

CIM Commercial Trust Corp
Form 10-K
March 16, 2015

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-K

ý **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2014

OR

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934**

Commission file number 1-13610

CIM COMMERCIAL TRUST CORPORATION

(Exact Name of Registrant as Specified in Its Charter)

Maryland
(State or Other Jurisdiction of
Incorporation or Organization)

75-6446078
(I.R.S. Employer
Identification No.)

17950 Preston Road, Suite 600
Dallas, Texas
(Address of Principal Executive Offices)

75252
(Zip Code)

Registrant's telephone number, including area code: **(972) 349-3200**

Securities registered pursuant to Section 12(b) of the Act:

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Title of Each Class	Name of Each Exchange on Which Registered
Common stock, \$0.001 par value per share	Nasdaq Global Market

Securities registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated filer Accelerated filer Non-Accelerated filer Smaller reporting company
(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined by Rule 12b-2 of the Act.) Yes No

As of June 30, 2014, the aggregate market value of the voting common stock held by non-affiliates of the registrant, computed by reference to the average high and low sales prices on the Nasdaq Global Market as of the close of business on June 30, 2014, was approximately \$41.6 million. Registrant does not have any nonvoting common equities.

As of March 1, 2015, the registrant had outstanding 97,581,598 shares of common stock, par value \$0.001 per share.

DOCUMENTS INCORPORATED BY REFERENCE

The information required by Items 10, 11, 12, 13 and 14 of Part III of this Annual Report on Form 10-K will be found in the Company's definitive proxy statement for its 2015 Annual Meeting of Stockholders, to be filed pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended, and such information is incorporated herein by this reference.

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Forward-Looking Statements

This Form 10-K contains certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 (the "Securities Act") and Section 21E of the Securities Exchange Act of 1934, which are intended to be covered by the safe harbors created thereby. These statements include the plans and objectives of management for future operations, including plans and objectives relating to future growth of our business and availability of funds. Such forward-looking statements can be identified by the use of forward-looking terminology such as "may," "will," "expect," "intend," "might," "believe," "anticipate," "estimate," "could," "would" "continue," "pursue," or "should" or the negative thereof or other variations or similar words or phrases. The forward-looking statements expressed or implied herein are based on current expectations that involve numerous risks and uncertainties identified in this Form 10-K, including, without limitation, the risks identified under the caption "Item 1A. Risk Factors." Assumptions relating to the foregoing involve judgments with respect to, among other things, future economic, competitive and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond our control. Although we believe that the assumptions underlying the forward-looking statements are reasonable, any of the assumptions could be inaccurate and, therefore, there can be no assurance that the forward-looking statements expressed or implied in this Form 10-K will prove to be accurate. In light of the significant uncertainties inherent in the forward-looking statements expressed or implied herein, the inclusion of such information should not be regarded as a representation by us or any other person that our objectives and plans will be achieved. Readers are cautioned not to place undue reliance on forward-looking statements. Forward-looking statements speak only as of the date they are made. We do not undertake to update them to reflect changes that occur after the date they are made, except to the extent required by applicable securities laws.

PART I

Item 1. Business

Business Overview

The principal business of CIM Commercial Trust Corporation and its subsidiaries (which may be referred to in this Form 10-K as "we," "us," "our," "our company", "CIM Commercial" or the "Company") is to acquire, own, and operate Class A and creative office properties in vibrant and improving urban communities throughout the United States. These communities are located in areas that include traditional downtown areas and suburban main streets, which have high barriers-to-entry, high population density, improving demographic trends and a propensity for growth. We believe that the critical mass of redevelopment in such areas creates positive externalities, which enhance the value of substantially stabilized assets in the area. We believe that these assets will provide greater returns than similar assets in other markets, as a result of the improving demographics, public commitment, and significant private investment that characterize these areas.

