOI margin of 57.7%. CWH excluded 94 underperforming stores from its same store financials ending 12/31/2012, making the 9 months ended 9/30/2012 a more representative reflection of company performance. The 57.7% NOI margin, the lowest of its peers, compares to a peer average of 64.7% over the same time period, despite CWH's greater scale. The 7.0% difference between CWH and its peers implies over \$70 million of potential excess costs at CWH, a difference which has attracted the attention of market participants.

31

Appendix

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

32

Appendix

Related & Corvex Overview

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

Related Companies

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

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

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

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

Active investing to create asymmetric risk/reward opportunities

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