We are managed by affiliates of CIM Group, L.P. ("CIM Group" or "CIM"). CIM Group is a vertically-integrated, full-service investment manager with multi-disciplinary expertise and in-house research, acquisition, investment, development, finance, leasing, and management capabilities. CIM Group is headquartered in Los Angeles, California and has offices in Oakland, California; Bethesda, Maryland; Dallas, Texas; and New York, New York. See "Item 1 Business Overview and History of CIM Group", " CIM Urban Partnership Agreement" and " Investment Management Agreement".

We seek attractive risk-adjusted returns by utilizing the CIM platform which has generated superior returns across multiple market cycles by focusing on improved asset and community performance, and capitalizing on market inefficiencies and distressed situations. Over time, we seek to expand our real estate holdings in communities targeted by CIM Group for investment, supported by CIM Group's broad real estate investment capabilities, as part of our plan to prudently grow market value and earnings.

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We invest primarily in substantially stabilized real estate and real estate-related assets located in areas that CIM has targeted for opportunistic investment. These areas include traditional downtown areas and suburban main streets, which have high barriers to entry, high population density, improving demographic trends and a propensity for growth. CIM believes that the critical mass of redevelopment in such areas creates positive externalities, which enhance the value of substantially stabilized assets in the area. CIM targets investments in diverse types of real estate assets, including office, retail, for-rent and for-sale multifamily residential, hotel, parking, and signage through CIM's extensive network and its current opportunistic investment activities.

On July 8, 2013, PMC Commercial Trust ("PMC Commercial"), entered into a merger agreement (the "Merger Agreement") with CIM Urban REIT, LLC ("CIM REIT"), an affiliate of CIM Group, and subsidiaries of the respective parties. CIM REIT, a private commercial REIT, was the owner of CIM Urban Partners, LP ("CIM Urban"). The transaction (the "Merger") was completed on March 11, 2014 (the "Acquisition Date").

Furthermore, on April 28, 2014, we filed Articles of Amendment (the "Reverse Split Amendment") to effectuate a one-for-five reverse stock split of our common stock ("Common Stock"), effective April 29, 2014. Pursuant to the reverse stock split, each five shares of Common Stock issued and outstanding immediately prior to the effective time of the reverse stock split were converted into one share of Common Stock. All per share and outstanding share information from before the Reverse Split Amendment included herein has been presented to reflect the reverse stock split unless otherwise noted.

The Merger Agreement provided for the business combination of CIM REIT's wholly owned subsidiary, CIM Urban, and PMC Commercial. Pursuant to the Merger Agreement, Urban Partners II, LLC ("Urban II"), an affiliate of CIM REIT, received 4,400,000 shares of newly-issued PMC Commercial common stock and approximately 65,000,000 shares of newly-issued PMC Commercial preferred stock. Following the Merger and subsequent increase in our authorized number of shares, each share of preferred stock was converted into 1.4 shares of PMC Commercial common stock, resulting in the issuance of 95,440,000 shares of PMC Commercial common stock in the aggregate in connection with the Merger, representing approximately 97.8% of PMC Commercial's outstanding shares of common stock.

All shares of PMC Commercial common stock that were outstanding immediately prior to the closing of the Merger continue to remain outstanding following the Acquisition Date. In addition, stockholders of record of PMC Commercial at the close of the business day prior to the Acquisition Date received a special cash dividend of \$27.50 per share of common stock plus that pro-rata portion of PMC Commercial's regular quarterly cash dividend accrued through the Acquisition Date, each of which was paid March 25, 2014.

Upon completion of the Merger, PMC Commercial became the parent of CIM Urban. PMC Commercial reincorporated from Texas to Maryland on April 28, 2014 and, on the same day, changed its name from "PMC Commercial Trust" to "CIM Commercial Trust Corporation."

The Merger was accounted for as a reverse acquisition under the acquisition method of accounting with CIM Urban considered to be the accounting acquirer based upon the terms of the Merger Agreement. Based on the determination that CIM Urban was the accounting acquirer in the transaction, CIM Urban allocated the purchase price to the fair value of PMC Commercial's assets and liabilities as of the Acquisition Date.

In order to allow CIM Commercial to increase its focus in Class A and creative office properties, our board of directors (the "Board of Directors") approved a plan for the legacy lending business (the "lending business") that, when completed, will result in the deconsolidation of the lending segment. Accordingly, as of December 31, 2014, the lending segment is held for sale.

As of December 31, 2014, our portfolio consisted of 33 assets, all of which are fee simple properties except one leasehold property. As of December 31, 2014, our 24 office properties, totaling

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approximately 5.6 million rentable square feet, were 85.1% occupied; our multifamily properties, composed of 930 units, were 92.8% occupied; and our hotels, which have a total of 1,070 rooms, had revenue per available room ("RevPAR") of \$99.61 for the year ended December 31, 2014. Our office portfolio contributed approximately 70.0% of revenue from continuing operations for the year ended December 31, 2014, while our hotel portfolio contributed approximately 21.9%, and our multifamily portfolio contributed approximately 8.1%.

Our office, multifamily and hotel assets are located in 11 U.S. markets. The breakdown by segment, market and submarket, as of December 31, 2014, is as follows:

Overview of our Portfolio as of December 31, 2014

Property	Market	Sub-Market	Office and Retail Rentable Square Feet	Multi- family Units	Hotel Rooms
Office					
BB&T Center	Charlotte, NC	Uptown	567,578		
1 Kaiser Plaza	Oakland, CA	Lake Merritt	531,564		
2101 Webster Street	Oakland, CA	Lake Merritt	472,630		
980 9th Street	Sacramento, CA	Downtown/Midtown	449,635		
211 Main Street	San Francisco, CA	S Financial District	415,120		
370 L'Enfant Promenade	District of Columbia	Southwest	407,321		
999 N Capitol Street	District of Columbia	Capitol Hill	321,544		
899 N Capitol Street	District of Columbia	Capitol Hill	314,317		
800 N Capitol Street	District of Columbia	Capitol Hill	311,690		
1901 Harrison Street	Oakland, CA	Lake Merritt	272,161		
830 1st Street	District of Columbia	Capitol Hill	247,337		
1333 Broadway	Oakland, CA	City Center	239,821		
2100 Franklin Street	Oakland, CA	Lake Merritt	216,666		
11620 Wilshire Boulevard	Los Angeles, CA	West Los Angeles	192,719		
Penn Field	Austin, TX	South	182,330		
4750 Wilshire Boulevard	Los Angeles, CA	Mid-Wilshire	143,361		
7083 Hollywood Boulevard	Los Angeles, CA	Hollywood/Sunset	82,180		
260 Townsend	San Francisco, CA	South of Market	65,760		
11600 Wilshire Boulevard	Los Angeles, CA	West Los Angeles	54,831		
Civic Center	Orange County, CA	Central	37,116		
Lindblade Media Center	Los Angeles, CA	West Los Angeles	32,428		
Total Office (21 Properties)			5,558,109		
Other Ancillary Properties within Office Portfolio					
901 N Capitol Street(1)	District of Columbia	Capitol Hill			
1010 8th St Parking Garage & Retail	Sacramento, CA	Downtown/Midtown	31,133		
2353 Webster Street Parking Garage	Oakland, CA	Lake Merritt			
Total Ancillary Office (3 Properties)				31,133	
Total Office incl. Other Ancillary (24 Properties)					5,589,242
Multifamily Portfolio					
4649 Cole Avenue	Dallas, TX	Oaklawn		334	
Memorial Hills	Houston, TX	Montrose/River Oaks		308	
47 E 34th Street	New York, NY	Midtown West		110	
3636 McKinney Avenue	Dallas, TX	Central Dallas		103	
3839 McKinney Avenue	Dallas, TX	Central Dallas		75	

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Total Multifamily (5 Properties) 930

<i>Hotel Portfolio</i>			
Sheraton Grand Hotel	Sacramento, CA	Downtown/Midtown	503
LAX Holiday Inn	Los Angeles, CA	LAX	405
Courtyard Oakland	Oakland, CA	City Center	162
Total Hotel (3 Properties)			1,070